



## Course «Investment project management»

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# The seventh lesson. Role of institutions during organization investment

- 7.1 Concept of Capital Construction and Capital Investments.
- 7.2. Assessment of Capital Investments Efficiency in Capital Construction.
- 7.3 Financing of construction works and construction works.
- 7.4 Cost price formation
- 7.5. Construction contract and organization of tenders.



## 7.1. Concept of Capital Construction and Capital Investments

- For capital-exporting countries capital inflows can have a negative impact:
- Non-involvement of foreign investments, which will cover the suburban capital, can slow down the country's economic growth;
- capitalization for capital exporting countries leads to a decline in employment;
- capitalization will have a negative impact on the country's balance of payments.

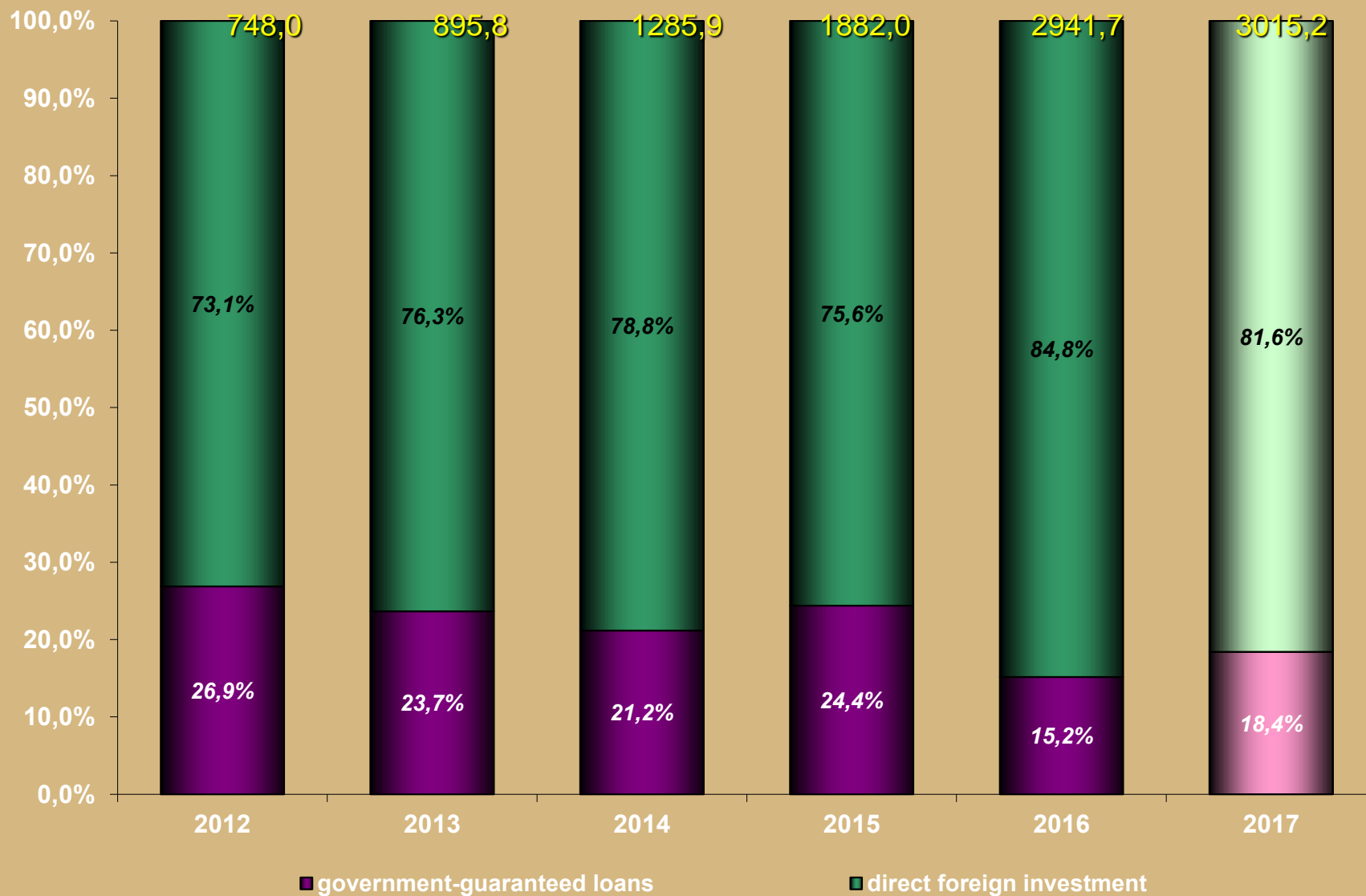
## For the countries receiving the capital, the following positive aspects are true:

- controlled capital imports;
- attracted capital creates additional jobs;
- foreign capital will bring new technologies, and effective management will accelerate the development of the country;
- capital inflows lead the country to improve its payment balance.




# Dynamics of foreign investments attracted within the framework of public investment programs for 2002-2017

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## 7.2. Assessment of Capital Investments Efficiency in Capital Construction


 Capital investments are financial resources for the creation of new, newly established and expanded current fixed assets in production and non-production sectors.

## The following expenses of capital investments

Capital investments will be directed to the following expenses :

- building and assembly works;
- to buy various equipment and instruments;
- any other costs - such as prospecting works, construction site preparation etc..

### 7.3. Financing construction and contract work on construction.

 The share of equipment in the structure of capital investments and the increase in the share of the participants - the active part of fixed assets to the construction works will lead to a decrease in capital investments in the unit of output and increase their economic efficiency.

## 7.4. Price Building in Construction.

Tasks for improving the efficiency of capital investment:

1. economic feasibility of capital investments into separate sectors and enterprises;
2. to improve the quality of construction and designs that meet the newest achievements of domestic and foreign science and technology at their technical level, which will ensure the growth of labor productivity, reduction of product cost and increase of production efficiency;
3. To accelerate commissioning of construction and production capacities, to provide design estimates and material and technical resources and production arrangements.

## Financial sources of capital investments.

❏ The main source of capital investment is the national income, which is the result of the use of social production and the basis of production during the production process at the same time.

## 7.5. Construction contract and organization of tenders.

### Sources of capital investment financing

