

# **The Contribution of Foreign Philanthropic Foundations to Israeli Society**

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*Philanthropic foundations have lately become an important factor in funding third sector organizations in Israel. Although their share in funding those organizations is not large, it is strategic, since it supports organizations and issues that have an impact on the entire society. In the overall picture of foundations in Israel, foreign foundations have a distinct presence. While exact data on their numbers and investments are unknown, their activity is felt in almost all aspects of life. Involvement of foreign philanthropic foundations in projects outside of their countries of origin is not new and not unique to Israel, yet the process of globalization creates a new context for this "cross-border philanthropy," which has to be taken into consideration when analyzing foundation activity in Israel.*

*This article will first review the phenomenon of "cross-border philanthropy" in general and in Israel in particular. It will present empirical data from a study comparing the characteristics of Israeli and foreign foundations, and will assess the contributions of the latter to Israeli society and what these contributions entail for society.*

**Key Words:** Foundations, Philanthropy, Contribution, Third Sector, Nonprofit Organizations

## PREFACE: THE HISTORY OF PHILANTHROPIC FOUNDATIONS

The institution of the philanthropic foundation as we know it today, developed in the U.S. in the early 20<sup>th</sup> century, but has its roots in the history of Greece, Rome, and even in Jewish history. In the U.S. the most common format of a “foundation” is a private asset which the owners (an individual or a corporation) offer the public in order to attain public goals that they define. It is an organization that is set up around the asset, it defines its own goals, and it has a managing framework that determines its policy and a professional system to assist in achieving its goals (Fleishman, 2007). A foundation may belong to a community with a large number of donors, rather than a single donor, or to the public—having been set up by the government or the local authority to deal with a certain issue not through the ordinary budget.

The common denominator for all these organizations is that they engage in funding. They can fund either individuals or organizations, but unlike other organizations in the third sector, they do not provide services or engage in advocacy. Each foundation must decide exactly what it funds. Thus, in the aggregate, from a societal perspective, the question of what the philanthropic foundations are actually funding is an important one. Literature about the roles of philanthropic foundations in society places particular emphasis on their roles in funding and promoting social innovation and change. And in fact, foundations, more than other kinds of organizations, can allow themselves to do so: they are not subject to the scrutiny of voters (such as public organizations) nor are they under pressure from consumers (such as commercial enterprises), and unlike other third sector organizations, their financial sources are assured (Anheier & Leat, 2006).

In Israel a large number of third sector organizations are engaged in funding. According to the Third Sector Database, in 2002 there were 6,377 organizations registered in Israel whose main function was funding (mainly foundations), of which about 60% were active. These foundations can be divided into three types:

- Foundations funding individuals—scholarships, research grants or material assistance to families. Examples of these are *The Israeli Free Loan Association* and *The Foundation for the Promotion of Education for Iraqi Jews in Israel*. This group numbers 1,774 active foundations.
- Foundations funding a particular organization—Friends of a particular university, hospital or museum such as *The Association of Friends of the Kaplan Medical Center* or *The Foundation for Beit Hashanti*. This group numbers 1,405 active foundations.
- Foundations funding many organizations—these focus on particular issues (the environment, relations between the religious and the secular) and provide grants to different organizations that they perceive as promoting these issues. Among these we find *The Foundation for a Green*

*Environment or The Avraham Foundation for Entrepreneurship*. This category consists of 384 foundations. It is this group which is the focus of this study.

In addition to the above foundations registered in Israel, there is a large but unknown number of foundations and funding bodies active in Israel whose founders are not Israeli citizens, whose assets are overseas, and many of which are not even registered in Israel. It is estimated that over 1,500 foreign foundations are active in Israel. Since there is no systematic record of these foundations, no data has been collected on the sums of money they dispose in Israel (this figure is also missing with regard to Israeli foundations). From various data from the *Central Bureau of Statistics* for 2002 (CBS, 2002), we can estimate the total unilateral transfers of private funds from overseas to Israel to be about \$1.5 billion (\$1,500,000,000). This sum includes donations from foreign citizens to organizations such as the *Jewish Agency*, *JDC*, the *Jerusalem Foundation*, hospitals, museums, universities (via "Friends" associations) and the *New Israel Fund*; and donations from foreign citizens who have set up a foundation abroad that is active in Israel such as the *Mandel Foundation*, the *Ford Foundation* and the *CRB Foundation*.

This sum also includes donations by individuals from overseas not through foundations; but we assume that theirs is only a small part, since monies transferred through foundations legally registered outside Israel enjoy tax benefits in their home countries, so that the individual donor has no incentive to give directly to an organization in Israel. In comparison, in that same year (2002) Israeli households and businesses contributed about \$250 million to third sector organizations. The operating budgets of foundations registered in Israel (including public foundations that fund mainly the public sector and give grants to individuals and organizations) is estimated at \$150 million.

**Advocacy organizations.** Since the early 1980s, the total number of non-profit organizations in Israel has grown (Gidron, Bar & Katz, 2003). This includes advocacy organizations whose goal is to bring about social change in areas such as the environment, peace with Arabs, human rights, etc. Prominent examples are: The Association for Civil Rights in Israel, Adalah, Adam Teva V'Din, and the Israel Women's Network. These organizations are essentially different from other third sector organizations which engage in service provision in education, welfare, health, etc. (For a definition of advocacy organizations in Israel see: Kaufman and Gidron, 2006).

This phenomenon of the increase in advocacy organizations around a wide range of issues naturally raises the question of the funding for these organizations. Unlike organizations that provide services, some of which at least receive part of their funds from the public sector, while others charge fees for the use of their services, advocacy organizations criticizing the government neither receive public funding nor have a service to sell.

In fact, a superficial examination of the sources of funding for advocacy organizations reveals that very often their revenue comes from philanthropic foundations.

While overseas donations to Israel are hardly a new phenomenon, as we will see later on, the kinds of donations and their frameworks have changed throughout the years. The development of social change organizations in Israel during the eighties and nineties coincided with a rise in the activities of a certain type of foreign foundation—private ones, with a new agenda, that do not necessarily support the traditional agenda of the government, some of which are funded by private wealthy Jews and others that are completely unrelated to the Jewish people.

This research on foundations in Israel provides an opportunity to examine the hypothesis of the possible relationship between the growth in the number of advocacy organizations and the parallel development of private foreign foundations. This article, which focuses on a comparison between foreign and Israeli foundations, can present only part of the picture, since it did not examine advocacy organizations and their sources of funding. A future study on this issue could complete the picture, but the findings of this study will help any future study to develop hypotheses regarding a possible relationship and its direction.

The activity of foreign foundations on Israel should be seen within two broader perspectives: (1) as part of a process of globalization which has led to a great expansion of the activities of philanthropic foundations from outside one's country, what is known as "cross-border philanthropy"; (2) as part of the Jewish tradition that began during the Babylonian Exile of the support of Jews living in the Diaspora for the Jews living in the Land of Israel.

#### CROSS-BORDER PHILANTHROPY—THE ERA OF GLOBALIZATION

The tradition of philanthropic foundations investing in countries other than their own is by no means a new concept. We can find examples of this from the early 20<sup>th</sup> century. Foundations such as *Carnegie*, *Rockefeller*, *Mott* and *Kellogg* were the pioneers in this area (Rosenfield, Sprague & McKay, 2004). In recent years, with the development of globalization, cross-border philanthropy has expanded. There are not enough data on the scope of global philanthropy. A 2004 report of the *Foundation Center* shows that between 1998 and 2002 in the U.S., the number of foundations giving grants abroad rose by some 10%. The total amount American foundations donated outside the U.S. in 2003 was about \$3 billion. In addition to the international activity of American foundations, there is similar activity among European, Japanese and Australian foundations. The grants are, for the most part, given in the areas of health, education, religion, culture, art and science.

## THE CONTRIBUTION OF THE FOREIGN FOUNDATIONS

One of the most notable examples of international activity of philanthropic foundations is the *Bill and Melinda Gates Foundation*, which placed the treatment of AIDS at the top of their list of priorities (Gates, 2006). Funds have been allocated to research as well as to local initiatives pertaining to prevention, consultation and diagnosis. The *Gates Foundation* works through local bodies, creating collaborations to promote its aims. This example of a private foundation seeking solutions to a global problem is one of many other examples of foundations supporting issues of global importance such as rainforest preservation in Indonesia or Brazil, or the promotion of global standards on the protection of human rights (Pinter, 2001).

Alongside this global activity, we note involvement of international foundations in issues of a local nature, such as helping to save lives in areas struck by a natural disaster, or supporting women's rights. In fact, an outside body such as a philanthropic foundation is sometimes needed to "pull the wagon out of the mud". The involvement of George Soros' *Open Society* in getting the talks started between the exiled underground ANC leaders and the secret police of the Apartheid regime in South Africa in 1988 is well known. This was the start of the transition to a democratic regime in the country. It is also known that the organizations attempting to promote talks between the PLO and the Israeli government prior to the Oslo Agreement were funded by foreign foundations. But foreign funding organizations do not only try to promote peace processes; foreign foundations are often involved in changing women's status in societies where they have few rights, or also in trying to promote proper relations between populations in conflict. In all these examples, those who have an interest in promoting a deeply controversial issue in society will eventually turn to private funding from foundations outside their own borders, because from within it is hard to find the funds for highly controversial issues.

## CRITICISM OF FOREIGN FOUNDATIONS

While humanitarian aid from a foreign foundation is usually welcomed with open arms, even if there are implications beyond the aid itself, a donation from a foreign foundation towards social change is often perceived as outside intervention in local affairs. What is defined as aid often turns out to be intervention and an attempt to create change, even though it was not initially so defined (Rosenfield et al., 2004). When the involvement of a foreign foundation is in an area that is not controversial, such as health, and when the funding is not tainted with patronization, it still might bring to that country or to the global order an external priority that is not necessarily desired or agreed upon. The fact that in 2002 the *Gates Foundation* donated

to health issues a sum that was greater than the WHO's annual budget is an example of a foundation whose influence on the world order is tremendous. Foundations dealing with environmental issues also allocate sums greater than those of the UN programs (Anheier & Daly, 2004/2005).

Roelofs (2003, 2006) expresses especially harsh criticism. In her opinion, foundations use their money to acquire control and maintain class hegemony. Although she is referring to foundations in general and not just to those working internationally, she is sounding a warning about how foreign foundations function at the global level. Critics of cross-border philanthropy point out the tremendous power these foundations wield, the ability to raise agendas that differ from and may even be opposed to those of the countries (Pinter, 2001).

As foundations are the main source of support for global civil society organizations (Pinter, 2001), they are also the main source of funding for international third sector organizations, social movements, coalitions, advocacy organizations and social forums. Foreign foundations have the ability to fund social movements that act against the prevailing trends in the host country; they can implement welfare programs that governments and international organizations have hardly any supervision over. They wield potential international power that can bring about change in the local social and political agenda to make it suit their own agenda; whether that has a religious, humanitarian, political or cultural value-orientation (Anheier & Daly, 2005).

Even if it is not a question of an intervention with a covert aim to gain control, a question arises regarding the very right of private foundations to set an agenda in foreign countries. While foreign foundations may behave with appropriate concern for social values and cultural sensitivity, they still have to overcome the fear of being perceived as an arm of the government of their country of origin and as tainted with impure interests. History, certainly in our region, is full of instances in which supposedly religious philanthropy was used to attain political control (Eliav, 1978). This wariness poses a challenge to foundations operating outside their own country with regard to the planning of their involvement (Anheier & Leat, 2002).

## THE HISTORY OF FOREIGN PHILANTHROPIC INVOLVEMENT IN ISRAEL

### RELIGIOUS AND CULTURAL ROOTS

In the Jewish tradition there are deep historical and religious roots for its extensive cross-border philanthropy. It has the special significance of supporting the Jewish settlement in the Holy Land, a tradition which dates back some 2,500 years to the period of the Babylonian Exile. When the Jews

returned to the Land of Israel from Babylon, those who remained behind assisted them (Ezra I; 4–6). With the erection of the Second Temple, Jerusalem became the national and religious center for the Jews living in Babylon, Egypt and Asia Minor. The inhabitants of those communities used to send contributions to the Temple to pay for the Priests and for the infrastructure services in Jerusalem (Safrai, 2001). From the time of the destruction of the Second Temple until the end of the 19<sup>th</sup> century, the tradition of supporting the Jews in the Holy Land never ceased, and those living there received contributions from communities in Europe, North Africa and elsewhere. Living in the Holy Land was considered a *mitzvah*, so that those who were not able to fulfill it felt it was their duty to help those who were. Funding from outside the Land of Israel was used for survival and for Torah study. Eliav (1978) quotes Rabbi Moshe Hagiz in his book, *The Language of Truth* (1707), “that there is no obligation upon the students in the Land of Israel and on its scholars to show gratitude to the members of the community, even to say thank you.... Thanks to the residents on the Land, and thanks to the Torah they study in Jerusalem, the Jews in the Diaspora continue to exist.”

## THE MODERN ERA

### *Pre-state*

At the end of the 19<sup>th</sup> century and the beginning of the 20<sup>th</sup> century, the activity of funding bodies from overseas began to expand and take on a political nature. Churches and foreign consulates sent funds to pre-state Israel to set up education, health and welfare services (Eliav 1978). Jewish and Christian foundations showed their interest in the Holy Land and opened the door for future political gains. Prior to the development of the foundations of the Zionist movement, philanthropists (Baron Hirsch, Baron Rothschild) who had adopted some of the secular values of the society in their own countries, established foundations in Western Europe and developed new ways to support the Jewish communities, training people to take upon themselves productive occupations in agriculture and industry (Grätz, 2004).

With the development of the Zionist movement and the immigration of Jews to pre-state Israel in order to create a national home, its leaders turned to the Jewish communities in the Diaspora in the pursuit of funding. Even though the basis for this request was political rather than religious, they used the known traditional framework of fundraising for those living in the Land of Israel as had been done for hundreds of years.

The money was raised via the “national institutions” (Jewish National Fund; the Jewish Agency) with the aim of building the infrastructure for the future state. Unlike the private foundations of the well-known American philanthropists such as Carnegie or Rockefeller, who were also active in the early 20<sup>th</sup> century, the foundations set up by the Zionist movement were



community oriented in nature. They were supported by thousands of people, not by individuals. Another important difference had to do with the decisions regarding allocations of the funds, which were made by the recipients of the donations—the leaders of the communities in pre-state Israel—not by the donors (Zachor, 1994). Similarly to the religious concept we saw earlier, the logic behind this unique system was based on the principle of shared responsibility for the building of the “Zionist project,” between those living in Israel and those supporting them with the necessary funds.

### THE FIRST THREE DECADES OF THE STATE OF ISRAEL: THE NATIONAL PERIOD

That pattern of the relationship between donor and recipient continued after the establishment of the State, when the “national institutions” and other public and private Jewish foundations continued to raise funds to build and develop the infrastructure of services in Israel: hospitals, schools, cultural institutions, etc. For the most part this was all done within the framework of the government, and the foundations were perceived to be supplementing its work. No one doubted the government’s right to make decisions about how the donated funds should be allocated.

### FROM THE 1980S TO PRESENT—NEW PATTERNS OF ACTIVITY FOR FOUNDATIONS IN ISRAEL

The model of government supremacy in foundation activity in Israel has undergone a gradual change since the early eighties. The monolithic framework of the “State”, responsible for the welfare of all its citizens, encountered increasing difficulty with regard to fulfilling this responsibility due to the far-reaching changes in demographic, political, technological, economic and social aspects of the country (Gidron, Bar & Katz, 2003). The activities of many NPOs, especially advocacy organizations, revealed the very variegated and often problematic aspects of Israeli society. These placed issues of discrimination of particular groups within the population, which organized and demanded their rights. This process took place at the same time as developments in North America, when the older generation of Jewish donors, who had unreservedly supported everything the Israeli government did, was replaced by a younger generation of donors who raised difficult questions and developed new frameworks for funding that would express their own priorities. During the eighties and nineties, the activity of the “national institutions” declined, while there was a parallel rise in the number and scope of private foundations, Jewish and other, investing in a number of enterprises within Israeli society that were not necessarily coordinated with



government. What partly contributed to this process was the reluctance of the Jewish foundations and private Jewish donors to become involved in the party-system trying to influence the allocation of the funds raised through the Jewish Agency (Yaffe, 2001). This situation led to the development of a new, independent pattern of activity for foundations in Israel that were active alongside the old model of the “national institutions.”

The first signs of this independent foundation activity where it was the donors and not the recipients who determined to an extent the destination of the donation, could be seen as early as the 1970s with *Project Renewal* and the *relay race* model developed by the JDC, in which a foundation develops and funds a certain service but at the same time makes this activity conditional on their gradual exit from the project while responsibility is transferred to the government. Metaphorically speaking, the relay’s baton of responsibility is passed on to the next runner. The establishment of the *New Israel Fund* in 1981 constitutes a significant turning point in the development process of the role of foreign foundations in Israel. Alongside the establishment of hundreds of organizations, many of which had an advocacy or social change approach, there arose the need to find funding for them, which was not available in Israel. The *New Israel Fund*, as an American-Israeli partnership, was set up by a young, liberal Jewish philanthropist who had decided to deal with issues that were not being addressed by the government (for political, ideological and other reasons): religious pluralism, citizens’ rights, Jewish-Arab relations, discrimination, etc. By choosing such areas, the foundation was clearly challenging the government as to how it determined and ran its public agenda. The way the foundation was run also represented a change: the board included both Americans and Israelis representing both the donors and the recipients. Furthermore, it encouraged the Israelis to donate as well, and thus break the “division of labor” between donors and recipients across the ocean.

## FOUNDATIONS ACTIVE IN ISRAEL TODAY

Despite their importance, data on foundations and their funding activity in the third sector in Israel is very limited. Formal data about foundations registered in Israel do not make it possible to obtain information about their assets or about their allocations. As for the foundations active in Israel but not registered there—there is no official data is available about their identity.

By law, such foundations are not required to report on their activity in Israel; in most cases, the report on such activity is in the country in which they are registered. Because of their prominence, some of them do provide information about their activity, but there is no data on those that choose not to.

This partial data on foundations in Israel raises two major issues:

A. The vast majority of the foundations registered in Israel deal with giving

grants to individuals (scholarships, financial assistance to those with low income) or to a particular institution (hospital, university, museum); the number of Israeli foundations that support issues, and therefore a variety of organizations, is very small. This is significant because it is only by supporting many organizations that foundations can generate social change through strategic, simultaneous, often coordinated support, by a number of organizations dealing with the same issue.

- B. Alongside the foundations registered in Israel, there are private foreign ones that are active in Israel. These are both foundations founded by Jews (such as *Sacta-Rashi* from France, *Mandel* from the U.S., *Kahanoff* from Canada, *Pratt* from Australia, and so on) as well as foundations unrelated to Jewry or Israel, some of which are active in other countries as well (the *Ford Foundation* from the U.S., the *Adenauer* and *Friedrich Ebert Foundations* from Germany). Foreign foundations have developed a rich variety of activity patterns in Israel: some of them have no registration in Israel at all, others have set up a registered branch; some cooperate with the government and develop complementary services, while others challenge it; some are financing classic charitable causes and others are involved in innovation and social change.

The activity of the foreign foundations alongside the Israeli ones raises questions dealt with in the second part of this article: do the foreign foundations tend to finance particular areas while local ones finance others? Do they use strategies that are different from those used by the Israeli foundations? Are they managed differently? What kind of relationships do they build with the government? On the basis of the data analyzed, we will draw conclusions regarding the contribution of foreign foundations to Israeli society.

## RESEARCH METHODS

### THE SAMPLE

The study focused on foundations that support multiple organizations, the smallest category of the three defined earlier (the others being those that support individuals and/or those that support a particular organization). The sample planned was 10% of all foundations in this category. There was information about 384 active foundations registered in Israel; in addition, there was information about 30 foreign foundations that are known to the public and are **not registered in Israel** (no attempt was made to discover those that did not wish to be revealed). These two groups (414) were the population on which the sample was based. Since this was not a representative sample, because the exact size of the population of foreign foundations is unknown,

an attempt was made in the sample to represent the various content areas of third sector activity (education, welfare, environment, etc.); their size (which for the Israeli foundations was available from the database), and geographical distribution. In order to validate the comparison between the Israeli foundations and the foreign ones, a sample of 40 foundations was put together, two thirds of which were Israeli and the rest foreign. Out of these, 12 (Israeli and foreign) refused to be interviewed, so that in the end the findings of the study are based on a sample of 28 foundations, 21 (75%) registered in Israel and 7 (25%) registered abroad.

However, it quickly emerged that there was a third category: foundations registered in Israel that also run a branch or another organization abroad or are connected to one, whether formally or informally. Some of them had Friends associations abroad which enabled them to raise funds for the Israeli foundation; others had a "sister organization" often registered abroad, mostly in the U.S. Eleven foundations (almost 40% of the sample) belong to this category. It was therefore decided to define three categories:

1. Israeli foundations registered only in Israel (10).
2. Foreign foundations not registered in Israel (7): four Jewish and three not Jewish.
3. Foundations with dual registration, registered in Israel but with a connection to a body or a branch registered in another country (11).

An examination of the data shows that the division into these groups is logical and certain findings indicate a certain gradation. The foundations registered in Israel lie at one end, in the middle lie those registered in Israel with branches abroad, and at the other end, foundations registered only abroad. Hence, the presentation of data will be based on these three categories.

## DATA COLLECTION

The data were collected via semi-structured interviews with directors or chairpeople of Israeli foundations and with local representatives of the foreign foundations. In addition, 15 directors of non profit organizations receiving funds from foundations (not necessarily those in the study) were interviewed. The interviews focused on the interviewees' perception of the role of the foundations, their functioning and management, and the nature of their ties with the government.

The findings are presented according to five variables: (1) the perception of the role of the foundations and their funding aims; (2) funding strategies; (3) relations with the government; (4) relations with other foundations; (5) management practices.

FINDINGS

COMPARISON BETWEEN ISRAELI AND FOREIGN FOUNDATIONS

*Perception of roles*

**Strengthening civil society.** Most of the foreign foundations (5 of 7) believe that one of the most important roles of foundations is to strengthen civil society, as opposed to 20% of the Israeli foundations in the sample and half of those with dual registration (Table 1). Some of them attribute this role to the question of the borders between the foundations and the public sector. One of the managers said, “The foundation does things that the public system does not do: educating towards democracy and strengthening civil society are not areas the government is involved in.” The foreign foundations and those with dual registration link this role with the need to support third sector organizations and help them build their capabilities. One of the managers of a foreign foundation said, “It is important for the foundations to emphasize proper management within the organizations they support—accountability, financial management and proper use of the Associations institutions.

*Table 1: Perception of the roles of foundations on society by type of foundation*

Venue of registration / roles	Strengthening civil society	Social innovation	Promoting peace
Israeli foundations	2/10 (20%)	4/10 (40%)	1/10 (10%)
Foundations with dual registration	5/11 (46%)	10/11 (91%)	5/11 (46%)
Foreign foundations	5/7 (71%)	6/7 (86%)	5/7 (71%)

**Social Innovation.** This is also an important role that the foundations must undertake—according to almost all the foreign foundations and those with dual registration, while amongst the Israeli foundations, only 40% believe this to be true. Once again we find that the foreign foundations or those with dual registration attribute this issue to the definition of their areas of activity (as opposed to the government’s area of activity): “The foundations’ role in bringing innovation to society, and even to the government itself, is critical. It includes innovative activities that are outside the mainstream that others will never finance.” Or more directly: “It is the foundations’ job to be creative, to act, to initiate, to be innovative..... as opposed to the government which is not creative”.

**Promoting Peace.** Most of the foreign foundations (5 of 7), about half of those with dual registration (5 of 11) and only one (1 of 10) of the Israeli foundations see this as a role that foundations should undertake. As one of the managers said, "The main purpose of this initiative was to support activities designed to preserve the peace process, promote conflict resolution, place broad public discussion about peace on the national agenda and strengthen the knowledge of the Israeli public about Palestinian society." Another interviewee said, "We are interested in creating a socio-political change with regard to the status of the conflict: to activate the Israeli public." Even if they do not define the specific resolution they expect, some of them do take a clear stand on their objectives: "We are trying... to seek peaceful solutions to the Israeli-Palestinian conflict... to restart the peace process."

## FUNDING TARGETS

The data about the perceptions of the roles of the foundations obviously has implications for the areas of activity that they choose to fund. All the foreign foundations (7 of 7) and almost all those with dual registration (10 of 11) allocate funds to organizations focusing on various kinds of social change, such as promoting peace or preserving the environment. "We feel", said one interviewee, "that areas such as social development are covered by the local foundations. Our job is to finance issues that are less attractive to the established funding bodies." Thus it was found that 60% of the foreign foundations and those with dual registration in the sample give to organizations promoting peace and Jewish-Arab coexistence, while only 10% of the Israeli foundations in the sample are involved in these areas. Environmental issues receive attention from 45% of the foreign foundations and those with dual registration while here, too, only 10% of the Israeli foundations are involved.

## FUNDING STRATEGIES—TYPES OF ORGANIZATIONS RECEIVING GRANTS.

Foreign foundations in the sample do not support organizations that provide services, as opposed to the Israeli foundations, and to a lesser extent, those with dual registration (Table 2). In light of their tendency to support social change, the foreign foundations lean towards supporting organizations that adopt an advocacy strategy or combine it with the provision of services. The foundations' involvement in social change is also linked to the fact that all the foreign foundations (7 of 7) and most of those with dual registration (5 of 9) see the decision makers as the target audience for their activity, while this is the case for only one of the Israeli foundations.

*Table 2: Kinds of organizations receiving grants according to type of foundation*

Venue of registration / roles	advocacy	Services provision	Combination of services and advocacy	Total
<b>Israeli foundations</b>	1 (11%)	7 (78%)	1 (11%)	9 (100%)
<b>Foundations with dual registration</b>	1 (9%)	4 (36%)	6 (55%)	11 (100%)
<b>Foreign foundations</b>	2 (29%)	—	5 (71%)	7 (100%)

## RELATIONS WITH THE GOVERNMENT

With all the audacity demonstrated by the foundations in reporting on the roles they should play and in the selection of their action strategies, we found that foreign foundations are extremely cautious with regard to their relations with government and with members of the Knesset. Since they see social change as their role, they choose the strategy of advocacy, and they see decision makers as their target audience—one might expect an intensive relationship with the government and MKs.

However, in actual fact, only one foreign foundation (14%) reported on direct contact with MKs, stressing that “we meet MKs and senior officials informally in order to get updated on what is happening....” This one, four dual registration foundations (36%) and two Israeli ones (20%) have such contacts. The same is true for contacts with Directors General of government ministries: only two (29%) of the foreign foundations had direct contact, while 64% (7 of 11) of those with dual registration did. The Israeli foundations had even less contact (2 of 10). This can be explained by the fact that their strategy does not include advocacy, for the most part.

When describing these contacts, a foreign foundation interviewee explained the reason for cautiousness: “MKs and ministers might blame us for interfering with internal Israeli politics”. Such blame might cause two kinds of issues for foreign foundations: (a) the laws in the U.S. and other western countries forbid such influence and impose sanctions on those who violate this prohibition; (b) endangering the legitimacy of the foundation at the local level might “close doors” and prevent it from continuing its activities in the chosen areas given a hostile reaction both from the public and from the political leadership.

## MANAGEMENT PRACTICES—PERCEPTIONS OF GRANT RECIPIENTS

**Access to information and transparency.** From the point of view of the organizations receiving the grants, the foreign foundations were perceived to be very accessible in terms of information about them, mainly about past grants. One of the organizations interviewed said, “In Israel there is no easy way to locate foundations. You have to do a whole research....” There were slight differences in the recipient organizations’ perception of the foundations’ transparency. The foreign foundations were perceived to be more transparent than the Israeli ones. Nevertheless, the organizations reported that writing a grant proposal to a foreign foundation is harder than writing to an Israeli one. The foreign foundations confirmed this by saying, “All our materials are written in English, which makes it harder for the organizations. Sometimes they ask an English speaker to write the proposal because the forms are complicated, and then ...the organization doesn’t even know what commitments it has undertaken....”

**Decision-making processes.** It is interesting that among the recipient organizations there were no differences between how the foreign and the Israeli foundations were perceived regarding the relationship between the criteria set by the foundation and the decisions it makes. The organizations believe that the process is very subjective and that the decisions of the foundations are based on personal contacts.

## EVALUATION

This is the area of management where the foreign foundations are distinctly different from the Israeli ones: they all evaluate their activities while only three out of nine (33%) of the Israeli foundations do so. The foundations with dual registration are similar to the foreign ones—nine out of eleven (82%) conduct evaluation (Table 3). Even though there are objective difficulties in conducting evaluation of foundation activity, since it is hard to measure the outcomes of their actions, it appears that the foreign foundations have a greater understanding of its importance than the Israeli ones. One of the managers said, “In the areas which we fund, it is hard to construct good indices to assess outcomes... we check to see if the request includes such parameters, and from time to time we even employ an external evaluator.... we encourage our recipients to include external assessment as part of the grant request.”



*Table 3: Evaluation of activity according to type of foundation*

Venue of registration / roles	Systematic	Occasional	None	Total
<b>Israeli foundations</b>	1 (11%)	2 (22%)	6 (66%)	9 (100%)
<b>Foundations with dual registration</b>	7 (64%)	7 (18%)	2 (18%)	11 (100%)
<b>Foreign foundations</b>	4 (57%)	3 (43%)	–	7 (100%)

## CONTACT WITH OTHER FOUNDATIONS

Quite contrary to the type of contact between foreign or dual registration foundations and the government, all the foundations in both these categories have close ties with other foundations, while only four (4 of 10) of the Israeli foundations reported such contacts. The foreign and dual registration foundations expressed disappointment over the discovery that the Israeli foundations are not partners that can be worked with: “There is unused potential among those with the resources to double or even treble their influence on services or social change. They are unused because of the lack of willingness to cooperate openly for a shared cause.” Another manager explains, “The problem is that each foundation wants to set up a ‘house of worship’ of its own.” But this is not the only need for contact. Another manager suggested focusing on common problems such as information sharing and professional development of the foundation staff. “There is no mobility of professionals from one foundation to another, and in practice there is no professional training.... I know that in other countries it is not like that.”

## SUMMARY AND DISCUSSION

As we have seen, the literature on the social roles of foundations stresses in particular the roles of social change and innovation, and this is due to the particular characteristics of foundations: the fact that they are not subject to pressure from voters or consumers, and that by definition they do not need to seek resources. Thus they can allow themselves to try new things, and can tolerate failures without fear of collapse. In the societal context, these institutions are very important because they are the ones that can promote new ideas and try them out before they become public domain.

The comparison between the foreign, dual registration and Israeli foundations reveals three obvious findings:

- Foreign foundations have a much greater tendency than Israeli ones to support controversial issues, issues of social change and innovation, and organizations trying to create such changes.
- Foreign foundations are managed more openly and appropriately—information about them is more accessible, they cooperate with other bodies (usually other foundations) and they evaluate their activities.
- Dual registration foundations lie somewhere in the middle between the foreign and Israeli foundations regarding the above two parameters.

It appears that in these contexts, the foreign foundations make better use than the Israeli ones of the actual format of a foundation and its particular features, and thus bring to the Israeli reality not only external resources but also new ideas and approaches, as well as creative modes of managing foundation resources.

How can we explain these differences between the foreign and Israeli foundations? In Israel there is no tradition of private foundations that support society independently. Quite the contrary, the tradition is one of public foundations at the disposal of the government, which decides what to do with the funds. Furthermore, most of the private Israeli foundations are small and support individuals (scholarships, help for the needy, research, etc.) or particular institutions (museums, hospitals). In such cases there is little room to support innovation or social change. Civil society in Israel, which in the past decade has displayed tremendous creativity in organizational development and in placing issues on the public agenda, has not yet shown this creativity in funding these issues from stable Israeli sources. This, of course, is not the fault of civil society but of the state, which has not yet learned to encourage this kind of activity. The lack of a tradition of managing private foundations with an independent viewpoint also explains the differences in management styles.

Beyond the analysis of the immediate findings and their explanation, these findings raise several important questions pertaining to the number, role and status of the private foreign foundations active in Israel. Is this large number an indication of the globalization of philanthropy, or perhaps it is a new form of expressing Jewish solidarity? Isn't the tendency of these foundations, rather than Israeli ones, to fund social change initiatives a kind of interference of "foreign interests" in Israeli society? Doesn't the involvement of these private foreign bodies in sensitive public issues in society entail any obligations towards the objects of change? Are these bodies legally obliged to report their activities only in the country in which they are registered?

## NUMBER OF FOUNDATIONS

The number of foreign foundations in Israel (about which there is neither information nor a mechanism to track their activity or supervise them) is linked both to the connection of world Jewry to Israel and the tradition of Diaspora Jews to support the community in Israel, to globalization, and mainly to the interest the different aspects of Israeli society arouses among various bodies around the world.

The first phenomenon yields a wide variety of Jewish foundations of different sizes that are active in Israel, usually as an addition to activity in their home countries. Since the eighties and nineties their number has grown. In the past these foundations (if they existed at all) used to make contributions via the Jewish federated systems (Jewish Agency, JDC, federations) rather than look for independent frameworks for their activity. Today, there are apparently hundreds of foundations, most of them medium or small, funding activities in Israel, sometimes in collaboration with the government and sometimes independently. This phenomenon indicates not only the change that has taken place in Israel, but also a change within the younger generation of Jewish donors who are interested in a closer connection with the object of their contributions and who do not always want to rely on intermediaries. Some of them are united in the *Jewish Funders Network*, an independent framework, the members of which are dozens of Jewish foundations in the U.S., a forum for the exchange of ideas and shared learning.

The second phenomenon is indicative of the interest of large international foundations such as Ford, the German foundations, EU-linked foundations etc., in what goes on in Israeli society, which they define as vibrant and which they sometimes treat as a social testing ground. The fact that Israel is a western country but has a large minority population that does not receive equal treatment from the authorities and is not supported by most of the Jewish foundations, provides the foreign foundations with a large arena for involvement. Their activities are conducted under relatively good environmental conditions (unlike the conditions they encounter in developing countries), and so Israel is definitely attractive to these kinds of foundations.

## THE ROLE OF THE FOUNDATIONS

The finding that foreign foundations tend to fund projects of social change and think their role is to deal in innovation should not surprise us. It is linked mainly to the fact that the foundation sector in Israel is underdeveloped, especially in the context of the perception of the special role of philanthropic foundations. However, the fact that foreign foundations are involved in

social change projects gives rise to the resounding question of “Who asked you?” and whether there is not something amiss in the notion that social change on matters linked to culture and tradition are imported from outside, and in particular are funded from overseas. It seems that in today’s global world this question takes on a different dimension than if it were asked 50 or even 30 years ago.

## STATUS OF THE FOUNDATIONS

As of now, there are many questions about the status of foreign foundations that do not have adequate answers. In fact, a foreign foundation can be “all-seeing and invisible” within society—it invests and takes action while no one other than the recipients knows anything about it. In most cases this activity is positive and worthwhile, but in cases where the funding is intended for controversial activity it raises questions about the status of that body. The fact that there are actors in society about which there is no information and which have no accountability is illogical. In today’s global world it is impossible to prevent philanthropic sources (that are not funding illegal activity) from reaching everywhere. If such philanthropic funds reach a democratic country such as Israel, there isn’t even any possibility to supervise them or give preference to one source over another. However, even if the government does not have the right (or the ability) to control these sources, if these sources intervene in society, they are not morally exempt from reporting on their activities to the society in which they are intervening, even if such reporting is not required by law. This kind of report, which might appear on the foundation’s website, for example, will make it possible for local public opinion to react to its activities.

## MANAGEMENT AND GOVERNANCE IN FOUNDATIONS

Another issue regarding the activity of a foreign foundation in Israel relates to the decision making processes for its activities. To what extent are local bodies involved in these processes? It appears that the example of the *New Israel Fund*, with its joint board representing overseas donors, Israeli donors and recipients, in order to offset any conflict of interests in the decisions, is a model worth imitating. It is important to stress that it is easier to develop such a model when it is a community foundation with numerous donors as opposed to a foundation controlled by one donor.

## CONCLUSION

In light of the increase in private foreign philanthropy, the rise in awareness of social issues that need to be addressed, and the increase in the number of third sector organizations dealing with these issues without appropriate funding, private foreign foundations have found a special niche where they can connect and contribute to society. Thus over the past two decades these sources have found their way to funding issues outside the national consensus and have become the driving force behind social change, for example, the rights of disadvantaged populations (Israeli Arabs, foreign workers, homosexuals, etc.), religious pluralism within Judaism, women's empowerment, and so on.

It is not by divine decree that foreign rather than Israeli foundations should be dealing with these issues. In order to change this reality, the professional identity of Israeli foundations should be developed; their funders and managers should be trained in proper foundation management, based on their unique characteristics and social roles. It is likely that such a move would also facilitate the encounter with foreign foundations.

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