

Reducing Budget Allocations for the Arab Sector May Harm Internal Security

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It was reported recently that the Minister of Finance intends to cut back allocations for the five-year development plans for Arab society that were already approved. These intentions contradict existing policy dating from 2015 designed to encourage socioeconomic enhancement of Arab society in Israel, based on a macroeconomic rationale and the necessary integration of the country's large Arab minority. The explanations given are unsubstantiated and reflect an estranging approach of extreme nationalism. Realization of the Minister's intentions, and certainly their expansion into other areas, will deal a severe blow to the Arab communities and their local authorities, the country's economic growth, and the sensitive relations between the Jewish majority and Arab minority. It is also likely to fuel even further the rising wave of crime and violence in Arab sector and create frustration that might lead to nationalist radicalization. All this could severely erode internal security.

The intention of the Israeli government to cut back the approved budgets of the five-year plans for Arab society and East Jerusalem includes problematic legal aspects, serious economic implications, and negative consequences for relations between the Jewish majority and the Arab minority.

Five-Year Plan no. 550 for Arab Society (2022-2026) was approved in February 2023 as part of the state budget. It is based on the concept shaped by the first five-year plan for the Arab sector (922, December 2015) passed by the government headed by Benjamin Netanyahu. The initiators of the original plan understood that narrowing the social and economic gaps

between the Jewish majority and the Arab minority in Israel was a long-term strategic objective that would serve as a lever for the social and economic integration of Arabs in the country. The defining objective was to bring about fundamental and ongoing transformation in government policy toward the Arab sector, which would generate growth in the Israeli national economy. The new policy was distinguished by the permanent enactment of the principle of allocating budgets to the Arab population according to its relative size in the population as a whole.

The current intention of Finance Minister Bezalel Smotrich to freeze budgets for Arab local authorities (and his failed attempt to cut state resources for Palestinian students of East Jerusalem), as well as the demand of far right parties to halt Five-Year Plan 550, allegedly for the sake of re-examining its components, contradicts this profound transformative strategy and is explained by unprofessional and unfounded arguments:

- a. Regarding the reduced budget allocations to Arab local authorities, the Finance Minister claimed that portions of the budgets trickle through to criminal organizations. This ignores the [comprehensive work](#) submitted (May 2022) for the “Secure Route” program of the previous government, designed to create secure funding channels for Arab local authorities. All that remained to be done was to implement the proposed mechanisms to control the funding procedures.
- b. The intention to review Five-Year Plan 550 before implementation is based on the claim that the budgets were allocated by the previous government in the framework of coalition agreements, which amount to “a problematic continuation of a policy of discrimination against Jews, giving unprecedented control to anti-Zionist elements within government ministries.” However, the plan was approved as part of the state budget.
- c. On the [Five-Year Plan for 2023-2028 for East Jerusalem](#), approved by the government on May 23, 2023: the confirmed resolution states that “narrowing the gaps...is a national challenge and a government objective of prime importance...The development and prosperity of

Jerusalem...for the benefit of all its citizens...is based on the integration of East Jerusalem residents into the fabric of urban life and Israeli society." Referring to his intention to halt the budget for academic preparatory programs in Israeli institutions of higher education for Palestinians living in East Jerusalem, the Finance Minister claimed that these programs encourage incitement and reinforce dangerous nationalist attitudes. This claim has no factual basis. Experience shows that not only do these programs not encourage terror, but they promote normative integration of Palestinians. Data provided by the Israeli Bureau of Statistics shows that since the initiation of this program in 2018 until 2023, the number of Palestinian students from East Jerusalem who study in Israel for the first year of their BA surged by 85 percent (to 1,218 students). Degrees from Israeli academic institutions facilitate graduates' integration in the Israeli labor market and helps restrain nationalist tension. Thus, abolition of these programs might presumably increase nationalist tension in East Jerusalem, one of the country's poorest areas and a hotbed of nationalist friction. On August 17 it was reported that the budget for this program will not be cut and will be allocated "to encourage higher education for Arab youth," though it is not yet clear what is the practical meaning of this new statement.

In principle, intentions to reduce budgets for the development of the Arab sector, even if not fully implemented, are evidence of nationalist anti-Arab ideology.

Legal Aspects

The announced intentions of the Finance Minister amount to a flagrant legal violation and failure to respect the decisions of the previous government. Continuity of governance is one of the basic principles of public law in Israel and an important principle in any democratic regime that wishes to ensure regime stability. The principle of relying on government commitments is even more important in a democratic parliamentary system like Israel's, which lacks a clear constitutional

framework and where Knesset elections take place more frequently than once every four years. Another aspect is linked to the principle of government's obligation to attend to all sections of the population equally. Violation of commitments of a previous government on the basis of political, ethnic, or religious identity is a severe blow to the principle of equality.

Economic and Social Implications

The immediate price of the decisions under discussion, if implemented, will constitute genuine damage to the provision of essential services to the Arab population and a halt to essential development processes that began in recent years. This would harm the local Arab authorities and the development of growth engines for a weakened sector of the population. The assumption that it is possible to rule a minority by isolating it economically is mistaken, and could, rather, have the opposite effect: an increased sense of frustration, alienation, and hatred mixed with nationalism might well lead to violence. This might be particularly the case at a time when Arab society in Israel is experiencing extreme levels of crime and violence.

The specific intention to freeze the transfer of budgets to Arab local authorities, which are already suffering from a lack of funding, might be fatal for them. Data from the Central Bureau of Statistics, showing the gap in revenues between Jewish and Arab towns, highlights the importance of releasing these budgets. Collection of city taxes in Arab towns is on average four times lower than in Jewish towns, due to their lower socioeconomic status and the absence of significant revenues from business. Over the years, low revenues have affected the inadequate provision of education and welfare services by the Arab local authorities, and thus perpetuated the social gaps. Moreover, the Arab local authorities have already planned their budgets based on the government allocations under the five-year plan. Without this income, their deficits will grow, and the central government will be called on to cover them from the national budget.

The expected erosion in the provision of basic services to Arab citizens will impact their standard of living: the deep gaps in education between Arabs and Jews will widen, after they had begun to narrow; the goal in the five-year plan for digital literacy and language skills in Hebrew and English will also be affected; and reduction in allocations for housing will limit the availability of state land for construction of housing and public institutions, adding barriers in the field of urban planning, and weakening local authority planning committees and engineering units.

Cutting the municipal services could also impede dealing with the challenge of young people out of school or jobs, thus furthering the rise in violence and crime in Arab society. Since the start of the year there has been an unprecedented surge in crime, with the number of murders more than double the already high figures of previous years. The link between poverty, violence, and crime, particularly in Arab society in Israel, is known and has been proven. Presumably a decrease in financial aid for Arab society will lead to frustration and anger against the Jewish public and government, which will be reflected in ever more serious violence and crime that might also spread to Jewish areas.

Conclusion and Recommendations

Since the formation of the current government, concern among the Arab population has grown about an institutional decline in its situation. Reports of planned cutbacks in the five-year plan make these concerns more concrete, direct, and blatant. At this stage the impact of the cuts is not still fully clear, but the long-term trend is apparent: increased separation and discrimination against Arabs in Israel, based on nationalist considerations. The ostensible justifications for these intentions are telling. This attitude, if continued, will amount to a strategic change for the worse and severely harm relations between the country's majority and a significant minority.

For the State of Israel, a country that is home to a large national minority that is part of the Palestinian people, who are perceived by many as an "enemy," such a change in the relations between Jews and Arabs might have far-reaching negative consequences. Apart from questions of principles

and ideology with reference to democracy, equality, and human rights, the change also involves highly sensitive and potentially dangerous social and security issues. An evolution from a clear policy of integration to an aggressive approach of alienation and discrimination, using the power of the state against a weakened national minority, is likely to encourage nationalist extremism on both sides and harm national security.

The government must therefore refrain from implementing these intentions and return to the constructive approach led by previous governments since 2015. It must work hard to retrieve what has already been damaged: the Arab public's trust in the state and the government. Attacks on basic principles of equality and respect for the minority could lead to chaos and widespread violence. Such harmful moves must also be stopped because of their negative impact on Israel's international image, particularly in the United States, including among the Jewish community there.

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