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**Changes in the system of organization and financing of culture in Poland  
in the years 2001-2008****Abstract**

*After the collapse of socialism the democratic structures of the Polish government and the society are still in the way of forming process. After the year 1989 till now Poland make some formal and crucial steps to change the administrating system, also in the field of cultural policy and art institutions.*

*This article will show the major reforms and changes in public administration system in Poland according to changes in the sphere of culture in the years 2001-2009 and the final form of the culture finance system. The reason of this time horizon is, that before year 2001 the data have been incomplete according to the spatial regional reforms in the local administration systems. I will try to show the effects of changes, such as how new administration and local governments use culture as a part of economic capital of the regions and cities, I will show changes in public expenditures for culture and new possibilities and plans of financing this sphere in Poland.*

**1. Introduction**

After 1989, Poland began the process of socio-economic transition. The goal of this process was the transition from a centrally planned economy to a market economy. The transformations affected the sphere of culture too.

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One of the main dilemmas associated with culture during transition was introduction of commercialisation into the sector. It was finally decided that culture would be funded based on a decentralised model. The public administration reform moved some responsibilities for funding and organizing cultural activities to the self-government level.

The reorganization of the cultural financing system still seems incomplete and the system itself has not taken its final shape yet. This conclusion can be drawn from the fact that Polish culture is still underfinanced and marginalised by politicians, despite all the reforms. The annual proportion of cultural expenditures in the total spending of the state budget has been almost the same for many years. It oscillates around 0.5% and definitely falls short of the European average. This situation makes it necessary for the Polish government to launch in-depth reforms to modify the present financing system of cultural activities.

In this paper the reforms that affected the system for organizing and financing cultural activities operated in post-1989 Poland are presented and discusses their outcomes. The status of cultural funding under the present system is also analysed.

## **2. Changes in the system for organizing and financing of culture in Poland after 1989**

The immediate reason for the changes made to culture organization and funding in Poland was the reorganization of the economy management systems. In 1989, Poland left behind a command economy system that was typical of the entire bloc to replace it with a market economy. This dramatic change in the established economic rules could not happen without comprehensive, economy-wide reforms that affected also the sector of culture that was viewed as part of the social services sector.

The corner stone of the then command economy was centralisation of decisions within all fields of the economy. As a single source of cultural funding, the state had huge possibilities of influencing the goals of cultural institutions.

Economic reforms commenced after the year 1982. The modifications made to the system for financing production indirectly affected the system for funding culture. The new solutions mainly aimed at creating non-budget sources of cultural funding without harming the state's dominant position in this area. As the reforms lacked boldness, the traditional command economy system was

ultimately replaced with one representing a sort of intermediate centralisation deprived of internal cohesion.

The main goals of the changes that were made to the system of culture in the post-transition period comprised the introduction of mechanisms facilitating rational management of public funds, the reorganization of the public administration's powers in the extent of organizing and funding culture, and the provision of new solutions within the funding, supervision and management of cultural institutions, such as decentralization of management, widening the scope of their autonomy, and establishment of legal framework accommodating cultural patronage and sponsorship.

In the late 1980s, Polish economy went through a process of radical changes. The new government designed a reform to base the economy on a free market system. Targeting the economic sphere in the first place, the reform also redefined the state's role in funding culture. In 1990, culture stepped on a path of change (Kietlińska 1995, pp. 73-74).

Transition started at the end of 1980s and deeply modified not only the character of the state, but also the structure and functions of its central and local public administration bodies. The transformation of the country's political system that was undertaken in 1989 was a top-to-bottom process led by the government and the parliament. The process provided public administration with completely new functions and tasks that were necessary for the political and economic reforms to be successful. In very general terms, the early reforms aimed at overall democratisation of the state combined with decentralisation of its government. The starting point for the public administration reform was restitution of a territorial self-government system, as a result of which state administration was divided into two levels: the central government and self-government units. To carry out the plan, the Parliament enacted laws (the territorial self-government act of 8 March 1990 and the act on territorial bodies of public administration and self-government employees of 22 March 1990) that restored the fundamental division of public administration that had already existed in interwar Poland (Hausner, Komaś 2005, p. 138).

Among the systemic changes that the Polish economy experienced after 1989, decentralisation was crucial for the sector of culture<sup>1</sup>. There are distinctive stages in the process.

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<sup>1</sup> As a result of decentralisation, Poland was divided into the following territorial units of public administration (by GUS statistical data for 2008): 16 regions (NUTS 2), 314 counties and 65 towns with county status (NUTS 4), 2478 communes (NUTS 5).

Stage 1 spanned the years 1989-1991 and was an introduction to transition. In that period, the book market and the music market were privatised and the decentralisation of public tasks within culture was initiated. Most institutions responsible for promoting culture, i.e. libraries, community centres, clubs and some museums were handed over to communes. This act equally stemmed from the decision to implement the principles of a new, democratic state and the bad economic condition of the state.

The second stage took place in the period 1991-1993. A systemic reform of cultural institutions was initiated then. The management of cultural institutions was clearly decentralised, as a result of which they were divided (and still are) into three groups corresponding to the three levels of administration in the country. Cultural institutions in group 1 have special importance for the national culture, so they are directly run and funded by the Ministry of Culture and Art. Cultural institutions categorised as group 2 were placed in the care of the government. They are supervised and funded by the governors of the regions (voivodeship), having also strong support from the central government. Group 3 institutions are managed by the territorial self-government units (TSGUs) and their activities are aided by the regional governors. In 1991, the act on the organisation and pursuit of cultural activity was passed (Dz. U. [Journal of Laws] of 1991, no. 114, item 493).

The third stage of decentralisation covered the years 1993-1997, but no major changes aimed to continue decentralisation were implemented then. Simultaneously, the central government made numerous gestures to manifest the state's protective attitude towards culture.

The fourth stage of decentralisation commenced in 1997 and ended in 2001. During the four years, the process of decentralisation was completed. Self-governing counties and regions appeared – the latter became the main supervisors of a majority of cultural institutions that had been previously run by the state (*Raport o stanie kultury 2009*, pp. 17-19).

### **3. The involvement of public administrations in the organization and financing of cultural activities after the process of decentralization**

The decentralisation of public administration changed the scope of particular public units' share in supervising and funding cultural activities. Notwithstanding, the involvement of the state bodies is still substantial, as they regulate the supervision and funding of cultural activities while being immediate supervisors of cultural institutions.

The regulatory function of the state bodies consists in making decisions and laws applying to cultural activities. The principal and central organs of the state administration are still responsible for supervising and conducting cultural activities, and the principal state administration body for culture is the minister of culture.

The range of the minister's responsibilities includes support for shows and entertainment, organization and support for art exhibitions, as well as protection of cultural assets, museums, folk culture and artistic handicraft. The minister is also responsible for cultural education and international cultural exchange, supports publishing activity, bookshops, libraries and readership, as well as amateur artistic movement, regional and socio-cultural organizations and associations.

In addition to the above functions, the minister of culture is an immediate supervisor of the national cultural institutions, i.e. the units that have been put on the list of key assets in the development of national culture, such as the National Library in Warsaw, the Philharmonic Orchestras in Warsaw, Poznań and Krakow, and the National Audiovisual Institute.

The group of cultural supervisors changed significantly between 1991 and 1998. Besides the minister of culture, regions governors and self-governing communes were also made responsible for supervising and funding cultural activities in Poland. The governors were given the right to supervise state cultural institutions, such as regional public libraries, bureaus for art exhibitions, philharmonic orchestras, operetta theatres, theatres, and museums. The state cultural institutions were the governors' responsibility until 1998.

In May 1990, communes joined the group of legitimate culture supervisors. The territorial self-government act of 1990 obligated commune authorities to execute public tasks, mainly those satisfying the collective needs of local communities, including the cultural ones. Cultural activity has remained the communes' obligatory own task to date. As far as culture is concerned, the communes are primarily responsible for the management of institutions promoting culture and communal libraries. Although cultural activity has been classified among the communes' own tasks, their obligations have not been specifically defined. This situation creates a very difficult problem, because the shape of the cultural life in a local community strongly depends on the local government's good will and involvement, on one hand, and the energy and persuasive powers of cultural groups in the region, on the other (Przybylska 2007, pp. 52-55).

The group of culture supervisors was extended in 1999 to include also counties and regions, in addition to communes. The counties are responsible for culture and the protection of cultural assets at the supra-commune level. The

regions are legally obliged to pursue regional development policies, one element of which is fostering cultural development and the protection and rational utilisation of cultural heritage. Besides, the regions are entitled to perform cultural tasks and protect cultural assets at the voivodeship level. Following decentralisation, the voivodeship governors lost their function of culture supervisors after 1999 and the cultural institutions they managed were handed over to counties. Following the same pattern, the regional self-government took over cultural institutions acting in the regions, which the ministers and heads of central agencies had supervised before (Przybylska 2007, pp. 52-56).

#### **4. Reorganization of the sources of cultural funding in Poland**

The main source of cultural funding in Poland is grants paid by the state budget and TSGU budgets. Private sources, such as foundations and sponsors, also support culture.

As far as the budget funding for Polish culture is concerned, three periods can be differentiated. Before 1981, culture was funded directly from the budget. In the second period (years 1982-1990), culture was supported financially by the Cultural Development Fund. The third period started in 1991; direct funding of culture from the budget was resurrected then, but in a new political reality and according to different rules (Kietlińska 1995, p. 78).

Until the late 1970s, the state budget paid for most social services, including culture. This policy was pursued very consistently, regardless of how much the budget could redistribute. The effectiveness of the economy in the Polish People's Republic was low, which caused ceaseless demand for subsidising production. Consequently, budget allocations to culture and other social services were limited and fell short of the needs.

When the state budget is not efficient enough to finance the provision of social goods, funds become an alternative source. Funds use special budget resources or these having the character of budget revenues, or public funds dedicated to the execution of the named tasks. There are basically two types of funds. One is state funds that are distinguished by the obligatory mode of making contributions to them. The other category contains social funds that receive voluntary payments from businesses, social institutions and private persons.

Funds were liquidated in Poland in 1951, but after seven years, in 1958, the difficult economic situation made the state reactivate them. Compared with the budget, funds offer a range of advantages:

- As a vehicle for redistributing funds, they are more flexible than the budget, because they do not have to comply with strict budget classification rules and funds unspent in one year can be used in the next one.
- Since they enable raising funds outside the budget, the latter can make up for its shortages. Because the public is obliged to make financial contributions to the funds, certain amounts of cash can be drained from the market and spent on social purposes, which somewhat decelerates inflation.

The economic reform of 1982 reorganised the culture funding system. The most important thing was the establishment of the Cultural Development Fund (CDF) that was intended to guarantee a steady inflow of funds to culture (Iwaszkiewicz, 1999, pp. 90-93).

The Fund was formed pursuant to the National Cultural Council and Cultural Development Fund act of 4 May 1982 (Dz. U. no 14/82, item 111) as a means enabling a departure from the budget-funded system of culture towards a non-budget system based on special funds. Acting at the central, regional, urban and communal levels, the Cultural Development Fund (CDF) guaranteed that culture would be funded at each of them. However, this broad scale of funding responsibilities limited communes in making their own financial decisions and reduced their autonomy. The Cultural Development Fund was mostly funded from its share in the state budget revenues, which corresponded to 13.6% of the wage fund tax collected in the nationalised economy. In the years 1986-1987, the rate was increased to 14% and in 1988 it reached 14.5%. The CDF was also entitled to a 15% share in the annual revenues of the Anti-alcohol Fund. The CDF would also receive voluntary donations and bequests made by legal and natural persons, but their total value was marginal. The Cultural Development Fund was disbanded on 14 December 1990 by the act abolishing and disbanding some selected funds (Dz. U. no. 89/90, item 517) (Grad, Kaczmarek 2005, p. 264).

With the building of a new political and economic system after 1989, a market mechanism was introduced into culture. In the early transition years, words such as „market”, „market mechanism” or “commercialisation” were frequently overused, expressing as much the urge to change things as the desire to burn all bridges with the previous system. Voices could be heard from time to time that called for subjecting the entire economy, including culture, to market rules, which would have very likely caused a total breakdown of the system of culture in Poland. The government’s decision about partial commercialisation of culture seems right, though. Cultural funding in Poland has evolved since the 1990s, going from classical patronage (with the state as a benefactor to culture) to regular and planned sponsorship. Today, public funds go to culture both directly and indirectly.

Under the first mode of funding, public authorities (both the central government and the territorial self-government units) support cultural institutions and organizations with subsidies and subventions. The criteria and rules for such assistance must be transparent and the amounts of funding known.

The indirect mode of funding involves the provision of systemic solutions, usually based on the fiscal mechanisms, that are designed to encourage the non-budget sources to fund culture.

Foundations are becoming an additional source of funding for Polish culture and they have the capacity for improving its financial status. Most foundations in Poland run some kind of business activities and assist culture in some fields. Their growth was and is associated with the introduction of economic and systemic changes. It is also strongly driven by legal loopholes that allow taxpayers to avoid their obligations. Unfortunately, their role in funding culture is insignificant (Grad, Kaczmarek 2005, p. 271).

#### **5. Public administration expenditure on culture and protection of national heritage between 2001 and 2008**

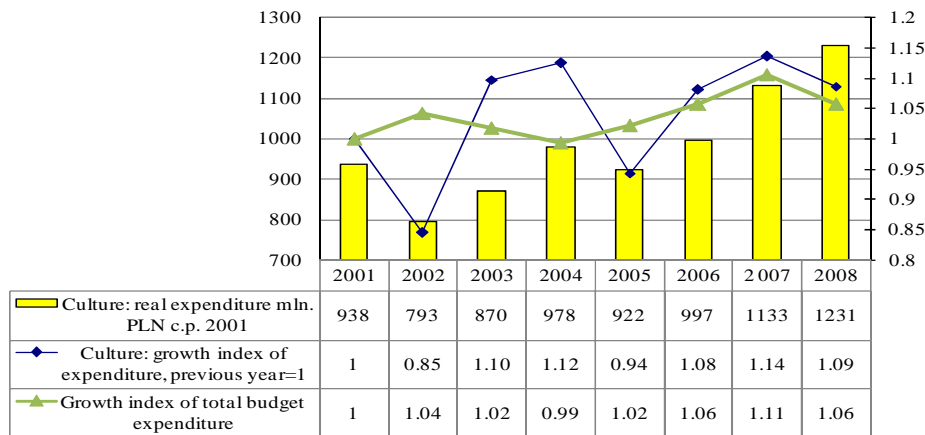
In the analysed period, total expenditures from the state budget increased (table 1). In 2001, real budget expenditures totalled 172,885 million PLN, growing to 229,960 millions in the last year of the analysis.

The real cultural funding provided by the state budget generally grew too, excluding the year 2002 when it dropped to 793 million PLN from 938 million PLN a year before.



**Table 1. Total and cultural expenditure of the state budget in real terms in the years 2001-2008 (in million PLN, constant prices of 2001) and growth indices**

	2001	2002	2003	2004	2005	2006	2007	2008
Total	172885	180140	183293	182137	186024	196663	217503	229960
Culture	938	793	870	978	922	997	1133	1231

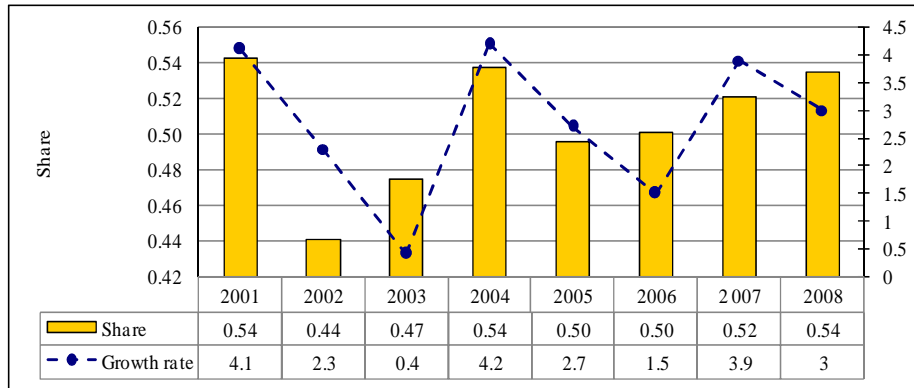


Source: GUS statistical data, Statistical Yearbook 2009.

The growth indices characterising total real expenditures from the state budget show that both nominal expenditures and their dynamics grew in the period in question, slightly declining only in 2004. However, in 2002 and 2005 real budget allocations to culture decreased by 15 and 6 per cent, respectively, compared with the previous years (table 1).

The data and the graph in table 2 presenting the shares of cultural expenditures in the total state budget's spending in relation to the rate of GDP growth show quite diverse responses of the budget-provided cultural funding to changes in economic growth.

**Table 2. Shares of real cultural expenditures in total state budget's spending and the rate of GDP growth (%)**



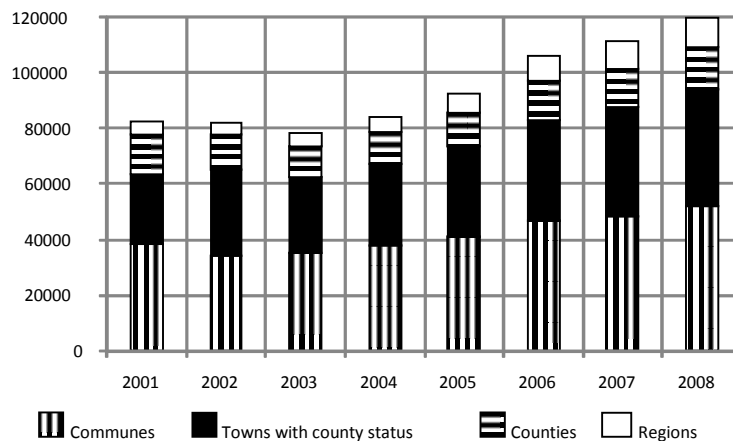
Source: computed and developed by the author based on GUS statistical data, Statistical Yearbook 2009.

The total cultural spending from the TSGUs budgets as well as cultural expenditures made by particular TSGUs showed an upward trend (table 4). Cultural funding increased the most in towns with county status (growing from 729 million PLN in 2001 to 1,656 millions in 2008, i.e. 2.27 times). Regarding counties, their cultural spending decreased in the investigated period from 79 million PLN in 2001 to 69 millions in 2008, i.e. 0.8 times.

TSGUs' total spending followed a similar trend as their cultural allocations (table 3). Real expenditures were generally rising at all levels of self-government. Total expenditures increased the most at the regional level (from 4,737 million PLN in 2001 to 10,760 millions in 2008, i.e. 2.27 times), while at the county level they grew the least.

**Table 3. TSGUs' total spending in real terms in the years 2001-2008 (in million PLN, constant prices 2001)**

Years	Total	including:			
		Communes	Towns with county status	Counties	Regions
2001	82734	38568	25136	14293	4737
2002	81917	34419	30763	12461	4274
2003	78446	35461	27323	11095	4567
2004	84470	37719	29608	11465	5402
2005	92780	40968	32615	12415	6782
2006	106002	46962	36415	13770	8855
2007	111296	48336	39546	13852	9561
2008	120141	52045	42346	14990	10760

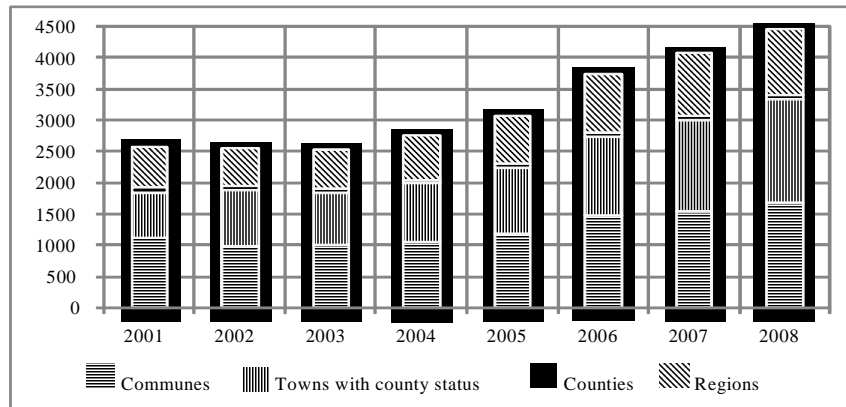


Source: GUS statistical data, Statistical Yearbook 2009.

The results of the analysis of the structure of expenditures for culture from the budgets of the local government units by the type are as follows. The largest percentage of expenditures on culture have a communes. The regions are characterized by the lowest percentage of expenditures. During the period only the regions have increased their share in the structure of expenditures on culture from the budgets of local governments.

**Table 4. TSGUs' cultural spending in real terms in the years 2001-2008 (in million PLN, constant prices 2001)**

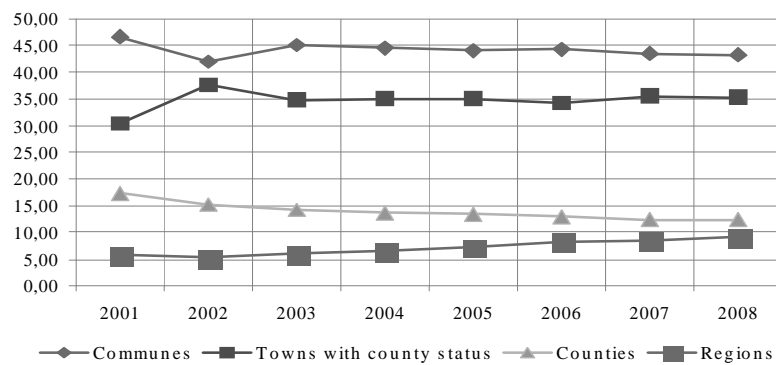
Years	Total	of which:			
		Communes	Towns with county status	Counties	Regions
2001	2580	1120	729	79	652
2002	2569	1006	891	53	617
2003	2548	1015	837	53	642
2004	2761	1073	927	56	706
2005	3072	1187	1070	55	760
2006	3743	1492	1255	73	924
2007	4078	1560	1451	68	999
2008	4479	1684	1656	69	1069



Source: GUS statistical data, Statistical Yearbook 2009.

**Table 5. Structure of the expenditures from the budgets of local government units by type**

Years	of which:			
	Communes	Towns with county status	Counties	Regions
2001	46.62	30.38	17.28	5.73
2002	42.02	37.55	15.21	5.22
2003	45.20	34.83	14.14	5.82
2004	44.65	35.05	13.57	6.40
2005	44.16	35.15	13.38	7.31
2006	44.30	34.35	12.99	8.35
2007	43.43	35.53	12.45	8.59
2008	43.32	35.25	12.48	8.96



Source: GUS statistical data, Statistical Yearbook 2009.

Looking then at the growth trend showing total real expenditures from the TSGUs' budgets we see that relatively largest increases occurred in towns with county status (1.7 times) and in regions (2.3 times), while at the county level the smallest increases in total real expenditures were noted.

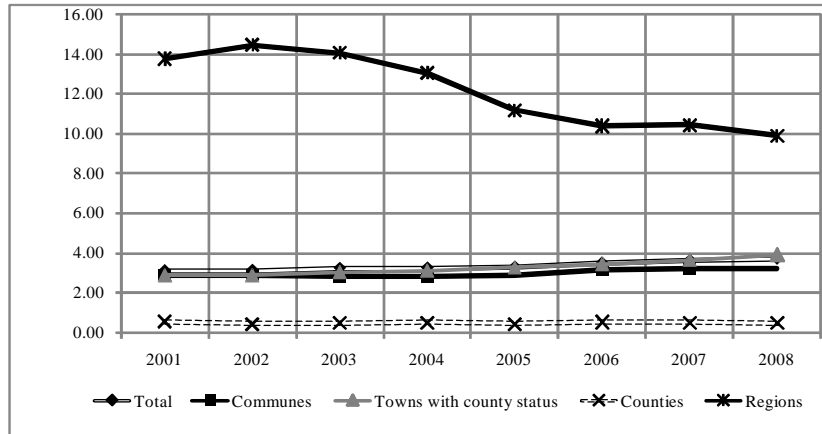
Analysing cultural expenditures' share in total TSGUs' spending (table 7) we find that the share was the largest in the regions, but it was steadily declining year by year (from 13.76% in 2001 to 9.94% in 2008).

Communes rank second in terms of the share of real cultural expenditures in total spending. Between 2001 and 2008, the share rose from 3.12% to 3.73%.

In the examined period, the share of cultural expenditures in total spending increased the most in towns with county status, i.e. by 1.01%.

**Table 6. Shares of TSGUs' real expenditures in total spending on culture and protection of national heritage in the years 2001-2008 (%)**

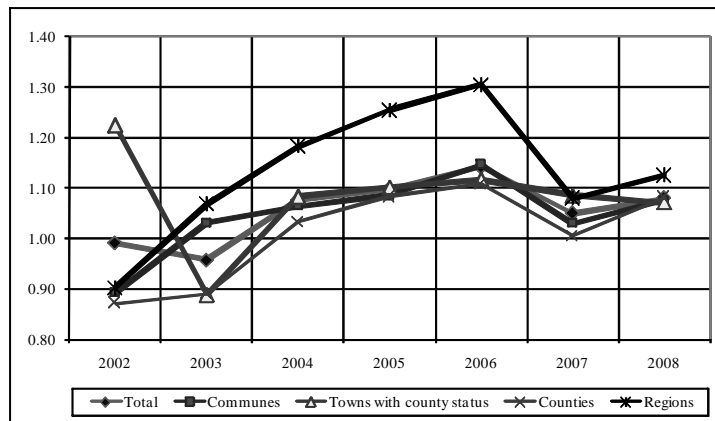
Years	Total	Communes	Towns with county status	Counties	Regions
2001	3.12	2.90	2.90	0.55	13.76
2002	3.14	2.92	2.90	0.43	14.45
2003	3.25	2.86	3.06	0.48	14.07
2004	3.27	2.85	3.13	0.49	13.06
2005	3.31	2.90	3.28	0.44	11.20
2006	3.53	3.18	3.45	0.53	10.43
2007	3.66	3.23	3.67	0.49	10.45
2008	3.73	3.24	3.91	0.46	9.94



Source: computed by the author based on GUS statistical data, Statistical Yearbook 2009.

**Table 7. Dynamics indices of TSGUs' total spending in real terms in the years 2002-2008 (previous year = 1)**

Years	Total	Communes	Towns with county status	Counties	Regions
2002	0.99	0.89	1.22	0.87	0.90
2003	0.96	1.03	0.89	0.89	1.07
2004	1.08	1.06	1.08	1.03	1.18
2005	1.10	1.09	1.10	1.08	1.26
2006	1.14	1.15	1.12	1.11	1.31
2007	1.05	1.03	1.09	1.01	1.08
2008	1.08	1.08	1.07	1.08	1.13



Source: GUS statistical data, Statistical Yearbook 2009.

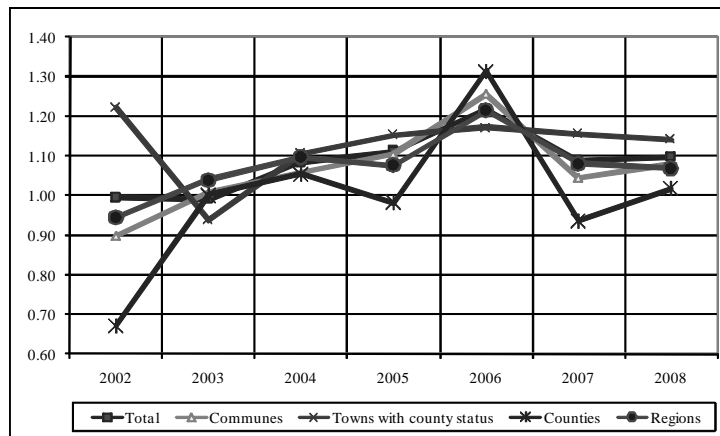
Between 2004 and 2008, real amounts expended by communes, towns with county status and counties were very similar. Regarding total real expenditures made by the regions the changes in the dynamics indices form a different pattern, clearly pointing to higher increases in the years 2004-2006.

The above situation did not significantly affect the dynamics of cultural expenditure, though. Regardless of the TSGU type, the dynamics indices were similar between successive periods, counties being the only ones showing somewhat stronger deviations from the indices' average trend.

**Table 8. Dynamics indices of TSGUs' real cultural expenditures in the years 2002-2008 (previous year = 1)**

Years	Total	Communes	Towns with county status	Counties	Regions
2002	1.00	0.90	1.22	0.67	0.95
2003	0.99	1.01	0.94	1.00	1.04
2004	1.08	1.06	1.11	1.05	1.10
2005	1.11	1.11	1.15	0.98	1.08
2006	1.22	1.26	1.17	1.31	1.22
2007	1.09	1.05	1.16	0.94	1.08
2008	1.10	1.08	1.14	1.02	1.07

2008



Source: GUS statistical data, Statistical Yearbook 2009.

## 6. Conclusions

The model of cultural funding as used in Poland today, and particularly cultural institutions' financial dependence on budget allocations, constrains the financial autonomy of some of them, making them also administratively subordinated and politicized. Some cultural institutions, aware that strings are attached, may decide to trade their freedom of making independent programming decisions for financial support enabling their existence. It is more and more common for the institutions to avoid market mechanisms and to



assume the position of organizations having very little autonomy within the state system of culture. As a result of the state budget being a basic source of cultural funding in Poland, the programme competition among cultural institutions has decreased, bringing stagnation and lower quality of their services. The changes introduced after 1989 made cultural institutions return to their conservative and opportunistic attitude towards the central government, which the transition was expected to dispel.

The „Report on the Condition of Culture” prepared at the request of the Ministry of Culture and National Heritage in 2009 provides the following conclusion:

*[...] Culture will not thrive and adequately support socio-economic development under conditions generated and reproduced by the administrative bureaucracy, even if it is provided with better funding. To overcome the syndrome permanently, the public cultural sector has to be made more open to the market and the civic society, and the private and civic cultural sectors need to be provided with the same rights as those held by the public sector (Raport o stanie kultury 2009, p. 10).*

One of the modifications to the Polish system of cultural funding that has been proposed for many years calls for giving a larger role to private funding. Cultural patronage and private funds represent today just a fractional addition to the public sources. Although Polish legislation provides for some instruments of private patronage that are already used in many European countries, such as corporate sponsorship, tax-deductible private donations, lotteries and loans, they are rarely used in practice. This is probably due to the weak involvement of the public authorities and the cultural lobby in making private entities reach for these instruments, the defective laws and still unformed tradition of supporting culture among private entities. The last cause is attributable to the long reign of a command economy in Poland that effectively contributed to the atrophy of private entities' social responsibility for culture.

The decentralisation of public administration that was completed in 1998 obviously provided cultural institutions with better operational environment, as proved by the growing amounts that the TSGUs, mainly communes, regions and towns with county status, allocate to culture and the protection of national heritage. This trend originates from the local administration's strengthening belief that cultural development is an important factor in consolidating regional identity and in regional development. Only counties have not measured up to their role of culture supervisors, but the reason is their very tight budgets. One of the proposals that are being considered today states that the responsibilities for

organizing and funding cultural activities should be taken away from the counties and that the cultural institutions should be handed over to municipalities.

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## Streszczenie

### ZMIANY W SYSTEMIE ORGANIZACJI I FINANSOWANIA KULTURY W POLSCE W LATACH 2001-2008

*Po roku 1989 zostały w Polsce zostały przeprowadzone reformy systemu administracji. Zmiany te dotyczyły również polityki kulturalnej i organizacji kultury.*

*Artykuł ukazuje główne reformy i zmiany jakie zaszły w systemie administracji publicznej, a zwłaszcza w sferze kultury w latach 2001-2009 oraz ostateczny kształt organizacji i finansowania kultury w Polsce. Powodem przyjęcia takiego horyzontu czasowego jest fakt, że przed rokiem 2001 dane mogły być niekompletne z powodu reform systemu administracji lokalnej. W artykule tym podjęta została próba ukazania efektów przeprowadzonych reform, analiza wydatków publicznych na kulturę oraz przedstawione nowe perspektywy i możliwości finansowania tej sfery w Polsce.*