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THE JEWISH AGENCY DOES SOME ODD THINGS

WITH THE MONEY IT GETS FROM WORLD JEWRY

David Baram

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THE JEWISH AGENCY DOES SOME ODD THINGS WITH THE MONEY IT GETS FROM WORLD JEWRY

A Loan by the Jewish Agency

Much money is generously donated by world Jewry to assist new immigrants here in Israel, to make this a country fit for Jews to live in. Those who donate money so freely are often suffering from some degree of antisemitism and are themselves struggling for existence. Such donated funds are administered by the Jewish Agency (Sochnut) and as a new immigrant I have been given a loan of IL 30,000 (IS 3,000) which supports me while I learn to speak Ivrit.

It takes five months full-time study and I get the loan in five instalments. I am told that there is no choice, that the only way I can get an instalment is to go and collect a cheque from the Jewish Agency's Bank Idud. It has to be collected after the beginning of each new month for my living expenses during the previous month.

I study for a month before I can get the first instalment and so the first month is difficult. I have to make five return journeys and queue five times just to get the five cheques for the five instalments in which I receive the money.

Bureaucracy! Administrative muddling! Stupid clerks who don't think! Bank managers who blindly follow stupid time-wasting procedures without thought of what it means to me! No thought of what it costs me in time and money which I can ill afford to waste!

Why can't they just give me the whole loan right away and be done with it? It would save them so much bother, it would save me so much trouble!

Letting off steam like this may make me feel better but does not alter the system. Only the new immigrants complain and they do not have much of a voice.

I start at the ulpan (language school) in January and the loan is granted in January. So this is what I receive:-

Table 1

Instalment	Date	Amount (IS)
1	February	600
2	March	600
3	April	600
4	May	600
5	June	600
Total Loan		3,000

The Jewish Agency has its own 'Bank Idud'

Another point is that I don't understand why the Jewish Agency should have its own bank. After all, keeping records of loans and instalments is not that difficult.

The Jewish Agency has provided me with a loan of IS 3,000 and has given me the money. It spends money which has been collected abroad and publishes its budgets in foreign currency. The loan amounts to £ 375 (at 8 IS/£) and this is £ 75 per month {1}.

Most Russian olim (new immigrants) have very little money to spend and £ 75 ($ 172) for four and a half weeks is just adequate for bare existence. The clerk who helped me fill out the form gets about twice this and her husband earns even more.

Understanding comes slowly but surely.

Each month prices increase because of inflation so that the money I get buys less each month:-

Table 2

Instalment	Date	Amount (IS)	Price index {2}	What the instalment is worth (IS) {3}
1	February	600	100	600
2	March	600	108	560
3	April	600	116	520
4	May	600	124	480
5	June	600	134	450
		3,000		2,610

The table shows how prices increased at the beginning of 1980 and how as a result the worth of the instalment dropped each month.

You can see that as a result of inflation and because the money I borrowed is given to me in instalments, I have lost a lot of money. Each month I had less in real terms to exist on, losing up to a quarter of my money in the last month. I borrowed IS 3,000 but in effect in real terms received only about IS 2,600.

It affects all new immigrants in my position and I don't understand why the Jewish Agency lends the money in this way.

All they had to do was to give me my money as a lump sum in the first place. I could have invested it or could have kept it in a foreign currency account (say £ sterling or US dollars) and in this way prevented most and probably all of the loss.

And why didn't the Jewish Agency's bank give me the interest I could have earned with the money if it had all been given to me in a lump sum at the beginning.

After all, it isn't really the Jewish Agency's money to do with as they like. It is money donated by world Jewry for the benefit of new immigrants, agricultural settlements, and the like.

Let me look at it from the Jewish Agency's point of view.

The Jewish Agency obtains its money from world Jewry. So let us think in terms of the Agency's foreign income, say in £ sterling (or US dollars).

They lent me IS 3,000. The exchange rate was then 8 IS/£ so if I had received the money there and then I would in effect have been given £ 375 ($ 859).

But the rate of exchange changed each month so that what they gave me was:-

Table 3

Instalment	Date	Amount (IS)	Exchange rate (IS/£)	Amount given to me (in £)	
1	February	600	8.0	75	($ 172)
2	March	600	8.6	70	($ 160)
3	April	600	9.2	65	($ 149)
4	May	600	9.8	61	($ 140)
5	June	600	10.5	57	($ 131)
		3,000		£ 328	($ 752)

The Jewish Agency's money originates largely outside Israel. Assuing that the Jewish Agency, like ordinary people do with small amounts to preserve the value of their money against Israel's soaring inflation, can and does keep its money in foreign (i.e. non-Israeli) currency accounts, only bringing it into the country or else converting it to Israeli currency as and when it is needed, then we would need to know whether the amount which is charged to the Jewish Agency's budgets is the amount at the time the loan is authorised (IS 3,000, i.e. £ 374, i.e. $ 859) or the amount paid out by Idud Ltd (e.g. IS 3,000 paid in five instalments, i.e. £ 328, i.e. $ 751). And if it is the former then how does the Jewish Agency and/or Idud Ltd account for the difference? {4}

Further, in a foreign currency account the instalments would have earned interest, then about 14% for £ sterling. The last instalment would have earned interest for four months, the one before that for three months, and so on. Altogether the interest could amount to about £ 9 ($ 20).

So there could be an advantage to the Jewish Agency and/or Idud in lending money in instalments like this, given that the money originates outside Israel, because it is possible that they could benefit from the depreciation of the Israeli currency and from interest which can be earned by leaving money in foreign (non-Israeli) currency accounts.

You already saw that this way of lending the money in instalments resulted in inflation reducing the money received in real terms by an immigrant by IS 390 (£ 49, $ 112).

And now we saw that this way of lending the money in instalments could be an advantage to the Jewish Agency and/or Idud resulting from the depreciation of the Israeli currency, of about £ 47 ($ 108), and about £ 9 ($ 20) interest, altogether about £ 56 ($ 128).

On the one hand you can count say 20,000 new immigrants whose loan was reduced in real terms by about IS 390 (£ 49, $ 112) till it bought only about 75% of what was close to mere existence in the first place. On the other hand there could be an advantage to the Jewish Agency and/or Idud of the order of 20,000 x $56 = £1,120,000 ($ 2,560,000) each year.

And £ 1 million (about two and a half million dollars) each year is a lot of money.

Idud Ltd is not a Bank

It was during April and May that we made inquiries about this. It seems that by June the Jewish Agency had decided that the Ministry of Absorption should make these payments. It was probably pure coincidence but it was rather unexpected and so I asked more questions and found some fascinating bits of information.

Idud Ltd is not a bank. It is a private company which is completely owned by the Jewish Agency and is likely to be controlled and run by the people at the top of the Agency or by their appointees.

If Idud makes losses, then the Agency is apparently liable for an amount not exceeding IS 250,000. If Idud makes a profit, then surely this should benefit the Agency.

But the Agency's budget {5} clearly states that the budget for Idud is not included in the Agency's own budget and I wonder why?

All this raises more questions. But first let me tell you how I found out and where the information comes from and then I can tell you what else I found out.

There is some really interesting information about Idud

Surely the Agency is principally a charitable organisation as the money mentioned in its budgets is donated and as it donates funds for charitable purposes; so presumably one would expect it to publish each year an audited and readily available statement of accounts telling people how much it received and what it did with the money. Just as with any other charitable organisation, the donors need to know how much of their money reaches those in need, how much is spent outside on obtaining donations and how much the organisation spends on itself.

Most of the Agency's money comes from English speaking countries such as America and Britain and so you would expect the annual statement to be available in English. It is such a big organisation and one would expect their annual statement to show the good use to which they have put the money that has been given to them.

I asked many people. Even those whom I asked at the Bank of Israel either didn't know or didn't tell but they told me that according to Israeli law two copies of everything published in Israel have to be deposited in the National Library. The English section of the relevant part of the National Library's catalogue seemed hopelessly out of date as it showed nothing appropriate after about 1958, and the staff were helpful in a completely ineffective and timewasting way. It took three telephone calls from a member of their management team to find out that they had some later information and where it was.

But they apparently did not have even a single statement of accounts showing what the Agency had actually done during the last ten years with the 500 or so million dollars of world Jewry's money which they spend each year.

I simply fail to understand how any Agency for the Jewish people can receive about 500 million dollars each year of supposedly charitable funds and not publish readily available accounts indicating what it does with this money.

But they did have some copies of the budgets the Agency produces. These are informed estimates which show how much money the Agency would like to spend in the following year and on what it wants to spend it. It then knows how much money has to be raised by fund-raising campaigns. But budget estimates do not as a rule agree with how the money has to be spent later.

The budgets, however, are comprehensive reports {6} and contain information on how the Agency actually spent its money in the previous year. At the end of the budget for 1976 there is some really interesting information about Idud, as follows.

Nothing could be simpler or more straightforward

Idud pays out the loans to new immigrants. It also collects their repayments as well as collecting payments from parents for maintenance of their children in Youth Aliyah.

Idud has funds which it administers and controls. Such funds are apparently and for the most port derived from money contributed to the Jewish Agency by world Jewry and to that extent Idud is responsible to world Jewry for what it does with this money.

So let us look {7} at the 'operations performed by Idud in 1975':-

Table 4

Operations	Loans {8} (1975, $)	Collections {8} (1975, $)
Loans and collections from Jewish Agency budgets	3,168,000	736,000

Nothing could be simpler or more straightforward. We know the many good and useful purposes which the Jewish Agency has budgeted for and Idud makes the loans and collects the repayments.

Idud also makes the many small loans from the Agency's budget and collects the small repayments so that in addition it collected:-

Table 5

Operations	Loans (1975, $)	Collections (1975, $)
Debts of immigrants to the Jewish Agency		1,689,000
Debts of parents to the Jewish Agency for Youth Aliyah		410,000
Total		2,099,000

Presumably in making loans (according to budgets and from corresponding Jewish Agency allocated money) and in collecting repayments, the Idud acts on behalf of the Jewish Agency so that these amounts are already covered and allocated by existing Jewish

Agency budgets. One would therefore expect there to be a corresponding transfer from Idud to the Jewish Agency of an amount equivalent to the money collected by Idud.

So next I look at Idud's income and expenditure. They keep the actual income and expenditure to themselves. All they give {7} are budgets. However, the proposed budget for 1976 poses some interesting questions.

It appears that their income is largely derived from the world Jewry's contributed (Jewish Agency) money. For example they retain 30% of the debts repaid by immigrants, get the interest which is paid for the loans, and in addition get a commission for making the loans.

And they budget to spend a very large proportion of this money (one and a half million dollars) on 'salaries and fringe benefits' (just under 1 million dollars) with another 400,000 dollars on administrative expenses.

The budget tells us nothing about how many people they employ, how much they earn and what these 'fringe benefits' are.

But in 1975 they made about 21,000 loans from eight offices. Assuming they work 260 days in each year, then each office on average gave out 10 loans each day. It doesn't seem much work when you consider how much money is being spent on salaries and fringe benefits. So one really would like to know more about what the 'fringe benefits' are and how many people they employ and retain and who receives how much by way of fees and expenses.

But Idud also does other things with its money

But Idud also does other things with its money. For example, in 1975 alone Idud lent out two and a quarter million dollars from 'joint' funds, that is from money originating partly from the Jewish Agency and partly from Idud.

Table 6

Operations	Loans (1975, $)	Collections (1975, $)
Joint funds with the Jewish Agency	2,292,000	1,263,000

Jewish Agency funds are being lent out jointly with Idud:-

a) If these were Jewish Agency budgeted loans, then this would have been mentioned. Hence these loans do not seem to be covered by the Jewish Agency budget.

b) And as Idud's budget was not included in the Jewish Agency's budget one can only ask just how much is being lent to whom from what funds and for what purpose under what sort of terms?

And if Idud in one year made loans totalling such a large amount (two and a quarter million dollars) from 'joint funds with the Jewish Agency', the question then arises of the origin of the funds Idud is using, namely:-

a) Where do they come from, and

b) why were they not at least in substantial part immediately ploughed back into Jewish Agency funds and spent by the Jewish Agency to meet its planned expenditure?

Idud is apparently lending out some very appreciable quantities of the Jewish Agency's money and we are not told who receives how much and for what purpose, we are not told who decides who should get a loan, the terms of the loan, and why the Jewish Agency is authorising such loans.

But Idud's activities also include lending money from funds held jointly with other organisations and lending money on behalf of other funds, and they collect the corresponding repayments:-

Table 7

Operations	Loans (1975, $)	Collections (1975, $)
Joint funds with other organisations	193,000	188,000
From other funds	566,000	65,000

Now here is a real mystery. The Idud has got together with some other organisations and is using its money to make loans to people we know nothing about apart from the fact that the loans are being made jointly with 'organisations'.

And then it makes a small number of loans 'from other funds' and in the absence of other information one can only assume that these are Idud's moneys which are being lent out. Only about 160 loans in 1975 but on average each one is of the order of 15 times the average amount lent to an immigrant. If my assumption that the amounts collected 'on account of other loans' are in respect of loans 'from other funds' is correct, then the amounts collected for these loans are small and the average size of these loans is about 3,500 dollars. Surely Idud owes it to itself to remove any doubt

about what they have done and are doing with Idud's money by clearly stating who gets these loans, what the loans are for, what the interest rates and repayment periods are, and who authorises the granting of such loans.

After all, a considerable proportion of these funds were probably contributed for charitable purposes.

It has been a fascinating journey of exploration into one of the uncharted regions of the Jewish Agency's operations. And it isn't finished yet

The budget for 1976/77 was presented in more modern form than previous budgets and we saw much. But then I looked for later budgets. It took a lot of trouble to find them but I was able to locate copies of the published budgets for the following two years.

The Agency itself had had second thoughts and in these later budgets Idud's operations are fully included in the budget.

To keep Idud's business activities outside the main budget may have been convenient but it was also revealing. Now the Idud's activities are included in the main budget but in a way which tells us very little about the company and about its operations.

We are told that

> 'This year the company's budget is fully included in the Jewish Agency's overall budget.'
>
> 'The income from collections is included in the Income Budget of the Jewish Agency.'

And we are told this:-

Table 8 Cost of administration of loans and collection expenses

1976/77	Revised budget	$ 1,572,000
1977/78	Actual expenditure (provisional)	$ 1,706,000
1978/79	Proposed budget	$ 1,397,000

This is what the Jewish Agency budgeted to spend on Idud. About one and a half million dollars each year and the 1976/77 budget told us that in that year it was intended to be spent for the most part on 'salaries and fringe benefits'.

But now we are not told about the operations performed nor are we told how much money they actually collect altogether.

We are not told about Idud's many transactions. Although some details were given in the 1976/77 budget, they are not mentioned in these two later budgets. So it seems as if we are not told how they spend their money, from where the funds arise or for what purposes the funds were lent out.

In 1977/78 Idud had assets of about 11 million dollars and I would really like to know just what they are doing with their money. In particular I would like to know how much the company spends on salaries, fringe benefits, fees and other expenses and how much has been spent under each category.

'For activities not connected with Jewish Agency'

I found this matter of 'Idud', of what they do with their money, really interesting. These Agency budgets are fascinating documents. So I had a closer look at the Sochnut, that is at 'The Jewish Agency for Israel'.

It gets and spends a lot of money donated by world Jewry. About 500 million dollars each year.

So 44,000 dollars may be mere chicken-feed to this mighty Agency but it is an awful lot of money to an ordinary person like myself who has to work to earn his living.

So I am really interested in what they did with the 44,000 dollars they spent in 1975 'for activities which are not connected with the departments of the Jewish Agency and are carried out at the discretion of the Chairman'.

I would like to know exactly what these 'activities' are which are carried out 'at the discretion of the Chairman' and which are not connected with the Jewish Agency as such and on which so much of the Jewish Agency's money {9} is being spent each year.

The Agency wants to make sure the loan is paid back

As an immigrant I am entitled to another loan to buy household equipment. This is very useful when you are starting from scratch, when so much is needed. But then I am told that it has to be authorised and that a condition of being granted the loan is that I have to find three financially secure guarantors who promise to pay back the loan if I do not. I am also told that the four of us have to go to Idud to sign the necessary documents. And after all this trouble I would once again get the money in instalments. I would get half the money, getting the second half only after another month.

The Agency wants to make sure the loan is paid back but it would cost my guarantors half a day each and myself two such half days, a total of two and a half full man-days.

The loan is not for £ 10,000 ($ 23,000) nor is it for £ 1,000 ($ 2,300). One has to go through all this procedure for a mere £ 225 ($ 515). Useful:- yes. But is it worth all the trouble? Three guarantors have to be provided so that I can receive a small loan. What is the point of all this trouble? Why are we being asked to do all this?

I live in Jerusalem. Suppose my only relatives live in Beer Sheva. It takes hours to get from one to the other. So it is difficult for me to find three people who are working and earning, and who would want to ask their employer for a statement confirming their employment and income, and who would want to take a morning off work to go and sign the loan documents, and who know me well enough to guarantee the loan. After all, they would have to pay if I do not.

It is all so unnecessary. It is such a waste of time for all concerned. It makes life so difficult. It is a kind of torture, having to ask one's friends and being refused because they do not as yet have permanent work themselves, because they do not want to take a morning off work for attending to sign the loan documents.

No doubt some of us default. By force of circumstances. But it was a Jewish community which saved me from the holocaust and I have never forgotten it nor have I ceased to be grateful. So why do they not simply just give us the money and leave it to us to pay it back, relying on our gratitude?

<u>But all they have to do is ...</u>

In 1980 I was able to borrow IS 1,800 (then about £ 225 or $ 515) from the Agency in this way. Because of inflation I would gain about £ 155 ($ 355), in effect aid from the Jewish community because I pay back in deflated currency. So all that I would be paying back would be about £ 70 ($ 160).

You have seen that in one year Idud collects repayments of roughly two and a half million dollars but that Idud costs roughly one and a half million dollars so that all the Jewish Agency really gets back is about one million dollars.

Now if you apply these proportions to the £ 70 ($ 160) they would get back from me, it means that

Table 9		Applied to the Jewish Agency in proportion
They would collect from me	£ 70 ($ 160)	(2 1/2 mill $)
But they would have to deduct from this what it costs them to make the loan and to collect repayments	£ 42 ($ 96)	(1 1/2 mill $)
So all the Agency really would get back, i.e. all that would be returned to their funds, is	£ 28 ($ 64)	(1 mill $)

So the Agency takes all this trouble and puts us all to so much trouble so as to gain a tenth or so of the loan.

Instead of giving me a loan of £ 225 ($ 515) all they have to do is to give me an outright gift of about £ 200 ($ 460) and nobody would be any worse off, everybody would be saved an awful lot of trouble and paper shuffling between people in the Agency would be much reduced.

So let me repeat:- Why do they not simply just give us the money and leave it to us to pay it back?

There would then be quite a lot of people, at present employed by Idud, who could be found socially useful and necessary work elsewhere within the Agency, but much community time and effort would be saved each year. Consider only the two loans discussed here. Each immigrant would be saved five mornings collecting instalments. Each immigrant would also be saved another two mornings and three guarantors would each be saved one morning. The total in just one year, for only 20,000 immigrants, at 260 working days per year, amounts to 400 man-years, is equivalent to the time spent at work each year by 400 people working for the whole of the year.

One could add other items which would be saved such as about 400,000 bus journeys by individuals, and such as saving about half a million bank money transfers, each year.

From all points of view both the immigrant and the Agency could be much better off

We have seen that from all points of view the Agency should just distribute such small sums as free gifts and in single lump sum payments.

Both the immigrants and the Agency would be saved much trouble and would be much better off as a result.

Still to be answered are some questions about Idud's other operations

But still to be answered are the questions about transactions such as 'joint' and 'other' which Idud makes and how these are authorised, who benefits from them and to what extent, and also who gets fees and/or retainers and how much, and who benefits and to what extent from the 'fringe benefits' they hand out.

Notes and References

{1} In dollars, at 2.29 US $/£, the loan amounts to $ 859 and this is $ 172 per month.

{2} Prices increasing by 7.5% each month which is 140% per year.

{3} If prices had not changed from those in February when I was given the first instalment, that is at constant prices.

{4} £375 - £328 = £47 ($ 108) per immigrant.

{5} Jewish Agency, Finance Dept, Proposed Budget for 1976/77, p.7

{6} Jewish Agency, Finance Dept, Proposed Budget for 1976/77

{7} Proposed Budget for 1976/77, p.167 and p.168

{8} Converted from IL to US $ by the rate of exchange of 7 IL/$ which is that used elsewhere in the budget (p.19) and by Idud.

{9} On average about 52,000 dollars each year.