

Central Bureau of Statistics

Document I

**GOVERNMENT EXPENDITURES ON THE ISRAELI SETTLEMENTS IN JUDEA
AND SAMARIA, AND THE GOLAN HEIGHTS**

CONCEPTS, DEFINITIONS, SOURCES AND METHODS

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The collection of statistical data on government expenditure in the Israeli settlements was carried out using the definitions, classifications and methods of the system of national accounts. National accounts provide a comprehensive, orderly and consistent presentation of economic data; experience has shown that the system of national accounts is useful for the appraisal of any actual or proposed scheme of collection of economic statistics, since a place for virtually all these statistics is provided systematically somewhere in the accounts.

1. Definitions

1.1 **Government** is defined to include all government departments, offices and other bodies of Israel's central authority.

1.2 **Israeli settlements** include settlements in Judea and Samaria, and the Golan Heights.

1.3 **Government expenditure** includes all payments in exchange for goods and services plus transfers to other sectors.

Direct purchases of goods and services include:

- (1) current purchases made in the course of producing government services;
- (2) investment in buildings, roads and other construction works.

Transfers to other sectors include:

- (1) subsidies and capital grants to producers;
- (2) transfers to local authorities including block grants and all-purpose grants;
- (3) transfers to households including tax exemptions;
- (4) transfers to the "Settlement Division" of the World Zionist Organization;
- (5) transfers to private non-profit institutions.

2. Criteria for inclusion of expenditure

In general, the objective is to include expenditures which are specific to the Israeli settlements in Judea and Samaria, and the Golan Heights.

These expenditures include:

- (1) Direct investment by the government in the settlements plus capital transfers to finance investments by other sectors.

These investments include:

Residential buildings; buildings for industrial or commercial use such as factories, office buildings, shopping centers, industrial parks, farm buildings and buildings for educational, cultural and similar purposes, land, plantation, orchard and vineyard development.

Other construction works including: electricity transmission lines, telephone lines and exchanges, non-military roads except highways or main roads, which are used by the general population and not only by the residents of the Israeli settlements.

- (2) Specific current government expenditure on goods and services, subsidies or current transfers, which are given to producers, households or local authorities in the Israeli settlements.

It does not include expenditure on government services or transfers made to all residents of Israel. This is because the residents of these settlements pay taxes and are entitled to get general benefits and government services. General and community services, such as defense, law and order, economic regulation and government administration are consumed collectively by the whole population and the consumption of these services is not connected to the place of residence of the population. Social services such as education, health and other services which are mainly consumed by individuals, as well as most current subsidies and grants are provided in accordance with various criteria such as level of income, age, kind of industry, etc., but not place of residence. The settlers in the Israeli settlements are entitled to receive

these services or grants wherever they live. For instance they can study in an institution in Israel or receive medical treatment from a hospital in Israel on the same conditions of payments irrespective of their residence. Similarly, elderly persons are entitled to old age benefits whether residing in the settlements or in Israel.

In particular, the following items were included:

- (1) The construction of the settlements as such, including public investment in dwellings; internal roads; buildings for educational, social and religious purposes; commercial centers, industrial parks and other facilities created for the establishment of producing units and/or to serve the residents of the Israeli settlements.
- (2) Government's current subsidies and capital grants to local authorities and enterprises located in the settlements.
- (3) Benefits through special tax exemptions given to producers and residents of the settlements.
- (4) The subsidy element contained in mortgages given on special conditions to the settlers.
- (5) Grants to residents for housing, transportation and other consumption items.
- (6) Government's transfers to the World Zionist Organization, earmarked for expenditure on settlements.

3. Classification of the expenditure

The expenditures were classified according to the economic classification recommended in "System of National Accounts 1993", Commission of the European Communities, International Monetary Fund, Organization for Economic Co-operation and Development, United Nations, World Bank, Series F, No. 2, Rev. 4, Brussels/Luxembourg, New York, Paris, Washington D.C., 1993. This classification shows the kind of transactions by which the government performs its functions and their impact outside the government on the market of goods and services, on financial markets, and on the distribution of income.

4. Method applied to obtain the data

Since expenditures in the government's financial reports are not classified according to locality, in most cases the required expenditure items are not directly identifiable.

A list of all the budget items that contain, or may contain the previously defined expenditures in the above-mentioned units were prepared, at the most disaggregated level of the budget classification (8 digit level). At this classification level, it is possible to identify the ministry, the activity, the program, and the object of expenditure (salaries, current purchases and so on), but no information on the specific settlement, where expenditures are made, nor on the Israeli /non- Israeli population it is spent on, is usually available.

For this reason, the officials responsible for the budget execution of the specific expenditures in each ministry and relevant unit were consulted, in order to obtain the required disaggregation of the budget item, isolating the part that is spent on the target population, according to the above-mentioned criteria.

5. Period

The period covered was in the first report was: March-July 2003. The estimates for this period were prepared using financial data from the relevant government offices on expenditure accrued from January to June 2003. The transformation of the expenditure to the period March-July 2003 was made by multiplying the expenditure in NIS with 5/6 and then dividing the amount by the average exchange rate of the US dollar to NIS for the period March-July 2003. Later reports cover quarterly periods and are based on financial data on accrued expenditure from the government offices for the relevant months.

When analyzing the data one should take into account that part of the data, and especially the data on construction, are subject to seasonality.