

## LOCAL RESOURCES MANAGEMENT UNDER CONDITIONS OF DECENTRALIZATION

### УПРАВЛІННЯ МІСЦЕВИМИ РЕСУРСАМИ В УМОВАХ ДЕЦЕНТРАЛІЗАЦІЇ

*The article proposes theoretical and methodological approaches and provides practical recommendations on the management of local natural resources in the context of decentralization processes in Ukraine. The potential of the natural resource should be considered as a territorial stimulator of community development, which can substantially catalyse the local preferences with their subsequent transformation into growth factors. It is established that natural resource is gradually involved in market processes, fulfilling new functions and becoming a new economic asset for local communities, which significantly increases the efficiency of its use and creates opportunities for the development of territories. To accelerate these processes, it is necessary to implement a set of measures, such as transformation of legal provision of natural resources using in local communities, development of the principles of capitalization of local natural resources through their involvement in economic circulation, the formation of an institutional field for the development of natural potential management system and others.*

**Key words:** local natural resources, decentralization, resource management, local communities, territorial development.

*В статті пропонують теоретико-методологічні підходи та надано практичні рекомендації щодо управління локальними природними ресурсами в контексті процесів децентралізації в Україні, зокрема охарактеризовано хід процесу децентралізації в Україні, проаналізовано форми децентралізації управління природними ресурсами і природокористуванням; досліджено особливості децентралізації влади щодо природних ресурсів; обґрунтовано висновки і рекомендації щодо джерел фінансового забезпечення територіальних громад як власників природних ресурсів. Аналіз діяльності місцевих громад у Європі чи США виявив, що вони використовують увесь комплекс місцевих переваг, у тому числі природні ресурси та їхні функції. Природні ресурси є базисом, точкою тяжіння для залучення бізнесу в громаду. Подібні успішні приклади у економічно розвинених країнах стали можливими завдяки процесам децентралізації в різних її проявах, які безпосередньо стосуються сфери природних ресурсів, що є важливим чинником піднесення як держави загалом, так і місцевих громад, а також забезпечення сталого розвитку на різних рівнях. Крім того, природно-ресурсний потенціал доцільно розглядати як територіальний стимулятор розвитку громад, здатний істотно каталізувати місцеві переваги з їх подальшою трансформацією в чинники зростання. Узагальнюючи європейський та український досвід у галузі природокористування, визначено роль природних ресурсів для місцевих громад, зокрема встановлено, що локальні природні ресурси є: 1) елементами просторового базису для розміщення громади та її функціонування; 2) чинником, який переважно формує економічний профіль громади, її виробничу специфіку; 3) концентратом бізнесової активності, оскільки відіграє значну роль у розвитку ділової активності; 4) основою бізнесу, який сприяє надходженню податкових платежів до бюджетів громад; 5) ринковим фактором конкурентоспроможності регіону. Встановлено, що природний ресурс поступово залучається в ринкові процеси, виконуючи нові функції та перетворюючись для місцевих громад в економічний актив, що істотно підвищує ефективність його використання і формує можливість розвитку територій. Щоби прискорити зазначені процеси, потрібна реалізація комплексу заходів, зокрема трансформація правового забезпечення природокористування місцевих громад, розроблення засад капіталізації природних ресурсів шляхом їх залучення до економічного обігу, формування інституціонального поля для розбудови системи менеджменту природного потенціалу та інші.*

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*рекомендації по управлению локальными природными ресурсами в контексте процессов децентрализации в Украине. Природно-ресурсный потенциал следует рассматривать как территориальный стимулятор развития общины, который может существенно катализировать местные предпочтения с их последующей трансформацией в факторы роста. Установлено, что природный ресурс постепенно вовлекается в рыночные процессы, выполняя новые функции и превращаясь для местных общин в экономический актив, что существенно повышает эффективность его использования и формирует возможности развития территорий. Чтобы ускорить указанные процессы, нужно реализовать комплекс мер, в том числе произвести трансформацию правового обеспечения природопользования местных общин, разработать основы капитализации природных ресурсов путем их вовлечения в экономический оборот, сформировать институциональное поле для развития системы менеджмента природного потенциала и др.*

**Ключевые слова:** местные природные ресурсы, децентрализация, управление ресурсами, местные общины, территориальное развитие.

*У статті запропоновано теоретико-методологічні підходи та надано практичні рекомендації щодо управління локальними природними ресурсами в контексті процесів децентралізації в Україні, зокрема охарактеризовано хід процесу децентралізації в Україні, проаналізовано форми децентралізації управління природними ресурсами і природокористуванням; досліджено особливості децентралізації влади щодо природних ресурсів; обґрунтовано висновки і рекомендації щодо джерел фінансового забезпечення територіальних громад як власників природних ресурсів. Аналіз діяльності місцевих громад у Європі чи США виявив, що вони використовують увесь комплекс місцевих переваг, у тому числі природні ресурси та їхні функції. Природні ресурси є базисом, точкою тяжіння для залучення бізнесу в громаду. Подібні успішні приклади у економічно розвинених країнах стали можливими завдяки процесам децентралізації в різних її проявах, які безпосередньо стосуються сфери природних ресурсів, що є важливим чинником піднесення як держави загалом, так і місцевих громад, а також забезпечення сталого розвитку на різних рівнях. Крім того, природно-ресурсний потенціал доцільно розглядати як територіальний стимулятор розвитку громад, здатний істотно каталізувати місцеві переваги з їх подальшою трансформацією в чинники зростання. Узагальнюючи європейський та український досвід у галузі природокористування, визначено роль природних ресурсів для місцевих громад, зокрема встановлено, що локальні природні ресурси є: 1) елементами просторового базису для розміщення громади та її функціонування; 2) чинником, який переважно формує економічний профіль громади, її виробничу специфіку; 3) концентратом бізнесової активності, оскільки відіграє значну роль у розвитку ділової активності; 4) основою бізнесу, який сприяє надходженню податкових платежів до бюджетів громад; 5) ринковим фактором конкурентоспроможності регіону. Встановлено, що природний ресурс поступово залучається в ринкові процеси, виконуючи нові функції та перетворюючись для місцевих громад в економічний актив, що істотно підвищує ефективність його використання і формує можливість розвитку територій. Щоби прискорити зазначені процеси, потрібна реалізація комплексу заходів, зокрема трансформація правового забезпечення природокористування місцевих громад, розроблення засад капіталізації природних ресурсів шляхом їх залучення до економічного обігу, формування інституціонального поля для розбудови системи менеджменту природного потенціалу та інші.*

**Ключові слова:** місцеві природні ресурси, децентралізація, управління ресурсами, місцеві громади, територіальний розвиток.

**Target setting.** The state policy of Ukraine in the sphere of local self-government is based on the interests of territorial communities' inhabitants and implies the decentralization of power – that is a significant part of powers, resources, and responsibilities transfer from executive power bodies to local self-government bodies. The basis of this policy is the provisions of the European Charter of Local Self-Government and the best world standards of public relations in this area.

The legal basis for a radical change in the system of government and its territorial basis at all levels began to emerge in 2014. So, in April 2014, the

Government of Ukraine approved the main conceptual document – the Concept of Reforming Local Self-Government and Power Territorial Organization. After that, the Plan of measures for its implementation, which initiated the reform, was approved [1].

Despite the fact that changes in the Constitution of Ukraine were not implemented, the new legislative framework (Law “On Voluntary Association of Territorial Communities”, Law “On the Principles of State Regional Policy”, laws on amendments to the Budget and Tax Code of Ukraine, etc.) greatly increased the motivation to inter-municipal consolidation in the country, created the proper legal conditions and

mechanisms for the formation of capable territorial communities of villages, settlements, cities, which unite their efforts in urgent problems solving. Also, a new model of local budgets financial provision, which received some autonomy and independence from the central budget, has already justified itself [1].

On January 23, 2019, the Government approved the Plan of Measures for Implementation of New Stage of Local Government and Territorial Organization Reform in Ukraine for 2019–2021 [2]. Adopted by the Cabinet of Ministers of Ukraine The Action Plan establishes legislative and other organizational and legal principles to ensure the holding of local elections in 2020 on a new territorial basis, as well as to increase the effectiveness of formation of executive power territorial organization, thereby initiating the second stage of decentralization reform, aimed at successes consolidating and formation of capable communities, change of the territorial structure at the level of districts and communities, a clear separation of powers and functions control of different levels of government, as well as the development of local democracy forms [3].

**Actual scientific researches and issues analysis.** The problem of constructing a decentralized state administration is highlighted in the writings of both domestic and foreign scholars, practitioners and politicians, in particular, A. Bondarenko, O. Boryslavskaya, V. Bordenyuk, Y. Hanushchak, O. Drozdovska, V. Matvienko, A. Breton, B. Barrett, M. Porter, and others. Decentralization of public administration is one of the important points of attention of the World Bank and the UN, which is also reflected in their numerous publications [4–6]. The research of scientists of the State Institution “Institute of Environmental Economics and Sustainable Development of the National Academy of Sciences of Ukraine” is devoted to the problem of natural resources management under conditions of decentralization in Ukraine [7; 8].

**The purpose of the article** is to develop theoretical and methodological principles and practical recommendation for the management of local natural resources in the context of decentralization in Ukraine. The above-mentioned stipulated the following tasks: to characterize the process of decentralization in Ukraine, to analyse the forms of decentralization of local natural resources management; to substantiate conclusions and recommendations on financial support sources of territorial communities as owners of natural resources.

**Presentation of the main research material with full justification of the received scientific results.** Analysing the activities of local communities in Europe or the United States, it turns out that they use the whole set of local preferences, including local natural resources and their functions. Local natural resources are the basis, the point of attraction for engaging business in the community. Such success-

ful examples in economically developed countries have become possible thanks to the processes of decentralization in its various manifestations, which are directly related to the natural resources sector, which is an important factor in elevating both the state as a whole and local communities, as well as ensuring sustainable development at different levels. In addition, natural resource potential should be considered as a territorial stimulator of community development, which can substantially catalyse the local preferences with their subsequent transformation into growth factors. It is important to note that “contacts” between the local community and natural resources occur with the help of certain tools, which ensure the resources’ inclusion in economic processes.

As the practice of European countries shows, the local community is a powerful factor in the development of region and state. It is clear that the EU experience in local self-governance is more prolonged, and therefore, there are many successful examples of it. In addition, for the development of communities, a strong institutional environment facilitates their functioning is formed, as well as the European Charter of Local Self-Government, defining the basic principles of work of local authorities [9, p. 55–56].

According to modern ideas, communities play the role of certain business hubs, peculiar greenhouses, where business can develop. Many successful communities carry out activities related to the local natural resources, and the presence of a powerful enterprise or investor have a positive influence on it. For example, if on the territory of community there is a factory of a powerful company using local raw materials, this undoubtedly represents a significant benefit to the community [10].

As noted above, the processes of decentralization and community building in Ukraine at the beginning of 2019 achieved significant results. The number of communities is approaching 1000, while the area of their territory is 37.5% of the total in Ukraine [11]. As a result of the communities’ formation, their positions as independent players in solving local problems, in prospects for attracting investors, for expanding competencies in terms of budget formation and more are strengthened.

Budgets are one of the consequences of forming communities in the framework of financial decentralization because the possibility of their filling is a guarantee of each territorial community successful development. According to the research “Monitoring the process of power decentralization and reforming local self-government” [11], the part of local taxes and dues in the structure of local budgets own revenues is gradually increasing from 26.6% in 2015 to 27.3% in 2017, approaching to the expected 30% (2018). In particular, the corresponding indicator grew by 19.7% in January-February 2019 compared to the same period of the previous year, and the land payment –

by 11%, which is considered to be a good result [10].

Analysing the role of local natural resources in the formation of communities' budgets, it was discovered that a significant number of income items is directly or indirectly associated with resources. Such articles, in accordance with the Budget Code of Ukraine, include environmental taxes, rent for the use of mineral resources, special use of water and water objects, forest resources, rent charge for water objects (their parts), and others. The part of payments for natural resources using in local budgets is significant – in particular, in some communities, land payments make up about 10–20% of budget revenues.

Foreign experience and business approaches are useful for local leaders and activists in finding new opportunities for community development [12, p. 17]. It is important to provide a new approach to solving existing problems, which concerns, first and foremost, on local natural resources, including business projects in their use. In general, such a business can be realized in two directions – large-scale projects (existing and emerging ones) and niche ones. As for the first, activities are envisaged within the framework of state monopolies, foreign investments, and other projects with significant financial flows. The said needs powerful infrastructure support – logistics, factories, shops, warehouses, etc.

For example, in certain eastern and western regions of Ukraine, a part of the rent from subsoil use, namely the extraction of hydrocarbons (oil and gas) by Ukrnafta, remains in local budgets of communities. Given the large volume of such payments, revenues to local budgets are increasing. Therefore, the mechanism of distribution of rent for extraction creates the preconditions for replenishing community budgets. Another example is the activity of agricultural holdings that pay land lease taxes, which are substantial payments for certain communities.

In the absence of powerful enterprises on the territory of the community, niche businesses of the agro-industrial complex are considered promising, taking into account local specifics. In particular, the formation of “apple” cooperatives, the production of organic produce, harvesting of berries, growing flowers, etc. Utilizing local resources and meeting local needs, such production will provide both employment and payments to community budgets.

According to the Federation of Organic Movement in Ukraine, our state ranks first in Eastern Europe in the certified area of organic arable land and the twentieth among the world leaders of the organic movement. Among other promising types of business is to extract peat as a local energy resource, ecotourism. Under the condition of legalization of amber extraction, this would be significant support for local communities. As already noted, it is advisable to take a positive example of Poland and develop new types of activities in the community.

Summarizing European and Ukrainian experience in the field of natural resources management, it is important to determine the role of natural resources for local communities in modern conditions.

Firstly, the local natural resources are an element of the spatial basis for community placement and its functioning.

Secondly, local natural resources are the factor that predominantly forms the economic profile of the community, its production specificity (despite the trend of emergence of a post-industrial economy). For example, if large forest areas, lakes or reserves of building materials are concentrated in the territory, it is logical to develop activities related to these resources (forestry, tourism, aquaculture, processing enterprises, etc.). It is important to say that the information economy and new market instruments can compensate for the shortage of natural resources.

Thirdly, the local natural resource can concentrate the business activity. Obviously, it plays a significant role in the development of the business activity. If attracting investors to the community with successful initiatives on the use of natural potential, it will attract other business projects. There is an effect of complexity when related activities activate local development. Often these projects will be local but they provide jobs and create an opportunity to replenish local budgets.

Fourthly, every business contributes to tax payments increasing to community budgets. This also applies to activities related to local natural resources. In this sense, local leadership, its position, and efforts to improve the territorial business climate play an important role.

Fifthly, if using not raw material quality of natural resources of communities but the market quality (the possibility of entering the market), then, in addition to the formation of financial indicators, their natural properties will be preserved. Nevertheless, it should be noted that to implement the above, it is necessary to ensure a high level of market infrastructure development. Accordingly, communities with close proximity to large cities and industrial centres have better prospects [10].

**Conclusions.** So, as experience and new trends show, local natural resources are gradually being involved in market processes, fulfilling new functions. On the background of decentralization processes deployment, approaches to understanding the natural resource and its role in community development are changing. Such processes are already customary for Western countries, unlike Ukrainian realities. True, there are positive examples in our country that can serve as a benchmark for communities. Such examples say that the local natural resource is gradually included in the market system. To accelerate this process, many researchers emphasize the possibility of introducing an active-oriented approach, according

to which the natural resource for local communities is a new economic asset, which significantly increases the efficiency of its use and creates opportunities for territories development [7; 8; 10].

In fact, to accelerate these processes, it is necessary to implement a set of measures, such as: transformation of legal provision of natural resources using in local communities, development of the principles of capitalization of local natural resources through their involvement in economic circulation, the formation of an institutional field for the development of natural potential management system and others.

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**Methodology.** The following methods, methodological techniques, and tools were used in the process of research: making managerial decisions, analysis and synthesis, a system approach.

**Results.** Analysing the activities of local communities in Europe or the United States, it turns out that they use the whole set of local preferences, including local natural resources and their functions. Local natural resources are the basis, the point of attraction for engaging business in the community. Such successful examples in economically developed countries have become possible thanks to the processes of decentralization in its various manifestations, which are directly related to the natural resources sector, which is an important factor in elevating both the state as a whole and local communities, as well as ensuring sustainable development at different levels.

Summarizing European and Ukrainian experience in the field of natural resources management, it is important to determine the role of natural resources for local communities in modern conditions. Firstly, the local natural resources are an element of the spatial basis for community placement and its functioning. Secondly, local natural resources are the factor that predominantly forms the economic profile of the community, its production specificity (despite the trend of emergence of a post-industrial economy). For example, if large forest areas, lakes or reserves of building materials are concentrated in the territory, it is logical to develop activities related to these resources (forestry, tourism, aquaculture, processing enterprises, etc.). It is important to say that the information economy and new market instruments can compensate for the shortage of natural resources. Thirdly, the local natural resource can concentrate the business activity. Obviously, it plays a significant role in the development of the business activity. If attracting investors to the community with successful initiatives on the use of natural potential, it will attract other business projects. There is an effect of complexity when related activities activate local development. Often these projects will be local but they provide jobs and create an opportunity to replenish local budgets. Fourthly, every business contributes to tax payments increasing to community budgets. This also applies to activities related to local natural resources. In this sense, local leadership, its position, and efforts to improve the territorial business climate play an important role. Fifthly, if using not raw material quality of natural resources of communities but the market quality (the possibility of entering the market), then, in addition to the formation of financial indicators, their natural properties will be preserved. Nevertheless, it should be noted that to implement the above, it is necessary to ensure a high level of market infrastructure development. Accordingly, communities with close proximity to large cities and industrial centres have better prospects.

**Practical implications.** So, as the experience and new trends show, local natural resources are gradually being involved in market processes, fulfilling new functions. On the background of decentralization processes deployment, approaches to understanding the natural resource and its role in community development are changing. Such processes are already customary for Western countries, unlike Ukrainian realities. True, there are positive examples in our country that can serve as a benchmark for communities. Such examples say that the local natural resource is gradually included in the market system. To accelerate this process, many researchers emphasize the possibility of introducing an active-oriented approach, according to which the natural resource for local communities is a new economic asset, which significantly increases the efficiency of its use and creates opportunities for territories development.

**Value/originality.** In our work, we considered an issue of local resources management under conditions of decentralization. The theoretical and methodological approaches and practical recommendations on the management of local natural resources are proposed. It is established that natural resource is gradually involved in market processes, fulfilling new functions and becoming a new economic asset for local communities, which significantly increases the efficiency of its use and creates opportunities for the development of territories.