

The Settlers' Welfare State:
**Budget Allocated to Maintain
Colonialism in the West Bank**

A Summary
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Preface

This study monitors and analyses the process by which Israeli settlements across the West Bank are transforming into welfare centres of settlers.¹ To support this argument, three major components are highlighted:

- Examine the volume of budget line items designated by line ministries to settlements across the West Bank in 2011. These include funds earmarked by the Ministries of Education, Social Welfare, Infrastructure, Transportation, Health, etc.
- Analyse local authority budgets in the Settlements district² in comparison to local authorities in other districts of Israel in 2009 (These are the latest data and budget appropriations available at the time of reporting).
- Identify tax laws that grant tax exemptions and concessions to settlements and settlers.

1 This paper does not cover budget allocations earmarked for Israeli settlement activity in Jerusalem. Falling within Jerusalem Municipality's administrative jurisdiction, no special budgets are allocated for Jerusalem. Adequate information is not available to examine budgets designated to settlement quarters in Jerusalem. This information cannot be compared to local authorities of settlements.

2 "Judea and Samaria Area" is the official name the Government of Israel uses in reference of the Settlements District.

The study results show that the Government of Israel is implementing a settlement-oriented economic policy, which varies from the State of Israel's public economic policy. Successive Israeli governments have recurrently claimed a declining economic role and functions and subsidizing provision of certain social functions and public services, allowing market forces to manage the economy and growth as well as local authorities to recruit self-income sources. However, Israel has continued to perform these functions throughout settlements. Israel further ensures major public service delivery in these settlements. It does not gauge public expenditure in line with principles of economic feasibility, economic rationality, or financial gains and losses. In other words, Israel is willing to pay an economic and financial price with a view to materialise national, strategic political goals without consideration of financial cost.

This paper does not account for gains and losses generated by Israel's direct occupation of the West Bank or indirect occupation and siege over the Gaza Strip. This is way beyond the scope of this study and demands another research focus. Even though occupation is not a primary consideration, economic gains and losses require an account of gains Israel makes by exercising control over Palestinian markets and resultant share in the Israeli gross domestic product (GDP). Account should also be taken of Israel's expropriation of Palestinian natural resources, enslavement of the Palestinian workforce, impact of the occupation on the Israeli labour market, and grab of Palestinian land. This exercise will take account of the security cost of occupation, GDP loss, declining growth at times of security instability, etc. This is a very complex process and is hard to estimate. It falls beyond the scope of the present study, which provides an in-depth analysis of the settlement budgets and cost of settlement activity, rather than cost of the occupation.

Settlement Population and Age Structure

Excluding East Jerusalem, approximately 340,000 Jewish settlers lived in Israeli settlements towards the end of 2011.³ With a majority of ultraorthodox Haredi Jews, the settlement of Modi'in Ilit houses the largest settler population. According to the latest ICBS updates (July 2012), more than 52,060 settlers re-

3 Data based on the latest releases of the Israeli Central Bureau of Statistics (ICBS). Other sources provide distinct statistics. In particular, settler sources claim that the settler population is much larger.

sided in this settlement. Of all West Bank settlements, Modi'in Ilit scored the highest birth rate (5.64%). Ma'ale Adumim is the second largest settlement with a population of almost 35,000, followed by Ariel which accommodates about 18,000 settlers.⁴

Persons aged 19 years or older comprise over 50% of the settler population. In contrast, the same age group comprises only 33% of the broader Jewish population of Israel. These figures affect participation in the labour market, economic situation and government budgets allocated to settlements.

Settlers' average life expectancy at birth is low, marking 20 years in comparison to 31.6 years among the rest of Israel's Jewish population. At the end of 2010, growth rate the settler population registered almost 5%, or 15,000 new settlers. This includes 10,600 new births and 4,200 immigrants.

Table 1: Population according to the age group

Age group	Settler population (%)	Jewish population of (%) Israel
0-4	17.4	9.6
5-14	24.5	16
15-19	8.2	7.2
20-24	8.3	7.4
25-29	8	7.6
30-34	6.8	7.2
35-44	10.6	12.5
45-54	7.8	10.8
55-64	5.4	10.4
65-74	2.0	5.8
75+	0.1	5.6

⁴ According to local authority budgets referenced in this paper, detailed data only covers the period towards 2009. Demographic data of 2009 need be provided to compile the paper. However, the authors believe that the latest data of the total number of settler population should be presented, excluding Jerusalem.

Comparing settlers to the rest of Jews in Israel, age group distribution shows that the youths are a majority in the settler population.

Participation in the Labour Market in Various Districts: 2000-09

In local authorities, economic conditions of the population are pivotal to setting government budgets earmarked to each authority. Economic conditions reflect on local authorities' capacity to collect taxes from local communities. In addition to religious causes, an assessment of local economic conditions provides an understanding of reasons why Jewish residents of Israel move to West Bank settlements.

Major indicators used to examine economic conditions of the population include rates of participation in the labour market, unemployment and income. In this context, data shows that settlers' economic conditions are good relative to the rest of Israel's population. They are even slightly better than general rates in Israel, but largely similar to the situation in the economic centre of the State of Israel.

Table 2: Participation in the labour market in various districts: 2000-09

Year	Jerusalem	North	Haifa	Centre	Tel Aviv	South	Settlements
2000	0.47	0.49	0.52	0.58	0.58	0.51	0.63
2009	0.47	0.51	0.54	0.63	0.63	0.53	0.63

Source: ICBS, Workforce Survey, 2000-09.

Settler participation in the labour market is similar to that of the general population in Israel's economic centre. In contrast, unemployment rate in settlements is the lowest in all districts of Israel. Compared to 9.1% in Jerusalem and 7.6% in Haifa, unemployment across settlements stands at 6.7%. Settlement unemployment rate was also lower than Tel Aviv (6.8%) in 2009.

Table 3: Unemployment in districts: 2000-09 (%)

Year	Jerusalem	North	Haifa	Centre	Tel Aviv	South	Settlements
2000	8.9	9.4	9.3	7.5	8.1	11.6	5.9
2009	9.1	8.85	7.6	6.7	6.8	7.8	6.70

Source: ICBS, Workforce Survey, 2000-09.

Income Rates

In addition to a high participation in the labour market and low unemployment rate across settlements, the wage rate per worker is high relative to the rest of Israel's districts. For example, the wage rate per worker in settlements marked ILS 6,602 in 2009 compared to ILS 6,139 in the Jerusalem district, ILS 5,705 in the Northern district, and ILS 6,080 in the Southern district. However, the wage rate per worker is less in settlements than income rates in the Central, Haifa and Tel Aviv districts.

Despite the fact that it is less than the Central, Haifa and Tel Aviv districts, family income is of an average size in settlements. In general, however, it is higher than the average family income in the Northern, Jerusalem and Southern districts. In comparison to ILS 10,000 in Jerusalem, ILS 12,700 in Negev and ILS 17,000 in Tel Aviv, settler family income comprised ILS 12,500 in 2009.

Overall, the settler population's economic situation is good, and better than that of residents of the Northern, Southern and Jerusalem districts. Nevertheless, it is relatively lower than economic conditions of the Central and Tel Aviv districts. At any rate, one cannot say that the settler population are poor or face a deteriorated economic situation. In this vein, do the economic conditions of the settler population negatively impact on government budget allocations to settlement activity or local authority budgets? As government budgets are mostly associated with the economic status of the population, a particular attention should be paid to contributions made by the government and ministries to local authority budgets in proportion to local authorities in other districts.

Financing Settlement Activity

The following sections cast light on the volume of government funds designated for Israeli settlement activity in several sectors. Data presented allows a comparison between government funding of Israeli settlements in the Palestinian territory occupied in 1967 and level of funding within Israel. At the expense of other ministries, the Government of Israel allocates billions of dollars per annum to the settlement activity budget in the occupied West Bank and East Jerusalem. Government funding is designed to encourage settlers to maintain control of seized Palestinian land. It is worth noting that official budget data does not include overall government funding of activities within Israeli settlements. These do not cover direct and indirect budget allocations made by the Israeli Ministry of Defence to settlements, including settlement protection cost. For instance, the Ministry allocates considerable amounts to fund security, construction of settler bypass roads and transportation maintenance within settlements.

Investment in Settlements

In the first year of Benjamin Netanyahu's term (2010), the current Government of Israel (2009-12) has allocated a sum of ILS 0.8 billion to settlements. Rising by 38% in 2011, the Israeli Government earmarked ILS 1.1 billion for settlement funding. This sum includes local authority balance grants, infrastructure investments, and tax facilities in compensation of European customs authorities' non-recognition of industrial products originating in the occupied Palestinian territory.

Ministry of Housing Budget

The Government of Israel provides budget allocations and privileges in two major areas: (1) contribution to the purchase of residential flats, and (2) development and construction of settlements. Although they accounted for almost 3% of the total population of Israel, settlers earned 6.2% of the Ministry of Housing's total budget in the form of grants and resources. In 2011 and early 2012, the settler population benefited from 11% of the overall government resources earmarked to assist residents to own residential flats. It should be noted that settlers comprise only 4% of the total population of Israel.

The Ministry of Housing grants large support and complementary loans to those who purchase residential flats as part of entitlement requirements, including minimum age requirement to receive housing loans. In this context, the Ministry prefers settlement residents to the rest of Israel's population. A large portion of loans given to settlers transform into grants. Additionally, contractors and entrepreneurs working in settlements are granted exemptions of 50% of development costs of family residential projects. The Ministry of Housing also provides more funds to maintain buildings than to similar structures inside the Green Line. A discount of 69% is granted to persons who own construction land. In other words, land purchasers need to pay only 31% of the total land price. Also, the ultraorthodox Haredi Jews and settlers who own flats in a settlement are given a discount of 55% to 63%.

In 2000-10, a gross investment of ILS 14.4 billion was allocated for construction of 20,950 housing units throughout Israeli settlements. The Government of Israel was responsible for approximately 50% of construction works as well as for 35% of the total housing construction investment. Inside Israel itself, the Government was responsible for almost 18% of construction works and for 10% of total housing construction investment.

Transportation and Government Spending on Road Construction Projects

On an annual basis, settlements receive approximately 13% of the Ministry of Transportation total budget line items, particularly those allocated to road maintenance and development. On a per capita basis, the area of roads constructed in the West Bank and Gaza Strip are far more than roads built in any other district in Israel.

Over the past decade, a total of 3,512 kilometres of roads were constructed within Israel. In the same period, 653 kilometres of roads were built in the West Bank and Gaza (prior to disengagement). This area does not include roads constructed by the Israeli occupying army for military purposes in the West Bank and Gaza. Almost 17.2 square metres per capita have been built since 2000 in the occupied Palestinian territory. In contrast, regional road construction per capita was one third less: almost 5.3 square metres per capita.

Like housing construction, road network development trends have varied in the West Bank contrast sharply with those inside the Green Line. While road construction in Israel was affected by the Government of Israel's economic policy, it was influenced in the West Bank and Gaza by changing political conditions and varying political positions of successive Israeli governments.

Ministry of Industry, Trade and Labour

The Ministry of Industry, Trade and Labour is responsible for developing industrial estates and labour areas in various regions. These operations are carried out by the Development Areas Unit of the Ministry. Over the past years, the Ministry developed 17 industrial estates in the West Bank settlements and invested ILS 400 million in construction of labour areas. These were inaugurated in various parts of the Palestinian territory. In this line of activity, settlements receive more than 11% of investment grants earmarked for the agriculture sector as well as 15% of budget line items designated for the development of new industrial estates.

Development of Tourist Destinations

In cooperation with chairpersons of Settlement Regional Councils, the Government of Israel seeks to encourage tourist activity in settlement, develop settlement infrastructure networks, and channel investments. This trend dates back to 1959. For the first time, however, the Israeli Government decided in 2010 to offer grants for construction of hotels in the West Bank settlements. These grants included 20% of construction cost and a further 10% for construction of tourist destinations across settlements. Further to the decision made to support and fund museums in settlements, the Government of Israel decided in 2013 to support construction of thousands of hotel rooms in occupied East Jerusalem. In this vein, the Knesset approved a draft law, obliging the Government to provide financial support to museums built in settlements and place them on the tourist map of Israel. According to current estimations, annual government support of settlement-housed museums ranges from ILS 8 million to ILS 12 million (US\$ 2 million to 3 million).

Ministry of Education

Between 2003 and 2011, budgets allocated by the Israeli Ministry of Education to settlements rose by 272%, from ILS 32.2 million to ILS 142.3 million. This sum is never in consistence with natural growth of the settler population. Although they comprise 4% of the total population, settlers receive approximately 14% of the Ministry's construction budget.

The Government of Israel approved a grant a higher education institution (the Ariel University Center of Samaria) in the West Bank Ariel settlement the status of a university. To justify its decision, the Government said this was a symbolic step of "national significance". The Minister of Finance announced the government decision to appropriate ILS 2 million to the new Ariel University Centre.

Overall, the announced civilian cost of settlements is ILS 2.5 per annum. However, hidden costs are far greater. Though of different inclinations, successive Israeli governments have applied a non-transparent policy regarding settlement budget allocations. Commenced under the Labour Party (HaMa'arakh) governments four or more decades ago, this policy has been implemented at a greater pace under the Likud-led governments. This practice demonstrates that budget allocations invested in settlements far outweigh officially announced budgets. These allocations are hidden within various budget line items approved by the Knesset at the end of every year. Below is a list detailing budget allocations directly earmarked for settlements and line items hidden within the 2012 budget.

Table 4: Amounts that appear explicitly in the budget proposal (ILS):

Ministry	Budget line item	2012 Budget (ILS million)
Defence	Coordination of activities in the territories	250
Defence	Seam zone – continued construction and maintenance of separation fence	850
Education	Higher Education Council in Judea and Samaria	1
Prime Minister's Office	Funding the Disengagement Plan	245
Prime Minister's Office	Supplement to develop Old City basin in Jerusalem	30
Prime Minister's Office	Supplement for Western Wall Heritage Foundation	8
Housing	Security for settlers in Palestinian neighbourhoods of East Jerusalem	80
Housing	Development in Ma'ale Adumim – in 2011, 200 housing units going to market	60
Housing	Development in Har Homa – in 2011, 500 housing units going to market	115
Transportation	Bus armouring	15
Transportation	Highway #20 between Pisgat Ze'ev and Highway #45	200
Transportation	Upgrading Highway #1 between Mishor Adumim and the Good Samaritan junction and between Pisgat Ze'ev and the Zeitim intersection	270
Industry	Exporter compensation – compensation for settlement factories for loss of tax discounts in European market	450
Total		2494

Table 5: Selected items where budgets for the settlements are hidden

Ministry	Budget line item	2012 Budget (ILS million)
Transportation	Support of other populations – subsidy of bus prices for settlers and Haredim	35
Defence	Civilian emergency expenses – fortification and security measures for settlements and confrontation line communities	320
Housing	Aid for national priority areas	165
Tourism	Development of tourism infrastructures including projects in the territories	60
Agriculture	The settlement division – aid for settlements and communities in the Negev and Galilee	350
Infrastructures	Sewage projects including subsidies for the Judea and Samaria Council	700
Industry	Benefits to encourage capital investment	520

Source: Peace Now, The price of maintaining the territories – data from 2011-2012 budget, 2011, <http://peacenow.org.il/eng/content/price-maintaining-territories-data-2011-2012-budget>

Local Authority Budgets

This section compares budgets of local authorities, regional councils in the Settlements district and other districts of Israel. Both components of the budget – incomes and expenditures – are addressed. A detailed examination of both components examines similarities and differences in the budget structure and allocation – ordinary and extraordinary budgets. This section also reflects differences in the budget volume, State contribution to the budget, and gaps in self-finance volume and weight. It highlights major local authority budget line items in the Settlements district, contrasting them with local authority budgets inside the Green Line. The year of comparison is 2009 – the latest data provided by the ICBS on local authority budgets. In each local au-

thority, this analysis presents budget per capita with a view to examine differences of local authority incomes, government contribution to ordinary and extraordinary budgets, and self-income of local authorities in both budgets. This examination also sheds light on local authority expenses.

Local authority budget analysis allows a scrutiny of government budget allocations made to key service delivery ministries. In addition to earmarked or pledged budget line items, these include allocations actually transferred to each local authority. The analysis also provides a comparison of budget per capita by local authority.

Local Authority Budgets Per Capita by Priority

A comparison of income per capita by local authority (average budget per capita by local authority in a given district) shows that the average local authority income in the Settlements district is high relative to the majority of other districts, with the exception of the Central district. In the Settlements district, income per capita by local authority surpassed ILS 7,200 in 2009.

Table 6: Local authority budget per capita by priority, 2009

District	Total average of income per capita by local authority	Ordinary budget allocation per capita	% of ordinary budget in proportion to the total	Extraordinary budget allocation per capita	% of extraordinary budget in proportion to the total
Settlements	7239	6281	87	958	13
Jerusalem	5603	5165	92	438	8
Southern	6459	5267	82	1191	18
Northern	6285	5237	83	1048	17
Haifa	6129	5155	84	974	16
Central	6626	5225	79	1401	21
Tel Aviv	8456	7056	83	1400	17
General Average	6685	5626	84	1058	16

According to this table, Tel Aviv district marked the highest local authority income (ILS 8,400) in 2009. In the Settlements district, the average local authority income was ILS 6,685. It should be noted that the proportion of the ordinary budget of average local authority income in the Settlements district is 87% out of the total budget – the highest following Jerusalem (see Table 7 below). On the other hand, the extraordinary budget proportion was 13% – the lowest after Jerusalem. Division of accounts into ordinary and extraordinary budget has several economic implications. Firstly, a major portion of local authority budgets is allocated for current expenses and public services delivered by the Government through local authorities. Secondly, the volume of the extraordinary budget, which is usually designated to develop infrastructure networks, is mediocre in settlements since the majority of settlements are newly constructed and enjoy modern infrastructure networks. Also, settlement road network development is a line item of the Ministry of Defence's budget.

Local Authority Extraordinary Budget Sources in Settlements

An analysis of ordinary budget sources (i.e. proportion of government transfers – government funds vis-à-vis self-income generated from local taxes and resident participation) according to the budget source shows that the proportion of self-income from local authority budgets in the Settlements district is lower than other districts with the exception of the Northern district. Out of the total ordinary budget, self-income proportion in settlements totalled 49% compared to 42.7% in the Northern district. In the Central district, which houses rich local authorities, self-income proportion was 69.4% and in Tel Aviv district 79.5%.

The general average of the self-income proportion of local authority budgets in settlements was around 59%. However, this percentage is also explained by the rising budget per capita in contrast with other districts. According to the self-income financial volume, the sum of ILS 3,096 is higher on a per capita basis than most self-income rates in the rest of districts, with the exception of the Tel Aviv and Central districts.

Table 7: Average of ordinary budget per capital in local authorities by district: 2009

District	Ordinary budget per capita	Self-income generating from total ordinary budget per capita	% of self-income out of the total	Government participation in ordinary budget per capita	% of government participation out of the total
Settlements	6281	3096	49.2	3165	50.3
Jerusalem	5165	2836	55.0	2309	44.7
Southern	5267	2779	52.7	1592	30.2
Northern	5327	2278	42.7	2910	54.6
Haifa	5155	2966	57.5	2100	40.7
Central	5225	3627	69.4	1592	30.4
Tel Aviv	7056	5614	79.5	1295	18.3
General average	5626	3313	58.8	2253	40.0

In contrast, government participation in the settlement ordinary budget allocation is higher than other districts. 2009 data shows that government participation was around 50.3% of the total local authority income (as a general average of local authorities in the Settlements district). This is higher than the 40% general average, with the exception of the Northern district (54.6%).

Extraordinary budget line items are allocated for construction and development of infrastructure and road networks. Regarding the average extraordinary budget, Table 8 shows that the extraordinary budget per capita in the Settlements district is of an average size in comparison to other districts. In the said district, the average extraordinary budget per capita was ILS 958 in contrast with a general average of ILS 1,058. The next lower extraordinary budget per capita is that of Jerusalem district only. Hypothetically, this is explained by considering the Arab population in East Jerusalem as part of the total population of Jerusalem, marking a reduction of average expenditure and budget appropriations in the city.

Table 8: Average and sources of extraordinary budget per capita in local authorities by district: 2009

District	Extraordinary budget	Self-income generating from total extraordinary budget per capita	% of self-income out of the total	Government participation in extraordinary budget	% of government participation out of the total
Settlements	958	505	52.7	453	47.2
Jerusalem	438	187	42.6	251	57.3
Southern	1191	731	61.3	460	38.6
Northern	1048	616	58.7	432	41.2
Haifa	974	615	63.1	359	36.8
Central	1401	1176	83.9	225	16.5
Tel Aviv	1400	1305	93.2	95	6.7
General average	1058	733	69.2	325	30.7

Contrary to ordinary budget distribution, self-income proportion of the extraordinary budget in the Settlements district is low relative to other districts, with the exception of the Jerusalem district. Self-income proportion accounted for 53% in the Settlements district compared to 69% as a general average across districts. The low self-income proportion in the extraordinary budget reflects a high proportion of government funding, marking 47% of the non-conventional budget in the Settlements district. Also, the financial volume is high, totalling ILS 450 in comparison to a general average of ILS 325. In sum, the Government maintains the largest burden of development budgets in the Settlements district.

Education and Welfare Budget

In addition to differences in budget totals, local authority spending on education and welfare sectors, which practically constitute the most salient features of the welfare state, is higher than other districts. In the Settlements district, local authority education budget is the highest (ILS 1,672), also higher by around 50% com-

pared to all districts. Accounting for 23% of the total budget, self-income generating from the education budget in the Settlements district is higher than all other districts. The Central and Tel Aviv districts come next. In respect of government funding, despite the low government participation in the settlement education budget (approximately 75%), the amount allocated by the State to settlement local authorities is significantly higher than all other districts – ILS 1,281 compared to ILS 938 as a general average across Israel's districts.

In contrast with the education budget, local authority welfare expenditure (i.e. social affairs) is smaller than other districts, marking ILS 383 compared to a general average of ILS 420. In reality, this reflects a better economic situation and mediocre needs under the social welfare budget line item. With the exception of the Tel Aviv District, government participation per capita in the Settlements district is among the highest in comparison to other districts.

Also excluding Tel Aviv, local authority expenses per capita are higher in the Settlements district than in other districts of Israel.

Table 9: Volume and structure of local authority expenses per capita by district: 2009

District	Average local authority expenses
Settlements	7216
Jerusalem	5556
Southern	6499
Northern	6440
Haifa	6232
Central	6447
Tel Aviv	8587
General average	6711

According to the table above, local authority expenses per capita in the Settlements district are the highest of all Israel districts, with the exception of Tel Aviv. Higher by 8% than the general average, settlement local authority expenses per capita stand at ILS 7,216.

In terms of the volume and proportion of the total local expenses, property tax collection (Arnona) is the lowest in settlement local authorities. The Settlements district only outweighs the Northern district, which accommodates a large number of Arab local authorities, perhaps explaining the low average of property tax collection in this district. The average tax collection per capita in the Settlements district is ILS 1,340, marking almost 18.5% of total expenses – the lowest percentage after the Northern district.

Indirect Support: Settlements as National Priority Areas

Israel uses tax exemption and grants as a tool to encourage settlers to move and stay in the occupied Palestinian territory. To this end, Israel exploits all legal and legislative means to serve settlement activity. Tax incentives and government support are two significant techniques used to influence demographic distribution and selection of investment areas.

According to Israeli legislation, settlers in Israeli settlements across the occupied Palestinian territory receive a plethora of tax facilities and grants, including indirect support to settlers as well as to operational industrial or economic sectors in settlements. These are recognised as National Priority Areas (A) and areas of confrontation. To attract further citizens, residents of national priority areas receive income tax deductions. Considered as a National Priority Area (A), Israeli settlements in the Palestinian territory enjoy annual tax deductions of about ILS 200 million.

Serving as the Minister of Finance in Sharon's Government (2001-03), Benjamin Netanyahu took the initiative in 2003 to grant a 13% income tax deduction to residents of almost 60 settlements and settlement centres, known to be "under a security threat", in the Palestinian territory. This initiative was announced only a few weeks after budget cuts and sharp reduction of social security allowances of impoverished groups had been approved. These were part of a process to reduce government expenditure by ILS 11 billion with a view to curb then soaring budget deficit.

Additionally, the Israeli Government led by Netanyahu (2009-13) decided to implement new measures designed to entrench settlement activity across

the occupied West Bank, including East Jerusalem. Having been approved, the Law on Encouragement of Settlement Activity grants huge tax facilities to every person who provides donations to Israel's settlement activity. The Law defines settlement activity as an objective that serves the settler population. It provides for the recognition of "donations" offered for settlement activity in the West Bank and Jerusalem, as well as in northern and southern 1948 territory, where the Government of Israel is seeking to reduce the high 48% of the Palestinian population. Treated as "donations" that are eligible for tax facilities, 35% of the total amount donated by to a company or institution to assist settlement activity will be returned to the donor's account of the tax they pay. In a sharp contrast to international practice, this system is applicable for humanitarian, educational and social purposes.

The Government of Israel also offers other tax facilities to settlers, including a full exemption of improvement tax payable by the land purchasers as well as a three-year company tax exemption. These also include considerable facilities in property tax (Arnona) as well as financial grants of millions of Shekels given to persons, who establish companies in the Settlements district.

Conclusion

This paper addresses several dimensions of annual economic costs and budgets earmarked by the Government of Israel to the settlement enterprise in the West Bank. It sheds light on amounts that appear explicitly in the budgets of various ministries, analyses budgets of local and regional authorities in the Settlements district, and examines provisions of income tax laws that provide concessions and grants to settlements and settlers. The study also seeks to describe and explain the financial policy of the Israeli colonial practice in the Palestinian territory occupied in 1967.

So far, the principle of industrial separation between the State of Israel within the 1948 border and settlements in the 1967 territory has been accepted as a ground to reach some formula, of which Palestinians can be convinced to restore the occupied Palestinian territory and establish a Palestinian state. However, recent practices on the ground, including Wall construction and settlement expansion, require that we rethink and reinterpret the meanings of Israeli settlement and colonial enterprises in the occupied Palestinian territory. Having analysed financial policies and budget distribution, what we see and understand today is so close to the hegemony strategy applied by the Zionist project to control the Palestinian territory. The Israeli establishment is willing to earmark unlimited budget allocations to settlement projects as well as to pay a political price for continued settlement activity and control of the Palestinian land. It is also ready to pay a security price to render the hegemony ex-

ercise successful, raise awareness of the Jewish community, and connect past to present. Combined, these factors suggest that settlement activity has been launched to go on and convert into facts on the ground. It is not intended to be a tactical tool in a negotiation or partition of land. In terms of finance and budget allocation, the State of Israel applies two types of economic policies: one inside Israel within the 1948 border and another for the settler state within the 1967 border. Without consideration of the financial cost, economic policies in the settler state are designed to serve the Zionist and settlement project.

Exactly like Zionist institutions at the inception of the Zionist project, Israel does not implement the settlement enterprise with economic rationality or economic feasibility; i.e. with a view to gains and losses. For example, Israel works towards releasing the land and labour market in settlements from the fluctuations and control of market forces to ensure sustained control of the Palestinian land and labour market and to serve the settlement enterprise.

Based on the study conclusions, it can also be hypothesised that the Israeli settlement policy provides a pivotal cause of economic and social discrepancies between the Israelis. The last 30 years have proven that settlements are prospering in conjunction with a shrinking state of welfare inside Israel. The State of Israel offers settlers living in the occupied Palestinian territory services and funds, which are not in place within borders of the 1948 territory. These include cheap land, affordable residential flats and houses, government privileges and support, advanced infrastructure networks, supported educational system, tax deductions, and generous government aid in the social welfare sector. In this context, the Government of Israel applies a policy, encouraging Israeli citizens to live in the West Bank settlements. In addition to ideological, religious reasons, these practices explain why hundreds of Israeli families have moved from areas inside the Green Line to Israeli settlements in the occupied Palestinian territory.