



# Reut Institute - From Vision to Policy

2005 Annual Report and 2006 Strategic Plan

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Reut Institute - From Vision to Policy  
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August 28, 2006

## Dear Supporters and Friends,

We are very pleased to present to you our Annual Report for the year 2005 and our Strategic Plan for 2006.

2005 has been a year of rapid growth in our capacity to offer the Government of Israel close decision-support, as well as in our impact, exposure and recognition. Focused on the challenge of Israel's relations with the Palestinians, we have been able to deliver more products, publications, presentations and other policy interventions in a faster and better way to a growing number of users and on a real-time basis. Consequently, we have been able to engage *all* relevant agencies of the Government of Israel with substantive contributions to their work on a *pro-bono* basis.

Some highlights of 2005 include our path-breaking work on the Palestinian political system (3/05); on the challenge of ending Israel's responsibility in Gaza following the Disengagement Plan (8/05); and on the challenge of dealing with Hamas (10/05). These efforts have established Reut as one of Israel's leading policy groups.

The beginning of 2006 was marked by profound transformations in Israel's geopolitical arena and a time of great challenge. This new complex reality has been a further call to action.

With the ascendance of Hamas to power (1/06), we believe that Reut has become the primary out-of-government resource for decision-support for the GOI. Upon the beginning of the fighting in Lebanon, we launched a team dedicated to this arena as well. Our plans are to consolidate Reut's status by solidifying three policy teams working on the challenges of Israel's national security and prosperity, as well as by launching one of the most cutting edge web-based policy platforms in the world.

The Reut Institute is one of the most innovative worldwide. We are uniquely designed to help decision makers identify the areas where "they don't know that they don't know" in order to avoid strategic surprises and seize strategic opportunities. In the course of 2005 we have shown the feasibility and effectiveness of our model over and over.

In the fall of 2006, Reut will apply its model to the challenge of Israel's growth. We will launch a new policy team that will focus on "Israel's TOP 15 Agenda", i.e. on the need to generate an episode of massive socioeconomic development that will place Israel among the fifteen most advanced nations in terms of overall quality of life.

This report is based on our audited financial information. It is our hope that it will make you proud of your partnership with us, and will inspire you to intensify your involvement with Reut.

We are here—ready, trained, equipped and motivated—to support the Government of Israel as it navigates the course of the future of our nation and people. We remain deeply grateful for your generosity and support that allows us to serve our vision and mission.

Sincerely yours,



Gidi Grinstein  
Founder and President



May 29th, 2006

*"Thank you... for your unique contribution to the knowledge creation and policy design processes you brought to the Ministry of Foreign Affairs during my tenure at the office."*

**Ron Proschauer**  
Director General  
Foreign Ministry



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*The vision that drives the Reut Institute is one of a secure State of Israel, in Eretz Yisrael and at the center of the Jewish world.*

October 2nd, 2005

*..“You’re doing good and important work”..*

*Oved Yehezkel  
Advisor to PM  
Ehud Olmert*

## The Reut Institute - Overview

### ***Our Vision – 21<sup>st</sup> Century Zionism***

The vision that drives the Reut Institute is one of a secure State of Israel, in *Eretz Yisrael* and at the center of the Jewish world—the Jewishness of which synergizes with its democratic values, its prosperity, as well as with its role as a leader among the family of nations.

In more concrete terms, we want to lead our lives and raise our children in a country that is safe and predominantly Jewish; a country that is one of the TOP 15 most developed nations; a country that provides a qualitative Jewish experience that is distinctly Israeli; a country that seizes the moral high ground because of its democracy, its conduct and society, as well as *Tikun Olam* – its contribution to the well-being of the world.

In the face of global opportunities and mobility, we want to be part of a society that successfully attracts the best-and-brightest and their investment resources. We want to be winners in a world of fierce competition.

This is our 21<sup>st</sup> Century Zionism and our service to the continuity of the Jewish people. This is our vision.

### ***Our Mission – Sustaining Significant and Substantive Impact***

The mission of the Reut Institute is to sustain significant and substantive impact on the security and well-being of the State of Israel and the Jewish people as a whole. We do this by working towards our vision of 21<sup>st</sup> century Zionism.

Israel faces permanent adversity and exceptional volatility, as well as some of the most complex challenges among developed nations. Yet our structure of governance is one of the weakest, most unstable and fragmented among developed nations, with few incentives for long-term thinking and planning. Consequently, Israel suffers from a mismatch between a dire need to act strategically and a political system that generates disincentives for such conduct. Addressing this mismatch is at the core of the mission of the Reut Institute.

We believe that a worthy service within our mission is to offer the Government of Israel (GOI) real-time insights highlighting long-term implications of ongoing decisions and actions. We are confident that such close support for decision-making processes will enhance Israel's prospects for security and prosperity.

### ***Our Strategy – Becoming a Primary Source for Designing Israel's Future***

The strategy of Reut is to become a **primary source** of insights on long-term implications for anyone who engages the future of Israel and to help them make **quick and relevant decisions**.

Reut aims to become a focal point for discussions of systemic long-term implications of decisions and actions for anyone who holds a position of authority, influence or leadership regarding Israel's future. This constituency includes politicians, bureaucrats, members of the security forces, journalists and academicians.

Reut's unique value-proposition is created by our focus on the **fundamental level of policy: its premises**. We specialize in both identifying tacit and explicit working assumptions that shape policy and in checking their relevance. Thereafter we embark on the creation of new knowledge focused specifically on areas where working assumptions are rendered irrelevant and then transfer the insights to decision-makers. Our work helps them gauge the relevancy of their policy regarding their objectives, tools and the playing field.

### ***The Policy SWAT-Team Model***

In the service of our vision, mission and strategy we have designed a model we call the Policy SWAT-Team Model.



March 2006  
Reut Institute

*"The dismantling of the PA may undermine basic elements of the Israeli mindset."*

August 10th 2006  
Al-Hayat

*"Prime Minister Ismail Haniyeh called Palestinian factions to sincerely discuss the future of the PA and the possibility of its dissolution."*

Our work starts with the needs and concerns of our clients: agencies of the GOI. Once we have comprehended their needs, we then deploy our policy teams. We pledge to work within their time frames. To date, our shortest project has lasted 60 hours – two and a half days – from reception of the directive from the Ministry of Foreign Affairs to presentation and full delivery of our analysis.

Our policy teams are comprised of young best-and-brightest-type full-time professionals. Reut trains them to **specialize in analyzing complex and dynamic environments as individuals and in teams** using cutting-edge theory, methodology and software tools. They also engage prominent academics and former government officials on an ad-hoc and pro-bono basis.

Reut is an innovator in its field. The Policy SWAT-Team Model renders Reut different from most, if not all, other think-tanks or policy groups. Our innovation is imbued in our structure and in our operation, in our products and in the way our work is assembled, organized and delivered.

***Why Do We Work Pro-Bono? We Follow the Issue, Not the Agent***

We believe that only a relevant community can survive and thrive in today's competitive world. We also believe that a relevant community is a community of relevant people – those who possess a nuanced understanding of their objectives, tools and playing field.

Therefore, Reut aspires to pro-actively pass on its insights to the relevant actors in the Israeli government who will put them to optimal use in designing Israel's strategy. Our working pro-bono denies any government agency exclusive domain over our products. Moreover, we are dedicated to serving the Israeli public interest as a whole. Hence, the work that we do for any GOI agency may be distributed to other agencies, while each agency benefits from the work that we do for all other agencies.



July 18, 2005

*"The meeting was important for the cohesion of the Jewish people and for our ability to provide responses to the challenges that are presented to the Jewish people... Reut's activities concerning the formulation of our document of principles is worthy of appreciation."*

*Israeli President  
Moshe Katzav*

## 2005 Annual Report

### *The Story of the Reut Institute in 2005*

2005 has been another year of profound transformations in Israel and the region. Chief among them was the Disengagement from Gaza, which irrevocably transformed Israeli-Palestinian relations.

In its aftermath, Israel continued to confront a volatile, highly unstable and turbulent environment coupled with new challenges of policy and diplomacy as it grappled with ensuring its identity and security. Hence, the GOI continues to be compelled to take multiple decisions and actions, many of which with far-reaching long-term implications, under severe pressures of time and resources.

The pledge of Reut is to focus decision-makers on Israel's long-term future. We aspire to help them shape their policies on the basis of a rich and nuanced understanding of their environment.

Hence, early in 2005, while the GOI was focused on planning and managing the disengagement from Gaza, Reut decided to focus its efforts on the "day after". We anticipated that Israel's departure from Gaza would constitute a paradigm shift in Israel's national security, which will require realignment of our policies in many areas and on different levels. We wanted to become a primary source for decision-support in this regard.

In tandem with this process, we remained dedicated to creating a national center of thinking and knowledge regarding Palestinian statehood. Our assessment remains that, at some point in the near future, the process of establishing a Palestinian state will materialize. Thereafter, numerous decisions and actions will have to be taken by Israeli leaders within a very short time span. Reut wants to be in a position to provide real-time strategic support to all agencies of the GOI that will engage this challenge.

However, our moment of truth in 2005 was Disengagement from Gaza.

### *Day-After Disengagement – A Rapid Series of Strategic Decisions*

On August 21<sup>st</sup> 2005, Disengagement from Gaza commenced. Immediately thereafter, Reut transformed its mode of operation. The season of in-depth analysis was over. The need was for close policy-support helping decision-makers gauge the new reality and chart a new strategic course.

The departure from Gaza generated new challenges. For example, Israel had to establish the end of its responsibility toward Gaza and to grapple with the transformation of its political, security and economic regimes. In this context, Reut's challenge was to identify new opportunities for Israel and point to ways to seize them while warning against new threats and offering ways to cope with them.

In the course of the month that followed the Disengagement, we produced nearly 20 publications, held 15 meetings in various forums for decision-makers on the ministerial and bureaucratic levels and were present in the national media – TV, written and electronic press and on radio – more than 20 times.

The culmination of this effort was our first Reut Conference in September, an overwhelming success for us within our target community. Participants included PM Sharon's strategic advisor and Head of the Strategic Planning Branch of the IDF. The event was exposed by the major TV channels, the written press and on the major radio stations.

### *2005 Development – Two Policy Teams on the Palestinian Issue*

In 2005, Reut continued to develop its capacities according to the 2005 Strategic Plan. As planned, by December 2005 we had two policy teams working on the Palestinian issue, *albeit not in full capacity*. One team focused on providing ongoing policy support for governmental



August 2005  
Reut Institute

*"Israel and the Palestinians are undergoing an inversion of their positions regarding Palestinian Statehood. In the past, the Palestinians demanded a state, even with provisional borders... Currently, the Palestinians object to a state with provisional borders, while Israel insists..."*

February 2005  
Abu Mazen

*"...A Palestinian State with Provisional Borders before a Permanent Status Agreement is a trap..." (New York Times, 2/14/05)*

decisions. The other focused on laying the infrastructure for Israel's decision-making regarding eventual Palestinian statehood.

### ***Our Clients***

The Reut Institute is a client-oriented policy group. Our clients are agencies of the GOI; we seek to tailor ourselves to their needs by generating products that are easily understood, versatile, accessible and responsive to their time constraints.

In the course of 2005, through our work on the Palestinian issue, we engaged the entire community of governmental and other decision-makers regarding the Palestinian topic, *although to varying degrees*. These include the Bureau of the PM and the National Security Council, Ministries of Defence, Foreign Affairs, Justice, and Trade and Industry and the Knesset Committee on Security and Foreign Affairs, as well as AIPAC, other leading think-tanks, commentators and academicians.

### ***New Product Categories***

In 2005 we developed four new categories of products – Point of View (*Nekudat Reut*), Fundamental Early Warning, Systemic Overview and ReViews. Each of these categories is designed to focus attention of decision-makers on an aspect that is essential for their making of relevant choices.

Our eight categories of products now include the following:

- **Analysis-Base** – Mapping the interconnectedness between actors, trends, interests and institutional constraints;
- **Policy-Product** – Framing and analyzing options available to the GOI and evaluating their relevance in different ideological and factual contexts;
- **Systemic Overview** – Taking one subject and identifying all other issues that are related to it;
- **Fundamental Early Warning** – Challenging working assumptions, which may have been rendered irrelevant;
- **Point of View** – Real-time analysis of strategic implications of on-going developments;
- **ReViews** – Highlighting events that constitute a trend, which may render an element of a policy of the government irrelevant.
- **Concepts and Terms** – Framing and defining a single insight or idea. **Concepts** relate to insights whose meaning may change from one context to another such as "Permanent Status". **Terms** relate to issues whose meaning does *not* change contextually.

### ***A New Modus Operandi: "Infrastructure" and "Rapid"***

Reut continues to develop the application of the Praxis Package of Systemic Reframing Thinking™ in the service of our mission and strategy. In the course of 2005, we have come to an understanding of two distinct modes of operation – "Infrastructure" and "Rapid".

In our **Infrastructure Mode** we engage issues that will be central to Israel's agenda within a months to years. Our "Policy Efforts" systematically identify and define relevant terms and concepts; map actors, trends and constraints; frame bird's-eye-view alternative strategies and offer ways to choose among them. Hence, each policy effort results in a cluster of products of different categories covering a range of aspects of a specific topic. For example, at the end of 2005 and following the Disengagement, these issues included creative thinking regarding a new Israeli-Palestinian economic regime to replace the existing Oslo model of the "Customs Envelope".

A **Rapid** occurs when a central premise of Israel's national security changes because of a constitutive event. Then, prevailing mindsets are rendered irrelevant and reality changes quickly. At the same time the GOI strives to make sense of developments and realign its national security paradigm while being forced to make many decisions with long-term effects in much higher uncertainty.



When a Rapid occurs, Reut acts immediately to respond to the needs of decision-makers working with them and around their agenda in turnaround times of few days. As mentioned above, in the **one-month** Rapid that followed Disengagement, Reut produced nearly **20 publications**, had some **15 meetings** in a variety of forums of decision-makers on the ministerial and bureaucratic levels and were present in the **national media** more than **20 times**. Another example of a Reut Rapid was the intense period of activity surrounding the Hamas electoral victory in early 2006.

### *Institutional Structure*

#### **Our Staff**

The core staff of Reut consists of an outstanding, talented and committed group of young Israelis. It is the primary asset contributing to our capabilities as an organization. At the end of 2005, our staff consisted of 11 full-time members, as follows:

- **Mr. Gidi Grinstein**, our Founder and President, held the responsibilities for the development of the organization, as well as for the management of the substantive work;
- **Ms. Noa Eliasaf**, with extensive experience and background in non-governmental organizations, served as our VP for operations and finances;
- **Mr. Omri Dagan** – with an M.A. (with Honors) from Hebrew University in Conflict Research, Management and Resolution, handles all of our human resources and talent management and serves as a Team Leader;

- **Mr. Eran Shayshon**, with an M.A. in Middle East Studies from Hebrew University, is our second Team Leader;

- **Ms. Dana Preisler**, with an M.A. (with Honors) in Security Studies from Tel Aviv University and a recent winner of the Tshetshik Prize for Strategic Studies on Israeli Security, serves as an analyst;

- **Mr. Jonathan Adiri**, with an M.A. from the honors program of Law, Politics and Society at Tel Aviv University, serves as an analyst and heads the development of our new website;

- **Mr. Gabe Ross**, with a B.A. in Political Science from UCLA, serves as an analyst;

- **Ms. Dahlia Shaham**, with an L.L.B. (with honors) in Law and Latin American Studies from the Hebrew University serves as an analyst;

- **Mr. Yariv Mann**, with an M.A. in Political Science from the Hebrew University, serves as an analyst;

- **Mr. Elad Foa**, Reut's webmaster, is finalizing his B.A. in History and General Studies in the field of International Relations. Mr. Foa served as head of information security in the Office of the Prime Minister and the President.

At the beginning of 2006, three additional staff members joined Reut:

- **Mr. Gady Paran**, Director of Organizational Development, with an M.A. in political science from the public and internal audit program of Haifa University;

- **Ms. Michal Cohen**, Director of Media and Communications, with a B.A. in Political Science from Hebrew University and a diploma in Organizational Consulting from the College of Management;

- **Ms. Deborah Housen-Couriel**, with an L.L.M. (with honors) from the Hebrew University, a B.A. (summa cum laude) from Wellesley College and 15 years of experience in the Israeli public sector, will serve as a Team Leader.

In addition, the Reut Institute holds rotating positions for research-fellows. During 2005, we had 5 interns: Mr. Owen Alterman (Harvard Law School), Mr. John Davis (The Fletcher School of Law and Diplomacy at Tufts), Ms. Leora Addison (SAIS at John Hopkins), Mr.



Item from the new Reut website



Gabe Ross (UCLA) and Mr. Ramon Maislen (Interdisciplinary Center in Hertzliya).

### ***Managing Board***

Our Managing Board comprises three persons who serve without financial compensation. It is responsible for overseeing Reut's management and administration. The Board meets quarterly to review budgetary projections and ensure full and transparent implementation of our legal obligations. Its members are:

- **Mr. Michael Orenstein** – Mr. Orenstein holds a Master in Economics (2000) and a B.A. in Computer-Science and Economics (1994), both from Tel-Aviv University. He served as a Captain in the Israeli Navy Budget and Finance Department.
- **Mr. Yoav Shapira** – Mr. Shapira is currently the Chief Operating Officer (COO) of an Information Technology firm in Israel. Over the past ten years, he has served as COO of a number of high-tech companies. Mr. Shapira holds an M.B.A. in business management, specialized in marketing, and a B.A. in economics, both from Bar Ilan University
- **Mr. Noam Bardin** – Mr. Bardin is a business entrepreneur who serves as Chairman of the Board of Directors of Deltathree Inc, (NASDAQ: DDDC) a leading internet telephony company he co-founded. Noam holds a Master in Public Administration from Harvard University Kennedy School of Government (2003) and a B.A. in Economics and Political Science from the Hebrew University (1997).

### ***Steering Committee***

Our Steering Committee comprises seven highly respected people who represent a spectrum of political affiliations. The main task of our Steering Committee is to identify areas that should be the focus of Reut's work. Its members are:

- **Mr. Pini Meidan-Shani** – Foreign Policy Advisor to PM Barak (2000-01).
- **Mr. Arnon Pearlman** – Chief Spokesperson for PM Sharon (2001-03).
- **Ms. Dalia Rabin** – Deputy Minister of Defense (2001-02).
- **Prof. Uriel Reichman** – President of the Interdisciplinary Center in Herzliya;
- **Mr. Uri Shani** – Chief of Staff of PM Sharon (2001-02).
- **Adv. Gilead Sher** – Chief of Staff and Chief Negotiator of PM Barak (1999-2001).

Convergence Plan



Knowledge Map  
from the new Reut  
Website

### ***Oversight Committee (Va'adat Bikoret)***

The Oversight Committee is charged with supervising the financial activities of the Reut Institute in accordance with laws applying to non-profit organizations in Israel. Its members are:

- **Mr. Moti Cristal** – Mr. Cristal is a conflict analyst who graduated from Bar-Ilan University Law School (1994) and has a Master in Public Administration from Harvard University Kennedy School of Government (1998). Moti is currently writing his Ph.D. in Systems and Negotiations at the Interdisciplinary Institute of Management at the London School of Economics.
- **Mr. Doubie Schwartz** – Mr. Schwartz is a Project Director at the Economic Cooperation Foundation, specializing in research on Arab citizens of Israel. He holds a B.A. from Tel Aviv University and an M.A. in International Relations from Hebrew University.

### ***A New Web-Based Policy Platform***

Reut's website is an essential component of our capacity to impact decision makers. Our first website was launched in May 2004. It was primarily designed to introduce the Reut Institute to its clients and donors. Content and decision-support capacities took second stage.

As of the summer of 2005 we began planning our new website. Its purpose is to serve as a primary source for decision-support for people in positions of authority, leadership or influ-



### Expense Categories in \$US:

Salaries:  
\$227,000

Administration:  
\$74,500

Property:  
\$72,400

PR & Media:  
\$45,200

Fundraising:  
\$49,200

Website:  
\$10,000

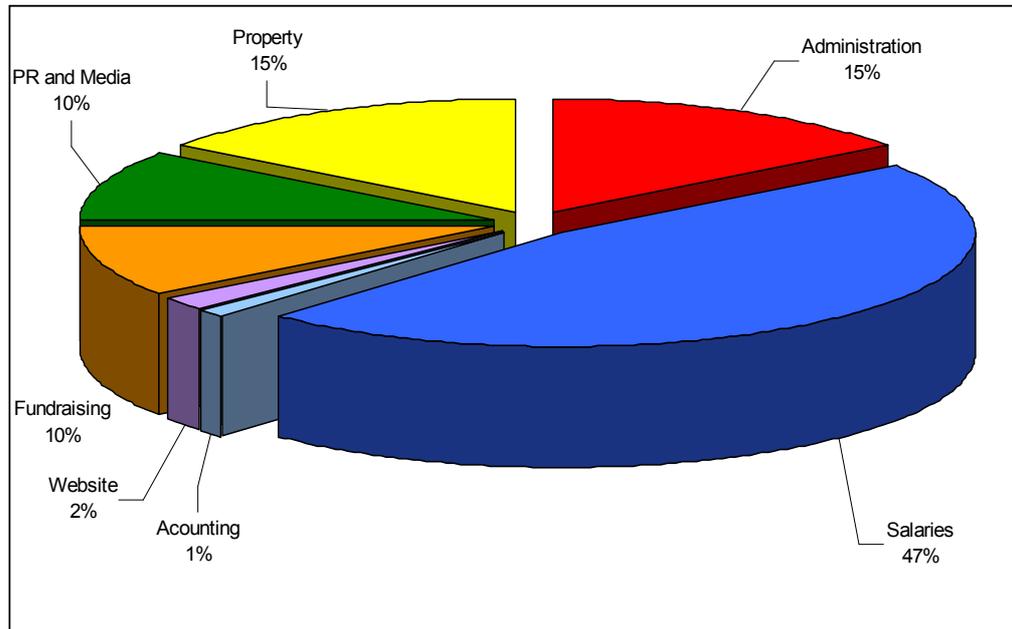
Accounting:  
\$4,500

ence in Israel. We have tailored the new website around their needs to be accessible, user-friendly and highly informative. In this context, we engaged one of Israel's top website developers.

### Fiscal Year 2005 Financial Summary

The following is an audited financial summary of the Reut Institute for 2005:

- The original budget of Reut for 2005 covering one 6-person policy-team and a 4-person management team was \$752,000, reflecting an expected average monthly expenditure of \$62k.
- Our *actual* expense level was ~\$483,000 – 64% of our original budget – reflecting an **average monthly expenditure of \$40k**. The gap between planned and actual budget stems from postponing the launching of a new content team from June to December 2005 and from not fully meeting our fundraising objectives. The graph below provides the makeup of our expenses for 2005.



- Salaries comprised 47% of our expenses. Average total *monthly* cost to Reut of an employee – including all taxes and benefits – is \$2,500.
- **Praxis Package** – Our payments to Praxis for their methodology, software and support services comprised 7% of our budget (nearly half of our expenses on property). This represents a significant decrease compared to 2004, as a result of the transition from acquisition to maintenance.

In addition, we would like to share the following information regarding our 2005 financials:



Item from  
the new Reut  
Website

■ **Number of donors and makeup of gifts** – In 2005, we have received donations from 72 individuals and foundations. The spread of the gifts was between the sum of \$50 and \$60,000 for the largest gift;

■ **Israeli sources** – In 2005, the total sum of gifts received from Israelis amounted to ~75,000, 15% of the total funds raised. The rest of our resources were raised in the USA.

- **Resources for Fundraising** – During 2005, we traveled 4 times to the USA and twice to Europe (London and Paris), spending nearly 13 weeks on the road.



*In parallel, we remained pledged to creating a national research base regarding Palestinian statehood. Our assessment remains that at some point in 2006-07, the process of upgrading the political and sovereign status of the Palestinian Authority to statehood will materialize.*

## Strategic Plan for 2006

### *Israel's Palestinian Challenge in 2006*

In January 2006 Israeli-Palestinian relations fundamentally transformed once again due to the Hamas' victory in the elections for the Palestinian Legislative Council (PLC) of the Palestinian Authority. In its aftermath, Israel is faced with the need to revisit its strategy and policies vis-à-vis the Palestinians.

As early as *September 2005*, following the Gaza Disengagement, Reut decided to prepare the infrastructure for supporting Israeli decision-making in the "day after" PLC elections. At the time, the prevailing working assumption among Israeli decision-makers was that Hamas would *not* win more than 25% of the votes and seats.

Our analysis indicated that the electoral system on the Palestinian side strongly favors parties with superior logistics and discipline i.e. Hamas over Fatah. Hence, we began challenging the prevailing mindset and grappling with the possibility of a significant Hamas success in the elections.

In *October and November 2005*, we began preparing the infrastructure for dealing with the challenge of Hamas. We defined and conceptualized terms and concepts such as "Hamas Movement", "Hamas Charter", "Ethos of Palestinian Struggle" and "Principle of Historical Compromise" so as to create a 'common language' that would serve Israeli decision-makers regarding this subject.

In *November 2005* we launched a set of presentations to the various national security bodies focused on various aspects of the challenge of Hamas: its strategic objectives and strategy, the agenda for the "day after" and more.

In addition, we published a number of products designed to identify gaps between GOI policy and reality, as well as to offer relevant ideas. For example, we published a product that focused on the Palestinian constitutional structure in case of Hamas achievement and anticipated a governmental dysfunction that eventually prevailed.

In *January and February 2006*, following Hamas victory, we published multiple documents – primarily *Points of View* – regarding various related aspects. In addition, we launched a website that was updated daily offering decision-makers a primary resource for supporting their decision-making.

By the spring of 2006 Reut had become a primary source of decision-support for the GOI with significant access to most bodies of decision-making at the highest levels.

In parallel, we remained pledged to creating a national body of analysis regarding Palestinian statehood. Our assessment remains that at some point in 2006-07, the process of upgrading the political and sovereign status of the Palestinian Authority to statehood will materialize. Thereafter, numerous decisions and actions will have to be taken within a very short time span. Reut aspires to provide real-time strategic support to all agencies of the GOI that will engage this challenge.

By the end of 2006 we hope to say that every person in position of influence, authority or leadership in Israel will know of Reut and its work and will be drawing upon Reut as a primary source for supporting long-term thinking. A key element in this process will be our innovative website, to be launched shortly, which will reach out to an entirely new and much wider public on a global scale.

### *Israel's TOP 15 Agenda A Framework for Significant Development*

In 2006, the Reut Institute will expand its activities to the areas of development and growth. Applying its unique mode of operation to this area, Reut aspires to become a leader and catalyst in a process that will transform Israel's economic performance.



*We have worked very hard to carve out a niche where we can be the best organization in Israel in the public sphere.*

The project "Israel's TOP 15 Agenda – A Framework for Significant Development" – hereinafter "The TOP 15 Agenda" – seeks to initiate an episode of massive socioeconomic growth in Israel. The aim is to elevate Israel from its present place of 23-25 in the world in terms of quality of living to a level of development that would place it among the 15 most developed nations. The TOP 15 Agenda will offer on-going real-time decision-support to the Government of Israel, focusing decision-makers on the challenge of significant sustainable growth.

In more practical terms, Reut will identify a few issues that are key to Israel's TOP 15 Agenda. We will then prepare infrastructure for decision-support and begin to work with the relevant decision-makers on the political, bureaucratic and municipal levels. Once the infrastructure is in place (estimated within 6 months), we will begin to provide close decision-support to the GOI.

### ***Reut's Development Challenges for 2006***

The following is the December 2005 budget and development plan of The Reut Institute for 2006, as well as the guidelines of the Board of the Reut Institute to the management team.

#### **Enhancing our competitive advantage**

The Reut Institute sees itself as a unique policy group. We have worked hard to carve out a niche where we can be the best organization in Israel's public sphere. During 2006, Reut plans to enhance its competitive advantage in comparison to traditional policy groups based on the following:

- **Working relations with decision-makers in the GOI** – The Reut Institute has established direct access to and working relations with the various agencies of the GOI. This access allows us to understand their urgent needs and respond accordingly. Hence, Reut is able to provide real-time and relevant products – "Just in Time, Just Right". Our objective for 2006 is to further develop these relationships to serve the entire constituency of people in positions of authority, leadership or influence.
- **Focus on the "fundamental" level of policy; on the working assumptions** – Reut's unique value proposition is created by its focus on the fundamental level of policy – its premises. Reut specializes in identifying tacit and explicit working assumptions and checking their relevancy. Our work helps decision-makers gauge their own relevancy regarding their objectives, tools and the overall playing field. In 2006 Reut plans to enhance its capacities in this area.
- **Our presence in the interdisciplinary sphere** – Reut specializes in creating new knowledge in the inter-disciplinary sphere and then transferring it to decision-makers. Our work combines insights from multiple disciplines on a real-time basis. In 2006, Reut plans to further improve its capacities in this sphere.
- **Flexible and versatile structure; we focus on methodology, *not* on knowledge** – Reut comprises of best-and-the-brightest type full-time professionals hired for their capacity to think and analyze creatively while working in teams and *not* for the knowledge they already have. Using a cutting edge package of theory, methodology and software tools, they are trained to analyze complex and dynamic environments as individuals and in teams. This model renders Reut different from other think-tanks and policy groups and grants us with a flexible and versatile structure. Reut will continue to develop these capacities.
- **We focus on the mindset, *not* on information; on questions and not answers** – The Reut Institute focuses on the mindset of decision-makers i.e. on the way they perceive the world in specific set of circumstances. Reut helps people frame the question rather than offering them answers to already existing problems. Hence, Reut does not focus on collecting, analyzing and distributing information that already exists. Our focus is identifying areas of "unknown unknowns" and creating knowledge there.

#### ***Significant thresholds for competitors***

We believe that Reut has been able to establish a unique position in the "market" of policy groups in Israel. It is a product of a combination of our direct access to the GOI; our method-



Reut's "market niche" is defined by an exclusive access to a package of theory, methodology and software tools...and a unique value proposition to decision-makers which is our intellectual property.

ology, which renders us flexible and versatile; our strength in the inter-disciplinary sphere; and our focus on the mindset of decision makers.

Reut's "market niche" is secured by a number of elements. Reut has an exclusive agreement with Praxis, which permits us the rights of use of its package of theory, methodology and software tools. In addition, Reut has intellectual property rights over its decision-support products.

### ***The Expense Side - Priorities and Guidelines***

Our top priorities for 2006 are the following:

1. **Content Team 1 – Preparing Israel for Palestinian Statehood** – A full-fledged 5-person policy team working on preparing Israel for Palestinian statehood. No other governmental or non-governmental organization is systematically preparing for this moment;
2. **Content Team 2 – Israeli-Palestinian Relations** – A full-fledged 5-person policy team providing on-going close policy and decision support to the Government of Israel on the Palestinian issue;
3. **Content Team 3 – TOP 15 in Quality of Living** – Reut plans to launch a policy team that will focus on the "TOP 15 Agenda", i.e. placing Israel among the top 15 most advanced nations in the world in terms of quality of living;
4. **A fully operational new web-based policy platform** – Reut will launch a new "Strategic Hub" website, which is designed to become a primary resource for policy-support to the GOI, as well as create a global community that is committed to better governance in Israel and the Jewish world;
5. **Communications Director** – Impact on the future of the State of Israel and the Jewish world is at the core of Reut's mission. In light of a growing number of publications, Reut will recruit an "in-house" communications director who identifies with our vision, has full mastery of our products and can leverage them toward greater impact;
6. **Additional organizational leader** – Reut will continue its efforts to recruit candidates for the leadership of the organization, with vast governmental, substantive and leadership experience;
7. **Enhancing policy capacity** – Reut will continue to hire new analysts at a pace of one analyst every two months for a total of 6 analysts by the end of 2006;
8. **Savings fund** – Reut will begin to allocate a monthly sum in order to create a saving account to support future institutional transitions. Our current saving is at a rate of USD 5K a month;
9. **Endowment** – Reut will begin a modest endowment fund initiative to be developed at a later phase.

### ***The Resource Side - Priorities and Guidelines***

1. **50%-80% Growth in Budget compared to 2005** – Our budget for 2006 will be between \$750-900k. This budget reflects growth of 50-80% compared to our 2005 Budget. This growth is based on the trends of our fund-raising.
2. **Director for Development** – Reut will employ an "in-house" development person in order to allow on-going development efforts *in and from* Israel and not only during our fund-raising trips.
3. **Additional sources of income** – Reut will develop additional sources of income, chief among which should be our new website, designed to significantly increase web traffic.

### ***Board Monitoring and Supervision***

In the context of this ambitious development plan, and in order to preserve the balance between resources and expenditure, the Board has set the following guidelines for the management team of Reut:



- **Monthly cash-flow report** – On the 10<sup>th</sup> of every month, Reut management will deliver a report on cash flow to the Board.
- **"2 and 5 month Rule"** – On the 10<sup>th</sup> of every month, before payment of salaries (roughly 50% of Reut expenses), the Reut Institute should have in its bank account enough cash for at least two months of operation while pledges for at least 3 additional months should have already been made. If the "2 and 5 month rule" is not met, the Board will reassess the development plan.
- **Regular Board Meetings** – The Board will meet every three months in order to re-evaluate the budget and prioritize activities.
- **American Friends of Reut Institute** – The Reut Institute is an incorporated, non-profit organization registered in Israel. Reut is generously supported by the American Friends of Reut Institute, AFRI, which was established at the beginning of 2006.

### ***Standards of Transparency and Accountability***

This 2005 Annual Report of the Reut Institute was composed in compliance with all transparency and accountability standards required by nonprofits operating in Israel.

As an Israeli nonprofit organization we are obligated to abide by The *Amutot* Law (Hebrew for *Nonprofit Societies*) of January 2005, which emphasizes accounting requirements, financial reporting and standards for use of funds.

As part of its commitment to its donors and supporters, the Reut Institute plans to take upon itself a significantly higher standard of transparency and accountability. This will include, for example, as appropriate, a disclosure of our financial sources and a publication of salaries and all related benefits to its senior staff.

Concepts ■ 4,3,06 | Political Process & Negotiations



**Arab Peace Initiative**

This term refers to an initiative adopted in the Arab Summit in Beirut and referred to in the Roadmap. The initiative suggests a normalization of Arab-Israeli relations in return for the establishment of a Palestinian state within the '67 borders

Briefcase  
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Political Process & Negotiations



Map and Details

Item  
from the new Reut  
Website

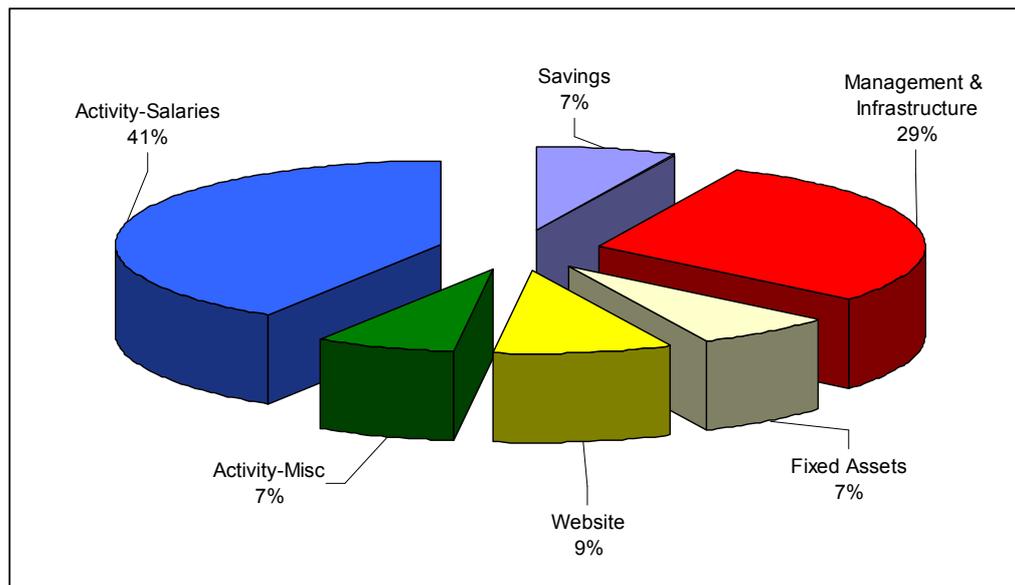


### 2006 Budget

In December 2005, our 2006 budget stands at \$900k meeting all aforementioned objectives set by the Board.

This budget includes less than 30% management and infrastructure expenses. Although this figure meets the benchmark for good governance of not-for-profit organizations set by the Israeli Registrar of Non- Profit Organizations, it reflects our investment in capacities that will allow Reut to grow. For example, the next ten recruitments of the Reut Institute are expected to be focused on our operations.

The following chart provides the makeup of our anticipated expenses during 2006:



Point Of View
4.30.06 | Hamas Challenge



**Hamas - Facilitating convergence?**

Hamas regime may increase the probability of obtaining the required international support for Convergence

[Briefcase](#)



[Map and Details](#)

Item from the new Reut Website





## *Clarifications for the Budget Table*

### **Management and Infrastructure**

- **"Salaries"**: 50% of CEO's salary; 50% of COO's salary and full salaries of CFO and Resource Development person.
- **"Fund Raising"**: Fund raising trips and professional services abroad.
- **"Office Expenses"**: Office equipment and delivery services.
- **"Telecommunications and Post"**: Phone, internet and postal expenses.
- **"Transportation and Incidentals"**: Transportation in Israel, refreshments, miscellaneous.
- **"Professional Services"**: Accountancy services.
- **"Miscellaneous"**: Additional expenses, bank interest, gifts.

### **Activities**

- Each Content Team is to include, by the end of 2006, a team leader and 4 fully trained analysts.
- **"Content Team 1"** works on providing on-going policy-support to the GOI on the Palestinian issue.
- **"Content Team 2"** works on preparing Israel to Palestinian statehood.
- **"Content Team 3"** works on the TOP 15 Vision for Israel's development.
- **"Website"**: Cost of design, construction and maintenance of the Reut Institute new website, and a full-time in-house webmaster.
- **"Interns"**: Salary of one intern throughout the year.
- **"PR and Publications"**: Production of conferences, publications and speaker's fees.
- **"Research Rooms Maintenance"**: Expenses on rent, parking, taxes and maintenance.

### **Fixed Assets**

- **"Professional Literature"**: Purchases for our library and subscriptions to newspapers, magazines and e-journals.
- **"Praxis consultancy"**: A package of services including rights to use the 'PRAXIS ® Systemic Policy Design platform (SPD)'; individual training for new workers; and strategic organizational consultancy.
- **"Fixed Assets"**: Mainly furniture.
- **"Technology"**: Computers and incidental equipment.

### **Savings**

- **"Savings"**: The Reut Institute savings fund.



## Conclusion

The Reut Institute was established in January 2004. We published our first product in July 2004. By December 2004 we felt that we had passed our feasibility test.

At the end of 2005 we were on the map – a small yet identifiable and successful brand recognized by a rapidly growing number of players. By the end of 2006 we aspire to become a leading non-governmental force in the world of shaping Israel's long-term future.

We hope that this report will make you proud of your partnership with us and will inspire you to increase your involvement with the Reut Institute in years to come.

As always, we welcome your observations, questions and comments.

Sincerely yours,

Gidi Grinstein

Founder and President