

MOUNTING IMPACT OF ECONOMIC CRISIS ON BENEFICIARIES OF THE JEWISH AGENCY

Every year, some 2 million people around the world depend on the services of the Jewish Agency. Youth and communities at risk in Israel—at risk from neglect, disadvantage or kassams—depend on our help. Vulnerable new immigrants look to us as they struggle to build new lives. So do young immigrant soldiers and students alone in Israel who count on us as family. Throughout the former Soviet Union, young people and communities at risk of being severed from their Jewish identity reach out trusting we'll be there for them. That is why we are constantly looking for greater efficiencies, **considering carefully and responsibly every single dollar spent** on any activity not directly helping our beneficiaries.

Since the summer of 2007, the confluence of the decrease in the U.S. dollar against most world currencies and rampant inflation throughout Europe and the former Soviet Union has resulted in soaring costs to provide the same level of services and intervention for our beneficiaries. Initially, we were able to resist cutbacks on services through increased efficiencies and continued reduction of overhead expenses.

But with needs already far outstripping resources, the continuing devaluation of the dollar, rising inflation in countries where we are operational, and the world economic crisis, we are facing very real and critical financial challenges. We have made more than \$75 million in reductions and cutbacks. **More than the dollars, we see the people** that have been impacted as we are being forced to make major slashes to essential programs in order to be able to responsibly manage the current financial realities.

As the global economic situation deteriorates, the severity of the repercussions and the needs will become even more acute. While spending during these most difficult times is now focused more than ever on helping our service recipients, **the reality is that unless we can raise significantly more funds from every available resource, far too many of those who count on us will fall through the cracks.**



PROGRAMS IN PERIL AROUND THE WORLD

The Jewish Agency is sensitive to the difficulties federations are facing in both reduced campaigns and increased local needs as the global economic downturn intensifies. We are your partners in facing this storm as we carefully weigh every dollar spent to ensure maximum benefit to the people supported by campaign dollars. **Now, as always, our beneficiaries are our most important priority.**

Already, in response to the continuing decline of core allocations to the Jewish Agency in recent years, overhead expenses have been cut by \$21 million between 2004 and 2008 to ensure service delivery. In the 2009 budget, approximately \$10 million in additional cuts came from further organizational restructuring and management costs. At this point, the remainder will have to come from program and services provided.

On-the-ground impact for those who depend on Jewish Agency services:

ISRAEL

In Israel, our major focus is twofold: strengthening Israel through aliyah and the integration of all new Israelis and closing growing socio-economic gaps for communities, families and youth. In the last decade, the socio-economic gap has grown in Israel to the point where there are two parallel Israeli realities. The goal of our services and partnerships in Israel are to close this divide. There is no time out—not only are lives at stake but the very future of Israel's character. Every year that the gap grows wider, it becomes more difficult to bridge.

Over the past two years, the U.S. dollar exchange rate against the Israeli shekel was reduced by 23%. Because 75% of all donations to the Jewish Agency are in U.S. dollars while 55% of total expenditures are in shekels, the net result was a shortfall of revenues against existing expenses. In other words, the total dollar budget of the programs has remained intact but **the shekel budget to implement has decreased dramatically** due to the lower exchange rate.

Additionally, the total rate of inflation during 2007 was 3.4% and the rate of inflation for 2008 was 3.8%. And while the rate actually went down in 2009, the cumulative affect on the shekel budget was about 30%, forcing the Jewish Agency to cut projects and dramatically reduce activities for our beneficiaries.

Some impacted programs and services in 2009:

- Six absorption centers were closed to date; suitable accommodations have been made for all immigrants with a majority of them transitioning to permanent housing
- In 2008, the annual NIS budget for Youth Aliyah Villages for teens at-risk was decreased by 30%. The situation has not improved in 2009 and the net result is less individualized attention for the students, more crowded classrooms, and a reduction in the extra-curricular enrichment services provided. The threat to the Ben Yakir Youth Aliyah Village remains; the Village is not sure of its financial viability for the coming academic year.
- In 2009, the plans to expand the Youth Futures program to additional communities was not implemented due to budgetary constraints. Additionally, the number of enrichment classes available per child has been reduced—an element that is critical to the rate at which these kids can hope to turn the corner on disadvantage.

FORMER SOVIET UNION (FSU)

Our major focus in the FSU is bringing the critical services and Jewish identity programs to the frontlines of the assimilation battle. This is not hyperbole—the Jewish people are in a race against time to connect far-flung remote communities and their young people in a meaningful way to their Jewish identity and our people. The Jewish Agency is providing on-the-ground services and programs in all regions of the FSU, especially in Russia and the Ukraine in the areas of Aliyah and Education. Ten percent of our overall budget is carried out in this region.

During the two-year period concluding December 31, 2007, the U.S. dollar exchange rate against Russia's ruble was reduced by about 10% and there was an additional 3% reduction between January and June 2008. At the same time, as of December 2007 inflation increased by 16%, with an additional increase of about 13% from January to June 2008. In Ukraine, inflation increased by 17% as of December 2007 with an additional increase of about 20% is forecast for the period January to June 2008. This has forced the Jewish Agency to cut projects and dramatically reduce the numbers of beneficiaries in each program.

Some impacted programs and services in 2009:

- Funding shortfalls required a further reduction in the number of participants that could be accommodated in our Hebrew ulpan program; the program participants are now required to participate in tuition costs.
- The number of educational **emissaries in the FSU has been reduced from 11 to 5.**
- Jewish Identity Seminars for adults are now only implemented with funding made available by the Claim's Conference allocation to the Jewish Agency.
- The per child in our **FSU summer camp has increased by 62%** (from \$68 per day in 2007 to \$110 in 2008 to \$132 in 2009—not including the costs of counselors' training). This combined with decreased buying power of the ruble, a result of the rising cost of living index, has affected the cost of rent (we rent campsites), food expenses, and all supplies. **Only 5,000 campers were able to enjoy this experience this year as opposed to 10,000 two years ago.**

EASTERN EUROPE

Jewish Agency activities in Europe amount to some 5% of its total budget. Over the past two years, the U.S. dollar exchange rate against the Euro was reduced by about 20%, while the inflation increased by 7%. The net result is that all aspects of our activities in the Europe Region have been reduced in both the numbers of participants and the scope to activities.

NORTH AMERICA AND OTHER WESTERN COUNTRIES

The Jewish Agency and its worldwide team of Israel educators and emissaries are bringing Israel into lives and communities as a powerful force to engage and connect our Jewish world's next generations. Overall cuts in our 2009 budget have put our activities in North America in a perilous situation, with fewer emissaries, growing interest in our programs, and increased local needs, we are making our existing resources go further.