



הועדה לתכנון ותקצוב | Planning & Budgeting Committee

SCHOLARSHIP FUND FOR ARAB¹ ISRAELI UNDERGRADUATES: A PROPOSAL OF THE COUNCIL FOR HIGHER EDUCATION IN ISRAEL

A. BACKGROUND

Over the past few years, there has been a significant increase in the Israeli government's efforts to close gaps in socioeconomic status between Jews and Arabs in Israel. The Authority for Economic Development of the Arab, Druze and Circassian Sectors was created within the Prime Minister's Office and has made significant investments in employment and economic development. The Trajtenberg Committee's recommendations following the social justice protests of 2011 included measures to enhance employment and housing development, as well as to promote Arab access to higher education. The issue has also been in the headlines during Israel's recent accession process to the OECD (Organization for Economic Cooperation and Development), which identified employment and education for disadvantaged Israelis (mainly Arab and ultra-Orthodox) as two top areas in need of improvement.

Numerous studies have shown that higher education is a prerequisite to advanced, quality employment in Israel's highly developed job market. While Arabs with university or graduate degrees have greater difficulty integrating into the job market compared to their Jewish peers, higher education is still the factor that makes the greatest difference.

A number of barriers impede entrance, retention, academic success and graduation for Arab students. Poor high school preparation leads to difficulty attaining a complete matriculation certificate (the academic exams at the end of high school that determine eligibility for higher education) and leads to poor performance on the heavily weighted psychometric test. Additional barriers include geography (most Arabs live in Israel's periphery where public

¹ In this proposal, when the terms "Arab students" or "Arabs" are used, they refer to Arab, Bedouin, Druze and Circassian Israeli citizens, and are used for simplicity's sake only.

transportation is scarce) and finances, as Arab citizens are poorer on average than Jews. Finally, as in the United States, first-generation university and college students face a challenging cultural transition and have few social supports once enrolled, leading to high drop-out rates, particularly in the first year.

The following proposal seeks to establish a **first-ever Scholarship Fund for first degree Arab students, in a 1:1 matching scheme between the Council for Higher Education's Planning and Budgeting Committee (PBC) and other governmental bodies on the one hand, and interested foundations and philanthropists on the other.** The proposed model was developed by the PBC in cooperation with the Authority for Economic Development of the Arab Sector at the Prime Minister's Office and the Ministry of Finance, and after consultations with the Arab Sector Committee in the PBC. The Fund will complement the PBC's recently launched Six Year Plan to Enhance Access to Higher Education for Arab Students, by addressing the serious barrier of Arab students' economic needs. The proposal includes relevant background data and information, the Fund's rationale, and the methodology and timetable for its establishment and management.

B. RELEVANT STATISTICS

The following statistical data on the Arab population in Israel in general, and specifically in higher education, was collected by Israel's Council for Higher Education's PBC and served as a baseline for its recently launched Six Year Plan to Enhance Access to Higher Education for the Arab Population in Israel:

Demography & Economy

Arabs constitute approximately 20% of Israel's population, approximately 1.6 million people. This is a relatively young population as 47% of the Arab population is under the age of 19, compared with 33% of the Jewish population. While significant progress has taken place over the years, the Arab population still lags behind the Jewish population on virtually every socioeconomic measure:

- Arabs make up 20% of the population, but contribute only 8% of GDP.
- 49% of Arab households are considered poor, compared with only 15% of Jews (not including the ultra-Orthodox).
- Average gross income of Arab households is 40% lower than that of Jewish households (not including the ultra-Orthodox).

- 67% of all Arab men and only 22% of Arab women between the ages 18-66 are employed (compared with 69% and 67% for Jewish men and women, respectively).
- Arabs with higher education are employed at a rate of around 81%.

Education

Arabs make up approximately 26% of the relevant age cohort for higher education, but their participation level in the higher education system is significantly lower. Moreover, with each increase in the level of education, the participation rate declines.

- Each year, only 63% of Arab youngsters complete 12th grade, compared with 92% of their Jewish peers.
- Only 12% of B.A. students in Israel are Arabs; the numbers drop to 8.4% and 4.4% for M.A. and Ph.D. students respectively.

Academic studies are the primary means of social mobility and a key element in the development and growth processes of each and every sector, as well as that of the economy as a whole. In the Arab sector, however, for a number of reasons, there is a very uneven distribution of fields of study. Often Arab youngsters turn to a limited number of study fields that may not be attractive to Israel's highly modern job market, or where the labor market is already saturated.

- The most sought after fields by Arab students are medicine and the paramedical professions, where they constitute **26%** of all students.
- Arab students may also be found in vast numbers in the fields of education (**23%** of all students) and to a lesser extent, in the social sciences and humanities (**12%**).
- On the other hand, in some fields Arab students are notably absent: engineering (**6%**), business administration (**5%**), psychology (**6%**) and more.

During academic studies, the gaps between the populations grow. Arab dropout rates are higher and graduation time is significantly longer. As a result, the rate of graduation is lower than among Jewish students.

- The percentage of Arab students who begin academic studies and do not continue for the second year is 16%, compared with 11% among Jewish students (2011) -- a difference of over 25%. Overall, around 30% of Arab students drop out of their first degree studies compared with around 20% of Jewish students who drop out.
- On average, Arab students take longer to complete their first degree. In addition to dropout rates, this is caused by academic difficulties and by students changing their study fields. Overall, only 36% of first degree Arab students graduate in the standard time, compared with 53% of all Jewish students.

Within the Israeli government and the Council for Higher Education, there is growing recognition of the cost to Israeli society caused by these gaps and inequalities, and the fact that gaps will not close fast enough without corrective measures. This has prompted the Council for Higher Education to launch a six-year program to increase Arab access to higher education, beginning in 2011.

The government is investing NIS 305 million (around \$82 million) in these programs over a six year period. The program addresses all the barriers that inhibit integration in the higher education system, from high school to employment. It commences with consultation and guidance in high school, and includes preparation for academic studies and a comprehensive support framework for students in the first year of academic studies, a stage normally characterized by high drop-out rates. Support includes Hebrew lessons, study skills, academic and social support, and individual consulting. The program also includes support and encouragement for outstanding students to pursue advanced degrees and to integrate into the universities' academic staff. With financial support from the Council, universities and colleges in Israel are rolling out programs to help students score higher on entrance exams, combat dropout, overcome social, academic and language barriers, and successfully secure jobs after graduation.

C. RATIONALE FOR THE ESTABLISHMENT OF THE SCHOLARSHIP FUND

Economic barriers can prevent entry to academic studies, and cause dropout and failure to complete a degree within the standard time. As shown by the data above, the family of an average Arab student (which finances most of the expenses for the studies) comes from a lower socio-economic background than the family of the average Jewish student, and its sources for financing tuition fees and living expenses during the studies are much more meager. At the same time,

due to existing academic gaps, Arab students usually have to invest much more in their higher studies in order to succeed, especially in the first year or two, and thus have less of an option to work in parallel. In addition, the fact that the vast majority of Arabs in Israel are exempt from military service prevents most Arab students from receiving scholarships from various public and private bodies. For the individual Arab student, (mainly among men) helping to support the family and saving for the construction of a house are also motivating factors to go to work at a younger age, rather than choosing higher education.

In order to expand the participation of Arab students in higher education, especially in fields that can lead to stable, modern-market jobs and careers, the Council for Higher Education decided to complement its Six Year Plan by allocating special resources to address the individual economic aspect. Given limited resources, we chose to focus on students from low socioeconomic backgrounds that intend to study preferred fields (e.g. fields of study relevant to the job market, as detailed below). Based on the data collected regarding Arab students' economic and social backgrounds, as well as numerous consultations with the Arab Society Committee established by the PBC, the Council has decided to allot relatively high-level scholarships that will ensure the students' success in Israel's higher education system. Based on the same knowledge and consultations we know that student loans are not recommended for the first- and second-year Arab students, because of cultural barriers that would make them unattractive and inadequate.

The primary goal of the Fund is to increase the number of qualified Arab students studying in fields with high labor-market potential, where Arabs have traditionally been under-represented. Scholarships will only be awarded to students who have already been accepted to universities or colleges in these fields, and who have proven financial need. Within the preferred fields of study, we are not recommending a criterion of excellence, both because we assume excellent students have more options of financing their studies (as many donors specify their support for excelling students) and also due to operational reasons.

D. FUND DEFINITIONS AND METHODOLOGY

1. Target Population . Arab students (as mentioned above this includes also the Druze and Circassian students) studying for their first degree, who come from low socioeconomic backgrounds, and who are studying preferred fields in institutions recognized by Israel's Council for Higher Education.

2. Goals of the Scholarship Fund - To enlarge the number of Arab undergraduates in ~~the~~ preferred fields~~+~~, and to provide opportunity for Arab youngsters who are eligible for higher education in the ~~the~~ preferred fields~~+~~, and have the motivation to study, but cannot afford the costs of a first degree.
3. The ~~the~~ preferred~~+~~ fields of study are specific areas of study that allow for integration into Israel's modern labor market, and are currently relatively less popular among Arab students in comparison with their Jewish peers (e.g. engineering, business and management). Those spheres of studies will be defined by the Fund's Executive Committee in consultation with the Authority for Economic Development, the Ministry of Trade and Industry and other relevant agencies. Only students studying in these fields will be eligible to receive scholarships under the current Fund.
4. Scholarship Conditions . Scholarships will be provided for all three years of study (or in the case of engineering, all four years). Only students awarded a scholarship in the first year of study will be eligible for additional support in subsequent years under the following conditions:
 - a. They are still in the same field of study or are transferring to a different ~~the~~ preferred field~~+~~ of study.
 - b. Their overall grade point average at the end of each year is above the average grade in that particular department in their institution of higher education (average departmental grade will be calculated based on the previous three academic years).

Scholarships for first year students will be paid when the institution of higher education confirms enrollment, and the student has paid the first tuition payment. Scholarships for each subsequent year will be paid when the student has paid the first tuition payment for that year of study.

5. The level of scholarships - scholarships (for first degree Arab students from low socioeconomic background and in preferred fields) will be up to NIS 10,000 (approximately total BA tuition) for the first two academic years². Scholarships for the third academic year - and for the fourth year in the case of engineering - would be half of the initial scholarship and not more than NIS 5,000 annually. As mentioned above, while obviously allowing for a lower number of scholarships, it is imperative that students from such low socio-

² The Fund's Executive Committee could decide to award somewhat lower scholarships, but not lower than NIS 7,000, to students with a higher socioeconomic condition (from amongst those found eligible according to the basic scholarship conditions, for the first two academic years), and thus to raise the number of students who will receive scholarships. In the current proposal we have calculated the number of scholarships based on the assumption that all eligible students would receive the maximal scholarship amount of NIS 10,000.

economic background receive full, or at least substantial, scholarships for their first two years, in order to significantly lower dropout rates and enhance the level of their success.

6. Subsidized Student Loans: Student loans will not be managed through this Scholarship Fund, but through a separate loan fund currently being launched by the PBC and the Ministry of Finance for all first degree students in Israel under the Students Assistance Fund³. The loans will be up to NIS 7,000 a year and repayment will begin one year after the standard time of graduation (according to each BA degree). The loans will be repaid with minimal interest, over 36 months and no collateral will be required. Students who receive scholarships through the new Scholarship Fund will receive assistance from the Operating Body chosen to administer the Scholarship Fund (see in Operational Methodology below), in receiving information, filling forms and approaching the Students Assistance Fund for loans.
7. The Fund's Governance: An Executive Committee will be established, which will be responsible for determining the Fund's policies and monitoring its implementation, according to the principles mentioned above. This will include defining the level of scholarships according to socioeconomic classifications (up to the limited amount and in the frame of the budget), the exact list of the preferred fields of study, socioeconomic criteria and other conditions of eligibility (e.g. the possibility to require volunteering activity starting from the second year), implementation schedule, and ongoing monitoring and evaluation. The Executive Committee will include the following members: four representatives from higher education (at least two of them Arabs), a representative of the Arab local authorities, an Arab businessman/businesswoman, a representative of the Planning and Budgeting Committee (PBC), and two representatives from the Economic Development Authority at the Prime Minister's Office. The head of the Committee will be nominated by the Head of the PBC. The Executive Committee may establish an Advisory Committee to assist it.
8. Operational Methodology: A non-governmental body will be selected to administer and manage the Fund. This body will be chosen following a tender that will be defined jointly by the PBC and the Authority for the Economic

³ The Students Assistance Fund is a collaboration between the PBC, the Ministry of Education and the Ministry of Finance, and currently provides around 15,000 annual scholarships of various levels. Around 20% of its recipients are Arab students. However, one of the criteria used in this fund is Army or National Service, which, as mentioned above, is a problematic criterion for most Arab students (and one of the incentives for establishing a specific Scholarships Fund for Arab students). According to a new initiative, the Students Assistance Fund will now also manage numerous student loans in more favorable conditions than have been offered to date.

Development of the Arab Sector under the Prime Minister's Office. Preference will be given to organizations that have appropriate representation of Arabs in their management/board and staff, and that have a social activity background in the Arab community. The Operating Body will be responsible for marketing the Fund's programs and providing information to interested Arab youngsters (including, if needed, assistance and consultation to possible candidates regarding application forms, applying for additional scholarships, student loan procedures etc.); managing the funds collected in the Scholarship Fund from the Israeli Government and from philanthropic donors; processing applications from Arab candidates, including ensuring that applicants are enrolled in institutions recognized by the CHE and studying in the defined preferred fields; awarding scholarships according to the criteria and regulations that will be established by the Fund's Executive Committee; transferring scholarships directly to entitled students and collecting unused funds if necessary; providing operational and financial reports to all relevant bodies; and any additional responsibility defined in the above-mentioned tender. The overhead costs for the work of this Operating Body (to cover administrative costs and two full time positions) will be fully covered by the governmental funds.

9. Operational Time Table:

- Finalizing budgetary framework, including governmental and philanthropic partners: by June 2013.
- Establishing the Executive Committee: by the end of June 2013.
- Preparing the tender for the Operating Body (including authorization of the Executive Committee and legal counsel): by mid-July 2013.
- Publishing the tender: by the end of July 2013.
- Receiving proposals from potential operating bodies: by beginning of September 2013.
- Announcement of tender winner: October 2013.
- Fund becomes operational including computerized system and reception of applications from students: November 2013.
- Payment of first scholarships: December 2013/January 2014.

10. Budget: a Matching Scheme of 1:1 between the PBC at the Council for Higher Education, the Authority for Economic Development and other Israeli governmental bodies on the one hand, and philanthropic bodies on the other. The Israeli government (through the PBC, the Prime Minister's Office and additional bodies) has committed an initial amount of NIS 3,750,000

(approximately USD 1 million) for the first year of the Fund's operation (including scholarships and overhead costs of the Operating Body), and committed to increase this sum annually as the Fund grows. The matching amount requested from philanthropic sources to begin the Fund's operations is NIS 3,250,000 (approximately USD 900,000) for the first year, with a parallel increase, as detailed in the Budget Table below.

Budget Table for the Scholarship Fund for Arab Students
(for the coming four years, in shekels)

Academic Year	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>
SCHOLARSHIPS				
Amount of First year scholarship	10,000	10,000	10,000	10,000
Amount of second year scholarship		10,000	10,000	10,000
Amount of third year scholarship			5,000	5,000
Amount of fourth year (engineering)				5,000
Number of first year scholarships	650	650	650	650
Number of 2nd year scholarship	-	585 ⁴	585	585
Number of 3rd year scholarships	-	-	556	556
Number of 4th year scholarships ⁵	-	-	-	417
Total Number of Scholarships	650	1,235	1,791	2,208
Scholarships cost total	6,500,000	12,350,000	15,128,750	17,212,813
FUNDS				
Total from government for Fund	3,250,000	6,175,000	7,564,375	8,606,406
Matching amount to be raised from donors for Fund	3,250,000	6,175,000	7,564,375	8,606,406
Administration/overhead to be paid by the government (including operational costs for the implementing body)	500,000	500,000	500,000	500,000
TOTAL SCHOLARSHIP SUPPORT ALL CATEGORIES	7,000,000	12,850,000	15,628,750	17,712,813

⁴ Assuming a 10% drop out rate among first year students and an additional 5% drop out between the second and third year. As mentioned in the data section above, the current drop out rate among Arab students is 16% during their first year. Here we are assuming a lower drop out rate as a result of the positive effects of the additional projects and methodologies funded under the PBC's Six Year Plan, as well as the positive effect of the scholarships provided.

⁵ For engineering students only, assuming 75% of all scholarship recipients will be engineering students. This number may change based on the exact definition of the "preferred fields" of study, and the scholarship applications received by the Fund.