



2007 ANNUAL REPORT HIGHLIGHTS

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"ISRAEL'S PREMIER POLICY STRATEGY GROUP"
THOMAS FRIEDMAN, NY TIMES, 03/30/2007

The Reut Institute is proud to present the highlights of its annual report for 2007, which summarizes and concludes our work during the past year. This year has been one of significant growth and meaningful progress on all levels. The highlights are:

GENERAL

- **Our vision and mission remained solid and relevant:** Our vision ('21st Century Zionism') and mission ("sustaining a significant and substantive impact") continued to provide us with a powerful framework for our work.
- **Our strategy remained solid too:** To become a 'primary address' for decision-support in the State of Israel; to serve as a model for the design of strategy; and to recruit and train a cadre of Israel's future strategic thinkers.
- **...as did our unique value proposition,** i.e., identifying strategic surprises and opportunities and asking questions that leverage already existing resources.
- **Institution building continued:** In 2007, Reut continued its transformation into an *institution*, i.e., an organization that has the capacity, agility and resilience to serve its mission effectively and efficiently transcending context, over a long period of time and without dependency on any individual that is part of its community. The focus of this effort has been:
 - **A New Charter**, enshrining the vision, mission and values of the founders of the Reut Institute, was formalized as a founding document;
 - **Amended Bylaws**, which consolidate management and oversight mechanisms, have been submitted to the Comptroller of Nonprofits;
 - **Three-year development plans instituted** as of 2007;
 - **A systematic effort of documenting and handing over responsibilities from Gidi Grinstein to the management team** has been completed in human resources and operations and is underway in government relations and knowledge creation. Development remains heavily dependent on our CEO.
 - **Partial 'operational integrity' achieved**, i.e. building the capacity of policy teams to provide our unique value proposition *independently*.
 - **Board of Directors has been expanded.**
- **'Consolidating the springboard'** is expected to materialize in the summer of 2008 in order to prepare Reut for consistent and rapid growth.

EFFECTS

- **ISRAEL 15 Vision: Introducing the concept of leapfrogging** (from 9/07): Reut has made significant progress introducing the concept of socioeconomic leapfrogging and highlighting the difference from growth.
- **Annapolis Process not risk-free** (8-11/07): In the summer and fall of 2007, Reut successfully challenged the mindset that the Annapolis Process is a risk-free political enterprise.
- **Upgrading the National Economic Council** (from 9/06): Reut identified the newly established National Economic Council as a potential 'central brain' essential for leapfrogging. We have successfully focused many players on this topic.

- **Hamas take-over of Gaza: a pyrrhic victory (6-8/07):** Reut successfully demonstrated the advantages that Israel may have from the unexpected Hamas victory.
- **Raising Israel's competitive and comparative mindset (5-8/07):** Reut provided the basic research highlighting the value of a more comparative and competitive mindset working primarily with the Ministry of Finance.
- **Reframing the concept of poverty (2-5/07):** Reut submitted a report to the national commission on the measurement of poverty offering to reframe the benchmark for poverty from available income to a broader 'economic resilience index'. Similar conclusions were incorporated in the committee's final report submitted in January 2008.
- **Taking Hamas through a corridor of difficult decisions (1-6/07):** The GOI declined to consider an alternative strategy for dealing with Hamas. This effort was brought to a halt following the taking over of Gaza by Hamas.
- **Israel's implosion (throughout 2007):** Reut was the first to frame the strategy of Hamas, Iran, Hizbullah and others to bring about Israel's implosion. This is a major strategic threat that has not been adequately dealt with to date.
- **Crisis of National Security Strategy (from 9/06):** Following the Second Lebanon War, Reut identified a crisis in Israel's national security strategy. Papers were presented to the Winograd commission and the issue was recognized in its reports.

OUTPUTS

- **20% increase in decision-support services:** Overall, we had 73 policy briefings and decision-support sessions, which represent a 20% increase compared to 2006.
- **National Security:** Reut dedicated more than half of its team – 9 analysts – to national security work, focusing primarily on the Palestinian and Iranian challenge as follows:
 - **The Annapolis Process:** Reut published many documents relating to various aspects of the Israeli-Palestinian political process. Some of the major themes were: the political process is *not* a risk-free political enterprise and original goals were unrealistic;
 - **Fundamental de-legitimacy:** Reut continued its research on this area that receives little institutional attention in Israel. We focused on interconnected efforts by the resistance network, which includes Iran, Hizbullah, Hamas, international organizations and factions among Arab citizens of Israel.
 - **Hamas challenge:** Reut researched and published extensively on various blind spots in Israel's policy toward Hamas prior and following its take-over of Gaza.
 - **Strategy of implosion:** Reut has become the leading institution in researching this new threat having published dozens of publications.
 - **Iranian hegemony:** Reut research led to a more detailed understanding of this challenge and the Iranian vehicles to achieve it.
- **ISRAEL15 Vision:** This area grew rapidly in 2007 doubling in size and capacity focusing on the following:
 - **Visit of Prof. Ricardo Hausmann** – a world renowned economist (Harvard, Kennedy School of Government) that researched the question why some countries muddle

through while others thrive. Prof. Hausmann met 400 of Israel's economic, political and academic elite.

- **Leapfrogging vs. growth:** Reut published many documents highlighting the difference between the concepts of 'growth' and 'leapfrogging' and the requirements for the latter. We are Israel's center of knowledge on this topic.
- **Measuring poverty:** Reut submitted a report to a national commission designated by the PM to revisit the definition of and assessment of poverty. Our recommendation: create a broader 'economic resilience index' to replace the 'available income' index.
- **Ministry of environment: aligning its strategic plan toward the ISRAEL 15 Vision:** In this breakthrough effort, Reut was instrumental in helping the strategic team of the Ministry of Environment Protection to align its strategy with the ISRAEL 15 Vision.
- **National Economic Council:** International experience indicates that an economic 'central brain' is critical for leapfrogging. Upon the establishment of the National Economic Council by the PM, Reut identified it as a potential 'central brain' and has carried out extensive research on similar institutions around the world.
- **Website developing into a primary resource:** With over 2,500 items, our website is increasingly becoming a primary resource on Israel's strategic agenda.
- **Media Exposure:** Our 2006 media references (176) set a high bar, primarily because of the Second Lebanon War. Nevertheless, in 2007 our media profile continued to mature with over 130 references in major media outlets including Thomas Friedman framing Reut as "Israel's premier strategy policy group" (March 30th, NY Times).

CAPACITIES

- **ISRAEL 15 Vision: a new team on strategy and structure:** In July 2007, Reut launched a new team serving the ISRAEL 15 Vision to focus on the need of aligning the structure of government toward the challenge of leaping.
- **Human Capital: More and better training:** Reut consolidated its training program for strategy and leadership and added a strong feedback mechanism. Recognizing our focus on cultivating human capital, Reut won a total of \$250,000 annual pledge for 3 years from the Charles and Lynn Schustermann and Chais Family Foundations.
- **Overhauled impact team:** In 2007, Reut overhauled its impact team to make it more effective in helping decision-makers focus on the strategic surprises and opportunities that we identify. The essence of this reform has been to shift focus from media exposure to sustained efforts of impact.
- **Upgraded decision-support services:** In 2007, Reut introduced a decision-support package, which guides all of our interactions with decision-makers. We now have a much clearer sense of the distinct value that we can bring in every interaction throughout a project;

INPUTS

- **Staff:** Reut staff grew by six analysts that joined our ISRAEL 15 teams in 2007;
- **Budget:** 2007 budget grew by ~50% from \$920k in 2006 to ~\$1,400k. In addition, 35% of our 08' budget (\$2.2m) had been pledged by December 2007.