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**FINANCE & PROJECT PERFORMANCE EVALUATION
OF PUBLIC PRIVATE PARTNERSHIP**

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In the article the ways of financing the projects of public- private partnership are considered, a comparison of the processes of traditional budget financing and financing the projects of public-private partnership has been conducted. The project financing of public-private - partnership has been considered in detail, as well as a method for evaluating the effectiveness of the projects of public- private partnership has been offered.

The development of transport and logistics infrastructure, including the construction of logistic centers, is a priority in the Republic of Belarus and requires huge investments. In case of new construction, investment costs for implementing infrastructure projects include:

- a) construction and engineering work;
- b) the costs for planning and development of land;
- c) materials and equipment;
- d) fees paid for technical and engineering services.

Traditionally, the realization of infrastructure projects is carried out from the national budget, which does not always have free capital for the implementation of major projects, so the investor is necessary. Forms and methods of financing investment projects vary widely: for this purpose shares issue may be used, the acquisition loan, lease financing and others. Each of the used forms of financing has certain advantages and disadvantages, but it is difficult to find an investor, so the public-private partnership is considered as an alternative and the most efficient way to implement new projects.

The creation of the mechanism of public-private partnership, will allow the state to acquire financial and managerial resources of the private sector, leaving behind the control over the objects of the infrastructure and private capital will have access to those sectors that have been closed to it before as they were completely under the jurisdiction of the state. In terms of maturity and high competition in the most accessible markets, an access to new sectors of the economy offers significant opportunities for private capital to expand its operations and to get a stable profit.

Public-private partnership, usually involves specific financing schemes that allow a number of benefits of a financial nature in comparison with budgetary financing.

The main difference is in the process of realization of the project of public-private partnership, public authorities do not interact with a variety of organizations that are involved in its implementation, but only interact directly with a private partner, who makes the necessary contracts himself and monitors their implementation. In this case, you typically create a special organization as a separate investment project, and the private partner provides functions similar to the functions of the general contractor.

In the world's there are three widely spread sources of funding the projects of public-private partnership: public financing, corporate finance and project financing.

Public financing is the financing in which the government attracts borrowings and gives them to the project through the final borrower loans, grants, subsidies or guarantees on debt. Typically, authorities are able to obtain loans at a lower interest rate, but they are limited by financial opportunities of the budget, as well as the fact that there is always a number of programs competing for scarce financial resources, besides the state less effectively manages business risks [2].

Corporate financing is the financing in which an organization attracts borrowings using its credit history and current business, and uses them to invest in the project. Utilities and government organizations do not have sufficient debt capacity and may have several competing investment needs. Such opportunities may have outside investors, however, the amount of the required investment and profits, which usually such investors want to get from their investment, may lead to an excessively high cost of financing, and so this way may be closed to the grantor [2].

Project financing is the financing in which direct loans without a regress right or a limited regress right are available directly to the created project organization. In this case, lenders rely on project cash flows to repay the debt, while providing the debt is limited by current assets and project future earnings. Thus, the duty of the project organization is not reflected in the balance sheet either of shareholders or perhaps in the balance of the grantor [2].

In our opinion the most effective can be called "project financing" as at the basis of project financing of public-private partnership is the concept of financing investment projects guaranteed by the expected profit, those revenues that the generated transport and logistics center will bring in during its operation. Project financing has some specific features that distinguish it from other forms of fundraising for implementing the project.

The characteristic features of project financing are:

a) the project is implemented in the legal, organizational and financial isolation from other projects, which involve the same organizations, which gives you the opportunity to ensure the transparency of financial and other results;

b) cash receipts from the implementation of the project are the main sources of repayment of loans, of the income of investors and shareholders, government payments, assets of the project are collateral for any borrowings;

c) dividends and investor returns depend on the performance indicators and debt responsibilities [3].

Thus, the project requires investments at all stages of its implementation, including the stages of design and tender, as well investments are required during the operation of the object (the launch of the object, the maintenance, modernization and reconstruction of the existing transport and logistics center).

Having analyzed the disassembled material the scheme of financing the implementation of projects concerning the construction of transport and logistics infrastructure is made up by us (Figure 1).

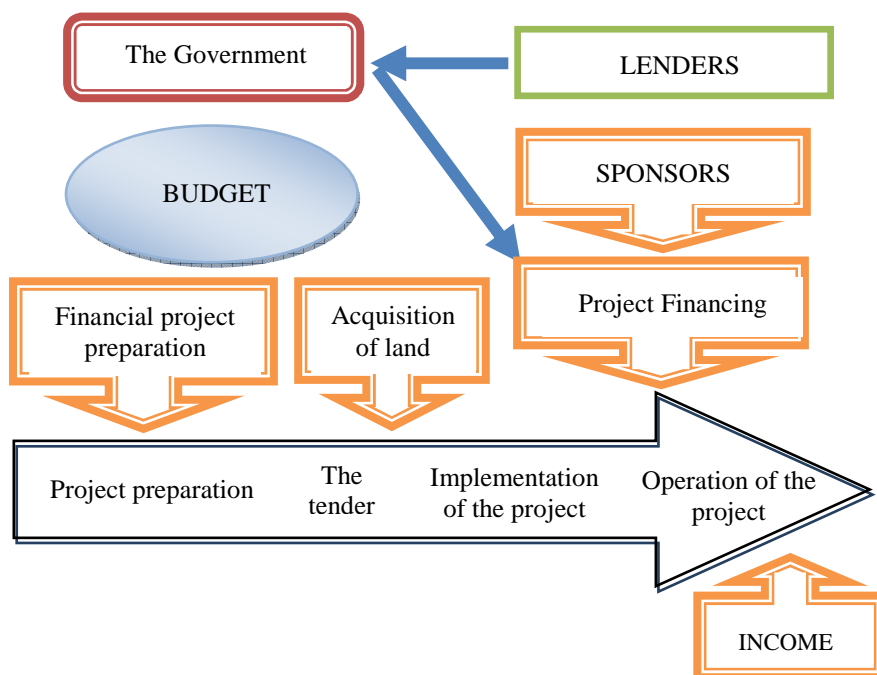


Fig. 1. Scheme funding projects concerning the construction of transport and logistics infrastructure

Source: own elaboration

The essence of public-private partnership consists in a mutually beneficial partnership in order to implement the project. But private companies are primarily interested in making a profit from the operation of the project. That is why, even at the stage of preparation and tendering it is necessary to assess the effectiveness of the project.

Theory tools of real options as an addition to the method of net present value (NPV) and calculation model Expected Commercial Value (ECV), to evaluate the effectiveness of the project, the construction of a transport and logistics center implemented through public-private partnership, have the potential to justify the optimal investment decisions in a logistics activity [4].

The value of the net present value (NPV) is calculated as the difference between the discounted cash flows of income and expenditures incurred in the implementation of investment over the forecast period [5].

The essence of the criterion is to compare the present value of future cash flows from the project to build a transport and logistics center with investment costs necessary for its implementation.

The application of the method provides consistent passing the following steps:

- a) calculation of the cash flow of the project for the construction of a transport and logistics center;
- b) the choice of a discount rate, taking into account the profitability of alternative investments and risk of the project;
- c) determining the net present value.

NPV for the constant discount rate and a one-time initial investment is calculated by (Eq. 1):

$$NPV = -I_0 + \sum C_T (l+1)^{-t} \quad (1)$$

where: I_0 – the value of the initial investment (RUB); C_t – cash flow from the sale of investments at time t ; t – calculation step (year, quarter, month, etc.); i – the discount rate.

Thus, the cash flows must be calculated in the current or deflated prices. When forecasting revenue data it is necessary, if possible, to take into account all types of revenues in both the production and non-production, which can be associated with this project. So, if at the end of the implementation period of the project flow of funds in the form of residual value of the equipment or release of working capital is planned, they should be counted as income of the related periods.

In the calculations according to this method there is a premise of a different time value of money. The process of converting the future value of cash flow into the current one is called discounting.

The rate at which the discounting is called the discount rate (discount rate), and the factor $F = 1 / (1 + i)^t$ – the discounting factor.

If the project involves more than one-time investment and consistent investment of financial resources for a number of years, the formula for NPV calculation is modified as follows (Eq. 2):

$$NPV = \sum_{t=1}^{T_y} I_t (l+1)^{-t} + \sum_{t=1}^T C_T (l+1)^{-t} \quad (2)$$

where: I_0 – value of the initial investment (RUB); C_t – money flow from the sale of investments at time t ; t – calculation step (year, quarter, month, etc.); i – the discount rate.

Terms of the investment decision based on this criterion are:

- If $NPV > 0$, then the project should be accepted;
- If $NPV < 0$, then the project should not be accepted;
- if $NPV = 0$, the adoption of the draft will bring neither profit nor loss.

The basis of the method consists in following the main target setting determined by the investor – to maximize its final state or increase the value of organizations. Following the given target setting is one of the conditions of comparative evaluation of investments on the basis of this criterion.

The implementation of this method involves a number of assumptions that must be checked for the degree of their compliance with the reality and the fact what results possible deviations lead to.

To the following assumptions one can refer:

- a) the existence of the only one objective function - the cost of capital;
- b) a specified term of the project implementation;
- c) the reliability of the data;
- d) membership fees at specified times;
- e) the existence of a perfect capital market.

The method has significant drawbacks. Due to the difficulty and ambiguity of forecasting and the formation of cash flow from investment, as well as in the choice of the discount rate there is a danger of underestimating the risk of the project.

The next indicator ECV has been proposed to be calculated as follows (Eq. 3)

$$ECV = [(PV \times Pcs - C) \times Pts - D] \quad (3)$$

where: *ECV* – the expected commercial value of the project; *PV* – future project earnings, discounted to the present time; *D* – investments at Stage I (development); *C* – investments at Stage II (commercialization); *Pts* – the probability of success of technical implementation; *Pcs* – the probability of commercial success after successful technical implementation.

The advantage of ECV model is that it takes into account the probability of occurrence of an event at some point that does not allow the used indicator NPV. Thus, the project to build a transport and logistics center can be adequately assessed and accepted, and in the future in the course of the project implementation of a public-private partnership using the proposed model one may adaptively and efficiently manage the efficiency of its implementation.

Thus it can be concluded that the project financing is the most appropriate source of funding for the construction of a transport and logistics center in the public-private partnership for the proposed model. Direct loans with a non-regress or limited regress right are available directly created to the created project organization. And lenders rely on the project cash flows to repay the debt, while providing the debt is limited by current assets and project future earnings. A proposed method for evaluating the effectiveness of public-private partnership in the construction of a transport and logistics center will be able to show the effectiveness of the project to potential private partners.

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FEATURES OF ECONOMY OF THE NATIONAL BASKETBALL ASSOCIATION: COLLECTIVE AGREEMENT

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The article is devoted to the economy of the National basketball Association. The article considers the issues of the collective agreement, the ceiling of salaries, luxury tax and trades in the NBA.

The national basketball Association, NBA is a men's professional basketball League of North America, particularly of the U.S. and Canada. It is one of the four major professional sports leagues of North America, along with NHL, MLB and NFL. It was founded in 1946 as the Basketball Association of America and after mingling with the National basketball League, was renamed the National basketball Association.

By 2011, the Association consists of 30 teams that are geographically divided into Eastern and Western conferences, while each of the conferences, in turn, is divided into three divisions of five teams. During the regular season, each team plays 82 matches, according to the results of which they select the participants for the play offs. In the playoffs the teams play according to Olympic system, it means up to 4 victories in their conference. Two champions of the conferences then meet in the final match, after it the champion of the NBA is defined.

The income of NBA in 2010 was 3,8 billion dollars, and, with expenses of just over 3,6 billion dollars, operating profit in that year amounted to 183 million dollars, while gross margin was 4,8%. The average salary of players in 2010 amounted to 4,8 million a year – more than in any other sports League in the world [2].

Among the expenditure items we will name the following: the salary of the service personnel, administrative and travel expenses, contributions to the pension and medical funds, payment for food and accommodation of sportsmen during away games, buying of the uniform, necessary implements and equipment, renting of sports facilities, insurance of the players, expenditures for advertising and public relations, the development of sports programs (shooting of educational films, searching for recruits, etc.), the payment of taxes (Federal and local), and others [1, p. 123].