



**Developing institutional capacity for attraction of FDI
in Ternopil region**

**Workshop: Practical aspects of investment promotion
and support at the local level**

(Foreign direct) Investment & Territorial Competitiveness

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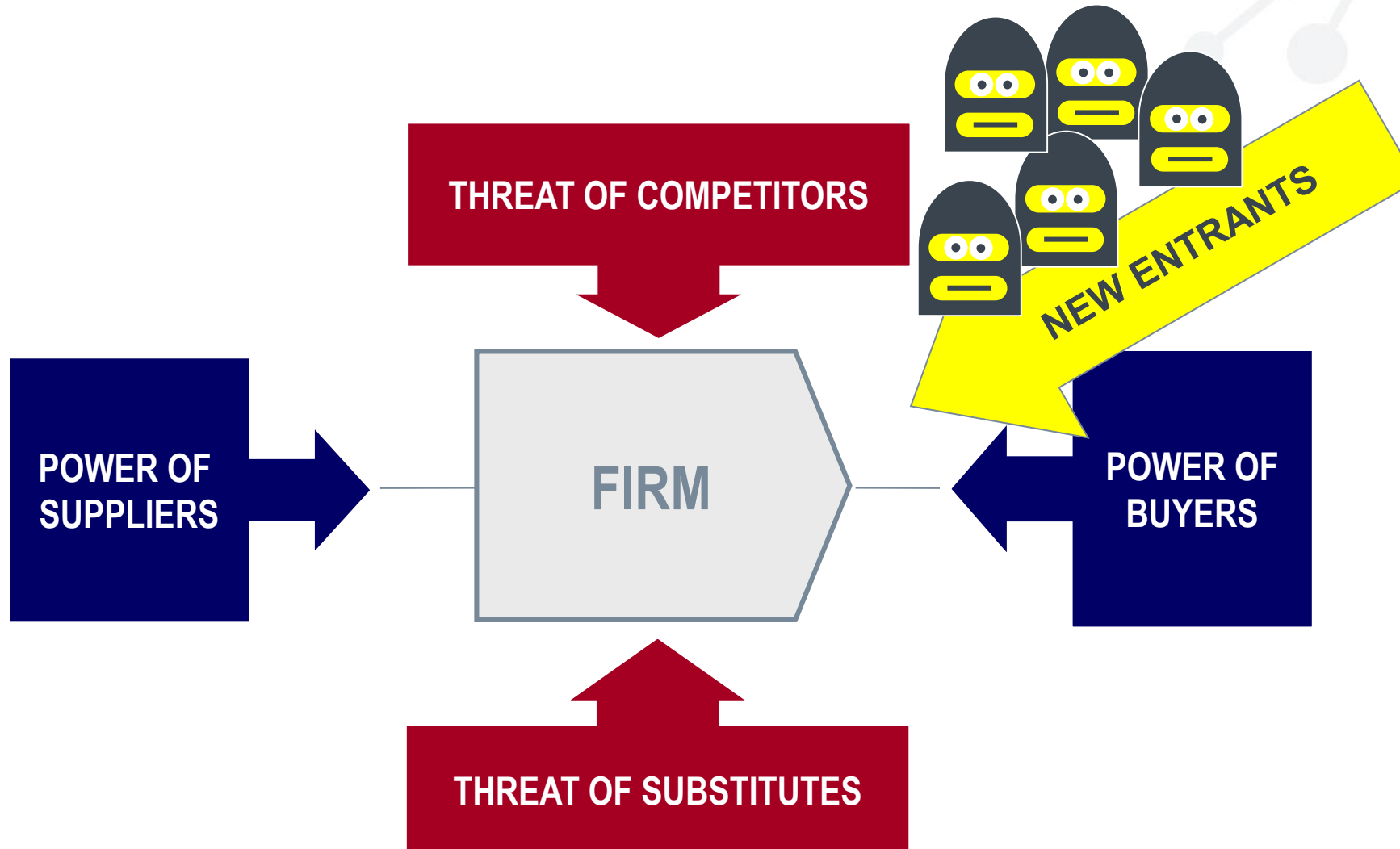


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Structure of the presentation:

- Five forces that work against company's growth
- Why it is important where a company is located
- Enterprise and territorial competitiveness
- Foreign Direct Investment / definition
- Types of FDI
- Impact of FDI
- Discussion

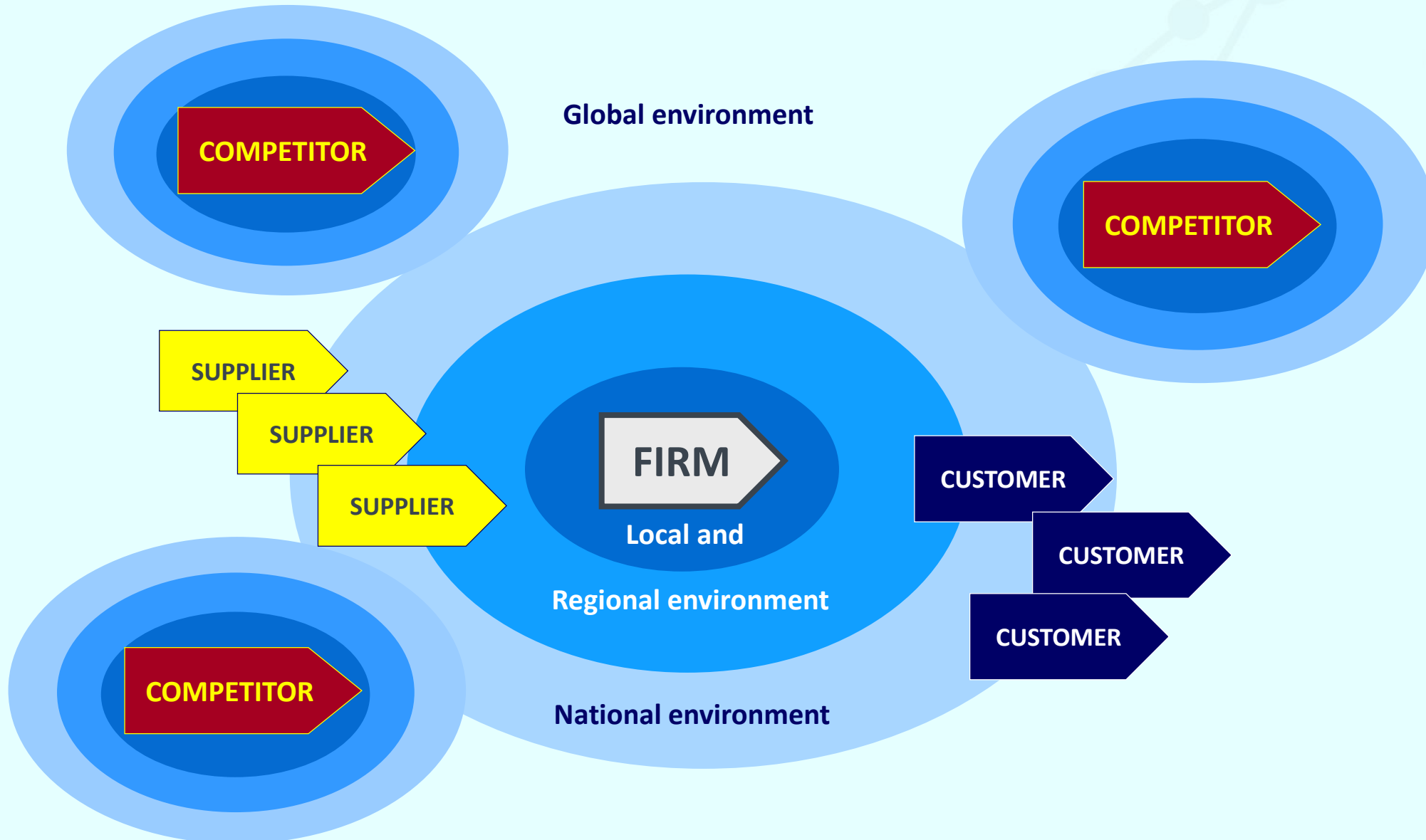
Five forces: Input-Output model of firm



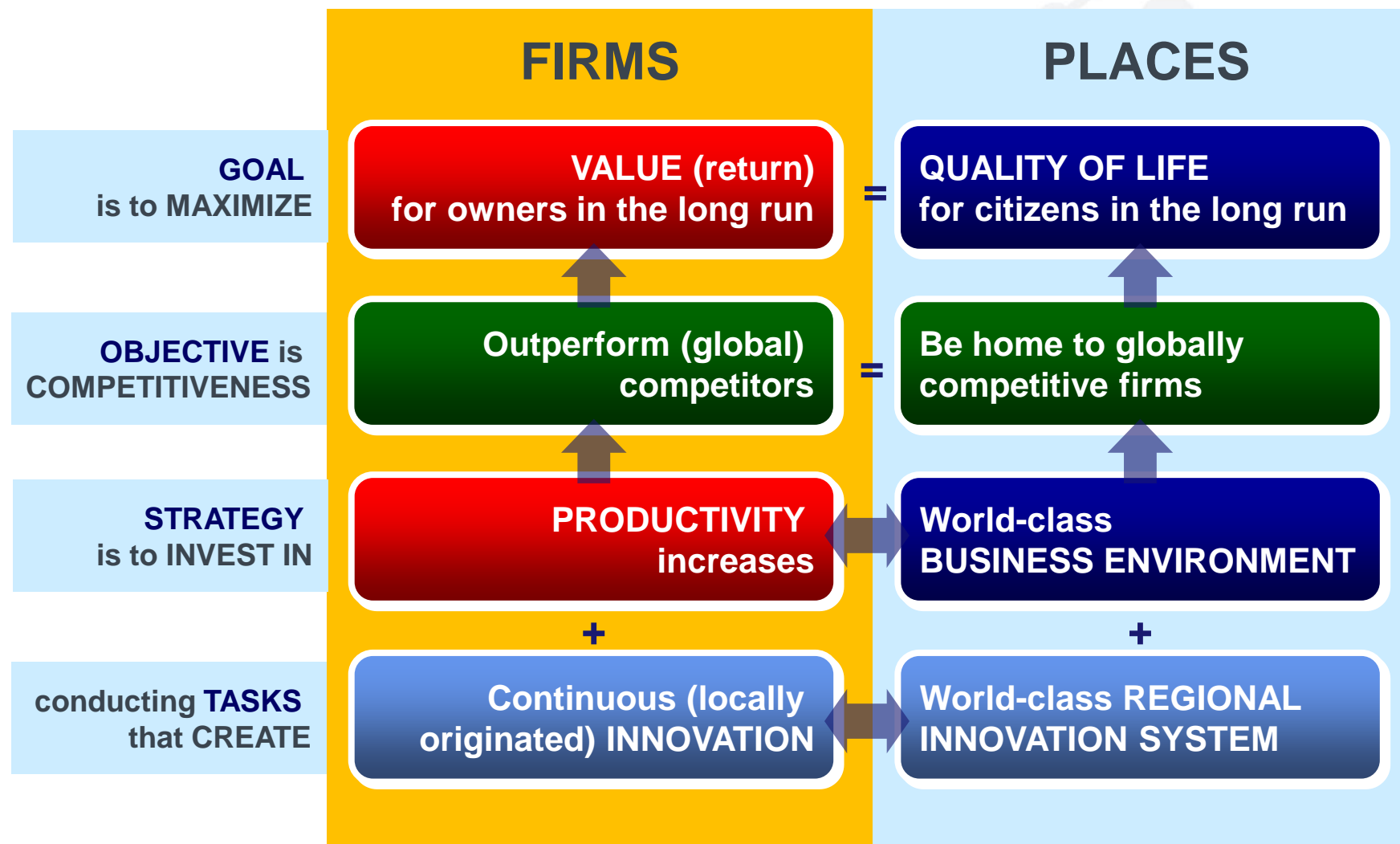
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Impact of environment



Competitiveness is a common goal



Defining foreign direct investment

Прямі іноземні інвестиції - це **транскордонні інвестиції**, зроблені **багатонаціональними підприємствами (БНП)** у активах за кордоном, в яких вони хочуть здійснювати певний рівень **управлінського контролю**.

- Управлінський контроль відрізняє ПІІ від інших надходжень міжнародного капіталу
- Рівень управління може бути різним (філії, які знаходяться у повній власності; придбання, спільні підприємства, ліцензійні угоди; франшизи)

Defining foreign direct investment

Foreign direct investment is the **cross-border investment** made by **multinational enterprises** (MNEs) in overseas assets in which they wish to exercise a degree of **managerial control**.

- Managerial control distinguishes FDI from other flows of international capital.
- The degree of control varies (wholly-owned subsidiaries; acquisitions, joint ventures, licensing arrangements; franchises)

Types of (foreign direct) investment

Modes of entry

Motives

M & A

- Resource / asset seeking
- Market-led

Greenfield

- Efficiency seeking
- *Knowledge seeking*

Impact of (foreign direct) investment on firm level

- 😊 Expanded production
- 😊 Access to capital
- 😊 Access to global markets and distribution networks
- 😊 Transfer of technology and know-how
- 😊 Productivity gains
- 😊 Increased competitiveness
- 😊 Improved R&D and design capacities
- 😊

- 😞 Downsizing
- 😞 Lower autonomy / external factor dependence
- 😞 Truncation / outsourcing of sub-optimal processes
- 😞

Impact of (foreign direct) investment on host economy

- 😊 Job-retention and new jobs creation / net employment growth
- 😊 Wage increase = growth of real income / growth of GDP
- 😊 Increased exports
- 😊 Improved skills of labor force
- 😊 New products and services available on local markets
- 😊 Supplier opportunities for local firms
- 😊 Indirect effects
- 😊
- 😞 Local economies more dependent on external factors
- 😞 Increased tension on local labor markets
- 😞 Pressure on local firms / bankruptcies
- 😞 Local firms development curbed
- 😞 Deskilling
- 😞 Local / regional specialization in low-end, labor-intensive production
- 😞



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