

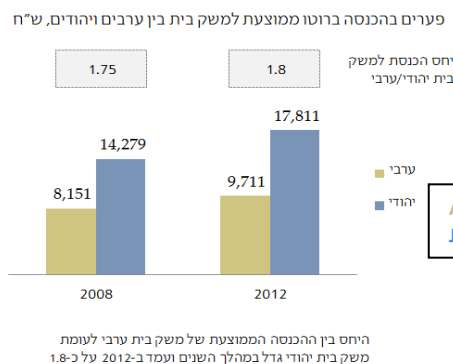
Position Paper from the Mossawa Center on the Israeli State Budget and The Government Decision for Economic Development in the Arab Community for the Years 2016-2020

Background

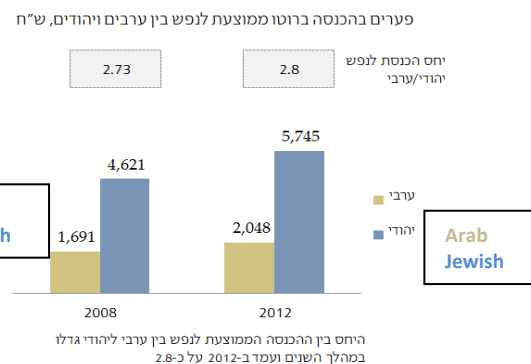
The current socio-economic situation of the Arab minority in Israel is dire and needs to be addressed as soon as possible to close the existing gaps between the Arab and Jewish population. 52.6% of Arab citizens are living below the poverty line, young families are moving out of Arab towns due to overcrowding, lack of services and High unemployment rates. Even Arab schools do not receive the same services as their Jewish counterparts, and yet the Israeli government has never conducted an official assessment of the needs in the Arab community. There is no official database, which can show where the largest gaps are and where the most need is. This is a serious problem because it means that any government decision on allocations of funding to the Arab community is not based on systematically collected data and will not be effective enough to close the existing gaps.

The Mossawa center has been working on mapping the needs in the Arab community and to increase allocations from the state budget for the last 15 years. Despite these years of knowledge and expertise when Mossawa along with our partners submitted a proposal for allocations needed from the state budget in order to close the existing gaps it was rejected. Only after the passing of the 2015/2016 state budget did the government turn to deal with the economic issues in the Arab community. Arab citizens make up 20% of the population in Israel but only contribute 8% to the GDP. There is a serious lack of understanding in the current Israeli government on the importance of investing in the Arab community for economic growth in the whole country.

Disparities in Gross Income per Household between Arabs and Jews, NIS



Disparities in Gross Income per Capita between Arabs and Jews, NIS



This lack of understanding is compounded by a lack of institutions and professionals from the Arab minority who can advocate on their behalf. Further there is no concrete mechanism to ensure that government decisions will be implemented in full or at all. Over 50% of government decisions are implemented only partially or not at all. Implementation is dependent on several



factors including the willingness of government ministers to allocate the funds, which in the past has been an obstacle in implementing funding allocations.

Past Government decisions

The Mossawa Center has followed the implementation of government decisions since 2000. The government decision from the Ehud Barak led government in 2000 allocated 4 billion NIS over 4 years. This amounted to approximately 4% of the development budget. This government decision came out before the Or Commission report (The Investigation report on October 2000 clashes), which was published in 2003. The funding from this government decision was meant to be distributed between 2001 and 2004. By 2006 only 2.5 billion NIS were distributed.

In 2010 the Israeli government announced resolution 1539, which was meant to distribute 800 million NIS to close gaps in the Arab community. At the end of 2014 it was clear that 684 million NIS had still not been implemented from government decision 2365. On Dec 21 2014, Ayman Seif, Director of the Economic Development Authority for Minorities in the Prime Minister's Office, applied for the 684 million to be implemented for the Arab community in 2015. At the end of 2015 200 million NIS from the 684 million NIS was still not implemented by the ministry of Transportation. We still do not have a final report on how much of it was actually spent by the end of 2015. It is because of this history that leaders in the Arab community are skeptical that the latest government decision will be implemented fully or at all in the next five years.

Other governmental decisions which have not been implemented in the past:

- June 7, 2015 government decision (59) on the Druze villages
- December 12, 2015 government decision (59) on the Druze villages in the Golan
- The government Decision in the economic development of minorities in 2015 (Resolution 2365). The volume of total budget of 664 million NIS.
- The program for the development and empowerment of Druze and Circassian communities for 2015 (Resolution 2332). The volume of total budget of 190 million NIS.
- The program for the development and empowerment of Druze and Circassian communities for 2015-2019 (Cont previous decision, has yet to receive decision). The volume includes 2 Billion NIS budget.
- The plan to increase personal security and socio-economic development of Jerusalem for the benefit of all citizens (Decision No. 1775), for the years 2014-2019. The volume of total budget of 300 million NIS.
- The five-year plan for economic development in 13 localities of minorities (Resolution No. 1539) 778 million NIS budget for 2010-2014.
- The plan for the Bedouin population in the south (Decision No. 3708). The volume of the aggregate budget of \$ 1.263 billion for the years 2012-2016.
- The programs for the Bedouin population in the north (Decision No. 3211). Budget of 350 million NIS for 2011-2015.
- The program for Druze and Circassian populations (resolution No. 2861). Budget amounting to approximately -680 million NIS for the years 2011-2014.
- The increase in the rate of labor force participation and employment rates of minority sectors (Resolution 4193). The volume of total budget of 730 million NIS for the years 2012-2016.



TASC Report

In 2014 Amir Levy, the budget director at the Ministry of Finance, hired a private company called TASC to research where there is systematic discrimination against Arab citizens in the state budget allocations. TASC had no Arab experts on their research process. They wrote a detailed report but some sectors and ministries are missing. The focus of the report was on how to have better inclusion of Arab citizens in the Job market. They did not research the causes of poverty in the Arab community or what is needed to end poverty even though poverty and employment are closely linked. TASC submitted its official report in August 2015. During the 2015 election period and immediately after the newly elected Knesset was formed the Mossawa Center presented a report that calls on the new government to allocate at least 5.5 Billion from the 2015 state budget (The total Israeli state Budget in 2015 is more than 380 Billion NIS).

In the same month Mossawa and our partners in the Arab Mayors Association submitted during a meeting with the Prime Minister and the Minister of Finance a plan to allocate 32 billion NIS over 5 years to the Arab community. This is less than what the TASC report recommended. This plan asked for 6.4 billion NIS each year based on the gaps and what is needed and what it is possible to actually spend considering the obstacles to planning and building in the Arab sector. The Government refused to discuss or adopt the work plan The Arab Community submitted and also refused to share the results of the TASC report, which was later leaked to the Mossawa Center.

Last round of negotiations

Due to the government's refusal to work with the Arab community in the building of the state budget the Arab mayors association organized a strike on September 1st, 2015 and planned for a large demonstration. Only with the threat of the strike did Prime Minister Netanyahu agree to meet with Arab Members of Knesset and the Arab Mayors Association. After this meeting his office published that he will add 900 million to the development budget for the Arab community in 2015. In reality by the end of 2015 only 250 million was distributed.

During this period between August and November 2015 when the state budget was passed the Mossawa center in partnership with Arab MKs members of the finance committee Dr. Ahmad Tibi and Dr. Basel Ghatas, the Arab Mayors Association and other leaders from the Arab community, held several meetings with members of The Office of the Prime Minister, The Finance Committee and the Ministry of Finance. Shortly before the passing of the state budget it was clear from Amir Levy that an increase to Arab community would not be included in the state budget for 2015-2016. Arab representatives were told additional funding could only be allocated after the passing of the state budget. This was a disappointing outcome considering that government decisions are much less likely to be implemented than budget lines in the State budget law.

How funds are distributed in Israel

Funding in Israel is distributed through various mechanisms. One is through the development budget. This is where money is allocated in the voted on state budget and it is legally required



that this money is distributed. Until now the Arab community is allocated approximately 6% of the development budget despite existing development gaps and the fact they make up 20% of the population. Arab localities generally receive less funding per resident than Jewish localities. Another important mechanism for funding is the allocation per citizen from the main (non development) state budget: such as per student in schools, and salaries for , Governmental employees, and funding of hospitals and clinics per patient. An additional way to receive funding is through the network of government organizations called Tmichut (Support). a large proportion of this budget is allocated to Jewish Civil Society organizations. Israeli CSOs manage about 13.5% of the Israeli GDP, one of the highest rates in the world. More than 64% of funding allocated to Israeli CSOs comes from the state budget. The fourth path to funding is through the government ministers. Each minister has a discretionary fund at their disposal which they can distribute as they see fit with very little criteria as to how this money is allocated. Government ministers can also choose not to implement the funding called for in government decisions if they think it is taking away from other programs or sectors of the population. As stated above, this is has been a major obstacle to full implementation of government decisions in the past.

Needs of the Arab community and the government decision

The Israeli government decision was announced without a clear amount for the allocation. Some media published that 15 billion shekels would be allocated to the Arab community others published 9.5-10 Billion over the next 5 years. Based on what we have seen it is actually not more than 9.5 billion NIS and what is needed to close the gaps between the Arab and Jewish community is 32 billion NIS. A detailed breakdown of how the money will be allocated according to budget lines has not been published.

This is problematic 1. Because the state budget law was already approved and the needed allocations were not included. 2. The local council authorities cannot begin to plan for the use of the allocated funds until they know how much money will be allocated and where.

This Government plan was presented and promoted as the one that will close the gaps. According to our data the state budget for the next two years is more than 800 Billion NIS. Throughout December, and after the state budget approval, more than 35 Billion NIS were distributed to the army, religious parties and settlements.

Mossawa calls for the allocation of 32 Billion NIS over the next five years to deal with the Economic gaps between the Jewish and Arab communities in sectors such as welfare, health, culture, and housing and to insure the inclusion of the Arab citizens in the job market.

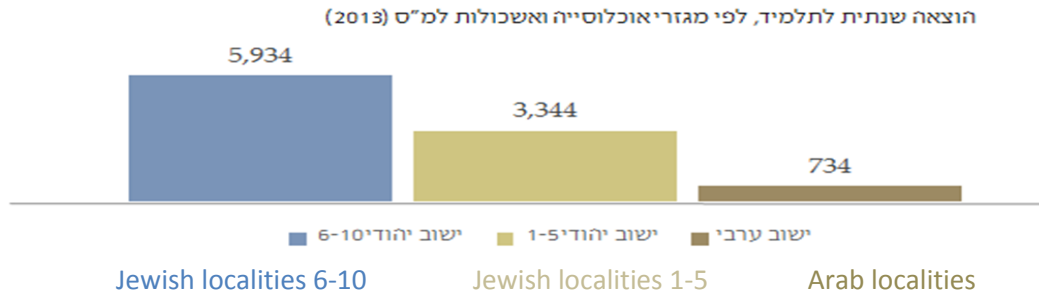
Education:

Only 59.5% of students who attend Arab schools are eligible for matriculation certificates in contrast to 75.1% of their Jewish counterparts. There are not enough classrooms for the number of students in Arab schools. It is difficult to imagine that the test scores of Arab students will

improve if they remain in over crowded and inadequate facilities. The education funding in the government decision only addressed extra curricular activities to fight violence among youth.

Further, the Church schools which, serve both Christian and Muslim students, fall into the category of “recognized but unofficial”, formerly received 65% of their budgets from the state, but that figure was cut to 34% two years ago. The rest of the school’s budget is covered by tuition costs, which have increasingly become a costly burden to the Arab families. In contrast, the Orthodox Jewish schools in Israel, which are also “recognized and unofficial” receive 100% of their budget from the state.

Annual Expenditure per Student, by Sector and cluster according to the Bureau of Statistics

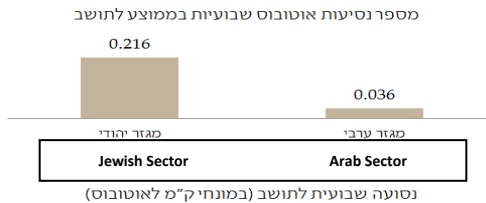


In higher education the state is losing money every year when over 10,000 Arab citizens leave the country to study in universities in Jordan and the oPt because of discrimination in schools, public transportation, language, university housing and the establishment of higher education institutions in Arab towns.

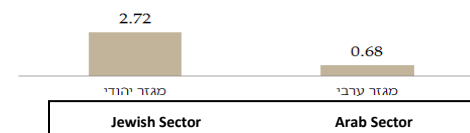
Transportation:

As mentioned above lack of investment in transportation affects other areas in the Arab community such as higher education, employment and safety. Currently, Arab local authorities only receive 7% of government funds for public transportation. Funding for both inter and intra locality roads is also insufficient and many roads in the Arab community are dangerous and in disrepair. 34% of those killed in road accidents are Arab citizens. The government decision calls to implement a previous government decision to allocate 40% of all additional public transportation subsidies or at least 100 million NIS to Arab localities. The decision aims for public transportation in Arab localities to be on par with services in Jewish communities by 2022.

Average Number of Weekly Bus Trips per Resident



Weekly Kilometers Traveled per Resident





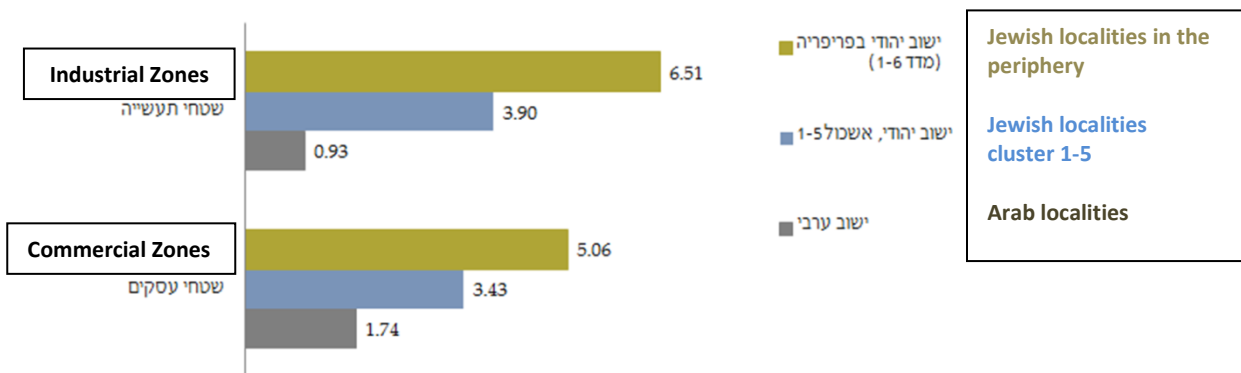
Employment:

As of 2014, 24.6% of Arab men between the ages of 25 and 64 were unemployed, compared with 14.3% of non-Haredi Jewish men. Among women 66.8% of Arab women are not working in contrast to 20.1% of Jewish women. The government decision aims to spend 24 million NIS on incentivizing employers in small and medium sized businesses to hire Arab citizens from the community. The decision also calls for an increase of 25% in allocations to build daycare centers in Arab localities as well as 200 million NIS allocated for employment counseling centers in Arab communities. This allocation is very low and not sufficient to fix the current situation. The Israeli government has failed to take further action to increase employment opportunities such as encouraging high tech companies like Intel to move to the Nazareth industrial zone. Billions of shekels were allocated to Intel in Kiriath Gat to improve unemployment in the Negev. Recently, the city of Kufur Kasem requested that the state reallocate the income of an industrial zone that was built on its land which is currently allocated to the Jewish city of Rosh HaAyin.

Investment in industrial zones is also seen as a way to boost employment in the Arab community. Currently only 3.5% of industrial zones are in the Arab community. Many Arab companies are locating their facilities in industrial zones in Jewish towns due this phenomenon Arab localities are missing out on large amounts of potential tax revenue. The government decision calls for 42.5% of the budget for new industrial zones to go to Arab localities but the overall budget is very low to begin with and it is unclear how much improvement will be possible from this allocation.

Scope of Commercial and Industrial Zones in Local Authorities

היקף שטחי מסחר ותעשייה ברשויות המקומיות (אלפי מ"ר לתושב)



If these allocations are implemented it will have a positive effect on employment in the Arab community but the government itself is still struggling to reach its internal employment goals for Arab citizens. The representation in employment law was approved in 2003, which entailed an initial decision to increase Arab representation in government jobs to 11% by 2012. Currently, Arabs make up only 9.25% of government employees and there are still entire government departments and bodies that contain no Arab employees, including for example the Ministry of Strategic Affairs, the Government Publications Office and Port Hadera, part of the Department of Transportation, and even the Knesset Television station.



Housing and Building:

There is currently a housing crisis in Israel in general and even more severe in the Arab community. Many Arab localities lack updated master plans and are unable to expand or to approve the construction of new homes. Many Arab families are moving to Jewish towns and neighborhoods, due to a lack of education and welfare services, which is driving up housing prices. Another obstacle is allocation of land for the purpose of building. In Majd al Krum money was allocated to build schools but the state land authority refused to allocate the land needed. This is a common phenomenon in the Arab community and a large obstacle to the implementation of funding when it is allocated.

The government decision aims to invest 20% of allocations for public institutions and 30% of funds for protection of open spaces to the Arab community. It also aims to allocate at least 750 million NIS over five years for construction of public institutions in neighborhoods in Arab localities. The government decision also says it will require the Ministry of Interior's Planning and Building Council to update master plans for all Arab communities with a population over 5,000, which is intended to result in planning for at least 40,000 new homes

Home demolition and land confiscation have been core issues in the systematic discrimination against the Arab community since 1948. In recent months, the Israeli authorities have intensified home demolitions of Arab citizens in various localities based on a report from the Attorney General. The last demolitions took place in Tamra on December 15 2015 and Tybeh on January 23 2016, which led to small scale clashes with the police. In the Negev region there are almost weekly home demolitions. Until now, the village of Al-Arakeeb has been demolished 93 times within five years. MK Ori Ariel, the current government appointed Minister of Agriculture is a supporter of the settler movement and in charge of the Palestinian community in the Negev. He is to oversee the ethnic cleansing in the Negev, under the proposed "Prawer Plan", which would approve the demolition of 30 Arab villages, the displacement of 40,000 people and complete the confiscation of about 800,000 dunams of Arab-owned land in the Negev. Most of the confiscated land would be used for the reconstruction of individual and collective Jewish settlements. Since the establishment of the state of Israel, about a thousand new villages and cities were built for Jewish citizens on the confiscated lands of Palestinian Arab citizens, without the building of even one residential building for Arab citizens, bearing in mind that the number of Arab citizens in Israel has increased tenfold since 1948.

Local Councils

80% of income for most local councils comes from housing taxation. Because of housing shortages many Arab families are moving away and Arab localities are missing out on tax revenues. There is the additional fact that 52.6% of the Arab population is living below the poverty line. These people are unable to pay the full or any amount in property taxes. Many government grants require a matching amount from the local authorities but even this is not



possible for many Arab towns. 3 billion shekels is meant to be allocated to struggling local councils. Arab local councils make up 95% of those struggling but only receive 1 billion in additional allocations. These local councils need additional funding in order to address the poverty and other economic issues in their communities.

Culture and Tourism:

Only 3% of the budget for the Ministry of Culture is allocated to Arab culture institutions. After a legal petition from the Mossawa Center the ministry conducted an assessment of the culture needs in the Arab community. After the findings of their assessment 8.5 million additional shekels were allocated for 2015. This was a small step forward but not enough to close the gaps and meet the needs of Arab culture institutions and is separate from the government decision, which does not allocate any specific amount of funds.

Arab citizens often face discrimination in tourist destinations in Israel and Arab cities and localities such as Jisraz-Zarqa, receive limited or no funding to increase their potential to attract tourism. Because of these issues many Arab citizens choose to spend their holidays outside the country resulting in loss of revenue for the state. The government decision only mentions Nazareth when it addresses tourism and far more is needed to improve the participation of the Arab community in Israel's tourism industry.

Health:

According to a report from the Israeli Ministry of Health infant mortality rates in the Arab community are 2.5 times higher than in the Jewish community. In the Negev they are 3 times higher. In general there are higher rates of illness in the Arab community. In spite of this fact there is a lack of emergency medical services available in Arab localities. Further there is a serious need to encourage and implement genetic testing for Arab couples planning to start a family. The government decision only includes a plan to unite the three existing hospitals in Nazareth, which have long suffered from discrimination and lack of funding. It does not address health issues in other parts of the country or the need for genetic testing.

Security:

The government decision aims to increase police presence in Arab communities but does not allocate a specific amount of funding for this purpose. Arab mayors have been working for years to increase the number of police stations in Arab localities in order to combat the issue of violence and illegal weapons there. Only after the attack in Tel Aviv were more public statements made about increasing funding for police in the Arab community. It is crucial that real funding is allocated to this issue in order to make an impact.

Mossawa Follow up plan: The Arab community does not currently have enough experts on government and economy who can follow up on a regular basis to ensure funding is being allocated and implemented. The Mossawa center plans to work with our partners such as MKs, The Arab Mayors Association and experts in the community to monitor the implementation of this government decision. This will include regular meetings with ministers and government staff. We will also begin work to advocate for the inclusion of funds for the Arab community in



the 2017 state budget. Only through extreme diligence will the Arab community be able to ensure the allocation of government funds from the finance committee. The Mossawa Center will also work with legal experts to file petitions with the court for the implementation of the current and previous government decisions for the distribution of funds in the sectors of; health, culture, employment and welfare.

Mossawa's Recommendations:

As an OECD country it is important that Israel invests in all of its citizens for the overall economic growth of the country. According to the OECD, income inequality in Israel is among the highest among developed nations. (OECD Report2015) International actors have the power to use their agreements and relationships with the Israeli government to ensure fair investment in the Arab sector. Many countries such as the EU and the US hold agreements with Israel that result in billions of shekels entering the Israeli economy. It is important that Arab experts will be included in consultation on civil society in Israel. We also recommend for inclusion of Arab citizens to be part of any future economic agreement with Israel so as to ensure the Arab citizens will benefit from these relationships the same as every other citizens.