

**Two Years into the Five-Year Plan for Economic Development of the  
Arabs in Israel**

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Nearly two years since the government of Israel adopted the five year plan (2016-2020) for the economic development of the Arab population in Israel (Resolution 922 of December 30, 2015), at a total budget of some 15 billion NIS (including differential education budgets), it is possible to present interim conclusions regarding the actual implementation of the plan. This is a follow-up to preceding reviews (INSS Insight No. 845 and INSS Insight No. 900). By and large, the implementation of the plan, covering fifteen fields of development, is proceeding at a reasonable pace, reflecting cooperation between the government and leaders of the Arab sector. The process reveals initial signs of development, despite obstacles that have slowed the pace of implementation.

**Implementation of the Program**

In 2016, the first year of implementation, the Ministry of Finance transferred over 3 billion NIS for the different parts of the program. By the end of 2017 it expects to allocate an additional 2 billion NIS, in accordance with the planned stages. In some cases allocations even exceed the initial timetable (for example, in the field of urban transport, water, and sewage infrastructures). Below are the main areas of progress:

a. Strengthening local authorities: There is a clear understanding between the program's leaders that the most important link in the chain of success is the empowerment of Arab local authorities. Therefore, 900 million NIS were transferred in 2016, and a further 300 million NIS will be transferred by the end of 2017 to enhance the capacity of the Arab localities to take responsibility for the adequate implementation of the program. In addition, 16 Arab local authorities were recognized as "outstanding" and subsequently awarded an additional 25 million NIS to accelerate the development of planning and management skills. Most of the local authorities have already submitted their development plans to the Ministry of the Interior, which are under examination with the active involvement of the Economic Development Authority and the Budgets Division of the Finance Ministry. However, heads of local authorities complain about the slow

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approval of budget authorizations and about the limited operational independence and flexibility they are given to realize their plans.

b. Housing: Most of the budget (700 million NIS) is intended for planning private construction, building public institutions, and developing open public spaces. The Ministry of Construction and Housing has drafted a detailed five-year work plan, which is already incorporated into agreements with 13 local authorities and in contracts with another 43 authorities for investments in specific projects. According to the forecast, these investments are expected to lead to the marketing of over 4,000 new housing units in 2017, and dozens of new public institutions expected to be built by mid-2018. Notwithstanding the large investment, however, Arab mayors claim that the acceleration of public construction is still largely dependent on government systems that are not open to development in accordance with local needs based on Arab culture and social perceptions.

c. Transport and accessibility: There is an understanding that transport infrastructures in the Arab sector require considerable upgrading, mainly to encourage employment further away from residences. In the first two years of the program, about 1 billion NIS will have been invested in these projects, including improvement of public transport accessibility within Arab towns, and between these areas and the main national highways.

d. Employment: The primary goal of the program is to increase the integration of Arab citizens in the work place in general, and particularly in areas that will accelerate social mobility. This interest is clearly shared by the state and the Arab public. Significant allocations have already been directed to this purpose, such as setting up 21 new career guidance centers, where over 10,000 people have already been trained, 60 percent of them women. In order to encourage female employment – a critical issue for development of Arab society – 114 million NIS will have been invested in 2016/17 in the construction of new child care centers. Additional allocations have already been made to develop local employment zones (an issue that has encountered difficult obstacles), to subsidize employers who hire Arab workers, and also to assist small and medium sized businesses and provide support for Arab exporters.

e. Education: The main investment in the field of education is directed to the construction of schools, which is in addition to the five-year plan budget. Resolution 922 focuses mainly on areas where there is a significant gap between the achievements of Jewish and Arab pupils; hence the need to improve the quality of teaching in Arab schools, the promotion of informal education, and higher education.

f. Reinforcing personal safety: Against the phenomenon of severe violence in the Arab sector, the Ministry of Internal Security and the Israel Police drew up a new plan to improve personal safety in Arab towns and villages, principally by increasing the police presence. (So far about 100 Muslim police officers have been recruited.) For this purpose, 200 million NIS were allocated for the first two years, with an additional budget authorization to set up ten police stations in Arab towns.

### **Obstacles and Constraints**

Despite the significant progress in the implementation of the plan, it was clear from the outset that it would not be possible to create a new reality in the Arab sector immediately and solely with financial measures, even if considerable. Indeed, the implementation of the plan has encountered a series of impediments. Chief among them:

a. Entanglement in government bureaucracy: The implementation of the complex plan requires flexible cooperation between the different government agencies engaged in processes of budget allocation and actual work in the field. In most cases the situation here is not different from regular governmental operations, which are not always smooth and efficient. This contributes to the delay of certain programs, which in turn impacts negatively on the confidence of the Arab mayors. The Ministerial Committee that was designed to monitor the plan's implementation has yet to meet, and an inter-ministerial committee of director generals that could have accelerated the processes has not been appointed. A steering inter-ministerial committee has been nominated and has convened four times to expedite the processes. Overall, the plan is led diligently and successfully by the Arab Sector Economic Development Authority in the Ministry of Social Equality and the Budgets Division in the Ministry of Finance.

b. Division into sub-sectors: For political and coalition reasons, a number of separate and parallel programs have recently been drafted, for Bedouin citizens in the north, Bedouin in the south, and Druze. Some of these are operated by government ministries and others by separate mechanisms, leading not only to unnecessary bureaucratic complications, but sometimes to misunderstandings over the different criteria and emphases.

c. Administrative obstacles in the Arab local authorities: The local authorities play a key role in the success of the five year plan. However, there are vast differences between various authorities, most of which have traditionally suffered from a deficient organizational culture, political and tribal interventions, lack of professional staff, and a general weakness when it comes to planning and management, as well as lack of experience with large scale projects. This is apparently the most challenging obstacle, which requires attention at the government level. Initial reference has already started with the more empowered local authorities, where coordinators for economic development will be appointed next year. Still, the weakness of Arab local government will delay all development efforts until the necessary root treatment is applied.

### **Conclusion and Recommendations**

The best evidence of progress in implementation of the five-year plan is the resounding silence on this important subject among Arab political leaders in Israel. This silence apparently reflects their understanding that the program can contribute much to the advancement of the sector. In spite of the obstacles, the program appears to be proceeding in the right direction, partly thanks to the support and commitment of the professional

governmental echelons, under the energetic and focused leadership of the Finance Ministry and the Ministry for Social Equality. On the ground there is noticeable progress in essential areas, although it is still too early to distinguish real trends of economic growth, which is the main objective of the plan.

In order to ensure that this objective is achieved, for the benefit of the Arab public and the State of Israel, it is important to confirm in the near future:

- a. Thorough and more frequent involvement in monitoring the program by government ministers and ministry director generals, for the sake of comprehensive action to remove obstacles. If such a political effort and the investment of such significant budgets cannot bring the desired transformation, it will be impossible to confer responsibility on the Arab local authorities. Alternatively, success can rightfully be shared between the government and the sector's leadership.
- b. Strengthening the abilities and the powers of the government team that is responsible for implementation of the program. This includes coordinating the various long term programs run for different groups in the Arab sector.
- c. A broader, more concentrated effort to strengthen the Arab local authorities, which have difficulty in using their budget allocations to the fullest. This also means optimizing and expanding their professional staff.
- d. There should be wider exposure to the program and its successes among the general public. Both Arab and Jewish population must be made aware of the magnitude of the investment and the vision that lies behind it.
- e. It is now the time to start planning Phase 2 of the five year plan, based on the lessons already learned from the early implementation experience.

Finally, achieving the salient objective of integrating Arabs into the social and economic fabric of Israel cannot be achieved without stopping the efforts to exclude the Arab public. The allocation of budgets, however large, will not be enough, unless it is accompanied by a more inclusive government approach and policy.