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Public-and-Private Partnership Institutionalization of Ukrainian Natural Resource Potential Capitalization in Decentralization

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Abstract:

The paper studies the process of using natural resource potential in a new decentralized environment considering its variability and problems of national economy and rural areas, exacerbation of exogenous threats to economic self-sufficiency and economic security of the country as well as local self-government reforms on the sample of Ukraine. The necessity of forming a perfect institutional environment that improves the investment climate of rural areas, opens opportunities for accelerated capitalization of natural resource potential of newly created communities and the development of private-public partnership between the state and business structures. The formation of a new institutional environment for the development of public-private partnership and management decentralization will contribute to the capitalization of natural and economic assets owned by state and rural communities. The necessity of normative-legal expansion of the list of spheres of application of public-private partnership agreements is substantiated and the expediency of clear identification of all possible forms of relations between state and private partners based on the implementation of positive foreign experience is emphasized. The necessity of public-private partnership agreements as a factor of strengthening economic and financial

self-sufficiency of newly created territorial communities in the conditions of decentralization of power strengthening and local self-government reformation is proved.

Keywords: natural resource potential; capitalization; institutional environment; public-private partnership; decentralization; local government; communal property; rural areas.

JEL Classification: Q00; Q13; Q28; Q58.

Introduction

Ukraine's modern economy exhibits the consumerism attitude of business to natural resources as well as their significant depletion. Imperfect economic mechanisms and legal framework governing their use are peculiar features of the Ukrainian natural resources management system. In particular, businesses are not concerned with implementing environmental measures at their own expense. In addition, the rates of payments for natural resources and environmental pollution do not correspond to real economic estimates and there is no effective system of environmental funds (Kozak *et al.* 2023).

We believe that the decentralization of the management system is a real way to solve this problem since it involves the reorientation of power to the lower territorial level, which is becoming a basic player in the system. However, it requires addressing the issue of capitalization of natural resource potential, which is the basis of agricultural production and sustainable development of communities.

1. Literature Review

It is obvious that current level of capitalization of different types of natural resources is ambiguous both in terms of their kinds and the territorial and spatial aspect. Natural resources of local importance are characterized by low capitalization, in contrast to the resources of national importance. In addition, the entrepreneurial approach has not become widespread in the nature management in Ukraine, though its application promotes the self-reproduction of resource components of the environment. Therefore, there is a need to introduce the latest financial and economic mechanisms that use the appropriate modern algorithms for natural resources capitalization in the economic activities of communities. It is worth emphasizing that currently this process cannot do without attracting private capital for long-term investments, as well as without additional flexibility to make cost-effective decisions to improve the overall financial condition of communities.

It is worth noting that the problem of natural resource potential integration into the market influence area is becoming global since it is the most valuable resource, and its capitalization influences new economic activities formation. However, finding a balance between environmental sustainability and economic efficiency is a challenge to each country as natural resource extraction and processing account for more than 90% of global biodiversity loss and water stress and about half of global greenhouse gas emissions (Oberle *et al.* 2019). Given that the use of natural resource potential will increase by 50% by 2030 (Wunderlich and Martinez 2018), the world will face global environmental and economic problems in the nearest future if this process is not regulated.

The problem of "natural capital" overuse has long been the major issue of international institutions, which raise the problem of its preservation and reproduction (Rappel 2018) and argue that its irrational use has short-term effects on the country's economy (Aljarallah and Angus 2020). That is why economics faces the task of developing a methodological basis for the natural resource potential capitalization (especially for the «concealed resources» capitalization» (Ugli and Qizi 2019).

It is believed that the ability identify resources can promote developing an efficient property rights structure. Scientists argue that the concealed resources are easier to manage, especially when owners and users understand their scientifically sound properties and therefore, it is extremely important to determine the value of natural resources, as it allows to develop an effective policy of their capitalization (Ehrman 2020; Tretiak *et al.* 2020; Lebdioui 2021).

Currently, land as the most valuable resource, the economic basis of its capitalization, the development of environmental indicators of its operation and identifying the factors that limit its capitalization make the focus of scientists' attention (Ugli and Qizi 2019).

Scientists are discussing the issue of natural capital substitution for cheaper forms and the possibility of effective management of this resource to build ecological society (Ugli and Qizi 2019; Fan *et al.* 2020). The studies of the issue of institutional support for partnerships between the state (territorial community) and business structures regarding the use of natural resources in the context of decentralization and local government reform are of particular interest (Klinovoi and Rogov 2017; Andonova and Piselli 2022; Zhalilo 2022). Improvement of the economic mechanism of nature resources management aimed to development of the partner mechanism in the resource area at the territorial communities' level under conditions of the decentralization are considered in the

studies of Mishenina *et al.* (2017). Forms of public-private partnership (PPP) in certain sectors - forestry, water and agriculture - are substantiated in the papers of Abbas *et al.* (2022).

Al Alawi's (2022) research substantiates the partnership relationship between the state and business in the context of the investment attractiveness of environmental infrastructure. A historiographical description of studies on innovative approaches to the use of natural resource potential is given in the papers by Anderson *et al.* (2018). The study of Klynovyi and Rogov (2017) is devoted to determining the basic principles of the mechanism for ensuring the decentralization of natural resources management in Ukraine and its regions.

However, researchers do not pay attention to the peculiarities and ways of natural resource potential integration into the market environment, to its perfect institutional order formation, establishment of digital indicators of this process efficiency, ways of its acceleration considering national features. Therefore, the research deals with the issue at the regional level.

The study aims to substantiate the theoretical and conceptual foundations of the institutional order of natural resource potential capitalization in the newly created territorial communities in the context of decentralization and introduction of modern forms of public-private partnership in the system of entrepreneurial nature management.

To achieve the goal, we were to identify imperfect aspects of the institutional order of Ukraine's natural resource potential capitalization of Natural resources.

2. Research Methods

The methodological basis of the research comprises general scientific and special methods: dialectical method of cognition, method of system analysis of theoretical and methodological principles of agriculture multifunctionality theory development. The study of the issue was carried out on the basis of a multidimensional study of the mass phenomena of rural areas functioning and its development in Ukraine and the world, on the application of a wide range of theoretical methods of cognition (monographic, graphic, analysis, synthesis, induction, deduction, analogy, abstraction, concretization, formalization, observation, experiment, etc.)

3. Research Results

Despite the fact that the territorial concentration of natural resources in Ukraine is estimated USD 220.5 thousand dollars per 1 km² (the price in the world is USD 299.4 thousand per 1 km²) and it makes about 26% of the total wealth of the country (Klynovyi and Rohov 2017) the level of capitalization of its natural assets, especially territorial communities, is extremely low. Natural resources that are not involved in the market remain dead capital, though could become the basis for sustainable rural development along with the income from innovation.

Currently, Ukrainian society and its state institutions are only approaching the need to create a full-fledged nature market. However, this process requires the creation of an institutional environment that would provide an opportunity for foreign business structures, with their significant experience in economically efficient development of natural resource potential and capital, to become full economic players in the field of domestic nature.

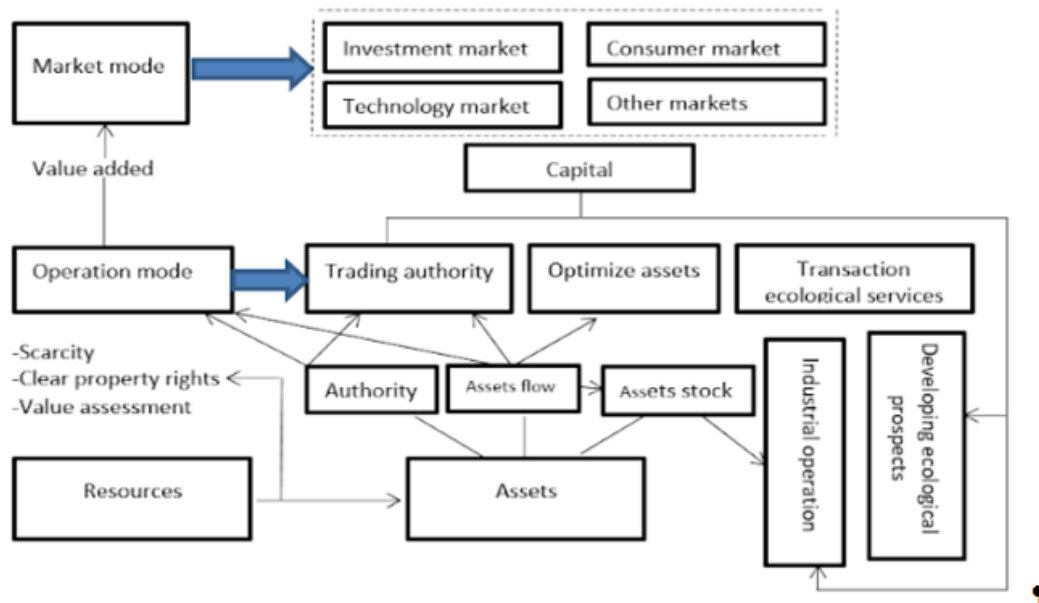
Their organizational and production-technical potential, as well as the high reputation of previous work in the natural resources market in the new competitive environment could change the informational area of this segment and affect the comprehensive development of rural areas.

According to the national statistics, Ukraine is among the world leaders for raw and mineral resources, it rates first in major minerals reserves per capita in Europe. However, rapid degradation of rural areas takes place due to inefficient use of natural resources. The rural population has decreased by 17% in the last decade and currently makes 30.46% (127,630,070 people) (State Statistics Service of Ukraine 2022). Ukraine has come down from 47th to 54th position in the global food security index within the last seven years (2013-2020) (Global Food Security Index 2021).

Nature resources management is an important issue of national security. Yet, it is not a matter of giving a foreign capital the opportunity to obtain the right to own natural resources on a par with the citizens of Ukraine, but rather an institutional possibility to temporarily use natural and economic assets. The institutionalization of the right to enter a new competitive environment as economic players in this market can revitalize existing limited natural resources and help the newly created rural communities to make better use of spare natural resources for rural development. More than 20,000 deposits of mineral resources were found in the country, most of them are located in rural areas and are of commercial importance (Kyrylov *et al.* 2022). The importance of forming this institutional environment is predetermined by two aspects: implementation of the gained world experience into practice, which can be useful for domestic entrepreneurs and strengthening the spirit of competition, which is important for the market infosphere. At the same time, the involvement of foreign capital in the natural resources

management should be carried out gradually in accordance with the "triad" (resources-assets-capital), following the efficient resources-assets and assets-capital ratio (Fig. 1).

Figure 1. The operation and transformation form of resource – assets capitalization



However, the introduction of this form of relationship in a market economy allows foreign businesses to manage the labor object in order to expand their potential and intensify business activity in the natural resources and natural facilities concentration. The potential investor will benefit along with the state economy or the territorial nature and economic complex (TNEC).

The territorial concentration of natural resources in the world is estimated USD 299.4 thousand per 1 km². Although in Ukraine it is estimated at USD 220.5 thousand per 1 km² and accounts for about 26% of the country's total wealth, the level of state natural assets capitalization and their territorial entities is extremely low (Kozak *et al.* 2023). This is due to disparities in the purchasing power of the US dollar and hryvnia as well as exchange rates in Ukraine. That is, if the natural potential is not actively involved in the market it can be considered dead capital. However, natural resources, along with income from innovation can provide a major source of income for sustainable rural development soon. Effective land reform, that stimulates long-term investment and proper land management by the most productive users (Zhou *et al.* 2022) is the only measure to increase agricultural productivity and annual production by USD 15 billion, GDP - by about 1.5% and increase the resource potential of newly formed communities (Kravtsiva and Storonyanska 2020).

The world experience of public-private partnership can play an extremely important role in this process (Baranovska *et al.* 2022). It should be noted that the state has taken appropriate steps towards it. In particular, the Law of Ukraine "On Public-Private Partnership" defines the organizational and legal bases of cooperation between the state and private partners and the basic principles of public-private partnership (<http://zakon4.rada.gov.ua/laws/show/2404-17>). However, legislative delimitation of powers of various kinds of property, primarily including natural and other productive resources is extremely urgent nowadays. Despite its imperfections, it still provides an institutional basis that enables the state, represented by permanent nature users, state-owned enterprises and newly created territorial communities, to enter into non-statutory and statutory voluntary associations with business entities. This cooperation aims to attract investment in expanded natural resource potential regeneration, to modernize nature conservation objects and natural economic infrastructure, as well as to transfer right to temporary use natural and natural economic assets that are in state and public ownership. However, legislative delimitation of powers of various kinds of property, primarily including natural and other productive resources is extremely urgent nowadays. The first steps were taken by transferring the issues of the environment protection and the regulation of land, water, mining and forest relations to the competence of the community council (<https://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80#Text>).

The peculiarity of this problem is that this reform should not violate the constitutional norms on public property (including natural resources). However, this is only about the institutional consolidation of the right to economic independence of territories in management of their own assets and delegated economic assets

including natural ones along with the results of their use in the economic process. For the purpose of sustainable development of rural areas, it is necessary to institutionally ensure the right of local authorities to act as a full partner of business structures in the use of communal infrastructure and natural resources located in the area. Failure to legislatively resolve this problem puts the brakes on full use of natural resources in the economic activities of rural areas and the possibility to attract foreign investment in rural development.

The new institutional environment should reduce the tactical role of the state in direct management of the community economy, reduce the share of state ownership of newly created public unions and clearly define the country's strategic course towards increasing the role of state regulation in national priority areas (natural resources and, in particular, environmental, energy food security). An institutional platform for the development of public-private partnership in the natural resource sphere of rural areas should be established. It will contribute to the involvement of local natural assets in economic circulation and efficient management at the level of newly created communities.

The formation of civil society, which is to facilitate social and political interaction through the organization and improvement of education of citizens, groups mobilization, support for solidarity and supervision, promotion of culture etc. is extremely important in this process. The development of civic consciousness allows people to better understand and enjoy their rights and to carry out their duties responsibly. The role of citizens in the formation of civil society is extremely important: under support of public organizations they can contribute to the formation of the government responsible behavior, transparency and decision-making on the use of their most valuable resource. Large-scale reforms carrying out are only possible under effective functioning of civil society, *i.e.* under PPP directed to positive externality for the community. So far, Ukraine in the subregion including the post-Soviet countries - Belarus, Russia, Moldova, Georgia, Azerbaijan and Armenia - remains the country with the highest sustainability of civil society organizations, equal to 3.2 points in the rate of 7 to 1 pts, where 1 is the highest (<https://www.fhi360.org/sites/default/files/media/documents/resource-csosi-2019-report-europe-eurasia.pdf>).

In a new competitive environment, highly developed capitalist countries, which have formed a modern market infrastructure and institutional environment for the proper functioning of basic institutions of commodity-money relations, are characterized by a powerful public sector designed to strengthen economic self-sufficiency of national economies and its territorial components. Moreover, the powerful public sector acts as an activator and a major investor, making it easier for the government to address the necessary macroeconomic proportions. Since the second half of the 90s of the twentieth century, the executive branch unsystematically and inefficiently tries to get rid of the "ballast" of state property through offering for privatization the objects - with some being running efficiently, to cover the budget deficit. In some years of the systemic crisis and the decline in industrial production (until 2000), many liquid and investment-attractive objects were sold below the market value of their assets. As a result, in the absence of the principle of state strength, there was a clan-comprador redistribution of national wealth, which led to the formation of an oligarchic model of social development. The lack of a perfect institutional environment for business development and privatization has resulted in economic success decrease significant potential loss in the state. Ukraine still has some industries whose assets are state-owned and can be used on PPP terms. The general potential here is dominated by the branches of the natural resource sector, which were formed on the basis of natural resources and objects of nature protection and natural infrastructure. This national treasury of Ukraine makes 5% of the world's natural resources (the share of mineral resources in the integrated natural resource potential (NRP) of Ukraine is 28.3%, water - 13.1%, land - 44.3%, forest - 4.2 %, faunal - 0.5%, natural recreational - 9.6%), much of which is owned by newly formed communities (Rudenko *et al.* 2017).

In the absence of sufficient budget funds to address the problems of efficient use of natural resource potential in compliance with the relevant requirements, the most effective solution is to attract private capital while maintaining state control through the development of PPP in this area. Agricultural lands make an exception since it is the basic resource which provides the society welfare. They were divided between former employees of collective and state farms, and *de jure* were transferred into private ownership. In modern conditions, the formation of institutions of land relations takes place at the national, regional and local levels. The system of institutions has a certain specificity at each of them due to the differences between the subjects of relations and their interests, objects and structure of institutions of land ownership. However, there is still a lack of institutions, in particular at the regional and local levels, despite the implementation of the land reform that started in the summer of 2020.

A long period of Ukraine's development under the command-and-control socialist system has contributed to the fact that a significant part of natural resources was created by the labor of previous generations, which is

actually embodied in these assets (in particular, forests and forestry assets). That is why it must remain being the public property and cannot be privatized, as it contradicts the dominant of the labor-type property institution formation. However, the new institutional environment for PPP development should provide an opportunity to capitalize on these state and municipal natural and economic assets based on the use of world-proven forms of temporary use of natural resources and environmental infrastructure. This approach can be applied, first of all, to forestry and water management complexes, as well as nature reserves, natural resource and environmental monitoring systems.

World experience argues the two types of partnerships, one involves the collaboration between the state and private sectors based on contract agreements, while another (state-and-private partnership of the institutional nature) cooperate without the right to disposal within the economy (Sharofitdinovich 2022).

That is, none of the forms of such a partnership provides for the transfer of ownership to the business entity (investor) – it can only have the right to temporary use of nature and natural objects. Upon completion of the public-private partnership agreement, such facilities are subject to repossession by the public partner. Thus, public-private partnership agreements apply to facilities that cannot be privatized, in particular, throughout the term of the partnership. It is important for rural areas since for many poor people in the area who use common natural resources they make an important source of food, fodder, fuel, building materials, medicinal plants and income (they are estimated to provide 10-12% of household income). According to Article 10 of the Law of Ukraine "On Public-Private Partnership", the executive authorities are the principal institutions that give proposals on state ownership objects while take decisions on communal property (<http://zakon4.rada.gov.ua/laws/show/2404-17>).

The forms of partnership in natural resource sphere need legislative definition. The imperfection of the institutional environment of PPP development is marked by an excessively narrow specification of the areas of partnership between the state (territorial community) and a private partner in the field of economic development of natural resource potential of rural areas. There is number of contradictions in the law that significantly inhibit the capitalization of natural and economic assets. In particular, Article 5 states that the law does not apply to agreements on products sharing. The procedure for concluding, implementing and terminating the agreements is regulated by the Law of Ukraine "On Production Sharing Agreements" (1999) (<https://zakon.rada.gov.ua/laws/show/1039-14#Text>). Given the specifics of the natural resource sphere use which nearly always results in receive the product, the agreement on its distribution is a form of public-private partnership along with concession, lease etc. The new institutional environment, which creates the conditions for the intensification of economic activity in the natural resource sector of the national economy on the basis of public-private partnership agreements, requires the institutionalization of the areas of application of this type of partnership. If this is transferred to the natural resource potential, the areas of application of PPP should include organic and mineral raw materials extraction from water bodies, agroforestry, construction of forest roads, harvesting secondary forest materials and by-products of forest use, harvesting and processing of illiquid wood , forests planting and sowing. The forms of PPP implementation can vary (Table 2).

It is worth noting that incomplete institutionalization of the decentralization significantly restricts the rights and powers of newly created communities to effectively use communal property due to the impossibility of its transfer and use by specialized business entities that would ensure its modernization and improve the quality of infrastructure services to local people. Currently, local authorities have been re-elected at the level of territorial communities, but the ambiguous domestic legislation does not contribute to the expansion of opportunities to implement the declared expansion of the rights and powers of local authorities into practice.

The current Law of Ukraine "On Public-Private Partnership" which defines the forms, methods and conditions of cooperation between representative and state executive bodies on the use of state and municipal property though it does not solve this problem and requires a change in terms of emphasis from state centralized institutions to local governments. This will make it possible to implement the program principles of the main political forces that won the local elections.

Institutional consolidation of the opportunity for local authorities to act as a full partner of business structures in the use of communal infrastructure and natural resources located in the settlements and within the community area will promote the development of rural areas.

Unfortunately, the existing oligarchic model in Ukraine's economy reduces the aspect of competitiveness. It can be considered the biggest obstacle to more efficient use of communal property due to lobbying the interests of select business structures by representatives of the regional government establishment. This negative component is exacerbated by corruption - local leaders deliberately hide the most investment-attractive in medium- and long term prospects communal property from potential investors, mainly the foreigners, in order to

then transfer them to controlled business structures that do not have sufficient financial, organizational and production and technical potential for the modernization of infrastructure of the local economy and the rational use of natural resources located in the settlements and adjacent territories.

Table 2. Possible forms (mechanisms) of PPP implementation in the field of rural areas nature management

Lease with ownership transfer	The right to lease a natural economic object (including agricultural badland plot under afforestation) to a private partner on the basis of an agreement, specifying that a certain share may be gradually transferred to private ownership on the agreed terms.
Open-time lease	Part of the natural economic objects and lands can be leased to the private sector on condition that, for example, the owner implements integrated multi-purpose nature management and the creates a certain number of jobs for local communities, provides a certain amount of investment in the social sphere. It can also be a contract for the implementation of natural economic works, the supply of ecosystem services, trust management of state natural and environmental facilities, agreements on the division of ecosystem products and a number of other organizational and legal forms.
Leasing	Providing access of ecologically oriented entrepreneurship to modern equipment and innovative technologies of environmentally friendly ("green") production through leasing contracts concluded with government institutions (organizations, government agencies).
Depository compensation system of nature management	In the process of implementing this form of PPP the funds for the reproduction of natural resources are transferred by the tenant (private nature user) to a special deposit bank account, which is accounted in the corresponding reduction in fees paid for natural resources use. In case of proper performance of nature restoration works, the funds from the deposit account are returned to the lessee.
Establishing integrated business structures (clusters), holding structures	Organizational, economic and financial conditions for the development of entrepreneurial environmental management with the appropriate institutional and regulatory support, the development of integrated business and entrepreneurial structures are created.
Concession	A private operator (entrepreneur, private company, legal entity) receives the right to use natural resources or operation and management of environmental (ecological) infrastructure for the fee specified in the contract.
Setting up-owning-control-transfer	According to the agreement (contract), a private operator makes investments in the natural economic object, owns and manages the object within the term specified by the agreement, and transfers it to the state afterwards.
Capitalization of natural resources, asset separation	The capitalization of natural resources involves their use in the process of social production with subsequent transformation into value That create added value. Corporatization in natural resources implies that ownership (whole or partial), as well as commitments to invest and implement ecosystem management, can be transferred to the private sector through privatization or open shares issuing.
Management contract	The simplest form of PPP in the field of environmental management, which does not involve investment obligations. The state body owns the object makes investment. The private partner is liable for the observance of the principles of sustainable nature management and implementation of ecosystem management of natural resources (objects) by users and bears only operational risks.

Source: suggested by the authors.

As a consequence of this approach to the use of natural resource potential of local communities, we actually have the situation that most settlements suffer from regular accidents in water supply and sewerage networks, from excessive tariffs for certain housing and communal services, as the cost of these services covers losses in heat and water networks. Therefore, the new institutional environment should expand the area of cooperation of local authorities with the business sector including foreign business structures. Regarding the use of natural resource potential at the community level, it is necessary to identify all possible forms of public-private partnership through the amendments the Section II of the abovementioned Law.

The lack of clear fixation and vagueness narrows its specification artificially and prevents territorial communities from choosing the optimal forms of interaction with businesses and, moreover, gives rise to non-transparent schemes for transferring the right to use the communal infrastructure, including water resources and water protection (Sharofitdinovich 2022).

The full-scale military incursion of Russian troops into the territory of Ukraine, which began in February 2022, turned Ukraine into a war economy. The industry has changed its development vectors: metallurgical and mining enterprises are forced to produce anti-tank weapons and concrete shelters; light industry began to sew military

clothing and footwear; trucks are being converted into anti-aircraft installations (Algarni 2022). The infrastructure suffers significant damage - seaports, bridges, roads, warehouses, industrial facilities and residential buildings are destroyed; agricultural land is polluted; some lands are abandoned due to artillery shelling and explosions; forests have been deforested and burned (Rawtani *et al.* 2022). In such conditions, there is an urgent need for new approaches aimed at the economic growth of particular regions and Ukraine as a whole. Research emphasizes the importance of innovation, which should affect the methods of production and delivery of products, product specifications, marketing decisions and organizational business practices (Bohashko 2022). According to Algarni (2022), reliable partnerships with European countries can contribute to the economic stability of Ukraine and the competent use of its natural resource potential.

The new institutional environment ensures the partnership of the state and local communities with business structures, including foreign ones. It should significantly expand the scope of activities to create conditions for effective use of natural resource potential of newly created communities. In particular, it can promote attraction of investment in communal infrastructure (The Verkhovna Rada of Ukraine (1999), The Law of Ukraine Law of Ukraine "On Production Sharing Agreements). It also provides for transparent conditions with appropriate legal barrier and social buffer for concluding agreements between local authorities and specialized business structures on the temporary use of sewerage and water supply facilities, water bodies of local significance, unproductive lands for afforestation, which does not allow to increase the efficiency of the use of natural and economic assets, in particular for local budgets filling.

The new institutional environment is to ensure the right of local communities to capitalize the assets they possess through modern forms of interaction with the business sector, which will result in their economic potential activation. The idea can be clearly demonstrated by illegal extraction of amber on a huge scale, when local authorities do not have the institutional basis to extract on a legal basis with appropriate benefits for the community. The organization of amber extraction with minimal environmental losses on the basis of state-business partnership, in the form of a concession, can significantly improve the social problems of the region, where a mass impoverishment of the local population has taken place due to lack of jobs.

The new institutional environment should confirm the permission to foreign firms to "enter" the domestic sphere of nature management with their capital. The importance of this aspect is explained by the need to create a competitive environment that will significantly reduce or prevent the "protection" of illegal activities by local officials and ensure transparency in the development of local raw mineral potential. The inclusion of amber mining in the list of areas of application of public-private partnership agreements, which has been repeatedly noted by analysts, will open the possibility for local communities to carry out regulating on a market basis.

Conclusions

The ongoing Russian-Ukrainian war, the most visible military conflict in Europe since the Second World War, is generating a host of negative geopolitical, economic and infrastructural consequences. Therefore, the policy of economic growth in Ukraine should be aimed at the transition from increasing costs to creating innovations, searching for effective tools to combat corruption, reforming the economy and financial institutions. The educational aspect is equally important: the training of highly qualified personnel in priority areas for the economy with a high level of digital literacy, the expansion of scientific research, the provision of subsidies and benefits for successful students.

Therefore, the decentralization of the management system involving the reorientation of power to the lower territorial level begins playing the role of basic one allows local communities to ensure sustainable development of rural areas through the efficient use of natural resources. The procedure for implementing institutional transformations in the management of territorial communities natural resource potential includes two interrelated aspects. The first involves the empowerment of communities in natural resource management and the corporatization of nature management. The second envisages the institutional transformation in the natural resources use of and their capitalization within the framework of partnerships between government, business and communities. As a result, the management of natural capital should, under certain conditions, involve business structures and associations of citizens, which will ensure qualified and responsible management run for the benefit of all stakeholders.

The new institutional environment is to seal the permission to obtain the right of temporary use of natural and economic assets for foreign businesses with their vast experience in economically efficient development of natural resource potential and capital. In general, the institutional component of transformations is to focus on establishing a formal structure of economic management institutions using the latest public-private formats of business organization.

Our proposals are relevant for both peacetime and wartime.

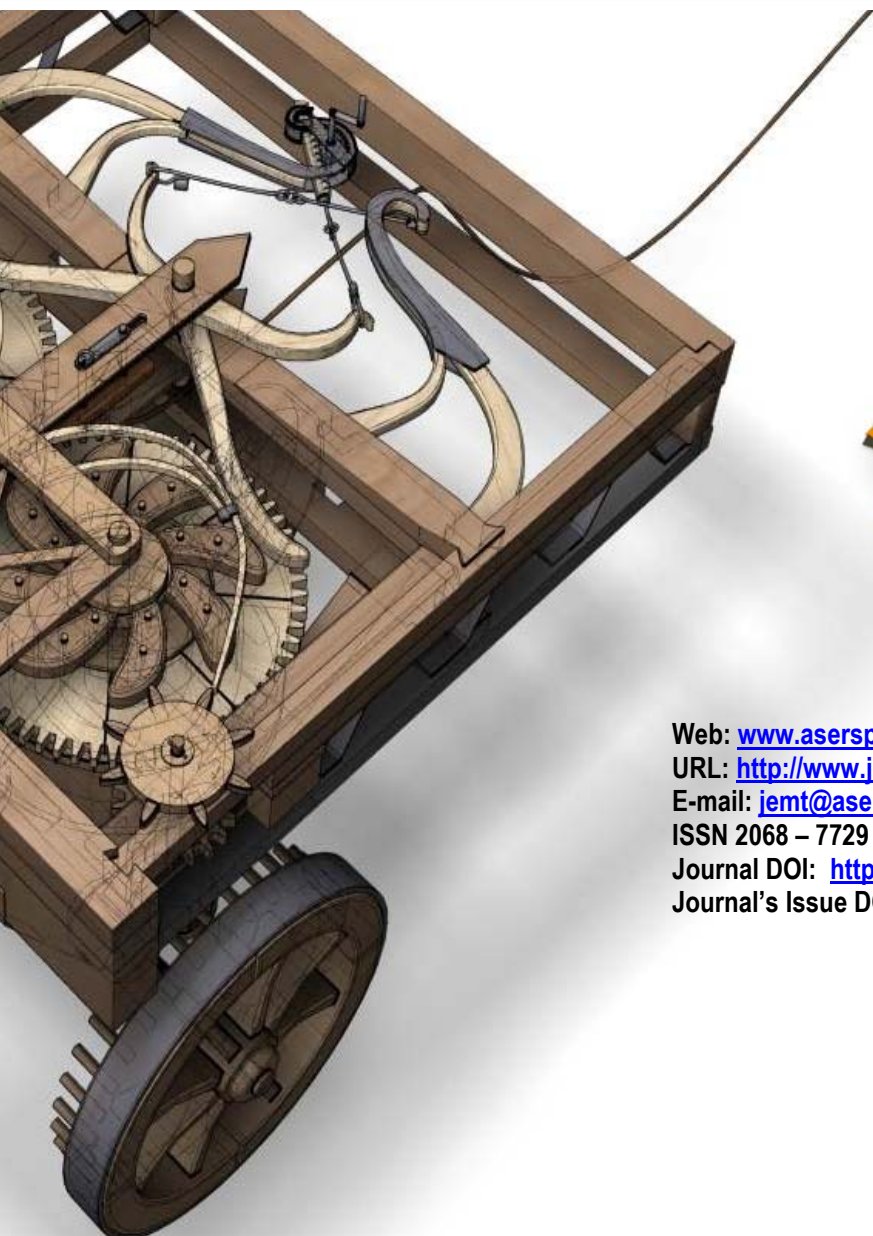
Our further research aims to develop digital indicators of Ukraine's natural resource potential capitalization.

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