



PRESIDENT'S REPORT

to the Board of Governors 2014

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From the President

Prof. Menahem Ben-Sasson



Dear Governors and Friends,

As we approach 100 years since the laying of the cornerstones of our great university, and 90 years since we first opened our doors, we can look back with a great deal of pride. We have a strong university – the leading institution of higher education in Israel and among the best in the world. We have flourishing campuses filled with Israel’s top students from across the diversity of Israeli society – and they are joined by students from over 70 countries who choose to study at Hebrew University. Our scientists and scholars have many research breakthroughs to their credit, for which they have received numerous honors and awards as well as competitive grants. Nor are our faculty and students confined to the ivory tower: they are committed to service – to servant leadership. Whether on the front lines of the social protest or in the lab discovering how to prevent disease or increase food production, they are working as servant leaders for the good of the community and for the world. The Hebrew University of Jerusalem is, without a doubt, a great institution.

However, as we draw nearer to these monumental birthdays and gain the wisdom of years, it is a time for introspection. It is a time to measure our strengths, and to look honestly at the challenges before us. We do this because we believe that we should do even better: that we should increase our research outputs and accomplishments, that we should continue to innovate in education, that our enrollment should grow, that we should be among the top 25 universities world – and that we should build a solid financial base which will enable us not only to survive, but to thrive.

Reaching these new heights will require change, and to bring about change we must first change ourselves, our very DNA. It is about this process of change that I will elaborate in this report.

RENEWAL AND REJUVENATION

Our story begins with an overview of the last decade (2000–2010), to which we can refer – in many senses – as a lost decade for higher education. These times were quite devastating for higher education in Israel, with serious public budget cuts and a massive decrease in the number of faculty members along with a further decrease anticipated as still more were to reach retirement in subsequent years. At the same time, the rising number of colleges in Israel caused a decline in the number of students at Israel’s research universities.

In this context, three years ago we realized that in order to ensure the future of this great institution, we must re-energize the structure: to continue to innovate and to look for new opportunities, while planning more and improvising less, and cultivating trust among our stakeholders. With the encouragement of the Planning and Budget Committee of the Council of Higher Education (PBC) and in the context of their six year program announced in 2010, we hired outside consultants to undertake a rigorous analysis of our University and to propose a renewal plan that would ready us for the challenges of the coming decade. This process included discussions in committees, within units and within faculties. Our goal was clear: to sustain and to advance. We set out to retain our status as the leading university in Israel and to rise even higher in the rankings of the top universities in the world, while maintaining a balanced budget. A tough mission indeed.

The year 2011–2012 was the turning point at which the numbers of faculty and students began to rise once again. While it was clear to us at the time that we still needed to work carefully to return to – and surpass – pre-2000 levels of faculty members, students, and research output, we felt that we were on the right road to renewal.

THINKING STRATEGICALLY ► During this strategic process we reviewed, in-depth, some 18 different areas of activity: from campus security to human resources, from teaching to student recruitment to fundraising. Some areas have already undergone significant transformations while others are in the midst of the process.

We began by analyzing our academic activities across the University. We identified our unique strengths, and looked at benchmarks from other public universities. We also looked carefully at our budget and asked ourselves how we can create an engine of growth while fulfilling our obligation to the budgetary pension.

ENGINE OF GROWTH ► Our reorganization and renewal plan has everyone thinking creatively. Faculties are creating development plans and thinking about their future commitments. Administrative units are looking with fresh eyes at their systems and structures.

It is clear to everyone that the fuel for all of these changes is young faculty. We can see time and again how an initial investment in a young researcher is returned many times over once our talented researchers are awarded grants – in particular the generous and prestigious European Research Council grants.

When I began my tenure we did not have sufficient funding to recruit new faculty. But we believed that even so, we had to invest in the growth engine. We needed to recruit no fewer than 30 new faculty members despite our budgetary constraints. And so we did. And this number has since risen.

STUDENT RECRUITMENT ► Another area that we've addressed in our planning is student recruitment. How can we get the best applicants from a decreasing pool of candidates? Can we expand the pool? To address this challenge we created a new marketing unit with a focus on student recruitment. We marketed aggressively, including rebranding the curriculum with cluster options and

publicizing widely and uniquely. As a result, the number of applicants to the University increased significantly despite a decline in the overall number of students at Israeli universities. We still have work to do but we're on the right path.

RESEARCH ENGINE ► Hebrew University faculty and students continue to engage in cutting-edge research. This year alone our researchers made great steps towards better human health and wellbeing: developing therapies to alleviate severe side effects of chemotherapy and radiation, and potential new treatments for Alzheimer's. They made strides towards new treatments for bacterial infections, towards understanding the root causes of depression, and towards new compounds that can slow the aging process. On other fronts, our scientists are developing nanodevices for faster and smaller memory technologies, and are uncovering archaeological findings which shed new light on the history of Jerusalem. And this is just a small sampling of what is going on in labs across our campuses.

Our research grant income is on the rise, from \$108 M in 2008/9 to \$152M in 2012/13. As our faculty members win increased competitive and non-competitive grants, we also receive additional PBC funding as matching.

Our participation in the ICORE (Israel Centers of Research Excellence) program is particularly impressive. Hebrew University is partnering in – or leading – 10 out of 15 such centers. These centers are exploring *Gene Regulation in Complex Human Disease*, *Empirical Studies of Decision Making and the Law*, *the Quantum Universe*, *Study of Cultures of Place in the Modern Jewish World*, *Origins from the Big Bang to Planets*, *Algorithms* and more.

CASE STUDY: THE FACULTY OF SCIENCE

The Faculty of Science was one of the first faculties to participate in the organizational change process as part of our renewal plan. Located on the Edmond J. Safra Campus, the Faculty has over 2400 undergraduates, 1200 graduates, and 220 faculty members organized in research institutes and teaching departments in Mathematics, Physics, Chemistry, Life Sciences and Earth Sciences, and Computer Science and Engineering. In addition, the Faculty boasts interdisciplinary research centers in such diverse fields as nanoscience, marine biogeochemistry, rationality, and more.

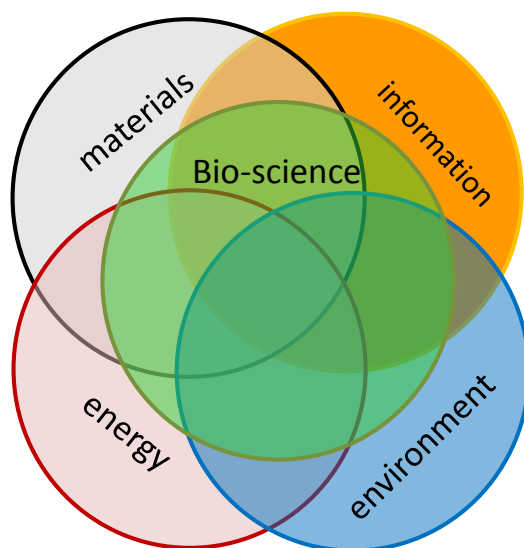
The Faculty went into this process having identified a number of challenges, including diminishing numbers of faculty members in the last decade, a number of deteriorating physical facilities, a lack of lab space and increasing equipment needs. As part of the organizational change process, the Faculty of Science had to ask itself some serious questions such as:

- What is the Faculty's ideal size?
- How could the Faculty better compete with other Israeli universities?
- How could the Faculty adapt to changing academy-society-industry relations?

Through a meaningful SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis the Faculty began to answer these questions. The strategic change process was two directional - bottom up, including participants from the Faculty's six research institutes, and top down, with a Faculty-appointed group of 80 members, each tasked with deliberating about the existential questions that had been posed.

The strategic process focused on particular units which needed to grow. Group members assessed the true needs for teaching and maintaining infrastructure – and the costs involved. They compared these needs with actual funds available in the core budget. Together with consultants from Rotem Strategy, they determined that an initial investment in increasing the numbers of faculty members and students would ultimately yield the increased funding vital to the Faculty's development.

The top down process also elucidated unifying themes across the Faculty – and how they interact with each other. Based upon these themes, the Faculty developed a new overarching vision, “Exploring Nature, Improving Life”, which aims to develop multidisciplinary centers in **smart materials, energy, information, environment, and bio-science** which will to explore and drive solutions to the most significant challenges facing our natural world.



This new strategic plan also includes revolutionizing the Edmond J. Safra Campus by turning it into a green campus, and by further opening the campus to the City of Jerusalem.

The Faculty's strategic process is still underway. It holds tremendous hope for rejuvenating the Faculty of Science and for improving its already impressive research output and teaching initiatives.

Our Faculty of Humanities is another example of an academic unit undergoing a significant strategic process, both academically and administratively. This process began with the Gager report of 2006, and new directions undertaken since then include developing foundation courses (Gateway) to ensure that all undergraduate students of the Humanities are exposed to a breadth of knowledge alongside their specialty focus. We have also developed new honors programs for undergraduate and graduate students, and numerous other initiatives in partnership with the Mandel Foundation. The greatest change has been in the way in which we relate to graduate education – our new Jack, Joseph and Morton Mandel School for Advanced Studies in the Humanities is raising the bar for graduate study in Israel. Along with these changes we've seen an increase in student enrollment in the Humanities – this in the face of unfortunate declining enrollments in the Humanities elsewhere in Israel. There are still many challenges ahead of us in order to strengthen the Humanities, but we feel that we have taken some important first steps.

Our flagship Edmond and Lily Safra Center for Brain Sciences (ELSC) also continues to break new strategic ground as an interdisciplinary research and teaching institute drawing from the wide breadth of expertise at the Hebrew University with one sole focus – to advance our understanding of the brain. The research conducted at ELSC will have profound implications for our ability to treat many neurological and psychiatric disorders, and will prove a significant contribution to worldwide progress in brain science.

Our international presence is growing. Underlying our growing international recognition are increased funding and collaborative partnerships with top institutes abroad. We have developed new English-language masters and doctoral programs, and are increasing the number of courses taught in English within the regular curriculum, all with the aim of drawing more students from abroad to our classrooms while better preparing our Israeli students for the global village.

WIDESPREAD CHANGE ► Our administrative units are full partners in running the University and thus partners in strategic change. As with our academic units, it is vital that each unit's purpose and structure be reviewed, strengths and challenges identified, and new directions developed. Among the administrative units in the midst of such change processes are the Student Administration, the Security Division, and the Authority for Research and Development. Many others are just beginning the process. In this realm we are engaged in an ongoing organizational process, led by the Vice-President and Director General, which involves planning, quarterly follow up, adjustments, and then planning once again.

Our Information Technology (IT) systems need significant work: a surgical change to game-changing systems is called for. Such systems are expensive – and so we will do our best to adjust our existing systems until adequate funding for new systems are available. In the meantime, we are concluding a change in our finance system which will render it more efficient.

We have also resolved outstanding tax issues, significantly reducing our debt and contributing to strengthened relations with our partner, the City of Jerusalem.

There is much still to be done. In order to reduce deficit, the University has continued a painful reduction of administrative staff, from some 1200 to some 1000. Positions will not be automatically

replaced but rather, each reviewed in the context of what is truly needed today in the evolving organizational structure.

PARTNERS IN CHANGE ► Overall, after a ten-year crisis in Israeli higher education, in 2010 we took advantage of the opportunity presented by the PBC for true change and are working hard to further fuel our engines of growth: faculty, students, friends, and research. We are evaluating and re-evaluating, planning for the future, and instituting follow up procedures to check our progress. We are already seeing increased efficiency.

We are changing our DNA. This is an ongoing endeavor, and we are trying for the most part to include everyone. These processes of change have also led to an atmosphere of increased collaboration and commitment among those involved and to a wider, more integrative perspective on this great – and complex – University as a whole. Members of the University community are excited about this change, which brings with it innovative new directions for teaching and research such as e-learning, new teaching programs, new collaborations with industry, and teacher-researcher affiliations. You, as our governors and friends, are also an inherent part of this process and we value your input.

Change is contagious, and we also see changes taking place within our Friends associations; many have embarked on their own renewal plans. We thank our many lay leaders and donors who chose to foster research and learning at the Hebrew University this year, helping us both with new projects as well as with vital support to our core activities. We would also like to express our appreciation to our outgoing lay leaders and professionals who have given so much to the University over many years, and to convey our best wishes to those who are continuing the important work of promoting this great university around the world.

ACHIEVEMENTS

We aspire to excellence, and our faculty and students live up to this standard in many ways. The impressive achievements of our faculty have enabled us to continue to lead Israeli universities in international and national rankings. The Hebrew University of Jerusalem is ranked first in Israel and 59th globally in the 2013 Academic Ranking of World Universities (ARWU), an annual report that rates the world's top 500 universities. The Hebrew University is also ranked among the top three universities in Asia, and 11th among universities where English is not the primary language. Further, the Hebrew University is ranked 17th worldwide in the number of alumni who have been awarded Nobel Prizes or Fields Medals, and 39th worldwide in the number of faculty who have won these awards.

This year we saw the awarding of three Israel Prizes to Hebrew University faculty: to Prof. Haim Levy, the Myles S. Robinson Professor Emeritus at the University's Jerusalem School of Business Administration, for his innovations in the fields of political science, managerial science and international relations; to Prof. Jaacov Katan, the Buck Family Professor Emeritus of Plant Pathology at the Robert H. Smith Faculty of Agriculture, Food and Environment, for his work on soil solarization; and to Prof. Marta Weinstock-Rosin, professor emerita at the School of Pharmacy – Institute for Drug Research in the Faculty of Medicine, who developed the drug Exelon, a blockbuster drug for the treatment of confusion and dementia related to Alzheimer's and Parkinson's disease.

Prof. Yuval Dor, who conducts diabetes research at the Institute for Medical Research Israel-Canada (IMRIC) in the Faculty of Medicine, was awarded the 2013 Abisch Frenkel Prize for Excellence in Life Sciences. Leading a research team at the Department of Developmental Biology and Cancer Research, Prof. Dor was recognized for his outstanding research in the field of pancreas development and tissue dynamics, with emphasis on pancreatic cancer and diabetes.

Prof. Haim Sompolinsky of the Faculty of Science and of the Edmond and Lily Safra Center for Brain Sciences was awarded the first Annual Mathematical Neuroscience Prize by Israel Brain Technologies (IBT), a non-profit organization committed to advancing Israel's neurotechnology industry and establishing the country as a global hub of brain technology innovation.

Prof. David Weisburd, the Walter E. Meyer Professor of Law and Criminal Justice and Director of the Institute of Criminology, received the Robert Boruch Award for Distinctive Contributions to Research that Informs Public Policy.

We are also proud of our students, who have many achievements in and out of the classroom. To tell just one story, PhD student Yossi Kabessa, the Bryant and Lillian Shiller Fellow at the Hebrew University's Peter Brojde Center for Innovative Engineering and Computer Science, won a Gold Medal at the Global Young Scientists Summit in Singapore for his system to detect dangerous materials in large water supply systems. Yossi, who received the award from the President of Singapore, returned to Israel with the Singapore Challenge gold medallion and a \$100,000 cash prize. We are sure that this is only the beginning for Yossi and his many fellow students.

Cutting-edge research in service of humanity. Our faculty and students are making a tremendous contribution to how we live and how we understand the world around us. With a renewal plan poised to enable even more faculty and students to participate in Hebrew University life and academic endeavors, the future looks bright. Your support and guidance make it all possible.



Professor Menahem Ben-Sasson

President

Financial Report

2012/2013

The Hebrew University ended the 2012/2013 financial year with a balanced budget.

The reduced deficit was achieved despite a ten percent decrease in the dollar-shekel exchange rate which decreased the University's income from dollar linked assets and income, and despite a shortfall in income from two major sources that were included in the original 2012/13 budget:

- Income from Yissum: A shortfall of NIS 22 million due to the termination of two main drug patents that provided royalties.
- Income from the PBC: A shortfall of NIS 11 million due to the receipt of NIS 5 million less than anticipated for the pension budget, and a shortfall of NIS 6 million as a result of the PBC's rejection of the University's request to include language teachers in the student-teacher ratio.

The University's administration was required to reduce expenses and to increase income in order to balance the budget. This was accomplished by tightly controlling and limiting expenditures. Only 92 percent of the working and teaching budgets were released to the academic units and 95 percent of the working budgets to the administrative units. The net results of these actions were a savings of approximately NIS 14 million.

The deficit in income was closed by the transfer of the Stern dormitories to the asset company in the amount of NIS 36 million.

These steps enabled the University to end the year with a balanced budget.

Table 1: Expenditure & Income 2011/2012 – 2012/2013 (in US \$ millions)

	2012/2013		2011/2012	
Expenditure				
Salaries & Pension	479	(62%)	443	(62%)
Acquisitions	52	(7%)	39	(5%)
Scholarships	64	(8%)	51	(7%)
Other	172	(23%)	182	(26%)
Total Expenditure*	767	(100%)	715	(100%)
Income				
Government (PBC)	364	(47%)	339	(50%)
Student Fees	72	(9%)	69	(10%)
Friends of HU	119	(16%)	103	(15%)
Yissum	3	(1%)	6	(1%)
Other	209	(27%)	170	(24%)
Total Income	767	(100%)	687	(100%)

The cause of the changes between the years is due to:

(1) A 5.6% decrease in the dollar exchange rate between September 30, 2012 (\$1 = NIS 3.912) and the average 2012/13 exchange rate (\$1 = NIS 3.694).

(2) An increase in the volume of research budgets and special budgets.

Table 2: Allocation of Overall Budgetary Expenditure & Income 2011/2012 – 2012/2013 (in US \$ millions)

	2012/2013		2011/2012	
Expenditure				
Regular & Closed Budgets	575	(75%)	532	(74%)
Other Budgets	192	(25%)	83	(26%)
Total Expenditure	767	(100%)	715	(100%)
Income				
Regular & Closed Budgets	575	(75%)	526	(77%)
Other Budgets	192	(25%)	160	(23%)
Total Income	767	(100%)	687	(100%)

Table 3: Hebrew University Implementation of Regular Budget 2012/2013 (in US \$ millions)**Table 3A: General Budget & Closed Budgets**

Units	Experimental Units	Non- Experimental Units	Academic Support Units	Central Costs & Administrative Units*	Closed Budgets	Total Implementation
Salaries	103.7	78.5	11.3	38.2	17.4	249.1
Pensions & Severance Payments	–	–	–	172.1	–	172.1
Acquisitions	3.2	0.3	0.1	3.5	4.2	11.3
Scholarships	1.9	1.7	0.8	1.4	1.3	7.1
Other	5.7	2.8	13.0	74.9	39.0	135.4
Total Expenditures	114.5	83.3	25.2	290.1	61.9	575
Percentage of Total Expenditures	19.9%	14.5%	4.4%	50.5%	10.7%	100.0%

*Including central expenses such as pension costs and maintenance

Table 3B: Experimental Units

	Sciences, Engineering & Computer	Agriculture	Medicine	Pharmacy	Dental Medicine	Applied Sciences	Total
Salaries	53.1	21.9	19.8	5.4	3.0	0.5	103.7
Pensions & Severance Payments	-	-	-	-	-	-	-
Acquisitions	1.8	0.3	0.9	0.1	0.1	-	3.2
Scholarships	0.5	0.1	0.8	0.2	0.3	-	1.9
Other	1.4	2.3	1.6	0.3	0.1	-	5.7
Total Expenditures	56.8	24.6	23.1	6.0	3.5	0.5	114.5

Table 3C: Non-Experimental Units

	Humanities	Social Sciences	Law	Education	Social Work	Total
Salaries	30.7	29.6	6.8	6.2	5.2	78.5
Pensions & Severance Payments	-	-	-	-	-	-
Acquisitions	0.1	0.2	-	-	-	0.3
Scholarships	1.0	0.5	-	0.2	-	1.7
Other	0.8	1.3	0.2	0.4	0.1	2.8
Total Expenditures	32.6	31.6	7.0	6.8	5.3	83.3

TABLE 4: Research Budget According to Groups (in US \$ thousands) *

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Group 1: Faculty of Science, School of Engineering & Computer Science	69,633	58,307	53,987	52,602	44,859
Group 2: Faculty of Medicine, School of Pharmacy, Faculty of Dental Medicine	39,125	32,475	28,117	30,132	27,987
Group 3: Faculty of Humanities, School of Education, School of Business Administration	17,110	16,601	14,319	13,348	12,626
Group 4: Faculty of Agriculture, Food & Environment	20,893	17,505	16,278	15,621	13,153
Group 5: Faculty of Social Sciences, School of Social Work & Social Welfare	10,766	10,313	10,295	10,185	7,897
Group 6: Faculty of Law	1,530	1,487	1,481	1,823	1,699
Total	159,057	136,688	124,477	123,711	108,221

*Based on signed research grants; figures calculated at rate of exchange on September 30, 2013.

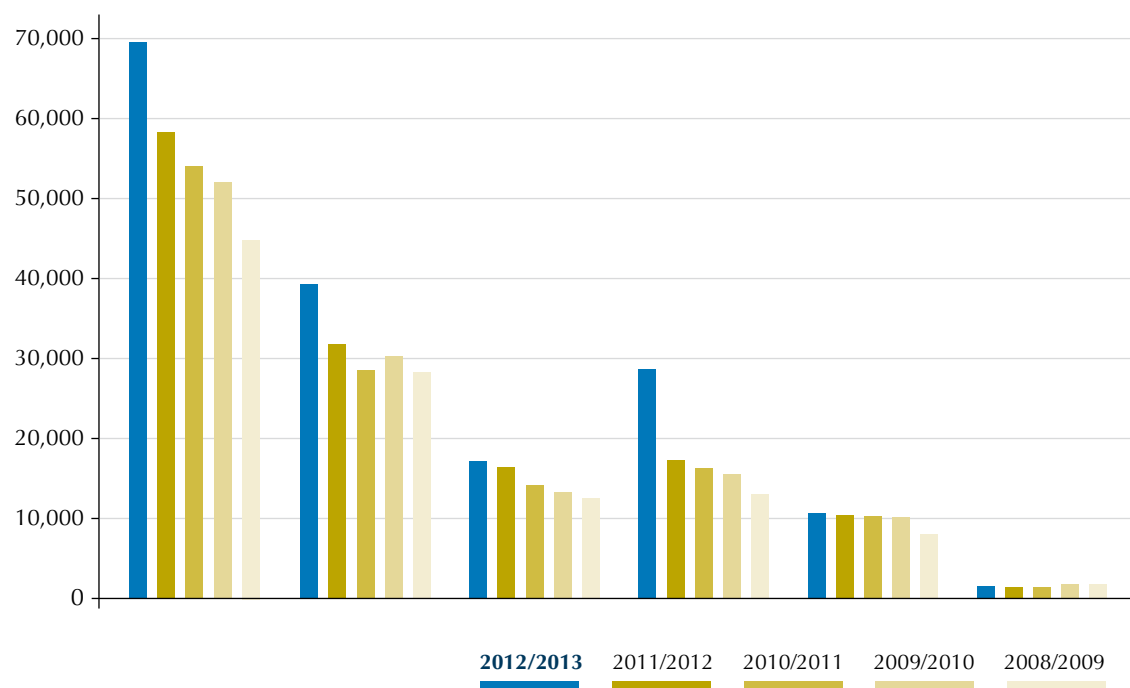


Table 5: University Endowment Funds, Growth and Income (in US \$ millions)

From 2002/2003 until today, the assets of the University's Endowment Funds have grown by \$182.0 million, from \$294.3 million at the end of 2002/2003 to \$476.3 million at the end of 2012/2013, with an average growth of \$18.0 million per year. During 2012/2013, Endowment Funds' assets increased by \$56.1 million. Net income from Endowment Funds during 2012/2013 amounted to \$ 39.5 million, a yield of nearly 8.3%. The income shown in the financial statements for 2012/2013 is due to profits from investments. In accordance with the policy of the Endowment Funds Committee, 25% of the funds' investments are linked to the US dollar, and the remaining 75% are linked to shekel channels. Starting in 2003/2004, Endowment Funds Committee financial statements are prepared and presented in nominal shekels (NIS), instead of in dollars (US \$) as in previous years. The figures for 2012/2013 were calculated according to the rate of exchange at 30 September 2013. It should be noted that due to the decrease in the dollar exchange of approximately 9.6%, the presentation of total assets in dollar terms – rather than in shekels – conceals the true increase in value of the Endowment Funds and the profits that occurred in shekel terms.

Year	Total Assets of Endowment Funds	Net Profit	Net Profit (as %)
2002/2003	294.3	30.4	10.3
2003/2004	308.6	23.6	7.6
2004/2005	328.0	26.6	8.1
2005/2006	347.8	22.7	6.5
2006/2007	394.3	32.9	8.3
2007/2008	391.2	-37.2	-9.5
2008/2009	390.7	16.4	4.2
2009/2010	429.9	34.3	8.0
2010/2011	410.1	-1.2	-0.3
2011/2012	420.2	32.1	7.6
2012/2013	476.3	39.5	8.3

Table 6: Amounts Received from Friends Organizations 2012/2013 (in US \$ thousands)*

Source of Income	Regular Budget	Special & Research Budgets	Development & other Budgets	Endowment Funds in Israel	Total Income	As Percentage of Total
USA	18,502	39,768	10,280	1	68,551	57.6%
Israel	3,898	779	378	7,543	12,598	10.6%
Europe	450	7,149	0	2,221	9,820	8.3%
UK	4,234	4,940	0	28	9,202	7.7%
Canada	3,290	1,477	2,839	43	7,649	6.4%
Australia	92	1,190	201	2,189	3,672	3.1%
Other Countries	307	3,790	153	3,208	7,458	6.3%
Total	30,773	59,093	13,851	15,233	118,950	100.0%
Total 2011/2012					102,984	
Total 2010/2011					88,053	
Total 2009/2010					90,729	
Total 2008/2009					72,137	

*The dollar values above are translated from the amount shown in the University's books in New Israeli Shekels at the rate of exchange on the day of transaction.



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