

# Poland's Subsidized Democracy

*By Blazej Karwowski\**

Haunted by an era of murky politics from the end of last century, Poland has adopted stringent rules on who can sponsor political parties.

Parties cannot receive money from companies, engage in commercial activities, or organize public collections. Individual donations are capped. In return, parties are financed by the state.

Poland's direct investment in its fledgling democracy has received some international praise. But Poles think they are not getting enough for their taxpayer zlotys and would prefer to abolish subsidizing political parties.

With a major election looming in the fall of 2011, politicians responded to the public mood and cut subsidies by 50 percent. The question is whether this reduction has made any improvements to the political system.

Unlike in Great Britain or in the U.S., in Poland you do not have to go through a lengthy donor list to know where the bulk of party funding is coming from; the taxpayer is paying the tab. In 2010, a record total of 114 million zlotys (US\$38 million) went to the seven eligible parties via subsidies.

The Civic Platform, the largest party in the country, leads the coalition government and won the last election. It received 87 percent of its annual revenues from subsidies, according to official numbers from the National Electoral Commission (PKW — *Państwowa Komisja Wyborcza*).

Other sources of income (interests on bank deposits, members' fees, individual donations) are not as important.

"We have taken away parties' ability to fund themselves via donations from business and other sources. In return they receive state money. We have been paying 100 million plus zlotys (more than US\$33 million) per year for democracy in this country," says law Professor Marek Chmaj, who advised Parliament when public financing was voted into law in the early 2000s. Like many other experts, he thinks this change has eliminated numerous corrupt practices.

Limited Support

But if it were up to Poles, parties would not receive a dime from the state.

A 2008 survey by the polling center CBOS found 81 percent of the public was against financing parties from the budget. And, if anything, public opposition has been growing. A more recent poll, conducted in 2009 for the daily newspaper *Rzeczpospolita*, showed that 88 percent of the respondents wanted to see public funding of political parties cut, with just 7 percent against the cutting public funding for political parties.

It should be no surprise, then, that the government, led by the Civic Platform (PO- *Platforma Obywatelska*), which was No. 1 in the 2007 elections, recently returned to the idea of a system reform and a 50 percent cut in subsidies.

After some political wrangling in the ruling coalition in December 2010, Parliament voted into law a bill that administers a 50 percent cut in the total amount of subsidies, starting in January 2011. While unpopular among many politicians, the move is set to win some voters' hearts and is regarded positively by some observers.

While the US\$38 million total for subsidies in 2010 may seem a small price to pay for cleaner politics (it roughly amounts to US\$1 per citizen), it has grown threefold since 2002, and to some it was simply too much.

"Parties are awash with cash, which did help to eradicate corruption. But they also haven't found effective ways to spend it outside of election time," says Jarosław Zbieranek from the Institute of Public Affairs (ISP — *Instytut Spraw Publicznych*), an independent nongovernmental organization.

## Follow the Money

According to Zbieranek, other countries have problems with the source of the money in politics.

"We have a problem with where is it going," he says.

Naturally, the bulk of funds go for campaigning. To ensure that at least some money goes toward important program issues, parties are required to put anywhere from 5 to 15 percent of their subsidies into so-called 'expert funds'.

By law, this money must fund analysis about political, social or economic issues by think tanks or other expert organizations. But many parties keep this part of their budget at the necessary minimum of 5 percent. And even then, they are not able to spend it all. The parties act as though there is no need for expert analysis, only a need for campaign ads.

Not using the expert funds encourages corruption.

In 2007, the media reported that the nationalist League of Polish Families (LPR — *Liga Polskich Rodzin*) used its expert fund money to buy consulting services from members' colleagues and family. In some cases, allegedly, there was no actual work carried out, but there were invoices and money transfers. The investigation is ongoing.

“That way the money can be used to strengthen the influence that the leaders have on their party base because it is the leaders who decide on how to divide those funds (and) which regions or specific causes will get more,” says Law Professor Chmaj.

Truth in Numbers?

Each year, all parties are required by law to submit financial statements to the PKW. But these, according to Jarosław Zbieranek from the ISP, are often sloppy, extremely light on the details, or both.

“The way a sum of 40 million zlotys (US\$14.4 million) has been spent is described on one page. There is no real oversight or accountability here,” he says, adding that, unfortunately, such brevity is also perfectly legal because parties are required to provide invoices and receipts only in statements from election campaigns. One annual statement from the Self Defense Party famously included over half of the entire subsidy quota under “other expenses.”

Statements from election campaigns are often no better, says Adam Sawicki from the Batory Foundation, a watchdog organization that monitors campaign spending as part of its anti-corruption program.

Consider this: in the 2005 presidential campaign, the entire staff of one major candidate used 17 square meters of office space. In the same election, the staff of another candidate counted the cost of renting a meeting hall, but no travel costs to get there. Receipts are incomplete because keeping some expenses off the books allows parties to stay within spending limits set by the PKW. In theory, the commission could act on irregularities. In practice, according to The Batory Foundation, it mainly makes sure technical requirements are met.

According to the law, the most powerful consequence for parties is a decision to cancel the subsidy. But there is nothing to withhold in the case of smaller parties, which didn't make the 3 percent approval threshold in the most recent elections and therefore are not entitled to subsidies.

Every year, PKW rejects the financial statement by the Democratic Alliance because the party funds itself from, among other items, renting space in buildings it owns. This is illegal under current law, but since the party has no right to subsidies anyway, it is not threatened by sanctions.

## Questionable Fund Raising

Some practices of fund raising raise eyebrows, especially during election years.

The number of cases investigated by the prosecutors is low. This may be because actual fund raising accounts for such a small fraction of party budgets. Individual donations are capped at 15 times minimum salary, or around 20,000 zlotys (US\$6.850). But nongovernmental organizations point out potential abuse, mostly involving circumventing this limit.

In the presidential campaign of 2005 (the only one for which detailed studies are available), 16 managers of one state-controlled conglomerate each donated the same sum to one candidate. In the same year, two campaigners with another candidate raised a surprisingly large sum through collecting small donations. The 1.4 million zlotys (US\$487,000 ) they raised would require thousands of individuals lined up outside the campaign bureau, says Adam Sawicki from The Batory Foundation. But there were no crowds to be seen. "We have never seen suitcases full of money, or caught someone red-handed, but that doesn't mean that the problem isn't there," he says.

Another practice that can breed political corruption is the so-called VIP fee.

Large parties require that people who are in public office thank the party because it won, and VIPs can now be appointed ministers, undersecretaries, or to similar positions. While not illegal, this practice can put incentives on winning parties to replace as many public servants as possible so they can increase revenues. Again, there are no specific cases brought to court, because proving ill-faith when hiring someone could be difficult.

## Less for More

Another issue is the threat of complacency. As long as the party receives over 3 percent in popular elections held every four years, it has guaranteed funding for the full term.

"Parties take the money for granted. It is more important to be loyal to the leaders who control the funds than to actively pursue votes and donations in between elections," says Sawicki.

Although the minimum to get to Parliament is still higher (5 percent), new political initiatives, with alternative sources of funding limited, will likely be under-funded before they reach the 3 percent mark. And reaching that amount in the first place is difficult, which helps cement the political scene and preserve the influence of current major parties.

In order to make sure that more money goes for research and developing policies, rather than for campaigning, various organizations such as the ISP and the Batory Foundation call for increasing the minimum sums dedicated to expert funds to 10 percent of the subsidies, or even to 25 percent.

It is still too early to say whether the 50 percent cut in party subsidies imposed at the end of 2010 will warm Poles to the idea of public funding. There is little indication as to whether the government intends to push for a more comprehensive reform that would change the way parties spend taxpayer money, promote better accounting practices, and give the PKW more oversight.

Poland is, of course, not alone in its effort to make political finances cleaner by making them public. The system is popular elsewhere in Europe and in South America.

In Poland, the record disapproval ratings may have much more to do with the quality of the parties and their money-management skills than the idea of taxpayer funds being spent on politics.

*\* Blazej Karwowski has been a print and broadcast reporter for more than five years. When he was a child, he saw how the communist state in Poland imploded, paving the way for a market economy. He majored in journalism and became a reporter for a business weekly. As borders between Eastern and Western Europe largely disappeared, he worked in London newsrooms for CNN and CNBC and moved from print to primarily broadcast journalism. He now lives in Poland with wife Alejandra and daughter Mari.*