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## MECHANISM OF STATE REGULATION OF ENVIRONMENTAL COST MANAGEMENT ACTIVITIES

The article reflects the basics of regulation of environmental cost management activities on the part of public administration bodies. Based on the results of the research, the mechanism of environmental cost management at the national level was presented, reflecting the fundamentals of the impact of state bodies on the environmental activities of businesses and the management of environmental costs through a system of regulatory legal acts, methodological foundations and measures of economic regulation. In conclusion the author develops the corresponding illustrative model.

**Key words:** environmental costs; environmental protection activities; state regulation; regulation mechanism; economic mechanism.

Fig. 2. Ref.: 6 titles.

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## МЕХАНИЗМ ГОСУДАРСТВЕННОГО РЕГУЛИРОВАНИЯ ДЕЯТЕЛЬНОСТИ ПО УПРАВЛЕНИЮ ПРИРОДООХРАННЫМИ ЗАТРАТАМИ

В статье отражены основы регулирования деятельности по управлению природоохранными затратами со стороны органов государственного управления. По результатам исследования обоснован механизм управления природоохранными затратами на республиканском уровне, отражающий основы воздействия государственных органов на природоохранную деятельность организаций и управление экологическими расходами через систему нормативных правовых актов, методических основ и мер экономического регулирования. В завершении произведено построение соответствующей иллюстративной модели.

**Ключевые слова:** природоохранные затраты; природоохранная деятельность; государственное регулирование; механизм регулирования; экономический механизм.

Рис. 2. Библиогр.: 6 назв.

**Introduction.** The specific feature of the modern economy is a tendency to increase the corporate responsibility to society and the environment, which, in its turn, forms the demand for information not only about the financial activities of an economic entity, but also its activities in the environmental sphere. Under these conditions, the most important factor in sustainable development and a significant reserve for the growth of the competitiveness of domestic companies is the implementation of measures to minimize their impact on the environment. The implementation of environmental protection measures allows a company to create an image of an environmentally responsible corporate body and is additionally encouraged by the state.

The above-mentioned activation of the corporate activities in the environmental sphere provides for an increase in the volume of costs for the implementation of environmental policies, as well as an expansion in the areas of spending funds, which requires appropriate management of environmental costs. The management tools used by companies largely depend on the foundations of the established legal regulation and methodological support dictated by government bodies. In addition,

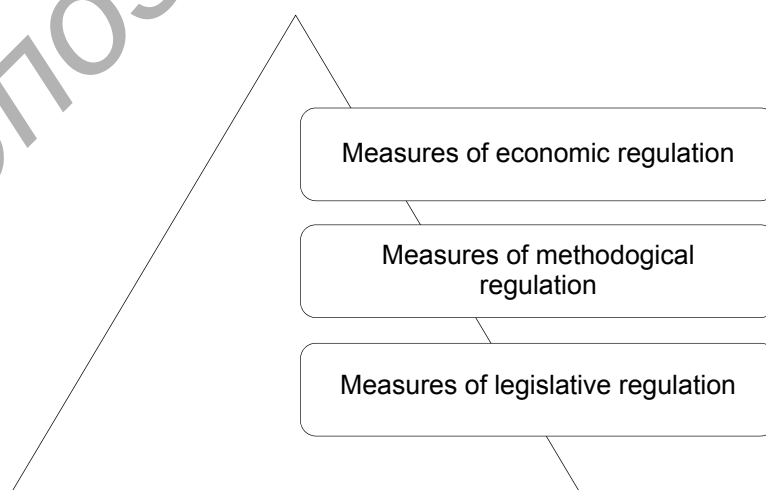
a significant impact on the level of environmental costs is exerted by the economic mechanism of nature management, which determines the conditions for the formation and the level of liability arising in the process of interaction of resource-consuming organizations with the natural environment. In this context, it is extremely important to substantiate the mechanism for managing environmental costs at the republican level.

**Materials and methods of research.** During the research the existing legal acts regulating environmental cost management activities and the legal practice were analyzed. When writing the article, the author applied common scientific research methods.

**Research results and discussion.** Economic activity of any corporate structure is connected to its external environment and to other business entities, and the foundations of these interrelations are regulated by the legislative norms and established rules. The determination of the level of the costs arising during business activity, their systematization, accounting, analysis and control are simultaneously carried out taking into account the existing recommendations and methodological approaches to the organization of management and accounting contained in the correspondent legal acts. The combined use of the main aspects of legal and methodological regulation additionally determines the implementation of financial management tools within the boundaries of certain areas (incl. within the environmental cost management). Thus, the national legislation builds a certain basis for the further formation of the methodological and economic tools of management, i. e. management of environmental costs at the national level can be represented as the following pyramid — Figure 1.

Accounting and control of the costs arising in relation to the environmental protection measures are, first of all, regulated by the legislation. Consideration of the formed regulatory and legal support through the prism of management allows us to subdivide all existing legislative acts into the two following groups:

- legislative acts reflecting the key aspects of carrying out environmental protection measures and organizing the rational use of natural resources, as well as the formation of the basis of indirect regulation;
- legislative acts containing the recommendations on the classification of expenses, as well as the conditions for compensation of the negative impact on nature by businesses; these acts form the basis for direct regulation.



**Figure 1. — Pyramid of environmental cost management areas at the national level**

*Note.* The scheme is compiled by the author.

The first of the noted groups of legislative acts, reflecting the key aspects of the implementation of measures in the field of environmental protection and nature management, is based on the Constitution of the Republic of Belarus [1]. Rather important document which regulates the basic issues of environmental activities is the Law of the Republic of Belarus of November 26, 1992 No. 1982-XII “On Environmental Protection”. This law provides the legal basis for the environmental protection and determines the ecological basis for the environmental protection for current generation and future ones [2]. In addition to the laws listed above, environmental regulation can be included into the other legislative acts.

The second group of legislative acts contains direct recommendations to ensure the performance of certain functions of environmental costs management. This group includes a number of normative legal documents that differ in the main regulatory areas, namely:

– legal acts reflecting the basis for the classification of environmental costs, their systematization and determination of the level within the boundaries of the formation of statistical reporting. This group is primarily formed by the resolutions of the National Statistical Committee of the Republic of Belarus;

– legal acts reflecting the basis for determining the amount of forced and compensatory environmental payments. Within this group, we should emphasize the Tax Code of the Republic of Belarus (Special Part) of December 29, 2009 No. 71-Z [3] and the previously mentioned Law of the Republic of Belarus of November 26, 1992 No. 1982-XII “On Environmental Protection” [2].

– legal acts reflecting the basis for accounting environmental costs. The basis of such acts is the Law of the Republic of Belarus of July 12, 2013 No. 57-Z “On Accounting and Reporting” and the Resolution of the Ministry of Finance of the Republic Belarus of June 29, 2011 No. 50 “On Approval of the Instruction on the Procedure for Applying a Standard Chart of Accounts”.

In the aggregate, the presented legal acts form the legislative framework for managing environmental costs and establish the basis for the use of management tools for business entities. It is important to note that the reflection in the Belarusian legislation of the features of systematization, analysis and accounting of environmental costs is rather brief, which imposes a barrier for the implementation of environmental activities in general and the reflection of their costs. The existing negative aspects of legislative regulation will be analyzed in more detail in the next section of the present paper.

The second step of the managerial pyramid at the national level is the methodological support of activities for the environmental costs. These types of support for the management, as noted above, are regulated by the established legal acts.

Thus, the approach to the classification of environmental costs is determined by the Decree of the National Statistical Committee of the Republic of Belarus dated December 24, 2021 No. 109 “On approval of the statistical classifier SC 55.011-2021 “Types of environmental protection activities” [4]. The methodology for systematizing and calculating the volume of current environmental costs is described in the Decree of the National Statistical Committee of the Republic of Belarus of May 06, 2022 No. 26 “On approval of the form of state statistical reporting 1-os (costs) “Report on current costs for environmental protection” and instructions on its completion” [5]. The Decree of the National Statistical Committee of the Republic of Belarus of June 14, 2018 No. 39 “On Approval of the Methodology for Calculating the Volume of Total Expenditures for Environmental Protection” at the same time defines an approach to systematizing costs, determining their total value [6].

The methodology for calculating the amount of environmental payments and fines, as well as the methodology for adjusting the amount of environmental taxes are presented in the Tax Code of the Republic of Belarus (Special Part). Approaches to the accounting of environmental costs are reflected in the Law of the Republic of Belarus of July 12, 2013 No. 57-Z “On Accounting and Reporting” and the Resolution of the Ministry of Finance of the Republic of Belarus of June 29, 2011 No. 50 “On Approval of the Instruction on the Procedure for Applying Standards for Accounting”. At that, the foundations of these approaches and the methodological features of determining environmental

payments should be considered within the boundaries of the next level of the management pyramid — financial regulatory measures or the economic mechanism of environmental management.

Currently, the system of economic regulation of environmental management is represented by three key groups: coercive measures (environmental payments, fines for exceeding the limits); incentive measures (preferential taxation, subsidies for environmental projects, bonuses based on the results of environmental activities, etc.); compensatory measures (compensation for damage caused, creation of environmental funds, etc.).

The central link in the financial mechanism of environmental management is the payment system, combining payments for the use of natural resources and fines and payments for damages. Art. 82 of the Law of the Republic of Belarus “On Environmental Protection” establishes that payments for nature use shall be collected as taxes, dues (duties), and other obligatory payments and rent [2]. The most important components of the first group of the financial mechanism for nature management and environmental protection are the following: an environmental tax, tax for the extraction of natural resources, land tax, lease payments for the use of natural resources.

Being an important instrument of state regulation, the existing payment system economically stimulates the environmental activities of enterprises. To strengthen the stimulating role of the environmental tax, its rates are periodically adjusted, and the established set of economic incentive measures is applied. For instance, according to Art. 82 of the Law of the Republic of Belarus “On Environmental Protection”, economic incentives for environmental protection can be carried out with the following measures:

- establishment of privileges for certain categories of corporate bodies and individuals granted for the rational (sustainable) use of natural resources;
- ensuring the usage of accelerated depreciation of equipment and other objects intended for the protection and improvement of the environment.

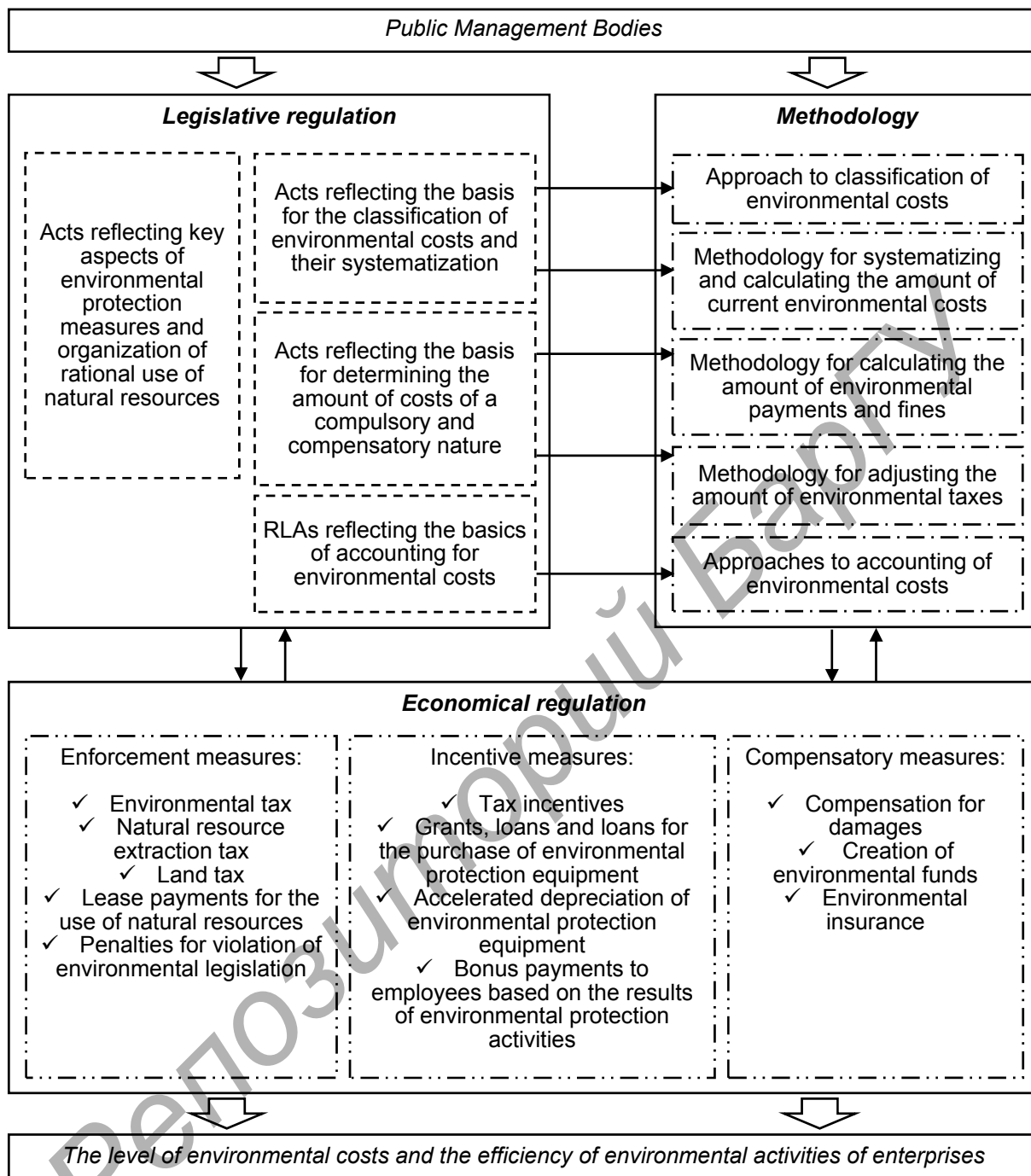
The national legislation mostly implements the first type of economic incentives — namely, the establishment of privileges for certain categories of companies and individuals. As a rule, domestic legislation provides for tax incentives in the form of reduction coefficients to tax rates or tax exemptions.

The next group of the economic mechanism of the environment management is compensatory measures. This group includes compensation for damage, the creation of environmental funds, environmental insurance, etc. The most widely used tool of this type is the creation of environmental funds, which allows to reduce the harmful impact on natural resources, as well as to reduce environmental costs by reducing the amount of environmental tax.

Thus, economic measures aimed at the regulation of environmental costs management involve the implementation of several groups of coercive, encouraging and compensatory measures. These measures have the most direct impact on the level of environmental costs, as well as the system of their management at a particular company. It should be emphasized that the national legislation, which forms the basis for the existing economic mechanism for nature management, is rather chaotic: the legal norms in this area are fixed in a wide range of various regulatory legal acts.

The systematization of the presented description of the environmental cost management pyramid at the national level allows us to substantiate the mechanism for managing environmental costs — Figure 2.

Thus, the management of environmental costs at the national level requires the simultaneous implementation of measures of legal regulation, methodological support and economic regulation. These measures are closely interconnected and determine the tools for the impact of government bodies on the level of environmental costs and the efficiency of environmental activities of enterprises, therefore, the effective formation and functioning of each element of the presented mechanism is extremely important. At the same time, the implementation of the formed management mechanism within the framework of the Republic of Belarus is characterized by the absence of consistency in the national legislation and almost no reflection of methodological approaches and economic tools for identifying, classifying, accounting, analyzing and controlling environmental costs within it, which, in its turn, indicates the need to optimize it.



**Figure 2. — Mechanism for managing environmental costs at the national level**

*Note.* The scheme is compiled by the author.

**Conclusion.** The systematization of the information analyzed within the context of this research allows us to establish that the main feature of the management of environmental costs in the Republic of Belarus is the alignment of state regulation measures within the framework of the pyramid, which is based on the legislative framework, divided into two interrelated groups of acts (acts reflecting the key aspects of environmental protection measures and the organization of rational nature management, and acts, including recommendations on the classification of expenses, as well as

containing the conditions for compensation for the negative impact on the environment). The intermediate link of the pyramid is the formed methodological and methodological support, and its highest level is represented by economic regulation measures, including coercive, incentive and compensatory measures. The parallel functioning of the designated levels, together with internal links between them, forms a mechanism for managing environmental costs at the republican level, reflecting the basis for the impact of state bodies on the environmental activities of organizations and managing environmental costs through a system of designated regulatory legal acts, methodological foundations and measures of economic regulation.

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