



MARKET RESEARCH REPORT

AI INVESTMENT ATTRACTIVENESS IN THE SOUTH CAUCASUS

A Comparative Study of Armenia, Azerbaijan, and Georgia

Prepared: May 2026

Independent comparative market research

Executive Summary

ABOUT THIS REPORT

This report was generated by BTUAI and reviewed by human editors. All cited data points and rankings have been verified with the original sources listed at the end of the document.

This report compares Armenia, Azerbaijan, and Georgia as destinations for artificial intelligence (AI) investment. Each country has set out a distinct path: Armenia is racing to build the first large-scale AI factory in the region, Azerbaijan has approved a top-down national AI strategy backed by oil revenues, and Georgia is leveraging an open business environment and a fast-growing IT services base.

Across nearly every measurable dimension that matters to AI investors — infrastructure scale, talent depth, venture capital activity, government strategy, and innovation indices — the three countries score very differently. The picture is not uniform: a country can lead on one factor and lag on another.

HEADLINE FINDING

Armenia is currently the most attractive South Caucasus destination for AI investment in 2026, driven by the \$4 billion Firebird AI factory, a strong diaspora-VC pipeline, and the largest AI startup density in the region.

Georgia ranks second, with the most business-friendly environment, the strongest innovation index, and a maturing IT services base — but lacks a flagship AI infrastructure project of comparable scale.

Azerbaijan ranks third for now, but is closing the gap fastest on government readiness, jumping 41 places in the 2025 Oxford Insights index thanks to top-down policy execution.

Quick Scoreboard

Indicator	Armenia	Georgia	Azerbaijan
AI Readiness Index 2025 (global rank)	#108	#84	#67 ★
Global Innovation Index 2024 (rank)	#63	#57 ★	#95
StartupBlink Ecosystem 2025 (rank)	#54 ★	#70	#74
Tech sector share of GDP (latest)	~7.0% (2024) ★	~5.2% (2023)	~1.5% (2023–24)
Flagship AI infrastructure	\$4B AI factory ★	Kutaisi tech hub	SABAH.city
National AI strategy	Project-led	In drafting	Adopted ★

★ = strongest performer in that row. For ranks (#), a lower number means a better global position. Sources: Oxford Insights 2025; WIPO Global Innovation Index 2024; StartupBlink 2025.

Methodology & Evaluation Framework

This study evaluates AI investment attractiveness through six factor groups that international investors typically weigh when choosing where to deploy AI capital. Each country is profiled against the same framework so that comparisons remain apples-to-apples.

Factor	What it Measures
Infrastructure	Data centres, GPU access, electricity capacity, broadband, cloud presence
Talent & Education	AI/STEM graduates, salaries, diaspora, English fluency, training pipelines
Government & Policy	National AI strategy, public-sector adoption, regulatory clarity, fast-track licensing
Capital & VC	Venture funds, angel networks, deal volume, foreign acquisitions, exits
Innovation Output	Patents, AI startups, research publications, Global Innovation Index ranking
Business Environment	Tax incentives, ease of doing business, IT residence permits, capital mobility

Table 1. Six-factor evaluation framework used throughout this report.

Where possible the analysis draws on internationally recognized indices — the Oxford Insights Government AI Readiness Index, the WIPO Global Innovation Index, the StartupBlink Global Startup Ecosystem Index, and the Global Index on Responsible AI — combined with national statistics offices, official government announcements, and international press coverage from late 2024 through early 2026.

Visual Comparison

AI Investment Attractiveness — Comparative Profile (scores out of 10)

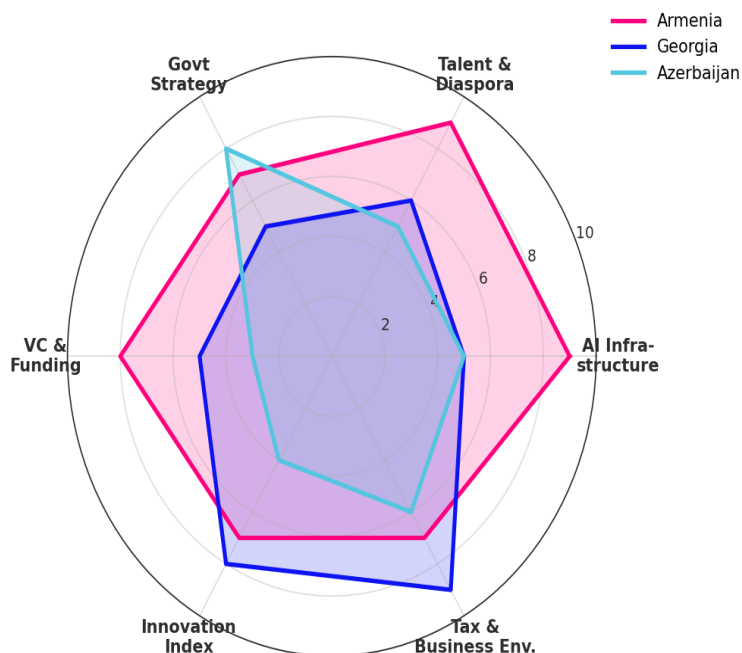


Figure 1. Six-factor profile across Armenia, Azerbaijan, and Georgia (scores out of 10, derived from public indices).

Armenia — The AI Front-Runner

Armenia has emerged in 2025–2026 as the most ambitious AI player in the South Caucasus. The single most important reason is the Firebird AI factory: a project that, in scale, is genuinely unusual for a country of three million people.

THE FIREBIRD AI FACTORY

Announced jointly with NVIDIA at VivaTech 2025 in Paris, the project began life as a \$500 million data centre and has since scaled up. **Total investment is now expected to reach US\$4 billion — more than 10 percent of Armenia's annual GDP.** Thousands of NVIDIA Blackwell GPUs, the most advanced chips currently available, will power cloud-based services and a 125-megawatt facility roughly 50 km from Yerevan.

In November 2025, U.S. regulators approved the chip transfer, after Prime Minister Nikol Pashinyan personally lobbied the White House. The first phase is expected online by mid-2026. By 2027, a portion of the GPU capacity will be allocated free of charge to Armenian startups and researchers — a structural commitment to spreading benefits beyond the headline announcement.

WHY THIS MATTERS

A facility of this scale would be the largest data centre in the entire South Caucasus and one of only seven NVIDIA-approved AI factories worldwide as of mid-2025.

It signals Washington's strategic interest in the region — a counterweight to Russian and Chinese tech footprints.

It anchors a multiplier effect: education, startups, energy infrastructure, and U.S.–Armenia diplomatic ties all move in step.

TALENT, DIASPORA & ECOSYSTEM

Armenia's tech advantage is partly historical — Soviet-era Yerevan was nicknamed the "Silicon Valley of the USSR" for its role in computing and electronics. Today the country runs one of the densest tech ecosystems per capita in the post-Soviet space.

- Active high-tech companies grew from around 8,000 in 2024 to more than 10,700 in 2025.
- The technology sector accounts for roughly 7% of Armenian GDP.
- Startup activity rose 22.8% in 2025, with total funding reaching approximately \$164 million.
- Armenia ranks 54th globally on the StartupBlink index — the highest in the South Caucasus.
- NVIDIA opened its Yerevan office in 2022; Synopsys is one of the largest tech employers.

The Armenian diaspora — roughly 7 million people, most of them outside the country — provides a unique advantage. Diaspora venture capitalists such as Noubar Afeyan (Moderna co-founder) and NVIDIA executive Rev Lebedian are directly tied to the AI factory. Funds like SmartGate physically connect founders in Yerevan with Silicon Valley.

RISKS & CONSTRAINTS

- Acute shortage of senior AI instructors and scientific supervisors.
- Energy supply: a 100-megawatt data centre consumes electricity equivalent to a city of 120,000 — the existing Soviet-era Metsamor reactor is scheduled to be replaced, possibly by U.S. small modular reactors after 2036.
- Brain drain: students openly say the project may not reverse the outflow of young professionals abroad.
- Geopolitical exposure: closed borders with Turkey and Azerbaijan have historically constrained trade.

Azerbaijan — Top-Down Strategy, Oil-Funded

Azerbaijan's approach is the opposite of Armenia's. Where Armenia is led by a single mega-project, Azerbaijan is led by policy. In March 2025 President Ilham Aliyev signed the Artificial Intelligence Strategy of the Republic of Azerbaijan for 2025–2028, a document with more than 30 detailed tasks, dedicated funding, and assigned ministries.

NATIONAL AI STRATEGY 2025–2028

The strategy is built around four pillars: data management and infrastructure, talent development, business environment, and ethical regulation. Funding is drawn from the state budget, public-private partnerships, and external sources. The Center for Analysis of Economic Reforms and Communication monitors implementation.

STRATEGIC PIVOT — BEYOND OIL

Azerbaijan plans to reach \$5 billion in non-oil exports and grow private sector GDP contribution to 88% by 2026.

The ICT sector is the fastest-evolving part of the economy, with 18% annual growth in IT service income.

Microsoft for Startups Founders Hub launched in Baku in January 2025; SABAH.city innovation cluster opens in 2025 with state-of-the-art data centres.

AI READINESS — A SHARP CLIMB

The most striking signal of Azerbaijan's ambition is its leap on the Oxford Insights Government AI Readiness Index. In 2024, Azerbaijan ranked 111th globally with a score of 39.92. In the 2025 report, Azerbaijan jumped 41 places to rank 67th with a score of 48.96 — first among the South Caucasus countries on this specific measure, and third in Central Asia after Kazakhstan and Uzbekistan.

The improvement was strongest in Public Sector Adoption (66.97), Resilience (58.27), Policy Capacity (53.5), and Governance (50). However, AI Infrastructure (46.21) and Development & Diffusion (34.73) remain weaker — a clue that policy is moving faster than the underlying ecosystem.

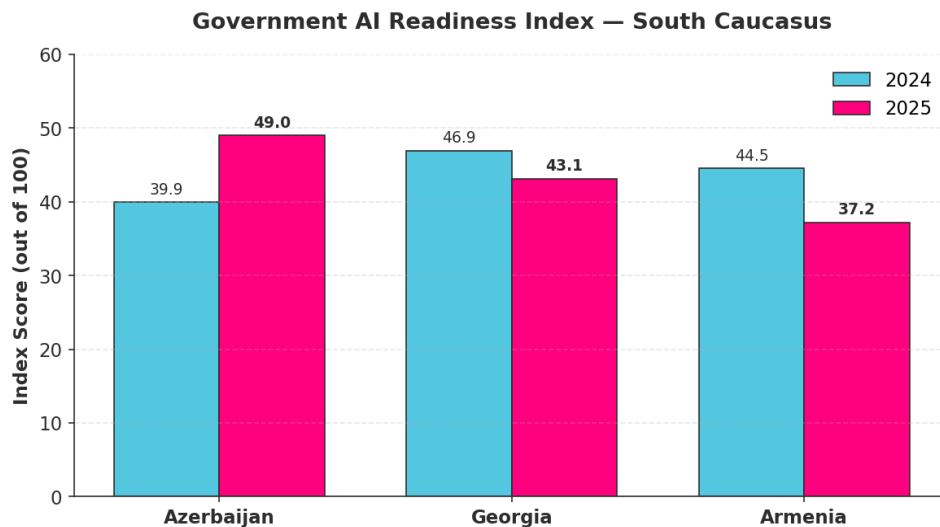


Figure 2. Government AI Readiness Index — Azerbaijan made the largest jump in 2025, while Armenia and Georgia declined.

WHERE AZERBAIJAN LAGS

Despite the policy leap, Azerbaijan ranks 95th of 133 countries on the WIPO Global Innovation Index 2024 — well behind Georgia (57th) and Armenia (63rd). On the StartupBlink ecosystem index, it sits 74th, with only around 151 active startups and around \$820,000 in total annual startup funding tracked.

Venture finance is a particular weak point. Azerbaijan ranks 120th of 139 countries on the venture-capital sub-index of the Global Innovation Index 2025. In 2025, only 22 startups attracted investments totalling just over \$2.6 million — a fraction of Armenia's \$164 million. The country has only three domestic venture funds (Caucasus Ventures, SABA.H.fund, INMerge Ventures).

THE "AUTHORITARIAN DISCOUNT"

On the Heritage Foundation Economic Freedom Index 2024, Azerbaijan scores lowest in the region across judicial effectiveness (18.5), trade freedom (69), investment freedom (70), financial freedom (40), and government integrity (24).

Independent regional analysts argue this is the structural reason Azerbaijan has steadily lost ground to Armenia in the AI race over the past decade — democratic and freedom-related metrics shape investor risk perception, even when the strategy on paper is strong.

Georgia — The Open Hub

Georgia's position is the most paradoxical of the three. It has the strongest business environment, the best Innovation Index ranking, the most pro-Western legal framework — and yet, in 2026, no flagship AI infrastructure project on the Armenian scale, and no formally adopted national AI strategy on the Azerbaijani scale.

A MATURE IT SERVICES BASE

Between 2022 and 2024 the number of IT companies in Georgia grew from 13,700 to over 24,100. ICT sector real GDP jumped nearly 70% in 2022. By 2023 the tech sector contributed about 5.2% of total Georgian GDP. IT services exports peaked in 2023 at around \$784 million before declining 12% in 2024 to \$688 million as Russian and Belarusian relocated specialists left.

Average monthly IT salaries reached 6,973 GEL — over 3.4 times the national average — making Georgia the highest-paying tech employer in the region. The country's Innovation and Technology Agency (GITA) has invested in over 400 startups, and the 500 Global accelerator runs its Eurasia programme out of Tbilisi.

AI ECOSYSTEM

Georgia produced the first South Caucasus AI startup to be acquired internationally — Pulsar AI was bought by U.S. company SpinCar (now Impel) in 2021. Theneo, an AI-driven API documentation platform, won Web Summit's 2022 Startup Competition against 2,300 entrants and now serves more than 12,000 companies.

- Active Georgian AI startups include Theneo, Helio AI, Calen AI, Stori AI, and Supernova.
- International firms with Georgian AI/data science offices: EPAM, Lineate, Quantori.
- The Georgian Artificial Intelligence Association (GAIA), founded in late 2023, now unites more than 300 AI professionals.

TAX REGIME — A MAJOR DRAW

Georgia's strongest competitive lever is its tax and business regime. The country offers two specialised statuses for technology firms:

Status	Profit Tax	Personal Income Tax
Standard rate	15%	20%
Virtual Zone Entity	0% (export only)	Standard
International Company Status	5%	5%
Innovative Startup Status (Q4 2025)	0% Yrs 1–3 / 5% Yr 4 / 10% Yrs 5–7	0% Yrs 1–3 on salaries

Table 2. Georgian tax statuses for technology and innovation companies.

RISKS & CONSTRAINTS

- No nationally adopted AI strategy yet — drafts are being prepared by GAIA and EBA.
- Brain drain risk: many top IT professionals take remote jobs abroad.
- Energy is roughly 79% hydro — green, but seasonal: January 2025 imports rose 109% year-over-year.
- Political environment in 2024–2025 has been marked by tension over EU integration; some civil-society reports cite governance concerns.

Head-to-Head Comparison

Tech Sector Importance to Each Economy

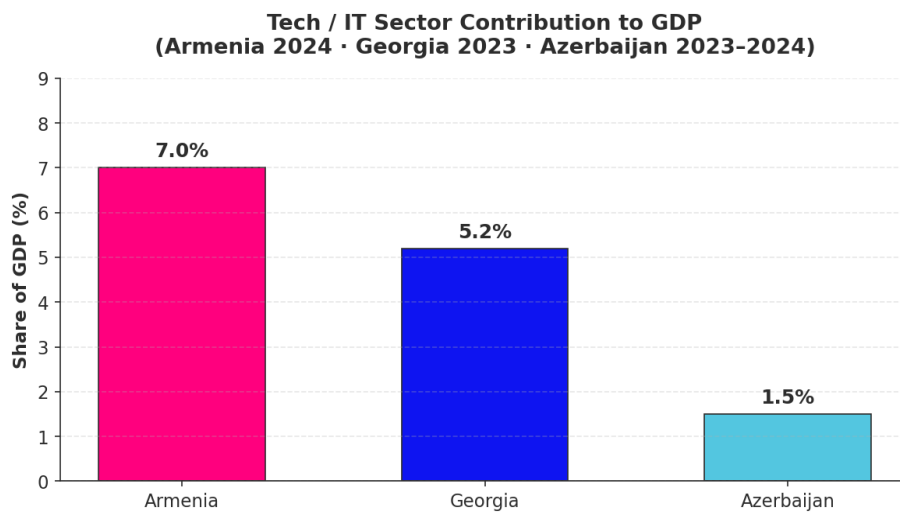


Figure 3. Tech / IT sector share of GDP — Armenia 2024 (~7%, industry-reported tech turnover of \$2.3B; ARMSTAT's narrower official ICT figure is 5.5%); Georgia 2023 (5.2%, ICT sector contribution per National Statistics Office); Azerbaijan 2023–2024 (~1.5%, ICT services per IDDA, excluding telecom infrastructure). Figures include software development, IT services, telecom services, and digital products; they exclude AI hardware imports and indirect tech employment in non-tech firms.

Startup Ecosystem Position

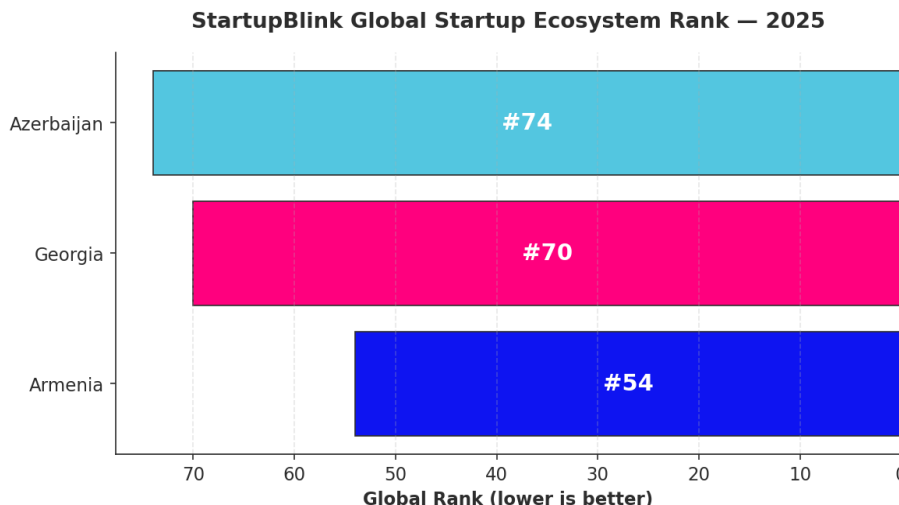


Figure 4. Global startup ecosystem rank — lower numbers are better. Armenia leads, with both Caucasus neighbours close behind.

READING THE CHARTS TOGETHER

Armenia leads on three of the most economically meaningful factors — startup ecosystem, GDP share of tech, and AI capital deployed.

Georgia leads on innovation output and ease of doing business — the two factors that consistently matter most for foreign-investor decision-making.

Azerbaijan leads on government readiness alone — but a strategy on paper does not by itself create deal flow, talent, or exits.

Who Wins — and For Whom

There is no single answer to "which country is most attractive". The right destination depends on what kind of AI investor is asking — a hyperscaler looking for compute capacity, a venture investor looking for deal flow, or a corporate setting up a regional development centre will each have different priorities.

Investor Profile	Best Fit	Why
Hyperscaler / GPU compute partner	Armenia	NVIDIA partnership; U.S. export licence in place; 125 MW capacity
Early-stage VC (deal flow)	Armenia	22.8% YoY startup growth; densest AI startup pipeline in the region
IT services outsourcing centre	Georgia	Lowest tax burden, best registration speed, 24,100+ IT firms
Corporate R&D centre	Georgia	International Company Status (5%); EU DCFTA agreement; visa-free EU travel
Government-tech contractor (GovTech)	Azerbaijan	Highest public-sector adoption score; clear strategy with budgeted tasks
Energy / fossil-AI hybrid investor	Azerbaijan	Oil revenues underwrite long-term spend; cheap energy; Caspian connectivity

Table 4. Matching investor profile to the best South Caucasus destination.

RISK FACTORS TO TRACK THROUGH 2026

- Armenia: completion of Firebird Phase 1 by mid-2026 is the project's credibility test. Slippage will weaken the entire investment story.
- Armenia: nationalisation of the electricity network — the owner of the grid is in pre-trial detention — could either accelerate or delay AI factory power supply.

- Azerbaijan: implementation gap between AI Strategy 2025–2028 and actual VC market depth must close to convert policy into deals.
- Azerbaijan: economic-freedom indicators must improve to attract Western institutional capital at scale.
- Georgia: a formally adopted national AI strategy and an "IT residence permit" remain among the most-cited industry asks.
- Georgia: political polarisation around EU integration could cool foreign tech FDI if it deepens.

Conclusion

The South Caucasus is in the middle of a genuine AI repositioning. Three small economies, all roughly the same size, are making three very different bets — and the bets are large enough to matter for global investors, not just regional ones.

On the most demanding criterion — concrete capital deployed plus actual deal flow — Armenia leads. The Firebird AI factory is the largest single tech investment ever announced in the region, and the surrounding ecosystem (10,700+ tech firms, \$164 million in startup funding, a 22.8% growth rate) is consistent with the headline. The bottleneck is talent: Armenia must produce or attract enough senior AI engineers to keep the factory busy.

On the criterion of ease and predictability, Georgia leads. It has the best Innovation Index, the best business environment, the lowest taxes, and the most mature exits (Pulsar AI, Theneo). A foreign company that wants a quiet, low-friction base in the region picks Tbilisi. The bottleneck is the absence of a flagship AI infrastructure announcement to anchor the next decade.

On the criterion of government direction, Azerbaijan leads. The 2025–2028 AI Strategy is the most detailed in the region, and the country jumped 41 places in the AI Readiness Index in a single year. The bottleneck is that the underlying ecosystem — venture capital, startups, innovation output — has not yet caught up. Without democratic and economic-freedom reforms that lift the country out of the lower quartile of the relevant indices, much of the strategy will remain on paper.

FINAL VERDICT

For 2026, Armenia is the most attractive destination for AI investment in the South Caucasus, with Georgia close behind for investors prioritising business-environment quality.

Azerbaijan offers the strongest government partnership opportunity for GovTech and infrastructure-focused players, and is the country to watch most closely if its strategy execution accelerates.

Investors with longer horizons should monitor all three: a peace deal between Armenia and Azerbaijan, signed in August 2025, opens the prospect of regional AI cooperation that would lift the entire South Caucasus.

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END OF REPORT

Report compiled May 2026.