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**The Five-Year Economic Plan for Israel's Arab Sector:  
A Progress Report**

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The five-year economic plan approved on December 30, 2015 by the Israeli government in Resolution 922 is designed to enhance the economic and social integration of the Arab citizens in Israel. More than six months since its adoption, the plan's status is somewhat unclear and many questions about its future remain unanswered.

The five-year plan (2016-2020) was first introduced as a package of projects worth NIS 15 billion for the social and economic advancement of the Arab sector. However, it has since emerged that under the plan, new programs are budgeted at not more than NIS 9.5 billion for the five years. The rest of the budget designated for improvement of the Arab sector is supposed to be used for existing projects. The largest in budget terms and the most significant project is the differential budgeting for elementary education.

The five-year plan was intended by initiators, decision makers, and senior professionals to promote economic integration of the Arabs in Israel, which is perceived as a major growth engine for the Israeli economy, and to reduce inequality and social gaps between Jews and Arabs. The new plan, which covers numerous diverse fields, is based in part on changing the government budgetary mechanism so as to provide increased equality to the Arab population. The Ministry for Social Equality is responsible for the plan's implementation via the Economic Development Authority, which oversees an inter-ministerial steering committee that enjoys close involvement of the Finance Ministry's Budget Division. The Arab sector is represented by the chairman of the Heads of the Arab Local Authorities Council.

The first six months since the plan's approval were devoted primarily to planning processes to ensure a smooth start. Most of the effort was invested in formulating work plans for the various ministries and introducing them to the Arab local governments. Among other steps, the Economic Development Authority held a conference in Nazareth for local Arab leaders and their professional teams, together with civil society organizations. The conference included the presentation of detailed plans and discussions about their implementation. Two websites were launched to present the detailed projects

to the stakeholders and provide ideas as to how best to implement them. Government ministries are currently finalizing the plans before submission to the steering committee for approval. Not less important is the forecast for the transfer – for the rest of 2016 – of NIS 2 billion, which is expected to come in addition to the budget for differential education. Thus far, relatively limited allocations have been made to the relevant ministries to finance projects in informal education, transportation accessibility to remote Arab villages, and daycare centers to allow more women's employment, or directly to the Arab local governments.

The first few months have also revealed serious challenges, some permanent and some temporary, which might reduce the scope or delay implementation of the five-year plan. The most severe obstacles include:

1. *The complex government bureaucracy:* The five-year plan requires initiative and flexibility in its detailed planning, budgeting, appropriations, and decisive implementation. These complex processes encounter the known hurdles in Israel's government administration, as well as the challenging relationship between the government and the Knesset Finance Committee. Unless these problematic processes are handled with special dedication and care, perhaps even by unique mechanisms for this project, delays – perhaps long ones – can be expected down the road.
2. *Hurdles at the Arab local government level:* Local government plays a key role in implementation of the program. But often – and in many cases, continuously – the Arab authorities suffer from unsatisfactory performance, resulting from the lack of a management culture, inexperience in managing large projects, and persistent administrative and professional weaknesses. The goal is to overcome these impediments by establishing a special executive apparatus in charge of the working relations between the government ministries and the local Arab authorities. At the same time, it will be necessary to strengthen the local governments by appointing senior professionals to run the projects. The obstacles in the local Arab bureaucracies might prove to be a major issue, unless a special, far reaching effort is made to address it.
3. *Political hurdles and preconditions to implementation of parts of the plan:* At the outset, the five-year plan – both its guiding concept and the initial implementation – encountered political reservations within the government. It seems that some senior figures in key ministries are less than pleased with the plan's vision and do not support the policy spearheaded by the Finance and the Social Equality Ministries for the economic development of the Arabs in Israel. The apparent gap between the plan's supporters and opponents has surfaced in the Knesset debates. For example, the Finance Minister himself remarked that the scope of the plan would, in all likelihood, be significantly less than the original sum earmarked. At

present, a serious obstacle lies in implementing the parts of the plan dealing with construction in Arab population centers. Political reservations were raised about implementing them before enforcing building regulations, including the demolition of illegally constructed buildings. This sensitive and complex issue will not be resolved in the near future and as long as no far reaching changes are made in the planning and supervision processes of construction in the Arab sector. The lack of genuine progress in the construction field will represent a serious impediment to the advancement of Arab society in Israel.

Despite these obstacles, it seems that there has already been important progress in the crucial stage of preparing for the implementation of large parts of the program. It seems that the professional government sector, particularly in the Finance and the Social Equality Ministries, is demonstrating willingness to create new frameworks to promote the program, to help overcome both bureaucratic and political obstacles. An important test will be progress during the second half of 2016, particularly when it is time for significant budget allocations to local government and time for projects to start. Without the appearance of dynamic action, the program might lose momentum and public trust, and possibly hit a dead end. This would be an unfortunate blow to the important strategic vision of shared interests and cooperation between the Arab minority and Jewish majority to enhance social equality, stability, and the economic growth of the State of Israel.

