

The
PRICE
of the Settlements

(Or)

How Israel Favors
Settlements and
Settlers

2013

So How Much do the Settlements Actually Cost?

(Or) Where Is The Money Hiding?

It is very hard to estimate the true cost of the settlements. Nonetheless, Peace Now has managed to track down a large amount of data and information that indicates the tremendous sums of money transferred to the settlements.

A bird's eye view reveals the preferences given by the Israeli government to the settlements. This information was obtained by looking at the benefits and grants used as incentives by the State of Israel for citizens to live in the settlements at the expense of supporting areas inside of Israel.

Furthermore, the settlers' political lobby manages to maintain benefits and obtain additional grants and budgets that far outweigh their proportion of the population. The figures are based on official, minimal figures. It is clear to us that the actual sums transferred to the settlements are much higher.

State funds are transferred to residents in two main ways: budgets are transferred by government ministries directly to services provided to citizens, and government budgets transferred to the local authorities that provide many services to the residents. Local authorities also have independent sources of income (various taxes, payments and levies) and have a certain amount of flexibility in distributing their budget.



There are two ways to get an idea of the price of the settlements. One is to try to review all details of all expenses of all the government ministries according to the area to which the budget was directed (such a calculation would be very difficult and in certain areas impossible; however, the Finance Ministry did such a calculation for the US administration). The other way is to look at the various budgets of the local authorities in the settlement and compare them to the local authorities in Israel (as we did below). In either case this is still only part of the direct cost of the settlements.

One might also try looking at the official list of benefits given to different areas and review all of the existing criteria for the distribution of government budgets. Then one can try to identify which of those criteria benefit the settlements. This too is a very difficult task because of the numerous criteria in every budget area.

This booklet shows only one layer of the overall cost of the settlements. This booklet does not include costs such as the political, military, and moral costs, nor the price the Israeli society pays for the settlement policy such as the erosion of democracy.

The following figures are based on three main sources:

(A)

The Central Bureau of Statistics' (CBS) Local Authority Data File, 2010; the data file of all of the local authorities in Israel.

(B)

The Finance Ministry data provided to the US administration, as provided to Peace Now by the CBS.

(C)

Interior Ministry data on grants to the local authorities in 2011.

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Extra NIS 1 Billion a Year

Chapter 1: An Extra NIS 1 Billion a Year

Every year the Israeli government, through the state budget, transfers large amounts of money to the settlements. It is impossible to assess exactly how much money is transferred to the settlements because of the structure of the budget.

Peace Now has managed to obtain data produced by the Finance Ministry that specifies the surplus sums transferred to the settlements every year.

According to the data, the government of Israel transfers a surplus sum of NIS 1 billion to the settlements in the occupied territories every year. In 2011 the sum was NIS 1.1 billion and in the last nine years the total amount was more than NIS 9 billion.

This amount includes only unique expenditures for the settlements and not the security and defense expenses nor most of the cost of paving roads. Nor does it include the services provided to the settlers as citizens, which would have been provided to them had they lived in Israel.



According to the Central Bureau Statistics (CBS), in 2011 there was a 38% rise in expenditures for the settlements, while the number of settlers rose by only 5%.

This is why former Finance Minister Yuval Steinitz said in an interview with Galei Yisrael Radio in November 2012: **"We managed, not only with words but also with actions, to double, I say so loud and clear, to double the economic and financial support and government transfers to the settlements... We did this with a low profile, in agreement with the settlement leadership, with mayors, council heads, and heads of the Yesha Council."**

The Surplus Expenditure for Settlements in 2011 By Government Ministry Expenditures

Government ministry	Surplus amount transferred (NIS)
Interior	465,700,000
Industry and commerce	10,900,000
Education	146,600,000
Water	70,000,000
Transportation	41,800,000
Public works department	281,900,000
Agriculture	6,900,000
Settlement division	41,900,000
Housing	57,600,000
Total	1,123,400,000

Total Surplus Expenditure for Settlements 2003-2011

Year	Surplus amount in (NIS)
2003	1,721,400,000
2004	1,051,870,000
2005	930,300,000
2006	883,000,000
2007	940,618,000
2008	773,315,748
2009	760,661,737
2010	817,462,799
2011	1,123,400,000

Chapter 2: Housing Benefits in the Settlements

In this chapter we will present figures from the Housing Ministry budget and the CBS that indicate the Israeli government's surplus investment in construction in the settlements. These figures are the reason behind the low price of housing in most settlements.

Housing is a key element of the Israeli cost of living. It turns out that the funding the government invests in building housing units in the settlements are much higher than inside Israel.

The price of housing in the settlements is considerably lower than the price of housing inside Israel due to government funding of construction, discounts on land prices, and preferred mortgage rates.

The Housing Ministry Budget: The Settlements Receive a Budget of Four Times More than Their Share of the Population.

The main arm with which the Housing Ministry funds building and planning in Israel is the housing budget (item 70) in the ministry's budget. Peace Now received from the Housing Ministry a list of all of its expenses for building and planning in the settlements. These figures show that in the last five years the housing budget was between NIS 350 and 750 million a year. Of that, 17% went to the settlements for a total of NIS 488 million. Even though the settlers constituted only 4% of the population, they received funding that is more than four times their share of the population.

In 2011 alone the Housing Ministry funded the construction of public institutions in the settlements in the amount of NIS 10,850,000, which was 29% of all the public institutions the ministry funded that year.

In addition, 34% of the rural construction budget in the Housing Ministry in 2011, NIS 49.2 million, went to the settlements.

Only 4% of Israeli Citizens are Settlers

The population of the settlements constitutes 4.15% of the population of Israel

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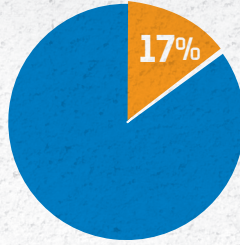


● Settlements: 325,500
● Israel: 7,836,600

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The Housing Ministry's Construction Budget for the Last Five Years in the Settlements Compared to Israel

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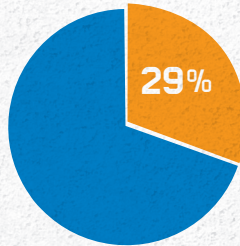


● Settlements:
NIS 487,950,778
● Israel:
NIS 2,385,534,656

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Contribution to Funding Public Buildings, Housing Ministry 2011

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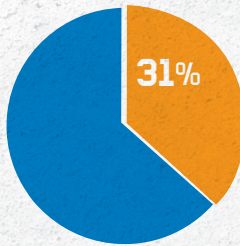


● Settlements:
NIS 10,850,000
● Israel:
NIS 26,721,229

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Housing Ministry Rural Construction Budget, 2011

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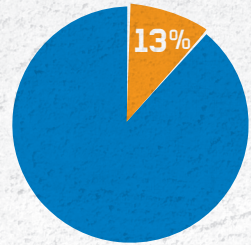


● Settlements:
NIS 49,195,474
● Israel:
NIS 95,996,482

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Government Building in the Settlements is Proportionally Three Times Larger than Construction in Israel

Most of the construction for housing in Israel is undertaken by private contractors; the government contracts only a small part of the construction. CBS figures of the local authorities indicate that the state invests in three times more in construction in the Settlements than it does in Israel.



Public investment in construction in the settlements

Year	NIS	Percentage of total public investment
2008	367,000,000	14.0%
2009	371,000,000	13.8%
2010	308,000,000	11.3%

Source: CBS data, gross investment in public construction, 2011

For nine months in 2010 there was a construction freeze in the settlements, yet the expenditure on construction in the settlements was still higher than in Israel.



Property Tax in the Settlements: Pay Less, Get More

Property tax constitutes a substantial part of the revenues of all of the local authorities in Israel and in the settlements. Official state figures indicate there is a significant disparity in the amount of property tax the residents of Israel are required to pay compared to residents of the settlements.

Inside Israel, the average price of property tax for housing was NIS 1031 per person a year, whereas residents of settlements paid NIS 735 per person; 30% less. Even though the property tax is lower, and the self-revenues of the authorities in the settlements are lower than in Israel, the settlers still receive more benefits, as we shall see below.

Housing Benefits as Part of National Priority Areas

Most of the settlements in the occupied territories are defined by Israeli government decisions as national priority areas. Whereas many communities in Israel with lower socioeconomic status are not defined as National Priority A areas, and therefore do not receive benefits from the state.

Mortgage supplements: a NIS 97,200 loan on comfortable terms (4.5% interest) for anyone who buys an apartment (and does not have another apartment somewhere else), regardless of their economic condition and entitlement points for assistance. Additional supplements are provided in the form of relaxing criteria for entitlement.

Financing: 50% of development cost of building project

Exemption from Tender for the Land

69% **discount** on the value of the land (which means buyers must pay only 31% of the actual price of the land). In the past there were cases in which land was given to settlers for free.



Sharon area

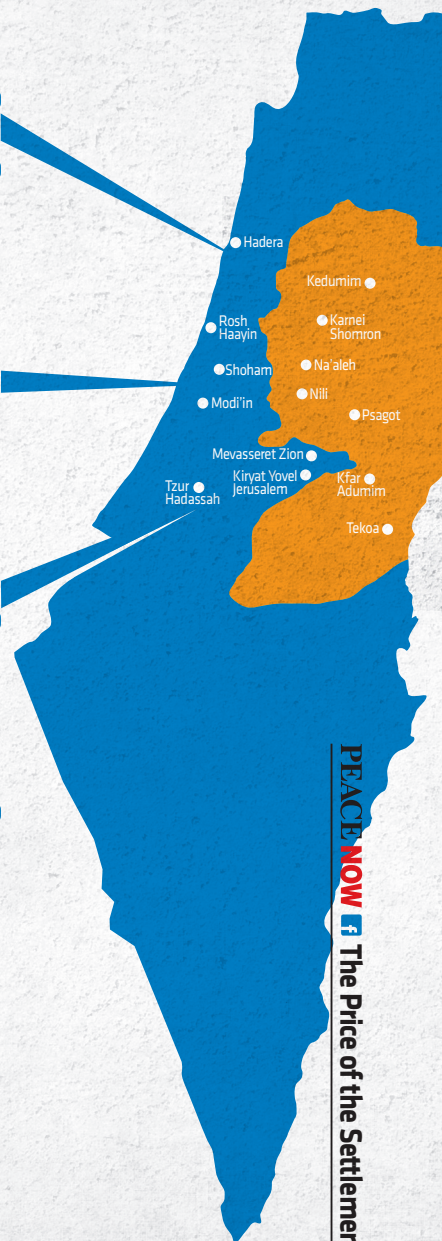
	Inside Israel	Settlements	Difference %
5 room apartment	Hadera 1,075,000 NIS	Kedumim 605,000 NIS	44%
	Rosh Haayin 1,331,000 NIS	Karnei Shomron 748,000 NIS	44%

Modi'in area

	Inside Israel	Settlements	Difference %
5 room apartment	Modi'in 2,100,000 NIS	Na'aleh 1,200,000 NIS	43%
	Shoham 2,250,000 NIS	Nili 1,400,000 NIS	38%

Jerusalem area

	Inside Israel	Settlements	Difference %
5 room apartment	Kiryat Yovel Jerusalem 1,477,000 NIS	Psagot 823,000 NIS	44%
	Mevasseret Zion 1,812,000 NIS	Tekoa 1,037,000 NIS	43%
6 room apartment	Tzur Hadassah 1,890,000 NIS	Kfar Adumim 1,051,000 NIS	44%



The Price of Apartments in Israel Compared to Apartments in Settlements

*The price data is an average of recent apartment sales

Chapter 3: Education

The Settlements Get More

The education budget for the local councils is based on transfers from the Ministry of Education as well as the councils' self-revenues (various parental payments, taxes and levies).

CBS figures show that the investment in education in the settlements is considerably higher than the investment in Israel. Among other things, the settlements enjoy bonus budgets, which contribute more funding per student, and in educational facilities.

In 2010 the Ministry of Education transferred the local settlement authorities NIS 362,946,000. That comes to NIS 8034 per student a year in the settlements compared to NIS 4915 in Israel (excluding the two ultra-orthodox cities Beitar Illit and Modi'in Illit).

The Authorities' Revenues from the Ministry of Education per Student

*CBS figures for 2010 based on total Ministry of Education transfers to the authorities divided by the number of students in the schools (excluding kindergartens and certain others).



The Ministry of Education's Budget: Settlements in the Occupied Territories vs Communities in Israel

The Ministry of Education's construction budget for the settlements, which allows for the development and construction of institutions and classrooms, is more than three times their share in the population. As a result of the benefits and budgets, the number of students per classroom in the settlements is lower and the percentage of students who matriculate is higher as a result of the benefits and budgets: the average number of students per classroom in the settlements is 23, 8.4% less than in Israel. In the settlements 69.5% of the students received matriculation certificates compared to 59.7% in Israel. The number of matriculated students who qualified for university was 63.12% in the settlements compared to 49.1% in Israel.

*Finance Ministry calculation, CBS figures on local authorities, 2010.



Chapter 4: The Local Authorities in the Settlements – A Channel For Money Transfers

The local council is the main service provider for residents. According to the information collected by Peace Now, it turns out that the local authorities in the settlements receive more government funding than similar local authorities in Israel. Overall, the local authorities in the settlements have a higher budget for each resident. In addition, every year the Minister of Interior transfers unique grants to the local authorities in the settlements disproportionate to the size of the population.

Every year the local authorities in the settlements enjoy a surplus government budget of NIS 427 million, with an additional NIS 6900 for each family.

As a result, the level of services provided to the settlers by the local councils is higher while the local taxes collected from the settlers are considerably lower than in Israel.

%	In Israel (NIS per person)	Normal revenue of authority	%	Settlements (NIS per person)
65.5%	3,828	Self-revenues	42.7%	2,850
33.5%	1,929	Government contribution	57.3%	3,825
100%	5,757	Total revenues	100%	6,675

*Source: Local authority data, CBS 2010. Excluding the ultra-orthodox settlements Beitar Illit and Modi'in Illit.

The budget of the authorities in Israel is, on average , 66.5% from sources the authorities raise themselves, Only 33.5% of their budget comes from the state budget. Conversely, in the settlements most of the budget, 57.3%, comes directly from the government and only 42.7% of the budget comes from the authorities' own revenues.

57.3%

of the settlements' budget from the state



33.5%

of the authorities' budget from the state



Settlements

Israel

*Excluding the ultra-orthodox settlements Beitar Illit and Modi'in Illit

Total Revenues of Authorities (normal budget) per Person

6,675 NIS



5,757 NIS



Settlements

Israel

*Excluding the ultra-orthodox settlements Beitar Illit and Modi'in Illit

Total State Contribution to Authority Budget per Person

3,825 NIS



1,929 NIS



Settlements

Israel

*Excluding the ultra-orthodox settlements Beitar Illit and Modi'in Illit

It is the taxpayers in Israel who finance the high revenues of the authorities in the settlements through government contributions.

In 2010 the total revenues of the authorities in the settlements from government contributions were NIS 861 million, which is NIS 3825 per person compared to NIS 1929 per person in Israel. In the ultra-orthodox settlements, government contributions were an additional NIS 147 million.

If the government contribution to the normal budget of the settlements was the same as the average in Israel, the sum transferred to the settlements would have been only NIS 434 million (compared to the NIS 861 billion transferred today). **It can be inferred that the surplus expenditure on the settlements in the state budget given through the local authorities in their normal budget (not including development budgets) is NIS 427 million a year, which is NIS 6900 per family.**

The development budget (the surplus budget) for the settlements also discriminates in their favor. The contribution of government ministries to the development budget (the extraordinary budget) of the authorities and the settlements in 2010 was NIS 568 per person compared to NIS 341 per person in Israel.

Interior Ministry Grants: 3.5 Times Higher

Besides funding from the ministries of housing, welfare and others, the local authorities also receive budgets directly from the Interior Ministry. In 2011 the Interior Ministry gave the local authorities NIS 3.7 billion. The settlements received NIS 521,821,799 of that budget, which is 14%, 3.5 times their share in the population.

*Source: Interior Ministry data, 2011

14.1%



Interior Ministry grants to the settlements

4.15%



Percentage of settlers in the population

Balancing Grants: Three Times Higher

The balancing grants are funds the Interior Ministry transferred to local authorities, in addition to their normal budgets. Balancing grants are a way to help balance local authority budgets.

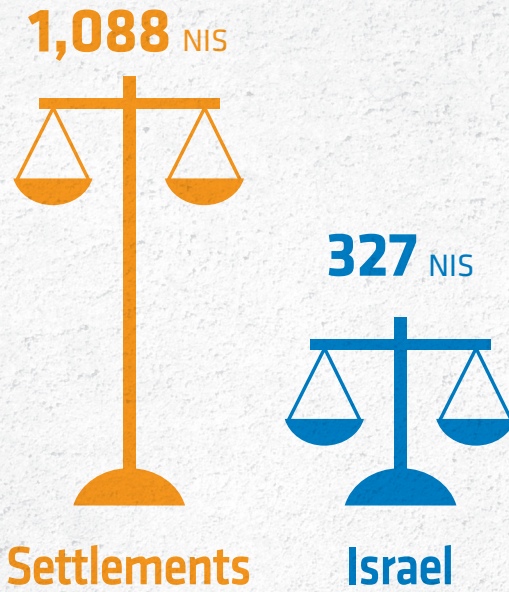
In 2011 the settlements received NIS 355.4 million, which equals 12.6% of the total balancing grants in Israel, meaning they receive 3x more than their share of the population.

The figures also show that the balancing grants per person in Israel equal NIS 327. In comparison, on average, each settler received NIS 1088 in balancing grants.

It is noteworthy that even the rich settlements enjoy high balancing grants. For example, the settlement of Elkana (socio-economic cluster 8 out of 10) received NIS 1498 per person in 2011, whereas the settlement of Beit Arie (socioeconomic cluster 7 out of 10) received NIS 1643 per person. The figures show that at every socioeconomic level, the settlements receive more balancing grants than in Israel. Furthermore, every single settlement enjoys balancing grants, whereas in Israel there are localities that are not given them.

*Source: Interior Ministry figures, 2011

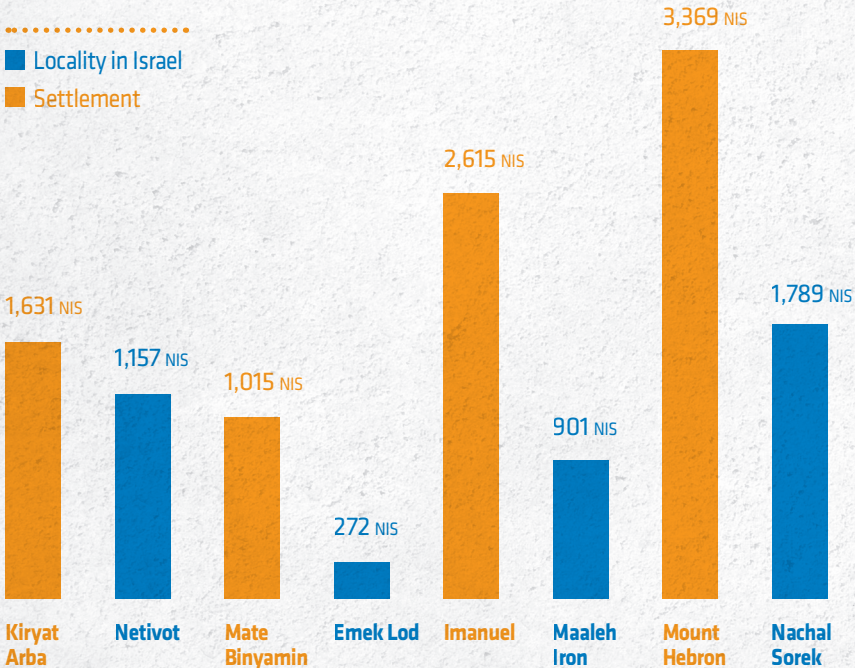
Balancing Grants per Person, 2011



Balancing Grants per Person in the Settlements Compared to Israel by Socioeconomic Cluster Examples

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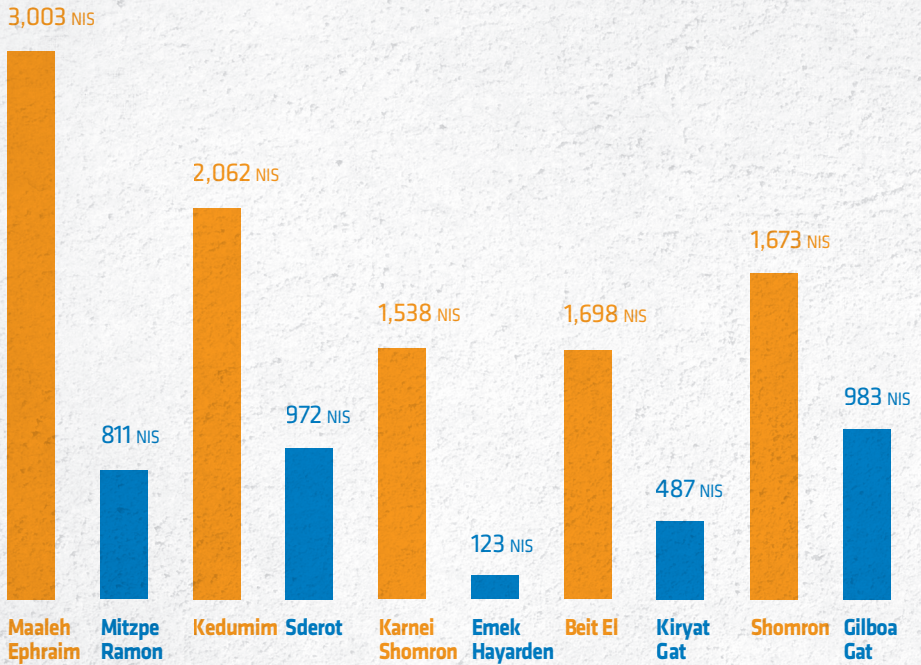
Socioeconomic Cluster 3: Balancing grant per person



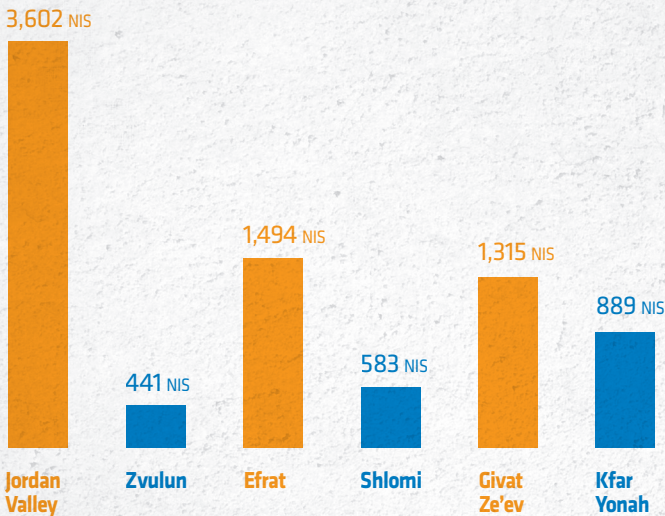
*Socio-economic clusters are created by the CBS to rank communities based on a set of socio-economic indicators. Clusters are rated from 1 to 10 with 1 being the lowest and 10 being the highest.

Socioeconomic cluster 4 and 5

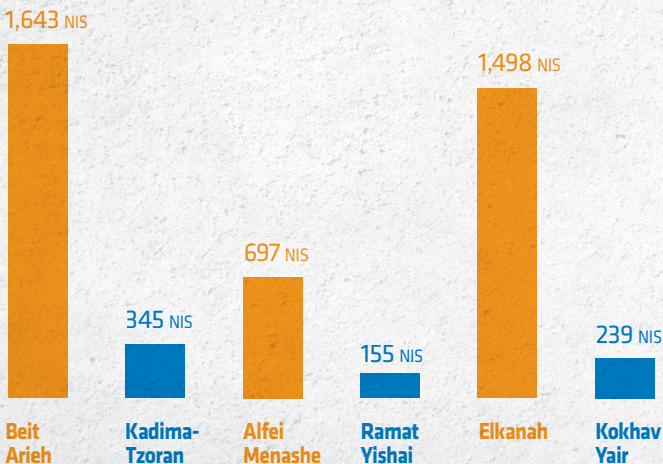
Balancing grant per person



Socioeconomic cluster 6 Balancing grant per person



Socioeconomic cluster 7 and 8 Balancing grant per person



Minister's Reserve Grant – Three Times Higher

The Interior Minister's grant is a budget reserve for distribution to local authorities. It is not based on a permanent formula, enabling the Interior Minister to exercise flexibility in allocating funds as they see fit.

All of the local authorities in the settlements received Interior Minister grants, even though only 65% of the local authorities in Israel received such.

In 2011, the minister's grants to the settlements equaled NIS 24,295,000; which was 25% of the total grants distributed to the local authorities; that's eight times more than the settlers proportion of the population).

For example, the settlement of Imanuel received NIS 2.5 million from the Interior Minister, Gush Etzion received NIS 1.5 million, Mate Binyamin received NIS 1.45 million and the Mount Hebron Regional Council received NIS 1.2 million.

Minister's Grant per Person

78.1 NIS



Settlements

9.4 NIS



Israel

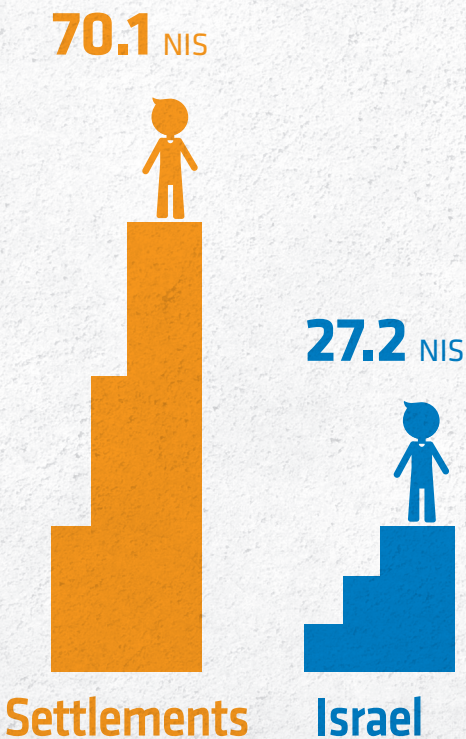
Development Grants

Development grants are additional grants provided to local authorities based on a formula decided by the government for specific projects.

The settlements received NIS 21.8 million, 9.8% of the total grants [provided in Israel] and 2.5 times their size in the population.

Development grants in Israel are NIS 27.2 per person. Per capita in the settlements, each settler received NIS 70.1.

Development Grant per Person



Special Grants for the Settlements

The Interior Ministry grants unique grants just to the settlements, which are not given to authorities within Israel. These grants are part of the balancing grants given to the local authorities and include the following:

“Unique Grants for Councils in Judea and Samaria”

Under this heading the settlements received NIS 35 million in 2011 and NIS 30 million in each one of the years 2009 and 2010. This grant is given especially to the isolated settlements. For example, the Mate Binyamin Regional Council, population 50,000, received NIS 7.8 million (NIS 160 per person) whereas the settlement of Modi'in Illit, with a similar number of residents, received NIS 1.2 million (NIS 24 per person).

“Grants for Young Settlements”

NIS 48.3 million was given to settlements, by way of six regional councils and two local councils. This grant is a special grant for settlements and the only other place it was given was the Golan Heights (an extra NIS 13.7 million).

“Security Grants Due to the Construction Freeze”

Since 2010, during which new building starts were forbidden for nine months (“the construction freeze”), the settlements received a special grant from the Interior Ministry. So far, the settlements have received NIS 111.8 million under this grant. In 2011 they received NIS 40 million, in 2010 NIS 36 million and in 2012 the grant was NIS 35.8 million.

“Supplement Due to Oslo Accords”

Since the Oslo accords were signed, the settlements have received a special grant from the Interior Ministry every year. In 2011, the grant was NIS 4.8 million, in 2010, NIS 5.3 million, and in 2009 it was NIS 5.9 million.

Altogether, in 2011, the settlements received NIS 124,100,000 in special grants given exclusively to settlements by the Interior Ministry.

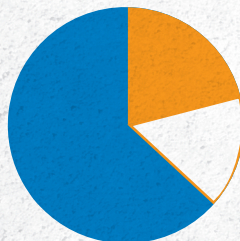
Funding of the Settlers' Political Campaigns

The settlements' local councils receive surplus budgets from Israeli taxpayers' money, not only to finance benefits and subsidies for illegal construction and outposts, but **also for settlers' political campaigns**. The most well-known right-wing organization, the Yesha Council, is funded mainly by local settlement authorities.

According to the Yesha Council's financial reports, in 2010 its budget was NIS 10,945,790; two thirds of which (NIS 7,065,760) were funded by public funds transferred from the local authorities of the settlements.

In the last decade, the local authorities gave the Yesha Council at least NIS 36,096,177 in public funds.

The Yesha Council Budget



- Public Funds: NIS 7,065,760
- Donations: NIS 2,280,030
- The Amana Movement: NIS 1,600,000

Public funds transferred from the local authorities to the Yesha Council:

Year	Total (NIS)
2001	2,755,114
2002	1,371,450
2003	3,706,786
2004	4,126,527
2005	812,000
2006	6,643,150
2007	3,924,590
2008	3,188,230
2009	4,102,570
2010	7,065,760
Total	36,096,177

In addition to the amount the Yesha Council received between NIS 1.2 and 1.6 million from "Amana," each year. "Amana" is an association established by Gush Emunin to build and support settlements, and to which the local authorities of the settlements also contribute. Therefore, the public funding transferred to the Yesha Council is actually much higher than those figures.

In addition to the Yesha Council, the local councils in the settlements also finance political organizations and initiatives for PR and public advocacy. Nonprofits that operate in illegal outposts and that support right-wing activists and activities. The Regavim organization, the Samaria Settlers Committee, Honeinu and others are supported by these monies.

For example, expenditures on political activity in the budget of the Mate Binyamin Regional Council in 2012 are as follows:

- NIS 2,040,000** – "lobbying organizations for the council"
- NIS 2,370,000** – PR, publicity, tours and lobbying services
- NIS 1,500,000** – "support and activity for settlement in Binyamin"
- NIS 720,000** – "contribution to settlement organization" [Amana]
- NIS 100,000** – tours for soldiers

*Source: Budget File 2012, Binyamin Regional Council

This Booklet **“The Price of the Settlements”** reveals the mechanisms through which the government favors the settlements and provides them with a much higher level of education, welfare and housing than it provides localities inside of Israel. By allocating surplus budgets and special grants, the government provides incentives to the Israeli public to move to the settlements, perpetuating Israeli control of the occupied West Bank. This booklet shows only one layer of the total cost of the settlements. The political, military, and moral costs, as well as the price Israeli society pays for the settlement policy, (such as the erosion of Israeli democracy), are not detailed here.

As exemplified by the information presented in this booklet, it can be inferred that only a two-state solution will end the Israeli-Palestinian conflict. This will allow Israel to continue to exist as a Jewish and democratic state in the spirit of its Declaration of Independence.

The facts show that Israeli control of the occupied territories and the continued construction in the settlements prevent the chances of establishing a viable, sovereign, Palestinian state, undermine the ability to negotiate for peace, isolate Israel on the international level and cost the Israeli taxpayer hundreds of millions of shekels a year.

Peace Now is the leading Israeli voice for peace. Join us in the struggle for peace in Israel.

A surplus sum is a direct government investment in the settlements, excluding current administration of daily needs in the settlements.



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