



Ottoman Associations: Israel 2016

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This paper addresses the issue of Ottoman associations in Israel, highlighting the two major flaws in the legal framework regulating their operations: (1) the absence of substantive legal equality between bodies defined as Ottoman Associations and those defined as public benefit companies and non-profits; and (2) the lack of an effective mechanism for supervision and oversight of those defined as Ottoman Associations. This situation allows bodies operating as Ottoman Associations to act with impunity, despite the ramifications for hundreds of thousands of people in the economy. Policymakers must work to change the status of all Ottoman Associations to public benefit companies and non-profits, with no exceptions.

The **first chapter** details the background of Ottoman Associations, and the **second chapter** takes a look at the roles of the executive and the regulator in this context.

The **third chapter** reviews the legislation surrounding the issue in the past and present and the **fourth chapter** outlines a proposal for correcting the situation.

Summary:

The Ottoman law on associations in Israel was passed by the Ottoman authorities back in 1909; providing, among others, that these associations be exempt from taxes and dues. Although the Knesset passed **The Amutot (Non-Profit Organizations) Law, 5740-1980** barring the establishment of new Ottoman associations and redefining existing ones as non-profits, it determined that some workers' and employers' organizations would continue to be governed as Ottoman Associations, thus leaving them subject to the transparency and oversight rules set down in the beginning of the twentieth century. Some of these organizations, such as the *Histadrut* (the New General Workers' Federation), handle budgets of hundreds of thousands of shekels, but are nonetheless exempt from reportage and transparency requirements. The current legal situation is also unjustifiably unequal –bodies that are very similar in nature are subject to very different laws.

Moreover, not only is oversight lacking, but the risk for corruption in associations is higher the more ownership is shared, and the ownership in Ottoman Associations can be extremely broad – the Hisdatrut, for instance, has 700,000 members. Obscurity also typifies the very *identity* of Ottoman associations – the Ministry of Interior supplied a list of 10,464 active associations following a freedom of information request, with the caveat that the data was not confirmed. Indeed, many of the associations listed had already been removed as Ottoman Associations as far back as 2004.

Despite the **Amutot Law** making an exception for certain associations, it did not stipulate what regulator would oversee them. The end result of the political and legal efforts surrounding this issue is that there is virtually no oversight on Ottoman Associations at all. Both the Ministry of Interior and the Ministry of Justice have refused to take responsibility for them. There is currently no way to obtain information on the number of associations, their assets, operations, etc.

Since 2009, Members of Knesset from across the political spectrum have submitted six different bills seeking to apply regular oversight to Ottoman Associations. After intense lobbying and pressure, they all failed to pass.

Recommendations:

1. It is vitally important to **promote legislation regulating the status of Ottoman Associations** and making them equal to other nonprofits, thus subjecting them to reportage and transparency. A bill to that effect is currently in the works.
2. Until such legislation is passed, **specific ministries can promote particular regulation** for the Ottoman associations that are within their purview, as the Minister of Health did in regards to the *kupot cholim* (health maintenance organizations).
3. Specifically, **the Ministry of Economy and Industry should use particular ordinances to force the *Hisdatrut* to submit public reports, and the Ministry of Education should do the same with the Israel Teachers Union.**

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