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EDB Monitoring of Mutual Investments — 2024. Eurasian Region

Abstract. The referat of the report “Monitoring of mutual investments of the EDB — 2024. Eurasian region” is offered. “EDB Monitoring of Mutual Investments — 2024. Eurasian Region”¹. The report contains detailed information on the scale, dynamics, geographical and sectoral structure of mutual direct investments of the Eurasian region from 2016 to 1H of 2024. Special attention is paid to the analysis of intra-regional investments of Central Asian countries. The geography of the study of the Eurasian region is extended by the addition of Mongolia.

Keywords: foreign direct investments, mutual investments, investment stock, investment projects, EAEU, Eurasian Economic Union, Central Asia, transnational corporations, FDI structure

Мониторинг взаимных инвестиций ЕАБР — 2024. Евразийский регион

Аннотация. Предлагаем Вашему вниманию реферат доклада «Мониторинг взаимных инвестиций ЕАБР — 2024. Евразийский регион»¹. Доклад содержит детальные сведения о масштабах, динамике, географической и отраслевой структуре взаимных прямых инвестиций стран Евразийского региона за период с 2016 г. по первое полугодие 2024 г. Особое внимание уделено анализу взаимных инвестиций стран Центральной Азии, в том числе специфике этих стран как экспортеров и как получателей капитала. В докладе география исследования Евразийского региона расширена Монголией.

Ключевые слова: прямые иностранные инвестиции, взаимные инвестиции, накопленные инвестиции, инвестиционные проекты, ЕАЭС, Евразийский экономический союз, Центральная Азия, транснациональные корпорации, структура ПИИ

¹ Malakhov A., Zaboev A., Omarov A., Khaibrakhmanov T., Aldanazarov M. (2024) EDB Monitoring of Mutual Investments — 2024. Eurasian Region. Report 24/10. Almaty: Eurasian Development Bank. The electronic version of the report is available at the Eurasian Development Bank website at: <https://eabr.org/en/analytics/>

TERMINOLOGY

Foreign direct investments (FDI) refer to investments that give the investor the ability to participate in the management of a company in a foreign country through various forms of contribution, including the acquisition of an interest in a company or the injection of capital to create new or to upgrade/expand existing assets.

Portfolio investments refer to investments that usually involve the acquisition of an interest (up to 10%) in a company for the purpose of generating income without the intention of being involved in the management of the company.

Foreign direct investment stock refers to the total amount of investment in the framework of a transaction or series of transactions. It is calculated based on various parameters depending on the type of entity involved in the transaction. For example, investments in non-financial corporations may be valued at non-current assets, while investments in banks and insurance companies may be valued at equity or charter capital. In some cases, valuations may be performed using similar transactions in the market (see the Methodology in the Annex).

Non-current assets refer to assets of an enterprise that generate income for more than one year or the normal operating cycle, if longer than one year. Fixed assets (buildings, equipment, land), intangible assets (exclusive rights, patents), incomegenerating investments in tangible assets (investment property), and financial investments (loans granted, investments in other companies) can be classified as noncurrent assets on the company's balance sheet.

Greenfield investments (projects) refer to investments in projects that create new assets from the ground up, which can include, for example, the construction of infra-

structure or a new industrial plant (see the Methodology in the Annex).

Brownfield investments (projects) refer to investments in projects that are implemented by upgrading or expanding existing assets. For example, field expansions in the petroleum and gas sector or warehouse upgrading projects (see the Methodology in the Annex).

The **Eurasian region** refers to the region comprising 13 countries for the purposes of this report: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

Conduit countries are countries used in international financial transactions to redistribute capital and income in order to reduce the tax burden or avoid taxes.

Redomiciliation refers to a change of jurisdiction (country of registration) of a company while retaining its legal form, assets, and balance sheet after its re-registration in a new jurisdiction (country of registration).

Green projects refer to projects with a significant environmental effect that will help countries in the region meet their climate change commitments and/or achieve carbon neutrality.

The **Herfindahl-Hirschman Index** is a measure of market concentration, which is used to assess the level of competition in a particular industry or sector of the economy. The index is based on the market shares held by companies and helps to determine how monopolistic the market is.

Controlling stake refers to a shareholding that gives the owner the ability to directly influence key decisions in the management of the company. It is generally accepted that ownership of more than 50% of the shares is a controlling stake.

Minority stake refers to a shareholding that is insufficient to participate directly in

the management of the company. For the purpose of the report, a shareholding between 10% and 50% (inclusive) is considered a minority stake.

INTRODUCTION

Since 2012, the EDB has implemented a project to monitor mutual direct investments of 13 countries in the Eurasian region: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Mongolia, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. In 2022, China, Iran, Turkey, and the Arab countries, which are traditional trade and investment partners of the countries of the Eurasian region, were included in the study.

As at the end of 1H 2024, the EDB MMI Database included 923 projects. The Eurasian region accounts for 512 mutual projects, of which 383 are active. The total value of the projects is \$46.1 billion.

The total number of projects in the EDB MMI Database has decreased as a result of the reassessment of individual projects for the period between 2016 and 2022. The total foreign direct investment (FDI) stock has declined for all years of the period. The mutual FDI data have been revised due to the availability of more reliable data — published company reports, which take precedence over press releases and media coverage that were previously used.

For example, while in 2023 the 2022 mutual FDI stock in the Eurasian region was estimated at \$46.9 billion, after the update of the MMI Database it was revised down to \$45.2 billion. The estimate of mutual FDI between the EAEU member states in 2022 has changed from \$26.5 billion to \$22.9 billion.

Certain projects in the EDB MMI Database have been reassessed due to the following reasons. Some of the projects are excluded from the total estimates because the previ-

ously stated scope and nature of the investments were not further confirmed in the financial statements. Some projects have data on the volume and nature of investments that are not precise enough to be included in the overall analysis.

This report includes six chapters. Each chapter analyses in detail key aspects of mutual FDI in the Eurasian region.

Chapter 1 examines structural changes associated with global investment trends and growth rates of mutual FDI stocks in the Eurasian region.

Chapter 2 looks at corporate integration in the region, including major deals and investor companies in 2023 and 1H 2024.

Chapters 3 and 4 analyse the geography of mutual FDI in the region by country and assess the main providers of mutual investments in the region, including Russia, Kazakhstan, Azerbaijan, Belarus, and others.

Chapter 5 focuses on the sectoral structure of mutual FDI, with a detailed analysis of the distribution of investment by economic sector, including extractive industries, manufacturing, and transport. Investment in green projects is reviewed separately.

Chapter 6 concludes with a forecast of medium-term trends in mutual FDI, including potential areas of development and promising investment opportunities in the coming years.

1. STRUCTURAL CHANGES

1.1. Global Investment Trends

Global FDI continued to decline in 2023 to \$1.3 trillion (UNCTAD, 2024a). The rate of decline slowed from 12% in 2022 to 2% in 2023.

FDI inflows to developing economies fell by 7% to \$867 billion, mainly driven by Asia, where the fall was 8% to \$621 billion in 2023. Investment in European countries showed

growth to \$16.5 billion, following a strong outflow of \$105.9 billion in 2022.

Against the backdrop of global trends, the countries of the Eurasian region enjoy a positive FDI trend, rising from negative values in 2022 (minus \$1.1 billion) to \$27 billion in 2023. The growth was driven by a recovery of FDI flows from different countries of the world to the Russian Federation (\$8.3 billion).

The number of projects integrated into global value chains (international production where stages of product creation are distributed across different countries) increased by 27%, from 3,505 to 4,441 projects — up 4% in terms of investment, from \$302 billion to \$314 billion. This is particularly true for the automotive, textile, mechanical engineering, and electronics industries.

According to UNCTAD data, announced greenfield projects grew by a factor of 3.2, from 49 to 158, which implies an increase in FDI in Central Asia in the medium term.

1.2. Trends in Mutual FDI Stock in the Eurasian Region

The average annual growth rate of the mutual FDI stock in the Eurasian region was about 3.6% between 2016 and July 2024. Up to and including 2023, trends in the mutual investment stock in the Eurasian region were relatively stable. Since 2016, the Structural Changes 17 FDI stock has increased by 33% from \$34.8 billion to \$46.1 billion, with the largest increase being between 2016 and 2017 at 12.5%.

In 2023, the mutual FDI stock in the Eurasian region increased by 2.9% y-o-y, from \$45.2 billion to \$46.5 billion. However, there was a 0.8% decline in the mutual FDI stock from \$46.5 billion to \$46.1 billion in 1H 2024. The decrease was a result of the withdrawal of investors from large investment projects. In particular, Russian investors withdrew

from Polymetal's metal ore mining projects in Kazakhstan.

The Eurasian region saw the highest number of investment projects launched in 2023, which can be attributed to the delayed effect of investments previously planned for 2022. Of the 31 investment projects worth \$2 billion launched in 2023, 21 are greenfield projects (\$539 million). In comparison, 19 investment projects were launched in 2022, including 13 greenfield projects worth \$147 million.

1.3. Structure of Mutual Investments by Form of FDI

239 investment projects, or 39.2%, are greenfield projects. As at the end of 1H 2024, they were worth about \$18.1 billion. Manufacturing (\$5.4 billion, or 29.8%) and extractive industries (\$4.3 billion, or 23.6%) account for the largest share of greenfield investments. The biggest investor in greenfield projects is Russia's Lukoil — 12 projects with a total FDI stock of \$7.1 billion (39.3% of total greenfield projects). Greenfield projects have grown by 12% since 2022, largely due to the launch of 32 new projects worth \$971 million in 2023–2024. Major new greenfield projects since the beginning of 2024 include a solar farm in Kyrgyzstan by Russian investors and a construction machinery plant in Bashkiria (Russia) by Belarusian investors.

Brownfield projects are the second-largest form of FDI in the Eurasian region. The total number of such projects was 107, worth \$17.5 billion. Brownfield projects account for 38% of the total mutual FDI stock, with an increase of 16% since 2016. However, the withdrawal of KAZ Minerals from the Baimskaya Project (Russia) in 2023 with an investment stock of \$1.8 billion resulted in a 7% decrease of brownfield projects compared to 2022. Purchases with subsequent upgrading are most common in extractive industries (\$9.3 billion, or 53.3%) and trans-

port (\$1.9 billion, or 10.6%). As with green-field projects, this form of FDI is actively used by Russian petroleum and gas investors. For example, Lukoil is implementing five projects worth \$7.9 billion, and Gazprom has six projects underway worth \$1.6 billion. These two companies together account for more than 60% of investment in brownfield projects.

Buying a share in charter capital (Purchase) is the third most important form of investment in the Eurasian region. At the end of 1H 2024, the number of such projects stood at 156, worth \$9.6 billion. The share of such projects in the mutual investment portfolio was 20.9%. The most attractive sectors for purchases were extractive industries (\$2.8 billion, or 29.4%) and manufacturing (\$1.1 billion, or 11.2%).

1.4. Ownership Structure of Investor Companies

Two-thirds of all mutual investments in the Eurasian region are in companies where the sole owner is a private investor. This category in the MMI Database includes 351 projects with a total mutual FDI stock of \$31.2 billion as at the end of 1H 2024. These projects have increased 41% since 2016 and 4% since 2022. Most of the mutual FDI stock with private investors is concentrated in extractive industries and manufacturing (\$19.6 billion). The largest private investor is Lukoil, with investments worth \$16.3 billion.

The stock of mutual investments by companies with a sole owner who is the state has increased by a third since 2016. However, compared to 2022, the stock of such investments decreased by 3% due to SOCAR's withdrawal from the South Caucasus Pipeline project in 2023 (it sold its 10% stake). Owners of this type had 71 projects totalling \$6.7 billion underway as at the end of 1H 2024. The largest investor is Rosatom, which has nine projects worth \$1.8 billion.

Transport and extractive industries account for the largest share of investment — \$4.8 billion together.

State-controlled companies, where the state holds a controlling stake, rank third with a share of 12.7%. They are implementing 37 projects with a total mutual FDI stock of \$5.9 billion. Compared to 2022, the investment stock is unchanged. More than 60% (\$3.7 billion) of the FDI stock is in projects involving Russia's Gazprom, mainly in gas Structural Changes 21 transportation and electricity generation. The largest stock of investment is in the transport sector — \$1.5 billion. This group is characterised by a high average project cost of \$158 million, about 80% above average.

Companies with a minority stake held by a foreign investor show a 32% decline in mutual FDI since 2022 to \$1 billion. The share of such companies in the total stock of mutual investments is 2.3%.

Companies with a minority stake held by the state account for 1.5%. The mutual FDI stock in this category has grown 21% since 2016, to \$701 million. However, it has fallen by 4% since 2022.

1.5. Structure by Source of Financing

Investment projects are mainly financed with equity and debt. The mutual FDI stock under this type of financing was \$19.2 billion (41.7%) at the end of 1H 2024. The number of projects financed in this way is 48. The average investment is \$401 million per project — more than for any other method of financing.

Projects relying solely on **equity investment** also account for a significant share of financing, with 263 such projects worth \$16.4 billion (35.4%) recorded for 1H 2024. Growth in equity was 9% compared to 2022, driven by increased investment in manufacturing (+47%, to \$2.7 billion) and trade (+20%, to \$2.7 billion). Equity is often used

for less capital-intensive projects, with average investment per project of \$62 million.

Debt alone, as well as equity and budget, are used to a much lesser extent. In particular, debt is used in 22 projects worth \$1.8 billion, while equity and budget are used in eight projects worth \$1.6 million.

Projects financed entirely from the **budget** have the lowest cost, averaging \$9 million, with a total of \$55 million spent on projects in this line by 1H 2024.

A lack of transparency of financial flows in the implementation of investment projects is implied by the large volume of investments (163 projects worth \$6.6 billion, or 14.3% of the total mutual FDI stock) for which the source of financing is **not disclosed**.

2. CORPORATE INTEGRATION IN THE REGION

2.1. Major Transactions in 2023–1H 2024

Between early 2023 and 30 June 2024, 43 new projects worth \$2.3 billion were included in the EDB MMI Database for the Eurasian region. There are 512 projects in the EDB MMI Database for the Eurasian region in total, of which 383 are active. More than half of the new investment deals, namely 22 out of 43, worth \$1.2 billion, were initiated by Russian companies. Most of the projects are in the manufacturing sector. The largest transactions are investment projects of EuroChem, Tatneft, Sibur, and others. Most of the projects of Russian investors are implemented in Kazakhstan — 13 out of 22, worth \$729 million. The main industries that attract most investment are manufacture of chemicals and chemical products, extraction of petroleum and natural gas, warehousing, and manufacture of food.

2.2. Main Investor Companies in the Region

As at 1 July 2024, the capital investments of the five largest investors in terms of investments within the Eurasian region (Lukoil, Gazprom, Rosatom, SOCAR, and Alfa Group) accounted for 52.8% of the total mutual FDI stock. Four out of five investors are Russian companies. The value of the Herfindahl-Hirschman index¹ and its trends indicate a moderate concentration of mutual investments in the Eurasian region and growing influence of the largest investor companies — in 1H 2024 it was 0.126, while in 2016 it was 0.117. Net of investments of large companies such as Lukoil and Gazprom, the HHI is 0.025. This highlights the significant influence of Lukoil and Gazprom on the scale of investment in the region.

3. MUTUAL FDI GEOGRAPHY

3.1. Capital Providers by Country in the Region

The geography of mutual FDI in the Eurasian region has changed in recent years, largely due to geopolitical tensions.

Russia remains the largest provider of capital in the region. As of July 2024, its share in total mutual FDI was 83%, with the FDI stock up 39% from \$27.5 billion in 2016 to \$38.3 billion in July 2024. The increase since 2022 has been 5%, with the main growth driver being a rise in the mutual FDI stock in the petroleum and gas sector from \$11.5 billion to \$12.3 billion. Throughout the period under review, the main recipient sector has been extractive industries (\$16 billion, or 42.2% of total mutual FDI), with the extraction of petroleum and gas accounting for \$12.3 billion. Investments in manufacturing are closely linked to the oil and gas industry — \$4 billion out of \$6.1 billion of the mutual FDI stock involves the manufacture of chemicals and chemical products.

Azerbaijan rose from fourth in 2016 to second as at the end of 1H 2024. Azerbaijan's

share of FDI is 6.8%. During the period under review, its mutual FDI stock almost doubled from \$1.7 billion to \$3.1 billion. At the same time, its stock of mutual FDI has decreased by 1% since 2022 due to the sale by Azerbaijani investor SOCAR of a 10% stake in the South Caucasus Pipeline in 2023. The main recipient sectors are transport (\$711 million) and telecommunications (\$709 million). Azerbaijan's investors are implementing four projects worth \$411 million in the warehousing sector, which is the largest amount among the countries of the Eurasian region. Next come Kazakhstan (\$376 million) and Russia (\$246 million).

Kazakhstan ranked third in 1H 2024 with a share of 5.7% of the total mutual FDI. Between 2016 and July 2024, its FDI stock fell by 23%, from \$3.4 billion to \$2.6 billion. According to the EDB MMI estimates, its decline in mutual FDI is largely due to the investment activities of Verny Capital and Meridian Capital. In particular, the RitzCarlton deal by Verny Capital in 2016 was estimated at \$600–700 million. At the same time, experts estimate that, by July 2020, its market value had dropped to \$300 million. Also in 2020, Meridian Capital sold stakes in the charter capital of 13 airports in Russia — for a total of \$438 million.

Compared to 2022, the mutual FDI stock decreased by 41% from \$4.5 billion due to the transaction between KAZ Minerals and Trianon Limited to acquire Baimskaya Mining Company for \$200 million. Trianon Limited, owned by Vladimir Kim and Oleg Novachuk, major shareholders of Kazakhstan's KAZ Minerals group, no longer owns Baimskaya Mining Company as of May 2024.

The main recipient sector of investment by Kazakhstan's companies in the Eurasian region is transport (six active projects, worth \$963 million) and the financial sector (10 ac-

tive projects, worth \$808 million). These two industries together account for more than 65% of Kazakhstan's total investment in the region.

Armenia showed significant growth in mutual FDI with a share of 1.8% of total FDI. Mutual investments increased from \$37 million in 2016 to \$841 million in 1H 2024. A major boost to growth came from Armenia's Balchug Capital, which acquired Metropolis Shopping Mall and Pulkovo Sky in Moscow for \$774.7 million in 2023. The two deals together account for more than 92% of Armenia's total investment in the Eurasian region.

Belarus shows a 16% increase in mutual FDI in the Eurasian region, from \$703 million in 2022 to \$818 million in 1H 2024. The growth is driven by the launch of five investment projects in 2023–2024, totalling \$137.1 million. All five projects are in the manufacturing sector, which accounts for 31.7% of the country's total FDI in the region.

Uzbekistan has increased FDI significantly from \$27 million in 2022 to \$167 million in 2024, taking a share of 0.34%. This is due to the active investments of Uzavtosanoat and Artel in the automotive industry and other sectors of the EAEU countries. Uzavtosanoat is implementing two major projects worth \$99 million, while Artel is implementing three projects worth \$47 million. All projects are implemented in Kazakhstan and Kyrgyzstan.

Other countries in the region, such as Ukraine, Tajikistan, Moldova, and Kyrgyzstan, show low investment activity in the region. Ukraine's FDI has declined by 38% since 2016, from \$105 million to \$65 million, while Moldova and Kyrgyzstan have mutual FDI stocks at \$2 million and \$1 million, respectively.

Mongolia has two investment projects in the Eurasian region. A private investor from

Mongolia, acting under an agreement with the Far East and Arctic Development Corporation (FEADC), has already invested more than RUB6 million in the Baikal Tin Company, LLC, project. The company plans to invest an additional RUB 100 million as part of its modernisation and expansion, which is expected to take place by the end of 2024.

Russia ranks first in projects of all capital investment categories in terms of their capital intensity (Figure 8). In the category of deals with investments between \$1 million and \$4 million, Russia leads with 114 projects. Kazakhstan is second in this category with 46 projects, which is more than half of all projects of Kazakhstan in the Eurasian region (79 projects).

The most capital-intensive projects are also those of Russia — all six major projects worth more than \$1 billion are undertaken by Russian investors. In the past, they included Kazakhstan's KAZ Minerals' Baimskaya Mining Company project (\$1.8 billion in 2022).

3.2. Capital Recipients by Country in the Region

Kazakhstan and Uzbekistan are the main recipients of mutual investments in the Eurasian region. There are 89 active investment projects in Kazakhstan, of which 74 are implemented by Russia. The stock of mutual FDI from countries of the Eurasian region in Kazakhstan totals \$10.4 billion, of which more than 90% is attributable to Russia (\$10.1 billion). Kazakhstan also demonstrates one of the largest increases in investment inflows in the Eurasian region since 2022—17%.

Azerbaijan has shown the highest growth rate among countries in the region since 2016, increasing its mutual FDI stock by a factor of 2.5, from \$2.3 billion in 2016 to \$5.8 billion by 2024. There are 20 investment projects underway and the average

project cost is one of the highest in the region at \$264 million. The growth of mutual FDI in Azerbaijan has been fuelled by large investments in the Shah Deniz project, with some \$25 billion invested between 2012 and 2023. Lukoil increased its stake to 20% after a \$1.45 billion deal with Petronas in 2022, strengthening the country's position in the energy sector.

For the top three investment recipients — Kazakhstan, Uzbekistan, and Azerbaijan — the main sector is extractive industries. For Kazakhstan, the share of extractive industries in investments is 53%, for Uzbekistan it is 46.8%, and for Azerbaijan it is 89.5%. At the same time, the only investor in extractive industries for all countries is Russia.

Belarus remains one of the largest recipients of mutual FDI, despite its share in total investment flows having fallen from 10.5% to 9.7% (\$4.5 billion). The stock of mutual FDI has declined by 8% since 2022. The main reason for the decline was a reduction in investments in the land and pipeline transport sector, where the main investor is Gazprom, which invested in Gazprom Transgaz Belarus.

Armenia is strengthening its position with a 34% increase in mutual FDI, from \$2.7 billion in 2016 to \$3.7 billion in July 2024, highlighting its attractiveness to foreign investors.

Russia's investment stock has decreased relative to 2022 by about a quarter (26%), to \$3.1 billion. The main decline was in extractive industries, down 90% to \$234 million over a year and a half.

Countries with smaller investments, such as Kyrgyzstan, Moldova, and Tajikistan, show a relatively stable but low performance in attracting mutual FDI. It is also worth noting the absence of significant FDI inflows from the Eurasian region in Turkmenistan, where

the indicators have remained at a minimum level.

According to the MMI Database, total FDI from the Eurasian region, in particular from Russia and Kazakhstan, to **Mongolia** reached \$407 million in 1H 2024. A total of six investment projects are underway, five of which are prospective, with the deals only closed no later than 2024.

3.3. Mutual Investments in the EAEU

The Eurasian Economic Union (EAEU) has seen significant growth in mutual FDI within the Eurasian region. According to the MMI Database, the mutual FDI stock in the EAEU countries increased by 37% between 2016 and 1H 2024, reaching \$23 billion. The share of mutual FDI of the EAEU countries in the total mutual FDI stock of the Eurasian region increased from 48% in 2016 to 50% by mid-2024.

Russia remains the largest investor among the EAEU countries, implementing the greatest number of projects (147) and showing a significant increase in the capital provided. Russian FDI increased by 59% by 2016, reaching \$19.8 billion by mid-2024. Within the EAEU, Russia has seen a significant reduction in the capital received — by 28% since 2016. Total capital received is \$2.7 billion, fourth among the EAEU countries after Kazakhstan, Belarus, and Armenia.

In contrast, **Kazakhstan** shows a 33% decrease in outbound mutual FDI but a significant (80%) increase in investments received, which has reached \$10.2 billion. Belarus also shows a 63% decline in outbound mutual FDI, while investments received are up 20% to \$4.24 billion.

3.4. Mutual Investments in the CIS

The share of mutual FDI of the CIS countries in the total mutual FDI stock of the Eurasian region increased from 76% in 2016 to 88.5% in 2024. In 2016, mutual FDI of CIS countries were \$27 billion, and by July 2024

they had already reached \$40.8 billion. The number of mutual FDI projects of CIS countries stood at 386 out of 512 in the Eurasian region as a whole.

The growth of mutual direct investments in the CIS was 3% compared to 2022 and one and a half times (51%) compared to 2016.

The main provider of capital within the CIS is Russia, with 89% of the total investment stock. The highest growth in capital provision in the CIS relative to 2022 was recorded for Armenia and Uzbekistan — by a factor of 20 to \$819 million and by a factor of 6 to \$167 million, respectively.

The volumes are more evenly distributed among the recipients of investment. Kazakhstan (25.5%), Uzbekistan (24.8%), Azerbaijan (14.2%), and Belarus (10.9%) are the main recipients of capital in the CIS, with their combined share exceeding 75% of the total mutual FDI stock in the CIS. Kyrgyzstan shows the highest growth of capital inflows in the CIS compared to 2022 — 18%, up to \$2.2 billion. Russia recorded the largest decline, of 26% (down to \$3.1 billion).

3.5. Intra-regional Investments in Central Asia

According to the EDB MMI Database, the stock of Intra-regional FDI in Central Asian countries amounts to \$834 million, having increased by 40% in the period under review between 2022 and 1H 2024. Overall, Intra-regional FDI of Central Asian countries declined between 2016 and 2020. In particular, investment in real estate fell from \$240 million in 2016 to \$57 million in 2020 — by more than three-quarters. The largest growth by form of investment was in greenfield projects, which have been the dominant form of FDI in the region since 2021. **Greenfield investments** were \$82 million in 2016 and rose to \$479 million in 1H 2024. In 1H 2024, 25 investment projects were underway, 17 of which were greenfield

projects worth \$479 million. At the same time, investments involving the acquisition of existing assets decreased significantly. They stood at \$273 million in 2016 and fell to \$72 million (a 73% decline) in 1H 2024. Brownfield investments show a 14% increase from \$236.8 in 2016 to \$271 million in 2024.

Kazakhstan remained the leading capital provider in Central Asia throughout the period under review.

Uzbekistan, in turn, has been an active provider of capital in Central Asia since 2018.

Kyrgyzstan is the leader in attracting regional FDI in Central Asia.

Tajikistan shows a gradual decline in its share of investment inflows within Central Asia, from 7.7% in 2020 to 2.6% (\$22 million) in 2024.

Financial services remain the largest sector for investment, accounting for 35% of total intra-regional FDI.

The manufacturing sector shows significant growth, almost tripling since 2022 (from \$99 million to \$252 million) and accounting for 30.2% of total intra-regional FDI.

Despite their importance to the region's economy and budgets, extractive industries show no growth in investment. The situation is similar in the agro-industrial complex and metallurgy.

According to the EDB MMI Database, there are 25 investment projects under implementation in Central Asia, five of which were launched in 2023–2024. The stock of intra-regional FDI in new projects is \$157 million, of which \$104.7 million is investment from Uzbekistan and \$52.2 million from Kazakhstan.

4. MAJOR MUTUAL INVESTMENT PROVIDERS IN THE REGION

4.1. Russia

Russia is the largest investor country in the Eurasian region. The FDI stock is \$38.3 billion, up 5% since 2022. Russia concentrates most of its active projects and investments in the EAEU countries (147 projects), where the FDI stock reaches almost \$20 billion. Kazakhstan is the key partner with the largest number of projects (74) and investment stock of \$10.1 billion, up 16% since 2022. In terms of Eurasian region countries' investments in Russia, the total mutual FDI stock is \$3.1 billion, 26% less than in 2022. The main contributors to investments are the EAEU countries, especially Kazakhstan and Belarus, although Kazakhstan has shown the largest fall, by 58%. Investments from Belarus, on the contrary, have increased by 27%, indicating stronger business activity between Russia and Belarus.

4.2. Kazakhstan

As a capital provider in the Eurasian region, Kazakhstan has 39 active projects, of which 16 are in the EAEU countries (\$1.8 billion), accounting for about 41% of the total. The largest number of projects are implemented in Russia (nine), Kyrgyzstan (seven projects worth \$374 million), and Uzbekistan (eight projects worth \$280 million).

In 1H 2024, the largest mutual FDI stock was in the transport and logistics sector, \$963 million, down 11.2% since 2022. Financial services posted 3.2% growth to \$808 million, illustrating the sustained interest in the development of the sector. The most notable decline was in extractive industries, with investments down 97% to just \$52 million.

4.3. Azerbaijan

Azerbaijan is the largest provider of capital after Russia. Azerbaijan's total mutual FDI in the Eurasian region was \$3.1 billion in 1H 2024. Azerbaijan's investments account for 6.8% of the total FDI in the region. The

growth of Azerbaijan's mutual investments since 2016 is estimated at 84%.

4.4. Belarus

Belarus' total mutual FDI in the Eurasian region amounted to \$819 million in 1H 2024. The share of Belarus' investments in the region's total mutual FDI is 1.8%.

Russia remains the largest recipient of Belarus' investments, having attracted \$538 million with 24 active projects, an increase of 27.2% compared to 2022.

4.5. Other Countries

Armenia's mutual FDI in the Eurasian region shows a positive trend. Mutual FDI increased from \$37 million to \$841 million in 1H 2024. The country has ten investment projects in the Eurasian region. Georgia's investments in Eurasian region countries are growing. FDI increased from \$28 million in 2016 to \$199 million in 1H 2024. The country has nine investment projects in the Eurasian region.

Georgia's biggest project was the entry of Georgian bank TBC to Uzbekistan's market in 2020. The investment stock is \$63 million. Uzbekistan's total mutual FDI in the Eurasian region was \$167 million in 1H 2024. The country has eight active investment projects in the Eurasian region.

Uzbekistan's biggest project sees UzAuto Motors, JSC involved in full-cycle production of the Chevrolet Onix in Kazakhstan via completely knocked down assembly. Investment in the project totals \$74 million.

5. MUTUAL FDI SECTORAL STRUCTURE

5.1. Overall Sectoral Structure

Extractive industries remain the most significant target for mutual FDI with investment stock reaching \$16.4 billion in 1H 2024. In terms of total mutual FDI stock, extractive industries remain the dominant destination for investment, with their share rising from

29% in 2016 to 35.6% by July 2024. At the same time, the sector shows a 9% decline in investment stock since 2022 (from \$18 billion), mostly due to investors exiting metal ore mining projects (Polymetal International in Kazakhstani projects).

The share of **manufacturing** has increased markedly in total mutual FDI, from 12.2% in 2016 to 15.2% in 2024. Alongside this, the sector is showing 66% growth, with the FDI stock rising from \$4.3 billion to \$7.0 billion in 1H 2024.

Despite the relatively low mutual FDI stock, the **agro-industrial complex** is also showing growth, increasing by 80% from \$1.2 billion in 2016 to \$2.2 billion by 1H 2024 (with its share up from 3.5% to 4.7%).

In contrast, the share of the **transport sector** declined from 16.4% in 2016 to 11.6% in 2024. 56 EDB Monitoring of Mutual Investments — 2024. Eurasian Region

There was a moderate increase in mutual FDI inflows in **financial services and trade** to \$3.7 billion and \$3.1 billion, respectively.

5.2. Extractive Industries

Between 2016 and July 2024, the stock of mutual FDI in extractive industries showed a steady increase, from \$10 billion to \$16.4 billion.

Extraction of petroleum and natural gas remains the leading industry, with investment reaching \$12.5 billion, up 6.5% since 2022. There are currently 14 investment projects underway.

At the same time, **metal ore mining** shows a significant decline in investment, down 41% from \$5.5 billion in 2022 to \$3.2 billion in 1H 2024. There are 29 investment projects underway in the sector, two of which have been launched since the beginning of 2023.

5.3. Manufacturing

More than 57% of the mutual FDI stock in manufacturing is in manufacture of chem-

icals and chemical products — \$4 billion, up 8% since 2022. There are 14 projects underway in this sector, two of which were launched in the last one and a half years.

The **manufacture of motor vehicles, trailers, and semi-trailers** shows the most significant increase in investment — 3.6 times, from \$45 million in 2022 to \$164.2 million in 2024. This area has attracted 10 projects, of which two were launched in the last one and a half years.

Significant growth is also seen in the **production of rubber and plastic products**, where investment increased by 181% to \$530 million and eight investment projects are underway.

5.4. Transport

The transport and logistics sector plays a key role in the economy of the Eurasian region, especially in the context of its close ties with the petroleum and gas industry. A trend has emerged in recent years: the share of storage capacity has continued to grow while pipeline investment has declined, although the gap between the two remains significant.

By July 2024, the stock of investment in **land infrastructure and pipeline transport sector construction** had reached \$4.3 billion, down 10% from \$4.8 billion in 2022. There are currently 11 active investment projects in this industry, of which nine projects involve petroleum and gas transportation.

Warehousing is the second most important area of investment in the transport sector. This segment accounts for \$1.0 billion, up 28% since 2022. The sector is implementing 16 investment projects, five of which were launched in 2023–2024.

5.5. Other Sectors

Investment in financial services decreased by 6% (to \$3.7 billion) by the end of 1H 2024 compared to 2022. The decrease

was due to the withdrawal of some investors from projects.

Retail trade showed significant growth in 1H 2024 compared to 2022, up 20% to \$2.7 billion with 35 projects.

The stock of mutual FDI in the **power industry** grew by 7%, with \$2.3 billion in investments and 19 projects.

At the same time, the **crop and livestock sector** also showed significant growth, up 37%, with investments increasing to \$923 million and 10 projects implemented.

The **manufacture of food** increased by 18%, with investments of \$468 million.

A number of industries (**telecommunications, wholesale trade, insurance, and trade in motor vehicles**) show a slight decrease in investment.

5.6. Green Projects

The number of green investment projects has been steadily increasing over the past few years. In 2016, the investment stock was \$323 million and has increased since then, reaching \$661.9 million by 1H 2024. The increase in investment between 2022 (from \$471 million) and 1H 2024 is 40.6%.

Green investment in the Eurasian region is still small (1.4% of the total FDI stock) and the industry has only eight projects underway, two of which were launched in the last year and a half.

6. MEDIUM-TERM TRENDS

1. Increase in the number of greenfield projects. While this form of investment accounted for 56 new projects in 2013–2018, the number rose to 82 in 2019–2024. A record 21 greenfield projects were launched in 2023, accounting for almost 70% of all projects. Against the background of increased greenfield investment, other forms of FDI have become less popular with investors. Given the global trends of annual growth in greenfield project launches, this form of mu-

tual FDI is expected to continue to grow in the Eurasian region.

2. Manufacturing will be the most attractive for investment in the Eurasian region. Between 2023 and 1H 2024, manufacturing accounted for 20 out of 43 new projects totalling \$855 million. The share of manufacturing in total FDI has increased significantly, from 13% in 2022 to 15.3% in 2024. The likely leaders in FDI growth are motor vehicle manufacturing, the chemical industry, and petroleum refining. These are the sectors that continue to attract significant investment and show steady growth.

3. The agro-industrial sector will see further steady growth in the number of projects. The agro-industrial complex has shown continuous annual growth since 2016, with an average annual growth rate of 6.7%, and has grown by 18% to \$2.2 billion in the last

year and a half. Projects involving the manufacture of food and beverages in the EAEU countries will be particularly attractive for investment.

4. Uzbekistan's importance as an investor in the context of mutual investments among Central Asian countries is growing. The intra-regional FDI stock of Uzbekistan as a capital provider increased from \$27 million in 2022 to \$164 million in 1H 2024. The growth in FDI was by a factor of 6.8 in one and a half years. Three of the seven ongoing projects were launched from early 2023 through 1H 2024.

5. Central Asian countries will increase their share in investment inflows in the Eurasian region. In Central Asian countries, the mutual FDI stock increased to \$23.4 billion (50.8% of the total) by the end of 1H 2024, up 11% from the 2022 level of \$21.1 billion (46.7%).

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