



In December 2011, the Georgian president announced—to widespread surprise—the construction of a new city on the coast of the Black Sea, to be called Lazika.

As bulldozers rumbled to life in the middle of an immense swamp, the Georgian Constitution was amended to suit the occasion. NGOs pointed out the irrationality and lack of transparency associated with the project, which, while no more than an idea, occupied a growing place in the political strategy of President Mikheil Saakashvili.

But the unexpected defeat of his party in the parliamentary elections of October 2012 have changed everything. Lazika is the ultimate evidence of Saakashvili's "whim," according to his political opponent and the current Prime Minister, Bidzina Ivanishvili. The city will not be built, to the great chagrin of its architect.

### Ostentatious Beginnings

Following the Rose Revolution, Mikheil Saakashvili was elected in 2004 at the head of the small Republic of Georgia, located in the heart of the Caucasus. One mission obsessed him: to woo the breakaway provinces of Abkhazia and South Ossetia back to the fold of the central government.

It was a goal that would draw this minnow of the Caucasus out onto the high seas of international politics.

Following the failure of Georgia's military option in August 2008, the president developed the concept of Lazika as a peaceful bridgehead on the Black Sea.

With the stated ambition of joining NATO and the EU, Georgia opted for a path of democratization and economic liberalization. In a few short years, it emerged as the champion of the former Soviet bloc. From 2002 to 2012, it went from 85th to 51st place in Transparency International's global index of perceived corruption (<http://www.transparency.org/research/cpi/overview>), well ahead of Russia. Per capita Gross National Income (GNI) rose from US \$910 in 2003 to US \$2,860 in 2011. In 2013, Georgia even figured among the top ten countries with favorable business climates according to some rankings. These impressive figures help fuel the

heroic story of a "Georgian Miracle" on the international scene. But behind what Mikheil Saakashvili's opponents call an economic and democratic "front," power in Georgia has become increasingly authoritarian. Violations of human rights are on the rise, while unemployment and poverty remain at alarmingly high levels.

### Manhattan on the Black Sea

December 4, 2011: Mikheil Saakashvili is in a good mood. He shakes plenty of hands before arriving at the podium, situated in the park of Prince Dadiani of Zugdidi's picturesque castle. Zugdidi, population 75,000, is the capital of the province of Upper Svaneti and Mingrelia. "We decided to found a large new city, which will be called Lazika. Lazika will be the second largest city after Tbilisi, which, based on my forecast, will have at minimum half a million residents in ten years. It will become the main trading and economic center in Western Georgia." It's breaking news; but applause from the assembled spectators is timid at best. The city is to be located not far from this spot, on the edge of the Black Sea, near the frontier with the breakaway republic of Abkhazia.

From Tbilisi, it takes about seven hours to reach Anaklia—the village closest to Lazika—and its 2,500 inhabitants. Beginning in 2009, it undergoes a transformation into a seaside resort. It is there that Mikheil Saakashvili pays a visit one year after the announcement of 4 December 2011. Misha—as the Georgians refer to their president—has come to meet with local politicians. Mingrelia is his family's native province and a stronghold of his centre-right party, the United National Movement (UNM).

Following the consultations, Misha addresses reporters. He's dressed casually: blue jeans, pink shirt, and an electric blue Air Force One jacket straight out of the Ronald Reagan era. On the sleeve, a badge reproduces the motto of the Republican president: PEACE THROUGH STRENGTH.

Before the cameras, he puts forth an air of determination, but can barely conceal his annoyance. Work on Lazika has been halted by the new government.

"There are cows grazing among the building sites. The terrain is getting marshy again," he laments, before

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attacking his opponents more directly: "The municipality has been questioned concerning transfers of funds to Anaklia. Don't blame [the municipality]; I'm the one to be asking questions of. (...) I transferred that money myself. It is my decision! I was going to build Lazika and I'll do it, no matter what they say!"

A video posted on Mikhael Saakashvili's YouTube account on September 24, 2012, a week before the elections, provided an overview of the broken dream. The president's wife and son feature in the clip. On the beach of Anaklia, children draw their city of the future before the skyline of Lazika is unveiled; a concentration of skyscrapers to rival the likes of Dubai.

The choice of 'Lazika' for the city's name is very symbolic: it was the name of the ancient kingdom of the Laz, a people related to the Georgians, whose territory extended from northern Turkey to the east of Abkhazia. 'Lazika' is also the name of a new infantry combat vehicle produced in Georgia.

Georgia's former president established a very personal—even obsessive—relationship with Anaklia and, later, Lazika. The two place names often fall from his lips in tandem, contributing to a certain amount of semantic and geographic confusion. In February 2012, Micha was questioned in Parliament about his plans for the future, given that he was not eligible for re-election to a third term in October 2013. He replied, "I will definitely be in the built Lazika and I will take part in its construction – that is my role." Some months later, he made public his last wish, that his ashes be scattered in Anaklia.

### Troubling Origins

The idea of developing the northern tip of the Georgian Black Sea coast was born in 2006 according to Saakashvili. At that time, Misha found himself aboard a ship belonging to the Coast Guard which crashed near Abkhazian territory, under the control of Russian troops.

"We were standing (...) deciding whether to call in the helicopters, swim to the seashore, or try to repair the engine ourselves, when local fishermen in two boats offered to tow us to shore. Afterwards, as I visited one

family and when I talked with other residents, I began to see the huge potential that was here. Anaklia has an amazing climate."

After the August 2008 war, during which the Russians bombed and invaded Anaklia and much of West Georgia, Micha's visits to this border region began to multiply. In the summer of 2009, he announced the transformation of little Anaklia into a resort town featuring prestige luxury hotels.

"The development of that part of Georgia was discussed for many years. This is the place where building a deep sea port is more feasible," explains Kakha Benukidze, an influential man with an impressive CV. He has been, by turns: a scientist during the 1980s, a successful businessman in Yeltsin's Russia, a minister in Mikheil Saakashvili's government from 2004 to 2009, and president of a private university. A large underground canyon located off the coast of Anaklia could allow large container ships to approach the shore, which is not possible in Georgia's other two ports of Batumi and Poti, located just 27 km to the south.

But who deserves credit for the development project is open to dispute. Karchava Temur is a native of Anaklia who made his fortune in Russia. He claims to have been researching the construction of the port and the development of Anaklia since the mid-1990s. At the end of 2009, he negotiated an agreement (Presidential Decree 732 of 20 October 2009 and 922 of 21 December 2009) with the government to invest in the construction of a port, a logistics hub, and residential areas, spread out over 2113 hectares (21 km sq), purchased from the state for 6.3 million Lari (US \$3.8 million). Temur Karchava accuses the Georgian President of having captured his land and taken over the project, under the name of Lazika. He is currently facing the Ministry of the Economy in court. But then, the plots granted by the state to Temur Karchava were previously confiscated from the residents of Anaklia.

"No compensation was given," says Gia Gvilava, a lawyer for the NGO Transparency International, which has documented similar cases of property rights violations in numerous areas of touristic development around the Georgia and the world. "Some of them [Anaklia

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residents] were summoned to the prosecutor's office. They were threatened and intimidated, just to give away the land, so they gifted the land to the state," he explains.

### Replacing Locals' Lives With Tourists' Dollars

Anaklia is a poor and isolated village, supported by agricultural activities like many other small communities in Georgia. The contrast with the new Lazika seafront is striking. Conceived of as a tourists' paradise, it boasts urban designer furniture, beach volleyball courts, an enormous pedestrian bridge spanning 540 meters, and even a yacht club. The price of a double room in Anaklia is between US \$70 and \$120, equivalent to the monthly salary of many locals.

The first Eastern-inspired hotel, built by the company Dagi, opened its doors in August 2010, just two years after the conflict between Georgia and Russia. According to an investigation conducted by Tavisupali Sitkva, a local newspaper based in the port city of Poti, the hotel was built with public funds. The municipality of Zugdidi, the regional capital, whose territory comprises Anaklia, owns 75% of the company that manages the hotel. The remaining 25% belong to the Kasko company. It is interesting to note that Dagi and Kasko company executives participated in the financing of the UNM's election campaign in 2012.

Eliso Janashia, the editor of Tavisupali Sitkva, was quickly intrigued by the involvement of another company in the development of the resort: Anaklia Ganmukhuri Resorts Ltd., which also belongs to the city of Zugdidi. Following a court ruling, the municipality is obliged to communicate the company's accounts for the year 2011. It received 27.25 million Lari (US \$16.5 million) from the state, and spent 21 million on the construction of a gleaming promenade adorned with dozens of palm trees, an amphitheater, and two bistro/cafes.

Anaklia has been granted a special status based on the model of free zones, designed to attract investors. The Georgian National Agency for Investment (GNIA) is responsible for promoting the resort town to foreign investors. According to its director, Giorgi Pertaia, "All the conditions we have there are quite attractive. The

land is for free but there are some requirements, regarding the volume of investment, the number of rooms and time of course. Everything depends on the investor's proposal and negotiations."

Yet despite the exemption from taxes on property and profits for fifteen years, foreign businessmen are not lining up at the door. The three hotels in operation in autumn 2012 are held by Georgian capital. Another egg-shaped hotel was slated to be built by the Ministry of Regional Development, but construction was halted following the change in government.

### Cold War in Warm Waters

In November 2010, Anaklia remained far from achieving the success anticipated for it. Nevertheless, Micha compared it to Ibiza and St. Tropez during a speech to the European Parliament, before challenging MPs with, "what is more absurd than a new Berlin Wall on a sandy beach?" This rhetoric worthy of the Cold War, targeted Russia, whose troops remained stationed in Abkhazia and South Ossetia, small enclaves in the southern Caucasus.

The official inauguration of the "new" Anaklia, in August 2011, was a grandiose affair. Standing alone on the stage of an amphitheater filled with Georgian tourists, Micha declared, in reference to his larger neighbor, "We have chosen a different path, which I think is the right path: Five and seven-star hotels instead of trenches; the best aqua parks in Europe instead of land mines."

A few dozen minutes later, a final blast lights up Anaklia's skies: fireworks instead of shells. From hotels to skyscrapers, the scope of Micha's vision changes scale when it comes to Lazika.

Ultimately, Anaklia was to form the northern tip of the metropolis as an area dedicated to tourism and sports. With a projected 500,000 inhabitants, Lazika would have surpassed Sukhumi, the modest capital of Abkhazia, and compete with the Russian city of Sochi, which is set to host the Winter Olympics in 2014.

Above all, the city was to serve as a forward pawn in the peaceful reconquest of Abkhazia. "I am sure this city will become a Georgian pride and it will attract

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everyone—including the ones living across the occupational line—like a magnet," asserts Kakha Bendukidze, a former government minister and supporter of the project. He goes on to add, "we build a successful showcase of what Georgia means and we build enormous and unavoidable attraction to our citizens in Abkhazia to come here, to work here, to learn here, take medical services, at the end of the day that will build huge connection and trust."

This confidence is currently lacking on both sides of the border. In the region surrounding the frontier, the security situation remains tense and volatile. And if hostilities recommence? Kakha Bendukidze dismisses this possibility with a flip of his hand. "Russia will bomb Lazika? The city with lots of foreign investment and so on. The maximum what can be done is that you can do new Berlin wall. That will make things very clear."

In the months following the December 4th announcement, Lazika is the subject of increasing scrutiny. Chief among the questions posed are: Who will live there? Georgian refugees who have fled Abkhazia? Georgians living abroad as well as in rural areas are considered. For the president, the construction of Lazika will accelerate the urbanization of Georgia, contributing to the development of the economy and reduction of poverty.

Many NGOs have attempted to obtain specific information about the project, with no success. According to Tamar Iakobidze, an analyst at the Institute for the Development of Freedom of Information, "In December 2011, we requested public information from the administration of the president of Georgia about plan of Lazika. We were told that they don't have anything." Up until the elections of October 2012, this organization renewed its request on a regular basis with various departments in vain.

### A Charter City

In fact, no urban plan for Lazika has been developed. "Lazika was at a very early stage of development," explains Nicola Mariani, a lawyer at Dechert LLP, an international legal firm specialized in business law. Dechert's Georgian office wrote a report for the government outlining the concept for Lazika, drawing on foreign models like Singapore, Hong Kong,

Dubai, and the RED project in Honduras. RED and Lazika are both adherents of the "charter city" concept, which American economist Paul Romer has promoted for developing countries.

"I had a couple of opportunities to meet him [Romer] and discuss about this idea," says Iva Davitaia, former director of the Agency for Strategic Development, an institution created in April 2012 to coordinate the Lazika project under the auspices of the Ministries of Justice and the Economy. "The charter city has a special legal environment: Special legislation [and a] special administrative body that is not much connected to the central government," he explains. On June 15, 2012, the Georgian President stated that "British law will be introduced in Lazika for commercial transactions," calling the idea "a huge experiment." On June 29, he promulgated a constitutional amendment, passed by parliament, to grant Lazika a special status to be defined by subsequent legislation.

The charter city is an attractive legal framework, familiar and stable for foreign investors who will build the city. "There was no intention like in China where the state invested in the construction of the city and now some of them remain empty," preempted Davitaia, "and there was no money for that purpose." The Georgian State was responsible solely for developing Lazika's infrastructure; the president made mention of the need for 200 million Lari (\$120 million) of public funds. This cost was underestimated, particularly given Lazika's topography: it is largely made up of enormous swamps. "Modern technologies could allow for construction there, but at a very high cost," notes environmentalist Rezo Getiashvili.

"On the coast of the Black Sea, all buildings are constructed on top of a 150-meter-wide dune. Lying just inland from there is a marshy area which lies almost at sea level. This space is highly permeable to water and covered in a thick peat between 4 and 7 meters deep. (...) This creates a situation where any structure is at risk of collapse." An additional point of concern for environmentalists was the fact that part of the territory planned for Lazika lay within Kolkheti National Park. The former government had the status of the area altered preemptively.

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A week before the October 1 elections, as Georgia was rocked by scandal by the leaking of videos showing torture in prisons, the president presided over the inauguration of Lazika's first buildings, constructed hastily in the middle of the marsh. Several ministries were involved in the construction: the Department of Justice, for example, had sponsored a town hall with futuristic architecture. In front of the administrative building, a six-lane boulevard one hundred meters long is sandwiched between two roundabouts. It is lit at night, but not connected to the rest of the grid. This avenue and the giant, 31 meter statue built on a pier were funded by the Ministry of Regional Development. Closer to the village of Anaklia, the Ministry of the Interior took on the construction of two residential buildings, presented as the future administration of the port.

### Underhanded Bidding

The state has spent 40.675 million Lari (US \$24.67 million) on Lazika. If the amounts paid for the resort at Anaklia—according to the figures cited in supporting documentation—is included, the total rises to at least 70 million Lari (about US \$42.5 million). This amount does not include the costs associated with a 540-meter pedestrian bridge over the Enguri River, a yacht club, and a large football stadium. By way of comparison, the budget of the Ministry of Agriculture for 2011 amounted to 69.1 million Lari. In order to speed things up, the vast majority of these funds were transferred by decree from the central government to the municipality of Zugdidi, or to companies controlled by public authorities, which were responsible for selecting the executing companies.

This manner of financing "is only possible if there is an immediate need in extraordinary situation," notes the new minister of regional development, David Namania. "The construction of a hotel is not an extraordinary situation." Namania is more interested in focusing on the economic recovery of Georgia's existing cities. The decrees also, and in particular, allowed for the avoidance of regulations concerning public tenders. Their systematic use in the funding of Lazika's construction—and the concomitant opacity concerning the use of these funds—could arouse suspicions of corruption.

The lack of transparency, consultation or planning

that characterize the construction of Lazika are hallmarks of many of the major projects launched by Mikheil Saakashvili, including the relocation of Georgia's parliament from Tbilisi to Kutaisi, the country's second largest city. "If Micha decided on something, it would immediately be rammed into effect, regardless of whether the project was well thought out, and even if it violated the rights of Georgian citizens", according to Gia Gvilava, of Transparency International.

If the project of Lazika, Georgia's new metropolis, has been struck down, the government led by Bidzina Ivanishvili says it is nevertheless seriously considering the construction of a large port at Anaklia. Discussion of urban development on this strip of Black Sea coastline could thus soon find itself back on the table.

Iva Davitaia, the former Lazika project coordinator, regrets the new government's decision, but remains optimistic: "The port infrastructure is the key for the development of the city (...) if they build a port, it will happen naturally—this is just inevitable. Then you may call it Lazika or you may call it Bazika—it doesn't matter!"

