

Israel's Non-Profit Sector: Problems and Prospects

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Scope and Finances

Ironically, despite decades and even centuries of fundraising for Israeli institutions and social services, very little research or systematic evaluation can be found regarding this topic. The same is true for the vast network of volunteer and non-profit organizations that flourish in Israel today, and which represent a large economy and labor force that function alongside the government and private sectors. This "third sector", or the NPOs (non-profit organizations), employs one in nine of all employees in Israel and produces one in 12 shekels of the gross national product. The relative size of the NPO sector in Israel is almost twice that of the United States or of Great Britain. In the last decade alone, Israeli society has increased its dependence on the NPO sector to such a degree that the NPO share in the gross national product has risen from approximately 6% during the 20-year period 1955-1975 to about 8% in 1975-1985. These figures do not include estimates of the employment and output value of volunteer activity, which would greatly increase the importance of NPO activity.

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The data presented above are taken from a draft of a recently completed study on the non-profit sector and volunteering in Israel commissioned by the Center for Social Policy Studies in Israel, which is headed by Dr. Israel Katz. The authors of the report (Roter, Shamai, Glicksberg and Wood, 1985) also found that the NPO sector concentrates its activities in the areas of education and culture (47%), health (38%), and welfare and religion (8%). These data reflect the fact that 98% of Israeli universities and orthodox religious schools, 64% of all vocational education, 22% of the kindergartens, 88% of ambulatory medical care, 47% of hospital care for the chronically ill, 42% of child-care programs and 13% of services to the aged are provided by the NPOs (Roter *et al.*, 1985)

The funding for NPOs comes mostly from government agencies that purchase services on a contractual basis. Donations and membership dues are a secondary source. For example, in 1980-81, 59.4% of the

funds for NPO health services came from government transfers and sales. Since the government does not want to nationalize these vital services, it heavily supports many pre-State institutions, giving Israel a generous mix of universal social insurances operating alongside an extensive network of service-providing NPOs. Not infrequently, however, government services overlap NPO services: this is due, in part, to the NPO's long-term political clout, the government's desire to encourage NPO fundraising abroad, and the ability of NPOs to provide specialized, innovative activities.

The Roter Report noted that the expenditures of NPOs (1980/81) were as follows: salaries (46%), purchases of goods and services (42%), and interest payments (10%). During the same year, 31.9% of all employee posts in education, and 60.6% of all health-care posts in Israel were in the NPO sector. In terms of jobs, this means that out of a total of 233,000 workers in health and education, 94,900 (41%) were NPO employees.

Whereas American tax laws provide an incentive for private individuals and corporations to support NPOs, Israeli tax concessions on donations are relatively meager. The various tax concessions granted the NPOs are of little benefit because there is little profit to deduct from, and the special value-added tax (VAT) rate for NPOs is insignificant (Roter *et al.*, 1985).

Social Action and Self-Help Groups

It is very important to differentiate between the large-scale NPO service-providing groups such as workers' health-care funds (*Kupot Holim*), labor-union services, and trade-school programs on the one hand, and, on the other, the social-action and self-help groups such as the Israel Association for Rights of Large Families – ZAHAVI, which has a membership of 30,000 *families*, ENOSH, the Organization for the Mentally Disordered, the Matan Besetar Interest-Free Loan Society (one of hundreds of similar groups), the League for Family Rights in the Courts, and the Israel Society for Prevention of Alcoholism. These groups of citizens, banded together to improve their situation by lobbying to influence public opinion and legislation and by providing self-help services to their

membership, are part of a wide network within the NPO family, and their economic and social impact is rather neglected in the Roter Report.

In order to identify this subsection of NPOs, this author published *Giving Wisely*, a general guide to non-profit and volunteer social services in Israel (Jaffe, 1982). The book describes nearly 400 non-profit Israeli service organizations in an effort to bring them to the attention of the public, particularly foreign philanthropists – this to prevent perpetuation of a “survival of the fittest” situation in which the more sophisticated and often the wealthiest organizations win out. During the research for the book literally thousands of small NPO funds, self-help and social-action groups were “discovered”. They flourish today in Israeli society and cover a very wide and fascinating range of welfare areas. Many of them are small local or national groups struggling to survive, based totally on volunteers. They have limited resources, but their workers contribute impressive dedication and personal investment. For many of these groups, “success” means better services for their own families and other people in similar predicaments. These grassroots organizations rarely receive government funding, or at best minor aid. They cannot afford – nor do they understand – sophisticated fundraising tech-

grassroots groups, fearing their potential to influence policy and allocation of resources.

The tragedy of this situation is that, provided with the proper resources and a favorable government climate, these NPOs can make, and are making, a significant impact on the quality of life in Israel. Their motivation and energy is remarkable, and their social and economic contribution is beyond question, if systematically undocumented thus far. Besides government aid, most of these groups have turned to “schnorr”, local or foreign charity, for income. In this context, the role of foreign, primarily Jewish, philanthropy has played a major role.

Foreign Philanthropy and the Non-Profit Sector

The bulk of Jewish philanthropy for Israeli welfare programs is funneled through the United Jewish Appeal (UJA) to the United Israel Appeal in America, and Keren Hayesod in other free-world countries. Funds from both these sources are transferred to The Jewish Agency for Israel, Inc. and amount to over \$400 million annually. Since 1971, American donations to the Agency have accounted for \$3.5 billion of the \$5 billion expended by the Agency, or more than two-thirds of the annual operating budget. Income from America also includes annual grants from the US State Department for the resettlement of refugees (\$12.5 million in 1984 and \$15 million for 1985).

Moreover, the constitutional organization of the Jewish Agency makes these funds highly susceptible to politicization since all of its Department heads are appointed by Israeli political parties, with the “advice and consent” of the Board of Governors.

As a consequence of political influences on the allocation of Jewish Agency Departmental portfolios, resources and programs, many donors have been having second thoughts about channeling the bulk of their funds to Israel via the Jewish Agency. This tendency has been strengthened by their increasingly personalized, face-to-face contacts with the Jewish Agency and Israeli institutions as a result of Project Renewal, where a specific Jewish community abroad

Because the Jewish Agency is locked into its traditional (pre-State) service Departments (Youth Aliya, Rural Settlement, Immigration Absorption, Secondary and Higher Education, and recently, Project Renewal), very little of this massive philanthropic effort reaches the innovative, grassroots NPO sector. Moreover, the constitutional organization of the Jew-

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An Israel Bond mission visiting Ma'alot.

niques; they cannot pay for professional community-organization workers (90% of whom are employed by local and national government, ie. tax-supported, agencies) despite the fact that these organizations are precisely where such staff is most urgently needed. In many cases, government and quasi-government agencies will withhold recognition and resources from

ish Agency makes these funds highly susceptible to politicization since all of its Department heads are appointed by Israeli political parties, with the "advice and consent" of the Board of Governors. However, half of the Agency's Board of Governors and its other governing bodies are made up of representatives of the World Zionist Organization (WZO), who are direct representatives, for the most part, of Israeli political parties.

is matched with a specific disadvantaged neighborhood in Israel. The arrangement has led to the "education" of key donors concerning proper accountability, planning needs, and follow-up on the use of philanthropic funds from abroad. It will also most likely lead to some reform of the Jewish Agency, although the reform will probably be cosmetic rather than a basic depoliticization and reconceptualization of the purpose, structure and functions of the Agency and foreign philanthropy in Israel.

Future Prospects for the Non-Profit Sector

Volunteer activity is flourishing in Israel, and estimates of "man-years" devoted to this effort range from 5,000 in 1962 to triple that number in 1985. This statistic includes students, the elderly, soldiers, organized groups such as the civil guard (100,000 youths) and self-help interest groups, and charitable funds. The absence of more precise social and economic data and research effort concerning the non-profit sector is difficult to comprehend. Perhaps there is an inherent "danger" in studying philanthropy in Israel and a fear that it may lead to government control and accountability to donors, but the time has come for more systematic research on this topic.

The past decade has seen a dramatic increase in social-action and self-help groups. Three recent examples of these are the Israel Association of Ethiopian Immigrants, the 60-Plus Association of the Elderly, and the Israel Association of Foster Parents - all founded in 1984, along with a host of other grassroots

groups. These developments come at a time when private foreign philanthropists and foundations abroad are seeking more personalized ways of becoming involved in Israeli social projects. One new organization, the New Israel Fund, created in 1980 in New York to supply start-up funds to new citizens' organizations, now distributes over half a million dollars annually in private donations collected all over the

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US. Another fund, PEF Israel Endowments Fund, also based in New York City, transferred \$4.5 million in 1983 to Israeli NPOs selected by private American donors.

Although the UJA and Israel Bonds money constitutes less than 1% of the annual expenditure of the Israeli government, it is an important contribution to specific areas such as welfare and education. Nevertheless, many Israelis feel that a better use for these funds would be providing quality Jewish education to the dwindling Jewish communities outside of Israel.

Other Israelis are hopeful that at least part of the private philanthropic sector funds can be tapped for non-profit organizations in Israel. Such a development, even to the extent of \$20 to \$50 million annually, could dramatically increase the output and involvement of the NPOs in tackling Israel's social and economic problems. If not for the relative conservatism of donors abroad and the power of the Israeli political establishment over NPO funds, the marriage could have been made years ago. But, with due respect for past habits, if no significant reform of the Jewish Agency takes place in the near future, we can expect private philanthropy to play a much greater role in the Israeli non-profit sector.

Non-Profit Organizations According to Area of Expenditure
1980-percentages

Country	Health	Education/ Culture	Welfare/ Religion	Other	Total
Israel	38.1	47.1	7.7	7.1	100.0
U.S.A.	49.6	29.8	20.2	—	100.00

Source: Rafael Roter, et al. (1985) *The Non-Profit Sector in Israel*. The Center for Social Policy Studies in Israel. Jerusalem.