THE ROLE OF THE MIDDLE EAST INVESTMENT INITIATIVE (MEII) IN DEVELOPMENT IN THE WEST BANK, PALESTINE IN THE U.S.-PALESTINE PARTNERSHIP (UPP) FRAMEWORK

PRESYAA RAMADHAN
Master Program of International Relations, Airlangga University; Muhammadiyah University of Yogyakarta, Indonesia
Email: Presyaramadhan@gmail.com
Paper ID : 52-1-2-20180602

ABSTRACT

This paper examines the role of Middle East Investment Initiative (MEII) in development in the West Bank, Palestine in the U.S.-Palestine Partnership (UPP) framework. Answering the question of how the role of the Middle East Investment Initiative (MEII) in development in Palestine in the US-Palestine Partnership (UPP) framework and how the contribution of Public-Private Partnership (PPP) to development in Palestine, the author's thesis statement is that amid diplomatic and territorial disputes, The Middle East Investment Initiative (MEII) as a public-private partnership becomes the main channel for collecting and channeling development assistance such as resources and private sector investment that can benefit the West Bank and bring prosperity to people Palestinians. While the private sector such as the Middle East Investment Initiative (MEII) cannot do much to address diplomacy or security issues, the private sector can play an equally important role through the contribution of resources and investment to conflict areas such as Palestine to help economic development in the West Bank, Palestine.

Keyword: Middle East Investment Initiative (MEII), U.S.-Palestine Partnership (UPP), West Bank, Palestine, Public-Private Partnership (PPP)

INTRODUCTION

Public-Private Partnership (PPP) have existed long enough in the domestic affairs of the country. Public-private partnerships is growing rapidly as an alternative to the provision of goods and services by the government. The private sector played a crucial role in developing these services in the 19th century but, in the post-war period, many were taken into public ownership because of market failure. Increasing financial pressures on public accounts have led to the expansion of new formulas that allow for the channeling of alternative resources, so the governments that previously produced and provided services now tend to rely more on the market for inputs to the production and supply of government or to the provision of goods and services directly(McKee, Edwards dan Atun 2006).
The private partner is responsible for building, operating and storing the necessary assets to deliver the goods or services. Private actors appear to fill the vacuum left by the government. Assets built by private actors may include buildings, computers, dams, roads, or health services such as hospitals or military equipment. Through partnerships with the private sector, public-private partnerships delivers efficient, cost-effective and measurable public services in modern facilities while minimizing financial risks (Navarro Espigares dan Hernandez Torres). The aim of PPPs is to encourage economic development through market-oriented investment and thus to contribute to poverty reduction in developing countries. PPPs enable knowledge, expertise and financing to be pooled. The private sector’s efficient, market-oriented approach is coupled with civil society organisations’ knowledge of local circumstances. The research institutions contribute expertise. And the government brings the parties together and co-finances the partnership (Government of Netherland). Government authorities, businesses, civil society organisations and research institutions all have different goals, tasks and responsibilities. Yet they can benefit from working together. Within a PPP they can reduce risks while achieving better development results.

The scale and ambition to helping countries require new solutions, greater collaboration, and a global partnership that includes public authorities, civil society, communities, and the private sector as a source of financing, innovation, and expertise. Government budgets and aid alone cannot ensure that everyone gets access to sanitation, water, and electricity. To accomplish this, we must maximize finance for development from all possible sources, including the private sector, which can offer effective development solutions, not just financing. While governments are in the driver’s seat in determining where they could use more assistance and how to go about it, we can help them build capacity to work with new partners and ensure that these efforts help their people most in need. There are many ways that governments crowdsource ingenuity, management capacity, and financing from private firms, with PPPs being just one approach they can use. Fundamentally, PPPs represent a procurement technique that can be useful in some circumstances PPPs can involve the private sector in making public services more sustainable, as well as more efficient and cost-effective (Carter 2018).

Foundations have long engaged in public-private partnerships to advance diplomacy and development around the world by providing a neutral environment where governments can collaborate with the private sector, civil society organizations, and individuals in ways otherwise not possible. The foundation community in the US continues to thrive and innovate, and throughout its history, has included the establishment of a variety of foundation types, including private, community, and Government-Related foundations (Global...
Partnership Week 2015). Public-private partnerships are often used in philanthropy that voiced a commitment to working with foundations and non-profit groups, as the U.S. do through the U.S.-Palestine Partnership (UPP), an effort that began in 2007 to expand economic and educational opportunities for Palestinians. The effort was one of about four major public-private partnerships models initiated by Condoleezza Rice, when he became Minister for Foreign Affairs, but the only one that survived.

This research questions the role of the Middle East Investment Initiative (MEII) in development in Palestine within the framework of U.S.-Palestine Partnership (UPP) and how public-private partnership contributes to development in Palestine. To answer the question of how the role of Middle East Investment Initiative (MEII) in development in the West Bank, Palestine in the US-Palestine Partnership (UPP) framework and how public-private partnership contributes to development in Palestine, the author's main argument is that amid diplomatic and territorial disputes that hamper peace in Palestine, the Middle East Investment Initiative (MEII) as a public-private partnership becomes the main channel for collecting and channeling development assistance such as resources and private sector investment that can benefit communities in the West Bank and bring prosperity for the Palestinians. Although the private sector such as the Middle East Investment Initiative (MEII) cannot do much to address diplomacy or security issues, the private sector can play an equally important role through the contribution of resources and investment to conflict areas such as Palestine to help spark economic development in the West Bank, Palestine.

MATERIAL AND METHOD

This research used qualitative research method that explaining the problems obtained through the study of literature. That is processing the data related to the theme of research from various books, news media and from various previous research in the form of journals. In addition to further strengthening the analysis, in research refers to various national and international instruments related to public private partnership.

Public Private Partnership (PPP)

Public-Private Partnerships (PPPs) are a contractual means to deliver public assets and public services. PPP contracts include those intended to develop and manage new infrastructure, contracts to undertake significant upgrades to existing infrastructure (these are called infrastructure PPPs), and those under which a private partner manages existing infrastructure or only provides or operates public services (known as service PPPs). The Organization for Economic Cooperation and Development (OECD) defines a PPP as an agreement between the government and one or more private partners (which may include the operators and the financiers). Within the agreement, the private partners deliver the service so that the service delivery objectives of the government
are aligned with the profit objectives of the private partners. Furthermore, the effectiveness of the alignment depends on a sufficient transfer of risk to the private partners (OECD 2008). In addition, another definition of public-private partnership is a contract between government and a private company under which a private company finances, builds, and operates some element of a public service; and the private company gets paid over a number of years, either through charges paid by users, or by payments from the public authority, or a combination of both (Hall 2014).

PPPs are involved in a wide range of social and economic infrastructure projects. However, they are mainly used to build and operate hospitals, schools, prisons, roads, bridges and tunnels, light rail networks, air traffic control systems, and water and sanitation plants. PPP between government agencies and private sector companies can be used to finance, build and operate projects, such as public transport networks, parks and convention centers. Project financing through PPP can enable a project to be completed more quickly. Private partners participate in designing, completing, implementing and funding projects, while public partners focus on determining and monitoring compliance with objectives. Private sector technologies and innovations help provide better public services through improved operational efficiency. The public sector provides incentives for the private sector to complete projects on time and within budget (Investopedia 2017).

There are four benefits of public-private partnership, which are, first, improved operation and efficiency by adopting private sector technology and innovation; second, long term value-for-money created through appropriate risk sharing throughout the whole life of the project; third, projects delivered on time and budget through incentivisation of private sector partners; forth, an alternative source of funding for public services (Healthcare UK 2013). PPPs can act as problem solvers through, first, the mutual resource dependency of public and private actors. In the context of fund and knowledge, private actors complement state’s position; second, the management perspective of compliance with international rules/norms. The more rule targets are included in the process of rule-making, the greater the likelihood of improving compliance with these rules; third, proponents of deliberative democracy focusing on learning communities. not only enhance the democratic legitimacy of the governance process at the input side (input legitimacy), but also lead to better problem solving by enabling mutual learning processes (R. Susanto 2017).

Government authorities, businesses, civil society organisations and research institutions all have different goals, tasks and responsibilities. They can benefit from working together. By joining a PPP, entrepreneurs gain access to knowledge, expertise, networks and funding. Working with different partners than usual enables them to enter new markets and start up sustainable activities. PPPs enable civil
society organisations to extend their influence. For example, by linking partners together in a chain approach or upscaling activities targeting poverty reduction. Civil society organisations also gain access to new resources through PPPs (for example funding, expertise and marketing approaches). Cooperation with new partners also leads to new ideas and solutions. PPPs enable research institutions to develop and, in particular, to apply knowledge. They bring academic knowledge and expertise to the partnership. At the same time, they learn from both the process and the results achieved. Theory and practice are thus brought closer together. This promotes research, innovation and technology both among partners and within projects. The government needs other parties to make development possible. It can ensure local participation and provide good enabling conditions. The government can also help to upscale successful partnerships. With its global network, the government can connect partners and help them to find openings. Local, national and international government authorities have the funds to stimulate development-relevant partnerships. Where necessary, they can also share the risks.

RESULT AND DISCUSSION
The Role of the Middle East Investment Initiative (MEII) in development in Palestine

Over the last decades, West Bank and Gaza have suffered due to political and economic instability, resulting in years of inadequate infrastructure investment and poor provision of public services to the people of Palestine. The provision of standard municipal public services, especially solid waste management, was of particular concern.

On December 3, 2007, President of the United States George W. Bush, Secretary of State Condoleezza Rice and Administrator USAID Fore announced a new public-private partnership (PPP) focusing on creating economic opportunities for the Palestinian people and helping to prepare Palestinian youth for the responsibilities of citizenship and good governance named U.S.-Palestinian Partnership (UPP) (U.S. Department of State 2008). UPP represents how governments, the private sector, and civil society can work together seamlessly to help address an entrenched humanitarian crisis with global consequences. UPP was an instrumental tool in facilitating business to business partnerships and fostering stronger relations between the US and the Palestinian private sector.

The partnership focuses on two things: providing medium loans to businesses in the Palestinian territories and developing youth centers in the West Bank. With the primary objective to inspire, educate and train, UPP focuses its efforts on three aspects: sustainable economic development; job creation and training; and youth education and leadership development. As one component of the initiative, the United States plans to refurbish three youth centers in Nablus, in Hebron and in Ramallah. These
centers will be affiliated with the Palestinian Ministry of Youth and Sports and will be served by a network of youth connecting them to one another and accessible to communities, youth centers and schools throughout the West Bank (U.S. Department of State 2008).

The private sector of the United States, from non-profits to the business community, contributes to the goals. The effort has attracted financial and technological assistance not only from Intel, but also Cisco, Google, Microsoft, and other companies (Preston 2009). Led by the private sector, UPP has facilitated millions of dollars in new youth programs and initiatives from Intel, Cisco, Microsoft, USAID and others; gathered hundreds of investors and corporate executives in Bethlehem and Washington through an investment conference; and hosted G-Pals Days with Google for small business owners and software developers to gather in Ramallah, Palestine to learn new skills and compete for development rewards. And in March of 2010, UPP received $ 50 million funding commitment from the Skoll Foundation and Soros Foundations Network that will bring hope and opportunity to thousands of men and women in the West Bank (Case 2010).

One of the channel to facilitate the channeling of funds into Palestine through the UPP is the Middle East Investment Initiative (MEII). MEII was formed in response to the growing economic challenges in the Middle East (Middle East Investment Initiative 2017). MEII was launched in Ramallah, West Bank, on July 25, 2007 by United States Department of State representatives Karen Hughes; President of Overseas Private Investment Corporation (OPIC) Robert Mosbacher, Jr.; Chairman of the Aspen Institute's MEII Board, Berl Bernhard; Palestinian President Mahmoud Abbas and Prime Minister Salam Fayyad (Bureau of Public Affairs 2007).

MEII is a United States non-profit organization set up to help revitalize the economy in the Middle East region, realizing that a strong economic base is essential for social and political stability. MEII partners with public and private organizations to develop specialized financial products in the Palestinian and Middle East areas while encouraging economic activity, creating jobs and expanding home ownership (Clinton Foundation 2008). MEII capabilities revolved around financing using debt, equity, security, leasing, insurance, microfinance, mortgage financing, and derivatives coupled with technical assistance and capacity building to foster economic development and employment creation. Recognizing the importance of financial inclusion in the form of SME access to credit, affordable housing loans, or banking for the poor, MEII designs and disseminates financial programs that generate a balance between development and profitability to encourage sustainable economic development and investment in the Middle East and North Africa (Middle East Investment Initiative 2017).

The purpose of MEII is to improve access to financing of small and medium
enterprises (SMEs) in Palestine, and reduce the barriers to financial inclusion for more than 90 percent of small businesses in Palestine. SMEs are integral to the Palestinian economy and make up the vast majority of Palestinian enterprises. They serve as a primary source of employment, attract investments and are central to efforts for increasing economic prosperity. 99 percent of economic enterprises in the occupied Palestinian Territory (OPT) are SMEs, (with less than 20 employees) as of 2010. Most of these are conventional in nature, that operates in light industries, primary consumption goods production, (mainly food products, clothing, non–metallic products, and furniture)(Middle East Investment Initiative 2017).

MEII is a PPP model initiated by the Aspen Institute, OPIC, and the Palestinian Investment Fund. MEII lends $228 million to improve Palestinian livelihoods, small and medium enterprises in Palestine, create jobs and economic growth, and catalyze the development and expansion of the private sector in Palestine. The MEII inaugural project is a $160 million loan guarantee facility for small and medium-sized Palestinian businesses, incubated between 2005 and 2007. Since its inception in 2007, the MEII Loan Guarantee Fund (LGF) has secured eight projects, totaling more than $1.6 million. At the end of 2008, LGF supported 150 projects worth over $40 million. These projects will create 1000 new permanent jobs, as well as secondary work(Middle East Investment Initiative 2017).

MEII is making a big difference in Palestine, mostly in West Bank and Gaza Street, through several programs it runs and manages there, especially regarding facilitating access to credit for SME’s and providing needed Technical Assistance. First, under the Loan Guarantee Program, MEII runs different guarantee facilities worth a total of USD $129 million to encourage banks and other Financial Institutions (FIs) to adapt lending culture to a cash flow based system, rather than collateral based one. Second, the Technical Assistance Program and Matchmaking Platform helps SMEs, which play a major role in their country’s economic stability, understand the importance of their financial transparency and develop their financial management and bookkeeping and understand how it affects their ability to grow and expand. Additionally, an innovative web-based Matchmaking Platform helps these SMEs interact and link with Financial Institutions (FIs) by representing their data through this platform. This matchmaking technology offers SMEs the opportunity to make the best deals based on their needs and abilities while offering FIs strong potential pipelines and opportunities for engagement(Middle East Investment Initiative 2017).

President George W. Bush endorsed US support for the concept of securing a MEII loan(Middle East Investment Initiative 2017). President George W. Bush announced his approval for the OPIC loan program on July 16, reiterating American support for the Palestinian people and outlining overall 2007
U.S. Government assistance that also includes $144 million to the United Nations Relief and Works Agency (UNRWA), $50 million through USAID for Palestinian basic human needs, food aid, and democracy, civil society and private sector development, $10 million in P.L. 480 Food Aid, and $80 million to help reform the security services of the Palestinian Authority. This is in addition to nearly $130 million in already planned USAID programs(Bureau of Public Affairs 2007).

In the West Bank, MEII has used an OPIC loan guarantee to support lending to the small and medium enterprises. MEII loan recipients are often very small businesses with just a handful of employees. But despite the challenges of operating in an environment marked by political instability and significant red tape, they’ve been able to make good use of the capital provided. One loan recipient, a water bottling company in Ramallah, has grown from 11 employees to 20 since receiving a loan three years ago, while providing a very much sought after source of safe drinking water in a region where water stored on rooftop tanks frequently becomes contaminated with microbes. Another loan recipient was a small printing and publishing shop, which has been able to purchase more modern printing equipment to meet growing demand. That business has more than doubled its employee base. In a region that has a staggering unemployment rate of about 25 percent, the impact of helping small businesses create jobs is far-reaching. But job creation is not the only benefit. The success of this lending facility has helped local banks recognize the opportunities of lending to small businesses. Those banks that are participating in a second $100 million MEII Guaranty Facility to launch in late 2015 have even asked to amend the terms so that they can assume a higher level of risk. The banks in the region have learned that lending to small businesses is less risky than they thought. Many of the businesses in the region are led by highly entrepreneurial and hardworking people. If given the opportunity through the provision of financing, many are able to succeed(OPIC 2014).

Small businesses in the West Bank are a key source of job creation but they often struggle to obtain the credit that they need to expand. Therefore, in 2007, OPIC provided a $110 million guaranty to the Middle East Investment Initiative to support lending to the small and medium enterprises that make up about 90 percent of the Palestinian economy. OPIC’s guaranty has supported more than 750 small business loans in sectors from agriculture to manufacturing to retail, totaling over $132 million. These loans, to small businesses that would not otherwise have been able to obtain financing, have led to the creation of an estimated 10,000 jobs, many that are employing women(OPIC 2014).

MEII also has an internship program in Palestine for qualified and hard working accounting students. In partnership with local Palestinian universities, MEII has developed a three-month internship program for university students majoring in accounting. MEII is seeking serious students who are committed to learning and improving their
accounting skills. This is not an employment opportunity, rather a practical learning experience and opportunity to work with an international organization providing technical assistance to local SMEs. This program matches university students or recent graduates with SMEs who require accounting and financial technical assistance. Interns who have successfully completed the program will be given a certification from the accounting software company, a letter of recommendation, and a financial stipend. During the course of the internship, MEII will provide each intern with some pocket money to cover local transportation expenses. Every intern will be assigned a mentor (typically a business advisor) who will supervise, train and guide the intern during the three-month program. Every business advisor has a list of SME clients to whom they are providing accounting and financial technical assistance. After the initial training, every intern will be assigned to a SME client to provide bookkeeping services at the SME’s business location (Middle East Investment Initiative 2017).

MEII also participated in the creation of a $500 million Palestinian a viable mortgage finance marketplace enabling low income households to purchase homes. The Affordable Mortgage and Loan Corporation (AMAL), where MEII had 15 percent shareholder, was established to oversee and manage the provision of mortgage financing. AMAL offers the prospective buyers of fixed-interest housing and mortgage loans with varying interest rates with a tenor of up to 25 years, which will increase the affordability of the home. By rejuvenating the Palestinian housing sector and related industries, which will jointly generate thousands of jobs in the Palestinian territories. AMAL stands to foster significant economic growth in Palestine. MEII also financed the purchase of 10,000 – 12,000 housing units on Palestinian owned land for such projects as the Rawabi housing project, north of Ramallah (The Aspen Institute 2017).

MEII is investing in entrepreneurial companies in the Internet, mobile and software sector that are growing out of the substantial community of software and telecom engineers and other entrepreneurs in Ramallah and throughout the West Bank. MEII provides an opportunity for US and global investors to do business while making a contribution, which is to produce a viable Palestinian state and get a valuable investment and social return on investment in the process (Case 2010). Millions of dollars in investments into Palestine by the Internet, mobile and software sectors through MEII, from TouchStar, Cisco Systems Inc., to Intel Corp. TouchStar CEO Steve Bederman developed a call center project to help create 500 new job opportunities for Palestinians in Israel. The call center will be located in East Jerusalem, and it will provide Arabic and English language call center services for business customers in the Middle East and North Africa; Cisco provides $10 million toward training of Palestinian business leaders and as seed money for investment in Palestinian businesses; Intel donated 900
personal computers to Palestinian youth centers; in addition to training professors and students in business development and planning; and USAID are also making partnerships between the public and private sectors create four high-tech youth centers throughout Palestine to educate and develop the next generation of Palestinian leaders worth about $ 13 million (Aspen Institute 2008).

Cisco’s efforts created a ripple effect, bringing in other American tech giants, which also use their Israel offices to work across the border. And as U.S. companies got Palestinian companies comfortable with working with entities based in Israel, large Israeli tech companies have been able to establish relationships, too. Cisco has formalized this by creating a 35-company coalition, Ma’antech (“together” in Arabic), comprising everyone from IBM to Israel's Bank Hapoalim, with the stated goal of creating jobs for Arab tech workers. HP now outsources some of its research and development to the West Bank. Microsoft Israel has started putting Palestinian engineers in Ramallah on its payroll. Intel's efforts are more robust. Like Cisco, it is working to improve the Palestinian IT sector, and it has established meet-ups--its Tech Forum in March brought 60 Palestinian and Israeli entrepreneurs together (Behar 2013).

MEII complements the Palestinian effort to improve the economy and encourage local businesses of the Palestinian people. MEII provides affordable long-term loans to small businesses and family-owned Palestinians who do not have access to them. These include olive farmers who want to expand operations, youth with small information technology firms, or someone who wants to employ neighbors to produce and export Palestinian embroidery (Bureau of Public Affairs 2007). MEII makes a big difference in Palestine, which mostly takes place in the West Bank, through several programs run and managed there, primarily on facilitating access to credit for SMEs and providing needed technical assistance.

CONCLUSION

The Middle East Investment Initiative (MEII) as a public-private partnership can serve as a major channel for donors and investors to collect and channel development assistance such as resources and private sector investment that can benefit communities in the West Bank and bring prosperity to people Palestinians. This role is carried out by the MEII amid diplomatic and territorial disputes that impede peace in Palestine. Although the private sector in this regard is the Middle East Investment Initiative (MEII) cannot do much to overcome the problem of diplomacy or security, but the private sector can play an equally important role through the contribution of resources and investment to conflict areas like Palestine to help spark economic development in the West Bank, Palestine.
REFERENCE


partnerships/public-private-partnerships.


R. Susanto, Siti. 2017. *Public Private Partnership (PPP)*. PPT, Surabaya: S2 HI FISIP UNAIR.