

# Israeli start-ups showing us the Waze forward

How Israeli entrepreneurs are helping heal the country's poverty gap.

It was front-page news in Israel, and led the TV news bulletins. Google had acquired Waze for a reported \$1.1 billion. Now I knew about Google: in fact, I bought a T-shirt in Jerusalem's Old City which reads "I don't need Google – My wife knows everything". This demonstrated my cutting-edge IT credentials while confirming my enduring male chauvinism. But what was Waze?

It turns out that Waze is an Israeli map app, no pun intended. *The Jerusalem Post* reported, under banner headlines, that Waze had attracted 50 million users since its founding in 2008, and that it had become a hit with drivers because it offered the best routes using its innovative secret – following its users. Waze can figure out the worst traffic spots and direct drivers accordingly. Now I know.

No surprise, then, that Waze had attracted interest from potential buyers such as Google, Apple and Facebook. Google won. And the young Israelis from Ra'anana have pulled off one of the largest IT purchases in Israeli history. Prime Minister Benjamin Netanyahu congratulated them for "putting Israeli technology on the world map" and the Israeli Finance Ministry is due to make nearly \$300 million in tax revenues from the deal.

The story of young Israelis going from backyard start-up in Ra'anana to billion dollar acquisition by an international giant in five years is another great example of Israel as a start-up nation. By now, anybody familiar with that depiction of Israel knows that it's not just a catchy book title.

Israel has more companies listed on New York's NASDAQ stock exchange than any country outside the United States, except for China. And the Waze success is also another one in the eye for the Boycott, Divestment and Sanctions crowd.

What was less widely reported, however, was a good news story about Waze and Israeli philanthropy that deserves wider attention. That story began 11 years ago when a small group of Israeli venture capital investors launched Tmura, a non-profit venture fund, which now stands to receive \$1.5 million for Israeli educational and youth-related charities as a result of the Waze sale. This represents just one-tenth of one per cent of the reported Waze sale price, and it does not tell us what the Waze owners may – or may not – eventually donate philanthropically.

But it does tell us something about new wealth in Israel, and the slowly emerging culture of locally driven philanthropy by the Israeli rich, as distinct from the much longer tradition of Diaspora giving

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to Israeli needs and charities. According to the Hebrew University's Centre for the Study of Philanthropy, Israel is the biggest importer of philanthropy money in the world. Some 10 years ago, 72 per cent of it came from overseas; today it's still about 62 per cent. Israeli donors, private and corporate, are increasing their giving, but only slowly.

The Hebrew University's Hillel Schmid notes that while Israel is not a socialist welfare state anymore, its citizens mostly continue to think that it's the government's role to support social and cultural needs. The attitude, Schmid argues, is: "We pay taxes. We serve in the army. Why should we give more?"

But as some Israelis become wealthier, and some are becoming very wealthy, the inequalities between rich and poor – more extreme today in Israel than most comparable countries – are encouraging a new generation of younger Israeli entrepreneurs to accept their responsibilities for giving back to their own society, and for doing something about Israel's poor standing as a donor nation internationally.

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Which is why the Tmura initiative is important. Basing itself on a Silicon Valley fund, Tmura – Hebrew for "change" or "transformation" – doesn't seek donations. Instead it receives grants of stock options from hopeful start-ups and uses the proceeds from successful "exits" i.e. when a company goes public or its stock is acquired. So far, 289 Israeli companies have invested stock options with Tmura, and it has raised over \$9 million to help the education and special needs of young Israelis.

Considering that Israeli non-profits and charities receive more than \$2.5 billion annually from overseas donors alone, Tmura's \$9 million over 11 years, and even the latest \$1.5 million from the Waze sale, may not seem like significant sums. Moreover, for every successful hi-tech "exit" there may be 50 failures, so Tmura is not the answer to the problem of encouraging more of Israel's new rich to give.

But like Israel's hi-tech sector, it's a promising start-up. Dare I say, it's the Waze to go.

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