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**INTELLECTUAL POTENTIAL AS A DRIVER OF ECONOMIC DEVELOPMENT OF  
TERRITORIAL COMMUNITIES: ASSESSING MUNICIPAL GOVERNANCE EFFICIENCY ON  
CIRCULAR ECONOMY PRINCIPLES**

The article examines the efficiency of transforming the intellectual potential of territorial communities into economic development outcomes based on the principles of the circular economy. The relevance of the study is determined by the need to improve municipal governance performance in the context of decentralization, digital transformation, and Ukraine's post-war recovery. The aim of the research is to quantitatively assess the efficiency of utilizing the intellectual potential of territorial communities in Mykolaiv oblast and to identify the impact of institutional circular economy practices on the achieved results.

The methodological framework is based on a two-stage DEA-Tobit approach. Data Envelopment Analysis (DEA) was employed to evaluate efficiency by comparing communities according to the relationship between resources used and outcomes achieved. The input variables included the share of employed residents with higher education and administrative expenditures per capita. Performance indicators were represented by own-source budget revenues per capita and the density of small and medium-sized enterprises. The empirical basis of the study consisted of data from 12 territorial communities of Mykolaiv oblast for 2024.

The findings reveal significant differences in the efficiency of intellectual potential utilization among the communities. The average efficiency score reached 0.80, indicating considerable reserves for improving municipal governance

performance. Mykolaiv and Yuzhnoukrainsk communities achieved the highest efficiency scores and formed the efficiency frontier, demonstrating different successful development models. The study also found that most communities operate below the optimal scale, which limits their ability to fully realize their potential and highlights the importance of inter-municipal cooperation.

Particular attention was paid to assessing the role of the circular economy. For this purpose, an institutional Circular Economy Index (CEI) was developed, incorporating waste management programs, green public procurement, participation in environmental grant projects, and digital environmental services. The results indicate a statistically significant positive relationship between the development of circular economy practices and municipal governance efficiency. Each additional 10 points of the Circular Economy Index is associated with an increase in efficiency of approximately 0.10.

The practical significance of the study lies in the possibility of applying the proposed approach for benchmarking territorial communities, monitoring municipal governance efficiency, and substantiating managerial decisions aimed at developing human capital, entrepreneurship, and circular economy practices as key drivers of sustainable local development.

**Keywords:** intellectual potential; municipal governance; economic development; territorial community; circular economy; sustainable development; human capital; digital transformation; institutional resilience; empirical analysis.