



Consolidating the Springboard and Leaping

2007-2009 Development Plan

Kislev 5767
November 2006

Reut Institute - From Vision to Policy
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Vision

21st Century Zionism

Mission

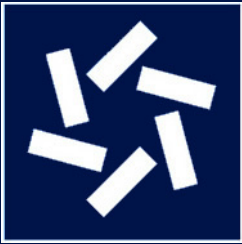
Significant & Substantive Impact

Strategy

Be Israel's Primary Resource for Decision-Support
Grow Israel's Future Strategists

Added Value

Focus on Strategic Threats & Opportunities
Leverage Existing Government and Academia



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Dear Supporters and Friends,

We are very pleased to present the three-year Development Plan of The Re'ut Institute for 2007-2009 whose organizing logic is: "Consolidating the Springboard and Leaping".

To date, Reut has a staff of 17 full-time employees, as well as 2 external advisors. Our monthly expenditure is \$80,000 and our annual budget nears 1 million USD.

We have three policy teams. The team that focuses on Israeli-Palestinian relations has met the benchmark of 'primary resource'. Our teams dealing with Israel's regional challenges and with the Top 15 Vision for Israel's socioeconomic development are still maturing.

In addition, during 2006 Reut invested heavily in building capacities for rapid growth in our decision-support services. This investment includes, among other things, seven new analysts and one of the most advanced web-based policy-platforms.

Reut will dedicate 2007 to consolidating our present capacities by bringing our three existing policy teams to a status of 'primary resource' in their respective areas. In 2008-09 we plan to launch at least two additional teams in focus areas that will be determined during 2007.

Hence the highlights of our development plan are:

- **Budget and staff:** The budget for 2007 is \$1,389k with a staff of 23 in 3 policy teams. The estimated budget for 2008 is \$2,252k with 33 people in at least 4 policy teams. The figures for 2009 are \$3,098k with 43 people and in at least 5 policy teams.
- **GOI Support: Seven types of decision-support services** to the GOI that are fully operational by Dec. 2007.
- **Special projects:** In 2007, Reut will upgrade its website to improve its decision-support tools (est. \$30k) and will hold the first annual conference on the TOP 15 Vision (est. \$100k).
- **Fundraising:** In order to meet its 2007 goals, Reut will need to raise \$1,389,000 by the 3rd quarter of 2007 according to the following timeline: at least \$282k (12/06, NYC), \$307k (3/07, West Coast), \$450k (6/07, NYC) and \$350k (9/07, West Coast).

Reut is ready, trained, equipped and motivated to provide unique decision-support services to the Government of Israel as it navigates the course of the future of our nation and our people.

Offering our services to the GOI *pro-bono*, we remain dependent on the generosity of you, our friends and supporters and look forward to your continued assistance in order to move forward with our shared mission.

As always, we are deeply appreciative of your support,

Sincerely yours,

Gidi Grinstein
Founder and President

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Consolidating the Springboard and Leaping 2007-09 Development Plan

Our Vision, Mission, Strategy and Unique Value Proposition

The vision that drives the Reut Institute is one of a secure State of Israel, in *Eretz Yisrael* and serving as the center of the Jewish world, the Jewishness of which synergizes with its democratic values and prosperity, as well as with its role as a leader among the family of nations. This is, to us, 21st Century Zionism and our vision.

The mission of Reut 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.

Our strategy has three pillars: *first*, to be a 'primary resource' for decision-support in the State of Israel. *Second*, to empower decision-makers to take better decisions. *Third*, to make a lasting impact by recruiting and training Israel's future strategic thinkers.

Reut's unique value proposition is our focus on the fundamental level of policy – its premises – in order to provide early warning of strategic surprises and opportunities and to design strategies to avoid or seize them respectively. This allows Israel to leverage already existing resources in government or academia.

2007-09 Development Plan

In 2007-09 we will remain loyal to our vision, mission, strategy and unique value proposition stated above. Within this framework, we believe that we have established our theory, methodology and structure and are now ready to scale our operation.

Reut is a very dynamic organization. We are accidental yet constant innovators at the cutting edge of the world of out-of-government policy groups. Hence, there are few patterns that we can rely on when we put forth our development plan for three years.

By 2009, we envision Reut as the primary out-of-government resource for the State of Israel. We aim to become Israel's 'go-to-place' for people in positions of authority, leadership or influence providing them with a variety of decision-support services regarding Israel's long-term future.

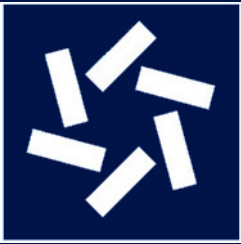
The coming year of 2007 will be dedicated to 'Consolidating the Springboard'. The years 2008 and 2009 will be dedicated to a 'Leap' i.e. to a rapid expansion of our capacities and areas of operation.

Hence, the objectives of Reut for 2007-09 are as follows:

- **Policy teams that are 'primary resource':**
 - **12/2006** – 1 team that is primary resource; 2 additional teams operational.
 - **12/2007** – 3 teams that are 'primary resource';
 - **12/2008** – At least 4 teams that are 'primary resource';
 - **12/2009** – At least 5 teams that are 'primary resource'.

Reut defines a policy team that meets the benchmark of a 'primary resource' as a team that engages 90% of the relevant constituency and offers the following services to its constituency of decision-makers *each quarter*:

- 2 'Explorations of Directives';
- 1 'Knowledge Creation' project;
- 5 'Clusters of Products';
- 1 'Wow-Move-On Presentation' every other month;
- 30 Meetings with decision-makers in staff and CEO level;
- Weekly mail update;
- 30 students of advanced degrees providing research services;
- 3 forums of experts;
- 1 cross-agency meeting.



- **Staff and budget:**
 - **2006** - Annual average of **14 full-time staff** (17 by 12/06) with an annual budget of **\$960k**;
 - **2007** – Annual average of **23 full-time staff** (28 by 12/07) with an estimated annual budget of **\$1,398k**;
 - **2008** – Annual average of **33 full-time staff** (38 by 12/08) with an estimated budget of **\$2,252k**;
 - **2009** – Annual average of **43 full-time staff** (48 by 12/09) with an estimated annual budget of **\$3,098k**.

- **Budgetary resilience:**
 - **12/2006** – **18% of 2007** budget has been **pledged by 12/2006**; **~15%** of the 2006 budget was **raised in Israel or from Israelis**;
 - **12/2007** – **35% of 2008** budget should be pledged; **20%** of 2007 budget should be raised in Israel or from Israelis;
 - **12/2008** – **50% of 2009** budget should be pledged by 12/2008; **30%** of 2008 budget should be raised in Israel or from Israelis.

- **Institutionalization:**
 - **2007** – Board of Directors operating based on new founding documents; Recruitment of new CEO; training and deployment of a full-time representative in NYC.
 - **2008** – Beginning of operation of new CEO.

- **Other Activities:**
 - **Upgrade of website** for better decision-support services;
 - **An annual conference on the Top 15 Vision.**

Total budget for 2008-09 is appreciated as twice the expected cost of our human capital. This working assumption is based on a consistent trend since 2004 that indicates that cost of salaries turns out to be 50% of overall costs.

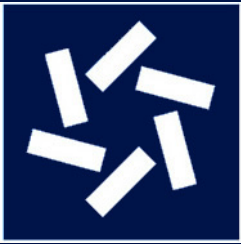
Cost of human capital is appreciated based on our plans of recruitment multiplied by expected salaries of existing and new staff.

2007 Development Plan

Our 2007 budget of \$1,398k provides for the following objectives:

- **3 policy teams that are 'primary resources'**, each in its respective area of operation.

- **"Just in time; Just Right" – Increased and Improved Decision-Support Services** – Reut is pledged to provide people in positions of authority, leadership or influence with what they need when they need it ('just in time; just right'). In 2007, Reut will improve its already existing decision-support services:
 - **'Exploring the Directive'** – Helping decision-makers to gain a better grasp of their objectives, playing field and tools, as well as of our side and the adversary;
 - **'Knowledge Creation'** with regard to strategic surprises and opportunities;
 - **'Yallah-Wallah (Wow-Move-On) Presentations'** to avoid strategic surprises and seize strategic opportunities;



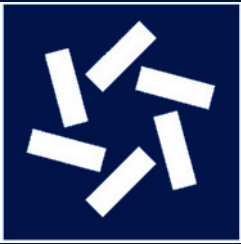
- **'Clusters of Products'** offering access to packages of policy-products tailored around specific needs;
- **'Web-Based Policy Platform'** (see below).

In addition, Reut will launch two new decision-support services:

- **'Engaging Researchers'** allowing the demand for research by the GOI to meet the supply of intellectual capital and willingness to do research by students of advanced degrees in Israel and around the world;
 - **'Engaging the Experts'** allowing the demand for expertise by the GOI to meet the supply of people who are willing to help.
- **1st Annual Conference on the TOP 15 Vision** – In this conference, members of the business, government, non-government and academic sectors in Israel and the Jewish world will assess Israel's quality of living, and devise strategies for progress toward the Top 15 Vision and work together to implement them. The current estimated overall cost of the conference is \$100k.
 - **From a start-up to an institute** – In 2006 we wrote our Charter and revised our bylaws. In 2007, Reut will expand its Board of Directors to improve its resilience and to recruit a new CEO to work with Reut's Founder, Gidi Grinstein.
 - **Innovation** – In 2007, Reut will continue to expend resources on innovation in the area of out-of-government decision-support tailoring new services and products to the unique needs of the State of Israel.
 - **Human Capital – Reut trains Israel's future strategists** – In 2007, Reut will continue to train its staff with theory, methodology and software tools for strategic thinking to prepare them for a career of service to the State of Israel. Direct and indirect costs of training each analyst are estimated at \$15,000.
 - **Staff** - Our annual average number of full-time employees for 2007 is expected to be 23 (compared to 14 in 2006) at an average annual salary of \$31k (compared to \$27k in 2006).

The growth in average salary stems from the gradual rise in the seniority of our leading staff, as well as from the expected termination of fellowships, which has covered the salary of one of our staff members for two years since the summer of 2005.

- **Director of US Operations** – As of 1/2007, Reut will train and deploy Mr. Jonathan Adiri in NYC as its Director of US Operations. Mr. Adiri's role will be to establish the US network of researchers and experts that will be of service for the GOI, as well as to support our development efforts. The budget for this operation is \$60k.
- **Fundraising** – Reut expects to raise an estimated \$1,398k during 2007 (compared to ~\$900k in 2006). Our objectives are to raise 20% of the funds from Israel or from Israelis. Based on our development plan, our aims are to raise at least:
 - **\$282k** in pledges during our 12/06 NYC trip;
 - **\$307k** in pledges during our 3/07 West Coast trip;
 - **\$450k** in pledges during our 6/07 NYC trip; and



- **\$350k** in pledges during our 9/07 West Coast trip.
- **21% of 2007 budget goes to management and infrastructure** (compared to 30% in 2006). The decline stems from the growth of expenses on decision-support and reduced expenditure on infrastructure.
- **Priorities** – Reut is aware of the extent to which our development plan is ambitious. Its timely implementation is dependent on our capacity to raise the necessary resources, \$1,398k in total, on time.

Hence, Reut has identified its priorities for possible cutbacks in the sum of \$390k in case its fundraising objectives are not met (please refer to annex A). These priorities will be adjusted according to expenditures and the funds that will be raised.

2006 End of the Year Status

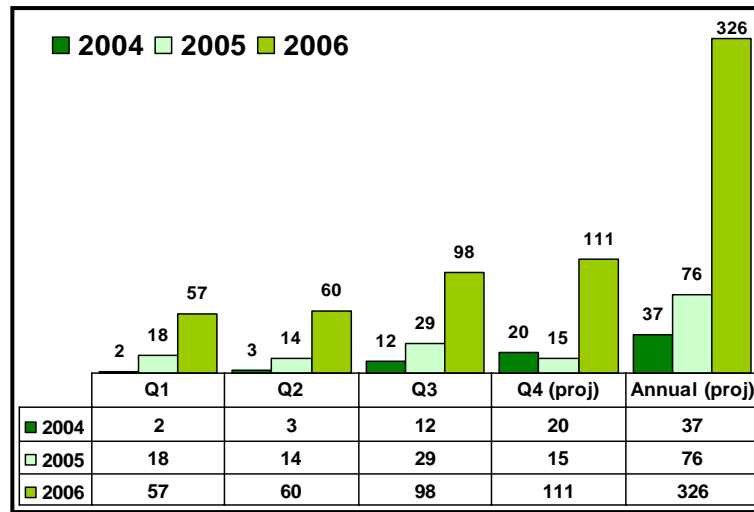
The status of Reut at the end of 2006 and the stepping stone for our 2007-09 Development is as follows:

- **3 Policy-Teams** – Reut has three policy teams of 4 analysts:
 - **Israeli-Palestinian relations** – This policy team has reached maturity and has the capacity to meet our benchmark of 'primary resource';
 - **Regional challenges** – This policy team focuses on Israel's challenges as they relate to Lebanon, Iran, Syria and the terror infrastructure in the Middle East. It was launched in July 2006 and will meet the benchmark of 'primary resource' by the 3rd quarter of 2007;
 - **TOP 15 Vision for socioeconomic growth** – Launched on Sep. 1st, 2006 this team will be a 'primary resource' by the end of 2007.
- **Web-based policy platform** – Our new website is fully operational and supporting our strategy of being a primary resource. It is a unique platform for engaging researchers and experts in the service of Israel.
- **Solid Organizational Foundations** – During 2006, Reut invested in the foundations for its growth. We hired a Director for Communications (3/06), trained two team-leaders (5/06 and 11/06) and recruited six new analysts (9/06).
- **'2 and 5 month Rule'** – To ensure financial stability, on the 10th of each month Reut should have two months worth of cash in its bank account in addition to three months worth of pledges. If this rule is not met, our Board reassesses the development plan.
- **Fundraising** – During 2006, Reut will have spent an estimated \$80k on raising an estimated \$950k and our CEO, Gidi Grinstein, will have spent 7 weeks traveling for this purpose.

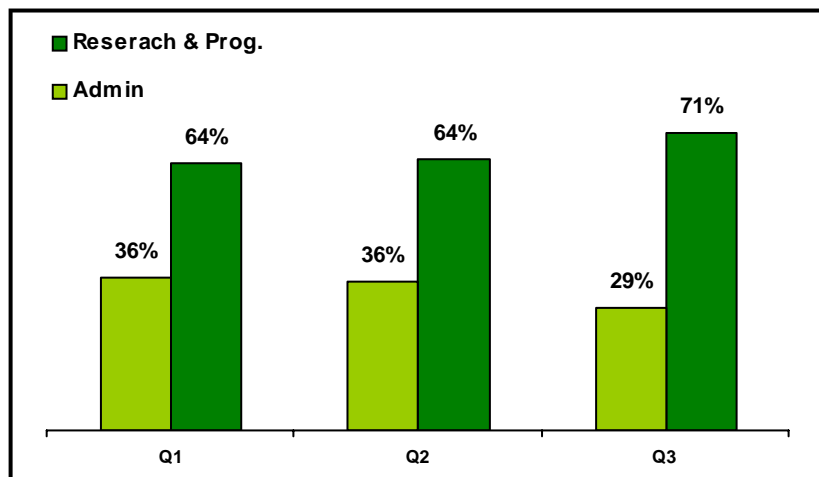
An estimated 70% of our support comes from American Friends of the Reut Institute (AFRI), a not-for-profit 501(c)3 organization (Federal ID # 3585888). All gifts to AFRI are tax-deductible under US law.



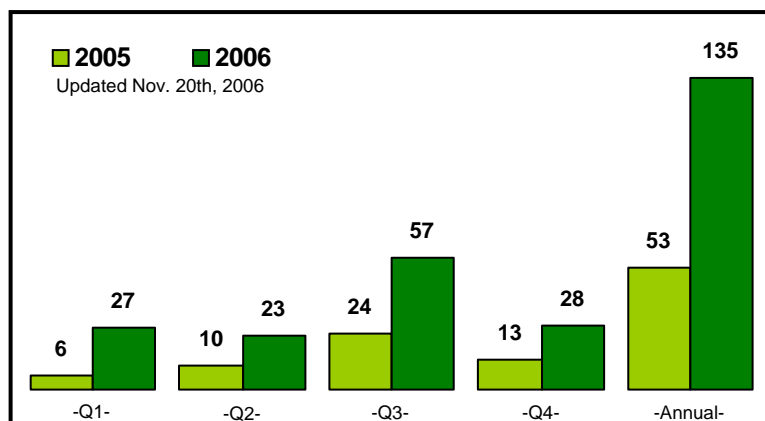
2006 In Numbers:



Publication Rate Growth



2006 Expenditure
Research & Programming v. Administration



Media Impact, Number of References to Reut analyses

<u>2007 Budget</u>	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total	
Management & Infrastructure														
Employees	3	3	4	4	4	4	4	4	5	5	5	5		
Salaries	8	8	10	10	10	10	10	10	13	13	13	13	128	
Development & Fundraising	3	3	8	3	3	8	3	3	8	3	3	9	57	
Office Expenses	2	2	2	2	2	2	2	2	2	2	2	2	18	
Telecommunications and post	2	2	2	2	2	2	2	2	2	2	2	2	24	
Transportation & Incidentals	2	2	2	2	2	2	2	2	2	2	2	2	24	
Professional Services	1	1	1	1	11	1	1	1	1	1	1	1	22	
Miscellaneous	2	2	2	2	2	2	2	2	2	2	2	2	18	
Total	19	19	26	21	31	26	21	21	29	24	24	30	291	21%
Policy Teams														
Employees	14	14	14	18	18	18	18	18	23	23	23	23		
Salaries	36	36	36	46	46	46	46	46	59	59	59	59	572	
Interns	1	1	1	1	1	1	1	1	1	1	1	1	12	
Fixed Assets	0	0	4	0	0	0	0	5	0	0	0	0	9	
Technology	0	0	12	0	0	0	0	15	0	0	0	0	27	
Professional Literature	1	1	1	1	1	1	1	1	1	1	1	1	12	
Methodology & Praxis	2	2	2	4	4	4	4	4	4	4	4	4	42	
Impact	3	3	3	3	3	3	3	3	3	3	3	3	36	
Public Relations & Publications	3	3	3	3	3	3	3	3	3	3	3	3	36	
Research Rooms Maintenance	5	5	5	7	7	7	7	7	9	9	9	9	86	
Total	51	51	67	65	65	65	65	85	80	80	80	80	832	60%
Activities														
Website – hosting + upgrade	3	3	18	3	3	3	3	3	18	3	3	3	66	
TOP 15 Conference	0	0	0	0	0	0	20	30	50	0	0	0	100	
Special Projects	0	0	25	0	0	25	0	0	25	0	0	25	100	
Total	3	3	43	3	3	28	23	33	93	3	3	28	266	19%
Total Budget														
Total	73	73	136	89	99	119	109	139	201	106	106	137	1,389	

Development Trends of the Reut Institute 2004-2009

	2004	2005	2006	2007	2008	2009
Number of policy teams	1	1	3	3	At least 4	At least 5
Staff (annual avg.)	5	8	14	23	33	43
Total budget	\$268k	\$468k	~\$960k	Est. \$1389k	Est. \$2252k	Est. \$3,098k
Avg. monthly salary			\$2,260	\$2,555	\$2,808	\$2,973
Categories of services	3	4	5	7		

2007 Financial Projections and Fundraising Objectives

	Dec-06	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total	
Fund Raising Objectives															
2 months in the bank	120	209	225	188	218	228	248	340	308	213	244	275	275		
3 months add pledges		307	327	367	450	447	414	350	381	412	412	412	412		
Existing pledges	0	81	17	5	5	14	23	42	27	5	17	10	5	248	18%
Net pledges + money needed		436	56	132	85	86	96	67	112	197	89	97	133		
Fundraising objectives	282			307			450			350			TBD	1,389	



Conclusion

This three-year development plan represents a major step forward in terms of our ability to plan and build the Reut Institute and realize its potential. By the end of 2007 we aspire to become a leading force in our world of shaping Israel's long-term future. By 2009, we want to be Israel's most important out-of-government policy-group and provider of decision-support services.

It is our hope that this document has presented you with all the information you need in order to evaluate the effectiveness of your support for us. Please let us know if there is any other information that you would be interested in receiving. As always, we welcome your observations and comments.

As we will continue to provide our decision-support services to the State of Israel free of charge, we remain dependent on your generosity and friendship. We hope that this Development Plan will make you proud of your partnership with us, and will inspire you to increase your involvement with the Re'ut Institute.

Sincerely yours,

Gidi Grinstein
Founder and President



Annex 1

Priorities for Budget Cuts

Reut has set the following priorities for budget cuts in case our fundraising objectives are not met (by order of priority):

- **\$50k** off the budget of the conference on the Top 15 Vision (\$50k instead of \$100k);
- **\$50k** off the budget for special projects (\$50k instead of \$100k);
- **\$60k** = 2 average annual analysts salaries (Average 2007 staff: 20 instead of 22);
- **\$15k** off the budget for the upgrade of the website (\$41k instead of \$66k)
- **\$30k** = annual salary of member of management team (average 2007 staff: 19 instead of 22)
- **\$25k** off the budget of the conference on the Top 15 Vision (\$25k instead of \$100k);
- **\$25k** off the budget for special projects (\$25k instead of \$100k);
- **\$60k** = 2 average annual analysts salaries (average 2007 staff: 17 instead of 22);
- **Additional \$15k** off the budget for the upgrade of the website (\$26k instead of \$66k)
- **\$30k** = annual cost of member of the management team (average 2007 staff: 16 instead of 22)
- **\$60k** = 2 annual salaries of a starting analyst (average 2007 staff: 17 instead of 22)

Total Resources identified for cutbacks: \$390k



Annex 2

Clarifications to Budget Tables

Management and Infrastructure

- **'Salaries'** – This element covers 50% of the salary of CEO (Mr. Gidi Grinstein); 50% of COO and CFO (Mr. Omri Dagan); 50% of Director of communications (Ms. Michal Cohen); 50% of US representative (Mr. Jonathan Adiri) and full salary of administrative assistant (Mr. Dan Alon).
- **'Development & Fund Raising'** – 50% of the cost of Director of US operations (Mr. Jonathan Adiri), as well as the cost of fundraising trips and professional services abroad.
- **'Office Expenses'** – Office (non-fixed) equipment, office management and delivery services.
- **'Telecommunication and Post'** – Phone, internet and postal expenses.
- **'Transportation and Incidentals'** – Transportation in Israel and refreshments.
- **'Professional Services'** – Accountancy services.
- **'Miscellaneous'** – Additional expenses, bank interest, gifts.

Policy Teams

- **'Salaries'** – Each Content team will include, by the end of 2007, a team leader and 5 fully trained analysts. In addition, they include 50% of cost of CEO, 50% of cost of COO, 50% of cost of Director of US Operations and 50% of Director of Communications.
- **'Interns'** - Salary of one intern throughout the year.
- **'Fixed Assets'** – Furniture.
- **'Technology'** – Computers and incidental equipment.
- **'Professional Literature'** – Purchases for our library and subscriptions to newspapers, magazines and e-journals.
- **'Methodology and Praxis consultancy'** – A package of services including rights to use the 'PRAXIS ® Systemic Policy Design platform (SPD)', methodological training and strategic organizational consultancy.
- **'Impact'** – Hiring of lobbyist to promote discussion of Reut products in the Knesset and the government.
- **'PR and Publications'** – PR firm, conferences, publications and speaker's fees.
- **'Research Rooms Maintenance'** – Expenses on rent, parking, taxes and maintenance.

Activities

- **'Hosting and upgrade of website'** – Cost hosting and upgrade of website including design, construction and maintenance, and a full-time in-house webmaster.
- **'Top 15 Conference'** – Estimated cost of annual conference on the Top 15 Vision.
- **'Special Project'** – Cost of development projects to be decided upon by the management or the board.