



ISRAELI CENTER FOR THIRD SECTOR RESEARCH
Ben-Gurion University of the Negev

The Sector of Philanthropic Foundations and Funding Organizations in Israel:

Its Characteristics, Functions, Relationship with Government and Patterns of Management

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Beer-Sheva, February 2006



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FOREWORD

While philanthropic foundations throughout the world are viewed as contributing to innovation and change in society, they are also considered somewhat controversial. That they engage in finance enables them to exert influence in those substantive areas they choose to address. Contemporary examples of this abound, one of which is the Bill and Melinda Gates Foundation, which has sought to eradicate infectious diseases in Africa and has invested billions of dollars for that purpose. Throughout the world, foundations are conceived of as private agencies engaged in public affairs. This inevitably raises questions regarding their status, the kinds of decisions they make and the manner in which these decisions are made. Currently, as the role of government in the direct provision of services declines, philanthropic foundations are of special significance and their activity should be of interest not only to scholars and practitioners of philanthropy, but to the general public as well. The sector of philanthropic foundations in Israel has some unique characteristics, due mainly to the large-scale involvement of foreign foundations. Our study attempts to shed light on this.

For some time now, we at the Israel Center for Third Sector Research (ICTR) have felt there is a need to examine the Philanthropic Foundations Sector in Israel as a significant actor within the third sector on the one hand, and as a major source of support for third-sector organizations on the other. Though we assumed all along that such a study would be an interesting one, we had no idea just how interesting.

The opportunity to undertake a study of this field arose when we were invited to take part in a study conducted by Professor Helmut Anheier of UCLA on "The Roles and Vision of Foundations in Europe". The Kahanoff Foundation, which supports activity to strengthen the infrastructure of the third sector in Israel, generously provided us with a grant for this study, and the PEF Foundation joined in by providing a matching grant.

Philanthropic foundations have, for the most part, generated little scholarly interest and since this is a ground-breaking study of the field in Israel, we commence with a chapter that surveys the literature on foundations, drawing primarily from literature based on the US experience¹. In the second part of the literature review, we focus on the concept in Israel. After the methodology chapter, the study's findings are presented in Part 3, which is sub-divided into two sections: firstly, a macro analysis of "The Foundations and Funding Organizations Sector," based on data from ICTR's database. These data are derived from reports by government ministries, which are classified, and as such, limit what we are able to present. For example, data regarding the overall annual investment of philanthropic foundations in Israel is conspicuously absent. However, the data do give us a picture of the main characteristics (areas of activity, geographical deployment,

1. This part of the literature survey has been abbreviated in the English translation.

employment, etc.) of foundations registered in Israel. The second section of Part 3 features findings from the analysis of in-depth interviews derived from three sources: a sample of 28 foundations; 15 organizations that receive grants from foundations; and five current and former directors-general of government ministries that interface with foundations. This section addresses the foundations' patterns of activity, roles, relations with government and internal governance. The picture that emerges from both parts of the study forms the basis for the last chapter, which contains a summary and recommendations.

As with other studies conducted by ICTR, the main purpose of this study is to generate knowledge that will result in a more informed public discourse on the subject of philanthropic foundations in Israel. It is our hope that this in turn will stimulate and guide the formulation of an appropriate policy towards foundations. At the same time, we hope that this subject will generate interest among other researchers who may then broaden and deepen the existing knowledge.

This study could not have been carried out without the involvement of several individuals, each of whom I would like to thank.

Firstly, my friend Professor Helmut Anheier, who invited us to participate in the comparative study that he directed in Europe, despite the fact that Israel is not exactly part of that continent. Secondly, Shira Herzog of the Kahanoff Foundation, who recognized the importance of such a study and in so doing, has increased knowledge of foundations as a factor in the development of the third sector in Israel; also to Ben Frankel of the PEF Fund who joined in to support the project.

To my partners in the study: Yael Elon, the database manager of the Israeli Center for Third Sector Research, Avital Schlanger and Dr. Raviv Schwartz.

To Maggi Levy and Hadas Blinder, the Center's administrative assistants and to Ravit Deloya, the editor of the Hebrew report.

Last but not least, to the directors and chairpersons of the foundations, the recipient organizations and the directors-general of government ministries, all of whom gave generously of their time and insights.

We owe much credit and gratitude to all of them.

Professor **Benny Gidron**
Beer Sheva, January 2006

ABSTRACT

Main Findings

In the era of globalization, market economies and the decrease in public spending for social issues, philanthropic foundations are playing increasingly significant roles in society, throughout the world and in Israel too. This study presents, for the first time, empirical data on the sector of philanthropic foundations and funding organizations in Israel, both those foundations registered in Israel as well as foreign foundations that are not registered here. The study contains two parts:

1. The macro picture: An analysis of foundations and funding organizations registered in Israel based on data from the Israeli Center for Third Sector Research Database. These are third sector organizations (mostly non-profit organizations and trusts) whose major role is to provide funding in the form of grants to individuals or organizations.
2. The micro picture: an analysis of in-depth interviews with a sample of directors or presidents of 28 foundations and funding organizations active in Israel, some of which are registered here and others not. In order to complete the picture, in-depth interviews were also conducted with representatives of 15 third-sector organizations that receive grants from foundations and 5 current or former directors-general of government ministries that work with foundations.

In addition to the quantitative data, a glance at the sector of foundations and funding organizations active in Israel reveals two prominent characteristics:

1. The activity of foreign foundations in Israel is quite conspicuous. It is estimated that the total annual amount of income that enters Israel via foreign foundations or foreign donors to Israeli foundations reaches US\$ 1.5 billion. This figure can be attributed to the traditional support of Jews from the Diaspora; however, in recent years more and more non-Jewish foreign foundations have been active in Israel as well. In the era of globalization, foundations in Western countries invest in international projects outside their own borders; thus the large amount of philanthropic funds that Israel imports is very significant.
2. An analysis of the ethos of foundations in Israel, when compared with that in the US, reveals an entirely different orientation. In the US, the development of a philanthropic foundation is typically related to the activity of wealthy individuals who devote their money to goals they identify and who build a framework that will ensure such activity for many years. In Israel, however, the ethos of the institution of foundation is related to the “national institutions” (Jewish National Fund-JNF, Keren Hayesod, etc.), which were established during the pre-state era. These are based on funds from a large number of individuals from abroad and those who determine the goals for which the funds will be used are the recipients of the grants, not the contributors.

Foundations/Funding Organizations Registered in Israel: Macro Data

There are 6,377 foundations and funding organizations registered in Israel. This group comprises 17.9 % of the total number of registered third-sector organizations. Sixty percent of the registered foundations are active, as compared to 59% of active organizations in the third sector.

Types of Foundations and Funding Organizations

Foundations that support individuals make up the largest group (3,239 foundations). This group includes those providing financial assistance, such as free-loan societies or those providing scholarships. The second group consists of foundations that support a specific organization (1,895 foundations), such as Friends' Organizations that financially support cultural, educational and medical organizations. The third group is comprised of foundations that support multiple organizations and that often focus on a specific issue (such as religious pluralism, Jewish-Arab relations, etc.). This is the smallest (557 foundations) of the three groups. However, is significant because it provides support for many third-sector organizations and in so doing, is perceived to impact Israel's social landscape. The remaining foundations (686) were classified as "other." The ratio of active foundations to the total number of registered foundations is highest among foundations that support a specific organization (74%).

The Foundations' Areas of Activity

- Israeli foundations operate in two major areas of activity: welfare and education. Forty-one percent of the registered foundations work in the field of welfare and 34% in education. The picture is reversed among the active foundations: Forty-two percent work in education and 34% in welfare. Sixty-four percent of the active educational foundations support a *specific organization*. Eighty-seven percent of the welfare foundations support individuals.
- The areas of activity of foundations supporting *multiple organizations* are more varied than those of other foundations. There are many foundations that provide support in several areas such as welfare, education and social equality. These foundations support "emerging" areas such as (Jewish) religious pluralism, (Arab-Jewish) co-existence, social equality and the environment. One distinctive area of activity for this group is urban development, usually in conjunction with local government.
- Very few foundations (3.5%) provide support in the area of religion. This figure is especially prominent in light of the rate of religious organizations among the general population of third-sector organizations (24.8%).
- Over time there has been a decrease in the registration of new foundations of all types except for those that provide support to individuals, for which the number has remained stable. This

stability can be attributed to the increase in recent years of a very specific segment: material assistance organizations.

Foundations with Tax-Exempt Status

- Eleven percent of the registered foundations had obtained the tax-exempt status of “public institution”. This rate is identical to the comparable rate among all third-sector organizations. Among the active foundations, 16% obtained that status.

Salary Payment

- In most foundations, the work is performed by volunteers. Only 11% of the active foundations pay salaries, as compared with approximately 30% of all third-sector organizations.
- The total amount of salary paid by foundations increased from 1998 to 2002 in all types of foundations except for those supporting a *specific organization*.
- The group of foundations supporting *multiple organizations* resembles third sector organizations more than it does other foundations, with respect to the percentage paying salaries and their amounts.

Government Allocation

- The trend in recent years of increased government payment transfers to third-sector organizations is mirrored in the foundations sector as well. The extent of government payments to foundations registered as amutot (with the exception of research foundations) rose from NIS 193 million in 1998 to NIS 312 million in 2002, an increase of 62% in 5 years. Government allocations to foundations supporting *multiple organizations* and to those supporting *individuals* increased throughout that time period, while allocations to other kinds of foundations decreased.
- Approximately 62% of allocations to foundations in 2002 were transferred to those supporting *multiple organizations*. The extent of allocations to these foundations increased considerably in recent years, particularly to operating foundations.
- Unlike the general population of third sector organizations, only a small percentage of the foundations receives government payments. In 2002, only 7% received a government allocation, as opposed to 22% in the third sector at large.

Foundations/Funding Organizations: Findings of the Sample Study

Interviewed for this study were representatives from twenty-eight foundations (7 of them foreign), personnel from 15 organizations that receive foundation grants as well as 5 current or former directors-general of government ministries that interface with foundations.

The Foundations' Areas of Activity and Roles

- Most of the foundations deal with several areas of activity, making the prioritization of the latter a difficult task.
- "Social change" is a noticeably popular area of activity. Twenty of the 28 foundations interviewed (71%) are engaged in this field, with the foreign foundations engaged to a greater degree than the Israeli ones.
- In their statements, most of the foundations (22) cite "advancing civil society" and/or "social innovation" as a primary role of foundations. Foundations that did not cite this tended to be smaller with much lower annual incomes than the rest. All of these were Israeli and with one exception, did not have branches abroad.
- Approximately one-third of the foundations note that the way or one way, to advance civil society is to strengthen third-sector organizations.

The Relationship between Government and Foundations

- Twenty-two of the 28 foundations interviewed in the study (approx. 80%) addressed the nature of the relationship between the role of government and that of foundations. Their statements suggest a lack of consensus among foundations with regard to delineating the boundary between their role and that of government. Some foundations view themselves—even if this contradicts their declared aims—as a “safety net” that provides an alternative outlet for (typically poor) citizens whose needs are not met by government.
- Most of the foundations (25) cooperated or still cooperate with the public sector in one way or another (at the national or local level).
- Most of them have contacts with a government ministry or minister, Knesset members or local government officials.
- All the ministry directors-general interviewed cited joint projects with foundations. They described situations in which government gradually lost control of such projects, and in which the ministry's priorities were altered through foundation involvement in those projects.

Management of Foundations

- It was found that Israeli foundations with affiliations abroad exhibited characteristics similar to those of foreign foundations. They tend to adopt higher standards than the others in articulating a vision, establishing contact procedures and transparency, building stable criteria, and evaluating the results of their allocations.

Boards of Directors

- While most of the foundations studied feature a board of directors, only some of those were reported to perform their task satisfactorily.
- Among foundations registered in Israel, there are those featuring “complex” boards, acting as extensions as it were, on both sides of the ocean, according to a variety of formats. Of the 21 Israeli foundations examined, 12 (57%) have a branch of one kind or another overseas.
- It was found that foundations possessing a board deemed to be operating satisfactorily were characterized by a high degree of clarity and transparency in the referral procedures and criteria for grant allocation.

Referral Procedures for Receiving a Grant and Decision-Making Regarding Grants

- There is a discrepancy between the respective perceptions of foundations and recipient organizations regarding: accessibility of information, coherency of criteria, decision-making and the degree of transparency of the entire process.
- Nine organizations (60%) noted a difficulty stemming from the lack of access to information about foundations.
- The accessibility to information about foreign foundations is perceived as greater than that about Israeli foundations.
- Recipient organizations are very inclined to believe that the factors guiding the allocation of foundation grants are not transparent.
- Most of the recipient organizations argue that there is no relationship between the decisions regarding grant allocations and the official, publicized criteria, believing instead that decisions are influenced by personal connections.
- According to the view of foundations, most (61%) offer clear information and criteria that are publicized in advance. By way of comparison, none of the organizations thought that the referral procedure and the criteria were transparent or stable. A majority (13 or 87%) believes that the degree of transparency and stability of the referral procedure and its criteria are insufficient.
- Seven foundations (25%) reported receiving assistance from experts and professional consultants in their decision-making.

Evaluation, Monitoring and Supervision

- In the opinion of all those interviewed—foundations, organizations and directors-general—evaluation, monitoring and supervision are very important. Yet despite their declared importance, they are not a major feature of foundation activity in Israel.
- Of the foundations studied, most (19 out of 27, 70%) conduct some form of evaluation. However, only 44% conduct systematic evaluation with any regularity.
- All the foreign foundations evaluate grant recipients, while only 60% of the Israeli foundations do so.
- Foundations that receive funds from the public or from the public sector tend to conduct comprehensive evaluation much more often than those not dependent on these funding sources.
- The greater the annual income, the more inclined the foundation is to conduct evaluation.

Criticism of the Foundations' Activity

- The main criticism of foundations (leveled by recipient organizations and by foundations themselves) relates to: their seeming lack of willingness to cooperate with one other; the lack of transparency (regarding allocation criteria, decision-making procedures and reasons for rejecting applications), inappropriate timing in the transferring of funds to recipient organizations; and a preference for the funding of projects over organizational infrastructure.
- Criticism by directors-general of government ministries is directed mostly toward the manner in which relations between foundations and government are handled.
- The directors-general are aware that foundations work differently from government and that it would therefore be a mistake to expect foundations to adhere to the methods and regulations employed by government.
- When the directors-general attempt to enhance cooperation with foundations they are divided between the need for a clear and precise policy on the one hand and the need to adopt guidelines flexible enough to allow for a range of activity consistent with the character of the foundation.

Management Practices of Foundations and Public Agencies: Differences

- In all areas, the public sector is perceived as performing at a lower level than that of foundations. One exception is the relative susceptibility to personal connections. When compared along this parameter, Israeli and foreign foundations are deemed much more subject to the influence of personal connections than is the public sector.
- The Bequests Fund received particularly harsh criticism. Five recipient organizations (of 9 that expressed criticism) pointed to its inferior level of management. They saw it as an agency afflicted by bureaucratic, cumbersome and slow procedures, lacking credibility and undervaluing substance in favor of bureaucracy.

The Foundations as a “Community”

- Foundations serve as reference groups for one another, and in this sense, may be viewed as a “community” of sorts. Twenty-one foundations (78%) have links with other foundations, while only 6 do not.
- Close to half (13) reported conducting joint projects with other foundations.
- Thirteen (39%) reported exchanging information with other foundations.
- Eight (29%) claimed to have cooperated, or still cooperate, in the joint funding of projects.
- All of the foreign foundations maintain links with other foundations, as opposed to 15 of the 21 Israeli ones (71%). Six Israeli foundations reported no links whatsoever with other foundations.
- Foundations with links to other foundations tend to engage in a variety of social change concerns.
- Foundations with links to other foundations are more inclined to view themselves as innovators and initiators than those without such links.

Summary of Recommendations

- *Israeli foundations.* We recommend nurturing the establishment of Israeli foundations by individuals and corporations that will enhance social innovation and the promotion of civil society. Cooperation between Israeli and foreign foundations should be encouraged, which will likely intensify the activity of foreign foundations in Israel. Israeli foundations should be encouraged to become involved in global projects, which will in turn impact their work in Israel.
- *Foreign foundations.* Given the involvement of foreign foundations in Israeli society and their attempts to initiate change therein, is both incomprehensible and unacceptable that some of them refuse to fully disclose the nature and scope of their activity (under the guise of "confidentiality"). Foreign foundations should be encouraged to fully disclose the nature of

their activity in Israel. It is further recommended that foreign foundations with sustained activity in Israel establish public boards or local advisory committees that will help guide decision-making regarding grants in Israel, and in so doing, render these foundations less "foreign".

- *Relationships between foundations and government.* There is a need to develop “rules of engagement” that will govern the collaboration between foundations and government ministries. The scenario, in which government cuts its budgets only to replace them with foundation funds, while not uncommon, is inexcusable. So too is the scenario in which foundations effectively alter the priorities of a government ministry in the effort to advance their own projects. The primary role of foundations is to stimulate innovation and change; government should have an interest in foundations fulfilling this role and must therefore create a framework for genuine dialogue with them. This would ideally enable the leveraging of both public and private resources.
- *Philanthropic foundations—public or private agencies?* The foundation, unlike a private donor, is an institution from the moment it is established and as such, is no longer the sole domain of its founders. Philanthropic foundations should be seen as institutions inhabiting the third sector—namely, private institutions addressing public concerns. As such, they are free to choose their preferred area of activity and work strategy, but must do so by adhering to certain public norms, the most important component of which is transparency. This must be manifest in both their grantmaking and decision-making, based on clear criteria rather than on personal preferences or whims.
- *Umbrella Organization of Foundations.* An important development would be to establish an umbrella organization of foundations, similar to the Council on Foundations in the US that would work to enhance professional practice in foundation management, encourage cooperation among foundations and advocate for relevant government policy regarding foundations. In order to advance such an idea, a group of large foundations committed to the importance of developing this field in Israel, should take the lead.
- *Foundation management.* As in other third-sector organizations, the subject of foundation management is complex. The proper management of a foundation should include: 1) the thoughtful use of a heterogeneous board, representing various stake-holders; 2) a professional and skilled staff; 3) transparency in its activity, including reporting on its grants and grant recipients, as well in decision-making procedures according to clear criteria; 4) placing the expertise acquired by foundations through their experience at the disposal of grant recipients; 5) maintaining close and regular communications with grant recipients and undertaking joint planning; 6) interfacing and cooperating with other foundations; 7) evaluating the degree of foundation goal attainment, internal functioning, foundation-sponsored projects, and the coordination among all these; 8) financial planning and the disbursement of grants in a predetermined and timely fashion, given the dependence of recipients on these funds.

CHAPTER 1

PHILANTHROPIC FOUNDATIONS IN ISRAEL: A SURVEY OF THE LITERATURE

In recent years, the activity of philanthropic foundations in Israel has become increasingly prominent. The Sacta Rashi Foundation initiated the Madarom project, developed day centers in order to treat youth at risk, and is active in advancing the educational system especially in the Negev. The Charles R. Bronfman - CRB Foundation ("Keren Karev" in Hebrew) has been participating in the funding of enrichment programs in the educational system since cutbacks were made in the government budget. The Yad Ha-Nadiv Foundation funded the building of the Open University in Ra'anana and prior to that, the construction of the Supreme Court building in Jerusalem, and funded dozens more projects in the field of higher education. The Kahanoff Foundation invests in the infrastructure of civil society in Israel and in projects that build bridges between Jews and Arabs. The Mandel Foundation established the Center for Educational Leadership Development in Jerusalem and recently established the Leadership Development Center in the Negev. For approximately two decades, the New Israel Fund has funded dozens of advocacy and social-change organizations that address a variety of issues, from women's, workers' and Arab rights to religious pluralism. In addition to these large foundations, which invest considerable sums of money (derived primarily from overseas sources), there are hundreds of smaller foundations and funding organizations, most of them Israeli, which fund for example the expenses of patients requiring urgent medical procedures abroad, university scholarships, and interest-free loans for starting businesses. Alongside these, there are foundations that are funded by the public sector, such as the Israel Science Foundation, the Israel Film Fund, or research foundations linked to major hospitals. Institutions such as museums, universities, colleges and hospitals also establish funding organizations in the form of "Friends of ... Organizations", which typically have branches abroad. All the examples we have cited above are *third-sector organizations with an independent legal status that focus their work on funding individuals or organizations*. This organizational sub-set of the Third Sector is doubly important, for it constitutes:

A group of organizations *within* the third sector that does not perform functions generally associated with organizations in the sector, i.e. providing services or advocacy.

A group of organizations that *finances* (in part) third-sector organizations in new projects that they initiate or in their overall expenses. The importance of foundations as a source of funding for third-sector organizations has increased because of the cutbacks in public allocations to welfare, education, culture and health in general and to third-sector organizations working in these fields in particular.

This pioneering study will present a preliminary picture of the sector of philanthropic foundations and funding organizations active in Israel. This presentation features two perspectives: 1) **Macro picture: an analysis of foundations and funding (or “grantmaking”) organizations registered in Israel according to existing information in the Third Sector Database.** These are third-sector organizations (mainly amutot and trusts) whose main function is funding individuals or organizations; 2) **Micro picture: an analysis of in-depth interviews with a sample of directors or chairpersons of twenty-eight foundations and funding organizations active in Israel, some of which are registered in Israel and others not.** In order to complete the picture, in-depth interviews were also conducted with representatives of fifteen third-sector organizations that receive grants from foundations, as well as with five current or former directors-general of government ministries that regularly interface with foundations.

The study seeks to answer, for the first time in Israel, a host of questions relating not only to the third sector and its sources of funding, but also to the complex relationship between the public and private domains and the rules that govern it. Who are these philanthropic foundations? How many of them are there? What are their areas of activity? How much money do they disburse? How many of the foundations that operate in Israel are registered locally and how many are registered abroad? What roles do these foundations perform in society? Is their activity always welcome? What is the relationship between them and other third-sector organizations? Do they supplement, complement, or replace the work of the government in the areas in which they are engaged or do they perhaps fund activities that challenge the government? Has the government formulated a policy that defines the relationship between itself and foundations? Does the government have an interest in foundation activity? If so, in which ones and in which functions? Is it interested in the development of new foundations and is there a policy that encourages private individuals or corporations to establish such foundations? How are these foundations run? How do they make decisions regarding the grants they make? What is the degree of transparency and openness of foundations toward the public and toward policymakers? Is it important that there be transparency and openness in their activity or does the fact that the funds are derived from private sources give the funders the right to conceal information about their activity?

In this study we will attempt, for the first time, to address these important questions in an area about which extremely little is known – globally and particularly in Israel. No preliminary study in such a field can provide unequivocal or exhaustive answers to these complex questions. The purpose of this study then, is to stimulate public discourse and debate on the matter in the hope that it will lead to serious policy deliberation and formulation around this vital issue.

This study is part of a comparative study that was conducted in Europe - “The Roles and Visions of Foundations in Europe,” directed by Professor Helmut Anheier. Although Israel is not part of Europe, it was invited to participate in the project. Because of the distinctive character of foundations in Israel, we decided to broaden the scope of the study and include in ours additional questions and methodologies that had not been incorporated in the comparative study. The data we gathered may ultimately be compared with those data gathered in Europe, but that comparative dimension is not presented in this study.

The question of the role of the philanthropic foundations at the national and global levels has emerged recently in various countries because of the policy of privatizing public services on the one hand, and the processes of globalization and transnational involvement of philanthropic foundations on the other. The transnational involvement of philanthropic foundations is of special significance in Israel, where that involvement began decades before the process of globalization, but at present it acquires a unique "twist", which we will try to address extensively. It is important to emphasize that the discourse on philanthropic foundations in Israel is, regrettably, not based on thorough information, as no such information exists. This applies especially to foundations that are not registered in Israel; here, not even a list of such foundations is extant, nor obviously is any detailed information on their activities, size of their allocations, etc. Indeed, the question of exactly how much is allocated by philanthropic foundations is a central one in any discussion of policy regarding foundations, however, it cannot be answered in precise numerical terms. We must therefore address the issue of the financial scope of the "foundations sector" using estimates only.

Finally, the popular and scholarly literature on philanthropic foundations, their functions and behavior, is much more developed in the United States than in other countries, because foundations there tend to play a more critical role in society, as witnessed by the frequent deliberations about their role and behavior in both the American press and in the US Congress. We therefore base our brief survey of the literature² primarily on that of the United States, which is richer and more thorough than that found in other countries. Another reason for our bias towards the American literature is the pertinence of American foundation activity for Israel, where a number of them are active.

The International Connection

In recent years, philanthropic foundations have experienced something of a renaissance after a long period during which their activity had stagnated. An interest in the development of foundations has been manifest in various countries such as the United States, the United Kingdom, Australia, Japan, Germany, Sweden, Turkey and Brazil. According to Anheier and Leat, the number of registered foundations in the US rose from 22,000 at the beginning of the 1980s to 65,000 by 2004. Europe too saw an impressive increase. In Germany, the number of new foundations registered each year rose from 200 during the 1980s to 800–900 in recent years and that number presently reaches 12,000. The approximate number of registered foundations in Switzerland is over 11,000, 9,000 in the United Kingdom, 3,000 in Italy and 1,000 in The Netherlands. In all these countries the numbers are expected to increase (Anheier and Leat, 2006:4). In countries such as Argentina (1,700 foundations), South Korea (4,000) and Turkey (3,600), foundations established during the past thirty years are similarly flourishing (Anheier and Toepler, 1999:10).

2. The review of the literature in the Hebrew version is more extensive

According to the Foundation Center, some 62,000 foundations in the United States disbursed approximately US\$30.3 billion in grants in 2002. The independent foundations, including family foundations (see definitions below), which make up the vast majority of foundations in the United States, accounted for a majority of that sum, allocating some US\$23.3 billion in grants. The amount allocated by corporate foundations that same year was approximately US\$3.4 billion and US\$2.46 billion by community foundations (Foundation Center, 2003).

Philanthropic Foundations: Definitions and Classifications

Philanthropic foundation giving is actually a form of donation. Yet unlike an ordinary donation, which takes place only once and concludes with the act of giving, the establishment of a foundation by a person or corporation accomplishes two things:

It is a declaration of intent regarding the goals of the donation on a long-term basis. The foundation's goals, as defined by its founders, are the major axis for its activity and define its policy, thus creating a specialization of the kind of grants. This specialization is intended to serve those third-sector organizations (and private individuals) receiving foundation grants because the giving itself is not arbitrary, but rather a calculated decision, based on experience and accumulated knowledge, which could potentially engender cooperation among organizations.

It relocates the donation from the domain of the private individual to that of an institutional framework. The establishment of a foundation also involves the allocation of assets that, together with their profits, are distributed as grants. This is also the significance of the institution of the philanthropic foundation from a social perspective; it constitutes a "stable" donation that is not subject to the desire, economic ability or whims of the donor.

A foundation is commonly defined as a non-governmental, non-profit entity, with privately owned assets, managed by trustees and directors for the purpose of achieving a certain public goal or goals (Smith, 1999). In many countries, foundations are eligible for tax breaks on the assumption that their behavior is consonant with the public interest. Located within the third sector by virtue of their being non-profit organizations, they support private individuals or organizations that work in the social space between the citizen and the state, with no profit motive (Bulmer, 1999).

One approach adopted in order to offer a more precise and empirical definition of foundations is that based on the comparative international research of non-profit organizations developed by Johns Hopkins University. According to this definition, "foundation" may be understood within the five categories that were developed in order to define third-sector organizations:

Non-membership based: Unlike other third-sector organizations that are based on an association of individuals, a foundation is not necessarily an association. Rather, it relies on an original charter of a private individual or corporation that provides it with a declaration of intent or goals and with economic stability.

Private: A foundation is formally and institutionally separate from government or its institutions, even if it established or supported by government. In those cases too the foundation may not use government authority in its activities.

Self-governing: Foundations possess a mechanism and regulations for self-management: They enjoy a high degree of autonomy and maintain their own accounts (assets, expenses and grants for allocation), separate from government ministries or corporate sponsorship.

Non-distribution of profits: The goal of foundations is not that of financial profit; "profits" or surplus are not transferred to the founders, trustees or directors of the foundation, but rather are re-invested in the foundation itself.

Public good: Foundations address issues that are relevant to the general public and thus pursue goals that serve the public interest rather than the narrow interests of a particular population sub-group (Anheier 2001).

Two prominent characteristics differentiate philanthropic foundations from other non-profit organizations:

The mission of most foundations is not to provide services or engage in advocacy but rather to supply funding. Their main and often exclusive task is the provision of grants (to private individuals or organizations) and the organization is predicated on this role. With that said, certain "operating foundations" also provide services or advocacy in addition to grants.

As noted above, the structure of non-profit organizations embodies the notion of "association": an association of people who invest their time, energy and knowledge in the interests of the organization. However, the salient feature of foundations is the assets at their disposal, which provide them with financial resources. These assets may be in the form of an endowed fund the interest of which is distributed by a philanthropic foundation or funds raised from the public or from the public sector, which are then distributed.

Types of Foundations

The chief role of foundations, i.e. providing grants to private individuals or to organizations, is performed in various ways. In the literature on the topic in the United States, foundations are usually classified in two ways: 1) by founder, and 2) by mode of operation: strictly as grant-makers or also as operating foundations (see, for example, Anheier and Toepler, 1999:12).

1. The Founders

Foundations may be established by a variety of sources: private individuals, corporations or the public sector. The literature generally classifies foundations by founder according to the following categories:

Independent foundations are founded by a private individual or a family that donate their own assets in order to promote, even posthumously, public goals they have chosen. This is typically a foundation in perpetuity that provides grants from the interest generated by its "corpus" to private individuals or institutions in accordance with its declared goals.

Examples of such foundations in Israel are the Gabriel Sherover Foundation, the Bracha Foundation and the AviChai Foundation.

Corporate foundations are established and supported by a business/ corporation. Legally speaking, these foundations are no different from independent ones. They are subject to the same requirements and tax benefits and are also obligated to provide grants intended for public goals.

Examples of such foundations in Israel are the Delek Foundation for Science, Education and Culture, the JVP Community Foundation and the Bank Discount Foundation.

The two types described above are commonly conceived of as *private foundations*, as distinct from those described below, which are regarded as public foundations.

Community foundations are linked to particular geographic regions, as expressed in both the nature of their activity and the composition of their governing boards. By and large, they are established to enable the inhabitants of a particular city or region to donate funds for the betterment of that same locality. This is facilitated through the channeling of funds to a foundation for this purpose, which in turn distributes grants according to a set policy. Another factor that differentiates community from private foundations is the source of their respective economic bases. Private foundations grow on the basis of an original investment or endowment, while community foundations, which generally have no such financial genesis, must ensure a stable flow of new (and relatively modest) donations in order to ensure their activity (Frumkin, 1997). The model of a foundation based upon a large number of individual donors is manifest in various forms in Israel. Several are connected to a city or region, such as Christian Friends of Judea and Samaria, the Tel Aviv Development Foundation and the Beer Sheva Development Foundation. However, quite a few others are linked instead to a particular ideological orientation (The New Israel Fund) or to the geographic location of its donors (overseas Jewish Federations).

Public foundations are established by the public sector in order to address issues that are typically not under the purview of government ministries or local authorities. Examples of such foundations in Israel are the National Science Foundation, the Shalem Fund for the Development of Services for the Developmentally Disabled in Local Authorities, and the Fund for the Encouragement of Israeli Cinema.

2. The Manner of Operation

Foundations may engage exclusively in grantmaking or may also engage in other forms of activity such as service provision or advocacy.

Grantmaking Foundations, as their label suggests, engage only in the allocation of grants. Examples of this type in Israel include the Fund for a Green Environment, the Steinhardt Family Foundation, and the Friendship Fund.

Operating Foundations, in addition to providing grants, also implement projects. At times, this dual role can bring the foundation into competition with its own grantees that address similar issues.

Examples of such foundations in Israel are the Sacta Rashi Foundation, the CRB Foundation (Keren Karev) and Abraham Fund Initiatives.

Roles of Foundations in Society

"Foundations, like giraffes, could not possibly exist but they do" Nilssen wrote regarding foundations in the United States in 1972. "As quasi-aristocratic institutions, they flourish on the privilege of a formally egalitarian society; they represent the fruits of capitalistic economic activity; and they are organized for the pursuit of public objectives, which is seemingly contrary to the notion of selfish economic interest. Seen from this point, foundations are not only rare, they are also unlikely institutions or 'strange creatures' in the great jungle of American democracy" (Anheier & Leat 2006:5).

What then is the *raison d'etre* of philanthropic foundations in society?

The literature that supports the existence of philanthropic foundations in society conceives of them as mediating institutions in the public space, operating among the citizens of a country and outside the market. They exist to ensure funding from a wide variety of sources, and as such, act as a counterbalance to the monopolistic tendencies of both the market and the state. Moreover, their status as mediators allows them to expand the sectoral, organizational, ideological, professional and disciplinary boundaries that tend to restrict other social actors (Anheier and Leat, 2002). According to Ylvisaker, foundations are society's affirmation of the need for an additional social force that allows independent consideration of public interests on the one hand and private allocations of resources for the public good on the other (1987). Ultimately, the existence of foundations promotes greater pluralism in society. They encourage variety and serve to some extent as a counterweight to government by developing and implementing new policy in a wide array of areas. Some argue that this is the quintessential justification for the existence of foundations as social institutions (Prewitt, 1999).

Derived from this perspective are a number of the social roles foundations fill, in theory or in practice (Leat, 1999):

A reduction in social, economic or educational disparities resulting from inadequate treatment or neglect by the authorities.

Assistance for the needy in an effort to achieve what Anheier and Leat (2002) refer to as a renewed distribution of resources from the wealthy to the poor. This role corresponds particularly to the early history of foundations, especially in the United States.

Foundations have the potential to promote innovation, as noted by Ylvisaker: "Foundations can and sometimes do offer an alternative and liberating source of money, ideas and legitimacy, which allow nonprofits, and through them, the public, to entertain options not otherwise available" (1987:373). Such innovation is especially pressing in areas about which little or no knowledge/expertise and/or public awareness exist. The promotion of innovation through the allocation of grants sometimes results in the leveraging of funds from other sources. Examples of this include initiating a new project the implementation of which will eventually be assumed by government or the use of seed grants as a lever to receive funding from additional sources at a later stage.

The ability of foundation to promote innovation also stems from their potential to bring about social change. This may be seen in a variety of ways, such as identifying new needs, working toward the empowerment of marginal population groups and broadening the repertoire of options for policy change. Paradoxically, foundations also exist in order to preserve tradition and cultural values (Anheier and Leat, 2002).

Emphasis is naturally placed on the instrumental aspect of the role of foundations and their impact on the area of policy, yet an additional role that is often ignored is that termed "expressive philanthropy" (Dobkin-Hall, 2003), referring to their serving as a channel for private individuals to donate money in a sustained manner for goals consistent with their vision, values, hopes and even whims.

In a recent volume on philanthropic foundations, the authors address the role of foundations from a different angle (Anheier and Leat, 2006). They look to the social and organizational characteristics of the foundations as the explanatory factor for the roles they serve. They note specifically that these bodies enjoy the luxury of making decisions with no external pressure. It is this feature that distinguishes them from other organizations working to shape the public sphere. Unlike public sector organizations, they are shielded from the power of the voter. Similarly, unlike businesses, they need not consider consumer preferences or withstand market pressures. Furthermore, they are also unlike other "ordinary" non-profit organizations that provide services or engage in advocacy, in that they usually do not need to seek funding—most in fact begin with it. This accords philanthropic foundations in democratic society with a unique status and prescribes certain roles that other agencies do not and cannot fill. In the past, this status (at least in the United States) led to innovation in various social areas and the undertaking

of controversial subjects or those neglected by other social actors. This in turn often led to social change. Anheier and Leat argue that foundations have the resources and the “space” that allows them to think, be innovative, take risks, fail and adopt a more long-term vision. Foundations may be viewed as living in a world of their own, for they belong to no particular sector and yet have contact with each. Because they are not the dominant force in any given profession or scientific discipline, they may therefore break conventions and traverse disciplinary or sectoral boundaries. These characteristics allow foundations to contribute to society more than just monetary grants. In an era of global capitalism, when the sustainability of the third sector depends increasingly upon contractual transactions with the state, fundraising from the business sector and the popular appeal of a few select areas, philanthropic foundations may serve to find creative, innovative solutions for many contemporary social problems, due to their ability to think "outside the box". According to Carson, foundations need to invest their resources in projects that can change the ways we understand and interpret certain issues (2003). Anheier and Leat refer to this ideal role of foundations as “creative philanthropy” (2006:9).

It is important to note that foundations do not directly bring about innovation, but rather encourage and facilitate it. Without their partnering with organizations that implement projects, no activity, traditional or modern, would take place. Moreover, foundations express their distinctive focus by targeting specific substantive areas. This is logical given the lack of professional knowledge and expertise on the part of volunteer and professional personnel of foundations. This is the task of the recipient organizations, for it is they who supply the familiarity with and professional knowledge of the substantive areas in which they operate. Indeed, separation and specialization are important in understanding the complex nature of foundation activity, which necessarily presupposes interdependence between them and other social actors (particularly nonprofit organizations).

Foundations in Israel

One of the most noteworthy aspects of foundations and funding organizations operating in Israel is that in addition to those registered in Israel (2,014 active non-profit organizations and "associations for the public good" and 1,840 active trusts), there are also many foundations and funding organizations (the precise number of which is large and unknown³) established by individuals and institutions located externally. Their assets are located abroad and some of them have no formal status in Israel altogether. It is estimated that over 1,500 foreign foundations operate in Israel, but there is no way to substantiate this. Nor is there any way to ascertain the precise amounts these organizations allocate in Israel (this figure is also lacking with regard to Israeli foundations). According to data from the Central Bureau of Statistics for 2002, unilateral

3. The term “foundation” usually refers to the "corpus" or general assets the gains (interest) of which are distributed in the form of grants. The term “funding organization” usually refers to an organization that engages in grantmaking, even if it does not possess any permanent assets and must raise its sources. Both kinds of organizations exist in Israel, as in the United States. In this report, in order to simplify matters in our treatment of this group of funding organizations, we will use the word “foundation,” even if it is not commonplace in discussions of certain kinds of organizations (such as free-loan funds).

transfers of money from overseas to Israel totaled some \$1.5 billion (US\$1,500,000,000). This amount includes the donations of:

Foreign citizens to organizations such as the Jewish Agency for Israel (JAFI), the Joint Distribution Committee (JDC), the Jerusalem Foundation, hospitals, museums, universities (through "Friends of" organizations) and the New Israel Fund;

Foreign citizens who establish an overseas foundation with activity in Israel, such as the Mandel Foundation, the Ford Foundation and the CRB Foundation.

We have no way to accurately estimate the relative share of each of these foundations within the total estimated sum. This same sum also includes donations by private individuals from abroad, not made through foundations, though these are assumed to be minor, since funds transferred through legally registered foundations (abroad) receive tax credit there. Hence, private donors have little incentive to donate directly to an organization in Israel, when doing so via a foundation is so much more advantageous⁴.

For the sake of comparison, during that same year (2002), Israeli households and businesses donated approximately \$250 million to third-sector organizations. The total ongoing budget of Israeli foundations whose source is in Israel (including public foundations funded mainly by the public sector that provide grants to private individuals and to organizations) is estimated at \$150 million.

The picture that emerges from these estimates is unique to Israel and indicates a trend that departs radically from the situation prevailing in other Western countries. In the Western world in recent years, indigenous foundations have become increasingly involved in global activity through increased investment of funds outside their own countries. This applies not only to countries with a strong economy such as the United States, The United Kingdom, Germany and Japan but also to "second rank" countries such as Spain, Portugal and Italy. Conversely, in Israel the opposite trend is underway. Indeed, Israel is the sole Western country that "imports" from abroad in such large amounts philanthropic funds in general and foundation funds in particular. Of course there are significant historical, religious and political reasons for this. This feature of the philanthropic landscape in Israel nevertheless raises many questions, which will be addressed later on.

It is important to point out that not all the funds allocated by foreign foundations operating in Israel are derived from Jewish sources. Prominent examples of this are the Ford Foundation, the German (political party-affiliated) foundations (Konrad Adenauer Foundation, Friedrich Ebert Foundation, etc.), the Friendship Fund, church-affiliated foundations in The Netherlands, Switzerland, Scandinavian countries, and many more. It is also worth mentioning that the Jewish

4. Nevertheless, donors (in the United States) who wish to transfer funds to Israeli nonprofits not connected to any foundation may use the services of PEF, a legally registered American foundation that serves as a "pipeline" for fund transfers to third-sector organizations (usually small ones). PEF provides this service with no overhead.

and non-Jewish foundations do not necessarily differ with respect to the substantive areas supported, populations targeted, or underlying ideological orientation. Thus, for example, one may find non-Jewish foundations (the Christian Friends of Settlement in Judea and Samaria) supporting settlement in the occupied territories, an issue associated with a strongly nationalistic/religious Jewish platform on the one hand, and explicitly Jewish funds (New Israel Fund) supporting the Arab-Palestinian population in Israel on the other.

Foundations and Funding Organizations in Israel: Definitions

Our study deals with foundations and funding organizations in Israel as both a part of the third sector and as institutions that fund it. These organizations allocate grants (to organizations and/or individuals), either exclusively or accompanied by other activities (the provision of services or advocacy).

As we have seen, grants from philanthropic foundations differ from direct donations by private individuals in that they are provided through an institutional framework, which features stability as well as a particular direction or goals. Such foundations, irrespective of their sources, are institutionally and legally distinct from both the public and private/business sectors. In Israel, this conception of foundation, coupled with the feature of foreign foundation involvement, is consistent with the definition developed by Anheier and Leat, drawn from the definition used by the Hopkins Project (see page 22).

A foundation in the third-sector is a formal non-profit organization that is registered as such in Israel or abroad, allocates grants to private individuals or third-sector organizations, based on public goals articulated by its founders and/or board of directors. The foundation has assets at its disposal that provides the base for the allocation of grants or raises funds for this purpose. The foundation is institutionally distinct from the government and its agencies in its country of origin, including those cases in which it was established and/or supported by the government. The foundation possesses mechanisms for self-management and maintains its own accounts (assets, expenses and grants for distribution) separately from government ministries or corporate sponsorship. As a non-profit organization, it invests its surplus budget in the foundation, since it is prohibited from distributing it among its board members and trustees.

In Israel, as in the United States, this definition includes a wide variety of organizations that allocate grants to private individuals or organizations. The legal treatment of this phenomenon results in the following kinds of organizational forms:

Public trusts, run by trustees, which were founded to achieve particular goals.

Non-profit organizations and companies for public benefit that manage funds and allocate them, either exclusively or in addition to another activity;

Quasi-public institutions that are based mainly on donations from foreign citizens (JAFI, the Jewish National Fund (JNF), Keren Hayesod, the JDC);

Foreign foundations that are active in Israel and registered in Israel as a foreign entity;
Foreign foundations that operate in Israel and have no formal legal standing in Israel.

As mentioned previously, the data currently available on third-sector organizations in Israel in general and foundations in particular, are not amenable to a comprehensive investigation of the precise number of organizations in each of the above categories or of the scope of their financial activity. The main reason for this is the inability to obtain financial reports from a large number of these organizations. The explanation for this lack of disclosure is traced to bureaucratic complications or to the legal immunity afforded those organizations not registered in Israel. This is also the reason that there is no possibility to distinguish empirically between grant-making foundations and those that engage in other activities as well (operating foundations). Finally, it is also not possible to obtain empirical information that will facilitate the analytical sub-division of private, corporate, community and public foundations, a common distinction in the American literature.

However, we did manage to uncover a distinction, between foundations and funding organizations in Israel (registered in Israel), that did not appear in the literature and which we deem important to our inquiry. This method classifies organizations according to the type of beneficiary. This distinction is achieved by analyzing the foundation's goals.

Foundations can build a grant allocation system for which the principal beneficiary is (1) an individual, (2) a specific organization or (3) a multiplicity of organizations, or a combination thereof.

Individual: Foundations that award scholarships or research grants, or provide material assistance to families. Examples of such foundations include ECRF - Cancer Research Fund in Israel; Fund to Assist Russian-Language Authors; Israel Free Loan Association; the Fund for Educational Advancement of Iraqi Immigrants in Israel.

Specific organization: These refer to "Friends of" or support organizations for particular institutions in the fields of health, education, culture, etc. Examples of such foundations include Friends of the Kaplan Medical Center; Friends of the Israel Philharmonic Orchestra; Friends of Bet Shanti; Terra Santa Scholarships at Hebrew University⁵; Fund for the Children of the Groedinger Variety Center of Jerusalem; the Judith Elbin Fund for Research at Tel Aviv University. Multiple organizations: These are foundations that fund a particular substantive area (the environment, religious pluralism, etc.) and allocate grants to various organizations that are thought to be capable of advancing the issue in question. Examples of such foundations in Israel include The Clore Foundation; The New Israel Fund.

5. Although the beneficiaries of these foundation grants are individuals, these foundations are placed in the second category because of the formal link between the foundation and the specific institution awarding the scholarships. In the final analysis, the institution's resources increase.

Multiple beneficiaries: The fund allocates grants to organizations as well as to individuals. This practice may reflect foundation policy and at other times may result from goals that are defined imprecisely or ambiguously. Examples of such foundations in Israel are Yad HaNadiv and the Friendship Fund.

Data on funding organizations in general and philanthropic foundations in particular have important implications not only within Israel's third sector but can also shed light on the impact of philanthropic funds from abroad on the capital market in Israel and on Israel-Diaspora relations at large. However, as third-sector researchers, it is important for us to understand foundations and funding organizations in Israel both *as a part of the third sector and as a funding source for the third sector*, with an emphasis on the latter. This report will therefore focus primarily on the actual and potential roles of *foundations that fund third-sector organizations*. Hence, we have a special interest in concentrating on the third category above—foundations that fund multiple organizations. According to our estimates, although the absolute number of such foundations is relatively small, the considerable scope of their financial activity qualifies them as the most significant, investing them with the greatest potential for performing various roles in the development of society, promoting social innovation and bringing about social change. Many of the foreign foundations and funding organizations fall under this category.

General Data

In Israel 6,377 foundations and funding organizations are registered to date, of which 60% are active. This represents a wide array of organizations that address multiple substantive areas. They exist in three different legal forms, the most common of which is the amuta (nonprofit association): 4,300 of the organizations are registered as amutot, 1,946 as public trusts ("hekdeshot tziburi'im") and 115 as companies for public benefit ("chavarot le'toelet hatzibur"). More than half of the trusts are funds established within particular institutions such as hospitals and universities, and 35% of all foundations are those that support individuals. Half of the companies for public benefit are foundations that support multiple organizations. Most of the active foundations are small, allocating grants of anywhere from several hundred to tens of thousands of shekels per year. At the same time, the large foundations allocate grants of as much as millions of shekels per year. Nearly all the foundations are private, but government foundations also exist such as the Shalem Fund and the Israel Science Foundation.

Foundations: Legal Status⁶

Israel's legal code contains no specific mention of "philanthropic foundations", nor are there references that could be construed as encouraging the establishment of such foundations. As a rule, established foundations are treated as third-sector organizations and are by and large subject to the laws (including tax laws and benefits) and restrictions that apply to such organizations.

6. A thorough discussion of the legal status of foundations in Israel may be found in Tannenbaum and Kaplan (1997) and in Lerner (2002).

The significance of this for the purposes of taxation is that when a person wishes to set aside assets in order to establish a philanthropic foundation, the assets are considered a donation, thereby entitling the founder to a 35% tax credit, an inducement limited to NIS 2 million annually.

Of those foundations registered in Israel, most are classified as non-profit organizations (*amutot*) or as trusts. Foundations and funding organizations registered as *amutot* are managed as such (see: Gidron, Bar & Katz, 2004). As for trusts, there are two kinds: 1) A Public Trust operates in accordance with the Trusteeship Law of 1979. That law creates a framework for people or corporations to set aside assets for private or public goals of their choice and for the management thereof by trustees. It distinguishes between a private trust and a public trust and gives the Registrar of Trusts broader powers regarding the latter, which is the subject of our discussion. 2) A Religious Trust operates under the jurisdiction of the Rabbinic Courts and its origins may be traced back to the Ottoman Period.

A public trust is designated for management by a foundation that operates for the public good. The Trusteeship Law grants the Trusts Registrar the regulatory authority to oversee the allocation of funds as well as the handling of foundation monies not used for ongoing activity. The law allows the courts to interfere in the management of the trust under certain conditions. It would be reasonable to expect the legislator to view the trust as the proper way to manage foundations for the public good, but the trusts have two disadvantages relative to the other forms of association: 1) By law, a trust is not a legal entity and its assets are therefore registered in the name of the trustees that manage it; 2) its organs of governance are not prescribed by law, thereby resulting in the trustees being personally liable. Consequently, most of the trusts are structured to manage bequests and, according to the data cited above, most of the foundations prefer to assume the status of non-profit organization (*amuta*).

History⁷

Religious Connections

The precursor in the Jewish tradition of the contemporary “(philanthropic) foundation” is the Hebrew *hekdesh* (“trust”), a term coined during the Second Temple period. According to this concept, individuals could donate their property for the restoration of the Temple or in order to provide sacrifices which would be offered upon the altar. After the destruction of the Temple, the term was used to denote the donation of property to synagogues or to charity, as well as to

7. In this survey we can only devote a brief discussion of this very important subject, on which a great body of literature exists addressing both its traditional Jewish antecedents (surrounding the Hebrew term “*hekdesh*”—trust) and its modern Zionist dimension (see, for example, “Trusts,” 1962; Tannenbaum and Kaplan [1997], Metzger [1976], Krautner [1972] and Duchon-Landau [1980]).

ensure the education of children and of yeshiva students. During the Middle Ages, this practice became very widespread, and the transferring of property for this purpose was usually stipulated in wills. Questions regarding trusts were addressed in books of Jewish law, compilations of regulations, and much of the documentation of Jewish communities (Trusts, 1962). Such trusts were often established in the name of a particular individual, such as a relative who had died or been killed. This tradition of establishing trusts exists to this day and may be illustrated by the thousands of public and religious trusts that bear the name of the person in whose memory they were established⁸.

Another Jewish tradition that finds expression in the activity of modern foundations, particularly in the “import” of philanthropic funds - a very prominent feature among foundations active in Israel, is the financial support provided by Jews abroad to the Jewish community in Israel. This tradition began following the Babylonian exile, a period during which the exiles supported those who had remained in Israel and also supported those who returned, when the return to Zion commenced. This tradition persisted throughout Jewish history and was manifest in the *halukah* funds that supported the yishuv (pre-state Jewish community) in Israel for many centuries and subsequently in Diaspora Jewry’s support for the Zionist enterprise. This tradition is rooted in the mitzvah (religious precept) of living in Israel; those who could not fulfill this precept had a duty to help their brethren who did. The yishuv saw itself as the custodian of the continued Jewish presence in the Land of Israel and as a catalyst for the Redemption. Hence they viewed funds donated by the Diaspora not as charity, but as a religious duty. Eliav (1978) quotes Rabbi Moses Hagiz in his book *Sefat Emet*: “There is no obligation upon the inhabitants and Torah scholars of the Land of Israel to express gratitude to the members of the Jewish communities even by saying ‘Thank you’ ... It is thanks to those who dwell in Israel and sustain it, and thanks to the Torah that is studied in Jerusalem, that the Jews of the Diaspora are sustained [...]” Eliav adds that the afflictions of the *yishuv*’s inhabitants, who prayed for their brethren and who persevered despite their weariness, constituted an atonement for the sins of those in the Diaspora.

These religious precepts in the Jewish tradition, which necessarily inform the discussion of foundations in Israel, can explain the large number of foundations established by Jews in Israel and the extensive activity of Jewish foundations throughout the world.

8. This deeply rooted tradition among Jews continues to this day and is illustrated in a brief essay eulogizing David Shoham, “soldier, banker, philanthropist, 1923–2005” (Uri Dromi, “*Noblesse Oblige*, Israeli-Style,” *Haaretz*, August 10, 2005, p. B6. The essay describes the philanthropic response of Shoham following the death of his son in an army training accident. “He established a scholarship fund at the Open University for combat soldiers in memory of his son, Avshalom [...]. When the Stalactite Cave was discovered in Bet Shemesh, he raised funds for its development and it was named for his son [...]. He also donated to “Hai-Bar” Nature Reserve and to the Gazelle Fund in memory of Abraham Yoffe.”

The Zionist Connection: The Yishuv Period

The ethos of philanthropic foundations in the United States is strongly linked to the activity of individuals - industrialists and revered philanthropists of the late nineteenth century. They reshaped the notion of “philanthropic foundation”, endowing it with a secular character, and created the organizational framework of contemporary foundations. These early philanthropists employed professional personnel and endowed these new social institutions with an ideology i.e. harnessing science to ameliorate social problems. Even today, when we speak of philanthropic foundations in the United States, the leading model is that of a private foundation established by an individual or a family that operates in the designated field. Indeed, more than 80% of the foundations in the United States are private.

The (secular) ethos undergirding foundations in Israel differs radically from this model. Here, it is not an individual who establishes a foundation and chooses its objectives. The notion of “foundation” in Israel is associated in the national consciousness with *public* foundations, which are funded mostly by Diaspora Jewry and for the most part support the building of the Jewish national home in the Land of Israel. This ethos took shape during the first part of the previous century when foundations were established and managed within the Zionist movement in Israel and abroad. It engendered severe ideological disputes.

The disputes during that period revolved around three major issues:

1. Should the funding of the Zionist enterprise be based upon donations (viewed by some of the leaders as a "tax" of sorts) from Diaspora Jewry or upon *private investments*? This question was the focus of the struggle between Chaim Weizmann, supported by the Labor Zionist parties, and the faction associated with Brandeis in the United States, which sought to base the Zionist enterprise on the principle of private initiative for profit (Horowitz and Lissak 1977: 250–251). Several factors informed the latter’s preference for private investments: Traditional concerns for efficiency (including the fear that a centralized body would harm the relationship with investors, as well as their interests and commitment) and ethical-national considerations, predicated on the notion that the option of private investment would stimulate subsequent investment in the economy, thereby enabling immigration and settlement (Metzer 1976).
2. Should the inhabitants of the country, like their Diaspora brethren, take part in such funding? Tzahor notes, “what the donors considered a goodwill gesture was regarded by the recipients as an entitlement” (1994:49). He quotes Ben-Gurion, who said, “Although the Histadrut [labor federation] could not operate without the direct financial support of the Zionist movement, the Zionist movement could not raise funds without immigration. Since the Histadrut is the agent for immigrant absorption, the money reaching the Zionist movement due to the Histadrut's efforts is being returned to its rightful owners” (1994:106–107).

3. Who should make the decisions regarding the allocation of funds raised—the *donors* or the *recipients*, i.e. leaders of the organized yishuv in Israel?

These fundamental disputes served to shape the character and functioning of the Zionist fundraising arms during the pre-state period, with continued influence for more than thirty years after the founding of the state.

- The first of these questions was resolved through the efforts and priorities of the Zionist institutions, in the form of donations by multiple donors rather than investments by individuals⁹.
- The answer to the second was affirmative in principle, but in practice, the major task of funding the Zionist enterprise was assumed by Diaspora Jewry, creating a tacit “division of labor”, whereby some invested money and others invested “themselves”.
- The third question was resolved quite unambiguously, with the recipients of the donations, rather than the donors, controlling the allocation of the funds in question¹⁰.

The first large foundation that operated according to this pattern is of course the *Jewish National Fund* (JNF), established at the 5th Zionist Congress in 1901, followed by *Keren Hayesod*, established in 1920. The Jewish Agency for Israel (JAFI) was established in 1929 and served as the executive arm of the Zionist movement in the Land of Israel and the repository for funds raised in the Diaspora. The JNF began raising money by distributing stamps, collection boxes (the legendary “blue box”) and the “Golden Book”. At the same time, it purchased land in Palestine and handled issues of settlement (eventually taken over by *Keren Hayesod* after its establishment). An example of the dynamic described above is the severe dispute that erupted during the 1920s between the then chairman of the JNF N. de Lima, who lived in The Hague, and Menachem Ussishkin. The dispute, concerning the preference for either urban or rural land, resulted in the resignation of the former. A short while thereafter, the JNF headquarters moved to Jerusalem and Ussishkin was chosen as its director (<http://kkl.org.il>). Similarly, the dispute alluded to earlier between Weizmann and the US-based Zionists led by Brandeis, accompanied

9. This is not to say that there were no investments by individuals at the same time, but rather that this was not the overall direction or national strategy.

10. Tzahor (1994) cites an example of the dynamic between the US donors and the activists in Palestine: “Hadassah began operating in Israel in 1918 [...]. (It) quickly grew to be the main source of support for health funds, except that the representatives of Hadassah demanded supervision and professional management of the aid, while the representatives of the Histadrut objected to the involvement of any outside element. The differences of opinion grew more profound and the disagreement more severe. The Americans were astonished at the degree of insolence in the workers’ demands and the manner in which they were presented. They particularly resented the lack of responsibility in the sloppy management, which in their opinion bordered on irrationality and an outrageous waste of money. On the other hand, the Histadrut representatives were convinced that the Americans were alienated from their enterprise, did not understand it and sought to restrict it. In fact, despite the severity of the dispute and its significance in principle, a mutual dependence gradually formed on either side, between the Americans, who sincerely wished to support the *halutzim* [...], and the members of the Histadrut, who desperately needed assistance, and thus, despite the disagreement, support was instituted for Hadassah and the contract was signed [...]” (47–48).

the founding of Keren Hayesod. Brandeis subsequently resigned from his positions in the Zionist movement in 1921 (Metzer 1976).

The First Three Decades after the Establishment of the State: The Corporatist Model

After the state was established, these same organizations continued to raise funds from Diaspora Jewry for various purposes in Israel, but in order for the Zionist institutions to obtain tax-exempt status for their donors (in the US as in other countries), they were required to register as non-profit organizations and separate their activity from that of the state. However, this change in the foundations' legal status altered neither the perception of their role (to support the task of "nation building") nor the control over decisions regarding allocation (which remained in the hands of the recipients). Practically speaking, following the establishment of the state, control over the destination of funds raised abroad passed from the JAFI executive to the Government of Israel. During the first three decades after independence, the dynamic that characterized the relationship between the Zionist fundraising bodies and JAFI in the pre-State era continued. Over time, other Jewish funding organizations that did not necessarily define themselves as Zionist, such as the JDC, joined this arrangement. The funder in this case, essentially foreign citizens, does not determine the destination of these funds - this remains the prerogative of the recipients, i.e. the government and its constituents.

Although this accurately depicted the essence of the relationship between Diaspora donors and Israeli recipients, presenting it in this manner tends to misrepresent the perceptions and intentions of both parties. The donors, who were mostly Jewish citizens of foreign countries, viewed their donations as a way to assist the government of the Jewish state cope with critical challenges to its existence and did not seek to undermine the government's right to determine the destination of these funds. Moreover, donations to the national Jewish organizations were perceived of as something of a "Jewish tax" rather than a donation per se, with all the ramifications thereof. On the other side of the equation, the recipients did not relate to these funds as qualitatively different from other funds in the state's coffers. Kramer (1976), in his study of voluntary organizations in Israel at the beginning of the 1970s, cited an anecdote that aptly illustrates this point. During the course of his study, he interviewed a high-ranking Welfare Ministry official and asked for data about the ministry's allocations to various voluntary organizations (which also received allocations from Diaspora Jewish foundations). The official replied that the ministry did not differentiate between these two sources in their budgetary calculations. When Kramer expressed his astonishment over this, the official replied: "What does it matter? Either way it's the money of the Jewish people".

It is also important to note that although funds from the Diaspora channeled to the Zionist bodies were treated much the same way after statehood as they were before, formal agreements were signed between JAFI and the Israeli government (and ratified as laws by the Knesset) stipulating that these donations would not merely pad the state treasury but would in fact be earmarked for

clearly specified objectives (such as immigrant absorption, settlement and forestation). When the JDC began operations in Israel during the early 1950s, it sought to develop facilities for the elderly in response to the needs of elderly Holocaust survivors who were arriving in Israel at that time. The JDC proposed this venture, in conjunction with the Israeli government, demonstrating that these instances of cooperation between funders and recipients were not merely decisions imposed on the former by the latter. Indeed, this *modus operandi* continues to this day. In a meeting of the Knesset Committee for Immigration, Absorption and Diaspora Affairs that took place on November 9, 2004, Arnon Mantver, director-general of JDC-Israel, declared: “We do not believe in imposing anything on the ministries in which they do not already have an interest. Our goal is to initiate, to provide preliminary oversight, and eventually to withdraw. If the ministries are not involved from the outset, no progress will be made later on”. It should be noted that JAFI and JDC serve as both funding organizations as well as operating foundations, implementing projects of their own in addition to funding others¹¹.

In summary, until the 1980s, the model for the activity of foreign foundations¹² in Israel (i.e. those based on donations from foreign – primarily Jewish – donors) was characterized by the government approving the allocation of funds raised abroad. Indeed, during the first thirty years of the Israel’s existence, funds from these funding arms and from private donors allowed for the establishment of countless ventures in the spheres of education (universities, schools and community centers), health (hospitals and clinics) and culture (theaters and concert halls), as well as other projects, all in coordination with and subject to the approval of the government. This is a prime example of the corporatist model, in which the source of legitimacy in society, i.e. the government, is entrusted with determining policy and creates the framework within which private agencies must then be integrated. The prevailing view of philanthropic funds was that they originated from “family members” rather than from “strangers” whose intentions might otherwise be suspect. The role of foundations in stimulating innovation and social change did not at all resonate during this period. Their most salient role was in expanding the system of public service provision through the sustained funding of activities in a manner that in no way altered the relationship that prevailing between government and its citizenry or between government and third-sector organizations.

11. On the Jewish Agency for Israel and its methods of operation, see its website: <http://www.jafi.org.il>.

12. This refers not only to the National Foundations (JNF, etc.) but others as well such as the Yad HaNadiv Foundation.

The 1980s and Beyond—New Models of Foundation Activity in Israel

The corporatist model of foreign foundation activity in Israel has undergone gradual change since the beginning of the 1980s, as the monolithic framework of “the state”, responsible for the welfare of all its citizens, encounters increasing difficulty in discharging this responsibility in the face of far-reaching demographic, political, technological, economic and social changes (Gidron, Bar and Katz 2003). Concurrently the second generation of Diaspora Jewish donors had become increasingly disillusioned, seeking more control in determining the use of their philanthropic investments. The efforts of many voluntary organizations in general and advocacy organizations in particular exposed the multi-faceted and at times problematic aspects of Israeli society by highlighting issues of discrimination and/or exclusion of certain marginal population groups. This state of affairs gave rise to the development of new modes of foundation activity in Israel that departed from that of the earlier corporatist model, during which the state had determined policy and the rules of engagement in an almost unilateral fashion. The emergence of new modes of foundation engagement did not negate or interfere with the continued activity of the older model with its requisite frameworks and modes of operation.

Project Renewal

The first significant manifestation of this was the inauguration of "Project Renewal" in 1979, a tripartite arrangement involving the government, Diaspora Jewry (represented by JAFI) and local government. This signaled the dawn of a new model for relations, according to which donors enjoyed some authority over both the allocation of funds and the implementation of projects at the local level. The project entailed Diaspora communities “adopting” specific towns or neighborhoods in Israel, creating for the first time a direct and personal connection between the donor and recipient, resulting in a scaling down of the role played by JAFI in allocating resources and in negotiating the Diaspora-Israel relationship. This project gradually forged a new dynamic, which allowed donors to rethink the efficacy of the existing fundraising frameworks and this in turn led to structural changes within JAFI and its constituent organizations.

One of the by-products of Project Renewal was that some of the (larger) Jewish community Federations in the US (e.g. New York, San Francisco, Detroit and Los Angeles) created mechanisms for independent grantmaking in Israel. Prior to this, all Jewish federations would transfer funds raised communally for Israel to JAFI, which in turn would allocate them. However, as the authority and centrality of the latter waned, some Diaspora communities sought avenues for involvement that were independent of JAFI. One very vivid example of this trend is the presence in Israel of representatives of those independent federation grantmaking bodies.

Joint Distribution Committee: The “Relay Race” Model

Even prior to the 1980s, the attitude of JDC-Israel toward its relationship with the Israeli government began to change. After JDC had established a network of institutional care centers for the aged during the 1950s, it set out to create facilities for the training of professional staff

in the field of welfare services and later build a network of community centers, community services for the elderly, and facilities for youth at risk. Inspired by the activity and internal management of certain leading US foundations, JDC came to view its role as that of catalyst for innovation in the provision of public services, particularly in the field of welfare. The strategy of the JDC assumed the form of providing initial funding for a new project and putting in place a system for the eventual transfer of financial responsibility to the government. After a certain predetermined period of time, the JDC would gradually reduce its share of the funding until such time that it withdrew completely. These arrangements were anchored in explicitly worded contracts and represented nothing less than a revolution in the role of grantmaking foundations in the public system. Foundation funding was for a finite period of time and a clear division of responsibility among partners was established to ensure that the desired innovation was indeed implemented. In this way, foundations (like JDC) were able to press ahead in new substantive areas and set in motion a similar process. The example described above represents a skillful use of the organizational mechanism of a foundation, according to which it develops new areas of activity and provides funding during the initial critical period until the desired innovation is eventually internalized and subsequently exits the field.

The New Israel Fund: An Israeli-American Partnership

In both models presented above, a new kind of discourse developed between donors and recipients regarding the manner in which decisions are made and funds from abroad are allocated. Yet, the areas of activity of those foundations remain within those identified as priorities by the Israeli government. The establishment of the New Israel Fund in 1981 marked another stage in the evolution of the role of philanthropic foundations. In the case of the New Israel Fund, the foundation decided to tackle issues that, for political, ideological or other reasons, were not addressed by government, such as religious pluralism, civil rights, discrimination, etc. The Fund's selection of these issues represented a clear challenge to the seemingly omnipotent role of government in determining and controlling the public agenda. It should be noted that the Fund's activity was sparked by the proliferation of advocacy organizations in various fields that experienced difficulty in mobilizing resources due to the perception of their being antagonistic to government.

The model embodied by the New Israel Fund is innovative on at least two levels. First, as mentioned previously, is the foundation's targeting of issues that fall outside the prevailing societal consensus and may be interpreted as challenging the status quo. Emblematic of this is the Fund's support of non-orthodox streams of Judaism in Israel, which calls into question the hegemony of Orthodox Judaism in matters of religion in Israel. The second is the model of foundation governance, which is a "community (or public)" foundation based on donations from multiple donors. This is reflected in the composition of the board of directors, which is comprised jointly of Americans and Israelis. Donors and public figures from both sides of the ocean are represented on the board (though the percentage of the donations raised in the US is much higher than that raised in Israel). The mode of decision-making is primarily one of compromise, negotiating between issues that are important to each side.

In one sense, the model embodied by the New Israel Fund represents a certain continuity in the tradition of Diaspora funding mechanisms being “public”, in as much as they are based on multiple donors. Yet first and foremost, it signals change and innovation in a variety of meaningful ways by offering a joint model of governance for donors and recipients alike and explicitly promoting the welfare of Israel's Arab-Palestinian minority (a goal not heretofore addressed by Jewish philanthropic foundations). Representatives of that community have also been enlisted as members of the NIF’s board of directors.

Foundations Linked to the Business Sector

An additional working model that developed in Israel during the 1990s is that of foundations linked to businesses, particularly in the field of high-tech. As Israeli business ventures in this field flourished, they were exposed to a process common in the US, whereby funds are invested in social issues. Israeli companies such as IVN and JVP, motivated by a sense of social responsibility, entered this field and set aside large amounts of money for such investments. The venture capital funds model, familiar to them from their business practices, also informed their social, philanthropic behavior. Most of the efforts of foundations adhering to this model have been in the field of education. The attempts of foundations such as IVN to develop indices of success for their activity and their concomitant emphasis on “social outputs” make this model distinct from the others and add to the diversity of the landscape of foundations in Israel at the beginning of the twenty-first century.

Private Foreign Foundations Operating in Israel

During the past two decades, the activity of private foreign foundations that have established “branches” in Israel has increased considerably. The most prominent among them are the Sacta-Rashi Foundation, The CRB Foundation (Keren Karev), the Mandel Foundation, the Joseph S. & Caroline Gruss Life Monument Fund for Assistance to I.D.F. ex-servicemen, The Kahanoff Foundation, The Rich Foundation and the Avi Chai Foundation. We believe that, alongside these foundations, investing in the aggregate millions of dollars in Israel (each in its preferred field), there are hundreds of smaller ones, most of them US-based family foundations, each of which invests tens to hundreds of thousands of dollars in Israel each year in multiple areas. Some of them have established an *amuta*, in which case their activity in Israel is registered. Others do not report their activity in Israel, but do so in their own countries according to the laws applicable there. Most of these foundations were established by Jews, but in recent years it would seem that the number of foundations established by non-Jews has increased.

Reciprocal Relationships between Foundations

While the US and the UK have umbrella organizations of foundations that seek to develop standards and appropriate practices for their operation, Israel has no such framework. At one time, the Van Leer Institute established a Foundations Forum, but it is now defunct. Currently a Foundations Forum operates with approximately fifty members, most of them foreign. This forum, in which ideas and information are exchanged, often tries to coordinate activities, especially during times of crisis. Its creation was prompted mainly because of the need for foreign foundations to better understand the local environment in which they operate. Despite this, only a minority of them participates therein.

Sometimes, cooperation between foundations takes place for the sake of planning and jointly addressing a specific concern. The Forum for Food Security is a good example of this. Acting as a consortium of American family foundations around the issue of food security in Israel, it has funded studies on the subject, lobbied, developed a public awareness plan and liaised with American experts in the field. However, the lack of a comprehensive and systematic mechanism for information exchange among foundations in Israel has thus far precluded the possibility for a meaningful, concerted pooling of resources, coordination and cooperation.

Government-Foundation Relations

The issue of philanthropic foundations, their role in society and their functioning has yet to appear on the public agenda in Israel. As we have seen, thousands of foundations, some of which are based overseas, operate in Israel. During the pre-State era and following the establishment of the state, philanthropic foundations played a significant role in developing various social institutions in areas such as education, health, welfare, and the environment. In previous years, foundation activity developed within the corporatist model, which affirmed the primacy of the government and its right to determine the public agenda. Foundations by and large followed that path and allocated funds according to this principle. Since the 1980s, with the changes in the political, economic and social environment, we have witnessed a continuation of foundation activity in complementing the provision of public services, but we have also witnessed the independent operation of some foundations with attempts to place new issues on the public agenda – not always to the liking of the government.

Foundations Complementing the Provision of Public Services

The role of foundations in complementing services normally provided by public sector agencies has assumed a renewed significance in recent years in light of economic policies and the drastic cuts in government budgets for social services. However, unlike the situation that prevailed during the 1950s and 1960s, the philanthropic foundations currently entering this niche do not wait for government directives regarding the proper target of their investments. In many cases,

they have proposed their own ideas and directions. In their deliberations with government, they attempt not only to persuade the relevant government ministry of the vital nature of the activity they initiate but also to solicit matching government funds for those projects, even if those projects may not rank high among the ministry's priorities. Consequently, the availability of foundation funding can sometimes lead to changes in a ministry's priorities, following the reasoning that "if there is money from the foundation, it is a shame not to use it."

But do economic considerations and the anticipated savings engendered by government collaboration with foundations result in government entering any possible substantive area? The answer is a qualified "no". When the question of funding hot lunches in schools arose and the enlistment of philanthropic foundations as a funding source was considered, the response of the Prime Minister at the time was wholly negative. He argued that it was inappropriate that such a basic need in society be funded by donations – certainly not those from "foreign sources."¹³

Independent Action by Foundations

Foundations as a funding source and third-sector organizations as operational bodies serve as agents of social change. Issues such as women's rights, the environment and the development of civil society in the Israeli Arab sector are just three examples of program areas initiated by social activists. These activists established organizations in order to promote such issues and private foundations supported them by funding their activities. In all three cases, almost none of the resulting activities were coordinated with the government and certainly none received government funding, since government policy was the very target of the desired social change. Such activity on the part of foundations may be interpreted as counter posed to government, and in certain extreme cases as undermining its very legitimacy; hence, sometimes governments attempt to restrict it. The new regulations for American foundations operating abroad after September 11, 2001 are an example of a government's response when it fears that philanthropic foundations might serve as a cover for illegal activity. At times, governments of recipient countries also impose limitations on foundations operating within their jurisdiction. Clearly, the latter example may also be a pretext for some governments to restrict the activity of foundations seeking to introduce progressive social change in those societies.

13. India also refused to accept assistance from abroad after the tsunami, and the US responded in a similar manner after the destruction caused by Hurricane Katrina. Evidently, other governments are also very selective about accepting foreign funds, especially if alternatives are thought to exist.

Foundation Accountability

Foundations registered in Israel are subject to Israeli law and to the public regulatory mechanisms entrusted with their oversight. Foundations registered abroad that operate in Israel are subject to the laws of their respective countries and are not required to submit regular reports about their activity to the authorities or to the Israeli public at large. While some of them publish periodic reports to the public, many do not. Some have their own agenda and operational strategy and are not interested in receiving applications or requests for grants and therefore do not publicize the fact that they operate in Israel.

Policy of Establishing Foundations in Israel

Israel has no law or statute that expressly encourages the establishment of philanthropic foundations. Evidently, the extensive nature of the activity of foreign foundations has still not yet underscored the urgent need for such a policy. However, the expectation that the second and third generations of Jewish philanthropists in the Diaspora will invest fewer resources in Israel, coupled with the increase in the number of wealthy Israelis interested in and capable of establishing philanthropic foundations raise this question anew. Such a policy, once it is developed, will presumably obligate the government not only to define the conditions under which a philanthropic foundation may be established and what benefits its founder may obtain, but will also address the broader question of the role of foundations in society.

Summary

In Israel at the beginning of the twenty-first century, there is extensive foundation activity of all kinds and in various fields. In this sense, the sector of foundations in Israel is no different from that of other countries around the world. What sets the foundation sector in Israel apart from others is the disproportionately high level of involvement of foreign foundations and those based on donations from citizens of foreign countries. Many of these foundations embody an ethos whereby those providing the funds do not necessarily call the shots regarding their allocation. Furthermore, many have a tradition of channeling resources towards the supplementing of public-sector activity - not necessarily towards the promotion of social change or the introduction of social innovation. However, the landscape of foundations in Israel has changed during the past two decades; foundations are increasingly funding organizations and activities that reflect their own interests rather than those determined by government. Moreover, the relationship with government has gradually moved from a corporatist model, which affirms the primacy of the latter and its right to determine the public agenda, to a more liberal one, according to which foundations and third-sector organizations have a hand in shaping the public agenda. Even foundations that seek a close connection with government for the pursuit of joint ventures no longer accept the notion that government, as senior partner, should enjoy the right (or duty) to dictate goals.

This is no doubt a new reality with regard to philanthropic foundations in Israel. The Israeli government has not yet responded to this new reality and, perhaps because of the dominant ethos regarding foundations in Israel, it does not see this as an urgent need. This is also related to the previous image of foundations developed during the early years of the state, when they were considered “part of the family”, that seeks only the well-being of Israeli society. Moreover, because of cutbacks in government budgets, assistance from foundations is welcomed, since it helps to fund what is lacking in the public sector. The situation can be described metaphorically: From the view of government, there is a hen (foreign foundations) that lays golden eggs; however the chicks that hatch (the grant recipients) no longer resemble the chicks from the past and therefore new rules regarding their handling may be necessary. In other words, no serious conclusions have yet been drawn by government regarding its interface with foundations; neither with respect to foundations' role in introducing social innovation and change, nor to the ways in which it may encourage foundation activity on the one hand and supervise it on the other.

CHAPTER 2

METHODOLOGY

The study is based on two sources of information: 1) macro-level data of foundations and funding organizations from the Third Sector Database, and 2) micro-level data from interviews conducted with a sample of foundation presidents or directors, directors of grant-recipient organizations, and current and former directors-general of government ministries. In the description of methodology, we will deal with each component of the study separately.

A. Methodology: Macro-level Data

Definition of Foundations and Funding Organizations Registered in Israel

The primary source of macro-level data was the database of the Israeli Center for Third Sector Research at BGU, which draws information from the Registrar of Non-Profit Organizations, the Registrar of Trusts and from additional sources. The resulting dataset consists of over 35,000 amutot, trusts, companies for public benefit and “Ottoman” associations registered in Israel.

As there are no distinctions in the dataset between foundations and other nonprofit organizations, we used two criteria for the preliminary identification of “foundation” or “funding organization” in the database:

- The name of the organization: the use of the word “foundation” or “loan fund” (“Kupat G'mach”) or another term that indicated that this was a foundation or funding organization
- The definition of the organization’s goals, which state that the organization provides grants as either its sole activity or in addition to other activities (mainly in the case of amutot).

It should be noted that sometimes what is termed a “foundation”, or implicitly referred to as such, is actually an organization engaged in non-philanthropic work. On the other hand, “Zionism 2000” is an example of an organization whose name does not suggest grant-making and only its declared objective or information provided by others helped us to identify it. In this way, we identified 6,377 “foundations and funding organizations,” of which 3,854 (60%) are active¹⁴.

14. An “active” organization is defined as a registered organization that was confirmed by the Registrar as “active” (as opposed to organizations that were deleted from the Registry or are in the process of being deleted for legal or other reasons)

The logic of grouping together foundations and funding organizations (such as loan funds) is the same that informs the definition of the third sector and its various components, i.e. according to areas of activity, organizational function and so on. The definition of a “foundation” is very broad and includes various legal entities, some of which have a perpetual fund at their disposal whose profits it distributes, while others must constantly raise funds. Such a definition includes very large organizations that distribute tens and sometimes hundreds of millions of shekels per year, alongside smaller organizations that distribute only several hundred. However, all share a common organizational function: *The allocation of grants to individuals or to organizations*, which is the basis of the definition. An expansive definition of this sort is necessary in order to observe the broad picture. It can serve as a basis for the subsequent sub-dividing into new or different analytical categories, as has been done in this report and in previous studies conducted by ICTR.

After reviewing the goals of the active foundations, we divided the foundations into four categories.

1. Foundations that support individuals, such as those assisting people in distress, those distributing scholarships to the public (not through an institution), or those supporting artists (1,774 such foundations were identified).
2. Foundations that support a specific organization, including those established to raise funds for a single organization (for example, a university), those that support a specific activity within a single organization, or those intended to award scholarships and research grants within a particular institution (1,405 such foundations were identified).
3. Foundations that support multiple organizations, some of which focus on a specific area such as the environment or children at risk and others are active in a variety of areas. Most of the large foundations fall in this category (384 such foundations were identified).
4. Other foundations: This group consists of foundations that support both individuals and organizations, as well as foundations that defy classification according to the above categories (291 such foundations were identified).

Just as the data in the Third Sector Database is limited, so too is our ability to provide a rigorous macro analysis. We will analyze the first three of the four types of foundations and funding organizations identified¹⁵ according to the following variables: 1) areas of activity; 2) geographical distribution; 3) time period of registration; 4) status of "public institution" for the purpose of donations; and 5) payment of salaries and government allocations.

15. The last category is not really a substantive category

B. Methodology: Micro-level Data

In this section, we will describe the methodology used to collect data from a sample of foundations and funding organizations, third-sector organizations/grant recipients and from directors-general of government ministries that interface with foundations.

Sample of Foundations

In the absence of legal status or a distinct registration for foundations in Israel (which would naturally yield a comprehensive list foundations), it is not possible to construct a random sample that would accurately represent the population. The definition “foundations and funding organizations” that served us in this study and in the classification scheme (see page 17) was the basis for the selection of the sample. To this, we added *foreign foundations* that have a representative but are not registered in Israel. In order to locate these, we compiled information from sources such as the Internet, news reports and personal knowledge.

The first part of the study addresses the macro picture. In it, we present the breadth of the entire spectrum. In this part of the study, which deals with the micro level, we have focused on the *third group of foundations - those that support multiple organizations*. Although this is the smallest of the four categories, it is of particular significance in that it contributes to the third sector both as a funding source and as an enabler and/or initiator of the activity of many third-sector organizations, introducing new issues and thereby impacting the social reality. As might be expected, this category includes most of the (known) foreign foundations.

In the absence of a complete or even a nearly complete list of such foundations that are active in Israel, it was impossible to arrive at a random representative sample. Therefore, in selecting foundations for the study the researchers endeavored to choose those that embraced the major parameters characteristic of the world of foundations in Israel. For practical reasons, it was decided to sample 10% (approximately thirty foundations) that support multiple organizations. In choosing these, we took the following into account:

- Representation by *areas of activity* according to the commonly used division in international research (Salamon and Anheier 1998). Thus, our sample includes foundations in the following categories: health (11); religion (3); education and research (19); the environment (9); welfare (15); housing and development (4); social change (20); culture and recreation (13). To these were added fields specific to Israel: religious pluralism (7), and peace & coexistence (10). With the exception of two, all of these foundations are engaged in more than one area of activity.
- Representation of foundations by *size*. This was determined according to 1) the size of the annual budget and 2) the number of paid staff. Not surprisingly, these two parameters were correlated.

Annual Income (Shekels)	Number of Foundations	Number of Staff	Number of Foundations
Up to 2 million	5	None	2
2–10 million	8	1–5	14
10–50 million	8	6–19	9
50–100 million	3	20+	3
Over 100 million	2		
Total	26		28

- Representation for different budget sources: Public foundations (which rely on public budgets) as well as private foundations that are controlled by an individual, family or business:

Funding source	Number of Foundations
Family or private	15
Business	2
Public	9
Fundraising from the general public	19
Assets in Israel Bearing Income	5
Total	50

Note: The data we have include the multiplicity of funding sources from which each foundation was supported. Because many foundations are supported by more than one source, the total number is greater than the actual number of foundations in the sample (28).

- Representation by *place of registration*: Foreign foundations (that operate in Israel without being incorporated here), including European and North American ones, and those registered in Israel.

Registration	Number of foundations
In Israel only	10
In Israel and abroad	11
Abroad only	7
Total	28

- The representation of *distinctive* foundations: A) Community or regional foundations (3), which operate within a defined municipal or regional area for that community or region; B) foundations that advance the relationship between *business and community* (2). Despite their small number, we felt it was worthwhile including them because of their relative newness in Israel; C) foundations that support Arab organizations exclusively (3). Because of the

importance of issues related to the Arab population in Israel, we found it appropriate to include such foundations in the sample.

Difficulties in Locating and Interviewing Foundation Representatives

In order to actually interview the desired thirty foundations in the various sub-categories, we identified approximately seventy foundations, under the assumption that some would be difficult to locate or that not all directors would be amenable to or accessible for an interview. This assumption proved accurate. In the end, thirty-three foundations that were included in the preliminary sample were not interviewed for various reasons. The main reason for this was the difficulty in locating the foundations. Despite the existence of public information (the Registrars of Non-Profit Organizations and of Trusts), on a number of occasions, it was impossible to find the officials of the foundation in question at the telephone number or address listed. It is interesting that of the thirteen foundations that were not located, eleven were religious ones.

The second reason was the explicit or implicit refusal to be interviewed. Eight foundations were included in this category, three of which were religious. An example of explicit refusal is the following: during the telephone conversation, we were told: "I am not interested," and the person summarily hung up. We defined situations of repeated postponements, the cancellation of meetings and failure to return telephone calls as implicit refusal.

The third reason was the discovery that certain foundations had ceased operations or were in the process of being removed from the Nonprofit registry. Three foundations did not adhere to our criteria, a fact discovered only after phoning to schedule an interview or during the interview itself (for example, one foundation that supported only individuals). There were five such foundations. Two foundations were not interviewed for other reasons.

Because of these difficulties, 28 foundations were eventually interviewed (see the list of foundations interviewed in Appendix A).

The Selection of Interviewees

During the preparatory stages, we decided that the preferred interviewee would be either the foundation director or chairperson/president. In practice, we interviewed twenty directors, four senior staff members (three of them from foreign foundations), and four others were interviewed. In two interviews, other staff members whom the director saw fit to include participated in the interview together with the director. All the interviewees held senior positions, which enabled them to be familiar with both foundation policy and methods of operation.

Sample of Recipient Organizations

The interviews with representatives of recipient organizations were meant to complement the information gathered from the foundations, by enabling us to understand the perspective of the grant recipients. Here, we sought to probe their view of foundations, their roles and how they are managed, as compared with the system of funding nonprofits in the public sector. A group of fifteen recipient organizations was chosen according to the following criteria:

- Experience with receiving funding from foundations as well as funding from public/government sources in a manner that allows for comparison.
- The representation of major areas of activity (health, religion, education and research, the environment, welfare, housing and development, social change, culture and leisure).
- The representation of organizational size according to annual budgets: small, medium and large.

Although some of the organizations we interviewed received grants from foundations included in this study, no attempt was made to create a symmetry or to enlist organizations that receive grants from the foundations we interviewed. It was important for us to obtain the perspective of these organizations on foundations as *social institutions* rather than as specific organizations. It is important to note that locating the organizations posed no problem and that most of them agreed to be interviewed on the condition of complete confidentiality. Hence, the organizations interviewed are not identified in the appendices.

Sample of Ministry Directors-General

In order to gauge the perspective of the public sector on foundations in general and of the relationship between the government and foundations in particular, we interviewed five current or former directors-general of three government ministries that have a strong connection with foundations.

- Professor Dov Goldberger, director-general of the Ministry of Welfare (at the time of the interview)
- Dr. Miki Haran, director-general of the Ministry of the Environment
- Shulamit Amihai, former director-general of the Ministry of Education
- Dr. Shimshon Shoshani, former director-general of the Ministry of Education
- Ronit Tirosh, director-general of the Ministry of Education (at the time of the interview)

In addition to those listed above, we also interviewed Dr. Devorah Blum, deputy director-general of planning and development for the Israel office of the United Jewish Communities, who is also very familiar with the relationship between foundations and government from her previous work with JDC- Israel.

Research Tools

The study was based on the following research tools:

- In-depth interviews, based on a semi-structured questionnaire, with foundation representatives
- In-depth interviews, based on a semi-structured questionnaire, with representatives of recipient organizations
- Supplementary material about foundations (written materials, websites, data from the Registrar of Non-Profit Organizations)
- In-depth (open-ended) interviews with five current and former directors-general and with Dr. Blum

The Questionnaire for Foundations

For the interviews with foundation representatives, a semi-structured questionnaire was constructed. We chose this particular tool, given the study's pioneering nature. In the absence of studies on this field in Israel, we felt it was appropriate to gather wide-ranging data that would familiarize us with the field and help us to develop the relevant categories (see Appendix B).

The questionnaire contained the following sections:

- General information (contact information for the foundation and the interviewee)
- Information on the establishment of the foundation: The background of its establishment, the date of its establishment, its legal status.
- The foundation's vision and policy, including its strategy, goals, target populations and areas of activity.
- The interviewee's perception of the role of foundations (and of his/her specific foundation), including relations with government, other public agencies, businesses and other foundations
- The foundation's working procedures, application for and approval of grants, evaluation, etc.

- The organizational structure of the foundation, including decision-making bodies and personnel/staff
- The foundation's relationship with grant recipients
- The foundation's sources of funding and the breakdown of allocations to organizations and projects

The various sections included additional questions that apply specifically to foreign foundations. At the end of the interview, the interviewee was asked to provide any relevant literature about the foundation: annual reports, information about grant recipients, promotional materials and any other germane materials.

A preliminary draft of the questionnaire was used in a pre-test interview with two foundations before being employed and changes were made on the basis of this pre-test.

The Questionnaire for Organizations

Here, too, a semi-structured questionnaire was used, allowing us to obtain not only quantitative information but also wide-ranging information in order to familiarize ourselves with the field and form the relevant categories (see Appendix C).

The questionnaire had the following sections:

1. General background
2. Funding sources of the organization
3. Relationship with the various sources of funding
4. Attitudes towards procedures and decision-making of the funding sources
5. Attitudes toward foundations

Here too, two interviews were conducted that served as a pre-test, and changes were introduced accordingly.

The Interview Schedule for Directors-General

An open interview schedule was constructed with a list of issues we wanted to cover. Our operative assumption was that the interviewees would have little time for us, so it would be preferable to allow them to address the issues in a general manner, which would provide us with an insight into their perception of foundations (Appendix D).

CHAPTER 3

FINDINGS

This chapter is divided into two parts. The first presents the findings from the macro analysis, while the second features the findings gathered at the micro level through interviews with foundation directors, personnel from grant-recipient organizations, and government ministry directors-general.

A. Foundations and Funding Organizations: Macro Data

The data in this section, valid through the beginning of 2002, include foundations and funding organizations (hereafter: "foundations") that were registered by the end of 2001.

Classification of Foundations by Beneficiaries

The organizations classified as "foundations" and "funding organizations" in the database of the Center for Third Sector Research were classified into four groups according to the type of beneficiary:

1. Foundations that support individuals

Foundations that assist those in need, provide scholarships, support artists, etc. Examples include: "A Hand for the Needy in Haifa", "The Educational Advancement Fund for Israelis of Iraqi Descent", and "The Ronen Foundation for the Advancement of Young Classical Musicians". This group consists of many foundations that are classified in the Database in the sub-category of "Financial Assistance" in the "Welfare" category.

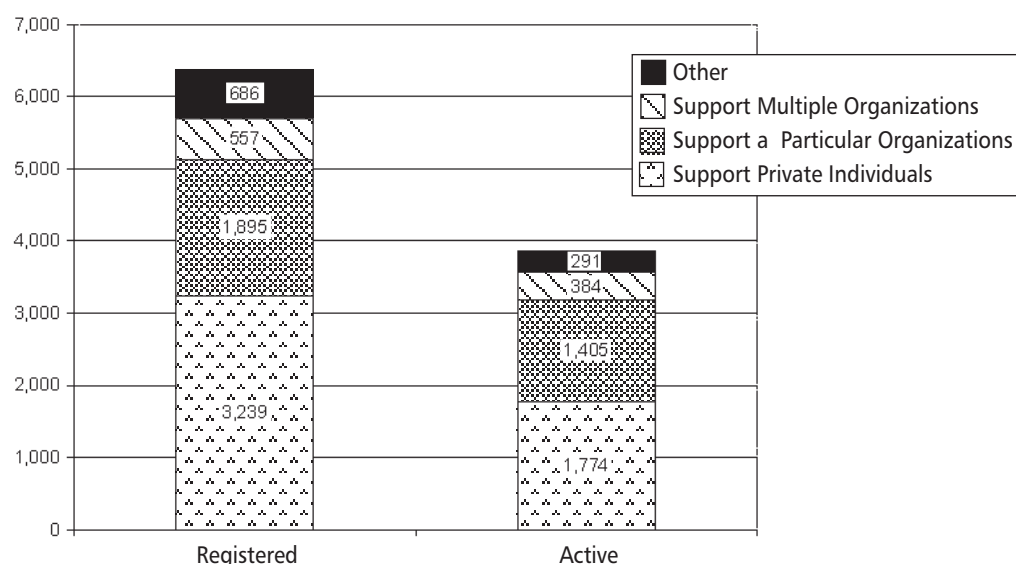
2. Foundations that Support a Particular Organization

- Organizations that assist a particular institution by fundraising for it, such as "The Association for the Jerusalem College for Women".
- Foundations that support a particular activity within an organization, such as "medical research funds" in hospitals or "The Fund for the Establishment of a Center for Jewish History at the Hebrew University".
- Foundations that provide scholarships and research budgets to individuals within a particular institution, for example "The Leo A. and Sarah G. Copin Scholarship Fund at the Weizmann Institute".

3. Foundations that Support Multiple Organizations

This group is the smallest, but for our purposes, the most significant. Most of the large foundations such as "Sacta Rashi Foundation", "Yad Ha-Nadiv", "Matan: Your Way to Give" and the "Avi Chai Foundation" belong to this group.

Figure 1: The Distribution of Registered and Active Foundations by the End of 2001, by Type of Foundation



Section I. Foundations that Support Individuals

Foundations that support private individuals constitute the largest group of the four groups. The database contains 3,239 foundations that support individuals of which 1,774 (55%) are active. This group includes only a handful of large foundations, a few of which have significantly impacted their areas of activity. Examples include: the various *cinema foundations* that support filmmakers, which have led to a marked improvement in the quality and status of Israeli cinema in recent years; the Israel Cancer Research Fund (ICRF), which in its over ten years of operation has supported major studies in the field by Israeli researchers; and the Israel Science Foundation. Most of the foundations that support individuals are small with some distributing only several thousand shekels per year. These foundations are too small to bring about any meaningful social change, but if considered collectively, it may be said that, in their support of needy individuals, students and the like, they play a significant role in society, particularly given their large number.

There are vast differences in the ways the various foundations function. Some articulate a clear policy regarding the goals of their support and the criteria for receiving it. For example, "The Fund for Single Women" assists exclusively single mothers, as opposed to the many foundations that consider any grant request, irrespective of its area of activity, and weigh it on its own individual merits. Certain foundations accept applications only on certain specified dates and they distribute grants according to a clearly defined schedule or "cycle". Others accept applications

continuously and reply to applicants within several days. Some foundations have a board that decides on the manner in which grants will be allocated, while in others, the donor makes this decision.

Several points should be mentioned regarding the foundations in this group:

- Some foundations that support individuals do not restrict their activity to this area only, but support organizations as well. In some instances, this occurs at the stage during which the goals are being defined, but in other cases, it comes about as a later development. For example, The Joseph and Caroline Gruss Life Monument Fund for Assistance to IDF Ex-servicemen decided after several years of activity not to limit itself to providing scholarships, and began supporting other projects that assist its target population. According to its 2004 annual report, it allocated approximately eight percent of its grants to such projects during that year. We included a particular foundation in the category of those supporting individuals when there was reason to assume that it allocates most of its funds to individuals.
- Some foundations support individuals on the basis of their affiliation with a particular kind of institution. A prominent example of this is the Israel Science Foundation, which distributes grants to researchers in universities, research institutes, well-known institutions of higher education and hospitals. This may also be seen as indirect support of those particular organizations.
- Some of the foundations list various fields of activity among their defined goals. In cases when such a foundation seemed to display a preference for a certain field, we chose to classify it as active in that field rather than as "multi-disciplinary", so as to gain a better picture of that group. This approach seemed preferable, since some of these foundations distribute a few thousand shekels per year at most.

Areas of Activity

Approximately 90% of the foundations that support individuals are classified in two areas of activity: welfare and education (see Figure 2 below). The reason for this is rooted in Jewish tradition. Basic principles such as *mitzvat ha-zedakah* (the commandment to assist the needy), *matan ba-seter* (donating anonymously) and *Kol Yisrael arevim zeh la-zeh* (all Jews are responsible for one another) explain the large number of foundations that concentrate on social welfare. Studying also occupies a central place in the Jewish tradition. Jewish communities always supported their communal educational institutions, as well as individual pupils who could not afford to study. This tradition finds expression in the large number of foundations that support pupils and students.

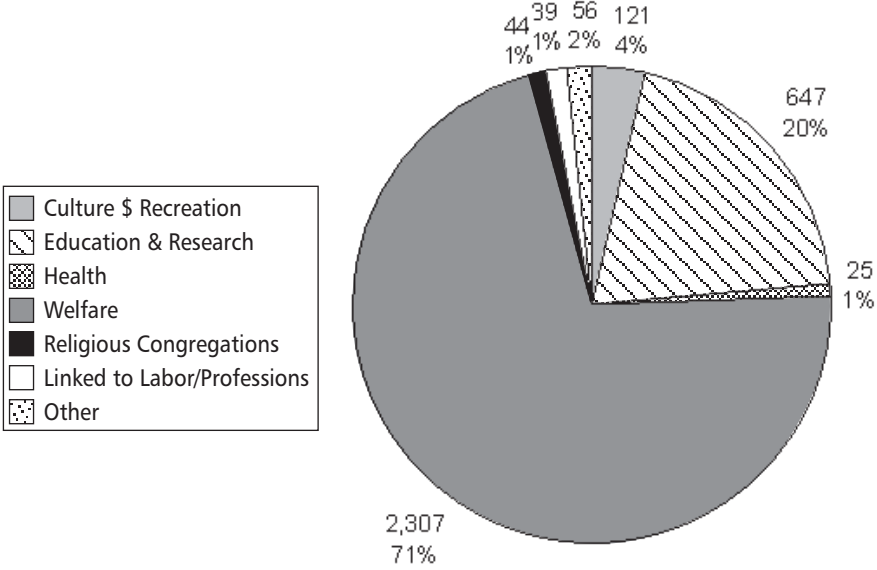
Seventy-one percent of all the registered foundations (2,307) and 64.5% of the active ones (1,146) work in the area of social welfare. Of these, approximately 90% provide assistance to the needy. Only 10% of the foundations support specific and defined population groups or provide assistance to those in need of treatment such as Holocaust survivors, disabled IDF soldiers, etc.

The second most prominent area is that of education: Approximately 20% of the registered foundations (647) and a quarter of the active ones (444) are classified as "educational". Most provide scholarships for pupils and students and others allocate research grants.

The third-largest field is culture: Only 121 registered foundations and 80 active ones belong to this category. These constitute 3.7 and 4.7% (respectively) of those foundations that support individuals. Here, the focus is mainly on supporting musicians, as well as artists in the fields of literature, theater and cinema. They tend to be located in the Tel Aviv region, the hub of Israeli cultural life. Two points are worth noting here are:

- 1) Only seven foundations support athletes, despite the existence of more than 1,100 active sports organizations in the third sector;
- 2) Some foundations are established by fraternal organizations, such as Rotary Clubs, alumni groups and immigrant associations. They occasionally support those related to the organization, such as providing assistance to family members of soldiers who have served in a particular unit.

Figure 2: The Distribution of Registered Foundations that Support Individuals, by Area of Activity (No. of foundations/% of total)



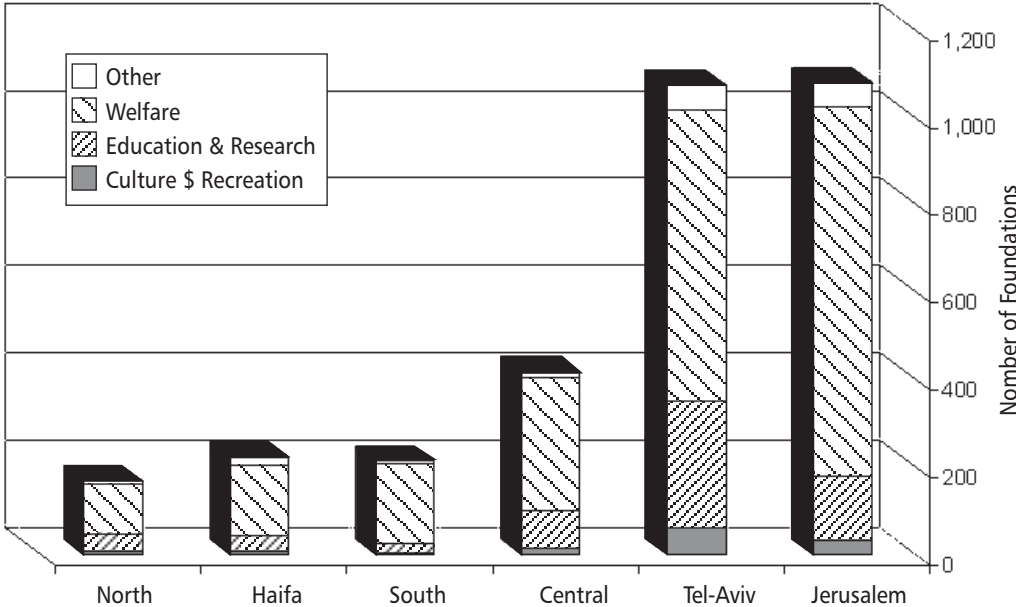
Geographic Distribution

In nearly all areas of activity of the third-sector organizations, there is a disproportionately large concentration of organizations in the Jerusalem and Tel Aviv regions, metropolitan centers of national significance that offer a clear benefit to these organizations (see: Distribution of Third-Sector Organizations in Israel by District: A Report of the Database of the Third-Sector in Israel, 2004). This is especially true of foundations.

Figure 3 shows that 80% of the foundations are located in the center of the country. Only 20% are located in either the north or south. Sixty-seven percent of the foundations that support individuals are concentrated in the Tel Aviv and Jerusalem regions (33.5% and 33.8%, respectively), as compared with 57% of all third-sector organizations (27% and 30%, respectively). Thirteen percent of the foundations are registered in the Central District, while only 5-7% is located in each of the Haifa, northern, and southern regions.

Some foundations, such as the Prison Guards' Foundation and the Israel National Lottery's Michael Landau Prize, advertise themselves to public at large or purport to serve people from all over the country. For such foundations, being located in the center offers a clear advantage as it allows them to more easily service other areas of the country as well.

Figure 3: Foundations that Support Individuals, by District and Areas of Activity



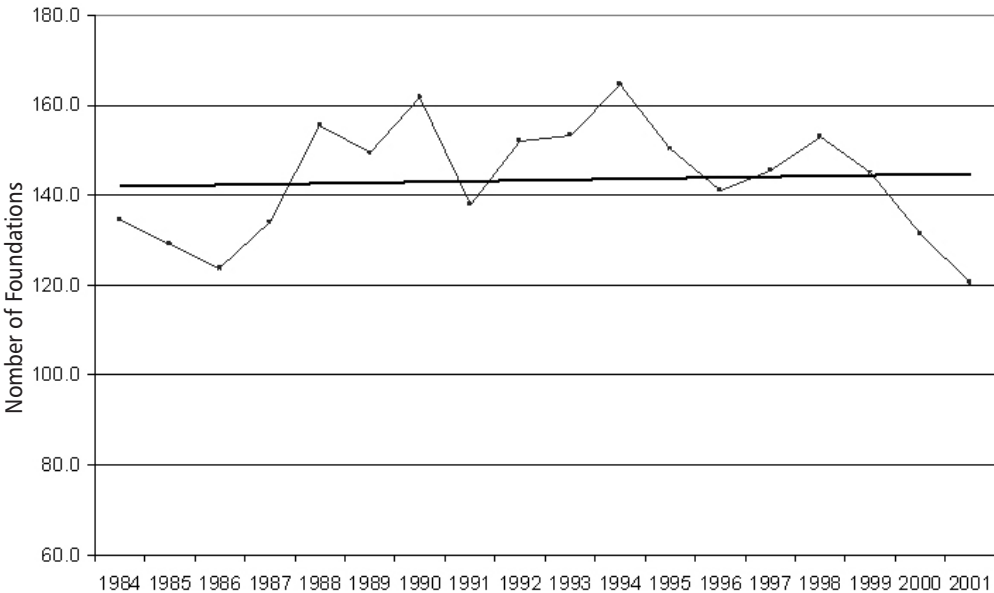
The activity of most foundations is actually local. Some feature a scope of activity that is local by design, such as "The Shoshana and Mordechai Ish-Shalom Prize for Jerusalem Artists", "The Public Charitable Fund of Daliyat el-Carmel", "The Fund for Jerusalem's Needy", "The Central Free Loan Association of Bnei Brak", "The Rafael Yona Free Loan Fund of Netivot" and "The

Rotary Club of Rehovot", whose goal is "to provide scholarship grants and assistance, support and encouragement to outstanding or needy pupils or students who live or study in Rehovot." In other foundations, activity is local because the foundations themselves are small and consequently, only a small and dense network of people benefits in any case. Consequently, the geographic distribution of foundations in Israel is characterized by a structural bias that favors the center over the periphery, as expressed in the far lower ratio of foundations in precisely those regions that demonstrate a greater need.

Registration of Foundations along a Time Line

Figure 4 below shows that over time, there has been almost no increase in the number of foundations that support individuals. This reflects various trends underway in the implicated areas of activity. For example, there has been a decrease in the field of Education and a moderate decrease in the field of Culture, while over time there has been an increase in the registration of foundations addressing issues of Welfare. It should be noted that the increase in Welfare is a result of the marked rise in the registration rates of foundations providing material assistance that are not religiously affiliated. In recent years there has been a decrease in the registration rates of religiously affiliated foundations providing material assistance, which comprise more than 40% of the foundations in this field. The rate of registration of religiously affiliated organizations in the entire third sector has also decreased.¹⁶

Figure 4: Registration of Foundations that Support Individuals along a Time Line (fluctuating triennial average)



16. Patterns of Registration of Organizations: A Report of the Third Sector Database, 2003.

Payment of Salaries and Government Allocations

There are some fields of activity in the third-sector, in which level of salaries paid and government allocations received by these organizations reflects the scope of their activity and the nature of their work. This is especially true of organizations providing services. Regarding foundations, the situation in general is different, as the existence of paid staff need not have a bearing on its grant distribution. Nevertheless, data pertaining to the financial activity of foundations can enhance our understanding of the manner in which they operate.

In 2002, only 162 of 1,774 active foundations that support individuals (9%) paid salaries. This is a very low percentage when compared with that of all third-sector organizations (30%) and all foundations (11%).¹⁷

During the same year, 107 foundations supporting individuals (6% of all active foundations) received government allocations. Among all third sector organizations and all foundations the equivalent rates were 22% and 7% respectively. Moreover, from 1998 to 2002, 184 foundations supporting individuals received government allocations. Of these, only 38% paid salaries. The data presented here indicate that the vast majority of foundations supporting individuals are run primarily by volunteers. This volunteer work is manifest in the reviewing of applications and in the entire process of grant allocation. The level of volunteer involvement is greater in some of the foundations that engage in additional activities such as distributing food baskets, visiting and providing financial assistance to the sick, and helping women who have recently given birth.

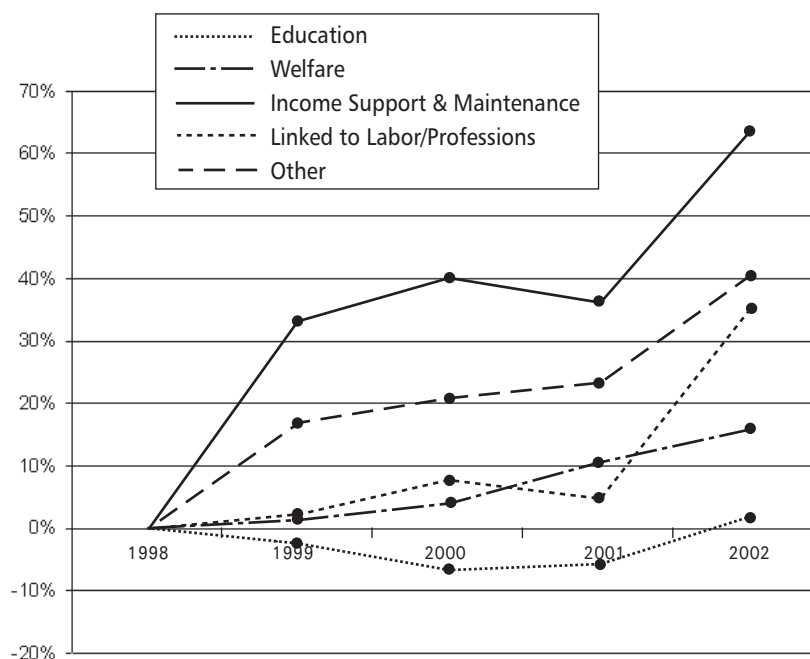
Payment of Salaries

The most striking figure regarding foundations that support individuals is that only a few of them pay salaries. From 1998 to 2002, 251 organizations paid salaries during any given year of which only 27% received government allocations. In other words, the resources of 73% of the foundations that paid salaries derived from independent sources or from private donations. The following data pertain only to those foundations that pay salaries.

The total salary paid by foundations in 2002 was NIS 57 million and the average outlay per foundation on salaries was only NIS 354,000. From 1998 to 2002 there was a marked real increase in the total of salary payments by foundations that support individuals in all areas of activity except education (see Figure 5 below). This increase stands in sharp contrast to the otherwise stable level among foundations that support particular organizations, as detailed below.

17. Salary Payments in Third Sector Organizations, "Database Report for 2004."

Figure 5: The Rate of Real Increase in Salary Paid by Foundations Supporting Individuals from 1998 to 2002, by Area of Activity



Government Allocations

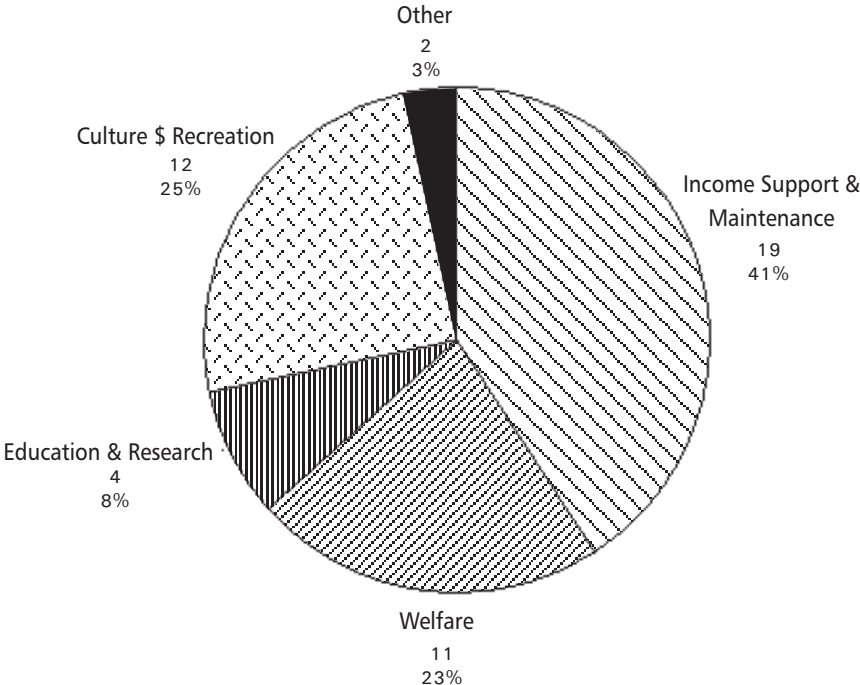
As expected, only a small percentage of the foundations supporting individuals receives government allocations. In 2002, government allocations totaling NIS 47.4 million were distributed among 107 foundations. Most of these were given in the form of grants while only a few were allocated through contracts. From 1998 to 2002, grants constituted two-thirds to three-quarters of the total amount of government allocations. Contrary to the tendency of government to reduce grants to the entire third sector in recent years, the amount of government grants given to foundations that assist individuals increased during this same period. The greatest increase is in the area of material assistance. This can be explained by the increase in governmental support of the various assistance organizations, which have effectively replaced the government in caring for the needy. The increase in such support is consistent with the findings regarding salary.

As we evaluate the data, it is important to emphasize that the picture of government allocations is incomplete since the data do not include the support for the Israel Science Foundation, which receives funding through the Council for Higher Education rather than directly from the Ministry of Education. In 2002, the Israel Science Foundation received NIS 214 million in funding,¹⁸ an amount at least four times greater than all the government allocations detailed in this section.

18. Report of the Council for Higher Education.

As indicated in Figure 6, Culture benefits from 25% of government allocations (as compared with only 5% of the active foundations that support individuals). In 2002, assistance to foundations in the area of Culture was distributed among five foundations that support artists, predominantly in cinema and television. The amount of these allocations totaled NIS 11.9 million. In the area of Welfare, seven foundations received allocations totaling NIS 10.8 million, most of which may be characterized as being linked to the public sector. In the area of Material Assistance, many organizations receive allocations, and the average allocation per organization is low: in 2002, allocations amounting to NIS 19 million were distributed among 74 organizations. In this area, there was a marked increase of 86% in allocations between 1998 and 2002.

Figure 6: The Distribution of Government Allocations in 2002 to Foundations Supporting Individuals, by Areas of Activity (millions of shekels/% of total)



Section 2: Foundations that Support a Particular Organization

Foundations that support a single organization or institution constitute the second-largest group of foundations. There are 1,895 foundations of this type listed in the database, 74% of which are active (1,405). This is significantly higher than the rate of those active from among the total number of foundations (60%).

These foundations are divided into two very distinct groups based on their mode of operations: (1) those established within a particular institution and (2) friends’ organizations.

Foundations Established within a Particular Institution

These are typically foundations established by bequest, according to which individuals set aside part of their estate for the purpose of establishing a foundation or foundations in memory of a deceased person. The founders in this case decide in advance upon the goals for which the foundation's money will be used. The degree of discretionary power accorded the institution varies from foundation to foundation. The funds intended for annual allocation can be large or can amount to a few thousand shekels. These foundations increase the financial resources available to the institution, and in most cases, these resources are managed by the institution. The great advantage of these foundations is that they constitute a steady source of support for the institution over a long period of time: The foundations exist in perpetuity and the institution enjoys the fruits. Some institutions have fundraisers whose job it is to make sure that when the time comes, those in a position to do so will establish such foundations for the benefit of the institution. Most foundations of this type provide scholarships or financial aid. In the field of education, this entails giving scholarships to pupils, students and researchers. In such cases, the institution's ability to use these funds to help those affiliated with it increases its net financial resources and its ability to attract students or researchers, which in turn strengthens the institution itself.

Some foundations, such as "The Scholarship Fund for Students of Ben-Gurion University of the Negev", leave the question of how to use the funds to the discretion of the institution. Others, such as "The Scholarship Fund for Road and Bridge Engineering at the Hebrew Technion of Haifa" and "The Scholarship Fund for Master's Degrees and Doctorates in Radioactive Drugs at the Hebrew University's School of Pharmacy", were designated for a highly specific goal. Still others, such as "The Scholarship Fund for Needy Students of the Haifa Technion", "The Scholarship Fund for Orphans of War Casualties at the Haifa Technion", and "The Scholarship Fund for Outstanding Religious Students of Medicine or Jewish Studies", were donated for a particular population sub-group. Sometimes the two are combined, such as "The Scholarship Fund at Bar Ilan University for Students of North African Descent, Residents of Development Towns, or Children of Large Families who Study the Exact Sciences".

Some foundations assist auxiliary activity of the institution. Examples of this category include "The Fund for Purchasing Books at the Law Faculty of Tel Aviv University", "The Fund to Maintain the Flora and Fauna Stamp Collection at Tel Aviv University", "The Fund for Acquiring Scientific Equipment at Tel Aviv University", "The Fund to Assist the Activities of the Professorial Chair in Pathology", and a Fund at Bar Ilan University that allocates 10% to its regular budget, 54% to Human Fertility Research, 18% to Judaic Studies, 13.5% to National Security Research, and 4.5% as a Prize for Students Demonstrating Scholastic Excellence.

We also included in this category those foundations whose annual budget was divided among a small number of organizations. In this case, the originators of the foundation determined the

recipient organizations and breakdown of funds allocated to them, and the foundation directors have no discretion regarding the manner in which the funds are divided.

Friends' Organizations

This category consists of organizations such as the friends' associations of various institutions, supporters' organizations, alumni organizations and parents' committees established in order to provide financial and moral support for a particular institution. The organization determines the goals of the fundraising in coordination with the institution itself, according to the priorities of the latter. The donations are raised for ongoing activity, capital projects (typically physical structures), and for new initiatives and projects. The foundation employs a variety of fundraising schemes, including solicitation from government sources. The money is generally transferred to the institution for its use, but often foundations will use the funds raised to engage in activities on behalf of the institution.

Some institutions have long-standing friends' associations that are extremely well established and publicly visible. In other cases, a friends' organization has been established by those who benefited from the institution and chose to become mobilized on its behalf. In these cases, the friends' organizations are not as firmly established and some cease to be active over time.

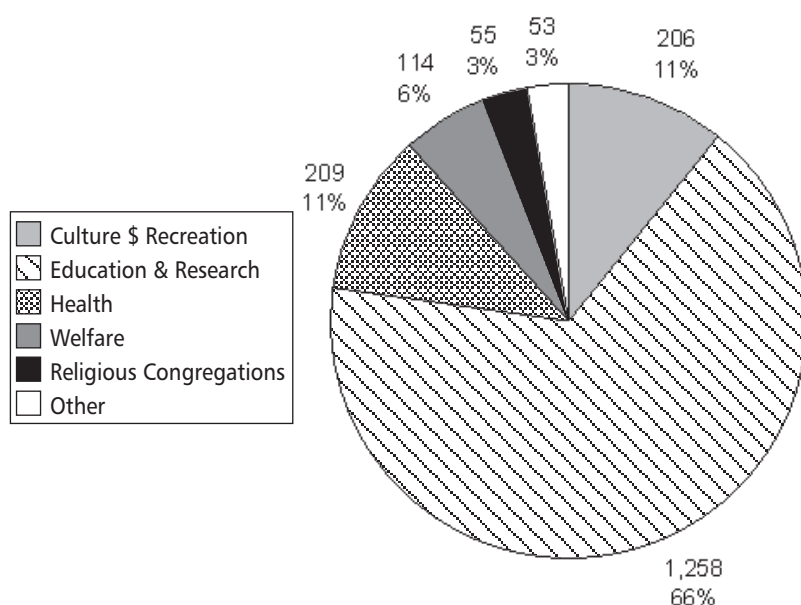
Friends' Organizations Abroad

Many organizations have friends' associations abroad that allow them to raise funds on behalf of the institution. Although most of the organizations are located in the United States, they can also be found in Europe, South America, South Africa and Australia. These organizations, *which are registered and active abroad*, are not included in our database, but it is important that they be presented as they make a valuable contribution to many Israeli organizations. In order to illustrate the extent of this phenomenon, we note that in a preliminary search of the *Guidestar* website, which includes all the non-profit organizations in the United States, 130 friends' associations working on behalf of institutions in Israel were found. For example, Israel's equivalent of the Red Cross ("Magen David Adom") has a friends' association in the US called AFMDA (American Friends of Magen David Adom). AFMDA, which operates throughout the US, has raised US\$90 million over the past five years (according to its website: www.afmda.org). The Hadassah Medical Center is supported by the Hadassah International Medical Relief Association (HIMRA), with branches in 34 countries throughout the world, and of course by Hadassah, the Women's Zionist Organization of America.

Areas of Activity

The dominant area of activity for foundations supporting a single organization is Education: 1,258 support educational institutions and research institutes. They account for approximately two-thirds of the registered foundations (Figure 7 below).

Figure 7: The Distribution of Registered Foundations Supporting a Particular Organization, by Area of Activity (no. of Foundations/% of Total)



The percentage of active organizations in Education is especially high: 83%, which amounts to nearly three-fourths of all active foundations in this category. The high percentages of foundations in Education and those that are active may be attributed to the large number of trusts established on behalf of particular institutions.

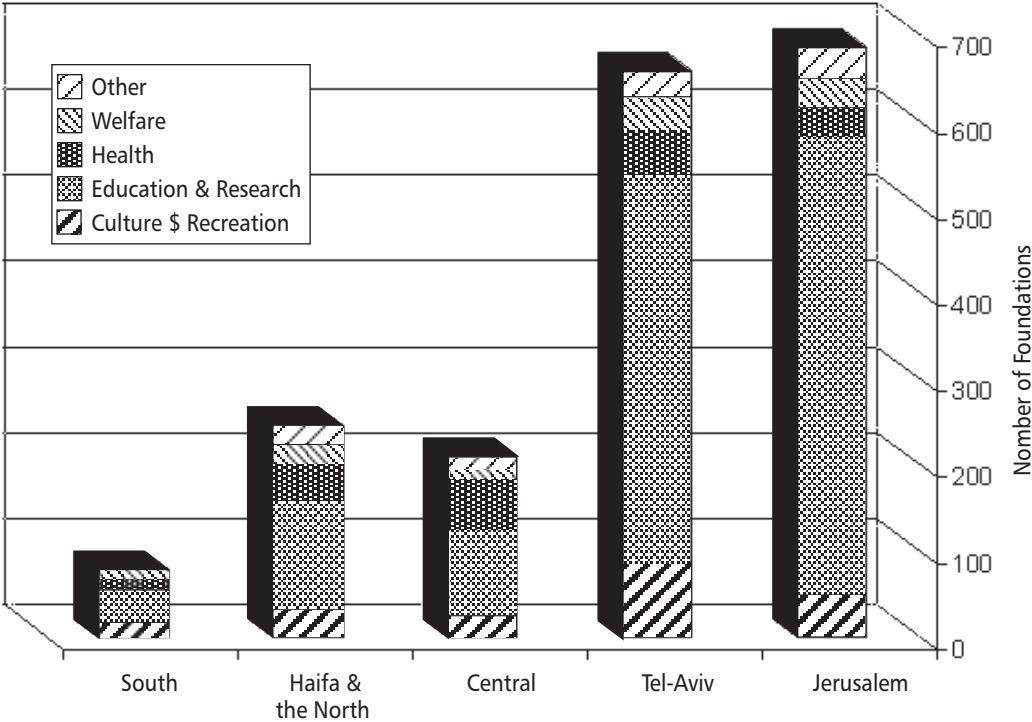
Two additional areas each account for approximately 11% of the registered foundations in the category: Culture & Recreation and Health. The percentage of active foundations in the former is considerably lower: 52% and 59%, respectively. 6% support Welfare organizations and of these 71% are active. In the area of Religion, there are several dozens foundations, dedicated primarily to physical construction, renovation and maintenance of synagogues, the purchase of books and equipment, the writing of a Torah scroll and the holding of classes in the synagogue. One unusual foundation, the Friends of Chabad in Bangkok works to "maintain ties in Israel with the friends of the Chabad House in Bangkok; conduct lectures, conferences and other activities; extend humanitarian assistance and mutual aid to Israelis that were or are located in the Far East; and to meet the material and spiritual needs of Israelis there, particularly during Jewish holidays". Christian foundations may also be found, for example Friends of the Church of St. Peter in Gallicantu and Friends of the Swedish Theological Institute in Jerusalem.

Foundations are found in all the other areas of activity. These include "The Fund for Support of the Field School", "The Foundation for the Israeli Monkey Shelter", foundations that support road-safety organizations and foundations that support memorial organizations such as "Yad LaBanim" and "Yad Vashem". We also find foundations established to benefit state agencies, such as "The Givat Ram Foundation", the goal of which is "to create a new building for the Supreme Court of the State of Israel by undertaking all the activities required for planning and constructing the building" and Beit HaNasi Foundation, whose goal is "to develop, improve, renovate, beautify and adorn the official residence of the Presidents of Israel, including the offices of the President's Bureau".

Geographic Distribution

As was already indicated, third-sector organizations in general and foundations in particular tend to be geographically concentrated in the two regions of Jerusalem and Tel Aviv. This phenomenon is also true of foundations that support a particular organization in every field except health.

Figure 8: Foundations Supporting a Particular Organization, by District and Area of Activity



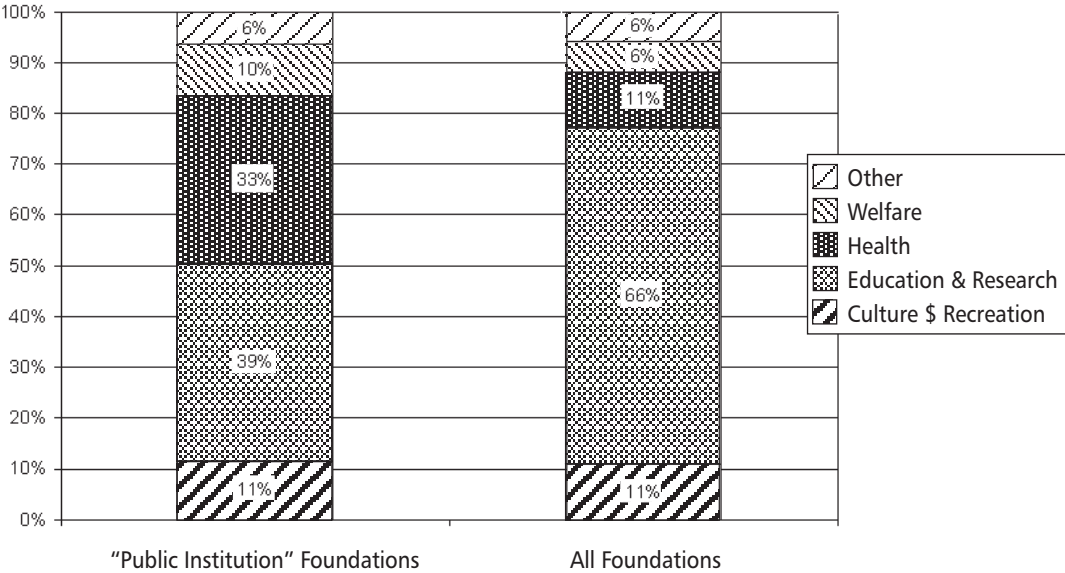
Thirty-six percent are located in the Jerusalem District and 35% are located in the Tel Aviv District (see Figure 8 above), as compared with 29% and 27% respectively for third-sector organizations. The highest concentration is in the area of Education, mainly due to the many foundations linked with the Hebrew University. Their low concentration in the periphery—Israel's north and south—is particularly striking; only four percent in each region. This situation

reflects the difficulty of the populations of those regions to mobilize on behalf of the institutions operating in their midst.

Status of "Public Institution" for Receiving Donations

As outlined previously, this category features two main foundation types: Those established to raise funds for a particular institution, which are interested in receiving the status of "public institution" in order to be eligible for tax-deductible donations and foundations that do not fundraise but rather exist by virtue of bequests made available to a particular institution. One hundred ninety-two foundations that support a particular organization received the status of "public institution", thereby making donors eligible for tax deductions. Ten percent of the registered and 12% of the active foundations within this category enjoy this status. These percentages are low, relative to the average for all foundations (11% and 16%, respectively). This is a direct result of the high percentage of foundations in this category registered as trusts, mainly in the field of Education (see Figure 9 below). On the other hand, in the field of Health, the percentage of foundations enjoying the status of "public institution" is disproportionately high due to the increase in friends' associations in this area.

Figure 9: Distribution of "Public Institution" Foundations Compared to All Foundations Supporting a Particular Organization

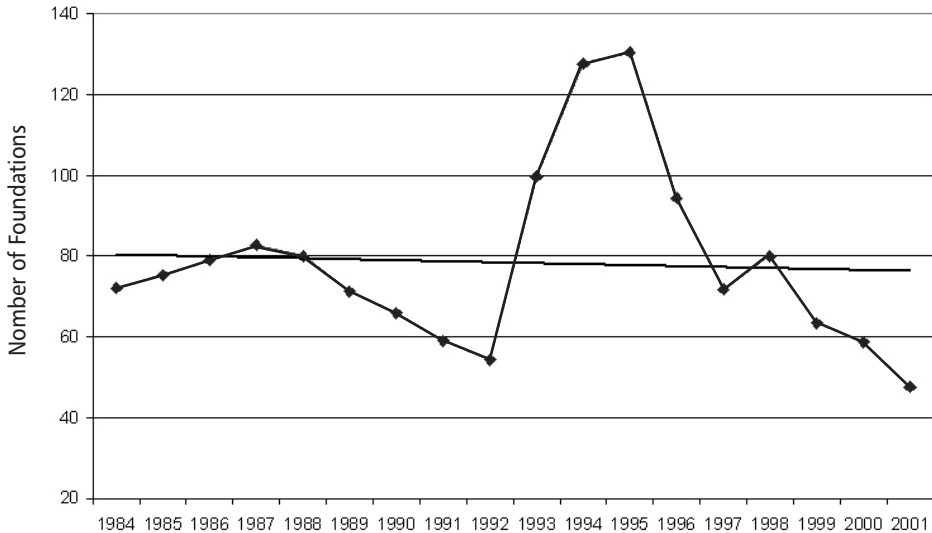


Registration of Foundations along a Time Line

The registration of foundations supporting a particular organization is experiencing a moderate downward trend over the long term, as seen in Figure 10 below. This is true of each of all the fields except two: Welfare and Higher Education. In both these fields, there is a moderate upward

trend in the registration of foundations over the long term. It should be noted that the sharp upturn in the mid-1990s does not reflect an actual increase during that same period but rather stems from the streamlining of the system for registering those trusts linked to particular organizations during those two years.

Figure 10. Registration of Foundations Supporting a Particular Organization along a Time Line (Fluctuating triennial average)



Payment of Salaries

Among the foundations supporting a single organization that pay salaries are Research Foundations of the Ministry of Health and others associated with government hospitals. Because of the unique character of these foundations and the relatively substantial sums of money paid in wages and received in allocations, they were not included in this analysis. During the period between 1998 and 2002, 150 foundations supporting a particular organization paid salaries. The total amount of salaries paid in 2002 was NIS 134 million. During this same year, 112 foundations, accounting for 8% of the active foundations, paid salaries. This is a slightly lower percentage than that of the foundations supporting individuals (9%) and reflects the difference in how these two kinds of foundations function. Virtually none of the trusts linked to a particular organization pay salaries and the funds allocated are managed by the recipient organization. Conversely, among those foundations consistent with “friends’ association” model, a relatively high percentage pays salaries.

Fifty-five percent of foundations that pay salaries also receive government allocations. This finding may suggest that one role of the friends’ associations is to seek government funding sources for the organizations they support.

From 1998 to 2002, the number of foundations that paid salaries remained relatively stable with a slight downward trend, particularly in Education. There was also no real increase in the total amount of salaries paid during this period. The trends of salary payments vary from field to field: There was a discernible decrease in the total amount of salary payments in Education and Culture and an increase in Health. The average of total salaries paid per foundation is low in Culture and Welfare (approximately NIS 430,000 per organization in 2002), as is the average tax rate of 14%. In the area of Education, the average of total salaries paid is NIS 1,158,000, and the tax rate is 21%. The foundations in Health are relatively large, with an average of NIS 2.4 million in total salaries paid per foundation in 2002. The tax rate of 20% is similar to that of foundations in the area of Education. These tax rates resemble those paid by other organizations operating in those same fields, with the exception of Welfare, where the rate for organizations is lower.

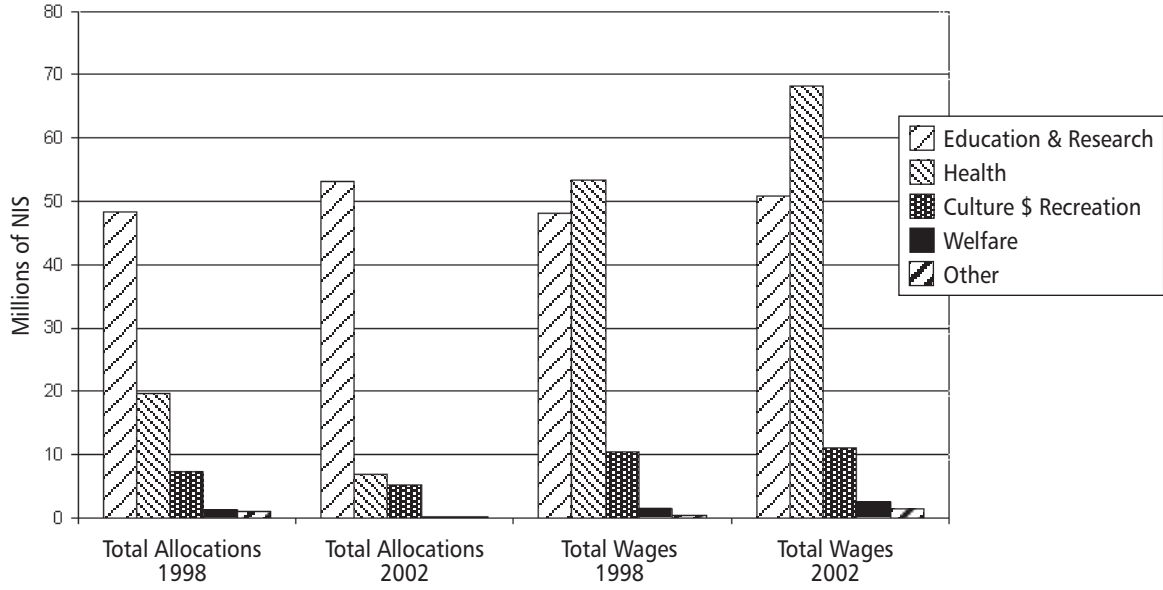
Government Allocations

In 2002, 67 foundations supporting a particular organization received government allocations in the total amount of NIS 65 million. Seventy-six percent of the allocations were in the form of grants, 15% were legislated allocations, and 9% derived from contracts. This departs significantly from the trend within the third sector at large in which payments through contracts and legislated allocation comprise more than two-thirds of all allocations. This figure is wholly consistent with role of foundations in raising funds for activities that are *different* from service provision by the organizations they support (where a contract is fitting mode). Thus, foundations raise funds for new programs and for capital or physical development.

Eighty-one percent of government allocations to foundations during 2002 were earmarked for those in the field of Education, 10% for those in Health, and 8% for those in culture. The ministries that allocate to foundations are (in descending order): the Ministry of Education and Culture, the Ministry of Religious Affairs and the Ministry of Health.

The amount of government allocations from 1998 to 2002 decreased in nominal terms, mainly in the fields of Health, Education and Religion. This decrease is notable because of the different trend underway with regard to salaries, as shown in Figure 11 below. It indicated that the decrease in government payments was not accompanied by a reduction in the work of the foundation. Also evident is that most of the allocations are directed to the field of Education, while foundations in the Health field pay more in salaries.

Figure 11: Salary Payments and Government Allocations, by Areas of Activity in 8991 and 2002



Section 3. Foundations that Support Multiple Organizations

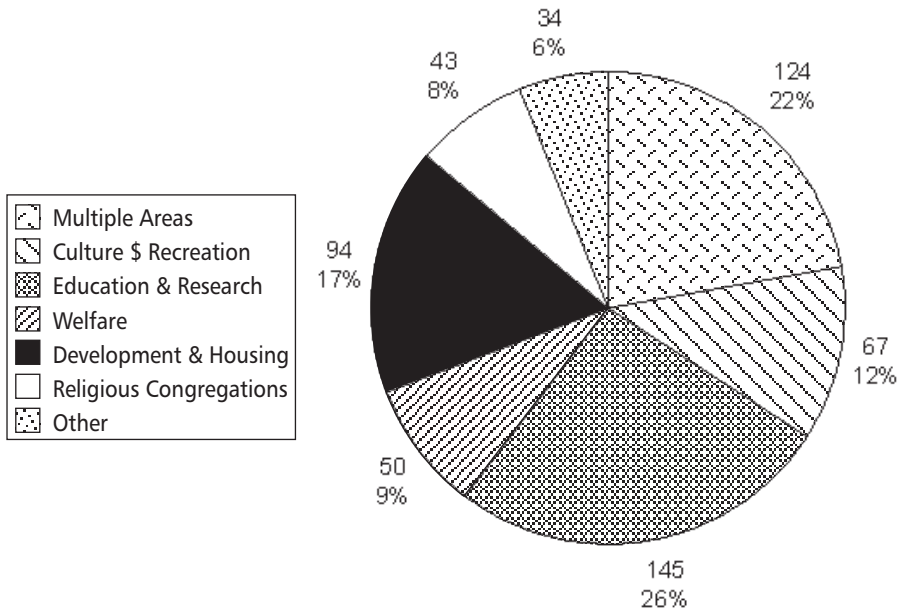
Foundations that support multiple organizations comprise the smallest of the categories of foundations, with 557 registered and 384 active foundations. However, for our purposes, this is the most significant group, for it is these foundations that often serve to stimulate and fuel the activity of many third-sector organizations. They engender social innovation by placing issues on the public agenda that normally receive little support from the "establishment", such as civil rights for various groups or the environment. They also address social and educational disparities by supplementing, and at times replacing public sector institutions. One of the unique features of foundations in Israel that support multiple organizations, as distinct from the other categories, is their source of funding. In many cases, the foundation's funds are located abroad, and the Israeli entity is the local operational branch of the foundation. In addition, there are foreign foundations that have been operating in Israel for many years through a local branch, without actually having established any formal organizational entity here. Foundations that support multiple organizations include for example the Ted Arison Foundation, the New Israel Fund, the Jerusalem Foundation, and the Avi Chai Foundation.

Areas of Activity

Foundations supporting multiple organizations span a variety of activity areas (see Figure 12 below). The largest sub-group in this category (26% of the registered foundations) is engaged in *Education and Research*. Of those, 50% support organizations in the area of primary, secondary, and complementary education, and 25% support research. The remaining foundations support *haredi* (ultra-orthodox) educational institutions and higher education.

The second largest sub-group is that which supports organizations in several areas. These foundations address the traditional fields of Education, Culture and Welfare, but are also involved in newer areas such as the Environment, Civil Rights, Minority Rights, etc. It is interesting to note that in this sub-group (foundations that focus on several areas), the percentage of active foundations is higher than average: 77%.

Figure 12: Distribution of Registered Foundations Supporting Multiple Organizations, by Area of Activity (No. of foundations % of total)



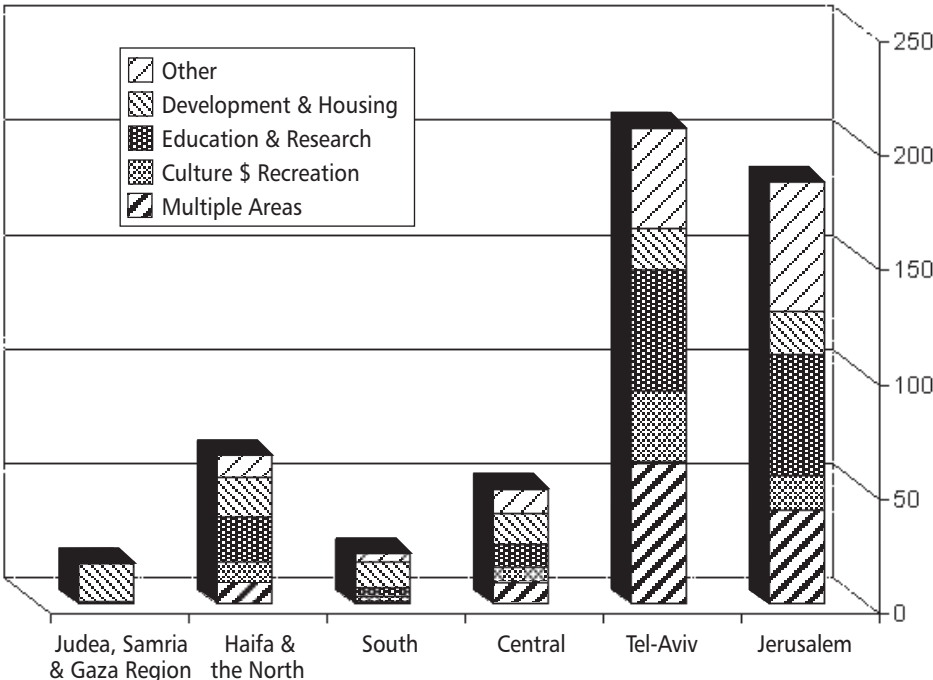
Another prominent area of activity for foundations supporting multiple organizations, and one that is distinctive to this category is Housing and Development. Most of these foundations were established in order to develop a particular city or community. Their focus is on social and physical development through the development of services (by supporting organizations in the fields of culture, education and welfare) and the support of physical development such as parks and the environment. Some of these foundations are actually an extension of local or municipal government. The oldest among them are the Jerusalem Foundation and the Tel Aviv Development Foundation. They can usually be found in both cities (such as Herzliya and Rehovot) as well as in small communities (for example, the North Talmon Development Foundation). Other foundations, such as the Fund for the Encouragement of Private Initiatives and the Koret Israel Economic Development Fund, aid in economic development.

Foundations such as the America-Israel Cultural Foundation, the Yehoshua Rabinowitz Fund for the Arts in Tel Aviv, and the Mordechai (Miguel) Malkson-Halperin Memorial Foundation for the Fostering of Yiddish Culture work in the field of Culture. Only 9% of the foundations in this category are engaged in Welfare, though most of those supporting multiple areas are also active in this field.

Geographic Distribution

Like the other foundation categories, those supporting multiple organizations tend to be geographically concentrated in the center of the country. Eighty-one percent are located in Jerusalem, Tel Aviv and the Central districts, with the Tel Aviv region figuring rather prominently (see Figure 13 below). Approximately half of the foundations engaged in several fields as well as Culture are located in Tel Aviv, a slightly higher concentration than that of the other kinds of foundations. Since a large portion of these foundations supports organizations situated throughout the country, their location in the center stands to reason, in that they are accessible to organizations from the north and south alike. The weakness of the South (home to 4% of these foundations) is more pronounced than that of Haifa and the north (home to 12%).

Figure 13: Foundations Supporting Multiple Organizations, by Districts and Areas of Activity

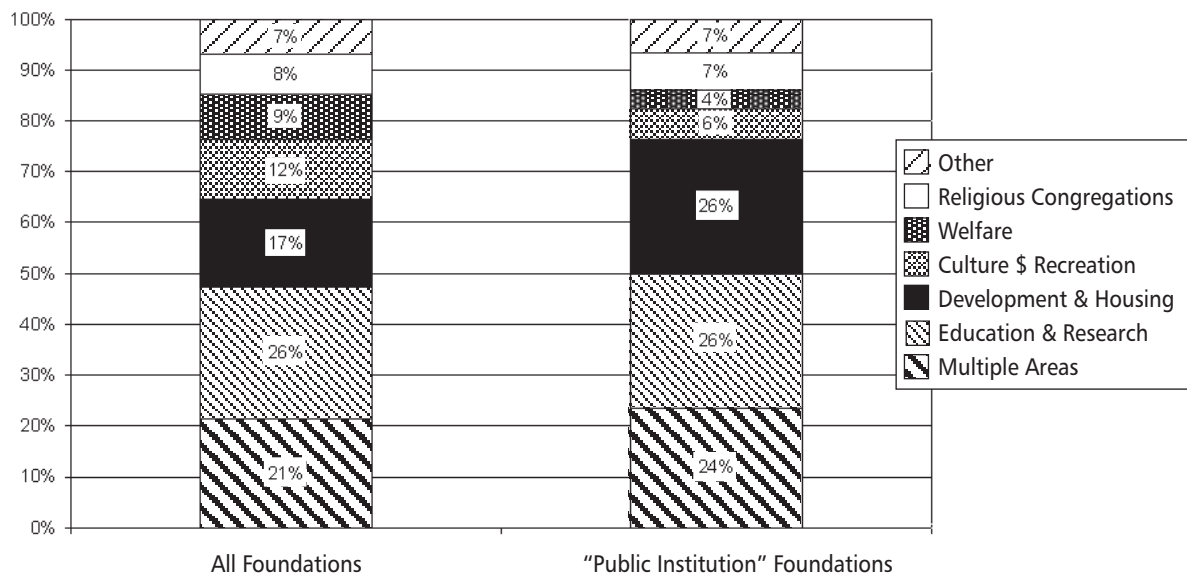


The Status of the Public Institution for the Purpose of Donations

Many of the foundations supporting multiple organizations enjoy the status of “public institution” for the purpose of receiving donations, for it entitles their donors to certain income-tax benefits. One hundred thirty-six foundations supporting multiple organizations are “public institutions”. These account for 24% of the total number of registered foundations that support multiple organizations. Thirty-two percent of all the active foundations are “public institutions”, as compared with 16% of all foundations, indicating that the rate of foundations supporting multiple organizations with the status of "public institution" is twice as high as the rest of the "Foundation Sector". There are two plausible explanations for this: a) the foundations in this category are relatively larger than the others and are therefore better equipped to navigate the process for

receiving this status; b) among the foundations recognized as “public institutions”, a relatively large number of them are found in the area of Housing and Development (see Figure 14 below). These are by and large linked to municipalities, established in order to raise funds for the community from outside sources. This sub-group has not only the need but also the ability to obtain such status.

Figure 14: Distribution of "Public Institution" Foundations Compared to All Foundations Supporting Multiple Organizations, by Areas of Activity

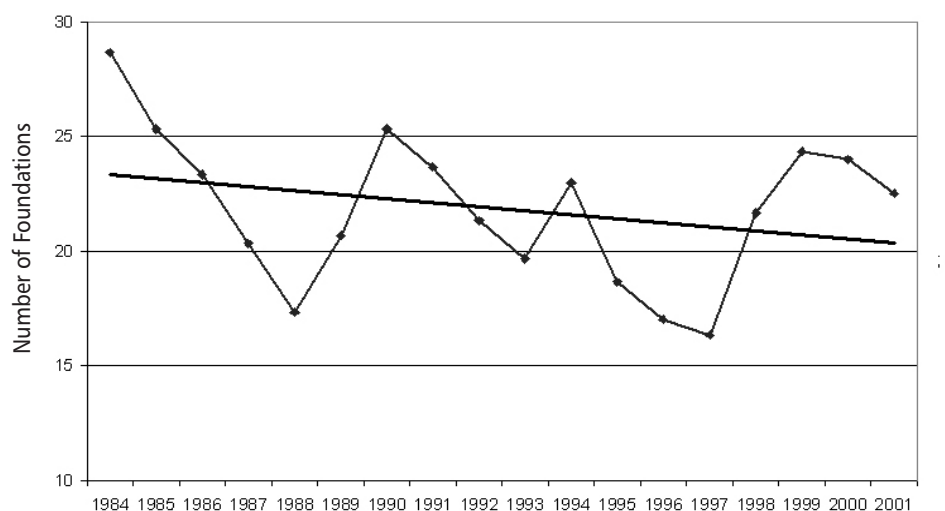


Relatively few foundations in the areas of Culture and Welfare enjoy the status of “public institution”. This is likely due to their having been established by private donors or public agencies that have no interest in raising additional funds above and beyond those made available for the foundation’s operations.

The Registration of Foundations along a Time Line

As Figure 15 shows, the registration of foundations supporting multiple organizations exhibits a moderate downward trend over time. This phenomenon is characteristic of nearly all kinds of foundations. With respect to areas of activity, an unmistakable increase in the registration of foundations in the field of Housing and Development was manifest during the first half of the 1990s. Also evident was a moderate increase in the registration of foundations in the area of Welfare. All the remaining areas of activity witnessed a decrease in the rate of foundation registration.

Figure 15: Registration of Foundations Supporting Multiple Organizations along a Time Line (fluctuating triennial average)



Payment of Salaries and Government Allocations

The patterns of salary payment and government allocations for foundations supporting multiple organizations more closely resemble those of third-sector organizations than other kinds of foundations. This may be attributed to the more complex system (review of grant applications and monitoring of implementation) a number of these foundations feature, particularly the operating variety. From 1998 to 2002, there was an increase in real terms in salary payments and in government allocations to foundations of this category (see Figure 16 below).

Payment of Salaries

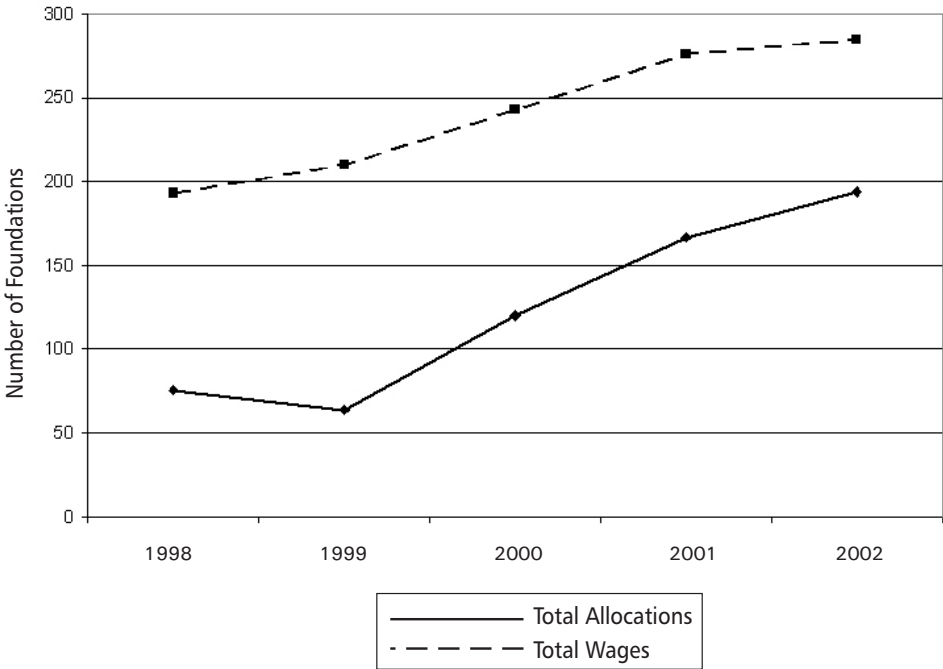
In 2002, 107 foundations—28% of the active foundations—paid salaries in the amount of NIS 285 million, a figure that closely parallels that of third-sector organizations (30%) and is appreciably higher than the rates of the other kinds of foundations (9–15%). The average amount of salaries and tax rate paid by foundations supporting multiple organizations is much higher than the corresponding data for other kinds of foundations. Moreover, the disparity in the average tax rates among foundations of this category across areas of activity is small, relative to the other categories.

In all the areas except Culture, the rate of total wages was higher than the average for the entire work force in Israel. This indicates an increase in the scope of activity among foundations of this type. Some of this increase, mainly in the areas of Education and Welfare (where most of the operating foundations can be found), may be explained by a growth in activity due to increased government allocations. Government sought to enlist partners in these fields in recent years and several operating foundations have collaborated with government on specific projects.

This explanation is at best a partial one because only a small percentage of the foundations supporting multiple organizations receive allocations. Nonetheless, there has been marked growth in the amount of salary paid by those foundations.

The above indicates that the work patterns of foundations supporting multiple organizations differ from those of other foundations, with the former relying more on a professional paid staff. The growth in activity, as reflected in salary growth, may stem from a higher number of applications to the foundation due to government budget cuts and the concomitant response of foundations to the resulting increase in need.

Figure 16: Totals of Government Allocations and Salaries Paid from 1998 to 2002



Government Allocations

Government allocations to foundations supporting multiple organizations have increased sharply in recent years, rising from NIS 75 million in 1998 to NIS 194 million in 2002. The relative share of grants in the total allocations has experienced a constant downturn. In 1998 the vast majority of government allocations took the form of grants, while in 2002, grants accounted for only 24% of government allocations. For the other categories of foundations, grants represented the main component of government allocations to foundations throughout the time period in question. Most of the allocations were directed to a small number of foundations: in 2002, 44 foundations supporting multiple organizations received some form of allocation. Five of these received an allocation of more than NIS 10 million and 27 received an allocation of up to NIS 100,000. More than half the allocations in 2002 were given to foundations active in Education. The largest amounts are for services of operating foundations. The second largest field is Culture, in which most of the allocations took the form of grants.

In summary, in recent years, there has been an increase in the activity of foundations that support multiple organizations. This increase is reflected in greater cooperation with the government as well as in independent activity.

B. Foundation Micro Data: An Analysis of the Sample Data

Presented in this section are the findings from our in-depth study of a sample of foundations, together with data derived from the perspectives of grant-recipient organizations and directors-general of key government ministries. As outlined previously, the findings are based on responses to questions posed in semi-structured interviews with senior personnel from 28 foundations, 15 grant-recipient organizations and 5 directors-general. The summary report encompasses six dimensions:

- 1) Roles of foundations in Israel and their areas of activity
- 2) The relationship between the government and foundations
- 3) The functioning and governance of foundations (board of directors, decision-making processes, evaluation, monitoring and supervision)
- 4) The “Community of Foundations” in Israel
- 5) Differences in practice between foundations and government
- 6) A critique of foundations by: foundations themselves, grant-recipient organizations and government ministry directors-general

As we began analyzing these components, we tried to uncover connections among various parameters, especially between those of foundation type (as foreign or local, large or small, etc.) and those of function (degree of division of labor between professional staff and the board), and attitudes expressed by foundations (whether or not they should foster innovation). When such relationships were found, we presented them; however they should be treated critically, since our sample is not a representative one (impossible due to the current state of the data). With that said, we may state with confidence that, from our assessment of and familiarity with the field, most of the relationships found are not coincidental. It is very likely that these would have emerged had we been able to carry out a comparable study using a representative sample.

1. Roles of the Foundations in Israel and Their Areas of Activity

The following are roles that foundations believe they must fulfill:

The promotion of civil society: Twelve of the foundations probed (43%) see the advancement of civil society in Israel as one of the roles foundations should ideally play. An example of this is the statement of one foundation that: “The foundation implements what the public sector doesn't. The encouragement of democracy and the nurturing of civil society are areas in which the government is not involved.” Many foundations believe that the way, or one of the ways, to advance civil society is to strengthen third-sector organizations. “The foundation acts for the advancement of a strong, professional movement ... therefore, one of its goals is support for non-governmental organizations.” Characteristics of foundations that held this view include: Activity in the international arena, relatively high income, the tendency to articulate a vision, and the targeting of policymakers in their efforts.

The encouragement of innovation and Entrepreneurship: Twenty of the foundations (75% of those interviewed) cited innovation as a role that foundations ought to adopt. “We are taking a risk: We provide funding where others cannot or do not wish to and so we deal with controversial issues. ... We invest in innovative ideas”. It appears that two conditions are necessary for dealing with innovation: A relatively large budget and freedom from public sector pressures. Accordingly, foundations citing this role tend to: be registered abroad, feature larger incomes, more likely to interact with other foundations, and more inclined to define a vision. With the exception of one field (religious pluralism), no relationship was found between the mention of innovation as a role of foundations and their fields of activity. The role of foundations as entrepreneurs or innovators was invoked in the statements of five of the grant-recipient organizations interviewed and two directors-general. According to one of them “The advantage of working with a foundation is that it stimulates new activity. It exists outside the establishment and can therefore more easily promote new projects.”

Four foundations pointed to *fulfilling the wishes of the donor* as the main role of foundations, as expressed in the following statements: “Actually, the foundations are there to serve their founders, no more than that.” All these foundations are relatively small.

Strengthening the Ties between Jews in Israel and the Diaspora. Ten foundations (36%¹⁹) mentioned this as the main or as one of the main roles of the foundation: “The foundations are a tool for involving Diaspora Jewry in the shaping of the State of Israel,” one foundation representative noted. Another added: “We need cooperation with foundations abroad that are ready and willing to support the State of Israel and help it to solve problems.”

19. This rate increase to 43% if we subtract the five “non-Jewish foundations”, which naturally do not see these ties as part of their role

The *areas of activity* of the foundations studied are: Social Change (20); Education and Research (19); Welfare (15); Culture and Recreation (13); Health (11); Promoting Peace and Co-Existence (10); The Environment (9); Religious Pluralism (7); Housing and Development (4); and Religion (3). As is clear from this breakdown, some foundations are active in more than one area.

Social Change: 71% of the foundations studied are active in social change, a sub-set that consists of all the foreign and non-Jewish foundations (7) and 62% of the Israeli ones (13).

- The management of these foundations is distinctive, since they are more inclined than the others to conduct evaluation, maintain a separation between the decision-making and executive bodies, and feature a board of directors they consider to be "functioning properly".
- In a "cluster" of fields where Social Change is likely to be expressed (such as The Environment, Promotion of Peace & Co-Existence and Religious Pluralism), the tendency to evaluate grant recipients was more pronounced.

2. The Relationship between Government and Foundations

Twenty-two of the 28 foundations probed in the study (close to 80%) addressed the issue of division of responsibility between government and foundations. It appears the foundations are very much divided with respect to the delineation of the boundary between the role of government and their own, and the rationale for delineating that boundary. Most oscillate between a categorical objection to foundations becoming involved in those spheres defined as the government's purview on the one end, and expressions of discomfort on the other over the current predicament in which foundations effectively supplement the work of government and at times even replace it in funding certain activities.

The following statement expresses this discomfort: "It is preferable to fund activities that do not receive funding from the government in order to change the policy and the priorities and eventually the government will fund them ... Despite this, we sometimes do the opposite." Consequently, some foundations see themselves as a "safety net", providing those in need with an alternative, even if this undermines the foundation's declared principles. Similarly, some view the role of foundations as prodding the government to assume responsibility.

Of the 6 foundations that do not voice an opinion regarding their role in relation to government, only one is foreign. They are characterized by dependence on private funding sources and tend to pursue a strategy of service provision. They view their work as important in and of itself and focus on the "niche" they have selected, without necessarily attaching to it a larger vision of society.

Generally speaking, the foundations reflect on their role vis-à-vis the government, while the directors-general of government ministries are preoccupied with other matters, such as the degree of control over the funds allocated and the implementation of projects in which foundations are involved as funders. All the directors-general refer to the role of foundations as supporting the government: “In our field, the state covers only the minimum and it is therefore important that there be other agencies that fund important activities for which the government is not responsible. However, this must be done carefully because the state has a tendency to withdraw when there is money from an outside source”. Their statements reflect the same vagueness that characterizes the foundations' view of the boundary between their role and that of government.

Twenty-five foundations cooperated or are cooperating with the public sector. Six reported a minimal relationship currently but noted that a significant relationship with public sector agencies had existed in the past. Interestingly, 7 described relationships with the public sector that were indirect or that existed via a third party: “If we are forced to deal with a government ministry, local government or the like, let the director of another foundation fight the battle for us, or let the JDC do it” [...].

Working with the government presents several difficulties:

Technical difficulties: a different management style, a “different language” or, as one of the foundations described it “The government is a dinosaur that doesn’t always find the right address. ... Their decision-making process is slow; cooperation is slow” [...].

Fear of loss of autonomy (on both sides), as expressed in the following statements: “Whenever we deal with the government, there are always clashes. ... That is the name of the game. One of the most important principles in our work with the government is preserving the autonomy of both sides. Much thought is given to this topic”.

Fear of losing the direction and values that guide the foundation.

Fear that their work be perceived as “political intervention.” All foreign non-Jewish foundations are extremely cautious regarding a relationship with the government.

The directors-general all cite issues such as: clearly delineating the nature of work; ministerial deployment; good and bad models for joint work; and boundaries. Without exception, all referred to the issue of control with apprehension. One conceded; “Practically speaking, there is no supervision by the ministry. The foundation determines the policy of the program [...]. It is a relationship for the provision of services that is out of the ministry’s control [...]. It is untenable that the state provides most of the funding while the management, supervision and credit all belong to the donor.”

Directors-general identified two problematic dimensions of engaging in joint projects with foundations:

1. **Control over the ministry's priorities**, which finds expression in two ways:
 - The choice of projects (topic, target population, region)
 - The demand for government funding when the project was initiated by the foundation.
2. Control over the manner in which the project is carried out, which in turn is manifest along the following parameters:
 - Professional control (consultation, setting professional standards)
 - Implementation in the field (who is in charge: the ministry? the foundation?)
 - Supervision and evaluation (by the government? by the foundation?)

Nearly all foundations have ties and connections at the level of government ministries (16 of the 21 that responded to this question). Approximately half reported conducting talks with ministers, 7 with Knesset members, and 11 with local government officials.

3. The Management of Foundations

a. The Board and its Functioning

Most foundations (25 or 89%) have a board of directors.

In most cases (19 foundations, 68%), the board of directors decides on grant allocations. In 4 (16%), the staff is entrusted with this decision and in another 2, the donor decides.

In most foundations studied (21 out of 25, or 84%), the staff issues recommendations regarding the allocation of grants.

In most (19 out of 25, or 76%), there is an institutional separation between the bodies that issue recommendations and make decisions. In others, there is no such "separation of powers," meaning that the recommendations and decision-making regarding grant allocation are entrusted to the same body (staff, the board of directors or other).

In 17 of the foundations (63%), there exists a board whose performance is deemed satisfactory²⁰.

In the other ten about which we had information (37%), the board performed either unsatisfactorily or did not exist altogether.

20. We developed an index of a "satisfactory board" when it is active, it has regular meetings, it has a rotation system and it is involved in the decision-making process at the level of policy

Foundations that raise funds from the public tend more than others to feature an adequately functioning board.

Among corporate and private (related to a single individual) foundations studied, the picture is different: the rate of foundations in which boards are reported to function satisfactorily is lower than among those relying on public sources of funding.

A clear relationship was found between the board's level of functioning and the existence of a decision-making procedure based on a "separation of powers" between those issuing recommendations and those making decisions in the foundation.

In those foundations characterized by a board that performed satisfactorily, the application procedures and criteria for awarding grants was marked by a high degree of transparency and clarity.

b. Grant Application and Decision-Making Procedures

The grant application and decision-making procedures were tested according to seven parameters: The accessibility of information regarding the foundation's application procedures and information about previous grants/grantees.

The degree of clarity regarding the foundation's goals.

The availability of foundation staff as helpers in the process.

The relationship between the declared criteria for allocating grants and the considerations that ultimately matter.

The transparency of the application process and the foundation's allocation criteria.

The foundation's reliability (keeping its promises, preserving confidentiality, stability, meeting deadlines).

The foundation's level of expertise in the area(s) it supports.

The grant recipient organizations appeared to be more critical than the foundations regarding much of the application and decision-making procedures. Issues that were perceived by the organizations as deeply disturbing did not seem to be of concern to the foundations. At times, the foundations claimed that no problem exists, even while the organizations identify what they feel to be a very pressing problem. These disparities are especially evident with respect to the accessibility of information, the relationship between the declared criteria, the considerations

that really matter in the decision-making process and the degree of transparency of the entire process. Thus, for example, half of the foundations described the level of accessibility as reasonable or higher: “We publish in all the local newspapers (not only in the national dailies) and in the *Jerusalem Post*. We convene meetings so that non-profit organizations can come and receive information, and everyone who contacts us is invited to attend”. Ten of the recipient organizations (60%) however expressed the opposite feeling: “In Israel there is no organized system to locate foundations, and to do so requires a lot of research. We invest a lot in searching in newspapers, the internet and by word of mouth. The foundations hold the cards close to their chests. The third sector is definitely lacking in systematic information about foundations.” Conversely, there are issues that trouble the foundations, which do not seem to concern the recipient organizations. For example, one-fourth (7) foundations refer to the level of expertise (or professionalism) of the entire process, while the organizations hardly mention this. Most of the foundations attribute importance to defining their vision, while the organizations relate to it altogether differently: They seem bothered by what they describe as the frequent changes in the foundation vision and character.

It would appear that neither the foundations nor the organizations devote much thought to the last two parameters—the reliability and the availability of foundation staff—as these are hardly mentioned in the interviews. This is noteworthy, since in managing the relationship between foundations and recipient organizations, these variables are identified in the international literature as significant in assessing the process (The Center for Effective Philanthropy, 2004).

c. Evaluation, Follow-Up and Supervision

All those interviewed—foundations, grant-recipient organizations and directors-general—view evaluation, follow-up and supervision as important elements in the process. Everyone cited their importance, yet in the course of day to day practice, these issues are not particularly central.

The insights gleaned from the interviews suggest a variety of reasons for this. One is the sense on the part of many foundations that the considerable investment required to conduct evaluation never really yields any benefit, since they already tend to know what transpires. One foundation representative expressed this in the following statement: “There is no money for evaluation. No one wants to spend money. The feeling is that we know intuitively what works.” A second reason is the foundations’ assessment that it is difficult to conduct an evaluation in the foundation’s area of activity (“in our area of activity, it is very difficult to construct good measurements for outcomes”). The deterrent of the substantial expense that rigorous evaluation generally incurs is also a factor, resulting in many a foundation preferring to invest instead in program: “We do not want to waste money on an evaluation instead of providing services [...]. My experience with evaluations is: 1) They steal a lot of work from us [from the foundation itself]; 2) the results resemble what we already knew; 3) therefore, the benefit is low. We can generally tell if something does not work well.”

The foundations' statements include almost no justifications for conducting evaluations (only 8 foundations made slight mention of the reasons why they were interested in evaluating, of which 6 see evaluation as a tool for organizational learning that can be beneficial). The statements suggest 4 benefits: (1) an examination of the impact of the investment, (2) an examination of models and their efficiency, (3) tracking funds, and (4) gaining external validation for the foundation's positions.

It should therefore come as no surprise that the attitude of grant-recipient organizations towards evaluation does not differ substantially from that of the foundations. Few of them see evaluation as a tool for organizational learning, neither for foundations (3 out of 9 organizations, 33%, noted that evaluation is a way for the foundation to accomplish its goals) nor for the organizations themselves (again, 3 out of 9, 33%). Among them are those who see the importance of initiating their own evaluation efforts and others who criticize the level of evaluation that foundations conduct. Such criticism is illustrated in the following statement: "Sometimes the foundation comes to check out what is happening on the ground, but that is not an evaluation [...]." Others see evaluation as an important tool for maintaining a good relationship with the foundation.

Regarding those who conduct evaluation, the reports indicate a high level of involvement of the foundations and of the organizations, as well as frequent use of outside evaluators. It is interesting that the foundations describe their involvement in evaluating organizations as "high" and "essential" (18 foundations, 82%), whereas the organizations report that the burden of evaluating falls mainly on them. It is conceivable that the undertaking of evaluation is seen as an important but burdensome task that each "side" prefers to carry out for itself.

Like the grant-recipient organizations, foundations report that they (20 of the 22 that responded to the question, 91%) ask the grant recipients to submit a periodic report. All 13 foundations responding reported that they conduct budgetary follow-up of the grant recipients. This tracking is sometimes met with criticism by the organizations because of its cursory nature: "Everyone receives an itemized list of what was used. I have no idea whether anyone reads it".

The perspective of the directors-general on the question of evaluation and minimal supervision (3 mentioned the topic) focuses on the technical aspect of supervising the funds, as reflected here: "The Finance Ministry needs to be involved in order to make sure that the accounts are reviewed properly".

4. The “Community of Foundations” in Israel

Twenty-one (78%) of the foundations have some sort of relationship with other foundations (6 foundations report having no such relationship).

Their statements describe four kinds of cooperation:

- Implementation of joint projects.
- Exchanging information. “[...] We share information in telephone conversations, in mutual, informal consultations and in workshops with other foundations. We try to hold meetings with other foundations about evaluating projects. We are part of the ‘Foundations Forum.’”
- Cooperation in project funding.
- Receiving funds from another foundation for activities. “There is cooperation with foundations; they accompany our projects, fund some of the projects and enable development.”

These foundations have several characteristics:

- They are more inclined to be connected to countries abroad (whether because they are registered abroad or because they are registered in Israel as "foreign companies");
- They tend more than others to engage in Social Change, The Environment and Peace and Co-existence;
- As such, they tend to pursue a strategy of advocacy, view policymakers as a target audience and interface with the public sector.
- They tend to articulate a mission and see the importance of the role of foundations in areas characterized by a larger philosophical vision: The development of a civil society, the encouragement of innovation and a link with the Jewish Diaspora.

From the above, it becomes clear that foundations serve as a reference group for one another and in this sense may be conceived of as “community” of sorts. At the same time, they also voice criticism of one another (though tend not to single out a particular foundation). The criticism focuses primarily on two areas:

- Improper management (“There is a lot of waste and poor management in philanthropy—inefficient management with no common sense. The wisdom of donors who so cleverly made their fortunes in the private sector disappears the moment they donate money [...]. They would never behave this way in their own private businesses”).

- The use of unsuitable strategies (“Instead of being dragged by their commitment to providing grants and support for projects [important in its own right], they could instead lever funds to stimulate important things with the right kind of work”).

5. Differences in Management between Foundations and the Government

In all the areas (except for one presented in the next finding) the public sector was seen as functioning at a level lower than foundations. One of the organizations expressed this position succinctly: “In government agencies [providing grants] things are not clear. What is the policy? [...] On the other hand, with [philanthropic] foundations, it's possible to consult with their representatives and examine together what is the appropriate way. In government agencies, you need to find precisely into which niche they can enter you. There is no dialogue. [...] In government agencies, I never know who makes the decisions.” An exception to this view is the organizations’ belief that personal connections are seen as being the major factor (in receiving requested grants) in both Israeli and foreign foundations and are not a factor in the public sector.

Criticism of the public sector focuses on two areas:

- *The management of the application process* and the treatment of the funds. This includes complicated bureaucratic procedures, lack of professionalism regarding the applications, lack of interest in the *substance* of the activity, emphasis on trivial matters, and uncertainty regarding the timing of the disbursement of funds. The entire process lacks transparency (“government funding is very technocratic. They are less interested in the nature of the project, whether or not it is being carried out, whether it is successful and so on. ... It is filling out bureaucratic forms [...],” or, to put it more bluntly, “The bureaucracy in public agencies providing grants is hell.”)
- *Evaluation, follow-up and supervision procedures* in the public system are seen as inferior. This includes failure to conduct an evaluation or doing so half-heartedly or non-professionally, and paying attention to marginal matters in the name of bureaucratic propriety, rather focusing on the essence. “The public system does not evaluate. At most, they require that one of their people comes to see that the activity is actually taking place. They do not even ask for self-evaluation. Their criteria are so weak that the inspection is meaningless.”

The Bequests Fund received particular criticism. Five organizations mentioned its poor management. The main points of the criticism were:

- a. Awkward and sluggish bureaucratic procedures
- b. Unreliability

- c. More interest in adhering to bureaucratic imperatives than in the substance or essence of the activity
- d. Irritating supervision (seemingly motivated by an innate suspicion of grantees) that also focused more on marginal aspects

One of the organizations expressed this criticism bluntly by noting, “The Bequests Fund ... is terrible. It does things slowly. The application process is awkward. A great deal of time passed from the moment they read the application until they responded. By the time the money comes in, you can go out of your mind.”

6. Criticism of Foundation Activity: Perspectives of Foundations, Grant-Recipient Organizations, and Government Ministry Directors-General

A. *The main critique of foundations (by the foundations themselves and by recipient organizations): The foundations’ lack of willingness to cooperate with one another:* “The problem is that each one wants to do its own thing. There is not enough cooperation in pooling resources in order to tackle a problem with any real depth.”

Lack of transparency, including:

Lack of information about the foundations’ requirements and criteria

Lack of transparency regarding the decision-making procedures

Lack of transparency regarding reasons for rejecting applications

Some of the criticism is reflected in the following statements: “In most cases, it is not completely clear how decisions are made regarding grants. Of course, there are several general criteria based on previous and current experience, but at the end of the day, very little is known about how decisions are made.” Inappropriate timing of fund transfers to recipient organizations was also cited: “Today, everybody has a deadline [...]. If I could know in November or December who would be giving, I could construct a budget. I know about 50% at best [...] This means being in perpetual a state of uncertainty”.

Preference for funding specific projects rather than funding the organization.

Foundations instability: Alongside comments relating to the legitimacy of foundations changing their areas of interest, there were those who criticized them for changes in the overarching vision or in the order of priorities. For example: “Foundations like things that are ‘in style.’ They change their direction according to what is popular, and they do this together. They shy away from important but less popular fields.”

Confidentiality: In general, the organizations feel that the foundations uphold confidentiality. However, some organizations felt that confidentiality was problematic. “They all talk to

each other. Information is passed en masse from foundation to foundation whether it is accurate or not.”

- B. *The criticism of the directors-general interviewed is directed not so much at the foundations but rather at the manner in which the “dance” between them and government is conducted.* It is acknowledged that the manner in which the foundations work is substantially different from that of government and that it would be inappropriate to hold the foundations to government standards and regulations (“Regarding work with foundations, making rigid rules will only hurt things. The foundations check the grant recipients and expect good performance from them. They expect quick, to-the-point answers. Working with an inflexible system could damage trust and sever the relationship.”)

There seems to be an inherent tension between the desire to make the foundations subordinate to the ministry (2 directors-general) and respecting their autonomy (3 directors-general). The first approach was expressed in the following statement: “The Finance Ministry should be involved in order to make sure that the accounts are properly monitored. [...] A comprehensive government policy regarding work with foundations would be desirable so that their work would be done properly and in accordance with government priorities. The foundations should be the long arm of the ministry and act according to clearly defined guidelines.” The directors-general who spoke in defense of the autonomy of foundations also seek “red lines” in order to define a sphere of independence.

This tension can be defined as one between the need for clarity and a clear policy (“The rules for cooperation should be clear and the criteria should be rigid”) and the need to settle for a set of general guidelines (“Working with foundations requires a great deal of flexibility and wisdom, not rules. We should therefore refrain, at both the government and individual ministerial levels, from formulating an explicit policy anchored in rules”).

CHAPTER 4

SUMMARY AND CONCLUSIONS

An investigation of the “Foundations and Funding Organizations Sector” in Israel reveals several discoveries: Although no precise data are available, it is clear that a large and varied “Foundations Sector” exists in Israel, a large part of which relies on funds "imported" from abroad. In fact, unlike other Western countries, which “export” large amounts of philanthropic funds, Israel appears to be the only Western country that “imports” them. A major reason for this is the time-honored tradition of Jews donating to their brethren dwelling in the Land of Israel. With the establishment of Zionism, this tradition assumed the form of supporting the Jewish national movement, and after 1948, the State of Israel. Special mechanisms were established in order to encourage Jews throughout the world to donate to these goals. Practically speaking, the donated funds were usually channeled, both before and after 1948, to develop and maintain government-controlled social service systems (in education, health, immigration absorption, welfare, culture, etc.).

Since the beginning of the 1980s, the focus of philanthropic support from abroad has increasingly shifted from the Israeli polity to Israeli society, particularly civil society in Israel, a good deal of which takes place outside the state apparatus. Recently, Jewish foundations have not been the only ones to participate in “exporting” philanthropic funds to Israel, as a number of non-Jewish foundations, naturally embodying different priorities and orientations, have also joined emerged on the scene.

The import of large amounts of philanthropic funds from abroad, coupled with the socialist ideology that prevailed during the first 2-3 decades after independence, did not create the types of structural incentives that would encourage Israelis to establish foundations. Even those who established large Israeli foundations and funding organizations (such as local authorities, institutes of higher education or cultural institutions) developed a strategy of reliance upon donations from abroad. Those Israeli foundations that are not dependent on donations from abroad may be sub-divided into three main categories:

- Foundations and funding organizations located within the religious or Haredi population. This category includes hundreds of foundations, most of them small, which focus on assisting individuals around issues of education (scholarships) or welfare (material assistance), primarily within their own communities.
- Non-religious foundations created in memory of a person (or a community), most of them small, focusing on assisting individuals or organizations in a variety of subjects.

- Public foundations established by the government, outside the purview of state agencies, in order to address issues requiring a professional or academic expertise (science, cinema, research in hospitals).

The first two, which are established by individuals, continue an ancient Jewish tradition and are typically quite modest in scale. The third variety is established by public entities.

The developments of the past five to ten years notwithstanding, it becomes clear that two components, characteristic of foundations abroad, are conspicuously absent from the above list:

- a) In contrast to the North American and European experience, virtually no foundations in Israel were founded by wealthy individuals or corporations.
- b) The areas of activity in which Israeli foundations are engaged include assistance to individuals (scholarships, financial assistance) and/or the complementing of public services; most do not support civil society organizations.

A comparative analysis of these data and parallel data from the US clearly indicates that the historical development of this field in the two countries was informed by two very different ideological perspectives. In the US, the emergence of the modern philanthropic foundation is inextricably linked to the work of wealthy individuals, who endowed it not only with their wealth but also with a philosophy that entailed a distinctive role (introducing innovation, social change). They established the institution of the philanthropic foundation by introducing a professional component to assist the decision-makers. The decision regarding the goals to which foundation funds would be allocated was in the hands of those who established the foundation. Over the years, the public sector created checks and balances to ensure that these funds would not be abused and at the same time, created incentives to encourage individuals to establish such foundations. This was a reflection of the importance and ostensibly redeeming quality attributed to foundations in the US.

In Israel on the other hand, the picture is completely different. Israelis, irrespective of their relative wealth, have not been encouraged to establish private philanthropic foundations. The public sector was the principal social actor responsible for initiating and engineering social developments. When funds allocated for a certain project by the public sector were insufficient, project entrepreneurs relied on donations from abroad that were channeled primarily through the large national Jewish funding bodies. Unlike private foundations that are controlled by the funders (or trustees), the model that developed in Israel during the pre-state era and the state's formative years and the accompanying ethos were radically different. Because these were, in essence, public foundations, the prerogative of determining the scope and target of the funds donated rested not the donors, but with the recipients. As public foundations, which relied on donations from many individuals, they were not subject to the control of any single individual donor.

Since the 1980s, concurrent with the significant growth of Israel's third sector, the “Foundations and Funding Organizations Sector” has also grown in new directions. These find expression in the following developments:

- A substantial number of private foundations, the *registration and resources of which are external to Israel*, commenced activity here. These foundations are independent of the centralized mechanisms created by the state to funnel funds donated and reject the notion that the recipients should determine the destination of those finds. They select their own goals and build the instrumentality to facilitate their investments. Sometimes the goals are chosen in concert with government and other times sometimes without any coordination. We have good reason to believe that the funds of most of these foundations are directed to third-sector organizations.
- There is increasing interest in the Israeli business community in possibilities for establishing foundations for the advancement of Israeli society. A number of them have already done so, despite the absence of any structural incentive to do so.
- The development of an appropriate and coherent government policy concerning foundations has lagged far behind the rapid development of the foundation sector —of local and foreign foundations alike—in Israel. No policy exists to govern the flow of funds from private foreign foundations to activity areas, some of which overlap those of the public sector. There are also no special incentives for Israelis to establish foundations in Israel or for stimulating cooperation among foundations—measures that, together, could have the effect of increasing the scope of activity of Israeli foundations.

These developments, which were reinforced during the 1990s, occur at a time when third-sector organizations are operating under increasingly adverse conditions. It is during this period that public allocations have decreased, forcing these organizations to seek new sources of funding. This state of affairs only serves to reaffirm the need to initiate a public discourse around the nature and roles of philanthropic foundations in Israel, their relationship with the public sector and the manner in which they are managed. The recommendations contained herein, based primarily on the findings of this study and on the situation prevailing in other countries, may ideally serve as a basis for such a public discourse. The recommendations are offered against the following backdrop:

- a. In an era of globalization, philanthropy also assumes a more global character, since local problems are frequently an expression of global trends. Just as foreign investors take an interest in the Israeli economy many international foundations show increasing interest in Israeli society. This interest is related to both the volatile political situation in the Middle East as well as the view of Israel as very fertile ground for social research and intervention.

- b. For the foreseeable future, it is unlikely that the state will reclaim the central role it played during the 1960s and the 1970s in social service delivery. The continued tendency of government to withdraw from the direct provision of services will further induce non-governmental entities to step in and become engaged in a variety of ways in the public space between the citizen and the state. In addition to third sector activity, which has since become a permanent feature, we are witnessing on the one hand, a growing involvement of the business sector in the provision of certain social services and of funding and management consulting for third-sector organizations. Cross-sectoral collaboration of this sort will gradually lay a suitable infrastructure for ventures in general and new ventures in particular.
- c. In Israel, the business community is exhibiting a heightened concern with social problems and a commitment to their amelioration.
- d. In the Jewish Diaspora, a process of change is underway in the patterns of philanthropic giving among the younger generation of donors, who feel less obligated than their parents to support the State of Israel. These young donors often seem to prefer mobilizing on behalf of projects of a global scope and of universal moral implications.

Recommendations

Israeli Foundations

On the basis of our data, we believe it is important to develop the “Foundations and Funding Organizations Sector” in Israel in new directions, especially towards promoting *social innovation and the development of civil society*. As mentioned previously, this study's findings clearly show that these two roles were found to be critical, particularly from the perspective of foreign foundations. The first component of this recommendation—the *promotion of social innovation*—is based on the principle that philanthropic foundations, more than any other organizational form, are equipped to pursue this objective. The second component—*developing civil society*—is based on the need for new funding sources for the third sector, in order that it may fulfill its social roles and emerge as a *distinct* sector alongside the public and business sectors. Funding third-sector organizations through foundations is not only important in its own right, but can also serve as a lever for additional resources. It is therefore important to nurture this source.

In our opinion, most of the existing private Israeli foundations will not be able to bring about the much needed paradigmatic shift, either because of their relatively modest size or because of their religious/Haredi communal orientation. It is therefore important to encourage Israeli corporations and private citizens to establish new foundations²¹. Unlike a single donation, a

21. For the purposes of this study, we are unable to provide more specific details regarding this recommendation beyond calling for the granting of tax exemptions to the founders of “philanthropic foundations,” together with supervision in order to ensure that the foundation is indeed performing according to its original mandate.

foundation is an institution that conveys stability, offering a vision, goals and strategies and operating under the supervision of its board of directors and the public sector. Because of its specific goals, the foundation typically takes an interest in the projects it funds and is involved in their implementation, an aspect of their work that is also of importance to the organizations implementing the projects.

In addition to these arguments relating to the role of foundations, there are also instrumental reasons underlying the efficacy of encouraging the establishment of foundations in Israel. We are of the opinion that the activity of Israeli foundations along the lines mentioned will result in the increased involvement of foreign foundations in Israel, both from those already active here as well as new ones eager to cooperate with them. Cooperation between foreign and local foundations (unlike governments) lends the former a sense of legitimacy in the realization that the projects they fund are relevant. This cooperation also facilitates better supervision and feedback for these same foreign foundations. Another compelling argument for the proposed recommendations relates to the desire to keep Israeli capital within Israel. Many foundations registered in Israel deposit their assets abroad and import only the interest yielded. The attempt to nurture the establishment of Israeli foundations must therefore include measures that encourage entrepreneurs and corporations to deposit their assets in Israel, thereby assisting the economy.

We believe that Israeli foundations, alone or in conjunction with foreign foundations, can and should be involved in global projects, as are businesspeople and corporations. There is no reason why Israel should not take part in philanthropic efforts that address global issues, especially in those areas in which it has acquired an expertise. Such involvement would no doubt prove beneficial to the foundations and to Israel at large.

Foreign Foundations

As our findings demonstrate, foreign foundations in Israel are a formidable factor in promoting the "Foundations Sector" in Israel: In their introducing of new issues and tackling controversial ones, they further the development of civil society. Generally speaking, their functioning is more professional than that of Israeli foundations and, in this sense, they may serve as an example for the latter.

Though foundations make a positive contribution to the development of society, their activity nevertheless raises an ethical question that cannot be ignored. Indeed their intensive involvement in the inner workings of Israeli society begs the fundamental question: "Who put you in charge?", and "by what right does this (private) foreign entity interfere in society?" Of course, the same question may be posed regarding the involvement of foreign investors in the economy however these investors are usually subject to government regulations, whereas no rules govern the activity of philanthropic foundations, except those prohibiting them from committing illegal acts. One answer to these basic questions is that, in this global era, transnational philanthropic

activity cannot be restricted. Even if various restrictions on the importing (or exporting) of capital are imposed on foundations, there are ways to circumventing them that could likely encourage illegal activity.

This global era is also characterized by the encouragement of transparency and openness. Hence, another facet of the globalization of philanthropy is the need for complete transparency on the part of foreign foundations operating in the target country. The refusal of foreign foundations to divulge the nature of its activity in Israel on the grounds that the funds in question are “private” is therefore untenable. Even if such a foundation reports on its activity in the country in which it is registered (such a requirement does not exist everywhere in the world), it is important that foreign foundations²² create standards of reporting on their activity in target countries as well. We are not referring here to the need to report to the host government, which can justifiably be considered a form of censorship, but rather the need to a report to society – where a foundation wishes to intervene. Such a report (in the form of an Annual Report) would bring the controversial issues inherent in the foundation activity to the public fore, and in so doing, help defuse the suspicion and public criticism directed toward it. A proposal of this sort should not limited to foreign foundations operating in Israel but anywhere in the world for that matter.

Another way of offsetting the "foreignness" of foreign foundations is by creating a local board, alongside the local director or representative, to oversee grant allocation on the local level. The experience of the New Israel Fund and The Ford Foundation in this regard offers an example of how this may be achieved without undermining or compromising the foundation's principles. These forms of enlisting locals in the work of foreign foundation can facilitate a smoother operation with greater resonance for the local population in the host country.

The Government’s Relationship to the Foundations

Together with the policy of nurturing Israeli foundations, as discussed above, it is important to develop a policy addressing the relationship between government and foundations, Israeli and foreign alike. Underlying such a policy should be a recognition of the distinctive roles foundations play in society. We reject the view of foundations as a convenient source of funds to replenish those of public budgets. When foundation funds effectively serve as a proxy for taxes, the ramifications thereof are extremely negative, for this allows policy-makers to avoid discussion of social priorities. The accepted practice in Israel since the pre-State era of relying on donations from abroad, coupled with the availability of such funds, only serve to exacerbate this tendency. It is important then, that the government appreciate that the purpose of these foundation funds is to upgrade society through renewal and change. This notion is not only important for foundations

22. This refers to foundations with a representative or office in Israel, meaning that their activity in Israel is part of their goals. This does not refer to foundations that provide sporadic grants to private individuals or to Israeli organizations.

but also for government in its sustained interface with foundations.

In an era of reduced budgets, when government ministries enjoy less and less little flexibility and very limited ability to initiate new projects, foundation funds can serve as a lever for renewal and change in their activity. The precise locus of renewal and change should be determined through negotiations between the appropriate ministry and the interested foundation(s). And while government ministries are generally convinced they know where renewal and change are most necessary, foundations sometimes have ideas of their own. The ability to offer foundations alternative projects of interest to the ministry can form the basis of a relationship in which the latter will not feel it is being dragged along by the former simply because funds are available for a particular issue. It may be worthwhile to adopt the idea suggested by one of the directors-general, i.e. to appoint a high-ranking official entrusted with mediating between foundations and a particular government ministry. Even if foundation funds are intended to support a particular public sector service, it is important that the foundation involved achieve a lasting impact, beyond the duration of its involvement. Impact of this sort could entail the formulation of new regulations for addressing the issue at hand or the development of a new and more effective practices, etc. The experience of the JDC in introducing innovations in the public sector through the initial funding of a project followed by its gradual withdrawal and concomitant transfer of responsibility to a government ministry, may serve as the model in such cases for a constructive relationship between foundations and government.

As we have witnessed, foundations are active not only in areas that necessitate communication and coordination with government, but also in areas and issues that government does not address. Such activity on the part of foundations is sometimes construed as posing a challenge to government and its policy and sometimes brings about a new reality with which government must eventually contend. Examples of this include foundations that funded the campaign of unrecognized Arab villages and others that underwrote the costs of construction by Jewish settlers in East Jerusalem. To reiterate, in an age of global philanthropy, it is neither possible nor desirable to impose “ideological censorship” on foundation activity. Public debate surrounding the activity of foundations will be possible if this activity is transparent and not concealed. Government policy in this realm should encourage openness and transparency.

Philanthropic Foundations: Private or Public Entities?

One of impediments to openness and transparency among foundations is the claim that since the funds in question are privately owned, it is no one else's business what is done with them. This claim however is not borne out by reality. A donation made by an individual is unmistakably private, but once such a donation is made through the instrumentality of a foundation with a formal registered status, those same funds move from the private to the public domain. This is doubly true in the event that the foundation enjoys a tax-exempt status. This principle must inform the understanding of policy-makers and the Israeli public at large with respect to

foundations active here, irrespective of their country of origin/registration.

It may be argued that this principle could potentially dissuade those who might otherwise be interested in establishing foundations, but we disagree. Foundations have a unique ability to affect long-term change in society – something individual donors with single donations are unable to accomplish. Moreover, those establishing a foundation certainly have the right to determine the desired goal(s) of foundation funds and the requisite strategies to achieve them. However, once the foundation has been established, its founder may no longer claim that the funds are privately owned and therefore immune to public scrutiny. Those who nevertheless adhere to such a view need not donate their money through the fundamentally public institution of a foundation.

Umbrella Organizations of Foundations

Foundations by nature are “soloists”. Because their economic solvency is all but assured, they are under no pressure to cooperate with similar organizations. To be sure, we do find foundations acting within their own limited niche of activity, completely oblivious to other players active in the same field and/or to the implications of their activity for society at large. The desire to maintain one's distinctiveness should not preclude cooperation with other foundations when such a practice would be both feasible and beneficial. Our findings indicate that foundations do form relationships with other foundations and, as the literature suggests, successful projects are often based on collaboration between various social actors, including funding entities.

Collaboration among foundations is just one of the benefits to be derived from a coordinating mechanism and/or umbrella organization for foundations. Attempts to develop a “Foundations Forum” in Israel have been only mildly successful. Meetings of representatives of participating foundations are convened sporadically and several of the large foundations in Israel are conspicuously absent from the “Forum”. The Council on Foundations in the United States, an example of a successful umbrella organization, developed in the wake of public criticism directed against the institution of foundations. In Israel, although no such criticism is anticipated anytime soon, we are of the opinion that the establishment of an organizational entity of this type, with greater “teeth”, is not impossible. This would likely be the result of several of the larger foundations joining together to develop such a project, not due to any external pressure but rather to a recognition of its potential importance for society and a commitment to a more effective foundation presence. Such an Israeli Council on Foundations would ideally foster proper management practices among foundations and transparency and would also encourage government to develop policies toward foundations. These policies would be geared towards both encouraging the establishment of new foundations and governing the relations between government and foundations in the context of those projects that necessitate collaboration between the two.

The Management of Foundations

The imperative of managing foundations properly stems from two factors: a) as entities operating in the public domain, their proper and efficient management must be assured; b) effective performance is necessary in order for them to accomplish their declared goals.

Before addressing the recommendations proposed in this study, it is worthwhile reviewing the recommendations regarding the management of foundations put forward by the Non-Profit Research Sector Fund (NSRF) of the US-based Aspen Institute. The NSRF consisted of a panel of experts who examined various aspects of the third sector in the United States, including the matter of foundations. Among their recommendations, they note the following points (2004):

Increasing transparency. Foundations do their work better when they are clear about their goals, notify the grant recipients of their priorities and inform the public of their accomplishments. This may be done in two ways: a) by presenting the public (via the Internet) with the financial reports that they are legally obligated to prepare, and b) by preparing material that presents their activities and priorities for the public and for potential grant recipients.

Increasing public accessibility. Interest groups can bring a great deal of practical knowledge to the foundations' decision-making process. They can increase cooperation, stimulate the foundations' resources and promote the integrity of their activity. Foundations can involve interested parties in various ways, such as a) broadening their boards in order to allow various stake-holders in the community access to the decision-making process; b) establishing advisory committees in order to allow facilitate the expression of other voices; c) encouragement and support of outside, independent groups to examine the foundations' performance and their governing process in order to ensure that the entire community of foundations will continue to earn the public's trust.

The development of staff and boards of directors of foundations. The staff and boards of directors of foundations must be developed and promoted by means of training, self-evaluation and involving the board of directors in periodic discussions that reexamine the foundation's vision. The findings of our study identify several aspects of the functioning and management of foundations that require improvement. Some of the recommendations mirror those of the Aspen Institute.

The Performance of the Board of Directors

The board of directors represents the public face of the foundation but, in the case of private foundations, also the will of the donor. The board's job is to steer the foundation: to outline its vision if none exists; update it as needed; and determine its strategy, priorities and work plan. Beyond this abstract declaration, it was discovered in our study that the existence of a board

of directors deemed to function properly is correlated with: the presence of a vision, the conducting of evaluation, transparency and even with relationships with other foundations. The finding that 37% of the foundations studied do not have a properly functioning board of directors or a board altogether suggests that not all foundations appreciate the importance of its role. A few of them, mostly private or corporate foundations, evidently view themselves as exempt from the obligation to retain a properly functioning board of directors because the funds in question are private. Accordingly, the funder is seen as the “owner” of the funds in question and the sole authority with respect to financial matters.

It is difficult to transform a private foundation into a public institution, especially while the founder is still alive. Indeed in the US, many private foundations adopted this ethos only after the death of the founding donor. One way to negotiate this issue is to structure a board of directors that includes representation of the donor(s) and family members, along with other stake-holders who represent “another voice.” This is a delicate process that requires finesse, as the establishment of a board of directors so constricted by the substantial differences of opinion among its members is best avoided.

Transparency in the Foundation’s Decision-Making Process

One particularly important finding of the study, gleaned from the interviews with grant-recipient organizations, was the lack of accessibility to information about criteria for receiving grants. It was also reported that when such information actually does exist, there is often a discrepancy between the declared criteria and the ones that are applied practically. In addition to this, respondents described a lack of transparency, which serves to mask what are likely sub-standard management practices. From this situation, we can only deduce that the criteria for receiving a grant from foundations must be more clearly and properly publicized. Beyond its importance to applicants (as well as to those who eventually decide not to apply after carefully reviewing such criteria), it is also important for foundations, as it allows them to monitor their commitment to work in a particular direction. Finally, the publishing of names of grant recipients, grant amounts, and their purpose, will allow the public to properly monitor the work of foundations and also provide prospective applicants with a clear guideline regarding those issues which the foundation supports.

Publication of this information would establish an entirely different set of norms than that uncovered in this study. Presently, information seems to pass largely by word of mouth and personal connections appear to be critical in the determination of who receives grants from foundations. Needless to say, the effect of personal connections on allocation decisions can never be completely neutralized, but a healthy third sector and foundation sub-sector will strive to keep these to a minimum and there is no more effective way of achieving this than transparency in the exchange of information.

Communication between Foundations and Grant-recipient Organizations

Our study revealed a considerable disparity in the expectations and perceptions between foundations and the organizations they fund. Furthermore, these mutual perceptions often seem to be fueled by many preconceived notions, a situation which only leads to greater miscommunication. It is not inconceivable that the shortcomings described here can be amended; perhaps by establishing joint forums for organizations and foundations or by enlisting the participation of representatives of grant-recipient organizations on foundation boards, advisory committees, etc.

The Expertise of Foundation in Handling Projects They Fund

As entities that fund multiple organizations in a particular sphere of activity, foundations accumulate a great deal of knowledge. It is therefore important that the foundation apply this knowledge not only in its allocation decision-making but also in the implementation of the projects they fund. In other words, recipient organizations can and should utilize the knowledge foundations have accumulated and it behooves the foundation to make that knowledge available to them. The result would be a meaningful dialogue and collaboration between grant providers and recipients. As we found in the study, foundations generally exhibit more of an interest than public funding organizations (such as the Bequests Fund) in the substance of the work of recipient organizations and when they ask organizations for a report, they usually do not settle for just a financial one. This is a key point in understanding how these two funding sources differ from one another. It illustrates the quintessential difference in the nature of their involvement and sets the stage for the creative collaboration between foundations and third sector organizations. As stated, this allows the foundation to develop knowledge in the field(s) it funds, together with strategic thinking and the opportunities for building inter-organizational connections. And if the foundation is a global one, this may also facilitate links to comparable activity areas in other countries.

Evaluation and Tracking

Evaluation is the accepted method through which foundations may measure their effectiveness and the degree to which they succeed in impacting society in the desired directions. Our study reveals that most of the foundations (70%) studied conduct some kind of evaluation, but often it is rather perfunctory. It appears that a number of the foundations perceive of evaluation as offering little utility, particularly since many of the fields targeted by foundation are objectively difficult to evaluate. With such an approach prevailing among foundations, it should come as no surprise that they relate similarly to the requirement that recipient organizations must also conduct evaluation. No meaningful evaluation will be performed if it is not perceived as consistent with the goals of foundations (and recipient organizations) or as not justifying time and financial investment required to undertake it. Meaningful evaluation requires the foundations and recipient

organizations to budget a reasonable financial sum for appropriate professional guidance. The actual decision to evaluate is not merely a question of priorities, but moreover represents the integrity and courage to critically examine project outcomes and draw the appropriate conclusions. Evaluation is not a luxury with which foundations can flippantly dispense. Rather it is an integral part of the necessary public oversight and transparency and foundations must therefore make the necessary financial and professional provisions for it. This is a principle of conceptual and operational importance that professional foundations must adopt. This is an issue which has commanded a great deal of attention and activity among foundations in the United States and there are certainly lessons to be drawn from their experience. This would likely go far in ensuring the significance of evaluation in foundation activity as well as imparting it as a norm in the managing of grant-recipient organizations. Indeed, this would constitute an important step forward in the development of the third sector.

Financial Planning

The adoption of proper management practices must also include attention to the fulfilling of financial commitments. Organizations depending on foundation funds need to receive the grants allocated to them in an orderly and timely manner. This requires foundations to undertake effective financial planning, but this should actually be a basic condition for the kind of professional management one would expect from a foundation. Foundations that view recipient organizations as partners in their mission must make the effort not to create even the impression of dependence, one of the undesirable consequences of delays in payments that have already been approved.

Another of the problems identified by grant-recipient organizations—the tendency of foundations to fund only projects—creates great difficulties for the organizations in funding their on-going expenses. One way organizations cope with this is by padding the project budgets with overhead expenses. This of course leads to an inflated expense report and ultimately to unreliable reporting. There may be cause for foundations to consider openly and directly funding overhead, as suggested by one of the organizational representative: Perhaps foundations could provide those specific organizations that have proven themselves over time with a development budget to purchase offices, equipment, etc. The danger inherent in this recommendation of course is that organizations whose existence is assured will become increasingly institutionalized and cease to be creative. However, in the case of advocacy organizations that do not enjoy alternative funding sources, there is certainly room to contemplate such a recommendation.

Adopting Appropriate Management Procedures

The most effective way to induce both Israeli and foreign foundations to adopt a more professional management style is not through legislation or coercion, but rather through dialogue with and persuasion by colleagues. The norm of appropriate management should be embodied and

communicated by an umbrella organization such as the Council on Foundations in the United States. We would recommend the establishment of such a framework forthwith, perhaps by a forum of large and influential foundations interested in nurturing civil society in Israel by investing in its infrastructure. Also recommended is the creation of a forum or clearinghouse for the exchange of Best Practices in the area of foundation management.

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APPENDICES

A. List of Foundations Included in Sample

Abraham Fund Initiatives
Association for Torah and Charity – Haifa
Center for Religious Education in Israel
Charles R. Bronfman- "Karev" – Foundation
Christian Friends of the Jewish Settlements in Judea and Samaria
Bread for the World - Brot fur die Welt
Delek Foundation for Science, Education and Culture
European Union in Israel
Ford Foundation
Fredrich Ebert Foundation
Fund for Innovative Teaching
Fund in Memory of Jackie King
Gabriel Sherover Foundation
Green Environment Fund (GEF)
International Fund for Education
Israel Venture Network
Jerusalem Foundation
Jewish Agency for Israel – Special Allocation Unit
Jewish Federation of Metropolitan Detroit
Koret Israel Economic Development Funds (KIEDF)
Moriah Fund
New Israel Fund
Richard and Rhoda Goldman Fund
Sacta – Rashi Foundation
Sophie and Abraham Stutzinsky Foundation for the War against Cancer
UJA – Jewish Federation of New York
Yehoshua Rabinowitz Foundation for the Arts – Tel Aviv
Zionism 2000

B. Questionnaire for Foundation Interviewees

Interviewer:

Date of interview:

Location of interview:

Name of interviewer:

Name of interviewee:

Telephone number:

This section to be filled out before conducting the interview (missing details will be completed during the interview)

Name of foundation:

Address:

Telephone numbers:

Fax:

E-mail address:

Website (if any):

Name of general manager of foundation:

Name of chairperson of foundation:

For foreign foundations: Name of representative in Israel:

A. The Establishment of the Foundation

A.1. In which year was the foundation established?

A.1.1. (For foreign foundations) In which year did the foundation begin to operate in Israel?

A.2. What were the reasons for establishing the foundation? Was it established because of a particular event? A process? Was any prior examination done before its establishment?

A.3. Who were the founders of the foundation (names, backgrounds, characteristics)? Was anyone else involved?

A.4. Under what kind of legal status was the foundation registered in Israel?

Amuta Trust A non-profit organization in Israel

As a foreign company. From which country? _____

As a representative of a foreign foundation. In which country is the foundation run? _____

Other

For foreign foundations:

A.5.1. Why did the foundation begin operations in Israel?

A.5.2. Do foreign foundations operating in Israel have specific difficulties?

A.5.3. In the years since its establishment, have there been any changes in the feelings, relationship or situation of the foundation in Israel?

B. Values, Vision and Policy

B.1. Has the foundation defined a vision for itself? Yes / No

B.1.2. If yes, what is it?

B.1.3. What are the foundation's stated values?

B.2. In which region would the foundation like to operate? (More than one answer may be given.)

International

National (in Israel)

Regional (in Israel). Which region?

Local (community) (in Israel). Which community?

B.3. What are the foundation's goals?

B.3.1. On which areas of operation does it concentrate? What is its order of priorities? (Open question; ask for examples.)

B.3.2. The following categories are conventional in international research. Which order of priorities best describes the foundation?

The environment

Health

Religion

Education and research

Welfare

Housing and development

Social change, taking place during the work

Culture and recreation

Other: _____

C. Foundation Strategy

C.1. What are the foundation's operating strategies? In addition to an open answer, comment on the following points:

Does it initiate or respond to contacts (how do people know that it may be contacted)?

Does it deal mainly with carrying out projects or with providing funding for carrying them out?

Does it support mainly services or advocacy (what kinds of organizations do you usually fund? Please provide examples)?

To be filled after the interview:

Based on the information gathered in Question C.4., is the foundation:

- C.1.1. Proactive—initiating projects
 - Reactive—responding to contacts
 - A combination
- C.1.2. Does it provide grants to potential projects?
 - Does it carry projects out on its own?
 - A combination
- C.1.3. Does it assist in the provision of services?
 - Does it assist advocates?
 - A combination
- C.2. On which target communities does the foundation seek to impact?
- C.3. Does the foundation have guidelines regarding whom to contact for fundraising?
If so, what are they?
 - C.3.1. Over time, has there been any change in the vision, goals, strategy or target communities? If so, what are they? What caused them? Does the foundation respond to the changing reality in Israel, and if so, how?

D. The Role of the Foundations

- D.1. In your opinion, what role should the foundations fill in Israeli society? What role do they fill in practice?
- D.2. How would you describe the role of the foundation you represent/direct?
- D.3. What relationship, if any, exists between the foundation and the public system (the government, the Knesset, local authorities, etc.)? What feelings do you, as a foundation, have about this relationship? (Open question)
 - D.3.1. With whom does the foundation have a relationship? (No names need be given, just functions.)
 - D.3.2. How did the relationship begin? Who initiated it?
 - D.3.3. Which of the following best reflects the work of the foundation?
 - It carries out what the public system does not
 - It completes what the public system partially carries out
 - It operates with no connection to the activity of the public system
 - It supports opposition to the public system's policy and activity
 - D.3.4. In your opinion, how do the authorities perceive the foundation?
 - As desirable
 - As arousing opposition
 - Other: _____
- D.4. Does the foundation have a relationship with other foundations in Israel?
 - D.4.1. If so, what sort of connection? For what purpose?
- D.5. Does the foundation have a relationship with businesspeople? Yes / No
 - D.5.1. If so, what sort of connection? For what purpose?

E. Working Procedures on the Foundation

- E.1. Describe the procedure of creating a relationship with a grant recipient (the stages and various requirements, timing, length of time, number of submission deadlines/grant approvals, who examines the applications before a decision is made).
- E.1.1. Which criteria guide the process of choosing recipients?
- E.1.2. On a scale of 1 to 10 (1=not at all; 10=main consideration), to what extent do the values of the recipient whom you are funding influence the decision?
- E.2. For what length of time does the foundation usually provide funding to organizations/projects?
- For a limited amount of time set in advance
- For a limited amount of time set in advance, with a gradual decrease in the amount of funding
- The funding remains in place for a long time, with no predetermined end to the relationship
- Other
- E.3. How, where and with whose participation (a volunteer board/director general/paid staff are decisions made in the following areas:
- E.3.1. Policy and priorities (in principle)
- E.3.2. Providing funding for a project/organization (concrete decisions)
- To be filled out after the interview:
- E.3.2.1. Does the staff make recommendations to which the board provides rubber-stamp approval? Yes / No
- E.3.2.2. Does the staff make recommendations which the board discusses and decides upon (without always accepting the staff's recommendations)? Yes / No / Other
- E.4. Does the foundation evaluate the results of its investment? Yes / No
- E.4.1. If it holds an evaluation, on what does it focus? What is examined?
- E.4.2. To the extent that any evaluation is held, who conducts it—the foundation, the organization or another agency?

To be filled out after the interview:

- E.4.3. Are periodic reports submitted? Yes / No
- E.4.3.1. If so, how frequently?
- E.4.3.2. Are the reports in a set format? Yes / No
- E.4.3.3. Does the evaluation mention the investment (estimated)?
- E.4.3.4. Does the evaluation mention the immediate results? Yes / No
- E.4.3.5. Does the evaluation mention the impact of the activity? Yes / No
- E.4.3.6. Does the foundation examine the budgetary balance? Yes / No
- E.5. Have the foundation's working procedures been changed since it was established? If so, why?

F. The Organizational Structure of the Foundation

- F.1. If the foundation has a board of directors, please describe the foundation's board.
(How is it comprised? What are its functions? How was it chosen? How is it funded?
How often does it meet, and how involved is it?)
- F.1.2. If the foundation has no board, what entity supervises the foundation?
- F.2. Does the organization employ paid staff members? Yes / No
- F.2.1. If so, how large is the paid staff? What functions do they perform?

For foreign foundations:

- F.3. Which agencies are located abroad? Which are located in Israel? What are the various functions of the ones located abroad/in Israel?
- F.4. Have there been changes in the foundation's organizational structure since its establishment? What kinds? Why?

G. Relationships and Cooperation with Organizations that Receive Grants

- G.1. In your opinion, how do the organizations that receive assistance perceive you?
- As partners
 - As supervisors
 - As a "bank"
 - Other
- G.1.1. To the extent that you believe that the relationship is good: what are the main factors in it? What is the main factor?
- G.2. What relationship do you have with the organizations that receive support from you? How do you perceive the relationship?
- Cooperation for the sake of achieving joint goals
 - A contractual relationship for the purpose of carrying out an agreed-upon goal
 - Other: _____
- G.3. Does the relationship continue after the grant period has ended? What is its character?

H. Funding Sources

- H.1. From what country does most of the money at your disposal come?
- A foreign country. (Which one?)
 - Israel
 - A combination (is there a breakdown?)
- H.2. Is the source of funding one or more of the following:
- A family or private foundation (including a person who owns a business)
 - A business foundation (owned by a business firm)
 - Public (funding sources provided by the government or the municipality)
 - Raises funds from the public in Israel abroad. In which countries?
 - Other

- H.3. What was the foundation's annual budget in 2003?
- H.4. How many organizations/agencies received grants in 2003?
- H.5. How much is the average grant awarded to a recipient? To a project?
- H.6. Is there a minimum grant? If so, what is it?
- H.7. How much money did the foundation distribute to grant recipients in 2003?

I. Summary and Request for Materials

In your opinion, is there anything else that research on the role of the foundations in Israel should take into account?

Would you be able to give/send us material that can help us understand the foundation better? For example:

- Publications about the foundation (seasonal/single-issue)
- A published annual report (the latest one, or previous ones)
- Information about the names of recipients and projects you supported/are supporting
- Any other information that you believe will help us

C. Questionnaire for Recipient Organizations

Interviewer:

Date of interview:

Location of interview:

Name of organization:

Name of interviewee:

Position of interviewee:

Telephone number:

E-mail:

A. General Background

- A.1. In which year was the organization established?
- A.2. Are you recognized as a public institution according to Paragraph 46? Yes/No
- A.2.1. Which funding sources require such recognition? Which do not? (Give examples.)
- A.3. The following categories are conventional in international research and have been matched to the situation in Israel. What order of priorities best describes the organization's area of activity? If there is more than one field, please note the order of priority of the fields. If the organization has not defined an order of priorities, this should be noted. In that case, more than one field may be given the same level of priority.
- The environment
 - Health
 - Religion
 - Education and research
 - Welfare
 - Housing and development
 - Social change
 - Culture and recreation
 - Religious pluralism
 - Peace and co-existence
 - Other: _____

- A.4. Does the organization:
- Deal with providing services
 - Deal with advocacy
 - Combine the two approaches? If so:
Which of them is dominant? Service / Advocacy
(Only if the organization asks how this is decided, say that it is done according to an evaluation of the financial investment.)
- A.5. Does the organization receive money from abroad? Yes / No
- A.5.a. If so, from which countries?
- A.5.b. By which method is the money transferred?
- PEF
 - The New Israel Fund
 - A Friends' Organization
 - Other—specify: _____
- A.6. What was the organization's annual budget in 2004?
- Less than NIS 1 million (less than US\$225,000)
 - Between NIS 1 million and NIS 5 million (between US\$225,000 and US\$1,150,000)
 - More than NIS 5 million (more than US\$1,150,000)

B. Funding Sources upon Which the Organization Is Based

- B.1. Has your organization received grants during the three previous years from any of the following:
- a. Israeli foundations (for example, the New Israel Fund, the AviChai Foundation, Green Light, the ICEF Foundation): Yes / No
 - b. Foreign foundations (for example, the Ford Foundation, the Everett Foundation, the Jewish Federations): Yes / No
 - c. Government ministries or local authorities (for example, the Bequests Fund, the Jewish Agency): Yes / No
- B.2. In the last fiscal year, can you estimate what portion of the organization's budgetary "pie" came from each of the funding sources mentioned? In the breakdown, note estimated percentages. (In order to reach 100%, the interviewee is asked to note other sources that are not foundations or government ministries and to estimate the size of their portion of the "pie.")
- B.3. Has there been any change in the makeup of your organization's "pie" in recent years? Yes / No
- B.3.a. If there has been any change, what is its nature?
 - B.3.b. How has it impacted your organization?

- B.4. Most foundations usually fund us
- For a limited, set period of time
 - For a period of time that is limited and set in advance, with a gradual decrease in funding
 - Over the long term, without a defined end to the relationship

Comments:

- B.5. Try to sort the funding sources on which your organization relies into two main groups: public foundations and funding sources (such as government ministries, the Bequest Fund, the Jewish Agency) without including contracts.
- In which areas do you see differences between the two groups (for example: early information, application procedures, treatment of applications, the length of time that the application is dealt with, the manner of and reasons for rejection, the length of time that assistance is provided, the date on which the commitment to provide financial assistance is made, required reports, the conducting of an evaluation and other things that we have not mentioned here)?

C. The Relationship between the Funding Source and the Organization

- C.1. Are there principles that guide you in deciding whom to contact for fundraising purposes? If so, what are they?
- C.2. Foundations are sometimes perceived as partners, at other times as supervisors and at still other times as “banks” or in other ways. Which of these expressions matches the situation that you know? Why?
- C.3. Which types of relationships do you have with the foundations that support you? (More than one of the following options may be marked, and then proceed to the next question.)
- Cooperation in order to achieve joint goals
 - A contractual relationship for the purpose of carrying out an agreed-upon mission
 - Other: _____
- C.4. Foundations state that they are interested in advancing matters and goals that are important to them. Can you give examples from your own experience of how they do this?
- C.4.a. Do the foundations usually set conditions (for example, requiring cooperation with other organizations, an organizational situation of one kind or another, receiving counseling, the existence of other funding sources, etc.)? Yes/No
- C.4.b. If so, what conditions? Can you give one or more examples?
- C.5. Do the foundations that fund your organization impact on its work? (For example: goals, subjects of activity, strategies, priorities, the board of directors and/or the staff, the manner of management, etc.)
- C.5.a. If so, can you give examples?
- C.5.b. Do these changes contribute to your organization? Yes / No
Do they hinder it? Yes / No

If you answered “yes” to either question: In what manner?

If so, describe the situations in which this occurred and the processes that took place within the organization (who opposed it? Who decided in the end? What form did the opposition take? What kind of implications did it have from the organization’s perspective?)

- C.6. When the organization notices a lack of coordination between its agenda and the foundation’s requirements, how does it operate? (For example, organizations adopt various approaches in different situations, so we would be pleased to learn of examples of various situations and solutions.)
- C.7. Sometimes the relationship with the foundation is very good and sometimes it is less so.
 - C.7.a. What are the main factors that make the relationship a good one?
 - C.7.b. When the relationship is not good, what are the main factors of that situation?
- C.8. Does the relationship with the foundations continue even after the end of the grant period? Yes / No
 - C.8.a. If so, or if this happens sometimes, with which funding sources does the relationship continue? With which ones does it not continue?
 - C.8.b. Does the organization view the continuation of the relationship as important? If so, for what purpose?

D. The Work Procedures and Decision-Making Methods of Funding Sources

- D.1. How did you learn of the foundations that you contact or contacted?
- D.2. Please evaluate the funding sources’ work procedures and decision-making methods.

Strongly agree	Agree	Partly agree	Do not agree	Do not know/N/A
0	1	2	3	4

 - Foreign foundations Israeli foundations Public foundations
 - The organization is asked to submit its application in English.
 - The organization is asked to deal with submitting the application for a grant.
 - The staff is available for questions, assistance and vital explanations for the purpose of submitting the application.
 - Clear guidelines are publicized regarding the application process.
 - Clear criteria exist regarding acceptance and rejection.
 - The decisions are made based on the set criteria.
 - Information on grants provided in the past is available.
 - Personal relationships have a great deal of influence on the decisions that are made.
 - The decision-making process is transparent to the public.
- D.3. What is your opinion about the foundations’ decision-making procedures?
- D.4. In your estimation, what percentage of the applications submitted by the organization are accepted? _____ percent
- D.5. From your experience, what reasons do foundations usually provide for rejecting an application?

D.7. Conducting evaluations

D.7.1. Most of the foundations require the submission of period work reports.

Yes/No

Most of the foundations require the submission of periodic financial reports.

Yes / No

If so, how often? Periodic _____ Financial _____

D.7.2. Most foundations examine their annual budgetary balance. Yes / No

D.7.3. Most foundations require the organization to evaluate the results of their investment. Yes / No

D.7.4. If any evaluation whatsoever is performed, it is done mainly by:

The foundation.

The organization.

An outside evaluator.

Other—specify: _____

D.7.5. From your experience, do the foundations' work patterns in the fields of evaluation; tracking and/or supervision differ from the work patterns of public foundations (government, local authorities, the Jewish Agency)? If so, what are these differences?

E. Attitudes Regarding Foundations

E.1. Here are several statements regarding foundations. Using the following scale, how much do you agree with each one?

	1=Completely correct	2=Mostly correct	3=Slightly correct	4=Not at all correct
Foundations and the organizations they fund have a joint goal.	1	2	3	4
Foundations do not interfere in the organizations' decisions.	1	2	3	4
The foundations are managed precisely in the manner that they demand that the organizations be managed	1	2	3	4
Organizations do not give complete information to foundations	1	2	3	4
Foundations treat all organizations equally	1	2	3	4
The foundations act in a way that encourages the organizations' independence	1	2	3	4
The foundations preserve professional confidentiality	1	2	3	4
The foundations think that they know what is good for the organizations better than the organizations do themselves	1	2	3	4
The foundations operate in the same manner in which they expect us to operate	1	2	3	4
The foundations' considerations are transparent to the organizations	1	2	3	4

- E.2. Would you like there to be any change in the way that the foundations operate?
Yes / No
- E.2.a. If so, what sort of change? Why?

D. Guidelines for the Interview with Directors-General

Work Data

Does the ministry have a relationship with philanthropic foundations?
("Relationship" here means 1) to the project being that is receiving joint funding and coordination between the ministry and the foundation; 2) initiative by the ministry, a request to the foundation and guiding toward preferred/desired projects; 3) an initiative on the part of the foundation to become involved in the projects in which the ministry has an interest or which lie within its authority.)

With which foundations does the ministry have what kinds of contact?

How large is the financial involvement of a) the foundations, and b) of matching by the government?

Are there areas in the ministry's activity in which foundations take a greater or lesser interest?

Does it happen that a foundation offers to donate to something that is not on the ministry's agenda or list of priorities? What do you do in such a case? Can you give me an example?

Do the foundations with which the ministry works do so ad-hoc (for the short term) or do the projects continue for long periods of time?

Do the foundations with which you work follow an exit policy? Do you?

To the best of your knowledge, was the situation similar five years ago? If not, how was it different (the number of foundations, the extent of their activity, kinds of relationships)?

Example of a Joint Project (or Projects) with a Foundation (or Foundations)

Place emphasis on the initiative, contractual patterns, the activity, the evaluation of the project
What are the positive and negative aspects of the foundations' financial involvement in the activity for which the ministry is responsible?

Policy

1. Does the ministry have a policy on the subject of foundations? What are the rules of the game, and who determines those for the foundation's activity? If so, what is the policy?
2. If there is no such policy, it is vital? With what should it deal?
3. In your opinion, is it vital to have a general government policy towards foundations in Israel that will define the boundaries and patterns of their activity?