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JERUSALEM'S THIRD SECTOR

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Jerusalem's Third Sector: A Policy Paper

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Jerusalem's Third Sector: A Policy Paper

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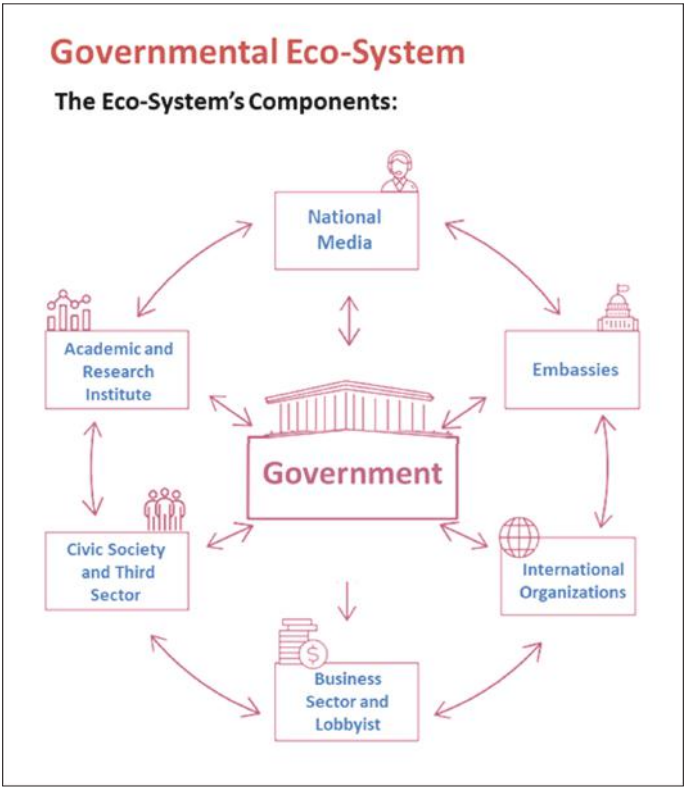
Table of contents

Introduction	4
1. The Third Sector and civic society in Jerusalem	7
2. Characterizing the Organizations discussed in this report	11
3. Challenges facing Third-Sector Organizations in Jerusalem	17
Challenge no. 1: Professional capacities and lack of efficiency	17
Challenge no. 2: Funding problems and lack of independent income sources	18
Challenge no. 3: Lack of access to municipality and government	19
Challenge no. 4: Competition for the same resources	21
Challenge no. 5: Lack of organization within the third-sector NGO community in Jerusalem	22
Challenge no. 6: Tension between NGOs independence and their dependency on local and national government budgets	22
Third Sector in Jerusalem in Times of Crisis	24
4. Recommendations	26
1. Tools and concrete steps to strengthen and improve professional capacities of third-sector organizations in Jerusalem	26
2. Strengthening and solidifying the ties among and between NGOs, and between NGOs and the municipality	28
3. Regulatory adjustments and reforms	30
Appendix: List of Interviewees	31
Sources	33

Introduction

This policy paper addresses third-sector organizations in Jerusalem. In it we analyze the challenges facing such organizations, and outline recommendations for a set of applicable policy tools aimed at preserving, reinforcing and nurturing these organizations for the benefit and prosperity of Jerusalem.

The research was supported by the Jerusalem Foundation as part of the "Gov.City" research series published by the Jerusalem Institute, and aims to present both central and local government policy makers with a consolidated strategy for strengthening Jerusalem as a thriving government city.



The third sector in Jerusalem is a political, an economic, and a civic force in Israel's capital city. It is a powerful asset for the city and an inseparable part of Jerusalem's eco-system as Israel's capital: third-sector organizations in the city conduct ongoing and diverse interactions with government offices, the Knesset (Israel's parliament) and the city municipality, as well as with other players in the eco-system – such as research institutes, academia, international organizations and national media. The multitude of such NGOs in the city is evidence of an involved, active and lively civil society.

Since the second half of the 20th century, in the wake of the privatization of some welfare services, Israeli third-sector organizations have become an important arena for the provision of social services and of a dynamic and diverse civic activity. In Jerusalem itself a developed, unique and influential third sector grew over the years. Non-profit organizations in Jerusalem operate in many fields – from health and welfare to research and art – reflecting the unique character of Jerusalem as Israel's capital, as a religious center and as a hub for higher education (Regev, Stern, Ganan, 2018).

Local non-profit organizations have considerable importance for the economy of Jerusalem. The annual budget of all NGOs in the city is estimated to be worth between 15 and 25 billion NIS, and it is estimated they employ 100,000-200,000 employees – one third of all employees in the city.¹ One can safely regard Jerusalem as "Israel's third-sector capital", as is evident both from the amount, diversity and wealth of NGOs as well as their contribution to the city's economy.

But despite the above, third-sector organizations have to deal with numerous challenges which constrain their activities and prevent them from fulfilling their full potential for the city. Among these challenges are a lack of structural access to the municipality and the government, challenges regarding the professionalism and efficiency of the NGOs themselves, budgeting problems, and lack of independent sources of income sources, duplication, competition for scarce resources, and lack of organization within the NGO community.

In light of this, this policy paper offers a set of practical steps to strengthen third-sector organizations in Jerusalem. These recommendations are divided into three main categories:

¹ According to an estimate by the Jerusalem Institute for Policy Research, based on partial data regarding the incomes of third sector organizations in Jerusalem.

1. **Strengthening professional skills** – tools that can support and strengthen NGOs as professional, growing, independent bodies.
2. **Strengthening and solidifying the ties among and between NGOs and between NGOs and the municipality** – actions that could strengthen and enrich mutual connections between NGOs and tighten cooperation between municipal bodies and third-sector organizations in Jerusalem.
3. **Regulatory adjustments and changes** – financial incentives and reductions in taxes and other dues.

1. The Third Sector and civic society in Jerusalem

There is no consensus in the research literature regarding the definition of “the third sector”. Most common definitions refer to the concept as deriving from its legal and organizational status. The name – “Third Sector” originates from the Three-Sectors Theory. According to this theory, three sectors operate in society: the first is the public sector, comprising of national institutions and local authorities; the second is the business sector, including for-profit organizations, and the third sector consists of non-profit organizations which are not a part of government bodies.

The third sector includes non-profit organizations, cooperative societies, community-interest companies, companies for the benefit of the public, charity, international, and other organizations. Third-sector organizations are often called non-governmental organizations, but there are also non-profit organizations that were actually established by governments, or that act as the operational arm of the State in various fields, such as welfare and education.

Jerusalem hosts the largest concentration of third-sector organizations in Israel. According to data from Guidestar, a website which collects data regarding all third-sector organizations in Israel, there were, in 2020, some 3,400 third-sector organizations, operating in Jerusalem, which represents over a quarter of the sector in the whole of Israel. The size of the third sector in Jerusalem is also impressive relative to the size of Jerusalem: the ratio between the number of such organizations and the number of residents in the city is the highest in the country, far higher than the national average. According to Guidestar, in Jerusalem the proportion of third-sector organizations to residents is 1:212, while in Tel Aviv this is 1:274, and the average in Israel is 1:488.

The third sector is of considerable importance to Jerusalem’s economy. In a previous study, published in 2018, we estimated that the total annual budget of all third-sector organizations in Jerusalem is from 15-25 billion NIS, and that these organizations employ from 100,000 to 200,000 employees.²

² Regev, L., Stern, M., and Ganan, A. (2018). Civic Society in Jerusalem – Methodological Study and Mapping. Jerusalem Institute for Policy Research.

Third-sector organizations in Jerusalem operate an extensive network of volunteers. According to Guidestar, there are 196,672 volunteers in third-sector organizations in Jerusalem, representing some 19% of all volunteers in Israel.³ These organizations are well-versed in recruiting volunteers and tasking them. The volunteers are routinely active in normal times, but step up their activities in times of emergency or crisis, as could be seen in the difficult months following the spread of COVID-19 which took hold in Israel from March and April 2020.

Several of Jerusalem's unique characteristics contribute to the flourishing and significance of the third sector in the city:

Jerusalem is the cite of Israel's Government – third-sector organizations in Jerusalem develop and operate near the seat of government – they cooperate with government offices in many fields, and have a variety of interactions with them. Years of ongoing moves toward privatization have led third sector organizations to deepen their involvement in areas such as welfare, health, education and culture, and have thus resulted in an increase in the number of such NGOs in the city. Similar reasons are behind Jerusalem becoming a center for NGOs involved in social change and advocacy: many organizations promoting social change are located in Jerusalem, among them organizations focusing on social justice, connecting communities, as well as cultural and religious pluralism.

Jerusalem is a diverse city, home to secular, religious and orthodox Jews, as well as the Muslim and Christian residents of East Jerusalem. Many local communities have established religious, educational, welfare and health organizations, some focusing on addressing the needs of their own community, while others cater for the entire city. The diversity of Jerusalem's populations carries with it social challenges, but also engenders creativity and cooperation. It is not for nothing that Jerusalem is known as the birthplace of a number of the most influential and prominent NGOs in Israel, (from the well-known "Yad Sarah" NGO focusing on leasing medical equipment, to the newer "15 minutes" NGO which focuses on promoting public transport).

Jerusalem is a poor city, and many of its residents have a low socio-economic status and need both material and social support. This state of affairs was conducive to the growth of aid organizations aimed at meeting the many needs in all relevant fields (such as welfare and education).

³ Guidestar Israel, May 2020.

Jerusalem has a unique governance structure – the structure of the local government and the mechanisms of municipal management in Jerusalem allow for the active involvement of the city's residents. The most effective connecting tools in this respect are the Community Councils (*Minhalim Kehilatiyim*), acting as bridges between residents in the various neighborhoods, the local municipality and the central government. Jerusalem's division into distinct neighborhoods, and the existence of strong Community Councils in every neighborhood, encourages local civic activities and the development of community initiatives, together building the organizational basis of the local government. The multitude of third-sector organizations in the city is evidence of an involved and active civic society.⁴ Such organizations often emerge as the result of private, community, and social initiatives.

A strong and stable third sector is clearly an asset to the city. This document is intended to lay out the path for strengthening Jerusalem's third sector for both municipal policy makers and philanthropic funds.

To gain a better understanding of the prevailing situation of the third sector in Jerusalem and the challenges it faces, we used a number of research methods, based on the following data resources:

- **Analyzing third-sector organizations in Jerusalem data based on the "Guidestar" database⁵** – Israel's largest database regarding registered associations and third-sector organizations.
- **A comparative study of regulatory status and systems** in other countries so as to strengthen the third sector.

⁴ In our research "Civil Society in Jerusalem: Methodological Research and Mapping" (Regev, Stern and Ganan, 2018) we defined "civic society" as "freely organized private persons and/or groups who take upon themselves, by means of collective action, civic participation, volunteering and giving, to create social change and/or to maintain, to improve and to strengthen the welfare of individuals and communities, working on a principled basis to promote goals out of responsibility to the public good, to promote the welfare of individuals, groups, communities and environments, recognizing differences and recognizing the Other, and acting with tolerance and a wish for challenging and open dialog with government authorities, the public and other NGOs; who are committed to non-violent, ethical, transparent action with respect to the political, social and civic rights of others". In accordance with this view, civic society consists of all activities in the space between the individual and the country, which is not for-profit, even if it is not formally organized. In this document all data and analysis relate to third sector NGOs due to our desire to rely on a credible data source.

⁵ www.guidestar.org.il

- **In-depth interviews and a round-table discussion** held in the Jerusalem Institute for Policy Research with key actors: representatives of the civic sector in Jerusalem and in Israel, government officials, municipal officials, and representatives of philanthropic funds other and roof-organizations.

2. Characterizing the Organizations discussed in this report

As stated earlier, the third sector in Jerusalem is part of the city's eco-system as a government city. This large and diverse eco-system is of considerable importance in the city's activities and in strengthening its status as the capital of Israel, and acts as a central employment and financial axis in the city. To maintain and develop the third sector in Jerusalem, local NGOs operating at the local level need to be strengthened, and national NGOs need to be encouraged to move their headquarters to Jerusalem, in a similar vein to the governmental decision to relocate government units to Jerusalem from other parts of Israel (Feldman, 2018).

As is evident from analyzing Guidestar's 2020 data, and similarly to the findings of the mapping research we conducted in 2018, it appears that Jerusalem is home to a number of third-sector organizations having both very large budgets and scopes of activity (see Table 1). However, as Figure 1 shows, such NGOs represent only a small part of all the NGOs which are located in Jerusalem.

As can be seen from Figure 1, **some 89% of the third-sector organizations based in Jerusalem have an annual turnover no larger than 10 million NIS. In light of this, we have chosen, in the following analysis, to focus on understanding the state of these NGOs, and examine the steps that should be taken to strengthen them.**

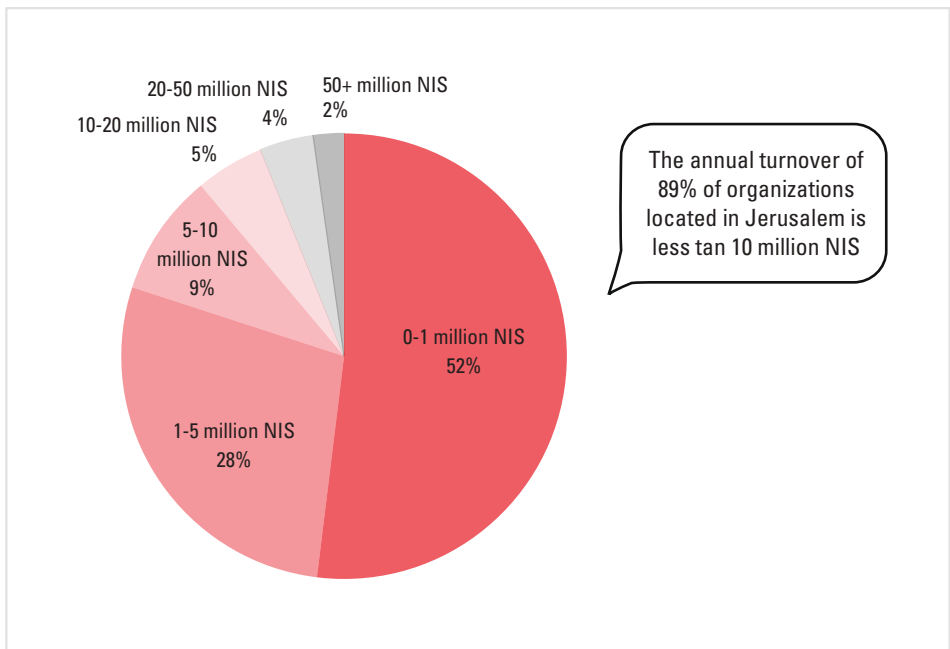
The data shows that 52% of Jerusalem-based NGOs operate within a budget no larger than 5 million NIS. That is, Jerusalem is host to a large share of NGOs operating in a variety of social fields, which have substantial potential for growth and development. Some of these focus on promoting and strengthening specific communities, some promote a local interest specific to Jerusalem, while others promote issues of national public interest.

Table 1: Jerusalem's Ten Third-Sector NGOs with the Largest Annual Turnover, 2020⁶

Organization Name	Main Area of Activity	Annual Turnover (NIS)
Shaare Zedek Medical Center	Healthcare and medical treatment	1,577,380,298
The Israel Science Foundation	Research, science and technology	657,774,000
Birthright Israel (<i>TAGLIT</i>)	Education, higher education and professional training	516,108,000
LAVY – The Municipal Trust for Developing Education in Jerusalem (formerly René Cassin)	Education, higher education and professional training	418,022,000
JDC Israel (Joint Distribution Committee)	Community and society	308,211,000
The Association for Planning, Development and Urban Preservation – Jerusalem (Jerusalem Transportation Master Plan)	Housing and urban development	291,066,000
Yad Eliezer: Israel Poverty Relief	Welfare services	264,812,354
Branco-Weiss Institute – Think. Innovate. Educate	Education, higher education and professional training	252,190,000
Zvia – Educational Religious Network in the name of Rabbi Zvi Yehuda Ha'Cohen Kook	Education, higher education and professional training	208,216,560
Beit Ya'akov Kindergartens and day care centers – Jerusalem	Education, higher education and professional training	194,627,055

⁶ Source: Guidestar Israel, 2020.

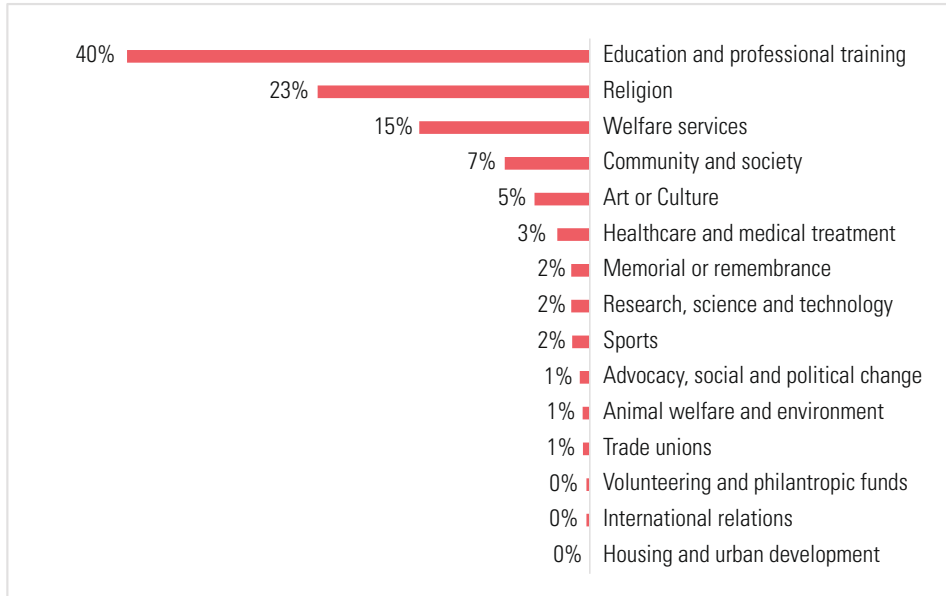
**Figure 1: Distribution of Third-Sector Organizations in Jerusalem,
Based on their Annual Turnover, 2020⁷**



As can be seen in Figure 2, the majority of those NGOs located in Jerusalem which operate within an annual budget of up to 10 million NIS, work in the fields of education, higher education and professional training. 23% of the NGOs, are religious NGO, 15% work in welfare, 7% in the fields of community and society, and 5% in culture.

⁷ Source: Guidestar Israel, 2020.

**Figure 2: Distribution of Third-Sector Organizations in Jerusalem
by Field of Activity, 2020**
(among organizations with an annual turnover of less than 10 million NIS)⁸



As for the number of salaried employees in each organization, an analysis of data for NGOs located in Jerusalem and operating within an annual budget of less than 10 million NIS, shows that these NGOs find it difficult to employ a large number of salaried employees. As can be seen in Figure 3, 41% of these NGOs do not employ any salaried workers, and thus rely solely on volunteers. 33% employ from 1-10 salaried workers, and 14% have from 11-30 salaried workers.

⁸ Source, Guidestar Israel, 2020.

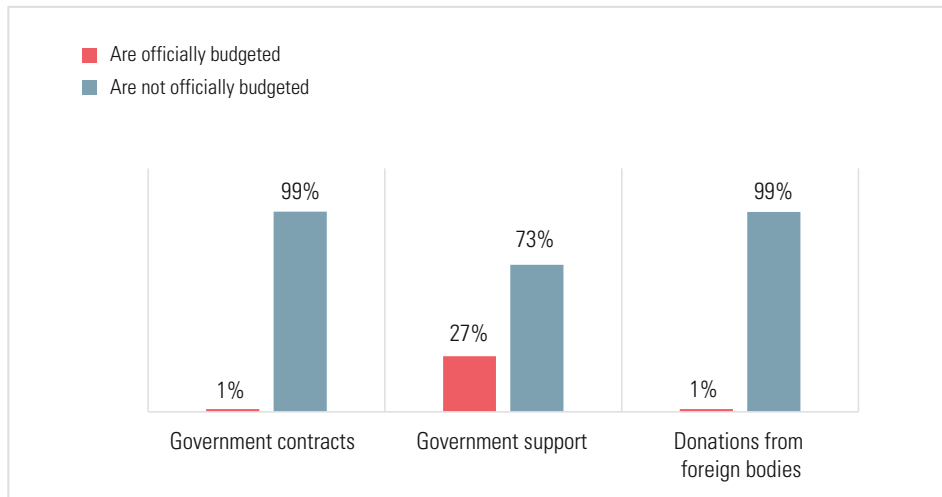
Figure 3: Distribution of third-sector organizations in Jerusalem by the number of salaried employees (among organizations with an annual turnover of less than 10 million NIS)⁹



From interviews with NGO representatives, the difficulty of promising stable employment for workers, due to difficulties in fundraising and securing funding over in the long term, was clearly stressed. Many third-sector organizations tend to employ workers on a project basis, namely, only for short-term employment. As is evident from the interviews, this affects both the workload and the responsibility shouldered by NGOs' management, as well as limiting the latter's ability to gain professionalism in their fields. In most cases, these NGOs rely on donations from funds and private donors, sometimes combined with public (municipal or governmental) funding.

⁹ Source: Guidestar Israel, 2020.

**Figure 4: Distribution of Third-Sector Organizations in Jerusalem
by Funding Sources**
(among organizations with an annual turnover of less than 10 million NIS)¹⁰



As can be seen in Figure 4, most NGOs located in Jerusalem and operating within a budget no larger than 10 million NIS, do not benefit from government support and are not tied to government by bid or contract.

¹⁰ Source: Guidestar Israel, 2020.

3. Challenges facing Third-Sector Organizations in Jerusalem

Third-sector organizations in Jerusalem suffer from a number of challenges and difficulties, some of which directly threaten their very existence. As part of the research for this document, we conducted interviews with twelve professionals – leaders of NGOs in Jerusalem, representatives of government, the municipality and philanthropic funds, and representatives of roof-organizations in the third-sector eco-system in Jerusalem. The interviews were conducted to gain a deeper understanding of the problems that such NGOs face in Israel at large, and specifically in Jerusalem.¹¹

A number of central challenges, faced by civil society organizations, which make it difficult for them to fulfill their full potential, were raised in the interviews.

Challenge no. 1: Professional capacities and lack of efficiency

According to the interviewees, young and small NGOs often suffer from various shortcomings due to a lack of professionalism, which results in a lack of efficiency. These manifest themselves in a difficulties in strategic and long-term planning, discrepancies between the organization's vision and implementation, and in a lack of knowledge and expertise regarding various organizational aspects such as formulating annual work-plans and budgets, managing working relations with municipal and governmental bodies, raising funds, good organizational management, managing finances, and working with the media.

- “NGOs suffer from lack of experience, naiveté, and a too ‘romantic’ outlook. Often these are young people – aged 20 plus. But this happens not only among those who are younger, but also among those who lack experience – for example 40 year-old educators who move from the educational system to the third sector. Or teachers and

¹¹ We wish to thank our interviewees for their openness and willingness to assist. A full list of interviewees can be found at the end of this document.

rabbis who joined existing NGOs as managers, or set up new ones.” (Philanthropic fund representative)

- “There is a general expectation that social entrepreneurs can work miracles “on the ground” while working out of their bedroom in their parents’ home. But this can only create mediocre organizations.” (Civil society representative)
- “Unrealistic working plans – building a website in one month?! Ain’t ever gonna happen. Lack of long-term planning. The wish to react quickly. Waiting for the last minute due to lack of planning.” (Philanthropic fund representative)
- “NGOs don’t deal at all with evaluation and measurement. One could use regulation to force a whole load of measurement practices on them.” (Civil society representative)
- “NGOs’ biggest problem is their lack of professionalism. As well as an absence of limits. They make no distinction between the personal and the professional. Everything is mixed-up. Don’t pitch your idea to me while I’m in the park with my kids. And don’t come up to me in Synagogue.” (Philanthropic fund representative)

Challenge no. 2: Funding problems and lack of independent income sources

As can be seen from the data presented above, 52% of all third-sector organizations operating in Jerusalem have an annual budget of less than 1 million NIS. 28% have an annual budget of 1-5 million NIS, and 9% have a budget of 5-10 million NIS. Only a select few receive support from public funding or from the sale of services; most rely on philanthropic donations. Only several NGOs manage to build the infrastructure to develop an independent income. Ultimately, this harms the organizations’ professional capabilities and the building of core capabilities such as human resources, professional development, learning and improvement, and evaluation and measurement.

- “Civil society organizations are in an ongoing financial struggle for survival. Constantly. And when the organizations are small, I, as CEO, have to dedicate 70% of my time to raising money, while creating a vision and developing strategy. But when NGO managers are constantly busy in trying to survive financially, they simply do not have

the time to deal with development, and lack both the necessary resources and the energy.” (Civil society representative)

- “The biggest problem faced by civil society organizations is their survivability. Unlike municipalities, civil society organizations lack organizational constancy. What most characterizes the civic sector is instability. The most important thing that civil society organizations need is whatever will enable stability and resilience – the knowledge they will not shut down tomorrow. Making an organization sustainable requires more than simply giving money.” (Civil society representative)
- “We must raise NGO’s overhead. In third-sector organizations, the overhead is usually about 11%, which leads to lower salaries and mediocre employees – thereby harming the quality of the organization. Philanthropic funds giving money to NGOs limit overhead to 11%. They do not like a 20%-25% overhead. This perception must be changed. Philanthropic funds are the venture capital of the civil society. They can afford to take a risk.” (Civil society representative)
- “NGOs must create sources of independent income, to support the organization’s vision and help increase its social impact. This independent income must be tied to the organization’s core activities. For example, in the Sexual Assault Crisis Center, the CEO wished to create sources of independent income. The Crisis Center is well-trained in offering emotional support to victims, and in lecturing in schools about creating safe environments. We opened a training course for supervisors in the private sector – each business organization paid for a course... Here, both goals were achieved with great success – increasing both the organizational budget and the organization's social impact.” (Philanthropic fund representative)

Challenge no. 3: Lack of access to municipality and government

Most organizations do not receive governmental support and are not contractually bound to the government; many organizations are not aware of the opportunities, possibilities, projects and funding awarded by the municipality, and do not develop connections with decision-makers. Many social organizations are not well-versed with governmental and municipal work-plans and with opportunities available to cooperate with them and co-develop solutions to social challenges.

The unique governance structure of Jerusalem, consisting of a multitude of Community Councils scattered across the city, is conducive to building cooperation between the municipality and third-sector organizations. Community Councils are frequently seen as bridges between the residents and the municipality, and act to encourage and strengthen community endeavors and local grassroots organizations working in their midst.

- “Working with both local and national government is very tough from a regulatory point of view. Because they too have gatekeepers – accountants and legal advisors, the bureaucratic processes are tough, and no regulatory concessions are made for the civil society sector – these are people whose aim is not to make money, rather their aim is to do good for the public. The lawmakers may say that the civil sector is entitled to a discount (at least to some degree). Accountants and legal advisors look at us with suspicion, because it is public funding that is being used, and because it is their job to be cautious – after all, they are the gatekeepers.” (Philanthropic fund representative)
- “The local authority and government ought to invest money in developing capabilities within civil society organizations, and in how they conduct their operations, focusing less on ongoing projects... instead, there is a sense of struggle, of competition; this is simply foolish.” (Philanthropic fund representative)
- “Throughout the time I was in office, and still to this day, I believe that Jerusalem is Israel’s capital of the fulfillment of social dreams. If someone wants to make money they will move to New York, if they want to be artists, they will head to Venice, but if they want to promote significant social change they will come to Jerusalem. The human capital we have here is very strong in the world of social activity.”

“But Jerusalem is far from allowing this reality to develop, for a number of reasons. The municipality does not promote this as a policy. It is not the narrative. Over the last ten years, in Jerusalem, a committed group of social entrepreneurs developed a powerful narrative of a lively and vigorous social sector. But is there a clear governmental or municipal policy to support civil society in Israel’s capital? Unfortunately, No! As a city, Jerusalem has to embrace the social ideas of entrepreneurs: to become the city where, if an entrepreneur succeeds in Jerusalem, he or she can succeed anywhere. The municipality must learn how to embrace civic society. I tried to do this for five years in the Support Committee, but failed.” (Former municipality representative)

- “The hardest part, when working with municipality and government offices, is the difference – in outlook, in viewpoint, in everything. I am out in the field. I will always see the gaps and aim to reduce them. Because I want to improve public transport. I live it. From the viewpoint of local and national government officials – they do not see the gap, and repress it, or say that it doesn’t exist, and that it’s all nonsense. How do you close the gap? By taking the professionals out of their offices to the real world outside.” (Civil society representative)
- “Every Community Council manager works and develops projects with the organizations in his or her area. Especially with organizations having a local perspective... But not many organizations have a local perspective. They typically view their activities on the municipal or even national level. What are the odds that a third-sector organization will approach the Community Council in the area in which it is located to try and generate cooperation?” (Community Council representative)

Challenge no. 4: Competition for the same resources

Many NGOs operate in overlapping fields – whether cultural events for young adults, scholarships to disadvantaged populations, or assisting the poor. Sometimes this may lead to healthy competition, but it often creates problems and leads to ineffectiveness, and to the superfluous allocation of resources.

- “All organizations draw on the same resources – there are 3, or 4, or 5 funds and federations – Schusterman, Leichtag, Russell Berrie, the Jerusalem Foundation, the Ministry of Jerusalem and Heritage, the New York Federation – they are all eating from the same pot, and are all asking for money for the same thing – money for Jerusalem. There are duplicate jobs, there are overlaps – many sorts of organizations all doing the same thing – I don’t understand why we need this duplication. We need a joint forum where you can sit and talk, and there is no such thing. If there is already a Young Adults Authority in the municipality, then to avoid duplication, perhaps the “New Spirit” group could be absorbed into it; let’s define areas of activity for each, share resources, and it will be much easier to cooperate.” (Private sector representative)

Challenge no. 5: Lack of organization within the third-sector NGO community in Jerusalem

Naturally, the third-sector is a community that functions without a leader, without an organizing body and without a clear hierarchical order. This state of affairs allows NGOs to operate with greater freedom, but also causes a dispersion of resources and power.

- “Civil society bodies don’t really know how to work with one another. Cooperation is unsatisfactory. Civil Society tends to be obstinate and childish – I think that in Jerusalem the face of civil society is very childish – there is a lack of political understanding that one has to be smart and not necessarily right – there are even fights over logos and all sorts of unimportant trifles. Get over it! Jerusalem is a tough playing field, don’t fall into the traps, don’t be petty, watch your language, and think about the consequences of what you say – who are you helping and who are you hurting.” (Civil society representative)
- “Civic society comprises of people who do not necessarily represent the entire population. Some sectors are less active in the civic sector. One would probably meet more people from Katamon and Rehavia, and less from the Katamonim and Gilo. At the end of the day, this limits the ability of the civil sector to give a voice to the entire population.” (Civil society representative)
- “One of the great difficulties we have working with NGOs is the lack of a representative body, one that everyone can clearly see and identify, even though there is *Manhigut Ezechit* (civil leadership). *Manhigut Ezechit* speaks for only 300 NGOs, out of almost 20,000 NGOs in Israel, and these are mainly powerful NGOs operating from Tel Aviv.” (Government official”)

Challenge no. 6: Tension between NGOs independence and their dependency on local and national government budgets

Many NGOs rely financially on municipal funding – whether by grants, bids or in municipally-funded activities and projects. At the same time, some organizations may wish to criticize the municipality or challenge its actions in various ways, but as they are financially dependent on the municipality, they would rather suppress criticism so as not to endanger

such support. This weakens the natural, essential, criticism on the municipality that works as a communally-elected body for the residents of Jerusalem.

- “In the last municipal elections, and in the ones before them, we saw less and less civic society organizations involved in the elections. *Hit’orerut* stood out in the sense. The main reason was that many NGOs feared that if they took sides, and supported the losing side, it could harm them. Many NGOs developed a dependency on the Municipality, and as a result only a few NGOs criticize it – regarding transparency, challenging its policies or filing legal complaints against it. This phenomenon exists also on the national level. The Ministry of Environmental Protection, for example, supports many NGOs that used to file complaints against it, thus gaining peace and quiet, as NGOs prefer not to criticize it. This weakens third-sector criticism of the municipality. Substitute mechanisms are necessary – through which philanthropic funds can enlarge their support of civil society organizations.” (Civil society representative).

Comments regarding tensions between NGO dependency on public funding and their ability to maintain their independence and challenge the authorities, were also heard during the round-table meeting that took place as part of the preparation of this document.¹²

We should mention that among all the challenges listed above, two appeared time and again: lack of professionalism and lack of efficiency in the NGOs, and the lack of budgetary sources. These two problems are the key not only to the survival of NGOs but to their growth and success.

¹² On 25th December 2019, a round-table meeting was held in the Jerusalem Institute for Policy Research, with the participation of representatives of civil society NGOs in Jerusalem. The meeting was held to present the participants with the research’s advanced stage findings, and to hone the research’s recommendations.

Third Sector in Jerusalem in Times of Crisis

This document was almost complete when the COVID-19 pandemic broke, hence it is important to also address the role and status of the third sector during periods of emergency and crisis.

In normal times, third-sector organizations play an important social and financial role, but this becomes even more important in times of crisis. The flexibility, distribution and availability of the operational mechanisms of third-sector organizations, frequently allow them to provide a better answer to the needs of the emergency, than central and local government bodies.

During the ongoing COVID-19 crisis, Jerusalem NGOs and their volunteers have been undertaking many tasks, such as distributing food packages, helping old-age pensioners, organizing specialized activities for memorial days, and supporting medical teams in hospitals in Jerusalem. The NGOs are cooperating with various municipal units and working via the Community Councils, thus offering a quick and effective local response.

Nevertheless, alongside this impressive volunteering, the COVID-19 crisis is causing serious harm to third-sector organizations, as it is also to other sectors in Israel.

The roof-organization of third-sector NGOs in Israel, *Manhigut Ezrachit* (Civil Leadership), conducted a survey to better understand the scope of the damage to third-sector organizations due to the crisis, and its implications.

The survey was conducted in the first two weeks of April 2020. Some 310 organizations took part, among them 57 operating in Jerusalem.¹³ The Jerusalem Institute for Policy Research analyzed the survey's findings, focusing on local Jerusalem organizations.

Below is the summary of our findings¹⁴:

¹³ 310 NGOs participated in the sample, among them 57 Jerusalem NGOs. We should note that the survey is based on voluntary participation, and the sample is, therefore, not fully representative. Nevertheless, it still successfully reflects the situation of third-sector organizations. The full survey can be seen here: <https://katze.net/Ob6399>

¹⁴ For the full document, see: Bensimhon-Peleg, Sarit, Porzycki, Netta, Nachmani, Shira. Third Sector in Jerusalem in light of the COVID-19 Crisis. May 2020. This document was submitted to the Mayor of Jerusalem, Mr. Moshe Leon.

- **41% of the Jerusalem NGOs which responded to our survey estimated (with high or medium probability) that they would not survive the current crisis.**
- Many NGOs voiced difficulty in continuing to serve their target audiences. **60% of the NGOs mentioned that many of the services that they routinely offered had now ceased completely.** One should remember that most of these organizations serve the weakest populations in the city.
- **The COVID-19 crisis led to a decrease in almost all the organizations' three main sources of income** (philanthropic fund donations, governmental support, and services supplied through contractual ties with local or national government). **Among the Jerusalem NGOs who responded to our survey, 72% replied that their income from philanthropic donations had decreased somewhat, or very much decreased, and 92% replied that their income from contracts, government support or independent-income had somewhat or largely decreased.**
- **All NGOs reported a decrease in the number of their salaried employees,** but this was most significant among the larger organizations.

4. Recommendations

The problems discussed in detail above, as were learned from various and diverse sources, represent an obstacle for fulfilling the potential of third-sector organizations in Jerusalem, for the benefit of the growth and prosperity of the city as a government city. We, therefore, developed a set of recommendations aimed not only at strengthening these NGOs, but at strengthening their work in the city, for the benefit of both the city and its residents. The recommendations were divided to three categories:

1. **Strengthening professional skills** – tools that can support and strengthen NGOs as professional, growing, independent bodies.
2. **Strengthening and solidifying the ties among and between NGOs and between NGOs and the municipality** – actions that could strengthen and enrich mutual connections between NGOs and tighten cooperation between municipal bodies and third-sector organizations in Jerusalem.
3. **Regulatory adjustments and changes** – financial incentives and reductions in taxes and other dues.

Our recommendations:

1. Tools and concrete steps to strengthen and improve professional capacities of third-sector organizations in Jerusalem

- 1.1 **Establishing a Municipal Unit dedicated to the third-sector in the Jerusalem** – we recommend establishing a new municipal Unit dedicated to working with third-sector organizations. This Unit will operate in a similar way to the young-adults center established by the municipality a decade ago. This Unit can become the municipal focal-point for all local organizations, especially helping the growth and development

of those recently-established smaller organizations requiring support and guidance. Such a Unit can become the municipality's "one-stop shop" for organizations regarding bureaucracy, tender requests, grants and other opportunities. It will be able to provide NGOs with a toolbox of skills, such as professional training and workshops on subjects such as developing work-plans, building an annual budget, raising money from donors and funds, public relations and working with the media.

Similar to the understanding prevailing in the Prime-Minister's Office regarding the importance of a strong, professional and prolific third sector able to help government offices in social issues – an understanding that led to development of a policy of inter-sectorial cooperation, it is also important to develop a local viewpoint, regarding the value of cooperation between local authorities and the third sector.

1.2 Encouraging the development of independent income sources – budgetary constraints are a central problem facing many third-sector organizations. Connected to this, is the general lack of financial independence of NGOs, as they tend to be totally dependent financially on funds or on the state. For some NGOs, the best solution could lie in the development of different paths of independent income channels, generated as a result of the ongoing organizational activity.¹⁵ We recommend creating a unique program for Jerusalem NGOs in the spirit of the *Ma'halach* Fund program. The fund, established in 2015 by Iris and Gal Shalgi, focuses on assisting organizations develop independent income with the aim of reducing their dependence on funds, the municipality and the government. We believe that operating a similar program in Jerusalem can greatly benefit eligible NGOs, and believe that the gauntlet should be picked by one of the larger funds operating in the city. The principle of operation can involve both the municipality and funds.

1.3 Establishing an NGO House in Jerusalem – we recommend establishing an NGO House similar to the one existing in Tel Aviv: *Beit Ha'Amutot*" (NGO House) was established in 2013 as part of a cooperation between the Institute for Leadership and Governance in Joint-Israel, and the Government-Civic Sector initiative. The property was provided by the Migdal Insurance Company, as part of its corporate responsibility activities. The goal of the NGO House is to be a home for social organizations, both as a shared working space allowing NGOs to save on operating costs, and as a local address for the development of effective civic society activity. The NGO House is managed by the "Civic Leadership" association – the roof-organization of all third-

¹⁵ We should state that NGOs are allowed today to generate a profit of up to 25% of their income.

sector organizations in Israel, located in NGO House, and representing around 700 Israeli NGOs vis-à-vis the government, Israel's parliament and regulatory bodies. Another example in Tel Aviv is Liebling House – a Bauhaus building preserved and restored with funding from the German government, which today acts as a workspace for the urban community in Tel Aviv, offering a shared workspace for urban planners and researchers in the field, as part of the municipal service for the city's residents.

Jerusalem, the civil society capital of Israel, in which almost 25% of all registered NGOs are located, deserves a local NGO House.

2. Strengthening and solidifying the ties among and between NGOs, and between NGOs and the municipality

The large number of social NGOs operating in Jerusalem, their diversity in terms of their fields of activity, their dispersal across the city and among different sectors, and the duplication in their operations – all these require a structure to strengthen the ties between NGOs to deepen both social and professional acceptance and familiarity, develop mutual networking and strengthen the sense among NGO leaders of an active and dynamic community, influencing the lives of city residents and the way the municipality conducts its affairs. We have, therefore, collated a number of recommendations to strengthen the civil society eco-system in Jerusalem:

2.1 Creating “hubs” for social entrepreneurs in various communities: Orthodox, Arab and General, using the “Presentence” and “Restreet” models – co-work spaces to be established in various neighborhoods with the aim of promoting budding organizations. We especially recommend focusing on organizations created in the Arab and the Orthodox Jewish communities, since both these communities tend have lesser access to municipal and government offices, to policy and to decision-makers, to research institutes, media and to the governmental eco-system as a whole. The network of Community Councils can supply necessary the infrastructure and create connections to the municipality, as part of its overall responsibilities. Additionally, social hubs can be created in various public institutions in Jerusalem, some which already exist, such as the Bloomfield Science Museum and Mount Scopus University Campus, and some being built, such as the National Library and the Museum of Tolerance. These are large and central public institutions, able to supply work and

activity space for social entrepreneurs and to offer them an inviting location, available free-of-charge, for their civic activities.

2.2 Encouraging overarching frameworks for strengthening local NGOs' cross-sectional ties – The Jerusalem Model, the Civil Society Forum, and the Tolerance Coalition are all civil society organizing bodies which emerged and developed successfully in Jerusalem during the last decade. These organizing bodies can be utilized as partners, supporters or helpers in such actions as building an NGO House in Jerusalem, creating co-working spaces for NGOs within the city's neighborhoods, starting a Civil Society Unit in the municipality, and assisting in the overall effort to support small and promising organizations in Jerusalem.

2.3 Using Community Councils' infrastructure as an anchor for working with third-sector organizations. The Community Councils work as mediators between the municipality and neighborhood residents. Encouraging and promoting social NGOs organizations emerging in the neighborhoods, ought to be an integral part of the work of the Community Councils'. Several Community Councils work with third-sector organizations on a regular basis, and even more so in times of crisis, and so we recommend utilizing their unique local infrastructure as a tool to encourage working interfaces with third-sector organizations. Third-sector organizations might be encouraged to locate their offices within the various neighborhoods of Jerusalem, perhaps even within the Community Councils. Concomitantly, one could encourage local and even national NGOs to promote projects at the local level, in accordance with local community needs.

2.4 Establishing a forum for civil society organizations in Jerusalem – Beyond the physical, organizational and logistic aspects of strengthening NGOs (as elaborated above), we recommend creating a forum comprising local NGOs that can meet regularly to discuss different aspects of the third sector and civic society. This forum can be the place to raise issues, strengthen ties and improve coordination between NGOs working in close or similar fields, deal with challenges and nurture coalitions for social activity in specific contexts (such as the East Jerusalem Forum initiated by the Jerusalem Institute for Policy Research, and the Jerusalem Forum of Community NGOs).

3. Regulatory adjustments and reforms

Tax benefits and regulatory incentives play an important part in encouraging the activity of private companies besides social organizations and non-profit organizations. This is especially important for small low-budget organizations working for the good of society. We, therefore, recommend several steps that will provide special benefits to third-sector organizations operating in Jerusalem:

3.1 Reducing or waiving entirely the tax-rate on employer's wages – Employers in non-profit organizations are today obliged to pay a 7.5% salary tax. Exemption from this tax can “free” up a substantial budget, crucial for small organizations which employ workers, and easing their financial load.

3.2 Total Exemption from municipal tax payment – Today only religious, educational and welfare institutions answering specific criteria are entitled to a total exemption of this tax, while other organizations can get up to 67% discount. As of 2019, the responsibility for granting municipal tax exemption moved from the Ministry of Interior to the municipalities themselves. In light of this move, we recommend a total exemption of this tax for civil society organizations defined as non-profit organizations, wishing to hire offices up to 100 square meters in size.

3.3 Clarity is required regarding VAT exemption for non-profit organizations answering governmental and municipal bids – Non-profit organizations must today pay VAT when responding to governmental and municipal bids, as part of the need for them to operate under the same constraints and conditions as the private sector. The requirement to pay this tax is a substantial burden on NGOs, many of them engaged in an ongoing struggle to survive financially.

Third-sector organizations are an invaluable asset to any city. Due to Jerusalem's special character, and due to the substantial size the third sector in the city, Jerusalem is definitely Israel's capital of the third sector. Thinking about strengthening the NGOs themselves, and especially the ties and cooperation between NGOs and between them and the municipality, may turn the social infrastructure which already exists in Jerusalem into a social and financial success story at the national level.

Appendix: List of Interviewees

Writing this research paper, we interviewed the following people (presented alphabetically):

- Dr. Hagai Agmon-Snir – manager of the Jerusalem intercultural center.
- Adi Arbel – manager of the "Civil Society Forum", working as part of the *Kohelet* policy Forum.
- Renana Levine – program officer, Charles and Lynn Schusterman Family Foundation.
- Ariel Markose – Community Director, The Jerusalem Model – Forum for Civil society representatives in Jerusalem, initiated by the Leichtag Foundation.
- Michael Nachtiler – Representative in "The Jerusalem model". Head of the institute for Torah policy. Social entrepreneur, co-manager of the *Aguda Achat* NGO, founder and manager of the *Akshiva* (I will listen) project, aimed at young orthodox youth.
- Yair Ris – Manager of *Yuvalim* Community Council.
- Hanan Rubin – formerly head of the municipal Support Committee in Jerusalem. Former Jerusalem council member (*Hit'orerut*).
- Yossi Saidov – Social activist and founder of "15 minutes", an NGO promoting public transport in Israel.
- Lotem Segal – Community manager in *Ha'Kaveret* (the beehive) social hub, initiated by the JDC and Israel's National Insurance.
- Iris Shalgi – Head of *Ma'halach* fund, working to develop independent income within social organization.
- Anchenalo Solomon – Head of the Inter-Sectorial Cooperation Department in the Society and Policy Branch in the Prime-Minister's Office.
- Inbar Weiss – CEO of New Spirit Jerusalem (*Ruach Hadasha*) until 2019.

On 25th December 2019, a round-table meeting was held in the Jerusalem Institute for Policy Research, with the participation of representatives of civil society NGOs in Jerusalem. The meeting was held to present the participants with the research's advanced stage findings, and to hone the research's recommendations.

Participants in the meeting:

Yossi Saidov, founder of "15 Minutes"; Yossi Klar, incoming CEO of New Spirit Jerusalem (*Ruach Hadasha*); Michael Nachtiler, representative in "The Jerusalem Model" and head of the institution for Torah policy; Dr. Hagai Agmon-Snir, manager of the Jerusalem Intercultural Center; Ariel Levinson, founder of the Jerusalem secular Yeshiva; Adi Arbel, manager of the Civil Society Forum; Eran Klein, *Shatil* representative; Dr. Sarit Bensimhon-Peleg, Deputy Director General for Research in the Jerusalem Institute for Policy Research; Nadan Feldman, researcher in the Jerusalem Institute for Policy Research.

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The Civil society in Jerusalem and the third-sector organizations within it are both a financial and social asset to the city: NGOs are a significant political, financial and civic force in Israel's capital. The third sector is a major asset to the city and an inseparable part of Jerusalem's eco-system as a government city: third-sector organizations in Jerusalem have constant and diverse interactions with government offices, Israel's parliament and the Jerusalem Municipality, as well as with other actors in the local governance network, such as research institutes, international organizations and the media. This research paper is a direct continuation of our 2018 research report, "Civil Society in Jerusalem – Methodological Research and Mapping". The current research analyses the challenges faced by third-sector organizations and recommends the establishment of a municipal infrastructure conducive to their success. This can be achieved by adopting a set of applicable tools, such as the development of professional skills and capabilities, implementation of regulatory changes, and improvement of working connections between third-sector organizations.

Dr. Sarit Bensimhon Peleg, Deputy Director-General for Research at the Jerusalem Institute for Policy Research. Sarit has a Ph.D. in Political Science from Oxford University, England. Her main research areas are governance, philanthropy, and civil society.

Shira Nachmani, Research Assistant and Coordinator of the Unit for Evaluation Research. Shira has an MA in Information Management and Librarianship, and a BA in Political Science and Media Studies, as well as a certificate in Hebrew-language editing.

Nadan Feldman, Researcher at the Jerusalem Institute for Policy Research between 2017-2019. Doctoral student in the Department of History at the Hebrew University. Journalist at The Marker Magazine, focusing on world economy and innovation.

The Jerusalem Institute for Policy Research, which was established in 1978, is a leading and influential think tank that promotes Jerusalem's social, economic, and urban sustainability. The Institute is where reality shapers turn to in order to promote and define policy issues in Israel in general and in Jerusalem in particular. The Institute's activities and research helps institutions and bodies shape and implement innovative and effective policy. They bring Jerusalem, with all its various components, to the world - and the world to Jerusalem. Jerusalem is a source of inspiration, a research field, a laboratory, and a space of influence for the Institute. The Institute's agenda includes developing the city for the benefit of its residents, enthusiasts, and believers and strengthening the city's global standing and leveraging it. The Institute's work in Jerusalem reaches a wider national and global scale, and then is implemented in Jerusalem for the benefits of the city and its residents.

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