

Central Government Transfers to the Settlements Still Higher than to Localities Within the Green Line

This new Adva Center report is the update for 2009 of a periodical documenting inequality in the financing of municipal budgets in Israel. It compares four groups of localities: (1) "Forum-15" cities – the 15 local authorities whose budgets are balanced and thus have no need of "balancing grants" from the central government; Jewish development towns, Arab localities, and the settlements in Judea, Samaria and the Golan Heights. For comparison's sake, we also include average figures for all localities within the Green Line (Israel proper). Most of the figures are per capita. The report was authored by Shlomo Swirski, Ety Konor-Attias and Arianne Ofir.

The main finding is that on a per capita basis, central government transfers to the settlements continue to be higher than the average for local authorities within Israel proper, especially in comparison with Jewish development towns, Arab localities and Forum-15 cities.

Additional findings:

A. Central Government Transfers

The central government helps finance the activities of municipal governments in two ways: (A) Via **Balance grants**, distributed to local authorities in accordance with set criteria, like the socio-economic level of its residents; and special grants provided for the purpose of decreasing accumulated deficits; (B) Via **Service transfers**, whose purpose is to finance services provided by the state via the local authorities, like education and social welfare services.

Balance grants were drastically cut in the years 2001-2003; in 2000 they amounted to NIS 3.7 billion and constituted 11% of the total income of the regular budgets of the local authorities, while in 2009 they amounted to NIS 2.1 billion and constituted no more than 5% of local income for regular budgets. In 2009, the settlements received the highest average grant, in the amount of NIS 951 per capita – compared with NIS 303 for Israel proper (without Judea, Samaria and the Golan Heights), NIS 776 for Arab localities, and NIS 616 for Jewish development towns.

Service grants, which totaled NIS 9.2 billion in 2000, were somewhat higher in 2009 – NIS 10.7 billion. The breakdown among different types of localities: NIS 2,264 per capita for the settlements, NIS 1,859 per capita for Arab localities, NIS 1,719 per capita for Jewish development towns, and NIS 1,378 per capita for Forum-15 cities.

Prior to 2000, the average per capita allotments of the settlements were much greater. However, in the course of the last decade, the population of the settlements grew at an especially fast rate: between 2000 and 2009, the population of Israel proper grew by 18%, while that of the settlements grew by 47%. The growth rate of the Forum-15 cities was 12%, Jewish development towns, 10% and Arab localities, 31%.

Most of the population growth in the settlements occurred in the ultra-Orthodox settlements: in 2009, Betar Ilit and Modi'in Ilit accounted for 28% of the total population of the settlements in Judea and Samaria. The same year, those two settlements accounted for 40% of the total number of home construction starts in the settlements.

It should be added that an analysis by settlement reveals that Betar Ilit and Modi'in Ilit are among the localities that receive the lowest allocations when it comes to government financing per capita of Jewish settlements in the West Bank. This is true for balance grants as well as service grants.

Local Financing

Most municipal income is local in origin, deriving from taxes and fees. This income increased from a total of NIS 21.1 billion in 2000 to NIS 27.7 billion in 2009. The highest level of local resources is to be found, as would be expected, in the Forum-15 cities: In 2009, the amount was, on average, NIS 5,154 per capita. Next highest was the locally-collected income from Jewish development towns – NIS 3,931 per capita, followed by NIS 2,523 for the settlements. At the bottom were the Arab localities, with an average per capita income of NIS 1,441 from local sources. The level of locally-collected income is low in the Arab localities due primarily to the absence of economic development and the low socio-economic status of their residents. As for the settlements, there are two reasons for their relatively low level of local financing: the high level of central government financing, which releases them from the burden of local taxes, and the rapid population growth of ultra-Orthodox residents, whose incomes are relatively low.

B. The Investment Budgets of Local Authorities

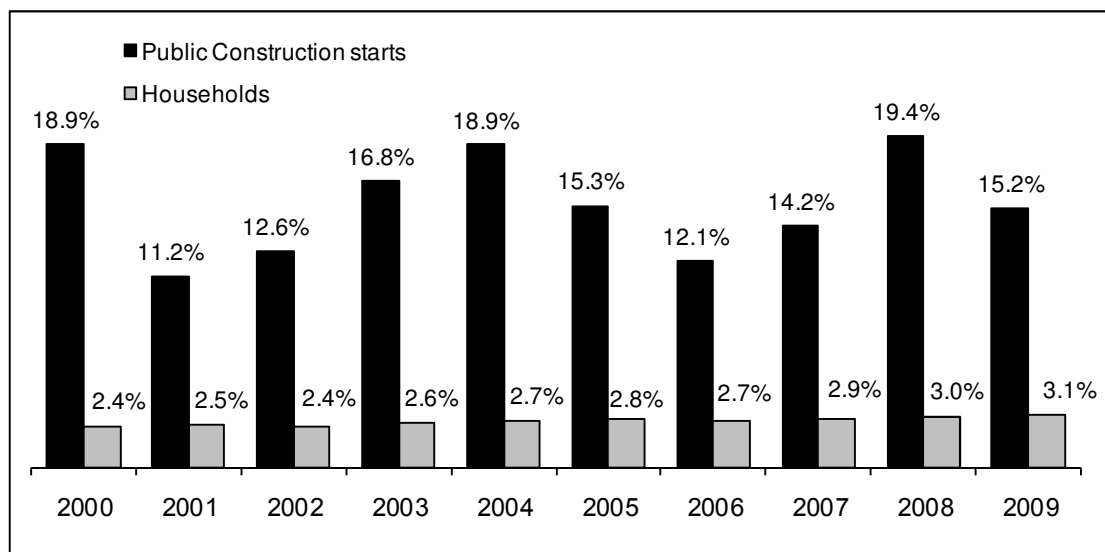
The investment budgets of local authorities are used for construction and development. Until the turn of the present century, the central government contributed to these budgets; however, in recent years the contribution has been cut almost entirely. Instead, local authorities finance development through bank loans, co-payments and contributions. In 2009, the settlements' average per capita income for development was NIS 1,501, compared with NIS 1,269 for Forum-15 cities, NIS 1,150 for Jewish development towns and NIS 840 for Arab localities.

C. Housing Construction

The number of new apartments constructed in Israel proper decreased in the course of the last decade from approximately 46,000 in 2000 to between 31,000 and 34,000 in each of the subsequent years. The settlements also experienced a decrease, from approximately 4,700 in 2000 to between 1,500 and 2,000 in each of the subsequent years.

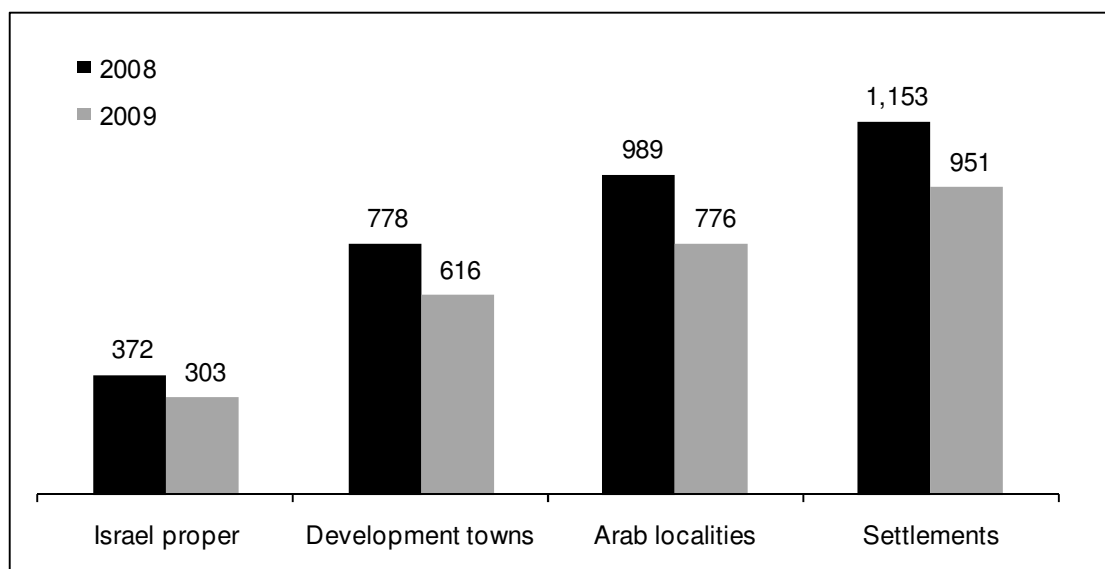
Between 2000 and 2009, 20,933 home construction starts were registered for Judea and Samaria, at a total investment of NIS 14.4 billion. The central government was responsible, on average, for 50% of the home construction starts and for 35% of the total investment in housing construction. At the same time, in Israel proper the central government was responsible for approximately 18% of home construction starts and for 10% of the total investment in home construction.

Public Construction in the Settlements as a Percentage of all Public Construction Starts in Israel, Compared to the Share of Jewish Households in the Settlements as a Percentage of all Households in Israel, 2009-2000



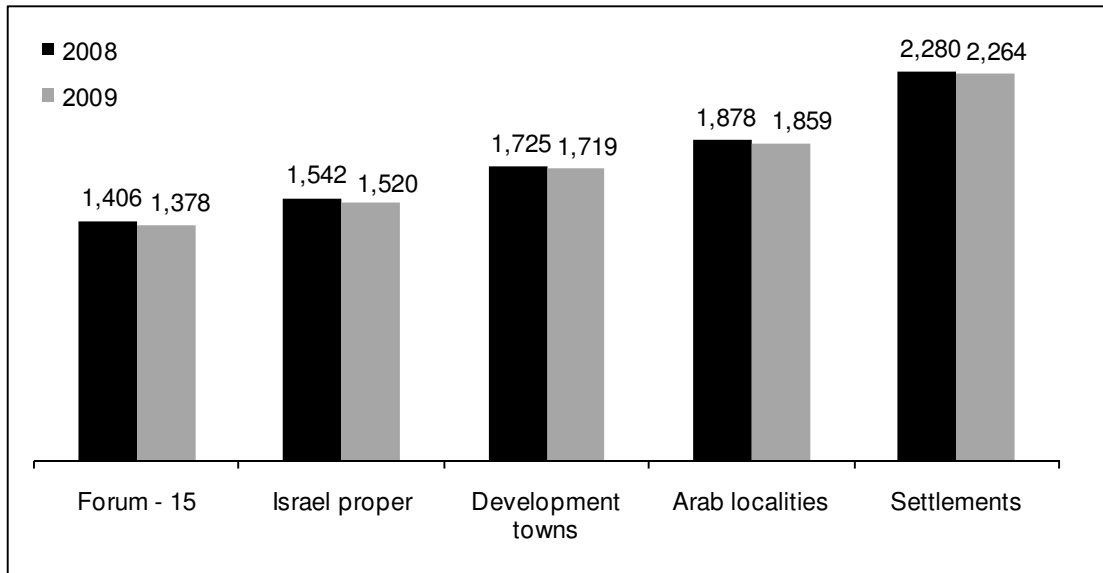
Local Government Income Per Capita from Balance Grants, 2008-2009

NIS, 2010 prices



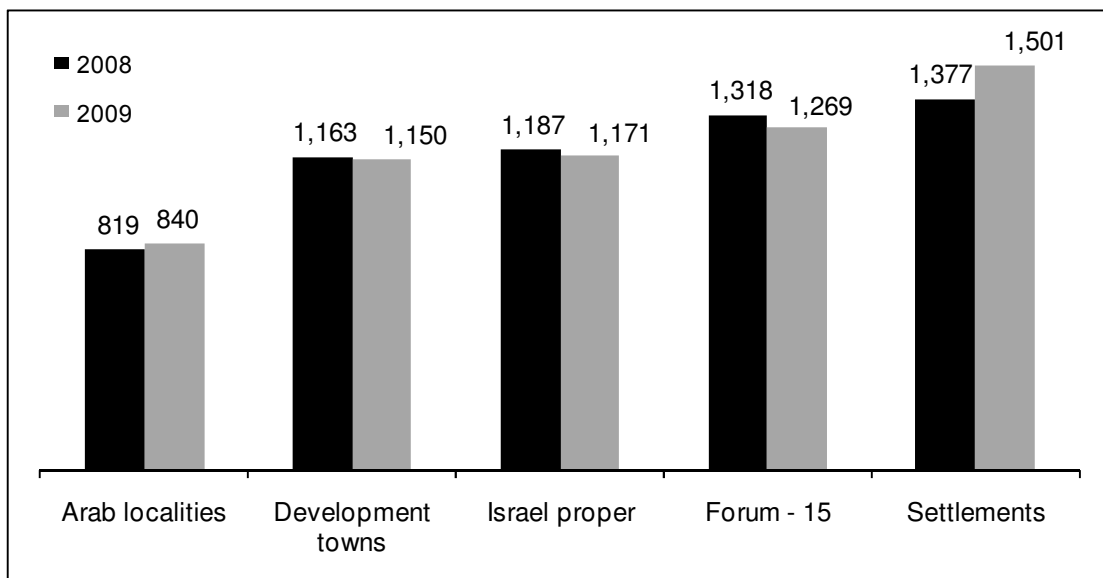
Local Government Income Per Capita from Service Grants, 2008-2009

NIS, 2010 prices



Local Government Income Per Capita in Development Budgets, 2008-2009

NIS, 2010 prices



The full report, in Hebrew:

<http://www.adva.org/uploaded/settlements%202000-2009.pdf>