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Western Balkans: regional art market, and not a fiction?

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Themed Book *Western Balkans: regional art market, and not a fiction?*, presents the result of a work by participants on the project "Towards the art market in the Western Balkans" (financed by the European Cultural Foundation in Amsterdam). It includes analysis of options and potential effects of the creation of a regional art market in the Western Balkans. The idea of a joint art market on the territory of the Western Balkans is based on the assumption that this regional art market would include existing art markets in the area of the region (Albania, Bosnia and Herzegovina, Montenegro, Croatia, Macedonia, Serbia), providing the possibility of inclusion (or expansion) of the art market on other countries in the wider environment of the region. This joint art market could function as a supranational art market, with basis on the current art markets of each Member State, which will further operate independently of each other with the adoption and application of specific and unique binding standards. Creation of this regional art market is a component of the integrational process of the Western Balkans into the EU (full membership in the EU).

The establishment of this common base would take place in accordance with European standards, but without political influence on its formation and functioning mechanisms. The existence of the regional art market could have a positive impact on the stability of the national cultural systems and artistic development of more efficient financing, in all the Western Balkan countries.

In fact, in all times and societies, works of art were the bearers of values recognized by a group that defined the values for the whole society, and same works of art were also located at the highest level of economic valuation.¹ Determination of the artistic and economic value and the process of evaluation are in some ways similar for cultural theorists and economists, except that evaluation roots differ between them. Until the cultural modernism the basis for determination of artistic value was seen in the internal, often universal qualities of aesthetic and cultural significance, while instead of the traditional ideals postmodernism brought interpretation of values in relativistic and often subjective and

uncertain categories.² Establishment of economical value of art also experienced transformation, trying to confirm art as a legitimate economic activity like any other, followed by non-economic effects of significant importance for society and individuals. In the economics of culture, scientific debate about the economic valuation of art, started at the end of 1970s and the first works of art market economists such as Andersen, RC ("Paintings as an Investment", 1974), Stain, J.P. ("The Monetary Appreciation of Paintings," 1977) and Baumol ("Unnatural Value: or Art Investment as Floating Crap Game," 1986), questioned the economics of art market and made a significant contribution to better understanding of the relationship between the arts and the market and its major determinants.

Specific features that characterize the art market speak of the fact that in practice it is never the sole mechanism of decisions' coordination, but that market economies are often combined in a greater or lesser extent with state interventionism. In the discourse of cultural policy, in particular those countries that have a long tradition and

developed art market, often under the concept of "art market" understand a primary reliance on market institutions and those involved in economic dimensioning of art, with the state acting in the direction of market failures replacement and construction of efficient market structure.

This understanding of the market unfortunately does not feature a public discourse of the Western Balkans, where the art market is approached in a laic and superficial manner, and reflection on the relationship between the artistic and economic values is rejected without solid arguments. Economics of culture on the other hand, which is supposed to examine this relationship from the scientific perspective and to establish a basis for effective management of cultural politics, has never been developed and established in the Western Balkans.

Themed Book *Western Balkans: regional art market, and not a fiction?* fills an essential gap in the research activities in this area so far, and provides a new perspective, in the understating of the art market development, shifting it from

¹Mulen, R. (1972) Umetnost i ekonomika u savremenim društvima, *Kultura*, br. 19/1972, p. 10.

²Connor, S. (1982) *Theory and Cultural Value*, Oxford: Blackwell, p. 14; Regan, S. Ed (1992) *The Politics of Pleasure: Aesthetics and Cultural Theory*, Buckingham: Open University Press, p. 14-7.

the national onto regional net-working and the creation of common space not only in terms of trade, but also in terms of cooperation among artists, launching these research themes, strengthening public policies, etc.

Economic profile of the art market and its contemporary development trends by Hristina Mikić, MA, analyzes relevant questions about the relationship between the arts and economics in different socio-historical contexts and discourses of policy. The author analyzes the dynamics and interdependence of markets in historical and comparative light reviewing discussions and contradictory attitudes of practitioners and theorists, as well as practical implications on cultural policy. Furthermore, principal divisions of the art market are presented, as well as its morphology, and different methods of economic evaluation of arts and their sales (auctions, art dealers, galleries) analyzed. The last part is dedicated to the contemporary development trends in the art market and to the analysis of structural changes that has taken place on it in the last 10 years.

Works Art market in Bosnia and Herzegovina: state, problems and perspectives (Mr. Hazim Begačić, MA Hristina Mikić, Mirjana Rikalo, ma), *Art market in Croatia* (Daniela Jelinčić, PhD, and Ana Žuvela, MA) and *Price of Arts in Serbia* (Anica Tucakov, MA) in a systematic and comparable way give an overview of strategic issues, but also of dilemmas in cultural policies of the Western Balkans in three countries, trying to point out to the main weaknesses and potentials of the art markets in the region, through the structural analysis of its instruments to the theorists, academic researchers and practitioners. The special value of these works is that the analysis and synthesis of findings, data systematization and cultural statistics go a step further, providing a very valuable statistical and record material for further reflections on this subject, and take practical actions in the sphere of cultural policy. Sector analysis in the arts and culture is not a strong point of cultural policies in the region, as well as its factual foundation (*evidence-based policy*), and the more analytical significance of these works is as they provide decision makers methodological framework for strategic

analysis and further improvement of the instruments of cultural policies in diverse areas of artistic creativity, but also concrete recommendations in order to correct the current situation. Since the majority of works created through a participatory process including the opinions and views of as many relevant artists (in consultation with artists' associations or individuals), their practical importance for understanding of the current situation, and improvement of decision-making process in culture, is evident.

The work *Legislation of artworks transactions in the Western Balkans* by Lj. Brković and P. Dikić deals with issues of visual artworks trade, and all components vital for constitution of a legal transaction. This paper analyzes the legal framework for regulation of visual artworks transactions in the Western Balkans, and on the ground of a comparison between them, make practical recommendations that can be given in the legal circumstances (lack of institutional intermediaries, lack of regulated market structure, etc.) that can protect most efficiently the rights of authors in the trade of works of visual arts.

D. Demirović, PhD, in his work *Tax policy of the Western Balkans countries in a function of art market development and their accession to the EU* offers a comparative review and analysis of cultural policies' tax instruments, trying to point out to the possibilities that harmonization with EU legislation provides, and which many countries have not used in modeling of their own art market. Approaching the concept of art from a tax perspective, the author analyzes the common weaknesses with insufficiently flexible definition of arts, which favors the traditional art form and is not open to the changes in artistic expression, which is one of the important practical findings that may contribute to the adjustment of cultural policies' economic instruments for art market development in the Western Balkans, and also for improvement of its tax competitiveness.

The paper *Economic aspects of the art market in the Western Balkans and recommendations for the improvement of its development* (G. Rikalović, PhD, H. Mikić, Msc and D. Molnar, Msc) analyzes the main elements of cultural policies and instruments that determine artistic market and relate to it. By analyzing the

art market and the genesis of its position in public policy in the Western Balkans, relevant aspects of a complex art market position are offered. In this regard, the work provides several new routes and views on developments in the art market, shifting the focus from the national to the regional networking.

I am taking this opportunity to thank the European Cultural Foundation from the Amsterdam for supporting the realization of this project, because apart from its final outcome - the thematic collection of texts, which will help theorists and practitioners, both from the artistic and the commercial area to better understand the specifics of the art market in this area, the project "Towards the art market in the Western Balkans" (2012) has enabled opening of the space for a review of existing policies from the perspective of cultural disciplines such as economics of culture and the promotion and advocacy for the adequate position of this sector in public policy. Special thanks go to reviewers Prof Stevan Devetaković, Phd, Prof. Čedomir Ljubojević and Prof. Slobodan Kotlica, PhD.

Belgrade, July 2012.

SUMMARY:

The paper analyzes relevant issues of the relationship between the arts and economics in various social and historical contexts and public policy discourses. Dynamics and interdependence between the arts and market are analyzed in a comparative-historic view through the review of discussions and contradictory attitudes of practitioners and theorists, as well as through the practical implications on cultural policy. Furthermore, paper gives main classifications of the art market as well as its morphology, and analyzes different methods of economic assessment of artworks and their sales (auctions, art dealers, galleries). The last part of the paper is dedicated to the contemporary development trends in the art market and the analysis of structural changes that have taken place in it in the last ten years.

Keywords: art economics, art market, trade, auctions, art dealers, art galleries

1. Art and economy

Over the centuries economic dimensioning of arts has always been associated with financial and political centers of power, desire to demonstrate the power and significance of patrons, with an intention to capture their power in art historical context. For example, the period of Pericles' rule in Athens was marked with the patronage of art, literature and science. Patronage gave significant economic contribution to the development of arts and culture, whose origins are associated with Gaius Cilnius Maecenas, who was the adviser of the Emperor Augustus and patron of artists and poets. During the Renaissance, under the patronage system, artistic trends were defined by rich Italian families: Medici in Florence, Montefeltro in Urbino, Visconti and Sforza in Milan, Gonzaga in Mantua, Este of Ferrara. Art in Europe at the beginning of the nineteenth and twentieth century was developed on the account of rich industrialists and corporation owners who were patrons of artists and art collectors (Paul Getty, George Saatchi, Bernard Arnault, Bill Gates, Steve Vin, David Geffen, Steve Cohen and others), while the emergence of modern cultural policy, which began with the French Revolution, led to the relocation of one part of art from the private into the

public sphere and the appearance of the state as major actor of the art market.¹ Along with that, artistic creation as purely aesthetic category was networking with a range of professional activities (museums, galleries, art houses, etc.) without which the protection, diffusion and promotion of art are practically impossible. Development of the art market is very often associated with the sponsorship and funding of artistic creativity. The rulers and aristocracy were motivated to confirm their privileged identity through the artwork; church dignitaries wanted to secure the status of timeless institutions ordering and financing artworks, while capitalist relations stimulated the appearance of professional traders as intermediaries between the artist and the audience.

Dynamics and interdependence of markets and arts has always been the scene of numerous discussions and conflicting views, occupying for centuries the attention of theorists and practitioners looking for an answer to the question of how to provide the freedom and economic security for the artist, and in which way market development will avoid the vulgarization of art. Relations between the market and arts are different and can never

be fully and unambiguously defined. The economization of art always existed, but its content and significance was different regarding historical context. The positive side of this relationship has cultural and social effects, especially when it means that market can make accessible high art from different parts of the world. On the other hand, works of art were treated as economic goods (assets): Phidias statue of Athena made of gold and ivory has been a wartime financial reserve, Rubens boasted that he is able to turn his canvases into bags of gold coins, etc.², thus the economization of art through the market ensured the economic sustainability of an artist.

Throughout the history, it turned out that the value of artwork is usually created by consensus estimation of those who evaluate the artwork (curators, critics, art historians, collectors, influential, national stakeholders, wealthy individuals). Their value is therefore a subjective category that through specific certification systems becomes a socially acceptable value. It usually consists of those values constituted in the artistic sphere - aesthetic and historical value, rarity, authenticity, social and symbolic value,

¹See more: Mikić, H. (2011) Kulturna politika i savremeni izazovi finansiranja kulture: međunarodna iskustva i Srbija, *Kultura* 130, pp. 75-103.

²Mulen, R. (1972) Umetnost i ekonomika u savremenim društvima, *Kultura*, 19/1972, p. 15.

³Moulin, R. (1972) Umetnost i ekonomika u savremenim društvima, *Kultura*, 19/1972, p. 10.

and so on. Through a specific estimation apparatus this value can be partially objectified, but never completely, because the desire to indulge into the aesthetic experience, i.e. hedonistic determinant of artwork's economic value is its integral component. Hedonic components of the artwork's economic value on the market are often determined by personal preferences towards a certain author, technique, size, genres, motives, and the like, and in most cases show a significant positive impact on the height of the artwork market price.³ In this regard, the market value of the work could be viewed as the sum of its value as an asset (how much is it worth as proprietary equivalent), and hedonic components (as the owner subjectively assess its value from the perspective of his or her pleasure, social status, prestige, desire for possession, etc.). Artistic and economic value, although dependent on subjectivism, were never in the discrepancy, as this causality is interpreted by theorists in certain circles. At all times and societies, works of art were the bearers of values recognized by a group that defines the values for the whole society, and the same works were also located at the highest level of the economic valuation.⁴

Establishment of the artistic and economic value and the process of evaluation are in some ways similar, both for cultural theorists and economists, except that roots of evaluations are different between them. For example, until the cultural modernism, the basis for artistic value was seen in the interior, often universal qualities of aesthetic and cultural significance, while postmodernism brought relativistic, often subjective and uncertain categories instead of traditional ideals of value interpretation.⁵ At the same time determination of the economic value of arts underwent processes of transformation. This area was an intense subject of studies of cultural and sociological circles dominated by narrowed perception of art market and observed from the perspective of "art commercialization dogma", as often used to describe a way of thinking, type of relationship and action in artistic creation, which is based on the logic of trade.⁶ While in the economics of culture, scientific discussion on the economic valuation of culture did not start until the end of the 1970s, early works on art market by economists such as Andersen (*Paintings as an Investment*, 1974), Stein

(*The Monetary Appreciation of Paintings*, 1977) and Baumol (*Unnatural Value: or Art Investment as Floating Crap Game*, 1986), resulted in better understanding of the relationship between the arts and the market and its determinants.⁷

The controversy, which still often marks the discussion on the role and influence of the market in the economic market sizing of arts and culture, has its roots back in the 15th and 16th century with the foundation of the first Art Academy in Florence (1562), and then in France, whose activities has built a new type of artist. He is no longer a craftsman, but a creator, for whom standard norms are not valid any more: image of an artist connects with aristocratic terms of art, which can not be reduced to anything else.⁸ Modern ideas about the creator and creation, and their relation to the market, are established with Marx's analysis of capitalistic production and treatment of arts in the commodity-money relations. According to that analysis, art is not primarily intended for the market exchange, but as an aesthetic experience for the recipient. However, in order to reach the recipient it

must be included in the process of market exchange, thus obtaining a commodity character.⁹ The complexity of the problem between the arts and the market and how the Marxist school understood it, was reflected in several facts: that art is not created to be a commodity, a commodity must become in order to reach out the audience and fulfill its core function - aesthetic effect, then, the artistic value is measured by the quality of its properties, not by the amount of working time necessary for its production as it is with other commodities;¹⁰ work of art acquiring the character of goods is primarily viewed from the perspective of its exchange value, and ignores its utility value; dual nature of art work depends on whether it fertilizes the capital or not.¹¹ Although in the early nineteenth century economic patterns have had a significant impact on artistic creativity, transforming work of art in the marketable goods (auctions' and galleries' sale of pictures, art fairs, artworks commissions), the ideology that art and culture should be seen as an activity outside the market, was present for a long time among the cultural theoreticians, philosophers and sociologists, and this

⁴Ginsburgh V.A., Mei, J., Moses, M. (2006), The computation of price indices, in Ginsburgh, V.A., Throsby, D. (eds.), *Handbook of the Art and Culture*, North-Holland; Scorcu, E. A and Zanola, R. (2010) *The right price for Art Collectibles: A quantile Hedonic Regression Investigation of Picasso Paintings*, WP10-01, rcea Working Papers and Professional Report Series, Rimini: The Rimini Centre for Economic Analysis

⁵Connor, S. (1982) *Theory and Cultural Value*, Oxford: Blackwell, p 14; Regan, S. Ed (1992) *The Politics of Pleasure: Aesthetics and Cultural Theory*, Buckingham: Open University Press, p. 147.

2. Economic characteristics, types and actors of the art market

commitment has had an impact on certain cultural policies. Ideas of non-profit and non-market nature of artistic creation have been argued for a long time with the thesis that freedom of creative work is possible only if it is not a way for individuals or groups to grow rich, and if it is beyond any financial reasoning. Development of capitalist relations of production, impact of the industrialization in the area of cultural and artistic activities, processes of deregulation in the public sphere, and so on, influenced the continuity of negative attitudes tradition in understanding of the contemporary art market and, in a new conceptual framework, close linkage with cultural imperialism, in which the role of the market is seen as supportive for neo-liberal ideas and values that often upset the social role of arts. Such uncritically taken positions on the negative treatment of the art market have taken extreme variations in which art market has been

rejected, even in those situations when its adequate implementation led to sustainability and better financial position, primarily of artists themselves. Today, the public policy discourses on the role of the market in the economic market sizing of arts, ranges from those by whom the market is providing flexible solution of problems of allocation and distribution of resources, and timely adjustment of cultural production according to individual preferences of private funders (foundations, donors, corporations) and users of cultural products / services (UK), to those policies in which the protection of art as the public good often leads to the bureaucratization of the art system and inaugurates through its excessive administrative intervention logic of political subjectivism and voluntarism (Western Balkans).

The scope of functions of one work of art necessarily depends on its placement on the market. For a recipient to aesthetically experience the artwork, it should be made accessible. Market allows through the intermediary role the placement to the author, and satisfaction of cultural needs to the recipient / consumer.

Market of artworks is a customary arrangement based on confrontation between the artworks supply and demand as material embodiment of the substantive outcomes of creativity and imagination, originality, artistry and skills. Besides this, the term art market can be found in the foreign literature, which, depending on the historical dimension, social context in which interpretation is taking place and the artistic tradition, marks the confrontation of supply and demand for the works of art of the

spatial nature (visual and applied arts) and temporal arts (music, film, literature, theater).¹² It is not uncommon, that the art market term is used when talking about the visual arts market. Up to the 19th century it was mainly comprised of fine arts, but after that, due to the impact of technological development, begins to be understood in very broad terms, continuously extending the boundaries and classification of art forms. The late 20th century art market includes various types of visual expressions commonly nominated as the spatial arts like photography, installations, environmental settings, video, technology and art display, a wide specter of applied arts (comics, illustration, design, etc.), and so it remained until today, although most turnover and market growth are noted in the field of traditional art forms (fine arts, graphics, drawings).

⁷"Cultural commercialization dogma" is influenced by the Marxist school of thought associating the field of culture and art events with the exchange value, which money causes in social life. It is considered that the universal exchange based on abstract work, which money makes possible, results in the increasing commercialization of arts and culture, as manifested in modern terms as kitsch. In this regard, kitsch as a result of growing capitalist relations is understood as the production of cultural-art products in which more care is given of the trade, then to the use value of these products. See: Ilić, M. (1987) *Sociologija umetnosti i kulture*, Belgrade: Naučna knjiga, pp. 62-65.

⁸Research on the art market ran into several phases: in the first stage main themes were in domain of understanding artworks as an investment, their investment capacities and the real earnings, up to considerations of the basic economic particularities of investments in the art market and the behavior of its stakeholders. Bolomow study from 1986 defined the second phase setting up the grounds for the economics of the art market. Further considerations ran in the direction of empirical verification of economic specificities of the art market in concrete cases, while the third phase of the research covered the art market passive testing of previous issues, narrowing the field of research and dealing with individual issues of the art market. See more: Frey B. (1997) *Art Markets and Economics: Introduction*, *Journal of Cultural Economics* 2: 165-173.

⁹Moulin, R. (1972) *Umetnosti i ekonomija u savremenim društvima*, *Kultura*, 19/1972, p. 13. op.cit.

¹⁰Ranković, M. (1996) *Opšta sociologija umetnosti*, Belgrade: Zavod za udžbenike i nastavna sredstva, p. 219.

¹¹Ibidem, , p. 219.

¹²See: Ilić, M. (1987) *Sociologija umetnosti i kulture*, Belgrade: Naučna knjiga, p. 62.

Exchange at the art market was always taking place in some space and time. Space of the art market can be quite small as it is for example a local gallery or art fair, it can be national, such as national art fairs, auctions, or international (global auction sales, international art fairs). The spatial dimension of market dynamics and art works sales often influence the positive effects of the market to increase primarily aesthetic communication of works of art in various parts of the world, while the development of information technologies intensify it. Creation of a global art market makes it possible to expand the audience of a work of art, and to provide more stable and larger funds for investment in artistic creation. The global art market supports the expansion of the stakeholders circle involved in the review of the aesthetic and artistic criteria of evaluation, also improving the quality of institutions and international standards of art production.¹³ Art market achieves its positive effects improving artists' working and living conditions, institutional system of art education, and obtaining recognition for works of art.

The primary role of the market in the contemporary cultural policy is to be an instrument of decision coordination, connected with the production and dissemination, and enjoyment of art, and thus represents a mechanism of collection and allocation of funding resources for arts. However, from an economic perspective, the market has significantly more complex role in the arts and culture, and its role can be seen through the four basic functions: informative, selective, allocative and redistributive. *Informative market function* provides a realistic picture about the state of supply and demand in the art market, through the price that aligns two main components of the market. The movement of art market prices offers an insight to every participant in the general art market about the general relation between the supply and demand, and its position on the market and opportunities for the placement. *Selective role of the art market* is reflected in the fact that through the market mechanisms level of demand for certain work of art can realistically be qualified. The selective function of the art market is particularly obvious when it comes

to disruption of the relations on the market, so that it can clearly state the market dimensioning of particular work of art. *Allocative function of the art market* makes it possible to make deployment of resources in an efficient and cost effective manner, and in doing so to combine the economic and social criteria in the most appropriate way. Finally, *the distribution function of the art market* is reflected in the fact that the artistic quality is valued through the prism of economic logic by the market (along with other factors such as supply and demand, government policy, competition) and thus determining its market price. Through the distribution function the exchange of works of art for money directly or through intermediaries is performed, and thus the connection between the artist and his or her audience established.

On the other hand, there are some specific issues when it comes to the art market. For example, the fact that the exchange of works of art has not only economic, but also a number of non-economic functions and effects, indicates the presence of (positive) externalities. The production and

enjoyment of art among other things provide a range of social benefits such as protection and fostering of cultural diversity, strengthening of national and collective identity, improving of the general culture in society, protection and preservation of the cultural heritage, ensuring continuity of culture and so on, therefore, all decisions regarding the allocation and distribution of resources on the art market can not be left to private aims, decisions and motives. Existence of positive externalities is the most common argument favoring government support for the development of the art market and its regulations. It is obvious that the establishment of positive social values (moral principles, socialization, tolerance, trust, acceptance of new ideas, collective and individual motivation, habits and customs system, etc.) is the common good of every society. No one can adapt to a modern society, if one does not possess basic value patterns and the level of socialization and adaptation to environmental conditions. Providing a certain level of adjustment is generally good because interferences in it can cause expenses for society (e.g.,

¹³So defined art market represents a broader concept, because it trades with art object as tangible assets and property derived equivalents of intangible nature - the rights of use and exploitation of works of art (publishing rights, the right of reproduction or duplication, etc.).

¹⁴See more: Ranković, M. (1996) *Opšta sociologija umetnosti*, Belgrade: Zavod za udžbenike i nastavna sredstva, pp. 225-226.

violence, mistrust, intolerance for diversity, unadaptability of individuals and social groups, etc.). In such cases, the state is acting in the direction of reducing the costs of adjustment, and with economic and administrative instruments allows the production of art works of general interest, as well as their protection and proper market offer (e.g. purchase) and demand (e.g. art in public space).

Another specific marks of the art market is that it makes decisions on the production and sales of artworks, developing and meeting specific needs, aesthetic experience and communication, which means that supply of works of art always precedes their demand. This situation brings with it great risks in terms of the market behavior, as it requires to predict all trends regarding the interest and taste of market participants, that is more difficult by the fact that one and the same work of art can be perceived in different terms, and can produce different effects on the audience.¹⁴ It is quite possible that authors and styles today very popular and in demand, can be obsolete tomorrow, and even

undesirable, because it is often said that the art market is governed by the rule of thumb, that only 20% of offered works of art makes up to 80% of total earnings.¹⁵ This confirms the fact, that in 2011 1% of all lots sold at auctions generated about 58.5% of the total auction revenue.¹⁶

Art market as well as any other, is characterized by asymmetry of information, not only between market participants, but also in relation to art aficionados. Asymmetric information occurs in the form of information to different stakeholders involved in market transactions. In this specific situation, this means that customers and connoisseurs of art do not have complete knowledge about the quality, artistic, authentic, aesthetic and economic value of the work (especially when it comes to contemporary art). The issue of asymmetric information is even more pronounced because it is impossible to measure accurately not only aesthetic and creative value of a work of art, but also its economic value as well. More complex function of the art market means that besides the instruments of competition such

as price and rarity, uniqueness and authenticity, appears marketing as a way to process information and exert influence on market trends.¹⁷ It is often said that the art market has characteristics of speculative markets, particularly in the field of contemporary art, where leading galleries establish the territory and dominant tendencies and where regulations are achieved through the confrontation of major cultural and economic actors, appointing styles and introducing them to the theory, and also controlling the offer.¹⁸

All these characteristics of the art market speak about the fact that it is never the sole mechanism of decisions coordination in the practice, and that imperfections of the market economy are often eliminated by the state intervention. The role of the state in the cultural policy is ranging between extreme situations, in which the state is the only mechanism of coordination influencing the art market (statist model of cultural policy), to situations in which the government only compensates for market failures (market-oriented model of cultural policy). Excessive government's role in the sphere of art is

often the logic behind its inauguration of political voluntarism and subjectivism. For example, government purchases of works of art often leads to subjective pricing, favoring certain forms of art, authors, formats, etc.. and therefore this instrument of cultural policy can be characterized as "bureaucratic patronage" with far-reaching negative consequences on the financial position of the artist, than it would have under certain market conditions.¹⁹ Excessive emphasis on the state coordination in the cultural policy often leads to dysfunctional art market. It is the result of a large market inconsistency that occurs with dominating role of the state, as a major market actor on the demand side, and it occurs when the supply and demand are not aligned or when their discrepancy is such that it leads to a situation where the price can not be regulated by market conditions. This is usually the situation when quasi-regulatory instruments create demand for certain artworks, which in the absence of administrative measures would not exist. It may occur for example when customers are not interested in buying works of art regardless of the offered price, or

¹⁵See more: Adžes, I. (2008) *Menadžment za kulturu*, Beograd: ASSE DOO; Jovičić, S. and Mikić, H. (2006) *Creative industries in Serbia: recommendations for the development of creative industries*, Belgrade: British Council.

¹⁶See more: Jovičić, S. and Mikić, H. (2006) *Creative industries in Serbia: recommendations for development of creative industries*, Belgrade: British Council.

¹⁷Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A. p. 22.

when the owners of art works (authors, collectors, other stakeholders on the art market) do not want to sell works at any price. Therefore, countries with a long tradition and developed art markets, often under the “art market” concept understand a primary reliance on market institutions and those involved in economic dimensioning of arts, with the state acting in the direction of market failures correction and construction of a more efficient market structure. This is one of the specific functions of the state, to act in the direction of the market regulation settings, institutionalizing norms of general rules on conduct on the market (estimates of works of art, expertise, establishing authorized estimators, protection of cultural heritage, the right of preemption, classification of works of art, etc.). Of no less importance is the redistributive function of the government, acting through the fiscal system towards a more equitable distribution of resources in situations where it can not be fully dimensioned by market mechanism (lighter treatment of artists’ income taxation, social charges, etc.).

Finally the allocative function of the state, corrects or compensates the art market functioning with administrative (compulsory purchase, art in public space) and economic instruments (subsidies, grants, tax breaks).

There are significant differences between some European countries in the intensity of their allocative function, which is usually interpreted by the level of financial resources to be diverted to finance the art market, particularly the system of visual arts.

Different groups of countries can be identified in relation to the financial criteria: states with low financial capacity, diverting up to 2.000 euros per 1.000 population in the visual arts market (Serbia, Greece, Lithuania, Latvia, Macedonia), states with art market of the medium financial capacity interval from 2.000 to 10.000 euros (Austria, Belgium, Czech Republic, Germany) and at the end states with art market where financial capacity is exceeding 30.000 euros per year

per 1.000 population (the Netherlands, Norway, Denmark). It is noticeable that the intensity of investment in visual arts system primarily depends on the development and dynamics of the contemporary art market with sales of uncategorized works of art, where its funding is mainly done in a way that encourages the primary art market, and

where institutional actors of art market are clearly defined (gallery system, foundations, art studios, art fairs, etc.). In this way greatest development achievements are reached - state at the same time dimensioning professional-market conditions and fosters creativity, innovation, new ideas, forms and contemporary artistic tendencies.

State	Year	The share of visual arts in the total expenditures for culture (%)	Per capita spending on culture (in euros)	Per capita Spending of Visual arts (in euros)
Austria	2008.	1,42	274	3,91
Belgium	2010.	1,62	220	3,56
Croatia	2010.	1,11*	70,95	0,68*
Greece	2006.	1,70	50,76	0,86
Denmark	2009.	28,8	302,13	85,2
Ireland	2010.	2,89	44,57	1,29
Letonia	2007.	0,51	100	0,48
Lithuania	2005.	0,30	34,2	0,10
Macedonia	2010.	0,59	16,91	0,10
Germany	2009.	5,20	111	5,19
Norway	2008.	5,13	448	22,98
Poland	2010.	27,7	54,93	15,26**
Slovenia	2007.	4,90	135,3	6,62
Serbia	2009.	5,50	11,5	0,63*
Finland	2011.	9,77	789	77,13*
Holland	2006.	5,99	236,1	14,16*
Czech Republic	2009.	4,25	97	4,13

Table 1: Visual arts funding in some European countries

*estimation ** estimation based on data concerning the funding of art galleries, cultural centers and art centers
Note: calculation by the author²¹

¹⁸It allows promotion of certain styles, artists, forms, art styles, including cooperation with subjects that can influence the public, on the first place multipliers of the public opinion (critics, public figures, journalists, relevant historians, curators, museums, collectors etc.)

¹⁹Mulen, R. (2001) *Umjetnost i tržište: modijalizacija i nove tehnologije*, Belgrade: Clio, p. 21.

²⁰See more: Ranković, M. (1996) *Opšta sociologija umetnosti*, Beograd: Zavod za udžbenike i nastavna sredstva; Ranković, M. (1974) *Kultura i nekultura*, Beograd: Vuk Karadžić.

²¹ Calculation by the author on the basis of Council of Europe/ERICarts sources, “Compendium of Cultural Policies and Trends in Europe, 13th edition”, 2012, <http://www.culturalpolicies.net> (downloaded on 26. 06. 2012); Statistics Finland http://www.stat.fi/til/kl/tau_en.html (accessed on 26. 06. 2012); Statistics Norway <http://www.ssb.no/english/yearbook/emne07.html> (accessed on 26. 06. 2012), Statistics Netherland, Statistical Yearbook 2010 <http://www.cbs.nl/NR/rdonlyres/CBFF2453-C370-4E7A-9271-0020DC62DC4E/0/2010a3pub.pdf> (access 26. 06. 2012), Statistics Austria http://www.statistik.at/web_en/statistics/education_culture/culture/index.html (access 26. 06. 2012), Statistics Poland, Statistical Yearbook 2011, http://www.stat.gov.pl/cps/rde/xbr/gus/PUBL_sy_statistical_year-book_of_the_rep_of_poland_2011.pdf (access 26. 06. 2012), Statistics Macedonia, Statistical year book 2011 http://www.stat.gov.mk/PrikaziPublikacija_1_en.aspx?rbr=246 (access 26. 06. 2012); Mikić, H. (2011) *Kulturna politika i savremeni izazovi finansiranja kulture: međunarodna iskustva i Srbija*, *Kultura* 130, pp: 75-103.

2.1. Classification and morphology of the art market

Art market can be observed from different aspects, and in that sense to influence various classifications. Although the art market is very complex concept determined by all relevant elements that form the content of the supply and demand, the character of these elements usually determines the type of the market.

Considering the exchange role, the market of art works can be divided into:²¹

- * *Art market of categorized art works* presents a market selling old and modern works of art that have been classified as a historical heritage. Trade is handled with extremely heterogeneous works, characterized by rarity and historical value. The market is stable, and the offer is limited and unique. These facts imply that this market is monopolistic in character, or allows the owner of categorized art to have a monopolistic position. Categorized art

market is usually segmented to: Old Masters market and Contemporary art market (works created between 1874 and 1943).

- * *Art market of contemporary art* is constituted around the sale of the living artists with multiple orientations (installations, multimedia, etc.). This market is characterized by instability and diversity of supply, extreme fluctuations in supply and demand for certain works of art.

Given the spatial component or space where exchange is taking place art market can be:

- * *Local art market* mostly covers the area of exchange determined by local traditions, art movements, or artists. Local markets are very diverse, include only markets with works of contemporary art that are not categorized; in constant development and

highly unstable, often divided into many sub segments.

- * *National art market* refers to the geographical area of a country and includes artworks sales on the territory of that State.
- * *International (global) art market* includes the area where international trade of artworks is taking place. Its origins are often associated with the international promotion that relies on a network of international galleries and cultural institutions (museums, international events, art fairs, etc.).²²

In addition to these divisions, we can talk about the regional art markets, which are comprised of more local or geographically related national markets in a way that their economic, cultural, artistic criteria can be classified as whole (e.g. Asian art market, EU market of artworks).

Given the dominant nature of market relations, the art market can be divided into:

- * *Monopolistic art market* is a market structure in which one seller of artworks makes offers to a large number of buyers, and the word itself comes from the Latin word "mono" - one, and a "polist" - seller. Monopolist has the market power. He or she as the owner of artworks that are unique and with no substitutes, determines the price offered on the market. Since monopolistic market favors sellers, because they have exclusive control over works of art, including a strong power of influence on consumers' taste and preferences, there are often situations in which even in those segments of the art market, which by their nature should not be monopolistic, sellers try to establish a monopolistic market structures. This happens because they allow realization of extra profits to

²²Mulen, R. (2001) *Umjetnost i tržište: modijalizacija i nove tehnologije*, Beograd: Clio, pp. 15-21.

²³Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A, str. 8; European Commission (1999) *Report from the Commission to the Council on the Examination of the impact of the relevant provisions of the Council Directive 94/5/EC on the competitiveness of the Community Art Market compared to the third countries' Art Market*, COM (1999)185 final, Brussels: Commission of the European Communities, p. 4.

the monopolist. For example, on the contemporary art market mega collectors in collaboration with galleries contribute to determination of the economic and social value of artists and their works, buying large number of works at very low prices, in order to control the offer. Narrowing the supply always means to increase the price, and with different strategies that build artists' reputation (e.g. inclusion in a museum collection, a large collection, funds, etc.) market segmentation between top artists and the rest of the market is taking place. In this way, the owner of artworks becomes a monopolist, who enjoys all effects of extra profit that can be achieved by selling these works.²³

* *Oligopolistic art market* is market structure in which there are several vendors who control most of the artworks supply.

Art market of the auction sales has been for a long time duopolistic, where two auction houses Sotheby's (founded 1744) and Christie's (founded 1766) had control of almost 70% of the artworks offer for auction trade.²⁴ Today it takes the form of a cartel with several global auction houses like Sotheby's, Christie's²⁵ Poly International, China Guardian Auction, Phillips de Pury & Company, Beijing Hanhai Art Auction, Beijing Council International Auction, Shanghai Tianheng Auction, Ravenel Art Group that have dominant position in the auction artworks trade, indicated by the turnover of the biggest auction houses in 2010 as shown in Table 2.

* *Competitive market* is the market structure with large number of buyers and sellers. Competitive market as a form of market structure in the arts appears only on the markets of

the emerging artists, where the offer is very heterogeneous, dynamic and interchangeable. As works of art in this market haven't experienced their social and economic confirmation, artists are in the competitive position among each other, because they are competing for their works to be confirmed and recognized in the future as relevant on the art market. In doing so, gallery owners and art dealers are providing them assistance, selecting artists and certain forms from heterogeneous supply

of modern art, with a plan to promote them on the global market as culturally and economically relevant.

Given the nature of sales, the art market can be divided into:

* *Primary art market* is that in which original works of art are sold for the first time. Typical for this market is that the price does not reflect the result of supply and demand, but negotiating power of buyers and sellers. The most common case is that art dealers are familiar with market trends,

Auction house	Turnover (in millions of euros)
Christie's, France	3.366
Sotheby's, USA	3.308
Poly International Auction, China	1.057
China Guardian Auctions, China	846
Heritage Auctions Galleries, USA	518
Bonham's, UK	422
Beijing Hanhai Art Auction, China	387
Beijing Council international Auctions, China	309
Beijing Red Sun International, China	253
Phillips de Pury & Company, USA	216

Table 2: Major auction houses and their turnover in 2010 (in euros)

Source: Conseil des ventes volontaires, (2011) Public sales in France, Paris: Conseil des ventes volontaires, p. 75.

²⁴The subject of the trade are categorized artworks, contemporary art and the right on reproduction.

²⁵See more: Moulin, R. (2001) *Umjetnost i tržište: modijalizacija i nove tehnologije*, Beograd: Clio, str.20-23.

²⁶Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A, str. 8; European Commission (1999) *Report from the Commission to the Council on the Examination of the impact of the relevant provisions of the Council Directive 94/5/EC on the competitiveness of the Community Art Market compared to the third countries' Art Market*, COM (1999)185 final, Brussels: Commission of the European Communities, p. 4.

²⁷These two auction houses participated in 47% of the auction sales total revenue in 2011. Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A, p. 8,

2.2. Economic valuation of art works and their sale

ensuring in negotiations with the author price on the primary market 50% lower than it can be achieved on the secondary art market, especially for emerging artists.²⁶ Its main actors in the field of visual arts are art studios, art dealers, fairs and festivals, galleries and similar showrooms ...

- * *Secondary art market* is constituted around the resale of works of art that have appeared on the primary market. Information on prices and artists are well known in this market and the purchase of works of art is much less risky compared to purchase in the primary market, as authors are well-known, and economic and social value of their work is more or less confirmed in the market.

The ownership of works of art has always been driven by property and possession, and hedonistic motives. Buyers of artworks can be motivated to purchase certain work of art for its sensory experience, or driven by the reputation and prestige that possession of these works brings, accumulating material goods, for investment motives and profit obtained from the resale of works of art.

Categories of works traded on the art market are: works of art, collectors' pieces and antiques and their price is determined with different methods.²⁷ As expected the artwork price is very hard to determine on the basis of the economic apparatus such as, for example, the cost (the cost of production) increased for certain percentage of profit as usual for the economy, so we have to determine the price combining different methods. Basic methods for artworks price determination are Direct method, Indirect method, Administrative method and Method of Parification, depending on the work of art, who are actors of the sales transaction, whether the sale is performed on the primary or secondary art market, and so on.

Direct method of artwork price determination is based on the negotiating power of the artist and the buyer. It contains elements of direct negotiations, where the price is determined by subjective assessment of the author/owner what price his or her work can achieve on the market. Depending on the estimation of the time needed for the production of the work, talent and expressive form, curators, gallery owners and critics deny or confirm the reputation of a particular artist and in doing so define the cultural offerings, and thus the movement of prices in the future. Direct method is the most common method determining the prices of commissioned works of art, where the author on basis of his or her subjective criteria (necessary processing time, complexity of forms and techniques, number of commissioned works, complexity of the creative process, subjective perception of the value of their reputation and name, etc.) determines the price of artwork. This method is applied even in the primary market, especially for the purchase of works by emerging artists and younger generation of artists, where art dealers

access to negotiations which will enable even greater difference between the purchase and sales price of art.

Indirect method of artwork price determination is applied when the price of art is determined by the party informed on the nature of the deal with facts necessary to determine the price of art. Usually the assessment of the artwork price is performed by curators, art historians and experts for the market value assessment (on markets with established standards of conduct for this profession). Price is determined on the basis of market trends, demand for the works, formats and production techniques, its innovative character, size of the offer, etc.

Administrative method of artwork price determination presents arbitrary model and it is applied in two cases: 1) when relevant market players do not accept as accurate data for price determination and then apply expertise 2) in the case of artworks purchase by the state, in an underdeveloped art market. In the first case, this method is applicable in the case when an error occurs regarding

²⁸See more: Helburn, J. and Ch. Gray (2004) *The Economics of Arts and Culture*, Cambridge: Cambridge University Press, p. 170.

²⁹Art market now participates with over 85% of the total annual traffic

the subject of the trade on the categorized art market, with certain attributes credited to a particular work of art (usually a period of creation and authorship) that it does not possess, while those attributes primarily determine its price. For example, the old painting market often includes works that are not dated or signed, and whose identification presents a long process. False attribution of authorship does not affect the aesthetic value of work, but it affects the assessment of its place in art history, and therefore its price. Revisions of great masters' catalogs show an increasing number of works attributed to their pupils, causing large fluctuations of prices for these works of art.²⁸ In the second case, the administrative method is applied for the assessment of art works in undeveloped markets, with no categorization of artworks or professional standards of assessment, nor relevant and authorized persons to perform them. It is often applied for the purchase of works of art, when the Commission determines the purchasing price, and depends on the available financial framework for this purpose. Such a price can be determined on the

same level as the price determined by the direct method, but without direct negotiations, and may be lower than it, if it is assessed that some work of art is important for the purchase, but there are no funds available for the purchase.

Method of Parification is the most common method for price determination especially for auction sales, but also in cases with the lack of facts and data for artwork pricing, or if the mediator believes that submitted information on which the value of the artwork was estimated is not relevant and credible. Then one proceeds with the comparison of the prices that similar works achieved in the market under similar circumstances (format, author, production time, techniques, etc.) and based on that determines approximately the same price as the selling price for the same or similar category of art works. This method is mostly applied in the secondary art market, but on the categorized art market too, with constant revisions of the artworks values. Based on historical data on the movement of similar works, this method offers the possibility to roughly estimate the interval of the

minimum and maximum price that work can achieve in a free market.²⁹

Auction sale of works of art has certain characteristics when it comes to the sales process and determination of prices. Auction houses for their clients perform evaluation of the artwork value before the auction sale, through estimation of the fair market value (the value which the auction house believes can be achieved at the auction) and the insured value (the value that was estimated for the insurance needs in the case of the destruction, theft, damage, etc.). Depending on wishes of the seller, a work of art can be sold with free bidding, where potential buyers are bidding and every bid is typically 10% higher than the previous one, or may require the sale on the so-called reserve price or minimum selling price set before the auction sale, while giving instructions for the sale to the auction house. Reserve price may be fixed or discretionary. Fixed reserve prices are indicated in the absolute amount in the auction house before the sale, and if the auction does not reach it, the work remains unsold. Discretionary reserve price is not stated explicitly before the

auction by the seller, which allows the seller to accept an offer that was the highest in the auction, usually slightly lower than expected. The practice of auction houses is to provide guaranteed prices that may encourage retailers to maintain high prices for exclusive copies of works of art. For example, the auction house may guarantee payment of the reserve price to the seller, regardless of whether the highest bid at the auction will reach its amount. The process works so that in the case of a price greater than the reserve one (which is guaranteed by the auction house) generated income is distributed between the auction house and the seller in proportion 30:70%.³⁰

Auction houses are main players for sale on the secondary market, and price is formed so as to ensure to the auction house commission on average of about 20% of artwork's sale price.³¹ This fee is charged to the seller, subtracting from the sales price. At the auction, extra costs that increase the cost of the artwork are costs of "premiums" charged by the auction house to the buyers, which are used to cover administrative costs. Premiums

³⁰See more: Mulen, R. (2001) *Umjetnost i tržište: modijalizacija i nove tehnologije*, Beograd: Clio, pp. 11-17.

³¹In regulated markets historical data on artworks prices tendencies, as well as estimates of the minimum and maximum values achieved publicly are available through the portal for art trade, as well as by the auction houses, professional associations (eg Association of Appraisers of works of art). Underdeveloped markets are characterized with the lack of transparency of art works prices, and it is often difficult to obtain systematized and long-term data on the movement of prices of various works of art.

charged to customers (buyer's premium) are introduced in the auction during the 1970s. At the famous auction houses like Christie's and Sotheby's they are ranging from 10% to 35% depending on the value of art and auction rooms, where the sale is taking place.³² A part from this, with living artists, buyer is obliged to cover the costs of *droit de suite*, paid on the behalf of the author or his/her successors for each resale of the work of in the scale of 0.25% - 4% of the selling price, if the value of work exceeds 1.000 euros. The amount of allowances that are charged by the *droit de suite* can not be higher than 12.500 euros, and if the value of work exceeds 2 million euros.³³ So, in relation to cost of sales, administrative and handling charges vary from 35% to 60% of sales price.

At the beginning of the 1970s art works prices were published for the first time in catalogs and names of buyers were removed from the list of past auction sales and sellers from the catalogs.³⁴ It is a common rule nowadays that discretion right allows the artwork's

owner whether he or she will mark the ownership in the catalog. For this purpose, leading auction houses for proprietary notices use the phrase "owned by distinguished European collector" if they do not release specific identification of the owner. In contrast, the history of the art's provenance or documentation that testifies about its trade and previous owners in the continuity from the first to the last transfer of ownership, represents an important determinant of the price. Significant for the auctions sales is the fact that art objects are sold as the so-called "lots" numerically marked, that may include one or more objects of art. Auction itself has a form based on an English auction, which implies that the work is now offered at a minimal price, and buyers are bidding towards the growing cost. Price is usually increased by 10% from the previously offered price. Auction items are offered "as is" with no hidden defects.³⁵ Most auctions taking place on the art market have a transparent form of sale, given that auction offers and bids are publicly announced. However, there are some

forms of auction where bids are sealed in secrecy, although they are rarely applied in the case of auction sales of artworks. An integral part of auction sales are pre-sales and auction items tours, organized one day before the auction. Licensed appraisers and art dealers usually attend them, providing potential customers with detailed information about the work. Each auction has a number of unique identification. The letter, standing in the catalog in front the auction sale, signifies the room where sale is taking place (L-London, N-New York, etc.). Currently, sales are taking place in major auction houses, and several major auction rooms: New York, Paris, Dubai, London, Hong Kong, Beijing, Amsterdam, Milan, Geneva, Zurich, Toronto, and Doha.

Sales of artworks by galleries are somewhat different. With galleries' sales new artists, trends and styles are promoted. Sales through galleries mostly create the market's future, which will one day become the object of the auction sale on the categorized

art market. Until then, the gallery as relevant art market stakeholder participates in the sale of an artwork from the primary market, selling works of contemporary art (usually from living artists). Depending on the category to which the gallery belongs (the leading international gallery-leader or gallery of a lower level), manner of trade transactions will be determined. Leading international galleries (leaders) are galleries of well-known art dealers that are promoting through various communication channels artists whose works should be established as relevant on the market. Leading galleries of this type are usually engaged in discovering of talents and their market evaluation at an earlier stage of their career (emerging artist), and with various communication techniques influence the demand, introducing cultural values for which still have to determine the price. Some of the leading contemporary galleries are Malingue Gallery (Paris and Hong Kong),³⁶ Artprice (Lion),³⁷ Emmanuel Perrotin (Paris),³⁸ White Cube (London),³⁹ Matthew Marks Gallery,⁴⁰ Gagosian,⁴¹ Pace Gallery (New York -

³²See more: Godwinn, J. ed (2008) *The international art markets: the essential guide for collectors and investors*, London: Kogan Page, p. 26.

³³See more: Helburn, J. and Ch. Gray (2004) *The Economics of Arts and Culture*, Cambridge: Cambridge University Press, p. 172.

³⁴See more: Sotheby's buyers premium list <http://www.sothebys.com/content/dam/sothebys/PDFs/BuyersPremium2012.pdf> (access, 15.06.2012)

³⁵Standards that apply to members of the European Union. See more: Europeann Commission (2001) *Directive on the resale right for the benefit of the author of an original work of art* (2001/84/EC), Brussels: European Commission

³⁶See more: Godwinn, J. ed (2008) *The international art markets: the essential guide for collectors and investors*, London: Kogan Page.

Beijing),⁴² Contrast Gallery (Hong Kong and Shanghai), etc.

The system of art sale galleries is based on several principles of sales. Commission sales present one of them, where gallery acts as commissioner who performs the sale on the name of the gallery, but for someone else. Owners of the artwork or authors find themselves in the role of a client who bears the potential business risk. Gallery as a commission agent, charges commission fee from the selling price. Price for commission sale may be of imperative, indicative, and optional character. Imperative price is price at which commissioner has to sell a work of art. Indicative price binds a commissioner to sell a work of art

at a price which is in the range of the interval specified in the commission, and allows it to adjust the sales price to market conditions, but in doing so to conscientiously protect the interests of the client. Finally, optional price includes a series of non-binding, but indicative advices from which the commissioner may waive, providing that conscientiously protects the interests of the client. This form of mediation between artists and market is used by most galleries dedicated to traditional fine arts, which in their business philosophy do not take the risk that accompanies innovation. The choice of artists is mainly performed in accordance with market expectations and purchasing power of clients in case of established art galleries, or in case of

galleries operating in underdeveloped markets artworks offer is diversified with no clear criteria of selection of artists that will be presented in the gallery.

Leading international galleries (leaders) act differently in the system of art sale galleries. Since their founders are art dealers, their operations largely reflect only institutionalized process of paintings sales, immanent to independent art dealers. Once leading vendors in the primary market were art dealers, individuals working for themselves and for their own account, buying or financing artists and then placing them on the market. This model now exists mainly in an institutional form. Art dealer and leading galleries

conduct their work as principals, they trade in their own name and for their account, which means that they have to take the business risk. In this way galleries assess market potential of artists buying their works and creating their own portfolio. Galleries of this type, as well as art dealers operate in such a manner that often leads towards the stabilization of the art market. Namely, their logic comes to light when selling artworks if their last sale price was rising, and buy artworks if their last sale price starts to decline. They are trying to keep the work less time in the trade, because it increases its price and are ready even to purchase it from collectors and to keep it longer in their portfolio, and then to sell it with appropriate market conditions.⁴³

³⁷At the auction by the English auction method buyers are bidding, while the auctioneer follows the auction, announcing the current highest bid. Bidding lasts until the moment when the highest price has no competition. Then the auctioneer signifies three times the highest bid, and if during that period higher price is not offered, announces final offer by which the work is sold. Prior to the sales announcement, the auctioneer gives an auction warning announcing the last chance to increase the bid, which verbally expresses raising the hammer into the air. If no serious offers are made, auctioneer's hammer falls and the auction ends with the exclamation "sold", confirming the number of the buyer. If the work offered at the auction does not have any bids, auction's end occurs when the auctioneer exclaims "next", meaning that it moves to a new auction lot. Buyers have paddles with the numbers received while registering for the auction. If they win the auction, the number from the paddle will be recorded so that it becomes necessary evidence attached upon the payment of the purchased items.

³⁸Gallery founded by art dealer Daniel Malingue in th 1960s with a goal to promote modern and contemporary art, trade with categorized artworks and works of contemporary art by acclaimed living artists.

³⁹Artprice is a company engaged in e-selling works of art, and at the same time is a leading organization engaged in research and following of market trends. Today it represents the largest electronic portal where auction lots are listed, with very competitive fees that range from 5-9%. See more: Ehermann, Th. Ed (2011) *Art Market Trends 2011*, Domaine de la Source: Artprice.com S.A.

⁴⁰Emanuel Perrotin is today's most famous art dealer of modern art in the world. His gallery was founded in 1993, first in Paris and then in Milan and Hong Kong. Success of the gallery was achieved discovering talents at the beginning of their careers, and with the successful communication strategies, managing to place them on the biggest art fairs like Art Basel, TEFAF fair in Maastricht, the Aar Show and others. See more: <http://www.perrotin.com/artiste.php>

⁴¹<http://whitecube.com>

⁴²<http://www.matthewmarks.com>

⁴³<http://www.gagosian.com>

⁴⁴<http://thepacegallery.com>

3. Contemporary development trends in the art market

In trade relations, implemented in the primary market, negotiation process of pricing always takes place in the direction so that leading gallery or art dealer are allowed 50% lower price than the price that may be achieved through the gallery art sale placement in the market. Characteristic for this kind of intermediation and sale is the intense policy of placement. It enables the artist in the early stages of its career to promote his or her work on the most significant exhibitions, art fairs, museum collections and funds, thus influencing economic evaluation on the higher level. Estimates are that on today's art market are active around 6.500 art dealers who operate on a global scale, and about 35.000 galleries, where the top 5% have 70% of the annual revenue from artworks sales.⁴⁴

Art market as we know today began to develop in the late Renaissance, with a predecessor specialized in trade. First data on art works sales in the primary market dates from the 15th century on the territory of Florence and Bruges, while the secondary market with specialized art dealers (resellers) occurred with a delay of 50 or more years, so the first data on this type of market dates from the early 17th century in Amsterdam, late 17th century in London and first half of the 18th century in Paris.⁴⁵ In the early 19th century mostly art dealers worked, channeling the interest of customers for certain styles, defining taste, artistic trends, promoting specific artists on art fairs, but often providing source of revenue for artists with down payments, acquisitions and purchases. First contemporary art dealers like Paul Duran Riel, Amroay Volara, Georges Petit and Daniel Henry Kanvajiera affected the art market as entrepreneurs, often buying works before their production and taking the risk of their placement. Promoting the art through galleries' exhibition programs (e.g. Petit Gallery, Gallery

Duran), art dealers of the 19th century at the same time were developing the audience, disseminating works of art, advocating new tendencies and recognizing their artistic, fashionable and economic potential (e.g., Paul Duran and French impressionists).

At the same time, increasingly frequent auction sales occur at the beginning in taverns and restaurants. The first auction sales of art as we know today, took place in 1741, offering works of art from Edward Harley art collections, who was British politician and patron of the arts. A decisive example in the development of arts auctions was in 1754 when items from the collection of the famous physician Richard Mead were sold for nearly 16.000 pounds, an unusually high price for the collectors' pieces and works of art. Opposite to the sales that were performed in this way, intense and organized system for sales through auctions had its full development since 1913.

Today's market of artworks constitute main protagonists: auction houses, art dealers, gallery system, art fairs, shops, museums, individuals and corporate collectors. Estimates are that on the supply-side operates about 400.000 participants (auction houses, dealers, galleries, showrooms) employing about 2 million employees, of which the European market, being the oldest, has more than 79,000 participants.⁴⁶ Distribution of revenues between the auction and art dealer sales amounts up to 49% towards 51%, out of which inside the art dealer sales art fairs' sales participate with 31% and fine arts with 43% and electronic sales with approximately 10%.⁴⁷ It is interesting to note that art dealer sales during the 1990s accounted for 26% on the EU market and 18% in the U.S. market, and that during this period an average increase in dealership sales is noted from 17% per a year, speaking about one of the most important structural changes in the art market.⁴⁸ Tendencies towards more dealers' sales are accompanied with the increasing importance of contemporary art in commercial transactions.

⁴⁵Godwinn, J. ed (2008) *The international art markets: the essential guide for collectors and investors*, London: Kogan Page.

⁴⁶Mc Andrew, C. (2010) *The international Art Market 2007-2009*. Broekwal: TEFAF-European Fine Art Foundation; Corbett, R. (2012) Art Market Watch: How Big is the global art market? <http://www.artnet.com/magazineus/news/artnetnews/china-the-worlds-top-art-and-antique-market.asp> (access 15.07.2012)

⁴⁷See more: De Marchi, N. AND Van Miegroet, H. (2006) *History of Art Markets*, u: Ginsburgh, V. and Throsby, D. eds (2006) *Handbook of the Economics of Art and Culture, Volume 1*, Amsterdam: Elsevier. pp. 72-73.

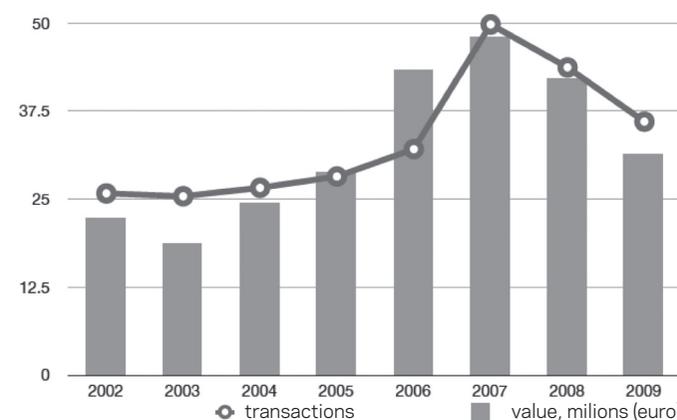
An insight into the development trends of the art market are provided by facts about its geographical segmentation according to which in 2010 EU market accounted for 37% (6% with France, Great Britain with 22%), USA with 34%, China for 23% and other countries for about 6%, with the most significant trend expressed in the growth of the Asian art market, especially China in the last 6 years.⁴⁹ The entire art market (works of art, collectors' pieces and antique objects) in the last 10 years recorded a growth of about 5.4% with an average of about 35 billion euros a year (see graph 1) and value of about 43,1 billion of euros in 2010.⁵⁰ If we exclude from the analysis 2009, with a decline of the overall value of 33%, which represents the largest decrease since the crisis in the 1990s, its average growth rate is significantly higher and the level of about 10% on average annually. In developmental terms, global art market is significant not only because of its contribution to

the economic growth, employment and international trade, but also because it encourages the development of new careers in the arts, improving skills and ongoing professionalization, intensifies the diffusion of art and promotes the arts.

According to many analysts, most important segment of the art market is a market of artworks and collections with share of about 50% of the total annual turnover (22.1 billion euros in 2010), and a growing rate of about 15% per year. Market of artworks and collections is segmented by the period of production and art styles (Old Masters, 19th century and Impressionist, Postwar and Modern art, Contemporary art) and medium (paintings, drawings, sculptures, graphics, photos). Postwar and Modern art has the largest share by the period of creation, however an increase of sales of Contemporary art is visible in the last 10 years, achieving average annual growth rate of 26.6%.⁵¹

The demand for works of art is formed through the confrontation of interest between individual and corporate collectors, museums and cultural institutions. British banks introduced the tradition of corporate collections in contemporary art market, with a practice to equip their office and working space with art works, so that largest corporate collections date from the early 20th century (IBM, Microsoft, Daimler, Cartier, Forbes

Magazine, etc.). Primary motives of corporate collectors 10 years ago were guided with the wish to decorate working environment, while investment in arts today is seen as part of general corporative image, as a reason why corporations as buyers are very selective with clear requirements. Creation of a collection is guided with an idea to acquire certain group of artists who belong to the same art style (so-called vertical collections) or with an



Graphic 1: Trends in the value of art market (works of art, collectors' pieces and antiques), 2002-2009

<http://artmarketmonitor.com/2010/03/02/tefaf-art-market-report-art-economics/> (accessed on: June 2012)

⁴⁸From the overall number of actors active on EU art market estimates are that are 4.000 auction houses, 55.000 art dealers and about 20.000 galleries. See more: European Commission (2011) *Report on the Implementation and effect of the Resale Right Directive*, COM (2011) 878 FINAL, Brussels: European Commission.

⁴⁹See more: Corbett, R. (2012) *Art Market Watch: How Big is the global art market?* <http://www.artnet.com/magazineus/news/artnetnews/china-the-worlds-top-art-and-antique-market.asp> (pristup 15.07.2012).

⁵⁰ European Commission (1999) *Report from the Commission to the Council on the Examination of the impact of the relevant provisions of the Council Directive 94/5/EC on the competitiveness of the Community Art Market compared to the third countries' Art Market*, COM (1999)185 final, Brussels: Commission of the European Communities, p. 5.

⁵¹The Chinese art market was growing at a rate of 5% a year on average over the period 2006-2011, contributing to the share of China in global transactions, increasing from 5% in 2006 to 23% in 2011 (to 46% in 2012) at the expense of U.S. market decrease from 46% in 2006 to 34% in 2011. Ibidem, p. 4; Art McAnderw, C. (2011) *Art Market Report: A New Global Landscape*, TEFAF <http://www.tefaf.com/DesktopDefault.aspx?tabid=148&tabindex=147&postid=5541> (access, 15.06.2012).

⁵²McAnderw, C. (2011) *Art Market Report: A New Global Landscape*, TEFAF <http://www.tefaf.com/DesktopDefault.aspx?tabid=148&tabindex=147&postid=5541> (access, 15.06.2012)

idea to create collections which will be in many ways representative, without specific requirements in relation to the subject, author or medium (so-called horizontal collections).⁵³

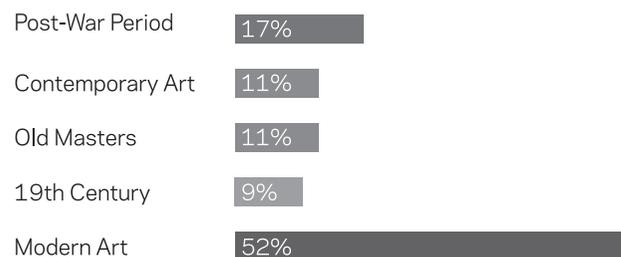
As for individual collections, they have always been on the rise, linked with the affinities regarding the arts, and centers of economic power. The most intense growth of individual collections in the last 10 years records Asia, with the

emergence of rich mega collectors in Dubai, Shanghai, Beijing and Hong Kong. Asian market of individual collections started its acceleration in 2006 and today Asian buyers achieve 30% share in total sales of artworks. Besides the well-known actors of the art market when obtaining the works of art is linked with affinity, desire for prestige and the accumulation of property, on the market participate speculative buyers exclusively with

investment motives. They buy art as an investment property for resale and profit, structuring their investment portfolio so as to enable them with less risk higher yields that can achieve in the circumstances.⁵⁴ Their relative market share is small. According to research by AXA insurance company (2007) about 73% of respondents are buying art for pleasure, 3% for financial profit, while 24% of respondents reported that both motives are influencing their

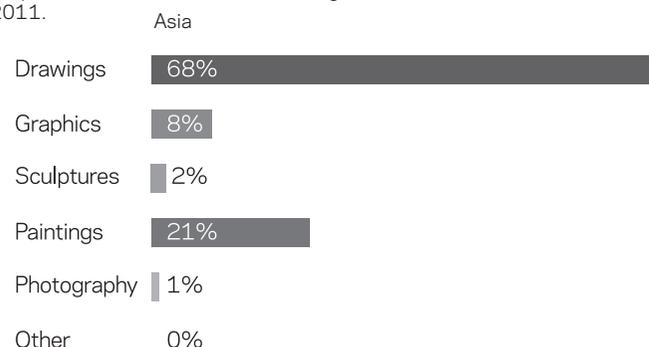
decision to purchase works of art. However, even 87% of respondents would be motivated to treat art as an investment, if any credible data on the value of art works and yields exists, clearly confirming one more time unbreakable bond between the arts and economy.

Graphic 2: Structure of the Art market according to the period of production and art styles 2011. (value share of auction sales, in euros)



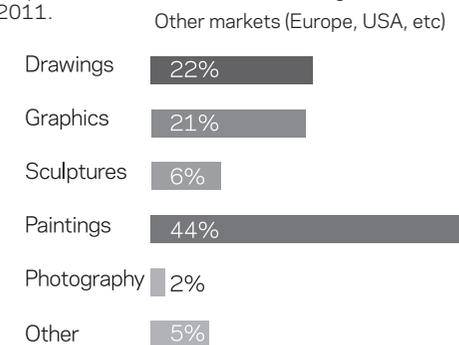
Source: Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A. pp. 10-12.

Graphic 3: Art sales structure according the medium, 2011.



Source: Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A. pp. 10-12.

Graphic 4: Art sales structure according the medium, 2011.



Source: Ehermann, Th. Ed (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A. pp. 10-12.

⁵³From 87,8 millions of dollars in 2001. on 1,26 billions of dollars in 2011. See more: Ehermann, Th. (ed) (2011) *Art market trends 2011*, Domaine del la Source: Artprice.com S.A. p. 13.

⁵⁴Howarth, S. R. (2011) *Cooperate Art-Where are we going Now?*, International Art Alliance for Corporate Art Collections, <http://www.internationalartalliance.org/corporate-art-trends.html>, (access, 15.06.2012)

⁵⁵See more: Goodwin, J. ed (2008) *The international art markets: the essential guide for collectors and investors*, London: Kogan Page., pp. 17-18.

⁵⁶Surveys done so far show that rates of return on invested funds for the purchase of art works ranges in period from 1972-1991. from 18.9% for conceptual art, 23.9% for Minimalist art, 15.8% for European masters. by: Ginsburgh, V. and Penders, AF (1997) "Land Artists and Art Markets." *Journal of Cultural Economics* 21: 219-228. Recent studies have shown that the rate is around 13.14% for the works that were for a shorter period of time on the auctions, 11.9% for Impressionists and Modern art, in the range of 7.7-8.5 for Chinese works of Art while Picasso's works yield about 9% (according to: Goodwin, J. (2007) *Art market and Art Fairs 1998-2007*, AXA Art Insurance, pp. 17-18.)

⁵⁷Artforprofits (2007) *Art Investment Survey: What People Really Think A bout Art Investment*, <http://www.artmarketblog.com/2007/05/02/art-investment-survey-what-people-really-think-about-art-investment>, (access, 15.06.2012); Goodwin, J. ed (2008) *The international art markets: the essential guide for collectors and investors*, London: Kogan Page, p. 18.

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ART MARKET IN BOSNIA AND HERZEGOVINA: STATE, PROBLEMS AND PROSPECTS

SUMMARY:

The paper deals with the strategic analysis of the art market in Bosnia and Herzegovina. At the first part is given the context of cultural policy and its specificity in relation to the development of the art market; institutional setting of the art market is systematically analyzed, professional standards, relevant actors in the art market and financing models and forms for culture and visual arts. At the end this paper provides a strategic assessment of potentials and limitations of art market development in Bosnia and Herzegovina.

Keywords: cultural policy, art market, financing culture, participation in culture, institutional resources of art market

1. Cultural policy and development of art market

After the Austro-Hungarian occupation in 1878. first artists arrived in Bosnia from the Monarchy, somewhat reviving the art scene in Bosnia and Herzegovina. Intense building activity was expressed in the modernization and structural transformation of Bosnian cities. Along with this, first native artists started to attend European Academies (in Vienna, Munich, Prague, Krakow, Budapest and Paris), supported by scholarships provided by the Serbian Society "Prosvjeta" and Croatian society "Napredak". All these students (A. Popović, L. Drljača, G. Jurkić, B. Radulović, P. Šain, etc.) bear the mark of local academism. In 1917, after the great exhibition of artists from Bosnia and Herzegovina, the prevalence of domestic art became evident. After the end of the World War I, the Association of Artists Serbs, Croats and Slovenes is formed, organizing numerous exhibitions and establishing art associations¹.

At the early 1920s started the change towards the Neorealism and Magical Realism (I. Mujezinović, P. Tiješić, M. Todorović, Đ. Mazalić, etc.). In the newly formed state of Bosnia and Herzegovina

art space has been marginalized, and many young artists did not return from their studies in Zagreb and Belgrade and many worthy artists left Bosnia at same time. First signs of the revival occur with the "Group of Four" and the strong course of engaged art represented by Roman Petrović. Mijić and Mazalić formed a group "Circle" with a clear civic aesthetics in order to study nature. In 1939. the association "Collegium Artisticum" was founded, as art association that has pursued the synthesis of arts as a function of the socialist ideology of the Communist Party of Yugoslavia².

After the World War II, ULUBiH was founded in 1945, as well as the National School of Painting and Art Gallery of Bosnia and Herzegovina in Sarajevo. New artists looked for an expression through topics dedicated to the National liberation (NOB), revolution and construction. In the 1950s, timidly and slowly began the transformation of the Bosnian art towards the abstraction. And the state itself showed more understanding for modern art, sponsoring the biggest premieres of abstract monuments

such as those devoted to the National liberation (NOB) at Sutjeska, Kozara, Makljen (B. Kučanski), etc.³

Last three decades have been marked by dramatic changes in the field of art in the world, and political and economic developments in former Yugoslavia will mark its own art market development with specific sign.

Three and a half year long tragic war in Bosnia, which officially lasted from April 1992. until November 1995, ended with the signing of the Peace Treaty, structuring the country in the two equal entities, the Federation of Bosnia and Herzegovina (FBH) and the Republic of Srpska (RS). A few years later the status of the municipality of Brčko was defined, which becomes a District, independent from the two entities. In relation to the central government authorities, entities are hereby given an extremely high degree of independence in almost all the executive functions of government. Bosnia-Herzegovina's entity is a Federation of ten cantons, which are composed of municipalities in which there are total 74. Serbian entity is a unique political and administrative

¹See more: Art in Bosnia and Herzegovina, short overview - Austria Hungary and Kingdom of Yugoslavia <http://www.artstock.ba/default.wbsp?p=7> (access, August 2012)

²See more: Art in Bosnia and Herzegovina, short overview <http://www.artstock.ba/default.wbsp?p=7> (access, August 2012)

³See more: Art in Bosnia and Herzegovina, short overview <http://www.artstock.ba/default.wbsp?p=7> (access, August 2012)

entity of the Republican organization, divided into 63 municipalities and several cities, as the basic unit of a local government. In the Dayton Peace Treaty culture is mentioned only in the context of the cultural heritage preservation of Bosnia and Herzegovina. Annex VIII of the Peace Treaty refers to the formation of the National Commission for the protection and preservation of national monuments. Annex IV of the Treaty represents the Constitution of Bosnia and Herzegovina, and in it the culture is not explicitly mentioned in one word, and it is entirely exempt from the jurisdiction of the central administration of authorities of Bosnia and Herzegovina. By the Law on Ministries and other administrative bodies of Bosnia and Herzegovina from 2003. Ministry of Civil Affairs was established, which, among other things, perform tasks in the field of culture, "which are the responsibility of Bosnia and Herzegovina and relate to the determination of the basic principles of coordination of activities, harmonization of plans of the entity

bodies of government and defining strategies on the international level".⁴ Since this ministry covers a very wide range of different areas of social activities, its organizational structure is complex. Its work is organized through nine sectors,⁵ including the Department of Science and Culture under which operates the Department of Culture.

Two BiH entities, in relation to the aforementioned constitutional authority, separately regulate issues related to culture, but with significant differences. Speaking of cultural administration in the Federation, although the federal government has the Ministry of Culture and Sports, which has long worked with the departments of Education and Science in the framework of the joint ministries, the real decision-making power in the field of culture lays primarily on administration of ten cantons.⁶ The third chapter of the Federation Constitution clearly defines the division of responsibilities between

the federal and cantonal authorities. The fourth article of that chapter states that the cantons have the authorization over issues that are not expressly granted to the federal government, and then in paragraph three, immediately after the police and education policy, clearly states their special competence in the formulation and implementation of the cultural policy.⁷ In relation to the Federation of Bosnia and Herzegovina, whose Ministry assumes the role of a coordinating body between cantonal ministries, it can be observed that it has no significant impact, normatively and financially weakened and oppressed, and cantons and cantonal governments are those that have a key role and practically sole and full responsibility for the management of culture in this part of Bosnia.

Unlike the Federation, the Republic of Srpska Constitution clearly states that this entity fully regulates and ensures the area of culture.⁸ It also says that the municipalities through their bodies, in accordance with the law, care about

the needs of citizens in the culture. In the Republic of Srpska there is a central Ministry of Education and Culture in Banja Luka with relatively broad powers. All issues related to the culture are the responsibility of the Department for Culture, headed by the Deputy Minister of Culture. Republic of Srpska founded seven public cultural institutions, including the Museum of modern art in Banja Luka, and from the Republican budget are financed occasional art projects, implemented in the Republic of Srpska.

Brčko municipality status could not be solved in Dayton, and, after the arbitrary decision, the territory of the municipality in northern Bosnia was named the District in 1998, a single administrative unit of local government under the sovereignty of Bosnia and Herzegovina. Statutes and laws of Brčko District are in accordance with the provisions of the Constitution and laws. Since the state of Bosnia and Herzegovina has minimal authority over the cultural sector, and in the Brčko

⁴An excerpt from the Article 16, Law on Ministries and Other Bodies of Administration of Bosnia and Herzegovina "Službeni glasnik", no. 5/03, 42/03, 26/04, 42/04, 45/06, 88/07, 35/09, 59/09 and 103/09)

⁵ 1. Department of Legal Affairs, Human Resources and General Affairs; 2. Department of Financial Affairs, and internal support; 3. Department of Citizenship and travel documents; 4. Department of Labor, Employment, Social Security and pensions; 5. Department of Health; 6. Department of Education; 7. Department of Science and Culture; 8. Department for Sports and 9. Department of Geodetic, Geological and Meteorological work.

⁶ 1. Una-Sana Canton (Bihać); 2. Posavina Canton (Orašje); 3. Tuzla Canton (Tuzla); 4. Zenica-Doboj Canton (Zenica); 5. Bosnian Podrinje Canton (Goražde); 6. Central Bosnia Canton (Travnik); 7. Hercegovina-Neretva Canton (Mostar); 8. West Herzegovina Canton (Široki Brijeg); 9. Canton Sarajevo (Sarajevo) and 10. Canton 10 (Livno)

⁷The Constitution of the Federation of Bosnia and Herzegovina "Službene novine BiH" no. 1/94, 13/97, 16/02, 22/02, 52/02, 63/03, 9/04, 20/04, 33/04, 71/05, 72/05 and 88/08, Chapter III, Art. 4, p.1, al. c.

⁸Amendment XXXII to the Constitution of the Republic of Srpska, paragraph 12 *Službeni glasnik RS*, no. 48/94 & 11/98.

District, which is administratively independent entity governments, culture is almost entirely the responsibility of local authorities. Brčko District of Bosnia and Herzegovina was officially founded in 2000, and the District Assembly in the first three years passed more than 70 laws, including none from the field of culture. Within the Brčko District Government Department operate Department for Economic Development, Sport and Culture, with the Sub-Department for Tourism, Sports and Culture, with the functions and authorities in the field of culture.⁹ This Sub-Department proposed to the legal team in 2002. creation of the Law on cultural goods of the Brčko District. For this law was never made any draft, since it was never among the priorities of the government commission. Review of regulations in the field of culture for the Brčko District of Bosnia and Herzegovina does not exist. All cultural institutions in the District are parts of the Sub-Department for Tourism, Sport and Culture (Gallery of the Brčko District, Cultural Center and Library) and are

financed by public funds adopted by the Assembly on the basis of the annual plan of sub-units. In addition to these levels, in Bosnia and Herzegovina, local levels of cultural policy and cultural development is under the jurisdiction of competent municipality services. These are mostly Social Services.

During the last decade of the 20th century, the cultural sector has been significantly marginalized in Bosnia, given that socio-economic circumstances require active measures in the most urgent social sphere. Advocacy systemic approach in cultural policy and the importance of its implementation in Bosnia began in 2002. with the project of the Council of Europe and the Evaluation Report on Cultural Policy in Bosnia and Herzegovina by Charles Landry.¹⁰ In June 2006, at the initiative of the Commission of Council of Ministers of Bosnia and Herzegovina to create cultural strategies in Bosnia, the cultural sector for the first time was included in the revised Medium Term Development Strategy of Bosnia and

Herzegovina 2004-2007 (PRSP), creating the possibility for a cultural policy to be considered as one of the strategic policies for the development of a society. After a period of preparation and analysis, Strategy of BiH cultural policy was adopted in 2008, and strategic objectives, measures and conditions for reflection on the development of the cultural sector in BiH presented on the overt level. Explicit cultural policy conducted in BiH is primarily based on the freedom of expression, and organization of various groups as a prerequisite for creative production. This principle is supported by various forms of financial and administrative decentralization in several areas: legal regulation, financing, and various levels of decision making. Cultural diversity that mostly characterizes BiH society, stems from its demographic and ethnic structure, and is mainly affirmed through the self-definition and development of traditional values and content, but also through the innovative practices of each culture that participate in the creation of a common cultural space

in BiH.¹¹ In the Republic of Srpska, the strategy of cultural policy and action plan for the period 2010-2015 was adopted with programmed actions and programs of cultural development.

From the perspective of narratives that make up the strategy of BiH cultural policy, it is difficult to conclude what are the achievements and its prospects. BIRN Research Network on Cultural Policy in Bosnia shows that most of the cultural actors are more than unsatisfied with the situation in BiH culture. Some of them complain about the very abstract concepts and guidelines set by most cantons without implications in terms of practical implementation,¹² and they see some weaknesses in the wrong approach to the cultural policy and in the limited level of stakeholders' participation in its adoption and implementation. Possible solution is seen in further reforms and in greater levels of participation of artists and different levels of government.¹³ However, a progress is not made in this area, and sporadic initiatives have serious impacts on the existing system,

⁹Sub-Department for Tourism, Sport and Culture includes activities related to galleries, theaters, cultural associations and events, library, sports, tourism and other activities that are consistent with the amendments to the Law on the executive government in Brčko District BiH ("Službeni glasnik Brčko distrikta BiH", No. 2/00, 9/01, 12/01, 16/01, 17/02, 8/03, 14/03, 31/04 and 40/05)

¹⁰Charles L. (2002) *Cultural Policy in Bosnia and Hercegovina: Expert Report*, MOSAIC PROJECT, Council of Europe, CDCULT(2002)17B, 10 September 2002.

¹¹In BiH, except the three constituent entities - Croats, Serbs and Bosnians, cultural values and creativity is confirmed by 17 other national minorities relying on the work of the national cultural and educational societies. See more: Council of Ministries BiH Ministry of Civil Affairs (2008), *Strategy of cultural policy in BiH*, the Council of Ministers, BiH- Ministry of Civil Affairs.

¹²Copf, A. (2011), „Kultura u statusu quo“ niko nije kriv, a ništa ne valja, BIRN, Balkanska inicijativa za kulturnu suradnju, razmjenu i razvoj - BICCED, 9. juli 2011. (access May 2012).

for several reasons. The dispersion of the cultural and political model and the system of management in culture, and the lack of influential professional organizations, are just some of evident reasons for the lethargy in the art profession.

The need to raise public awareness about the reforms in the cultural system, and to strengthen the participatory process through the adjustment and adoption of the cultural activities at different levels of government, is never followed by public debate in media. Unfortunately, in the context of complete disorientation and lack of interest of experts, it is illusory to hope that any serious initiative will take place or systematic and persistent work of experts on the adoption of new laws or amendments to existing ones, which would comply with the requirements and articulate the consensus views of the profession. Although the obligation of the lawmaker is to put these legal documents in public hearings, the laws of culture and art production in the parliamentary procedures are adopted almost without any serious debate

and without significant intervention in relation to the government's original proposals. In the complex cultural-political and administrative systems in BIH, at any level of government or administrative units responsible for the adoption of new laws, there were no significant reactions of professional organizations, associations or individuals. Only few newspaper articles approached this subject on new legislation on arts and culture in a more systematic and analytical manner. In contrast to this, we can observe the lack of significant and increased media interest for this topic, largely credited by the absence of the reaction by the profession itself.

If the art market is viewed in its broadest sense, which would imply that the market presents every form of art production that gets an institutional or private funding, then one could conclude that most of the artists in BIH belong to some kind of a market. If on the other hand, we are strictly referring to the art market, which implies continuous work with commercial galleries, art fairs and so forth, then the statement mentioned

about BIH conditions is difficult to apply. Sporadic sales of artworks, awards, scholarships, and occasional residencies are certainly insufficient to seriously approach the art market. The largest numbers of Bosnian artists continue to earn a living from work that is not a direct artistic creation, but mostly in education field, curatorial work, commercial design, advertising campaigns, and the like. State of the art scene in Bosnia and Herzegovina, D. Blažević best described in her essay for the catalog of the exhibition "Međuprostor",¹⁴ as a "vacuum state" in Bosnian art: "Background, which essentially determines the cultural and art currents in BIH concerns its social and political realities. Deep tremors and changes that have fundamentally reshaped this country have started the process of territorial and ideological-political disintegration of Yugoslavia in 1990s, and ended with the war (1992-1996.) and imposed peace. (...) In this economic, social and cultural vacuum, with the absence of policies, primarily cultural, the lack of arts systems (system of galleries and museums, art market, collections, sponsors,

patrons, public funds, purchases, etc.) except in a rudimentary form, the only strategy for cultural institutions, art organizations and artists themselves, was - to cope."¹⁵

Generally it can be said that the value of a work of art, even if it is constantly changing, is directly dependent on the system of art. The system is made up of many subjects, among others are galleries that are certainly an important factor, as long as such attitudes are reviewed historically. Art market in BIH is still relatively conservative, and many contemporary artists think that it will take a long time before the art trade would be, at least, partially separated from the gallery, and even then it will be hard to find some new system.

¹⁴The stagnation in the reform of cultural policy, prompted representatives of the public institutions, private and civil sectors that during the realization of a three-day workshop on cultural management (July 2011), organized by the production house Deblokada, adopt the document "Stolac Declaration on culture in Bosnia and Herzegovina." At the time of the adoption of the Declaration, the conference "State of the institutional culture in Bosnia and Herzegovina" was organized by the International Theatre Festival MES to point to the problems in the institutional sphere of culture and, indirectly, to the limitations of civil cultural sector. See more: <http://www.forumteatar.com/okrugli-sto/u-organizaciji-mess-a-odrzana-konferencija-o-stanjuinstitucionalne-kulture-bih> (Access May 2012); Stolac Declaration on culture in Bosnia and Herzegovina <http://www.sff.ba/news/show/id/672/culture/ba?symfony=b74cbe8a383abf0d14536e307c7811ef> (access May 2012).

2. The regulatory framework of visual arts in Bosnia and Herzegovina

On the political map of Bosnia and Herzegovina we can observe a complex administrative and political structures and complex internal organization of the Bosnian state, structured in two entities: the Republic of Srpska and the Federation of Bosnia and Herzegovina with its ten cantons and Brčko District of Bosnia and Herzegovina, as an entity of independent territory. So, as was stated earlier, out of 12 organizational, administrative and political units with predicted constitutional jurisdictions, five of them have adopted a package of legislative solutions in all major areas of cultural activities (laws about museum, archive, publishing, library and theater activities, the laws on cinematography, cultural goods, etc.)¹⁴.

For instance, compared to the previously introduced system of cultural policies and cultural and political authorities in Bosnia and Herzegovina, in the country is currently defined legislative system in culture in five administrative units, in the Republic of Srpska and four cantons of the Federation with more developed cultural scenes and art production (cantons Sarajevo, Tuzla, Zenica-Doboj

and Herzegovina-Neretva). With this, situation in this area is significantly complicated by a situation, somewhat paradoxical and rather absurd: one half of the country has regulated cultural activities in one way, one quarter has done it also, but in a different way and uneven, and the remaining quarter (six cantons in Federation and Brčko District BH) did not use its authorization of legal regulation of arts and cultural activities or only partially, and there are still in force former laws from SR BiH from the period until 1991.

Although existing laws that govern certain areas of culture in BiH in many of their provisions may not present a bad solution, it is indisputable, however, the fact that for years they mostly do not apply. It is also true that their incompatibility with other statutory provisions somewhat impedes their application. For a large number of artists in Bosnia was particularly significant harmonization and adoption of the laws on freelance artists, that is the law on acquiring a status of independent artists brought by the Republic of Srpska and several cantons

in the Federation (Canton Sarajevo, Zenica-Doboj and Una Sana Canton).¹⁷ Some cantons have regulated in their laws issues on independent artists (Tuzla, Bosnia Podrinje and Central Bosnia Canton).¹⁸

Laws on museum activities normatively regulate to a significant extent the system of visual arts, particularly gallery activities. Such laws in Bosnia are overall six, on as many different levels of government, which in their jurisdiction deal with questions of cultural policy, in the Republic of Srpska and five cantons in Federation of Bosnia and Herzegovina.¹⁹ All of today's BiH museum laws in their provisions govern the conditions and manner of museum activities, the museum's holdings, establishment, organization and operation of institutions, governance and management, museum advices, professional staff, funding, and other issues of importance to this activity. These laws govern the conditions and manner of museum activity that is of significance to the entity of Republic of Srpska, or for those cantons in the Federation who have normatively

regulated this field. In accordance with legal regulations museum activities are performed by museums as institutions, museum collections, galleries, museums and museum collections within institutions and other legal entities. Under existing laws museum activities are performed by galleries as institutions if they have any museum material. Under the museum material law includes, among others, art achievements, as well as "other spiritual products." Most of the law stipulates that the funds for the establishment and operation of museums, galleries, museum collections are provided by the founders themselves.

Otherwise, museum activity in these laws is defined as a systematic research, collection, processing, storing, expertise, conservation, presentation and publication of the museum collection. It is interesting to point out that the law clearly states that the work of these institutions is public, and the public character is achieved in particular by publishing research programs and projects through preliminary scientific and technical

¹⁴„Međuprostor“ presents a very important exhibition for the BiH art market, realized in 2010. The project included the visit of artists from Banja Luka to Sarajevo, and was undertaken in cooperation with the Museum of Contemporary Art RS and the Art Gallery BiH.

¹⁵Blažević, D. (2010) *Međuprostor* (exhibition catalog), Sarajevo: Art Gallery BiH

¹⁶At the example of the Republic of Srpska, those are the following laws: Law on the Archives ("Službeni glasnik RS", no. 119/08), Law on Museum Activities ("Službeni glasnik RS", no. 89/08), Law on Librarian activities ("Službeni glasnik RS", no. 52/01, 39/03 and 112/08), Law on theater activities ("Službeni glasnik RS", no. 25/02 and 109/11), Law on Publishing Activities ("Službeni glasnik RS", no. 46/04), Law on entertainment activity ("Službeni glasnik RS", no. 46/04 and 106/09) and Law on Cinematography ("Službeni glasnik RS", no. 37/09) and the Law on Cultural Property ("Službeni glasnik RS", no. 11/95 and 103/08).

publications, books, monographs, catalogs and magazines, as well as permanent and temporary exhibitions in the country and abroad. The laws clearly state that museum activity has the task to preserve, study museum material and to make it available to the public, as part of national and universal human cultural heritage, and museum activities are defined as activities of general interest.

Recent legislation obliges Ministers responsible for cultural affairs to adopt regulations in the form of by-laws, to regulate in normative terms gallery and museum activities. Only a part of these regulations has been adopted, and in the cantons of the Federation which do not have these laws, in force are rules adopted by the Assembly of the Republic of Bosnia and Herzegovina, in the 1990s.²⁰

Among the cantons in the Federation who have never regulated gallery activity with separate statutory provisions and solutions are those in whose centres, according to some analyzes, is present the minimum of requirements and predispositions for the establishment of public galleries or museums with art collections and where, in fact, such initiatives and ideas are already present and seriously considerate.

legislation, as well as the scope, method of adoption, content and structure of these acts. BiH always had its tradition of museum *lex specialis* or laws that specifically deal with museum and gallery activities. Solution would, of course, be changed, especially when it is evident that the reforms are necessary. If we look at the BiH environment, we have to take notice of how they gave up their specialized laws in a number of European countries, adopting some form of a uniform law on culture. Of course, it is necessary to analyze what these countries have received for the adoption of umbrella legislation for culture. But above all it is necessary to analyze the situation and determine the basic guidelines for museums and galleries for their further development and mission. Certainly it remains the question of whether the so-called general laws of culture are wide enough as legal framework, within which we can find museum and gallery activities and legislative minimum that would enable adequate regulation for successful conduct of operations and development, or it is still necessary to adopt specific legislation in the form of *lex specialis*.²¹

In addition to the law on museum activities, three cantons in the period 2007 - 2009, adopted general laws on culture (Podrinje, Una-Sana Canton and Central), with Tuzla Culture Law passed in 1998. These laws, among other things, define the extent and gallery activities as part of the cultural system. Looking at these issues in a European context, it is truly a small number of states that have legislation regulating special gallery and museum activities, and even less literature that would process this material. Since the beginning of the 1950s it was discussed in a number of European countries, especially in Western Europe, the need for harmonization and adoption of this

Table 1 : Overview of the most important documents in the field of visual arts

Administrative units	Name of law	Name of the document
Brčko District BiH	N/A	Gallery and museum activity is partially regulated with a series of other legislative and by-law documents (law on institutions etc.)
Republic of Srpska	Law on museum activity RS	Službeni glasnik RS no. 89/08
Canton Sarajevo	Law on museum activity CS	Službene novine KS 6/01
Hercegovina-Neretva Canton	N/A	Gallery and museum activity is partially regulated with a series of other legislative and by-law documents (law on institutions etc.)
Canton Tuzla	Law on museum activity TC	Službene novine TK, no. 10/02 Službene novine TK, no. 8/98
Zenica-Doboj Canton	Law on museum activity RS ZDC	Službene novine ZDK, no. 15/03
West Herzegovina Canton	Law on museum activity ZHC	Službene novine ZHK, no. 2009
Bosnian Podrinje Canton	Law on culture BPC	Službene novine BPK, no. 7/04
Una-Sana Canton	Law on museum activity USC	Službene novine USK, no. 10/03 Službene novine USK, no. 2/09
Central Bosnia Canton	Law on culture SBC	Službene novine SBK, no. 13/06
Posavina Canton	N/A	Gallery and museum activity is partially regulated with a series of other legislative and by-law documents (law on institutions etc.)
Canton No 10	N/A	Gallery and museum activity is partially regulated with a series of other legislative and by-law documents (law on institutions etc.)

Source: Overview of legislation in culture at the official entity portals for culture: www.kultura.fmkksa.com and www.ekulturars.com (access 12.08.2012)

¹⁷ „Službeni glasnik RS”, no 50/10, “Službene novine KS”, no 20/10, “Službene novine ZDK”, no 2/05 and “Službene novine USK” no 12/03 and 15/10

¹⁸ “Službene novine TK” no 8/98, “Službene novine BPK” no 7/04 and “Službene novine SBK” no 13/06

¹⁹ Cantons in the Federation of BiH that have adopted, within the legislation in culture, laws on museum activities in the form of *lex specialis* are (chronologically, according to the year of law adoption): Canton Sarajevo (2000), Tuzla Canton (2002), Zenica-Doboj Canton (2003), Una-Sana Canton (2003) and West-Herzegovina Canton (2009).

3. Institutional resources of the art market

In Bosnia and Herzegovina, centers of administrative units also present five largest cultural centers in the country (Sarajevo, Banja Luka, Mostar, Tuzla and Zenica) that traditionally, for more than sixty years, hold overall cultural and artistic development in the country. In the aforementioned centers the largest number of artists lives and works, including a major part of the network of institutions and organizations in the system of visual arts, museums, public and private galleries, art schools and academies, etc.

As for the art market infrastructure, its geographic distribution is not always in line with the demographic structure, and it is often the case that works can not reach out to the audience. For example, in the Federation of Bosnia and Herzegovina there are cantons without professional gallery spaces (Posavina, Central Bosnia, Herzegovina-Neretva, West Herzegovina and Bosnian Podrinje), while other cantons have rather unified distribution of the gallery capacities, except Sarajevo Canton with the highest number of

professional gallery spaces, with over 30 galleries and exhibition spaces in the various forms of ownership, with different missions and goals, and different program profiles, space and human resources.²²

There are only few city public galleries in Bosnia and Herzegovina, founded by cities and municipalities (Bihać, Brčko). Municipalities with gallery infrastructure allow for only 43% of the population to meet their needs for visual arts. Infrastructure dispersion index of 0.33 indicates that in the Federation of Bosnia and Herzegovina on average on every 48,790 residents comes one gallery, while the same ratio for the Republic of Srpska is 41,000 residents.²³ Regular exhibition activities in some areas are implemented as an integral part of activities of the cultural centers or theatrical institutions, if their facilities have specialized gallery and exhibition spaces.²⁴ This is especially common case in the Republic of Srpska, where significant part of visual arts presentations is taking place within cultural centers, thus achieving a more

balanced geographical distribution of infrastructure and making possible for nearly 58% of the population to meet their needs for the visual arts. According to the number of programs in both entities, art programs are dominant, while the most common mediums are painting and photography. It is also important to note that in the Federation of Bosnia and Herzegovina, Sarajevo, Tuzla and Mostar have become centers of visual art, with concentration of about 55% of the gallery infrastructure and almost 75% of the total number of visual arts programs per year, while in the Republic of Srpska centers of visual arts represent Banja Luka, Pale and Bijeljina with about 50% of gallery infrastructures.

There are few public galleries in Bosnia and Herzegovina, founded by local authorities, municipalities and cities, or cantons in the Federation. Among all forms of public cultural institutions in Bosnia and Herzegovina, the rarest ones are public galleries, in relation to libraries, museums and theaters. Cantons, as the only constitutionally

authorized units to implement cultural policy in the Federation, appear only in two cases as gallery founders. So Sarajevo Canton took founder's rights and obligations for the Sarajevo City Gallery, the "Collegium Artisticum", and Tuzla Canton with contract in 2006. took over the part of the founder's rights over the International Portrait Gallery in Tuzla.

In addition to public galleries in Bosnia and Herzegovina, we can notice the trend of opening a large number of private galleries, as well as galleries founded by representatives of a civil society, among which are associations, foundations, religious organizations, national cultural societies and similar forms of organization. These galleries are usually present in the form of the multi-functional exhibition spaces, including often catering facilities, and where in addition to organization of exhibitions, other forms of cultural diffusion are taking place, such as lectures, panel discussions, public lectures, promotions and the like. Frequent phenomenon on the art scene

²⁰These are the following acts: Regulation on conditions for the foundation and start up activities for museums and galleries ("Službeni glasnik BiH", no. 2/94), Regulation on the content and method of keeping the input and output of books, inventory books, gift books, files and photo libraries and museum materials ("Službeni glasnik BiH", no. 2/94) and Regulation on professional titles, terms, conditions and manner of acquisition of professional titles in the museum profession ("Službeni glasnik BiH", no. 2/94). Law on museum activities RBH from 1993, ceased to apply with the new cantonal museum laws in FBiH ("Službeni glasnik BiH", no. 13/93 and 20/93).

²¹*Lex specialis* is a legal doctrine that applies to the interpretation of the law, and can be applied in both the domestic and international law and contexts. The term indicates the law governing a particular subject, and comes from the Latin legal maxim *lex specialis derogat legi generali*. Under this doctrine, a law regulating certain themes is stronger than the law which regulates only general questions. According: *Lex specialis* Law & Legal Definition. Legal Definitions. USLegal, Inc., <http://definitions.uslegal.com/lex-specialis>, (accessed 20 May 2010).

is the so-called *cafe-gallery*, especially in urban centers, owned by local artists. A large number of these gallery spaces are of the selling character, often performing selling activities as gift shops and bookstores. Memorial galleries, until recently, did not exist in Bosnia, and first such gallery was opened in Sarajevo in 2012 to mark the anniversary of the Srebrenica tragedy.

In presenting contemporary art scene in Bosnia and Herzegovina, it is unavoidable to mention a multitude of art colonies, out of which Počitelj is certainly the most famous one. But many other art colonies and workshops have increasingly greater significance and international character (Banja Luka, Bihać, Bosanski Brod, Bosanski Novi, Bugojno, Dobo, Fojnica, Gradačac,

Kozara, Kulen, Vakuf, Travnik, Trebinje, Tuzla, Usora, etc.). Organizers of these colonies are commonly associations of artists, galleries, national cultural groups, cultural centers, and sometimes artists themselves. In Bosnia today there are still no professional auction houses. To this we must add six academies and faculties with programs in Fine Arts, including three Academies of Fine Arts.

A more detailed analysis on the work and activities of the museum and gallery institutions, and other institutions and organizations that promote the visual arts needs to be observed in a relation to cultural policy and cultural changes in their environment. Ungrateful and unstable financial situation inherited from the past, material destruction made during the war, general decline in values and other intangible traces of devastation that have influenced the cultural and arts scene, and deepening political and economic crisis, will inevitably be reflected in the work of these institutions. Their program activities

can be observed in the context of the region, in which they operate, cultural policies reflected on the institutional system, the requirements of the artists and increasing needs of the audience. Among the most important actors of the art market in general regarding the development of visual arts in Bosnia and Herzegovina are: the National Museum of Bosnia and Herzegovina, The Museum of Contemporary Art of the Republika of Srpska in Banja Luka, Art Gallery of Bosnia and Herzegovina, the Center for Contemporary Art, Sarajevo, City Gallery Collegium Artisticum, the Art Collection and the project "Ars Aevi" and others.

The National Museum of Bosnia and Herzegovina is the oldest museum in Bosnia and Herzegovina, established in 1888. Since the beginning, this museum was a complex scientific and cultural institution developing a range of different disciplines, including art history. In fact, thanks to its art display, the National Museum was the first institution in the cultural history of Bosnia and Herzegovina, which

Table 2: Review of art market actors in Bosnia and Herzegovina, 2006-2010.

	2006	2007	2008	2009	2010
Number of galleries ¹	34	33	34	33	33
Number of programs in galleries**	209	188	200	182	169
Number of visitors**	127 114	131 091	107 956	111 254	115 178
Gallery employees**	46	52	54	43	53
Curators and professional staff in galleries**	26	30	33	19	27
Number of manifestations of visual arts	12	13	14	14	16
Art colonies	10	10	12	12	12

Note: *only the Federation of Bosnia and Herzegovina' public galleries that operate as independent institutions, private galleries are not covered; in the Republic of Srpska because of the absence of the systematized database of gallery spaces, the number of galleries presented in a table is based on data from the cultural portals and directories.

Source: Agency for Statistics of Bosnia and Herzegovina (BHAS), the Federal Office of Statistics (FOS), Statistical Yearbook 2006, 2007, 2008, 2009, 2010 and 2011.

²²List of art galleries in Sarajevo: 1. Gallery of the Academy of Fine Arts (ALU), 2. Art X Club, 3. ASA Art Gallery, 4. Studio „Zbirka Zec“, 5. Charlama Depot, 6. Egzotik art, 7. Facta, 8. Gallery „Boris Smoje“, 9. Gallery „Collegium artisticum“, 10. Gallery „Gabrijel“ (Chamber Theater '55), 11. Gallery „Gaudeamus“ - AKCUS „Seljo“ (Arcus Gaudeamus Club), 12. Gallery „Mak“ of the Museum of literature and theater art BiH, 13. Gallery „Novi hram“, 14. Gallery „Paleta Čulhan“ (Stari Grad - Jelića), 15. Gallery „Paleta“, 16. Gallery „Preporod“, 17. Gallery „Roman Petrović“ ULUBiH, 18. Gallery of the Franciscan Monastery „Sveti Anto“, 19. Gallery BKC (Bosnian Cultural Center), 20. Gallery Blackbox, 21. Gallery CDA (Theater „Sartri“), 22. Gallery Duplex/10m2/100m2, 23. Gallery Evergreen, 24. Gallery Java, 25. Gallery of Mersad Berber „E&A“, 26. Gallery of the Youth Theater, 27. Gallery SPKD „Prosvjeta“, 28. Gallery of the School of Applied Arts, 29. Exhibition hall of the Historical museum BiH, 30. Exhibition hall of Kuršumli madrassa, 31. Collection of the contemporary art „ARS AEVI“, 32. Art gallery of Bosnia and Herzegovina and 33. Gallery space of the City Hall.

systematically approached the field of art heritage and contemporary visual art production. From the very beginning, great attention was paid to the educational and cultural function, and activities of the museum created a basis for all of today's collections. During the period of Austro-Hungarian occupation scientific researches were carried out under the strong influence of the development and direction of arts and sciences of Europe in the nineteenth century. During the period from the First to the Second World War, Bosnia and Herzegovina was not at the center of socio-economic, art and cultural movements in the newly formed state community as reflected in the work and development of the National Museum, which at that time experienced the lowest point of action. Period of stabilization of the National Museum after the Second World War moved ahead relatively slowly. However, within the general advancement of social and economic relations culture has become an activity of special social significance, and in this period the National Museum has been extremely successful in all activities. In the period after the Second World War, some of

the initial activities of the National Museum were brought to an end and transferred to the newly established institutions. Among institutions that have evolved from the earlier activities of the National Museum is definitely Art Gallery of Bosnia and Herzegovina,²⁵ the first and only art gallery founded by the Republic. The end of war devastations in Bosnia supposed to mark the beginning of the post-war reconstruction phase of the museum and gallery activities in the country. However, complex political situation and elaborated administrative structure of the country and inadequate attitude towards cultural and historical heritage has prompted the continuation of the difficult situation for the museums and art galleries, along with other cultural institutions founded by the former Republic of Bosnia and Herzegovina.²⁶

Art Gallery of Bosnia and Herzegovina was founded by the decision of the Government of the National Republic of Bosnia and Herzegovina on October 11th, 1946. The core of the initial collection consisted of about 600 artifacts taken from the Gallery of the National Museum of that time. The

gallery is open to the public 13 years later, in 1959, with its first permanent display. Today the collection has over 6.000 inventory items divided into multiple collections²⁷. Since the establishment, in the Gallery was organized, prepared or hosted over 900 big and small exhibitions, and published more than 150 of its own publications. During the period of the war and the siege of Sarajevo (1992-1995), Gallery did not stop with its activities, organizing only in this period 42 exhibitions. The most difficult time for this institution was after the Peace Treaty for Bosnia and Herzegovina, which did not predict the existence of national cultural institutions within the new structure of the cultural system in the country. With this, Art Gallery of Bosnia practically lost its founder, and thus direct financing body. Annual visits to the Art Gallery are about 20.000, out of which in summer time period most visitors are tourists, and in the school year period, students and scholar population. Despite the extremely poor financial situation, Art Gallery did not cease to organize and present exhibitions.²⁸ The annual number of temporary exhibitions in

the last ten years varies from 10 to 20, which is certainly a respectable number even for those galleries and museums operating in more stable financial situation. In 2010, apart from becoming the permanent exhibition, Gallery has organized 16 exhibitions, a member of the European network of museums joined for the manifestation Museum Night. Since the adoption of the Dayton Peace Treaty and the Constitution, unresolved question of the legal status of this institution lead to many problems in the work of the Gallery, indicated by the fact that in 2011, Art Gallery of Bosnia and Herzegovina was forced to close its premises for visitors.²⁹

Museum of Contemporary Art of the Republic of Srpska in Banja Luka: currently acts as central institution for contemporary art in the Republic of Srpska. Museum was founded in 2004, renaming the Gallery of Fine Arts of the Republic of Srpska, although the gallery since its founding in 1971 had a character of a museum. Specifically, the gallery immediately after the establishment began to fill the collection funds and

²³Index infrastructure dispersion is related to professional public galleries, which operate as independent institutions.

²⁴For example, galleries at the Center for Culture in Doboj, Bosnia's cultural centers in Tuzla and Sarajevo, the Cultural Center "Banski Dvori" in Banja Luka, the National theater RS in Banja Luka, Chamber theater 55 in Sarajevo, the Bosnian National Theatre in Zenica, and the like.

act as a museum institution applying modern museological principles and requirements of the time. As part of the Museum of Contemporary Art of Republic of Srpska today there are four Departments: Collections, Documentation, Educational work, and Exhibition and Program activities. Museum's holdings extend to over 1.300 works of art (paintings, sculptures, prints, watercolors, drawings and works in the area of extended media).³⁰

Center for Contemporary Art (SCCA)

was founded by the Open Society Fund of Bosnia and Herzegovina in 1996, and since 2000 the Center is an independent organization. SCCA since its founding has produced and organized a number of exhibitions, actions, workshops, seminars, lectures, presentations, in Sarajevo, in Bosnia and Herzegovina and abroad; financially and logistically has supported new art production, produced numerous multimedia works of artists, published catalogs and other art publications, and collected and analyzed art documentation. SCCA in each case represents an entirely new

model of organization and activities in the culture at the art market of Bosnia and Herzegovina. Given that it does not have its own gallery space, the Center acts as a mobile art center, complementary and alternative in relation to the existing art institutions. Most of its projects, such as annual exhibitions, take place in open spaces. The change of the environment - moving from *art* (gallery) to *non-art* space (streets and squares), changes the way how artists think and act, influencing the selection of content, resources, and communication with the audience. Through such activities, it has created an entirely new art scene, changing the art paradigm and understanding of the function of culture and arts.³¹

Art collection and the project "Ars Aevi" Sarajevo

by the opinion of many international art critics and historians of art, is one of the most valuable collections of contemporary art in the Western Balkans. This collection contains artworks by some of the world's greatest artists who have donated their works to Sarajevo during the time of the siege, since 1992.³² The Art Depot "Ars Aevi" was reconstructed

in cooperation of UNESCO and the Sarajevo Canton, with financial support by Italian government in 2007. in the facility of Cultural and Sports Center "Skenderija" in Sarajevo. The purpose of this space is preservation and presentation of the collection, formed by the project "Ars Aevi" in cooperation with the most prominent artists of the world, expressing their solidarity with the besieged city with this act. The project, which began in 1992, with much difficulties, continues to develop as a prestigious international initiative where the presence of respectable artists whose works are waiting for the museum setting. guarantees the quality³³.

City Gallery "Collegium Artisticum"

was established as an art gallery by three associations of Bosnia and Herzegovina: Association of Visual Artists (ULUBIH), Association of Applied Artists and Designers (ULUPUBIH) and the Association of Architects (AABIH), taking the name and ideals of the progressive art group from Sarajevo Collegium Artisticum.³⁴ The gallery is housed in a purpose-built exhibition hall, in one of the first shopping centers

in Sarajevo in the modern sense of the word, in sports and business complex Skenderija downtown. In the late 1990s Sarajevo Canton has taken founder's rights and obligations, by which this institution has become one of the 14 cantonal public cultural institutions in the city of Sarajevo, the only one in the field of visual arts.³⁵

Gallery "Roman Petrović"

in Sarajevo was established in 1980, at the initiative of ULUBIH members, with commitment of the City of Sarajevo and is named after the first President of ULUBIH, one of the most important Bosnian painters. The gallery is symbolically opened with an exhibition by Roman Petrović (1896-1947), with loans from the collection of Art Gallery of Bosnia and Herzegovina. The same exhibition was launched in October 2007, on the occasion of the sixtieth anniversary of the artist's death and sixtieth birthday of the Association of Artists of Bosnia and Herzegovina. With its 103 square meters, Gallery Roman Petrović is one of the best exhibition spaces in the city of Sarajevo, meeting place for artists and seat of the Association. Through the affirmation of fine arts,

²⁵In addition to the National Gallery there are the Institute for Protection of Cultural Monuments and Natural Rarities of Bosnia and Herzegovina, then Oriental Institute, Institute of Balkan Studies, Institute of Biology, Folklore Institute and Phytopathological Institute.

²⁶See more: <http://www.zemaljskimuzej.ba/>

²⁷Bosnian art collection, the Collection of Ferdinand Hodler, Icon collection, Yugoslav art collection, International collection of donations, Collection of photographs and new media and Art Archive "Nada".

and relationship with the artists and the audience, the Gallery "Roman Petrović" has attained a status as one of the most prestigious exhibition spaces in Bosnia and Herzegovina.³⁶

Memorial Gallery "11/07/95" was opened in Sarajevo in July 2012, as the first memorial gallery in Bosnia and Herzegovina, whose construction was initiated by the Government of the Republic of Turkey, a project funded by the Agency for International Cooperation and Coordination (TIKA). Basic display consists of works by art photographer Tarik Samaraha with video testimonials, more than 600 portraits, maps of locations and a list of the 8372 victims of the Srebrenica tragedy. The authors of the permanent exhibition and the exhibitors are numerous organizations and associations from Bosnia and Herzegovina and the European countries.³⁷ The gallery is equipped

according to the highest standards with sophisticated technical equipment and infrastructure, and as such is one of the most modern gallery spaces in BIH. Major part of the gallery space is designed for permanent exhibition, while the second part is scheduled for temporary exhibitions. Memorial Gallery is intentionally opened in Sarajevo as the capital and tourist center, making available the permanent exhibition to the wide world public.³⁸

Art Gallery of Brčko District BIH in Brčko was opened in 1975. On the call for the establishment of the gallery, famous artists from all over the former Yugoslavia responded, and donated their works, so Gallery today has international content of works of art. In the showrooms of the Gallery, a large number of collective and solo exhibitions was organized. Since its foundation the gallery had a very successful collaboration with a number

of galleries in the former Yugoslavia. Art Gallery of Brčko District today functions within the Government Department of Economic Development, Sub-Department of Tourism, Sports and Culture. The gallery's holdings have approximately 1.000 artworks, which are classified into several collections. In a large exhibition hall in the gallery are organized about 20 exhibitions per year, followed by the publishing activity (posters, catalogs and invitations). Since 2000 Gallery organizes traditional International Art Symposium - Workshop "Sava" with renowned artists from countries along the Sava River Basin. Gallery also organizes art school, "Young Talents of the Brčko District of BIH", while for local artists organizes the work in the "Open art studio." Art Gallery in Brčko has a leading role in the arts and culture in Northern BIH and very significant role in the overall galleries activities in BIH.³⁹

Public institution "City Gallery" in Bihać was opened on November 25th, 1998. Gallery building was fully funded by local community, and after the opening, with the Decision on the foundation of public institution, the Municipal Council Bihać has taken founding rights and obligation of funding of the City Gallery. Giving the status of a public cultural institution to the City Gallery, Bihać, with earlier opening of the Secondary School of Applied Arts, the city of Bihać has become one of the most recognizable and developed art communities in post-war Bosnia.⁴⁰

For **Gallery "Likum '76"**, Municipal Council of the city Visoko in late 2011. adopted the initiative to establish the status of a public institution, filed by the Association of Artists from the city of Visoko. This initiative was adopted providing that the funding of all obligations for employed workers

²⁸National Gallery work is funded entirely from the so-called grants, through public Open Calls, primarily from the budget of the Federation of Bosnia and Sarajevo Canton, through the ministries of culture and sport, and from the budget through the Ministry of Civil Affairs of the Council of Ministers. Due to the professional efforts of the staff in recent years, this institution managed to perform its regular activities, obtaining its own income in the range of 25% to 30%, of the total cost, which for this type of facility is certainly a high proportion of self-financing. Until 2000, regular work of the National Gallery was funded by the Canton of Sarajevo through the competent Ministry, following two years of funding by the Federal Ministry of Culture and Sports, which then, referring to the absence of constitutional authority and without a notice, refused further funding for these and six other cultural institutions founded by the Republic of Bosnia and Herzegovina. Since then, as an interim solution, the Art Gallery of Bosnia and Herzegovina was left to the grant funding from the budget, through the Ministry of Civil Affairs. Funds for the regular activities of the National Gallery of Bosnia and Herzegovina in recent years achieved the level of support for an open competition announced by the Ministry of Civil Affairs annually. These funds (about 150,000 BAM) are insufficient to maintain the achieved level of work for six months. To cover the basic costs of the National Gallery, excluding program activities, about 450,000 BAM are needed. Art Gallery of Bosnia and Herzegovina initiated the resolution of its final status to the competent authorities of the State, with the full support by the Office of the High Representative in Bosnia and Herzegovina, the Human Rights Ombudsman and mass media, but the answer is still lacking.

²⁹See more: <http://ugbih.ba/>

³⁰See more: <http://www.msurs.org/>

accept government ZDC's, in the same way as other public finance and cultural institutions in the Canton area. For its part, the municipality has committed to support the work of the Institution and Association within existing planned budget. It is interesting that since its founding in 1976, Gallery "Likum '76" worked as a public institution in the field of culture, financed by the Federal Executive Council Fund for Culture.⁴¹

Art Gallery "Udas" in Banja Luka is a unique gallery in Southeastern Europe which provides an opportunity for young students of Fine Arts, emerging artists, artists with, but also without disabilities and psychophysical difficulties to present their artwork. Through a number of events organized by the association "Udas"⁴² a special place is given for arts and specific way of presentation for artists. Through solo and group exhibitions organizers create a network of artists in BIH and the region, indicating existing barriers for persons with disabilities, promoting creative potentials of artists on a local, entity, state and regional level. Galleries prepare three permanent art projects, school of drawing and painting, art

exhibitions of artists with and without disabilities and regional art colony for people with disabilities. Local academic artists of Banja Luka constitute the Art Council of this specific Gallery.⁴³

International art colony was founded in Počitelj in 1964. by the Association of Fine Artists of Bosnia and Herzegovina. Thousands of fine artists, and other artists from a number of European and world countries attended the programs of this colony. The aforementioned artists donate their works (paintings, prints, sculptures) for the benefit of an extremely valuable art collection - Fund of the International Art Colony Počitelj. During the war (1992-1995), the colony was devastated, and with the effort and commitment of ULUBIH and the Government of the Federation, was rebuilt in 2003. Every first Sunday in the month of June in the Art Colony Počitelj artists gather at the traditional art event "Trešnjeva nedjelja" (Cherry Sunday), and during the year the Association organizes working colonies with significant interest from artists from Europe and the world.⁴⁴

International Portrait Gallery in Tuzla was formed on amateur basis in 1964, in Tuzla Primary School "Center", by donations of artists from former Yugoslavia. Its professional interest this gallery linked to research, presentation and evaluation of significant portraits as visual topics. During four decades portrait gallery has grown into a major art institution, organizing exhibitions of contemporary portraits, with revue character, chamber retrospective exhibitions of oldest generation of Bosnian artists, recent exhibitions at the "Salon Tuzla 2x13", as well as exhibitions by young artists in the Club Gallery.⁴⁵ Expanding the boundaries of its activities, the Gallery of Portraits in Tuzla in 1980. organized the first biennial exhibition of drawings and prints, the only international event in Bosnia and Herzegovina, one of four in former Yugoslavia. With its permanent and temporary activities and programs Gallery has established several valuable collections with strong aesthetic profiles, giving to this art institution special importance. Each of these collections present the cultural value of the gallery, its environment, giving it in culturological sense a

separate dimension. Relying on the tradition, the Portrait Gallery has recently formed several different and valuable collections⁴⁶, and enriching its activity in different segments of art life until now has established several domestic and international forms of visual art practice.⁴⁷

International Studio "Ismet Mujezinović" for its concept presents unique separate art workshop that operates within the International Portrait Gallery in Tuzla. Studio brings together international artists, on the basis of the Open call by Arts Council and on the basis of the tender competition opened across national art associations. Residence in the International studio includes a six-month stay and work of artists, as well as organization of solo exhibitions of works created during their stay in Tuzla.⁴⁸

Art Gallery "Boris Smoje" was based on a concept of an architectural object whose content and ambience proposed something new and refreshing in Sarajevo art offer. The original idea was to combine small and intimate space with dynamic gallery activity, presenting

³¹See more: <http://www.scca.ba/>

³²This collection is the backbone of a major project of establishing and building the first Museum of Contemporary Art in Sarajevo, for which construction a completed project documentation was prepared for a long time. Proposal for the museum architectural structure was designed by a worldly renowned architect and artist Renzo Piano, a goodwill ambassador for UNESCO for Project Ars Aevi. See more: www.arsaevi.ba

a contemporary art in Sarajevo and Bosnia, on one side, and the space in which the artists and the audience could meet on the other side. The gallery is opened on February 2nd 2005, presenting a charity exhibition by BIH artists to help the Center for Hearing and Speech Rehabilitation Sarajevo. The gallery is named after a prominent theater artist and theater doyen of Bosnia and Herzegovina, Boris Smoje (1920s-1973). The Gallery has organized numerous exhibitions, including exhibition "The distinctions 2005" by Italian painter Igor Gustini, exhibition "Four printmakers", manifestation "Student Days" and others. As one of its regular activities, Gallery maintains Classic Drawing School run by academic artists. Among additional activities, it is certainly interesting to mention the Design Team of the Gallery, which deals with decoration and interior and exterior design, mural paintings, creation of decorative fences, sculpture furnishing, renovating frames and with the concept and design of Plaques.⁴⁹

Project "artStock" is the first and only virtual art community based on the principle of membership, and devoted to the presentation and promotion of Bosnian artists of different ideas and directions. "ArtStock" is a kind of an internet contact training ground for those who want to discover and browse the artists and creators of the art scene in Bosnia and Herzegovina. "ArtStock.ba" is designed primarily as a directory of all categories of artists interested in promoting their own ideas and work. The mission of the project is to become the first, essential hub of information on artists and events related to them. artStock.ba community is based on a membership which is regionally unlimited, which means that membership community welcomes all artists from the region and beyond, and yet one of the goals of this project is to support and encourage the establishment of cooperation between artists and potential clients, initiating mutual professional relationships, both non-profit, and commercial.⁵⁰

4. Models and forms of financing culture in Bosnia and Herzegovina

The financing system of culture is decentralized in line with the socio-political situation in BIH. It can be seen at several levels: at the level of Bosnia and Herzegovina (Ministry of Civil Affairs), entities (the Federation of Bosnia and Herzegovina, the Republic of Srpska and District Brčko), cantons (10 Federation cantons and 5 regions in the Republic of Srpska) and at the level of municipalities and official cities of Sarajevo and East Sarajevo, Mostar and Banja Luka. The Ministry of Civil Affairs provides assistance to cultural projects through competition in three thematic areas: financial assistance for the cultural institutions in Bosnia and Herzegovina with an average annual budget of about 1.3 million, financial assistance for international cooperation projects in various branches of culture with about 310,000 euros, and in the end grants to support non-profit organizations and individuals (Open Call).⁵¹ Average levels of participation in the financing of culture is about 0.42 euros *per capita*.⁵²

At the entity level financing system of culture in BIH is relying on several government bodies: the Federal Ministry of Culture and Sports of Bosnia and Herzegovina, and the Ministry of Education and Culture of the Republic of Srpska. Average share of the entity levels of government in the financing of culture is about 3.31 euros *per capita*.⁵³ Speaking of a highly decentralized state, these results do not deviate from the practice, but they are unfavorable in practical terms, because all cantons and municipalities do not have sufficient economic strength to take over the financing of decentralized functions in culture.

At the level of Federation of BIH the most important role in culture funding has the Federal Ministry of Culture and Sports, which on average yearly supports cultural projects with around 6.4 million euros, or 2.78 euros *per capita* on Federation resident.⁵⁴ It allocates funds to the regular program activities through three financial lines: cultural heritage (20-30%), events, programs and projects of importance to

³³See more: www.arsaevi.ba

³⁴Collegium Artisticum is the cultural-art group founded at the Sarajevo Philharmonic in 1939. Its founders were the painter Vojo Dimitrijević, musician Oskar Danon, choreographer Ana Rajs and architect Jahiel Finci. Because of their political orientation in the context of criticism of the pro-fascist dictatorship of the Kingdom of Yugoslavia, Collegium Artisticum was soon banned. Collegium Artisticum is historically very significant because as the art group in the pre-war period brought vibrancy and dynamism in numbed culture of Sarajevo, and that lethargy we need to observe in terms of the social and political marginalization of BIH in the Kingdom of Yugoslavia.

³⁵See more: <http://www.collegium.ba/>

the Federation (15-20%) and transfer to civic associations in culture (5-8%), as through funds transfer services on 4 Foundations: in the field of music, visual and performing arts, cinema, publishing and librarianship. Within the Foundation for Music, Art and Performing Arts, Visual Arts in the overall structure of funds account for about 20-30% (on average about 85,000 euros), and these funds are most frequently transferred for the organization of solo and group exhibitions and colonies, as the basic forms of visual arts diffusion. The financial crisis that began in 2008 had great repercussions on the financial system of culture, as can be seen in terms of supported programs, and available resources. For example, in 2009 and 2010 the number of supported programs has been reduced by more than 10 times (from 240 programs in 2007 at 29 in 2009, and 50 in 2011). In times of crisis, with the lack of funds, policy is to support programs of excellence / institutions of importance to the culture of the Federation, which has resulted in the growth of average funds per program (e.g. in 2007 values of average annual funding for the program was around 8.200 euros while this indicator in 2011

was at a level of around 19.000 euros). The idea behind this approach is to support great programs providing varied offer in the centers of creative life, so that other programs can function as a satellite programs to a greater or lesser extent, provide vibrancy and diversity of cultural life in BiH in economically turbulent period.

At the level of the Republic of Srpska funding for culture is carried out through the Ministry for Culture and Education of the Republic of Srpska, with average annual amount of about 5.78 million euros, or about 4.13 euros *per capita*.⁵⁵ There is an observable difference between entities in the average funds allocated for financing of culture. As an illustration, in 2011 indicator of *per capita* public spending on the culture in the Federation of Bosnia and Herzegovina was about 2.85 euros, while in the same year indicator for the Republic of Srpska was about 4.43 euros *per capita*. Analysis of financial instruments best reflects the priorities in the cultural policy in these two entities. So, for example, while in the Federation cultural heritage is a priority with about 30% of the total

budget, at the level of the Republic of Srpska entity dominant is support for public institutions of culture (about 60-80% of total assets). Another difference that can be seen regarding the structure

and proportion of different systems in a culture, is characterized by these two entities. In the Federation, almost an equal portion goes to the institutional and civil forms of cultural production, while

Table 3: Financing of culture in Bosnia and Herzegovina, 2007-2011 (in euros)

Level of Government	2007	2008	2009	2010	2011
Total expenditures Ministry of Culture and Sports, Federation BiH	7.694.162	10.364.556	3.789.189	3.927.385	6.620.872
Shares of the Federal Ministry of Culture and Sports Federation in the total budget (%)	0,84	0,98	0,42	0,45	0,83
Public expenditure on culture <i>per capita</i> , Federation BiH	3,32	4,47	1,63	1,69	2,85
Ministry of Culture and Education of the Republic of Srpska	3.872.575	5.002.122	7.908.062	5.948.849	6.200.000
The share of the Ministry of Education and Culture of the total budget of RS (%)	0,73	0,77	Np.	0,82	0,95
Public expenditure on culture <i>per capita</i> Republic of Srpska	2,77	3,57	5,65	4,25	4,43
Public expenditure on culture <i>per capita</i> *	3,53	4,56	3,57	3,07	3,87
The share of expenditures for the visual arts in the total expenditure for culture% (FBiH)	Na.	0,72	1,75	3,18	2,71

Source: Review of expenditure of funds transfers 2007, 2008, 2009, 2010 and 2011. Federal Ministry of Culture and Sports Federation BiH Budget for 2007-2011. <http://www.fbihvlada.gov.ba/bosanski/budzet/2011/bos/Bos1.pdf>; Budget of the Republic of Srpska, 2007-2011. <http://www.vladars.net/sr-SP-Cyrl/Vlada/Aktivnosti/Budzet/Pages/Splash.aspx>
* total expenditures for culture per capita funding that is allocated through the Federal Ministry of Civil Affairs, the Federal Ministry of Culture and Sports and Ministry of Culture and Education of the Republic of Srpska. Information on funding of culture at the cantonal level are not available.

³⁶See more: <http://romanpetrovic.ulubih.ba>

³⁷Memorial Center Srebrenica - Potočari, the Association of Mothers of Srebrenica and Žepa, Institutet for Missing Persons BiH, the Youth Initiative for Human Rights, YIHR / Fama, Cinema for Peace Foundation, a Video archive of Genocide, Genocide Film Library BiH and photographer Samarah.

³⁸See more: www.bportal.ba, *U Sarajevu otvorena galerija 11/07/95*, 12.07.2012.

³⁹See more: <http://ebrcko.net/o-brckom/ustanove-iz-oblasti-kulture.html>

in the entity of the Republic of Srpska, the dominant sector is the institutional culture, while civil initiatives, alternative scenes and other non-institutional actors, although in small numbers, are placed in the field of experiment, innovation and new creative expression.

An additional source of financing of culture at the entity level in Bosnia and Herzegovina are the revenues from the state lottery, which represent a contemporary instrument for financing of cultural needs, as opposed to all the shortcomings exposed in terms of implementation of cultural policy in BiH. Every year 10% of BiH Lottery turnover is distributed to the programs in the fields of culture and sports, as the absolute values of about 1 million euros for the financing of culture. This instrument of reallocation of funds in financing of culture is applied in the Republic of Srpska, but in much smaller financial scale (about 1-3% of the total budget aimed for culture).

As for the visual arts, their visibility in federal programs is the smallest. Except in cases of support for programs of manifestational character, the majority

of visual arts, especially those identified as part of the contemporary cultural and symbolic production, is marginalized. So, for example, from 96 events in the field of culture of international character financially supported by different levels of government, only few of them cover the visual arts such as the Salon of drawings and graphics. A similar situation exists with the Republic of Srpska in which such treatment have only 6 events in the field of visual arts (mainly art colonies).

As for the cantonal and municipal financing of culture, there are no systematic data on the subject that would provide accurate information about the financial capacity of the Cantons and local governments. At the cantonal level operate cantonal ministries that within their framework besides culture, often cover administrative tasks in the fields of science, education and sports. Thus, within the nine cantons operate the Ministry of Education, Science, Sports and Culture, while only in the Sarajevo Canton of these four portfolios are divided by the Ministry of Culture and Sport and the Ministry of Education and Science. Specifically, Canton Sarajevo

has by far the largest budget for culture in BiH, the most functionally organized systems of management in culture and adequately established legislative framework of cultural activities. At the level of administrative cities, executive and financing activities of culture are carried out in the Departments for General Administration and Social Activities, while at the local level administrative and financial affairs in the field of culture are often performed by Departments for General Affairs and Social Activities. Connection of culture with other departments of municipal affairs, sometimes reflects the status that culture has in some municipalities, and municipal awareness of its developmental potential. So, for example, municipalities that treat culture as a development factor of the local community, link the sector of culture together with the economy and development (e.g. Tuzla), while the municipalities that still see culture as a social upgraded system or public service, department of culture associate with general administrative activities (e.g. Eastern Sarajevo). It is quite certain that there are subtle differences in financing of Culture in

both the cantonal, and local level; at the cantonal level investments in culture funds are often very small, and almost all of the obligations in terms of financing of culture take the municipalities. Although this principle in administrative terms is considered as favorable circumstance in which decisions about the culture are going according the "bottom-up" principle and thus are largely adapted to the needs of local populations, in the economically underdeveloped areas it carries out with it the danger that certain communities can not answer with their financial capacities to the cultural needs of the local population. In such circumstances, transfers are necessary from higher levels of government, especially towards those communities that are less economically developed, so that the average availability of cultural needs would be secured. Actual system of distribution of financial resources does not recognize systems of unification on the sector principle, except for the explicit transfers to the Brčko District by the Ministry of Education and Culture of the Republic of Srpska and periodic transfers from the entity level of jurisdiction to local governments and events held in their territory. So, for

⁴⁰See more: <http://www.ggbihac.ba/>

⁴¹Krajičnik, N, "Usvojena inicijativa Galerije Likum '76", 15.11.2011, http://www.visoko.co.ba/index.php?option=com_content&id=3693:usvojena-inicijativa-qgalerije-likum-76q&Itemid=12, accessed on 12.07.2012.

⁴²Program activities of the "Udas" association have a goal to improve the quality of life persons with amputating limbs, mine victims and their complete integration in the community. In accordance with the abovementioned, Organization carries out the program activities through several fields.

⁴³See more: <http://www.udas.rs.ba/umjetnick-galerija-udas/>

example, the cantons participate in the financing of culture in the range of 1.5 to 3% of the total cantonal public spending, which is in absolute values approximately 150.000-250.000 euros annually. On the other hand, the total participation of all the cantons in financing of culture amounts to about 4.5% in comparison with the municipalities which account for about 70% of total public expenditure for culture at all levels. Such an approach in the future may deepen inequality in terms of the average level of cultural offerings that can stand on available local population in all municipalities. Among municipalities there is a difference in terms of financial resources, which are redistributed for the development of the cultural system, and so we can recognize different types of municipalities: municipalities with low financial capacity that redirect up to 200.000 euros per year in the cultural sector (e.g. Eastern Ilidža), municipalities with high financial capacity to redirect around 200.000-400.000 euros per year in the cultural sector (eg, Eastern Sarajevo, Travnik, Visoko), municipalities with large financial capacity to redirect more than 600.000 euros per year in the cultural sector (e.g. Tuzla, Bihać, Sarajevo Center, Old city, Banja Luka, Prijedor, Bijeljina).

From the perspective of cultural policies, the position of Visual Arts in financing of culture in BiH is not entirely based on clear criteria, so it is difficult to say what are the achievements and outcomes of the funding system in this area. Apart from the manifestations in the field of visual arts, events of international importance for the Federation, and for the Republic of Srpska, which ensure continued financial support, it may be said that other instruments of cultural policy in this area, are not sufficiently profiled or exploited. So, for example, purchase of works of art as a mode of the art market stimulation does not have continuity⁵⁶, while support for the promotion and increased visibility of contemporary visual arts scene occurs sporadically, and without a clear system approach. This is evident from the fact that funds for visual arts do not exceed more than 1.5 to 3% of the total budget, allocated to the entity level. It should be noted, that it is often difficult to get a clear amount of these funds, because it is a program that may be component of other art forms as its accompanying program.

5. Professional standards and status of artists

In the system of higher art education in Bosnia and Herzegovina traditional visual arts can be studied at the Academy of Fine Arts. Until the outbreak of the war in 1992, there was one art academy of its kind in BiH, the Academy of Fine Arts in Sarajevo. It was the first public higher educational institution in the field of visual arts in BiH. Academy in Sarajevo is a member of the University of Sarajevo, which has from its founding in the 1972, established its main tasks - organization and execution of Studies, scientific and highly artistic and creative work covering a wide scale of visual arts. Later, in mid 1990s, two new Academies of Fine Arts in public universities in BiH were established, both based in smaller cities in Herzegovina, and not in the centers of the universities themselves. So, in 1995 the Academy of Fine Arts began the work in Trebinje, as part of the University of East Sarajevo, and a year later, in 1996 was established the Academy of Fine Arts in Široki Brijeg, member of the University of Mostar. In Banja Luka in 1998. Academy of Art was founded at the University of Banja Luka. This institution of higher

education consists of Fine Arts, Music and Drama Departments, with different study groups and programs that can be studied within them.

On all four mentioned academies, visual arts are studied mainly with traditional and conventional approach within three basic art studio programs - painting, sculpture and graphics. In addition to the abovementioned, at the Sarajevo Academy are notable Departments of Graphic and Product Design. On this oldest art academy in BiH, as well as at the Academy of Trebinje is possible to study on the so-called Educational Department. Fine Arts are studied at the University, "Džemal Bijedić" in Mostar, but on the Teaching Faculty, then only with pedagogical outcome, becoming a professor of Fine Arts. So it is interesting to note that only in the field of visual art system of public higher education in the two aforementioned examples is dislocated from the center of the university and located in smaller communities with a certain tradition in fine arts and poorly developed university network and the system of the art market, which has certainly a

⁴⁴See more: <http://pocitelj.ulubih.ba>

⁴⁵See more: <http://galerijaportreta.ba>

⁴⁶The Collection of contemporary portraits of the 19th and 20th centuries, a Collection of drawings, watercolors, tempera and oil by Ismet Mujezinović, a Collection of drawings, prints and oil by Adela Behr Vukić, Haim Džejms Pinto Legacy Collection, an International Collection of portraits - drawings and prints, a Collection of contemporary BiH art, Collection of artists from Tuzla and Collection of School in Kassel.

⁴⁷Quadrennial of contemporary portraits, Salon 13, Salon 2x13 Tuzla, Interbifep, Gallery Club, International Studio "Ismet Mujezinović", retrospectives of the artists from Tuzla and Tuzla Days of Murals.

⁴⁸See more: <http://galerijaportreta.ba/atelje.htm>

significant impact on specificity of the study and teaching processes in these degree programs.

From the comparative analysis of these study programs it is easy to conclude that their curriculums and syllabuses are almost always uniform. They correspond to the greatest extent to one another in the titles of courses, their presence and their dispersion within the overall curriculum. Classes

are usually designed on classical methods of studying fine arts and classical knowledge gained this way is often difficult to translate into a modern context. In this sense we can also notice the absence of classes that would enable students to more easily cope and behave in the art market. Such courses are not present on the list of the reformed study programs of the first and second cycle, not even as election courses. Unfortunately,

some universities are not using a more developed educational and other infrastructure, formed for the study programs of art production and management in the culture in order to develop cooperation, and provide to the students of visual art this important element in their artistic education.⁵⁷ As possible encouragement can be used the fact that the management in culture in the last few years can be studied within the separate study programs at Universities in Sarajevo, Tuzla, Zenica and Banja Luka. At the Department for Production at the Academy of Drama Arts (theater, film, radio and television) of the University of Tuzla, students while teaching the fourth year of undergraduate studies are required to take the course in visual arts productions (Fine arts and Galleries). A similar impression can be gained with an insight into the network of private universities that are creating higher education of visual arts on modern principles and methods, primarily in the field of design. Speaking of the system of art education in BIH it is hard to avoid art schools of applied arts, primarily ones in Sarajevo and Bihać. Sarajevo

is the oldest art school in Bosnia and one of the oldest of its kind in the region. Since 1945 it has obtained the outlines of an art school of applied arts in its current form, and now it covers six areas: applied art, applied statuary, metal forming, textile design, visual and graphic design and illustration of books and advertising graphics. The idea for the establishment of an institution for the training of personnel in the field of Fine Arts in Bihać dates back to the 1960s. After a series of attempts to implement the idea, finally it happened in 1995 with the School of Applied Arts. Then the first generation of students was enrolled at the Department of Fine Arts Technicians of Applied Arts. In addition to this, in 1999 was founded the Department of Graphic Design. School each year arranges a very important final annual exhibition of students' work, claiming that as far as once was difficult to convince the relevant circles in the justification of a school, this decision is every year confirmed as reasonable, with exhibitions as evidences of that justification. Upon completion of High Schools of applied arts, statistics

Table 4: Educational institutions in the field of art in Bosnia and Herzegovina, 2012.

The name of the higher educational institution	University	Established	Number	Name of study programs
Academy of Fine Arts in Sarajevo	University of Sarajevo	1972.	6	Painting, Graphics, Sculpture, Graphic Design, Product Design, Teaching Department
Academy of Fine Arts in Trebinje	University in Eastern Sarajevo	1995.	5	Sculpture, Graphic Design, Teaching Department
Academy of Fine Arts at Široki Brijeg	University of Mostar	1996.	3	Painting, Graphics, Sculpture
Academy of Arts in Banja Luka	University of Banja Luka	1998.	2	Painting, Graphics, Sculpture
Teaching Faculty	University of Mostar	1950.*	1	Painting, Graphics Fine Arts
Faculty of arts and Social sciences	International University Sarajevo	2004.	1	Visual arts and Communication Design
Academy of Arts	University Slobomir Bijeljina	2005.	2	Design and Graphics, Audio and Visual arts on Cinema and TV

* the year of foundation of former Educational Academy in Mostar

⁴⁹See more: <http://www.artstock.ba/default.wbsp?p=20>

⁵⁰See more: www.artStock.ba

⁵¹Source: Ministry of Civil Affairs, Public Calls 2010, 2011 i 2012. http://www.mcp.gov.ba/konkursi/Archive.aspx?template_id=19&pageIndex=1

⁵²Average annual funding in the period 2007-2011, and calculated values *per capita* values

⁵³Average annual participation in the 2007-2011, *per capita* quantities are calculated at the level of the total BIH population.

show that the majority of students continue their education in the field of fine arts, usually applying at one of Bosnian Academies of Fine Arts, at all art departments.

Due to the complex administrative structure of the country and dispersed system of cultural policy in Bosnia, professional organization of artists are mainly reduced to lower administrative levels at which the current system can exert certain influences and within the framework of which such an organization has a greater meaning. Such a situation is particularly evident in the so-called collective arts that directly depend on the state aid. This is primarily related to the performing arts and numerous associations of Drama Art, and on the network of public cultural institutions as well, that still have a dominant role in the cultural sector in BiH. In this sense, central state associations of artists almost do not exist, or operate with significantly reduced impact and significance. In the visual arts, the situation is slightly different, so that the former Republican Central Association of Fine and Applied Arts, based in Sarajevo,

still has a significant and noticeable role in the system of visual arts in the country, especially in major cities such as Sarajevo, Zenica, Tuzla, Mostar, and substantially in Banja Luka. It is worth noting and recalling that numerous professional associations of artists in social systems more developed than in BiH act alone or in cooperation with other art associations in order to assist artists, to find the best ways to get them closer to the labor market and that same market closer to them, providing them with information about job opportunities, art engagement and trainings, advocating their rights, providing legal assistance and professional, legal, health and social benefits to their members. These organizations aim to negotiate the minimum conditions of employment for their members in the creative industries, as well as ensuring compliance with the conditions of social and economic changes in society. These and such objectives are often verbally articulated in programs and statutes of most Bosnian artistic associations, but the question remains how they can be implemented in a disjointed decision-making system and decentralized model of the cultural policy in BiH.

In Bosnia today exists several

associations of artists, in different forms and at different levels and completely uncoordinated. Although, when registering most of them often cite goals that should affirm specific art activity and work on the development and advancement of individual artistic profession and the conditions of contemporary art production, the analysis shows that they are often set up to create a new production frameworks and forms which will enable a possibility to produce and realize non-institutional art projects, often commercial in nature. And again, in the realization of such projects are often invited to take part just artists employed by public institutions or the school system.

Within the analysis of the art market special attention certainly deserve two oldest and most important professional associations of artists in BiH, both located in Sarajevo. Association of Artists of then Socialist Republic of Bosnia and Herzegovina was founded in 1947, on the initiative and efforts of the well-known and recognized artists of Bosnia and Herzegovina. Famous painter Roman Petrović was elected as

the first President of the Association (after whom was named the prominent Gallery of the Association in Sarajevo). The Association of Artists in BiH today is a nongovernmental organization and professional association whose members are professional artists of Bosnia and Herzegovina. The task of the Association is based on the provisions of the Articles of Association to assist its members to resolve their status, existential and social needs and participation in the creation and the overall artistic, cultural and public life of Bosnia and Herzegovina. Members of ULUBIH are artists from all artistic fields, professors and lecturers at the Art Academy in Sarajevo, Široki Brijeg and Banja Luka, as well as at art schools in the country and abroad. The procedure for the election of the president, members of the management and supervisory boards, Arts Council, Board of the International Art Colony Počitelj and Court of Honor, and the system of proposals and voting is conducted by the Assembly, consisted of all members of the Association. Since the founding until today this association and its members participated in all major art festivals in BiH and abroad.

⁵⁴The amount represents the average annual funds allocated for the period 2007-2011.

⁵⁵The amount represents the average annual funds allocated for the period 2007-2011.

Besides the Secretary of the Association and one technical person, no member of administration or management bodies of Association for their work receives any compensation⁵⁸.

The Association of Artists of Applied Arts of Bosnia and Herzegovina (ULUPUBIH) since its establishment in 1965 has gathered and promoted the most creative and successful artists in the field of graphic and product design, art photography, art direction, costume design, art metalwork, textiles and other materials, ceramics, interior design, architecture, illustrations and cartoons. The internal structure of the specific areas has changed over the time, reflecting social, cultural, technological, economic and other changes of art in shaping of the modern society. Several socio-economic parameters were crucial to the structure of the Association and the different dynamics of various fields of design. Number of designers was not enough to form special associations, for instance for art direction, costume design, photography, and so in the association were placed art disciplines that are not primarily from the design field. It turned out that such a concept can function quite well in the present moment, when the

authors also creatively intervene in many materials, media and design fields. Some of these areas have progressed quickly and successfully participate in contemporary trends. First of all graphic design, with the widest horizon and scope, in particular through design in a function of cultural events and artistic trends. Autonomy and the independence of Bosnia and Herzegovina have been reflected in the art of design strongly. During the war (1992-1995), Association was working as a professional organization, but its members were extremely creatively engaged and present. After the war, in the middle of 1996, this association has renewed its work. The need for continuity in the conditions of post-war confusion demanded the restoration of the old name - ULUPUBIH. International design organizations have recognized this continuity, and gave impetus to the development of art design in Bosnia and Herzegovina.

ULUPUBIH today participates in the preparation of laws and other regulations in the visual arts of Applied Arts, organizes concerts, exhibitions and other programs of applied art and design in the country and abroad (Collegium artisticum,

Month of Photography in Ljubljana, Icoagrada, Icsid Design Week ...), organizes publishing, educational, exhibition and service activities; encourages international art action in the country and the presence of its members abroad; presents awards as an incentive for fine arts and public affirmation of works of applied art, and collects and systematizes information about the art achievements of its members. Thus, this association organizes each year the annual exhibition "Collegium Artisticum" and since its beginning, in the 1960s promotes the works of its members. In this sense, from every field are awarded prizes and most successful works of its members and *Grand Prix* of the Association is presented to one work from all sections. ULUPUBIH members are professors at the High School of Arts, Art Academies, Faculty of Architecture in Sarajevo and in other educational institutions with design in their curriculums and programs, and many of them teach at universities in the world. It is interesting that younger artists of applied arts and designers of the new generation now form the essence of the program, assuming the functions and duties in the Association. Association as part of its publishing activities issued

a monograph "Design in Bosnia and Herzegovina", a publishing project that is very interesting from the point of view of Bosnian art history⁵⁹.

Association of Artists in the Federation exists in those cantonal levels in which there is larger number of artists and tradition in fine arts (e.g. Association of Artists of Una-Sana Canton, Tuzla, Zenica-Doboj Canton, ...). In the Republic of Srpska act professional associations of music, drama, multimedia artists and entertainers, but there is no information about the Association of Artists at the entity level, at least not about the Association that is active and present in public. In certain municipalities in BIH also operate local associations of artists (Bihać, Visoko ...).

Regarding the financial situation of the above-mentioned associations, it is illustrative to mention the fact that the Federal Ministry of Culture and Sports in 2010 had separated about four million BAM for the financing of cultural and sports events, of which only 2.500 euros were aimed for fine arts through the work of the Association.⁶⁰

⁵⁶Purchase was implemented only in 2008 with total assets of 68.000 euros

⁵⁷At the Faculty of Fine Arts at the University of Montenegro in Cetinje, students of all academic programs at the undergraduate level as a mandatory course have *Portfolio* in which they gain knowledge about the promotion and presentation of their own work of art. At the master's level is studied *Management in Culture*, as a mandatory two-semester course in order to introduce students to the principles and specifics of the art market and the behavior of the artist in this framework.

5.1. Participation in culture

So far in BIH have not been conducted systematic researches on cultural needs and habits of the citizens, and the levels of participation in culture and cultural needs of the citizens, and their views on this issue, can not offer complete conclusions. Some empirical studies show that the majority of citizens of Bosnia and Herzegovina (82%) their free time mostly spend with the family and friends, indicating as dominant informal channels of cultural dissemination and confirming values, while on the other side it is important to note the lack of cultural habits in the segment of the institutional culture. At the bottom of the list of their interests in the sphere of institutional culture

are visits to theaters and visual arts facilities, which 70% of citizens does not visit during the year, while the most popular activities are visits to the cinema, and at least once a month 16% of citizens go the cinemas⁶¹. From the perspective of the official statistics, about 5.5% of the population visited the Gallery and the contemporary visual art event at least once a year, which indicates that it is the least popular cultural activity. In a broader sense (including museums exhibition activity), this fraction reaches value of 7,5%.

Trend of consumption and participation in various segments of the population for the most part of culture is influenced by

the distribution and availability of these products to the end user (e.g. extensive network of galleries), efficient techniques and animation programs, although a significant factor is found in the economic nature (price of an artwork). Factor of economic strength has significantly smaller impact in the field of visual arts, where in BIH (as in most countries in the region) programs are free to the public. Therefore, special attention is drawn to a very low interest in the visual arts program, whose causes must be sought in a very poor animation techniques, as well as the inner circle of the audience that is created around the program of this kind. From the perspective of the official data on attendance of visual arts programs, the results are

also interesting and also confirmed that attendance is significantly lower than it was assessed empirically, although we should bear in mind a number of visual programs that take place in cultural centers, which are not covered by this form of statistical reports. So, for example, in population of 1.000, 43 visited annually visual programs in the galleries, which makes an average of about 620 visitors per program during the year (Review 1).

On the other hand, economic power has the most important role in the determination of the volume of artworks purchases. According to the latest available data, the average expenditure for culture and leisure *per capita* on an annual basis was

Table 5: Attendance of cultural programs in BIH, 2006-2010.

	Theaters and performing arts	Libraries (public)*	Galleries and visual arts**	Cinemas
2006.	213.000	302.163	127.114	346.000
2007.	217.000	335.433	131.091	163.000
2008.	219.000	415.477	107.956	154.000
2009.	186.000	410.988	140.005	325.000
2010.	183.000	406.598	115.178	437.000

Source: *Kultura i umetnost* (2010), The Agency for Statistics of Bosnia and Herzegovina (BHAS); *Statistical Yearbook BH* (2011) The Federal Bureau of Statistics
*number of users **only Federation BIH

Review 1: Average attendance of gallery programs, 2006-2010.*
Attendance per program



*only Federation BIH

⁵⁸See more: www.ulubih.ba (accessed n 03.08.2012)

⁵⁹See more: www.ulupubih.com.ba (accessed on 03.08.2012)

⁶⁰Lingo, M. (2011) *Za likovnu umjetnost samo 5.000 maraka*, Dnevni avaz, Sarajevo, 1.2.2011.

in 2009. around 153 euros, and in recent years it has also grown at an average annual rate of 4.8%. For example, in 2004 average expenditure on culture *per capita* in BiH amounted to about 132 euros per year, while in 2009, this amount increased to 158 euros. In contrast to this slight increase, unsustainable market for culture in general is still evident, and especially for the Visual Arts, and potential trades possible on the market.

Expenditures for cultural purposes, on average, account for about 4.8% of the total expenditures of households, with the obvious difference in the consumption of

the population in rural and urban areas. Particularly worrisome is the position of the most vulnerable groups of the population who have limited economic capacity to meet their cultural needs (expenses for these purposes amounted to about 3.5 euros per month for households living in urban areas, and about 1.68 euros per month for members of households in rural areas), and in the subsequent period, particular attention should be paid to issues of inclusion in the cultural life of marginalized social groups.⁶² Longitudinal section of the level of spending on culture in BiH shows that most people spend in the range of 9.8 to 12 euros per

month for culture, and the results for the Republic of Srpska are for 20% lower, below the average indicators for the Federation, and for the Brčko District even 34% lower than the average for the country. These data correspond to the distribution of the economic power of citizens of Bosnia and Herzegovina, as well as to the tendency of impoverished middle class in BiH. There are differences in terms of expenditures for culture between urban and rural territorial units. So, the population in urban areas spends on average around 13 euros per month, per household member for culture, while the rural population for this purpose takes around 6.3 million euros (about 35% lower energy consumption than the average

BiH). Although this is preliminary data, it shows an apparent decline in household spending in 2011, at the level of the total annual consumption (19%), and at the level of expenditures for culture that is almost halved.

Most of cultural system actors only partially has designed primary contacts with the public (web sites, info portals etc), but the state of cultural expenditure indicates that existing level of communication with the public is not sufficient, and specialized channels of communication that would enable wide availability of information on artworks and art contents are missing, as well as creative ways of reaching out to the audience.

Table 5: Average expenditure in culture in BiH, 2005-2011. (in euros)

	Total year household expenditure (per household)	Cultural expenditure in total household expenditure %	Average year expenditure for culture per household
2005.	9.235	4,75	438
2006.	10.036	4,77	478
2007.	10.763	4,91	527
2008.	11.816	4,98	589
2009.	11.040	4,66	523
2010.	Na.	Na.	Na.
2011.	8.935	2,89	258

Source: calculation based on Household Budget Survey in BiH in 2007 and 2011. (Preliminary data), the Agency for Statistics of Bosnia and Herzegovina (BHAS), Announcement no. 3 of 24.09.2010. (Experimental data), the Agency for Statistics (2005-2009).

Review 2: The share of expenditures for culture, recreation and leisure time in the total expenditure of households in BiH, monthly percentage (%)



Source: Survey of Household Consumption in Bosnia in 2004 and 2007, the Agency for Statistics of Bosnia and Herzegovina (BHAS).

⁶¹Empirical data on the cultural habits and lifestyles of BiH citizens is collected for the survey commissioned as part of the standard set of questions about leisure time of respondents, conducted by the Center for Market Research, GFK, Bosnia and Herzegovina (www.gfk.ba). Given GFK policy that prohibits publishing of this data (GFK letter, 8/17/2012), findings on cultural styles and their interpretations are based on data taken from the article: *How BiH citizens use their free time*, <http://portal.mladi.info/index.php?type=1&s=news&id=1201> (accessed, July 2012). Considering that attitudes and habits of citizens in their free time and culture slowly change, we believe that these studies are relevant regarding the participation in the field of visual arts.

6. Corporate sector and art market

In one of the few analyzes dealing with corporate and individual support for visual arts in BiH, it is concluded that entrepreneurs and business people, due to the economic crisis, are less sensitive to the culture and needs of artists in their creative process. In a brief introduction, this analysis offers a review of the historical background of a system support provided for arts by individuals and organizations, noting that in Bosnia and Herzegovina there are individuals in different historical periods who wanted to preserve its culture and art, and their names are without doubt an integral part of the country's cultural history. In this sense, the author emphasizes the character and work of publicist Zulfirkarpašić as one of the most famous contemporary art patrons in BiH. In fact, after his death, Institute founded by Zulfirkarpašić remained a gathering place for Bosnian artists and the space in which every day, in addition to exhibitions, hosts round tables, promotions, concerts and other forms of art diffusion.⁶³

Despite these and such examples, BiH culture and contemporary art production continued to report daily losses, reflected

in the total absence of the system support, closure of cultural institutions and shutdown of manifestations due to the lack of funding. The economic crisis is first reflected precisely in the arts and cultural sector. Reduced public budgets affect decreasing number of people who directly or indirectly support the arts and creativity. As one of the few businesses that BiH artists mentioned in this study as someone who is financially supporting the arts, is the construction company from Gračanica, near Tuzla. Although its owner is a great admirer of the works by Safet Zec and Mersad Berber, the company has once acquired artworks by many other Bosnian artists.⁶⁴

Even the daily newspaper **Glas Srpske** from Banja Lika tried to investigate the state of the art market in BiH⁶⁵. The article notes that in the time before and after the economic crisis that hit the global economy in 2008, more and more experts advised long term investment in valuable works of art as worth-while. Although in the world, not only collectors but all those who can afford it, buy valuable works of art, in BiH are still rare individuals who would separate a lot of money for a valuable

painting or object that has artistic value. Better acquainted with the situation in the local art market, argue that in BiH there is practically no market of valuable works of art that could be remotely in the level of world standards. However, although the number of those who have the opportunity to buy some valuable art objects is negligible, collectors and those who see art as a good investment in times of crisis there are still in Bosnia, as well as works of art worthy of investment. Curator of the Museum of Contemporary Art of Republic of Srpska Ljiljana Perduv-Misirlić believes that in BiH circumstances, price of an artwork is formed by an artist, on one side and curator on the other side. She says that the most important thing for the Museum of Contemporary Art of the Republic of Srpska is to have no contact with the works without any artistic merits, and certainly not with the works of dubious provenance. In the exhibition halls of this public cultural institution founded by the Republic of Srpska, citizens use to bring art works from private reasons, choosing to waive their family's treasure. Perduv-Misirlić emphasizes that works of art for commission sales must be of approved

aesthetic value and provenance. According to the indicators of this museum, art buyers are mostly coming from the "middle class." Economic crisis in BiH undoubtedly affects the purchasing power of those who want to buy art.

Thus, the most expensive painting to be bought in the showroom of the Museum of Contemporary Art in Banja Luka, oil on canvas by Mihajlo Nikolić, costs around 2.250 euros, but, curator Perduv-Misirlić points out that despite its relatively low price, there are only few of those who have the money to purchase this artwork.⁶⁶

In the larger BiH centers, primarily in Sarajevo, in recent years, there is an interesting phenomenon that some larger companies in their premises open gallery spaces allowing the artists, mostly younger ones, to exhibit their works of art. In this sense, "Raiffeisen Gallery" in Sarajevo, on the art market of Bosnia and Herzegovina certainly presents specific merger of art and BiH banking. This unique project was implemented in cooperation with the Academy of Fine Arts in Sarajevo,

⁶²Data and trends regarding the movement of household consumption were analyzed on the basis of data on consumer spending presented in the Survey on consumption of BiH population in 2004, the Ministry of Civil Affairs (2008) Strategy of Cultural Policy of Bosnia and Herzegovina, the Ministry of Civil Affairs, Sarajevo - Statistical annex.

the oldest educational institution of its kind in Bosnia and Herzegovina. Memorandum of Cooperation was signed in late 2009. The Academy of Fine Arts in Sarajevo and named Bank have agreed to help each other in order to promote and strengthen arts and to affirm the best students of Fine Arts. The basic idea of the project was to provide opportunities for young and emerging artists to present their work to the public. On the Bank's official website, project is presented in the following way: "In spite of all the difficulties facing the institutions and culture projects over the years, the role of culture in the survival and life of the city of Sarajevo and its citizens, is inseparable from the desire of the city to be in touch and in context of the contemporary cultural realities." For this reason, it is further stated that the bank wants to support projects in culture, and thus contribute to the cultural reality where" artists would not feel alone."⁶⁷

This kind of cooperation of one BIH Arts Academy and one of the leading banks on the market of Bosnia and Herzegovina implies presentation

of the most successful students of Academy in the newly formed Gallery, on one hand, and annual awards of the Academy's most successful students with money rewards, on the other hand. So financial support was provided in the amount of 500 euros for the top five students in 2009. and six best students from the Academy in 2010. Award-winning students were from all departments and programs: graphic design, applied art, graphics, education department, painting, product design and sculpture. Students who exhibit their work in the Raiffeisen Gallery space are directly elected as teaching professors of the Academy of Fine Arts in Sarajevo. By mid 2012. in the Gallery was presented over 20 students in group, and three in individual exhibitions. First exhibition was part of a group exhibition of student works presented for the Day of the Academy in 2009. It was followed by exhibitions of prints, posters, sculptures, and a new group exhibition of students. Raiffeisen Gallery in Sarajevo has a selling character as well.

Definitely worth mentioning is ASA ars art gallery on the premises and

owned by the ASA Group. Unlike the aforementioned sales gallery that was created as a collaborative effort between an art academy and the bank, in this space the opportunity to exhibit is given to the established authors as well. ASA Art Gallery is part of the social responsibility program of the ASA Group and operates under the program *Good Neighbor*. The program gives priority to young and ambitious professionals whose ideas and visions ASA Group strives to support. With the foundation of ASA art galleries, the company ASA has opened its doors to young and emerging artists from BIH. The goal is to provide them with an opportunity to present their work to the general public through exhibitions. The gallery is positioned in the lighted and busy part of the administration building and provides an opportunity for artists to once again play with the sunlight and space. In addition, the gallery is the perfect place to organize informational and educational meetings and workshops. ASA lends the space of art galleries to artists for free, and in addition they are often supported by the company, with printing costs for catalogs, invitations, posters, and other

material necessary for the organization of the exhibition. What the company expects from an artist, is that the artist leave to the gallery a work of art of its own choice. In this way, they try to establish their own art collection, and to be able one day to organize an auction of art works, which would collect funds for the Hastor Foundation.⁶⁸

A similar case presents the social responsibility policy of one of the largest BIH companies Aluminium from Mostar, that invests significant resources in upgrading of the cultural and artistic life of Mostar, but also in the broader area as well, thereby supporting the visual, music, theater and other artists. The company also owns two spaces arranged and adapted for such purposes, Gallery and Club. Gallery "Aluminum" presents highly equipped and impeccably designed art space in the cultural center of Herzegovina, which combines traditional and new. It is a remarkably well designed gallery, adjusted for all possible exhibitions of painting, drawing, graphics and sculpture. So far significant sculptors, painters and graphic artists were presented, along with a large number of

⁶³Redžepagić, A. (2011) *Sve manje bogatih pokrovitelja umjetnosti*, Dnevni avaz (Kultura), Sarajevo, <http://www.dnevniavaz.ba/lifestyle/kultura/39681-sve-manje-bogatih-pokrovitelja-umjetnosti.html> (accessed on 11.06.2012)

⁶⁴*Ibidem* <http://www.dnevniavaz.ba/lifestyle/kultura/39681-sve-manje-bogatih-pokrovitelja-umjetnosti.html> (access, 11.06.2012)

⁶⁵Jokić, S. (2012) *Platna u boji najbolja investicija*, Glas Srpske, Banja Luka, 30.1.2012.

7. Developmental implications of the current cultural policy in the sphere of the art market

visitors and significant media attention. It is certainly very important to mention that, by buying certain number of works of art, after each show, this company is one of few in BIH that has managed to create its own art collection by authors from Bosnia and Herzegovina and European countries. Gallery "Aluminum" cooperates with the Franciscan gallery in Široki Brijeg and with the Academy of Fine Arts at the University of Mostar.⁶⁹

The main strengths of the art scene and market in BIH:

- Existing art infrastructure (network of cultural institutions - galleries and museums, the educational system of visual arts, art studios' network and significant number of multi-functional spaces);
- Employees of cultural institutions, primarily in the existing network of museums and galleries, with significant professional training and experience;
- Significant number of well known and emerging young artists active in the creative sector, with or without formal training in the field of fine arts;
- Large number of higher education institutions with Fine Arts study programs, in all parts of the country;
- Significant concentrations of relevant actors in the civil sector who actively participate in the creation of cultural and art offer of BIH;
- Rich collection of accumulated cultural assets from the previous periods, in and out of institutions that could improve the overall art and cultural offer of Bosnia and Herzegovina;

- Established democratic forms of financing of the culture, that may be challenged in the future, improved and upgraded in order to meet more efficiently the needs of the cultural system of BIH;

The main weaknesses and threats:

- Significantly reduced level of competence of professional bodies and departments for culture in dispersed cultural and political system of the country;
- Insufficient capacity (human, organizational, and financial) to perform administrative tasks in the culture at all levels of management in culture;
- Lack of sustainable funding system over the long period for a large number of actors on the art market, insufficient involvement of relevant actors in the cultural use of the financial potentials of economics for cultural purposes;
- Absence of the umbrella law on museum and gallery activities, with a few uneven and mismatched legislations at the entity and cantonal levels;

- Lack of a single national body for culture for the implementation of international standards and norms, lack of a unique address to apply for European and global funds and international cultural and art programs;
- Elemental management of cultural policy in certain areas, the lack of researches in the domain of cultural practice, which prevents the conduct of cultural policy based on facts;
- Generally written strategy of cultural policy in BIH; absence of instruments for the application of the Strategy and the Action Plan;
- Lack of effective planning approach at the level of government, the public, civil society and the private sector on the basis of which would be established in the long term stable relations and opened up possibilities for long-term planning and development of specific programs and events;
- Low level networking of cultural institutions at the local, regional, and international level entity, the lack of cooperation between the public, civil society and the private

⁶⁶Statements taken from: Jokić, S. (2012) *Platna u boji najbolja investicija*, Glas Srpske, Banja Luka, 30.1.2012. <http://www.glassrpske.com/plus/teme/Platna-u-boji-najbolja-investicija/lat/69581.html>, (accessed on 11.06.2012)

⁶⁷www.raiffeisenbank.ba/bhs/menu/view/408 acces on 24.07.2012

⁶⁸Consultations with Zukić, M. in charge for coporative communications, ASA Group, Sarajevo, www.asa.ba (July, 2012)

⁶⁹See more: www.aluminij.ba/node/45/Aluminij (access 03.08.2012.)

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WEBOGRAPHY

Zakonu o izvršnoj vlasti Brčko distriktu BiH ("Službeni glasnik Brčko distrikta BiH", broj: 2/00, 9/01, 12/01, 16/01, 17/02, 8/03, 14/03, 31/04 i 40/05)
Pravilnik o uslovima za osnivanje i početak obavljanja djelatnosti muzeja i galerija ("Sl. list RBiH", br. 2/94)

Agencija za statistiku Bosne i Hercegovine <http://www.bhas.ba>
ASA Group, www.asa.ba
Federalni zavod za statistiku <http://www.fzs.ba>
GFK www.gfk.ba
Ministarstvo civilnih poslova Bosne i Hercegovine <http://www.mcp.gov.ba>
Ministarstvo prosvete i sporta Federacije Bosne i Hercegovine www.fmksa.com
Ministarstvo prosvete i kulture Republike Srpske <http://www.vladars.net>
Republički zavod za statistiku Republike Srpske <http://www.rzs.rs.ba>
Vlada Federacije Bosne i Hercegovine <http://www.fbihvlada.gov.ba>
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Međunarodna umetnička kolonija Počinitelj <http://pocitelj.ulubih.ba>
Projekat artStock.ba www.artStock.ba
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SUMMARY:

It is questionable if arts market in Croatia can be called the real market since most of transactions are made in the so called grey zone. Cultural policy does not have clear guidelines in this field which is also reflected in the bad legal harmonization. Although public financing is provided from the national but also regional and local level, awarded funds are not sufficient. Stronger initiatives in the private sector are also lacking as well as the system of auction houses. Education in this field is rather good but lacks entrepreneurial aspects. The greatest number of institutional infrastructure is in the capital city of Zagreb and so is the great share of public finances. This is reflected in the strong centralization of the visual arts sector. Opportunities offered by the EU accession are not related only to the greater finances but, parallel to the clear national policy, to the possibilities of the sector restructuring.

Keywords: arts market, cultural policy, visual arts, fine arts, freelance artist, art gallery, visual art institutions, independent art scene, cultural entrepreneurship, visual arts education

Introduction

*Artists in Croatia find it very hard to play the game without the rules. This is the reason why only a small number of them can live from their art work.*¹

The meaning, position, relevance and role of arts market in Croatia are very ambiguous concepts; research into the topic is repeatedly confronted with the question if there is an actual arts market, how does it function, what are the rules of that market, how detached or attached it is to the complete arts scene in the country, how does it reflect the trends and dynamics of the arts in Croatia, what are the key parts of the arts market infrastructure. Attempts to answer these questions were hindered by the chronic lack of data on market movements in the arts (generally, arts and culture are one of the areas marginal to the national statistical categories or are introduced as a novelty, an exception rather than a rule). In such circumstances, research had to be based on the attainable sources and selected parts of Croatian cultural infrastructure that can be defined as important actors of the arts market cycle: public visual arts institutions, independent arts organizations

specialized in visual arts, private sector art galleries and individual artists.

Although the situation surrounding arts market in Croatia has somewhat improved during the last ten years, it is still far from the framework in which Western Europe's gallery sector and visual artists work. In the words of Tihomir Milovac, the curator of the Museum of Contemporary Arts in Zagreb, "in the Central and Eastern European countries (the EU members), the situation is not much better than in Croatia, but there is the greater impact of the market which influences the development of private galleries, private foundations and collections". On the other hand, public visual arts sector in Croatia has been trying to achieve more important position in the region; namely, with the opening of the greatest public investment in culture since the national independence, the Museum of Contemporary Art, Zagreb has reached the status of the regional visual arts center. Public non-profit sector fulfills its mission quite well with numerous museum and gallery institutions systematically working on presenting visual artists and

artwork. Still, studies like "Zagreb as a Cultural Product" show that the level of perception in the international arena is not proportional to full potentials Croatian visual arts scene has. Private initiatives, which could put the country on the international arts market, are scarce while the public cultural sector has little if any regard for developing its influence in the arts market system. Based on negative experiences with commercial effects greatly influencing quality of museums' and galleries' policies, Western European public visual arts scene, museums, non-profit galleries and alike, make an effort to place market authority over their planning and programming within limitations. But in Croatia, due to weak economic power and general lack of art buyers, lack of private initiatives for commercial galleries openings and due to traditional practice of buying art directly from artists, a stronger arts market is yet to be established.

¹From the interview with Vanja Žanko, Chief Curator in LAUBA. Interview available at <http://pogledaj.to/art/danas-je-nemoguće-zivjeti-kao-umjetnik-genij-izoliran-od-svijeta-i-baviti-se-uspit-artom/>, accessed on 20.05.2012.

²<http://www.culturalpolicies.net/web/croatia.php?aid=21>, accessed on 08.05.2012.

1. Cultural policy and arts market development

The general objectives of the national policy include the pursuance of values such as: cultural pluralism (aesthetic and multiethnic), creative autonomy, the increase and diversification of sources for financing culture, polycentric cultural development, encouraging cultural participation as a new quality of life and co-operation between the public and the private sector to increase efficiency, quality, employment and innovation.² The most important priorities of the cultural policy, introduced at the beginning of 2000 were, among others: building up the functions, work methods and public respect for the new Culture Councils; creating mixed funds for cultural investment; renewing and readapting the cultural infrastructure; finalizing a complete registry of cultural monuments; and furthering the use of information technology in culture.

The vision of the Strategic Plan of the Ministry of Culture for the period of 2011-2013³ is creating a society in which the freedom of cultural and artistic expression and media, along with the protection of cultural heritage are the foundations of preservation and development of cultural and national identity in the community of European countries and European Union.

The best indication of cultural policy inclusion and treatment of arts market is the fact that arts market, as syntagma, cannot be found in any of the official cultural policy documents, starting from the Council of Europe's "National Report on Cultural Policy of the Republic of Croatia" (Ministry of Culture of the Republic of Croatia, 1998), national strategic document from 2001, "Croatia in the 21st century: Strategy of Cultural Development" (Ministry of Culture of the Republic of Croatia, 2001) through to the most recent "Strategic Plan 2012-2014". Subsequently, there are no specific instruments of the cultural policy that can directly be linked with the arts market. The policy instruments are developed for those areas that policy addresses, regulates or are within the remit of policy strategic planning. None of this applies in the case of arts market. Still, although cultural policy decision-making processes do not intently include arts market, the implementation of policy (namely, legislative framework for the field of culture) in various areas can have direct effects on the arts market. Some of those areas are legislation on the status of freelance artists, act on museums, tax exemptions on purchase of the artwork, regulation on the distribution of public budget funds etc.

1.1. Cultural policy and visual arts

"National Report on Cultural Policy of the Republic of Croatia" from 1998 brings the key question of visual arts treatment in the cultural policy which is the issue of making a distinction between basic definitions of the field in the applicable legislation. To be precise, *Law on the Rights of Freelance Artists and Encouraging Cultural Creativity* (NN 43/96) does not introduce widely used concept of *visual arts*, which covers unmentioned areas of visual expressions and leaves possibilities to include new directions of visual creativity. Rather, the document uses the term *fine arts* despite the fact that *visual arts* encompasses all those forms of artistic expression that were created on the technology developments of our time (e.g. photography, animation, video-art, internet and digital art, integrated media, multimedia etc.) and which are common artistic tools, especially with the younger generation artists. On the other hand, *fine arts* connotes paintings, graphics and sculpting. Another problem arises from insufficiently accurate definition of *applied arts* - the term is explained differently in the *Law on the Rights of Freelance Artists and Encouraging Cultural Creativity* to how it

is operationally implied and used by the Croatian Freelance Artists' Association, an organisation that encourages and promotes creative work and public activity in culture and the arts (Council of Europe, 1998: 128). It represents freelance artists' common interests, so as to help them achieve their goals and to protect their rights. A freelance artist becomes a member of the Association on the basis of his/her creative work and can apply to have his/her contributions paid from the national budget, as long as he/she meets the criteria laid down in the Regulations about the procedures and conditions for the recognition of the rights of artists to have their retirement, disability and medical insurance paid out of the national budget of the Republic of Croatia⁴. Ergo, alignment of terms, definitions and interpretations between Law brought by the state and Regulations brought by the professional association that conducts the Law's implications, is crucial. Still, this has yet to happen - the Law has not been amended since 1996. However, Regulation about the procedures and conditions for the recognition of the rights of artists to have their retirement, disability and medical insurance paid out of the national budget

³<http://www.minkulture.hr/userdocimages/NAJNOVIJE%20NOVOSTI/Strateski%20plan%20Ministarstva%20kulture%202012%20-2014%20%20-%20revidiran%20za%20web%2016042012.pdf>, accessed on 12. 05.2012.

⁴<http://www.culturalpolicies.net/web/croatia.php?aid=514&cid=1110&lid=en&curl=531>, accessed on 20.05.2012.

⁵<http://www.culturalpolicies.net/web/croatia.php?aid=623>, accessed on 15.05.2012.

1.2. Cultural policy in practice: Visual arts funding models

of the Republic of Croatia (NN 119/04) does include multimedia in the same category as *fine arts* thus opening more possibilities for *visual arts* to eventually replace outmoded concepts and terms. The confusion and inconsistency in the usage and application of basic terms is spread wideover – from policy and legislation to education. It is a task for Ministry of Culture to resolve, after over 20 years of an unchanged position while the circumstances have tremendously transformed.

One of the two main objectives of the “Croatian Ministry of Culture’s Strategic Plan 2012-2014” is “protecting and preserving cultural heritage” which is to be realized with the “development of the role of museums and galleries”. Although galleries are initially mentioned, museums are in the focus of this strategic objective. This corresponds to the strategic planning set forth in Ministry of Culture’s “Strategy of Preservation, Protection and Sustainable Economic Development of Cultural Heritage for the Period 2011-2015” where gallery sector is also disclosed as a by-product next to museums (galleries are stated as an example of good practice in sense

of enterprenurial approach to managing and showcasing cultural heritage for the tourism market).

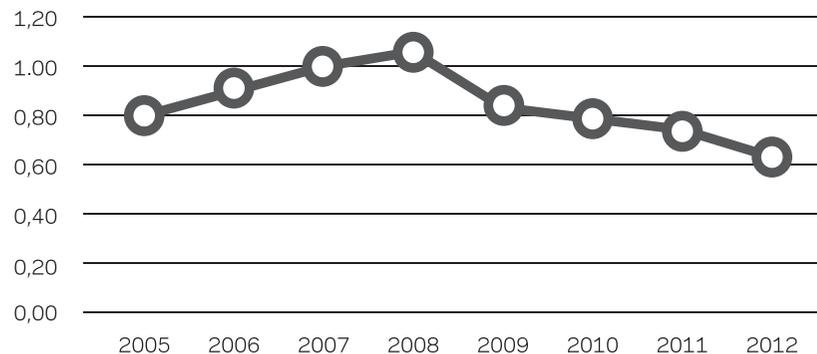
“Strategic Plan 2012-2014” presents, as one of the specific objectives, “development of the independent culture” that includes support for visual arts programmes. Around 180 visual arts programmes, encompassing retrospective, individual, group and thematic exhibitions in gallery spaces as well as exhibitions by Croatian Association of Visual Artists in Zagreb, Istria, Rijeka, Split and Osijek are funded by the public budget annually.

The financial support for visual arts is accessible from three budgetary sources; national, regional and municipal (local). In the annual Open Call for Public Needs in Culture Programmes, visual arts can apply for funding in the following categories: core activities of the cultural institutions and professional associations in culture; museum and gallery activities; visual arts, art monographs, design and architecture; new media culture; and international cultural cooperation⁵. In the 2010, visual arts field received 0.54% of the total state expenditure in culture (in real numbers little under 750.000 Euro)⁶.

When it comes to financing, numbers on culture in general are not great. Only in 2007 and 2008 the Ministry of Culture budget reached over 1 percent of the total public budget. In the following years, a decrease is evident. In terms of total expenses for culture *per capita*, they follow the previous trend: they were the highest in 2007 and 2008 (around 78 and 87 €). After these years, expenses are decreasing. Expenses for visual arts by the Ministry of Culture amount to around 30 €, being again the highest in 2008, 38 €. These numbers are somewhat greater knowing that the Ministry of Culture awards some more funds for visual arts through the “New Media Cultures” programme but it was quite difficult to sort out what precisely refers to visual culture within this programme, therefore this category was not singled out. In the period of 2005-2011 in this way, the Ministry of Culture supported between 114 and 152 institutions and between 217 and 287 programmes in the field of visual arts. It was not possible to calculate the value of artwork acquisitions.

A number of visual arts organisations received programme support and

Graphic 1. Ministry of Culture share in the total public budget



Source: Ministry of Culture (personal communication with the Ministry analyst, Mr. Boris Jurinić)

**Since 2012 the Department for Nature Protection is no longer under the responsibility of the Ministry of Culture

⁶<http://www.min-kulture.hr/default.aspx?id=7285>, accessed on 15.05.2012. Some categories in the Open Call for Public Needs in Culture Programmes can vary from one level on administration to another, but generally, regions and municipalities announce Open Calls with almost exact categories as the national one.

⁷<http://www.culturalpolicies.net/web/croatia.php?aid=538>, accessed on 15.05.2012.

Table 1. Ministry of Culture role in culture and in visual arts

	2005	2006	2007	2008	2009	2010	2011
Total budget expenses (Central level) in 000 €	11.714.328	12.793.326.	14.401.013.	15.372.323	15.723.198	16.043.110	15.991.934
Total expenses - Ministry of Culture in 000 €	103.020.951	121.152.700	148.089.973	166.733.489	143.948.699	134.773.658	127.356.218
Ministry of Culture part in %	0.88	0.95	1.03	1.08	0.92	0.84	0.80
Total public expenses for culture <i>per capita</i>	58.45	67.75	78.30	86.64	77.45	70.95	N/A
Ministry of Culture expenses for culture <i>per capita</i>	23	27	33	38	32	30	30
Total expenses - Visual arts in €*	663.390	860.682	854.660	962.449	758.040	745.511	760.465
Ministry of Culture expenses for visual arts <i>per capita</i>	0.15	0.20	0.20	0.22	0.18	0.17	0.18
Number of financed institutions in visual arts through the MC public Open Call	152	132	151	145	116	114	140
Number of approved programs in visual arts through the MC public Open Call	224	221	287	265	217	236	287

Source: Ministry of Culture (personal communication with the Ministry analyst, Mr. Boris Jurinić)

*Besides the Ministry of Culture financial programme "Fine arts, Visual arts and Audiovisual arts", visual arts are also financed through "New Media Cultures" programme. Numbers presented in the table relate only to the "Fine arts, Visual arts and Audiovisual arts" category.

funding from the "Culture 2007 - 2013 programme" (such as Croatian Institute for Movement and Dance: „Dance Explorations Beyond Front@“, „W_EST - WHERE“, and BADco.: „Black North SEAS“) accessible through Cultural Contact Point Croatia, a department established within the Directorate for International Cultural Co-operation of the Ministry of Culture in 2006.

One of the most significant cultural policy incentives in the field of visual arts in Croatia is the status of the freelance visual and applied artists which is covered within the *Law on the Rights of Freelance Artists and Encouraging Cultural Creativity* (NN 43/96, NN 44/96 - Amendment). Furthermore, in July 2011 the new *Law on Foundation "Kultura nova"* was adopted, and created the necessary legal framework for the functioning of the foundation that will be dedicated to the promotion and development of civil society in the field of contemporary culture and arts, encompassing visual arts. The funding for Foundation "Kultura nova" shall be obtained partly through the Lottery fund, donations and other sources according to the Law⁷.

⁸<http://www.culturalpolicies.net/web/croatia.php?aid=423>, accessed on 08.05.2012.

1.3. Cultural policy current issues and topics

Croatian Ministry of Culture grants "Vladimir Nazor" annual award for cultural activities, including visual arts: the award is given to the "best artistic achievements in literature, music, visual and applied arts, dramatic arts, architecture and urbanism in the Republic of Croatia".

Additional funding for visual arts is available through Cultural Entrepreneurship programme. This programme has been initiated by the ministry of Culture and the Ministry of Economy, Labour and Entrepreneurship in 2008 as a grant programme of small value. The aim of the project is to stimulate cultural entrepreneurship, cultural industries' and entrepreneurial projects promotion in the field of specific cultural sectors, including visual arts. Programme users are small-sized economic subjects involved in cultural activities - craft companies, small and medium-sized companies and cooperatives, institutions excluding public institutions, independent artists, art organizations and cultural institutions which implement cultural entrepreneurship projects.

One of the principal issues in Croatian cultural policy, directly connected with the financing of culture and overall cultural production, is a wide gap of disproportion in allocation of public funds between public sector and independent arts scene - current ratio is 93:7 percent in favour of public institutions in culture. This situation creates a production lag in the overall cultural sector and causes much frustration among artists, cultural workers and other non-institutional sector representatives. Current Minister of Culture highlights this problem as one of the priorities that should be addressed by the new administration. One of the solutions is dispersion of funds sources like newly established Foundation „Kultura Nova“ which is to bring otherwise lacking financial opportunities for the independent arts production.

Another issue is that cultural industries in Croatia have not been recognized as a specialised field of cultural development. Subsequently, there is no overall legal framework to specifically promote and develop the cultural industries. The legal provisions that affect cultural

industries refer to specific cultural sectors (book production, music, films, etc.) and to economic sectors, e.g., small entrepreneurship, activities of transnational media corporations in Croatia, etc. Cultural industries are statistically not transparent nor are they perceived, by the public policy and public in general, as a profit-driven sector. Lack of appropriate statistics for this sector makes it impossible to assess the turnover or employment figures for most cultural/creative industries in Croatia, but it is evident that employment in the sector has been growing constantly in the period 1998-2008⁹.

⁹<http://www.culturalpolicies.net/web/croatia.php?aid=423>, accessed on 08.05.2012.

1.4. Overview of legislative framework for Art market

The already mentioned *Law on the Rights of Freelance Artists and Encouraging Cultural Creativity* covers issues such as the rights of freelance artists, cultural and artistic creativity, registration and scope of artistic organizations and can be said to be the main law. There are several other laws regulating other fields (such as the *Law on Trade* which regulates conditions for trade on domestic and foreign markets; the *Law on Consumer Protection* regulating consumers' rights) which do not cover issues related to the art market but, in fact, show the lack of regulation in the field of arts market. Also, there is the *Law on Income Tax* which regulates tax breaks for donations in culture.

Rights of freelance artists are regulated by the *Law on the Rights of Freelance Artists and Encouraging Cultural Creativity*. Among other art sectors, this Law also regulates visual arts. Based on their professional work in the field of arts, freelance artists have the right to retirement and disability benefits as well as medical insurance. If a freelance artist requires the mentioned benefits, related contributions are paid from the state budget based on the Professional Council's decision together with the

Minister of culture approval. The revision of these rights is made every five years. The artist who is not entitled to the budgetary contributions for retirement benefits and health insurance has the possibility to pay them himself/herself.

As to gain the right to budgetary contributions, the artist, beside acting as an art creator as his/her sole profession, has to fulfill several other conditions. The first condition is that in the last three years his/her annual income outside the field of artistic creation has not been greater than the average Croatian income for the last year. Besides he/she must act publicly according to the following criteria:

- 3 independent exhibitions (with different artwork), or
- 2 independent exhibitions and 2 group - conceptual exhibitions, or
- 5 group - conceptual exhibitions, or
- 3 independent multimedia projects, or
- 2 independent and 2 group - conceptual multimedia projects, or
- 5 group multimedia projects (video, film, computer art, performance or other forms of contemporary art creations) together with the professional association's confirmation, or

- 5 participations on group - conceptual exhibitions, or
- 2 independent exhibitions of sculptural works in stone, bronze, iron, steel, wood, glass or other materials, or
- 1 independent and 2 group - conceptual exhibitions, or
- 5 juried exhibitions.

Besides, some additional criteria are needed as elements for their combination (such as awards, catalogues/monographs, reviews/professional texts, etc.). The same applies to the field of applied visual arts.

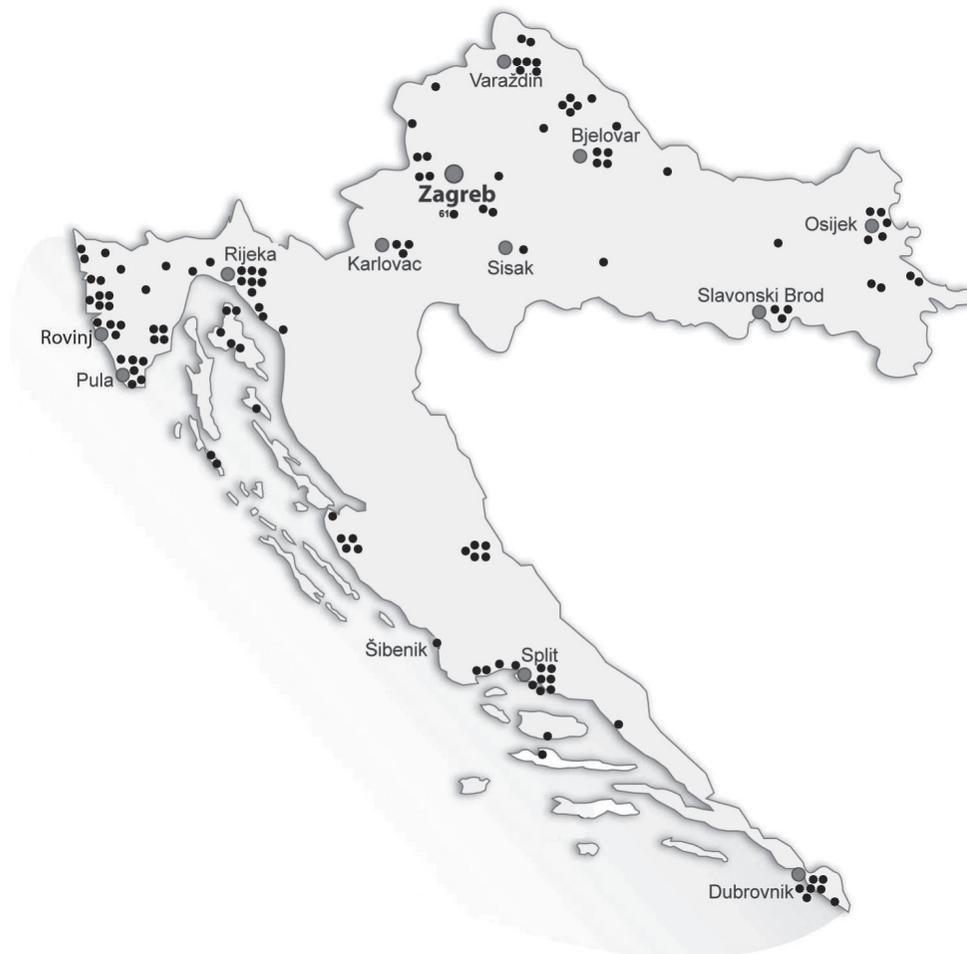
Greatest problems due to bad harmonization of different laws arise in the field of trade. During tourist season, various artwork, decorations and souvenirs are sold in the open space while persons selling them do not have registered businesses, do not have entrepreneur status, do not fulfill minimal technical conditions for office spaces and do not pay taxes. In this way, trade in amateur artwork endangers the freelance artists' existence due to the unclear legislation in the field of amateur art. Since inspections are transferred to the Ministry of Culture, problems of illegal trade are out of focus of the business inspection

since legislation which regulates cultural activities does not include inspection or sanctions linked to freelance artists' work - amateur painters. Besides, it also has influence on consumers since they purchase reproductions or plagiarism instead of authentic artwork. Persons involved in artwork trade are also subject to the *Law on Consumer Protection*⁹ since it is the right of consumers to know the origin of artwork and to be given the receipt for purchased product. In this way, illegal business and inexistence of art trafficking also leads to avoiding tax payments since it is impossible to determine the tax base¹⁰.

The *Law on Income Tax* regulates tax breaks for donations in culture up to 2% of the revenue reported in the annual tax files submission. Exceptionally, tax deductions are increased for greater donations if approved by the Ministry of Culture.

¹⁰According to this Law, trader must clearly, visibly and legibly highlight the sales conditions of the product and issue an invoice for it.

¹¹<http://www.suvremena.hr/1380.aspx> accessed on 24.05.2012.



Graphic 2. Territorial distribution of galleries in Croatia

1.5. Decentralisation of cultural policy and arts scene

There are two levels of (de)centralisation in arts/culture in Croatia that have an effect on arts market. The first level is territorial centralisation and it describes a situation where most of the art production is concentrated in the capital city, Zagreb. Zagreb is the cultural centre of Croatia concerning art scene in general and especially when it comes to creative industries sector. Some other Croatian cities have an important role in the Croatian cultural life but the greatest number of artists lives in Zagreb since it has the necessary cultural infrastructure.

Participation of different levels of government expenditure for culture breakdown is shown in percentages in Table 3.

Throughout the whole period 2005-2010, the Ministry of Culture's share in total expenditures for culture is the greatest comparing it to other

government levels and amounts to around 42%. On the opposite side, municipalities' share is the lowest is always lower than 3%. Regions (called Counties in Croatia) also contribute with small amounts which are around 4% in the whole measured period. The second largest government funding level are towns/cities which spend some 27% for culture, Zagreb excluded. The capital city, Zagreb is after the state level, the second largest funder of culture awarding almost the total amount of what all other Croatian cities spend, around 23%. This is also reflected in the centralization of arts.

Centralization trends in visual arts sector is also seen in the number of relevant galleries (registered by the Croatian Freelance Artists' Association). There are 61 galleries in Zagreb while other cities number far less galleries that that (second largest - 7 etc.). Data neither on

Table 2. Participation of different levels of government in the total expenditure for culture

	2005	2006	2007	2008	2009	2010
State level	41,08%	41,68%	44,08%	44,85%	41,89%	42,87%
Provinces/Regions	4,65%	4,22%	4,04%	3,97%	3,86%	3,5%
City of Zagreb	23,80%	23,45%	21,35%	21,20%	25,87%	22,25%
Towns/cities	28,06%	28,20%	27,93%	27,26%	25,41%	28,46%
Municipalities	2,42%	2,45%	2,60%	2,72%	2,97%	2,91%

Source: Ministry of Culture (personal communication with the Ministry analyst, Mr. Boris Jurinić)

attendance nor on the number of programs in galleries is available (see Table 3. and Graph 2).

The second level is the so-called institutional centralisation or policy focus on institutional art framework, meaning that public institutions have a priority in the policy structure – from the secure organisational status (including the employment security of cultural workers in the cultural institutions) to firm public funding arrangements. Such policy provisions function in favour of institutions, or are institutionally centralised and are not stimulating in the arts market direction.

In terms of development of financial programmes in the field of visual arts, the more

democratic, de-etatised and more professional system of assessment and decision-making on the distribution of budgetary funds has been introduced by forming arts councils - joint decision-making by the Ministry of Culture and representatives of the cultural sector was established on the national level through the establishment of several Culture Councils (*Law on Culture Councils*, NN 53/01, NN 48/04, and NN 44/09) which include Culture Council for fine arts and the media (later changed to new media cultures) among others. Establishment of the Culture Councils has decentralised decision-making processes previously reserved for political and administration structures.

Cities	No. of Galleries
Zagreb	61
Split	7
Rijeka	7
Dubrovnik	6
Pula	6
Knin	5
Osijek	5
Varaždin	5
Bjelovar	4
Koprivnica	4
Labin	4
Poreč	4
Rovinj	4
Zadar	4

Table 3. Cities with the greatest number of galleries/exhibition spaces*

Source: Croatian Freelance Artists' Association
 *Data in the table show cities with the greatest number of galleries or exhibition spaces (since there may be one institution having several exhibition spaces). The actual number of galleries in Croatian cities is larger although the complete number is n/a; the presented number results from the Croatian Freelance Artists' Association's list of relevant galleries in the field.

1.6. Cultural participation

According to available data provided by the Croatian Bureau of Statistics, total household expenditures in the period 2005-2009 are more than 9.000 € per year and have slightly increased practically every year in the mentioned period reaching 10.158 € in 2009. Around 6% is the share of the household recreational and cultural consumption in the household total consumption which amounts to some 600 €. Data on rural/urban population expenses for culture are not available. The said is represented by the Table 4.

Attendance data for Croatian cultural institutions is hardly obtainable. Although it is obligatory for some cultural institutions to follow those statistics, it is difficult to measure the real attendance,

especially its economic share in the institutions' overall earnings. Since the Croatian Bureau of Statistics does not offer data on visual sector institutions (such as galleries) it is impossible to make comparison with other cultural sectors. Realistically, the greatest attendance is evident to libraries (7.230.000) but only numbers for 2007 are presented. Greater attendance is to cinemas than to theatres.

If we are talking the media in the visual arts, it cannot be claimed that they have a great role in audience development. Culture is treated rather poorly in the best-selling daily newspapers (one or two pages) and no special weekly or monthly specialized in-magazines exist as is usual for the design, architecture,

Table 4. Consumption on culture

	Total yearly household expenditures	Recreational and cultural consumption share in household total consumption %	Yearly average household expenditure for recreation and culture
2005	9.291	6,22	578
2006	9.260,30	6,21	574,8
2007	9.867,5	6,22	613,76
2008	9.936,5	5,44	540,55
2009	10.158,4	5,99	608,49

Source: Croatian Bureau of Statistics, Statistical Information 2008 and 2011, www.dzs.hr

¹²<http://www.nacional.hr/clanak/32820/milijunske-tajne-trgovaca-umjetnina>, accessed on 10.05.2012.

lifestyle, etc. The same situation applies to the webspace. Realistic art criticism texts also lack while information on foreign events are sporadically present. Specialized newspapers (such as Zarez, Hrvatsko slovo) bring texts of a higher quality but visual arts are not treated separately but equally as all other cultural sectors. Public television features no programmes on visual arts at all and private televisions follow the

sector only for blockbuster exhibitions. Only the 3rd programme of the Croatian radio broadcasts visual art programmes. Generally, it cannot be said that the media have great, if hardly any role in the participation in the visual arts.

2. Art market supply and demand cycle in Croatia

The size of Croatian arts market is very small - the upper middle classes that were traditional connoisseurs and buyers of art are diminishing and there is no evident increase in the number of serious art collectors. As claimed by the gallery owners¹¹, today's supply and demand cycles in the arts market are dictated by the following artwork criteria: rarity, popularity and high-price. The prices in the arts market are influenced and formed by many factors; from sellers, gallery owners and museum experts to current trends. Still, the crucial criteria are the quality, author and year of origin, motif and technique of the artwork. The acquisition of the works of art by public museums and galleries is also one of the important factors in the dynamics of offer and request situation but public institutions' influence is limited with the budgetary restraints - the acquisitions depend on the public budget donations

and are not constant in a sense that they provide some stability for the arts market flow.

According to artist Slaven Tolj (2012), supply and demand are not in balance and generally, effect and cause relation between actors that create arts market is inconsiderable and insufficiently visible. Majority of the artists create work without explicit aspirations for the value of artwork to be positioned and circulated on the arts market. Apart from commissioned work as exception, most of the artwork in Croatia, especially relevant works of art, would be produced without special regard of the arts market movements and trends.

Table 5. Participation in culture per cultural sectors

	Museums	Theaters and performing arts	Libraries (all)	Galleries and visual arts	Cinemas	Archives
2005	N/A	1.311.000	N/A	N/A	2.174.000	10.991
2006	1.674.049	1.378.000	N/A	N/A	2.666.000	N/A
2007	N/A	1.471.000	7.230.000	N/A	2.483.000	N/A
2008	N/A	1.412.000	N/A	N/A	3.283.000	9.329
2009	2.191.189	1.571.000	N/A	N/A	3.524.000	N/A
2010	N/A	N/A	N/A	N/A	3.355.000	N/A

Source: Croatian Bureau of Statistics, Statistical Yearbook of the Republic of Croatia 2008 and 2011, www.dzs.hr

* The numbers refer to seasons (such as 2005/2006, 2006/2007, etc.) which we presented by the year when the season started (such as 2005 for the season 2005/2006).

¹³For more information on Museum of Contemporary Art in Zagreb, see <http://www.msu.hr/>

¹⁴For more information on Museum of Modern and Contemporary Art in Rijeka, see <http://www.mmsu.hr/Default.aspx?art=406&sec=2>

¹⁵For more information on Gallery of Fine Art in Split, see <http://www.galum.hr/hr/Naslovnica/4/home.aspx>

¹⁶For more information on Art Workshop Lazareti from Dubrovnik, see www.arl.hr

¹⁷For more information on Miroslav Kraljević Gallery, see <http://www.g-mk.hr/>

¹⁸For more information, see <http://www.blok.hr/>

¹⁹For more information, see <http://www.whw.hr/whw/index.html>

²⁰For more information, see <http://www.kontejner.org/o-nama>

²¹For more information, see <http://fotogalerija-lang.com/>

²²For more information on Lauba, see <http://lauba.hr/hr/naslovnica-2/>

²³For more information on Cettina Gallery, see <http://www.cettinagallery.com/>

²⁴For more information on Marisall Gallery, see http://www.marisall.com/index.php?option=com_content&view=article&id=101&Itemid=101&lang=hr

²⁵For more information on Virtual Museum of Avangarde, see <http://www.avantgarde-museum.com/en/museum/>

3. Art market infrastructure: key actors

Any listing of relevant arts market actors in Croatia is more of a conjecture than a fact. Still, existing practice and system within the visual arts sector in Croatia and its connections with the transfer and trade of artworks, indicate that the following institutions, organisations and individuals can be presented as relevant actors in the arts market:

Public cultural institutions (relevance on account of consistent acquisitions or works of art, cooperation with corporative sector and exhibiting work by contemporary Croatian artists): Museum of Contemporary Art, Zagreb¹²; Museum of Modern and Contemporary Art, Rijeka¹³; and Gallery of Fine Art, Split¹⁴.

Although the public status of public institutions implies that art trading is not a priority function for the public institutions, the acquisition of the works of art by public museums and galleries is very important factor in the dynamics

and trends of arts market. Public institutions' influence is, however, as already mentioned, limited with the budgetary restraints.

Independent arts organisations (relevance on the account of exhibiting and selling work by unconventional contemporary artists, intensive cooperation and presence on the international independent visual arts scene, partaking at the international arts fairs): Art Workshop Lazareti, Dubrovnik¹⁵ and Miroslav Kraljević Gallery, Zagreb¹⁶. Independent art scene has been particularly active in the field of visual arts since the 1990's - from engaging in production of contemporary art forms, to intensifying international cultural cooperation in the field by showcasing Croatian work abroad and by hosting relevant international exhibitions and visual art projects. However, activities of the independent visual arts scene have never been focused towards marketing of the artwork or creating stable art

market flow. Rather, the independent scene is more engaged with fostering the development, accessibility, quality and the flow of the artistic activities, without strategic planning for the financial outcome of those activities. Amongst independent actors directly or indirectly connected to visual arts in Croatia and apart from the organisation listed as a relevant organisations in the context of the arts market, following must be highlighted: BLOK (Lokalna baza za osvježavanje kulture which organizes the Urban Festival dealing with various urban subjects)¹⁷, WHW - what, how & for whom (curators' collective)¹⁸, Kontejner - studio for contemporary artistic practices¹⁹, ArtAnale from Split; Days of Croatian Performance Art from Varaždin; Photo Gallery Lang from Samobor²⁰. Private initiatives including individuals (relevance on the account of acquisition, collecting and exhibiting of expressions of visual Croatian artists, partaking at the international art fairs): LAUBA²¹ and Tomislav Kličko, Cettina Gallery²²,

Marisall Gallery²³ and Virtual Museum of Avant-garde Art/Collection Marinko Sudac²⁴.

A small number of private collections that have been established during the past decade have played a significant role on the national arts market. Apart from the listed ones, those include Edo Murtić Foundation and Collection Hanžeković. These private collections have, along with the public institutions and independent visual arts sector, contributed towards developing viable market for the national visual arts production.

Visual arts manifestations/events: ZGRAF is an international exhibition of graphic design and visual communications, held triennially in Zagreb, Croatia from 1975. The organizer of the exhibition is the Croatian Association of Artists of Applied Arts (ULUPUH)²⁵.

²⁶<http://www.zgraf.hr/>, accessed on 20.05.2012.

²⁷<http://46zagrebackisalon.com/>, accessed on 20.05.2012.

²⁸<http://www.poup.hr/anale/prva.aspx?stranica=391>, accessed on 20.05.2012.

²⁹<http://www.hulu-split.hr/str/izlozbe/salon/35salon.htm>, accessed on 20.05.2012.

³⁰<http://nmz.hr/en/>, accessed on 20.05.2012.

³¹http://www.gluo.hr/ogaleriji_1_en.html and <http://dizajn.hr/#305-21-slavonski-biennale>, accessed on 20.05.2012.

³²For more information on Adria Art Annale, see <http://split.com.hr/foto/aaa/172/7218>

³³Most comprehensive lists can be found online at <http://www.mdc.hr/hr/mdc/registar-muzeja/> and <http://www.akademija-art.hr/muzeji/50-muzeji-i-galerije/608-muzeji-i-galerije-u-hrvatskoj-a-l-osim-zagreba-i-zapreia.html>, accessed on 22.05.2012.

ZAGREB SALON - APPLIED ARTS AND DESIGN is a representative annual exhibition of contemporary art of the Republic of Croatia, established by the Zagreb City Council in 1965. It is organized by Croatian Association of Artists of Applied Arts (ULUPUH). This acclaimed visual art fair shows annual achievements by contemporary Croatian visual artists, including architecture and urbanism, applied arts and design²⁶.

POREČ ANNALE is the oldest Croatian manifestation exhibiting work by contemporary Croatian artists (group work). It is held every year, beginning of August in the gallery space of the old Istrian Parliament House in Poreč and is organized by the Open College Poreč²⁷.

SPLIT SALON is a biannual manifestation of contemporary arts founded in 1969 as a group exhibition of artists from Split. It is organized by Croatian Association of Artists from Split²⁸.

BLUE SALON is an arts manifestation that was first held in 1957 in Zadar, and was continually convened until

2005. In 2011, Blue Salon was again held in Zadar, as a triennial of Fine Arts, showcasing work from the leading contemporary Croatian and international artists. Organizer of this manifestation is Art Gallery of the Zadar National Museum²⁹.

SLAVONIA BIENNALE is an arts manifestation organized by Gallery of Fine Arts in Osijek since 1966. This is the only juried arts exhibition in Slavonia encompassing painting, sculpting, graphics, multimedia and video-art with alternating applied arts, urbanism and architecture³⁰.

BIENALLE OF SMALL FORMATS is organized by Croatian Association of Visual Artists/Croatian Association of Artists from Split. The exhibition showcases works from Croatian sculptors and painters.

YOUTH SALON is one of the most significant biannual manifestations that present work of young Croatian artists. It is organized by the Croatian Association of Visual Artists.

CROATIAN BIENNALE OF PAINTING is the most recent, or the "youngest" of the visual arts manifestations in Croatia. The first edition took place in 2011 with the aim to become a generator of new artistic creations and movements. The manifestation is focused on contemporary Croatian painting.

ADRIA ART ANNALE is an exhibition of the contemporary Croatian art. By probing the prevalent truths, this manifestation questions the possibility of new type of society³¹.

Artists colonies: There are no major artists' colonies in Croatia. All such endeavors are mainly created by the amateur artists and hold no greater significance for visual arts field, cultural policy or arts market in Croatia. However, following should be mentioned: Arts Colony Ston, Baranja Arts Colony (held in the National Park Kopački Rit), and Summer Art Colony Brač (held in Supetar on the island of Brač).

Art Fairs: There are no significant art fairs in Croatia. Participation and

trading at the art fairs is linked with the international arts fairs due to non-existence of such opportunities on the national level (see chapter 6.).

Art Galleries: There are many galleries in Croatia and there are many lists of galleries in Croatia³². This is due to the fact that the listing, or the given category of the gallery is directly connected to the system of securing rights and benefits for the freelance artists, i.e. the given criteria of the number of individual or group exhibitions refers to exhibiting in galleries officially listed by the Croatian Association of Freelance Artists. According to that list³³, there are 180 galleries throughout the country (including the number of museums that are also listed as referenced exhibiting institutions). Most of these galleries exhibit, represent and sell artwork of Croatian visual authors.

Still, the real number of galleries is far greater as it includes hundreds of art-souvenir shops/galleries selling souvenir art, reproductions and graphics that appeal to the tourism market. It is impossible to detect the

³⁴<http://www.hzs.hr/likovno.html>, accessed on 22.05.2012.

³⁵For more information, see <http://www1.zagreb.hr/slglasnik.nsf/10288f1421388ff8c1256f2d0049015b/efee89eb9b4a7650c12573c20035bbcc>

³⁶For more information, see <http://www.rijeka.hr/VizualnaUmjetnost>

³⁷For more information, see <http://www.kontura.com.hr/default.asp?ru=9&sid=8&jezik=1>

³⁸For more information, see http://www.aukcije-lavalnugent.com/cms.php?id_cms=7

accurate number of these type of galleries as plenty are opened and closed from one tourist season to another.

Artists' Studios: Studios are given to artists for certain period, under contractual conditions by the local municipalities. There are no known examples of national or regional level of administration giving their real-estate units to be used as artists' studios. Criteria for bestowing city's spaces for this purpose varies from one city to another: in Zagreb, minimal lease or rent for the given space is charged³⁴; in Dubrovnik there is no criteria and the spaces are bestowed directly, without any procedures; in Rijeka, studios are given to the artists according to the joint procedures between City of Rijeka and the local branch of the Croatian Association of Visual Artists³⁵ and can be used for both work and living; in Split, the entire block of buildings were granted to be used by artists; and in Osijek, larger space capacities are given to artists for work.

Such an erratic and disorganised system that varies from one city to another has many downfalls. Artists are exposed to the benevolence of the municipal governments and local political leaders: the latest illustration of this problem is happening in Zagreb where, with no prior warning or explanation, local government raised the rent on all artists' studios as well as the rent on the home building of the Croatian Association of Visual Artists, the Meštrović Pavillion, by 400% (from 750 Euro to 5.900 Euro). This action by the local government caused a stir amongst Association's members, cultural professionals and wider public and the outcome of the undergoing negotiations between Association and the City are yet to produce a new situation.

Auction houses: Auctioneering of art work doesn't have a tradition in Croatia and not many galleries or organisations engage in it, resulting in only two organisations that are active in this domain: Auction house Kontura Ltd. and Laval Nugent gallery. Auction

house Kontura Ltd. was founded in 2002 as the first official company for auctioneering in Croatia. This company is the sole holder of the auctioneering licence given by the Ministry of Culture of the Republic of Croatia, meaning that it is authorised to bid and sell protected cultural goods (arts and antiquities). Auction house Kontura Ltd. deals with fine arts: paintings, sculptures and graphics³⁶. The Laval Nugent gallery has ventured into the auctioneering business in the following areas: art, antiquities, numismatics and philately and old postcards. Art includes paintings, drawings, prints, sculptures and photographs by Croatian and foreign authors³⁷.

The following table shows the poor development of institutional arts market in Croatia.

Table 6. Art market infrastructure in numbers

	2005	2006	2007	2008	2009	2010	2011
Number of galleries*	154	154	154	180	180	180	180
Auction houses/ professional intermediaries on art market	1	1	1	1	1	2	2
Private collections/museums	N/A	N/A	N/A	N/A	N/A	N/A	1

Source: Croatian Freelance Artists' Association (HZSU)

* The actual number of galleries in Croatian cities was larger although the complete number is n/a; the presented number results from the Croatian Freelance Artists' Association's list of relevant galleries in the field in the requested period.

³⁹<http://www.culturalpolicies.net/web/croatia.php?aid=72>, accessed on 15.05.2012.

⁴⁰Announced Academy of Visual Arts and Music at the University of Dubrovnik's programme features cultural policy and arts management modules, covering a range of subjects from these two fields like Comparative Cultural Policy, Cultural Economy, Communicating Cultural Products, Cultural Planning, Market Planning and Entrepreneurship in Culture, Approaches to Arts and Culture Management, etc.

⁴¹Within independent artistic professions, statistics recognize only artists in the traditional sense (i.e. actors, musicians, painters, etc.) but no other professions (such as designers or others employed mostly in small businesses). Source: <http://www.culturalpolicies.net/web/croatia.php?aid=429>, accessed on 07.06.2012.

4. Visual arts education, professional associations and arts market

According to the Statistical Yearbook 2009³⁸, there are four art academies in Croatia, all on university level: Academy of Fine Arts Zagreb, Arts Academy of the University of Split, The Academy of Arts Osijek (unit of the University of Josip Juraj Strossmayer) and Academy of Applied Arts (Faculty of the University of Rijeka). Impeding is the inauguration of the Academy of Visual Arts and Music at the University of Dubrovnik (expected beginning is academic year 2013/2014). Apart from these art schools, there is a School of Design both at the Faculty of Architecture and at the

Faculty of Graphic Arts in Zagreb. All of the listed programmes are provided by the public institutions under authority of the national government, its Ministry of Science, Education and Sports. Students, thus obtain their education under conditions that apply to all national higher education institutions. Existing educational programmes do not have management curricula³⁹ or programmes for intermediaries in art market nor develop visual artists' entrepreneurial skills except for the School of Design at the Faculty of Architecture in Zagreb which

offers courses in marketing, design management and presentation skills but they mainly serve to facilitate work of the future individual designer at the service market. Consequently, visual artists lack knowledge on economy, financial management, strategic planning, art theory, cultural policy, arts management and interdisciplinary approach to all those fields.

It is difficult to track progression of artists from education to professional accomplishment. Generally, artists, as a professional category, are ambiguous terrain when it comes to research and statistics in Croatia; data on the number of employed or unemployed artists is unattainable⁴⁰ as is the data on artists' average yearly incomes. The only available number is the number of visual artists as registered by the Croatian Freelance Artists' Association which totals to 582 in 2012 (see Table 7.).

Numbers of independent artists shown in the Table 4. is the one registered by the Croatian Freelance Artists' Association. It might be that there are more independent artists but these are the ones who deserved this status as to

claim their rights for health insurance and retirement benefits. Generally, the decrease of the number of independent artists is noted in the period 2005-2012. Some increase is seen in the period 2006-2008 and again in 2009-2011 while the number drops in 2012 again. Rather similar pattern is seen in the number of independent visual artists.

Mainly, artists are members of professional associations which indirectly provide for their social and medical care security. The most significant artists' associations are Croatian Association of Visual Artists (HDLU), Croatian Association of the Applied Visual Artists (ULUPUH) and Croatian Designers' Society (HDD). Croatian Association of Visual Artists (HDLU) is nongovernmental, non-for-profit and politically neutral union of professionals established in 1868. Its membership consists exclusively of visual artists of all generations, working in all forms of expression and disciplines. The basic aims of the Association are: to support and encourage contemporary visual expression, to improve and protect the

Table 7. Overview of artists' associations and the number of independent artists

	Number of artists' associations	Number of artists' associations in the field of visual arts	Number of independent artists	Number of independent artists in visual arts	Number of employed persons in culture
2005	N/A	N/A	1318	629	N/A
2006	N/A	N/A	1292	617	N/A
2007	N/A	N/A	1299	610	N/A
2008	N/A	N/A	1323	612	N/A
2009	N/A	N/A	1269	592	N/A
2010	N/A	N/A	1285	604	N/A
2011	N/A	N/A	1296	598	N/A
2012	286*	53**	1261	582	3846

Source: Register of Associations of the Republic of Croatia, Register of Art Organizations, Croatian Freelance Artists' Association (HZSU) (personal communication) and Ministry of Culture (personal communication)

* Total number of all cultural (not necessarily artists') associations in Croatia is 6912.

** Total number of all cultural (not necessarily artists') associations in Croatia in the field of visual arts is 311.

*** Only persons registered in the Croatian Freelance Artists' Association (HZSU) and persons employed in culture by the Ministry of Culture budget. The number excludes persons employed in culture by the local government budgets.

⁴²<http://www.culturalpolicies.net/web/croatia.php?aid=73> accessed on 07.06.2012.

freedom of visual expression, to organise exhibitions, to collaborate in preparations of the laws and rules regulating visual arts production and social rights of the artists.

Croatian Association of the Applied Visual Artists (ULUPUH) is the only professional association of the applied visual artists in Croatia established in 1950 although with a longer history (dating back to 1886). It represents the roof organization for all branches of visual arts which have a specific application (scene design, costume design, light design), architecture, horticulture, photography, caricature, illustration, comics, animated cartoons and applied painting, industrial design, clothing design, precious metals design, ceramics, chinaware and glass, restoration etc. at the state level. It is non-governmental, non-profit professional organization with the aims of: Croatian applied arts development; improvement and protection of visual arts creativity freedom and the adequate assessment of Croatian applied arts; protection of applied works of art and of copyright; impact on Croatian cultural policy; cooperation with other artists organizations in Croatia and abroad.

Croatian Designers' Society (HDD) is a non-governmental, non-profit and voluntary professional association established in 1983 and is involved in promoting common professional and social interests of Society members by creating systematic conditions to improve work in the field of design. The main goals of HDD are the development, promotion and improvement of design creativity in Croatia, representing interests and status of the profession and the HDD members. Its members are active in the following fields: graphic design, product design, electronic media design, typography, photography, illustration, fashion design and theory design as well as in design education.

Other authorized professional artists associations in the field of visual arts in Croatia are: Association of the Naive Artists of Croatia, Croatian Association of the Applied Visual Artists Zagreb, Croatian Freelance Artists' Association, Croatian Designers Society Zagreb, Croatian Association of Visual Artists Dubrovnik and Croatian Association of Visual Artists of Istria, Međimurje, Osijek, Rijeka, Split, Varaždin, Zadar and Zagreb.

All these associations are professional and public and established by the artists themselves as to protect their interests. Leaders are democratically elected by the members of artist community which ensures the control over the associations' work. Activities of associations are primarily of cultural nature such as organization of members' exhibitions, annual exhibitions of special artistic achievements and are not closely linked to influence arts market mechanisms. They are funded by memberships, Ministry of Culture and local government.

Protection of artists' rights are not reflected in some long-term policy of artist associations except for the fact that Croatian Freelance Artists' Association cares about their social and medical care. Authors' rights are usually managed by the artists themselves, often with the help of lawyers or some kind of oral agreement is made. Rarely it is done in a written form since it is a part of a grey economy, cash payment avoiding taxes.

5. Corporations and Art market

Recently, a more significant contribution to Croatian culture sector funding has been stemming from donations and sponsorship, particularly of large companies such as Adris, T-COM, VIPnet, Filip Trade, B-net, and banks (e.g. ERSTE Bank Croatia, Hypo Alpe Adria Bank Croatia, Zagrebačka banka, etc.). The precise amounts and/or indication of trends cannot, however, be given due to lack of statistical data (The Ministry of Culture only has information on the decisions and issued certificates concerning tax relief for companies that requested these certificates and no information on the amount of these sponsorships or donations is available). These contributions are given mostly on a project basis. It has to be noted that in 2009 and 2010, the funds have narrowed down, as a consequence of the global recession.⁴¹

Still, corporate support for visual arts in Croatia has had many positive ramifications, specifically in the partnership projects with the visual art institutions. Most important projects are T-HTnagrada@MSU.hr – a collaborative project by T-Mobile, Croatian Telecom and Museum of Contemporary Art in

6. Cultural relations, networking and partnership

Zagreb in which T-Mobile funds the award, an acquisition of the artwork that will be included in the Museum's permanent collection. Additionally, every year Erste Bank announces a competition for the project called "Erste fragmenti" (Erste Fragments), through which it supports young and emerging visual artists up to 30 years of age and art students, by buying their works of art (sculptures, paintings, prints and installations) and by granting an additional cash prize for the best work.

Within the arts market remit, a significant role is held by the Ministry of Culture that regularly funds Croatian artists' exhibitions abroad as well as international collaborative visual arts projects that have an impact on arts market. For example, Croatian Ministry of Culture is a partner in manifestation titled "Croatie, la voici! - Festival de la Croatie en France" that includes presenting contemporary Croatian artists, namely Sanja Iveković, Damir

Očko and Igor Eškinja in renowned French art centres like Palais de Tokyo and Musée d'Art Contemporain du Val-de-Marne. In 2010, Croatian Ministry of Culture and French Embassy in Zagreb jointly organized international arts market seminar which was one of a kind event concerning this topic.

Apart from the governmental role in the cultural relations and networking, there are examples of independent arts

organizations and galleries establishing partnerships like Galerie Michaela Stock from Vienna and Art Workshop Lazareti, known as Art radionica Lazareti (ARL) from Dubrovnik sharing exhibiting space at 2011 Viennafair.

Table 8. SWOT analysis of the arts market in Croatia

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Talented artists ▪ Several strong public institutions (Zagreb, Rijeka, Split) ▪ Strong independent art scene ▪ Professional associations of artists ▪ Rather large number of art events ▪ Art events with a long tradition ▪ Foreign tourist market as the potential purchase of artwork 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Low perception of culture as a strong development resource ▪ Inexistence of relevant cultural statistics ▪ Legally non regulated arts market ▪ Low level of art entrepreneurship development and poor preparedness/low education of artists for entrepreneurship ▪ Low private investments in the arts ▪ Poor media treatment of the arts ▪ Lack of public funds for visual arts
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ Harmonization with EU regulations ▪ Diversified funding (EU, international funds) ▪ "Creative Europe", the EU support programme which "encourages a shift from a mentality of grants to loans" which may stimulate art entrepreneurship ▪ World trends of art entrepreneurship increase 	<p>Threats</p> <ul style="list-style-type: none"> ▪ Global and inner crisis ▪ Further decrease of public finances for the arts ▪ Centralization of visual arts scene, especially in the institutional sector ▪ Inexistence of real strategic planning in culture ▪ High VAT rate on artwork ▪ Administrative barriers for investments and entrepreneurship development ▪ General value crisis in the society

7. Development implications of current cultural policy in the arts market field

As to be able to review the current situation in the field and its possible prospects, SWOT analysis is done in the Table 8.

As to improve arts market in Croatia, first, general goals as well as real cultural policy and strategic planning should be set. Clear analysis of the arts market is needed and the chaotic situation in the field is partly due to the inexistence of firm statistical data which should be regularly available. Having a clear cultural policy objectives, also legal regulation of the arts market would be facilitated.

In terms of financing, as to avoid further problems in the field, visual arts sector should start applying for EU funds instead of relying almost exclusively on public budgets. In this field additional education may be offered. Also, it would be recommendable to exclude the state from arbitrating in the relations entrepreneur - artist. It would encompass stronger tax reliefs for entrepreneurs as well as the whole business sector. At the same time, the role of the state should be stronger in education processes in the area of

cultural/creative industries and should stimulate public (artistic) actions which contribute to the education in the business sphere (such as in design for ex. Dan D, Re:aktor) but should also stimulate strengthening of public museums/galleries as places where relevant artistic values are confirmed and where the state can indirectly have a regulatory role as to avoid everything to the market forces. In this way, the state can strengthen its public function at the same time initiating the private capital investments.

It would also be recommendable to introduce stronger tax reliefs for investors in visual artwork acquisitions, to stimulate public-private partnership when establishing new museums and galleries as well as financially support establishment of private museums/galleries and foundations (such as Museum of Design, Museum of Architecture, Museum of New Technologies, Museum of Fashion).

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SUMMARY:

At the time of the clear marginalization of culture in general, and particularly of contemporary art production in Serbia, by the state and society, this text offers an insight into the existing state of the art market in the country, with an analysis of basic institutional capacities and legislative framework. This analysis intends to point at the crucial problems in the art market system, and at the same time to recognize its potentials that can be upgraded or improved. Art market presents relevant part in the process of the formulation of the new economic model of cultural production in Serbia. Therefore this text should be perceived as part of broader, coordinated research activities, analysis and recommendations in the field of the constitution of a functional financial model for contemporary art production in the country.

Keywords: art market system, visual arts system, cultural policy, gallery system, intermediaries in art market, consumers, public and collectors, legislative and value context for the development of cultural policy.

1. Introduction

Development of the art production system in the second half of the 20th century in Serbia as well as in other countries that belong to the area of ex-Yugoslavia, demonstrates two dominant models. Chronologically first is the model whose identity was built on the idea of the centralized socialism, model of the self-governing socialism. However, after that, during the 1990s and in the first decade of the 21st century, followed a chaotic model of work, declaratively based on the processes of democratization and foreign models, while basically still deeply rooted in the narratives of national states. In that way overall process of new cultural model definition in this period was based on frictions between ambiguous processes and tendencies of the so-called transition and resisting traditional praxis and value systems.

Following this socio-economic framework and context, from the World War II up to the 1970s, in the contemporary visual arts production we can distinguish briefly basic guidelines of the art movements. After the period of an early socialism optimism (based on

the rhetoric and esthetics of the social realism which idealized the world of the socialistic revolution, supported by the state and political elite), we recognize moderate modernism (along with the gradual attenuation of social realism ideology and formation of middle class and civic intelligence, supported by state institutions and internationally circulating by channels of an official exchange, symbolizing the measure and "taste of freedom", and actually still in the function of glorifying revolutionary past and ideals) and, finally, late socialist period and institutionally marginalized artists, small in number, who turned to conceptual art, politicized and critical approach, that is to neo-avant-garde intermedia research practice and to their also small in number public.¹

Sudden discontinuation of a civilized social order in the 1990s, in the context of the civil war in Yugoslavia, labeled by the policy (and culture) of nationalism, and interruption of international cooperation and exchange, brought the development of different and contradictory forms of art. This period was marked on one side by vulgar and populist "national realism," with banal

treatment of past and/or presence, marking the work of official institutions. Opposite to this tendency were other artistic practices, present in public through program policies of alternative and regional arts institutions and active support by relevant critics in academic and professional terms, NGOs and few foreign foundations.

Immediately after political changes in 2000, we can detect quite important change with the new executive staff of the most important cultural and educational institutions, when part of this *alternative* art system started to participate and structure the work of the most important institutions (government departments, museums' administration and other state institutions). However, results of their work, despite their educational and professional background obtained on the international level, indicate devastating consequences of the previously centralized cultural system, that did not initiate further development of the new and innovative organizational and production models, as well as drastic outcome of the highest social and state institutions'

¹Čubrilo, J. 2009, Mapiranje savremene srpske umetnosti, *Dokumenti – Umetnost i procedure*, Belgrade, "Anonymous said:"

2. Cultural Policy and Art market development

negligence regarding the development and configuration of the new system solutions concerning the contemporary cultural production in the past 12 years. The field of the overall cultural production today is marginalized and neglected, left to the most violent and vulgar market forces, during the world economic crisis and social and state ignorance. In that manner the question of the initiation and construction of the possible new solutions in this area is left (once again) to the private and non government sector.

2.1. Art market genesis in Serbia

Within the given social and historical context, it is not unusual that understanding of art market in Serbia struggles with misunderstanding and suspicion. On one hand, without the well established standards that would determine their most valuable parameters it is very hard to work on the positive perception of significance and potentials of this important part of the visual arts system. On the other side, most part of the contemporary visual art production participants, artists as well as critics, with skepticism approach this field, although, quite contradictory, praise the existence of big international corporate collections.

However, we should remind that collecting, as a practice has long and rich tradition in our cultural space. Practically, from the start of the Serbian state, by the end of the XII century, we can identify need for development of material and cultural forms of collections. If we track their development we can understand that those were concurrently testimonies of the social and political presence of the

art collecting and protection practice, and at the same time evident symbols of the personal affinity and esthetic taste of the collector.

For example, we can find data on *ktitors* who were the patrons of the most notable monasteries in the medieval Serbia, and their numerous treasuries rich with art objects, today mostly vanished. However some artifacts survived, for instance illuminated manuscript *Miroslavljevo jevanđelje* (Miroslav's Gospel), and ordered by brother of Stefan Nemanja, as object of great artistic, scientific and cultural-historic significance. Dubrovnik Archive holds a 13th century document on deposit made by duke Desa and his mother, queen Belosava, mentioning their family collection of 21 icons, 17 golden and silver objects of different purpose, 4 Gospels with silver frame, 30 manuscripts ... Serbian medieval writer and chronicler, archbishop Danilo mentions that on Stefan Dečanski's court there were many icons. Vuk and Đurđe Branković family deposited collection of precious metals objects decorated with gems and pearls as well as their collection of 70 silver glasses in Dubrovnik.²

In 18th and 19th century Serbia, first in the area inhabited by prečani (Serbs in Vojvodina, then Austria Hungary), new social and cultural development as well as formation of the middle class is evident. It was a necessary condition to develop an interest in arts and antiquities. One of the most important collectors in that newly formed middle class was Jovan Vujić who had the big collection of paintings by Serbian artists from 18th until 20th Century and gathered 20.000 books and over 3.000 documents and letters by prominent personalities as well as numismatic collection, arms collection etc. All these collections are kept in the Library and Gallery of Matica srpska in Novi Sad, National Museum and University library in Belgrade.

A stimulus and example for formation of collection of rarities in the newly liberated Serbia was given by Miloš Obrenović himself. There are documents of his collections of icons, figures and engravings, minerals and numismatic collection. King Milan Obrenović was known not only in Serbia, as collector of contemporary French painters; it is known that during his

²Despotović, J. (2010), *Madl' Art Magazin*, Beograd: Madl' Art

stay in Paris he was visiting exhibitions of Impressionists and bought their paintings. Prince Pavle Karađorđević belongs to the most educated and most systematic collectors of art works and with his name and collection, before the start of the World War II, new Museum in Belgrade was founded, with a mission to be the first museum of modern art. National Museum in Belgrade keeps Erih Šlomović collection, for which the most significant museums of modern art in the world are interested. At the end of this brief overview of the extraordinary and important art work collections through the Serbian history, we should mention notable public collections –Sekulić family Collection of icons, Flegel family Collection of modern Croatian paintings, Zagorka and Zdravko Pečar Collection of African art, Collections of Serbian modern and contemporary paintings of Pavlje Beljanski and Rajko Mamuzić, functioning today as independent institutions.

After the World War II, from 1980s, more private galleries, antiquity shops and even auction houses started to work. Most of them briefly existed for

numerous reasons, from which the most significant was inadequate tax policy. Actually, Golden Age for the art market in Serbia was in the 1970s and 1980s, following the formation of the so-called middle class that represents the most important basis for the art market. With the arrival of insecure economic times this social class has completely disappeared.³ Although some of the most significant art works by our distinguished artists are in private possession, so it is almost impossible to organize retrospective or thematic exhibition without a loan from these collections, big collectors and art dealers have withdrawn from the market in unfavorably tax circumstances, forming interest groups that dictate the prices and position art market in grey zone, from the aspects of public interest and in black zone (especially regarding the sales) from the aspect of the overall visual arts system. Therefore the question of the well documented analysis, regulation and encouragement of real art market establishment, initiated by the state, professional institutions and individuals who make this system is of vital significance.

2.2. Cultural policy and art market development

Past three decades marked drastic changes in the arts on the global level, reflecting broader social and economic alterations concerning public participation and number of art organizations and financing mechanisms. Result of these changes was the transformation of the organizational scheme of art scene in general, with artists, art organizations, financial bodies, consumers and relations between them, determining how art works are produced, distributed and consummated.

Combination of these changes influenced completely new models of work – the ways of targeting and attracting the public, securing existence through art as occupation, managing organizational funds and acquiring finances in a more competitive environment. Consideration of all development aspects of art market in Serbia today therefore should be observed having in mind dominant international standards as well as specific social context in Serbia, where state clearly ignores the need to create stimulating framework in terms of cultural significance and

importance. That can be seen in the delayed legislative activity and situation when 1% of the total state budget is separated for culture and by the absence of any well-structured measures that can improve development not only for contemporary art but for cultural creativity in general. Central institutions of visual arts are closed for years due of the negligence (official term is “reconstruction”), and that is how the state sends direct signal to the citizens of Serbia about the marginalized place of culture in the society.

³Social conditions have led to the situation that two of the largest galleries in Belgrade (the Yugoslav art gallery and Belgrade Gallery), which for decades based their work on selling activities as well, in the past few years are primarily focused on presentational function and organization of exhibitions

3. The legislative framework of visual arts in Serbia

With the entrance of Serbia in the period of transition, and with the political changes in country at the beginning of the 21st Century, starting intention of complete state reorganization in all segments of society brought the change of legislative framework as well. However, it will be evident only in some parts of society. In the period immediately after the elections in 2000, there was a state of euphoria and assurance that first of all value system that marked the dark culture of the 1990s will be changed for good. However, even with this atmosphere of enthusiasm, all governments in this past period did not select in their programs amongst priorities culture as well. Therefore, for a whole decade country did not have a central legislative document concerning the culture neither strategic document as a basis for the Law. *Law on Culture*⁴ prepared in 2007 was not voted until 2009. Until then *Law on activities of common interest in the field of culture*⁵ was active.

The field of the contemporary visual arts is treated in the Law on culture in several articles, covering fine and applied arts, visual arts and architecture, art photography and digital arts and multimedia.⁶

New Law on culture has brought, from the aspect of contemporary visual art production, changes in the definition of basic cultural actors and subjects, whose work regulates the area of institutions' activity, associations, artists, cultural experts and professionals. New Law provides possibility of two representative art associations for every area, including visual and applied artists as well. However, this status can be taken away. Law treats the questions of independent artists' status as well as the status of independent experts in culture. However, it is very important to emphasize that functionality and applicability of this Law depends on

numerous by-law acts and documents that still need to be voted or adopted.

Legislative framework regarding the field of artists' employment and participants who create and produce contemporary art production in Serbia, that is law documents implementing employment policy in this field and regulating artists' status, are based on the Law on work (Službeni glasnik RS", N° 24/05 and 61/05) and Law on state administration ("Službeni glasnik RS", N° 79/2005 and 101/2007). These laws have abolished double employment in the public sector. At the same time status of professional arts associations was changed, and now they are more independent than before.⁷

Bearing in mind the need to stimulate private sector investment in the development of contemporary culture, we should note the alteration of the *Regulation on tax relief for investment*

in culture, but also the reasons for its inefficiency in implementation. By 2010 this area was covered by the *Regulations on investments in the field of culture*, which are recognized as expenditures in the amount of 1.5% of total revenue⁸ of the Law on Corporate Income Tax⁹ with the prior opinion of the Minister of Finance and Economy. Since 2010 the "Law on Corporate Profit Tax"¹⁰, increased this percentage to 3.5%, without serious consequences in practice. In fact, due to the very restrictive treatment of entities that may be recipients of donor's investment in culture (only those entities that have as main activity registered cultural activities), very few entities in the culture can enjoy these tax deductions. The whole civil sector in culture is not eligible for this type of tax stimulation, as well as those institutions (e.g. cultural centers), which are multidisciplinary in their own nature.

⁴Službeni glasnik RS, no. 72/2009

⁵Službeni glasnik RS no. 49/92

⁶Unfortunately, this definition is confusing, unclear and unnecessary partially set. The term visual arts includes conceptual art, painting, sculpture, video art, performance, photography, new technology, digital arts, multimedia, and raises the question why art photography is set aside as a separate area, because if you take into account as the argument its reproductive nature, the same can be said for graphics, comics, illustration, cartoon, graphic design. Of course, there are other areas of applied arts such as design, ceramics, art direction, costume design. Visual arts include installations, objects, spatial interventions and at the time when the Law was adopted, there was an intense interweaving of cinema and visual arts.

⁷The Law on Associations ("Službeni glasnik RS", no. 72/2009) entered these novelties, in order to activate associations to organize for its members professional development workshops and training seminars, and to increase their own resources and create jobs. These changes have caused great dissatisfaction among the associations of artists, who felt abandoned by the state.

⁸Službeni glasnik RS, no. 9/2002, Article 15. Paragraph 10

⁹Službeni glasnik RS, no. 25/2001

¹⁰Službeni glasnik RS, no. 25/2001, 80/2002, 80/2002 - other law, 43/2003, 84/2004 and 18/2010

4. Professional standards and artists' status

During the last two decades in our country, consistent with changes in the international practice, the dominant part of active artists belonged to the *model* of "cultural manufacturer" or "cultural author" working in the field of cultural production. In fact, in the late 1990s, some of the artists are getting closer to the model of the artist as a cultural worker and activist. We were able to observe on the scene the parallel existence of artists who belong to different generations, operating in continuity and actively. In this sense generally we can not talk about individual, stable, homogeneous art practices, but only about the sum of individual processes and permanent relocations, moving through genres and media.

Data of the reference artists associations - Association of Fine Artists of Serbia, Association of Applied Artists and Designers of Serbia, Association of Fine Artists of Vojvodina (which gathers 7 city unions of artists), Association of Applied Artists and Designers of Vojvodina - offers the number of about 3000 registered artists (2000 ULUS, 570 ULUPUDS,

400 SULUV). Of course, a large number of active and important authors does not belong to any association, which makes it difficult to detect them.

During the selection procedure of representative associations in culture, based on data obtained from the Ministry of Culture of the Republic of Serbia, 85 associations are identified in the field of art that have submitted the applications, out of which 29 received the status of representative association in culture. Out of this number five associations are from the field of visual arts, namely: the Association of Fine Artists of Serbia, Belgrade (ULUS), Association of Applied Artists and Designers of Serbia, Belgrade (ULUPUDS), Association of Applied Artists and Designers of Vojvodina, Novi Sad (UPIDIV), Association of Visual Artists of Vojvodina, Novi Sad (ULUS), PhotoKino and Video Association of Vojvodina, Novi Sad.¹¹

Most artists are still residents of Serbia, and still have exhibitions and projects, that is, they participate in the gallery system and art scene in the country, while a number of them for their

temporary or permanent residence have chosen mostly European cities and various nomadic / migrant existence strategies, depending on the legal and administrative framework of the host countries. However, as one of the basic assumptions for the professional standards of artists, it is recognized that individual artists and cultural organizations, mostly independent and of small-scale, have no mechanisms to ensure stable funding for projects and maintenance of infrastructure (for several reasons, one is definitely the lack of structural funds, in addition to smaller and more flexible funds). Also notable is the significant influence of management practices in the art and culture, which reduces the time required for research, projects' design, editorial activities, etc., as well as a tendency

toward the excessive production (hyper-production) in order to provide funding for projects (and honoraria for artists and cultural workers), but at the same time under-production as well and inefficiency in terms of achieved results and scope of the projects themselves and/or their visibility. There is also a trend of converting artists into *bureaucrats of culture*.¹²

In addition, artists and cultural workers live and work in the uncertain environment, with earnings that are temporarily and project-based. The authors and organizers usually carry out projects for the minimum fee, which means that artists and cultural workers, in a way, invest in their projects and "co-finance" them ("... artists are seen as" donors "in culture, given the low

Table 1: Overview of professional associations and their members

	Number of professional associations in visual arts*
2005.	2821
2006.	3386
2007.	3413
2008.	3497
2009.	3555
2010.	3676
2011.	3762
2012.	3863

* Data gathered on the basis of the official evidence of the membership by the representative art associations in the field of visual arts - The Association of Fine Artists of Serbia, The Association of Applied Arts Artists and Designers of Serbia, The Association of Fine Artists of Vojvodina and the Association of Applied Arts Artists and Designers of Vojvodina. Big number of visual artists, however, is not registered, and therefore the overall number of active visual artists is much larger.

¹¹Tadić, D. (2012) *Civilni sektor i Ministarstvo kulture: Nove perspektive u oblasti vizuelnih umetnosti*, Kragujevac: NVO Millennium

¹²For the purposes of this analysis, a series of interviews was conducted with the actors on the scene. Interviewees expressed concern that a large part of activities that they carry out regularly, are related to the expansion of knowledge and implementation of activities in the field of writing contracts, administrative operations, management, marketing and PR, and that is threatening the remaining time needed for the research and creative process and reflecting on the quality of papers, projects and programs.

4.1. The legal framework for artists

salaries and fees in the cultural sector in comparison with the amount of invested time, effort and commitment”).¹³

Lack of space for a professional presentation and of systematic investment in contemporary art production, put artists in an unsustainable position, and it complicates investment procedures as well. Quality of the art scene depends on the impact of poor production capacities of artists and galleries, as well as the inability of state institutions and society as a whole, to seriously invest in contemporary art. When you take into account the lack of modern legislation that would encourage investment in art, it is not surprising that an increasing number of local artists is going abroad.

However, an important issue for the central theme of the art market is a self-employed status of artists that still has to be redefined, passing special by-laws within the Law on culture. Since 1993, their status was regulated by the *Law on independent conduct of arts or other activities in the field of culture*,¹⁴ by which the artists have the right to health, pension and disability insurance, paid by the municipality in which they are registered.¹⁵ Under the new Law on Culture, the Association will continue to determine the status and maintain records of independent artists and experts in culture, which is a novelty and individual co-workers as well.

General conditions in the procedure for obtaining the status are prescribed by the law, of which the most important is that an independent artist does not exercise the rights in the areas of pension, disability and health insurance on other grounds, from the employment relationship. Specific criteria for obtaining the status are set out in every art association for each particular area

and profession, and administered by an expert committee appointed by the association. Status is extended on the evidence given to the association of art activity over a period of four years. Criteria, based on the new Law, were brought by the Ministry of Culture on the proposal of the representative associations, as well as the procedure of keeping records and giving a consistent opinion. The novelty of the new Law is that it will be possible to submit an appeal to the Ministry of Culture on the decision made by the association.

When it comes to the basic salary, the *Law on contributions* from 2004, which was amended and supplemented several times, provides for independent artists the lowest mandatory basic salary (first 50% and then 35% of average earnings), if an artist does not receive payments. The lowest basic salary is paid by the local government. Contract was signed with City representatives in 2006 providing, in addition to the minimum wage, two enlarged basic salaries, in accordance with years of experience, but the agreement failed

because of the refusal of the Ministry of Finance to apply for independent artists' exception from current law. For now, the payment of contributions with regular delays is made in Belgrade and several cities in Serbia, making it impossible for independent artists to exercise their rights when it comes to health and pension insurance, and other rights that are caused by tax receipts.

The new Law in culture provides category of outstanding artists for whom the Ministry will take the obligation to pay contributions, which could eventually mean that the basic salary for prominent artists will be increased. Independent artist with the status of a taxpayer will have the obligation at the beginning of each calendar year to file a tax return in which opt for a certain basic salary depending on expected earnings. The payment of contributions (35% of average earnings) instead of an independent artist can make City Government through the parent association, payable by quarterly accrued liability in accordance with the Law on contributions for obligatory

¹³Dragičević Šešić, M. Verbanova, L. (2009) *Expert Talk – Cooperation and Funding Landscapes in Southeastern Europe, Exchanging experiences – Evaluating achievements*, http://www.moekulturmanager.de/fileadmin/Material/Bildmaterial/Programm/Expert_Talk_Cooperation_and_Funding_Landscapes_in_Southeastern_Europe_Report_2010-3.pdf (pristup 20.05.2012)

¹⁴*Službeni glasnik RS* no. 39/93 i 42/98

¹⁵Until the new Law was adopted, every citizen of the Republic of Serbia, if engaged in particular work of art or other activity in the culture, could have been qualified for the status of an independent artist and an independent worker in the culture at the particular Art Association in accordance with the Law on independent performance of arts and other activities in culture from 1993.

social insurance. Restrictive legislative changes in the fiscal sphere in the last few years have been the cause of the most tumultuous reactions of artists and art associations.

Ministry of Culture, also, in 2007 adopted a new *Regulation on Special recognition for the excellent contribution to the national culture or the culture of national minorities*. Since then a number of grants in the form of lifetime monthly payment, called a national art pensions is awarded to prominent artists.

With the *Law on labor and the Law on Personal Income Tax*¹⁶ presents an important legal framework, by which it calculates and pays taxes based on royalties.¹⁷ Royalty payment is taxed in Serbia with the nominal rate of income tax of 20% (effective in the interval of 10-15% depending on the type of artwork and high rate of standard costs). On that basis, the payers of royalties, many of whom are independent organizations, as holders of contemporary visual arts production, must bear the costs, or 20% of the gross revenue base, resulting in the

development of the informal economy, with a model that is extremely discouraging for market development in the field of contemporary art.

4.2. The education system in the field of visual arts

Educational system has been recognized as one of the key problems in the system of visual arts, especially higher education, as well as the maladjustment of educational programs in the arts and specific professional profiles with human resources need in the society. In the field of traditional and respectable faculties founded by the Republic of Serbia, and the visual arts academies based on the data of accredited universities and faculties at the Ministry of Education and Science of the Republic of Serbia we state: the Faculty of Fine Arts and the Faculty of Applied Arts, at the University of Arts in Belgrade, Academy of Arts at the University of Novi Sad, Faculty of Arts at the University of Niš, Faculty of Philology and Arts at the University of Kragujevac, Faculty of Arts at the University of Priština, and the study program of Art history at the Faculty of Philosophy in Belgrade.¹⁸ Observing the programs of these faculties, there is an apparent conceptual and program immovability that completely ignores the changed socio-economic environment, and social needs. This applies to the Academy of Art as well, where artists are not prepared for the

business side of their professional position on the scene today, and the Art history studies, which also overlook the need for introduction of professional trainings in the field of project management, finance and marketing. In addition, there is a range of private faculties, with a variety of visual art programs: Singidunum - Faculty of Media and Communications; Megatrend University - Faculty of Arts and Design; Academy of Arts, Belgrade; Metropolitan University - Faculty of digital arts; the Academy of Fine Arts; University Educons - Academy of classical painting; European University, Belgrade - New Academy of Art that produce an even greater number of artists and professionals in the field of visual arts, without adequate preparation and suitable qualifications. Except for the Academy of Fine Arts (Akademija lepih umetnosti), all these educational institutions are accredited at the Ministry of Education and Science of the Republic of Serbia.¹⁹

And if there are programs devoted to the business aspect of the visual arts, the division of managerial discipline within the profile management courses

¹⁶Službeni glasnik RS, no. 24/01, 80/02 i 135/04

¹⁷In accordance with Article 52 to 60 of the Law within the group of incomes from author's and related rights and right of industrial property.

¹⁸Reports on accredited faculties: www.kapk.org

5. Infrastructure of the art market system

educated at private universities, is set incorrectly, which causes a considerable number of graduates with useless knowledge. Poor insight and nontransparent assessment of the quality of education and the quality of teaching in private and state universities are the main determinants of the educational system of higher education related to the field of contemporary visual production. Faculties, under the designation of "university autonomy" hold "position of inviolability of the program assessment, the quality of teaching and the value of degrees." Educational system should also introduce a different concept of required art education in the state education policies at all levels, from primary schools. Finally, commitment of constant professional development, so called lifelong learning, should be institutionalized.

5.1. Institutional requirements for the art market development

Art market system of a visual arts scene is made of institutions such as museums and galleries, which provide the communication between the art works and the public and with their institutional authority carry out the role of professional arbitrators who verify the value of art, along with curators and intermediaries, followed by critics and the media that distribute relevant information of different character and purpose, with their primary role to establish communication with the audience, then art dealers and auction houses, in order to define their market value, and finally and most important circle of the audience, including collectors who conclude this rough outline of a functional art market system.

Based on the assessment of the individual components of this system, we can conclude that the necessary infrastructure, in the technical sense, exists for the productive art market - art production, museum system, gallery system, media, auction

houses and audience. However, each of these components does not meet the necessary conditions for the functioning of the market system, and necessary interaction and interdependence of these actors, which is of crucial importance, does not exist. Finally, critical role of the media is clearly identified, as the most influential and most important

communicative instrument in this cycle with the audience. However media does not perform this role and therefore expansion of audience as visitors, buyers and consumers of art / collectors, as an ultimate goal, remains unachieved in this area.

Table 2: Overview of actors at the art market in Serbia, 2005-2011.

	2005	2006	2007	2008	2009	2010	2011
Number of galleries*	24	13	21	18	37	34	33
Number of programs in galleries**	40	34	43	35	33	49	47
Auction houses/ professional intermediaries on the art market***	2	2	2	2	3	3	3
Art colonies****	16	14	16	12	11	19	19

Source: Ministry of Culture, Media and Information Society of the Republic of Serbia, Reports on annual Open calls for contemporary art production 2008 - 2012, accessed on 10.06. 2012; Tadić, D. (2012) Galerijski i izložbeni prostori savremene vizuelne umetnosti u Srbiji, Beograd: Anonymous said: pp. 64-72

* The data refers only to the galleries and exhibition spaces that were supported on the annual Open calls for contemporary art at the Ministry of Culture of the Republic of Serbia. It is estimated that today there are about 250 galleries, based on the E-Culture database on the Serbian culture, the project of the Institute for the Study of Cultural Development of the Republic of Serbia. Official data on private galleries is not available, and based on the review of the structure of supported galleries, 11 galleries and exhibition spaces are founded by municipalities, cities or Republic, 17 by associations of citizens and 5 founded by individuals / private initiatives.

** Included are gallery programs supported annually, as well as individual programs.

*** The data refers only to auction houses. There are no official figures on art dealers, although unofficially it refers to the number of about one hundred art dealers operating in Serbia.

****The data refers to the supported art colonies, while about 200 is registered

¹⁹Positive example that has recognized new business and professional skills in contemporary art production presents Master studies Cultural policy and Management at the University of Arts, Belgrade and French University Lyon 2, internationally recognized program, realized in cooperation with UNESCO and CEI, obtaining a status of UNESCO Chair in 2004.

5.2. Museums

And in more developed markets of this type, the basic assumption for the constitution of a price for a work of art comes solely based on customer demand, and collectors. The art market is the only market where the value (expressed in monetary terms) is obtained by indirect negotiation between the seller and buyer (in well ordered societies through auction houses, gallery owners and art dealers), or a museum curator who is completing museums' collections.

The views on the character of contemporary visual art scene in Serbia are relatively divided. Some representatives consider that the gallery scene is rich, diverse, active, and vital, that it does not lack enthusiasm, while others emphasize the problems of the absence of major breakthroughs, names and appearances, excessive production of works of average quality, apathy that prevails among artists and curators, frequent gaps that due to financial constraints arise between good ideas and mediocre implementation. It is certain that both lines of thought are rooted in real, objective situation of the art scene

today. Besides the problems that occur due to the unfavorable factors (e.g. economic underdevelopment), global state of crisis, or so-called crises of art, time of the (post)post modernity which abolishes the criteria of art works' evaluation, and the absence of the market which could make judgments about the artistic value - equally obstruct the work of those who need to develop it.

In addition to this, the scene is influenced by financial circumstances, or by functional part of the financial system and characters of the existing Foundations, willingness of "market tuning" which in our situation means to fit their work in the direction of existing financing sources (socially engaged art for the foundations, etc.) and not so much in classically understood art market, which is flattering mostly in medium or format.

In order to determine significant institutional resources in the field of art market, one of the key requirements of this system present the most important museum institutions, which, among other things, act to preserve and present the most significant art values of a country and broader environment, and accordingly, in terms of professional representation (in regular circumstances) to guarantee the highest valuation of artistic achievements, which inevitably has a profound influence on the development and structure of the art market.

Within the institutions founded by the Republic of Serbia, which are related to the contemporary visual art, we state: the Museum of Contemporary Art, Museum of Applied Arts, Museum of Yugoslav History and the Museum of Naïve and Marginal Art. At the level of AP Vojvodina we can identify the Museum of Contemporary Art of Vojvodina, the Museum of Vojvodina, and the Memorial collection of Pavle Beljanski. Central institution of modern visual art in Serbia, Museum of Contemporary Art in 2008 began the process of reconstruction and in

the period from 2008 to 2012 (and still continuing) carries out exhibition activities solely in the Salon of the Museum of Contemporary Art and renovated Gallery of Rodoljub Čolaković Legacy. Enthusiasm, high professional standards, contacts with partners from abroad and ambitious plans, which museum's new management team implemented from 2001 until 2008 have ceased.

In the meantime, this institution made clear deflection from the devastating program and production policy from the 1990s, creating stable program profile, relying on a unique status of cultural institution in Serbia, that was built in 1965 specifically to be a Museum of Contemporary Art.²⁰

All this was followed by establishment of the NGO scene, as equal participants in the cultural life after 2000, until then only a critically strong voice from the margins, who took over the administration of the central museum institutions dedicated to contemporary art, including MCAB. Negligence visible through the marginalization of the museum and the difficult process

²⁰Great retrospectives, hosting of international collections, such as the Stedelijk Museum collection in 2004, organization of large exhibition projects, such as the exhibition "About Normality - Art in Serbia 1989 - 2001", which had a huge international success and focus on high production standards, design, comprehensively conceived work of contemporary cultural institutions, including educational activities, work of the Museum library, Youth clubs ... present the main determinants of the ambitious work of this institution.

of reconstruction of the Museum, indifference of all relevant stakeholders, affected the surrender of a unique moment and existing efforts that could have established necessary continuity in the work of this institution, as the central institution for contemporary art in the region. Meanwhile, neighboring countries completed the construction of new institutions of contemporary art, dominating the region since 2008.

As a phenomenon of particular importance for the development of visual arts in Serbia should be noted the first registration of private museums in Serbia - Zepter Museum, which was opened in 2010 based on the Zepter collection from 1994, as well as activities and work of the Museum²¹

Macura, which opened in 2008 in Novi Banovci, as one of the largest private collections of neo-avant-garde art in this region. Finally, along with the presentational verification, significant for contemporary art production, expertise in this area, that is, official, documented evaluation of art works necessary for the functioning of the art market, does not exist. Museums usually have the function of performing these activities. However due to the circumstances, apart from only a handful of independent curators, whose authority rests on a monopoly staged on a decades-long practice, museums do not perform this function in the art market system, and that calls into question the very base - authenticity of the work.

5.3. Gallery system

Besides the museums, galleries have the central role in the art presentation activities, and also in the development of the art market. In fact, despite the intensive use of the Internet and virtual space, as well as other forms of presentation of contemporary art, such as different *in situ* projects, galleries and exhibition spaces, however, remain the most important segment of the art system for presentation of visual arts and multimedia, to support and nurture artists' careers, for audience development, educational activities and market development of visual arts.

In relation to their legal status in Serbia operate galleries / exhibition spaces that have a status of a legal entity (municipal and private galleries), which operate within a legal entity (mostly galleries in the cultural centers), galleries / exhibition spaces of cultural institutions, established by the state, city or municipality or established by the association or an individual (another party).²² After 2000, galleries have emerged with defined concepts, programs and strategies. However, they failed to gain equal status with state galleries and galleries that operate

within institutions, because they had to be financed through the institution of state Open Calls, fundraising and sponsorship, while public galleries had most of their costs covered as they founders are the Republic and state institutions.

Galleries now active on the scene are facing many challenges and problems. State galleries that are funded entirely from the budget are troubled with problems of inefficiency, staff personnel and program inconsistency. Galleries that are forced to be financed from their own resources and on the basis of sponsorship and fundraising are facing high costs of production and uncertainties of economic nature. However, freedom, speed and creative implementation of programs greatly help to overcome these economic disadvantages. These galleries are bolder and more efficient and some of them have already established links of international cooperation and that is why cultural policy has to pay more attention to the development of the gallery system in the private sector. Of critical importance is the role of galleries for development of artists' careers and

Table 3: Sources of funding for galleries in the period 2008-2009.

Level of Government	Participation in total gallery founding
Republic	2,7%
Province	4,6%
City/Municipality	82,7%
Own resources	7,8%
Sponsorships/donations	2,2%

Source: Institute for the study of cultural development, *Cultural policies at the district level of Serbia*, 2010
 Research was conducted on the basis of 15 mapped galleries with the status of independent cultural institutions, founded by the local governments

²¹ Actually it's an impressive collection of artworks from the period of avangarde in 1920s and 1930s and modern art from 1960s and 1970s, produced in the territory of former Yugoslavia and presented in the facility in Novi Banovci

²² Mihaljinac, N. (2012), *Galerijski i izložbeni prostori savremene vizuelne umetnosti u Srbiji*, Beograd: "Anonymous said:."

as their marketing representatives as well. The impoverishment of a society, economy and individuals all together has caused this unprecedented decline in the value of art works, forcing artists to withdraw from the legal market and to avoid the usual sales through galleries, resulting with the continuing down fall. In stable societies, commercial and artistic value of works is very close, while in poor areas, like our own, is very different, and to the art disadvantage. The sales galleries are therefore increasingly seen as a totally unnecessary part of the system.

If we look at the available statistical data, obtained from the projects supported by the annual Open Call set by the Sector of Contemporary art production and creative industries of the Ministry of Culture, Media and Information Society,²³ according to

their legal status, we can identify 17 galleries and exhibition spaces which are founded by civic associations and five gallery spaces where the founders are individuals or private initiatives.²⁴ This indicates a continuing trend of the agile cultural professionals from the civil sector in fundraising activities than their counterparts in the public sector, as they do not have consistently provided funding for the implementation of their annual programs. It is strikingly small number of private initiatives and private galleries and exhibition spaces. However, in these working conditions, because of an underdeveloped market for contemporary art, private business initiatives are often, similar to the civilian sector, reduced to the enthusiasm of people who run those spaces.

Based on the survey conducted for the project "The gallery and exhibition spaces of modern art in Serbia" (Mihaljinac, 2012) it is evident, by the prevailing attitude in the professional community and among stakeholders of the art scene, that galleries have almost no impact on the pricing of art works. This function was taken by private collectors, and trading is done almost without any mediation by the galleries, which indicates the absence of legal regulation for the art market or legal regulation of artworks sales. So, by the opinion of almost all representatives of the galleries in this study, black market dominates this scene and galleries do not have the authority, primarily legal, to act in the formation of price policy. At the same time, galleries have various difficulties in collaboration with artists, when it comes to selling their works. Noticeable is the division of artists that hold high prices of their works (so-called exclusive artists) and the artists with underestimated works, resulting in lack of valid criteria of evaluation. It often happens that the gallery finds a buyer for one price, and then that amount is drastically reduced in the direct agreement between the buyer

and artist. Besides that, a problem of misunderstanding of contemporary art among the buyers is presented, so the most intense is the tendency of selling works of art by established artists, who created in the interwar period. Stevan Vuković, a representative of the Student Cultural Centre Gallery, Belgrade concisely described the condition of the domestic art market: "The main problems is the lack of the market criteria for evaluation, [...], and relatively low prices, which are dictated by demand, in the sense that collectors know that they can buy works on symbolic prices."²⁵

However, it is obvious that in these extremely unfavorable conditions we have to look for some new ways of survival and regeneration of gallery sales, especially bearing in mind that good part of the renowned artists remains outside the market system of art, mainly due to the widespread idea that their work is not subject to sales.

According to Ljiljana Tadić, owner of the "Zvono" gallery, one of the few influential galleries regarding its program profile, and efforts given to

Table 4: Structure of galleries' costs for the period 2008-2009.

Expences	Participation in yearly expences
Salaries	53,1%
Material costs	28,5%
Programs	18,4%

Source: Institute for the Cultural Development Study, Cultural Policy at the level of districts of Serbia, 2010
 Research was conducted on the basis of 15 mapped galleries with the status of independent cultural institutions, founded by the local governments

²³Tadić, D. (2012) *Galerijski i izložbeni prostori savremene umetnosti u Srbiji*, Beograd: "Anonymous said:"

²⁴In order to strengthen private initiatives in this area, they should be named: Gallery Zvono, Belgrade; Chaos Gallery, Belgrade, Studio Otklon, Belgrade, Gallery Rima, Kragujevac, ITS-Z1, Ritopek

²⁵Tadić, D., Mihaljinac, N. (2012), *Galerije i izložbeni prostori, Beograd*, "Anonymous said:," p. 100

5.4. Intermediaries - media and critics

develop the art market for artists they represent, our art market does not exist. For freelance artists it is very difficult to make a living out of their art and, of course, they readily agree to sell their works at low prices. In that way they create a problem for younger generations, because if renowned artists, with a thirty year long careers, settle for lower prices, what artists who are just building their careers may be seeking. In front of the gallery owners they are holding a false level, and so the vicious circle is created. And customers do not want to purchase in the gallery as well. In order to establish a single market, one must respect the chain artist-gallery-buyer. An artist without a gallery does not exist, because an artist who does not exhibit has no career.²⁶

The role of the media is one of the key segments of the arts system, articulating a critical attitude towards the contemporary art production, fostering a critical and theoretical thought, with a significant influence on the development of the art market, but crucial in terms of influencing the judgment of the public, as one of the most important mechanisms of communication with the public, or as one of the channels of audience development. In Serbia, the current critical thought related to contemporary visual production is hermetic, elitist, designed exclusively for experts. Holders of media coverage (print and electronic) assign to the visual arts very small space and sporadically, mostly in form of an announcement with a stereotype representation (except for the monthly magazine for the contemporary art scene "Art Fama"). Only a small number of daily newspapers (among which the newspaper "Politika" with a constant coverage of visual art scene and placement of critical reviews), magazines (weeklies VREME and NIN), the editors for culture at the Radio Television of Serbia (once a week in specialized programs - Metropolis,

Beokult), the second channel of Radio Belgrade and RTV Studio B devote a little more attention to contemporary visual art in the form of a more thought-through access and serious analysis. It is necessary to carry out a thorough reconstruction of the media approach to contemporary art practice, firstly to bring back newsrooms for culture, ruled out by most of the media, and then to cover a wide range of necessary media activities - from regular announcements through analytical reviews, interviews, specialized programs and to introduce professional art criticism to a wider audience. This would create relevant public opinion and better environment for both development of visual arts and the art market, and the development of society as a whole.

5.5. Awards

Awards, like museum's verification, are directing public attention to the achievement of certain authors. During the last decade, in the field of contemporary visual arts production stands out award Dimitrije Bašičević Mangelos,²⁷ established in 2002 by The Center for Contemporary Art in Belgrade and The Foundation for a Civil Society (FCS) from New York, as part of a regional project Young Visual Artists Awards (YVAA). Since 2006 Context Gallery and Art Association DEZ ORG Belgrade are new organizers of the award. Agreement on the new way of organization and operation of this award, signed in 2011 between central institutions of visual arts in Serbia, testifies about the intention to establish this award as the central award in the field of contemporary visual arts productions in the country (similar to Turner prize in England).²⁸

Based on their strong profiles and importance, we can also distinguish The Annual Award of Politika for Fine Arts (from Vladislav Ribnikar Fund), the October Salon Awards, and Art prizes for a drawing bestowed by Vladimir Veličković Fund, granting prizes by

²⁶Liljana Tadić, Deset godina Zvona, VREME 676, 18. December 2003

²⁷The award is named after major artist, the founder of conceptual art practice and historian from former Yugoslavia, Dimitrije Bašičević Mangelos.

²⁸This Agreement have signed the Museum of Contemporary Art, Belgrade, Museum of Contemporary Art of Vojvodina, Novi Sad, Center for New media_kuda.org, Novi Sad, Foundation for Civil Society, New York, NY, USA, the Fund "Ilija & Mangelos" Novi Sad, "Remont" - Belgrade Independent Art Association and an association of artists DEZ ORG, Belgrade

5.6. Art dealers/Auction houses

Chaos Gallery, or Mića Popović Art Award, presented by the Promotion of Creativity Fund from Belgrade.

Henkel Art Award for 11 years awards artists for outstanding achievements in visual arts and innovative work in the field of painting, drawing, photography, video and installations with 7.000 euros prize and the possibility of organization of two exhibitions for the award-winning artist, who can apply from 23 countries of the Central and Eastern Europe. The award is organized in cooperation with KulturKontakt Austria and the Museum of Modern Art in Vienna (MUMOK). Winners of the Henkel Art Award and a number of finalists from previous years have had the opportunity to participate in international exhibitions, and thus award opened for them the doors to international success.²⁹

Since 2000, three private auction houses opened in Belgrade. Auction house "Madl' Art" works since 2001, the auction house "Binom" since 2004 and "Arte media" since 2009. Some owners of private collections opened galleries as well, like Aleksandar Milojević who opened "Rima" gallery. Quite important date is also the beginning of work of the first private museum in Serbia - Zepter Museum in 2010, as well as activities of the "Vujičić Collection" and "Collection Trajković" Foundations, as only registered foundations at the Ministry of Culture, Media and Information society.

Named auction houses are providing services concerning the market value and authenticity of works of art, with certificates, mediation in trade, purchase and sales of arts, consulting services regarding the creation of collections, and evaluation of the investment in art market (art investment).³⁰ Expert teams of these organizations mostly consist of art managers and art historians. However, apart from several prominent art historians who perform this type of expertise, in Serbia there are no recorded studies on which would be possible to acquire adequate educational and professional qualifications necessary for experts in this area, which is

5.7. Independent scene

crucial for the further development of the art market. And it is also one of the sensitive points of possible improvement of the art market in the country. It seems that about one hundred art dealers in various domains of art market (modern and contemporary art, period between the wars) is active today,³¹ with domination of completely arbitrary and vulgarized relations between works of art and artists, on one side, as well as customers, i.e. collectors, on the other side, dictating unrealistic prices, with no established criteria and respect of basic parameters in this area. The selling process is still legally invisible, conducted without any tangible, documented regulatory acts. The practice of such unskilled and opportunistic art dealers seriously jeopardizes the rights of artists, buyers and sellers, and collectors, forming phantom prices of art works, conducting conditional sales, circulation of forged artworks and removal of valuable art pieces out of the country. It is therefore necessary to establish special study programs and specialized trainings necessary to obtain professional certificates, harmonize them with EU and international standards and current international practice and thus promote and provide professional expertise in this area.

Independent cultural scene in the visual arts was the holder of the contemporary art scene during the 1990s and during the first decade of the 21st century, providing a significant part of the visual culture production and arts in Serbia. At the end of 2010 representatives of the independent cultural scene³² have released a Declaration calling on the competent authorities on a dialogue on many issues. That marks the beginning of their joint action initiated in order to strengthen cooperation and protect their own interests, public interests and promote cultural life in Serbia. Independent cultural scene has 76 members from 16 cities and towns across Serbia, and more than 2.500 artists and cultural managers. It produces each year between 1.200 and 1.500 programs, including a large number of important exhibitions in the field of contemporary visual production.³³ The programs are examples of the independent scene innovative and socially engaged cultural production in Serbia, followed by tens of thousands of people, and its international cooperation contributes greatly to the integration of Serbia into the international cultural trends, changing the country's image and position itself as an active member and an important destination, on the international cultural map, and in the region.

²⁹For more information see: <http://www.henkel.rs/henkel-art-award-1857.htm>

³⁰As an example of good practice we should emphasize efforts of Spomenka Kratovac Popović, who since 1999 follows the official auction results and publishes them in annual publications

³¹Information based on interviews with actors from the art scene

³²Source: www.nezavisnakultura.net

³³Source: Deklaracija nezavisne kulturne scene - http://www.seecult.org/files/DEKLARACIJA_NEZAVISNE_KULTURNE_SCENE_SRBIIJE_0.pdf

5.8. Art Colonies

Art colonies present important cultural actor in the visual arts scene. In Serbia there are more than 200 registered art colonies, and it is believed that their number is actually much higher.³⁴ The tradition of art colonies in Serbia is very important. However, since their form was not in accordance with the needs of contemporary art for a long time, this tradition should be systematically supported, its further development and transformation in order to be closer to the contemporary cultural and art trends (Ministry of Culture of the Republic of Serbia in 2002 opened for the first time narrowly profiled Open Call for Art Colonies within the Annual Competition of the Sector for contemporary art, cultural industries and cultural relations; in the past decade, on the average, Ministry annually supported approximately 15 art colonies).

Art residence and work in the colonies have multiple significance for selectors and artists / curators and, consequently, for many of aspects of the art scene. The process of artistic creation becomes visible in almost all stages; training sessions organized for managerial skills and audience development. Of no less

importance is the fact that art colonies are linked with the production of art works by contemporary artists, which is one of the biggest problems that the authors here, especially younger ones, face in this difficult financial situation. In this way, the organizers of art colonies directly assist artists in production and realization of artistic ideas. It is important that art colonies are mostly organized outside the major cultural centers and urban areas, such as Belgrade, Novi Sad and Niš, to last from seven to ten days, their participants - artists, curators, hosts, organizers, consumers - develop tighter relations, thus establishing a kind of small communities, and support the development of these unusual events, valuable from the decentralization point of view in terms of culture and cultural tourism. Art colonies such as the International Art Colony "Bakar", Jalovik Art Colony, Colonies in Sićevo, Lipovac, Zlakusa, International Symposium of Terracotta sculpture Terra, through utopian production space offer new models of work that can significantly participate in the transformation of the current situation and identify successful new models.

5.9. Contemporary Visual Arts Manifestations / Art Fairs

Events present significant segment of contemporary visual production. According to the Agenda of events by the Institute for the Study of Cultural Development³⁵ around 950 cultural events are annually organized in Serbia, out of which about 150 belong to the field of fine and applied arts, though in the agenda are not included some of the most popular, such as Mixer, Belgrade Design Week, etc. Guided by the selection of events that have been regularly supported by the Ministry of Culture, Media and Information society, and their significance, continuity and achievements, and based on the analysis of annual production of visual arts events that have other sources of funding, but undoubted influence, we should single out the following:

October Salon³⁶ is a representative manifestation in the field of visual arts, whose founder and patron is Belgrade City Assembly. With a long tradition (founded in 1960) has become a benchmark of Serbian culture, a representative review of artists in visual arts and a great exhibition whose selectors are prominent experts in this field. During its history

Salon was changing the concept and organizational forms (decisive authority over the concept has the Council, consisting of recognized experts in the field of visual art - art historians, art critics and artists, appointed by the City Assembly of Belgrade).

During the past decade there have been several serious transformations of the Salon. First, since 2001 art director of the proposed concept of the Salon was appointed. By 2005 this was a manifestation presenting exclusively art scene in Serbia and Montenegro. Then the Belgrade City Assembly and the Council opted for the international character of the future Salons, that caused every year great controversy in the professional community.³⁷ Based on the new concept October Salon in recent editions became more an annual international exhibition, which often does not introduce to the public current international art production or even domestic. On the other hand, high production standards set unique model for all other events, in the absence of the projects by the Museum of Contemporary Art.

³⁴Tadić, D. Gruden, M. (2009) *Likovne kolonije u Srbiji-Konkurs Ministarstva kulture (2002 - 2008)*, Beograd.: "Anonymous said."

³⁵Source: Agenda of manifestation by the Institute for the Study of Cultural Development <http://www.zaprokul.org.rs/AgendaManifestacija/Search.aspx>

³⁶www.oktobarskosalon.org

³⁷See more: Anda Rotenberg 2004, Darka Radosavljević 2005, Rene Blok 2006, Lorand Hedi 2007, Bojana Pejić 2008, Branka Anđelković 2009, Juan Puset i Selia Prado 2010, Galit Eilat i Alenka Gregorič 2011.

In addition to this central event of fine arts, we should emphasize the high profile of **Nadežda Petrović Memorial in Čačak**, the oldest and one of the most important art events in the former Yugoslavia. It was founded in 1960, and as the name suggests, as Memorial aims to respect the original ethical and aesthetic principles of Nadežda Petrović, the founder of modern Serbian art, which was a great supporter of the idea of Yugoslav cultural unity. In fact, until the beginning of the civil war in the former Yugoslavia, this event has respected tradition and the spirit of the First Yugoslav Art exhibition from 1904. For more than five decades, Memorial and Art Gallery Nadežda Petrović positioned Čačak as important place for contemporary visual arts that follows the annual contemporary visual production at home and abroad.³⁸

The May exhibition of ULUPUDS members is a traditional exhibition, which is held annually and presents a major event for applied artists and architects.³⁹ In this area **Mixer festival** also should be noted, held in the same month. This festival is primarily

dedicated to a presentation of works of applied arts, but in the last few editions is losing its conceptual consistency, and largely relies on musical program. The most important achievement of this event is, without a doubt, mass audience, extensive media coverage and initiative to revitalize neglected neighborhoods and architectural entities.⁴⁰ **Belgrade Design Week** is an influential annual conference which aims to bring together creative industry and the business world, and covers the fields of design, architecture, graphic design and branding, communication, culture, education and promotion, media and publishing, entrepreneurship.

Art Biennial and Art Salon of Cultural Center Pančevo⁴¹ present two influential events in relation to contemporary visual arts. Art Biennial was founded in 1981 as Yugoslav Sculpture exhibition (the official name was *Exhibition of Yugoslav Sculpture in Pančevo*) eventually transformed into an international exhibition of visual arts, placing itself at the top of events that present new trends in fine arts. Art Salon was founded in 1972 following

the model of the October Salon, and is organized by invitation calls and based on competition.

Golden Pen (Zlatno pero) of Belgrade

is an annual international exhibition of illustrations, which continuously contributes to the high quality of the illustrations as well as the achievements of the media itself in our society, presenting relevant selection of international trends and diversity of artistic expressions, performance techniques and purposes, as a comprehensive review of the place, importance and development of illustration as a medium. This manifestation consists of annual awards as well.

BELEF (Belgrade Summer Festival),

Belgrade is a multimedia festival of theater, music and visual arts. The founder of this manifestation is the city of Belgrade. It is, above all, the festival of productions, which have their own ambient performance during the summer months. Belef provides exclusive and premier art productions of domestic and international artists in all

three art disciplines. Since 2012, this event significantly changed its form, becoming the “Festival of Festivals” and combining 14 existing festivals.

The Night of the Museums is one of the most famous cultural events in Serbia and most visited cultural event, which is presented in a popular way, promoting projects in museums and galleries. So far, there were 6 Museum Nights, which now cover exhibitions spaces and audience in 65 cities and towns.

Real Presence is a manifestation of the international character based on workshops with young artists and students from various art academies, held in late August in Belgrade. Art workshops include a large number of artists, offering a wide network of contacts, cooperation models and exchange of new initiatives, presentations, marketing and promotion. The aim of this artistic and educational event, organized by the Independent Cultural Association is to raise awareness about artistic and educational standards of students and professional artists.

³⁸See more: www.nadezdapetrovic.rs

³⁹See more: www.ulupuds.org.rs

⁴⁰See more: www.mikser.rs

⁴¹See more: www.kulturnicentarpanceva.rs

Videomedija Festival, Novi Sad is an international video festival that for 15 years brings together international and regional artists. Its focus is on art projects that combine image and sound, advanced communications, from video art, digital animation, media installations, to advanced technology in art.⁴²

Finally, **annual exhibitions of the Faculty of Fine Arts and the Faculty of Applied Arts**, present an annual review of works by art students (including postgraduate and doctoral studies).

However, there are no classical art fairs in Serbia, with a selection of galleries representing their artists, and as a meeting point for artists, gallery owners, collectors, and the public. For the first time the Belgrade Art Fair, in cooperation with the Embassy of Sweden, is scheduled for October 2012.

As a very promising project should be emphasized **Laser summit of cheap prints**⁴³ organized by the Art collective Turbotomorrow, in cooperation with the Center for Cultural Decontamination. So far three summits were organized and the goal of this event is that through the new concept of communication with the public and collectors produce works of art widely accessible for all (the price of a single print was 1 euro) and to offer a possible financial model for the art market. The project has launched urgent problems regarding market evaluation of individual works of art and authors, primarily in the field of graphic design, art market as a whole, as well as existing and new collectors.

5.10. Private collectors

Ineffective presence of relevant institutional conditions in the field of visual art systems, both for the development of the art market, and for the maintenance of the system of art in general, emphasizes the importance of private collections, which may represent a fair overview of some particular periods in arts.

Existing examples of private collections in Serbia show that the collectors who have supported their contemporaries, buying, selling and exhibiting works by different authors, often played an essential role in the promotion of individual artists and art genres, and therefore it is reasonable to conclude that collector of contemporary art participates in the creation of art history just as much as artists, scholars, critics, curators and public institutions.

Several exhibition projects of the most important private art collections in Serbia (Vujičić Collection,⁴⁴ *Collections*

Trajković: Private Suite,⁴⁵ *Collector as Curator of the Auction house Arte media*,⁴⁶ Collection of the Macura Museum,⁴⁷ Art Collection of Vujošević family,⁴⁸ etc.) in the last few years demonstrate significant activity of private art collectors in Serbia, positioning themselves as significant factor in the art scene in Serbia. They are seen in a different way than in previous decades, when extensive private collections represented more an excess than a common phenomenon.

Among other things, a public demonstration of the scope and importance of these collections showed that personal choice of collectors, who have no Acquisition Commissions, curators and so on, proved to be more flexible and efficient mechanism for the purchase of works of fine arts, and that in the past collectors responded quickly to buy works of art for private collections more than official cultural institutions. In addition, it is quite

⁴²See more: www.videomedija.org

⁴³See more: www.laserskisamit.com

⁴⁴"Enformel from Vujičić Collection", Galerija 73, Belgrade, September, "From the historic enformela until the postmodern neoenformel", Gift Collection Gallery Rajko Mamuzić, June 2010, "Collection Vujičić - Triumph of contemporary art", Museum of contemporary art of Vojvodina, Novi Sad, June 2010., "Private stories, alternative attitudes", Modern Gallery Lazarevac, May 2011, "Sequences of modernism. Vujičić Collection of Serbian art of the 20th Century", Gallery Matica srpska, Novi Sad, September 2011.

⁴⁵Collection Trajković: Personal suite, exhibition, Museum of history of Yugoslavia, April 2012.

⁴⁶Arte Gallery, , Belgrade, May 2009

⁴⁷The name of Vladimir Macura was first noticed at the exhibition "Surrealism in Belgrade: art of the impossible" in Belgrade's Museum of Applied Arts (2002) where among others, were presented works from his collection. Two years later, in the Art Gallery "Cvijeta Zuzorić" Macura presented works of fine and applied art of avant-garde movements of the 20th century, and in the Museum of Applied Arts in Belgrade presented part of his collection in the exhibition "Everyday life of chairs / Gorgona" (2006).

certain that private collectors during the 1990s were probably the only ones purchasing artworks, so that now in private collections are present significant artworks that certain museums are missing and therefore all future retrospectives of individual artists or particular periods certainly can not be organized without loans from these collections.

Private art collections that were formed in the first half of the 20th century, primarily collections of Pavle Beljanski and Rajko Mamuzić, gift collections of the National Museum in Belgrade and Jaša Smodlaka and Dragoslav Damjanović, determined the form and method of creating private collections. In Serbia today they represent the best way to continue the tradition of private collections with due respect for the heritage.

On the basis of the character of these impressive collections it is interesting to note that private collectors began to create collections that had not been typical for private collections, both in choice of the subject (avant-garde, conceptual art), and the content (photography, sculpture, video) and

formats that were once reserved for museum collections and public spaces. So these private collections today present not just the list of names of good artists and their average works, because "everything good is in museums," but relevant achievements of art scene. However, what is important is that private collections in Serbia, such as collections in the world, driven by a passionate interest for certain areas are not subject to the requirements of public institutions that must have all referential artists' works. However, they are very important for the scene because they continue to passionately purchase works of art for their collections, reflecting the attitude and character of the collector and they guarantee further development of the art market and contemporary visual art scene in general.

In this process, besides several private collectors and auction houses certain private galleries are involved as well, artists themselves, and independent art dealers, so together they can affect not only the healthy pricing through the purchase of works of art, but also through the choice of authors to

influence the recognition of individual artists and art practice in general. It is visible that private collectors from Serbia participate in auctions in Europe and around the world as well, bringing back significant art works to Serbia. Finally, it is important to note that existing private collectors treat their collections by professional museum standards, collect documents, historical materials, professional books, journals and present irreplaceable resource for the development of contemporary visual art in Serbia. Private collectors have begun to associate with one another, especially with collectors from the region. Therefore art scene and market tend no longer to be limited to local.

In late 2009, as a specific and important actor in the contemporary visual art scene appears Vujičić collection with works of art by local artists from the late 20th century. Vujičić Collection Fund nurtures theoretical discourse and critical thought, and represents significant innovation in the field of publishing as well.

However, the main factor in the art

market are not only experienced collectors, art dealers and gallery owners, critics and museum workers, but the broadest range of *ordinary* art lovers, passionate experts, whether work of art is seen only for its artistic importance or for its material value. They actually provide the driving force for the entire art system. These small owners, their presence and participation are almost crucial for the maintenance of this sensitive organism, burdened, especially in isolated communities like our own, with many difficulties, of which the most important one is inability to reach big number of these true lovers of art. So the key question not only the development of the art market in our community, but for the system of visual arts in general, is - **How to enlarge the circle and number of ordinary art lovers?** - as regular visitors of exhibitions and as the widest circle of art collectors.

⁴⁸Belgrade Gallery, March 2009 - selection of works by the most prominent representatives of the Serbian painting of the twentieth century - Petar Lubarda, Sava Šumanović, Jovan Bijelić, Zora Petrović, Milo Milunović, Marko Čelebonović, Ivan Tabaković, Leonid Šejka, Ivan Radović ...

6. The Corporate Sector and Art Market

Connections with other sectors - tourism, education, economy, science, etc are vital for the development of the visual arts scene. A number of unfavorable circumstances have resulted in stagnation and degradation of contemporary cultural production, and finally in financial humiliation. This situation developed a need for establishment of partnerships and active attitude towards existing and potential participants in the cultural scene. Therefore many organizations choose the *connecting strategy*. When it comes to visual arts, primarily referring to the professional collaboration with other galleries and cultural institutions, which is not at the level of simple exchange or borrowing of technical equipment, that implies a common project design and management (partnership/co-production), and association with a goal to solve identified problems affecting the whole scene (public activities, lobbying, education and knowledge transfer).

However, when the funds are running out, and official cultural and political concept is experiencing noticeable

collapse, sponsors have ceased to be only a problem. They have become the solution. Therefore, in this social context, in the area of art production financing, it is of great importance to connect with the corporate sector and to establish and manage sponsorship strategies and business relationships. In fact, the realization of sponsorship can be seen as evaluation tool for the success of the action (and networking) in the field of the market. Therefore, to rely solely on government financial support, without the development of a sponsorship strategy, can cause the difficult financial position of the actors in the system of visual arts.

Basic sponsorship models today, identified in the art system are: *sponsor-reputation user* and *sponsor-collector*.⁴⁹ For the first model is distinctive collaboration with a number of events that have proved their media and broad public attraction, such as the Museum Night or Mixer. However, in recent years this relationship has demonstrated all its negative consequences, characterized by decreasing financial support, and increasing space given to service the interests of sponsors on the actual

events or exhibition spaces, resulting in lower art production, at the expense of commercial *sponsors - customer service* promotion.

On the other hand *sponsor - collector* model demonstrates not only conceptual, but business prudence as well. Impressive collections of paintings of several companies were known in former Yugoslavia, like Jugoeksport for example, today part of the collection of the Museum of Belgrade. We have occasionally witnessed presentation of NIS Jugopetrol collection. However, we mostly don't know much about the fate of these large collections. Collection of Telenor Foundation today testifies about the corporate collections of contemporary art in our country, like the first example of a systematic investment of a foreign company in contemporary art in our country. This collection of Serbian contemporary art was established in cooperation with the Independent Association Remont, with more than 160 purchased works of 55 artists and presents positive example of support for contemporary art production and art market in Serbia. The collection includes

paintings, sculptures, installations and photographs by renowned and emerging young artists as well, as a reference overview of Serbian art of the recent period. Immediately after the establishment of the Foundation in 2007, representatives of the company came into contact with Remont - Independent Art Association, in order to buy works of art for company's working premises. However, according to Darka Radosavljević-Vasiljević, Head of Remont, original idea, based on the concept of "art for offices," soon developed into a more complex and ambitious project - creation of collection of art works that characterizes the Serbian art production in the period after 2000, confirming historical continuity and establishing necessary context. Realization of this idea had positive effects in several aspects. The collection was primarily intended as a corporate art collection, which should exist in the company's premises, but also in the public space.⁵⁰ However, although this collection exists primarily in the business area, its relevance in public discourse was confirmed by a series of exhibitions in 2009 (Novi Sad, Subotica, Niš, Vršac, Čačak,

⁴⁹Dragičević Šešić, M., Stojković, B. (2003) *Kultura - menadžment, animacija, marketing*, Beograd: Clio

⁵⁰The company's management handed over the selection of works of art to the team of experts, consisting of: Saša Janjić, curator of collection, Ana Krstić, art historian, manager of external communications of Telenor and manager of Telenor Foundation, and Marija Simeunović, architect and manager of General Affairs in Telenor

7. Participation and audience development in the field of visual art and art market

Zaječar) where parts of this collection were presented to the public in Serbia, as well as on the basis of regularly updated catalogs and website. Although pioneering work in this area, collection of Serbian contemporary art of Telenor Foundation presents serious, systematic and methodical investment in culture and art, model how public corporate collections should look like, setting professional standards for other companies to invest in domestic arts with plan and relevant concept.⁵¹

During the last decade of the 20th century, high inflation and dramatically decreasing living standards have influenced the market in culture in Serbia, i.e. the reduction of the public, as well as the purchasing power of citizens, with a sharp decline in the number of consumers of cultural goods. Only during the last ten years, about 10.6% of the population is found below the poverty line and about 20% on the line. The strength and size of the audience, their needs and participation in cultural life only twenty years ago, at the end of 1980s, are best illustrated by the fact that the individual costs of cultural goods and services was accounted for 80% of the total cost of culture.⁵² Only few years later, in 1994, due to the high inflation (100% per day), the prices of works of art, film or theater tickets became insignificant, both for users and institutions. Although during the first half of the first decade of the 21st century there were indications of the cultural market recovery, data from 2010 provides an insight into new trends regarding audience participation.

Based on the research project "Cultural practices of the citizens of Serbia

"(Marijana Milankov and Predrag Cvetičanin, 2011), data indicates that about 60% of the population does not attend during the year cultural event, rarely buys books or other products of cultural industries, but passively consumes cultural products by looking television program, reading newspapers etc. Special problem presents low purchasing power of citizens of Serbia, and results indicate that two-thirds of Serbian citizens (67%) per month can allocate up to 20 euros to meet their cultural needs, a quarter can afford to spend on cultural activities up to 50 euros per month, and only 7% of the population more than that.

The average household in 2010 could allocate 78 euros per year on cultural and recreational expenses (Mikić, 2012.), and in recent years these costs have been reduced to 4% of total household expenditures. There is also a large disproportion between rural and urban areas, with 5.5% or 9 euros per month per household in urban areas, versus 3.3% or 3.5 euros per month per member of the rural households,⁵³ caused by the poverty in rural areas. Position of Belgrade's

cultural expenditure per household should be noted, as two times higher than the average cultural expenditure in Serbia.⁵⁴

These results reflect the distribution of economic power of citizens of Serbia, as well as trends that led to the impoverishment and gradual disappearance of the middle class in Serbia, which was the driving force of the art market in Serbia during the last two decades of the 20th century.

As for the visit, the last available survey data on participation in culture and habits of the citizens of Serbia, shows that more than half of citizens (63%) in the past year never visited a gallery or a museum, and that in the period since 2006 by 2008 Belgrade absorbed two thirds of visual arts audience.⁵⁵

Still, the percentage of active visual arts audience is around 33%, which is at the same level of theater, cinema and rock concerts active audience. Studies have expectedly shown that in this area cultural needs correlate with socio-demographic co-ordinates, and thus about 48% of females visit programs

⁵¹See more: Krstić, A. and Panić, K. (2012), Telenor: podrška kreativnosti, *Kreativna Srbija*, Beograd, "Anonymous said: "

⁵²*Compendium of Cultural Policies and Trends in Europe*, <http://www.culturalpolicies.net/web/serbia.php?aid=821>

⁵³Data for 2010. The analysis of cultural trends of household expenditure is based on the data of household expenses by Statistical Office of the Republic, Serbia (2003-2010) <http://webrzs.stat.gov.rs/WebSite/>

⁵⁴Cvetičanin, P., Milankov, M. (2011) *Kulturne prakse građana Srbije*, Beograd: Zavod za proučavanje kulturnog razvitka

⁵⁵Cvetičanin, P., Milankov M. (2011) *Kulturne prakse građana Srbije*, Beograd: Zavod za proučavanje kulturnog razvitka

in galleries and museums, compared to 33% of men, while 57% of people with higher education regularly go to galleries, as opposed to 30% of people with secondary and 8% with primary school education

Also interesting statistic data related to the visual material in households indicates that less than half of the households (44.6%) reported to have paintings and about 17% artistic photographs.

If we compare this data with strongly profiled one-day events like the Night of Museums, which already for the first time in 2005 brought together 70.000

visitors, 320.000 in 2007 and 450.000 in 2010, we can conclude that the issue of audience development requires complex set of strategically planned and coordinated activities, with an emphasis on educational media access.

Thus, analyzing activities of visual arts institutions, art galleries and exhibition spaces of cultural centers in Serbia, we can identify signs of poor cooperation and lack of contact with the audience, linked to the fatal connection with the elitist attitude of the participants in the contemporary visual art scene, and their lack of interest for visitors and audience development. Culture and, in this case,

the importance of visual culture for the development of society must be a priority for all levels of government and advocated by all stakeholders.

Table 5: Cultural consumption in Serbia, 2005-2010. (in euros)

	Total household consumption (per household)	Shares of cultural consumption in the total consumption of households %	Average annual household expenditure on culture (per household)
2005.	4431,7	4,4	194,99
2006.	5216,7	4,9	255,62
2007.	6124,1	4,8	293,96
2008.	6606,3	4,7	310,50
2009.	5280,1	4,9	258,72
2010.	5088,0	4,7	239,14

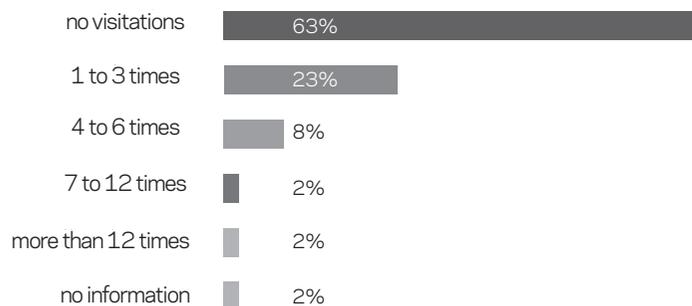
Source: Household Budget, Report of the Statistical Office, no. 345, 259 and 161, Rikalović, G. Mikic, H. (2012) Cultural Development Plan of Užice 2012-2017, the City of Užice

Table 6: Participation in culture in Serbia, 2005-2010.

	Museums	Theaters	Libraries	Cinemas
2005.	N/A	932.000	N/A	2.139.554
2006.	1.754.000	952.000	N/A	1.767.449
2008.	1.745.000	1.032.000	13.672.000	1.457.000
2010.	N/A	920.000	11.339.809	1.945.900

Source: Compendium of Cultural Policies and Trends in Europe, <http://www.culturalpolicies.net/web/serbia.php?aid=821>

Graph 1: Visit to galleries/museums in the past 12 months prior to survey



Source: Cvetičanin, P., Milankov, M. (2011), *Kulturne prakse građana Srbije*, Zavod za proučavanje kulturnog razvitka, Beograd.

Table 8: Total number of visitors 2007 - 2009.

Gallery Name	Total no. of visitors
Gallery Vinko Perčić, Subotica	5000
Gallery Tera, Kikinda	6000
Modern Gallery Valjevo (2007-2008)	13550
Gallery naive art, Kovačica (2009)	17000
Gallery Sava Šumanović, Šid	22000
Gallery Milan Konjović, Sombor	23970
Gallery Lazar Vozarević, Sremska Mitrovica	27900
Contemporary Gallery UK Ečka Zrenjanin	34699
Art Gallery Nadežda Petrović, Čačak	40342
Gallery Likovni susret, Subotica	47000
Gallery Milene Pavlović Barili, Požarevac	56417
Gallery of contemporary fine arts, Niš	107630
City Gallery, Užice	125000

Source: Cultural policies at the district level of Serbia, Institute for the Study of Cultural Development, 2012., Belgrade 2011.
The survey includes only galleries founded by local governments, Cultural policies at the district level of Serbia, Institute for the Study of Cultural Development, 2012.

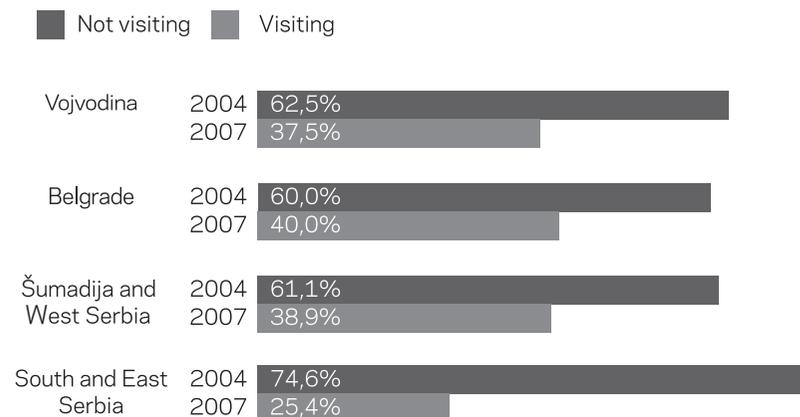
8. General trends and financing system in the field of visual arts

The time of transformation and reformation of the financing mechanisms in culture, including contemporary visual art production, came in the period after 2001. The system of funds was abolished and budget funding system re-enacted. Omnibus Law from 2002 determined jurisdiction of AP Vojvodina in the field of major provincial cultural institutions, including leading institutions in the field of contemporary visual art, with the fact that Republic of Serbia is still obliged to provide funds amounting to one third of

total operating costs to institutions like the Museum of Contemporary Art of Vojvodina, Museum of Vojvodina, Memorial collection of Pavle Beljanski.

New concept of the budget system was introduced, reporting method and control of public revenues and expenditure, new Law on public revenues and expenditure was voted, and new Law on local self-government. Within the local governments, authority and autonomy in managing and developing the local cultural sector was extended,

Graph 2: Visits to museums and galleries per regions



Source: Cvetičanin, P., Milankov M. (2011) *Kulturne prakse građana Srbije*, Zavod za proučavanje kulturnog razvitka, Beograd.

and for new government departments was provided innovative funding system, with greater participation of municipalities in the income distribution of public revenues and expenditures autonomy in determination of the amount of local nontaxable revenues.⁵⁶

In addition to the state funding of cultural institutions dedicated to contemporary visual art, at the national level since 2003 was introduced annual public Open Call of the Sector for contemporary art, cultural

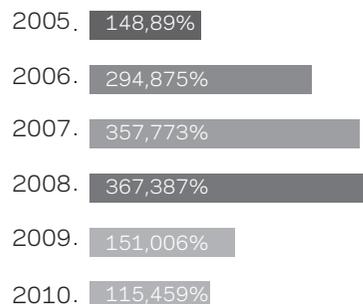
industries and cultural relations (arm's length principle), which covers contemporary visual art and multimedia. Right to participate in these Open Calls have organizations and cultural institutions, civic associations, informal groups and individuals from the Republic of Serbia, while projects / programs of cultural institutions that are "indirect budget users" can not participate in the contest. The work of these institutions is financed from other budget positions, in their entirety. "Indirect budget users" make

extremely high pressure on the state budget, and without apparent awareness of the necessity to introduce efficient evaluation system for these cultural institutions, and to reform the current financing system of culture, which must make changes in the framework of the so-called state institutions.

Annual competition for contemporary art set clear criteria, application and decision-making procedures, in line with the international practices. Committee

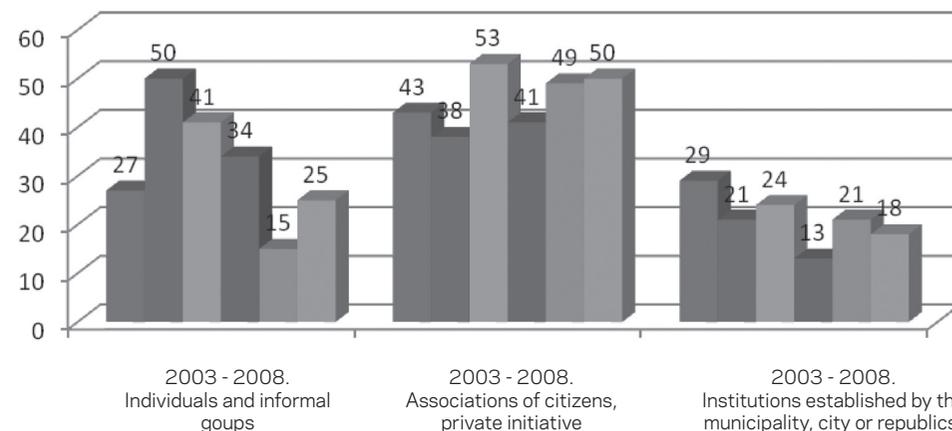
members are professional experts in these fields, and the highest decision-making process is based on expert opinion outside the Ministry of Culture. The transparency of the competition is reflected in the public disclosure of the results on the website of the Ministry, which is not the case with the relevant sectors in all local governments.

Graphic 3: The average annual funding of the Ministry of Culture, Media and Information Society for programs of visual arts and multimedia, 2005-2012 (in euros)



Source: Ministry of Culture, Media and Information Society of the Republic of Serbia, 2011; presented funds do not include funds aimed at financing events of significance to the City in the field of visual art that are realized from two-part agreements (protocols) between the Ministry of Culture, Media and Information Society of the Republic of Serbia and City of Belgrade, Secretariat for Culture.

Graphic 4: The number of supported projects in the field of visual arts and multimedia, Ministry of Culture, Media and Information society of the Republic of Serbia. 2005-2012 (in euros)



Source: Tadić, D. (2009) Savremene vizuelne umetnosti i multimedije, Beograd; Ministarstvo kulture, informisanja i informacionog društva Republike Srbije, 2009-2012.
*institutions funded by state authorities at the level of the Republic, except for the Ministry of Culture, Information and Information Society of the Republic of Serbia.

⁵⁶Mikić, H. (2011) Kulturna politika i savremeni izazovi finansiranja kulture: Međunarodna iskustva i Srbija, *Kultura* 130, Beograd, p.91

The introduction of the Open Call has great importance, first because of the introduction of a systematic procedure, international standards in the preparation of project documentation, review of current production systems, transparency and objectivity of the decision making process and announcement of the results. However,

if we follow average amounts for all areas of contemporary art production, we can conclude that funds for contemporary visual arts are in the range of funds for theaters or music (e.g. in 2008 for projects in the field of visual arts was allocated 397.411 euros, for theatre 336.000 and 416.000 for music; in 2010 visual arts were awarded

with 246.205, theater with 246.635 and music with 221.121 euros and in 2012 for visual arts was allocated 489.207 euros, 397.227 for theater and 312.782 euros for music.⁵⁷ However, following available data, number of supported projects / programs and the amounts, it can be seen that for a major part those are unified amounts, which

distributed on a large number of projects, carry more symbolic value and importance of quality verification of projects by the highest official institution, and not so much as a strong financial instrument.

If we follow the trends of projects' support for the past several years⁵⁸ we can see the symbolic character of this support, as clear signal of future trends of the Ministry of Culture in financing projects of contemporary visual production, which will be based on the role of the Ministry of Culture as the highest state institution that provides opinion on the annual production as a token for broader support. There are clear indications that the Ministry will systematize projects in the field of contemporary visual art and verify them at the annual level.

We should also draw attention to the practice of art works acquisitions, from retrospective, individual or group exhibitions, at the initiative of the heirs of deceased authors, and following the requirements of Museums and Faculties of Fine and Applied Arts, which the Secretariat of Culture of the City initiated in 2003. Until the 1990s, there was a state and city committee gathering artists and art historians, acquiring works of art

Table 10: Financing of visual arts in Serbia 2005 - 2011 (in 000 euros)

	2005	2006	2007	2008	2009	2010	2011
Total budget expenditures (central level)	4.833.768	6.008.084	7.445.833	8.542.5	7.970.327	8.029.436	8.065.903
Total Expenditures -Ministry of Culture	70.378	76.442	66.041	88.701	84.386	55.279	56.258
The share of the Ministry of Culture%	1,45	1,26	0,88	1,03	1,05	0,68	0,7
Public expenditure on culture per capita	9,3	10,3	8,9	12,1	11,5	7,5	7,7
Total expenditures-visual arts -Ministry of Culture	148	294	357	367	151	115	375
Number of programs /Open Calls	118	88	85	93	82	141	183

Source: Mikjić, H. (2012) *Od kulture do kreativne ekonomije: tendencije u finansiranju kulture i položaj bibliotečke delatnosti*, Čitalište, no 20, pp. 18-32.

⁵⁷Amounts were calculated in relation to the exchange rate at the time of the Open Call Results Announcements, and thus it should be noted that due to the unstable RSD exchange rate, assets in euros were drastically changed and reduced during the year, when the projects were implemented.

⁵⁸After a period of continuous growth since 2006, there has been a sharp decline in the average annual support for the projects since 2008 to 2009. (from € 6,875 to € 2,081), while in 2010 it was even with an average grant awarded by the Secretariat of Culture of the City of Belgrade. The tendency of a uniform average grant per project, which over the last few years moves in the amount of approximately EUR 2,000 (€ 1,899 per project, with a total amount of 364 320 EUR, assigned to the 183 project in 2010.).

that accompanied large retrospectives, but also considerable solo and group exhibitions and also showed concern for the artists and state and city institutions. After this period, curators have begun to choose artworks at their own discretion. However, since 2003 city acquisition system was reinstalled, with about 300 to 400 artists, and purchasing up to one hundred works.⁵⁹ Today at the national level art works acquisition system does not exist any more.

A significant portion of the funds in the field of contemporary visual practice, in accordance with the character of the experimental and innovative works, is provided through local and international foundations. Already during the last decade of the 20th century a number of artists, organizations and associations dedicated to contemporary visual art were turning towards foreign foundations, in accordance with the dominant activist and socially engaged nature of their works. This trend continued during the first decade of the 21st century, however conditioning the prevailing tone of contemporary production in accordance with commitments of Foundations (to promote European values, regional cooperation, quality of partnership) and therefore defining and emphasizing

specific fields of modern productions, which often resulted in the design of projects and scene overall only in accordance with the provisions given by Foundations.

Among the most active foundations in this period we can recognize Erste Foundation, European Cultural Foundation, Swiss Cultural Programme in the Western Balkans, Open Society, Belgrade, and increasing presence of specialized grants of the Open Society Institute Budapest or Rockefeller Brothers, referring to sustainable development and infrastructure, Robert Bosch Foundation in the field of cultural management, etc. We should take into consideration financial support and cooperation with foreign embassies in Serbia as well (the Netherlands, USA, Finland, Great Britain ...).

Since 2000, foreign cultural centers were also very active in the presentation of contemporary visual arts, primarily presenting artists from respectful countries and mediating first contacts with artists and scientists from their countries (British Council, French Institute of Serbia, former French Cultural Centre, Goethe Institute, Institute Cervantes, Austrian Cultural Forum, Italian Cultural Institute, Center

of the Hellenic Foundation for Culture), with occasional research projects or implementing cooperative projects. Only the Swiss Cultural Programme established an independent development program to support contemporary arts in Serbia in accordance with recognized needs (support for the new cultural model, alternative cultural spaces and initiatives, innovative, multidisciplinary projects, regional cooperation and networking, professional education and mobility of young artists, as priorities of contextual analysis) co-financing small art actions and large regional development projects.

Reading the lists of supported organizations, it is clear that among them the largest number present independent organizations that act simultaneously as platforms for innovative art production and activism programs in local communities. The analysis of grants confirms that equal attention was given to innovative art production, research and educational programs, cooperation and collaboration, and presentation of art and ideas, i.e. critical public debate in the culture.⁶⁰

At even larger scale, these projects have contributed to the inclusion of civil initiatives in culture in a much broader socio-political

arena, strengthening democratization processes and social integration of the Serbian society. Thus, non-governmental organizations that hold the spirit of creativity and freedom during the 1990s and first decade of the 21st century continue to be on the scene not only for their art experiments and research projects, but also as platforms providing space for meetings and programs' exchange, as information resource centers for many, especially new areas of arts, capacity building and production of knowledge, regardless of the fact that at some point have received awards and became more integrated into the official cultural policy. International foundations supported their existence and stability too, allowing them independence and reducing impact that civil sector suffered during every change of government, especially now during the global economic crisis

New financing opportunities should encompass also the Culture Programme 2007-2013. With the signing of the Memorandum of Understanding in 2008 Republic of Serbia has confirmed its readiness to accept the provision of 50% of the total amount of contributions to the national budget, officially joining the Serbian Culture 2007-2013 program,

⁵⁹Commission in 2003 selected for purchase 32 artworks by 31 authors in the total amount of 30 000 euros, 67 art works by 60 authors in 2004, in the total value of 100 000 euros, 67 art works by 64 authors in 2005, in the total value of 110.000 euros, in 2006 in two purchasing circles proposed and selected 94 works of art by 75 artists and the total value of 120.000 euros, 83 works of art by 55 artists in 2007, in the total value of 152.000 euros and in the first half of 2008, 24 art works by 12 artists and the total value of 37.000 euros. Due to lack of funds, the purchase has not been implemented in 2009, but was continued in 2010, without Open Competition, but at the request of museums and cultural institutions, that is election commission, in relation to the reduced budget of 50.000 euros.

⁶⁰Dragičević-Šešić, M. (2009), *Deset godina Švajcarskog programa za kulturu*, Beograd: "Anonymous said:", pp. 17-30

where the participation of 50% is provided by the Pre-accession funds (IPA). European Commission of the Directorate General for Education and Culture officially assigned the annual amount of contributions of 107.000 euros for Serbia's participation in this program. Each year the Program organizes competition for the funds intended for projects related to fine arts, and so far few organizations in the field of contemporary visual productions received funding under this program, for partnership projects (Remont, kuda.org, Multikultivator, Belef).⁶¹

When it comes to financial support and private sector participation in contemporary visual production in our country, we can say that there is a need for improvement in this area, with projects based on the good principles of partnership between the cultural and economic sectors. Certainly, there are few examples of good practice such as "Centrifuga" program that Erste Bank and the Balkan Community Initiatives Fund (BFIC) launched in 2007, aimed to activate young people (aged 15 to 30 years) in the promotion / initiation of cultural activities in selected local communities (all communities in which Erste Bank has branch offices, except in larger centers - Niš, Belgrade and Novi Sad).

Since 2005 Niš Art Foundation, in cooperation with Philip Morris organizes competitions for young artists up to 35 years old in various artistic disciplines.

However, examples of the business sector support are mostly sporadic, without a clear concept and criteria, and this participation of the private business sector is one of the great opportunities for further development of a sustainable financing system of modern visual production in Serbia.

Nevertheless, financing of contemporary visual creativity is a public need and public responsibility, and initiative to work on creating a new financing concept of culture should come from the actors of the cultural scene themselves, from public institutions and ministries. In order to start successful process of conceiving new models of financing culture it is necessary to establish effective networks and coordination between the Ministry of Culture and the Ministry of Economy and Regional Development, with different levels of local government, media, foundations and representatives of the European Union accession and integration funds.

⁶¹In addition, the Cultural Contact Point, located within the Ministry of Culture, as a mediator for the Culture Programme 2007-2013, assumed the role of the organizer of seminars with the aim to professionally train representatives of institutions for applications at foreign funds.

9. Developmental implications of the current cultural situation in the field of art market

This analysis has been developed in relation to the primary actors of the art market system: artists, institutional requirements, museums, galleries, educational system, agents, art dealers, auction houses, critics, media and audience, consumers and to the public sector (museums, education, associations, the legislative framework), private sector (galleries, museums and private initiatives, foundations) and civil society (NGOs, artists' groups, associations, etc.).

Strengths

- Artists and art production;
- Existing technical/physical art market infrastructure - museums, galleries, auction houses, media houses;
- Tradition of art collections and existence of respectable collections;
- A growing number of experts in the field of cultural policy, cultural managers and agents, representatives of independent culture with high professional knowledge and field experience;

Opportunities

- Formulation of the new economic model of contemporary cultural production in the country;
- Development of the private entrepreneurial sector in culture / market dimension of art system for the development of self-sustainable visual arts economic system;
- Restructuring the gallery system in accordance with international EU standards in this area;
- Increased competitiveness as a labor and business principle amongst numerous stakeholders;
- New models of partnership relations between public, private and civil sector;
- International and European programs supporting programs of cooperation and mobility.

Weaknesses

- Collaps of values in the society; social marginalization of visual arts;
- The dominance of the grey zone/ area of legally unregulated art market;
- Poor media coverage - underdevelopment of mechanisms that influence the public opinion;
- Lack of public;
- Gallery system disfunction in the field of art market;
- Unfavorable tax policy;
- Financial status of artists and cultural workers in the visual art system;
- Absence of the concept of the efficient model of contemporary cultural production;
- Lack of public-private partnership.

Threats

- Social, political and economical instability of Serbia, Western Balkans and EU;
- Uncertain survival of the independent art scene in existing social and financial circumstances;
- Existing ideological and value framework that marginalizes cultural in general and anticipation of future value framework;
- Existing educational profiles, maladjusted to the real social and structural needs;
- Hyperproductivity of visual arts projects by independent art organizations, in order to survive, at the expense of quality and range.

10. Concluding observations and recommendations regarding the development of art market

Although the official level only nominally emphasizes the necessity of the economic sustainability of the cultural sector, facts presented in the previous chapters show that there are no systematic efforts leading towards the introduction of economical models in the art system in order to create a coherent system that will balance private and public initiatives, enable cooperation between sectors and set up links between traditional economical institutional systems and innovative cultural models.

Described situation points to the unsustainability of the current system, volatility and short-term effect of random initiatives from the private sector, symbolic role of public funding and lack of any thought on entrepreneurial activity. This brings into question the survival and functioning of the visual arts in general.

Experience from the current art market in Serbia indicates the problems, but also the potentials of this system. Creation of a supportive and affirmative environment for the art market and system of visual arts in general includes: Opening of the museums,

and resolvement of the issues of the most important institutions of visual culture in Serbia, which will result in the affirmative social perception of visual arts in general; Education and the professionalization of all relevant actors (compliance and quality of educational profiles with the staffing needs of society and the projection of future economic development, introduction of expert studies and promotion of professional profiles that are important for the development of the art market); Fight for the audience - to create a broad base of audience with inter-sectoral cooperation - with the educational sector, tourism, economy etc; Key role of the media and critics - structural changes in the media, return of newsrooms dedicated to culture, with many journalists and active critics and diversification of media news and texts intended for all segments of the audience; Changes of the tax incentive system that will affect investment in the visual arts and purchase of works of art (reduced taxes on the purchases of works of art, which would partially affect the regulation of the consequences of the current state of the art market of the grey zone); Strengthening the

capacity of the professional market and gallery system; Development of public-private partnerships and New economics of cultural policy, referring to the contemporary art production. Functional parts of the art market would create the necessary criteria for the art market, although it is known that the most delicate issue is to determine the basic criteria of the market - the price of the art.

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WEBOGRAPHY

LEGAL REGULATION OF ART GOODS TRADE IN THE WESTERN BALKANS

SUMMARY:

Paper deals with visual art works trade and all relevant components for constitution of legal actions. Providing an overview of legal provisions regarding the visual artworks trade in Western Balkans countries, paper gives recommendations that can be implemented in the existing legal framework as an efficient way to protect author's rights during the trade process. Focus is placed on visual artworks trade on a primary market, with all specific characteristics that can occur during the trade.

Keywords: cultural goods, turnover, property and moral rights, author

1.Introduction

The issue of artworks trade and establishment of the balance between the instruments of cultural and economic policy, of which first are directed towards the protection of cultural works of significant cultural, artistic, historical and cultural value, while the latter are aimed at stimulation of the market, mobility of artists and their works, and capitalization of the art on the market, is the scene of numerous debates and controversies. The subject of the artworks trade includes both instruments of economical, legal, political and organizational nature in the modeling of cultural and economic policy in this area. In this regard, a better understanding of the economic and legal transactions of visual art works requires clarification of the distinction between cultural goods and works which do not belong into that category. A very important fact for the very procedure of artworks trade listed above is their distinction from the cultural goods. Depending directly on the solutions of the national law regulations of the Western Balkans countries (in this study we have primarily analyzed experiences in Croatia, Serbia, Montenegro and Bosnia and Herzegovina) concerning the definition of cultural property is the trade

of visual art works. In fact, all Western Balkan countries legislation rules restrict circulation of cultural goods, and also differ in the definition of cultural property, which entails a different circle of art works which are protected as cultural property, and subject to restrictive rules of legal and economic transactions.

A common feature of legislation system in the Western Balkans countries is that cultural property can be any work of visual art that is important for the understanding of historical, cultural and scientific development, regardless of when and where they were created. Such a legislative solution covers very wide range of visual arts that can potentially become a cultural property and fall under the regime of limited trade. Will it become a work of cultural property depends primarily on the reputation of the artist - author, and on discretionary assessment by the authorities whether the work has cultural significance for the country, or local community. In the past, most of the Western Balkans countries were faced with the lack of financial resources for conservation and protection of movable cultural property and therefore cultural goods of prior importance were declared

mostly in a narrow circle of the most important works of historical and cultural importance. Illustrating is the fact that during the 1990s identification and classification of new movable cultural property occurred sporadically and rarely in the entire region of the Western Balkans.

Besides this fact, the Western Balkans characterizes to some extent restricted access to legal and economic trade and mobility of works of art. To prevent the removal of cultural goods from the country where they are protected, lawmakers passed legislation under which the work can be taken out of the country only with a certificate issued by the competent authorities entrusted with the care of protection of cultural property (usually National Institutes for the Protection of Cultural Property, central parent institution for the protection of movable cultural property, etc.). In all Western Balkan countries there are institutions that maintain a register of cultural property, issuing necessary certificates if the work is the subject of cultural significance. In this regard, the procedure for issuing a certificate if the work is protected as

¹See more: Law on protection and preservation of cultural goods of the Republic of Croatia (NN 69/99, NN 151/03, NN 157/03, Correction, NN87/09, NN88/10, NN61/11, NN25/12), Law on protection of cultural goods of the Republic of Montenegro (*Sl.list Crne Gore* no.49/10), Law on cultural goods of the Republic of Serbia (*Sl. glasnik RS*, no.71/94).

²See more: Law on Copyright and Related Rights of the Republic of Serbia (*Sl.glasnik RS*, no.104/09, 99/11), Zakon o autorskom pravu i srodnim pravima BiH (*Sl.glasnik BiH*, br.63-10), Law on Copyright and Related Rights of the Republic of Croatia (NN 167/03, NN 79/07), Law on Copyright and Related Rights of the Republic of Montenegro (*Sl. list Crne Gore* no.37/11)

2.The authors' rights in the trade of art

cultural heritage, is complicated and on average takes between one and three days. All that needs to be enclosed for an application for a certificate is the image of the artwork or the work itself if it is of smaller size, in which case the competent authority puts a stamp on the reverse side. When an interested person obtains a certificate that the work does not belong to the category of cultural property, such work may freely be transferred across the state borders.

Trade of art works considers any transfer of ownership over the work of art or transfer of property rights from the author (or a successor of author's rights) to the new owner. The first step in determination of elements of the transfer process on which the request comes forward is to closer examine the term of the author's work itself. Author's work presents an original creation of an author, which is an expression of his inner experience of the world and the environment that surrounds him, expressed through various types of forms. With visual arts, this form is reflected in a tangible expression of inner experience, in no matter what form it is embodied. Some theorists point to the copyright law disadvantages governing this area, noting that definitions given in these laws do not follow the development of arts and do not cover all forms of artistic expression. Here we stress the aleatory works of art (works in whose creation coincidence plays a decisive role) and works of the reductionist and minimalist art (works in which the focus is on the spiritual content and not on its material expression), challenging the lack of the essential

element for their qualification to be an author's work - the lack of originality, ie. individuality expressed through the personality of the author.

In the legal system all author's works, regardless of their scientific or artistic value, have equal protection before the law. All legislative acts in the Western Balkans, dealing with the protection of copyrights, have similar definitions of author's works, which do not differ substantially, but only linguistically. For example, countries in the region define the author's work as a spiritual creation, expressed in some form, regardless of its artistic, scientific or other value, the field of literature, music, film, architecture, industrial design, theater, applied and fine arts. Fine arts include paintings, drawings, sketches, prints, sculptures, etc., and it can be observed that regulation is mainly concentrated on clarification of artistic works that belong to classical art disciplines. At this point it is important to note that legal protection is provided for works that are uncompleted, in situation that they meet the conditions required for completed author's work (a spiritual

creation, expressed in some form, regardless of its artistic, scientific or other value).

All legislation of the Western Balkans recognizes the right of authorship to the creator of artwork from the moment of the creation. The very content of author's right consists of two components: the moral and material.

Moral component of author's right is a set of personal and legal warranties to protect the originality and author's inner (subjective) relation to the work, and it absorbs into itself the following rights:

- Author's right to publish its own work, to determine the manner in which it will be published, as well as its exclusive right to information and description of its own work;
- To be recognized as the author of the work and that his/her name or pseudonym is indicated on each copy of the work;
- To protect the integrity of its own work, ie. to resist any change of its own work or its communication

³See more: Law on Copyright and Related Rights of the Republic of Montenegro (*Sl.list Crne Gore* no.37/11)

- to the public in an altered form;
- To oppose the exploitation of its own work in a way that could harm his/her honor and reputation (right of withdrawal).

Property component includes a series of copyright laws by which the author as a creator is entitled to the economic exploitation of the same work in order to acquire material gain, and it absorbs into itself the following rights:

- economic right of author to exploit its own work;
- to copy (reproduce) the work, and allow it to second party;
- to put its own work on the market or to lease it;
- to publicly present its own work, including the possibility of prohibition and to give the permission for public presentation to the second party;
- right of the author to approach its own work, if necessary for the reproduction of the work (in Montenegro this right extends to the ability for a request to the owner of the artwork in order to exhibit it in a continuous period

- of 60 days, with the provision of security);
- to prohibit the public display of artworks (works of visual art such as paintings, photographs and sculptures). In this regard, at this point it is important to note that the author has to prohibit it to the acquirer of the work during the alienation, specifically in written form, and the fact that some countries explicitly stipulate that work must be unpublished (Croatia), while others allow that right to the author, regardless whether the work is published or not (Serbian)

2.1. Legal protection in case of infringement of rights

With high technological development, mass communications and wider range of resources for reproduction, violation of authors' property and moral rights often happens. For example, it is not uncommon that artworks are being reproduced without the consent of the copyright owner, published without the authorization and change their physical integrity also without the permission.

Laws of the Western Balkans prescribe a wide range of protection of author's rights and other holders of rights (the acquirer of property rights). All rights under the law can be protected through the court in several directions, depending on the injured rights and the discretion of the holder. The holder of the injured rights may take an action to require the following:

- Determination of rights violation by the court
- Order to stop the infringement of the right in the future by the court
- Order by the court to destroy the objects by which infringement of the law has occurred and to destroy the tools with which violation has occurred
- Verdict should be announced at the expense of the defendant
- Compensation of the property damage done (property damage amount is

determined on the basis of general rules on damages)

The most common complaints regarding the protection of the rights are demands for further infringement in the future, as well as for damages for unauthorized use of copyrighted works. Here the emphasis is placed on the practice of unauthorized use of copyrighted works for commercial purposes (copying author's work on items in the market, or making copies for resale). However, most lawsuits filed in connection with the preparation of deeds are not directly related to the protection of copyright, but concerning the exercise of rights for payment of fees for production of the artwork. Namely, due to underdeveloped awareness of the wide range of rights granted to the author under the copyright law and poor financial situation, the authors choose to exercise their rights through the courts usually only when they do not get (fully or to a lesser extent) a fee based on the commission.

At this point it is important to note that legislation of all Western Balkan countries authorizes the victim to seek up to three times higher compensation than he/she would receive for the actual use of the protected subject in case that violator of

⁴See more: Law on Copyright and Related Rights of the Republic of Croatia (NN 167/03, NN 79/07)

⁵See more: Law on Copyright and Related Rights of the Republic of Serbia (*Sl.glasnik RS*, no.104/09, 99/11)

⁶Without such legal solution the plaintiff would have to prove the amount of damages in court proceedings, which, given the specific case, could be very difficult from a practical point of view.

2.2. Droit de suite in comparative legal regulation

property rights has done it intentionally or by gross negligence. The exception to the above mentioned amount of compensation is provided in the Law on Copyright and Related Rights of Republic of Croatia, which provides reimbursement of up to two times of the usual fee. This solution allows injured parties to seek compensation regardless of whether it occurred, and with no proof of its height. Also, we add here that the plaintiff may prove actual damages and demand full compensation, if considers that such damage exceeds the amount determined in court.

As for the deadlines for filing a claim regarding the copyright law we should make a distinction between suits seeking the termination of the infringement, the destruction and alteration of objects and claims for compensation of tangible and intangible damages. In the above mentioned cases the author can always claim protection as long as there are violations of law or infringement cases, while compensation of the damages is associated with periods of limitation prescribed by the laws governing contractual relations. In practice, the greatest difficulty for the author is to prove the authorship, and circumstances that confirm whether the work is original intellectual creation.

Droit de suite presents an Institute in all jurisdictions in the Western Balkans. Droit de suite, as part of the material components of copyright has the exclusive use with fine arts and refers to the distribution of the original works of fine arts and their reproduction. This Institute allows the author to work under certain conditions and to charges in the future a fee for each sale of its own original work and its reproduction. Namely, if a work of art is at the disposal of the author, he shall be entitled to a fee (a certain percentage) for any future disposal on a part of the owners who have acquired the ownership of a specific piece of the fine arts. This author's right includes the right to claim compensation to the extent provided by law (here it comes to certain percentages and limits set in the legislation of different countries of the Western Balkans), and his right to be informed of any future sale of his work and the new owner of the same. For the payment of remuneration to the author, by the right of succession, jointly are responsible seller, buyer and agent in the sale of the artwork (galleries, auction houses and other intermediaries through which the sales went). Droit de suite includes reproductions of fine art

made by the author and with his or hers consent. All such reproductions shall be numbered and labeled, i.e. signed by the author.

In all jurisdictions in the Western Balkans succession law is applied with no restrictions to any future disposition of a fine arts work after the disposal by the author, except in Croatia, where is provided that the author is not entitled to benefits under the droit de suite if the seller is an art gallery that has acquired the work of art directly from the author less than three years prior to its resale, and if the price at which it resells the work does not exceed the equivalent of 10.000,00 Euros.

The author cannot waive the right of succession, nor can dispose with it (any transfer of rights of succession is invalid), and after author's death the right of succession passes to his or hers heirs. All legislation of the Western Balkans gives the right to the author within three years, from the resale by the seller, buyer and intermediary in the process of the sale, to request any information that is necessary to secure payment of compensation. This provision has

practical application in the event that the author does not receive the required information. Namely, in that case the author could claim the damages against a person that denied him or her the necessary information.

Unlike other comparable jurisdictions, Serbian legislation contains very practical provision binding the seller, buyer and agent in the sale of artwork to inform the author about the sale within thirty days from the sale, as well as an explicit provision stating that the compensation fee is due by the right of succession within thirty days of the sale. This legal decision has practical application in the case of dispute when the author does not have to prove diligence or malpractice of joint debtors in the event of litigation (in terms of demand of interest on amounts due). In practice, this arrangement allows the author to quickly learn about the sale of the work and its own right to obtain compensation. Hence with defined payment's due date by the droit de suite, the author would have the right to statutory interest if the fee is not paid after that date, regardless of whether the fulfillment of the obligations is sought. In other jurisdictions where the maturity

⁷Article 34. Law on Copyright and Related Rights of the Republic of Croatia

⁸Law on Copyright and Related Rights of the Republic of Serbia, in Article 35, position 9. *Sl.glasnik RS* no.104/2009 and 99/2011

date is not envisaged author would have to call the debtor to fulfill its obligation, and from that point by all the general contractual rules would be entitled to default interest,

because with undefined deadline for fulfillment of obligation debtors are overdue only when the creditor calls to execute the same. Also, as other legislation does not

provide obligation for the seller, buyer and agent to notify the author about the sale, in practice it leads to the fact that they can sell and withhold the information, because no

one can be held accountable for it. At this point, we will display the benefits of the author by the droit de suite in each of the Western Balkans countries:

Republic of Serbia

of the selling price generated in the interval from 1.000 to 5.000 euros	4%
of the selling price generated in the interval from 5.001 to 20.000 euros	3%
of the selling price generated in the interval from 20.001. to 35.000 euros	1%
of the selling price generated in the interval from 35.001 to 50.000 euros	0,5%
of the selling price generated in the amount over 50.001 euros	0,25%

Note: Regardless of the original purchase price, fees for droit de suite should not amount to more than 13,000 euros (1.3 million RSD).

Republic of Croatia

of the selling price generated in the interval from 1.000 to 5.000 euros	5%
of the selling price generated in the interval from 5.001 to 20.0000 euros	3%
of the selling price generated in the interval from 20.0001. to 35.0000 euros	1%
of the selling price generated in the interval from 35.0001 to 50.0000 euros	0,5%
of the selling price generated in the amount over 50.0001 euros	0,25%

Note: The total amount that belongs to the author can not be higher than 12,500 euros equivalent in kuna. The basis for calculation of this amount is the sales price without the tax.

Bosnia and Herzegovina

of the selling price generated in the interval from 1.000 to 10.000 KM	4%
of the selling price generated in the interval from 100.101 to 400.000 KM	3%
of the selling price generated in the interval from 400.001. to 700.000 KM	1%
of the selling price generated in the interval from 700.001 to 1.000.000 KM	0,5%
of the selling price generated in the amount over 1.000.001 KM	0,25%

Note: Regardless of the original purchase price excluding taxes, fees based on the droit de suite cannot exceed 25.000 KM.

Montenegro

of the selling price generated in the interval from 1.000 to 5.000 euros	4%
of the selling price generated in the interval from 5.001 to 50.000 euros	3%
of the selling price generated in the interval from 50.001. to 200.000 euros	1%
of the selling price generated in the interval from 200.001 to 500.000 euros	0,5%
of the selling price generated in the amount over 500.001 euros	0,25%

Note: The fee is paid as a percentage of the retail price without the tax, if it is at least 1.000 Euros. The total amount that belongs to the author cannot be greater than 12.500 Euros

2.3. Commissioned artworks

For commissioned artworks by interested parties is distinctive that the entire process is characterized by the autonomy of contracting parties. So, everything can be arranged, starting with the type of material, types of colors up to materials for the picture frame. With these types of commissions are applied the rules of law governing copyrights and, indirectly, the rules of law governing relations, legal obligations, i.e. provisions governing the contract of engagement. If nothing else is agreed upon, the author is responsible to take instructions from the client only when it suits the nature of work, i.e. if it does not substantially limit the freedom of artistic creativity. Essentially, the parties may agree to such an extent that the client can seriously interfere with the creative work of the author. To avoid such possibility recommendation to the authors is that in accordance with their capabilities hire professional experts (lawyers, mediators or competent), that would lead negotiations on their behalf and for their account, protecting their rights and artistic integrity.

Legislation of all Western Balkan countries provides as mandatory written form of agreement on artwork's commission. If nothing else is agreed client has the right to publish the work and put into circulation,

while the remaining rights are reserved by the author.

It is very important for the author to precisely define its own obligations during the negotiations in terms of the quality and the content. In the event that the above obligations are not defined, one can expect further problems during the implementation of the work (the contracting authority may terminate the contract if dissatisfied with it, may recover costs, request a price reduction or modification on the burden of the author). In the above cases it is difficult to predict the ultimate completion of this legal dispute, and its economic consequences. So we repeat that it is very important that the author has the legal protection before it enters into the production, as any subsequent dispute over the authorship can cause big material cost and useless waste of time.

With the commission of art works it should especially take notice of several key issues, as it follows:

Although it is not uncommon in practice that the copyright fees are subject to contract along with material costs, recommendation for the authors is that in drafting the contracts include particular fee for work and material

Subject of the contract	<ul style="list-style-type: none">• describe in detail commissioned work of art: specify expressive form of work, size, color and type of the used technique• if possible, and depending on the type of the work of art, precise the production of the work based on samples• execute precise specification of materials that will be used for work production
Protection of interests and rights of the author	<ul style="list-style-type: none">• arrange an additional fee for the author is the buyer requests changes in the work, especially if required further investments in the form of the use of additional materials• negotiate compensation for additional time spent and to what amount, and in which situation the author has to pay the costs for any additional material, and in which the buyer• penalties for non-compliance with the terms and obligations by the purchaser, which are specified in the contract on commissioned work
Protection of interests of the purchaser	<ul style="list-style-type: none">• to specify the deadlines for the production of the work and additional deadlines in the case of further completion tasks: and in this situation it is recommended that the author sets deadline, otherwise, if it is not met, the buyer may terminate the contract and seek restitution of funds from the author• penalties in case of violation of deadlines and commitments by the author

costs of production, and also to define an obligation on the client to purchase materials for work's production. It has been proved in practice that integrated contract for author's fee and material costs requires in the funds transfer appearance of intermediaries (agencies, law firms, associations), in order to avoid payment of increased fiscal duties to the entire fee that includes the amount

of material intended for the costs of works, which can vary of standardized costs recognized for the production of certain types of works. Individual contracts for authors' fee and material cost are very important because often the author in the case of art work commission can not take into account economic categories (material prices, taxes, price fluctuations, transportation costs

of imported materials, etc.), important to calculate the cost of production and therefore itself cause a lack of planned earnings. This solution has the practical value, because apart from the fact that the author would know from the start the amount of earnings, with this solution he/she transfers the responsibility for material quality to the client (on the contrary, the author would be responsible for the quality of materials and in case any of its shortcomings would be responsible to the client, which could result in high costs for the author).

As for the transfer of authors' moral and property rights, legislation of the Western Balkan countries provides identical solutions. In terms of authors' moral rights laws contain imperative provisions that expressly prohibit the author to transfer them (with the exception of the author's death in which case it is transferred to heirs), and only authorizes author and author's heirs (after his or her death) to the same protection in court proceedings. With property rights situation is diametrically different, as some lawmakers leave the right to the author and its heirs to defer to any third party all individual or property rights. Here it is crucial to make a distinction between exclusive and non-exclusive licensing of property rights. In the case of exclusive

licensing of property rights only the licensee is authorized to exploit the economic rights, while on the parties depend whether this right can be transferred to another (laws expressly provide that the licensee cannot transfer the right acquired without the consent of the author). In the non-exclusive licensing rights, property acquirer has no right to prohibit the commercial use of copyrighted material to other acquirers, and it is not authorized to further transfers the rights. It should be noted that the statutory presumption acknowledges non-exclusive licensing rights of property, unless otherwise agreed. Assignment of property rights may be limited by subject, time and space. In the case of the limitation by the subject the licensee shall be authorized to perform one or more specific acts of exploitation listed in the contract on the transfer of rights. In the event that the contract has space restrictions the licensee may only use its right to the contractual territory, which is generally narrower than the area in which copyright exists. With the time limitation the licensee is authorized to exploit the copyrighted work in a specific period of time that is shorter than the duration of the copyright (property rights and copyright are valid during the author's lifetime and 70 years after his death, and moral rights last even after the expiration date of property rights).

3. Artworks trade between the Western Balkans countries

In terms of artworks trade, both within the Western Balkan countries and the EU single rule applies to the free circulation of these goods. The artwork in all these countries has the status of the goods and all other material goods. Given the nature of art, there are no restrictions that would limit or prohibit sales. In order to transfer and alienate a work of art abroad, a confirmation should be obtained, attached to the work of art, by the state authorities verifying that work of art does not fall into the category of cultural property, with accompanying customs documentation. It is recommended that the exportation of goods is organized with an authorized forwarding agent, who knows the customs regulations and procedures. This is important because the Customs Law penalty provisions are very strict, with high financial penalties for incorrectly prepared export. For imports of works of art one of the questions is to determine the value of the artwork that has changed owners on the market for several times and when valid documentations does not exist (e.g. contracts of sale and purchase from the first to the last owner, bills, etc.), since it then raises the question of value determination based on which the import duties will be charged. Then it is necessary to assess the value, and Western Balkans countries do not

have the relevant institutions for that, much less the categorization of the market value. With contemporary artists, the situation is simpler if the artwork was sold through gallery sale, since it is possible to determine the market value of the sale and the amount of customs duties with the gallery documentation. For individuals, the duty-free exemptions (exemption from customs duties) are valid when works of art are imported as personal belongings, that is if the author imports its own works in particular country, providing that he or she guarantees for the work of arts as its owns (statement on authorship of the imported works of art). In all other cases, the customs are paid on works of art, if their value exceeds a certain value and if preferential or zero rates of tax are not provided. Artworks import into Serbia is subject to customs clearance and provided when single value exceeds € 100. Simplified custom procedure is applied up to 3.000 euros, with the customs rate of 10% (if imported works are intended for their own use), and over this value customary clearance procedure is applied that may require the use of primary or preferential customs rates. When importing objects of art, antiques and collectibles by legal entities, the customs rate is 5%, and such imports are not subject to customs

with a free trade agreement, and therefore for the traffic between the Western Balkan countries (Croatia, Macedonia, Montenegro and Bosnia and Herzegovina) CEFTA agreement applies where the tariff rate is 0%.

The Customs Tariff of Bosnia and Herzegovina on works of art, collectors' pieces and art objects is normally 5%, but for EU member countries and CEFTA member countries (Croatia, Macedonia, Montenegro and Serbia) it is 0% and not liable to custom duty. It is not applied in the case of customs clearance in passenger traffic, but only for the import from the foreign legal entities. In the passenger transport, for the works of art whose value exceeds 170 Euros up to 1.200 Euros, preferential tariff rate of 0% is applied. For goods whose value exceeds 1.200 Euros (in some cases up to 6.000 Euros) they are being cleared at a rate of 10%, if the passenger does not require clearance by the regular procedure of the Customs Tariff of Bosnia and Herzegovina. In terms of works of art traffic, in comparison to other Western Balkan countries, Croatia has the most flexible approach, and with the import of art collectibles and antiques applies 0% duty rate.

For artworks temporarily exported from the Western Balkan countries for public display, (international exhibitions, gallery presentations, promotions, etc.), but not for their sale, the regime of ATA CARNET is valid with licenses for temporary export in a certain period of time, after which they must be returned to the country from which they were exported. ATA Carnet is an international customs document for temporary export/import of goods, used to simplify customs procedures, valid for one year from the time of its release. At the moment ATA Carnet is recognized by 70 member states of the system, which include all the Western Balkan countries, allowing easier mobility of visual arts between the countries, especially in terms of their international promotion.

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SUMMARY:

The paper deals with the fiscal policy of selected Western Balkan countries (Serbia, Croatia, Bosnia and Herzegovina with both entities) with respect to the art market. The term art market is determined on the basis of the tax definition of the term work of art contained in regulations governing the Value Added Tax and it is concluded that in this respect all analyzed jurisdictions harmonized their legislation with EU legislation. However, the author points out that these legislations also share weaknesses of EU legislation primarily related to non-flexible definition of the term work of art that favors traditional forms of art and is not open to changes in artistic expression. Further, the author analyzes the tax treatment of professional art dealers and buyers that purchase works of art for their personal use and concludes that tax legislation of the analyzed jurisdictions is not contrary to the EU legislation. However, it appears that in terms of tax competitiveness improvement analyzed jurisdictions did not use all opportunities especially the possibility to prescribe the reduced rate of value added tax.

Keywords: work of art, value added tax, income tax, corporate income tax, tax competitiveness.

1. Defining the territorial scope and subject of analysis

The territory of the Western Balkans includes countries of various geographic size, population and political status in terms of their relation to the European Union (EU). Given the proximity in terms of geographical location and size, we decided to tackle the legislation of three countries: Bosnia and Herzegovina (both entities), Croatia and Serbia. We believe that it will be useful to compare solutions of Croatia, as a country that is at the end of the European integration process, with experiences of other two countries with still a lot of activities ahead.

As for the case studies, it is distinctive that we deal only with those works of art suitable to be traded due to the fact that: (1) their shape is such that their physical delivery can be done relatively easily and (2) the content of these works of art can be introduced by direct observation, without application of any other proceedings or the use of technical means. As a rule, the works of fine arts and certain forms of photography will be discussed. In fact, defining the subject of research we have basically followed the work of art definition stated in Annex IX, Part

A, of the European Council Directive 2006/112/EC on the common system of value added tax (VAT Directive).¹

The central part of the analysis will present taxation of Value Added Tax for art trade in case of persons (individuals and legal entities) that perform their occupation as art dealers. Prior to that, we will explain how and to what extent lawmakers in these countries prescribed tax incentives in the field of the income tax for persons that buy art for their own use.

¹Council Directive 2006/112 of 28 November 2006 on the common system of value added tax, Official Journal of the European Union L 347, 11.12.2006

2. Taxing entities for the purchase of art objects for their own use

When individuals and companies buy works of art with a primary goal to use them for their personal use, it is obvious that such activity is not aimed in profit making, but even in these cases, buyers of artworks may alienate from time to time some of the purchased works. The question is how we should treat gains and losses of these activities that are not conducted primarily for profit.

In theory, it is of the utmost importance whether this occasional revenue can be considered as income. In this respect there are no unified positions, and basically we can distinguish two basic approaches. The first approach is accepted by proponents of the source concept. This concept involves several directions, for which is common that the income is determined as the sum of the net revenue, which at specific time intervals converges to a person from sources guaranteeing a regular influx.² It is obvious that periodic incomes from the alienation of artworks used primarily for personal use could not

be considered as income according to the source concept. On the other hand, the accretion concept, which in contemporary tax systems has greater impact than the source concept, defines income as the monetary value of individuals' economic strength net increase in a given period.³ The above concept involves practically all income including income from casual sales of personal property. In Comparative law terms, in the case of individuals, we can make distinction between global, schedular, or, possibly, mixed system of taxation.⁴ In the case of the schedular income tax, for any form of income special rules of taxation must be provided, or income will not be considered as taxable. Unlike the schedular system, with global system of income taxation, we can distinguish several basic solutions: (1) expenses arising from activities whose primary purpose is not profit-making, can only be used to reduce the amount of the income that is earned on the basis of such non-profit activities - solution adopted in the

United States and France; (2) the gains are not taxed on the basis of activities that don't have profit potential and expenses which have occurred while performing these activities are not deductible for tax purposes - Canada, United Kingdom of Great Britain and Northern Ireland (United Kingdom), Germany.⁵

In terms of legal entities that pay corporate income tax, there are a number of different systems of limitation on expenses that are recognized for purposes of taxable income determination. As a rule, only those expenses occurred with a goal to achieve taxable gain will generally be considered to be tax deductible. In practice, caused by the above mentioned limitations, companies that do not gain profit with the use of artworks (for example, on the basis of their exposure with ticket sales) or trade with artworks will not be able to use the expenditure occurred on the acquisition and use of artistic works for the reduction of the profit tax.⁶

What is the situation in Serbia in this respect? Regarding the income taxation of individuals who have acquired works of art from the artist or their legal successors; Serbian law does not provide their taxation during their subsequent disposal. In fact, competent authorities (Intellectual Property Office and the Ministry of Finance) took a stand that when an individual disposes work of art acquired directly from the artist there are no grounds neither for the collection of royalties nor for any taxation of capital gains⁷, and that this is the case with a personal property's sale and not of the copyright transfer. In our opinion, this position is in full accordance with the provisions of the Law on Personal Income Tax⁸ (LPIT), which expressly does not provide special taxation of income from the alienation of personal property, except in cases when it is prescribed that on such alienation capital gain is obtained.⁹

²Popović D. (1997) *Nauka o porezima i poresko pravo*, Beograd, COLPI, Savremena administracija, pp. 501-502.

³*Ibid*, p. 502.

⁴Pure global model of income taxation is based on the assumption that all gross receipts of the taxpayer and all costs (necessary to achieve revenue) are taken together: so we come to synthetic net income that is subject to income tax. On the other hand, pure schedular tax model is based on the fact assumption that the gross revenue and costs are determined separately for each type of income. In practice there are many variations between these two pure models. See in detail: Popović D. (2008) *Tax Law*, Belgrade, University of Belgrade, Faculty of Law, pp. 259-262.

⁵See: Ault H. et al (2004) *Comparative Income Taxation*, Hag, Kluwer Law International, pp. 218-221.

⁶For detailed comparative legal review, see: Rohatgi R. (2002) *Basic International Taxation*, Hag, Kluwer Law International, pp. 174-177.

In the case of legal entities, it is clear that the costs incurred for the purchase of works of arts are not recognized as expenses for tax purposes with respect to a provision that prohibits the use of expenses which are not incurred for business purposes in the tax return.¹⁰ In addition, the same Law expressly founds that works of fine and applied arts and decorative items for interior spaces are not considered as capital assets for use of tax credit for investments in their purchase.¹¹ Thus, in the Serbian Tax Law we can not expect any tax benefits for the purchase of works of art. Further, the Value Added Tax which the taxpayer has paid for the purchase of fine and applied arts, and other decorative items that are used for office space can not be used as input tax and can not reduce the total value added tax liability.¹² Legislation

on Value Added Tax in Croatia¹³ and Bosnia and Herzegovina¹⁴ do not prescribe such a limitation, but in both cases as a condition for the use of the input tax is provided that the taxpayer has received delivery with a purpose of performing deliveries taxed with VAT.¹⁵ The above condition has practically the same effect as the limitation in the Serbian Law.

Regarding the taxation of individuals, the Croatian Law on Income Tax¹⁶ (CLIT) expressly provides that income tax is not payable if income is realized on disposal of items that are personal property.¹⁷ This means that the tax treatment of sales of art works that were acquired from the authors and their legal successors in Croatia is not different from the already described solutions in Serbia,

that is not taxed for their next sale. In Bosnia and Herzegovina personal income tax and corporate income tax are subject to different regulations on the entity level (Federation of Bosnia and Herzegovina¹⁸ and Republic of Srpska¹⁹). As for the personal income tax, there is an identical provision in each entity which does not tax the income from the sales of the property used for personal use.²⁰ We believe that this provision may apply to the disposal of works of art that individuals have acquired from other persons, regardless of whether such persons are the authors, heirs or persons who have acquired the works of art on another legal basis. On the other hand, in terms of corporate income taxation, Republic of Srpska specifically provides that personal costs and costs that did not incurred in connection with the

activities being carried out are not recognized as expenses.²¹ Thus, in regards to Republic of Srpska there is no doubt that the costs incurred in connection with the purchase of works of art are not recognized as an expense for corporate tax purposes if the taxpayer's activity is not related to the art trade. On the other hand, Federation of Bosnia and Herzegovina does not prescribe such explicit provision, and accordingly costs, incurred in connection with acquired artworks, could be recognized as an expense for tax purposes only if they meet requirements to be recognized as an expense under accounting rules and international accounting standards. Given that works of art, as a rule, have an unlimited duration in accordance with international accounting standards (IAS 16) depreciation is not calculated

⁷According to the opinion of the Intellectual Property Office (N° 15530/07/1 from 20.12.2007): "Legal concept of exhaustion of right limits the right of exclusive authorization for placement of copies of the art work on the market in the case where the copies in the public market change the owners for several times" and then the same opinion specifies: "... during all subsequent changes of the owner on the same sample/samples, the authorization of the author (successor) to put copies in the market is not working. Due to the legal concept of exhaustion of right, therefore, with all subsequent changes of owners, authorization by the author to put copies in circulation does not work, and do not bear any obligation for the seller to obtain authorization for that from the author (and to pay a fee to him), but such obligation exists only with the first placement of art work on the market". On basis of this argument by the Intellectual Property Office, is given the opinion of the Ministry of Finances (No. 413-00-01555/2007-04 of 26/12/2007. Year), which states that on the basis of works of art sales acquired by the authors and their legal successor capital gains tax, or transfer tax are not paid.

⁸„Službeni glasnik RS“ no. 25/01, 80/02, 43/03, 84/04, 18/10, 101/11.

⁹Capital gains are taxed only for the transfer with a fee for:

- 1) the actual real estate rights,
- 2) the permanent right of use and building on urban construction sites,
- 3) the copyright, rights related to copyright and industrial property rights,
- 4) share in the assets of legal entities, shares and other securities, other than debt securities of values
- 5) investment units purchased by the open-ended investment fund, according to the law governing investment funds,
- 6) investment units of voluntary pension fund;
- 7) accumulated funds based on scheduled payments from the account of the voluntary pension fund. See: Article 72. I.TL.

3. Tax definition of artwork

on these assets. Accordingly, in the Federation of Bosnia nad Herzegovina as well, on the bases of artworks acquisition taxable income can not be reduced, if these artworks are not intended for further trade.

The term of artwork is defined in connection with the implementation of special VAT schemes. These special VAT schemes are provided for certain taxpayers. In the Serbian Tax Law special VAT schemes are prescribed for: small taxpayers, farmers, travel agents, second-hand goods, works of art and antiques. Law on VAT in BiH (BLVAT) regulates in detail special VAT schemes as it follows: small businesses, farmers, the services provided by travel agencies and tour operators, used goods, works of art, collectors' pieces and antiques.²² In Croatia, the special VAT schemes are governed by the provisions of the Law on the Value Added Tax²³ (CLVAT) governing the taxation of entrepreneurs and margins on sale of used goods, works of art, collectors' pieces and antique goods.²⁴ At first glance, there are no significant differences between

the three listed legislations in terms for which taxpayers are prescribed special VAT schemes.

In Serbia, the works of art are defined by the Regulations on determination of goods that are considered as works of art, antiques and collectors' pieces²⁵ (Hereinafter: Regulation), as it follows²⁶:

1. paintings, drawings, collages and decorative plates, if made by author's hand, other than plans and drawings for architectural, engineering, industrial, commercial, topographical or similar purposes, hand-decorated manufactured parts, drawings for a theater script, painted fabric in a studio or similar canvases;
2. original engravings, prints and lithographs, if made by author's hand in limited numbers in black and white or in

color of one or more plates, regardless of the procedure and used material, unless mechanical or photomechanical process was applied;

3. original sculptures and statuary of any material, if they are executed by the author, and casts of sculptures, whose production is limited to eight copies, if controlled by the author or his successor;
4. hand-woven tapestries and wall textiles based on the original work of art, provided that are no more than eight copies of each;
5. unique ceramic objects made solely by the author, with his signature;
6. images in copper, executed entirely by author's hand, limited to eight numbered copies signed by the author or the studio;
7. art photographs taken and printed by the author or taken under his

¹⁰Article 7a Section 1. Clause 8. Law on profit tax of legal entities („Službeni glasnik Republike Srbije“ no. 25/01, 80/02, 43/03, 84/04, 18/10, 101/11, hereafter: LPTLE)

¹¹Article 48. Section 5. LPTLE

¹²Article 29. Section 1. Clause 3. Law on value added tax („Službeni glasnik RS“ no. 84/04, 61/05, 61/07 - Hereinafter: LVAT).

¹³Law on value added tax („Narodne novine“ no. 47/95, 106/96, 164/98, 105/99, 54/00, 73/00, 48/04, 82/04, 90/05, 76/07, 87/09, 94/09, 22/12 - Hereinafter: CLVAT).

¹⁴Law on value added tax („Službeni glasnik BiH“ no. 09/05, 35/05, 100/08 - Hereinafter: BLVAT).

¹⁵Article 20. HZPDV and Section 32. Clause 1. BLVAT

¹⁶„Narodne novine“ no. 177/04, 73/08, 80/10, 114/11, 22/12.

¹⁷Article 9. Section 2. Clause 2.4. HZPDG.

¹⁸At Bosnia and Herzegovina Federation level are applied: Law on income tax („Službeni glasnik Federacije BiH“ no. 10/08, 9/10, 44/11, dalje u tekstu: BZPDG) and Law on profit tax („Službeni glasnik Federacije BiH“ no. 97/07, 14/08, 39/09, dalje u tekstu: BLVAT)

¹⁹At the level of the Republic of Srpska are applied: Law on income tax („Službeni glasnik Republike Srpske“ no. 91/06, 128/06, 120/08, 71/10, 1/11, Hereinafter: SLLIT) and Law on profit tax („Službeni glasnik Republike Srpske“ no. 91/06, Hereinafter: SLPT)

²⁰Article 5. Section 1. Clause 7. BLIT and Article 7. Section 2. Clause j. SLIT.

²¹Article 8. Section 3. Clause z. SLPT.

care, signed, numbered and limited to 30 copies in all sizes.

In Bosnia and Herzegovina as artworks are counted:²⁷

1. paintings, collages and similar decorative plaques, paintings and drawings, which are entirely made by author's hand, mouth or feet, other than plans and drawings, architectural, engineering, industrial, commercial, topographical or similar purposes, hand-decorated manufactured articles, theater decorations, canvases at the back of the studio or similarly painted canvases (code KN 9701);

2. original engravings, prints and lithographs, which represent prints produced in limited number of copies directly in black and white or in color from one of the few plates that are entirely made by author's hand, mouth or feet regardless on the process or technique or used material, but excluding any mechanical or

photomechanical process (code KN 9702 00 00);

3. original sculptures and statuary, in any material, provided that they are entirely made by the artist;

4. sculpture's casts, whose production is limited to eight copies, if controlled by the author or his legal successor (code KN 9703 00 00)

5. tapestries (code KN 5805 00 00) and textile products which are placed on the wall (code KN 6304 00 00) made by hand from original designs made by artists, provided that no more than eight copies of each;

6. individual pieces of ceramics executed entirely by hand and signed by the artist;

7. enamel on copper, executed entirely by hand, limited to eight numbered copies bearing the signature of the artist or the studio, excluding articles of jewelery and silverware;

8. photographs taken by the artist, printed or to be printed under

his supervision, signed and numbered and limited to 30 copies, in all sizes and frames.

In Croatia, in contrast to Serbia and Bosnia and Herzegovina, the rules governing VAT define the term of artwork as indicated by the content of other regulations and as it follows: "artwork" signifies objects from the Customs Tariff, tariff codes 9701, 9702 00 00, 9703 00 00 5805 00 00, and wall coverings by fabrics of the Customs Tariff, tariff code 6304 according the original designs of the artist'.²⁸

With a more detailed analysis of the definition of the term "artwork" in all listed countries it can be concluded that in all of them, regardless of small differences in wording, the meaning is more or less translated from the definition in Annex IX, part A. of VAT Directive. In this sense, we can say

that all three analyzed legislations are in line with the EU Law. However, it also means that they share the observed weaknesses of the given solution which is primarily related to favor traditional forms of art at the expense of contemporary art (for example, in relation to various forms of contemporary visual arts works) and, accordingly, not flexible enough compared to the changes that occur in forms of artistic expression. Also, as an objection to the decision to accept the VAT Directive, some authors state that tax authorities are not qualified to assess whether the object is a work of art or not. In this regard significant involvement of experts in the field of art taxation is needed, both in defining the term "artwork" and in particular addressing whether certain items are eligible to be considered as a work of art. In addition, there are proposals to consider the status of the person who initially created the subject of trade

²²Article 44-51. BLVAT.

²³„Narodne novine“ no. 47/95, 106/96, 164/98, 105/99, 54/00, 73/00, 48/04, 82/04, 90/05, 76/07, 87/09, 94/09, 22/12.

²⁴Article 22-22h. CLVAT.

²⁵„Službeni glasnik RS“ no. 105/2004.

²⁶Article 2. of the Regulation.

²⁷Article 47. Section 5. Anex 1(a) BLVAT.

²⁸These headings include:

9701 - paintings, drawings and pastels, executed entirely by hand except of drawing of heading 4906 and crafts painted or decorated by hand; collages and similar decorative panels;

9702 00 00 - Original engravings, lithographs and printed images;

9703 00 00 - Original sculptures and statuary in any material;

5805 00 00 - Handmade types of Gobelins tapestries, Flanders, Abusson, Beauvais and the like, and needle made tapestries (eg petit point, cross stitch) whether or not manufactured .

4. Author's right and tax definition of artwork

- whether recognized as an artist or not, as well as the status of the person who bought the above item - whether it is registered as an art dealer or not.²⁹ In other words, application of formal criteria is proposed that would consider as a work of art the one meeting one of the following alternative conditions:

1. work is initially created by a person who has the status of a recognized artist, or

2. artwork trade is performed by a person who is registered as an art dealer.

Analyzing the items to which special VAT schemes provided for works of art applies, we will see that it relates only to the portion of the results of the human activities which meets the requirements to be considered as author's work in terms of regulations governing copyright and related rights, and by the rule only on the works of fine art and photography. Namely, in Serbia, the Law on Copyright and Related Rights³⁰ (LCRR) author's work defines as: "... original intellectual creation, expressed in a certain form, regardless of its artistic, scientific or other value, its purpose, size, content and method of expression, as well as the public communication admissibility of its contents".³¹ Further, in the

following paragraph quoted provision defines what is considered especially as author's work.³² The author's work term is determined in a similar manner in other jurisdictions that we study.

In Croatia, term of the author's work is defined by the Law on Copyright and Related Rights (CLCRR)³³ as: "... original intellectual creation in the literary, scientific and artistic domain, which has individual character, regardless of the manner and form of expression, type, value or purpose, unless otherwise provided by the law."³⁴ Further, the following paragraph of the above noted provision defines the term author's work.³⁵ Similarly, in Bosnia and Herzegovina author's work, by the Law on Copyright and Related Rights

(BLCRR)³⁶ is defined as: "... individual intellectual creations of literature, science and art, regardless of type, method and form of expression, unless otherwise provided by law."³⁷ Next paragraph of the same article specifies what is considered especially as work of art.³⁸

Based on the abovementioned, the conclusion is that the work of art tax term is far narrower than the copyright term as defined by regulations in the field of copyright. In this paper, we will pursue the tax treatment only for works of art that fulfill the conditions of the tax definition of work of art.

²⁹See in more detail: Hemels S. (2005) Art and European VAT, http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1959979 access 02.05.2012, pp. 5-9.

³⁰„Službeni glasnik RS“ no. 14/2009 i 99/2011.

³¹Article 2. Section 1. LCRR.

³²In particular are listed: 1) written works (books, pamphlets, articles, translations, computer programs in any form of their expression, including the preparatory material for their production, etc.), 2) speech acts (lectures, speeches, sermons, etc.), 3) drama works, drama-musical, choreographic and pantomime works, and works originating from folklore, 4) musical works with or without words; 5) Films (cinema and television); 6) Fine arts (paintings, drawings, sketches, prints, sculptures, etc.), 7) works of architecture, applied art and industrial design, 8) cartographic works (geographic and topographic maps), 9) maps, sketches, models and photographs, 10) theater direction.

³³„Narodne novine“ no. 167/03, 79/07.

³⁴Article 5. Section 1. CLCRR.

³⁵This provision specifically states: 1) linguistic works (written works, oral works, computer programs), 2) music works (with or without words); 3) drama and drama-musical works; 4) choreographic and pantomime works; 5) works of fine art (the field of painting, sculpture and graphics), regardless of the material they are made with, and other works of fine art; 6) works of architecture; 7) works of applied art and industrial design, 8) photographic works and works produced by a process analogous to photography; 9) audiovisual works (cinematographic works and works created in a way similar to cinematographic creation); 10) cartographic works; 11) presentations of a scientific or technical nature as as drawings, plans, sketches, tables, etc..

³⁶„Službeni glasnik BiH“ no. 63/2010.

³⁷Article 4. Section 1. BLCRR.

³⁸This provision includes: a) linguistic works - literary texts, studies, guidebooks, articles and other writings, as well as a computer programs; b) oral works - speeches, lectures, sermons and other works of similar nature; c) drama, drama-musical and puppet performances; d) choreographic and pantomime works; e) musical works with words and without words; f) audiovisual works - cinematographic works and works created in a manner similar to filmmaking; g) works of fine art - paintings drawings, prints, sculptures and other works of similar nature; h) works of architecture - sketch plans, blueprints and constructed objects; i) the works of all branches of applied art, graphic and industrial design; j) photographic works and works produced by a process analogous to photography; k) cartographic works, and presentations) scientific or technical education (technical drawings, plans, charts, forms, expertise, expert opinion, the presentation in the form of plastic and other works of similar nature.

5.VAT and sales of art works - reasons for special treatment

VAT taxpayer is an individual or economic entity conducting a business by delivering goods or providing services to the extent above the legal minimum, or a person that is eligible to voluntarily register as a taxpayer. Persons who are not liable to VAT do not pay VAT on their delivery, but also have no right to tax deduction charged by their suppliers ("input tax"). Results of these rules are the so-called paradoxes of Value Added Tax as follows:

- *The first paradox* "tax-exempt is in fact taxed." Persons that are not liable to VAT, in fact, bear the tax burden of this tax (input tax), because that persons have the consumer status and the burden of taxation is shifted on them. Also, increasing the selling price, tax burden is shifted to all persons and entities which are not VAT taxpayers.
- *Second paradox*: "taxed is actually tax-exempt". Taxpayers can deduct VAT charged by their suppliers from their VAT obligation, and positive difference can be

shifted to the next participant in trade.³⁹

With the abovementioned in mind, it is obvious that the legislator introducing a special VAT scheme for works of art in the VAT Directive has tried to avoid as far as possible negative effects of these paradoxes in a way that provides the following:

- The taxation of the difference in price. Taxable is only the difference between the purchasing and selling price of works of art, and so it is avoided in an indirect way the accumulation of taxes paid in previous stages of artwork's trade when it is was purchased by persons that are not in the VAT system,
- Optional application of standard taxation. Allows the use of the regular system of VAT calculation and payment when acquiring the artwork from the subjects that are in VAT system.
- A simplified taxation. Allows to certain categories of art dealers to use simplified

- system of VAT calculation, and states that their tax base is the difference between the total value of delivered and purchased goods in the tax period.
- Reduced tax rate. Allows taxation of the artworks' trade at discounted rates (not less than 5%) in order to avoid as possible the shifting of Value Added Tax on buyers of art objects that are not in the VAT system in the following cases:⁴⁰
 - Art works' import;
 - Delivery of artwork performed by the author or his successor;
 - Delivery of artwork occasionally performed by a taxable person who has no capacity as an art dealer - VAT taxpayer when that person has only imported a work of art or when the work of art is delivered to that person by the author or author's legal successor.

Accordingly, it can be concluded that EU pays great attention to the art market tax competitiveness in terms of creation of conditions for negative effects reduction described in paradoxes of Value Added Tax.

³⁹See: Popović D. (1997), pp. 808-810.

⁴⁰Articles 98-99. and 103.VAT Directive.

6.VAT treatment of artworks transactions - the Western Balkans

Once we have outlined the concept of an artwork in the law, and reasons for the introduction of a special VAT schemes for works of art, we will address the regulation of these special VAT schemes in the analyzed countries.

SERBIA

In the Serbian Tax Law, a special VAT schemes for works of art is regulated by a sole Article of the LVAT and with Regulation. Under this article of LVAT, the basis for the calculation of Value Added Tax for artworks is the difference between the selling and purchasing price of goods minus the Value Added Tax included in that difference, in the case when a taxpayer acquires works of art from the person that does not owe VAT based on delivery, or by persons that also owe VAT on the difference between the selling and purchasing price. LVAT prescribes the limitation under which the taxpayer is not allowed to separately declare the Value Added Tax in the invoices or other documents and shall not be entitled to deduct input VAT where the VAT is owed on the difference between the selling and purchasing price.⁴¹

Given the above solutions, it may be concluded that the VAT taxpayer employs general taxation regime whenever the works of art is purchased from persons that owe VAT on the basis of performed deliveries, paying in this case VAT at the general rate of 18% on the full amount of sale prices, excluding the VAT with the right of the input tax deduction. However, this formulation ignores the case when the VAT taxpayer imports the work of art, considering that in such case the person that has delivered the artwork does not owe Value Added Tax but VAT taxpayer that has imported the work of art for the purpose of its further resale. Of course, we do not think this was the intention of the Serbian legislature, but that this illogical solution is result of incomplete regulation. In addition, in the context of the tax competitiveness of the Serbian art market, we notice that the Serbian legislature does not prescribe any application of the reduced VAT rate on artworks' trade.

We believe that regulation of the whole special VAT scheme for artworks taxation in just one article does not present good approach and that it is

necessary to define this special VAT scheme in details in order to avoid misunderstandings in its use.

Unlike LVAT that dedicated only one Article to the special VAT schemes for artworks, BLVAT devoted to this issue 5 Articles.⁴² It is instantly recognizable that use of this special tax regime is not mandatory leaving to the taxpayer the right of options.⁴³ In this way, on the side of the party trading with works of art are avoided negative effects of the so called first paradox of the Value Added Tax, already described. Next, it specifies in which cases the taxpayer has the right to apply the special VAT schemes ⁴⁴, and according to the criteria on the status of a person that has purchased a work of art intended for resale.⁴⁵ As in the case of the Serbian LVAT, in BLVAT the tax base is defined as the difference between the selling and purchasing price ⁴⁶, with further detailed definition what constitutes purchasing and selling price,⁴⁷ and that taxable base is zero when purchasing price exceeds the selling price. Of course, in all cases when applying specific taxation procedure taxpayer can not use the input tax and is not

allowed to declare VAT in its invoices. Another distinctiveness provided by BLVAT is the possibility of VAT payment only on the amount of the commission charged by the taxpayer for the purchase or sale of artwork at the public auction.⁴⁸

It is notable that BLVAT recognizes the need to avoid and / or mitigate negative effects of the so-called. VAT paradoxes in the case of persons engaged in the trade of works of art, and in this regard a positive assessment of these tax solutions can be given. However, BLVAT does not provide taxation of works of art at a preferential rate. Thus without the prescription of this privilege, an opportunity is missed to increase the tax competitiveness of the art market in Bosnia and Herzegovina, which would be in full compliance with the tax rules of the European Union.

⁴¹Article 36. Section 4. LVAT.

⁴²Article 47-51 BLVAT.

Similar to the legislature in Bosnia and Herzegovina, Croatian legislator has mapped out a special system of artwork VAT taxation, described in the CLVAT terminology as “special treatment for taxation of margins on the sale of used goods, works of art or antique objects.”⁴⁹ Croatian VAT taxpayer has the option whether to use the general regime of taxation, for each individual transaction. However, if using both general and special taxation system in the same period, taxpayer must provide a separate record on transactions depending on selected type of VAT taxation, and the Minister of Finance is authorized to prescribe the form of these records.⁵⁰ Further, the solutions are similar in respect of when special VAT schemes is applied (purchases from persons that are not liable to VAT and other persons that apply the special

VAT schemes), as well as if the taxpayer may use the special VAT scheme by his own choice and in the case of importing artworks or when works of art are delivered directly by the authors or their successors. However, if the taxpayer makes this choice he is obliged to inform the tax authorities about this and to be observant for at least two years of a choice he or she made. Of course, in all cases of special VAT schemes application, the taxpayer may not use the input tax and may not declare VAT at its invoices. CLVAT does not provide specific procedures for the sale of art works at the public auction when the seller is entitled to a commission by the contract, how BLVAT provides. In fact, despite minor differences between the CLVAT and BLVAT in connection with the implementation of special VAT schemes for artwork

taxation, we believe that this issue is resolved in the basically same way in both laws and that successfully eliminates negative effects of the so-called paradox of Value Added Tax on sellers of works of art. On the other hand, none of these laws does not provide a reduced VAT rate for artwork taxation, as missed opportunity to reduce the effects of VAT shifting on artworks’ buyers. Therefore, it can be concluded that in this regard space for improvement of tax competition exists and that it should have the greatest significance for Croatia in relation to all

analyzed jurisdictions, having in mind its soon EU integration.

Table 1: Index of benefits provided by VAT Directive

Benefits according to the VAT Directive	R. Serbia	BiH	R. Croatia
Taxation of difference in price	Yes	Yes	Yes
Optional use of standard taxation	No	Yes	Yes
Simplified VAT calculation	No	No	Yes
Reduced tax rate	No	No	No

⁴³According to Article 47 Paragraph 1 BLVAT, “Every taxpayer who, in performing its activities, is working in his own behalf or on behalf of another person pursuant to a contract under which commission is paid for the purchase and sale, and who purchases or receives used goods, works of art, collectors’ pieces and antiques, with the intention of resale (hereinafter referred to as resellers) may choose taxation calculated on transactions related to certain items, in accordance with this Article and Articles. 48th and 49”.

⁴⁴Article 47. Paragraph 7. and Article 49. Paragraph 1. BLVAT

⁴⁵In the case of works of art these provisions could be, mainly, apply to acquisitions from persons who are not liable to VAT and other art dealers whose turnover is also taxed by a special procedure (Article 47, Paragraph 7 of BLT). In addition, there is a possibility of application of a special procedure in the following trade cases: (1) works of art imported the taxpayer himself, (2) works of art that the taxpayer receives directly from the artist or his successor, and (3) works of art that the taxpayer receives on the reduced rate from the taxpayer who is not a reseller

⁴⁶(Article 48. Paragraph 1. BLVAT),

⁴⁷The purchasing price for the reseller is defined as “total amount paid in cash, goods or services, including all taxes, fees, expenses and charges paid by the reseller, the person from whom he obtained such goods.” On the other hand, selling price for the seller is defined as “the total amount that the reseller received or should receive from a buyer or a third party, including subsidies that are directly linked to such trade, taxes, commissions, packaging costs, transport and insurance charges to the buyer by the reseller, including VAT.” We believe that this detailed definition of the purchasing and selling prices is useful and removes many doubts that the issue may arise in practice.

⁴⁸The invoice issued by the auctioneer to the purchaser must state the price of goods obtained in the auction, taxes and other fees and direct costs (commissions, packaging costs, transport and insurance), which the auctioneer charges to the buyer, but the value added tax can not be stated separately on invoice.

⁴⁹Article 22a-22h CLVAT.

7. Concluding Remarks and Recommendations

As from the above analysis of special VAT schemes of artwork taxation can be seen, none of analyzed countries did use all the possibilities that VAT Directive provides. Of course, this circumstance unfavorably affects the competitiveness on the art market of analyzed countries. On the other hand, the fact that possibilities provided by VAT Directive are not used does not mean that legislation of analyzed countries is not harmonized with European legislation in this area or that the process of integration will require the use of provided benefits. In other words, we are talking only about the possibility that is not binding for the Member States of the European Union, as well as for countries seeking to join it.

When we look at the rules governing special VAT schemes for artworks in the jurisdictions analyzed in regard to the solutions contained in the VAT Directive, it can be concluded that none of reviewed jurisdictions goes beyond what is allowed by the VAT Directive. However, we notice that none of analyzed jurisdictions has used all opportunities to improve the tax competitiveness of the art market. With respect to all three jurisdictions, the above conclusion applies primarily to the failure of possibility to prescribe a lower rate of VAT in the case when a person that is trading with works of art: (1) imports works of art, (2) purchases works of art from the author or his legal successor, or (3)

purchases works of art by persons other than art dealers, and occasionally sells works of art that have imported themselves or that were purchased from the author or his or hers legal successor. In this way, the possibility has not been used to reduce the negative effect of the first paradox of the Value Added Tax.

As far as Serbia is concerned, the objection may be made in terms of the lack of regulation for special VAT schemes for artworks which can result in the emergence of various concerns regarding its specific application. We pointed out that such legislation leads to a situation when a person that imports a work of art for its resale would not be entitled to input tax due to the fact that this person has actually performed import in this case and owns Value Added Tax, and not a foreign person that has performed the delivery of the artwork.

Accordingly, it can be concluded that in all observed states there is a room for improvement of the competitiveness on the art market. To the extent that Serbia is concerned, it is necessary to further improve and refine the regulation for special VAT schemes for artworks, which should not present a major problem considering that there are good role models in the form of the VAT Directive, and existing solutions in the neighboring countries.

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⁵⁰Article 22a. CLVAT.

⁵¹Article 22g. CLVAT.

⁵²Article 22c. CLVAT.

SUMMARY:

The paper deals with the economic conditions and tendencies of the art market in Western Balkans through its genesis and socio-historical context. In the second part instruments of cultural policies and environment for development of the art market are analyzed. Structural analysis is based on the results of the desk and empirical research of actors active on the art scene of individual Western Balkans countries, conducted during May-July 2012th, as well as their assessment of the instruments of cultural policies in the field of visual arts. The last section is devoted to recommendations for improvement of the art market development in the Western Balkans

Keywords: Western Balkans, art market development index, public policies

1. Western Balkans as art market space

In the time of the second wave of the global economic crisis caused by the large public debt, there is an increasing need to analyze the culture as a sector which needs to operate efficiently and provide funds for the development. As a result, this traditional distinction between the public and private or non-profit and commercial in the field of culture is becoming increasingly blurred, and more elastic. Integrated networking with corporate culture and obvious social orientation towards consumption, leisure and cultural facilities influenced the inclusion of the culture in economic sectors. In this context, aestheticization of all areas of human life implies a change of cultural policies from the "culture for all" form to a new concept "all with culture".¹

Western Balkan as the art market space presents an abstract construction in the cultural policy discourses, approaching this concept in a relativistic way and changing the relationship between arts and economy depending on the socio-historical context. Thus, during the 1990s in the countries of the region prevailed cultural policies fostering the idea of national identity and based on the instruments mainly focused on local artists and their position on

the national art scene. Beginning of the 21st century brought a shift: opening of national cultures to the world of art trends and building cultural policy between the need to support universal art projects and those shaping an environment of national cultural existence. Balance between the hidden nationalism and openness, primarily towards the European Union marked the first decade of this century. The art market has not experienced major transformations, remaining marginalized in the public policies' discourse. The period from the late 1980s and early 1990s was characterized by a significant share of state companies, co-financing the most important events in visual arts, and creating large state-owned collections of exceptional artistic and historical value too (JAT, Invest Bank, Jugobanka, Beobanka, Dunav Insurance Company, INA, etc.). Art market was encouraged with purchases made by the state, and significant demand was created by representatives of the higher middle class who have followed exhibition policies of major galleries in Yugoslavia and had a decent knowledge about the art tendencies.

During the 1990s art market experienced complete devastation, caused by the

crisis and inflation, political instability in the region, disintegration of Yugoslavia, war circumstances, while art works, collectors' pieces and antiques were sold at very low prices. The whole period was characterized by stagnation and art market crises, while unregulated markets of former Yugoslav republics, this time in newly formed independent states, present the space not only for fraud but also for speculative trade of works of art, selling pieces from art collections in order to secure material existence for the owners.² The whole period was characterized by mediocrity, without many ideas or innovations, more galleries were at the edge of survival, and without a clear role in the cultural policy system. At that time, works by renowned artists were sold in the market, while the sales of works by emerging and young artists became almost impossible. Middle class buyers almost disappeared, and economically capable buyers of this age were only interested in art works that were already positioned on the artistic map, and only for the well-known artists (Olja Ivanjicki, Peter Lubarda, Milan Konjović, Bukovac, etc.).

In early 2000, revival of the visual arts system in the region began, mainly at

¹Leksikon savremene kulture: teme i teorije, oblici i institucije od 1945-danas (ed. R. Šnel), Beograd: Plato books, 2008

²See more: Skroza, T. (2005) *Beskrajna pljačka*, "Vreme" no. 773, 27. October 2005. <http://www.vreme.com/cms/view.php?id=431682> (access, 15.06.2012)

2. Public policies and environment for the development of the art market in Western Balkans

the national level, with no pretensions to regional networking or creation of a joint art space in the Western Balkans. With the economic revival in the region, the circle of customers started to expand, and the art market became more diverse. However, contemporary art was still characterized by insufficient participation in the global and European trends, indicated by the fact that the most important art fairs rarely present the works of artists from this region, or if they do, promotion strategies have passive character, and it is very difficult to determine their achievements and outcomes.³ Except for the major projects, the presence of contemporary visual art is still sporadic, based on initiatives of artists and foreign cultural centers, without the current vision of the importance of the presentation of contemporary creativity and its affirmation in the international context. It seems that cultural policies in the Western Balkans, in their own way, are still concentrated on traditional forms of cultural cooperation, which often is not systematic in approach and without articulated narratives in relation to the existing values and art tendencies.

The lack of knowledge about the art market, and of interest in its improvement, are equally present on the one side of the art scene stakeholders and on the other side at the state level. Public policy is often in need for innovative forms of support for the creativity, mostly relying on the traditional instruments, including direct funding of programs, mainly of public institutions, or to a lesser extent civil initiatives or value-ideological instruments (e.g. awards) that often lose their importance as a mechanism of public confirmation and affirmation of creativity.⁴

Institutional resources of the art market are not developed sufficiently, and in compliance with the demographic structure of countries in the Western Balkans. There is a significant number of galleries in Serbia and Croatia, countries that in former Yugoslavia had the most developed art market. Index of gallery infrastructure dispersion shows that on every 10.000 residents comes on average 31.9 galleries in the Western Balkans area. Concentration in

the central urban area, which absorbs about 75% of gallery infrastructure (Belgrade, Novi Sad, Zagreb, Split, Rijeka, Sarajevo, Tuzla, Mostar, Banja Luka, Skoplje, Tirana), results in the fact that only 65% of the population of the region can meet their needs in terms of visual arts.

It is noted that average values of this indicator are unequal among the countries. So at one side are placed countries with an average dispersion of the infrastructure (Montenegro, Macedonia), and on the other side states slightly behind the region's average (Serbia and Croatia) as well as those that often exceeds this value for several times (Bosnia and Herzegovina, Albania). These findings point to the structural inequality and different degrees of the art market development in the region. While the mixed ownership structure is present in Croatia and Serbia in ratio 70:30% in favor of public gallery spaces, this ratio in other countries is significantly below the acceptable minimum limit, often making the public gallery system

dominant core of the art market (e.g. Bosnia and Herzegovina, especially the Republic of Srpska).

Several facts should be noted that affect underdevelopment of the art market in the region: unclear profile of existing galleries in terms of their exhibitional, educational and sales functions, underrepresentation of sales at auctions and poor infrastructure for auctions, illegal and unregulated flow of sales (resellers, directly in art studios, internet, etc.) which makes it difficult to create a regulated and professional art market. All this in turn leads to a situation where private initiatives in the gallery infrastructure are marginalized and aimed at exhibitional and presentational activities only, while encouragement for art production and sales of works of art is often absent. Especially are missing private galleries promoting artists of a younger generation, and even less of those involved in their affirmation on the international market. There are few examples, such as Zvono Gallery in Belgrade or Zone Gallery in Zagreb, which through their exhibition concept

³Artists from the region usually are presented at the Venice Biennale, which is traditionally considered as the most important event in the field of contemporary art for the presentation of artists and their works. Except for the Venice Biennale participation in the Berlin Biennale, Documenta in Kassel etc. is also very important. However, the presentations of these fairs are mostly of passive character, with no clear strategies towards regional artists' placement on international art market, as well as in economic terms.

⁴It is not uncommon that the prize winners in many cases refuse to accept the award because the award does not reflect the essence and purpose for which they are presented, and often those who received awards were "juried" among themselves.

are active in creation of an art scene of younger generation of artists.⁵

The research results on the art market in Serbia, Croatia and Bosnia-Herzegovina show that positioning of different subjects is mainly at a very low level, and their influence limited.⁶ For example, respondents rated the experts for artworks' market value estimation and work of auction houses as the least developed aspects of the

art market and with the least impact on its development. This result is consistent with the real situation in the Western Balkans, where the region of 17 million people is covered by only five auction houses. It should be noted that the establishment of auction houses presents a step towards the stimulation of the art market, because they contribute to the creation of individual and corporate collections - link that forms the main market

and often helps the establishment of links between the arts, civil society and business sector. The fact that almost 4/5 respondents had no clearly established relationship, or a policy of cooperation with the business sector, this aspect is assessed as very bad (47.5%), which is often the cause of galleries' poor financial position. On the other hand, in all Western Balkans situation with an assessment of the market value is highly subjective and

without clear criteria. The absence of a regulated market and relevant criteria for evaluation, leads to the market with relatively low prices for artworks, ranging from 100 to 300 euros, while the works by established artists of the 1950s, 1960s and 1970s, are on the other hand, overestimated with relatively high prices.

Graph 1: Average number of galleries in Western Balkans countries, 2011.*



* (average values on every 10.000 citizens)

Table 1: Art market actors in the Western Balkans

State	Auction houses	Galleries and other exhibition spaces*	Art dealers	Individual visual artists
Croatia	2	180	50**	582
Serbia	3	256	100**	528
BiH	0	33	N/A	400**
Macedonia	0	60	N/A	N/A
Albania	0	21	6***	N/A
Montenegro	0	38	N/A	400

* Galleries active in the field of visual arts recorded as gallery spaces. Because of the insufficient evidence of galleries, exhibition spaces and showrooms, it is estimated that there is a significant number of non-specialized facilities and organizations that only partially cover the area of the art market, but data on them is not available in a systematic manner. Included are galleries which operate as independent institutions or as parts of polyvalent institutions (e.g. community centers and cultural centers), as well as galleries in the public and private property.

** Assessment in consultation with relevant art market stakeholders. *** Only registered as legal entities.

⁵Zvono Gallery, owned by Ljiljana Tadić is one of few promoting artists of younger generation on artfairs like Artfair, Art Moscow, Kunstart, and since presenting artists at the Vienna fair in 2005., it has officially become the first gallery to launch young Serbian artists on European art market. www.galerijazvono.org. Zone Gallery, run by Rajko Murtić, apart from the established artists represents through the agency painters, dealing with their placement abroad, and is particularly known for promotion of younger Croatian artists in the country (through exchange programs with other galleries), and abroad. Ožegović, N. (2003) File: Croatian art market: The most expensive painter Croatian Zvonimir Mihanović Nacional no. 417, 12 November 2003 <http://www.nacional.hr/clanak/13633/najskuplji-hrvatski-slikar-je-zvonimir-mihanovic> (access, 15.06).

⁶Sources of calculations and estimates by: Fine art activity, realize News, 2.1. 12.09, (2012) Department of Statistics of the Republic of Macedonia, <http://www.stat.gov.mk/pdf/2012/2.1.12.09.pdf>; Statistical Office of Montenegro www.monstat.org; Artists' Association of Montenegro, <http://www.ulucg.me>, Association of Fine Artists of Serbia www.ulus-art.org; Association of Fine and Applied Artists and Designers of Serbia www.ulupuds.org.rs; Croatian Society of Artists www.hdlu.hr, Croatia Association of Applied Arts Artists www.ulupuh.hr, Association of Visual Artists of Bosnia and Herzegovina <http://ulubih.ba>; Statistical Office, Albania <http://www.instat.gov.al>, Creative Industries Mapping in Albania (2007) British Albania Council.

In the given circumstances and in comparison with other components of the art market, gallery system and curatorial practices are assessed as a moderately developed aspect of the art market and its impact on the art market's tendencies as moderate, although a number of galleries can not be praised for their innovative approach in mediation and stimulation that would supportively act on the audience. As for the art production, critics and media, dominating point of view is that in the given circumstances their resources are not used sufficiently (figure 2), which leads towards a poor development of taste for contemporary art, low awareness and poor educational level of potential buyers, collectors, arts consumers.

Regarding the assessment of the market structure, majority of respondents believes that there is no competition in the art market, that is monopolized (more than 1/3 of respondents), while another group of respondents believes that the market structure has character of an oligopoly, and that it

is dominated by several organizations and artists (over 60% of respondents). These results indicate the dominant perception of respondents that art market conditions are not healthy and competitive and not encouraging for the art production. With regards to the professional standards and the role of artists' associations, assessment mark by most respondents was moderate (58%).

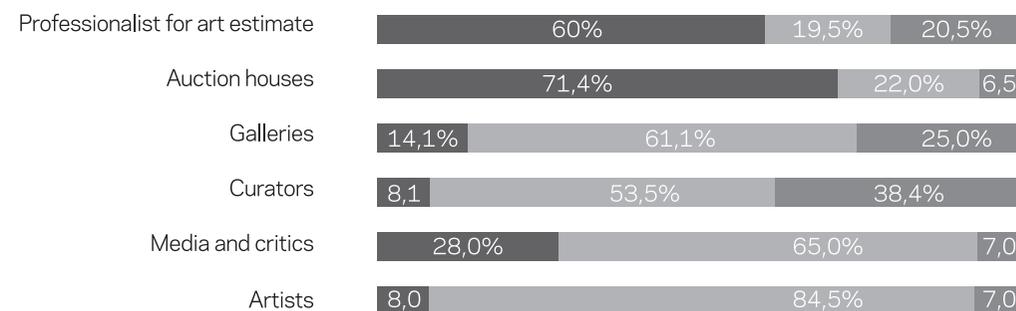
The role of artists' associations from the perspective of the profession and protection of members' interest, is estimated with the limited range (about 33%), because they are guided by particular interests. A number of respondents (1/5) ranged their work at very low level, with an opinion that it should be reformed, while less than half respondents believe that their work is mediocre and that it continues to improve. Professional associations that operate in the Western Balkans represent trade associations formed during the 1950s and 1960s, in the former Yugoslavia, and they have often kept to the present bureaucratic

organization, mission and policies, obtained in that period, although market circumstances in which they operate had greatly changed.

Communication, networking and cooperation between different actors in the art market were rated mostly as moderate (45% of respondents), 30% of respondents considered that are of limited range, and 25% as low. It is also evident that different actors rarely cooperate with each other or only sporadically (76% of respondents), while the lack of networks is even

higher with group of individual artists, with almost 3/4 of them that rarely or never co-operate with others in their profession. In the case of organizations, that number is twice smaller (38%). This situation can be attributed to the significant role of donors in the funding of contemporary art, who, through their policies put the emphasis on partnerships and networking, while this criterion is irrelevant to public administration bodies in culture, public institutions, professional associations, etc., most of whom do not have clear instruments to launch structural

Graph 2: Position and influence of different subjects on the art market of individual Western Balkans countries (Serbia, Croatia, Bosnia and Herzegovina), 2012.



⁷The research was conducted in the May-July 2012th year, through electronic and individual surveys, interviews and direct conversations. The goal was to acquire knowledge about the subjective evaluation from the relevant stakeholders on the state of the art market and the problems in it. Since there is no complete database of art market's participants in the region, it was presumed that detailed insights into the structure of the market can be obtained from the participants who are active in the visual arts scene for over 10 years, active in the art market as well, with 5-10 projects per year on average in the period 2007-2011, and to exceed the financial threshold of EUR 15,000 annual income. Also, one of the main criteria was that the respondents were primarily engaged in the visual arts and that within their annual programs / projects, visual arts account for more than 80%. Herewith we have intended to exclude from the sample in the first stage, all those organizations where visual arts does not present a priority. We note that the obtained results are the outcome of a pilot study that has not been done in this area so far and that it should be improved in the future and continuously enforced.

changes in the market of visual arts. The quality of the relationship between the state and art market actors was also poorly rated, where about 43% of respondents believe that the cooperation does not exist or is of ad hoc character, which indicates a very weak and participatory process involving all stakeholders in the development of the art market, particularly at the level of public policies.

Regarding the international cooperation, and connectivity across national boundaries, most of respondents (76%) have established links with countries in the Western Balkans, while as much as 15% of respondents did not participate in cross-border cooperation projects with similar institutions / individuals outside the country. These findings suggest that we need a different approach developing strategies in terms of cultural relations, networking and cooperation, where creative production has great potential value, presenting specific works of creative expression inherent to the Region. It seems that

we should revise current practices in the field of cultural relations and seek the means to broaden the channels of diffusion, and forms of participation on regional and international level in the form of forums, debates, conferences, and integrate more sophisticated and extensive stimulation techniques in their implementation. This should be followed by adequate financial instruments. Assumptions for improvements in this area are further openness of the Western Balkan countries for the expansion of cultural facilities at the regional level, and the creation of institutional conditions that would increase the mobility of artists, creators and cultural programs.

Financing of the visual arts is another important aspect of cultural policy that can act in the direction of the art market's structural development. However, no matter how this instrument offers a space to encourage artistic creativity, it remains the biggest problem in all Western Balkan countries, which chronically tries to provide significant level of public funding for

culture. Unfortunately, opposite to this aspiration, a small percentage of the budget is allocated to the funding of contemporary art production, as evident in Table 2.

Average budget allocations for the visual arts in the Western Balkans region is around 0.4 euros per capita, although precise amount of these funds is difficult to determine, given that often funds for the visual arts may appear in the financial plans of cultural institutions that operate in other areas and

sectors,⁷ complicating the possibility of their direct determination.⁸ As in the case of the gallery infrastructure, at the regional art market there are countries that are above the regional funding average (Croatia, Serbia and Montenegro), and on the other end those that are significantly staying behind, even for several times below the average (Bosnia and Herzegovina, Macedonia).

Most of the Western Balkan states and their programs and projects in the

Table 2: Visual arts funding in Western Balkans countries

State	Year	Visual arts share in total expenditure for culture (%)	Per capita expenditure for culture (in euros)	Per capita expenditure for visual arts (in euros)
Croatia	2010.	1,11*	70,95	0,68*
Serbia	2010.	3,6*	17,5	0,63*
BiH	2011.	2,7 ¹	3,87 ²	0,1*
Albania	2011.	N/A	4,9**	N/A
Macedonia	2010.	0,59	16,91	0,1
Montenegro	2010.	0,35	21,85 ³	0,45*

* assessment ** only for the central level¹ entity level; ² total expenditure on culture per capita for funding distributed over the Federal Ministry of Civil Affairs, the Federal Ministry of Culture and Sports and Ministry of Education and Culture of the Republic of Srpska. Information on culture funding at the entities and cantons is not available.³ Expenses for Culture are calculated on the basis of allocations from the Ministry of Culture of the Republic of Montenegro, as well as on the basis of allocations from the local municipalities with 89% of the population (Podgorica, Nikšić, Cetinje, Bar, Berane, Budva, Herceg Novi, Kotor, Pljevlja).

⁸Sources of author's estimates and calculations by: *Compendium of cultural policies and trends, 13th edition*, ERICarts, <http://www.culturalpolicies.net>; Law on Budget of the Republic of Montenegro for 2011. no 01-842/55; Budget decision Podgorica in 2011, Budget decision Nikšić municipality for 2011, Budget decision Cetinje Municipality was in 2011, Budget decision Bar municipality for 2011, Budget decision of Berane for 2011, Decision Budva municipality budget for 2011, Budget decision of municipality of Herceg Novi in 2011, Budget decision for Kotor municipality in 2011, Budget decision of Pljevlja municipality in 2011; Mikić, H. (2011) Kulturna politika i savremeni izazovi finansiranja kulture: međunarodna iskustva i Srbija, *Kultura* no. 130, pp. 75-103. Review of utilization of funds transfers in 2007, 2008, 2009 and 2010. Federal Ministry of Culture and Sports; Federal budget for 2007, 2008, 2009, 2010 and 2011. <http://www.fbihvlada.gov.ba/bosanski/budzet/2011/bos/Bos1.pdf>, Ministry of Education and Culture of the Republic of Srpska, <http://www.vladars.net>

field of visual arts are realized through the public open calls. Although this can be considered as a significant form of decision-making process democratization in culture, there are certain restrictions in its use. First of all it is an instrument characterized by: certain unplanned character; it is evident that it does not sufficiently follow clearly set goals of explicit and implicit cultural policies; it is a form of financing in some countries that is not clearly targeted or has general goals that are difficult to evaluate (and thus periodically improve); has a very modest budget (3-5% of the total budget for culture); dominantly diverting funds to the presentation of works of art, and very rarely for the production, and may raise the question of its practical implications for the cultural life of the region, and equally in terms of encouragement of artistic creativity. Results of the research also confirmed that financing of arts in the current circumstances, is seen as the weakest aspect of the art market development. It shows that subjective assessment of respondents on visual

arts funding indicates the poor state of this indicator (average score 2.1), but also indicates it as the biggest problem of the art scene development.⁹ On the other hand, the funding structure for organizations that are active on the art scene shows that it is dependent on the state and to a lesser extent, on the international foundations, and very poorly on the business sector. Small share of the business sector in the funding of contemporary visual production shows a fundamental weakness of the art scene, which can use resources available in the immediate environment in which they operate. This weakness is deepening the lack of a clear systematic approach to the financing of culture, and lack of adequate support instruments (e.g. tax measures) that would strengthen and motivate relevant actors on active cooperation with the business sector. Approximately 50% of respondents agrees that tax system obstructs the development of the art market, while 43% considers tax instruments as selective and with no significant impact on the art market development.

An important distinctive feature of the art market consists of the fact that the market in practice is never the sole mechanism of decisions coordination, but is often combined, to a greater or lesser extent, with the state interventionism. This includes primary reliance on market institutions and those involved in economic dimensioning of art, while the state acts covering the market failures and constructing more efficient market structure. This understanding of the market does not characterize public discourse of the Western Balkans, where it is seen on a laic and superficial way, and reflections on the relationship between art and economic value are simply rejected without valid arguments. Economics of culture on the other hand, that supposed to examine this relationship from the scientific perspective and to establish a relevant basis for effective management of cultural politics, was never developed and established in the Western Balkans.¹⁰ About the restrictions that influence development of the art market, indicates the fact that a particular group of art scene

representatives in the survey did not want to participate in it and express their views on this aspect of cultural policy, stating their "antimarket orientation", that they "do not act commercially", that are "fighters against the market", "do not belong to the market" etc.¹¹ Taking into account these views, we can conclude that inefficiency of the state can only be partly responsible for the underdeveloped market,¹² and that we can find very often a passive attitude, resistance and lack of understanding by representatives of the art scene themselves in relation to this concept. It is interesting that in some art groups dominate the negative associations with the market as a mechanism of coordination in the field of culture, which is often identified with the "art commercialization dogma", advocating the state patronage of art, while on the other hand there are rare representatives of the art scene who are considering the presence of the market elements, particularly in the form of cross-sectoral connections with the corporate sector, as the road for improvement of the financial position

⁹For example works of art purchased by the institutions, public authorities, etc. or events that are not primarily in the field of visual arts.

¹⁰Per capita public expenditures for visual arts do not include purchase of artworks by cultural institutions, and other public authorities, which can not be determined directly, and multidisciplinary projects and programs that are being realized as part of regular program activities of institutions that are not primarily involved in visual arts.

¹¹Respondents perceive that in their work financial problems have the highest specific gravity, followed by organizational problems, and at the last place are the problems of infrastructure (facilities, equipment, etc.).

3.Recommendations for the improvement of art market development in Western Balkans

not only for the gallery system, but also for artists themselves. However, the impression prevails that negative implications of Western Balkans unregulated art markets often lead the actors of the art scene to access this concept as something chaotic, negative for the development of art, without a profile and with a strong personal feeling that they do not belong to it.

It was noted that integrational processes in the world have significant influence on the overall economic, political, social and other movements on a global level. Regionalization in any form can be observed on one hand as part of the globalization, while on the other hand can be seen as strategic process of confrontation to globalization. Related to that, different regional associations are formed, representing regional integrations on basis of economy, politics, communication, ecology, culture and other.

Creation of the regional art market on the basis of interregional connections and cooperation between the national art markets in contemporary circumstances is significantly easier with the use of informational and telecommunicational technologies. This would allow connections between auction houses, galleries and other relevant actors located in different states and their activities on identical or similar way, trade with different works of art through

common trade platform, processing huge number of transactions, transferring and exchanging information, trading in continuity in a wider environment following time zones, as well as number of other benefits. Logical continuation would be the appearance of the common EU art market vision, especially for the market of art goods.

In this regard, integration processes are very important in order to access art markets of developed European countries. However, while their contemporary art markets are thoroughly regulated and standardized, it is evident that the process of EU art markets integration is still not completed. The main priority of EU towards the integration of the national art markets in the European single art market, is a dynamic consolidation of improved and secured implementation of adopted rules, and then introduction of better policies and improvement of the regulatory standards and supervisory convergence. In addition, a priority is given

to the encouragement of competition among providers of art services and expansion of EU influence on the fields of art market globalization.

Several factors influence the development of the art market, and they should be considered in terms of its dynamic development: involvement of regional and global art trends, regulatory arrangement and clear profile roles of different actors in it, relative economic power of buyers on the market and growth of national economy, growth in demand for luxury goods, investment motives of buyers, administrative barriers and costs of transfer between different art markets,¹³ development of a taste for contemporary art works, etc. Most of these conditions are not met in the Western Balkans and we can talk about different scenarios of possible development for art markets in the region. In this regard, it should be noted that only development of the art market can provide long-term sustainability for contemporary art

¹²The primary sociological and cultural understanding and interpretation of the art market is confirmed by sporadic research on this subject, which is often involved in a perception of cultural habits and needs of a wider audience and consumers of visual arts (e.g. Dragičević-Šešić, M. *Muzeji i galerije u Srbiji* 1996; Inđić, T. *Tržište likovnih umetnosti*, 1986), as well as those more recent, focused on the galleries program and presentation concept (Tadić, D. *Galerije i umetnički prostori u Srbiji*, 2012; Matinović, D. *Izlagačka politika beogradskih likovnih galerija*, 2012). In addition to the fact that art market research is very rare, it can not deal with its economic and regulatory aspects sufficiently, so they remain partial, with no clear outcomes and practical impact on decision-making process in the Western Balkans.

¹³Respondents, who expressed negative attitudes in terms of the market and its relation with the art, refused the request made by the research team to state their position as clearly marked and quoted in the article, wishing to remain anonymous. It is interesting that among the respondents of this group are the creators who often qualify themselves in public as the managers in culture, concluding that respondents themselves are often unaware of it or "ashamed" of their belonging to the market structures in culture and active participation in the process of its construction. Given this fact, in the coming years more should be done to clarify this concept with artists and public structures in culture, in order to reduce the gap made by the lack of understanding and poor perception of contemporary phenomena of cultural policy.

¹⁴It should be noted that even the state structures (especially Ministries of Culture) do not perceive the market, its construction and regulation as part of their jurisdiction, but that it belongs to one of those public authorities who are dealing with the economy. This attitude greatly contributes to the lack of the measures that are aligned with the specific artistic sector, use of general economic policies that have little practical effect on the development of the art market, as they are not targeted sectors. Art market representatives are aware of it since 50% of them perceives state administration as completely ineffective to fulfill its role in the art market development, while 50% thinks that the capacity of the public administration is very limited, sometimes the limiting factor in the development of the art market.

scene, as restraints of national boundaries lead not only to economic but cultural handicaps as well. It should be noted that problems of the art market can include those of internal character and actions arising from actors themselves (galleries, auction houses, museums, curators, etc.) and those of external nature that can be influenced by instruments of cultural policy, in more or less extent. For example, regulation of the art market is responsibility solely by the state and its effective public policies, which include modeling methods and mechanisms of institutional support for the art market. Economic forces of demand for works of art present a problem for all Western Balkan countries, but its effect may mitigate the negative-growth tax policy. However,

stimulation of demand for works of art is related to the development of the taste for works of contemporary art, which mostly lies in the hands of the art scene's actors, structures and educational media. All this indicates that art market is a complex market system in which different actors through their mechanisms of action and intersectoral cooperation can act in the direction of its construction and improvement.

The effectiveness and development of cultural policy different instruments affecting the art market were rated based on the development of the art market index, designed in a way that it can assess the effects of the current state of economic, organizational, legal and value-ideological

instruments of cultural policy.¹⁴ Combination of these instruments and their overall scoring of 0,792 confirms that existing system for the art market development is unsustainable.¹⁵

It is characterized by instruments on unsatisfactory level that prevent dynamic and free development of the art market. Figure 3 presents rates of different dimensions of cultural policy instruments, covered by the analysis that shows how respondents rated certain instruments of cultural policy. Thus, among the lowest rated dimensions of the current cultural policy are placed decentralization, quality and capacity of public authorities to fulfill their role in the development of the art market and tax

measures. Art market Diamond shows the medium rate of all groups of cultural policy instruments.

Central place in the analysis of the possibility to establish a single or common market takes the assess of the basic institutional assumptions and trends of art flows liberalization in the Western Balkans. The liberalization of the art flow is the basis for the regional art market functioning, without which it would be impossible to make any further step towards the integration. Similarities and differences in the transitional processes of national art markets were observed and the same time in almost all countries set identical or similar strategic development goals, above all, through their

¹⁵European Commission (1999) *Report from the Commission to the Council on the Examination of the impact of the relevant provisions of the Council Directive 94/5/EC on the competitiveness of the Community Art Market compared to the third countries' Art Market*, COM (1999)185 final, Brussels: Commission of the European Communities, p. 8.

¹⁶It is a methodology that was developed in basic form as a tool for quantitative evaluation of cultural policy instruments in the art market, and whose content will be developed further in the upcoming projects of the Group for the Development of the Creative Economy, which is a partner in this project. For the design of this index served the ideas and methodological frameworks that have been used for the design of IDEX media sustainability (Sustainability Media Index, IREX) and the Civil Society Index (CIVICUS Civil Society Index). Art market development index is aimed at the evaluation of cultural policy instruments, divided into four main groups: economic (indicator 1: the availability of funds, the funds for the development of the visual arts; indicator 2: access to public funds for financing of visual arts and transparency of funding; indicator 3: the quality of tax measures aimed at development of the art market; organizational (1 indicator: the ability of government agencies and their ability to meet these roles in the development of the art market, indicator 2: quality and effectiveness of institutional support for the development of the art market, indicator 3: the quality of the relation between state actors and the art market and the integration participation of all stakeholders in defining the art market developing dimensions, indicator 4: art scene decentralization), legal (indicator 1: the quality of legislation in the field of visual arts; indicator 2: intellectual property and copyright protection efficiency) and value-ideological (indicator 1: the quality of cultural policy instruments aimed at the promotion of creativity and production; indicator 2: perception of the relation between the business sector and the art scene; indicator 3: the quality of corporate social responsibility; indicator 4: level of corporate philanthropy). Each of these instruments was assessed by the respondents through closed-ended questions which more accurately described the situation in relation to respondents' orientation. Processing the results, numerical scores of 0-3 were given for all responses (0-does not meet these criteria, 1-satisfies the minimum criteria, 2 - meeting of the criteria is on the rise and 3-fulfilled most criteria). For each of the groups of instruments were calculated average values, and finally summed average values were collected from all four groups, assigning the average value of the Art market development index in 2012. This methodology will be improved in the future introducing a number of qualitative indicators through which it can spread the assessment quality and effectiveness of cultural policies, and do researches on cultural policies in other Western Balkan countries (Macedonia, Albania, and Montenegro).

¹⁷The overall scoring in the range 0-1 indicates unsustainable art market, instruments of cultural policies as unsatisfactory, preventing dynamic and free development of the art market; scoring in the range 1-2 shows art market system that seeks sustainability, cultural policy instruments aimed at sustainable art market establishment; scoring in the range 2-3 indicate a sustainable development of the art market system, instruments of cultural policies as satisfactory, encouraging an active and free development of the art market.

commitment to join the European integration (EU membership). Therefore, we can state that the process of constitution of an adequate political and economic environment has begun in order to create institutional preconditions for establishment of a regional art market in the Western Balkans. The idea of a regional art market creation in the Western Balkans is a necessary process on the way of these countries towards the EU. There are many indications for the constitution of the regional art market in any case, and that presents the interest of all countries in the region, to make it as soon as possible. Connecting art markets in the region is just one of many necessary

integration processes, which are usually placed at the end of the agenda. This concept means that prior to the art market integration a number of other forms of connections and integration should be achieved.

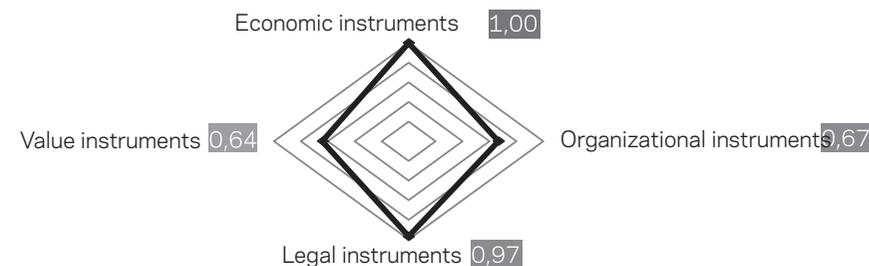
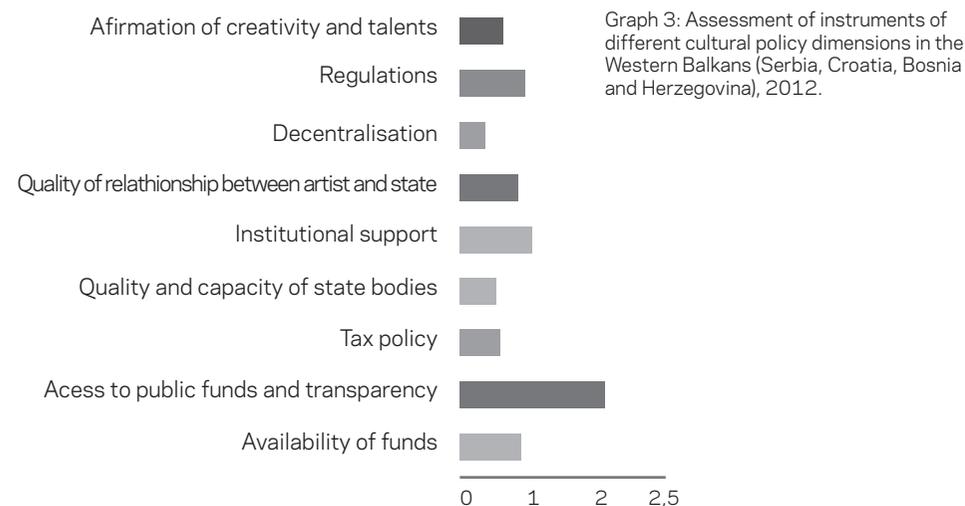
The analysis of the national art markets shows that a common art market would have great importance for all countries individually, but also for the community of all citizens as well. Comparative analysis included many relevant issues such as the legacy of the previous system, the consequences of the macroeconomic policy on the art market, legislation, financing mechanisms, art market

institutions, art market participants, the protection of artists and their professional status, trade of artworks, etc., providing an opportunity to determine potential position of the macro market structure with two possible models of its organization: unique art market and set of interrelated arts markets. This second solution can be a common art market with a single regulatory body, or with no single regulatory body. With regards to the level of political, cultural, economic and other relations between the Western Balkan countries, we assess that at this point the real choice is the formation of a regional art market as a joint art market without a single regulatory body, but with adjusted institutional features at the national level.

can not rule out the possibility of an access from surrounding countries as well. The concept of a regional art market is convenient because it is the question of a joint art market creation between two or more states. Namely, it is the question of bilateral agreements on cooperation in a specific area addressed, but agreements that require certain activities at the national level that would even come to their conclusion (harmonization of legislation, creation of institutions, etc.). Bearing in mind that the regional art market would function on the EU principles and standards, there is no impediment for the appearance of the artworks from other European markets (including the EU). So, only the integration of the art market would stimulate participants from other European countries to engage in a broader area of the Western Balkans, and that would provide a real opportunity for wider involvement of "local" actors in the wider European space.

Regional definition is only conditional and not definitive, and therefore it is not necessary to include all Western Balkans countries, as we

Graph 4: The diamond of art market in the Western Balkans (Serbia, Croatia, Bosnia and Herzegovina), 2012.



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GLOSSARY OF TERMS AND CONCEPTS

Alternative art institutions - organizations and centers, founded by legal entities, independent organizations / associations or individuals supported by various funding sources, whose independent position enables the implementation of innovative and experimental art practices, as well as execution of corrective role in the art scene.

Art dealer - A person or organization that acts as an intermediary in the purchase and sale of works of art; represents artists and works with collectors and museums. Art dealers can usually anticipate market trends, and the most prominent can influence them. Usually specialized for specific artists, art periods, styles or regions. In the field of contemporary art commonly represent artists in their galleries, and often play a key role in the further course of artist's career. Educational qualification of an art dealer usually involves the study of art history, with subsequent professional advancement in the area of economic developments and specialized training documented with professional certificates provided by authorized organizations or associations.

Art for offices Concept - model of sponsor partnership driven primarily by artworks placement in the working space, and by influence of the collections on employees motivation and productivity.

Art investment - assessment of the market value and potential of an artwork as a business investment.

Art market - usually is not defined distinctively, and signifies a confrontation of supply and demand works of spatial (visual and applied art) and temporal arts (music, film, literature, theater). It is a broader term, because it trades with the artworks as tangible objects and with derived property equivalents of intangible character - rights to use and exploit works of art (publishing rights, the right to reproduce and multiply, etc.).

Art market system - a complex and interdependent system, whose quality, character and interaction create conditions and criteria for art price definition. Traditional system of the art market includes artists (higher education system), museums, gallery

system, curators, critics and the media, market intermediaries - art dealers, galleries and auction houses, major events and audience, consumers and collectors. In today's market operate new determinants of the art market - marketing agencies, PR agencies, insurance companies, as well as new models of mediation and distribution of information, introduction of new technologies and the Internet.

Art practice - a term that refers primarily to contemporary visual art production, naming different models of art approach (such as neo-avant garde, conceptual art, postmodern, neoexpressionism, transavangarde, etc.).

Art system - complex social organism of interdependent functional components allowing the production and reception of artworks.

Artworks trade - artworks trade is any transfer of ownership over the work of art or transfer of property rights from the author (or successor of copyrights) to the new owner.

Author's work - original creation by an author, as an expression of his inner experience of the world and the environment that surrounds him or her, expressed through different kinds of forms.

Bureaucratization of culture - increasing importance of a large number of administrative tasks (complex application processes and compliance with strict organizational regulations) within the contemporary art production.

Black market - purchase or sale of illegal goods that violates the restrictions such as price control. Transactions on the black market are usually way for participants to avoid government price controls or taxes. It is also the method for the illegal products trade - such as the stolen works.

Co-financing - budget construction of contemporary art production implies diversification of financing sources, that is the concept of co-financing, with the participation of several financial bodies. Contemporary art scene today is largely based on funding by the authors themselves,

who often work without a payment or a fee and fund their own projects, their production and public presentation.

Commercialization of art dogma - the syntax often used to describe a way of thinking, kind of relationships and working model in art production, based on the logic of trade, with narrower and broader meaning of this syntax. In a broad sense, it signifies the position when market relations become dominant patterns of behaviour in the field of material culture, in which art production arises as a result of lucrative motives. Narrower meaning in turn, created under the influence of the Marxist school of thought connects the field of culture and arts with manifestations of value changes, raised by money in social life.

Contemporary cultural production - a term that refers to the total production in the field of contemporary art: music, theater, literature, cinematography and visual production.

Copyright property component - includes a number of author's rights enabling him or her as the creator of the

artwork to commercially use the same for the purpose of material gain.

Droit de suite - a part of author's right property component has an application only with works of fine arts and refers to the distribution of the original work of fine art and its reproduction. This institute allows the author to work under certain conditions and to charge a fee in the future for each sale of his or her original work of art and its reproduction.

Dysfunctional art market - a situation that occurs when relations between the supply and demand do not comply, or if their inconsistency is such that price can not be regulated by market conditions.

Gallery system - a complex system organized in relation to the legal status: when the founder is a legal entity - city or private galleries; as part of a legal entity - Gallery of the Cultural Center; when the founder is the Republic, town, municipality, association or an individual. And compared to the program concepts: galleries dedicated to contemporary art, experimental practice, activism, fine art, applied

arts, certain media (photography or drawing), multimedia.

General VAT rate - tax rate paid on the value added tax in the case when for the delivery of certain goods or services is not specifically provided another rate of value added tax, that is if particular goods delivery or services are not legally exempt from value added tax.

Grey market - also known as parallel market, is the way of products and works trade through distribution channels which, while legal are unofficial, unauthorized, and not intended by the author. This term refers to workers paid "under the table" without income tax payment or contribution to public services such as pension and health insurance.

Hyper production - number of artworks, exhibitions and projects that exceeds actual social needs and creative and organizational frameworks and potentials of artists and the scene. Overproduction in this context refers to proportionally too many staff in the field of art that does not correspond to social capacity.

Independent cultural scene - independent organizations, initiatives and individuals in the field of arts and culture, promoting the development of innovative and critical art practice, intersectoral cooperation in the field of culture, new models of organization and partnership of civil and public sector and decentralization processes in the field of culture.

Individual Income Tax - Tax form whose subject is the income earned by individuals. We can distinguish several systems of income taxation: (1) *cedula* - every kind of personal income tax is taxed by a special tax at a flat rate; (2) *global* - all the income that an individual realizes in the tax period would be taxed with a comprehensive tax on a progressive rate; and (3) *mixed* - certain combination of the two previous systems.

Market of artworks - is a common practice of confrontation of supply and demand for works of art as tangible material embodiment of creativity and imagination, originality, artistry and skill.

Moral component of copyright - a set of personal and legal authorities of the author protecting the originality of the author's inner (subjective) attitude towards the work.

Non-exclusive transfer of property rights - the transfer of property rights when the licensee has no right to prohibit other acquirers to commercially use copyrighted work, nor is authorized to work further transfer.

Paradoxes of value added tax. Represent the specificity of the value added tax, related to the fact that the burden of the VAT is shifted to the person who is not obliged to pay value added tax because it is not VAT subject or if its deliveries are exempt of value added tax on other grounds.

Price of art - money equivalent of the artwork market value

Primary art market - a market in which original works of art are sold for the first time. Generally prices in this market reflect the result of supply and demand and its main actors are art studios, fairs and festivals, galleries and similar showrooms.

Primary and secondary art market - When the work of art enters for the first time art market we are talking about the primary art market and about the secondary for works of art that have already been sold. When the work of art is first sold at the primary art market, it enters the secondary art market and the achieved price has an effect on its further market value. Contemporary works of art belong mainly to the primary art market, without a detailed market analysis, predictive and comparative value, which is why estimate of their market value is speculative and difficult. Gallery system, art dealers, cultural agents and promoters, as well as collectors, which act as trendsetters determine the character of the primary art market.

Pure expectations theory - defines income as the monetary value of the net increase in economic strength of an individual in a given time period, with the increase of the economic strength expressed as the sum of the increase in value of property rights and the consumption of an individual.

Quasi demand for artworks - falsely created demand for certain works of art, which in the absence of administrative measures would not exist. Demand for works of art created artificially, which does not reflect the reality of supply and demand.

Reduced tax rate of Value Added Tax - specifically prescribed rate of Value Added Tax to the defined delivery of goods and services, which is lower than the general VAT rate. May prescribe one or more reduced rates of Value Added Tax.

Secondary art market - market that constitutes around the resale of works that have appeared in the primary art market.

Sole assignment of property rights - transfer of property rights in which case the acquirer is the only person authorized to exploit the economic rights, while on the contract parties depend whether this right can be transferred to the other (the Law expressly provides that the licensee can not transfer acquired right without the author's consent).

Source theory - is a collection of various theories of income with a common trait that determines the income as the sum of net incomes, which at certain intervals converge to individual from sources which guarantee their regular income.

Sponsor-collector - sponsor based partnership building recognizable corporate collections.

Sponsor-user of the reputation - sponsorship of art projects and events that have a positive impact on company's image and is closely associated with the function of market research, marketing strategy and marketing communications.

System of visual art - covers all aspects of social and professional systems that enable the production and realization of the visual arts - artists and education system, curators, professional agents, cultural managers, professional associations, institutional system that includes museums, gallery system, exhibition spaces non-gallery, "transitional" and public spaces, independent organizations,

art colonies, festivals and events, art market, collections, and critical thinking articulated in the media and through theoretical practice.

Tax Competitiveness - The tax competitiveness presents a situation in which, due to a lower effective tax burden, investors prefer investing and doing business in one state over another with the higher effective tax burden. State actions attracting capital and business low effective taxation is called tax competition.

Tax on profit - is the tax payable on the profit made by legal persons matched to special tax rules. Profit of a legal entity shall be allocated to the owners of the entity only after completion of taxation at the level of the legal entity which can lead to double economic taxation. Depending on whether this form of taxation has an impact on the taxation of dividends, that is whether it reduces or eliminates the double taxation of the economic dividend, all systems of taxation on corporate profit can be divided into: (1) Classical - paying income taxes is irrelevant for taxation of dividends; and (2) Integrationist -

distribution of dividends is taxed more lenient in order to eliminate or reduce the negative effects of double taxation.

Tax rate - Application of the tax rate determines the tax amount in respect of the whole or partial tax base.

Trade value of a work of art - an economic category, which means the value of work of art in the market exchange. Often referred to as the market value of the artwork.

Under production - deficit in the field of cultural production in relation to the primary production and organizational standards, thoughtfulness and level of development of art projects and consequently the quality of visual art programs in general.

Utility value of a work of art - a work of art's ability to meet different aesthetic needs, to aesthetically act and cause an aesthetic experience.

Value Added Tax - most commonly defined as non-cumulative all-phase-net sales tax, or all-phase-net sales tax. Effects of cumulative taxes in several phases (manufacture, wholesale, retail) are eliminated giving a right to VAT

taxpayers to the deduct from their tax obligation value added taxes that they have paid to their suppliers.

Visual Arts - though there are a number of definitions, this term is defined in the text according to the current social contract, contextual specificity, cultural rules, sensory experience in terms of the network of discursive meanings, and art frames in which it dwells. Accordingly this phrase encompasses a broader term covering all types of visual expression: from classical (paintings, sculptures, drawings, prints ...) to new (installation, ambient installation, video, photography, technology and the screen arts), and wide range of applied arts (design, graphic design, architecture, comics, illustration, set design, costume design), and how this kind of sharp categorization is surpassed in the modern world, and even completely deleted, it is necessary to understand and comprehend contemporary interdisciplinary art tendencies.

Worker in the culture - changed position of participants at the contemporary art scene introduced this term (instead of the

former term *practitioner in the culture*), conditioned by multiplied activities, of various, often entrepreneurial and manual character, which in terms of production in Serbia, often carries a distinctive class consciousness characteristic for the underpaid work and exploitation.

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