

PUBLIC AND PRIVATE INTERESTS IN THE PROCESS OF CAPITALIZATION OF FOREST RESOURCES (ON THE EXAMPLE OF UKRAINE)

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Abstract

In the paper the social, environmental and resource (i.e. raw materials or financial) interests of use of forest resources in accordance with their multifunctional potential are identified based on the hypothesis that the definition of forest resources in the forest legislation of Ukraine as an object of legal relations, the modern mechanism of forest relations does not reflect adequate economic value, and the functioning market cannot balance supply and demand for forest products environmental protection, as well as the mechanism of extraction and distribution of forest rents. It is noted that the resource interest of use of forest resources (i.e. raw materials or financial) can be both public and private. The public and private interests of use of forest resources in the process of their capitalization on the example of Ukraine, which may be mutually exclusive, are analyzed. It is substantiated that management decisions on forest resources should reconcile public (state) and private interests, in particular, through project analysis. In order to successfully capitalization of forest resources, which is also true for other types of natural resources, taking into account the full range of environmental interests of their use, rather than exclusively resource (raw materials or financial), the use of “environmental” and “resource” instruments are proposed (the name of instruments indicates the object of regulatory influence - the function or value of a natural resource in the public imagination). Features of “environmental” and “resource” instruments for capitalization of forest resources are analyzed. The structures that form the instruments are researched. It is noted that an important factor in the powers and responsibilities of such structures is also the form of ownership, which determines, in particular, the economic aspect of their functions.

Key words: forestry, multifunctional value of forest resources, capitalization, instruments of regulation, public and private interests.

INTRODUCTION

In connection with the process of capitalization of natural resources in order to attract them to economic turnover and increase value, which in Ukraine has its own characteristics are due to the traditions of forestry and forest management in the Soviet Ukraine and current institutional support for natural resources use and environmental protection in Ukraine, as well as the state (level of development) of the national forest sector, the nature resources economy and the national economy in general. This is complicated by the intensification of global environmental problems, which requires appropriate afforestation and reforestation (according to the Intergovernmental Panel for

Climate Change (IPCC) definition) measures, as well as agroforestry land reclamation.

Definition of forest resources in the forest legislation of Ukraine as an object of legal relations, the current mechanism of regulation of forest relations does not allow to say that this type of natural resources has an adequate economic value, and a functioning market that can balance supply and demand for forest products from the point of view of environmental protection, as well as the mechanism of extraction and distribution of forest rent.

Under capitalization, based on the provisions systematized in the publications (Khvesyuk et al., 2014; Tretiak, 2014) here we understand the transformation of natural resources into capital, i.e. into value that can bring additional

value by introducing them into financial circulation. The key factor in the successful process of capitalization of forest resources is that any management decision on forests (forest resources), and given their multifunctional importance, the impact on other natural resources, climate change mitigation and adaptation, in general, public welfare, especially in vulnerable rural and mountainous regions, has a prolonged effect and can occur in both short- (approximately 5 years) and long-term (25 to 75 years or more), directly and in the form of externalities.

The natural capital component of wealth accounts currently includes energy resources (oil, gas, hard and soft coal) and minerals, agricultural land (cropland and pastureland), forests (timber and some non-timber forest products), and terrestrial protected areas (marine-protected areas are not currently included). Natural capital is measured as the discounted sum of the value of the rents generated over the lifetime of the asset. Information about the extent of forest cover is available, but not about its condition. This is problematic for wealth as an indicator of sustainability because degradation of forests has potentially serious impacts on the future well-being of countries and the planet (Lange, Wodon and Carey, 2018).

Forests have received particular attention as a specific natural capital asset in the System of Environmental Economic Accounting (SEEA) aims to further extend the SEEA to deliver ecosystem-based metrics on natural capital (FAO and UNEP, 2020; World Bank, 2017).

Bradley and Xu (1994) viewing forests as natural capital from three aspects:

- from the vantage of ecology, forests are terrestrial ecosystems with trees as their most obvious component, but that also include many other plants, animals, microbes, and a complex abiotic foundation;
- from the perspective of economics, forests are one kind of resource that is central to human survival;
- from the vantage of psychology and sociology, forests and other ecosystems serve many functions in our individual and collective activities, among the most important is the economic.

Yet despite many important institutional efforts, a simpler vision of economic activity often prevails in practical affairs as well as in policy decisions. Real collective or social interests that are essential to the integrity of society, and thereby the health of real individuals, are disregarded (Bradley and Xu, 1994).

Pynnönen, Paloniemi and Hujala (2018) found that although a great share of family forest owners (in Finland) still aim for income from timber selling, they are more interested in doing that only alongside maintaining and not compromising other forest functions such as recreation and biodiversity protection. To ensure the sustainable provision of multiple ecosystem services to benefit whole society, forest policy instruments, such as advisory services and communication campaigns, must comply with biodiversity and climate mitigation targets in the meantime with timber production goals.

O'Grady et al. (2020) mention that the forest industry is increasingly interested in the opportunities associated with better recognition and management of natural capital. Natural capital thinking and natural capital accounting could shift the forest industry from a compliance modus operandi to one focused on proactive management and protection of the very natural capital that will ensure the industry's long-term sustainability and viability.

In this context, the paper presents an analysis of public and private interests in the process of capitalization and use of forest resources on the example of Ukraine.

MATERIALS AND METHODS

The materials of the research were scientific foreign and domestic publications concerning the regulation of the use of forest resources and sustainable forestry and forest management, as well as the economy of the forest sector.

The information and statistical base of the research were the Constitution of Ukraine, forest and environmental legislation of Ukraine, regulatory acts and reports of the State Agency of Forest Resources of Ukraine, official materials and reports of other institutions, including FAO, UNEP and World Bank.

The Constitution of Ukraine (Verkhovna Rada of Ukraine, 1996) stipulates that: “land, its subsoil, atmospheric air, water and other natural resources located within the territory of Ukraine, natural resources of its continental shelf, exclusive (marine) economic zone are objects of property of the Ukrainian people”; “every citizen has the right to use natural objects of property of the people in accordance with the law”; “property is binding”; “property should not be used to the detriment of man and society”; “the state ensures the protection of the rights of all subjects of property rights and management, the social orientation of the economy”; “all subjects of property rights are equal before the law”. The Constitution of Ukraine (Verkhovna Rada of Ukraine, 1996) clarifies that the land is the main national wealth, which is under special protection of the state: land ownership is guaranteed; this right is acquired and exercised by citizens, legal entities and the state exclusively in accordance with the law.

The Forest Code of Ukraine (Verkhovna Rada of Ukraine, 1994) defines that the forests of Ukraine are its national wealth and by their purpose and location perform mainly water protection, protection, sanitation, health, recreational, aesthetic, educational and other functions and are a source to meet the needs of society in forest resources. All forests on the territory of Ukraine, regardless of the categories of lands for which they grow for the main purpose, and regardless of the right of ownership, constitute the forest fund of Ukraine and are under state protection. The right to use forests is exercised in the order of permanent and temporary use of forests. The Code defines the rights and responsibilities of permanent and temporary forest users in terms of short- and long-term use of the latter, protection of the rights of forest owners, forest users and citizens, the content of state regulation and management in forestry, as well as a number of other aspects of forestry management, use and reproduction of forests, etc., among which we highlight the rules for financing measures to increase productivity, improve the quality of forests, their protection and reproduction and economic incentives for measures to expand forest reproduction.

FAO and UNEP (2020) acknowledge that trade-offs are sometimes inevitable in managing forests for both conservation and socio-economic development and the difficulties of monitoring the results and taking necessary follow-up action. Despite these challenges, it demonstrates that synergies are possible, summarizing a number of interventions that have achieved them. However, because information on forest-dependent people is scarce, it is difficult to design targeted interventions and policies, which is the reason why this group is at risk of being left behind with regard to the Sustainable Development Goals. Several actions are needed to ensure that appropriate policies, practices and programmes are implemented to prevent this eventuality.

The World Bank’s Forest Strategy “Sustaining Forests: A Development Strategy” (adopted in 2002) has been built on three equally important and interdependent pillars: (i) harnessing the potential of forests to reduce poverty; (ii) integrating forests in sustainable economic development; (iii) protecting vital local and global environmental services and values. It is not only about growing or protecting trees but also involves a complex interaction of policy, institutions, and incentives. A narrow perspective on forestry - even sustainable forestry - is insufficient. To be effective, the strategy demands a multisectoral approach that addresses cross-sectoral issues and takes into account the impacts of activities, policies, and practices outside the sector on forests and people who depend on forests for their livelihoods (World Bank Group, 2004).

The overall framework for World Bank action outlined in the Forest Strategy has been robust, and there is a consensus across a diverse group of stakeholders that the broad parameters that are described in the strategy continue to have great relevance and provide the flexibility to respond to emerging challenges. The World Bank Groups Forest Action Plan FY16-20, building on the Forest Strategy, identifies two focus areas for the period: (i) sustainable forestry, where they aim to have investments contributing to sustainable management of forests and value chains, and (ii) forest-smart interventions, where they aim to have interventions in other sectors not come at the

expense of forest capital (World Bank Group, 2016).

The provisions of the concept of Total Economic Value were used to reveal the essence of public and private interests arising in the process of forest use, as well as to identify the range of these interests.

To determine the guidelines for the systematic adjustment of regulatory mechanisms of the use of forest resources to balance public and private interests in the process of capitalization of natural resources in Ukraine used such methods: (i) abstraction, analysis and synthesis, ascent from the abstract to the concrete, idealization, formalization of facts, legislation, regulations and policy documents, state planning governing the use of forest resources, as well as the process of capitalization of natural resources; (ii) analysis and evaluation of public reports on forest governance and management in Ukraine, use of forest resources, FAO reports on the role of forests in sustainable development achieving.

RESULTS AND DISCUSSIONS

The Forest Code of Ukraine, Article 6 stipulates that forest resources are wood, technical, medicinal and other forest products that are used to meet the population and production needs and are reproduced in the process of forming forest natural complexes. Forest resources also include the useful properties of forests (the ability of forests to reduce the negative effects of natural hazards, protect soils from erosion, prevent environmental pollution and clean it, help regulate water flow, health and aesthetic education, etc.), which are used to meet public needs (Verkhovna Rada of Ukraine, 1994).

Public interests in the use of forest resources in a broad sense, based on the law (Verkhovna Rada of Ukraine, 2010), include safety of life and health, safe working conditions, protection of consumer rights (users), environmental protection. Constitution of Ukraine, Article 16 indicates the provision of environmental safety and maintenance of ecological balance in Ukraine as a duty of the state (Verkhovna Rada of Ukraine, 1996).

Public interests in the use of forest resources are dual in nature, since the essence of these

resources are financial, economic and environmental. Such duality is often the cause of conflicts in the decision-making process of both the public interests themselves (public necessity) and public interests with private ones. This necessitates special approaches and methods of making managerial decisions in the field of nature resources use management. This is explained as follows.

Based on the definition of forest resources, the interests of the use of forest resources are characterized by the presence of a certain intrinsic environmental interest inherent in natural resources, which is not regulated. Thus, as noted by Vasileva (2003) interest is a value, target and substantive prerequisite, almost a tangible side of any subjective right, the impetus for its regulatory mediation and development. Interest as a category of law also takes the form of subjective law, but the field of environmental protection is characterized by debatable provisions on subjective rights and legitimate interests, given the uncertainty and significance of the environmental interest, which is not regulated and largely unattainable for legislation due to legal inaccessibility (the object of subjective law can be only socially managed goods that are subject to legal algorithmization), technical uncertainty or economic unacceptability (economic preconditions for the translation of environmental interests into the status of subjective rights are organic and may appear just as far as environmentally-conditioned restrictions on economic growth are possible without endangering the material principles of life). This indicates the limited process of integration of the whole spectrum of forest resources and the market, because, based on the multifunctionality of the potential of forest resources, it is fair to say that “environmental interests in their deep sense, taking into account the delayed negative coincide with such rights” (Vasileva, 2003). The latter is evidence of competition between environmental and resource (raw material, or financial and economic) interest. Resource interest is concentrated on the exact opposite goal of environmental interest. If the resource interest has only the financial and economic purpose of making a profit, due to the role of natural resources as a raw material factor of

production, while the environmental interest is manifested in the need and requirements for rationalization and sustainability of nature resources use. In this case, the resource interest can be both public and private. For example, common (public) interests are understood as the interests of society, the state as a whole; used to denote a set of state and public interests, as well as individual public interests, the guarantor and defender of which is the state (Vasileva, 2003).

It is obvious that the whole range of interests arise in the process of forest relations. Forest relations - public relations relating to the possession, use and disposal of forests and aimed at ensuring the protection, reproduction

and sustainable use of forest resources, taking into account environmental, economic, social and other interests of society (Verkhovna Rada of Ukraine, 1994). Such relations may arise in the use of land, subsoil, water, as well as the protection, use and reproduction of flora and fauna. The object of forest relations is the forest fund of Ukraine and some forest areas. The subjects of forest relations are public authorities, local governments, legal entities and citizens who act in accordance with the law (Verkhovna Rada of Ukraine, 1994).

The above allows us to distinguish public and private interests in the use of forest resources in the process of capitalization of natural resources (Table 1).

Table 1. Public and private interests of the use of forest resources in the process of capitalization of natural resources

Public interests	Private interests
1. Shifting the emphasis of the use of forest resources as raw materials to multifunctional characteristics, which will contribute to the rational use of forests, sustainable forestry	1. New opportunities to attract untapped forest resources as environmental assets to economic activity
2. Economic assessment of forest resources as a prerequisite for unlocking the potential of economization	2. Possibility of capitalization of forest (land) plots
3. Application of economic instruments for rationalization of forest use, sustainable forestry: - economic stimulation of measures of expanded forest reproduction; - compensation for damage caused to forests as a result of violations of forest legislation; - seizure of illegally harvested timber and other forest resources; - compensation for losses of forestry production	3. Expansion of the investment portfolio
4. Improving the properties and characteristics of forest resources, including by applying eco-innovative methods: - increasing productivity, improving the quality of forests and preserving biodiversity in forests; - financing measures to increase productivity, improve the quality of forests, their conservation, protection and reproduction	4. Financing of sustainable development projects by both national and international public and private investors
A. Reduction of transaction costs in the process of using forest resources	
B. Opportunity to conduct joint activities, increase employment in rural and mountainous regions; combating desertification and land degradation	
C. Introduction of new financial and economic regulatory instruments (e.g. payments for ecosystem services)	
C.1. Preservation of forest ecosystems; restoration of landscapes; climate change mitigation and adaptation	C.2. Generation of additional cash flows
D. Development of entrepreneurial activity taking into account the principles of sustainable forestry	

In this context, public interests are primarily public and environmental, while private - resource (raw materials, financial and economic). The use of forest resources here should be broadly understood as the processes of harvesting, expanded reproduction and protection of this resources.

As can be seen from Table 1, public and private interests of the use of forest resources in the process of capitalization of natural resources (i.e. integration of the natural resource sphere into the market) may be mutually exclusive. The same conclusion was reached by FAO and UNEP (2020) finding compromises and synergies between biodiversity conservation and other Sustainable Development Goals: the

value of forests to people is determined by their needs, as people and their interests are very diverse, achieving one or more Sustainable Development Goals in many cases will benefit one and not the other, depending on the specific consequences for forests.

Management decisions on forest resources should reconcile public (national) and private interests, in particular through project analysis. Current Ukrainian legislation also provides for Environmental Impact Assessment in the implementation of planned activities and facilities that may have a significant impact on the environment, along with Strategic Environmental Assessment of state planning documents - strategies, plans, schemes, urban

planning documentation, national programs, state target programs and other programs and program documents, including changes to them, which are developed and/or subject to approval by a public authority, local government.

Successful capitalization of natural resources taking into account the full range of environmental interests in the use of forest resources, rather than exclusively resource (raw), occurs through the use of a number of instruments, including “environmental” and “resource” (the latter indicate the object of regulatory influence - type natural resource, in

our case - it’s forest resources, not interest). Environmental and resource instruments for capitalization of forest resources is also true for other types of natural resources, taking into account the full range of environmental interests of their use, rather than exclusively resource (raw).

Environmental instruments for regulating economic relations are general in nature and can be effective for managing public relations in areas other than nature resources use management. In the Table 2 presents the features of environmental instruments for capitalization of natural resources.

Table 2. Features of environmental instruments for capitalization of natural resources

Environmental instruments	How does it enhance the capitalization of natural resources?	Current performance ratings (max. - 5 points)	Need to change (max. - 5 points)
Guaranteeing the rights of ownership and use of assets. Budget legislation (including on nature resources use management). Organization of financial management and resource opportunities of budgets of different administration levels	General institutional landscape in the field of nature resources use management	3	5
State target programs, regional programs (development, protection) of natural resources	Possibility of state support (activity of relevant ministries, authorities on these issues)	3	5
Fiscal decentralization. Rent regulation of nature resources use	Possibility of regulation by the state (regulatory instruments, restrictions-incentives)	3	5
State grants and subventions (subventions for infrastructure projects). Monetary and macroprudential policy measures. Mortgage of land plots, objects of unfinished construction	The ability of the state and the private sector to do business, interaction, business capacity	2	5
System of Integrated Environmental and Economic Accounting (SEEA). Environmental Impact Assessment (EIA). Commodity universal, specialized, commodity exchanges	Formation (opening) of natural resource markets (platforms)	3	5
Subsidizing nature resources use	Price characteristics of nature resources use - how both the state and the private sector see the value of natural resources	4	5
Support for sustainable development, climate change mitigation and adaptation projects by international financial institutions. International trade. Supporting the well-being of rural / mountain (vulnerable) residents	Common interests of the subjects of interaction	3	5
Concession. Public-private partnership. Innovative partnerships for Sustainable Development Goals	Possibility of joint activity	1	5

Low current ratings of the effectiveness of environmental instruments for capitalization of natural resources (see Table 2) indicate the need to change both the institutional environment and environmental and economic regulation of natural resources in general and forest resources in particular.

Resource instruments for regulating economic relations are resource-oriented, aimed at managing public relations, in particular, in relation to forest resources. Table 3 presents the

features of resource instruments for capitalization of natural resources.

Low current ratings of the effectiveness of resource instruments for capitalization of natural resources (see Table 3) indicate the need to change both the institutional environment and environmental and economic regulation of the use of multifunctional potential of forest resources, in particular as an environmental and economic asset.

Table 3. Features of resource instruments for capitalization of natural resources

Resource instruments	How does it enhance the capitalization of natural resources?	Current performance ratings (max. - 5 points)	Need to change (max. - 5 points)
Economic assessment of forest resources. Establishment, monitoring and allocation of especially valuable for the preservation of forests, Red Book and endangered species	Cost characteristics of forest resources	2	5
Accounting for forest resources as environmental assets. Programs to combat illegal logging and illegal woodworking activities. Forest land tax	Potential to support financial flows	3	5
Assessment and accounting of ecological and social services of forests as natural capital (multifunctional potential of forests)	Unique properties of forest resources that can be used for capitalization	1	5
Introduction of the state forest cadastre, accounting, monitoring and conducting a national forest inventory. Forest certification. Electronic accounting of wood, monitoring of its origin, harvesting and sale. National Forestry Development Program	Ability to enter into the market	3	5
National and regional public and private programs / funds to support the creation of forest products with higher added value, the formation of sustainable supply chains. Reimbursement of costs to forest owners and forest users in the implementation of measures for expanded forest regeneration. Promoting and stimulating the use of wood as a sustainable, renewable, climatically and environmentally friendly raw material. Permission for special use of forest resources on a designated forest area (logging, forest ticket). Temporary use of forests (long-, short-term). Forest easement. Rent for special use of forest resources. Accelerated depreciation of fixed assets of land, forest and nature protection purposes	Profitability of forest resources use	3	5

The prospects of resource instruments for the integration of forest resources into the market, in our opinion, are determined by global trends in forest conservation, as well as the global role of financing instruments for sustainable development.

FAO and UNEP (2020) point out that food production depends on the resilience of forest ecosystems and the sustainability of their services, which in turn ensure sustainable agriculture and the resilience of agricultural systems to external factors based on adaptation to climate change. At the same time, agriculture poses the greatest threat to the integrity of forest ecosystems, and deforestation is one of the main causes of rising greenhouse gas emissions leading to climate change.

Resource instruments (i.e. raw materials or financial) for their effective operation must be characterized by a point of regulatory influence, i.e. aimed at solving a specific local problem related to the prevention of unbalanced use of forest resources, or the promotion of sustainable forestry and forest use. The priority resource instruments for capitalization of natural resources are economic

instruments that act indirectly, creating the preconditions for the desired management decisions of the subjects of forest relations (Khvesyuk and Sakal, 2019).

In order to qualitatively increase the effectiveness of sustainable development strategies and unlock the relevant potential of forests, legal mechanisms based on the recognition and enforcement of the rights of local communities and small businesses to access forests and forest resources should be developed, and more favorable conditions and incentives should be created for participation of the private sector in activities in the interests of sustainable development. In addition, the broad opportunities for capitalization of natural resources are linked to the transformation of the informal sector for both the livelihoods and the increase in overall economic, social and environmental benefits (FAO, 2018).

Resource (i.e. raw materials or financial) instruments will play a special role in overcoming the effects of the COVID-19 pandemic and quarantine measures to contain it, which have caused a sharp and large-scale shock impact on the world economy.

According to the World Bank (2020), the decline in production is currently the deepest since World War II, this year the planet's economy is expected to shrink by an average of 5.2%. As for Ukraine, the volume of gross product will decrease by 3.5%, and growth in 2021 is projected at 3%.

The institutions that form the instruments for capitalization of natural resources are primarily determined by the scope of their powers and responsibilities. Their characteristics are presented in accordance with current forest legislation of Ukraine. An important factor is also the form of ownership, which determines the economic aspect of the functions of the operator (or user) of forest resources.

Theoretically, operators (of use) of forest resources are policy makers who are called to identify, institutionalize, guarantee, reconcile resource and environmental interests to achieve short- and long-term benefits, to form a general economic and sectoral balance, to ensure local and global social welfare. Thus, the operators of forest resources in accordance with the current forest legislation of Ukraine, which forest legislation (Verkhovna Rada of Ukraine, 1994) is the main task of state regulation and management in the field of forest relations - ensuring effective protection, proper preservation, rational use and reproduction of forests, are:

- Verkhovna Rada of Ukraine;
- Cabinet of Ministers of Ukraine;
- Central body of executive power, which ensures the formation of state policy in the field of forestry;
- Central executive body that implements state policy in the field of forestry;
- Central body of executive power, which ensures the formation of state policy in the field of environmental protection, in the field of forest relations;
- Central executive body that implements state policy in the field of environmental protection, in the field of forest relations;
- Central executive body that implements the state policy on the implementation of state supervision (control) in the field of environmental protection, rational use, reproduction and protection of natural resources, in the field of forest relations;

- Verkhovna Rada of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city, district councils in the field of forest relations within their powers in the respective territory;
- Council of Ministers of the Autonomous Republic of Crimea, oblast, Kyiv and Sevastopol city state administrations in the field of forest relations within their powers on their territory;
- District state administrations in the field of forest relations on their territory; village, settlement, city councils in the field of forest relations in the relevant territory.

Integrators (of use) of forest resources are real and virtual systems, activities related to the entry of multifunctional potential of forest resources into the market, ensuring their economic integration in order to reconcile public and private interests (see Table 1). Most often, such integrators are forest owners and forest users as carriers of resource interest with the financial and economic purpose of making a profit.

According to the Constitution of Ukraine (Verkhovna Rada of Ukraine, 1996), on behalf of the Ukrainian people, the rights of the owner are exercised by state authorities and local governments within the limits set by the Constitution of Ukraine.

Law of Ukraine "On Environmental Protection" (Verkhovna Rada of Ukraine, 1991) Article 4 determines that the natural resources of Ukraine are the property of the Ukrainian people. On behalf of the Ukrainian people, the rights of the owner are exercised by public authorities and local governments within the limits set by law. According to the Forest Code of Ukraine (Verkhovna Rada of Ukraine, 1994), forests located within the territory of the state are objects of property rights of the Ukrainian people. On behalf of the Ukrainian people, the rights of forest owners are exercised by state authorities and local governments within the limits set by the Constitution of Ukraine. Forests can be in state, communal and private ownership. The subjects of forest ownership are the state, local communities, citizens and legal entities.

The vast majority of Ukrainian forests are state-owned. In the process of land delimitation,

about 1.3 million hectares (13%) of forestry land plots, which are in the permanent use of communal enterprises subordinated to local self-government bodies, can be referred to communal ownership. The share of privately owned forests is less than 0.1% of the total forest land area. About 800,000 hectares of state-owned forest lands have not been provided for use and have been allocated to reserve lands. At the same time, felling of the main use is already prohibited on half of the lands covered with forest vegetation. In the forests under the management of the State Agency of Forest Resources of Ukraine, the level of protection is 16.8%. There are 3,295 territories and objects of the nature reserve fund of Ukraine with the area of 1,327.8 thousand hectares (State Agency of Forest Resources of Ukraine, 2019). This ratio of forest ownership and forest exploitation constraints to some extent combines the functions of operators and integrators. It should be noted the special role of the State Agency of Forest Resources of Ukraine as an operator and integrator, because in addition to the function of formation and implementation of state policy in the field of forest relations, it has the authority to organize forestry and rational use of forest resources. In total, the State Agency of Forest Resources of Ukraine coordinates the activities of 397 enterprises, institutions and organizations, including 24 territorial bodies - regional departments of forestry and hunting. Departments contribute to the formation and implementation of state policy in the field of forest relations and forestry and hunting and game on the territory of the respective region. Forest management at the local level is carried out by forestry state-owned enterprises, which are part of the State Agency of Forest Resources of Ukraine and are coordinated by its relevant territorial body. State forestry enterprises are responsible for the entire complex of forestry works - from forest planting to felling for general use. In addition, some of these enterprises have facilities for primary wood processing. In addition to state-owned enterprises, the State Agency of Forest Resources of Ukraine subordinates scientific, educational organizations, nature reserves and national parks, and other enterprises, institutions, and organizations of direct

subordination (State Agency of Forest Resources of Ukraine, 2019).

Another specific integrator can be considered forest certification, which is to assess the compliance of the forest management system with the established international requirements for forest management and forest use on the basis of sustainable development. The purpose of forest certification is to ensure economically, ecologically and socially balanced forestry (Verkhovna Rada of Ukraine, 1994). Certification is carried out by organizations accredited at the international (or national on the basis of approved international procedures) level (State Agency of Forest Resources of Ukraine, 2019). The most common in Ukraine is forest certification by the international non-profit non-governmental organization Forest Stewardship Council (FSC).

The system of electronic timber accounting by all forest users of Ukraine, which was introduced in accordance with the resolution of the Cabinet of Ministers of Ukraine dated 04.12.2019 No. 1142 "On approval of the Procedure for monitoring domestic consumption of unprocessed domestic timber and control over excess domestic consumption of domestic timber" is also one of the specific integrators of forest resources into the market. Access to the unified state system of electronic timber accounting is provided to the Ministry of Internal Affairs of Ukraine, the National Police of Ukraine, the State Fiscal Service of Ukraine, the Security Service of Ukraine and other state bodies (State Agency of Forest Resources of Ukraine, 2019).

The above features of the ownership structure of forests and management systems do not exclude the presence of other integrative systems. The main integrators should be considered the banking system (a set of financial and credit enterprises and money market institutions in their interaction, which leads to the emergence and development of economic relations between them (Mochernyi et al., 2005), exchanges (international, universal, specialized, in economic terms - highly organized form of trade, within which economic relations arise and develop, including the relationship of appropriation between trade participants in the process of buying and selling goods in terms of real and futures turnover

through mechanisms of different prices, etc.), insurance companies (organizations that carry out insurance operations, reimbursing under certain conditions from insurance premiums losses of legal entities and individuals from the occurrence of the insured event (Mochernyi et al., 2006).

CONCLUSIONS

The main ideas and results of the research are identification of the social, environmental and resource (i.e. raw materials or financial) interests of use of forest resources in accordance with their multifunctional potential based on the hypothesis that the definition of forest resources in the forest legislation of Ukraine as an object of legal relations, the modern mechanism of forest relations does not reflect adequate economic value, and the functioning market cannot balance supply and demand for forest products environmental protection, as well as the mechanism of extraction and distribution of forest rents. It is noted that the resource (i.e. raw materials or financial) interest can be both public and private. Public and private interests in the use of forest resources may be mutually exclusive. It is substantiated that management decisions on forest resources should reconcile public (national) and private interests, in particular, through project analysis. Successful capitalization of forest resources taking into account the full range of environmental interests in the use of these resources, rather than exclusively resource (raw), occurs through the use of a number of instruments: (i) environmental instruments (they are general in nature and can be effective for managing public relations in areas other than nature resources use management); (ii) resource instruments (they are resource-oriented, aimed at managing public relations, in particular, in relation to forest resources).

The institutions that form the instruments for capitalization of natural resources are primarily determined by the scope of their powers and responsibilities. Their characteristics are presented in accordance with current forest legislation of Ukraine. An important factor is also the form of ownership, which determines the economic aspect of the functions of the

operator (user) of forest resources. It is identified integrators (of use) of forest resources are real and virtual systems, activities related to the entry of multifunctional potential of forest resources into the market, ensuring their economic integration in order to reconcile public and private interests.

Based on the norms of forest legislation that forests located within the territory of Ukraine are objects of property of the Ukrainian people, in the activities of both operators and integrators the priority should be to reconcile the public environmental interest in the use of forest resources with private financial and economic.

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