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Lilly Family School of Philanthropy

The 2022 Global Philanthropy Environment Index Israel¹

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Edited by the Indiana University Lilly Family School of Philanthropy

QUICK FACTS

Legal forms of philanthropic organizations included in the law: Association, Cooperative, Endowment, Foundation, Limited Liability Company

Five main social issues addressed by these organizations: Arts and Culture, Early Childhood Education, Health and Medical Research, Religion, Welfare Services including Basic Needs

Average time established by law to register a philanthropic organization: 0-30 days

Average cost for registering a philanthropic organization: USD 750

Government levels primarily regulating the incorporation of philanthropic organizations: Central/Federal Government

Philanthropic Environment Scores:

Year	Ease of Operating a PO	Tax Incentives	Cross-Border Philanthropic Flows	Political Environment	Economic Environment	Socio-Cultural Environment	Overall Score
2022 GPEI	4.50	3.50	3.50	3.75	4.00	4.50	3.96
2018 GPEI	3.67	3.75	3.50	3.75	N.A.	4.50	3.83

Source: Indiana University Lilly Family School of Philanthropy, 2022 *Global Philanthropy Environment Index*

¹ Please note that Israel is showing stability in most indicators of the Global Philanthropy Environment Index. The 2022 Israel Country Report is a continuum of the 2018 Israel Country Report and it emphasizes the most relevant changes between 2018 and 2020.

Key Findings

I. Formation/Registration, Operations, Dissolution of a Philanthropic Organization (PO)

The three indicator questions in this section pertain to the laws and regulations governing philanthropic organizations (POs). The scoring questions for this category cover three aspects of regulations: (A) formation and registration; (B) operations; and (C) dissolution.

Question One: To what extent can individuals form and incorporate the organizations defined?

Score: 4.5

The Law of Associations (1980) allows registration of philanthropic organizations (POs), except when their goals negate the existence of the State of Israel and its democratic nature, or if there is “founded suspicion” that they will be used as a cover for illegal activities (Article 3). Registration is not allowed with a PO name that might offend the public or the feelings of the public, or under a name identical to the name of a body corporate registered in Israel or similar to such a name as to mislead (Law of Associations, Article 4a). This was used in the past to prevent the use of the word “Palestinian” in POs’ names. Legal provisions allow for easy, inexpensive, and unobstructed access to the registration of POs of all types.

Question Two: To what extent are POs free to operate without excessive government interference?

Score: 4.0

Some impediments on purposes and activities arise from the Law of Associations (1980), which prohibits registration of POs if their goals negate the existence of the State of Israel and its democratic nature, or if there is “founded suspicion” that they will be used as a cover for illegal activities (Article 3). Furthermore, certain legal forms are available only to POs pursuing certain goals listed as “public goals.” According to the Companies Law (Section 345a), public goals (public purposes) may include quality of the environment, health, religion, protection of animals, human rights, education, science, sports, immigration, charity, and others. As for collaboration with other entities: Recent legislation and political pressure has served to constrain some POs’ activity, including legislation penalizing POs receiving funding from foreign governments, and requirements to disclose information regarding such funding. These POs are required to report their funding on a quarterly basis. Political pressure has also been exerted on local governments and other public institutions to restrict activities of certain left-wing POs (such as cultural institutions and human rights organizations).

Question Three: To what extent is there government discretion in shutting down POs?

Score: 5.0

There has been no change since 2018. For more information, please see the 2018 Israel Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16810>

II. Domestic Tax and Fiscal Issues

The two questions in this section pertain to laws and regulations governing the fiscal constraints of giving and receiving donations domestically.

Question Four: To what extent is the tax system favorable to making charitable donations?

Score: 4.0

The law allows for a 35 percent income tax credit for individuals and a corporate tax credit for corporations at the rate of the corporate income tax at the time. Returns are given from a floor of ILS 180 (approximately USD 55) up to a ceiling of ILS 9.2 million (approximately USD 2.8 million) or up to 30 percent of the person's or corporation's tax liability for the year. There is criticism that the ceiling is low for high net worth (HNW) individuals and corporations and may hinder the intention for large gifts. Tax refunds are available only for donations given to POs found eligible by a decision of the parliament's finance committee and is thus political in nature. The process to receive tax refunds is reasonable, yet for individuals it requires filing an annual personal income tax report, which is seldom done by waged employees in Israel. As a result, only a small share of waged employees in Israel requests tax credits. Notwithstanding, recent developments allow individuals to obtain refunds automatically through their place of work's salary system, which if enforced might increase the likelihood of filing for tax returns. Yet, research conducted by the Institute for Law and Philanthropy (Drezner et al., 2016) shows that tax benefit was considered the lowest motivation for giving among Israelis, and in 2016 only 9.3 percent reported their donations to the tax authorities either personally or through their workplace. Additionally, CBS (Central Bureau of Statistics) reports that less than 40 percent of total donations to POs are reported for tax refunds annually.

Question Five: To what extent is the tax system favorable to POs in receiving charitable donations?

Score: 3.0

POs can receive "public institution" status that grants them certain income and property tax benefits. Tax exemptions are available only to donations given to POs pursuing certain goals listed as "public goals." The recognition as an eligible PO entitled to inclusion in this list of goals is decided in the parliament's finance committee and is thus subject to political influences. The number of POs with "public institution" status is approximately 6,769. Criticism of the sector includes a lack of transparency, unequal treatment, and political bias in decisions to grant "public institution" status. A government committee for review of the process for eligibility for tax credits was established. The committee recommended harmonizing the "public goals" for different types of POs; limiting eligibility only to registered POs; improving transparency, equity, and procedures for granting eligibility for tax credits; and requiring more accountability and governance measures from eligible POs.

III. Cross-Border Philanthropic Flows

The two questions in this section concern laws and regulations governing the fiscal constraints of giving and receiving cross-border donations. The scoring for these questions pertains to the donor and receiving entities.

Question Six: To what extent is the legal regulatory environment favorable to sending cross-border donations?

Score: 4.0

There has been no change since 2018. For more information, please see the 2018 Israel Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16810>

Question Seven: To what extent is the legal regulatory environment favorable to receiving cross-border donations?

Score: 3.0

POs' receipt of donations from abroad is not limited. However, recent legislation and political pressure has been put in place to constrain PO activity, including legislation penalizing POs receiving funding from foreign governments, and requiring them to disclose such funding. These POs are required to report their funding on a quarterly basis. For example, the Israeli Parliament (*Knesset*) approved the Transparency law in 2016 requiring POs "receiving over 50 percent of their funding from international sources to indicate this on every document, website, sign or publication that they issue and in all communication with officials" (CIVICUS, 2017).

IV. Political Environment

The four indicator questions in the next three sections concern the political context, economic conditions, and socio-cultural characteristics that influence the environment for philanthropy.

Question Eight: To what extent is the political environment favorable for philanthropy?

Score: 3.5

Collaboration between the government and nonprofits exists, but its nature varies greatly between policy fields. There is extensive collaboration in the provision of educational or social services as a result of privatization and welfare state retrenchment. The role of POs in this relationship is mostly in policy implementation rather than policy development. In certain fields, such as disability rights, POs take an active part in the entire policy process and are legitimate participants. In other areas, such as the environment and especially the Israeli-Palestinian conflict, POs experience overt state animosity. Recent years have seen a rise in tri-sectoral coordination and communication through roundtables covering various issues pertinent to POs, such as emergency response and volunteering. On the other hand, the constant state of emergency due to the Israeli-Palestinian conflict, and political manipulation, leads to political persecution of left-wing POs. There has been growing political pressure on some types of POs: the educational system is being pressured to restrict left-wing POs' meeting with high school students, and the Knesset has advanced an amendment to legislation demanding loyalty and limiting freedom of speech from cultural organizations by hindering or cutting their budgets. Last, but not least, the government has neglected to pass an annual budget, which is a detriment and hinders the ability of some dependent PO service providers.

Question Nine: To what extent are public policies and practices favorable for philanthropy?

Score: 4.0

There has been no change since 2018. For more information, please see the 2018 Israel Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16810>

V. Economic Environment

Question Ten: To what extent is the economic context favorable for philanthropy?

Score: 4.0

Generally speaking, Israel has a strong economy and strong economic systems and regulators. But this strong economy is also home for growing inequality, a low-skilled workforce, low productivity in some sectors, etc. Israel's government has neglected to pass a budget for over two years, which in turn hinders government investments and is a detriment to budgets of some dependent POs. The widening inequality gaps combined with limited financial support for social service POs are unfavorable for philanthropy and society at large.

VI. Socio-Cultural Environment

Question Eleven: To what extent are socio-cultural values and practices favorable for philanthropy?

Score: 4.5

There has been no change since 2018. For more information, please see the 2018 Israel Country Report available here: <https://scholarworks.iupui.edu/handle/1805/16810>

VII. Future of Philanthropy

These questions are used to provide a general picture of the future of philanthropy in this country as well as recommendations to improve the philanthropic environment.

Current state of the philanthropic sector

Philanthropy in Israel is a large and active sector: it includes active non-formal groups, various small, local-communal POs, and also some large national POs working closely with government, mostly in the provision of social services, and to a growing extent in forming and implementing public policies. It has growing interaction with the business sector, as well, through both Corporate Social Responsibility and social enterprise. Generally political and economic conditions are favorable; however, there is growing animosity from the State toward a subset of left-wing social change organizations that is affecting public opinion. The organizational capacity of the philanthropic sector remains low, and the impact of umbrella organizations and networks is limited. Professionalization of the sector is slowly increasing. Though Israelis tend to give, their gifts are random and small, and therefore do not make a solid financial base for most POs. High net worth (HNW) giving is slowly growing and becoming more strategic. Even so, financial challenges keep limiting the philanthropic

sector's capacity, and during COVID-19, even more so: Government budgeting is hindered, diaspora giving is slowing down, financial innovation (online crowdfunding platforms, blockchain, bank loans, and impact investment policy and products) are underdeveloped.

Three major recent events affecting the philanthropic landscape between January 2018 and December 2020

- 1) COVID -19 pandemic;
- 2) Instability in government; four elections in two years' time; and
- 3) Digitalization of POs reporting to registrar and development of GuideStar Israel platform for retrieving data on POs in Israel.

Future development trends in the philanthropic landscape

The COVID-19 pandemic has had an accelerating impact on financial trends in philanthropy in Israel and is expected to shape the terrain in the near future. Giving from Jewish communities abroad (diaspora giving) is expected to continue to decrease, and a lacking philanthropic financial market will create challenges to the sustainability of many POs. Even so, there is noticeable growth in giving through crowdfunding platforms, growth in local HNW strategic giving through donor-advised funds and other means, development of loan and credit market for POs, and development in hybrid-complex financial tools such as impact bonds. The COVID-19 pandemic has also amplified the importance of inter-sectoral and cross-sector collaborations and effective networks to share knowledge, data, needs, and opportunities. Demographic trends will increase the salience of religious and basic needs POs in the sector. Continued segmentation—political, cultural, class and religious divisions in society—might continue to create distinct and separate systems of POs and deepen alienation between groups.

Three key recommendations to improve the environment for philanthropy

- The government should convey to the public a message of support and trust in the philanthropic sector, both toward service providers and advocacy POs.
- The government should assist in the development of a diverse philanthropic financial market.
- Philanthropy and civil society infrastructure organizations should work toward developing platforms of communication and networking with the business sector and government with an aim of supporting POs' growth and professionalization.

VIII. Philanthropic Response to COVID-19

These questions are used to provide a general picture of the philanthropic response to the COVID-19 pandemic in this country and recommendations for improving cross-sectoral collaboration.

Areas where the nonprofit sector and philanthropy are playing a role in responding to COVID-19

POs and the philanthropic sector were among the first to respond to emergency needs that arose with the outbreak of the pandemic and with the chaotic outcomes of the social distancing and lockdowns that were enforced to cope with it. Philanthropists and their foundations were the first to offer donations to the healthcare system for various supplies needed. POs rose to the challenge of

reaching out to different populations in need: the elderly, youth at risk, women at risk, people with disabilities, and asylum seekers and other non-citizens, with critical support such as food, shelter, and physical and mental healthcare and supplies. While the government's first reaction was to furlough and shut down financial support to these needs, philanthropy kept the financial support flowing to POs and expanded giving toward specific populations such as laid-off or furloughed workers of the art and culture industries.

Innovation and new trends in the nonprofit sector and philanthropy related to COVID-19 responses

The pandemic has accelerated collaborations between philanthropy infrastructure organizations and nonprofits infrastructure organizations of to work together toward sharing knowledge and best practices. The pandemic has pushed nonprofits and philanthropies to collaborate with local authorities. The pandemic has promoted the development of a credit market for POs with the support of philanthropic financing. The pandemic shed light on the fine tuning that is needed in the different types of collaboration between the government and philanthropy and has also brought about new types of collaborations, such as a program to protect the elderly in nursing and retirement homes and the development of a joint fund to support emergency needs of nonprofits.

Impact of COVID-19 on the philanthropic environment

The pandemic has stressed the importance of POs both in social services such as welfare and healthcare and in advocacy, to protect civil rights, especially due to some offenses made by government in order to cope with the pandemic: restricting freedoms of movement, the collection and use of personal data, enforcement of vaccination programs, etc. Other than that, the pandemic has been a reminder of the fragile situation Israel has experienced in the past couple of years due to the unstable political environment and lack of a fully functioning government and budget. The pandemic has also shed light on the socio-economic gaps between different segments of society. All of these issues have had a negative effect on trust in government and authorities.

Anticipated impact of COVID-19 on the philanthropic environment in 2021

As far as predictions go, we hope to reach some stability in containing the pandemic and a return to a new normal of open markets of all types. Elections for the *Knesset* might also bring some stability to government. Nonprofits and philanthropies will need to cope with the expected growing needs of different populations—especially in welfare and education, but also with the rifts among the different segments of society. We expect a decrease in giving from some sources (such as diaspora giving and corporations' donations), which might have an effect on the ability of some POs to continue their work.

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