Legal and practical conditions of the functioning of the civil society organizations in Hungary and Poland

László KÁKAI*, Agnieszka BEJMA**

Abstract

The initial democratic transitions in Central and Eastern Europe resulted in the emergence of re-combined civil societies across the region. The most important were the quality of democracy in individual countries, the resources and strength of independent civic initiatives, the role of the state in financing and supporting emerging civil sectors. Yet, it is the consensus view, that all post-communist countries share weak and structurally deficient civil societies, in fact, correct? This study introduces the way Central and Eastern Europe tackled the state socialist past through the example of Hungary and Poland. The hypothesis that will be verified in the article is that actions taken by the Hungarian and Polish governments lead to increased control and public power over the activities of civil organizations, which limits their development and functioning. Has the civil society been able to form an independent entity within the once politicized state in terms of organization, embeddedness, and national economic importance?

Keywords: civil society, non-profit sector, Poland and Hungary

Introduction

The purpose of the present paper is to present the modalities of this political reaction through the example of Hungary and Poland in the post-2010 era. Furthermore, it seeks to provide an interpretive framework for the analysis of the evolution of legal conditions towards civil organizations and the implications of subjecting the respective groups to increased political pressure.

In this article, the institutional and legal method will be used primarily to assess the impact of legal provisions in force in Hungary and in Poland on the

* László KÁKAI is full professor at University of Pécs (Department of Political Science and International Studies), Pécs, Hungary; e-mail: kakai.laszlo@pte.hu. ORCID: 0000-0002-0380-4309 (corresponding author)

** Agnieszka BEJMA is assistant professor at University of Warsaw (Faculty of Political Science and International Studies, Warsaw), Poland, e-mail: a.bejma@uw.edu.pl. ORCID: 0000-0002-9615-2687
Legal and practical conditions of the functioning of the civil society organizations

Development and functioning of the civic sector. Laws, ordinances and projects concerning the support and development of civil society will be analyzed. The aim of our study is to analyse legal regulations regarding the civil sector and to identify potential threats and challenges for its development at the institutional level in the period after the economic crises. The hypothesis that will be verified in the article is that actions taken by the Hungarian and Polish governments lead to increased control and public power over the activities of civil organizations, which limits their development and functioning. How did it deal with its forming civil society? Has the civil society been able to form an independent entity within the once politicized state in terms of organization, embeddedness, and national economic importance? Has it remained a respected value within the political power system just as it was during the transition? It is also important to mention that although civil society organizations (CSO) are not the same as non-governmental organizations (NGO), the terms will be used interchangeably in this article.

During the post–World War 2 decades, non-profit organizations were gaining momentum in developed market economies. As a sign of their growing significance, the estimated contribution of these organizations to national GDP was around 5-10 percent in the bulk of the OECD countries (Anheier, 2014).

The non-profit sector of state socialist countries was strongly influenced by the disintegrating and obstructive impact of Soviet-like regimes. In state socialism, the “embryonic” civil sector was allowed to conduct leisure time activities; the time passed since then has brought about considerable breakthroughs in several fields (education, social care, health care, etc.). However, this has occurred in tandem with the reduction of state contribution. A relatively large share of the incomes of the non-profit sector comes from private donations, while state contribution amounts to only one third of the Western European average (Salamon et al., 2003, p. 54). The post-socialist countries have considerably developed since then (Table 1).

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1 The methodology of the study relied on secondary information collection (desk research), i.e. the elaboration, systematization of existing data as well as a study and comparison of legal environments. Available statistical data from cyclical surveys will also be used. The main criteria guiding the selection of our case studies was to identify those with a clear evidence of a limitation or restriction of the role of NGOs.

2 There are several names to denote civil organizations that make up the civil society sector, and the choice of term(s) can often be country-specific. Such labels include e.g. public based organization (PBO), which denotes community-based organizations serving their members; non-governmental organization (NGO), which refers to organizations that function independently of government; civil society organization (CSO), which refers to organizations that operate as part of civil society; voluntary organization, designating organizations that operate on a voluntary basis; and charity organization, which are not identical to charitable organizations but are much broader than those (Nagy et al., 2014, p. 20; Kákai, 2009, p. 11-15).
Table 1. Overview of economic data of civil society in CEE

<table>
<thead>
<tr>
<th>Country</th>
<th>Population in millions</th>
<th>GDP growth (annual %)</th>
<th>GDP per capita in PPS (Index EU28=100)</th>
<th>Value-added as % of GDP</th>
<th>Number of employees</th>
<th>Number of employees in CSOs</th>
<th>% of employment in CSOs</th>
<th>Active CSOs</th>
<th>Active CSOs / 1,000 citizens</th>
<th>% volunteer engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>8.5</td>
<td>0.9</td>
<td>127</td>
<td>2.2</td>
<td>3,600,000</td>
<td>234,000</td>
<td>6.5</td>
<td>60,000</td>
<td>7.0</td>
<td>27.1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>10.5</td>
<td>4.2</td>
<td>85</td>
<td>1.8</td>
<td>5,023,923</td>
<td>105,000</td>
<td>2.1</td>
<td>127,300</td>
<td>12.1</td>
<td>34.5</td>
</tr>
<tr>
<td>Hungary</td>
<td>9.9</td>
<td>2.9</td>
<td>68</td>
<td>1.6</td>
<td>4,550,000</td>
<td>168,350</td>
<td>3.7</td>
<td>64,000</td>
<td>6.5</td>
<td>34.3</td>
</tr>
<tr>
<td>Poland</td>
<td>38.5</td>
<td>3.7</td>
<td>69</td>
<td>1.4</td>
<td>16,800,000</td>
<td>151,200</td>
<td>0.9</td>
<td>80,000</td>
<td>2.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Slovakia</td>
<td>5.4</td>
<td>3.6</td>
<td>77</td>
<td>1.0</td>
<td>2,200,000</td>
<td>31,900</td>
<td>1.4</td>
<td>13,400</td>
<td>9.7</td>
<td>27.5</td>
</tr>
<tr>
<td>Croatia</td>
<td>4.3</td>
<td>1.6</td>
<td>58</td>
<td>n/a</td>
<td>2,200,000</td>
<td>34,320</td>
<td>1.6</td>
<td>57,900</td>
<td>13.7</td>
<td>8.8</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2.1</td>
<td>2.9</td>
<td>83</td>
<td>2.1</td>
<td>820,000</td>
<td>8,364</td>
<td>1.0</td>
<td>28,600</td>
<td>13.9</td>
<td>18.0</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>7.6</td>
<td>3.0</td>
<td>46</td>
<td>n/a</td>
<td>2,220,000</td>
<td>13,320</td>
<td>0.6</td>
<td>9,500</td>
<td>1.2</td>
<td>10.0</td>
</tr>
<tr>
<td>Romania</td>
<td>20.0</td>
<td>3.7</td>
<td>57</td>
<td>0.6</td>
<td>4,700,000</td>
<td>56,400</td>
<td>1.2</td>
<td>26,000</td>
<td>1.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Albania</td>
<td>2.8</td>
<td>2.6</td>
<td>30</td>
<td>0.3</td>
<td>1,040,000</td>
<td>7,488</td>
<td>0.7</td>
<td>2,400</td>
<td>0.9</td>
<td>20.3</td>
</tr>
<tr>
<td>Bosnia &amp; Herzegovina</td>
<td>3.8</td>
<td>3.2</td>
<td>29</td>
<td>0.6</td>
<td>685,000</td>
<td>2,603</td>
<td>0.4</td>
<td>6,600</td>
<td>1.7</td>
<td>7.9</td>
</tr>
<tr>
<td>Kosovo</td>
<td>1.8</td>
<td>3.6</td>
<td>n/a</td>
<td>n/a</td>
<td>250,000</td>
<td>6,450</td>
<td>2.6</td>
<td>8,000</td>
<td>4.4</td>
<td>8.0</td>
</tr>
<tr>
<td>Macedonia</td>
<td>2.1</td>
<td>3.7</td>
<td>37</td>
<td>1.0</td>
<td>500,000</td>
<td>1,900</td>
<td>0.4</td>
<td>4,200</td>
<td>2.0</td>
<td>28.6</td>
</tr>
<tr>
<td>Moldova</td>
<td>3.6</td>
<td>-0.5</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>0.5</td>
</tr>
<tr>
<td>Montenegro</td>
<td>0.6</td>
<td>3.4</td>
<td>41</td>
<td>0.6</td>
<td>211,000</td>
<td>781</td>
<td>0.4</td>
<td>1,100</td>
<td>1.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Serbia</td>
<td>7.2</td>
<td>0.7</td>
<td>36</td>
<td>1.3</td>
<td>2,000,000</td>
<td>6,800</td>
<td>0.3</td>
<td>37,700</td>
<td>5.2</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Source: Expert Survey, 2016 (Meyer et al., 2017, p. 41.)

One of the shifts appears in the changes in the economic environment of the organizations. According to the table above, NGOs employ 2 percent of the total number of employees on average (0.9 in Poland and 3.7 percent in Hungary), and the GDP contribution of the sector is between 0.98 percent (Slovakia) and 1.8 percent (Czech Republic). Data are rather diverse in terms of organization density: while Poland has 2 operating non-profit organizations per one thousand people, Czechia has 12. The rate of budget financing has also considerably changed since the transition. The state support of the organizations has significantly increased: in Poland, 55 percent of NGO’s incomes come from the state budget, while this rate is 65 percent in the Czech Republic, and foreign sources have almost totally disappeared. It is only in Hungary where this tendency shows and interesting “wavy” movement: until 2010, the rate of state support had exceeded 40 percent, then it fell back dramatically (from 43 percent in 2010 to 29 percent by 2014), and
it has been growing since 2017 again, to 44 percent. During this process the
distribution of the amounts received from the EU structural funds was also subjected
to strict state control (Meyer et al., 2017, p. 23).

This „idyllic” situation was upheld until the economic crisis of 2008. The
economic crisis had devastating impacts on the European non-profit sector. Governments withdrew their support, and the deterioration of state budgets provoked
massive economic and social crises. New crisis phenomena (financial crisis, migration crisis, the crisis of the European Union, etc.) have come into the focus of
politics, prompting governments to either seek new methods and solutions or to
narrow the scope for cooperation (e.g. Hungary after 2010, Poland after 2015,
Czechia after 2017). Cultural diversity and transformative changes in the social
fabric had progressively undermined liberal values by the period of the eruption of
the crisis (Krasztev and Holmes, 2019). The turbulent environment and a permanent
sense of vulnerability and helplessness generated nostalgic sentiment among citizens
for the comeback of the providential state, fuelled by growing existential insecurity
and fears of marginalization (Kuti and Marschall, 2020, p. 39). While political power
continued to alternate between centre-left and centre-right parties, a sea change was
witnessed in the content of the policies pursued. The permanent „swing” between
centre-right and centre-left governments redefined the position of successive
governments regarding civil society, which was evident in the „ politicized” attitude
of parties vis-à-vis the third sector (Anheier et al., 2019, p. 7). Governments that
sought to reinforce the role of the state harboured an attitude of distrust toward civil
society organizations, while others were more favourable towards dialogue and
enhancing participatory mechanisms in policy-making. In various post-socialist
countries, this ambivalent approach led to a tightening control over civil society and
its „colonization”, the intimidation of independent organizations critical of the
government, and a depletion and a centralization of funding for civil/non-profit
organizations. This process can be seen as part of a larger effort in non-liberal (but
also a number of liberal) countries to counter the rise of Western-type NGOs, to
marginalize and discredit these organizations through stigmatization, taxation and
harassment, and by the means of GONGOs, i.e. the newly created government-

3 See the emergence of new types of (so-called hybrid) regimes combining authoritarian
features with some (mainly) formal democratic elements (Szabó, 2015, pp. 9-11).
4 The beginning of Vladimir Putin's presidency (2000) is usually cited as a precursor, with
Russian authorities constantly attacking civil and human rights organizations (NGOs) and
reducing their operating powers, putting increased pressure on opposition movements,
independent media and journalists.
5 In professional literature, organizations established, maintained or financed by the
government in order to have them cooperate in the implementation of governmental
endeavours and its political will are called GONGOs (Naim, 2009, p. 229). These
organizations are apt to influence public opinion and to discredit other civil organizations.
Their primary aim is to undermine genuine debate by crowding out credible voices, as the
organized non-governmental organizations (Zsolt, 2020, p. 59; Glied, 2016, p. 98, Naim, 2009). Reza Hasmath et al. (2019) raise the question: what makes a GONGO a GONGO? Their answer is that this is basically determined by the function served by the organization. Hence, it is not only that the decisive part of its income comes from the government or companies owned by the government, but it also has to have close relations with the government and follow a mission set by the government.

The tendency is clearly observable in V4 countries. The index showing the sustainability of civil organizations has constantly been deteriorating since 2010 both in Hungary and in Poland. Thus the difference between the sustainability levels in the Baltic states and the Visegrad countries keeps growing (Figure 1).

While in Estonia, Latvia and Lithuania the sustainability of NGOs has improved or remained on the former level, in Slovakia, Hungary and Poland the sustainability index had declined further by 2018. The reason for the differences lies primarily in the change of governmental attitudes towards civil society organizations. According to the report, while the Baltic states make endeavours to involve NGOs in decision-making processes, the Hungarian, Polish and Slovakian governments have attacked and discredited the critical organizations and made steps toward narrowing citizen engagement.

creators of GONGOs exploit the perception of civil society organizations as more credible than politicians and political parties in political or professional debates.

6 Hasmath et al. 2019, p. 269.

7 GONGOs are often confused with QUANGOs (quasi-autonomous non-governmental organization). The difference between them lies in the fact that QUANGOs bear the peculiarities of both the non-governmental organizations (NGOs) and the public offices or institutions. Thus, these are “hybrid” organizations that formally take after civils (e.g. they operate in the form of a foundation) but are established by a governmental organ to fulfil public functions, basically from public money, and they operate under the control of the state or its organs, e.g. by including state leaders in the decision-making body. (Some examples of this are the foundations of the National Bank of Hungary) (Szabó, 2017).

8 The Index presents the situation of the civil organizations in 24 countries of the region from the Northern Baltics to the Southern Caucasus, from the Western Visegrad countries to Russia. In terms of the seven key components or “dimensions” of the sustainability of civil society, both the improvements and the disadvantages were examined: legal environment, organizational capacity, financial viability, representation, service provision, sectoral infrastructure and public image. The score of the certain dimensions ranges from 1 (highest level of sustainability) to 7 (most obstructed). To obtain the global sustainability index of a given country, the scores of the certain dimensions are averaged (USAID, 2019).

9 While in Hungary it increased from 2.7 to 2.8 between 2007 and 2009, this tendency deteriorated further in 2012 and 2013, from 3.0 to 3.2 and then to 3.9 by 2020. In Poland, the process has been slower: it increased from 2.2 to 2.9 by 2020, increasing by 0.4 points in just one year from 2017.

10 USAID, 2019.
It is worth noting that these processes are observed throughout the entire region of Central and Eastern Europe. Civil society organizations emphasize the fact that organizations are created by citizens, as a means of their self-organization and they should be independent and autonomous from the government (Cohen and Arato, 1994; Walzer, 1992; Dahrendorf, 1994). Different theoretical perspectives and approaches highlight their role and treat CSOs as the key element of the proper functioning of democracy (and its quality) (Diamond, 1994; Putnam, 1994; Putnam, 2000). They support the state in fulfilling its basic functions. However, the changes that are taking place in the contemporary world, including in particular the growing populism and de-democratization processes, have redefined the attitude of the state towards social actors, including in particular those critical of political power, holding the government accountable and countering its actions. Governments are beginning to treat civil society organizations as their opponents, not as partners.

It is difficult to compare all countries, but in those with a similar history and experience of the past regime, a change of approach is detectable in state/ruling party policy towards CSOs. The changes in attitude towards non-governmental organizations (CSOs) that started in Hungary and then Poland are also visible in the Czech Republic and Slovakia. The first stage of this process includes negative campaigns discrediting the activities of CSOs. Such actions create a “fertile ground” for the introduction of further solutions - including legal ones limiting the possibility

Note: 1 to 7 scale, with 1 indicating enhanced, 7 indicating impeded sustainability.
Source: Civil Society Organization Sustainability Index (CSOSI)\(^\text{11}\)

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\(^{11}\) Data retrieved from https://www.usaid.gov/timor-leste/project-descriptions/civil-society-organization-sustainability-index-csosi.
for NGOs to operate. More drastic legislative changes were implemented in Hungary and Poland, while the Czech Republic and Slovakia launched projects that limited funding for certain types of organizations.

The case of Hungary

The change of government in 2010 and the gradually changing environment triggered major restructuring processes in the sector of registered civil society organizations. The government with its two-thirds majority single-handedly introduced legislative changes, with profound implications on non-governmental organizations (e.g. adoption of a new NGO law in 2011, modification of the Civil Code in 2013, insertion of the law on associations into the new Civil Code restructuring the National Civil Fund for the funding of civil society organizations, etc.) (Bíró, 2019). As a result of the new restrictive legislation and governmental harassment, the legal environment and social recognition received a lower scoring. Growing political bias and the lack of transparency of public funding, and the more cautious attitude of donors and civil society organizations toward foreign funding led to a slight deterioration of their financial viability. A broad-brush review of these experiments sheds light on the changes of governmental attitude towards civil society organizations, deemed unprecedented in post-1989 Hungarian history.

The number of non-profit organizations was steadily rising until the 2010s. This was accompanied by an increase in total income per sector of activity, but without a concomitant rise in income per organization. This trend was radically reversed with the general decline of the number of organizations in the 2010s, and in some cases by 2018 the rate of decline had come to threaten the existence of entire sectors.

The concrete trends vary according to the sector of activity. Aside from the environmental sector, the number of organizations and their overall resources have declined in each conflict-oriented field of activity. Apparently, the sector attempts to mitigate these processes by a concentration of resources, which favours the survival of bigger and stronger organizations with a large fundraising capacity.

Owing to the new delimiting rules and the governmental harassments, the level of social acknowledgement has decreased.

Eventually, visible centralization was followed by concrete political action. Hostile governmental behaviour towards civil organizations has been employed since 2013. The target of the attack was the Norwegian Fund and the Ökotárs

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12 Theoretically the attitude towards NGOs, is described as “no need for intermediate powers” between the citizen and the state (Bretter, 2016, pp. 50-51).
13 Among others, most members of the council and the colleges were delegated by ministries and not the members previously appointed by civil organizations.
14 The trend is illustrated in Figure 1 and footnote 9. (USAID, 2019)
15 USAID, 2019.
Foundation who managed the Fund (Kákai and Glied, 2017, p. 25). The government accused the Őkotárs Foundation of conducting party political activities during the process of resource allocation. Responding to this charge, the government decided to transfer the competence to distribute funds from the Norway Grants to an organization maintained by the government. During the almost one-and-a-half-year investigation, the denunciation of the Government Control Office was rejected by the prosecution, and at the end of 2015 the National Tax and Customs Administration (after suspending the tax number in an unconstitutional way and the perquisition and arrest of documents and computers) terminated the procedure (not only against the manager of the Fund but the supported NGOs as well), in the absence of a criminal act (Kákai and Glied, 2017, p. 25). However, this problem has not been resolved to date, as Hungary is the only one of the 15 beneficiary countries that has still not concluded a final agreement on the second round of the Norwegian funding. After a long and hard debate, one year after the investigation had been terminated and almost at the very last moment, Norway and Hungary reached an agreement on the utilization of the EEA and Norway Grants. Norway set the condition that the funds offered to civil organizations must be managed by an independent organization, and agreement on this organization was a core condition of receiving payment. The debate on the identity of the manager of the Norwegian civil fund is still ongoing.

A similar attack was launched against the Central European University (CEU) founded by George Soros. The government amended the regulations on higher education (Law no. CCIV of 2011 on National higher education) in the Law no. XXV of 2017. By passing this bill, the government made fundamental changes in terms of the operational conditions of the CEU, threatening its very existence. The regulation was finally terminated by the European Court of Justice on October 6th 2020. The judgement16 declared that “the Hungarian law violates the General Agreement on Trade in Services (GATS) and the measures set in the Charter of Fundamental Rights of the European Union regarding academic freedom, the freedom of founding higher educational establishments and the freedom to conduct a business.”17 The measure of the Court has not been implemented by the Hungarian government until this day. Almost simultaneously with the Lex CEU (three days later, on April 7th), MPs of the FIDESZ submitted the bill on civil organizations “supported from abroad” (Lex NGO).

The Law. no. LXXVI of 2017 qualifies the associations and foundations receiving over HUF 7 200 00018 of funding from foreign sources per tax year as “organizations supported from abroad”. Pursuant to the law, in the event that an organization reaches this threshold, the responsible court will register this NGO as

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18 App. € 24 000 at current (2017) exchange rate.
an “organization supported from abroad” and send these data to the minister responsible for the Civil Information Portal who will immediately publish them. The organization will then be obliged to publicize this “qualification” on its web page, events and any press products. In addition, by virtue of the act, the organization is compelled to provide detailed reports on their donations obtained from abroad and exceeding HUF 500 000 (including the name of the donor or the donor organization).  

In its decision made on 18th June 2020, the European Court of Justice declared that the regulation passed by the Hungarian government violated the Union’s legal regulations at several points. Compliance with this judgement was initiated by the government only in 2021 by the planned enactment of a regulation instead of those requested and pursuant to which each of the associations and foundations whose annual total balance reaches HUF 20 million in a given year will be inspected by the State Audit Office.

Depoliticized sectors of activity, apart from a few exceptions (sports and to a lesser extent, health sectors) show no evident signs of expansion either. The changes observed in the given sectors and the average size of organizations do not necessarily affect the number of volunteers to be mobilized. Whereas the size of material resources and the number of volunteers show a positive correlation in various fields of activities (e.g. multi-purpose donations), the size of organizations as measured by income correlates negatively with the number of volunteers per organization. This may be due to the lower dependence of organizations receiving considerable public funding (e.g. organizations dealing with family policy) on volunteers or the mobilization of extra resources. Moreover, conflict-oriented organizations overwhelmingly rely on foreign funding, and despite the growing importance of 1% tax donations from personal income taxes and community funding (see also civil liberties organizations), the management of foreign funds requires a professional organization. All this undermines volunteer work and shifts the focus to paid labour.

The examples above clearly indicate that the formerly permissive and reserved governmental behaviour has turned offensive. Regardless of whether governmental measures have subsequently proved to be legitimate or not, they have managed to undermine the credibility of the sector and enforce the readiness of NGOs to “adjust themselves”.

19 The regulation is in many respects similar to the Russian law, although the latter prescribes reporting foreign support independent of its amount, based on which the authorities qualify the concerned organization as “agent”. Also, the law passed in Israel in 2016 can be mentioned as an equivalent of the Hungarian regulation, regardless of the fact that the Israeli regulation does not determine a concrete amount but links the “qualification” to the budget of the organization (above 50 percent) (Kákai, 2020, p. 153).
20 Judgement in the case no. C-78/18.
21 T/15991.
22 Approx. € 55 000 at current (2021) exchange rate.
In parallel with the governmental attack, the state has made its will to create an “alternative” non-profit sector manifest, with a marked preference for specific fields (of primary importance for the government), the establishment of pro-governmental organizations and the integration of a new organizational form (public property holding foundations) into the legal system.

In one of his studies, Balázs Kapitány presents the changes of governmental behaviour in terms of the funding of organizations dealing with population policy and demography. According to the data, while the total income of these organizations was €1.9 million in 2011, this amount grew to 2.2 million by 2012, to 4.2 million by 2017 and to 4.8 million by 2018\(^\text{23}\) (Kapitány, 2019, p. 65). Of course, this phenomenon itself cannot be considered novel as we could see fields (e.g. culture, education, settlement development) gaining considerable excess income as compared to other fields earlier as well. The novelty was that most of the support went to so called government-organized non-governmental organizations. Although this kind of organizations are maintained in several parts of the world from the US to the EU, they play a much greater role in the less democratic countries (e.g. Turkey, China, Russia, Malaysia etc.) (Naim, 2009).

In case we examine the organizations dealing with population policy and demography based on this aspect, we will see that 13 of the 54 organizations surveyed by Balázs Kapitány will fit in the above definition.\(^\text{24}\) Examining the data of this group of organizations, the imbalance to the advantage of GONGOs will become clear. While these 13 organizations had a total budget of €221,818 in 2011, their incomes mounted to €2.4 million in 2018, which means that their budget showed a more than twelvefold increase. According to the author, this shift is a result of donations obtained owing to ad hoc governmental decisions (in 2011, 40 percent of donations based on ad hoc decisions were granted to these organizations, while this rate increased to 70 percent by 2018) (Kapitány, 2019, p. 71).

The other activity field of the government can be seen via the law passed on 3\(^{\text{rd}}\) March 2019 allowing the establishment of public property holding foundations. This also means that organizations active in the field of population and demography grew much faster than classic NGOs (the average income of one organization within this group almost tripled, while this amount grew from €30,000 to €42,000 between 2011 and 2017 in the case of classical organizations). The growth in the total income of these organizations was clearly fuelled by an increase of their support from the central budget (from €363,272 in 2011 to €2.7 million by 2018).

6 of the 13 organizations were established and registered by the court in the period following the change of the government (Kapitány, 2019, p. 69). However, the government has lately established several such organizations, e.g. Civil Cooperation Forum (Civil Összefogás Fórum, CÖF), Institute of Migration Research (Migrációkutató Intézet), Centre for Fundamental Rights (Alapjogokért Központ), etc.
foundations.\textsuperscript{25,26} The enactment of the law triggered the founding of a series of government-backed foundations, e.g. the Mathias Corvinus Collegium Foundation, the Lajos Batthyány Foundation, the Foundation for Civic Education, the Culture and Science or the Millenary Scientific Cultural Foundation, which were allocated considerable property assets. The government’s explicitly declared objective was to ensure the financing of these foundations for 15-25 years.\textsuperscript{27} In parallel with the establishment of the foundations, the government started outsourcing domestic higher education into property holding foundations. As of today, 70 percent of the total higher education has been transferred to the ownership of property holding foundations (first the Corvinus University and then between August 1, 2020 and the beginning of May 2021, apart from four universities, the full university sector was outsourced to these foundations).\textsuperscript{28} The weight of the governmental will is also indicated by the fact that they handed in their proposal about the ninth amendment of the Constitution drawing the establishment, operation and suppression of the public property holding foundations into the circle of two-thirds laws. The process is still ongoing since the government has established 33 public property holding foundations since 2019, and to stabilize them it “transferred” assets of HUF several thousands of billion to their ownership (castles, hotels, harbours, state stock shares, etc.). Thus, after 2010, the government has created a new segment made up of new stakeholders (GONGOs, public property holding foundations), which aims to establish an “own civil” backdrop with governmental support and significant financial and property capitalization.\textsuperscript{29}

\textsuperscript{25} The foundation can be established with HUF 600 million fixed capital that can be provided in the form of property or non-property allocation, so the HUF 600 million can be made up of any property elements. Operational rules mix the elements of maintaining a joint stock company and a foundation, so general management must be conducted by a board consisting of at least five natural persons and it is obligatory to engage an auditor. The property holding foundation is a legal person registered by the court, there is no time limitation of maintaining the foundation, it will only be terminated in case its property fails to reach the capital minimum fixed in the regulation in three consecutive years.

\textsuperscript{26} With this law the main aim of the legislator was to assure that families can manage, preserve and augment their wealth across generations, using tools already tested in Western Europe.

\textsuperscript{27} According to careful estimations, property elements of almost HUF 1 000 million might be transferred to these foundations.

\textsuperscript{28} The presidential chairs of these boards have been given to governmental figures (e.g. Judit Varga, minister for justice, László Trócsányi, former minister for justice, Péter Szijjártó, minister of foreign economy and foreign affairs or Mihály Varga, minister of finances etc.) or business persons (e.g. Sándor Csányi, president and director-general of OTP, Erzsébet Knáb, director of HR and organization at Audi or Norbert Csízmadia, president of MNB PADMA).

\textsuperscript{29} To describe the phenomenon, András Schiffer made an apt remark noting that with this new segment the government “made efforts to build a deep state that would provide control of the decisive part of power resources for the current holders of power, independent of any change of governments” (Schiffer, 2020).
The case of Poland

The functioning of non-governmental organizations in Poland is regulated by the Act on Public Benefit Activity and Volunteerism adopted in 2003 (Act of 24 April 2003 on Public Benefit Organizations and Voluntarism; OJ 2003, No. 96, item 873, with further amendments). After 14 years since the political transformation, the Act introduced to the legal order the definition of a non-governmental organization and a volunteer, regulating the key areas of activity of the civic sector and at the same time becoming an impulse for its further development. Its adoption and introduced regulations turned out to be groundbreaking for the functioning and cooperation of the non-governmental sector with the public sector. It is not just about introducing legal definitions, but also about regulating the principles of cooperation between NGOs and public administration (both at the governmental and local government level); its planning, involving civic organizations in the decision-making process and commissioning public tasks. The Act also introduced a new financing mechanism – the possibility of transferring 1% of income tax to the activities of organizations that will obtain the status of public benefit organizations. The introduction of the Act – through the Council for Public Benefit – guaranteed representatives of the non-governmental community consultation and opinion on documents and legal acts. It also changed the awareness and perception of NGO’s activities by political elites and less often among citizens.

Despite policies favoring the development of the civic sector, it has experienced many difficulties at the financial, structural and organizational levels. Among the many problems that the Polish non-governmental sector has faced since 1989, three main ones can be identified: 1) underfunding in terms of conducting activities, 2) difficulties in accounting for funds obtained, including bureaucracy of public administration and complicated formalities of grantors, and 3) difficulties in retaining staff and volunteers (Charycka and Gumkowska, 2019).

Since winning the elections in 2015, the United Right has systemically introduced solutions into the Polish legal order that directly or indirectly affect the state of society and, consequently, the operation of the civil sector. These include, in particular, changes introduced in the Polish legal system, including the de facto seizure of control over the judiciary through the appointment of judges of the Constitutional Tribunal in place of judges appointed by the Sejm in 2015; the incorrect – unconstitutional - appointment of members of the National Council of the Judiciary, the amendment of the Law on Public Assemblies, which favors religious assemblies organized by the ruling party, the takeover of local media by...

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30 The name of the Coalition was established in 2014 before the elections to the European Parliament. United Right consists of 3 political parties: Law and Justice together with Solidarity Poland and Agreement Jarosław Gowin. In September 2021 the party of Gowin left the coalition.
the Polska Press company, owned by fuel giant PKN Orlen, and restrictions on women’s rights to terminate pregnancies in the case of serious damage or defect in the fetus. These activities are only some examples of actions taken by the ruling party. Highlighting them here is intended to show the direction in which the government’s policy is heading. Of course, in the face of all actions that were contrary to the existing order, citizens – on their own or through self-organization – undertook protests and demonstrations, showing that they were defending constitutional values and the basic principles of a democratic state.

During the 2015 election campaign, Law and Justice together with Solidarity Poland and Agreement Jarosław Gowin announced a broad democratic package aimed at strengthening civil society in Poland, among others through establishing a new entity which is responsible for the development of civil society in Poland – National Freedom Institute31 – Centre for the Development of Civil Society (Act of 15 September 2017 on National Freedom Institute – Centre for Civil Society Development; OJ 2017, No. 1919). The new institution took over the tasks of the Department of Public Benefit in the Ministry of Family, Labor and Social Policy, which was previously responsible for the III sector. The law establishing the new institution was adopted in 2017. The main aim of this institution is to coordinate and organize cooperation between public administration and civic entities. According to the act the main tasks include, among others:

1. supporting the involvement of citizens and civic organizations in public life, public policies processes and decision-making;
2. supporting civic control over the functioning of public institutions and public trust institutions, and increasing their transparency and respect for good governance rules;
3. strengthening the potential of the civil sector;
4. promotion and protection of human rights and civil rights;
5. civic education and civic attitudes and support for the involvement of citizens and civil society organizations in the implementation of formal and informal education;
6. increasing the scope and forms of support for groups at risk of social exclusion and involving them in the decision-making process; and support for the development of the social economy;
7. participation in the implementation of international civil society development programs, including programs co-financed from foreign funds;
8. conducting and supporting civil society research programs;
9. dissemination of information in the environment of non-governmental organizations and other organized forms of civil society about planned and announced competitions;

(10) popularizing the effects of accomplished tasks and running a repository of model ventures, good practices, results and products developed within civil society programs.

The newly created institution has only coordinating, monitoring and opinion-forming competences. It has no other key competences related to supporting the development of the civil sector. The Institute is headed by the chairman of the Public Benefit Committee, the deputy prime minister – the Minister of Culture and National Heritage. De facto, depending on the vision on how the non-governmental sector should be supported in its development, the sector may be given more freedom or be more controlled and supervised. What is particularly questionable is that the members of the executive body are mostly elected by politicians and not by the NGO community, which may lead to politicization and attempts to subordinate the civil sector to the authorities (Bejma, 2019). The Institute is represented by the executive body – Council of National Institute, which consists of 11 members. According to Art. 9 the Council consists of 11 members who are being appointed by:
- the President of the Republic of Poland (1 member),
- the Chairman of the Public Benefit Committee (3 members), - the minister responsible for public finance (1 member),
- the civil society sector, which means that 5 members will be chosen from non-governmental organizations; each of the candidates has to be supported by minimum 20 representatives of the non-governmental entities,
- the local self-government unit (1 member).

The main idea of establishing new institutions was to carry out the evaluation of programs supporting the development of civil society in the course of their lives, in particular to determine whether the implementation of programs leads to the attainment of their objectives and whether it is in line with the objectives of state policy to support the development of civil society. From 2019, the National Freedom Institute – Centre for Civil Society Development coordinates the operation of 8 flagship programs, supporting the development of civil society.32 Most importantly, these include the Civil Society Organizations Development Programme (Polish: PROO), Civic Initiatives Fund (CIF NEW), Solidarity Corps, Scout Movement Development Governmental Programme for 2018-2030, International Meeting Centres, Folk Universities, Polish Crafts Incubator, COVID-19 Program (since 2020). Among these, of key importance for the activity undertaken by civic organizations is the Civil Society Development Programme, the aim of which is to support the institutional development of Polish civic organizations and to enable the implementation of the organizations’ statutory goals, and the Civic Initiatives Fund (CIF NEW), the aim of which is to promote social activity and to activate and form civic attitudes.

From the beginning, however, social organizations have raised many objections to the competitions organized by the National Freedom Institute – Centre for Civil Society Development (NIF-CCSD) and the experts appointed to assess the applications. First of all, they drew attention to the procedure of selecting experts to evaluate applications, especially in the first competitions organized after the establishment of the new institution. Another important issue was the favouring of projects of organizations adhering to the values shared by the ruling coalition of the United Right. This is confirmed by the results available on the website of the National Freedom Institute – Centre for Civil Society Development. The results from the 2021 competition for main programs and their various priorities showed that, as in previous rounds, most of the money went to NGOs linked to the authorities and pursuing their goals. According to NIF-CCSD, the best applications were submitted by nationalist organizations, church organizations and those managed by Law and Justice politicians and their family members.33 A detailed analysis of results from the competitions shows that new organizations which have no experience, but share values close to the ruling party, receive funding. On the other hand, organizations with a well-established position in the community, critical of the government’s actions related to the non-observance of the rule of law or supporting the LGBT community, lose funding (Arczewska et al., 2019). In a similar vein, on 9 February 2022, the Polish Parliament (Sejm) voted in favor of an amendment to the Education Act, revising regulations on the activities of NGOs in schools.34

Another move that could fundamentally transform the situation of civil society organizations, especially those critical of the government, is the preparation of a new law on NGO reporting. In May 2021, the government of the United Right began to elaborate some legislation intended by the legislator to simplify procedures and reduce reporting obligations. In reality, the NGO community assumes that the government may want to vet organizations and their donors. The draft suggests that non-governmental organizations, whose income for the year preceding the submission of the report exceeds PLN 1 million35, will be obliged to submit a financial report together with information about the sources of income, incurred

33 Results of the competition are published on NIF-CCSD website National Freedom Institute – Centre for Civil Society Development website.

34 The amendment would broaden the powers of county education officers, tasked among other things with the assessment of planned activities organized by NGOs in primary and secondary schools. The school head will have to request detailed information on their content a minimum of two months before such activities or courses. Written parental consent will be required for the participation of underage students. Before the amendment still parents’ consent was required for extra classes/courses conducted by NGOs. The differences is that previously it was the task for the director not for education officers who are indicated and appointed by the Ministry of Education and Science. So, in the current situation it is obvious that some activities conducted by CSOs will not receive approval from educational authority.

35 Approx. € 220 000 at current (2022) exchange rate.
costs and type of activity. On the other hand, organizations whose income does not exceed PLN 1 million will be exempt from reporting, although they will still be obliged to disclose information on their sources of income, costs incurred and type of activity. New reporting obligations will arise with respect to public benefit organizations. The entry into force of the Act will mean that, depending on their income, they will have to file a factual report in full or simplified form. Those entities whose income comes exclusively from membership fees and do not exceed PLN 10,000 will be exempt from reporting obligations.

In practice, the provisions of the act being prepared will introduce the obligation to inform the public opinion and make available the data of persons who financially support the activity of civic organizations. The data are to be collected centrally, remain at the disposal of the National Freedom Institute – Centre for Civil Society Development and be generally available on the Internet. According to the drafters, this information is supposed to ensure openness and transparency of organizations’ financing. However, it is difficult to ignore the similarity of the above measures with those introduced in Hungary regarding non-governmental organizations financed from foreign funds. The draft of the new law, albeit containing no explicit reference to the Hungarian law of 2017 on “foreign agents”, leaves hardly any doubt that the planned regulations are intended to enable those in power to exercise greater control over civic organizations than before. In Poland - under the provisions of the Corporate Income Tax Act - NGOs endowed with a legal personality with donations whose one-time value exceeds PLN 15,000 or their total amount received from one donor exceeds PLN 35,000 are obliged to inform the tax office about the donor with the donor’s name and address. The same law also imposes an obligation on the gifted organization to disclose public information about these donations. The provisions of the new law will to some extent duplicate those already in force.

37 Approx. € 2,210 at current (2022) exchange rate.
38 The draft law on openness of environmental organizations was elaborated in 2020 by Solidarna Polska MPs, including Minister of Environment Michal Woś. In media statements, the minister pointed out that “Poles should know whether organizations are working in the interests of Poles, at the request of Poles, from the contributions of Poles, or whether there are foreign organizations that cause some people to even get paid to protest in that particular place...”. Ultimately, the project did not make it to parliament.
39 15,000 PLN is approx. € 3310 and 35,000 PLN is approx. € 7,726 at current (2022) exchange rate.
40 In March 2022, the Solidarna Polska has submitted a draft of law in which, according to the Donors Forum in Poland and the National Federation of NGOs, is intended to curb the independence and freedom of action of social organisations and donors. The draft law is reminiscent of Russia’s Foreign Agents Act and Hungary’s Transparency Act, which the EU Court of Justice found to be incompatible with EU law.
A pathological organizational formation in the third sector space are para-autonomous non-governmental organizations called quasi-NGOs (QUANGO, quasi-autonomous non-governmental organizations).\textsuperscript{41} They are characterized by full dependence on state structures. This dependence manifests itself in the exercise of overt or covert political control by public authorities, total dependence on financing from the state budget and having a different, privileged position in relation to other third sector organizations. For example, in Poland this is the State Treasury Foundations.

In 2016, the Polish National Foundation was established as an organization founded by 17 State Treasury companies. According to its statute, its purpose is to promote and protect the image of the Republic of Poland and the Polish economy, to inspire and co-create conditions for value creation and the development of State Treasury companies, to promote companies with State Treasury shareholding and Polish entrepreneurship, to shape positive public perception of investments, to support activities building good market practices; to support the improvement of professional qualifications, to promote modern management methods, to integrate the scientific and research community, etc. The foundation’s assets in 2017 amounted to PLN 96,500,000.\textsuperscript{42} In the next 9 years the budget is expected to be 48,250,000 PLN.

The activities of the foundation are controversial due to the actions it undertakes. One of the first was the preparation of the social campaign “Fair Courts”, which aimed to convince Polish society that the judicial system should undergo serious reform. Spots and graphics from the campaign showed, on the one hand, selected, single examples of negative phenomena in the judiciary, on the other hand, slogan solutions proposed by the government. The actions of the Polish National Foundation were challenged by the President of Warsaw, Hanna Gronkiewicz-Walz, who claimed that the campaign did not pursue the statutory goals of the foundation, including the promotion of its image in the world, but rather political goals promoting the ruling coalition (Orłowski and Ivanova, 2018). The Court decided that the foundation’s activity was contrary to its statute.

Conclusion

Overall, statistical data indicate a steady upward trend in the development of the Hungarian and Polish non-profit sector. Macro-level data (number of organizations, financial and labour market data) point to a seemingly uninterrupted development of the sector despite some minor fluctuations. By contrast, after the economic crisis, owing largely to political decisions, “internal” data reveals a completely different picture on the state of the domestic non-profit sector. The post-regime change period saw the emergence of a dual civil sector in Hungary.

\textsuperscript{41} It basically shares the same features with GONGOs (see introduction).
\textsuperscript{42} Approx. € 22,674,418 at 2017 exchange rate.
concentrating a wide number of actors weak in terms of resources and influence, and a narrow segment of resource-rich stakeholders. This is due in part to the lack of conceptual clarity in the regulation of the Hungarian non-profit sector, creating opportunities and „loopholes” for organizations that are only nominally considered as NGOs. Post-2010, the emergence of a new segment of actors (GONGOs, public benefit trusts) has intensified this polarization process, contributing to the establishment of a pro-government NGO sector with generous government subsidies and significant financial and property capitalization.

While government dependence is not a new phenomenon, this initiative is novel both in terms of its objectives and resources, gaining momentum only from the mid-2010s. Its outcome is still too early to predict, but once this segment is fully developed, it could spell a new era for Hungary. This process can become more acute due to the specific „political climate”, as a horizontal set of loosely linked organizations are more likely to represent a risk and not a stable foundation for a hierarchical structure that assigns a fixed position to its constitutive elements, and where embeddedness in the National Cooperation System is the basic prerequisite for cooperation with external actors. The obvious goal of the recent measures and political manifestations targeting civil society is to dichotomize actors into „good” and „bad”, in the same manner as voters, local governments and society broadly speaking. As a result, civil engagement will be increasingly determined by party affiliation and polarized along party lines. The campaign conducted against civil organizations erodes faith in the importance of civic engagement and increases distrust towards conflict-oriented NGOs, depriving them of essential resources. Eventually, this will undermine the capacity of these organizations to fulfil their role as mediators and agents of democratization.

When it comes to the assessment of the development conditions of the Polish civic sector, it is important to highlight that all actions taken by the ruling party contribute to the centralization of the sector. By granting financial support only to “own” organizations, representing the same set of values (Catholic, nationalist) or connected to right-wing political parties, the government restricts the functioning of organizations and also eliminates the possibility of controlling power. This kind of activity undermines the importance of the civil sector and has a negative effect on the development of civil society organizations. It also generates divisions within the sector, impoverishes their role and status, and creates distrust and disengagement among citizens. Moreover, the centralization of the civic sector and the government’s attitude towards non-governmental organizations have an impact not only on the level of donations, but also on the reduction of volunteer involvement and interest in activities taken by NGO.

To sum up the analysis of the civic sector regulations in Hungary and Poland presented in the article, we can say that there are some similarities, but also significant differences between the countries. What is similar is first of all the way and the level from which the changes started. In both Hungary and Poland, the first
stage of change in the attitude towards CSOs was negative campaigns to denigrate their activities. This was accompanied by changes in legislation, centralizing the civil sector and limiting its ability to obtain funding for its activities. In both countries, funding for LGBT organizations, watchdog organizations, and organizations defending the principles of a democratic state have been cut. Instead, funding has been given to “affiliated” organizations that share the same values as the ruling party. What distinguishes Hungary from Poland is the fact that the “para-citizen” organizations like GONGO began to function on a larger scale than before. These are distorted forms of social institutions in the sociological sense, which are created by state power to achieve its political goals. In Hungary, GONGOs are gaining momentum in transforming the structure, influence, and thus the advocacy role of autonomous civil society. In Poland, on the other hand, QUANGOs are used to a greater extent as tools of a political campaign to discredit the Polish justice system. Adding to this observation is the marked preference of authoritarian regimes to adopt legislation that restricts the functioning and activities of NGOs, pointing to the further shrinking of independent civic space. It is therefore worth taking a more critical look at the rise of GONGOs and the various forms of activities taken by them and the respective governments, as well as funding policy decisions.

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