

## **Chapter V**

# **CAMPAIGNING AND COMMUNICATION METHODS**

## **The challenges of 1% campaign management in Hungary**

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# **The challenges of 1% campaign management in Hungary**

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When Hungary's 1% scheme was created in 1996, many aspects of its operation were not considered in detail. Nevertheless, many people see it as a conscious sector development tool. Some people think that its role is to make the distribution of state funds more democratic (as a result of the 1% scheme some organisations which, due to the lack of information or contacts had never received any state funds, do now receive this new form of state support). Other people are happy because the 1% scheme provides a unique opportunity for those organisations that are weak at writing applications (the division of funds is not co-ordinated by committees or expert bodies, but rather on the judgement of the taxpayers). Many people welcome the 1% scheme as a "training ground" for a society that has forgotten the habit of giving donations (a habit still not re-established in the former socialist countries). Some people appreciate the fact that there is a unique opportunity for the public to send feedback to NGOs in the form of 1% support. Political scientists analyse the 1% tool as a distortion of the general logic of indirect democracy (the spending of our taxes in this case is not influenced by our elected representatives). NGOs see it generally as a new source of funds that may be used relatively freely.

What do the several million taxpayers in Hungary think? Taxpayers can now support the NGO sector in a way they could not before. As a result of the 1% scheme many people cannot help but see the diverse activities NGOs perform: numerous NGO adverts and appeals appear in the streets, on the metro, in the media and in their letter boxes during the so-called "1% period" immediately prior to the deadlines for submitting annual income tax returns.

No matter which effect we consider to be important, just one of the above aspects should be sufficient reason for starting a campaign to assist the operation of such a law. Campaigns to support and help implement percentage laws have also been conceived in Slovakia, Lithuania and Poland, and one is expected to accompany the start-up of Romania's 1% scheme. There is much for others to learn from the structures and experiences, both positive and negative, of these campaigns.

In this paper the campaign that was started in Hungary to promote the 1% Law's operation will be discussed and, more briefly, the individual 1% campaigns of different types of Hungarian NGOs.

## **NGO communication**

After the collapse of communism, the NGO sector grew dramatically. However, the period of quantitative growth has ended and the future of the sector needs to focus on deeper, more qualitative development. A key issue for the NGO sector that is looking for its place in society is to find ways to recruit volunteers, supporters and new members, to present its values and programmes as well as communicate with the other two sectors and the population at large.

Communication should be an important issue for NGOs. Campaigns that are started with certain objectives in mind may well end up serving a different beneficial purpose. In general, each NGO has very few means to direct public attention to a special topic on a permanent basis; a campaign-like, short-term appearance is far more affordable for them. Campaigns

may be started to preserve, for example, certain social customs or to change them in reaction to a specific event, to promote certain values, political objectives, or even something quite different. Campaigns may introduce a new service or the organisation itself, and may also be started with the intention of raising public donations.

### **External and internal communication of NGOs**

Organisational communication may be divided into external and internal communication. Generally NGOs make far less use of internal communication despite the fact that in this sector it is especially important that each employee, volunteer and association member should receive the information important for him or her, and everybody should be aware of the organisation's objectives and the processes underway. Each of the different organisational models have different internal communication channels, and it often happens that a change in organisational structure is not followed by any development of the relevant organisational communication.

From the point of view of the 1% scheme in Hungary, two aspects should be emphasised. The organisation of campaigns is a huge task for many NGOs. Among other elements, good internal communication is also necessary. Especially in the case of smaller organisations, the efforts of volunteers and members, the winning over of family members, relatives, acquaintances and colleagues are very much needed to win 1% designations. This cannot be realised effectively without intensive and well-structured communication inside the organisation.<sup>1</sup>

### **NIOK's campaign to promote Hungary's 1% Law**

The political transformation at the end of the 1980s involved the introduction of a very high number of new laws and concepts. Civil society organisations had to find their place: after being completely prohibited for a long time they found, in a period of a little longer than a decade, that they have had to battle for regulations and financial support that would be considered normal elsewhere. Legislative changes that at first sight do not deal with acute social problems easily escape public attention. The laws allowing donations to be deducted from the tax base also belong among those laws that are practically unknown to the public.

Introducing the public at large to the pleasure and opportunity of "1% giving" seems to be an important campaign objective. However, because of generally low levels of income, it is far more essential to promote one aspect of this special opportunity, namely that it does not cost the taxpayer a penny. The 1% Law has provided this special opportunity in Hungary and in response the Nonprofit Information and Training Centre (NIOK) decided to start a promotional campaign from the moment the law started operating at the beginning of 1997.

One of NIOK's objectives is to help the sector's development by training NGOs and providing them with information.<sup>2</sup> Since the intention of the 1% Law was to assist a large part of this sector, and since both the sector and the taxpayers were unprepared for the new 1%

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<sup>1</sup> One of Hungary's large rural protection organisations waited in vain for 1% support from its several hundred members and volunteers. Results only came when it changed its internal communication. The organisation realised that its high quality work alone was not sufficient; regular communication had to be established with the members of the alliance regarding strategy, plans and events.

<sup>2</sup> See more details about NIOK's programmes on [www.niok.hu](http://www.niok.hu).

opportunity, NIOK developed and started a programme focused on helping to implement this law.<sup>3</sup> The focal point of this programme is the 1% campaign which has operated annually for seven years.

What were the other reasons for NIOK's campaign?

- The NGO sector was not involved in preparing the 1% Law; representatives of the sector were informed about it through the media.
- In the first year of the scheme's operation, there was only two weeks' difference between the date of the legislation's enactment and its start-up.
- A large part of the sector had no experience in soliciting donations from the public.
- The Hungarian tax authority (APEH) did not operate an information service nor did it issue any information supporting the 1% system in the initial years of the scheme.<sup>4</sup>
- There was no public database about eligible NGO beneficiaries nor any list of the organisations' tax numbers that are required by taxpayers for making 1% designations.
- Taxpayers knew very little about the NGO sector.

### **The process of the campaign**

The planning and organisation of campaigns is very much similar in the *for-profit* and the *not-for-profit* areas. First, the basic objectives and the target group have to be determined. Second, after the analysing the data and the results<sup>5</sup>, the objectives have to be refined and third, the tools that are needed for reaching the target (target group) most effectively have to be selected.

NIOK set its objective in the first year: that as many taxpayers as possible should use this opportunity and the sector should receive as much funding as possible as a result of the 1% Law. This main objective has remained unchanged but several sub-objectives have been added over the years:

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<sup>3</sup> NIOK was well equipped to implement the programme successfully: it possessed the largest public database of NGOs; it was well known among NGOs; it had a national network; it had a wide expert base within the sector, and it had well-developed relationships with the business sector.

<sup>4</sup> APEH not only neglected the 1% scheme; it did not have a free phone/toll-free number information service, which is why for years many people wanted to get taxation information and advice from NIOK(!).

<sup>5</sup> In order to evaluate the previous campaign, data have to be collected. The national data of the Central Statistical Office (KSH), APEH (the tax authority) and the results of different research activities assisted this work. KSH carried out comprehensive data collection until 2000; despite the two-year delay, KSH data on 35-40,000 organisations provided a good initial basis as regards these processes. APEH, as the authority that administers the 1% scheme has the most data. However, a significant part of these data are not public. Research was first undertaken with the co-operation of Szonda Ipsos, a market research company on a 1000 person population sample in the year that preceded the introduction of the system. In 1999 NIOK prepared a survey on NGOs' opinions on the 1% Law and subsequently more detailed research was started in 1999 with the support of Aspen Institute (much of this material is available on [www.onepercent.hu](http://www.onepercent.hu)). NIOK carries out different surveys and records data to evaluate its campaigns. The following were recorded in the case of at least five of the seven campaigns: the number of NGOs wanting to be entered in the database, the number of advertisements published, other marketing and PR tools, number of phone calls made (daily, weekly, district distribution), the number of internet visitors (page downloads, viewing), articles in the press about the issue during the campaign. In some of the years the gender of the callers, the source from where they learned about NIOK's service, the number of people to whom the caller handed over the tax number and whether the caller was satisfied with the service were recorded. In addition to this, the campaign's implementation was evaluated each year together with the main partners, staff recruited for the campaign and permanent NIOK staff. The precise target of the next campaign was outlined after the joint evaluation of the above aspects in comparison to the national results achieved.

- as many as possible of the required designating declarations should be correct
- NGOs should be able to obtain the certificates or prepare the documentation required to receive the 1% designated amounts of support
- taxpayers should be able to make well-informed decisions when selecting an organisation
- information should be available about as many organisations as possible; 1% funds should not be confined to a small group of organisations
- campaigns organised by NGOs should be as good as possible
- the procedures associated with the 1% Law should work better
- similar laws should also be supported in other countries in the region
- by increasing the number of 1% designations, more support should be channelled to the sector through Hungary's new National Civil Fund.<sup>6</sup>

After defining the objectives precisely, the next step is tool allocation. In this phase, our experiences show there is a great difference in comparison to *for-profit* campaigns. For NGOs in Hungary, plans for using tools have to be flexible and wide-ranging as it is never really known in advance which tools will have to be purchased at market price, which will be received at significant price discounts, and which services will remain unattainable due to their price. NIOK's campaign budget is around 7-10% of the actual price, thus only those tools provided with significant price discounts can be used. Another important difference is the fact that NGOs may consider tools that cannot be considered by a *for-profit* organisation; in other words there is a tool kit that is usually available only for NGOs.<sup>7</sup>

The marketing and PR plans for the campaign materials are prepared along with the financial plans. Ideally, a time schedule and a detailed work plan are prepared which are harmonised with the other programmes run by NIOK. Over seven years there have been annual slogans and creative materials for the campaign "*Give the NGO sector a share!*":

1997-1998: *I give my tax! 1%* (a play on similar Hungarian words: *Én adom az én adóm!*)  
 1999-2000: *This 1 matters!*  
 2001-2002: *It goes 1 little bit better!*  
 2003-2004: *You may solve 1 lot of things!*

## **Funding the campaign**

Securing funding is an essential prerequisite for starting the campaign (the various techniques are well-documented elsewhere). There have been two special issues for NIOK. The first one is to make the range of organisations participating in the 1% scheme as widely known as possible, and to provide equal opportunities for the organisations regardless of their financial background. For this reason no fees are collected from the organisations that participate in NIOK's 1% campaign service in Hungary. NIOK, wishing to avoid even a doubt of conflicting interests, separated itself from NGOs that collect 1% support. The campaign could

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<sup>6</sup> See Balázs Gerencsér: *From Hungary's 1% Law to a National Civil Fund* in Chapter III of this study.

<sup>7</sup> For example, the greatest assistance NIOK received for distributing its 1% leaflets was from APEH tax offices where business brochures would not normally be found.

only be implemented by an external player not financially benefiting itself from the campaign activities undertaken.

The second issue is that a national campaign involving a large number of the organisations in the sector may yield important sector development results. The campaign provides unique services and it also ensures visibility for sponsors and donors. One might assume it is easy to find financial support for such a campaign. However, according to NIOK's experience, the situation is not so simple. There are few independent resources ready to support the development of the NGO sector in Central and Eastern Europe. In general companies rarely give more than 0.8-1.3 million forints (about 3-5,000 euros) and even this small amount is offered for only a specific area within the NGO sector. They are not so ready to offer such support for general sector development.

In the very first year of the campaign (1997), NIOK found a major supporter: MATÁV Rt, one of Hungary's telephone companies. Since then this company has financed the campaign's telephone service, which represents 10-20% of the budget. The good long-term relationship between NIOK and this company is reflected by the fact that NIOK succeeded in involving one of its subsidiaries, an internet company, Axelero Rt., and at present the campaign receives the highest value in-kind services from it. Despite repeated efforts to build on this early success, increasing the annual support for the campaign above 1.1 million forints (about 4,000 euros) could not be achieved. In 1998, a new office, the Department for NGO Relations, was (finally) set up in the Prime Minister's Office (MEH) with the task of assisting the general development of the sector. As a result, the campaign started to receive 2.6 - 4 million forints in financial support (about 10-15,000 euros) from MEH each year.<sup>8</sup>

### **The campaign's preparatory steps**

1. Updating the database representing the core of the service.
2. Recruiting campaign staff and their training.
3. Finalising the creative publicity materials and issuing them.
4. Securing the possible media sites.
5. Establishing the technical conditions for the services.

**1. Updating the database representing the basis of the service.** Only the regional courts provide official data on registered NGOs in Hungary. However, their registers do not contain much useful data. For example, data that are related to the tax number and NGO activities are not included. NIOK started to collect data on the sector in 1995. The database, called the "NonProfit Self-Portrait", which, in addition to collecting organisations' basic data, introduces their activities based on answers to 20 different questions, and presents a detailed picture of them making it easier for people to see which organisation did what in the previous year, and which organisation deserves their 1% "donation".<sup>9</sup> Updating the database is possible throughout the year. Several thousand letters are also posted in the December-January period to assist in the process of updating NIOK's database. NIOK has no way of checking the authenticity of the data provided by NGOs. However, only letters signed by the organisation's legal representative are accepted. Inclusion into the database is completely free-of-charge;

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<sup>8</sup> The state could behave as a party that has contrary interests; the campaign's aim is to move out from the state budget as much money as possible for NGOs.

<sup>9</sup> In Hungary 1% tax designations are often called "donations".

NIOK does not ask any money for use of the database which contains 6,000 organisations.<sup>10</sup> The database was also published in the form of a book until 1997 and 20,000 CD copies were also published in 2001. At present the database can be accessed via the internet. Issuing the database on a CD-ROM is also planned.

**2. Recruiting campaign staff and their training.** For seven years the campaign was headed by the same PR manager at NIOK.<sup>11</sup> His work was helped by an assistant generally assigned on a temporary basis for the period from November to April. In addition to this, 3-4 new staff joined NIOK for the campaign period between January-March. Their main task was to answer telephone calls and provide services, but they also participated in work relating to placing advertisements. Preparing and updating legal materials and interpreting legal problems raised in the course of the campaign were solved by contracting an external legal expert. Staff operating the telephone helpline were thoroughly trained in the area of the law's requirements, client management and NGO-related information.

**3. Finalising the creative materials and issuing them.** For the first two years NIOK did not engage a contracted agency. At first, a novel solution was found: NIOK involved a wide range of talented volunteers. The first slogans and TV advertisement scripts were conceived over personal dinners; the first leaflet was created by graphic art academy students, and academy students shot the first TV advertisement albeit with real actors working as volunteers. The quality of the products of this "heroic age" unavoidably fluctuated, but some decidedly good materials were also prepared. The campaign's image needed to be more coherent with greater consistency in quality, and for this reason, in 1998, NIOK wrote to Akció Kft., the largest Hungarian-owned marketing and media agency, asking them to implement the campaign as an in-kind service which Akció Kft. has done since then only being refunded for their overhead costs, 5% of the work's market value.

The first marketing plans for the campaign – in an ideal situation – are available three months in advance. From among 2 or 3 proposals NIOK selects the most appropriate one, and in close consultation with Akció Kft and based on the prepared plans, implementation begins as well. The advertisements for the poster, newspaper, leaflet, radio and television are also prepared in January. It is especially important to prepare the television and radio promotional materials in time since their production is one of the most complex tasks and a permit also has to be obtained to broadcast them.

**4. Securing the possible media sites.** The campaign's presence in the media is primarily ensured through advertisements. In addition to this, PR is also important. With the exception of the first year, maintaining journalists' interest has been possible only with novelties and sensations. NIOK also held press conferences for three years but subsequently shifted to preparing press materials without press events. Each year the campaign succeeded in appearing in the national media on 3-4 occasions in addition to advertisements; around the same number of reports and articles were usually published about the campaign in the regional press. NIOK had a separate contract for the publication of two items on the most frequented internet homepage ([www.origo.hu](http://www.origo.hu)). NIOK has always tried to obtain the data and information related to any 1% questions or results as early as possible and to complement its

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<sup>10</sup> This figure of 6,000 might seem to be small compared to the 20,000 organisations collecting 1% support. However, the large number of local campaigns involving organisations active in the local area means many people have no need to search in a database in Budapest. In the 2001 campaign, 85% of the organisations for which people requested information were included in the database.

<sup>11</sup> The author of this paper.

own press communiqués with the new information. Press monitoring has enabled the campaign to react when incorrect information was published.

Placing the advertisements is a huge task which would require a separate study to describe. The issue of public service broadcasting is unclear in Hungary. On the one hand, existing legislation does not deal sufficiently with the issue, and on the other, public understanding of the role of public service broadcasts is low. If the legal situation is not settled soon, it might happen that public service broadcasting in Hungary will cease to exist altogether. Consequently when placing advertisements, NGOs try to get the highest discounts possible through personal persuasion or through their personal contacts.

The involvement of a media agency in the campaign has helped expand NIOK's media contacts further. After so many years of campaigning, NIOK is now widely known and appreciated in media circles. As a result, the media, both private and public, are willing to assist NIOK's 1% campaign. Despite all this, the situation has become more difficult each year. Practically no poster sites are offered free and the 90 % discounts, provided in the past, are also becoming rarer. The placement of the materials prepared greatly influences the success of the campaign, but this task is probably the most tiresome and most time-consuming of the campaign. Media sponsors that have offered large discounts appear on the campaign poster and leaflet together with the other financial supporters. All the campaign's supporters and their logos are displayed on the 1% pages on NIOK's portal, [www.nonprofit.hu](http://www.nonprofit.hu).

NIOK's 1% promotional TV advertisements were broadcast repeatedly, between 300-600 times on the national television channels each year. An additional 5-10 regional television stations and the teletext services also aired the advertisements. On average each year, NIOK ads were heard on the radio 200-300 times, and they were published in the newspapers 25-50 times. Between 200-500 smaller size poster sites were available to the campaign. NIOK distributed 50-100,000 leaflets and NIOK's campaign banners were being increasingly displayed on different web pages. Some years huge posters were placed, free post cards were issued and phone cards were also printed with the campaign's promotional text. In 2003, Axeler Rt. notified close to 100,000 of its subscribers in e-mail messages about the campaign; several hundred thousand mobile telephone owners also received text messages on NIOK's WAP service.

**5. Establishing the technical conditions for the services.** Finally, the technical conditions have to be established which, in the case of NIOK's 1% campaign in Hungary, involves the temporary redirecting of the telephone lines, establishing green lines (that are free-of-charge to callers) and hiring IT tools.

### **The campaign's implementation**

The following tasks were implemented in the 2003 campaign:

- posting legal guides to those interested
- providing legal advice personally and through e-mail
- monitoring inaccurate legal information published in the press and issuing corrections
- operating a telephone information service
- operating an internet portal
- placing advertisements
- preparing press materials and carrying out PR work

- updating and recording NGOs' details in the database on a continuous basis
- contacting the intranet networks of employers.

The campaign is normally closed with a meeting at the end of March where the planning of the following year's campaign is discussed along with the material to be given to the press and the material presenting the current campaign's results. Summary material is prepared to report on the campaign's activities and results and distributed widely.<sup>12</sup> Finally, NIOK thanks the various external partners for their help.

### **Summary of NIOK's 1% campaign for Hungary's NGO sector**

This campaign is not only NIOK's largest programme, it is the campaign in the sector that reaches the highest number of people. This campaign is so well-known that it has become an integral part of the taxation period. (This is well illustrated by the fact that some taxpayers have entered the campaign's green number into their family telephone directory). Between 30-50 partners assist the campaign and NIOK co-operates with an additional 60-80 people and organisations in this period. In the 2003 campaign, NIOK was in contact with more than 4,000 NGOs and close to 200,000 requests were received in the framework of the 1% programme. Based on the overall number of contacts recorded, NIOK's conservative estimate is that the 2003 campaign's "value", in terms of the 1% designations its services helped to secure, was amounting to about 840 million forints (about 3 million euros).

### **The 1% campaigns by NGOs in Hungary**

Hungary's 1% Law not only helps NGOs financially; as a result of it, they acquire a number of skills that they did not possess, or only very few of them previously possessed. One of these skills is raising "donations". Prior to the 1% scheme, only a far smaller group of NGOs tried this kind of targeted activity. As a result of the 1% Law, many more organisations have made such efforts. Previously an amateur sports federation or an organisation preserving local traditions was happy if it could collect the membership fees; they never thought about a fund-raising campaign aimed at the public, not even accidentally. A great shift has also taken place in the methods applied. Whereas previously donations were sought at charity balls or through direct mail campaigns – often with mixed results – marketing and PR tools are now a common feature in NGOs' individual 1% campaigns.

Even with the appearance of the 1% scheme, immediate and rapid change did not take place. However, the competitive situation and the high number of players involved resulted in professional campaigns within a couple of years. These campaigns, in addition to ensuring revenues for the individual organisations, directed a part of the public's attention to the NGO sector in the tax return period.

Taxpayers support organisations active in many different fields. The reasons behind the decision of the taxpayers has been examined in detail.<sup>13</sup> In the following brief overview, the different types of campaigns are divided into three geographic groups.

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<sup>12</sup> NIOK's 2003 campaign report is available at:  
<http://www.onepercent.hu/Dokumentumok/NIOK1campaignreport2003revisedfinal.doc>

<sup>13</sup> See Ágnes Vajda and Éva Kuti "1%" Forint votes, Nonprofit Research Group, 2000 at:  
<http://www.onepercent.hu/Dokumentumok/1percentaspen.doc>

**Local campaigns.** Those organisations that are able to base their campaigns on their members, or on those people who use their services and their family members and friends, usually implement a "local" campaign. These are the school or hospital foundations, anglers' clubs etc. which carry out local public activities and services. Their activity is concentrated in a restricted environment, typically covering a local area, town, or if in a city, a school or medical district. A large number of these organisations operate from a small budget. Their experience in applying for funds is limited and they hardly receive anything from state funds (apart from 1% support). Among these organisations, many are tied to some public institution, company or office in Hungary.<sup>14</sup> For them, 1% support represents a significant portion of their revenues. In many cases it even exceeds 50% of their income.

Certain areas are especially successful e.g. health care, children's care and local community development. These are all activities to which taxpayers are pleased to direct their 1% designation. In addition to the emotional aspect, there is a significant reinforcing factor if the taxpayer (or a relative) wishes to use the service of the organisation (or its parent institution) at present or in the future as well. The success of such kinds of local campaigns is further enhanced by the fact that the "donor" generally knows what the money will be used for, the work implemented and the results achieved by the organisation so far. This aspect is an enormous advantage because the "anonymity" principle regarding 1% support (NGOs are not informed who the "donors" are) allows for hardly any feedback. Only where the "donor" is local is he or she in a position to monitor whether the 1% money was spent for a good purpose.

The local campaigns usually have a small budget since it is easy to reach the potential "donors" present in the local community. In most of the cases the campaigns are nothing else than disseminating and posting the simple leaflets with tax numbers – if there is a reasonable number of taxpayers, this method can be very effective. In the initial period, it was sufficient to display the tax number on the notice board at the doctor's, in the school or the local government office. Even today, one should not imagine sophisticated tools have been developed: the most widespread practice is to supply the children, clients, local residents etc. with a completed designation declaration and (or) a short description about the organisation's activities and the objective for which the 1% money will be used. In the case of a wider geographic area, the users of the service might receive the same material by post.

These extremely simple but effective campaigns are possible because the organisations generally know their target group very well and are also able to reach the group easily and inexpensively. In many cases they use feedback tools: when sending out letters about the use of 1% money they include photos of the equipment purchased or exhibit it locally.

These campaigns do develop organisations' fund-raising methods and also strengthen their communication skills in general.

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<sup>14</sup> In Hungary nearly every school, university faculty, scientific institution, kindergarten, clinic, cultural institution has its own foundation in which, in most cases, the managers and staff of the parent institution hold the key positions. Some of these, if they are closely tied to the state or the local government may be considered to be a form of "quango", some of these represent a special form of institution, and some of them are actual NGOs.

**Regional or national campaigns for a special target group.** Those organisations whose activity covers an area larger than a small settlement, and those organisations which are institutions and do not operate in popular fields are less efficient at winning 1% support. The success of their campaigns depends to a large extent on whether they can succeed in identifying and reaching their target groups and also their potential supporters' networks. By keeping in permanent contact with their supporters, organisations may expect to be successful in motivating their supporters. With the help of special opportunities they are able to reach their supporters in a well-targeted and inexpensive manner. If the organisation could get to know its 1% supporters, then it could perhaps increase the number of its volunteers and members, and the number of actual donors. Here the 1% instrument performs as a link between the society and NGOs, which was broken by the communist period and is extremely difficult to re-establish and if so, only as a result of a long process. The organisations in this group only initiate careful campaigns – actions with larger target groups would only be worthwhile if for the following year the organisation could create a database of the 1% donors which could be a starting point for developing the organisation. However, the present 1% regulations do not identify “donors” so the potential for building other fund-raising strategies on a 1% donor base is limited.

Consequently, these organisations choose cheaper means of publicising themselves such as small advertisements in the press, with very similar appeals for 1% “donations” on regional and national television, radio and teletext services. They only contact their members, volunteers and their family members by mail. They distribute their leaflets at the events related to their field of activity. These methods are not too effective, but they are at least inexpensive and require little investment. Most of these types of organisations do not even consider major change: their revenues originating from the 1% money usually represent a negligible ratio within their total income. The average amount of 1% support received in 2003 was 274,000 forints (about 1,000 euros), but many organisations received far less than this.

In the early years of the 1% scheme it was not clear which activities taxpayers would be most likely to appreciate. Therefore organisations that were relatively popular (e.g. the World Federation of Hungarians, organisations dealing with drug users and homeless people) tried to implement elaborate campaigns that required more money and energy. The money and time invested into these campaigns was not always refunded by the 1% income gained. However, there were also examples of successful campaigns where organisations put a special emphasis on finding supporters and keeping in continuous contact with them, not only in the 2-3 month tax return period. In the same way, efficient campaigning has been executed by NGOs, which due to some special opportunities, were able to reach their donors very cheaply and regularly. In contravention of the spirit of the 1% Law quite a number of *for-profit* newspapers recognised the opportunity available and appealed for 1% support, with some success, for NGOs directly linked to them.

### **National 1% campaigns by NGOs**

Large 1% campaigns can raise significant funds for certain NGOs. In 2003 a total of 98 organisations received sums above 5 million forints (about 18,500 euros). The highest amount was 155 million forints (about 575,000 euros). The majority of these organisations provide assistance and are popular nation-wide, or they are animal-protection or health-care organisations. Some of these organisations have been implementing activities deserving public recognition on a continuous basis for years. Other organisations were practically

unknown previously but, because of their 1% campaigns, have succeeded in becoming well known. This latter group appeared 2-3 years after the passing of the 1% Law, and almost every year there is a completely new player that is suddenly in the spotlight and tries to win larger amounts of 1% support. In Hungary it has been seen that, in areas popular with the public, it is possible, with a well-structured campaign, to obtain significant 1% income in a short period of time.

The campaign methods have been developing year by year. Organisations with the largest incomes are able to spend significant amounts on campaigning as well. They are able to undertake national campaigns costing in the range of 2.6-2.8 million forints (about 10-30,000 euros). Organisations working with partners such as multi-national marketing and media agencies have started to appear in the 1% market. With the assistance of these experts, the 1% appeals were adjusted to the generally applied methods in the *for-profit* areas. However, these opportunities are limited. Agencies offer their services at well under the market prices to only a couple of organisations. Appearance in the national media can be also considered a special favour only achieved by hardly a dozen organisations. As a result only 15-20 organisations are able to conduct real and effective national campaigns annually.

In this group of bigger organisations, winning the taxpayers' support is determined by good media relationships. The media almost plays a decisive role in dividing the 1% market. Since even the larger organisations are not able to (and do not want to) pay for advertising at market prices, they depend completely on the advertising space obtained from the media. It is pointless to speak about any media mix; each campaigning organisation is happy with whatever media space it is able to secure. For example, in 1999 it was still possible to get free access to billboards, however, two years later this was impossible. Therefore, it is of little consequence whether an organisation would like to run its advertisements, say on the television, if finally it does not get free or cheap airtime from the television station. In this situation its advertisements will be only be heard on the radio. However, it is the general experience that NGO advertisements that deserve a better fate are primarily aired in the less sellable slots, time intervals, fence side of the street poster boards, advertising blocks in the morning at dawn, at midday, late night etc. Those NGOs which obtain better slots and places enjoy a significant advantage. However, this is not the fault of the 1% Law, but rather the result of the competitive advertising market and the media law. As long as the opportunity for public service broadcasting is not guaranteed by law or through a supporting fund, the current unsatisfactory situation will continue.

In summary, it may be concluded that the creative solutions and the quality of individual NGO campaigns appealing for 1% funds have improved significantly over the last few years. However, NGOs are not always able to present professionally prepared advertisements and they may only win airtime by chance due to the erratic nature of public service broadcasting in Hungary. Looking to the future, these 1% campaigns play a significant role. If these campaigns could be more extensive then many more taxpayers – the majority of which none of the organisations have so far managed to reach and convince – might make 1% “donations”.

## Organisations that received the most 1% support in 2003

1% beneficiary organisation (main area of work indicated)	Forints	Euros (approx)
GYERMEKRÁK ALAPÍTVÁNY (children's cancer)	155,250,084	575,000
HEIM PÁL GYERMEKKÓRHÁZ FEJLESZTÉSÉÉRT ALAPÍTVÁNY (hospital foundation)	121,964,479	452,000
REX KUTYAOTTHON ALAPITVÁNY (dog shelter)	87,598,471	324,500
TUMOR LEUKÉMIÁS GYERMEKEKÉRT ALAPITVÁNY (children with leukemia)	65,993,968	244,500
A RÁK ELLEN, AZ EMBERÉRT, A HOLNAPÉRT TÁRSADALMI ALAPITVÁNY (cancer)	64,708,749	240,000
NEMZETKÖZI PETŐ ANDRÁS KÖZALAPITVÁNY (conductive education for disabled children)	60,766,343	225,000
SOS GYERMEKFALU MAGYARORSZÁGI EGYESÜLETE (support for children in care)	51,208,358	190,000
GYERMEKÉTKEZTETÉSI ALAPITVÁNY (food for children)	48,305,193	179,000
MAGYAR RÁKELLENES LIGA (cancer)	46,518,920	172,500
FEHÉRKERESZT ÁLLATVÉDŐ LIGA ÁLLATOTTHON ALAPITVÁNY (animal welfare)	44,382,327	164,500

Source: APEH, the Hungarian tax authority, December 2003

## Other players involved in the 1% campaigns

**The media.** Some anomalies regarding the role of media have already been discussed. Investigating this issue is worthwhile especially in the case of the national campaigns where the media's role is particularly crucial. While Hungary's media law contains a public service broadcasting regulation, the obligations are not specific enough. For this reason TV and radio stations' attitudes depend on their internal public service broadcasting policy. Practice varies from station to station and the obligations specified in the media law are rarely taken seriously. Many parts of the media find it easy to avoid these obligations and more often than not business considerations prevail. Even if there were some well-intentioned media owners who offered free or very favourably priced advertising opportunities, they would have no idea what to do with the several hundred requests with which they would be bombarded.

**PR and marketing agencies.** NGOs that organise national campaigns certainly need a professional partner to ensure that their budget available for such campaigns is used effectively. In Hungary, NIOK was among one of the first organisations that implemented its 1% campaign with significant assistance from specialist agencies. Subsequently more and more organisations followed this example. Today 6-8 agencies prepare creative materials for 1% campaigns at significant discounts. However, these agencies provide this service only for one or two organisations at discount prices. Beyond good intentions, it is also in the agencies' interest to have a couple of non-business campaigns included in their reference lists.

**APEH, the Hungarian tax authority.** This government agency is responsible for administering the 1% scheme. Processing taxpayers 1% declarations is a significant burden both for the regional tax offices as well as for headquarters. According to some officials' estimate, the amount of work involved in 1% administration represents one third of the work required for the purposes of the personal income tax. Probably this is a slight exaggeration. Nevertheless it points to the fact that the processing and filing procedures involved are too bureaucratic and their simplification would be to the advantage of all parties concerned.

Naturally the central and local tax offices are not interested in the creation of huge numbers of 1% declarations. However, in most cases errors and mistakes can be traced back to the usual slow, cumbersome character of administration and not to the conflicting interests or aversion

to NGO activities that is often mentioned by some NGOs. One can hardly blame tax officials if a campaign was unsuccessful.

Since 2002, the tax office has been required to publish a list of organisations that received 1% money in the given year.<sup>15</sup> The tax office publishes this list on the internet by 31 December and it does help NGOs evaluate their campaigns. However, this database does not contain the organisations' tax numbers, nor do the various tax offices provide this information to taxpayers. The "1% NGO part" of the tax return is the only part for which the taxpayer does not get all the necessary data, and has to find the required details for him or herself.<sup>16</sup>

**Taxpayers.** The way 1% designation declaration forms reaches taxpayers differs according to whether the return is completed independently or undertaken by the employer.<sup>17</sup> According to plans announced by the government, a so-called imposition taxation form will be introduced starting from 2005. This will represent the third type of form available for completing 1% declarations. Campaign organisers will have to take into consideration these three return practices available to taxpayers.

It is shown by research that while the majority of taxpayers (84%) agree with the idea of a 1% system, only 30-34% of them actually make a designation declaration each year.<sup>18</sup> Two-thirds of the personal tax returns arrive at the tax offices in the last two days so it is no wonder that 20% of those who do not designate 1% of their income tax blame a lack of time as the cause. This habit of submitting returns in a concentrated period over a couple of days makes the situation of the campaign organisers even more difficult. The possibility for effective co-operation with the taxpayers is made even worse by the fact that the tax-paying ethic is rather low in Hungary. It is very difficult to find the potential 1% designating groups in a country where the employees of highly profitable companies or professions are registered at the official minimum wage, where the personal income tax of business people and company owners does not even reach the wage of employees on low salaries and where everybody is looking for legal or illegal means to avoid the heavy tax payment burden in some way.

**Volunteers, members and supporters.** These people are the active participants in 1% campaigns and at the same time they are also the target group of the campaigns. Those organisations that consider campaigning seriously – no matter their size – mobilise such people in this period. In the case of the smaller organisations, their voluntary work is used to disseminate appeals for 1% "donations", while in the case of the larger campaigns they might provide assistance for any of the activities involved.

**Other players.** Finally, the work and the role of the accountants or book-keepers and pay-roll clerks that are also involved in administering taxation obligations should not be forgotten. This aspect of 1% operations has not, to the best knowledge available, been the subject of any research. Since for both groups the work related to the administration of 1% designations

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<sup>15</sup> See the table extracted from APEH's 2003 list on the previous page.

<sup>16</sup> The appendices attached to the tax declaration contain the technical numbers of the churches and the state fund people can support instead of a church with their second 1%.

<sup>17</sup> The individual wishing to make a designation declaration has to enter the tax number of an organisation in a designation form and post it together with their tax return, while people whose tax declarations are prepared by their employer have to ask for the designation form from their employer and return it to their employer in a sealed envelope having signed it across the flap so the employer cannot view its contents.

<sup>18</sup> Ágnes Vajda and Éva Kuti, "1%" Forint votes for civil society organisations, Nonprofit Research Group, 2000. <http://www.onepercent.hu/Dokumentumok/1percentaspen.doc>

declarations represents a substantial burden without any remuneration, much depends on their personal attitude. It does make a difference whether they inform the taxpayer in time, whether they supply the taxpayer with the relevant designation forms, or as a part of a work-avoiding strategy or attitude they simply do not mention the 1% option.

## **Future trends**

The past seven years has offered sufficient time for both the lawmakers and the beneficiaries to become familiar with the 1% opportunity, implement minor legal changes to procedures and develop their own strategies. Both the lawmakers and the implementing agency (APEH) are satisfied with the 1% Law. No special changes are planned by the various political parties or any ministry. This state of affairs is unlikely to alter even in the event of a more successful percentage law in another country in Central and Eastern Europe.

Year by year more and more organisations in Hungary compete for the available 1% resources. This shows that what is a negligible amount in the sector's total income is nevertheless important for many NGOs. At present 20-22,000 organisations are designated some income through the 1% scheme and a change in this trend is unlikely. There are not likely to be many changes as regards the style and solutions of the local and regional campaigns organised by NGOs. Changes are likely to take place in the national campaigns of the largest organisations if competition becomes more fierce and the organisations need additional promotional materials and media presence to capture the available 1% forints successfully.

An additional question worth asking is how to involve the majority of taxpayers who still do not make 1% designation declarations. If the rest of the tax-paying public, most of whom have a low level of education, could be persuaded to make 1% designation declarations and the general tax-paying ethic improves then the role of the 1% instrument may become even more significant for NGOs. However, neither can be realistically expected in the near future.

Will there be any future need for a campaign that is similar to NIOK's current campaign? If we consider the fact that most taxpayers do not use this opportunity yet, then we have to say – yes. However, if we look at the fact that seven campaigns (1997-2003) were not able to increase the level of taxpayers' participation radically, then we have to say – maybe not.

In my view an information service is needed until a reliable system containing NGO data, similar to that of the company register, is available to everyone. Until such a system exists, it is only through NIOK's database that it is possible to get the data on organisations' tax numbers that taxpayers require to fill out their 1% designation declarations. Starting from 2004, NIOK plans to complement its campaign with a stronger training programme. This training programme will assist NGOs in developing their own campaigning methods. If for NIOK's other campaign objective, namely mobilisation of taxpayers, it is not possible to secure sufficient resources to reach a wider range of taxpayers, then the termination of the campaign should be considered, or perhaps a campaign that only promotes the information service should be run. This "experimental" termination would be costly if the number of submitted 1% designation declarations, that has been gradually increasing year by year, were to drop.