

**EMBASSY OF INDIA  
YEREVAN**

**Market Survey**

**Information Technology  
Georgia**

April 2005

**GEORGIA – FACT SHEET**

Location	South Caucasus
Area	69,500 sq km
Capital	Tbilisi (1.3 mn pop)
Neighbours and Boundaries	Armenia-164 kms, Azerbaijan – 322 kms, Russia –723 kms, and Turkey-252 kms
Coastline	310 kms
Ports	Poti, Batumi
Land	Largely Mountainous
Land use	Agricultural 42%, water 2% and forest 34%, Irrigated land 4000 sq. km
Economy	Traditionally agricultural, producing fruit, wine, oils, tobacco and spices. Industries include manganese and coal mines, crude oil and gas production and food processing.
Natural resources	Hydropower (26,000 rivers), manganese, non-ferrous and rare metals, minor coal and oil, forests, coastal climate and soils allow for important tea and citrus growth
Electricity (2001)	Production 7.2 bn kWh, consumption 7.6 kWh
Population (2003)	4.4 mn (Urban 2.8 mn), Growth rate: - 0.2 per thousand. Regular migration abroad. Estimated 280,000 Internally Displaced Persons. Male/female ratio: 0.9:1.0
Ethnic groups	Georgians 84%, Armenian 8%, Russian 6%, Azeri 6%, Ossetian 3%
Life expectancy	73 years
Literacy rate	99%
Religion	The Orthodox Church of Georgia is one of the oldest Christian communities in the world, dating back to 337. Most Georgians belong to this faith. There are small communities of Muslims, Catholics, Slav Orthodox believers, Armenian Apostolics and Zoroastrians. Orthodox 75% (Georgian Orthodox 65%, Russian Orthodox 10 %), Islam 11%, Armenian Apostolic 8%, others 6%.
Language	Georgian, with 33 alphabets, written in a unique rounded alphabet. It is the largest among the Ibero-Caucasian languages, a non-Indo-European group.
History	Georgian history dates back over 2,500 years and Georgian is one of the oldest living languages. Tbilisi, located in a picturesque valley divided by the Mtkvari River, is over 1,500 years old. Much of Georgian territory was besieged by its Persian and Turkish neighbours along with Arabs and Mongols from 7 <sup>th</sup> to 18 <sup>th</sup> centuries. After eleven centuries of mixed fortunes, including a Golden Age from 11 <sup>th</sup> to 12 <sup>th</sup> centuries, Georgia turned to Russia for protection. Russia annexed Georgia and exiled the royalty in 1801. Pockets of Georgian resistance to foreign rule continued, and the first Republic of Georgia was established in May 1918 after the collapse of Czarist Russia. By March 1921, the Red Army had reoccupied the country and

	Georgia became part of the Soviet Union. On 9 April 1991, the Supreme Council of Georgia declared independence.
Political system	Presidential Republic (President is Head of State and Executive)
State structure	Federal country consisting of two autonomous republics (Abkhazia and Ajara), and 12 regions divided further into rayons (Abkhazia has broken away as has another region South Ossetia)
Independence Day	9 April 1991
National Holiday	May 26 (coinciding with establishment of first Republic of Georgia on 26 May 1918)
Constitution:	Adopted August 1995
Head of State:	President Mikheil Saakashvili elected President in January 2004. President is Head of State and Government, elected by popular vote for a maximum of two five-year terms
Legislative branch	Unicameral Supreme Council (235 seats); last elections: March 2004.
Currency	Georgian Lari ( US\$ 1 = 1.83 Lari APR 2005)
GDP (2004)	US\$ 5.4 bn (US\$ 12 bn ppp)
Per capita GDP (2004) Per cap GDP ( PPP)	US\$ 1,200 (app) US\$ 2,500
GDP growth rate(2004)	8.5% (2203=11.1%)
GDP-composition	Agriculture:20%; Industry:23%, Services: 57%
Unemployment	Officially 10.8%, actually close to 50%
External debt (2004)	US\$ 2.4 bn
Reserves end-2004	US\$ 300 mn
Avg. monthly wage (2004)	US\$ 50
Major crops	Potatoes, hazelnuts, tea, citrus fruits, grapes (excellent wines)
Industry	Some 72 power plants, breweries and distilleries, chemical, petrochemical ("tea kettle" refineries), food processing and shipbuilding (at Batumi), cement (at Kaspi and Rustavi) are main industries. Surviving relics of Soviet era include SU aircraft factory, Kutaisi Auto Plant, machine tools, textiles, shoes, chemicals and wood products. Privatisation began after independence in 1991 and large-scale sell-offs of infrastructure enterprises are continuing
Transport & Communication	Railways 1613 kms, Highways 21,000 kms, Airport- Tbilisi connected with all major European Countries
Exports (2004) US\$ 515 mn (est)	Scrap metal, machinery, chemicals; fuel re-exports; citrus fruits, tea, wine, textiles. Major buyers are Russia, Turkey, Armenia, Azerbaijan, Switzerland, Ukraine
Imports (2004) US\$ 1.25 bn (est)	Fuels, machinery and parts, transport equipment, grain and other foods, pharmaceuticals. Major imports from Russia, UK, Turkey, Azerbaijan, US, Germany, Ukraine, France
Business opportunities for Indian companies	Mahindra Bolero vehicles assembled at Kutaisi Automobile Plant. Pharmaceuticals, small and medium scale industries, Information Technology and agriculture (tea, silk farming and meat) are priority sectors.

<i>International Organisations</i>	Member of the CIS, OSCE, UN, WTO, Black Sea Economic Cooperation Organization, GUUAM, IMF, World Bank and NATO's Partnership for Peace Programme.						
<i>Bilateral trade (US\$ mn)</i>	1998	1999	2000	2001	2002	2003	2004
<i>India's exports</i>	0.7	1.4	1.2	2.1	4.2	5.5	5.77
<i>India's imports</i>	0.4	0.3	1.3	4.6	1.9	5.9 (scrap)	6.03 (scrap)
Main items of bilateral trade	India's major imports are scrap (aluminum and copper) while major exports are pharmaceuticals, polyesters, meat, machinery, tobacco, coffee and (since 2003) sugar						

### **New Political Environment in Georgia**

As a result of central political changes in November 2003, (so called peaceful/velvet rose revolution) the rule of the old regime came to its end in Georgia. After persuasive victory in the 2004 January elections the New President and the New Government came to power. They brought a new reform vision and a new strategy for statehood building; to ensure coherent implementation of the state reform programs. The creation of new favorable business environment is a core of these reforms.

### **New Business Environment in Georgia**

- Anti-corruption measures
- Launch of new phase of privatization
- Liberalization of tax code
- A package of new liberal business-related legislation
- Improvement of fiscal administration, higher level of institutional efficiency
- Property rights, protection of investments are guaranteed by law

Altogether provide for a substantially new business environment in Georgia.

### **INTRODUCTION**

This survey gives a general overview of Information and Communication Industry in Georgia. The report is based on data provided by official and non-official sources. Georgia is a former Soviet Union country which means that Georgians started using

computers and became aware of IT world at the end of 80-ies and in early 90-ies when the rest of the world was celebrating their achievements in Information and Communication Technologies.

Georgia is a country with considerable potential in deployment and systematic use of Information and Communication Technologies (ICT or ICTs) in its development plans. The Georgian Government is committed to use opportunities provided by ICTs to the benefit of the country's economy and civil society. It is a priority issue for Georgia to establish the groundwork for the continuous development of institutions, infrastructure and laws to create a modern information society. Moreover, harmonized ICT is crucial for the country's long-term goal of accession to the European Union. As one of the most efficient ways for building a developed democratic state, are development of new technologies and building of information society, Georgia is trying to follow these ways.

Georgia having a substantial potential adjusted in its development plans the international target on making available the benefits of new, especially ICT, technologies through the cooperation with the private sector. In this context the following target should be met:

- Ensure improved accessibility to communication systems countrywide, minimize digital inequality between urban and rural areas.

Accessibility to communication systems in Georgia is unequal. While the minimum demands urban areas are met, in rural areas communications remain at a low level. There is no access to universal communication services in the regions. This constrains social-economic opportunities for people with low income and generally for the population in the regions. Currently there are more than 150 operators in the telecommunications sphere. However, there are 12.6 fixed telephones per 100 inhabitants. In urban areas the figure is 21.3 while in rural areas 1.5.

Roughly 3.5% of the population uses the Internet. This is mainly concentrated in the main cities and in particular Tbilisi. Access to the Internet is difficult in small cities, regional

centers and villages where there is little or no infrastructure. A priority must be the creation of the equal conditions in urban and rural areas.

### **GENERAL OVERVIEW**

Information Technologies business was a “strange fruit” for Georgians till 90-ies but as it started development, the process is ongoing. Nowadays you can meet many IT professionals in Georgia working in different areas of IT business, e.g. networking, tailor software developing, system integration, hardware retail and wholesale. Local companies involved in IT business develop advanced solutions and implement large projects throughout Georgia, create information systems where practical experience of Georgian IT specialists, state-of-the-art technologies and the most up-to-date hardware and software products are consolidated.

Scope of activities of Georgian companies involved in IT business:

1. Development of key-ready solutions for financial institutions;
2. Creation of computer and telecommunications systems, structures cable systems and information storage systems;
3. Creation of strong sales and service channels;
4. Partnership with the leaders of the worldwide computer market.

As for today there are several companies on IT market providing multiform and qualitative services to their customers. They also have contacts and cooperate with different world leaders on IT market:

[Cisco Systems](#), [HP](#), [Apple](#), [Schmid Telecom](#), [Motorola](#), [Proxim](#), and many others.

Georgian companies have developed a range of high technology products, from hardware (e.g. minicomputers) to software development to electronics to semiconductors design and testing. Currently, the strongest areas of the technology sector are related to semiconductor design, test and production process optimization, and software

development. Many public and private higher education institutions are training engineers and technology leaders. The main universities - Tbilisi State University, Tbilisi Technical University - all have growing computer science and engineering departments. Several Georgians participated in IT training courses in India under Indian Technical and Economical Cooperation (ITEC) Program (This program is still going on). The most popular course is IT.

Georgia looks towards the powerful Indian IT sector to seek its experiences and get investments. Many Georgian companies would like to work jointly with Indian IT companies. There is a lot of scope for the entry of Indian IT industries in the CIS market using the Georgian gateway. The experience of Indian IT sector in the development of Software Technology Parks (STP) and human resource potential especially in the IT enabled services can be shared with the Georgian IT sector.

### **SOFTWARE DEVELOPMENT**

Software development companies are the largest employers in the IT sector. The software industry employs basically software programmers, systems engineers and hardware specialists.

There are many local Software Companies in Georgia working in cooperation with world leaders in Software developing. They produce programs for IBM PC (DOS, WINDOWS 16/32). The tasks solved by companies concern the different fields: Geophysics (Seismic interpret), Ecological Mapping, Banking, Building (design, calculation), Commodity circulation, City inform mapping, Linguistic (Georgian package AI IA), Game (Backgammon), Speech synthesis/recognition (Georgian), Optical character recognition and etc.

### **SOFTWARE PROGRAMS AVAILABLE IN GEORGIA**

The Georgian IT firms are working with mostly current programming languages including Visual C, C++, Visual Basic, Java, Delphi, SQL Server, Oracle, and Power

Builder, JBuilder. High level facilities of development of programs, affording a number of essential advantages are also available in Georgia. Main from them - an essential reduction of time to the development of programs is one of the first languages of the quick development. Local companies started producing software programs for different organizations according to the field and scope of their business:

<p><u><b>Desktop Applications</b></u></p> <p>Supermarket          Trade + Storing + Production          TV subscribers          Store house for Auto parts          Registration in Auto service          Registration of the citizens</p>	<p><u><b>Documentations Database</b></u></p> <p>English - Georgian Dictionary          Georgian Ancestrals          Newspapers Catalogues          Bank          Schools          Financial obligations          Lottery at auto service          Electronic Catalogue</p>
<p><u><b>Web Applications</b></u></p> <p>Books in print in Georgia          Restaurant in Internet          Web manager          Web Library for Civil education          Books Electronic Library</p>	<p><u><b>Graphical design</b></u></p> <p>Architecture - MAKET-3D</p>

**Trade + Storing + Production**

This application is on the stage of development. Allows to set full automation of the financial processes of the network of magazines, shops, store houses and production units under central management. Developed with VB.NET and Ms SQL Server.

**Supermarket**

This is a very complex program can be used by cashiers and by administrators through the local network of the supermarket to automate accounting works and get clear report on overall financial situation. Supermarket allows to register and calculate sums of buyings, sellings, expenses and all other operations taking place in the magazine; gives

values in tables and graphical charts to appreciate current total situation. Program is used in the supermarkets "ELI Ltd"; developed with Visual Basic 6 and MsAccess.

### ***Store house for Auto parts***

Spare parts stored in the local Mercedes-Benz Center (implemented in Ltd. AKA), this information consists from parts description, their prices, numbers ordered, received, sold and preserved. Program automatically calculates balance of the stock movement, financial information and statistical information separately for each spare part and for total store house.

### ***Books in Georgia***

This Web page shows publishing houses names and books published by them what are in sell at shops. Information is stored in the database on the server. To enter or modify publishers, categories, books and appoint them for each publisher and each category manager of the system uses another web application "Web manager". Developed with ASP, DHTML, JavaScript and MsAccess.

### **Local Software Companies in Georgia:**

#### **DACHI & COMPANY**

Georgia, Gori, Evdoshvili st.59  
Tel: (995370) 7-31-40, (99532) 57-74-32  
E-mail: [zazai@dachi.com.ge](mailto:zazai@dachi.com.ge)

#### **Sotware Sysytems in Business**

Sergi G. Datuashvili.  
Tbilisi, Georgia,  
Mobile 893 97 90 75, 38-36-95(home), 98-75-62(Office)  
E-mail: [sdneti@hotmail.com](mailto:sdneti@hotmail.com)

#### **IUNION LTD**

Offshore Software Development in Georgia  
47 Kostava ave. , Tbilisi, Georgia  
+995 32 33 50 35  
E-mail: [contact@iunion.ge](mailto:contact@iunion.ge)

### **Computers and Internet in Georgia**

Computers became very popular in Georgia since 1995. Nowadays about 90% of organizations, enterprises, private or state-owned companies in big cities of Georgia, like Tbilisi, Batumi, Kutaisi, use computers. You can find finished products as well as locally assembled ones. Many Georgian companies can offer a wide choice and select an optimal model for needs of each customer. Computers and computer parts are mainly imported from Dubai, Taiwan, China, Russia and some of them from Turkey, Germany, Holland.

It is much cheaper to assemble a computer locally rather than to buy a ready-made one but there are some companies having such a requirement. The price difference for Pentium 4 with monitor and printer is as follows:

Standard locally assembled computer – USD 700 – USD 1000

Standard original computer – USD 1100 – USD 1400 depending on the country of origin.

As for today we can say that organizations purchase computers and techniques according to their business requirements, therefore we can see computers of the “previous century” in many companies, but as long as they meet the working requirements, the management does not replace them.

It should be mentioned that *the most expensive computers* are purchased by parents for their children whose requirements are quite “serious” as they need to play games. Also we can find high quality computers in the offices of foreign companies operating in Georgia.

So called *TFD – LCD monitors* “are in vogue” and prestigious in Georgia, therefore they are quite well-selling products in Tbilisi and Batumi, Georgia.

*Web cameras* are also very popular in Georgia.

Requirement on *Notebooks* also start increasing.

Requirement of creating a *web-site* has significantly increased from the side of different companies in Georgia, as they start realizing its necessity and importance.

*DSL (Internet for 24hours)* - unlimited Internet without engaging the phone-line. Many companies and individuals are already using this service, which is quite expensive (prices from USD 70/per month) but still very popular because of its benefits.

### **LEADING COMPANIES OF GEORGIAN IT MARKET**

#### **IT Development Center**

77, Kostava st. Building #8 of GTU,  
1075, Tbilisi, Georgia  
Tel: (995 32) 37-13-19 Mob: (995 99) 53-65-83  
Fax: (995 32) 37-13-19  
Email: [webmaster@itdc.ge](mailto:webmaster@itdc.ge)

Representative in Kutaisi:  
Tel: (995 93) 90 26 83  
Email: [info@kutaisi.com.ge](mailto:info@kutaisi.com.ge)

#### **UGT**

United Global Technologies  
Chavchavadze 17a, Tbilisi, Georgia  
Tel: 99532 220505, Fax: 99532 220206  
E-mail: [ugt@ugt.ge](mailto:ugt@ugt.ge)

#### **ALTA**

380094, Tbilisi, Georgia.  
35, Saburtalo str.  
Tel.: (+995 32) 25 24 03, 25 24 05, 38 00 38  
Fax.: (+995 32) 25 24 02  
General Inquiries: [info@alta.com.ge](mailto:info@alta.com.ge) IT consulting: [consult@alta.com.ge](mailto:consult@alta.com.ge)

The company has been established in 1996. One of the companies that really influence the IT development in Georgia is “ALTA”, with comprehensive approach to project implementation, utilization of the most promising equipment and software produced by leaders of the worldwide computer market, as well as the highest professionalism of their workforce.

#### **GREENNET**

Address: 10 Irakli Abashidze St.  
Tbilisi, 0179, Georgia  
Tel: +995 32 251501 / 230446  
Fax: +995 32 259534

Founded in 1998 to meet the growing demand for quality network solutions in Georgia, GREENNET has rapidly developed to become the country's leading systems integrator and network solutions provider. GREENNET has established partnerships with world leaders in networking to bring the best of today's technology to the Georgian ICT market. Small and medium businesses, large enterprises, financial institutions and telecommunication companies rely on the company's quality custom-designed solutions that seamlessly integrate with existing infrastructure while ensuring ultimate performance.

### **Orient Logic**

10, M.Alexidze str, Tbilisi 380093, Georgia

Tel/Fax: +995 32 950765/943175

E-mail: [support@orient-logic.com](mailto:support@orient-logic.com)

Orient Logic has been in the computer business for over 5 years, part of its personnel has been engaged in maintenance of computer equipment for over 9 years, and part of them has taught students in the area of computer equipment and automated control systems for over 12 years. Orient Logic has an experience in implementation of projects.

### **Mantex**

Vazha-Pshavela No 6, Tbilisi, Georgia

Tel: 99532 252848, 372821

E-mail: [mantex@tbiline.com](mailto:mantex@tbiline.com)

The company was established in July 1997 in Tbilisi, Georgia.

The main activity of the company is assembling and supplying computers, computer peripherals and software, networking and communication.

### **Geonet**

41 Vazha-Pshavela Ave., 4th floor, Tbilisi 380177, Georgia

Tel: (+995 32) 47 21 25; 92 21 25;

Fax: (+995 32) 92 21 25

For information: [info@geonet.ge](mailto:info@geonet.ge)

Geonet is a complete Internet Service Provider, delivering high-quality, reliable and scalable Internet Services. It was founded in Tbilisi in 1998 for the purpose of establishment and popularization of informational and communicational services in Georgia. Geonet is the member of RIPE NCC - a collaborative community of organizations and individuals, operating wide area IP networks in Europe.

### **Sanet Network**

Headquarters:

37, Rustaveli Avenue,

Tbilisi, 380008 Georgia

Tel: +995 32 987414, 987470, 922949, 922989

Fax: +995 32 001367  
E-mail: [info@sanet.ge](mailto:info@sanet.ge)

Sanet Network is the leading provider of fast, reliable and centrally managed Internet connectivity services targeted at businesses seeking to maximize the performance of mission-critical Internet-based applications.

Continuing a tradition of quality and backed by substantial corporate resources, Sanet Network is well positioned to offer customers the most reliable IP solutions in Georgia today. They've partnered with Tier 1 backbone providers like UUNET Technologies and KPNQ west to give the dependability and global reach required to confidently deliver advanced IP solutions to our customers. The company provides customizable solutions with round-the-clock customer care to fulfill their specialized global carrier needs.

### **TAXATION**

#### **(On import of Computer, Computer Components and Techniques)**

Customs fee – 0.2 %

Customs duty – 12%

VAT – 20%

In Total – 34.6%

Y = Cost of product at Customs (includes cost of product in the invoice, transportation, insurance and other overheads).

Calculation of Taxes in Total:

$$(Y \times 0.2\%) + ((Y + Y \times 0.2\%) \times 12\%) + (Y + Y \times 0.2\% + (Y + Y \times 0.2\%) \times 12\%) \times 20\%$$

### **CONCLUSION**

Opportunities for Indian IT companies in Georgia can be found easily, as India has a very good reputation and is very popular for their high professionalism in IT and Georgia will much benefit from the contribution of India into IT market development in Georgia.