



**Diaspora Jewish Philanthropy in Israel
Overhaul or Be Marginalized**

A series of blog posts by Gidi Grinstein

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The Re'ut Institute is guided by and pledged to the ISRAEL 15 Vision, which aims to leapfrog Israel into the fifteen most developed nations within fifteen years. In this context, Re'ut focuses on the challenges of Israel's national security and massive socioeconomic development.

Gidi's previous position was Secretary and Coordinator of the Israeli negotiation team on the Permanent Status Agreement between Israel and the PLO in the Office and later in the Bureau of Prime Minister Ehud Barak (1999-01).

Gidi blogs regularly at www.blogidi.com. He has been active in attempts to reform Israeli governance. He has also been deeply committed to making a valuable contribution to the Jewish world, where he led the team that transformed Birthright Israel from a vision to a plan (1995-99).

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Synopsis

- **Jewish Philanthropy in Israel: Overhaul or be Marginalized** – A 1,300 word piece published in the JTA that summarizes the key points of the series.

Introduction

- **Post 1: An Introduction by a Grantee** – This is the short version of what has brought me to write this series and an introduction to the logic of its structure.
- **Post 2: Why Should we Care?** – This post answers the question: why is this issue important to Israelis and to Jews.

The Challenges

- **Post 3: Decline of Jerusalem and the Rise of Others** – This post explains the fundamental transformations of Israeli society that impact Jewish philanthropy in Israel.
- **Post 4: Diminishing Marginal Impact** – This post describes the growth of the Israeli economy and the marginalizing impact that it has on Jewish philanthropy.
- **Post 5: Where is the Israeli Center?** – This post focuses on the growing disconnect between the Israeli socioeconomic center and Jewish philanthropy.
- **Post 6: The Rise of Israeli philanthropy** – This post discusses the impact of the growth of Israeli philanthropy in Israel and its impact on Jewish philanthropy here.

The Response

- **Post 7: It has to be Qualitative** – This post makes a simple point that the response to the challenge of marginalization has to be qualitative i.e. aiming to leverage greater impact with the same dollars.
- **Post 8: On Vision: The TOP 15 Agenda as a Possible Framework** – This post offers the TOP 15 Vision as an example of a possible overarching framework for philanthropic activity in Israel.
- **Post 9: On Organization: Heavy Hitters Come Together** – This post discusses the need for the heavy hitters of Jewish philanthropy to unite in the name of their mutual interests.
- **Post 10: On Organization: Standardize your Expectations** – This post calls upon the heavy hitters to standardize grant requests and reporting to make them more accessible to Israeli talent and innovation as well as to save resources.
- **Post 11: On Organization: The Challenge of Small Nonprofits** – This post describes the inefficiencies generated by small nonprofits and calls to create the incentives for them to grow, merge, synergize or shut down.



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- **Post 12: On Focus: Institution Building and Better Management** – This post calls for a shift from focusing on performance and results to capacity and institution building.
- **Post 13: On Focus: Develop a Philanthropic Ethos** – This post challenges philanthropists to develop guidelines for their activity that would help them focus.
- **Post 14: On Priorities: Government and Market Failures** – This post challenges philanthropists to focus their resources on the conditions where they can make the biggest impact i.e. where neither the government nor the market can address the crisis.

Philanthropic Leadership

- **Post 15: On Philanthropic Leadership** – Not every act of philanthropy amounts to leadership. Sometimes, it is the opposite. This post discusses the concept of philanthropic leadership.



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Jewish philanthropy in Israel: Overhaul or be Marginalized¹

Jewish philanthropy in Israel is at a crossroads. Powerful trends are marginalizing its impact on Israeli society. More than a billion dollars of philanthropic giving from Jews worldwide, spurred by endless goodwill, passion and care, are not impacting Israel or contributing to global Jewish peoplehood to the extent they should. The current system is in dire need of an overhaul.

I write this piece as an Israeli whose national identity is founded upon and deeply informed by his Jewishness. I am also a person who has realized a dream and established the Reut Institute, a policy group that provides strategic decision-support to the government of Israel because of the generosity of time, spirit and money by rabbis, lay leaders and philanthropists from the United States, France and England.

Why do I care? As an Israeli and for a variety of obvious reasons, I wish to ensure that these dollars are put to the best possible use. As a Jew, I view philanthropy as a critical tool for connecting the Jewish Diaspora with Israel and a key ingredient in the blood that flows through the veins of global Jewish peoplehood. As a grantee, I feel a debt of gratitude and a sense of responsibility to share my ideas openly with my partners.

Four major trends are marginalizing Jewish philanthropy in Israel.

- Chronic inefficiencies, budget cuts and privatization have led to a decline in the Israeli government's will and ability to address the needs of Israel's population. Therefore, the menu of options for philanthropic giving has expanded while its resources have been stretched beyond capacity.
- The rapid growth of the Israeli economy - by an estimated \$7 billion in 2007 alone - is diminishing the overall impact of Jewish philanthropy.
- The socioeconomic center of Israeli society is increasingly disconnected from Jewish philanthropy in Israel. Philanthropists are engaged with the poor and the needy or with a very small, intensely intellectual and political English-speaking elite.
- Finally, there is the belated and much-awaited rise of Israeli philanthropists, who are stepping in to address societal challenges and local needs.

As much as they are challenges, these trends also present opportunities. The menu of options for philanthropic interventions has expanded. Furthermore, Jewish philanthropy is in an excellent position to impact and lead the four rising sectors of Israeli society: the business class, philanthropists, local government and nonprofits.

The approach has to be qualitative. Raising enough money to keep up with the growing needs is not feasible. Being more efficient is very important but only amounts to an insufficient "technical fix." The real challenge is to leverage much greater impact on Israeli society with the same dollars.

¹ This article appeared in the [Jewish Telegraphic Agency](#) (11/6/07).



There are three parts to the needed qualitative approach: vision, organization, and focus and priorities. Each element requires a fundamental change of deeply embedded values and patterns of conduct.

First, on vision: Jewish philanthropists need to embrace a positive vision that can provide an overarching framework for their actions. The TOP 15 Vision, which aims to place Israel among the 15 most developed nations in terms of quality of life within 15 years, is one example of such a context. This is [the vision](#) that guides the work of the Reut Institute. It requires catapulting the quality of life in Israel toward the kind of sustained, out-of-the-ordinary growth seen in Ireland, Finland or China.

The link between philanthropy and the TOP 15 Vision is relatively straightforward. Leapfrogging Israel's quality of life requires excellence in the private and public spheres, and massive investment in infrastructure, education and human capital, as well as the ability to thrive in a globalized world.

Crucial in this context is raising productivity and income in the low-tech sector, which employs 85 percent of the labor force and is significantly less efficient compared to developed countries. Much of this sector consists of governmental and non-governmental nonprofits that are often grantees of Jewish philanthropy.

Hence, Jewish philanthropy can play a central role in promoting the TOP 15 Vision through its material resources, as well as the vast experience and knowledge of its members.

Calling upon philanthropists to adapt the TOP 15 Vision as an overarching context does not necessarily mean that all philanthropic projects should focus exclusively on promoting socioeconomic growth. However, it does mean that every dollar spent can and should be leveraged toward greater excellence and productivity.

Second, on organization: The "heavy hitters" of Jewish philanthropy in Israel -- the organized Jewish community, foundations, individuals and their professional staffs -- should come together. Their agenda may include, for example, lobbying the Israeli government for tax reforms, policy, partnerships or recognition of their joint efforts; engaging the Israeli middle class that is not a recipient of their generosity; standardizing expectations from grantees to make philanthropy more efficient and accessible; or sharing information and discussing priorities, activities and specific organizations.

Third, on focus and priorities: The next wave of Jewish philanthropy in Israel must develop a new ethos and focus on institution and capacity building, as well as on government and market failures.

Institution and capacity building will ensure lasting impact on Israeli society. Philanthropists need to insist that their grantees uphold the requirements for good business: clear vision, mission, strategy, core values and unique value proposition; solid and quantifiable performance goals; strong boards; accountability and stable and transparent financial oversight.

In addition, they need to create incentives for small nonprofits to grow, merge, synergize or shut down and help them transition from their founders to solid professional management.



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This relatively simple idea actually requires a deep transformation. The current focus on quick, measurable results often creates incentives to sacrifice long-term sustainability and organizational development for short-term performance, programs and projects.

Israeli grantees are rarely expected to rise to the standards of their grantors. This is no longer acceptable and change should be demanded. Improving management in the nonprofit sector will not only enhance the effectiveness of every dollar but is also essential for fulfilling the TOP 15 Vision.

Furthermore, excellence in Israel historically has been primarily driven by academia, the high-tech sector and by elite parts of the defense establishment. Jewish philanthropists can transform the nonprofit sector into an additional engine of growth.

The need to focus on government and market failures is even more challenging. It requires identifying and focusing on the conditions where neither the Israeli economy nor the government of Israel can offer a resolution to a crisis. The logic is simple: This is where Jewish philanthropy can thrive and have the most powerful impact.

What falls within this category? Examples include addressing unacceptable realities such as individual cases of hunger or lack of medical treatment; supporting societal, organizational or academic experimentation and innovation; encouraging a deeper sense of global Jewish peoplehood among Israelis; or providing safety nets during difficult transitions.

While these are examples of needs that can only be addressed by philanthropy, at present we may not be able to say the same of replacing government in areas where it has a specific civic responsibility, such as building classrooms or immigration absorption.

Finally, Jewish philanthropists who work in Israel need to establish ethical, political and personal priorities based on the premise: "Give a person a fish and he'll eat for a day; teach him how to fish and he'll eat for a lifetime."

For example, will you fill a government void or bring about change in government conduct? Will you deal with today's problems or generate tomorrow's solutions? Will you focus on a specific region such as the Negev or the Galilee, or on topics such as education or health? Will you address the needs of the general population or invest in agents of change?

Too often we automatically equate philanthropy with leadership. The connection is not self-evident.

According to Ron Heifetz of the Harvard Kennedy School of Government, only activities that challenge values, priorities and habits to adapt to changing realities amount to leadership. This distinction is important because if Jewish philanthropy is to continue to play a central role in Israel, it will have to lead.

Philanthropic activity that catalyzes such change amounts to leadership. At the same time, a donation that serves to preserve an already existing yet irrelevant structure, organization or pattern may be the opposite of leadership. Therefore, sometimes declining a request -- even if by the Israeli government or by other major Jewish institutions -- constitutes a greater act of leadership than writing a check.



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My conclusion is that the marginalization of Jewish philanthropy in Israel is not inevitable. If transformed, it can continue to play a central role in Israeli society and become an engine of Israeli prosperity and excellence. The overhaul is important for the grantees and grantors, for Israel and for world Jewry.



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Post 1

Flight on the Wings of Jewish Philanthropy

This series of blog posts deals with non-Israeli Jewish philanthropy in Israel with the objective of making a contribution to its effectiveness and relevance.

When I started working on this project, my wife, friends and colleagues asked me why I care enough to spend so many hours on a topic that is out of the focus of my professional work. My answer was that I feel a debt to the community that has made my dream possible and that, en route, this may turn out to be a contribution, however small, to Israel's prosperity, to Israel-Diaspora relations and to world Jewry.

This series too, like other parts of my blog, is written from the perspective of a Jew, a Zionist and an Israeli, in that order (for elaboration, see the first post, [A Link in the Chain](#)). My national identity as an Israeli is founded upon and deeply informed and influenced by my Jewishness. In the context of Israel-Diaspora relations, it means that I would like to see the Jewish community in Israel making a more significant contribution to Jewish life in the Diaspora and Diaspora Jews playing a greater role in shaping Israel's future and identity. Philanthropy is a very important platform for both. I will write more about that in the second post of this series titled "Why Should We Care?"

But there is a personal angle too. I am a person who has been able to realize a vision and a dream – the Reut Institute – because Jews from around the world that I had never previously met believed in me and supported the cause that drove me. My journey has brought me countless encounters with exceptional generosity of spirit, trust, time and money by lay leaders, rabbis, communities and organizations, as well as by individuals who simply care about the Jewish world and Israel.

My journey of Reut has been a formative one. When I conceived of the idea in late 2002 I had no financial resources. So, in early 2003, I flew to New York and started meeting the few people that I knew at the time asking for their support. Almost five years later, by the end of 2007, and after an estimated 2,000 meetings and pitches, Reut will have raised a total of almost four million dollars. We are supported by nearly 150 individual donors and family foundations primarily from Los Angeles, New York, the Bay Area and Orange County. We have had other donors and supporters from places like Chicago, Philadelphia, Boston, Miami and Washington DC, as well as from France and London. I don't know if this qualifies me as a good fundraiser, but it has certainly been an experience that deeply enriched my life.

I have known from history that philanthropy has been essential for the success of Zionism. In fact, the Zionist project, sort-to-speak, has been financed by families, individuals and foundations from outside of *Eretz Yisrael* and the State of Israel. There is no other historical equivalent that I am aware of. This should be of no surprise. Philanthropy has been an essential part of Jewish life and giving to the Jewish community in *Eretz Yisrael* seems to have always been central in the life of Diaspora communities.

However, as my acquaintance with this special world of generosity grew, so did my awareness of the gaps between perception and reality. For example, while on the



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Diaspora side there is endless care, passion and commitment compounded by often bewildering philanthropic generosity, on the Israeli side there is often ignorance and lack of appreciation and respect. While a billion dollars is a very significant sum, its overall impact on Israeli economy and society is not recognized. While Diaspora Jewry is investing heavily in extending a welcoming hand, many Israelis will not join your synagogues or community centers even when we live overseas.

But things can be different. I believe that there is large untapped potential for leveraging your generosity towards strengthening Israel-Diaspora relations, towards greater prosperity and strength of Israel and towards enriching Jewish life around the world. But this would require fundamental change and adaptation.

This series comprises of the following:

First, the challenges: Post numbers 3-6 will deal with four consistent and powerful trends that are marginalizing the role of Jewish Philanthropy in Israel. They are: the 'decline of Jerusalem', the disconnect between Jewish philanthropists and the Israeli center, the rise of Israeli philanthropy and the diminishing marginal impact due to the growth of the Israeli economy.

Second, the response: The following eight posts (posts 7-14) discuss the outline of the overhaul that may be in dire need. It begins by calling for a qualitative response that would focus on leveraging greater impact of existing dollars. I then offer the TOP 15 Vision as an example for an overarching context to inform philanthropic giving in Israel.

Posts 9, 10 and 11 discuss the need for the heavy hitters to come together to promote the agenda of Jewish philanthropy in Israel, to standardize expectations and to address the inefficiencies of small nonprofits.

Finally, in post number 12, I call for a greater focus on institution building and management, for developing a philanthropic ethos and for focusing on government and market failures where philanthropy can make its biggest impact.

Third, philanthropic leadership: This final post (number 15) deals with the concept of philanthropic leadership. The immediate association of 'philanthropy' with 'leadership' is often taken for granted but should be checked. Not every philanthropic act amounts to leadership and not every leadership act of a philanthropist involves giving money.

Before I conclude I would like to make a few caveats: *First*, I am *not* an expert on philanthropy, yet I have my own experience to draw from, as well as many encounters with *Israeli* benefactors, benefactor-wannabes, donors or would-be donors. *Second*, I will try to avoid sharing broader historical, political or cultural thoughts that are inescapable when one asks: What in our culture makes it possible for someone like me to arrive from a distant *Eretz Yisrael* and to be received with such open arms? Common answers such as 'a compelling vision', 'people give to people' or 'a good pitch' are hardly adequate. *Third*, in spite of these posts addressing the largest institutional and individual givers, they are relevant to many smaller philanthropists. *Finally*, although these posts are based on my experience with philanthropy in Israel primarily by American Jews, I believe that some of its parts may be relevant to any philanthropic operation anywhere by anyone, to Jewish philanthropic giving not only in Israel or to any giving in Israel not only by American Jews.



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The overall picture and the bottom line of this series is that Jewish philanthropy in Israel is facing new challenges and opportunities. Avoiding the former and seizing the latter requires a shift of values, perceptions, priorities, patterns and habits. This series is designed to modestly contribute to this process. I look forward to the feedback.



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Post 2

Why Should Israelis Care?

As I mentioned in the first post of this series, my perspective in writing this series is that of a Jew and an Israeli, in that order (for a more elaborate discussion, please see the first post of my blog [A Link in the Chain](#)). I am also a grantee that has realized a dream and a vision due to the generosity of time, spirit, trust and money by lay leaders, Jewish professional, rabbis, communities and organizations from across the Jewish world .

Why should we - Israelis - care? My answer is that we should care as both as Israelis and as Jews for a number of reasons (with no particular order of importance).

First, as Israelis we should have the most practical urge to see a billion dollars per annum of philanthropic giving being put to the best possible use in the service of prosperity and security of our country. A billion dollars of do-good money is a lot even in our present economic state .

Second, there is a lot that we can learn from world Jewry in the areas of management both in the nonprofit and business worlds. In many of these areas, Jews have risen to global leadership while their Israeli siblings still struggle with mediocrity. I believe that many businesses, nonprofits and individuals have much to learn from this relationship .

Third, such relations are important in the context of Israel's 'soft power' and international standing. The existence of Israel as a state where Jews exercise their right of self-determination is increasingly questioned and challenged. Closer ties between Israel and Diaspora Jewry will prove critical to sustaining an effective response to this trend .

Fourth, as Israeli Jews, the interaction with world Jewry is very important for the evolution of our own Jewish identity in the State of Israel .

Finally, closer ties between Israel and world Jewry are important to counter the trend of a widening gulf between Israel and Diaspora Jewry. Philanthropy is one of the most powerful vehicles of Jewish peoplehood. If overhauled, it can offer a powerful platform for a wealth of connections that would strengthen Israel-Diaspora relations and enrich both world and Israel Jewry .

To conclude: I believe that any Israeli that sees him or herself as a part of global Jewish peoplehood has a direct interest in a robust answer to the question why should we care. As Jewish-Israelis, our national identity can only be explained by our Jewish heritage and belonging. We have a direct collective interest that our relationship with our Diaspora is mutually enriching and that the platforms for this relationship are well established. Philanthropic giving is one of these platforms. Its robustness is our collective interest.



Post 3

The Decline of Jerusalem and the Rise of Others

A powerful and consistent trend that is affecting the role of Jewish philanthropy in Israel is the decline in the will and ability of the Government of Israel to address the needs of its constituency. I call this trend: the decline of Jerusalem. For world Jewry and philanthropy in Israel, this trend represents both a threat and an opportunity: while it expands the menu of options for philanthropic interventions it is also overstretching its resources.

In every country people are frustrated with the way their government spends their tax dollars. I am yet to meet the person that does not criticize his or her government for inefficient spending or ineffective execution.

Yet, the right of Israelis to be upset with their government can be established based on international benchmarks. The public sector in Israel puts the brakes on our growth and prosperity more than any other government in any developed nation.

According to the 2006 [Global Competitiveness Index](#) of the World Economic Forum Israel is ranked 15th in the world in its overall level of competitiveness. However, in-depth analysis will show that our business sector is ranked 8th in the world in terms of its sophistication, availability of human capital or technology. Furthermore, in key areas such as research and development Israel is a world leader. At the same time, the performance of our public sector and government is ranked 29th. No other developed country suffers from a similar gap between the high performance of its business sector and the underperformance of its governance. (For a detailed analysis by the Reut Institute please see "Public Sector Puts Brakes on Top 15 Agenda;" for a post on this gap please see "Israel's Primary Economic Problem is its Governance").

Hence, the argument that Israel needs to make its government more efficient and effective or shrink it is well founded. The former is very difficult to achieve due to structural constraints and the power of labor unions. Hence, the shrinking of government has become inevitable through cuts in social budgets and privatization. In spite of the fact that it may be tragic for the weaker parts of society, it will probably continue (unless a fundamental change in the relationship between the government, the employers and the labor unions occurs. For a post on the example of Denmark, please see "Israel 15 Vision: Flexicurity – The Example of Denmark").

The structure of our political system and our electoral laws are the underlying reason for this grave weakness of the government. Short and unstable tenures and fragmented legislature and executive generate powerful incentives for short term, sectarian and populist conduct. Israel needs the exact opposite: long-term and substantive political leadership that focuses on broad and collective interests. (For a detailed discussion on the crisis of Israeli government see my post: "It's the Structure; Not the Content").

This is the backdrop for the decline of Jerusalem.

However, as Jerusalem declines other sectors of Israeli society fill the gap. They are the business sector, mayors, professional civil servants, philanthropists and non-profit



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organizations. With stable tenures and a much higher capacity to take decisions and implement them, these sectors increasingly assume positions of leadership and authority in areas that used to be dominated by political elite from the seat of government in Jerusalem.

The 2006 Second Lebanon War offered a dramatic, even scary manifestation of this trend. 'Jerusalem' has proven utterly ineffective in dealing with the magnitude of the crisis. It was other sectors that responded much more effectively.

Other symptoms for the decline of Jerusalem are scattered across the entire society and are covered by the press on a daily basis. In fact, Israel is muddling through in almost any area that is dependent on efficient and effective decision-making and execution by 'Jerusalem'. Education, law enforcement, environment and labor force participation are just a few examples.

By the way, recently, even the Bureau of the Prime Minister has acknowledged this powerful trend and has been leading a reform that will consolidate and regulate the growing role of these sectors.

I argue that this trend represents a great opportunity for world Jewry to recapture a central role in Israeli society through its philanthropic activity. The opportunity here is two-fold:

First, Jewish philanthropy has a much wider menu of options for its intervention where it can make important contributions to Israeli society.

Second, world Jewry is in a position to impact three of the emerging sectors: it can influence Israeli philanthropists and the business sector through leadership by example; and it can leverage its present and future giving to nonprofits and municipal institutions towards better and more effective and efficient performance.

I believe that rising to this challenge embodies one of the biggest opportunities of Jewish philanthropy in Israel and is a key to restoring its central role in Israeli society.



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Post 4

The Challenge of Diminishing Marginal Impact

The diminishing marginal impact of Jewish philanthropy in Israel stems from the constant growth of the Israeli economy compared with the stagnation of Jewish philanthropic giving in Israel.

The Zionist movement survived and thrived on the philanthropic generosity of world Jewry. However, as Israel grows in economic and political power, the relative importance of philanthropic giving by Diaspora Jewry is diminishing. In depth comprehension of these trends is critical to create the sense of urgency that is essential of the necessary overhaul.

Initially, Zionism was fully dependent on Diaspora philanthropy. Adding cents to a dime, millions of Jews contributed to the Jewish National Fund (*Keren Kayemet Le'Yisrael*), to the United Jewish Appeal, to *Keren Ha'Yesod* and to other charitable organizations. The list of Jewish philanthropists - individuals and families - that have made a significant, sometimes even transformative, contribution to Zionism is also remarkable. Rothschild, Wolfson or Montefiore are some of the most prominent examples.

Over the time leading up to 1948, Jewish philanthropy has evolved, with the Zionist movement continuously playing a central role. It met needs of the nascent national movement and matured with it. Without its financial, political and diplomatic support Zionism would have not progressed to the extent and in the speed that it did. I doubt that there is any other parallel story of mass financial mobilization by any nation anywhere.

Upon the establishment of the State of Israel, world Jewry played an important role in absorbing millions of immigrants, redeeming the land, making the desert bloom, recreating the world of *Torah* or building our security and economic power. Many also bought State of Israel bonds.

However, the balance of power has shifted demographically, economically and now also in terms of quality of life.

First, on demography: When the State of Israel was established, only five percent of world Jews lived in it (600,000 in total). According to some estimates, in 1995 the Jewish community in Israel became the largest in the world and more than fifty percent of Jewish babies were born in the State of Israel. This trend is strong and persistent.

Second, on economics: Obviously, in the early fifties Israel was in dire need of assistance. Its economy was small and Jewish philanthropy played a central role in covering the budget needs of the nascent state including in critical areas such as weapon acquisition.

Nowadays, the numbers leave no doubt. The marginal role of Jewish philanthropic giving relative to the overall size of the Israeli economy is diminishing rapidly. In 2007 *alone*, the Israeli economy grew by more than 7 billions dollars. If the Jewish philanthropic giving in Israel is estimated between 600 million to 1.2 billion USD, than



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Israeli economic growth this year is between 6-12 times the *annual* Jewish philanthropic giving in Israel. Within a few years the total of Jewish philanthropic giving in Israel would only amount to a half of a percent (0.5%) of Israel's economy.

Finally, on quality of life: No doubt that initially Israelis were relatively poor and the undertaking of absorption of millions of immigrants was huge. Diaspora communities mobilized to respond with financial and material support which often included clothing and food. However, during the fifties and sixties, Israel rapidly caught up to the quality of life of developed nations. By the early seventies, our standard of living was roughly 60% of the USA. Today, Israel enjoys a quality of life of a developed nation, albeit at the bottom of this family of nations.

All of these numbers point in one direction: the relative importance of world Jewish philanthropy in Israel is diminishing. Furthermore, if attempts to promote philanthropic giving by Israelis will succeed, the marginal role of Jewish philanthropy in Israel will diminish even further. (More on that in post no.6 of this series).

These consistent and powerful trends are a challenge Jewish philanthropy. Their major advantage is one: understanding them may generate a sense of urgency that is essential for the overhaul.



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Post 5

Where is the Israeli Center?

The gist of this series is that Jewish philanthropy in Israel requires an overhaul in order to recapture a central role in Israeli society. One of the powerful and persistent trends that are driving this sidelining is the growing disconnect from the Israeli socioeconomic center. It is a challenge of priorities, as well as communications.

In the past, Diaspora Jewish philanthropy was perceived and framed in the context of economic and social assistance and as a supplement to Israel's national budget. Hence, understandably, it has been focused primarily on immigration absorption and on alleviating poverty and hardship.

At the same time, Diaspora Jewish philanthropists have always engaged a very small economic, business and political elite, as well as leaders of nonprofits and charitable organizations such as hospitals, universities or museums.

But where are the masses of Israelis, Israel's socioeconomic center? How are they exposed to the generosity, passion and care of the Diaspora communities? It would be fair to say that Jewish philanthropy in Israel has lost touch with and is in a state of disconnect from this very large constituency of Israelis.

This represents a loss of opportunity. In the context of the past framework for Diaspora philanthropic giving in Israel, which was economic assistance and development, resources and attention should have been focused on the areas of need and hardship. But according to a new framework, which focuses on reinforcing global Jewish peoplehood, focus should shift to capturing the hearts and minds of many Israelis and connecting them to fellow Jews and Jewish communities worldwide.

This is a challenge of shifting values, priorities and patterns of conduct. *First*, it is about a vision: Diaspora Jewish philanthropists need to embrace a vision that is relevant to the lives of the vast majority of Israelis. Such a vision may focus on education, health care, excellence or economic growth (see blog post: "Launch of the Top15 Vision: A Milestone and the Coming of a Full Circle" and [teleconference](#) on Israel 15 as an example for such a context), but has to impact most Israeli households. *Second*, it is about priorities: obviously, resources – many millions of dollars – should follow the vision in order to implement it. Hence, as new projects move to the front seat, others will have to be handed over to other organizations or terminated. *Third*, it is about communications and claiming collective credit through mass media. Israelis must know of the amazing dedication and generosity of our Diaspora communities.

Addressing this challenge is essential for narrowing the gulf between the Jewish communities in Israel and in the Diaspora. Bringing Diaspora Jews closer to Israel is a massive challenge. Bringing Israelis closer to Diaspora Jews is no small task either.



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Post 6

The Rise of Israeli Philanthropy

In recent years Israel has seen the rise of a new class of newly wealthy and homemade philanthropists. This trend is both a threat and an opportunity for world Jewish philanthropy here and amplifies the need for the overhaul.

There is wide agreement that Israel's wealthy have not given enough to their own society. Why? The reasons have been exhaustingly discussed and I have little to add to that discussion beyond naming them as a backdrop for this post. They are: *First*, a legacy of Socialism where citizens are cared for by the government 'from the cradle to the grave' has left many insensitive to needs of a growing number of individuals and constituencies. *Second*, unlike among the leading Jewish elite in the Diaspora, in Israel there has been little social cost, if any, for *not* giving generously or small benefit for doing so. *Third*, Israel's tax deductions are not generous compared to the USA. Relatively high individual and corporate taxes add another disincentive. *Fourth*, many Israelis don't know how to give. Philanthropy in American is a serious business founded upon tradition and professionalism. These knowledge and expertise are lacking in Israel.

Finally, there is much less wealth in Israel than in the Diaspora. There are only ten to fifteen Israeli billionaires some of whom actually live overseas. In Los Angeles alone it is estimated that there are between thirty to forty Jewish billionaires. Who knows how many there are in the other major cities of North America, Australia, Russia, or Europe?

In the past few years Diaspora philanthropists have been challenging Israelis to give more and Israeli nonprofits to raise more money in Israel and from Israelis. I believe that this challenge has been effective. Israeli's are giving more with greater sophistication, awareness and generosity. It may still fall short of expectations but there seems to be constant progress.

However, the rise in Israeli giving has been driven not only by outside pressure but also by other powerful trends:

First, the growing wealth of Israel's economic elite has created the resources that can turn into philanthropy.

Second, in parallel, inequality in Israeli society has reached a historic high. In thirty years Israel has moved from being the most equal society among developed nations to being the third most unequal society after the USA and the UK. The result is growing criticism, cynicism and even an air of hostility toward affluence. Philanthropy has become the vehicle of people with means to counter these sentiments.

Third, Israel's business community has been affected by the global trend of corporate and individual responsibility. Many leaders of corporate Israel now have a strategy which is backed by significant resources.

Fourth, the decline of Jerusalem (see post no 3 of this series) has created a vacuum and widespread public distress that offered a new societal role to the ultra-rich.

Finally, a few agents of change are catalyzing this process. Individuals such as Ms. Raya Strauss Ben-Dror, Avi Naor or the 2007 Israel Prize winner, Mr. Dov Lautman,



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nonprofits like MAALA (<http://www.maala.org.il/>) or companies like Good Vision (<http://www.goodvision.co.il/>) are raising awareness, bringing advanced approaches and calling Israelis of fortune to the task.

These trends create a challenge of relevance for world Jewish philanthropy in Israel. Israeli philanthropists may be crowding their Diaspora counterparts out of their leadership role in Israel. Their quick catch-up in terms of sizeable giving, sophistication and commitment is compounded by an indisputable advantage in language, cultural awareness, mentality, social networks and acquaintances, which generate a much better prospect of effective philanthropy.

Hence, while encouraging and embracing the rise of Israeli philanthropists, Diaspora philanthropists need to find new ways to preserve their role in Israeli society. I will write extensively about this challenge in posts no. 7-14 of this series. In the context of this post I would like to focus on a few guidelines for a relationship between Diaspora and Israeli philanthropists. They are:

- **Partnering:** Diaspora philanthropists should offer to take part in projects of Israeli donors and challenge Israelis to become partners in theirs. Diaspora philanthropists should invite Israelis and their professional staff to participate in events and go to theirs. In this context, the upcoming annual conference of the Jewish Funders Network (<http://www.jfunders.org/>) in Israel in late March 2008, chaired by Israeli philanthropist Mr. Avi Naor may turn out to be a milestone in this process.
- **Knowing where to lead or to be led:** For example, Diaspora philanthropists will have a harder time leading in projects that deal with Israel's social problems such as education or welfare. However, in areas such as Israel-Diaspora relations, religious pluralism or nonprofit management Jewish philanthropists will have a unique value to offer.
- **Claiming credit:** A well-known Israeli business person recently donated a hundred million shekels. This gift was proactively made public and extensively and repeatedly covered by all media outlets. There is a powerful logic for doing so. At the same time, how many Diaspora Jewish philanthropists have given much more than the equivalent of twenty five million dollars, yet remain practically unknown? Claiming credit is not for the sake of bolstering egos. Its logic is to communicate to the Israeli public the care, generosity, passion and thoughtfulness of Diaspora Jewish philanthropy in Israel.



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Post 7

The Response has to be Qualitative

The theme of this blog series is that Jewish philanthropy in Israel is being marginalized and needs an overhaul in order to preserve a central role in Israeli society. In this post I suggest that the response has to be qualitative and focus on leveraging greater impact from the existing dollars.

In previous posts of this series (posts 3-6) I have discussed the most powerful trends that are sidelining world Jewry in Israel. They are: the decline in the will and ability of the Government of Israel to provide services to the Israeli public (post 3); the diminishing size of total philanthropic relative to the Israeli economy (post 4); the disconnect between world Jewry and its philanthropic activities, on the one hand, and the Israeli middle class, on the other hand (post 5); and the rise of a new class of Israeli philanthropists (post 6).

Together, these trends represent a challenge of relevance to world Jewry. Their persistence will sideline its role in Israeli society from an existential role in the early days of the state to marginality.

A quantitative response - raising more dollars - would be insufficient. Diaspora Jewry does not seem to have the capacity to preserve its place in Israeli society by raising more dollars to offset these trends. Furthermore, if Israel will continue to grow and perhaps even realize the ISRAEL 15 Vision that calls for a massive socioeconomic growth (see Herzlyia Speech: How To Leapfrog Into the 15 Leading Countries), any such effort will prove to be frustrating at best.

Hence, the answer would have to be qualitative. In other words, it is *not* about doing more-of-the-same with more dollars. It is about doing more with each dollar.

This begs the question: more of what? How can one do more with the same dollars? One answer is to focus on being more efficient by doing more activities with each dollar; a 'bigger bang for the buck', sort to speak. This answer is a technical fix of sort and would not be sufficient because of the magnitude of the above mentioned trends.

A second answer is to seek to have more impact with the same dollars. This answer focuses philanthropic dollars on the activities that can have a greater distinct impact on Israeli society. Hence, the question facing the leaders of Diaspora Jewish philanthropic activity in Israel should be roughly as follows: How can we leverage our giving to impact Israeli society in the service of the values that we believe in? How can we preserve our place and voice in the Zionist project in spite of the diminishing marginal impact of our dollars? In my view, this is where energy should be focused.



Post 8

On Vision: ISRAEL 15 Vision as a Possible Framework for Philanthropy

The ISRAEL 15 Vision aims to place Israel among the fifteen most developed nations in terms of quality of life within fifteen years. This vision is an example of a possible useful framework and context for refocusing Diaspora Jewish philanthropy in Israel as it strives to increase its impact in Israel.

The ISRAEL 15 Vision requires leapfrogging Israel's socioeconomic performance. Such a leap happens when a nation sustains out-of-the-ordinary growth for a prolonged period (See my post "Leapfrogging or Growth? The Differences".) This is what China has experienced in recent years and other countries such as Ireland, Finland, Singapore and even Israel went through in the course of the past few decades.

The traditional approach to development views the process of economic growth as largely top-down. Hence, it is driven by a small group of high-level academics, politicians and bureaucrats, mostly from or in the field of economics.

The new approach understands rapid growth to be a process driven as much by bottom-up mobilization of key sectors of society. In other words, for a nation to leap it needs the right kind of macroeconomic policies, as well as for growth and development to become 'national obsessions' that drive the actions and 'win the hearts and minds' of the government, business and nonprofit sectors, as well as of individual households. For Israelis and world Jewry the references are powerful. In the past we have come together for immigration absorption, redemption of the land or making the desert bloom.

Who are the key sectors of Israeli society in this context? The list would include mayors and municipal governments, nonprofits, businesses and business people, philanthropists and career civil servants.

My argument is that world Jewry can also become a key player in Israeli society if it focuses its resources on catalyzing rapid growth and development. What could its role be? Following are a few examples.

First, history teaches us that all nations that leapt were very creative in exhausting their unique potential. Singapore thrived on its location as a gateway between east and west while Ireland leveraged its association with the European Union. I believe that Israel's vastly untapped economic potential is its being part of the Jewish world wide web. I also believe that a challenge of the coming decades will be to build a global network of economic and business relationships that are mutually beneficial yet critically important for Israel's economic growth and development.

Second, philanthropists can play a critical role in promoting better management and higher productivity in the nonprofit sector (click here for post no. 12 on institution building and management). The significance of this point extends beyond 'bigger bang for the philanthropic buck'. About 85% of Israel's labor force is in the low-tech sector, which suffers from low productivity compared to developed countries (USA's low-tech productivity is 50% higher!). As productivity is highly correlated with income, its rise is



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critical for Israel's wellbeing. The governmental and nonprofit sectors represent an estimated two thirds of the Israeli economy! They are almost entirely low-tech. Hence, improving their productivity is essential for the ISRAEL 15 Vision and Diaspora Jewish philanthropy is in an excellent position to influence some of the key sectors here, primarily municipalities and nonprofits.

Finally, philanthropists may choose to funnel more funds to nonprofits and social entrepreneurs that are dedicated to promoting growth and development and to improving the quality of life of all Israelis. Examples of such organizations include those that provide micro loans for businesses such as the [Koret Israel Economic Development](#) Funds or nonprofits that are dedicated to expanding labor force participation in the *Haredi* or Arab sectors.

As mentioned, the ISRAEL 15 Vision is one example of a framework that may be useful for driving priorities and actions of Diaspora Jewish philanthropy as it strives to increase its impact in Israel. Other useful frameworks may include a world class education system or resilient and thriving communities.

Adopting the ISRAEL 15 Vision as a framework does *not* mean that philanthropic projects should focus exclusively on productivity or economic growth. However, it does mean that *every* dollar spent on any project – food security, better health services, education, academic research or reforming government – has to be leveraged towards greater productivity in Israel and by Israelis.

I believe that mobilizing towards a vision such as ISRAEL 15 is not only important for Israel but also for strengthening Israel-Diaspora relations and for Diaspora Jewish communities themselves. It will provide them with a new platform for strengthening their own communities.



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Post 9

On Organization: Heavy Hitters Come Together

Can Jewish philanthropy be transformed? Among other things, the answer depends on the ability of the 'heavy hitters' of Diaspora Jewish philanthropy in Israel to join together in order to improve their standing in Israeli society and agree on a number of guiding principles for their operation. Success in doing so will be important for them, as well as for Israel and the Jewish world.

A large portion of Diaspora Jewish philanthropic giving in Israel is from a small group of large givers. They are institutions, most prominently the large Federations who give directly or through the Jewish Agency, other organizations such as *Keren HaYesod*, a few foundations and individual donors predominantly from the USA but also from Russia, the UK, France, Australia, Canada, or Germany. They are the 'heavy hitters' of Diaspora philanthropic giving in Israel.

In addition, the people that advise and inspire the heavy hitters can fit into one large hall as well. This group includes a small number of prominent organizations such as the [Jewish Funders Network](#), leading professionals of large family foundations or the prominent philanthropic advisors in Israel or the USA.

My argument is that this community should come together. This will not only increase their impact on Israel and strengthen their position here but will also be good for Israel.

This post is not a call to compromise philanthropic diversity. Such diversity is essential for the kind of elaborate societal experimentation that can only take place in the non-governmental not-for-profit sector. Obviously, philanthropists can not agree on an exhaustive list of specific projects or grantees, nor should they.

However, there are other areas where agreement, cooperation or coordination among heavy hitters may be of great value. In my opinion, their agenda should comprise of three major issues:

First, they need to identify a number of core issues that require them to operate as a group vis-à-vis the Government of Israel, the Knesset and Israeli society. For example, they need to lobby Knesset to amend tax laws in order to encourage more philanthropic activities by Israelis and in Israel. Also, they may want to discuss with the Prime Minister and the Government of Israel their strategic focus (see post no. 8 of this series on the ISRAEL 15 Vision as such possible focus). Or, they may want to consider collectively taking public credit for their work so that ordinary Israelis appreciate their commitment, dedication and generosity (see post no.5 on the disconnect from the Israeli middle class).

Second, they should discuss and evaluate their philanthropic ethos, core activities and unique value proposition in Israel, as well as exchange views on strategy. I believe that in order to provide unique societal value and to remain a key player in Israel, Diaspora Jewish philanthropy should focus on addressing areas that are subject to government or market failures (see post no. 14 of this series). Identifying these areas is a challenge in and of itself. Dealing with them is even more complicated since they often require



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fundamental shifts of values, priorities and pattern of conduct. Both challenges require extensive exchange among the philanthropic community.

Finally, they should articulate some basic standards and expectations that they will commit to apply to all of their activities. These standards may have to do with grant applications and reporting, as well as with the quality of management by grantees (see posts no. 10, 11 or 12 of this series).

Such coming together is not only important for the heavy hitters themselves but also for their [‘long tail’](#). This ‘long tail’ comprises of a very large number of givers – individual donors or smaller family foundations – who give in smaller sums and do so directly to their grantees and not through any organized mechanism. They simply write a check or charge their credit card over the internet.

This size of this long tail should not be underestimated. The total sum of these smaller gifts may match or exceed the sum of all giving by the heavy hitters, even if some of them may be minimal.

Hence, coordination among the heavy hitters is also important because of its impact on the ‘long tail’. Most often, members of the long tail – i.e. smaller givers – will not participate in setting standards. But they may adhere to standards that were set by the thoughtful leaders of the philanthropic world. They may use their contacts to verify information that they have been given but will not spend time and money on an extensive and expensive due diligence process before making their donation.

This is why I believe that the coming together of the heavy hitters may also be important for Israel. In this case, a small group can make a difference. They will not only make their own philanthropy more focused and effective but also improve the conditions for philanthropic giving in Israel and generate a ripple effect across the entire community of givers.



Post 10

On Organization: Standardize your Expectations

Standardizing expectations from grantees should be high on the agenda of the heavy hitters of Jewish philanthropy in Israel. At present, each grantor has a particular set of expectations for proposals, as well as for reporting. This reality leads to a huge waste of resources of time and money. A few simple agreed guidelines could make a big difference here.

A couple of years ago, the Reut Institute that I founded and head submitted a request for a grant in the sum of few tens of thousands of dollars from a very prominent West Coast foundation. Our area of work generally fit their area of giving and a couple of initial personal interactions led us to believe that we have a good chance of receiving a grant. So we decided to apply.

A few months and more than a hundred written, formatted and proofread pages later we were declined. Apparently the decision not to support us was made for absolutely legitimate reasons. What I found inappropriate and upsetting was the disrespect to our time, energy and resources in the process. Many dozens of hours were spent formulating the original application and responding to subsequent requests for further information. This is a very considerable investment for a small nonprofit. Reporting would have been cumbersome too. And this is just one foundation.

Most of the foundations that we work with have largely similar requests for information both for the grant request and as well as for the reporting. This is notwithstanding the fact that each grantor has its unique vision and mission that understandably require a partially tailored response. The issue is that each grantor has a different set of expectations regarding the format, sequence and length of the grant request or report. This is a cause of great waste of energy, time and resources.

The remedy is obvious: large parts of this process can and should be standardized. The heavy hitters of Jewish philanthropy in Israel should agree on a format of delivering the basic general information on an annual or bi-annual format for reporting that would become a standard.

What should be in this report? The answer is simple: whatever the 'heavy hitters' could agree upon. For example, in the context of grant requests, it should include basic organizational, managerial and financial information, as well as a short description of vision, mission, strategy and unique value proposition or guidelines for the strategic development (see post no. 12 on institution building and management)

There are a number of potential benefits to such a standard. *First*, it is efficient. Each grantee will have to prepare one-report-fit-all each year and use it for all of its applications and reporting. This would only consolidate already existing practice as most of us the grantees cut-and-paste from one proposal and report to another. *Second*, it will allow nonprofits to focus on the part that really matters, which deals with the way in which their suggested project fits the vision and mission of their grantor. *Third*, it will create a platform for greater transparency in the nonprofit world in Israel as these



standardized reports could be posted on the internet. *Finally*, organizations will be able to learn from each other and to borrow best practices as reflected in these reports.

Standardizing of grant requests and reporting may be good for all parties. The challenge is for the grantors to come together and agree on the standard. It seems that the ethos of the philanthropic has been that donors do things their way with their own money. Hence, standardizing is no small task, but a very important one.



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Post 11

The Challenge of Small Nonprofits

Small nonprofits represent one of the toughest challenges of efficiency for philanthropy in Israel. Such nonprofits need to merge into bigger enterprises or scale in order to effectuate meaningful social change and generate significant value. This is not only a challenge of efficiency but also a matter of broader socioeconomic context.

Naturally, there should be a space in our society for small nonprofits. They represent a vital platform for social experimentation. Almost all of the most important nonprofits started as small initiative that grew over time.

However, Israel's nonprofit world suffers from a malady. Too many organizations are very small in size, operation and budget. They are neither scaleable nor do they provide a unique remedy to a social problem. In other words, they are doomed to an existence where raising funds is a core activity overshadowing the service of their vision and mission.

Such nonprofits generate a number of problems for philanthropy. *First*, there is a self-reinforcing cycle: the small size inhibits investment in growth-enhancing technology and management while weak management and archaic friends-and-family structure prevent growth. *Second*, because funding of such nonprofits is often based on multiple small donations, there is lack of interest in scrutinizing their performance and management. Hence, such organizations often comfortably surf beneath the radar screens of the philanthropic community.

More importantly, small nonprofits represent a macro socioeconomic problem for Israel. *From the economic perspective*, as mentioned, Israel suffers from a problem of a relatively low productivity in the low-tech sector compared to other countries (see post no. 8 of this series). It is estimated that a low-tech worker in Israel produces *half* of his or her American equivalent. Since the nonprofit world represents a very large section of Israel's low-tech community (according to some estimates, it is larger than the banking sector), its efficiency or lack thereof are a macro economic problem. *From the social perspective*, as these organizations often provide vital social services, their efficiency is a societal concern.

The challenge for philanthropy is to balance two considerations: on the one hand, to provide the necessary conditions for nurturing aggressive societal experimentation by social entrepreneurs that can only take place in the nonprofit sectors. This often requires micro-organizations and prolonged incubation. On the other hand, there is a need to ensure that small organizations are challenged to scale the provision of their services that provide distinct and unique value to growing sections of Israeli society.

On the more practical level, obviously, there are many ways for Jewish philanthropy to impact small nonprofits. For example, to create powerful incentives for such organizations to scale or merge with others; to support the trend of establishing benchmarks and building platforms – primarily internet ones – for transparency and accountability that will allow donors to assess whether their gift is being put to good



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use; or to coach nonprofit founders, leaders, members of boards and managers with advanced methods of management and leadership.

But before we engage in a detailed discussion of strategy, we have to make this a priority.



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Post 12

On Vision: Build an Ethos

This post deals with the basic dilemmas of Jewish philanthropy in Israel. It expands on the questions that every organization, foundation or individuals should consider in order to create their own philanthropic ethos. My assumption here is that a more focused philanthropy is a more effective one.

A philanthropic ethos is an outcome of an in-depth exploration of vision, mission, values and strategies. It should take the shape of a set of principles and guidelines for spending the philanthropic fortune.

In general, the question is: provide fish or build fishing rods? To what extent will you solve problems or create the knowledge and skills to provide self-sustaining resolutions? In particular, this general question takes a number of forms:

- Will you supplement the national budgets or focus on market and government failures? – The heavy hitters of Jewish philanthropy are often called to effectively fill the empty coffers of government by financing activities that politicians refuse to budget. When called, will you respond positively? Or will you focus on the areas that are subject to market and government failures where neither the government nor the markets are able to make effective interventions? This is the fundamental question facing Jewish philanthropy in Israel (see post 14).
- Today's problems or tomorrow's solutions? – To what extent will you deal with the challenges of the present or invest in the infrastructure, capacities, technology or legislation that will provide a sustainable solution in the future?
- Covering for the government's failures or restructuring? – Many of the problems that require philanthropic intervention are an outcome of failures and incompetence by government agencies of different levels. Will you spend your money on addressing needs that the government can and should address or focus your resources on lobbying to restructure the relevant government agency?
- Do you have a regional focus? Perhaps, a topical focus? – Do you want to focus your resources in a certain geographic area: the Galilee, the Negev, Jerusalem or a specific neighborhood in Nahariya? Perhaps one would want to focus on education, early childhood, emergency healthcare or sports? The more focused the philanthropic work, the greater the prospect of leaving an imprint.
- General constituency or agents of change? - Do you want to focus your resources on the few – the agents of change – that can make a difference for many? Or perhaps to address the needs of the general public?
- Winners or losers? – Do you want to work with those that have proven their ability to effectively lead and manage or focus on those that have failed to do so and require support at the basic level of organizing, managing and leading?



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- Due process vs. getting it done? – Sometimes, the long haul of capacity building, management, transparency and accountability may come at the expense of immediate tangible results. Where do you stand on this dilemma?
- Preplanning vs. crisis management? – In Israel, a sense of urgency and crisis is often prevalent. During these episodes philanthropists are called to expand their giving. Also, crises often create an environment of doing away with plans and expectations of due process in favor of immediacy and rapid-response. When the call comes to you, how do you plan to respond?
- Seed money or resources for scaling? – To what extent do you want to be involved in the process of experimenting with and building new institutions as opposed to growing institutions that have proven their relevance and effectiveness?
- Do it yourself, partner or outsource? – To what extent do you want to run your own programs, as opposed to outsourcing to other institutions or partnering with them?

This may not be an exhaustive list. But I believe that it captures some of the dilemmas that philanthropists have to address in order to develop its ethos and core.



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Post 13

On Vision: Institution Building and Management

What is more important: funding of efficient projects or of building effective capacities and institutions? Farsighted Diaspora Jewish philanthropy that seeks to play a central role in Israeli society should shift its focus from the former to the latter. This represents a profound transformation of patterns of conduct of both philanthropists and nonprofits.

'Institutions' represent a unique type of 'organization'. The latter are designed to address a specific challenge often in a specific context, for a limited period of time and by particular people, usually the founders. An 'institution' is designed to effectively and efficiently meet an array of challenges in a variety of contexts over a long period of time and independent of any specific individual.

The straightforward logic of this point is simple. Improving nonprofit management will enhance the effectiveness of every dollar spent.

But there is also a long-term effect. Israel's nonprofits are a large part of its low-tech sector, which is underperforming compared to other developed nations. Better nonprofit management may propel an upgrade in the productivity of the low-tech sector, which is essential for Israel's prosperity (see post no. 8 of this series).

Furthermore, building resilient institutions will ensure lasting impact on Israeli society particularly where these institutions address a vital societal need that stems from a government or a market failure (see post no. 14 of this series).

Finally, an agenda of nonprofit excellence may add an engine of growth to the Israeli economy. In the past few decades, excellence in Israel has been driven by the business sector (which is ranked 8th in the world. See Reut's analysis "Public Sector Puts Brakes on Top15 Agenda"). In addition, academic and research institutions, as well as certain elite parts of the defense establishment, have also been critical engines.

The argument here is that the nonprofit world can become another such engine if philanthropists focus their resources on its excellence in management and execution. As nonprofits become increasingly important for the quality of life of citizens, such a focus can impact the lives of many. One effect may be the contribution to an atmosphere of uncompromising excellence that is essential for Israel's survival and prosperity.

Why does a shift of focus towards better nonprofit management or institution-building represent a fundamental transformation? This is because many philanthropists are focused on and demand measurable results and a 'bigger bang for the buck'. Their incentives are geared towards carrying out projects and promoting quick and tangible outcomes. The traditional expectation of no more than 20% overhead does not allow enough investment in institution and capacity building. Hence, building resilient organizations is sometimes sacrificed for short-term performance.

What does institution and capacity building mean in practice? I am not an expert on this topic nor on good practices of nonprofit management. However, some articles I recently read, particularly Jerry Hauser's Organizational Lessons for Nonprofits (The McKinsey Quarterly, 2003 Special Edition: The Value in Organization, pp. 61-69; William F.



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Meehan III, *Reinventing Philanthropy*, *The McKinsey Quarterly*, pp. 120-122), may provide a few guidelines such as:

- Insist that nonprofits define a vision of the world that they are trying to help create; a mission that is relevant to that vision; a strategy to serve the mission that has a unique value proposition; and the core values of the organization.
- Demand that the grantees define solid, quantifiable performance goals and make specific people responsible for achieving these goals.
- Help nonprofits transcend the common start-up dynamics and tendencies of egalitarian management-by-consensus to build professional business-like organizational structures with senior management teams even if it requires nonprofits to spend more cents-per-dollar on management and overhead.
- Insist on replacing the start-up friends-and-family boards with strong and effective boards that are geared to meet the challenges of the organization. (See Paul J. Jansen and Andrea R. Kilpatrick, *The Dynamic Nonprofit Board*, *The McKinsey Quarterly* 2004 no. 2, pp. 21-29.)
- Ensure a stable financial base and systematically broaden it. This means transitioning from the prevailing pattern of setting development goals that are based on a wish list of desired programs to deriving the programming from sustainable budgets.
- Insist on transparency and accountability based on comprehensive and accurate information that allows evaluation of effectiveness and efficiency.

These principles sound simple and good for both donors and recipients. Why then is it not happening to a significant degree? My answer is that unfortunately Israeli grantees are often not expected to rise to the business and management standards of their donors. Furthermore, sometimes they are not even expected to meet standards that would have been expected from parallel grantees in America.

This is wrong and should change. Most philanthropic dollars are donated or overseen by people who have been very successful in the business world. Their success is often the outcome of high standards, which they are later called upon to apply to their favorite charitable organization. Philanthropic giving in Israel should be no exception. We should be held to the highest standards and helped to meet them.



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Post 14

Priorities: Focus on Government and Market Failures

The philanthropy of Diaspora Jewry in Israel needs to undergo a qualitative leap in its impact on Israeli society. One of the elements of this leap would be to focus on government and market failures and avoiding being ‘diverted’ and ‘seduced’ to do otherwise.

The logic has been laid out in previous posts of this series. Jewish philanthropy in Israel is facing a double-challenge of expanding options and diminishing marginal impact (see posts 3-6), which requires a qualitative response (see post 7). One of the elements of this response is better focus.

In this post I argue that the most important secret for Diaspora Jewish philanthropy to redeem its center stage role in Israeli society by providing unique and substantial value is to focus on areas that are subject to market, *as well as* to government failures.

Wikipedia defines [‘market failure’](#) as a condition where market forces inefficiently allocate goods and services. In other words, a sector of the society is overcharged for certain services or does *not* have enough of certain goods. Some of the reasons for market failures are excessive market power such as due to the existence of monopolies or cartels; benefits or costs to third parties such as in the areas of public health, environment or education; or due to the inability of a market to emerge such as in the areas of Israel-Diaspora. This is by no means an exhaustive discussion of market failures but I hope it is enough to provide a good sense of them.

A [Government failure](#) occurs when the government intervention or lack thereof denies certain sectors of products or services at a market price. There are many different kinds of government failures. In this context, the most relevant are government failures that are an outcome of powerful political incentives that deny adequate response to public needs. In other words, these are areas where the government can *not* intervene effectively due to structural and institutional reasons. At the same time, areas where the government will not take action because of priorities do *not* represent government failures.

A sophisticated philanthropist will be able to tell whether an area is subject to market as well as government failure. If a problem can be addressed by purchasing a product or a service at market price there is no market failure. If a problem can be addressed by the government, there is no government failure. If neither is true, then one faces not only a dual failure but also a significant opportunity for a transformative philanthropic intervention.

For example, [Birthright Israel](#) is such a project. On the one hand, there was a clear need emanating from ample evidence that a visit to Israel will positively impact all parameters of Jewish identity of young adults who were willing to come to Israel but unwilling to pay the cost of a trip. On the other hand, Israeli politics would have rendered offering such a free trip impossible and there was no market that could have offered no-cost travel to Israel. Consequently, a massive philanthropic intervention has made Birthright Israel into a project that may impact the entire Jewish world.



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Another such example is transitions. Politicians have a hard time driving difficult changes. Their incentives are for short term, sectarian and populist conduct. This is particularly true in Israel where our electoral system generates short and unstable tenures and a fragmented legislature and executive. Hence, providing a safety net to individuals, households or communities through a painful yet necessary change is an example of a philanthropic intervention in an area that is subject to government and market failures.

A third example is public innovation and experimentation. Here too, the public sector with its red tape and legalistic mindset has a hard time providing the conditions for social and societal experimentation and entrepreneurship. Philanthropy may be critically important here.

There are many activities that may fall in grey areas. What should be the philanthropic position with regard to building university laboratories, hospitals, museums or public libraries? What about the operating costs of these institutions? How should we view food security? There are no clear answers to these questions. But there should be serious consideration and debate on where to draw the line?

Philanthropists have to remember that it is easy for politicians to treat them as a source of additional funding to cover their deficit. It is a conscious political decision of the government not to build enough classrooms or to deny fitness centers from army bases or furnishing air raid shelters. Philanthropy can never fill this bottomless pits of government needs neither should it try to.

A major challenge for philanthropists is to avoid what [Ron Heifetz and Marty Linksy](#) call the 'diversion' and 'seduction' by the Israeli Government and its agencies, by municipalities or by the Jewish Agency. Taking a meeting, spending quality time and offering praises and honors are forms of seduction. Their price is compromising the prospects of making a transformative impact in Israel. A dollar spent on a project the government *will not* do is a dollar which is not spent on a project that neither the government nor the business sector *can* do. Furthermore, by definition, the government will not and can not ask philanthropists to spend resources on its own failures. Identifying government failures is up to the philanthropists.

Finally, real philanthropic leadership is rooted in saying yes to the right projects while rejecting others. Projects that focus on government and market failures hold the promise of a possible transformative change of priorities, habits or patterns that constitutes leadership. Such projects should be the focus on Diaspora Jewish philanthropy.



Post 15

On Philanthropy and Leadership

Too often we tend to immediately associate the concept of philanthropy with leadership. But we should not. Some philanthropic activities truly amount to leadership. Others do not, and may actually be leadership-neutral or even be counterproductive in terms of leadership. Furthermore, sometimes an act of leadership by a philanthropic requires withholding funds, a public statement or a political action. For the heavy hitters of Jewish philanthropic giving in Israel, it is important to be able to identify leadership and to pursue it.

I have written in my blog about the distinction between 'leadership' and 'authority' based on the work of my teachers Ron Heifetz and Dean Williams. Their books [Leadership Without Easy Answers](#) (Heifetz), [Leadership on the Line](#) (Heifetz with Marty Linsky) and [Real Leadership](#) (Williams) provide the intellectual underpinnings of this distinction. The coming few paragraphs will deal with the meaning of authority and leadership in the area of philanthropy.

According to Heifetz, authority is given to someone by a relevant constituency and can be taken away. It is a covenant. A person in a position of authority – a President, CEO, Rabbi, teacher, or military commander, for example – receive power, recognition, honor and material benefits from a community. In return, that community expects its delegate to dedicate his or her resources to its service and to effectively help it achieve security and material wellbeing, to resolve conflicts and to assign roles.

Leadership however, is asserted. We do not elect, appoint or nominate leaders. They emerge because they engage in activities that are targeted at changing values, priorities, habits or patterns of behavior in order to help the community face its challenges. Dean Williams in his book *Real Leadership* identifies six prototypes of such potential challenges: updating values and priorities (Activist Challenge and Transition Challenge), cultivating capabilities needed for progress (Development Challenge), protecting what is essential during hard times (Maintenance Challenge), doing something that has never been done (Creative Challenge) or going through of extreme danger (Crisis Challenge).

Hence there are significant differences between leadership and authority. Authority is given and can be taken away while leadership is asserted and can not be taken away. Authority is about making people feel good, safe, protected and cared for while leadership is about making people go out of their tradition and patterns and, hence, is associated with discomfort. Authority is about being liked while leadership entails being disliked by some. Authority is about resolving conflicts while leadership is about orchestrating conflict. Authority is about caring for everyone while leadership is about deliberately having some people lose because their values, priorities, power or way of life will be compromised.

Consequently, as Heifetz explains, you can have authority but not exercise leadership and you can lead without authority. In any case, leadership is a dangerous business, whether it is exercised from a position of authority or no-authority.



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The benchmark that distinguishes acts of leadership is very simple: Are your actions geared toward helping the community meet a new challenge? If the answer is positive, there is leadership. But there are other symptoms to leadership – or to lack thereof. Leadership would usually require focusing on a single issue, educating a community, raising questions or taking positions that create a disturbance, creatively making provocations, and failing to live up to traditional expectations.

Hence, the immediate association that we tend to make between philanthropy and leadership is not always in place. If a philanthropy is designed and executed to support an essential adaptation toward a challenge, than it truly represents an act of leadership. However, if a philanthropy is directed at preserving an irrelevant structure or conduct it pulls the brakes on essential changes and therefore embodies the exact opposite of leadership. Naturally, many philanthropic activities are leadership-neutral in the sense that they neither promote nor withhold any visible necessary change.

At the same, a philanthropist does not always have to write a check to take action of leadership. Sometimes withholding a check or drawing a line, tying a gift to new standards, making a public statement or taking a position in a heated debate are as important.

These observations about leadership are true also when it comes to Jewish philanthropy in Israel. Meeting its challenges will require fundamental changes in patterns of conduct and priorities of its heavy hitters of Jewish philanthropy, as well as adapting the way its Israeli grantees have been using the generous gifts that they have been receiving.

Why is this challenge so difficult? Why don't we see enough leadership in these areas where the need for change is so evident? The answer is simple: because leadership is 'dangerous' in the sense that there will be inevitable resistance. A Jewish philanthropist that aspires to lead should expect the risks of being framed as 'avant-garde', 'arrogant' or 'loner'; of losing their seat at the table; of being tempted to support additional causes that would stretch their financial resources thin; or of being seduced to accept honors and distinctions (Heifetz and Linsky identify four basic forms of danger with countless variations in Chapter 2 of Leadership on the Line).

Paradoxically, the biggest 'danger' to leadership by the Diaspora Jewish philanthropy may come from the Government of Israel and its agencies, including the Jewish Agency. Naturally they would like to subordinate the priorities and loyalties of Jewish philanthropy to their own. This is not a matter of bad will but of the natural dynamics of politics.

And why is it so important to be able to identify philanthropic leadership? The answer is that for Jewish philanthropy to continue to play a central role in Israel, it would have to change its own patterns as would its Israeli counterparts. It would to engage in actions of leadership. It would have to lead.



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