THE PROCEDURE FOR FINANCING THE INVESTMENT PROJECTS OF ROAD TRANSPORT

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Abstract

This paper presents the basic concepts of procedures for financing the investment projects of road transport. Author has analysed for investment potential of Uzbekistan, and on the basis of this he has made scientific-based recommendations. Moreover, paper has been enriched with the analytical formulas, which has provided article with necessary conclusions.

Key words: *investment, investment projects, road transport, mechanisms of financing, financing the investment projects*

During thousands of years Central Asia was alive link of international trade, economic and cultural relations and interpenetration of the world civilizations. Expedited development of transportation systems Expedited development of transportation systems, diversification of transport routes for the foreign of transport routes for the foreign -trade of goods and integration trade of goods and integration of transportation into the world system. Effective system of transportation and transport communications are the base of development of Trans-Asian and Euro-Asian transit carriages via Central Asia.

Uzbekistan is a land-locked country providing crucial transit for the centuries-old silk route. Roads and railways carry the bulk of the passenger and freight traffic. With the country having emerged from the post-Soviet planned economy, it is gradually progressing toward a market economy. As with other landlocked developing countries, Uzbekistan faces several challenges in connectivity, logistics, and access to sustainable modes of transport. The public sector agencies managing the transport sector are the Republican Road Fund (RRF); Uzbekistan Railways (Uzbekistan Temir Yollari, or UTY); Uzbekistan Airways; Uzavtoyul (road construction and maintenance); and Automobile and River Transport. Although no single government entity is charged with the transport sector as a whole, the sector is coordinated by the Cabinet of Ministers.

Uzbekistan has more than 183,000 km of roads, 42,530 km of which are highways. Highways are classified as international (3,626 km), regional (21,995 km), and national (16,909 km). While the road network is adequate, providing access throughout the country, it suffers from a backlog of rehabilitation work. Uzbekistan's road transport sector has undergone significant changes since 2003, yet the sector is still in a state of transition. Reform gains have emerged from improvement in road sector governance—the separation of the RRF from Uzavtoyul, and its institutional development to become a corporate entity with an appropriate organizational structure. The RRF has attained a quasi-autonomous status, which may be the first stage toward the evolution of a full-fledged road asset management system. An additional requirement would be to provide the RRF with a sustainable source of income to meet the demand for road construction and maintenance.

Uzbekistan's spending of 1% of its gross domestic product on roads is low by international standards. The RRF is responsible for financing about 25% of the entire network. However, its budget remains inadequate to meet the reconstruction and maintenance requirements of the network. This has resulted in about 60% of public roads having cracks on more than 10% of the surface area as well as having 10 potholes, on average, per kilometre. The RRF needs to tap the potential of public–private partnerships, restructure its revenue system, and introduce road user charges to improve maintenance and develop the network.

Dynamics of development of economy of Uzbekistan is characterised with the features of changes in the price structure, changes in the tax legislation and in the system of incentives. Therefore, it has intended purpose to widely use simulation modeling methods and automation tools in order to successfully develop methodological support of study

investment attractiveness of projects in modern conditions. As a result, the structure of the program is determined (the nomenclature of various objects, the logical and technological relations among them, options, etc.).

At present, there is a number of universal computer systems of the calculations related to investments in the market of Uzbekistan for the investment analyst who wants to automate the calculations of the effectiveness of capital investments. "Project Expert" and "COMFAR" as the most common applications are considered as the closed systems (not to be changed by user of algorithms), while "Alt-Invest" and "TEO INVEST"'s can be mentioned as the open systems (algorithms were done on the basis of electronic spread sheet and can be changed).

In the process of this research, it was decided to use stochastic modeling on the method of Monte-Carlo (Monte Carlo Simulation Analysis) for the regulation of the process of reduction the number of expected combinations and selection of the   optimal framework. The content of this method is that, it is possible to give allocations for a variety of indicators instead of determining them with the expected discrete values. The modeling process is carried out according to the following algorithm:

- The modeling program, for each primary variable, randomly chose value on the basis of the probability distribution for it;
- The value selected for each variable in each year determines the positive cash flow model. Then, there is the particular accounting period for the investment project's net present value (NPV);
- It is important to repeat the first and second steps several times, for example, 100 times, 100 NPV, NPV and they are expected to limit the average of the squared values of the probability distribution.
However, the majority of the simulation models such as Monte Carlo method, for unforeseen circumstances refers to the strategy of rational actions. Cash flow, price, trading volume, and the larger the difference in the primary variables, the more model is not true.

By analysing foreign experience, the author notes that analysis of capital investments in many foreign research methodologies discussed the problem of the effects of inflation in the long-term investment decisions. However, they can not be recommendations for practical application. In the conditions of modern economy, inflation factor and its influence for compensation of investments in priority tasks, its solutions and vehicle-transport system of investment activities are managed effectively.

It is known that the investment project efficiency calculation of the rate of the special deflation discount show the cash flows into the equivalent. If the range of *m*-step calculation of the inflation rate is constant and equal J_m, and discounted the "normal" rate can be determined by the following formula:

$$1 + R_{инф}(m) = (1+R) \cdot (1+j_m) \qquad (1)$$

This method is used for the comfortable system.

In a more accurate assessment of the impact of inflation to long-term investments, you will need to use the following rules:

1. The amendment to the tax cash flow by taking into account inflation.
2. Expenditure on non-cash items (depreciation), final calculation of profit for tax purposes.
3. To calculate the cash flows after tax payment.
4. The measurement of the average cost of capital at a rate equal to the nominal value of discounting.

As a result of the research carried out, assurance of the correct and optimal management decisions to improve the efficiency of investment in the use of simulation modeling methodology calculation is noted as one of the important areas. The proposed methodology of road transport enterprises uses part of the development of investment projects, and it significantly increases the efficiency of capital investments in the long-term opportunity.

Literature:

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