

The economic impact of Nefesh B'Nefesh Aliyah on the State of Israel

October 2009



Important Notice

October, 2009

Deloitte Information Technologies Israel Ltd. ("Deloitte") has been commissioned by Nefesh B'Nefesh ("the Organization") to provide an analysis of the economic impact that Nefesh B'Nefesh Aliyah has had on the State of Israel ("the Analysis" or "the Study").

Data used in the study is based on public information that included, but was not limited to, data received from the Israeli Central Bureau of Statistics, as well as existing models estimating the net fiscal impact of immigrants on the host countries, and a survey conducted by the Organization.

In the course of our analysis, we did not audit the public information that was used, and we express no opinion or any other form of assurance regarding the validity of this information. Nevertheless, we are unaware of anything that may indicate a lack of reasonableness of the figures that were used.

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Sincerely,

Deloitte Information Technologies Israel Ltd.

Table of Contents

EXECUTIVE SUMMARY	4
1. INTRODUCTION	6
2. OLIM CHARACTERISTICS	7
3. FRAMEWORK OF ANALYSIS	11
4. ECONOMIC CONTRIBUTIONS OF OLIM	15
5. FISCAL COSTS OF OLIM	19
6. NET FISCAL AND ECONOMIC IMPACT OF NBN OLIM	22
7. ADDITIONAL ECONOMIC IMPACT OF OLIM	23
8. CONCLUSIONS	25
9. APPENDIX	27

EXECUTIVE SUMMARY

Since 2002, Nefesh B'Nefesh (NBN) has revitalized Aliyah (immigration to Israel) from the USA, Canada and UK, bringing over 23,000 Olim (new immigrants) to Israel. This represents the largest group of Olim to arrive from North America in over 20 years.

Deloitte was commissioned to analyze the financial contribution of Nefesh B'Nefesh Olim to the Israeli economy. The research, which incorporates Nefesh B'Nefesh data as well as the results of an extensive survey conducted in conjunction with Deloitte, determined the following:

- ✓ **Nefesh B'Nefesh Olim return the government's investment in them within one year.**
- ✓ **After five years, the government's return on investment from NBN Olim is remarkably large and represents a significant source of revenues for the government.**

We calculated that the entire population of Nefesh B'Nefesh Olim (6,493 households) generated government revenues of NIS 989 million between 2002 and 2008, while the estimated fiscal costs of them to the government was NIS 528 million.

- ✓ **The net financial contribution of NBN Olim to Israel's economy thus far is NIS 461 million.**
- ✓ **The estimated contribution to the Israeli tourism industry thus far is NIS 347 million.**
- ✓ **The total net contribution to the economy thus far is NIS 808 million.**

The above findings can be attributed to three main factors:

1. **High educational level of Olim:** Based on data from NBN applications, 75% of adult Olim came to Israel with at least a Bachelor's degree while only 25% came to Israel with a high school degree. The educational level of Nefesh B'Nefesh Olim is remarkably high by any standard and is vastly higher than that of the overall Israeli population. This comes as an added benefit to the Israeli economy which need not invest any additional resources in absorbing these highly educated citizens. **This translates into a savings of 383 million NIS.**
2. **High net worth brought by NBN Olim:** Net worth was calculated based on the data which Olim reported when applying for financial assistance in the form of a grant from Nefesh B'Nefesh. The average Oleh household arrives with immediately available financial assets of more than \$180K.

3. **Significant contribution to the tourism industry:** Contribution to the tourism industry was calculated based on data gathered by the survey. The majority of the Olim (more than 80%) reported that an average of 2 people had visited them during the year for an average of 2 weeks. Based on the Central Bureau of Statistics report on tourism in Israel for 2007, we estimate that the average spending during this type of stay was NIS 19,000. Based on these patterns, which have remained constant during the years analyzed, NBN Olim created an additional infusion of NIS 347 million into the Israeli economy over this period of time.
- ✓ **In conclusion, the overall positive financial impact (contribution plus savings) of NBN Olim on the Israeli economy exceeds NIS 1 billion.**

1.Introduction

Nefesh B'Nefesh was founded in 2002 by Rabbi Yehoshua Fass and businessman and philanthropist Tony Gelbart who share a love of Israel and a strong vision for its growth. They conducted market research among potential Olim to identify the obstacles to Aliyah. Four perceived challenges were identified: (1) employment, (2) finding suitable communities, education and healthcare (3) the high costs of the move, and (4) government bureaucracy. With this in mind, Nefesh B'Nefesh was established with four departments, dedicated to providing professional assistance in each of these areas. Nefesh B'Nefesh has proven that its formula is successful in significantly increasing Aliyah from North America and the UK.

In November 2005, Nefesh B'Nefesh first formalized its partnership with the Israeli government when Prime Minister Ariel Sharon authorized governmental funding for the organization on a trial basis. In September 2008, the Israeli government officially recognized Nefesh B'Nefesh in a decision designed to enhance Aliyah from Western countries. A unanimous cabinet decision gave the authority to the Ministry of Immigrant Absorption to permanently fund one third of Nefesh B'Nefesh's annual Aliyah-servicing budget.

In September 2008, Nefesh B'Nefesh and the Jewish Agency for Israel reached an historic agreement providing the structure for a collaborative venture regarding North American Aliyah. Through this new agreement, Nefesh B'Nefesh was given primary operational responsibility for the marketing and promotion of North American Aliyah, whereas the Jewish Agency remains the exclusive body responsible for the Aliyah eligibility process with the appropriate authorities in Israel.

Nefesh B'Nefesh commissioned Deloitte to write a report analyzing the financial contribution of its Olim to the Israeli economy between the years 2002 and 2008. The financial impact is defined as the contribution of Olim to government revenue minus government variable and fixed expenditure attributable to them.

A range of sources was used in this study. Firstly, data was made available by Nefesh B'Nefesh regarding Olim who arrived between 2002 and 2008. Secondly, we conducted a detailed survey in which Olim were asked about several topics that were identified as relevant to the analysis (such as working status and income). Thirdly, we used data from the Central Bureau of Statistics for the years 2004 and 2007 for estimates of household and government expenditure.

2. Olim characteristics

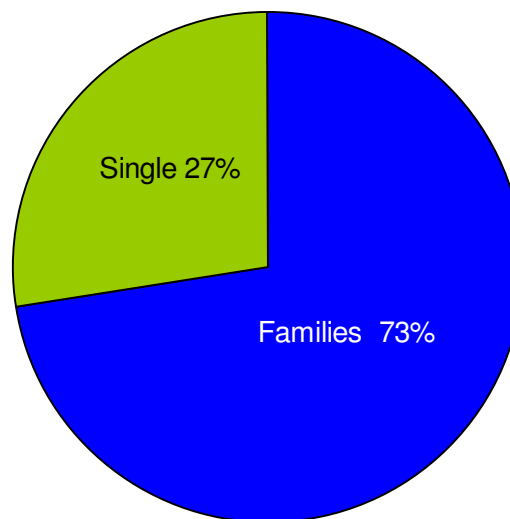
The data in this section is based on two main sources of information: detailed data gleaned from applications for Nefesh B'Nefesh financial assistance submitted by 2,318 Olim who made Aliyah between 2002 and 2008 and responses to a survey we conducted among 709 Olim who arrived during this same time frame.

Age structure of the Olim

Three main 'life-cycle phases' of Olim are considered when assessing financial contributions to the government's fiscal budget:

1. Childhood phase: during which someone is not contributing any revenue but does represent a cost in terms of education and health expenditure.
2. Employable age phase: during which someone is in the work force and his tax contribution far outweighs the cost to the government.
3. Retirement phase: during which direct incomes are lower and government expenses are higher due to age pension costs and health costs.

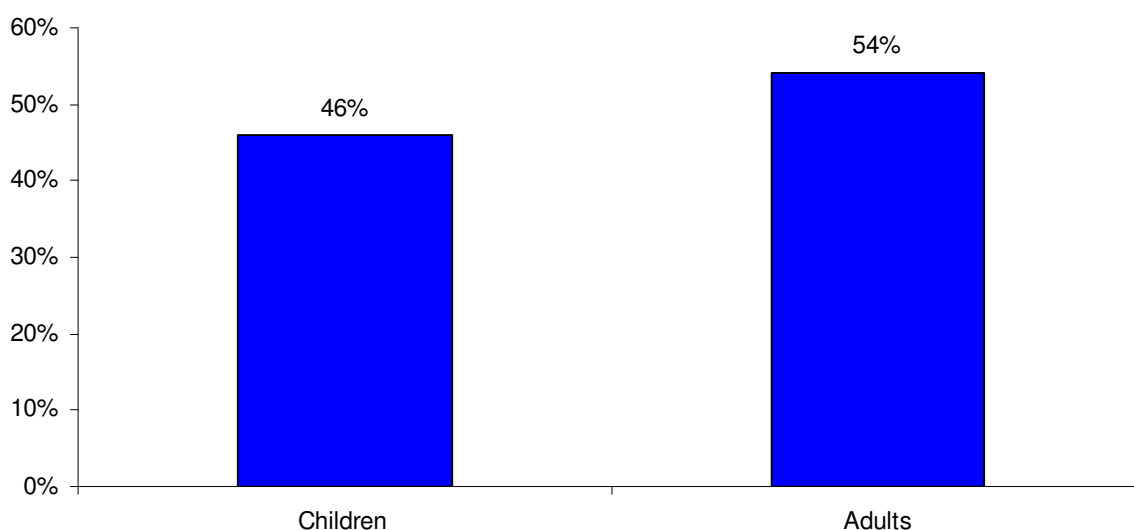
Chart 1: NBN Olim households with children versus without children (2002-2008)



Source: Nefesh B'Nefesh and Deloitte joint survey. Data from NBN Aliyah Applications

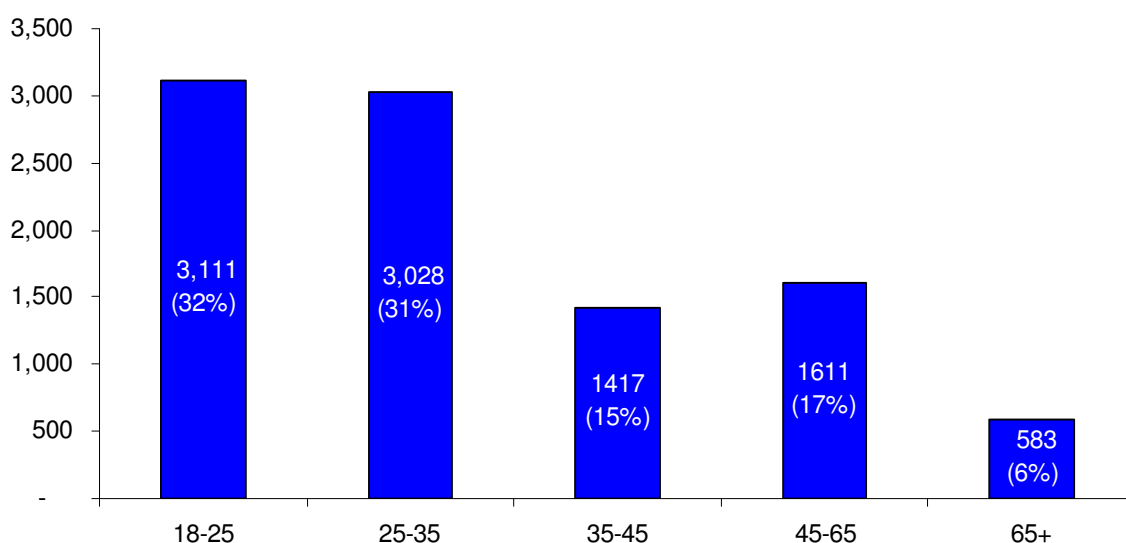
As we can see in Chart 1, the adult population consisted of 73% families (married, divorced or widowed with children) and 27% singles. Additionally, 54% of the Olim who came between 2002 and 2008 were adults, while 46% were children under the age of 18 (see Chart 2).

Chart 2: Percentage of adult Olim versus children (2002-2008)



Source: Nefesh B'Nefesh and Deloitte joint survey. Data from NBN Aliyah Applications

Chart 3: Number of adult Olim by age at date of Aliyah (2002-2008)



Source: Nefesh B'Nefesh and Deloitte joint survey. Data from NBN Aliyah Applications

As can be seen in Chart 3, the average age of an adult NBN Oleh upon Aliyah was 37. Clearly, the vast majority of adult NBN Olim is of working age:

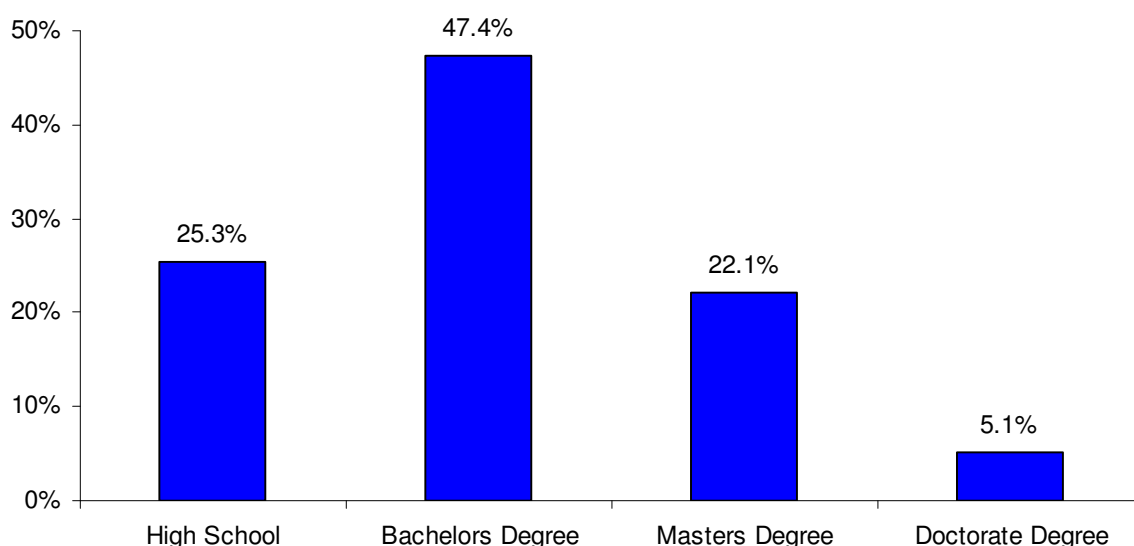
- 6% of adult Olim are over the age of 65.
- 17% of adult Olim are over the age of 45.
- 64% of the adult Olim are between the ages of 18 and 35.

Therefore, since most of the Olim are between the ages of 18-45, most will remain in the workforce for the next 20 years, and not draw significantly on age pension costs and/or health costs. Since the percentage of Olim that are in this "economically active" age group is so high, it can be deduced that the overall population of NBN Olim will generate high income per capita from tax revenues.

Education Level upon Aliyah

Based on data from NBN applications, 75% of NBN adult Olim came to Israel with at least a Bachelors degree and only 25% came to Israel with a high school degree (see chart 4). Level of education is commonly used as a proxy for skill, and provides an indication of the extent to which Olim will be successfully absorbed into the Israeli labor market.

Chart 4: Educational level of Olim upon Aliyah



Source: Nefesh B'Nefesh and Deloitte joint survey. Data from NBN Aliyah Applications

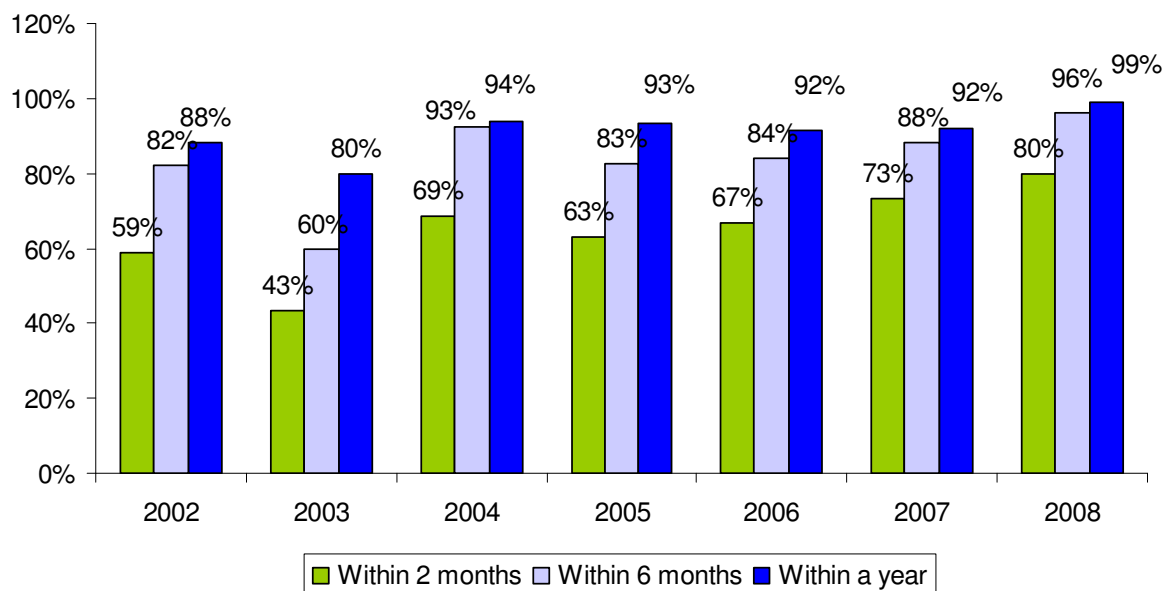
The educational level of Nefesh B'Nefesh Olim is phenomenally high by any standard and is vastly higher than that of the overall standard in the general Israeli population.

Speed of integration into the Israeli labor market

Based on responses to the survey, we can deduce that, since 2005, more than 60% of Olim entered the labor market within 2 months of arrival and over 80% did so within 6 months of arrival (see Chart 5). Since many Olim use their first few months for general orientation and to learn Hebrew (Ulpan), this suggests

that virtually every Oleh who sought employment within this period was successful in finding employment.

Chart 5: Absorption of Nefesh B'Nefesh Olim, who found employment, into the labor market (2002-2008)



Source: Nefesh B'Nefesh and Deloitte joint survey

Unemployment rate

The rate of unemployment among NBN Olim, as indicated by the survey respondents, stands at 17%. This number relates to the total adult Oleh population minus those **not** seeking employment (8% of the total adult population), those studying (12% of the total adult population) and those who are retired (6% of the total adult population). Strictly speaking, only those actively seeking employment but not yet successful in their search are considered unemployed.

By way of comparison, the national rate of unemployment in 2008 was 6.1%, bearing in mind that, in 2008, Israel had the lowest level of unemployment in history. Normal rates, in recent years, have been 9-10%. Among Russian Olim in the 1990's, the unemployment rate did not fall to the national average for at least 4-5 years after their Aliyah. Since only 15% of Nefesh B'Nefesh Olim have been in Israel for more than four years, the rate of unemployment among NBN Olim at this point in time can not be used as a comprehensive indicator of the Olim population unemployment rate.

3. Framework of analysis

This report calculates the fiscal impact of NBN Olim on Israel's economy, by deducting the fiscal costs of Olim to the government from their contribution.

A range of informational sources was used to determine the Olim's contributions to fiscal income as well as their impact on selected items of government expenditure. First, we used data made available to us by Nefesh B'Nefesh regarding its Olim who arrived between 2002 and 2008. Second, we compiled the results of a detailed survey we conducted in which NBN Olim were asked about several topics that were identified as relevant for the analysis (such as working status and income). Third, we incorporated data from the Central Bureau of Statistics for the years 2004, 2006 and 2007 for estimates of household and government expenditure

The survey conducted among Nefesh B'Nefesh Olim used in this analysis includes households that made Aliyah from 2004 until 2008 inclusive. Since the survey did not include a representative sample of households that made Aliyah in the years 2002 and 2003, these households are added to the group of households making Aliyah in 2004.

Fiscal income

- **Direct tax income:** Olim deliver revenue to the government's income via personal income tax payments. These revenues were estimated on the basis of responses we obtained from the survey. The estimation of direct tax payments is determined by adding tax payments of NBN Olim working both in Israel and abroad. For each group, corresponding marginal tax rates were considered (see Appendix 3). The income tax payments are calculated net of the discount that Olim receive. The tax reduction works on a point system, where one point is equal to 178 NIS. During the first 18 months after Aliyah, new Olim receive three points per month (534 NIS), two points over the next 12 months, and one point during the last 12 months.
- **Indirect tax income:**
 - **VAT:**
 - Calculated on the basis of **income data** and adjusted based on the income status of a family (Asirion) and its size. For the calculation of VAT, household income is preferable to personal income as it would be otherwise difficult to allocate spending across members of the household. Household income data relates to all members of the household whether or not they were Olim.
 - In addition to the income, the VAT also takes into account the **net worth** that Olim brought with them to Israel and estimates a proportion

that was spent in the first 5 years. The source of this information is the Nefesh B'Nefesh application form filled out when applying for financial grants in addition to data collected from the survey.

- **Multiplier effect:** The multiplier effect describes the buying and selling of goods and services and the change in output for all industries caused by a one-shekel change in final demand for any given industry. This effect can be understood by the following process: to meet final demand, industries produce goods and services for use by consumers, which, in turn, requires the purchase of goods and services from other producers. Other producers, in turn, purchase goods and services, and so on. These subsequent purchases create a multiplier effect beyond the initial purchases by consumers. It is difficult to determine to what extent the purchasing power of NBN Olim creates a spin-off, or multiplier, effect resulting in net addition to the Israeli economy. While direct impacts are accurate measures of the economic costs and benefits of an event, indirect, or spin-off, effects can be understood as additional possible impacts. In this analysis we do not quantify the multiplier effect that the purchasing power of NBN Olim has on the Israeli economy, but we do acknowledge that such an additional effect exists and should be taken into consideration as a positive addition when estimating the total economic impact of Olim.

- **Vehicle Acquisition Tax:** Calculated as the income obtained from the purchase of new cars while deducting benefits that Olim receive. In the survey, Olim were asked whether they purchased a car since they made Aliyah. The results obtained from the survey were used to estimate the amount for the entire Olim population based on specific parameters such as income status of the family.
- **Real Estate Purchase Tax:** As in the case of Vehicle Acquisition Tax (see above), the data was estimated based on specific questions in the survey. The purchase tax was calculated net of Olim discounts.
- **Health and Social Security Tax:** Calculated based on income brackets and the percentage of social security tax for each bracket. As for the direct tax income, the analysis distinguishes between people who work in Israel and those who work abroad.

Fiscal cost

- **Government expenditure exclusively on Olim:** Considers one-time or ongoing benefits which Olim receive from the government upon arrival or in the first few years after arrival based on various parameters.
 - **Absorption Basket (Sal Klita):** Sal Klita is financial assistance Olim receive as a cash payment upon arrival, followed by seven monthly payments. If an Oleh leaves Israel during the first seven months (regardless of the reason), payments are stopped. It is granted only to those who spent less than 18 months (consecutive or cumulative) during the last three years prior to making Aliyah and no longer than three years during the last seven years prior to making Aliyah. A detailed table of the benefits is presented in Appendix 2. As an example, a single person will receive approximately NIS 15,789 while a family of five will receive approximately NIS 51,844.
 - **Hebrew Ulpan:** Free Hebrew Ulpan classes are available in many different locations around Israel. Olim can apply within the first 18 months of their arrival. The classes last for 5 months, 5 days/week, 5 hours/day. The cost of the program was evaluated at NIS 2500 per person, which is the cost if someone wants to enroll privately. The number of Olim who participated was determined based on the results of the survey.
 - **Free tuition for BA or MA degree assistance:** Candidates up to the age of 23 can receive assistance for Mechina. Candidates up to the age of 27 can receive assistance for a BA degree and candidates up to the age of 30 can receive assistance for an MA degree. Olim must start studies within 3 years after Aliyah or within the proper time frame given the student's age. The cost for higher education was calculated based on the government's expenditure on education during 2007 and stands at a yearly NIS 22,934 per student.
 - **Rent subsidy:** Begins automatically 13 months after Aliyah. Single Olim receive NIS 223 per month between the second and the fourth year and NIS 89 per month in the fifth year. A family receives NIS 402 per month in the second year, NIS 322 per month in the third year, NIS 223 per month in the fourth year and NIS 99 per month in the 5th year.

- **Government expenditure on all citizens living in Israel:**
 - **Lower education:** Cost of lower education based on the government expenditure in 2007 per child between the ages 5 to 18, estimated at NIS 5,613.
 - **Health:** Cost of social security based on government expenditure on health. This approach relies on one central assumption: that Olim use the health care system to the same extent that Israelis do. To the extent that Olim use health care more (or less) than Israelis, this approach underestimates (or overstates) their impacts on health care costs.

4. Economic contributions of Olim

Table 1 provides details of the cumulative government fiscal income generated by Nefesh B'Nefesh Olim for the years 2002 to 2008 inclusive.

Table 1: NBN Olim contribution to government revenues (2002-2008)

Government Revenues (in millions)	
Income Tax	₪229
Health & Social Security Tax	₪158
VAT (Value added Tax)	₪495
Vehicle Acquisition Tax	₪ 47
Real Estate Purchase Tax	₪ 60
Total Revenues	₪989

Source: Nefesh B'Nefesh Financial Application Forms database, Deloitte's analysis

- Nefesh B'Nefesh Olim contributed NIS 229 million to direct tax income.** Using income data derived from the survey, the average income tax paid by NBN Olim households in 2008 was calculated by distinguishing between the years of Aliyah (2002 to 2008). Using yearly income averages, a net present value (NPV) per household was calculated. This calculation includes the income tax generated by household from the time of Aliyah until the end of 2008. For example, in terms of Net Present Value (NPV), the average Oleh household that made Aliyah in 2004, generated a cumulative income tax of NIS 70,882 during the last 5 years (2004-2008). During 2004, a total of 1001 households of Olim made Aliyah with Nefesh B'Nefesh. Multiplying the number of households that made Aliyah in 2004 by the NPV income tax calculated yields a total income tax revenue of NIS 71 million (number of households per year X average NPV income tax = total income tax generated), 31% of the total contribution presented above.
- Nefesh B'Nefesh Olim contributed NIS 158 million to health and social security tax income.** This contribution was calculated according to the health and social security tax rates and applied to the NPV of the household income (which is calculated as described in the direct income tax section). This figure includes the total amount paid by each household from the time of Aliyah until the end of 2008. According to the Social Tax agreements between Israel, Canada and UK, Olim who work in these countries are exempt from paying social security tax in Israel and thus were not included in the social security tax calculation. Since there is no such agreement between Israel and the US, the social security payments of Olim who work in the US were included as normal. All Olim, regardless

of whether they work abroad, are obliged to pay the Israeli health tax and were included in the calculation.

- **Nefesh B'Nefesh Olim contributed NIS 495 million to Value Added Taxes (VAT).** In this calculation, data from the Central Bureau of Statistics was used to estimate the consumption rate of households according to household income bracket and household size as described in Appendix 4. Based on interviews, Olim reported that in the first few years in Israel their consumption level tends to be closer to the level they had prior to arrival. Therefore, adjustments to Israel consumption levels compared to American consumption levels were made (an increase of 5% to the Israeli consumption rates). The rates derived were then applied to the NPV of household income and the net worth of Olim:
 - **Income:** Using household income data derived from the survey, the average yearly NBN household income for 2008 was calculated, distinguishing among the households according to the year of Aliyah (2002 to 2008). Using these yearly household income averages, an NPV per household was calculated. This calculation includes the total household income from the time of Aliyah until the end of 2008. A 15.5% VAT is then applied to the sum for the estimation of the total VAT income generated by an Oleh household. For example, in terms of NPV, the average NBN Oleh household that made Aliyah in 2004 generated an accumulative VAT income of NIS 135,762 during the last 5 years (2004-2008). During 2004, a total of 1001 households of Olim made Aliyah through Nefesh B'Nefesh. Multiplying the number of households that made Aliyah in 2004 by the NPV VAT income calculated, the result is that Nefesh B'Nefesh Olim from 2004 generated total income tax revenues of NIS 136 million, 27% of the total contribution presented above.
 - **Net worth:** Net worth was calculated based on the data which Olim reported when applying for financial grants from Nefesh B'Nefesh. Of the 6,493 households that arrived since 2002, 2,318 households reported their net worth upon arrival on their application forms. As presented in table 2, 1,603 households reported a positive net worth of \$101 million in total, or \$63K per household. Furthermore, 715 households reported a negative net worth of \$18 million in total or \$25K per household. Since the application forms from which the data was extracted are for those who applied for financial aid, we assumed that the economic situation of those who did not apply is better than for those who did. Since households with more than \$100K are discouraged from applying for financial grants, we assumed that the 4,175 households that did not declare net worth behave like the 1,603 households with \$100K and higher. It is important to mention that

financial liabilities are mostly long-term loans, in most cases student loans with payment periods extending over 25 years. For this reason, they do not represent a significant financial burden on the Oleh household. Additionally, the net worth of the Oleh's financial balance sheet is strongly positive. The average Oleh household arrives with immediately available financial assets of more than \$180K. That represents a significant sum, of which we assume that 50% will be used for a down-payment on purchasing an apartment or investing in their own company, and the rest will be consumed over 5 years to achieve or maintain a higher standard of living.

Table 2: Net worth by type of household (2002-2008)

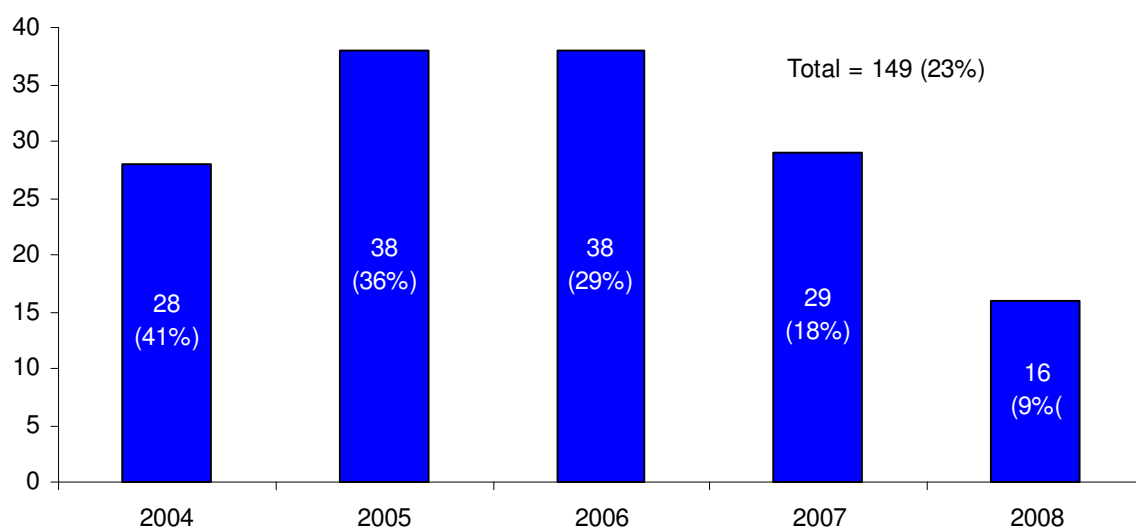
	Number of households	Total net worth	Net worth per household
Declared positive net worth	1,603	\$101,403,952	\$63,259
Declared negative net worth	715	-\$18,405,286	-\$25,742
Did not declare and extrapolated	4,175	\$1,107,552,479	\$265,282
Total	6,493	\$1,190,551,145	\$183,359

Source: Nefesh B'Nefesh Financial Application Forms database, Deloitte's analysis

- Nefesh B'Nefesh Olim contributed NIS 47 million to car acquisition tax income.** 14% of NBN Olim declared that they have purchased a new vehicle, of which 7% declared that they have purchased 2 new cars. An estimated average price per vehicle was set at NIS 120,000. The acquisition tax was calculated net of specific benefits which Olim receive and resulted in NIS 41,920 for the first vehicle purchased (50% of the car value pre-tax), and NIS 56,000 for any additional vehicles purchased. Multiplying the tax per vehicle by the number of the respective vehicles purchased resulted in the figure above.
- Nefesh B'Nefesh Olim contributed NIS 60 million to real estate purchase tax income.** As we can see from Graph 6, on average, 23% of NBN Oleh households declared that they have purchased a house. Out of these, 33% declared the house they purchased was new. Taking into consideration the main areas where Olim who purchased a property tend to live in (Jerusalem and Beit Shemesh) and their average household size (5 people), an estimated average price per property was set at NIS 1,200,000 for a second hand apartment and NIS 1,500,000 for a new apartment. The purchase tax was calculated net of specific benefits which

Olim receive, amounting to NIS 6,000 (0.5%) for the second hand apartment and NIS 75,000 (5%) for a new apartment. Multiplying the tax per property by the number of the respective properties purchased resulted in the figure above.

Graph 6: Number of houses purchased, by year of arrival



Source: Nefesh B'Nefesh and Deloitte joint survey, Deloitte's analysis

Taking into consideration all of the sources of income described in this section, we estimate that the collective population of Nefesh B'Nefesh Olim – comprised of 6,493 households - generated government revenues of NIS 989 million over the past 6 years (2002-2008).

5. Fiscal costs of Olim

Table 3 provides details of the fiscal cost of Nefesh B'Nefesh Olim from 2002 to 2008. The cost is divided into two types:

- Fixed costs: Benefits that only Olim receive, and is in most cases a one-time cost.
- Variable costs: Benefits granted to all Israeli citizens, including Olim.

Table 3: Cost of Nefesh B'Nefesh Olim to the government (2002-2008)

Government Expenditure (in millions)	
Fixed	
Sal Klita (PV)	₪170
Ulpan (PV)	₪ 47
Rent subsidy	₪ 2
Income support (Havtachat Hachnassa)	₪0.7
Higher Education	₪ 51
Variable	
Lower Education	₪ 89
Health	₪168
Total Expenditure	₪528

Source: Nefesh B'Nefesh Financial Application Forms database, Deloitte's analysis

Fixed Costs:

- **The cost of NBN Olim to the government from expenditure on Sal Klita totaled NIS 170 million.** As presented in Table 3, the Sal Klita cost is the most significant fixed cost of the Olim population. The Sal Klita varies by family size and age structure and ranges from NIS 15,789 for a single person to approximately NIS 99,774 for a family of seven. Based on data from the survey, the majority of Nefesh B'Nefesh Olim are young married couples with an average of 3 children, leading to an average cost per household of NIS 26,153. This figure is then multiplied by the number of households comprising the Olim population (6,493), resulting in the figure presented above.
- **The cost of NBN Olim to the government from expenditure on Ulpan totaled NIS 47 million.** 29% of the Olim surveyed reported attending Ulpan, accounting for a 14% usage of the total number of months allocated to them (a benefit of maximum 5 months of Ulpan attendance per Oleh). As described earlier, the monthly cost of attending Ulpan stands at NIS 2,500. Multiplying this number by the estimated total number of months the Olim population attended Ulpan resulted in the figure presented above.

- **The cost of NBN Olim to the government from expenditure on rent subsidy totaled NIS 2 million.** As described earlier, the rent subsidy benefit is received by the Olim over a period of 5 years and the sum varies between single Olim and a family of Olim. Calculating the number of households of each type for each year of Aliyah surveyed (2002-2008) and multiplying the respective benefit received by each group resulted in the figure presented above.
- **The cost of NBN Olim to the government from expenditure on income support totaled NIS 0.7 million.** Supplementary income support is paid from the 7th month of Aliyah until the 12th month (inclusive). This is paid to Olim who are: registered at Lishkat Hata'asuka (Employment Bureau); looking for work; studying in a licensing, retraining or professional course; not able to work for health reasons; are immediately prior to pension; and others. Students receiving free tuition from Minhah HaStudentim and unemployed people whose spouse is already employed are not eligible. Only 2% of the Olim surveyed reported they were eligible for income support, a figure that explains the low total cost of this benefit.
- **The cost of NBN Olim to the government from expenditure on higher education totaled NIS 51 million.** 33% of the Olim surveyed reported receiving higher education benefits, among which 42% attained an MA degree (receiving 2 years of assistance), 56% attained a BA degree (receiving 3 years of assistance) and only 1% attended Mechina (receiving only 1 year of assistance). The higher education cost is calculated in Appendix 5 and is estimated at NIS 22,934 per student. This figure includes the government expenditure per student on higher education in 2007 and the yearly tuition of the universities. The higher education cost per year is multiplied by the total estimated number of years Olim received this benefit, resulting in the figure presented above.

Variable Costs:

- **The cost of NBN Olim to the government from expenditure on lower education totaled NIS 89 million.** This cost is calculated as the number of Oleh children in the lower education system (ages 5 to 18), multiplied by their respective number of years receiving educational services (varies between 1 and 6, according to the child's year of Aliyah), multiplied by the government expenditure in 2007 per child in the lower education system, estimated at NIS 5,613.
- **The cost of NBN Olim to the government from health spending totaled NIS 168 million.** This cost is calculated as the number of Olim,

multiplied by their respective number of years receiving health services,
multiplied by the government expenditure in 2007 on health per citizen,
estimated at NIS 4,001.

6. Net fiscal and economic impact of NBN Olim

Table 4 provides details of the net fiscal impact of Nefesh B'Nefesh Olim from 2002 to 2008. As we can see from the table, **the net fiscal impact of Nefesh B'Nefesh Olim from 2002 to 2008 is NIS 461 million. Therefore, the impact of Nefesh B'Nefesh Olim to Israel is remarkable and represents a significant source of revenue to the government.**

The net impact of an average Nefesh B'Nefesh Oleh on Israel's economy upon arrival is a NIS 4,000 infusion per Oleh, which, for 2008, represents a total of more than NIS 7 million. Although marginal, this figure shows that already within the first year, the contribution of each Oleh to the Israeli economy returns the government's investment in him/her. This result is exceptional and is correlated to the high education level of Olim, the low unemployment rate and the type of employment they obtain (see section two for details). Another relevant factor in this analysis is the high net worth brought by Olim when they make Aliyah (see section 4 for details).

The contribution to the Israeli economy of an average Nefesh B'Nefesh Oleh household that made Aliyah in 2004, during the 5 year period from the time of Aliyah until the end of 2008, is over NIS 170,000. Multiplying this number by the total number of households of NBN Olim who made Aliyah in 2004 (1,001 households) results in a total infusion of NIS 170 million to the Israeli economy.

Note that the focus of the study has been the financial cost of Olim on the central government. Not included in the estimates are the impacts on ancillary social services, such as security costs, justice costs, police costs and other. These costs are not included since they are considered sunk or infrastructure costs, and would be incurred irrespective of the size of the Olim population. Additionally, there is a list of benefits that are not included in the calculation, such as impact on tourism, which will be discussed in the following section.

Table 4: Net fiscal impact of Nefesh B'Nefesh Olim (2004-2008)

	2004	2005	2006	2007	2008
NPV Var Income per household	₪256,034	₪199,576	₪138,409	₪90,075	₪46,140
NPV Var Cost per household	- ₪75,386	- ₪57,328	- ₪40,581	- ₪26,893	- ₪12,503
Fix Net Per Household	- ₪7,995	- ₪23,165	- ₪27,570	- ₪33,221	- ₪28,987
Total Net per household	₪172,653	₪119,082	₪70,258	₪29,961	₪4,650
Number of households	1001	1225	1319	1440	1508
Total Net per year	₪ 172,825,747	₪ 145,875,922	₪ 92,670,075	₪ 43,143,465	₪ 7,012,472
Total Net	₪ 461,527,681				

7. Additional Economic Impact of Olim

Tourism – Family Visits

As mentioned in Section Two, the average NBN family is a young family with an average of 3 children. Many of these families left behind their parents, siblings and friends who are likely to visit Israel, and their contribution to Israeli tourism should be considered as a further economic contribution of Aliyah.

In the survey we conducted, Olim were asked how many times a year people came to visit them and for how long. The findings are astounding. More than 80% of the Olim responded that people had visited them during the year. The average visit consisted of 2 people visiting for an average of 2 weeks. Based on the Central Bureau of Statistics report on tourism in Israel for the year 2007 which estimated an average spending of 4,800 NIS a week for an American tourist, we assume that a couple that visits Israel for two weeks spends on average of NIS 19,000. This sum is divided approximately as follows: 40% on lodging, 26% on shopping, 13% on transportation, 13% on food and beverages, and 8% on other miscellaneous spending. Therefore, with the patterns remaining constant over 5 years, the households of NBN Olim have created an additional infusion into the Israeli economy of NIS 347 million in total for this point in time.

Education – “Import” of High Level Education

As mentioned in Section Two, the educational level of Nefesh B’Nefesh Olim at the time of arrival is phenomenally high by any standard and is vastly higher than that of the overall standard in the general Israeli population. This “imported” education has two main benefits:

- **Savings to the Government:** The savings to the government on higher education expenditure as a result of the “imported education” totals NIS 383 million. Were the Nefesh B’Nefesh Olim to acquire their education in Israeli institutions, the Israeli government would be required to allocate further resources to the higher education system, estimated at NIS 17,189 per student per year. This figure includes the government expenditure per student for higher education in 2007, in addition to the subsidy provided by the government for each student. This additional subsidy is in accordance with the May 2007 agreement between the Prime Minister, the Minister of Education and the student representatives. The NIS 383 million savings to the government is calculated by multiplying the subsidy per student (NIS

17,189) by the total estimated number of years a student would study in order to obtain an equivalent degree in Israel.

- **Exceptionally High Standard of Education.** 15% of NBN Olim with a BA or MA degree studied at what are commonly regarded as highly prestigious educational institutions, such as Harvard, Yale and Columbia Universities (refer to Appendix 7 for the entire list of universities). Of all the NBN Olim holding a BA degree, 14% attended one of these universities, and, of those holding an MA degree, the representation is 20%. These universities are among the oldest and most established in the US and Canada and attract the leading professors from around the globe. Students attending these universities enjoy not only a high level of education, but are also provided with a strong and expansive professional network. This affords them a significant advantage when entering the international job market.

8. Conclusions

This report calculates the net fiscal impact of Olim on the Israeli economy. The net fiscal impact is defined as the contribution of Olim to government revenue minus government variable and fixed expenditure attributable to them.

The total net fiscal contribution of Nefesh B'Nefesh Olim from 2004 to 2008 is estimated at NIS 808 million. This figure includes the NIS 461 million calculated by the model as the net fiscal impact, and the estimated NIS 347 million that Olim contribute to the Israeli tourism industry.

The net fiscal impact includes:

1. Economic contribution of Olim:
 - a. NBN Olim contributed NIS 229 million to direct tax income.
 - b. NBN Olim contributed NIS 158 million to health and social security tax income.
 - c. NBN Olim contributed NIS 495 million to Value Added Taxes (VAT).
 - d. NBN Olim contributed NIS 47 million to car acquisition tax income.
 - e. NBN contributed NIS 60 million to real estate purchase tax income.
2. Fiscal cost of Olim:
 - a. NBN Olim cost NIS 170 million to the government from expenditure on Sal Klita.
 - b. NBN Olim cost NIS 47 million to the government from expenditure on Ulpan.
 - c. NBN Olim cost NIS 2 million to the government from expenditure on rent subsidy.
 - d. NBN Olim cost NIS 0.7 million to the government from expenditure on income support.
 - e. NBN Olim cost NIS 51 million to the government from expenditure on higher education.
 - f. NBN Olim cost NIS 89 million to the government from expenditure on lower education.
 - g. NBN Olim cost NIS 168 million to the government from health spending.

In addition to the net fiscal contribution of Nefesh B'Nefesh Olim to the Israeli economy, the indirect savings to the government which is inherent in this population should be calculated, as well. These highly educated Olim provide substantial benefit to the Israeli economy without requiring any financial investment on the part of the government in their education. Taking into account the number of NBN Olim as well as their level of education, the government investment in their education would have reached NIS 383 million. Adding the net fiscal contribution to the savings, the overall positive economic impact of NBN Olim exceeds NIS1 billion.

This figure is sensitive to conditions in the labor market and the diversity of Olim who arrive (e.g. age, education label, etc.).

Therefore, the contribution of Nefesh B'Nefesh Olim to the Israeli economy is extremely substantial and represents a significant source of revenue for the government.

9. Appendix

Appendix 1: Nefesh B'Nefesh Survey

General Information:

1. What year were you born?

2. What is your gender?

☐ Male

☐ Female

3. What country did your Aliyah originate from?

☐ USA

☐ Canada

☐ UK

Other (please specify)

4. What year did you make Aliyah?

Other (please specify)

5. Where in Israel do you currently live?

Other (please specify)

6. What was your marital status at the time of your Aliyah?

☐ Married

☐ Separated

☐ Divorced

☐ Widowed

☐ Never married

7. What is your current marital status?

☐ Married

☐ Separated

☐ Divorced

☐ Widowed

☐ Never married

8. How many children under the age of 18 made Aliyah together with you?

9. How many children under the age of 18 do you have today?

10. Do you think that your family size is likely to be larger due to the fact that you live in Israel?

☐ Yes

☐ No

☐ Not sure

Education:

11. What was the highest level of education completed prior to making Aliyah?

Other (please specify)

12. What was your primary field of study?

Other (please specify)

13. Did you further your academic education after making Aliyah? If so, what is the highest diploma/degree you have, or are currently obtaining?

Other (please specify)

14. What was your primary field of study?

Other (please specify)

15. If you attended Ulpan, how many months did you study?

Employment and Career:

16. Please select the industry you worked in prior to your Aliyah:

Other (please specify)

17. What was your position in your last primary job before making Aliyah?

Other (please specify)

18. What was your job level in your last primary job before making Aliyah?

Other (please specify)

19. How long were you actively seeking work before securing your first job in Israel?

20. What is your current occupational status?

(If unemployed indicate below and skip to Question 25)

Other (please specify)

21. Please select which industry you currently work in:

Other (please specify)

22. What is your position in your current primary job ?

Other (please specify)

23. What is your job level in your current primary job?

Other (please specify)

24. How many hours a week, on average, do you work?

☐ Full time (42.5)

☐ Half time (21)

☐ Two days a week (17)

Other (please specify)

Income:

25. Is your primary source of income in Israel?

☐ Yes

☐ No (Please skip to Question 28)

26. What is your current individual gross monthly income in NIS?

27. What is your current gross monthly HOUSEHOLD income in NIS?

(After completing this question please skip to Question 30)

28. What is your current individual gross yearly income in US Dollars?

(If your income is in a currency other than USD, please convert it to USD)

29. What is your current gross yearly HOUSEHOLD income in US Dollars?

30. Do you have an asset portfolio in Israel or abroad?

☐

In Israel

☐

Abroad

☐

Not applicable

Please specify value (optional)

31. Do you or your spouse have any additional income (dividends, social security, rent from real estate etc.)?

☐

Yes

☐

No

Please specify value (optional)

Post Aliyah:

32. Upon making Aliyah did you live in a Mercaz Klita? If so, for how long?

33. Since making Aliyah have you rented an apartment? If so, for how long?

34. If you rented an apartment, did you receive an Oleh rental subsidy?

☐

Yes

☐

No

35. Do you own the house you currently live in?

☐

Yes

☐

No (Please skip to Question 38)

What was the purchase price? (Optional)

36. How long after Aliyah did you purchase the property?

37. Did you buy from a 'kaban' (contractor) or from a previous owner?

☐

Kaban

☐

Previous Owner

Other (please specify)

38. Do you own any additional real estate properties in Israel?

☐

Yes

☐

No

Please specify value (optional)

39. How many cars do you own (not including company cars)?

☐

0 (Please skip to Question 43)

☐

1

☐

2

☐

More than 2

40. How long after making Aliyah did you purchase your first car?

41. Was the car purchased new?

☐ Yes

☐ No

42. Did you use your Oleh rights to buy the car?

☐ Yes

☐ No

Spouse:

43. Is your spouse an NBN Oleh / Olah?

☐ Yes

☐ No (Please skip to Question 47)

☐ Not applicable (Please skip to Question 47)

44. If your spouse attended Ulpan, how many months did he / she study?

45. How long was your spouse actively seeking work before securing his / her first job in Israel?

46. What is your spouse's current occupational status?

Visiting Relatives/Friends:

47. How many times a year, on average, do relatives/friends from abroad visit you?

48. How many people, on average, visit you each time?

49. How many days, on average, do they stay?

Comments:

50. Please write any further comments that you have in the space provided below:

Appendix 2: Absorption Basket (Sal Klita) Benefits

	Single	Single + child	Couple
Payment upon Arrival	₪2,557	₪ 3,578	₪ 5,850
1st Payment	₪1,402	₪ 1,733	₪ 2,124
2nd Payment	₪1,402	₪ 1,733	₪ 2,124
3rd Payment	₪1,402	₪ 1,733	₪ 2,124
4th Payment	₪2,480	₪ 6,065	₪ 6,464
5th Payment	₪1,402	₪ 1,733	₪ 2,124
6th Payment	₪1,402	₪ 1,733	₪ 2,124
7th Payment	₪2,197	₪ 3,508	₪ 4,386
Complementary Grant	₪1,545	₪ 3,708	₪ 2,780
Total Sal Klita	₪ 15,789	₪ 25,524	₪ 30,100

	Pensioner	Pensioner + Child	Pensioner Couple
Payment upon Arrival	₪ 3,289	₪ 3,581	₪ 5,848
1st Payment	₪0	₪0	₪0
2nd Payment	₪0	₪0	₪0
3rd Payment	₪0	₪0	₪0
4th Payment	₪ 3,429	₪ 3,668	₪ 4,162
5th Payment	₪0	₪0	₪0
6th Payment	₪0	₪0	₪0
7th Payment	₪ 6,805	₪ 7,288	₪ 8,253
Complementary Grant	₪ 3,056	₪ 5,903	₪ 6,674
Total Sal Klita	₪ 16,579	₪ 20,440	₪ 24,937

	Child 0-4	Child 4-18	Child 18-25	6+
Payment upon Arrival	₪ 2,265	₪ 2,265	₪ 2,266	₪ 1,075
1st Payment	₪ 1,031	₪511	₪843	₪0
2nd Payment	₪ 1,031	₪511	₪843	₪0
3rd Payment	₪ 1,031	₪511	₪843	₪ 1,075
4th Payment	₪ 1,031	₪511	₪843	₪0
5th Payment	₪ 1,031	₪511	₪843	₪0
6th Payment	₪ 1,031	₪511	₪843	₪ 2,158
7th Payment	₪ 887	₪872	₪899	₪0
Complementary Grant	₪0	₪0	₪0	
Total Sal Klita	₪ 9,338	₪ 6,203	₪ 8,223	₪ 4,308

Special Cases:

1. A family of Olim will receive Sal Klita as a unit
2. A family comprised of: a person who had Oleh benefits in the past who is married to an Olah/Oleh with children, will receive assistance as a single person/single person plus children.
3. Split Aliyah: A person with children making Aliyah before his/her spouse, will receive assistance as a single parent/family with children. A person with children making Aliyah while

- his/her spouse lives in Israel as a tourist or temporary resident or citizen of Israel, will receive assistance as a single with children.
4. A person who arrived in the country as an A1 temporary resident prior to 1/1/1992 and stayed for less than a year during which time he did not use benefits from Misrad Haklita, will be recognized as an Oleh Chadash from the day of his return and will be eligible for Sal Klita. In this case, he will not receive assistance at the airport but may report to Misrad Haklita directly.
 5. An Olah/Oleh married to an Oleh/Olah not eligible for Sal Klita, will be eligible for Sal Klita as a single person.

Elderly Olim, who are entitled to receive both Sal Klita and a special pension (with or without the additional sum), will be eligible to receive both payments at the same time. In order to receive pension payments, one must apply to the National Insurance Institute (Bituach Leumi). Sal Klita payments are received as per all Olim. Please note that Bituach Leumi does not make retroactive payments. The Oleh should make a claim immediately upon making Aliyah.

Appendix 3: Tax rate table by country

Israel

Monthly		Yearly		Tax
Min income	Max income	Min income	Max income	
₪0	₪4,390	₪0	₪52,680	10%
₪4,391	₪7,810	₪52,692	₪93,720	15%
₪7,811	₪11,720	₪93,732	₪140,640	23%
₪11,721	₪16,840	₪140,652	₪202,080	30%
₪16,841	₪36,260	₪202,092	₪435,120	34%
₪ 36,261		₪435,132		46%

US

Yearly		Tax
Min income	Max income	
\$0	\$8,350	10%
\$8,351	\$33,950	15%
\$33,951	\$82,250	25%
\$82,251	\$171,550	28%
\$171,551	\$372,950	33%
\$372,951		35%

Canada

Yearly		In US \$		Tax
Min income	Max income	Min income	Max income	
\$0	\$38,832	\$0	\$31,027	15%
\$38,833	\$77,664	\$31,028	\$62,054	22%
\$77,665	\$126,264	\$62,054	\$100,885	26%
\$126,265		\$100,886		29%

UK

Yearly		In US \$		Tax
Min income	Max income	Min income	Max income	
\$0	£6,035	\$0	\$8,923	0%
£6,035	£40,835	\$8,923	\$60,379	20%
£40,835		\$60,379		40%

Appendix 4: Spending rate as a percentage of income based on yearly gross income brackets and size of household

Gross Income/ Size of household	0-40K	40-60K	60K-90K
1	90%	79%	70%
2	148%	131%	116%
3	173%	152%	134%
4	194%	170%	142%
5	194%	178%	156%
6+	178%	164%	144%

Gross Income/ Size of household	90K-135K	135K-200K	200-240K
1	68%	61%	55%
2	112%	101%	91%
3	131%	118%	106%
4	131%	118%	106%
5	143%	129%	116%
6+	132%	119%	107%

Gross Income/ Size of household	240-415K	415+
1	51%	47%
2	83%	77%
3	97%	90%
4	102%	95%
5	112%	105%
6+	103%	96%

Appendix 5: Government Spending on Education

	Lower Education System	Higher Education System
Government Expenditure	₪10,164,867,680	₪3,545,098,144
Number of Students	1,811,018	250,454
Cost per Student	₪5,613	₪14,155
Yearly Tuition		₪8,779
Total Cost per Student	₪5,613	₪22,934

Source: Based on CBS Data, 2007

Appendix 6: Income Support (Havtachat Hachnassa) - from 7th month till 12th month from date of Aliyah (inclusive)

Household Size	1	2	3	4
Monthly Payment	₪1,248	₪1,876	₪2,262	₪2,633
Max Period of payment	6	6	6	6

Appendix 7: List of Universities

- Columbia University
- Yale University
- Harvard University
- Princeton University
- Brown University
- Cornell University
- University of Pennsylvania
- Dartmouth College
- University of California, Los Angeles
- Tufts University
- Barnard College
- University of California Berkley
- New York University
- Kellogg School of Management
- Massachusetts Institute of Technology
- Brandeis University
- The University of Maryland
- Johns Hopkins University
- Carnegie Mellon University
- Vassar College
- Boston University
- University of Wisconsin – Madison
- The University of Chicago
- The Cooper Union for the Advancement of Science and Art
- University of Toronto
- McGill University

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