

Joanna PRZYBYLSKA
Poznań University of Economics

Financing of local governments' cultural activities – chances and threats in Polish legal system after the year 1991

Abstract: The systemic transformation taking place in Poland since 1989 has had a major influence on the role of culture in local communities. The times when cultural and economic policies were formulated exclusively by the state and cultural institutions were totally state-dependent ended at the beginning of the nineties when a number of economic and social reforms was introduced.

The author of this article attempts to answer the questions concerning the following issues: the advantages and disadvantages of the system of financing the local cultural institutions' activities, the limitations of the system, which result in the fact that the cultural institutions are not provided with sufficient resources to finance their activities, or with possible solutions to ensure them greater independence in decision making.

Keywords: culture, financing of culture, municipal government.

JEL codes: Z10, H59, H76.

1. Introduction

According to the French writer and politician, André Malraux, "culture is what has made a human being more than just a random event of nature". These words illustrate the role culture plays in our everyday life. Nevertheless, although nobody questions the functions of culture in the economy as well as in every person's life, it is often ranked rather low in the hierarchy of needs.

The aim of this article is to evaluate the system of financing cultural activities led by the local government authorities [in Polish: *gminy*; the smallest units of territorial division in Poland]. The adopted perspective is that of the possibilities of development of the cultural institutions' activities. The cultural institutions are defined as institutions providing services that popularize culture, regardless of their legal and organizational form. These are, for instance, libraries, cultural centres and muse-

ums. The so-called artistic institutions, i.e. theatres, concert halls, or opera houses, are not taken into account as the character of their activities is different.

The author concentrates on the questions of opportunities and threats in the system of financing the local cultural institutions' activities, on the limitations in the existing system which prevent cultural institutions from being provided with necessary resources to finance their activities and on the solutions that could ensure greater independence of the cultural institutions in decision making.

The system solutions presented in this article refer to the period between 1992 and 2005. The choice of the period was conditioned by the act of 1991 on organizing and leading cultural activities [Journal of Laws, 2001], which was to begin the reform of financing cultural activities in Poland.

2. State government bodies and local cultural activities

The state government bodies in Poland fulfil primary administrative functions. This is manifested in promulgating legal regulations concerning cultural activities carried out by local government bodies. The crucial function of the state government bodies is the administrative one, as it allows them to influence, often directly, the scope for independence of local government bodies as regards cultural activities [Denek, 2003]. In the period between 1992 and 2005 a disadvantageous change was introduced concerning the freedom of choosing a legal and organizational form of running cultural institutions by local governments. Until 1999 cultural activities of local organs could be led by the so-called budgetary institutions [in Polish: *zakłady budżetowe* units that belong to the public sector but perform the commissioned tasks against payment and cover the expenses of their activities using their own incomes] or by independent cultural institutions [Journal of Laws, 1991a]. Since 2000 those cultural institutions that had functioned in the form of budgetary institutions should be transformed into independent cultural institutions [Journal of Laws, 2000a]. This issue is discussed further in this article. Still, at this point it must be stated that due to such a solution, state government bodies have seriously limited the independence of the local organs as far as cultural activities are concerned.

Not only have the state government bodies limited the freedom of organizing cultural activities but they have also been responsible for the frequent changes of regulations concerning cultural activities. Instability of the legal system regulating the activities largely impedes planning them and consequently prevents their development.

An important event for cultural activities in the analyzed period was the reorganization of the public administration in 1999 [Journal of Laws, 1998a]. The reform increased the number of entities involved in organizing the local cultural in-

stitutions. Entities involved in organizing the cultural institutions in Poland in the years 1991-1998 and after the year 1998 are shown in Figures 1 and 2.

Apart from local governments, also governments of the counties [in Polish: *powiaty*; the Polish third-level units of administration] and the provinces have become organizers of cultural activities. At the same time voivodes [government rep-

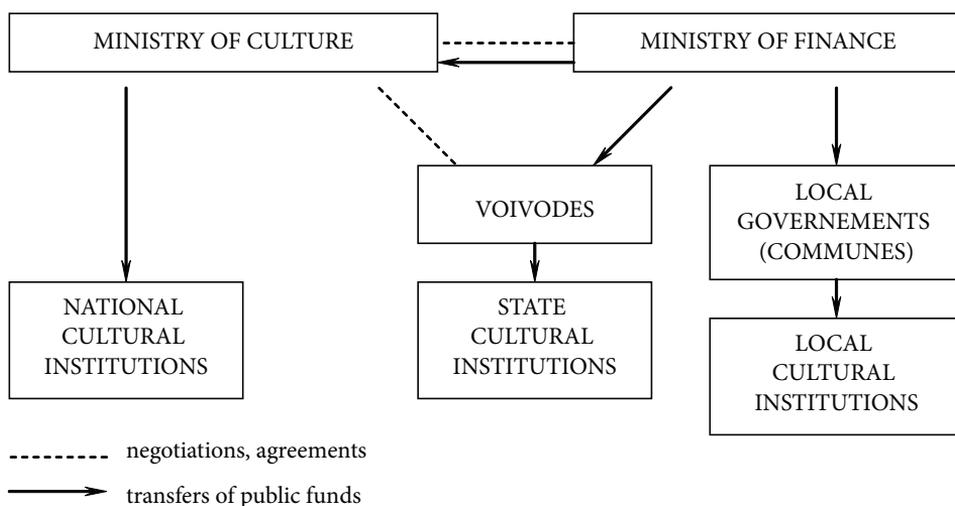


Figure 1. Public entities involved in organizing and financing of the cultural institutions in Poland in the years 1991-1998

Source: Own work

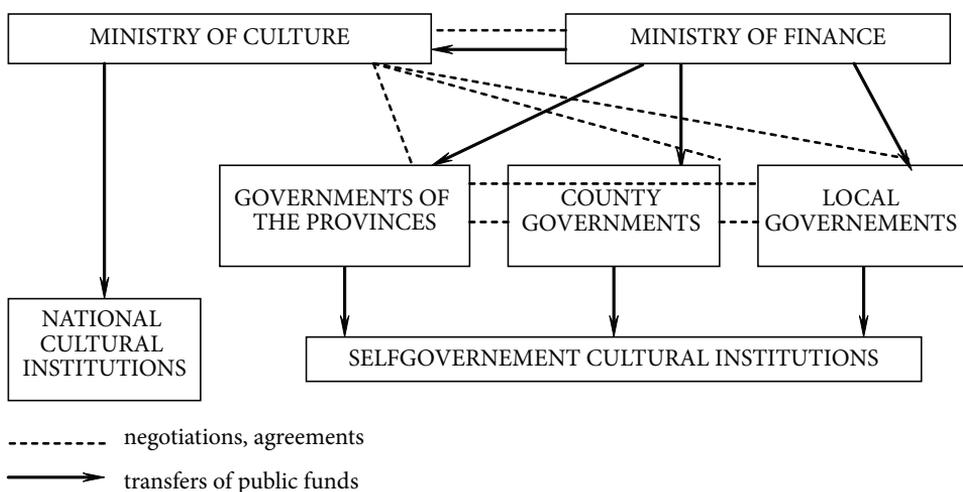


Figure 2. Public entities involved in organizing and financing of the cultural institutions in Poland after the year 1998

Source: Own work

representatives in provinces equipped with executive power] have been excluded from the group of organizers of the activities. The changes introduced by the reform have not considerably influenced local governments' scope of duties concerning cultural activities. As a result cultural institutions previously run by voivodes have been taken over by county governments and the bodies of the so-called urban counties [in Polish *powiaty grodzkie*, administrative entities constituted by some Polish urban communes], whereas voivodeships' governments have most of the cultural institutions previously (until the end of 1998) led by ministers and managers of central offices [central organs of government administration whose managers do not belong to the Government although the scope of their duties embraces the whole country] [Journal of Laws, 1998b].

Apart from the changes in the group of organizers of cultural activities, the administrative reform of 1999 also greatly influenced the sphere of local governments' cultural activities. Since 1999 every unit of local government (the commune, the county and the province) has been obliged to organize and run at least one public library [Journal of Laws, 1997; Journal of Laws, 1998a]. Thereby, a new level of the system of public libraries has been introduced – county libraries. They were to connect local and provincial libraries – an idea that has not been realized. The introduced changes have been widely criticized by librarians.

Yet another change concerning the network of public libraries (including local libraries) introduced together with the administrative reform, was a decrease in the number of public voivodeship libraries: from 49 to 18. The remaining libraries were transformed into local libraries. As the voivodeships have become three times as large as they used to be, the number of libraries under the charge of one voivodeship library has grown by several hundred. This has been accompanied by no support for the province libraries, either in terms of money or staff, hence the libraries are not able to professionally control local or county libraries.

3. Evaluation of changes in the system of subsidies for local cultural activities

When on 1st January 1999, the units of local government took over state cultural institutions, a need for changes concerning budgetary subsidies for local cultural activities emerged. In May 2000 two new sorts of close-end subsidies were introduced: for financing local government units' own current tasks related to running the cultural institutions and for financing the Government cultural projects, realized under the state's patronage. The introduction of the new subsidies was necessary and strictly related to the assignment of certain cultural duties to local government units [Journal of Laws, 2000b]. However, it is important to point

out that while the cultural institutions were taken over by the local government units on 1st January 1999, the regulations concerning the rules for allocating the subsidies were only introduced seventeen months later. The period with no law to regulate how the subsidies for running cultural institutions by local government units could be received certainly had a negative influence on the financing of cultural institutions.

Other subsidies for state tasks concerning culture which were in force before 1999 have been maintained; local cultural institutions have been able to receive subsidies to realize such tasks since 1991. The Law on Public Finances 1998 [Journal of Laws, 1998c] which replaced the Budgetary Law 1991 [Journal of Laws, 1991] introduced only additional conditions that must be fulfilled if the subsidies are to be received, i.e. signing a required contract consisting of all necessary elements stated in the law. The introduction of a contracting obligation between an entity applying for a grant and an entity earmarking subsidies must be evaluated positively. Such a contract guarantees one side that it will receive a grant of a fixed value and according to a fixed procedure and the other side that the resources will be used properly and settled in due time. Those regulations were maintained in the Law on Public Finances 2005 [Journal of Laws, 2005].

Evaluating the system of awarding subsidies from the state budget for the cultural tasks realized by local cultural institutions, it is essential to point out that the system is not flawless. Local government units often complain about the difficulties in communicating with the Ministry of Culture and the arbitrariness of officials in granting subsidies. It is also emphasized that subsidies tend to be given unevenly to different regions, according to the rule: the closer to Warsaw the better. In order to eliminate or minimize the faults in the present system a solution should be introduced to eliminate the dependence between the value of a grant and public authorities' direct decisions.

Such solutions have been introduced in the system of financing culture and art in Great Britain. The basis of the system is independent, intermediary institutions which distribute public resources for culture and art. In the British cultural policy, the solution is a consequence of following the "arm's length principle", which is a basic principle both at the national and at the local level [Working together, 2001, p. 8]. According to the principle, public authorities are not directly engaged in the process of distributing resources for culture and art; this is done only through the network of autonomous, intermediary institutions. The arm's length principle has been adopted in the British cultural policy primarily because of the belief that financial resources for culture and art will be best distributed, and hence most effectively used, only when the distributing institutions are entirely independent [Ilczuk, 1994, p. 111]. Complying with this principle is to protect cultural institutions from political pressure on the part of state and local authorities and from the pressure of short-term interests of central administration [Gontarz, 1997, p. A5].

A similar solution has also been used in the French system of financing culture, although it is viewed as the most centralised system in Europe. Regional Boards of Cultural Affairs (*Direction Regional des Affaires Culturelles – DRAC*), much as they follow strictly the instructions of the ministry, they also influence the way in which the funds from the ministry are distributed. The ministry's decisions base on DRACs' diagnoses concerning the cultural needs of particular regions. DRACs make suggestions and mediate between the ministry and particular entities applying for subsidies; they facilitate communication and cooperation between the local government bodies and the ministry [Chełmińska, 1993, p. 34-36]. Introduction of a similar solution in Poland would admittedly involve the restructuring of the whole system, but it could contribute to increasing efficiency in earmarking financial resources and to making the criteria of distribution of the funds more objective.

Another disadvantage of the present Polish system of distributing budgetary subsidies is a lack of motivating mechanisms that would activate the local government organs. The introduction of such mechanisms could contribute to increasing the intensity of the organs' efforts in this field. Such a stimulating instrument could be, for instance, subsidies earmarked on the basis of bilateral contracts that would involve certain decisions concerning the realization of a given task, together with the extent to which particular entities (the ministry and the local organs) participate in the costs of the project. Similar solution functions well in France, where, for the last few years, this form of awarding subsidies has grown to be more and more popular.

4. The role of an organizer of local cultural activities

Another issue that should be considered when evaluating the system of financing cultural activities by local governments is the role of the governments' organs in organizing these activities. The way in which cultural activities are organized and led depends on institutional solutions adopted by the government of a particular commune. Communes are quite free to decide about these institutional solutions, although there are some limitations of their independence. According to the Local Government Law 1990 [Journal of Laws, 1990], the organs of a local government can perform cultural tasks on their own or in cooperation with other entities. In the first case, the most common way of realizing the tasks is through a specially appointed local organizing units.

Until 1999 there had been two legal and organizational forms of such local units: budgetary institutions and independent cultural institutions. In practice, local cultural institutions whose task was the promotion of culture, functioned as budgetary institutions, whereas such entities as theatres, concert halls and opera houses

functioned as independent cultural institutions. As far as the institutions promoting culture are concerned, and these are the subject of this article, they were obliged to lead their financial activity according to the rules settled for budgetary institutions, whether they had any income or not. Since 2000 the rules of leading financial activity have been standardized for all cultural institutions, hence they can now function only as independent cultural institutions. This change has to a large extent limited the autonomy of local organs, which can no longer choose the organizational and legal form of conducting cultural activities.

Nevertheless, cultural services do not have to be provided by the units of local government themselves. They can commission other entities to perform the tasks. There is a number of possibilities to do so, which will be described in detail later on in the article. At this point, it is more important to indicate the crucial changes that took place in this field during the analyzed period. In 2002 a regulation was introduced which allowed cultural institutions organized by local government bodies to be taken over by other units of local government. This possibility could have made the local cultural policy more flexible. It must, however, be emphasized that such a solution cannot be applied in the case of the cultural institutions that a given unit of local government is obliged to organize and to run [Journal of Laws, 1991a; Journal of Laws, 1997].

Since 2004 local government can perform cultural tasks also in cooperation with non-governmental organizations [in Polish: *organizacje pożytku publicznego*] [Journal of Laws, 2003]. Settling legal rules concerning this cooperation contributed to the standardization of the procedures according to which local government organs commission other entities to public tasks and according to which subsidies are granted to non-governmental organizations. Before 2004 the procedure of awarding subsidies as well as the way they were settled and controlled depended on the authorized bodies of particular units of local government. This led to certain ambiguity and a number of doubts concerning especially the procedure of awarding subsidies. The implementation and standardization of legal rules regulating the procedure may contribute to making the distribution of the financial resources more objective.

As has been mentioned above, since 2000 the cultural institutions that functioned as budgetary institutions should be transformed into independent cultural institutions. Taking into account the differences between budgetary institutions and independent cultural institutions, it must be noticed that the transformation ought to have a positive effect on the possibilities of development of those entities as well as on the scope of their autonomy. One fundamental difference that should be emphasized here is that after the transformation the cultural institutions acquire legal personality, which budgetary institutions do not have. Hence, they become entities entitled to act independently in legal reality. This has been especially important since Poland entered the European Union and there appeared a wide range of pos-

sibilities of access to the EU funds for cultural purposes. As legal entities, cultural institutions can be direct beneficiaries of funds from the EU.

On the other hand, as legal entities, independent cultural institutions are totally responsible for the incurred liabilities. Local government bodies are responsible for the obligations of budgetary institutions, but the same does not apply to the liabilities of independent cultural institutions.

From the perspective of financial autonomy of the two presented legal and organizational forms, there are essential differences between requirements and limitations concerning financial planning. Budgetary institutions drew financial plans according to the guidelines of an organizer, who also had to approve the final versions of the plans. Moreover, there were restrictions on the introduction of changes and obligations concerning regulating the resources; since 2001 budgetary institutions have also been obliged to plan their working assets.

As far as independent cultural institutions are concerned, their financial plans are drawn and approved by their managers. There are no obligations of resources regulation or determining working assets. According to the provisions in force, an independent cultural institution autonomously administers the property it has been entrusted with by an organizer and leads an independent economic activity within the limits of the resources it possesses, covering the expenses of current activity and incurred liabilities with the use of its own income.

The autonomy of the cultural institutions depends also on the way they carry out through the budget requests. The budget institutions made their yearly settlements applying a net-based solution, which meant that at the end of the year the income surplus was forwarded to the budget. If the outgoings prevailed the deficit was covered from the budget.

On the other hand, according to the provisions in force, independent cultural institutions, manage the resources they have been commissioned with autonomously, *following the rules of efficiency*. Consequently, a question appears as to whether the resources are really used effectively and how this can be measured. It has been a controversial problem for many years, because it is not easy to approach culture in terms of economy. As far as cultural institutions are concerned, only approximate calculations of profits and costs and results are possible. There will always be results that cannot be measured economically, the so-called immeasurable results, as, for instance, developing interests and sensitivity, or stimulating cultural needs.

It is also worth noticing that independent cultural institutions, as compared to budgetary institutions, have gained a certain degree of financial autonomy, manifested in their right to manage profits. According to a general rule of the law, profits increase the value of the fund of a given cultural institution. Moreover, there is a possibility of using part of the profits to set up a staff fund or other kinds of funds. The funds can also be established with other resources entrusted to cultural institutions by natural or legal persons. The resources of the staff funds are spent on in-

dividual awards for the institution's employees and detailed regulations concerning managing all the funds are formulated as part of the rule of procedures imposed by the manager of a given institution. In the examined cultural institutions, the profits worked out until the end of the year were earmarked predominantly for discharging outstanding commitments or for enlarging the cultural institution's fund.

Discussing the subject of legal regulations concerning cultural institutions, one cannot forget about the changes that have been introduced in the public contracts law. They entered into force in October 2001 [Journal of Laws, 2001]. The changes concern simplifying tender procedures related to cultural services. Much as the assumptions of the legislator were correct, there appeared problems with practical application of the regulation. This is due to the fact that the notion of a "cultural service" is not defined precisely enough in the law. After a careful analysis, one can conclude that the simplified procedure cannot be applied to services provided on the basis of a contract to perform a specified task, as in the light of the law, such contracts are treated as deliveries. At the same time, practically the majority of the services offered to cultural institutions is realised through a contract to perform a specific task.

It is the author's opinion that two spheres of cultural institutions' activities ought to be isolated: a statutory sphere of essential activities and an additional one, involving the purchase of such goods as building materials, computers, various services. According to the author, cultural institutions should be obliged to apply regulations of the public contracts law only in the case of the latter sphere.

5. Taxation of entities leading cultural activities

Another question crucial to leading cultural activities is taxation of entities which statutorily lead such activities. Table 1 presents changes in corporate income tax that took place in the analyzed period; among them the advantageous changes are, for instance:

- a) since 1995: the widening of the objective scope of income tax exemption for taxpayers for whom cultural activities are statutory;
- b) since 1995: the tax exemption of incomes spent on investment in cultural activities;
- c) since 1993: the exemption for corporate income tax of the incomes earned from economic activities led in Poland by foreign cultural institutions;
- d) since 1994: the exemption for church corporate income tax, when the income is spent on cultural activities.

A disadvantageous change in the corporate income tax, from the perspective of entities leading cultural activities, was introduced in 1999. It was elimination of

the exemption for incomes earned on account of free of charge receipt of company houses and flats, as well as fixed assets used for cultural activities.

From the perspective of the sponsoring, as far as changes in taxes are concerned, the change in corporate income tax should be considered disadvantageous. When it was introduced in 1995, the limitation concerning the deduction of cultural donations from income was extended from 10 to 15 per cent. However, the change had been in force only until 2003. Since 2004, cultural donations may be deducted from the taxable income only by 10 per cent of the income. It is worth noting that cultural activists generally agree that advantageous effects for culture would be really visible only if there was a possibility to deduct the whole amount of a donation from the income. Such a possibility existed in the period between January 1992 and August 1996, but it concerned only donations for Culture Foundation [a non-governmental organization for promoting culture] [Journal of Laws, 1991; Journal of Laws, 1996a].

Similar changes concerning deduction for cultural donations have been introduced in the individual income tax. In 1995, the limitation concerning the deduction was extended to 15 per cent of income. Unfortunately, since 2004 donations that may be deducted from the taxable income cannot be higher than PLN 350, and since 2005, the limitation has dropped to only 6 per cent. The change has been very disadvantageous for cultural institutions. Fortunately, since 2004 there has been a new, advantageous solution, due to which part of the public resources may be given to cultural entities: from the amount of tax citizens have to return, according to their tax declaration, they may earmark 1 per cent for a non-governmental organization [but not every NGO's, only in Polish so called: *organizacje pożytku publicznego (OPP)*] [Journal of Laws, 1991c, Journal of Laws, 1996c, Journal of Laws, 2003b].

Contrary to the changes in the corporate income tax, the changes in goods and services tax, especially those introduced after Poland's accession to the European Union, have not served the development of cultural activities well. Most of the changes involved reduction of tax exemptions or even the increase of the cultural goods and services tax rates (Table 2). The majority of the disadvantageous changes in goods and services tax have been introduced since 1st May 2004, when Poland entered the EU. A tax rate on construction, restoration and maintenance of cultural buildings has been raised from 7 per cent to 22 per cent. Entities providing cultural services have also been affected by the changes. Cultural services, until 30th April 2004 still exempt from taxes, since 1st May 2004 have been divided into two groups: tax-free services and services taxed at 7 per cent [Journal of Law 2004].

The greatest confusion among cultural entities resulted from the change that obliged the entities to include subsidies they receive in the turnover (according to the goods and services tax law), because this meant that the subsidies became taxed at 22 per cent. After numerous interventions in the Ministry of Finance, it has been decided that the regulation applies only to product subsidies. Nevertheless, the taxa-

Table 1. The changes in the preferential scheme for cultural activities in the period from 1992 to 2005 – corporate income tax

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Tax free incomes of the taxpayers whose statutory activities are cultural activities													
The exemption refers only to the incomes spent on statutory aims in the present or the next fiscal year			The exemption refers to the incomes spent on statutory aims, regardless of the period in which they are spent; additionally, the exemption refers to the incomes spent on investments serving the realization of statutory cultural tasks										
Under the principle of reciprocity, the incomes of foreign cultural institutions from economic activities led in Poland are tax free			Tax free incomes of church legal entities that are earmarked for cultural aims										
The possibility of income tax deduction of donations for cultural aims – at most 10 per cent of the income			The possibility of income tax deduction of donations for cultural aims – at most 15 per cent of the income			The possibility of income tax deduction of donations for cultural aims earmarked to non-governmental organizations – at most 10 per cent of the income							
The possibility of income tax deduction of donations for Culture Foundation – the whole amount of a donation			The possibility of income tax deduction of donations for cultural aims earmarked to non-governmental organizations – at most 10 per cent of the income										

Source: own work based on the acts of law: Journal of Laws 1992, Journal of Laws 1993b, Journal of Laws 1993d, Journal of Laws 1995a, Journal of Laws 1995b, Journal of Laws 1996a, Journal of Laws 1996b, Journal of Laws 1998d, Journal of Laws 2003a.

Table 2. The changes in the preferential scheme for cultural activities in the period from 1993 to 2005 – goods and services tax

VII 1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	IV 2004	V 2004	2005
Tax exemption of cultural services													
Services provided by libraries, archives, museums and other services related to culture – within the sphere of admission and lending publications – 7 per cent													
Services related to entertainment – only admission to performances, concerts, plays and other events – 7 per cent													
The remaining services related to culture – exempt from taxes													
Taxed goods of folk and artistic craft													
Folk and artistic craft exempt from taxes													
Tax rate – 3 per cent													
Tax rate – 7 per cent													
The possibility of the return of the accrued tax that cannot be deducted from the tax due by the taxpayers producing their works of folk and artistic craft													
No possibility of the return of the accrued tax that cannot be deducted from the tax due by the taxpayers producing their works of folk and artistic craft													
Construction, restoration and maintenance of buildings of culture and art 7 per cent													
Construction, restoration and maintenance of buildings of culture and art taxed by 7 per cent													
Construction, restoration and maintenance of buildings of culture and art taxed by 22 per cent													
Product subsidies treated as extra payment for the service are taxed by 22 per cent													
Subsidies exempt form taxes													

Source: Own work based on the acts of law: Journal of Laws 1993a, Journal of Laws 1993c, Journal of Laws 2000c, Journal of Laws 2002a, Journal of Laws 2002b, Journal of Laws 2004.

tion of subsidies will definitely make it much more difficult for cultural entities, and for cultural institutions especially, to lead their activities. It will also considerably reduce their financial resources [Journal of Law 2004].

Taking into account all the changes that were introduced in the Polish tax system in the period from 1992 to 2005, it is difficult to judge the legislator's intentions concerning indirect supporting of culture from the public funds. Much as the changes introduced in income and local taxes can be viewed as advantageous, the changes in goods and services tax cannot be perceived in the same way. Hence, the conclusion is that Poland lacks a cohesive cultural policy which would designate directions to change the legal system so that it could create better conditions for the development of this important sphere of life.

Conclusion: suggestions of changes

Considering the autonomy of cultural institutions in their organization, the majority of changes in legal regulations can be considered as advantageous. The assumption behind the organizational and legal transformation of cultural entities from budgetary institutions into independent cultural institutions was that they increase their autonomy. However, this raises a question, whether the transformation is really a reasonable solution for such institutions as libraries, cultural centers and museums. It seems that as long as the costs of their functioning are covered almost entirely from subsidies, increasing their autonomy is merely formal.

The statutory autonomy of cultural institutions is very limited in practice. The basic limitation is the structure of their sources of finances. Since subsidies are the dominant source of financing, the scale of the institutions' activities is dependent on the amount of funds allocated directly by the organizer.

The amount of subsidies allocated for cultural institutions is fixed by an organizer who takes into account the planned expenses of a given cultural institution. Much as the organizer decides only about the general amount of subsidy and does not suggest how it should be used, and the cultural institution distributes the funds independently, in reality, the funds are used according to the plan which was the basis for quantifying the amount of subsidies. This is a serious limitation of the cultural institutions' autonomy. Although budgetary subsidies constitute such a considerable income of cultural institutions, formally organizers do not have a right to interfere with the institutions' essential activities. However, it should be remembered that the scope of activities depends directly on the abilities to finance them.

Legal regulations oblige organizers to provide cultural institutions with funds necessary to start their activities, and since 1996 – also to lead the activities and maintain the buildings in which the activities take place. This raises a question concerning the amount of the funds that organizers should provide and what they can expect in return. These questions are extremely difficult to answer, as firstly: there

are no clear aims which could serve as points of reference, and secondly: there are no fixed criteria allowing to estimate the amount of funds necessary to lead cultural activities by cultural institutions. As a result, as Andrzej Wajda [a famous Polish film director] once put it: “cultural institutions receive money to maintain the *status quo* of their employees, but they have no money left to finance their activities” [Wajda, 2003, p. 28].

Evaluating the present system of financing cultural institutions, one must also notice that it does not motivate to effective work, to solicit own resources; it does not promote activity of the institutions’ managers. Unfortunately, if an institution solicits its own additional resources, it may receive smaller subsidies from the organizer.

Hence, what predominantly limits financial autonomy of cultural institutions is the permanent lack of funds for their activities. Consequently, the institutions have too little money to finance investments, which results in covering the costs of restoration and assets-related spending entirely from closed-end subsidies, most often entrusted by an organizer who decides about the size and character of a given cultural institution’s investments.

The most important disadvantage of the present system of financing local governments’ cultural activities is the structure of financing cultural institutions, which is characterized by the dominance of subsidies, often allocated arbitrarily, without any objective criteria. Hence, questions appear, what sort of changes should be introduced into the present system of earmarking subsidies, and what conditions must be fulfilled in order to increase the amount of own resources in the budgets of cultural institutions.

In order to restrict the negative consequences of the present system of subsidizing, closed-end and product subsidies could be gradually introduced into and made more significant in the system of financing cultural institutions’ activities. However, such a change should not involve a decrease in the amount of the previously received subsidy, as a financial basis for the functioning of an institution ought to be sustained. According to the proposed solution, earmarked subsidies would be maintained to cover the costs of maintenance of buildings and basic salaries of the employees, whereas closed-end and product subsidies would be granted for specific cultural undertakings. A well-developed system of closed-end and product subsidies would be one of the sources to finance essential activities of cultural institutions. Such a system of financing is used successfully in Switzerland, France and Great Britain.

Another drawback of the present system of financing local governments’ cultural activities in Poland is a low level of local cultural institutions’ own income. Own incomes can mean various kinds of income, and each of the kinds ought to be presented separately. Firstly, cultural institutions can earn their own income when they decide to supply their services against payment. However, this is a very deli-

cate question, and it raises numerous controversies. The author's opinion is that as far as payment is concerned, activities of cultural institutions ought to be divided into their statutory activities, i.e., popularizing culture, and the like. According to the author, activities related to popularizing culture should be free of charge or partially charged in order not to impede the access of the poorest to culture.

There are no reasons, however, for which cultural institutions should not lead various forms of chargeable activities, apart from popularizing culture. As legal personalities, they are allowed to lead economic activities, which can be successfully combined with their statutory occupations. Everything depends on the institution's manager, his/her commitment and entrepreneurship, as it is the manager who can take the initiative. A good example of cultural institutions which offer a wide range of services, both chargeable and free of charge, are Scandinavian libraries. They have been transformed into various readers' clubs, book centers and literary cafes, where, apart from basic free of charge library services, people are also provided with other ones; for instance, they can use a computer or drink coffee.

Apart from earning their income through providing chargeable services, cultural institutions can also gain financial resources from sponsors. It is the role of the state government bodies to introduce proper legal regulations that would enhance the development of sponsoring in Poland. The conclusion concerning the possibilities of donating cultural activities in Poland is that in the case of both corporate and individual income taxes have been disadvantageous. Reducing deductions and introducing additional conditions will definitely contribute to the decrease in the financial resources earmarked for culture by the private sector. The introduced solutions will not facilitate the development of sponsoring cultural activities.

Another limitation for sponsoring in Poland is the lack of an institution that would coordinate it through matching sponsors with organizations that search for them, conducting relevant research and gathering information. A model to follow is the British organization Art & Business, founded in order to create the links between culture and business [Working, 2001].

What could also stimulate sponsoring in Poland is introducing, again following the British model, an instrument that would encourage cultural institutions to search for private sponsors. The structure of the instrument, called *Business Sponsorship Incentive Scheme (BSIS)*, is as follows: whenever a cultural institution receives a donation from a sponsor, it also receives a donation from the state budget, amounting to one third of the resources received from the sponsor; for instance: if the organization receives £900 from the sponsor, the state budget gives it additional £300. If it is the sponsor's debut as a donor, the relation of the two donations is one to one, i.e., the state budget gives as much as the sponsor. In the first four years after the introduction of the instrument in Great Britain, there appeared 875 new sponsors of culture, which together earmarked as much as £21 million for cultural activities [Working, 2001]. If a similar solution was introduced in Poland, it would facilitate

the development of sponsoring but it would also be an additional burden for the state budget.

Evaluating the changes in the system of financing local governments' cultural activities, it is impossible not to mention the changes that came into force on 1st May 2004, even though they were introduced after the period analyzed in this paper. Since Poland's accession to the European Union, new opportunities have appeared for local governments to gain financial resources for cultural activities.

The conclusion from what has been presented in this article about the system of financing local organs' cultural activities is that improving the system is a very complicated task, as it is related to the activities of many entities: the state government's organs, local governments and cultural institutions themselves. Introducing any changes into the system requires taking into account numerous aspects, both organizational and related to the financing of cultural activities (the system of donations, taxation of cultural institutions, facilities for sponsors). At the same time it must be remembered that creating proper conditions for the development of cultural activities is conditioned not only by the changes introduced into the present system but also, if not predominantly, by how the system practically works; and the latter depends on skills and initiatives of the people who are involved in cultural activities.

References

- Chełmińska M. (1993), *Warunki rozwoju kultury na szczeblu lokalnym. Europejskie modele rozwiązań systemowych a sytuacja w Polsce*, Instytut Kultury w Warszawie.
- Denek E. (2003), *Rola samorządu terytorialnego w świadczeniu usług społecznych*, w: *Usługi społeczne w gospodarce samorządu terytorialnego w Polsce*, red. E. Denek, Zeszyty Naukowe AE w Poznaniu, z. 38, Wydawnictwo AE w Poznaniu, Poznań.
- Gontarz A. (1997), *Trzecia droga w kulturze. O maniakach, dziwakach i społecznikach*, Rzeczpospolita no. 4.
- Ilczuk D. (1994), *Kryteria, formy i zasady podziału środków publicznych na kulturę (doświadczenia angielskie)*, w: *Podział środków publicznych na kulturę przez organa administracji państwowej. Zasady, formy, kryteria*, red. Golimowska S., Instytut Kultury w Warszawie.
- Journal of Laws 1990 no. 16, item 95, i.e. Journal of Laws 2001, no. 142, item 1591.
- Journal of Laws 1991a no. 114, item 493, i.e. Journal of Laws 2001, no. 13, item 123.
- Journal of Laws 1991b no. 4, item 18, i.e. Journal of Laws 1993, no. 72, item 344.
- Journal of Laws 1991c no. 80, item 350.
- Journal of Laws 1992 no. 21, item 86.
- Journal of Laws 1993a no. 11, item 50.
- Journal of Laws 1993b no. 28, item 127.
- Journal of Laws 1993c no. 129, item 599.
- Journal of Laws 1993d no. 134, item 646.
- Journal of Laws 1995a no. 5, item 25.

Journal of Laws 1995b no. 142, item 704.
Journal of Laws 1996a no. 90, item 407.
Journal of Laws 1996b no. 137, item 639.
Journal of Laws 1996c no. 137, item 638.
Journal of Laws 1997 no. 85, item 539.
Journal of Laws 1998a no. 96, item 603.
Journal of Laws 1998b no. 162, item 1126.
Journal of Laws 1998c no. 155, item 1014, i.e. Journal of Laws 2003, no. 15, item 148.
Journal of Laws 1998d no. 144, item 931.
Journal of Laws 2000a no. 12, item 136.
Journal of Laws 2000b no. 40, item 463.
Journal of Laws 2000c no. 68, item 805.
Journal of Laws 2001 no. 76, item 813.
Journal of Laws 2002a no. 19, item 185.
Journal of Laws 2002b no. 213, item 1803.
Journal of Laws 2003a no. 96, item 873.
Journal of Laws 2003b no. 202, item 1956.
Journal of Laws 2004 no. 54, item 535.
Journal of Laws 2005 no. 249, item 2104.
Wajda A. (2003), *Transformacja instytucji kultury po 1989 roku*, w: *Spoleczne i ekonomiczne uwarunkowania rozwoju kultury*, II Kongres „Kultura – Gospodarka – Media”, Narodowe Centrum Kultury, Kraków – Warszawa.
Working Together for the Arts, the Arts Council's Detailed Plan for Future Support of the Arts in England (2001), The Arts Council of England, internet: www.artscouncil.org.uk/.../working.pdf.