

## Hungary

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*The authors start the article by describing a number of relevant phenomena such as post-communism, the shadow economy and the shadow society which are, in their opinion, one of the reasons for the swift development of the voluntary sector in Hungary. They state that the civil sector is considered to be one of the means of political change and the origin of political parties. The article goes on to deal with the history of the voluntary sector (the origins of the civil society organisations date back to the 18th and 19th centuries); the structure of the present sector, which is supported by numerous organisations classified in 19 clusters; the legal regulation of non-profit organisations; tax policy, national and local policy. As part of the elements of the voluntary organisations (such as networking, which represents various relationships between participants in the non-profit sector) the characteristics of the organisations are outlined (supported by facts from the 1992 survey carried out by the Hungarian Central Statistical Office). Nevertheless, Hungary's non-profit sector is in a critical position, thanks to the economic crisis, with a 15 per cent unemployment rate on the one hand and a lack of management know-how among leaders in the sector on the other. The solution lies, in the authors' opinion, in better cooperation between the non-profit, state and market sectors.*

*Keywords: Hungary, voluntary sector, structure of the voluntary sector, legal regulation, tax policy, networks*

### Introduction

It is well known that Hungary is one of those post-socialist countries in Middle and East-Europe that changed their political and economic system in 1989-90, and began to create a modern market economy and a multi-party democracy.

Authors consciously avoid using the terminology of "post-communism" because they would like to make a difference between "socialism" and "communism." This was true even prior to 1989 (Hegyesi, Gondos, Orsos, 1992). Hungary never declared itself as a communist country, however, that was probably a goal of the Hungarian Communist Party, which was called the Hungarian Workers and Peasants Party, after 1956. The strategy of the party, especially after 1963, became very pragmatic (Melia, 1994). There were "only" two issues which were

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untouchable and unquestionable, namely the one-party system, with the aforementioned party being in power, and the other being the presence of Soviet troops in Hungary. This situation left considerable room to negotiate between the society at large and at the local and national levels of party leadership. The ultimate result of this gap was a build up of a broad "shadow economy," and also a "shadow society" (Szalai, 1988; Gabor, Galasi, 1981; Hankiss, 1986 and 1989).

The first term, the "shadow economy," meant that it was almost a given that people would have more than one job, and that they tried to produce something at home or in the factories (after or during working hours) for their own consumption or selling. Shortly, market forces slowly but surely developed. The Market, as a legally accepted economic form, was officially introduced in 1968 as a program called the New Economic Reform. For the state owned factories, that meant that they had to work under market-type economic circumstances. Of course, it was very controversial because many elements of a fully developed market system were still missing, such as a free wage system and a free employment policy. Still, the rigid Soviet-type way of thinking about economic strategy, that only accepted "Market or State," was changing, and this Hungarian economic doctrine lasted until 1968 (Berend, 1983). Also, the increase of consumption and standard of living became very important goals of the party. It became accepted that people tried to produce and consume more by their own exploitation as an additional way to reach these goals. (From a political point of view it meant that it was much better for the party if people dealt with private business than with politics. "Consume, rather than engage in politics" - could have been the slogan of the party.) However, the salaries were very low in the state-owned factories, in the co-operatives, and in the administrative and intellectual jobs. But the reason why Hungary was called the "merriest barrack" among the Middle and East-European socialist-communist countries, was due to this policy, and its consequences.

The second term mentioned previously, the "shadow society," was an unintended consequence of the shadow economy. There were numerous examples of informal relationships between people who were working with each other, selling things to and buying from each other, helping each other to build each others homes through reciprocal exchanges of work and time (Sik, 1991). A large informal network was established, demonstrating the strength of Hungary's civil society.

It is then understandable, that one can see a rapid development of nonprofit organizations in Hungary, both in the number and variation of organizations. The civil sector is well-known and greatly appreciated among the people. It is considered as one of the means for political change and the point of origination of parties, it also acts as a watchdog of civil rights, and it is a sector that has much to do with important, but often missing, services and private initiatives. The almost 40,000 nonprofit organizations symbolize a strong and vital sector, but at the same time a fragile and struggling one. It has the same problem that the Hungarian State and overall society has to face, namely a deep and still deteriorating economic crisis. The following pages intend to analyze this sector and its very complex framework among all of the current issues.

## History of the Hungarian Nonprofit Sector

The development of associations started at the end of the 18th and the beginning of the 19th centuries. They were the products of an emerging process known as the *embourgeoisement* of the Hungarian society. The establishment of the first reading circles, civil and noble clubs, scientific associations was surrounded by suspicion from the actual rulers and their governors. This was apparent through their attempts to delay and often prohibit the necessary official approval of these associations. In spite of this, the number of organizations born under the auspices of national independence and reform, continuously grew until the revolution of 1848. Although there was no statistical record of them, a survey carried out in 1878 (Vargha, 1880) showed that some associations did survive the limitations that were imposed upon them after the suppression of the revolution. According to this survey, 309 associations existed in Hungary that were established before 1850.

The softening of the tyranny in the 1860's provided an opportunity for further development of associational life. From this time until World War II, the number of associations increased steadily. Though total freedom of association was ensured for only about two months in 1919 (during the democratic revolution following the end of World War I), the civil initiatives more or less succeeded in eluding the limitations. However, if the associations were ideologically close to the authorities, the government would actually support them (Halmai, 1990).

This tendency continued in the socialist era, though the prohibition did become stronger - mainly at the beginning - and the support did weaken. Those associations that were permitted to exist were under total state control. According to the law even the intention of establishment of voluntary associations had to be officially announced. Their activities were also limited, some associations, such as trade unions, political organizations, unions of minorities functioned with dependence upon the political power. Some associations such as voluntary fire brigades, professional unions, sport and recreational associations were politically neutral, and so were allowed to operate relatively freely, as they posed no threat to the political authority. Due to this, the associational life diminished, the number of associations in 1970 did not reach half of the total that was registered in 1932. The political detente of the 1980's slowly restarted the development. The grass-roots associations appeared in the fields of community development, environmental protection and social welfare. At the end of this period, they began to play an active role independently from, and sometimes even against, political authorities. Some of them served as a base for political dissidents and some took part in the preparation for political changes.

In 1987 - as a result of the modification of the Civil Code - the first, officially permitted foundations were established. All of them were new because foundations could not have a legal personality before this. They were completely banned from 1948 until 1978, and only private endowments without legal personality (managed by public institutions) could be established after 1978.

In 1989 the political situation radically changed. As a consequence of the new, liberal nonprofit regulations, many social organizations, involved in many different activities, were formed. Since then, the number of both associations and foun-

dations has been rapidly increasing. Now, the nonprofit sector seems to have returned to its pre-socialism trend of growth.

This significant growth provides the answers to problems raised by the political, economic and social changes. The state is incapable of maintaining the illusion of fully providing for society, as the communist ideology professed to do. The two reasons for this incapacity are, first, the ever increasing economic difficulties inherited from the former regime, and second, the political pluralism which has obviously reduced the role of the "almighty" State. The society itself, however, is not in a condition to undertake and finance the different services demanded by the people. Nonprofit organizations seem to provide the missing institutional framework, which could produce these necessary services. This sector can function only with sufficient financial backing. Under Socialism, the collection of capital and the provision of goods was fully determined by the State, leaving it as its greatest source of support. Recently, the State realized the importance of a nonprofit sector, and has not only been increasing its financial contribution, but has established numerous foundations for a variety of purposes, such as social, educational and cultural. In addition to State funding, foundations have the possibility of attracting private sources as well. This civil society has learned that the best way to represent its interests is to create the proper nonprofit organizations, through which the necessary support can be obtained from the State, utilizing the developing system of grants. This special quasi-co-operation has had a positive impact on the size of the nonprofit sector. The overall economic crisis which is continuously increasing the demand for social services is accelerating this process.

Another reason for this recent growth is the transformation of the society in general. New social strata has appeared, such as entrepreneurs, smallholders, unemployed, etc. - whose interests can not be expressed through the existing channels. These parts of the population creates their own organizations, which have contributed considerably to the development of the third sector. This continual growth probably suggests that the nonprofit sector has not yet reached its optimal size, a size that can meet the social requirements of the society.

*Number of Foundations and Voluntary Associations in Hungary, 1862-1993.*

Year	Foundations	Voluntary associations	Total
1862	—	319	—
1878	—	1,917	—
1932	—	14,365	—
1970	—	8,886	8,886
1982	—	6,570	6,570
1989	400	8,396	8,796
1990	1,865	14,080	15,945
1991	6,182	17,869	24,051
1992	9,703	21,528	31,231
1993	12,064	23,851	35,915

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

## The Structure of the Nonprofit Sector in Hungary

Officially 12,064 foundations and 23,851 associations were operating in Hungary by the end of 1993. This means that per 1000 inhabitants there were 1.2 foundations and 2.3 voluntary organizations. The total number of all organizations grew fourfold between 1989 and 1993.

The breakdown by the different activities changed significantly. Although the number of sport and other recreational associations increased, their share of the total market decreased from 60 per cent in 1989 to 48 per cent in 1993. As a consequence of the disintegration of the centralized and hierarchical trade unions, numerous smaller independent unions came into existence. At the same time, numerous associations involved in cultural, social services, community development, environmental protection, education and other fields were established. Their share exceeded 30 per cent.

The boom of foundations is most evident in education. After traditional State monopolistic public educational system dissolved, many private schools were established. Although they can get some support from the State, they are not able to provide for their extra services without private donations. So they can only cover their costs by obtaining private sources from foundations. The traditional State owned schools often do the same, but due to the economic crisis, official support has been declining by a rate higher than inflation. This caused an increase in the establishment of educational foundations which represented one fifth of all foundations in 1993. For similar reasons, cultural foundations and those providing social services represent a significant share among all foundations. Additionally, the areas of health care and community development also represent a significant proportion of foundations.

*Structure of the nonprofit sector in 1993.*

Subsector	Foundations associations		Voluntary		Total	
	number	%	number	%	number	%
Culture	2,039	16.9	1,343	5.6	3,382	9.4
Church and religion	340	2.8	80	0.3	420	1.2
Sports	743	6.2	6,381	26.8	7,124	19.8
Recreation, service clubs	359	3.0	4,957	20.8	5,316	14.8
Education	2,427	20.1	374	1.6	2,801	7.8
Research	501	4.2	305	1.3	806	2.3
Health	888	7.4	239	1.0	1,127	3.1
Social services	1,820	15.1	802	3.4	2,622	7.3
Emergency (mostly voluntary fire brigades)	24	0.2	1,345	5.6	1,369	3.8
Environment	244	2.0	459	1.9	703	2.0
Community development and housing	594	4.9	601	2.5	1,195	3.3
Economic development, employment and training	342	2.8	176	0.7	518	1.4
Civil and advocacy organizations	67	0.6	445	1.9	512	1.4
Law and legal services	244	2.0	504	2.1	748	2.1
Philanthropic intermediaries and voluntarism 'promotion	35	0.3	339	1.4	374	1.0
International activities	274	2.3	407	1.7	681	1.9
Business and professional associations, unions	65	0.5	4,414	18.5	4,479	12.5
Political organization	70	0.6	439	1.8	509	1.4
Other	988	8.1	241	1.1	1,229	3.5
Total	12,064	100.0	23,851	100.0	35,915	100.0

Source: Hungarian Central Statistical Office, 1994.

There has been an increase in the strength of the economic position of the third sector. Among the classical socialist circumstances in 1980, the State-ruled nonprofit sector - representing only associations - expended only 3 billion HUF, which did not reach 0.5 per cent of the GDP. In 1989 and 1990, the period of birth for the newly formed third sector, we can see a slight increase. The first foundations appeared, and the number of grassroots associations began to multiply. Subsequently, the level of expenditures could only follow this rate. Since 1990, the growth of expenditures parallels this boom in the sector. In 1992, for example, the third sector expenditure rate was nearly 8 times higher, than it was in 1980 (as represented in the inflation adjusted third sector expenditure table). In terms of the

percentage of GDP, a similar change was achieved. In the period between 1990-1992, the expenditures doubled along with the growth in the sector's size.

*Change in actual expenditures in the third sector in Hungary, 1980-1992.*

Year	Third sector expenditures Billion HUF	GDP Billion HUF	Third sector as % of GDP
1980	3.0	721.0	0.42
1989	16.4	1,706.0	0.96
1990	25.9	2,080.9	1.24
1991	51.6	2,346.0	2.20
1992	90.1	2,805.1	3.21

*Change in inflation adjusted expenditures in the third sector in Hungary, 1980-1992.*

Year	Third sector expenditures Billion HUF	GDP Billion HUF	Third sector as % of GDP
1980	3.0	721.0	0.42
1989	8.0	828.6	0.96
1990	10.0	801.8	1.24
1991	16.2	738.0	2.20
1992	22.6	704.8	3.21
1992 as % of 1980	753.3	97.8	764.30

Source: Bocz, Gyulavari, Kuti, Locherne, Sebesteny, 1994.

In 1992 the number of associations was 2.2 times larger, than that of foundations. The rate between their total revenues was proportionally similar. So we can say, that an average organization, foundation or association, had more or less the same average income. As far as the expenditures are concerned, however, a relevant difference is evident. The associations expend more than 85 per cent of their income, while the foundations expend less than two-thirds. It could have been thought, that the foundations mostly spent their revenues by virtue of their fundamental substance. The explanation could be, that these organizations - a large part being recently established - were still in the early phase of capital accumulation.

*Revenues and operating expenditures of the nonprofit organizations in Hungary in 1992.*

Types of NPOs	Revenues Billion HUF	Operating expenditures Billion HUF	Expenditures as % of revenues
Foundations	36.3	23.2	63.9
Voluntary associations	77.9	66.7	85.6
Total	114.1	90.1	78.7

Source: Bocz, Gyulavari, Kuti, Locherne, Sebesteny, 1994.

## The Legal Regulation of Nonprofit Organisations

The 1987 amendment to the Civil Code, and the new association law passed by the Parliament in 1989 (Law IV/1989), and law of foundations (Law VI/1990), guaranteed the right to form voluntary associations, societies, or social organizations and it allowed for the creation of foundations. These laws also guaranteed the right for all these associations to meet publicly.

### *Associations*

Establishing voluntary associations does not need government approval. They may have any purpose their members wish to have, except those explicitly prohibited by law (e.g. racism or violence). Conditions for the establishment of voluntary associations having legal personality are as follows:

- They must have at least ten members declaring the establishment of the organization.
- Their basic regulation must be stated in their articles.
- Their administrative and representative organizations must be elected.
- They must be registered at the county or supreme court.

Registration cannot be refused if founders have fulfilled all the requirements of law. Changes of data must be reported to the court in order to update the register.

### *Foundations*

Private and legal persons can set up foundations for a durable public purpose without any government approval.

Conditions for the establishment of foundations with legal personality are as follows (Civil Code, Article 74):

- durable public purpose,
- founding statute,
- an endowment which is large enough for reaching the foundations goal,
- registration at the county or supreme court.



As in the case of associations, registration cannot be refused if the founders meet all requirements of law. After having been registered, the foundation cannot be withdrawn by the founder.

In the founding statute, the founder can set rules on joining the foundation and on its operation. A trustee, of an existing or a newly created organization, can also be named by the founder in the founding statute. If the founder does not make any arrangement, it is the court's duty to name the trustee of the foundation. If the trustee's activity does not comply with the foundation's purpose, the founder can appoint another trustee.

The foundation is to be dissolved if:

- its purpose is achieved,
- its term is over,
- a condition specified in the founding statute is met.

The foundation can also be dissolved by the court at the attorney's request if:

- its purpose cannot be fulfilled any longer,
- its registration ought to be refused because of changes in law,
- the trustee's activity does not comply with the foundation's aim, and the founder does not appoint another trustee.

The endowment of the dissolved foundation must be used to support a similar foundation, unless the founder has specifically ordered otherwise.

## Tax Policy

The tax treatment of the nonprofit organizations was regulated by a government decree issued in 1989 (16/1989), a law on the system of taxation enacted in 1990 (Law XCI/1990), and the tax laws passed yearly by the Hungarian Parliament. The latter laws could have changed the rules of taxation year by year, but they did not. The tax advantages to the nonprofits remained constant until January 1992.

The tax regulations guaranteed a multitude of privileges and exemptions to the foundations. The tax treatment of foundations was more favorable than that of the other nonprofit organizations. Their business activities were not limited at all, and their entire business income was tax exempt if it was used directly for the charitable purpose established in the founding statute. Registered foundations were automatically eligible for tax deductibility.

In the case of other nonprofit organizations, only voluntary associations engaged in scientific and technical research, culture, environmental protection, sports, health care, social help, child and youth care were exempt from corporate income tax if all their profit was spent on their charitable purpose. The tax deductibility of membership fees and donations to voluntary associations was not guaranteed by law at all, but it could be (and sometimes was) approved by government authorities.

The tax laws (Law LXXXVI/1991 and Law LXXXVII/1991) which came into effect in January 1992 brought about changes of paramount importance. Now, registration no longer guaranteed foundations' eligibility for either tax exemption or tax deductibility. Their business income was tax exempt only if it did not exceed 10 per cent of their entire income (but not more than HUF 10 million).

Registered foundations could apply for the tax deductibility of donations at the Tax Authority. Tax deductibility status was awarded if:

1. The foundation was engaged in preventive medicine, health care, scientific and technical research, environment protection, protection of the cultural heritage, education, culture, sport, religion, public security, care of the elderly, the poor, the national and ethnic minorities, the refugees, and the Hungarian minorities in foreign countries; and
2. The donors did not get any (either direct or indirect) compensation for their donations.

The tax regulations for voluntary associations also changed. The conditions for tax exemption on their business income became similar to those for foundations. Donations to voluntary associations remained non tax deductible, except if the deductibility was pre-approved by the Tax Authority.

In 1993, the Civil Code was modified, and three new types of social organizations were established, they are as follows:

1. The public law association. The difference between public law associations and ordinary voluntary associations is, a stronger state control of the public law organizations. They have a special membership: people practicing certain professions are obliged to join the association (chambers of lawyers or doctors). This association is authorized to take certain measures referring to the field of its membership.
2. The public law foundation. This can be determined only by Parliament, the government and local governments for a public purpose. These political bodies can establish only this type of foundation. In the case of dissolution of a public law foundation, it's endowment reverts to the founders.
3. The nonprofit company of public interest. A special form of company was also created, which is a transitional form between nonprofit and for profit organizations. The nonprofit company can enter into contract with authorities to satisfy a public need - for example development of communal works. Its business income is tax exempt. Certain limited companies have the possibility to transform into this type of nonprofit association, if the requirements are fulfilled. They behave in the market as a for profit company, but the distribution of profit is prohibited.

It is too early to observe these new forms of organizations. Nowadays some social organizations are evolving into these new forms, but this process has not yet been finished.

In 1994 - as a result of the change in tax regulation - the tax privileges of the nonprofit sector decreased again. Restrictions for tax deductibility of donations were imposed up to the limit of 50 per cent of the tax paid in the former year.

The tax laws, which became effective in January 1995 have dramatically changed the system of tax deductibility. Only the corporate donations remained tax deductible. Their whole amount can be deducted from the taxable income if they are given to public law foundations. The limit of the tax deductibility is 20 per cent of the donors' taxable income when the firms support private foundations. The tax deductibility of individual donations has been replaced by some type of tax credit. Individual donors can subtract 30 per cent of their donations from the tax they should otherwise pay.

The tax laws of 1995 have been met by an antagonistic response from the nonprofit community raising expectations for a new, more comprehensive and

more supportive regulations for the sector. Such regulations have been under consideration during the last couple of years, but nothing has been adopted into law.

## Networks

"Network" is a very broad concept that describes the various relationships between participants in the nonprofit sector. It has at least two meanings, the different types of umbrella or membership organizations which have been founded in recent years, and the informal network of the nonprofit sector. As to the first meaning, we can rely on some of the statistical data we have, but there has not been much research into all the issues facing the nonprofit sector in Hungary. The existing knowledge comes from being on the inside of these networks, building it from inside, reading literature, and from the research done on these informal networks (already mentioned in the Introduction).

Building networks has been a feature of the nonprofit sector from the very beginning. Or, it could also be said, that the nonprofit sector was built up from these informal links. Research into the social problem-solving methods in a Hungarian village in the eighties demonstrated that more than 90% of human problems were solved through informal networks (Hegyési, Sik, 1987). At that time, of course, there was no legal possibility to set up any nonprofit organization. However, we can conceptualize, that the same "social energy" already present in that Hungarian village later played a significant role in the rapid development of the legal nonprofit sector after 1989.

These informal and social networks have played another interesting role, namely they contributed to a well-known phenomenon in Middle and East Europe, that of the "parachutist". It is widely known that many (but nobody knows exactly how many) cadres from the "old guard" went to work into foundations and associations. The political change caused real problems - and now we use Bourdieu's concept (1978) about the mutual convertibility of the political, intellectual and financial capital - to those who could not convert their own "political" capital (that meant that they were e.g. the first secretary of a local party unit of a factory) into financial capital after the political changes, because they had no knowledge (intellectual capital) to utilize. These people, when they lost their position that they had in the old regime, tried to find ways to take advantage of their still existing personal, informal contacts with many of their comrades who were still working in high rank positions. Many QUANGOs were established at that time, and much state money was given to these "foundations" in order to save it for party goals with the help of these people who were at the mercy of their founders. A clientele system started to take shape in the nonprofit sector with this development. Unfortunately, financial difficulties and the over centralizational tradition of the region made it very difficult to develop a partnership between nonprofit organizations and the state or the local government. After all, nonprofit organizations succeed depending upon the success of their applications.

The latter situation also contributed to the growing importance of advocacy in the nonprofit sector. From the early stages the first federations or umbrella organizations started to organize themselves in order to defend the interests of

their own membership and those of the nonprofit sector. According to statistics (KSH, 1994, pp. 47-48), it was about 1% of all the organizations, namely 314 of the 26,612 nonprofit organizations, that were registered as federations in 1992.

Some of these umbrella organizations contributed to activities which normally hold the networks among organizations, such as education, newsletters and building a data-base, but many organizations started their own activity in these areas. According to the previous source, there were 567 nonprofit organizations (4.2%) which published newsletters, and there were 2,026 foundations and 326 associations which offered education to their own members or other organizations. The major problem here was the low capability of people and organizations to fund these services. This is a general reason why the external sources play such an important role in the region - without them it would have been absolutely impossible to start, and to sustain the development of the nonprofit sector.

There are two very important organizations (based on foreign help) which started to train the trainers of the nonprofit sector by teaching them management skills and general nonprofit knowledge. The Nonprofit Information and Training Center started its activity in collaboration with Johns Hopkins University, while the Civil Society Development Project is a private American initiative. The Nonprofit Center is to be not only a training center but also the center of a network for the whole country. It is known, however, that there are other data bases in the country, some with local data and some with country wide data on nonprofit organizations. The most important data base, based on research, is the Department of Societal Organizations at the Hungarian Statistical Bureau.

Behind all of these important activities there are several important foundations (Mott, Soros, Charity Aid Foundation, Kellog, Sasakawa, Ford, Rockefeller Brothers, etc.), sources of funds (USIS, USAID, EU PHARE, etc.) and corporate scholarship grants (Levy Strauss, IBM, etc.) from around the world which have shown an interest in Middle and East Europe. In 1992 there were 572 nonprofit organizations that had international connections (*ibidem*: 47).

It is important to mention that nonprofit knowledge finds its way into tertiary education, too. Economists, social workers, sociologists, and social administration students have courses in nonprofit management, and other courses that are being offered for nonprofit managers at the postgraduate level.

## National and Local Policy

After the political changes in Hungary in 1990 it seemed to be a natural move for the government to support the nonprofit sector. These new political movements grew out of the civil sector, and the new democracy needed volunteer participants in order to strengthen it. In the beginning it was easy to become a nonprofit organization, but as the years passed, the Christian-nationalistic government started to withdraw those initial privileges that it had granted.

In 1994 a new, socialist-liberal government was elected, and there seemed to be a better chance to introduce nonprofit law, and to work out an institutionalized relationship between the government and the sector. At this moment (April 1995), there is a serious groundwork being done by the sector itself on a version of legislation that could be submitted to the Parliament.

There are signs that nonprofit organizations are being taken more seriously by this government and that terms for a relationship are being worked out. More and more ministries and local governments have a contact person to meet and talk to representatives of nonprofit bodies. Also, the Parliament set up a department where nonprofit organizations are eligible to pick up any texts of the laws still being debated. Also, there is a possibility for nonprofit organizations to list themselves on a so called "lobby list" of the Parliament. They will then be invited to those debates of the special Committees, which may have an affect on their respective fields.

Another area of support by the Parliament is that of finances. There are 400 million Forints (approximately 4 million US\$) distributed among thousands of organizations annually by a Parliamentary body. This is naturally only a small part of the needed amount of money. There are Ministries where organizations may apply for support in the form of a grant. Also, according to regulations on the social and education field, nonprofit agencies are eligible for the same amount of money "per head" as the state organizations to do a job. This kind of service includes the nonprofit and state-owned schools, or homes for the elderly.

Other mixes of collaboration, such as partially paying the rent or personnel, free postal costs, "incubator service," etc. are not known on an overall government level, but there are some local governments, where one could find this kind of collaboration. (There is no data on this, but there is a tendency for it.) Also, more and more local governments have monies for nonprofit agencies. The government of the capital city distributed almost 80 million Ft (approximately US\$ 700,000). A portion of it was given to those organizations which carry out some of the important activities of the City Government (e.g. homelessness, physical disability, etc.). Other portions of the money were given to those organizations which offer services to people in fields where there is a shortage in quantity or in choice (home care, special schools for deviant children). A portion was also distributed to those organizations that fulfill important cultural activities, but can sell their products as well, such as alternative theaters.

## The Characteristics of the Membership of Voluntary Organisations

In 1992, the Hungarian Central Statistical Office carried out a sample survey on social mobility. The sample consisted of about 30,000 people over 14 years of age, which represented 0.4 per cent of the adult population. In the course of the survey, information was collected on the demographic, educational and professional backgrounds, as well as their political and civil activity. The civil activity was calculated by asking about membership in any type of voluntary organization or trade union. According to the results, about 15 per cent of the adult population were members of trade unions, and 5 per cent took part in the activity of voluntary associations.

The rate of female participation in social organizations is continuously growing. Excluding trade unions, in 1992 more than one third of the members of social organizations were women. In the socialist period, the labor shortage created by industrialization accelerated emancipation in economic and social life. This could be the reason, that the role of women in the civil sphere is considerably high.

However, the change in the type of nonprofits - the decrease of the rate of traditionally male dominated associations, such as sports and recreational clubs - could also have contributed to this process. For in these types of groups, by far the largest proportion of the membership is male - in sport clubs, 74 per cent, in associations of hunters and fishermen, 90 per cent. It is interesting, that among the new grassroots associations, the male/female membership ratio is not at all consistent. In environmental organizations, men represent 72 per cent of members, while in social services or health groups, women account for 84 per cent of the registered membership.

*The membership of voluntary associations by sex, between 1932 and 1992.*

Year	Sex		Total
	male	female	
1932	80.9	19.1	100.0
1970	76.3	23.7	100.0
1982	73.6	26.4	100.0
1989	72.1	27.9	100.0
1992(a)	64.4	35.6	100.0
1992(b)	49.5	50.5	100.0

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

(a) - Without the members of trade unions.

(b) - With the members of trade unions.

In the case of trade unions, the high rate of female membership (56%) can be derived from the fact that after the disintegration of the larger trade unions, men left them more often than women. Women wanted to continue receiving the social benefits provided to them by trade unions to mothers and their children.

The population of active working age people - between 20 and 59 - takes part in the activities of voluntary associations to the greatest extent, representing 77 per cent of total.

*The members of voluntary associations by age, 1992.*

Age	Whole population	Members of voluntary % associations
14-19	11.2	5.1
20-39	31.3	35.4
40-59	31.7	41.8
60 and above	25.8	17.7
Total	100.0	100.0

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

The younger and the older generations are less active in civil life, comparatively because the young are engaged in studying, and the elderly have to face the problems which accompany old age. However, in some special types of organizations - for example sport and generational specific clubs - their participation is rather significant.

Education seems to be a determinant factor affecting the membership of voluntary associations. Among the less educated, the rate of membership is less than half the average of the whole population, however, in the case of the highly educated, the rate of membership is twice the national average.

In cultural, scientific and environmental associations, the proportion of highly educated people is ten times greater than it is within the population at large. In the case of all other types of associations, the share is greater as well. The membership of trade unions and sports clubs shows a more balanced breakdown. In sports clubs, this can be explained by the large number of students, who have not yet finished their studies.

*The members of voluntary associations by education, 1992.*

Education	Whole population associations	Members of voluntary associations
unfinished	18.4	7.3
primary school		
primary school	35.0	29.9
vocational school	16.6	17.9
secondary school	21.9	29.7
college	4.8	8.4
university	3.3	6.8
total	100.0	100.0

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

The data for the manual skill levels of members - strongly dependent upon educational level - is also different from those of the whole population. The non manual represent two fifths of members of voluntary associations, however, the non manual sector represent less than one quarter of the whole population, and so it would seem to be over-represented within the voluntary sector. In the table below, the data shows a correlation between skill level and voluntary sector participation, i.e. the higher the skill level, the higher the participation in the voluntary sector and the lower the skill level, the lower the participation rate.

*The members of voluntary associations by manual skill level, 1992.*

Manual skill level	Whole population	Members of voluntary associations
Non manual	23.4	39.4
Skilled manual	21.2	26.8
Unskilled manual	28.7	22.2
Unemployed	26.7	11.6
Total	100.0	100.0

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

The share of membership is higher in county centers, and the share in other towns exceeds the average as well. Despite expectations, the share in Budapest can not reach that of the total. Villages show the smallest activity. The higher numbers in towns could be the result of two contradictory factors. On the one hand, these towns have the proper institutional network as a result of them being focused on the local community. On the other hand, the number of inhabitants are relatively lower (the average is below 100,000) than that of the capital (2,000,000). Thus, personal acquaintances may play a significant role aiding in the promotion of associational life.

*The share of members of associations by types of community, 1992.*

Type of community	The share of members of association
Capital	18.9
County centers	27.5
Other towns	22.3
Villages	14.2
Whole country	19.5

Source: Bocz, Kuti, Sebesteny, Seresne, Vajda, 1994.

The connection between the nonprofit sector and the political sphere is presumably getting stronger and stronger. The nonprofit sector and the political sphere have realized that it is mutually advantageous to cooperate with each other, in order to more effectively represent their interests. In 1994, political elections were held in Hungary. The Central Statistical Office carried out a survey on all candidates, who could be considered as a sample of the political elite. The data showed that the majority of candidates were involved in the nonprofit sector, 65 per cent of them were members of an association. Of the 65 per cent, each candidate on average, was a member of 2.1 associations. The proportion of candidates that were members on boards of foundations was 31 per cent, within this proportion, each candidate was found on average, to be a member on a board of 1.7 foundations.



## Critical Assessment

In the past years there was an extremely quick development in the number, in the type, in the level and in the importance of organizations. Still, Hungary's non-profit sector is in a critical situation. There are several real problems that have to be discussed.

First, and most important, there is the economic crises in the country that has a significant affect on this sector. A large state budget deficit, 150 billion Ft's (approximately 1.2 billion US\$) was eliminated from the government's budget. The universal social services are broke, fees for students will be introduced in the tertiary education, the unemployment rate is 15% and growing, the inflation rate is 30%, and the whole economy is quite weak. The government is trying to centralize all income possibilities in order to run the state. The atmosphere is not the best to expect generous tax incentives, and state support. Naturally, there is support for the sector in words, but in reality, they will not be able to save many members of the sector, unless other sources of funding and new solution to problems are found.

One source could be to find more mixed solutions, when the state, the non-profit, and the market sector consolidate their strengths and resources. There has been many efforts to work out this new paradigm on social services, health related, and cultural fields, but it has not been enough. Most likely, charges for these services will be a major source of funding for nonprofit organizations. This is a possibility only for those organizations that have a solvent demand for the services they offer. The competition for resources is enormous. It has an unintended consequence as well, namely, it weakens the willingness of the organizations to collaborate with each other.

Another problem arises from this situation. In most fields, there is no law or regulation that would give at least a neutral status for nonprofit agencies with the state organizations. As mentioned earlier, there are some areas (social provisions, education) where the possibility for nonprofit agencies to get a state grant on an annual basis exists. This, however, brings us to the next problem area - the annual application system. It is well-known, that you cannot plan and act on an annual basis. Also, the other problem with this seemingly "nonprofit-friendly" system, is that there is a precondition of the state support, namely an agreement with the local government. However, the local government often has different interests, and the agreements are never signed.

Another problem is, that there is a lack of management knowledge among the leaders in the sector. It is good to have these training initiatives, but most nonprofit organizations will not be able to pay for this service. More foundations need to be established to help these organizations to be able to offer educational activities at a subsidized price.

## Conclusion

Many believe that the nonprofit sector in Hungary faces many significant problems in the years to come. Politically it is an unquestioned right to establish a civil organization. It is, however, becoming more and more difficult to get non-

profit status and to run a nonprofit agency. It is especially becoming more and more difficult to run an advocacy group or federation for it is not in the interest of the state to support its own critical watchdogs (the Parliamentary Committee did not support the applications of this type of organization). There are some positive indicators demonstrating the growing importance of the "paradigm of partnership" (Salamon, 1995), but there is also a fear that this partnership will not be one between equals.

Comparing these problems to those written in a previous article (Hegyesi, 1992/a), it can be said that some of these problems were apparent some years ago. The situation, however, is somewhat different than what had been expected. The honeymoon is over, but the chance for a strong marriage is still attainable.

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