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FAILED INFRASTRUCTURE AND THE PROMISE OF DEVELOPMENT IN GEORGIA

Lela REKHVIASHVILI and Evelina GAMBINO

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In the wake of the Soviet collapse, investment in mega infrastructure has been pitched as the solution to Georgia's development. Already in the 1990s, in the face of rapid deindustrialization and armed conflicts in the region, Georgia's political leadership started seeing the transit role of the country as a way to peace and possibly to prosperity (Gambino 2019). Baku-Tbilisi-Ceyhan (BTC) pipeline transporting crude oil from Caspian to Mediterranean shores was the first and crucial step to this end (Barry 2013). Especially since the Rose Revolution of 2003, with the hands-on involvement of Western governments and financial institutions, Georgia's pursuit of the post-Washington consensus formula—deregulation, liberalisation and privatisation of the economy—has been consolidated by strengthening market-enhancing institutional design and capacity. Soviet-inherited assets, including essentially all extractive industries and energy infrastructures, were privatized in the hands of international, often Russian capital. Towards the end of the 2000s infrastructure-led development emerged as a continuation of Georgia's FDI dependent accumulation regime. It complemented 'accumulation by dispossession' (Harvey 2004) with 'accumulation by derisking' (Gabor 2021) and enabled Western capital to flow into greenfield energy and connectivity infrastructures.

Since the mid-2010s, Georgia has increasingly mobilised engagement with Western and Chinese actors in the emerging infrastructure-led accumulation regime. On the one hand, Georgia's integration with the EU has deepened, with EU institutions playing an increasing role in the liberalisation of the energy sector and European investment banks such as the EBRD and the EIB investing heavily in Georgia's greenfield hydropower projects, framed as part of 'green' and 'sustainable' transitions. (Barry and Gambino 2021). On the other hand, Georgia has started to deepen relations with China, signing a free trade agreement in 2017. The Belt and Road Initiative (BRI) has created a new framework for large-scale infrastructure investment, with China's Asian Infrastructure Investment Bank (AIIB) stepping up infrastructure financing and Chinese construction companies playing an increasing role in the development of transport infrastructure projects, which are still predominantly financed by Western multilateral development banks. Although successive Georgian governments have committed to an impressive portfolio of projects, including pipelines, railways, ports, highways and a seemingly endless number of dams, the country today is dotted by unfinished infrastructure (Rekhviashvili and Lang 2024).

In this essay, we argue that ethnographic engagement with unfinished—or failed—infrastructure sheds light on shortcomings of the developmental promise of infrastructure in times of deepening hegemonic rivalry. We do so by focusing on two large infrastructures, the Deep-Sea Port of Anaklia and Namakhvani Hydropower Plant (HPP) projects in Georgia. Both were considered flagship developmental projects in the local political context, and both are currently left unfinished. We ask whether infrastructure-led development can enhance the agency and developmental potential of smaller states (see Schindler, Alami, and Jepson 2023) or if, instead, it ends up further entrenching the power of financial capital to the detriment of local socio-ecological histories and alternative futures.

Filing over risk-sharing

In 2024 the total compensation sought in 11 major arbitration disputes against the Georgian state reached $3.3 billion

(Tkeshelashvili 2023). The arbitration disputes related to the Anaklia Port and Namakhvani HPP weighed heavily on the overall projected compensation the Georgian state might owe to transnational companies. The failure of both projects came as a consequence of disputes over the allocation of financial risk between the state and the consortia in charge of developing either project. The very fact that the companies could take the government to arbitration courts is premised on the skewed deals the two parties had struck.

Development of the of Anaklia Deep Sea Port was put on hold in early 2020 as the Georgian state refused to take commercial risk over the project. At that point, several development banks, including The European Bank for Reconstruction and Development (EBRD), Overseas Private Investment Corporation (OPIC), Asian Development Bank (ADB), and the Asian Infrastructure Investment Bank (AIIB), presented the Georgian government with an 8-point demand as a precondition to finance the Deep-Sea Port project. The Georgian state was willing to accept most of the demands besides taking on commercial risks, leading to the cancellation of the project. The Anaklia development consortium, led by an American company, SSA Marine, condemned the government's decision for scaring off investors and damaging Georgian-American relations. Local partners of SSA Marine also blamed the government's decision as politically motivated. In turn, the Georgian government also blamed the consortium for failing to deliver on its commitments.

Contracts and negotiations over strategic projects like Anaklia are usually classified, making it hard to evaluate claims and counterclaims. Yet, here is where the case of the Namakhvani HPP helps in understanding what kinds of risks the different parties are fighting. SUnlike Anaklia, in the case of Namakhvani HPP, the Georgian government appeared willing to shoulder the risks connected to the project. However, when the previously classified contract between the state and the Turkish–Norwegian consortium was leaked in early 2021, it fueled support for an environmental movement mobilizing against the HPP. The movement, which had already pointed to the low quality of the project's environmental impact assessment and opposed the displacement of two villages set to be flooded by the reservoir, criticized the project's dubious economic rationale. The analysis of the contract, undertaken by a local human rights organization, revealed that the state was taking extensive political, environmental, and fiscal risks and was donating land and water resources to the project (Social Justice Center 2021). The contract shows how the Georgian state went out of its way to guarantee investors' profits. To give just one example, the state not only guaranteed the purchase of electricity in US dollars for the next 15 years above market prices but also promised to pay for 344 Megawatts even if the HPP would not reach this capacity of production. Importantly, the state, and by implication the Georgian public, would not have control over the production, consumption, and distribution of electricity, nor were there any mechanisms of compensation for socio-environmental harms of the project. Months later the internal evaluation of the project by the Ministry of Justice of Georgia was leaked. This previously classified document criticized the project for taking risks that were hugely disproportionate to possible gains.

The movement condemned the contract as a clear example of neocolonialism and garnered extensive public support and solidarity. It pointed out how other HPP energy projects in different regions led to villages losing access to drinking water and seismic instability in mountainous region, with local populations remaining unable to hold both companies and the government accountable (Aroshvili 2023). Finally, they pointed out how in a country with some of the lowest taxation in the world, essentially all produced value would leave the country (not only affected regions) at the cost of local communities and nature (Rekhviashvili 2022).

Despite extensive use of coercion, the state failed to slow down the resistance movement. In the face of a year and a half of permanent protest, the Turkish-Norwegian company withdrew from the project in 2022. Yet, the leaked contract made it abundantly clear that the company enjoyed a strong legal position, and it could take the state to arbitration court in the light of the derisking commitments that the Georgian state had already made.

(De)risking developmental fantasies?

Literature on infrastructure-led development and the rise of state capitalism amidst global hegemonic rivalry (conceptualized as the New/Second Cold War) raises hopes for the emancipatory potential of recent transformations of capitalism for third states. The question of how derisking infrastructures subjugates small states to the interests of financial capital (see Gabor 2021; 2023), is acknowledged but downplayed. Some of the most recent articulations of such argument would on the one hand admit that rewards from infrastructure financing “accrue to investors while states absorb many of the risks associated with infrastructure” yet insist that infrastructure-led development in the context of derisking as a developmental paradigm “provides developing countries with the opportunity to articulate autonomous strategic visions” (Schindler, Alami, Jepson 2023, 226).

The emancipatory potential of infrastructure-led development cannot be taken for granted simply because it feeds the long-standing strategic visions of Georgian politicians to make East-West connectivity the key development projection (Gambino 2019). **First**, the extractive character of the deals we discussed exhausts possibility to speak of development while ecosystems and local populations are put as a guarantee to investors’ risks. Development by de-risking seems to only harshen existing forms of dispossession by mobilizing the state apparatus to ensure revenue streams for infrastructure developers and financiers. Local activists and researchers note how the terms on which infrastructure-led development unfolds “reminds of the practices of neo-colonial plunder that the countries of Global South underwent after gaining independence from colonial rule as severe extractivist regimes” (Aroshvili 2023, 235).

Second, the global context of hegemonic rivalry so far does not seem promising in upgrading or altering the terms on which infrastructure-led development unfolds in Georgia. Involvement of more than Western, and particularly Chinese actors so far, reinforces the existing accumulation regime instead of subverting it (Rekhviashvili and Lang 2024). As was clear in the case of Anaklia port, which was seemingly contested between US-based and Chinese companies, ultimately, the AIIB sided with all other MDBs in requesting extensive commercial risk assurance from the Georgian government. Recently, the Georgian government has announced a new tender to the Deep-Sea Port of Anaklia and promises renewal of the Namakhvani HPP project as well. One could perhaps stipulate that the next rounds of tenders might bring somewhat better deals, but so far, there is no reason to count on it, leading to our **third** and final point about the role of infrastructure failures.

Existing failures of infrastructure projects in terms of the impossibility of implementation could be seen as compromising developmental possibilities. In contrast, our cases attest to how failures are not a disturbance but an integral part of the infrastructure-led development. A growing body of literature demonstrates that infrastructural projects are commonly “over budget, over time, over and over again” (Flyvbjerg 2011, 321; also see Carse and Kneas 2019; Alexander 2023). The developmental visions attached to infrastructure can be seen as functioning like fantasies feeding an endless cycle of unfinished projects (Barry and Gambino *forthcoming 2024*). Namakhvani HPP proves that resource and financial extraction is possible even if the projects are never completed. Now that the company has taken the Georgian government to arbitration, it will seek generous compensation for unrealised profits. Meanwhile, land and water resources donated by the Georgian state remain in the company's hands. According to the contract, the Georgian government would have to pay the market price to buy these resources back. Current failures, therefore, prefigure the revival of infrastructure projects, creating incentives to bring in another investor to cover the costs incurred. Ultimately, the Georgian side would most likely have to provide even more guarantees and promise even more de-risking to make the oft-failed project 'investable'.

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Lela Rekhviashvili is a researcher at the Leibniz Institute for Regional Geography, specialising in political economy and regional geography, with a regional focus on post-socialist Eastern Europe and Eurasia. Broadly speaking, she is interested in transformations of capitalism and its contestation, especially in peripheral economies. Her research increasingly focuses on contestation over infrastructure-led development and the role of infrastructure in imagining and (re)claiming socialist and capitalist modernities. She has also published on informal economic practices, urban transport and mobility, marketization and social embeddedness, contentious action and the politics of public space.

Evelina Gambino is the Margaret Tyler Research Fellow in Geography at Girton College, University of Cambridge. Her research is concerned with a situated analysis of global logistics. Her ethnographic work highlights the different forms of labour necessary to sustain its promise of prosperity attached to infrastructural projects. Evelina's work has appeared in journals and online publications within and beyond academia. She is co editor of the volume "Gendering Logistics: Feminist Approaches to the Analysis of Supply Chain Capitalism" and co author of the documentary "A State in A State" directed by Tekla

Aslanishvili. She is currently completing a monograph that proposes a feminist approach to the study of infrastructural failure.

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