

Government decisions pertaining to Arab citizens, development plans for Arab communities and follow-up on implementation, 1999-2005

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In the survey below, we will track some of the decisions made by the ministerial committee on minority sector affairs between the years 1999-2005, and the implementation of these decisions. Through these decisions, which delineate the lines of the Israeli government's policy toward Arab citizens, it will be possible to examine some of the aspects of this policy during the five years that have passed since the events of October 2000.

The purpose of this survey is to examine to what extent the urgent issues of gaps and inequality between Jews and Arabs are being addressed and how, or to what extent, the way these issues are being addressed contributes to reducing the gaps between Jews and Arabs and improving the status of the Arab citizens of Israel as equal citizens in the State of Israel.

The sources available to us include government decisions made in the framework of the Ministerial Committee for Non-Jewish Sector Affairs between the years 1999-2005¹, a report by the Division for Coordination, Follow-up and Control in the Prime Minister's Office on the implementation of the multi-year plan for the Arab communities between the years 2001-2004, reports by the state comptroller and material from various government Internet sites.

As part of this survey, we will focus on follow-up on the development plans and we will deal with four main questions:

1. What are the issues to be addressed and what are the principles of action as reflected in the government's decisions?
2. What is the scope of budget commitments and to what extent do the government

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1. This survey is presented with the following limitations and reservations: first, we did not have access to all of the decisions made by the ministerial committee on Arab affairs. Second, many government decisions that are not made in the framework of the ministerial committee on Arab affairs have a direct or indirect impact on the situation and status of the Arab citizens of Israel. We will only make partial reference to these decisions, if at all, in this survey.

ministries meet the budgetary commitments stemming from the government's decisions?

3. To what extent and in what way are the development projects progressing, and what are the main obstacles to progress? Here we will focus on tracking the implementation of projects in the framework of development plans of six government ministers in which most of the development budgets are concentrated: the Interior Ministry, Construction and Housing Ministry, National Infrastructures Ministry, Ministry of Transport, Ministry of Industry, Trade and Labor, and Education Ministry.
4. In a number of areas, we will address the results: What are the salient trends in regard to the gaps between Jews and Arabs in various fields of life during the past 5-10 years?

1. Issues to address and principles of action in government decisions

Staff work at the Prime Minister's Office

Starting in 1992 (the Rabin government), the Prime Minister's Office began coordinating inter-ministerial staff work in areas of development, economics and society (on country-wide, regional and sectorial levels) which the government views as especially important to promote. This entails issues such as the development of infrastructure for transportation, water, sewage and employment, as well as projects in the fields of society and social welfare.

Ministerial committees and directors-general committees were formed to draft comprehensive, multi-year plans such as the Ofek plan for targeted assistance, the plan for assisting confrontation line communities, and so on. Development for the Arab population is one of the subjects that was defined as an urgent topic that should be addressed in the framework of the staff work. During the 1990s, a framework evolved for addressing, implementing, tracking and reporting on issues of development for the Arab population.

Goals and principles of action

Between the years 2000-2004, the government made five decisions pertaining to the organizational structure for formulating government policy toward the Arab citizens of the state. In this framework, five main goals and principles of action were defined:²

- 1. Receiving a constant flow of information and situation assessments:** Receiving periodic situation assessments and an analysis of the current socio-economic and civil status of the Arab citizens of Israel, and the needs that stem from this, as well as ongoing reports and assessments of the mood in this community.
- 2. Formulating policy:** Formulating a uniform and coherent policy according to the situation assessments and needs identified in the field.
- 3. Inter-ministerial coordination:** Streamlining and coordinating the ministries' operations as part of the staff work.
- 4. Follow-up and control of implementation:** A standard of follow-up and control over the implementation of policy and development plans, both from a budgetary perspective and to measure the project's progress on the ground.
- 5. Representation of Arab citizens:** Expanding the representation of Arab citizens in the various stages of decision making and in each of the bodies and forums dealing with the formulation of policy. This, in parallel to the expansion of representation for Arabs as civil servants in various ministries, with an emphasis on senior positions.

2. Government decisions: 982 (Arab/21) from January 27, 2000; 983 (Arab/22) from January 27,2000; 2676 (Arab /56) from December 14, 2000; 736 (Arab /8) from August 19, 2003; 738 (Arab /10) from August 19, 2003.

Formulating a standard for decision making vis-à-vis the Arab population

During the period under review, a transition was made from the use of an advisor to the ministerial committee for Arab affairs³ to the appointment of an advisory body responsible for analyzing the current situation and formulating proposals for action. Approximately two and a half months after the “October 2000 events,” a decision was made to establish – for a trial period of one year – **a division for the Arab citizens in Israel**,⁴ which would operate alongside the ministerial committee for Arab affairs as an administrative unit in the office of the chairman of the ministerial committee.

In August 2003, as the Or Commission report was about to be published, it was decided⁵ to **establish a permanent advisory council, coordinated by the National Security Council**, for the affairs of Arab citizens in Israel and the relationship between them and the Jewish citizens of Israel. According to the government decision, the council would include representatives of all the ministries dealing with this issue, representatives of local authorities (Arab, Jewish and mixed), and external experts.

About one year later, in the framework of the Lapid Committee recommendations,⁶ it was decided to establish a **governmental authority for advancing the minority sectors**. This authority would aim to “advance and deal with the unique problems of the non-Jewish sectors on issues of planning and construction, budgets, preventing discrimination, fair representation in the civil service, advancing education and integration in the Israeli society and economy. In addition, [it will] maintain ongoing contact with the various government ministries in their dealings with minority sectors and report on this to the prime minister and the ministerial committee for Arab affairs.”

3 . Decision 983 (Arab/22) of January 27, 2000.

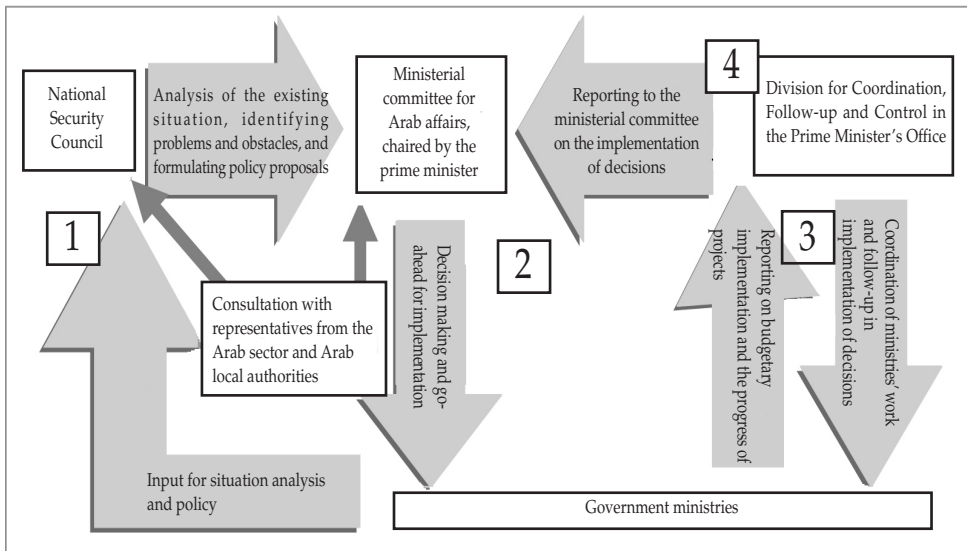
4. Decision 2676 (Arab/56) of December 14, 2000.

5. Decision 738 (Arab/10) of August 19, 2003.

6. Decision 2016 from June 13, 2004.

In accordance with the government decision, the authority was supposed to be established within three months of the decision. In the framework of this decision, the new authority was supposed to be responsible for a system of providing advice to the ministerial committee, coordinating between the various ministries, and follow-up and reporting on the implementation of government decisions. The decision to establish a governmental authority has not yet been implemented and, in practice, the National Security Council continues to coordinate the system of advice and periodic reporting to the ministerial committee. The Division for Coordination, Follow-up and Control in the Prime Minister’s Office is coordinating the follow-up and control of the implementation of the government decisions and development plans (see Diagram 1.1 below).

Diagram 1.1: Process of formulating policy regarding Arab citizens and follow-up on implementation



The centralization of policy formulation vis-à-vis Arab citizens in the hands of the National Security Council emphasizes that Arab citizens are regarded as a security problem⁷ though this is an entirely civil issue. A long history of discriminatory allocation of resources is one of the main reasons Arab citizens again and again express a lack of faith in the government. Therefore, the decision-making processes concerning Arab citizens should be defined as a civil matter, guided by the principles of social justice and civic equality. The state should establish permanent and mandatory frameworks of dialogue with the Arab leadership, not only sporadic personal consultations. This type of change would serve as a basis for consensual action, would build trust between the state and about 20% of its citizens, and would channel the state's resources in a just and proper way toward Arab citizens, in equality with Jewish citizens.

The issues addressed by government decisions

The decisions made by the ministerial committee on minority sector affairs can be categorized under three main topics:

- Developing the Arab communities
- Land policy and enforcement of planning and building laws⁸
- Citizenship and identity⁹

The issue of land policy and the issue of citizenship and identity do not fall under the purview of this survey, which focuses on tracking implementation of the development plans in Arab communities. In an effort to bring the level of development in Arab communities to the national level, the development plans concentrated on the following areas: sewage infrastructure, road infrastructure, construction and completion of public buildings, developing places of employment and reducing disparities in education.¹⁰ In addition, emphasis was placed on the need to find a

7. "Our focus on the subject of Israel's Arabs relates to the fact that, in the security outlook, it says that if there is a minority and this minority of Arabs in the State of Israel will apparently continue for many years, what we do today... so that in another 20 years... 50 years, this minority will be a friendly, cooperative minority and not hostile – this is in essence the strategic view of the matter" – from a lecture by Dr. Reuven Gal, the deputy head of the National Security Council, "Toward Implementation of the Or Commission Report," in the framework of a seminar held at the Truman Institute on November 11, 2003 under the title "The Or Commission Report – A Turning Point in the Relations of Arab Citizens and the State".

8. Including subjects such as the land claims of the Negev Bedouin; preferential treatment accorded to individuals who have served in the security forces in land appropriations for residential construction, land prices and development fees; reorganization of the statutory bodies responsible for enforcing the planning and building laws.

9. Includes such topics as dealing with abandoned Christian and Muslim religious sites throughout Israel; national service for the Arab population that is not subject to mandatory conscription; Tolerance Day.

10. Development plans for the Druze communities, the northern Bedouin, the Arab and Bedouin communities in the south based on government decisions.

solution for budgetary problems in the Arab local authorities and in expanding their independent sources of income.

Infrastructure in Arab communities and in Arab neighborhoods within mixed cities: Sewage infrastructure – both internal systems and external links; road networks – completing and repairing internal roads and access roads to the communities; construction and completion of the public building infrastructure.

Employment: Development of employment zones and professional training to reduce the scope of unemployment and raise the level of participation in the work force.

Arab education: Reducing the gaps in achievement in education and eliminating the shortage of classrooms, equipment, laboratories and libraries.

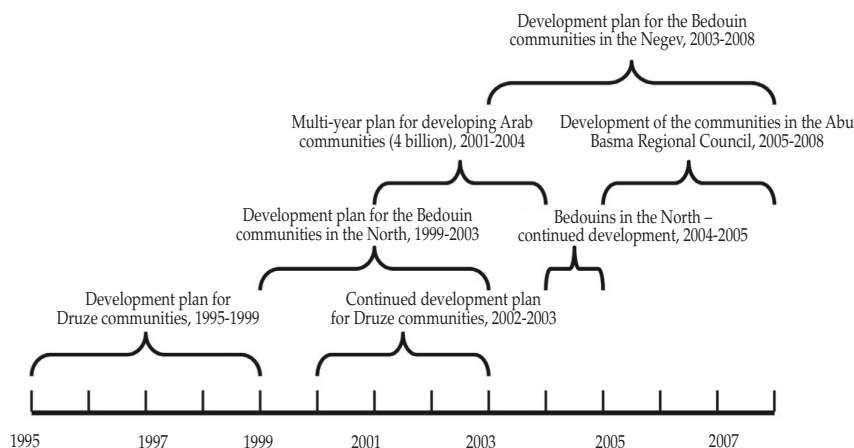
Arab local authorities: Reducing the budget deficits in local authorities, increasing independent sources of income for the authorities by providing tax-yielding sources such as employment and commercial zones, and at the same time, updating municipal ordinances in the local authorities and increasing tax collection.

Development plans for the Arab population

During the years 1995-2005, the government approved seven decisions pertaining to comprehensive development plans for Arab citizens, including budgeted projects for implementation within a defined period of time through 2008. This entailed five sectorial development plans: a multi-year plan for the development of Druze and Circassian communities – 1995-1999; a development plan for the Bedouin communities in the North – 1999-2003; a multi-year plan for developing Arab communities – 2001-2004; a development plan for existing Bedouin communities in the Negev – 2004-2008; and a plan for developing new Bedouin communities in the Negev – 2005-2008.

Diagram 1.2 (p. 16) describes the development plans and the amount of time allotted for their implementation. The sectorial division and its time frame sometimes reflects the government's priorities in regard to the various sectors.

Diagram 1.2: Development plans 1995-2008



2. Budgetary commitments of government ministries, 1999-2005

Between the years 1999-2005, five government decisions (see Table 1.1, p. 17) launched four multi-year development plans. The multi-year plans created a budgetary framework and, for the first time, charted operational goals for development plans for Arab communities. The development plans created two dimensions of government commitment: First, a commitment for implementing the projects. The projects mainly include the building or completion of infrastructure systems – such as sewage, roads, public buildings and the establishment of new residential neighborhoods.

The second dimension entails budgetary commitments for given time periods, with the aim of increasing the Arab population’s relative share of the budgetary pie – in accordance with their proportion in the population and/or their development needs. Some of the appropriated budgets were pooled from funds already in the system prior to the plan and some were a budgetary addition that resulted from both a bigger pie and a redistribution of existing budgetary resources.

Table 1.1: Government decisions on development plans for Arab communities and Bedouin communities in the North and South

Government decisions	Name of plan	Period in effect	Budget (million NIS)	Treasury's part of this budget (million NIS)	Treasury allocation as % of plan's budget
4644 - Nov 15, 1998	Development plan for Bedouin communities in the north	1999-2003-	614.95	121.90	19.8%
1403 - Jan. 27, 2004	Continued plan for bedouins in the North	2004-2005	172.10	?	?
2467 - Oct. 22, 2000	Multi-year plan for developing Arab communities	2001-2004	3,946.85	1,150.70	29.2%
881 - Sept. 25, 2003	Development plan for existing Bedouin communities in the Negev	2003-2008	1,084.75	239.65	22.1%
3956 - July 22, 2005	Development of new Bedouin communities in the Negev	2005-2008	387.70	156.10	40.3%

Enlarging the pie: The Finance Ministry's role in the budget for development plans reflects the element of enlarging the pie – that is, increasing the allocations to government ministries for implementing development plans. According to Table 1.1, the treasury's addition for the development plan for Bedouins in the South and North constituted about 20% of the plan's budget. In the multi-year plan for developing Arab communities, the budgetary addition comprised about 30%. In the Abu Basma Regional Council communities, the treasury's budgetary addition for development totaled about 40% of the plan's total budget.

Redistribution: As part of the multi-year development plan, the government decision (2467, from October 22, 2000) notes that a sum of about NIS 1 billion (approx. NIS 4.5=\$1) will be taken from internal ministerial sources and earmarked for the development of Arab communities. That is, the government decided to reallocate ministerial budgets in order to increase the overall budget share of the Arab population in the ministries' existing budgets.¹¹ All in all, the multi-year plan was supposed to double the funding for Arab communities to NIS 2 billion – NIS 1 billion from the treasury and NIS 1 billion from a reallocation of funds within the ministries.

11. In the government's decisions concerning the other development plans, no mention was made of internal diversions of funds within the ministries and we have no information concerning this from other sources.

Allocation data and implementation rates

The development plan for Bedouins in the North (decisions 4464 and 1403): In the framework of the development plan for Bedouin communities in the North (decision 4464), NIS 614.95 million was appropriated, of which NIS 540 million was spent¹² representing 87.8% of the sum allocated in the government decision. This is quite a high proportion for implementation, despite the fact that implementation of parts of the plan took longer than the scheduled time stipulated in the plan.¹³

The development plans for Bedouins in the South (decisions 881 and 3956): In the framework of decision 881 – the development plan for the seven existing Bedouin communities in the South, NIS 1,084.5 million was allocated for the years 2003-2008. The State Comptroller's Report No. 54B indicates that only five ministries and authorities began to implement the decision during 2004 (the Justice Ministry, Health Ministry, National Infrastructures Ministry, Israel Lands Administration and Public Works Department). As of the end of January 2004, only 37% percent of the sum that the government was supposed to allocate during that year was actually allocated. The other ministries had not even begun to implement the plan at that time.¹⁴ In 2005, NIS 210 million were allocated in the framework of the development program¹⁵ (There is still no implementation data). In the framework of decision 3956, a total of NIS 387.7 million was allocated for new Bedouin communities for the years 2003-2008.

Decision 2467: The multi-year plan for development of Arab communities (the "NIS 4 billion plan")

In the framework of the multi-year plan for developing Arab communities, a total sum of NIS 3.95 billion was allocated for the years 2001-2004. The development plan includes the Arab local authorities and the Arab communities belonging to

12. Press release by the cabinet secretary, attorney Yisrael Maimon, on January 27, 2004; Internet site of the Prime Minister's Office: www.pmo.gov

13. State comptroller, *Annual Report 52B for 2001 and Accounts for Financial Year (FY) 2000, 2002*.

14. State comptroller, *Annual Report 54B for 2003 and Accounts for FY 2002, 2004*.

15. Press releases, February 2005, accessed via the Industry, Trade and Labor Ministry's Internet site: www.moit.gov.il on October 15, 2005.

regional councils – a total of 73 communities within 56 local authorities, including 50 Arab municipalities and local councils, and another 23 communities in six regional councils (two Arab regional councils and four mixed councils).

Allocation and implementation data of the multi-year plan during the years 2001-2004:

Following the cutbacks instituted during the plan’s implementation period, a sum of NIS 3.15 billion was actually allocated, representing 80% of the original budget stipulated in the government decision. Some 87% of this sum went into implementation; that is, the amount of actual spending implementation was NIS 2.74 billion, representing 69.4% of the original budget in the government decision.

Table 1.2: Allocation data and the implementation of the multi-year plan, 2001-2004

Decision 2467	NIS 3.95 billion
Allocation during the years 2001-2004	NIS 3.15 billion
Budget cutback	20%
Total implementation during 2001-2004	NIS 2.74 billion
% of implementation of decision 2467	69.4%
% of implementation of actual allocation	87%

Source: Prime Minister’s Office, Division for Coordination, Follow-up and Control, “Follow-up Report on Implementing Decision 2467,” August 2005.

Allocation and implementation data of the 2001-2004 multi-year plan by government ministry:

The actual budgetary implementation of each of the ministries relative to the original sum apportioned in decision 2467 is a result of two factors:

1. **The level of actual allocation**, that is – how much was actually allocated by government decisions in 2001-2004 relative to the original allocation in the framework of decision 2467.
2. **Implementation data from the total actual allocation**, that is – what percentage of the sum that was actually allocated was actually used.

Table 1.3 (p. 21) describes the impact of these two factors (the level of allocation cutback and the level of implementation) on the rate of budgetary implementation from the total allocation in the framework of decision 2467 in each ministry. The average budget cutback in the ministries was 20%. In Table 1.3, the government ministries are classified according to the ministries whose budget cutback relative to the sum stipulated in decision 2467 was higher or lower than the average cutback. In addition, the average level of implementation in the ministries was 87%. Table 1.3 classifies the government ministries according to the ministries whose level of implementation was above or below this average.

About 93% of the plan's budgets are concentrated in six of the 14 ministries participating in the plan (these six ministries are highlighted in the table with a gray background). The highest level of cutbacks were imposed on three of these six ministries: Ministry of Construction and Housing; Industry, Trade and Labor Ministry, and Interior Ministry (38%, 33% and 39%, respectively). In addition, the Housing Ministry and Industry, Trade and Labor Ministry were characterized by relatively low levels of implementation. Thus, the total level of implementation in these ministries was less than the average sum allocated in the framework of decision 2467. On the other hand, the National Infrastructures Ministry and the Transportation Ministry were characterized by low rates of budget cutbacks and high levels of implementation.

The aim of decision 2467 was to double the sum allocated to government ministries for Arab communities from about NIS 2 billion to about NIS 4 billion within a defined four-year period. However, in practice, the budget increase stood at NIS 738.3 million, just 37% of the designated increase for the years 2001-2004.

Table 1.3: Rate of budget cutbacks in the multi-year plan and the level of implementation by government ministry

	Ministry	Total budget allocated in decision 2467 (million NIS)	% of budget implemented from 2467 allocation	Rate of budget cutback		Level of implementation	
				Cutback more than 20%	Cutback less than 20%	Level of implementation less than 87%	Level of implementation more than 87%
1	Agriculture	60.0	21.20%	22.5%		27%	
2	Prime Minister's Office	8.0	31.30%	52.5%		66%	
3	Construction & Housing	700.0	45.40%	38.2%		74%	
4	Religious Affairs (Interior)	22.0	46.80%		9.1%	52%	
5	Industry, Trade and Labor	468.0	48.30%	33.2%		72%	
6	Interior	434.0	59.80%	39.4%			99%
7	Science and Technology	16.0	70.60%		16.3%	85%	
8	Tourism	24.0	72%	37.9%			116%
9	Education, Culture, Sport	1,165.0	72.10%		15.2%	85%	
10	Health	10.0	85%		(5%)	81%	
11	National Infrastructures	410.0	93.60%		5.5%		99%
12	Public Security	120.0	101%		0.0%		101%
13	Transport	505.0	102.60%		(4.4%)		98%
14	Israel Lands Administration	4.8	172.90%		(131.3%)	75%	
	Total	3,946.9	69.4%	Average cutback = 20%		Average level of implementation = 87%	

Source: Prime Minister's Office, Division for Coordination, Follow-up and Control, "Follow-up Report on Implementing Decision 2467," August 2005.

3. Projects for implementation and issues for government ministries to address

In this section, we will track the implementation of major projects in the six ministries that received most of the development budgets: the Interior Ministry; Housing Ministry; National Infrastructures Ministry; Transport Ministry; Industry, Trade and Labor Ministry; and Education Ministry. Implementation data at the project level exists mainly for the multi-year plan for the Arab sector and only partially for the development plan for Bedouin communities in the North and South.

Interior Ministry		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
980 (Arab/19)	Jan. 27, 2000	Interior Minister report on: State of the master plans for the Arab sector; state of the unrecognized villages in the Arab sector; national master plan 35
1433 (Arab/28)	Mar. 30, 2000	Working plan for updating master plans for communities in the Arab sector
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
881 (Arab/15)	Sep. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	July 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
740 (Arab/12)	Aug. 19, 2003	Addressing the central problems for the Arab sector
Projects and issues for the ministry to handle, as reflected in the government decisions listed above:		
<ul style="list-style-type: none"> ● Development budgets for local authorities ● Establishing and renovating religious institutions ● Updating and preparing master plans ● Economic recovery programs for local authorities 		

Development budgets for local authorities – low level of implementation

The development budgets for local authorities are included in the framework of the multi-year development plan for Arab authorities, as well as in the framework of development plans for Bedouin communities in the Negev and the North. The main areas that are supposed to be addressed in the framework of these budgets

are: water supply systems; waste disposal and recycling systems; roads and sidewalks; and sewage systems.¹⁶

Development budgets in the framework of decision 2467 – the multi-year plan for developing Arab communities

According to decision 2467, the Interior Ministry was supposed to have allocated NIS 412 million during the years 2001-2004. In those years the ministry actually spent only NIS 243.1 million in the framework of development budgets for the Arab sector. This sum, which represents 59% of the amount allocated in the plan, was actually spent during the years 2001-2003 because development budgets in all sectors were canceled in 2004.

The weak financial situation of Arab local authorities makes them completely dependent on the development budgets. The cancellation of the development budgets reduced the ability of some local authorities to connect public buildings to infrastructure, pave sidewalks, replace water pipes, install street lighting, storm drains, etc.¹⁷

Construction and renovation of religious institutions – partially implemented

Renovation, construction and development of religious institutions : In the framework of decision 2467, the ministry was supposed to allocate NIS 22 million. In practice, NIS 20 million was allocated between the years 2001-2004, but the level of implementation was low (52%) and stood at NIS 10.3 million. According to the Prime Minister's Office's follow-up report on the development plan for the Arab communities, funds were spent for renovating and building 51 mosques and repairing 68 cemeteries.

Master plans – partially implemented

According to the government decisions, the Interior Ministry's Planning Administration was assigned the tasks of preparing an urban master plan and

16. Interior Ministry's 2005 budget proposal, Finance Ministry's Internet site: www.mof.gov.il

17. Prime Minister's Office, Division for Coordination, Follow-up and Control, "Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector" – Follow-up on implementing government decisions in the years 2001-2004, August 2005.

advancing detailed plans for 56 communities;¹⁸ updating plans in communities whose master plans do not provide appropriate planning solutions;¹⁹ and completing the preparation of master plans and detailed plans in Bedouin communities in the North.²⁰ The plans need to respond to the development needs of the communities during the next 20 years, focusing on the main points of weakness: allocation of public land and public buildings; allocation of state land for residential housing (see Housing Ministry); allocation of land for developing employment and industrial zones.

Decision 1433 is a work plan that the Planning Administration prepared for the years 2000-2004. The way the decision is worded reflects caution and skepticism regarding the likelihood of completing the planning processes according to the specified timetable (four years). The assessment was that the tender process for preparing the plans and the conceptualization stage of planning could be completed within three years, while it was unclear how long the third stage – the approval of the plans – would take. In a very optimistic forecast, the assumption was that it would require at least another year for approval of the plans. In this case, the required master plans could be prepared and approved within four years. In practice, the two initial stages also took longer and as of the first half of 2005, many plans were still not ready to be submitted.

In the framework of decision 1433, 56 communities were allocated a total of NIS 28 million. The decision, and the budget allotted to implementing it, were combined in decision 2467, which included 73 communities. At the beginning of 2005, a decision was made to update the plans of 15 additional communities. The data in Table 1.4 (p. 25) indicates that of 120 Arab communities, 88 communities are supposed to be included in the planning project by the end of 2005.

Of the 88 communities in the project, the planning process for 12 communities was completed at the master plan level by March 2005. There are 43 communities that have a general planning program and are now in the process of preparing a master plan. 18 communities are in the process of preparing planning programs; the aim was to complete the plans by the end of 2005.²¹

18. Decision 1433 from March 30, 2000.

19. Decision 2467 from October 22, 2000.

20. Decision 4464 from November 15, 1999.

21. From the remarks of architect Shamaï Asif, head of the Planning Administration, at a meeting of the Knesset Interior and Environment Committee on March 21, 2005, Protocol No. 410: Promoting Master Plans in Arab Communities.

Table 1.4: Status of updating master plans in Arab communities, as of March 2005

Title	Number of communities	Notes
Communities in which the preparation of the master plan was completed	12	
Communities that have a general plan and are preparing a master plan	43	The planning process and submission of plans for 24 of these communities was scheduled to be completed by the end of 2005
Communities that are in the process of preparing a general plan	18	Most of the master plans were to be completed by the end of 2005.
Communities in which the planning process is slated to begin	15	The communities were to be defined during 2005.
Total number of communities that are in the planning process	88	Of about 120 Arab communities

Source: A briefing by the architect Shamaï Asif, head of the Planning Administration, at a meeting of the Knesset Interior and Environment Committee on March 21, 2005, Protocol No. 410: Promoting Master Plans in Arab Communities.

The Interior Ministry's efforts to accelerate the planning process: At the beginning of 2005, the interior minister cancelled the directive to define municipal borders before beginning the planning process – a directive which had caused great delay in planning. According to the new directives, the master planning process could begin even if a community's municipal borders were not definitively demarcated. In addition, there is a trend to begin detailed planning even when the master plan is still incomplete.

Recovery plans for local authorities – preparing for implementation

In the framework of the multi-year development plans, there was insufficient attention paid to the financial situation of Arab localities and their ability to meet the various budget and loan terms for the various projects.. The development plans also failed to consider their ability to maintain the new infrastructures being built and their ability to equip and operate the public buildings under construction. The Druze local authorities experienced a similar crisis when implementing a five-year

plan (1995-1999), and this issue was addressed in a state comptroller's report.²² There is a shortage of income-yielding properties in the Arab local authorities such as commercial areas and industrial zones. According to the Central Bureau of Statistics, in 2003 there were 3,981 dunams (1 dunam = 1/4 acre) of industry within the boundaries of the Arab urban councils, which comprise about 1.5% of the total industrial area in local authorities in Israel.²³ In addition, in the Arab authorities, the rate of local tax collection on housing is low, as is the utilization of independent sources such as sewage and water surcharges.

Preparing a plan to strengthen the Arab local authorities – not yet implemented

The situation of Arab local authorities is addressed in government decision 740 from August 19, 2003. In the framework of this decision, the Interior Ministry was asked to prepare a plan for strengthening the Arab local authorities. This was to entail a focus on the unique problems of these communities, a definition of the obstacles to implementing the plans that have been formulated to date, and recommendations and ways to overcome them. This is a multidisciplinary process that the Interior Ministry is responsible for leading, though the implementation also involves areas of responsibility of additional ministries.

Arab local authorities in recovery plans

A government decision in February 2004 defined criteria for placing local authorities in a recovery program framework. At the beginning of 2005, 155 local authorities were in various stages of entering a recovery or restructuring process. These 155 localities included **68 Arab local authorities** (this is out of a total of 80 existing Arab local authorities; see Table 1.5, see p. 27).

A long-term solution for the budgetary problem in the Arab local authorities does not only entail financing the accumulated deficit, but also in establishing administrative mechanisms and economic tools. These will ensure stable, independent sources of income for the Arab local authorities, reducing their dependence on government sources and creating conditions in which they can provide their residents with an adequate level and quality of services.

22. State comptroller, Annual Report 52B for 2001 and Accounts for FY 2000, 2002.

23. Central Bureau of Statistics, *Local Authorities in Israel, 2003*, September 2005.

Table 1.5: Status of recovery programs as of January 31, 2005

Classification of local authorities	Number of local authorities in a recovery program	Arab local authorities in a recovery program	Number of local authorities in a restructuring program	
Authorities that have signed onto a recovery program	127	61	8	-
Authorities approved for a recovery program that have yet to sign onto it	5	3	1	-
Authorities for which a program is in the process of being revised and approved	7	-	2	1
Authorities that are likely to enter the framework, but have yet to submit a program	2	1	3	2
Total	141	65	14	3

Source: Interior Ministry, Report on local authorities in recovery and restructuring programs, as of January 31, 2005.

Ministry of Construction and Housing		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
881 (Arab/15)	Sept. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	Juky 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
<p>Projects and issues for the ministry to address following the government decisions listed above:</p> <ul style="list-style-type: none"> ● Development of older neighborhoods ● Development of new neighborhoods ● Development of public institutions 		

Development of older neighborhoods – partially implemented

The project of developing older neighborhoods includes the completion of new infrastructure and improvement of existing infrastructure (decisions 2467, 1403, 4464, 881).

Development budgets: Decision 2467 instructs the Housing Ministry to coordinate the infrastructure development project in Arab communities. This entails pooling budgets from the ministries of Transportation, Interior and Housing; the Construction and Housing Ministry's share of this funding is NIS 220 million, at about NIS 55 million per year. During the years 2001-2003, the total amount implemented was NIS 129 million.²⁴

Development of new neighborhoods with high-density construction, 2001-2004

Public-initiated construction on state land – not implemented

Decision 2467 calls for the development of new neighborhoods to be built in high density public construction – about 5,000 housing units. Identifying lands for high-density construction on public land will be done in coordination with the Israel Lands Administration, the Interior Ministry and the local authorities. In Arab communities, no public-initiated construction project on public land was implemented during the allotted time period. In the framework of decision 2467, NIS 120 million was allocated for this project, while in practice only NIS 7.9 million was expended between the years 2001-2003. The main reason for the non-implementation of the project is a delay in the issuing of authorizations from the Israel Lands Administration.²⁵

In practice, 700 housing units are in stages of construction in the Schneller neighborhood in Nazareth. The Construction and Housing Ministry is conducting

24. Prime Minister's Office, Division for Coordination, Follow-up and Control, *Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector – Follow-up of implementation of the decisions of 2001-2004*, August 2005. The report does not contain implementation data for 2004 in the area of developing older neighborhoods.

25. 1. Prime Minister's Office, Division for Coordination, Follow-up and Control, *Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector – Follow-up of implementation of the decisions of 2001-2004*, August 2005; 2. The response of the Housing Ministry's Planning Division to a policy paper submitted by Sikkuy – *A proposal for equal development for Jews and Arabs in the Negev and Galilee*, June 2005.

negotiations with the Israel Lands Administration to receive authorization for planning 3000 housing units in the Umm Kubei neighborhood in Nazareth, as well as a neighborhood in Sakhnin with 400 housing units.²⁶ There is also planning underway for high-density neighborhoods in the following communities: Nahf – 500 housing units, Majd al-Krum – 528 units; Dir al-Assad – 200 units; Jisr a-Zarqa – 60 units; Um al-Fahm, Taibeh, Tamra, Ikhsal and Kafr Manda.²⁷

Under the division of responsibility between the Israel Lands Administration and the Construction and Housing Ministry, the ILA issues authorizations to the Construction and Housing Ministry for planning and development in accordance with its requests for implementing the plan. However, as noted above, this process of issuing planning authorizations has been drawn out, causing delays in implementing the project. The State Comptroller's Office found that the process of receiving authorization sometimes lasts for years – even five or six years in extreme cases. The lack of clear guidelines and priorities were among the factors that enabled the ILA to delay authorizations for years.²⁸

In addition, the state comptroller's findings that year revealed a number of cases in which the ILA commissioned the detailed planning of sites identified as appropriate for housing even before master plans were completed. The Ministry of Construction and Housing made efforts to receive authorizations for planning and development before these programs were completed. The state comptroller's report emphasizes that detailed planning may be performed alongside the preparation of a master plan only when the Construction and Housing Ministry and ILA do not have a planning reserve – and a quick solution is required. In practice, this is also done in some communities that had no lack of available planning reserves. For example: the expansion of the city of Karmiel before completing a master plan; in Or Akiva, the Construction and Housing Ministry requested authorization before the preparation of a master plan was completed, as well as in Yokneam and Kiryat Shmona.

26. The response of the Housing Ministry's Planning Division to a policy paper submitted by Sikkuy – *A proposal for equal development for Jews and Arabs in the Negev and Galilee*, June 2005.

27. Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector, 2005.

28. State Comptroller's Office, Annual Report 55b for 2004.

In a considerable number of Arab communities, there is a severe lack of planning reserves available for development, but the Construction and Housing Ministry and ILA did not make use of the available easements provided by law to expedite the process. The Construction and Housing Ministry was quick to ask for planning authorization before all of the master planning procedures were completed in Karmiel, but not in Sakhnin or Majd al-Krum. It did this in Or Akiva, but not in Jisr a-Zarqa.

New neighborhoods of high density construction on private land – not implemented

Decision 2467 calls for the development of new neighborhoods of high density construction by private contractors on private land on a scale of at least 50 housing units per neighborhood and at a density of at least six housing units per dunam (a dunam is approximately a quarter of an acre). It should be noted that in development zones A and B eligibility for subsidies includes sites in which the minimum number of housing units is 25.²⁹ This compares to 50 housing units in Arab communities according to decision 2467. The Housing Ministry's assistance includes the financing of detailed planning and participation in development up to a sum that does not exceed 50% of the approved infrastructure fees and to a ceiling of NIS 20,000 per housing unit. The project was not implemented at all because the stipulated guidelines did not succeed in encouraging this type of construction and did not create suitable conditions for implementing the project.³⁰

Development of public institutions – partially implemented

The Construction and Housing Ministry participates in the construction of public facilities in the fields of culture, society and sport. First priority was given to community centers and sports halls within the communities. Additional sources of financing – such as Mifal Hapayis (Israel's national lottery) and Interior Minister budgets earmarked for public institutions and development – were included in the sources for funding the project.

29. State of Israel, Housing Ministry, Planning Division, Procedure for Subsidizing the Private-Initiative Development of Urban Housing Construction from November 23, 2004.

30. The response of the Housing Ministry's Planning Division to a policy paper submitted by Sikkuy – *A proposal for equal development for Jews and Arabs in the Negev and Galilee*, June 2005.

The Construction and Housing Ministry is responsible for determining the program for public buildings, approving the work plans of communities and coordinating the implementation of construction (decisions 881, 2467, 4464, 1403, 3956).

Difficulties in implementing the public buildings project: The first difficulty in implementing the project stemmed from the cutbacks in the budgets of government ministries. This difficulty was overcome by constructing smaller buildings than originally planned, while leaving options for expanding them in the future. An additional obstacle to implementation were the liens placed on the accounts of a number of local authorities due to their problematic financial situation. At the end of 2003, the construction of 23 buildings was delayed or halted for this reason.³¹

Ministry of National Infrastructures		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
1328 (Arab/20)	Jan. 14, 2004	Development of sewage infrastructure of the non-Jewish sector
3958 (Arab/42)	July 22, 2005	Development of sewage infrastructure of the non-Jewish sector
2434 (Arab/44)	Oct. 5, 2000	Building a water supply system for Bedouin communities and service centers in the Negev
881 (Arab/15)	Sept. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	July 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
Projects and issues for the ministry to address following the government decisions listed above:		
<ul style="list-style-type: none"> ● Arranging internal sewage systems, pipelines and treatment facilities ● Linking the new Bedouin communities to the water and electricity grids 		

Establishing internal sewage systems, pipelines and treatment facilities

According to government decision 2467, the Sewage Infrastructure Administration was to have provided loans and grants to local authorities for establishing internal

31. Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector, 2005.

sewage systems, pipelines and treatment facilities. The budget allocated for this purpose in the framework of the government decision was NIS 400 million, and the level of grants stood at 50% of the project's cost. The total allocation during the years 2001-2004 was NIS 387.6 million and, in practice, a sum of NIS 383.6 million was implemented. Despite the high implementation figures, it should be noted that the budget of the National Infrastructures Ministry is not the only budget allotted in the framework of the multi-year plan aimed at establishing internal sewage systems; the Interior Ministry (in its development budgets) and the Housing Ministry are also partners in this. The massive cutbacks in the development budget of these two ministries had an impact on the progress of the projects.

Establishing internal sewage systems – progress

A survey of Arab local authorities conducted by the state comptroller in 2001 indicated that 6.5% of the authorities have no internal sewage systems, 78% have partial internal sewage systems and 15.5% have complete internal sewage systems. In contrast, in 2004, (according to data from the implementation report on the multi-year plan) in 39 local authorities surveyed (about half of the Arab local authorities) – 5% of the communities have no internal sewage systems at all, 61.5% have partial sewage systems (30-80% of the residents are connected), and 33.5% of the authorities have a system that is complete or nearly complete (at least 90% of the residents are connected). See Table 1.6, below.

Table 1.6: Progress in implementing internal sewage systems in Arab communities, 2002-2004

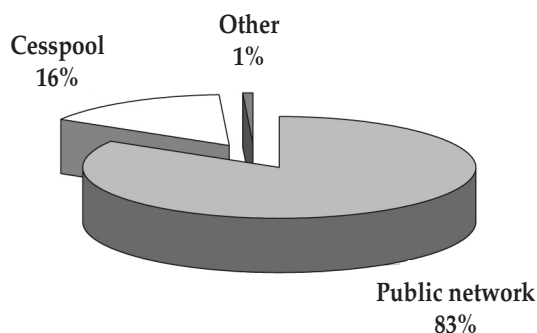
	(1)2001	(2)2004
A complete or nearly complete (at least 90%) internal pipeline system	15.5%	33.5%
Partial internal pipeline system	78%	61.5%
No internal pipeline system in place	6.5%	5%

Sources:

1. State comptroller, Annual Report 52B for 2001, according to a survey conducted by the state comptroller, 2002.
2. Follow-up report on implementation of decision 2467 - the development plan for communities in the Arab sector, August 2005.

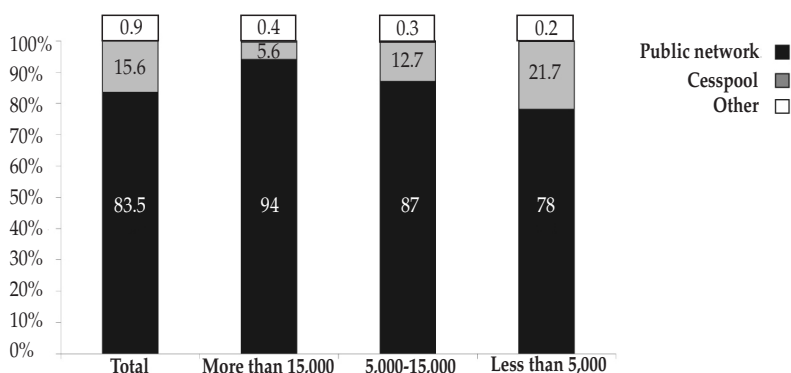
Another source for examining the state of internal sewage systems in communities is a survey conducted in 2004 by the Galilee Society and Mada al-Carmel. According to this survey, about 83% of the households in Arab communities are linked to the internal community sewage system and about 16% use cesspools. (See Diagram 1.3, below). The proportion of homes linked to the municipal sewage system increases as the size of the community increases. (See Diagram 1.4, below).

Diagram 1.3: Distribution of households in Arab communities by type of sewage link, 2004



Source: The Galilee Society & Mada, *Palestinians in Israel, Socio-Economic Survey, 2004*

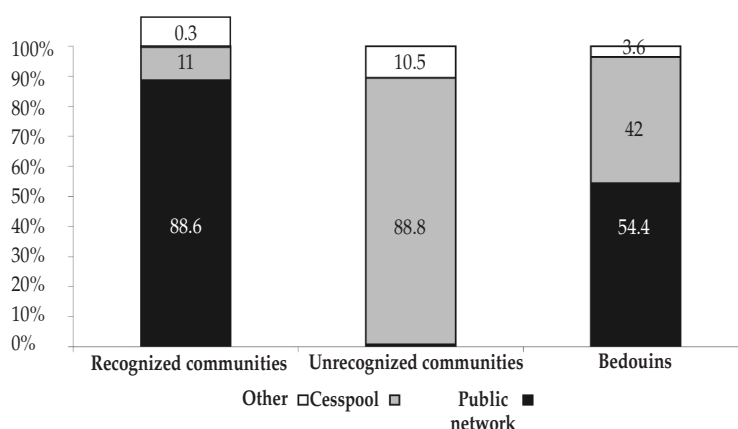
Diagram 1.4: Distribution of households in Arab communities by size of locality and type of sewage link, 2004



Source: The Galilee Society & Mada, *Palestinians in Israel, Socio-Economic Survey, 2004*

In recognized Bedouin communities, the proportion of households connected to the community networks was about 89%. In unrecognized communities, there are no central sewage systems. In total, 54% of the Bedouin households are linked to the local sewage system and about 42% use cesspools (see Diagram 1.5, below).

Diagram 1.5: Distribution of Bedouin households by type of sewage link, 2004



Source: The Galilee Society & Mada, *Palestinians in Israel, Socio-Economic Survey, 2004*

Connection to treatment plants – partial implementation

In January 2004, the government decided to add NIS 400 million to the loan budget for the years 2004-2006 in an effort to facilitate the connection of Arab communities to sewage treatment facilities; but this time the grant component stood at only 25% (decision 1328 of January 14, 2004). The lowering of the grant level from 50% to 25% was one of the factors leading to a significant slowdown in the development of sewage infrastructure. The reduced financing joined with the economic crisis the local authorities were experiencing and the local authorities found themselves unable to meet the loan repayments. In July 2005, in the framework of decision 3958 (which allocates NIS 400 million for continued development of infrastructure for waste treatment for the years 2005-2007) the grant level was restored to 50%.

The economic situation of the local authorities and their low collection level of sewage fees threatens the accomplishments that have been achieved in this field:

According to the Environment Ministry's figures,³² a considerable number of sewage treatment facilities are in disrepair or on the verge of collapse because the local authorities, including many Arab local authorities, are unable to pay the costs of building and maintaining these facilities. Thus, for example, the communities of Kabul, Sakhnin, Arabeh and Dir Hana were connected to the Karmiel waste treatment facility (beyond its planned capacity), putting a heavy load on the facility. Nonetheless, the facility cannot be expanded at this time because of the financial debts of the communities, which total about NIS 10 million. The Sde Ilan sewage treatment facility, which is supposed to serve the communities of Kafr Qana, Kafr Qama, Turan, Mashad, the Lower Galilee regional council and Ziporit industrial zone, halted its operations completely after the Israel Electric Corporation cut off the electricity supply due to the association's debts and the facility's operations staff quit.

The ability of local authorities to maintain the systems that are being built – and thus ensure that this investment literally does not go down the drain – is conditional upon resolving the economic situation of Arab local authorities and establishing mechanisms for increasing the collection of sewage fees.

Linking the new Bedouin communities to water and electricity infrastructure – is being implemented as the construction of new communities progresses

In accordance with decision 3956 of July 22, 2005 – the connection of new Bedouin communities by the Mekorot Water Company to the water network and preparations by the Israel Electric Corporation for linking the communities to the electricity grid are being implemented.

Connection to the electricity grid: Diagram 1.6 (p. 36) indicates that about 92% of households in the unrecognized communities, which represent about 32% of the Bedouin households in the Negev, are not linked to the electricity grid and received electricity supply from generators. About 3% of the households in unrecognized Bedouin communities are not connected to electricity at all.

32. Dr. Yael Mason, Director of Urban Waste in the Water and Rivers Division of the Environment Ministry, Internal Report: "Situation Assessment – Debts of Local Authorities for Treating Waste and the Anticipated Damage to the Environment and Public," letter from June 21, 2005.

Connection to the water network: Diagram 1.7 (below) indicates that about 60% of households in the unrecognized communities are connected to the public water network, while about 39% are connected privately and about 0.5% of households are not connected to any water system. All of the recognized communities are connected to the water and electricity networks.

Diagram 1.6: Bedouin households in the Negev that are connected to the electrical grid, 2004 (%)

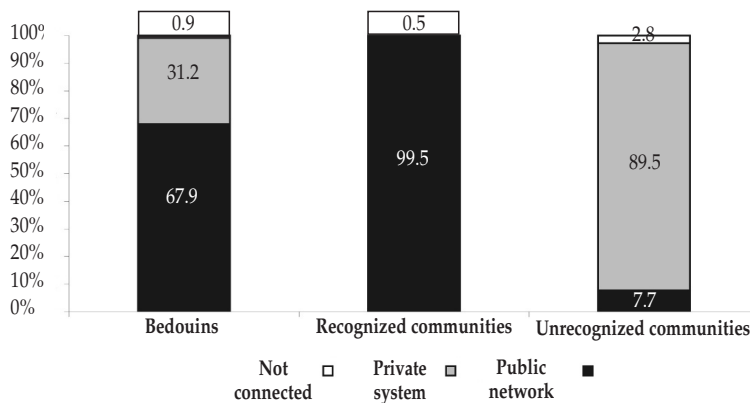
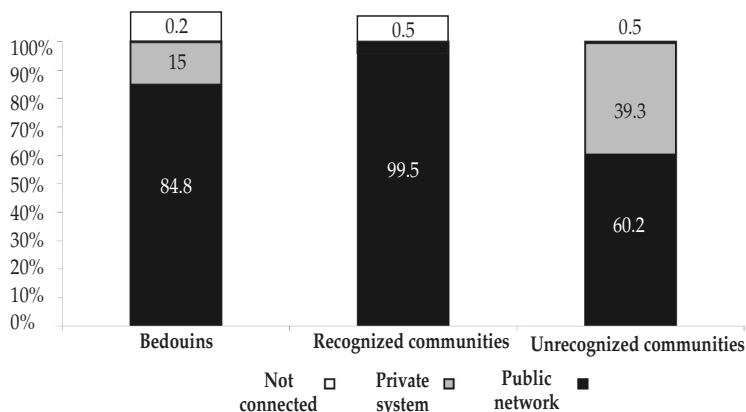


Diagram 1.7: Bedouin households in the Negev that are connected to the water grid, 2004 (%)



Source: The Galilee Society & Mada, *Palestinians in Israel, Socio-Economic Survey*, 200

Ministry of Transport		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
881 (Arab/15)	Sept. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	July 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
<p>Projects and issues for the ministry to address following the government decisions listed above:</p> <ul style="list-style-type: none"> ● Development of internal roads ● Development of intercity roads and access roads to communities 		

Development of internal roads – the budget was implemented, but the infrastructure of internal roads is still weak

In the framework of decision 2467, the Ministry of Transport was supposed to allocate NIS 180 million for developing internal roads and safety projects in Arab communities. The Ministry of Transport formulated a plan on a budgetary scale exceeding the sum stipulated in the government decision and allocated NIS 211.2 million for the years 2001-2003 for developing internal roads – a sum that comprises 117.3% of the amount set in the government decision. But the high level of implementation does not necessarily reflect a response to needs. Despite the impressive allocation and implementation levels, the condition of internal roads in 57% of 47 local authorities was defined as weak or in need of improvement.³³ The initial condition of internal roads was so bad that the needs are still great.

Development of intercity roads and access roads to communities

In contrast to the high levels of implementation of internal roads, the budget of the Public Works Department (Ma'atz) – which was responsible for implementing the plan for developing intercity roads – suffered a cutback and was only partially implemented.

33. Prime Minister's Office, Division for Coordination, Follow-up and Control, *Follow-up Report on Implementation of the Development Plan for Communities in the Arab Sector – Follow-up of implementation of the decisions of 2001-2004*, August 2005.

Ministry of Industry, Trade and Labor		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
273 (Arab/1)	June 7, 2000	Unemployment in the Arab sector
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
737 (Arab/9)	Aug. 19, 2003	Including Arab local authorities in the joint administration of adjacent industrial zones
881 (Arab/15)	Sept. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	July 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
3957 (Arab/41)	July 18, 2005	Encouraging industry and employment in the Arab, Druze and Bedouin sector
740 (Arab/12)	Aug. 19, 2003	Addressing central problem of the Arab sector
Projects and issues for the ministry to address following the government decisions listed above: <ul style="list-style-type: none"> ● Development of industrial zones ● Encouraging entrepreneurship and employment ● Vocational and technological training 		

Development of employment zones – Freeze in development of industrial zones during the years 2001-2004

Benefits for industrial zones – implemented

According to decision 2467, all of the benefits (assistance, grants, discounts, etc.) offered to companies located in industrial zones in a national priority area (under the Law for the Encouragement of Capital Investment) will apply to industrial zones included in the plan. The Industry, Trade and Labor Ministry, Finance Ministry and Prime Minister's Office will examine additional ways to encourage these industrial zones.

In December 2002, a directive was issued for demarcating development zones. According to this directive: Development Zone A will include the local authorities of the following districts: Jerusalem, the South, the North, Haifa, communities where the socio-economic level is in cluster 1-3 (lowest levels), with annual average unemployment of 10% or higher. According to these criteria, **most of the Arab communities are defined as Development Zone A for the purposes of developing industry.**

Development of zones for light industry and services– not implemented

The development of zones for light industry and services was intended to improve the quality of life by removing small industries from residential areas. The commitment to develop light industry and services zones was made in the framework of two government decisions: decision 2467 and decision 273 from June 7, 2001. Under decision 2467, NIS 80 million was allocated for the project, at about NIS 20 million per year. Of this, only NIS 18 million was actually implemented, comprising about 22% of the original budget. The reason for the low implementation rate is that in 2003 the budget line for the development of light industry and services was canceled for all sectors, including the Arab sector, and in 2004, the budget was not restored. In the framework of decision 3957 from July 18, 2005, a total of NIS 3.5 million was allocated from the 2005 budget for developing light industry in the communities of Kabul and Ka'abiya.

Development of industrial zones – low rates of implementation

In the framework of the multi-year plan for Arab communities, suitable land was to be identified for the establishment of industrial zones and infrastructure development in six development zones in areas of dense Arab population that are shared by a number of local authorities, subject to planning resources availability and a feasibility study (decision 2467).

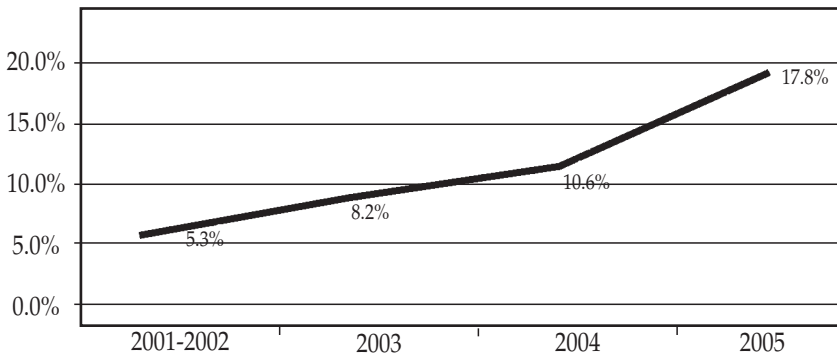
Between the years 2001-2004, not a single new industrial zone was established in an Arab community – the percentage of allocation and implementation of budgets for development earmarked for Arab communities is extremely low. Of NIS 120 million earmarked for development of industrial zones under decision 2467, a third of this sum, about NIS 40 million, was actually allocated. There were several reasons for this deep cutback:

1. According to government decision 1156 of December 24, 2001, some of the budgets were spread over the years 2005-2006.
2. The development budgets in the Ministry of Industry, Trade and Labor were slashed deeply, especially during the years 2002-2003 when the general development budget was cut by about 56%. This cutback also applied to

development budgets for Arab communities. The budget reduction was part of an across the board cutback imposed as a result of the economic crisis, and also stemmed from a reassessment by the ministry of the commitments it made in previous years. According to this assessment, the ministry was overcommitted because of the transition to developing regional employment zones (serving several communities) instead of industrial zones serving a single locality.

An examination of the share of Arab communities in the development budgets for industrial zones (item 760109 in the state budget) during the years 2001-2005 indicates that the share of Arab communities in the overall industrial development budgets did indeed rise steadily during this period, but their share is still lower than their proportion of the population (see Diagram 1.8, below).

Diagram 1.8: The share of Arab communities in the budgets for developing industry, 2001-2005



Sources:

1. Knesset Research & Information Center, background document entitled: *Policy of the Industry, Trade and Labor Ministry on Developing Industry and Employment in the Arab Sector*, June 2004.
2. Budget of the Industry, Trade and Labor Ministry, Item 760109, www.mof.gov.il
3. Government decision 3957 of August 17, 2005 (does not include Bedouin and Druze communities).

Employment zones are an important source for expanding the independent income of Arab communities and making places of employment more accessible to their residents. In communities that are hard-hit by unemployment, the potential for local tax revenues is naturally lower. Thus, reduction of the scope of unemployment – through the establishment of industrial zones among other measures – is essential for the residents' standard of living and their ability to pay their debts to the local authority.

Bedouin communities in the Negev: In the framework of decision 881, NIS 15 million was allocated for the years 2003-2008 for developing industrial zones in existing Bedouin communities – about NIS 2.5 million per year. In 2003-2004, the Industry, Trade and Labor Ministry did not allocate funds to the Bedouin communities in accordance with this decision or in general.³⁴ In the 2005 budget, about NIS 2.7 million was allocated in the framework of decision 3957 for continued development of industrial zones in the communities of Hura, Rahat and Segev Shalom.

Bedouin communities in the North: In the framework of decision 1403, NIS 3 million was allocated for the years 2004-2005 for developing industrial and light industry zones in Bedouin communities in the North. In the 2004 budget, no funds were allocated for these communities. In 2005, in the framework of decision 3957, some NIS 1.7 million were allocated for establishing and strengthening industrial zones in the communities of Zarzir and Ka'abiya.

Including Arab local authorities in the administration of regional industrial zones – not yet implemented

During the past year, the Ministry of Industry, Trade and Labor has given priority to the development of large regional industrial parks that are shared by a number of local authorities. These parks facilitate a more equal utilization of land resources and exploit the economy of scale. This arrangement is based on agreements for distributing revenues from local taxes between the participating local authorities. In the framework of decision 273 from June 7, 2001, the Industry, Trade and Labor Ministry was instructed to work on developing two to three joint regional industrial zones for the Arab blocs of communities in cooperation with neighboring Jewish communities, with the intention of upgrading their status as Development Zones A and bringing high-tech enterprises into these zones.

About two years later, in government decision 737 from August 19, 2003, the Industry, Trade and Labor Ministry was assigned the task of presenting a proposal for bringing Arab local authorities into the shared administrations of industrial zones adjacent to them. As of 2003, Arab communities were partners in three regional administrations: Dalton (Merom Hagalil, Mevo'ot Hermon, Safed and Gush Halav),

34. Amos Oltzwer, Background document entitled: *Policy of the Industry, Trade and Labor Ministry on Developing Industry and Employment in the Arab Sector*, Knesset Research & Information Center, June 2004

Ziporit (Upper Nazareth, Kafr Kana and Mashad) and Zachar (Safed, Hazor, Rosh Pina and Tuba Zangariya). Between the years 2003-2005, no additional Arab communities were added to regional administrations. In 2005, in the framework of government decision 3957, NIS 4 million were allocated for including Arab local authorities in five additional regional industrial zones: Turan in the Kidmat Galil industrial zone; Bustan al-Marj in the Alon Hatavor industrial zone; the regional council Misgav and Sakhnin; the regional council Emek Yizreel and Iksal; and the addition of Saghur³⁵ to the Bar Lev industrial zone.

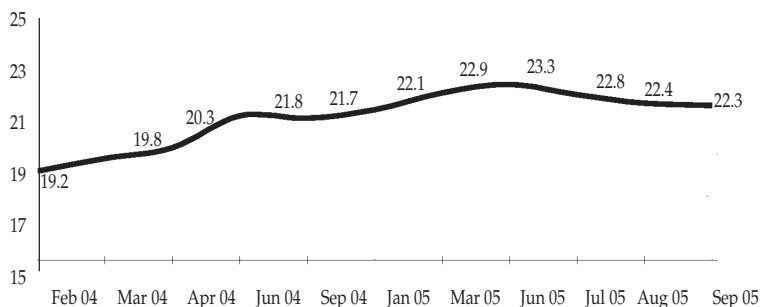
Bedouins in the South: In southern Israel, plans were submitted for two joint industrial zones for Jewish and Bedouin authorities – one at Lahavim Junction (August 2004) for the Bnai Shimon regional council, Lahavim and Rahat, and the second at the Shoket Junction (September 2005) for the Bnei Shimon, Meitar, Hura and Lokia.

Encouraging entrepreneurship and employment

The employment situation

The employment situation in Arab communities continues to be poor: The number of job seekers in Arab communities as a percentage of all job seekers in Israel is continually growing (see Diagram 1.9, below). Therefore, even during an era of cutbacks, there was room to give preferential treatment to Arab communities, including the development of industrial zones. But in practice, this was not done at a desirable pace.

Diagram 1.9: The proportion of Arab job seekers among total job seekers, February 2004 to September 2005 (%)



Source: Monthly reports of the Employment Service, February 2004 to September 2005

35. Saghur is a merger of Majd al-Krum, Dir al-Asad and Ba'aneh.

Diagram 1.10 (below) indicates that during 2004, the number of unemployed men declined in both the Jewish and Arab populations. However, while the decline in unemployment among Jewish men was also accompanied by an increase in the level of participation in the workforce, among Arab men there was a decline in the level of participation in the workforce during this same year (see Diagram 1.11, below).

Diagram 1.10: Unemployment rate among Jewish and Arab men, 2001-2004

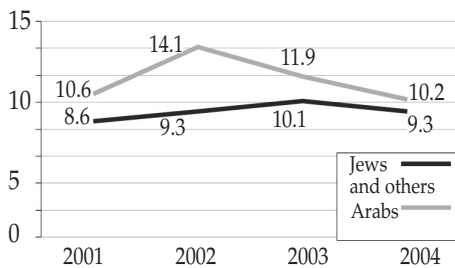
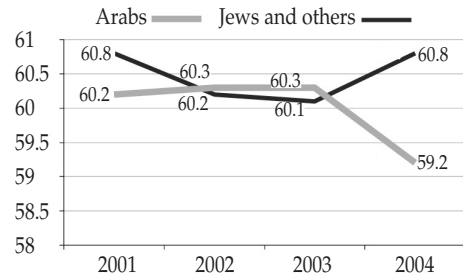


Diagram 1.11: Level of participation of Jewish and Arab men in the workplace by population group, 2001-2004



Source: Central Bureau of Statistics, Israel Statistical Abstract 2005

Among Arab women, there was a significant increase in the rate of unemployment between the years 2003-2004. During the same period, there was a 0.7% increase in the level of participation in the workforce (see Diagrams 1.12 and 1.13, below).

Diagram 1.12: Unemployment rate among Jewish and Arab women, 2001-2004

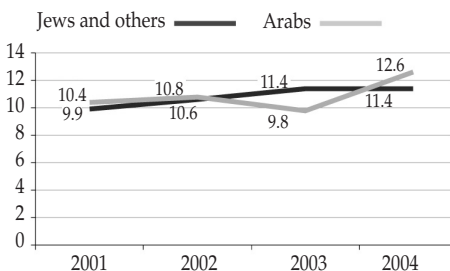
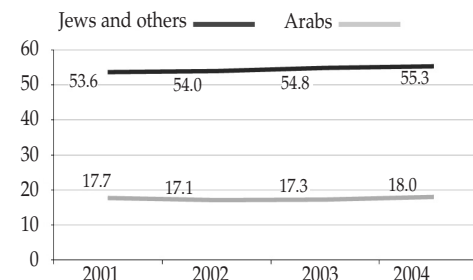


Diagram 1.13: Level of participation of Jewish and Arab women in the workforce, 2001-2004



Source: Central Bureau of Statistics, Israel Statistical Abstract 2005

Plan for addressing the problems of employment in the Arab sector – not yet implemented: According to decision 740 of August 18, 2003, the minister of industry, trade and labor must present a plan to the ministerial committee on the non-Jewish sector that includes details about those responsible for implementation, a mechanism for implementation, a budget and timetable for addressing the main problems of the Arab sector in Israel. This plan must examine, among other things, the factors that pose special difficulties in the area on employment in the Arab sector and in integrating Arab citizens in advanced fields of employment. In addition, the plan must identify the barriers to full implementation of the plan and existing solutions for promoting employment among Arab citizens. The plan will include recommendations to solve problems and remove barriers. The decision has yet to be implemented.

During recent months, the Ministry of Industry, Trade and Labor, in the framework of the Directorate for Developing and Promoting Employment, has been promoting a plan to advance the Druze population and integrate it in the general workforce in Israel.³⁶ In addition, data has been collected on the employment rates of Arab women.³⁷

In regard to the Bedouin population in the South, according to government decisions 881 and 3956, employment will be encouraged through professional training and activities of the Small Business Authority, with an emphasis on the employment of women (decisions 881, 3956). During the years 2003-2004, the Industry, Trade and Labor Ministry did not allocate any funds in the framework of the plan for developing Bedouin communities in the Negev. The ministry's Economic Research & Planning Administration has begun a preliminary analysis of the employment situation in Bedouin communities in the South. The Small Business Authority has also formulated a program for special training for the Bedouin sector in how to establish an independent business.

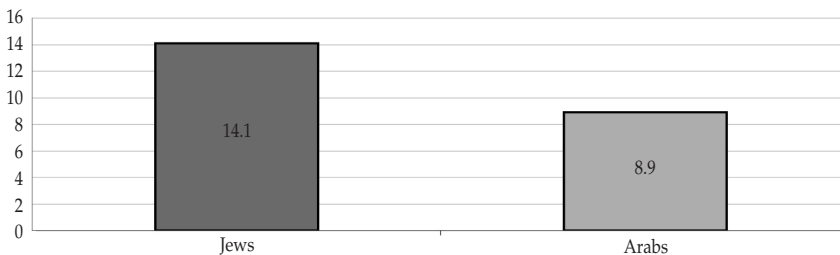
36. Amos Oltzwer, Background document entitled: *Policy of the Industry, Trade and Labor Ministry on Developing Industry and Employment in the Arab Sector*, Knesset Research & Information Center, June 2004

37. Osnat Fichtelberg, *The Participation of Arab Women in the Workforce during the Past Decade*, Personnel Planning Authority, Labor and Social Welfare Ministry, June 2004.

Vocational and technological training – partially implemented: In the framework of the multi-year plan for developing Arab communities, NIS 268 million was budgeted; 62% of this amount was actually implemented between the years 2001-2004.

Among Israelis of ages 20 and above, about 573,000 (about 13.3% of this population) participated in professional courses of study or training in 2004. The profile of graduates of courses and professional training reflects the strong groups in the labor market from the perspective of employment status, nationality, number of years living in Israel, education and income. Thus, for example, the proportion of course and training graduates among Jews is 1.5 times higher than among Arabs. The proportion of Jews in this age group (20 and older) who are studying was 14.1%, compared to only 8.9% of the Arabs (see Diagram 1.14, below).

Diagram 1.14: Proportion of students in courses and/or vocational training among Jews and Arabs, ages 20 and above, 2004 (%)



Source: Sari Fire, "Lifelong Learning – Courses and Professional Training, Information Sheets on the Labor Market in the State of Israel," the Ministry of Industry, Trade and Labor, Economic Planning Administration, April 2005

*The levels of participation in the workforce are lower in the Arab population and the rates of unemployment are higher. Poverty is spreading among the Arab population. This state of affairs demands a system-wide mobilization, targeting this as a high priority issue **for immediate and urgent action** – like the measures implemented during the 1990s to teach and retrain new immigrants from the former Soviet Union, and the action taken during the past two years in regard to employment of single parents. The Industry, Trade and Labor Ministry's handling of everything related to the identification and treatment of unique employment problems and barriers for the Arab population are too slow and limited, while the deterioration of the employment situation continues to intensify.*

Ministry of Education, Culture and Sport		
Government decisions pertaining to the ministry's areas of responsibility		
Decision number	Date	Title
2467	Oct. 22, 2000	Multi-year plan for developing communities in the Arab sector
740 (Arab/12)	Aug. 19,	Addressing the main problems of the Arab sector
881 (Arab/15)	Sept. 25, 2003	Plan for addressing the Bedouin sector in the Negev
3956 (Arab/40)	July 22, 2005	Budget supplement for the Abu Basma regional council
4464	Nov. 15, 1999	Development plan for Bedouin communities in the North
1403 (Arab/25)	Jan. 27, 2004	Development plan for Bedouin communities in the North
<p>Projects and issues for the ministry to address following the government decisions listed above:</p> <ul style="list-style-type: none"> ● Construction of classrooms ● Pedagogical programs and advancing technological education ● Support for cultural activities, art and sports ● Preparing a plan to advance education in the Arab sector ● Building cultural and sports facilities 		

Construction of classrooms – slow progress and growing distress:

In the framework of government decisions, budgets were allocated for building 2,360 classrooms during the years 1999-2008 in Arab communities, in Bedouin communities in the North and in Bedouin communities in the South (see Table 1.7, below.)

Table 1.7: Allocations for building classrooms for Arab kindergartens and schools, according to government decisions

Decision	Date	Sum (NIS million)	Years	Number of classrooms
4644	Jan. 15, 1998	42.0	1999-2003	100
1403 (Arab/25)	Jan. 27, 2004	15.0	2004-2005	approx. 30
2467	Oct. 22, 2000	875.0	2001-2004	1545
881 (Arab/15)	Sep. 25, 2003	200.0	2003-2008	400
3956 (Arab/40)	July 22, 2005	285.0	2005-2008	approx. 285
Total number of classrooms to be constructed during 1999-2008 in the framework of government decisions				about 2,360

Sources: Government decisions: 4644 from January 15, 1998; 1403 from January 27, 2004; 2467 from October 22, 2000; 881 from September 25, 2003; 3956 from July 22, 2005.

Decision 2467 provided for the construction of 1,545 classrooms between the years 2001-2004. In practice, the construction of 709 classrooms was completed during this period – an implementation rate of 46%. In accordance with decision 881, some 400 classrooms are supposed to be built in existing Bedouin communities during the years 2003-2008, including about 160 classrooms during 2003-2004. In practice, 132 classrooms were built during this two-year period (see Table 1.8, below).

Table 1.8: Classrooms (kindergartens and schools) built during the years 2001-2004 (not including Druze and Bedouins in the North)

Year	Arab	Bedouin	Total
2001	246	?	?
2002	152	45	197
2003	88	14	102
2004	223	118	341
Total	709		

Source:

1. Education, Culture and Sport Ministry, presentation about the plan to promote education in the Arab sector, June 2005.
2. Cohen and Bar-Natan, *Development Plan for the Communities in the Arab Sector, Follow-Up of Implementation of the Decision, 2001-2004*, Division for Coordination, Follow-up and Control, Prime Minister's Office, August 2005

In accordance with the government decisions listed above, the Ministry of Education is obligated to build another 1,419 classrooms during the years 2005-2008:

- Some 836 whose construction has not been completed or even begun (as of the end of 2004) in the framework of decision 2467.
- Some 30 classrooms in the Bedouin sector in the North, in the framework of decision 1403.
- 285 classrooms in the framework of decision 3956.
- And 268 classrooms in the framework of decision 881.

In a session of the Knesset Education Committee on September 13, 2005, the deputy education minister announced³⁸ the ministry estimates that there is a shortfall of about 1,800 classrooms for the Arab education system as follows:

Level	Number of additional classrooms needed
Pre-kindergarten	507
Kindergarten	218
Elementary	372
Middle school	439
High school	259
<hr/>	
Total kindergarten and pre-kindergarten	725
Total grades 1-12	1,070
Total shortage of classrooms	1,795

The 2005 budget, together with Mifal Hapayis (Israel's national lottery), allocated funding for the construction of 980 classrooms in all the sectors, including 306 classrooms for Arab education (32%). The implementation figures for 2005 are still unknown.

Pedagogical programs and educational technology – partially implemented: In the framework of decision 2467, NIS 280 million was allocated for various pedagogical programs for advancing the education system in the Arab sector, and NIS 66 million for establishing courses of study in secondary schools and institutions of higher education in the fields of technology – a total of NIS 346 million. Between the years 2001-2003, a sum of NIS 155 million³⁹ was implemented – 59% of the sum allocated for these years in the framework of the government decision.⁴⁰

In the framework of decision 881 for developing Bedouin communities in the South, NIS 15 million was allocated for establishing technology courses for the Bedouin population between the years 2003-2008. Between the years 2003-2004, the Education Ministry did not allocate budgets in accordance with the plan.

38. Transcript from session 280 of the Knesset Education Committee on September 13 – remarks made by the deputy education minister.

39. Prime Minister's Office, Division for Coordination, Follow-up and Control, *Follow-up Report on the Development Plan for the Communities in the Arab Sector* – Follow-up of implementation of the decision during the years 2001-2004, August 2005.

40. State comptroller, Annual Report 54B for 2003 and Financial Statements for 2002, 2004.

Construction of cultural institutions and sports facilities: In the framework of decision 2467, NIS 28 million was allocated for establishing and upgrading cultural and sports facilities. Between the years 2001-2003, a sum of NIS 13 million was spent for this purpose.⁴¹

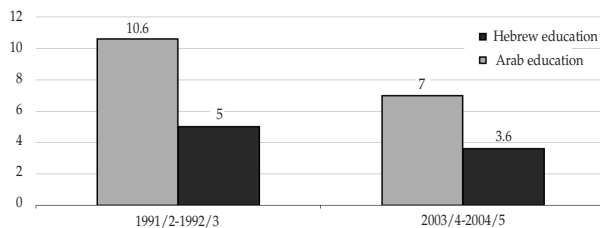
Preparation of a plan for promoting education in the Arab sector – implemented: Article 1(B) of decision 740 from August 19, 2003: Preparation of a plan for promoting education in the Arab sector, examining the barriers that have prevented the full realization of existing plans for promoting education and higher learning in the Arab sector and of their goals, and submission of recommendations on ways to remove them. In June 2005, the head of the ministry's Arab Education Division submitted a plan for promoting Arab education that includes proposals for addressing the main problems of Arab education – low academic achievements and high dropout rates.⁴²

Indexes for measuring the narrowing of gaps between Jews and Arabs in the field of education and higher education:

Dropout rates

There was a decline in dropout rates for grades 9-11 during the past decade in both the Hebrew and Arab education systems, but the gap between Jews and Arabs remained – the dropout rate in the Arab education system is double the dropout rate in the Hebrew education system (see Diagram 1.15, below). The high dropout rates are mainly the product of low academic achievements.

Diagram 1.15: Dropout rates in grades 9-11 between the years 1991/92-1992-93 and between the years 2003/04-2004/05, Hebrew education and Arab education (%)



Source: Central Bureau of Statistics, Israel Statistical Abstract 2005

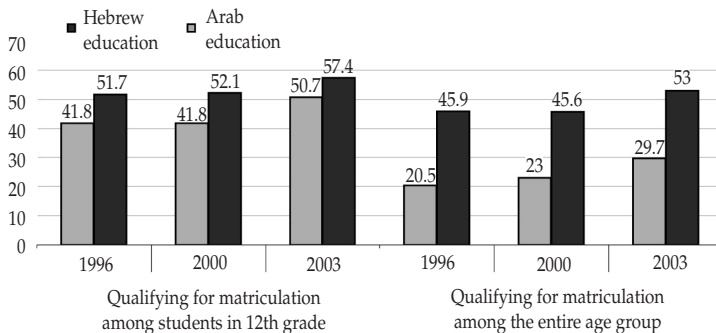
41. Prime Minister's Office, Division for Coordination, Follow-up and Control, *Follow-up Report on the Development Plan for the Communities in the Arab Sector* – Follow-up of implementation of the decision during the years 2001-2004, August 2005.

42. Presentation – *Multi-year Work Plan: Arab Education with a Look toward the Future*, Pedagogical Secretariat, Arab Education Division, Education, Culture and Sport Ministry, June 2005.

Qualifying for matriculation

The gap between those qualifying for matriculation in the Hebrew and Arab education systems is narrowing. However, due to the high dropout rate in the Arab education system, there are still large gaps between Jews and Arabs in the rates of qualifying for matriculation when the entire age group is included. In 2003, 53% of Jewish 17-year-olds qualified for matriculation, compared to only 30% of their Arab peers (see Diagram 1.16, below).

Diagram 1.16: Qualifying for matriculation among students in 12th grade and among the entire age group, in Hebrew and Arab education, 1996-2003 (%)



Source: Central Bureau of Statistics, Israel Statistical Abstract 2005

Meeting university entrance requirements:

Not every matriculation certificate grants its holder the opportunity to continue toward an academic degree. In 2003, only 18% of Arab 17-year-olds had matriculation qualifications that met university entrance requirements. This compares to 44% of Jews of this age. A significant reduction in the dropout rate, together with an increase in the level of achievements in the Arab education system, is an essential condition for a real narrowing of gaps in the level of education (see Diagram 1.17, p. 51)

Education for those in the labor force – gaps at the starting gate

Much has been said about the connection between educational achievements and the chances of success in the job market. Diagram 1.18 (p. 51) depicts the distribution of the Jewish and Arab population in the principal working ages (25-54) according to the last educational institution in which they studied. The gaps between Jews and Arabs narrow in younger age groups.

However, even in the youngest age group, ages 25-34, when they are just beginning their careers, the educational gaps are very deep. Among Jews of this age, the rate of academic education is 43.3%, nearly three times higher than the rate for Arabs of the same age group (15.2%). These figures are very similar to the data in Diagram 1.17, below, (Matriculation holders who meet university entrance requirements) regarding the gap between Jewish and Arab matriculation holders who meet university entrance requirements. This indicates that the opportunity to complete educational training after the school years is very limited. Similarly, it is worth noting that about 30% of Arabs of ages 25-34 have low education levels of up to nine years of schooling, compared to 2.6% of Jews in this same age group (see Diagram 1.18, below).

Diagram 1.17: Matriculation holders who meet university entrance requirements, as a percentage of the entire age group in the Hebrew and Arab education systems, 1996-2003

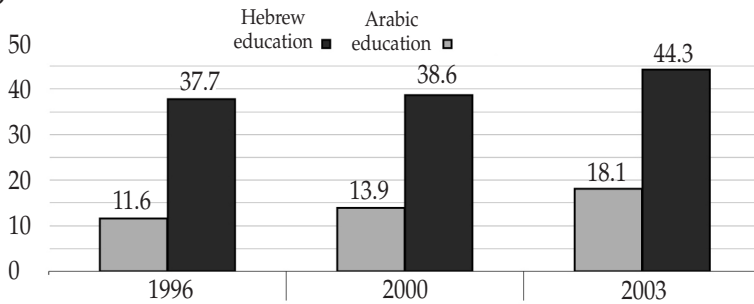
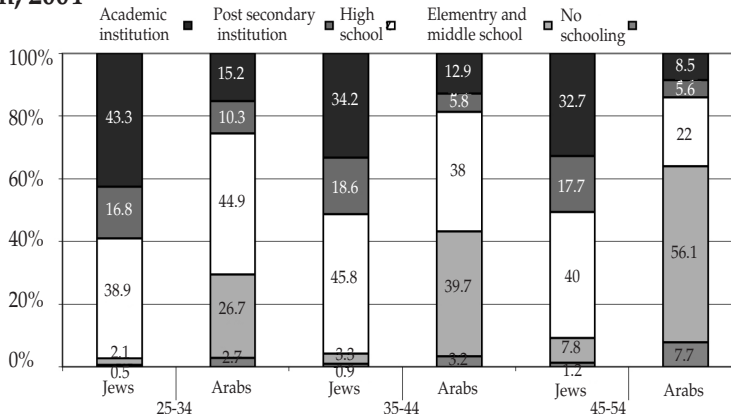


Diagram 1.18: Jews and Arabs of working age according to last educational institution, 2004



Source: Central Bureau of Statistics, Israel Statistical Abstract 2005

Table 1.9: Summary - project progress status for development plans

Ministry	Projects	Progress status	Factors affecting the pace of implementation
Interior	Recovery plan for local authorities	Not implemented Preparing for implementation	<ul style="list-style-type: none"> ● A decision to study the unique problems of Arab localities and to prepare a plan accordingly was made at the end of the third year of the development plan's operation. ● Still awaiting implementation of decision 740 on preparing a plan
	Development budget for local authorities	Partially implemented	<ul style="list-style-type: none"> ● Cancellation of development budgets in all sectors during 2003-2004
	Promoting master plans	Partially implemented	<ul style="list-style-type: none"> ● Delays in approvals for plans at regional planning boards ● Objections
	Building and renovating religious institutions	Partially implemented	<ul style="list-style-type: none"> ● Budget cutbacks ● Difficulties in Arab localities in allocating matching funds
Construction and Housing	Development of existing neighborhoods	Partially implemented	<ul style="list-style-type: none"> ● Cutbacks
	Development of new neighborhoods, with dense public construction on public land		<ul style="list-style-type: none"> ● Delays in planning authorizations from the Israel Lands Administration
	Development of new neighborhoods, with dense construction by contractors on private land		<ul style="list-style-type: none"> ● Terms of subsidies were not attractive enough and did not create suitable conditions for the project's success
	Development of public institutions	Partially implemented	<ul style="list-style-type: none"> ● Budget cutbacks ● Liens on accounts of local authorities
National Infrastructures	Completion of internal sewage systems	Mostly implemented	<ul style="list-style-type: none"> ● Cutbacks in development budgets of the Housing and Interior ministries slowed the pace of progress
	Connecting to end systems	Partially implemented	<ul style="list-style-type: none"> ● Worsening of loan terms by reducing the grant from 50% to 25% brought the process to a near complete halt ● Low rates of collection (if any) of sewage fees by local authorities threatens the continued functioning of the water treatment facilities
	Linking new Bedouin communities to electric and water infrastructure	Progress toward	<ul style="list-style-type: none"> ● The progress is parallel to the progress in establishing new communities

Table 1.9: Summary - project progress status for development plans (cont.)

Ministry	Projects	Progress status	Factors affecting the pace of implementation
Transport	Development of internal roads	Implemented	● Ministry implementation of over 100%, alongside cutbacks in development budgets in the Interior and Housing ministries
	Development of intercity roads and access roads to communities	Partially implemented	● Budget cutbacks in Public Works Dept.
Industry, Trade and Labor	Benefits for industrial zones	Implemented	● In the framework of the 2002 directive for development zones, most of the industrial zones in Arab communities are located in Development Zone A
	Development of light industry and services zones		● Budgets were completely erased in all sectors
	Development of industrial zones	Low implementation rates	● Budget cutbacks
	Adding Arab local authorities to directorates of regional industrial zones		● In the 2005 budget, NIS 4 million was allocated; no implementation data is yet available
	Plan to address employment problems in the Arab sector		● A plan was prepared for the Druze sector and study began on a plan for the Bedouin sector in the Negev
	Professional and technological training	Partially implemented	● Cutbacks
Education, Culture and Sport	Construction of classrooms	Partially implemented	● Cutbacks ● Failure and cancellation of PFI project ● Financial difficulties of local authorities
	Pedagogical programs and promotion of technological education	Partially implemented	● Cutbacks
	Building cultural institutions and sports facilities	Partially implemented	● Cutbacks
	Preparing a plan for advancing education in the Arab sector	Implemented	● Submitted in June 2005 as implementation of decision 740 from August 2003

In Conclusion

During the past decade, for the first time since the founding of the state, development plans for Arab communities have been drafted and budgets have been allocated for their implementation. This is in contrast to the policy of ignoring Arab communities that had prevailed until then among decision makers. In practice, the main signs of progress are in the deployment of physical infrastructure such as sewage systems in communities, the construction of some public buildings, initial work on road systems within communities and access roads to them. However, in other essential areas included in the development plans – for example, the development of employment zones and the construction of needed classrooms – the level of implementation has been very low and sometimes nonexistent. In addition, the deterioration in the employment situation and the gaps in education levels continue to contribute to an increase in poverty and widening of gaps between Jews and Arabs. The main factors that influenced the rates of allocation and implementation of development plans include:

- 1. Cutbacks in government budgets:** Cutbacks of government budgets and even the cancellation of some of them, such as the development budget of the Interior Ministry in 2004 and the budgets for developing light industry and services zones in the Industry, Trade and Labor Ministry during the years 2003-2004. In addition, in a number of cases – the budgets for implementation of some of the projects were deferred to subsequent years.
- 2. Bureaucratic barriers:** Delays in the master plan process and approval of plans, as well as non-implementation of a Construction and Housing Ministry plan to build neighborhoods on state lands due to a failure to resolve the matter of planning authorizations between the Ministry and Israel Lands Administration.
- 3. The economic condition of Arab local authorities:** Liens placed on the bank accounts of local authorities due to financial debts delayed the transfer of development budgets to the authorities. In addition, the economic condition of the local authorities affects their ability to maintain and operate the growing array of infrastructure being built. A modern array of infrastructure requires increasing expenditures by the local authorities. Without stable and independent sources of revenue, the local authorities will not be able to continue to develop the communities.
- 4. The “matching” system:** The weak economic condition of the Arab local authorities and their residents makes it harder for them to gain access to budgets that are

conditional on partial funding by the local authority or resident. This is expressed in the low utilization of budgets from the Agriculture Ministry (for improving agricultural techniques and transferring cowsheds and barns away from residential areas) and in diminishing utilization of development budgets and construction budgets for religious institutions.

5. Defective communication and expressions of distrust: The many years of neglect by the establishment has sowed alienation, suspicion and hesitation in the attitude of many Arab local authorities toward the establishment and in their conduct vis-à-vis government ministries. In certain cases, the conduct of local authorities has been interpreted by some government ministries as a lack of readiness to cooperate or a lack of interest in implementing a particular project.

Immediate challenges for the next five years:

The decision makers are faced with four main goals for the next five years:

- **Complete unfinished infrastructure projects:** such as sewage and road systems, public buildings and classrooms.
- **Find a long-term solution for the budgetary problem in Arab local authorities:** The weak financial condition of Arab local authorities makes them completely dependent on government budgets, detracts from the quality of service they can provide to their residents, and often threatens their ability to operate and maintain the growing array of infrastructure. While these authorities are in need of short-term assistance in covering the deficits they have accumulated, a long-term solution for the budgetary problems of Arab local authorities requires establishing stable and independent sources of revenue.
- **Strengthen the communities in Arab localities,** with an emphasis on the link between education and employment:
 - Lower the dropout rate and raising the level of education.
 - Mobilize to find **an urgent solution** for the employment problem among Arabs, similar to the way the state mobilized to improve the employment situation of other sectors of the population – such as new immigrants and single-parent families.
 - Develop a formula for involving the public in community frameworks in Arab localities, and strengthening the connection and trust between residents and the local authority and between residents and the central government.

- **Improve and streamline cooperation between government ministries and the Arab local authorities:** Establishment of accessibility committees comprising representatives of Arab local authorities and government ministries. The committees would work to improve and make more efficient the joint work of government ministries and local authorities, and to build trust. In the framework of the committees, services and resources provided by the various ministries would be enumerated together with the application procedures. In addition, the barriers to attaining these services and resources would be reviewed, together with ways of overcoming them.

A question of priorities

Despite the achievement of having Arab citizens included in development plans for communities in the State of Israel, the five years that have passed since the events of October 2000 have witnessed a growth in poverty and unemployment rates in general and among Arab citizens in particular. The widening of gaps between Jews and Arabs reinforces feelings of alienation and despair. The years 2001-2003 were characterized by an economic crisis and deep recession. This led to a policy of massive cutbacks in government expenditures. At the same time, a change occurred in the social-economic policy in Israel. The deep cutbacks and change in social policy put to the test the question of the Israeli government's country-wide, social and economic priorities and the place of Arab citizens in this set of priorities. The relatively slow organization of plan preparation and implementation, and the high level of budget cutbacks (which were no higher than the cutbacks in other budgets) do not convey a sense of urgency – as one might have expected in light of the growing gaps in the rates of poverty, unemployment, participation in the workforce, school dropouts and academic achievement.

Cutbacks are not an unavoidable natural disaster nor a divine decree, but rather a decision made by policy makers according to a set of priorities. Against the background of the economic crisis and its negative impact on the Arab population, it would have been appropriate to give high priority to the issues of social welfare, education and employment for Arab citizens.