



INVESTING IN THE FUTURE

Jimmy Pinto and Sam Katz have held senior management positions in corporate finance, project financing, venture capital and international marketing. For them, however, Darca is the best investment opportunity they have ever come across

■ Wendy Elliman

“Getting a return that’s many times greater than your investment is simply good business, and Darca provides an incredible investment multiple,” says Jimmy Pinto, the French-born MIT graduate who founded and managed the French Rothschild Banking Group in Israel until his retirement five years ago. “Today, there are already some 3,000 youngsters in Israel who have matriculated high school because Darca invested in their education – and that benefits not only them, but also their families and their country.”

Innovative prototype for invigorating failing schools

Darca (Aramaic for ‘The Path’) is a non-profit educational network created eight years ago to promote equal educational opportunity in Israel. The Darca Network is supported by five leading philanthropic partners – YRF, Azrieli Foundation, Alliance Kol Israel Haverim, Rashi Foundation and Adelis Foundation – and is targeting high schools in Israel’s geographic and socio-economic peripheries where educational opportunities and expectations are low. The Network’s aim is to build an innovative prototype to invigorate these failing schools in the backyard of Israel’s public education system.

Currently serving some 16,000 students in 32 schools – Haredi, religious, secular, Druse, Bedouin – it plans to double that number, according to Private Equity Fund manager Sam Katz of New York City, founder of Darca’s American sponsor, the Youth Renewal Fund (YRF). “We believe that this model of private investors and activists working with the city or government for the public



good can stimulate the entire system, both in education and in many other areas of public life,” he says. “We hope that once the Darca model is running in 60 high schools, it will be taken up by all 250 schools in Israel that would most benefit from it.”

The YRF came on board in 2014 as Darca’s leading strategic partner, bringing the original investment of \$25 million up to \$53 million. The strongest financial backing ever known by an Israeli school network, it was boosted yet further this year thanks to a strategic alliance between Darca and the Azrieli Foundation led by Danna Azrieli, which will bring in an additional \$30 million investment over the next five years.

All Darca’s sponsors (YRF, Azrieli, KIAH, Rashi and Adelis) see their involvement as an investment, rather than philanthropy. “Education’s payoff is long term,” says Katz. “Its benefits aren’t visible for a long time. That’s why educational reform in Israel now is critical, to create the social mobility that will enable it to thrive in the future, and to confront its security, governance, technological and social challenges.”

Applying business principles to education

Katz, Pinto and their colleagues believe that business principles – good management, fair pay, motivation, incentivization, quality control and strong accountability



Photos: Guy Yechiely, Rotem Golan

at every level – can be effectively applied to public enterprises. “That’s what we all bring to Darca,” says Pinto, the Network’s current chairman and one of its founders. “We’re bringing to Darca what we’ve learned in the business world. Because we’ve all made our mark elsewhere, we have neither hidden agendas nor ego issues. So when we’re faced with difficult decisions, our guide is always what best serves the youngsters in our care, and not what benefits the organization.”

Katz describes Darca’s business-focused take on Israel’s education system. “We want to instill good management and evaluation criteria,” he says. “First, we demand accountability, and measure our results very carefully. Where we don’t get the cooperation or the results we expect, we terminate our investment. Second, our model creates leverage for the money. We’re one among several educational networks that municipalities can choose to manage their schools – one which is highly sought after both because of our strong value proposition (the population we serve wants what we provide), and because we charge no overhead. In fact, we supplement the State education budget by up to ten percent. That makes us a very compelling choice. With Darca come extra funding and better results.”

Neither Katz nor Pinto is given to hyperbole, but neither can avoid it when they talk of Darca. “We’ve exceeded our expectations,” says Pinto. “We couldn’t

know when we began, whether what we proposed was sustainable. A lot of money was put on the table – enough for four to five years – but four to five years only allows a small impact, and we weren’t looking for a small impact!”

Eight years on, the program has proven sustainable. “It’s grown and continues growing,” says Pinto. “We’re now directly in 32 high schools, and serve up to 30,000 more youngsters, primarily through our new partnership with the Azrieli Foundation. In Kiryat Shmona, Gedera and Netivot, the public high school administration is entirely under Darca.”

Excellent return on their investment

According to Dr. Gil Pereg, CEO of the Darca Network since its inception, facilities, teaching and results in Darca schools are beginning to compete with those in the country’s best schools. Critically, matriculation rates have shot up to over 88 percent, “a figure whose importance you can’t ignore when matriculation unlocks the door to social mobility,” he says.

The impact of education on social mobility is clearly understood by Darca’s investors, says Katz. “Many in YRF, like myself, come from middle-class backgrounds, and were lucky enough to go to good schools and universities, which propelled us into professions where we’ve succeeded, and have put us in a position where we can contribute to others. We’re not trying to be Israel’s Education Ministry. We are simply people who love Israel and are trying to work from the inside, as an agent for positive change.”

Both Katz and Pinto already see the return on their investment as excellent. “Darca is impacting beyond what we do, and will continue doing so,” says Pinto. “One example is our policy of never taking overheads from school budgets – which is, essentially, taking money away from the kids. This isn’t true for other networks, but, because of us, they’re now taking less, even though they’re not yet at zero. And the Government has now ruled on the maximum overhead that can be charged.”

Darca’s ultimate success will be to make itself redundant, says Katz. “Public need should not be financed by the private sector. We’d like to see Israel getting to a full, government-financed differential education budget – a trend that has begun under its present Education Minister. It makes no sense for high school students in north Tel Aviv to be budgeted the same amount as those in Kiryat Shmona, when North Tel Aviv’s municipality can add extras that are out of reach for Kiryat Shmona’s.”

“While Darca’s future economic and social impact can’t be precisely measured, its outreach is clearly appropriate for the start-up nation,” says Pinto. “If Israel is to remain a high-tech leader, it can’t write off the kids in its geographic and socio-economic peripheries. Upgrading their education should be a national goal. Hopefully, this upgrade will be extended to revitalizing failing elementary and junior high schools, too, where the return on investment will surely be even higher. Interventions like ours will produce great citizens, and give more Israelis a stronger future. What better return can anyone expect on their investment than that...” ■



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For more information about Darca: www.darca.org.il/en. In the U.S.: www.youthrenewalfund.org