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# INNOVATIONS AS A DEVELOPMENT FACTOR FOR THE CONTEMPORARY CULTURE IN BELARUS

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**Key words:** Budget allowances, autonomous institutions, sphere of culture, budgetary institutions, economic innovations.

**Abstract:** Cultural institutions, being the subjects of management on one hand, and creating economic conditions on the other hand, have a significant impact on the development of the economy. However, cultural institutions themselves need to be developed. Certain economic innovations can become a development factor in the work of cultural institutions.

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## Introduction

Considering the impact of culture on economy, one may note that cultural institutions:

- firstly, are themselves the subjects of management and are directly included in the financial and economic flows (receive government appropriations, pay taxes, create products and provide services on a fee basis, etc.);
- secondly, create conditions under which other institutions and enterprises function.

The latter is realized through the formation of the country image on international level, development of human potential, arrangement of conditions for creative activity and formation of the style of relations between employees.

The sphere of culture also influences innovative capacity of the society forming the guidelines directed at the introduction of innovations and the ability of the society to perceive the innovations which significantly influences the quality and quantity of the innovation product. The economy in which conservative thinking prevails is not able to accept or use more progressive achievements, and therefore, an

innovation product can be completely rejected. An environment that encourages development the innovation product is diverse in its characteristics, as innovations quickly become obsolete replacing one another. As a rule, innovations need to be accepted and understood by the public; such adaptation is possible through the sphere of culture.

Thus, through sphere of culture development, a significant impact can be made on the functioning of the economy.

## The sphere of culture in Belarus

Nevertheless, the main trend in the development of cultural institutions in the Republic of Belarus is attendance reduction. Such a situation has been observed since 1985. For example, according to our calculations, the number of visits to cinemas decreased by 93% per 1000 persons for the period; the number of library users - by 23%; the number of visits to museums - by 20%, the number of visits to theaters - by 39% (Table 1). At the present stage none of the activities in the sphere of culture has reached or exceeded the figure of the year 1985, despite the fact that the number of cultural institutions (theaters, museums) is growing.

TABLE 1. DYNAMICS OF THE NUMBER OF CULTURAL INSTITUTIONS IN THE REPUBLIC OF BELARUS  
AND THEIR ATTENDANCE IN 1940-2007 (per 1000 persons)

Visits\Year	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
Number of visits to theaters	330	256	175	205	186	182	179	182	188	187	201
Number of visits to museums	491	450	278	380	391	366	368	392	407	376	395
Number of library users	539	473	434	450	453	447	440	434	429	415	415
Number of visits to cinemas	14020	11482	1179	1184	1105	856	852	882	892	895	906

Source: Compiled by the author, data from statistical data bank, 2000, 2008.

In our opinion, the reduction of attendance of cultural institutions results from the following:

- reduction of the artistic level of products and services
- lack of marketing activities which promote the proposed product to the market

- appearance of modern means of communication, etc.

Among the economic reasons of the outlined above circumstances the most essential, as shown by the analysis, are: inefficient use of budgetary appropriations and lack of own sources of revenue to cover all expenses.

### **Autonomous institutions as a development factor of the modern sphere of culture**

Similar problems in the sphere of culture also arose in the Russian Federation, however, the legislator made an attempt to resolve them through economic innovations. In our opinion, consideration of these innovations is essential for the improvement of the cultural institutions functioning in the Belarus.

To resolve the encountered problems the Russian legislator introduced a new type of state (municipal) institutions - autonomous institutions. The main normative legal act regulating the issue is the Federal Law dated November 3, 2006 No174-FZ "On autonomous institutions".

Under this law an autonomous institution can only be a non-profit organization operating in certain areas. For example, the legislator in the Russian Federation signified that it is not allowed to change the type of institution in the sphere of health care, but it is possible in the sphere of science, education, culture, social protection, employment, physical culture and sports.

Changing the type of a budgetary institution is carried out on the initiative of the institution itself. Each budgetary institution independently makes decisions on the matter. However, not all cultural institutions can change their type. Public authorities can determine the list of institutions the type of which is not subject to change. Among such institutions, for example, are: archives, institutions classified as particularly valuable cultural heritage sites, children's theaters, municipal museums, etc. It means that the autonomous status can be acquired only by those institutions that are best suited to market conditions. However, the indicators defining whether the institution is of such type or not do not exist.

Autonomous institutions in contrast to budgetary institutions are financed not by the estimate, but in the form of subventions and grants to perform the tasks assigned by the legislator. This is one of the basic differences. Through such innovations a legislator is trying to solve the problem of inefficient use of budgetary resources.

In the event of traditional estimated financing, funds are assigned to the recipient on the basis of the approved estimate. The funds are supposed to be strictly purpose-oriented. Their non-target spending may lead to penalties. This does not allow mobile solving of the problems that arise in institutions. A similar situation holds down the initiative of the directorate and the staff of cultural institutions. That is, the lack of financial autonomy entails a reduction of:

- economic efficiency of cultural institutions
- creative initiative of employees
- interest in the eventual result
- motivation to attract non-budget funds.

In the second case (when changing the type of institutions for autonomous) funds are allocated for the task solution in a single sum without any breakdown to items which provides cultural institutions with greater rights in the sphere of economic independence. For example, the head of an autonomous institution distributes the proceeds for wages, supplies, payment for transport services, etc. This allows

spending money more efficiently. But this method of financing of the autonomous institutions increases the responsibility for performance, since it is the head who determines the direction of their expenditure.

It should be noted that autonomous institutions are guaranteed budgetary funding (which is calculated on the basis of standards) to perform assigned tasks. In determining the tasks quantitative and qualitative indicators are calculated. They characterize the services provided (for example, maximum prices or the method of price setting, determination of the categories of consumers, their possible number, etc.). It is necessary to monitor service quality and efficiency of cultural institutions. For example, for the circus as a quantitative indicator can be selected the number of visits of the audience, the quality indicators include the number of registered complaints or the proportion of visitors from socially disadvantaged groups and so on. (Obviously, the standards should be developed for each individual institution and a separate region, such monitoring is seen as long and laborious).

In addition to budgetary funds, autonomous institutions can receive non-budget revenues which enter into independent disposal, but can only be used for the purposes for which such institutions have been created. For example, the theater can spend the funds received from the business activity at its discretion, but only to achieve the purposes for which it was created.

In contrast to the autonomous institutions budgetary institutions, carrying out income-generating activities, should make up the estimate of income and expenditure of non-budget funds. This estimate reflects the amount of income and expenditure, as well as the direction and allocation of funds. In case there are changes in the estimate of income and expenditure of non-budget funds, coordination with the manager of budgetary funds is required. In our view such a situation is forcing the leaders of budgetary institutions to keep "everything as it is", despite the possibility of more economical spending.

The supervisory board appears to be the administrative body in autonomous institutions. Its members may be: representatives of the authorities and the public as well as employees of autonomous institutions. Considering various issues, the supervisory board can give recommendations, make conclusions and decisions obligatory for the autonomous institution. In our opinion, such an administrative body makes cultural institutions similar to commercial organizations (joint stock companies) and is intended to exercise control over the administration. Establishment of the supervisory board in autonomous institutions is a rational step. A more "preferential" treatment in the allocation of funds, compared with the budgetary institutions, can be an incentive to commit financial fraud. However, the supervisory board may decide to conduct an audit of financial statements. Also the advantage of the supervisory board is that it is in charge of a separate organization, not the entire branch, therefore, questions should be resolved promptly, thoroughly and with maximum benefit for a specific autonomous institution. And the advantage is that decisions will be collegial, and it tends to encourage objectivity.

For greater clarity, the differences between budgetary and autonomous institutions are listed in Table 2.

TABLE 2. DIFFERENCES BETWEEN BUDGETARY AND AUTONOMOUS INSTITUTIONS

Criteria	Budgetary institutions	Autonomous institutions
Business activity	Carry out business activity only in so far as it serves the purposes for which they have been created	In addition to the tasks of the founder have the right to render services related to the main activity, or the services that are complementary to it
Financing	Are funded on the basis of estimate of income and expenditure	Financing of the main activity supervised by the founder is provided in the form of grants, subventions and other sources
Disposal of property	Have no right to dispose the proceeds of their activity independently	Are entitled to dispose the proceeds of their activity independently
Administrative body	Sole governing body	Supervisory board

Source: Ignatieva, E., 2006.

Transition of budgetary institutions to autonomous institutions has both advantages and disadvantages. The benefits include:

- increase of consumer properties of the proposed product or service
- more efficient use of budgetary resources
- provision of greater economic independence to cultural institutions.

Among the disadvantages are:

- lack of experience in the application of such practice. This can be resolved by the introduction of additional economic incentives in the business activity of autonomous institutions. Such an incentive in the Republic of Belarus can be the abolition of the single wage rates distribution or the application of wage payment mechanisms that are used in the commercial sector, etc.
- availability of financial risk to cultural institutions
- lack of clear criteria determining how budgetary institutions will be allowed to change their type to autonomous. The issue requires further development by legislator
- possible increase in prices for the proposed products or services. However, autonomous institutions will have an obligatory task set by the legislator in order to provide benefits to the disadvantaged groups of the society. Price in this case can serve as a consumer benchmark and an indicator of quality.

By changing the status of budgetary institutions in the Russian Federation an attempt was made to transfer cultural institutions to the principle of responsible financial management, which provides for freer economic activity.

### Conclusion

There are similar terms of development of cultural institutions in the Russian Federation and in the Republic of Belarus (attendance reduction, estimate-based funding of budgetary institutions). In our opinion, adaptation of the practice of changing the status of the budgetary institution for the autonomous institution in the economy of the Republic of Belarus is possible. It will improve the work of cultural institutions.

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