

# MAECENATA OBSERVATORIUM

ANALYSEN, POSITIONEN UND DISKURSE ZU ZIVILGESELLSCHAFT, ENGAGEMENT UND PHILANTHROPIE

Nr. 68 – August 2023

## Civil society in Hungary at a turning point?

Challenges for organizations

by *Melanie Hien*

Civil society in Hungary today finds itself in a difficult situation. Initially, during the system transformation in the 1990s, developments such as tax incentives and minimal formal criteria were favourable for civil society. During the 2000s, however, this changed due to organizations set up by officials or Fidesz party politicians to pursue “national interests” in the sector. Since the second inauguration of Viktor Orbán in 2010, independent civil society actors have been targets of negative public campaigns as well as legislation tightening their space and cutting funding sources. Although independent civil society in Hungary has gained support from abroad to resist governmental restrictions, the scope of its activities and reputation has changed due to public treatment within the last decade.

After giving a historical and legislative overview of the late 1980s, the transition years in the 1990s and early 2000s, this article presents challenges facing Hungarian civil society

actors in different sectors, such as legislation, formation of new movements, resources of organizations and public campaigns. This article is based on a qualitative-interpretive methodology and review of primary and secondary literature on civil society in Hungary.

## Historical and Legislative Overview

Hungary used to be a frontrunner in system transformation processes. As early as 1985, the foundation law was passed, followed in 1988 by the association law, allowing the founding of civic initiatives in 1987 and 1988. Some of these initiatives developed into political parties after 1989 and held seats at the round table discussions during the transformation. Further, the revised constitution of 1990 guaranteed all necessary rights for participation and the formation of associations<sup>1</sup>.

Already in 1989, the number of organizations grew from 400 at the beginning of the year to 8,500 at the end, fueled by the simple regulations during the first transition years<sup>2</sup>. Organizations had to meet low formal criteria to register as part of civil society<sup>3</sup>. The incentives to found NGOs and act as state supporters were high, including tax breaks and the tax-

<sup>1</sup> Berényi, Zoltán (1999) ‘Constitutional Democracy and Civil Society in post-communist Hungary’: p. 92-93.

<sup>2</sup> Kuti, Éva (2008) ‘Civil Europe – Civil Hungary, European

House’: p. 15-16.

<sup>3</sup> Rixer, Ádám (2015) ‘Civil Society in Hungary, A Legal Perspective’: p. 93.

deductibility of donations<sup>4</sup>. In 1996-1997, a regulation was introduced that made it possible to donate one percent of income tax to a NGO, and the donation was then matched by a state subsidy of the same amount. In 2003, following financial shortfalls in civil society, a citizenship fund (National Fund) was created, out of which 60 percent was used for the expansion of civil society, such as infrastructure and organization of this sphere<sup>5</sup>. The rest was distributed freely to NGOs. From 2011 onward the fund was amended and gradually dissolved<sup>6</sup>.

### Challenges Facing Hungarian Civil Society

#### ***New “national” organizations after 2002***

In 2002, when the Fidesz party lost the parliamentary elections, the defeated Viktor Orbán encouraged his supporters to found civil organizations. These so-called “civic circles” should, as Orbán emphasized in a speech in May 2002, strengthen the Hungarian nation and bring the Fidesz party back to office. The circles had to register with a party-owned institute and were mediated by a circle founded by Orbán<sup>7</sup>.

In 2017 Orbán gave a speech to the Association of Christian Intellectuals, in which he

emphasized the party’s and the circles’ opposition to the “post-communists,” “anti-religious, anti-national and anti-family political leadership”<sup>8</sup>. Moreover, according to Orbán, the civic circles helped the Fidesz party gain a two-thirds majority in the parliamentary elections in 2010, and successor organizations, which claim to be the heir to the civic circles, are often criticized for being government-based<sup>9</sup>. These groups organize activities for political purposes, such as the so-called “peace marches” (békemenet),<sup>10</sup> to demonstrate public support for the Fidesz party prior to parliamentary elections<sup>11</sup>, which occurred again in 2022<sup>12</sup>.

#### ***Legislative challenges of non-profit organizations***

The legal regulations for organizations in Hungary have changed steadily since 2011 when the “**Civil Act**” was passed. The law regulates the non-profit status of organizations, giving non-profit status to groups performing tasks delegated by national or local governments. The non-profit status is the basis for cooperation with governments and receiving state funding subsidies<sup>13</sup>.

In 2017, the so-called **Transparency and Money**

<sup>4</sup> Zotter, Judit (2006) ‘Taxes and Civil Society in Hungary. Inemesit Etentuk’ Jügen Nautz/Emil Brix (2006) ‘Taxes, Civil Society and the State’ [Steuern, Zivilgesellschaft und Staat]: p. 131 – 151: p. 134.

<sup>5</sup> Reutter, Werner/Träger, Hendrik (2012) ‘Hungary. NGOs, associations, and politics: much appearance, little stone?’ [Ungarn. NGOs, Verbände und Politik: viel Schein, wenig Stein?] Werner Reutter (2012) ‘Associations and interest groups in the countries of the European Union’ [Verbände und Interessengruppen in den Ländern der Europäischen Union]: p. 783 – 808: p. 786.

<sup>6</sup> Rixer, Ádám (2015) ‘Civil Society in Hungary, A Legal Perspective’: p. 106.

<sup>7</sup> Greskovits, Bela (2020) ‘Rebuilding the Hungarian right through conquering civil society: the Civic Circles Movement’ East European Politics 36(2): 247-266: p. 250-259.

<sup>8</sup> Magyar Kurír (2017) ‘Orbán Viktor előadása a Keresztény Értelmiségiek Szövetségének kongresszusán’ (‘Speech by Viktor Orbán at the congress of the Association of Christian Intellectuals’) accessed 9 May 2023 at: <https://www.magyarkurir.hu/hirek/orban-viktor-eloadasa-kereszteny-ertelmisegiek-szovetsegenek-kongresszusan>. Quote in English, translated by the author: “Together, we have developed the ability since 2002 to

stand up to the returned anti-religious, anti-national and anti-family political leadership, while serving our country at the same time.” (Magyar Kurír 2017) Quote originally: ‘Együtt fejlesztettük ki azt a képességet 2002 után, hogy egyszerre álljunk ki a visszatért vallásellenes, nemzetellenes és családelenes politikai vezetéssel szemben, és egyszerre szolgáljuk közben a hazánkat.’

<sup>9</sup> Greskovits, Bela (2020) ‘Rebuilding the Hungarian right through conquering civil society: the Civic Circles Movement’ East European Politics 36(2): 247-266: p. 262-263.

<sup>10</sup> See also: [https://hvg.hu/itthon/20130425\\_Tenyleg\\_Fideszalapitvany\\_penzeli\\_a\\_bekem](https://hvg.hu/itthon/20130425_Tenyleg_Fideszalapitvany_penzeli_a_bekem) (accessed 20 April 2023).

<sup>11</sup> Greskovits, Béla (2020) ‘Rebuilding the Hungarian right through conquering civil society: the Civic Circles Movement’ East European Politics 36(2): 247-266: p. 263.

<sup>12</sup> For further information: <https://hungarytoday.hu/peace-march-2022-march-cof-csizmadia/> (accessed 20 April 2023).

<sup>13</sup> For further information: [www.nhc.no/content/uploads/2018/08/NHC\\_PolicyPaper\\_1\\_2016\\_Hungaryspaceforcivilsociety.pdf](http://www.nhc.no/content/uploads/2018/08/NHC_PolicyPaper_1_2016_Hungaryspaceforcivilsociety.pdf) (accessed 26 April 2023).

**Laundering Act** was passed, which stipulated that organizations receiving more than 7.2 million forints (approx. 20.000 EUR) per year in foreign funding would have to register as such, also indicated on publications, press releases and websites<sup>14</sup>. After an infringement procedure against Hungary in 2017 by the EU Commission,<sup>15</sup> negotiations with the Hungarian government lasted until 2021. The law was finally reformed and now stipulates that all organizations with annual revenues of more than 20 million forints (approx. 54.000 EUR) must register<sup>16</sup>. Compliance with the law is controlled by State Audit Office by means of annual reports, due to the high amount of funding.

Another law impacting the scope of civil society's activities was the so-called "**Stop Soros**" **legislative package** to prevent illegal migration from third countries. This law defines engagement in refugee assistance, such as asylum counselling, as support for illegal migration and designates an 8-kilometre corridor along Hungary's external EU borders, in which activities can no longer be carried out<sup>17</sup>. Organizations that did not follow these regulations would be prosecuted. The EU Commission opened infringement proceedings against

Hungary against this legislative package in July 2018, and proceedings were initiated before the European Court of Justice<sup>18</sup>. The Court ruled that the legislation package's criminalizing assistance of asylum-seekers violates EU law<sup>19</sup>, but until today, the Hungarian government has not taken steps to reform the law.

In July 2018, a special **tax for immigration** was introduced to be paid by organizations involved in refugee assistance. Political parties and their foundations are exempt from this tax. The tax, which amounts to 25 percent, is intended to prevent refugees, whether they entered the country legally or illegally, from being supported even if they are only provided with necessities. This also affects activities of Hungarian organizations that take place abroad<sup>20</sup>.

### **Challenges of funding for organizations**

Since 2011 not only legislation concerning civil society has changed, but also organizations' funding, such as the National Fund for NGOs, which was changed into the so-called National Cooperation Fund with limited possibilities for financial distribution<sup>21</sup>. The public debate on the role of civil society peaked in 2014 when Viktor Orbán, in his speech at the 25th Bálványos Summer Free University in Băile

<sup>14</sup> For further information: Venice Commission (2017) 'Hungary, Opinion on the draft law on the transparency of organisations receiving support from abroad', Opinion 889/2017 accessed 26 April 2023 at: [https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD\(2017\)015-e](https://www.venice.coe.int/webforms/documents/default.aspx?pdffile=CDL-AD(2017)015-e).

<sup>15</sup> European Commission (2017) 'Vertragsverletzungsverfahren gegen Ungarn wegen NGO-Gesetz und Hochschulgesetz' [Infringement proceedings against Hungary for NGO law and higher education law] accessed 26 April 2023 at: [https://germany.representation.ec.europa.eu/news/vertragsverletzungsverfahren-gegen-ungarn-wegen-ngo-gesetz-und-hochschulgesetz-2017-10-04\\_de](https://germany.representation.ec.europa.eu/news/vertragsverletzungsverfahren-gegen-ungarn-wegen-ngo-gesetz-und-hochschulgesetz-2017-10-04_de).

<sup>16</sup> Hungarian Prime Minister's Office (2021) évi.... törvény a közélet befolyásolására alkalmas tevékenységet végző civil szervezetek átláthatóságáról és az ezzel összefüggő egyes törvények módosításáról [Act of .... 2021 on the transparency of non-governmental organizations active in the field of public life and amending certain related laws] accessed 26 April 2023 at: [www.parlament.hu/irom41/15991/15991.pdf?fbclid=](http://www.parlament.hu/irom41/15991/15991.pdf?fbclid=)

lwAR0W2FxKrZH42Gd3DzdABKAWjz9Dt19Ppl6nFTwjeNo-eqLyZE6Twle5chic

<sup>17</sup> Venice Commission (2018) 'Hungary „Stop Soros“ draft legislative package', opinion 919/2018 accessed 26 April 2023 at: [https://www.venice.coe.int/webforms/documents/?pdf=CDL-REF\(2018\)020-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL-REF(2018)020-e).

<sup>18</sup> The Washington Post (2021) 'Hungary's law targeting asylum seekers violates E.U. rules, top European court finds' accessed 9 May at: <https://www.washingtonpost.com/world/2021/11/16/hungary-stop-soros-law-illegal-european-union-court-ruling/>.

<sup>19</sup> DW (2021) 'EU court slams Hungary's 'Stop Soros' law' accessed 9 May 2023 at: <https://www.dw.com/en/eu-court-slams-hungarys-stop-soros-law/a-59834383>.

<sup>20</sup> Hungarian Helsinki Committee (2018) 'Orbán's Government heads towards arbitrary rule' accessed 9 May 2013 at: [https://www.helsinki.hu/wp-content/uploads/UPDATE-DEVELOPMENTS-IN-HUNGARY\\_HHC-HCLU-AI.pdf](https://www.helsinki.hu/wp-content/uploads/UPDATE-DEVELOPMENTS-IN-HUNGARY_HHC-HCLU-AI.pdf): p. 3.

<sup>21</sup> Kuti, Éva (2017) 'Country Report: Hungary' Peter Vador (2017) 'Civil Society in Central and Eastern Europe: Challenges and Opportunities, ERSTE Stiftung: p. 58 – 74: p. 61.

Tuşnad, Romania, spoke about limiting foreign influence in Hungarian politics in the future<sup>22</sup>. Subsequently, laws governing financial resources have become stricter, creating a gap between foreign and domestic funding.

#### Scrutinization of foreign funding

An important source of foreign funding were the so-called EEA/Norway grants, financed by Liechtenstein, Iceland, and Norway<sup>23</sup>, until they were abolished and replaced by a national funding instrument. Public discussions in Hungary on foreign funding of NGOs took a turn in 2014 when a dispute emerged between the Hungarian government and donor countries of the EEA/Norway grants. Originally, the money from this program was distributed by a consortium of four Hungarian organizations<sup>24</sup>. The distribution of the money was then to be changed to a state-owned company, which triggered a dispute over foreign influence in Hungarian politics. In May 2014, this debate led to an audit by the government control office KEHI of the consortium and another 55 receiving organizations<sup>25</sup>, including police raids at two organizations. NGOs question the independence of the KEHI, as its president can be appointed and dismissed by the Prime Minister<sup>26</sup>.

Consequently, in the new program period of

2014-2021, the donor countries and the Hungarian government agreed to exclude receiving organizations from the Hungarian immigration tax law and the Transparency Act<sup>27</sup>. This was to ensure the organizations' scope for action and avoid audits by KEHI authority. The agreements also provided for the establishment of an independent Fund Operator, which had to be accepted by both donor and recipient countries and was defined as a basic requirement for further fund distributions. As of 2021, no agreement could be reached on the independent Fund Operator, and since then the payments from the EEA/Norway funds for civil society have been suspended<sup>28</sup>. The mutual blockades of donor and recipient countries in the designation of the Fund Operator has led to the loss of financial support for the organizations concerned.

#### Urban Civic Fund – introduction of Hungarian funding for organizations

The Urban Civic Fund was set up by the Hungarian government in 2021 to replace the EEA/Norway grants. Applications are only eligible when they meet the non-profit criteria of the Civil Act (2011), and applicants may only apply for one category. Each applicant must send an application as joint applications are excluded<sup>29</sup>. The fund is distributed by the Bethlen

<sup>22</sup> Hungarian Prime Minister's Office (2014) 'Prime Minister Viktor Orbán's Speech at the 25th Bálványos Summer Free University and Student Camp', 30 July, accessed 9 May 2023 at: [http://2010-2015.miniszterelnok.hu/in\\_english\\_article/prime\\_minister\\_viktor\\_orban\\_s\\_speech\\_at\\_the\\_25th\\_balvanyos\\_summer\\_free\\_university\\_and\\_student\\_camp](http://2010-2015.miniszterelnok.hu/in_english_article/prime_minister_viktor_orban_s_speech_at_the_25th_balvanyos_summer_free_university_and_student_camp).

<sup>23</sup> For further information: <https://eeagrants.org/about-us> (accessed on 24 April 2023).

<sup>24</sup> EEA/Norway Grants (2011) 'Memorandum of understanding on the implementation of the EEA financial mechanism 2009-2014' accessed 11 October 2021 at: <https://eeagrants.org/resources/hungary-memorandum-understanding-eea-grants-2009-2014>: Annex B3(D), p. 12.

<sup>25</sup> Norwegian Helsinki Committee (2016) 'Hungary must provide space for civil society' Policy Paper No. 1 2016, accessed 9 May 2023 at: [www.nhc.no/content/uploads/2018/08/NHC\\_PolicyPaper\\_1\\_2016\\_Hungaryspac](http://www.nhc.no/content/uploads/2018/08/NHC_PolicyPaper_1_2016_Hungaryspac)

[eforcivilsociety.pdf](http://eforcivilsociety.pdf): p. 3-4.

<sup>26</sup> Amnesty International (2015) 'Their backs to the wall – Civil society under pressure in Hungary' London: Amnesty International Publications, accessed 9 May 2023 at: <https://www.amnesty.org/en/wp-content/uploads/2021/05/EUR2700012015ENGLISH.pdf>: p. 9.

<sup>27</sup> EEA/Norway Grants (2020) 'New cooperation agreements with Hungary' accessed 9 May 2023 at: <https://eeagrants.org/news/new-cooperation-agreements-hungary>.

<sup>28</sup> EEA/Norway Grants (2021) 'Public consultation on new civil society programme in Hungary' accessed 9 May 2023 at: <https://eeagrants.org/news/public-consultation-new-civil-society-programme-hungary>.

<sup>29</sup> [https://bgazrt.hu/wp-content/uploads/palyazati\\_kiirasok/varosi\\_civil\\_alap/2021/varosi\\_civil\\_alap\\_gyik.pdf](https://bgazrt.hu/wp-content/uploads/palyazati_kiirasok/varosi_civil_alap/2021/varosi_civil_alap_gyik.pdf) p. 4 (accessed 27 April 2023).

Gábor Fund (Bethlen Gábor Alap). Organizations need to register with the registry office to be eligible to apply for funds.

In its 2021 report the independent investigative media outlet Átlátszó<sup>30</sup> showed that 700 NGOs received grants from the Urban Civic Fund. More than half of those organizations receiving the highest support from the fund of 15 Mio. Forint (approx. 40.000 EUR) in 2021 had a direct or indirect linkage to Fidesz-KDNP politicians. The maximum support can be received for communication activities of civil society organizations<sup>31</sup>.

### **Public campaigns**

In Hungary, the government initiates periodically so-called “national consultations” accompanied by poster campaigns. Surveys of the population about important political issues or events were conducted during the refugee crisis in 2015, 2017 and 2021, which drew connections between civil society actors, their finances, and political issues. In the 2015 poster campaigns, slogans in Hungarian such as “If you come to Hungary, don’t take jobs away from Hungarians!” or “If you come to Hungary, you must abide by our laws”<sup>32</sup> were used, mainly addressing Hungarian citizens. In the national consultation in 2017, the NGO

Hungarian Helsinki Committee was directly accused of advocating for lesser punishments for delinquent migrants, which was allegedly initiated by George Soros and later led to a lawsuit by that organization, which it won<sup>33</sup>. During the corona pandemic situation in July and August 2021, a national consultation<sup>34</sup> was accompanied by posters asking, “Will George Soros attack again?”, “Are you outraged about illegal immigration?” Soros<sup>35</sup> and the organizations receiving his support again were linked to illegal migration in the questionnaire, distracting from the government’s pandemic management and related problems.

### **Concluding remarks**

The favorable conditions for the establishment of organizations in the late 1980s and during the system transformation in the 1990s in Hungary led to a boom in the civil society sector. This development was initially viewed with favor by political elites. However, after this boom, civil society’s shape, as well as the scope of its activities and resources, has changed over the last two decades. Following the parliamentary elections of 2002, Fidesz undoubtedly used voter disappointment to build nationwide support networks that allowed the party to grow and generate influence, which in turn helped it

<sup>30</sup> For further information: <https://english.atlatszo.hu/2021/08/11/organizations-run-by-fidesz-politicians-win-hungarian-ngo-grants-set-up-to-replace-norway-ngo-grants/> (accessed 27 April 2023).

<sup>31</sup> The maximum support of 15. Mio Forint is written down in the category VCA-KP-1-2021/5 (page 4) at: ‘A Városi Civil Alap keretében „civil közösségi tevékenységek és feltételeinek támogatása” című alprogramhoz’ [‘Under the Urban Civic Fund “civil community activities and conditions” for the sub-programme’] accessed 27 April 2023 at: [https://bgazrt.hu/wp-content/uploads/palyazati\\_kiir-](https://bgazrt.hu/wp-content/uploads/palyazati_kiirasok/varosi_civil_alap/2021/varosi_civil_alap_gyik.pdf)

[asok/varosi\\_civil\\_alap/2021/varosi\\_civil\\_alap\\_gyik.pdf](https://bgazrt.hu/wp-content/uploads/palyazati_kiir-asok/varosi_civil_alap/2021/varosi_civil_alap_gyik.pdf).  
<sup>32</sup> Thorpe, Nick (2015) ‘Hungary’s poster war on immigration’ accessed 9 May 2023 at: [www.bbc.com/news/world-europe-33091597](http://www.bbc.com/news/world-europe-33091597).

<sup>33</sup> Hungarian Helsinki Committee (2017) ‘The Helsinki Committee filed a lawsuit against the government for the “National Consultation”’ accessed 9 May 2023 at: [https://helsinki.hu/en/the-helsinki-committee-filed-a-](https://helsinki.hu/en/the-helsinki-committee-filed-a-lawsuit-against-the-government-for-the-national-consultation/)

[lawsuit-against-the-government-for-the-national-consultation/](https://helsinki.hu/en/the-helsinki-committee-filed-a-lawsuit-against-the-government-for-the-national-consultation/).

<sup>34</sup> Government of Hungary (2021) ‘A kormány közzétette a most induló nemzeti konzultáció kérdéseit’ (‘The government has published questions on the national consultation, which is now underway’), accessed 9 May 2023 at: <https://magyarnemzet.hu/belfold/2021/07/a-kormany-kozzetette-a-most-indulo-nemzeti-konzultacio-kerdeseita>

<sup>35</sup> George Soros is connected to illegal migration since 2015 when he caused a stir with a statement that the EU had to take in one million refugees per year (in 2015), which was later reduced to 300,000 (in 2016). For further information: <https://www.project-syndicate.org/commentary/rebuilding-refugee-asylum-system-by-george-soros-2015-09> and <https://www.project-syndicate.org/commentary/comprehensive-european-refugee-plan-by-george-soros-2016-09?barrier=accesspaylog> (accessed 12 May 2023).

to achieve high election results at both national and municipal levels after 2010.

The non-profit status of organizations was changed soon afterwards, and in the second half of the 2010s, both funding sources and legislation tightening civil society's space were targeted. The financial grants for organizations from abroad were abolished, and therefore the receiving actors' scope of activity changed. At the same time new national financial schemes were introduced in recent years. The role of these new resources is to be evaluated in the future.

The public billboard campaigns, the national consultations, and the speeches of Prime Minister Orbán on civil society organizations show a clear change in governmental rhetoric, especially due to the refugee crisis. The

combination of the narrative of George Soros, illegal migration and NGOs is widely documented and hurts the organizations' reputations and liability.

**Melanie Hien** studied Political Science, Southeast European Studies, Hungarian and Democracy Studies in Regensburg, with practical experiences abroad in Northern Macedonia, Hungary and Bosnia and Herzegovina. She is a PhD candidate at the University of Regensburg on civil society and political regimes in transition, analyzing Hungary, and a member of the Maecenata Institute's research college.

E-Mail-Subscription & Download at:

[www.observatorium.maecenata.eu](http://www.observatorium.maecenata.eu)