

Economic development and management and resolution of the Arab-Israeli conflict: the case of Microfinance in Palestine

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Introduction

- The contribution of economic development to conflict management and resolution: the experience of microfinance?
 - Kosovo
 - Sierra Leone
 - Somalia
 - Liberia
 - Rwanda
 - Palestine
 - Afghanistan

Problem

□ **Question:**

- In the case of the Arab-Israeli conflict, what is the potential of economic development through microfinance in contributing to the management and resolution of the conflict?

□ **Thesis:**

- Although microfinance institutions (MFIs) have their *raison d'être* in resolution and management of the Arab Israeli conflict, the dependence of the Palestinian economy limits the positive impact that microfinance can have.

PLAN

1. Theory about contribution of economic development to conflict management and resolution
2. Contextualizing economic development in Palestine
3. Assessing the potential of microfinance as an economic mean to manage and resolve conflict

Theory about contribution of economic development to conflict management and resolution

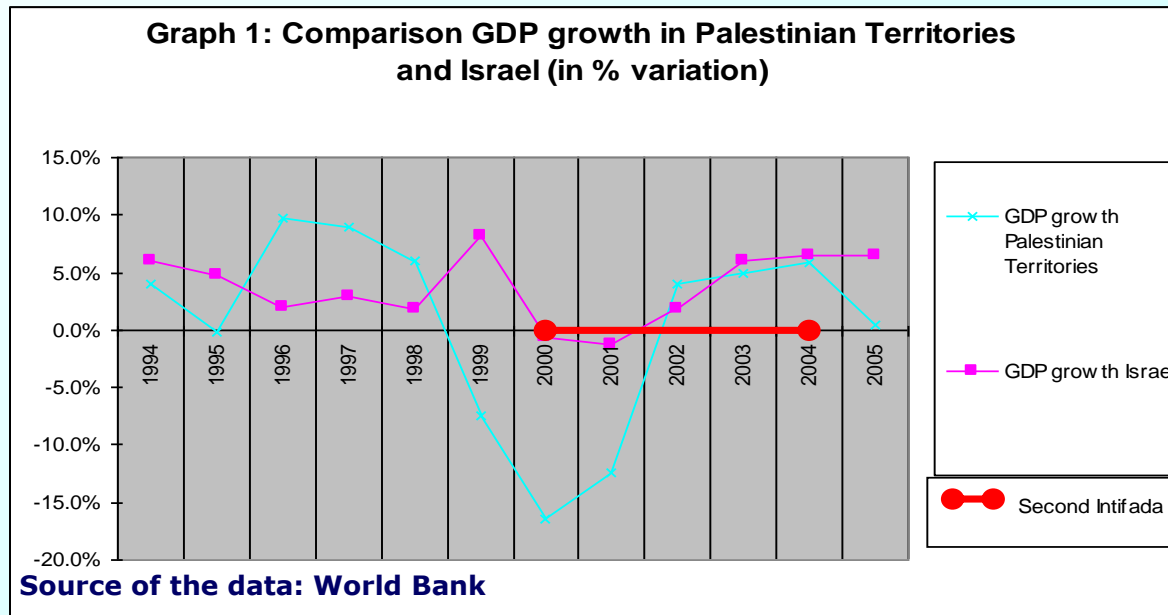
- Theories of economic development and prosperity

- The logic behind the economic development theory acts at two different levels:
 - 1) macro level and
 - 2) micro level

Measuring the relation between conflict and economic development

□ Empirical evidence

- Cross-country study in 41 countries
 - Rainfall variation VS conflict occurrence
- In the case of Palestinian Territories, the causation is not clear
 - Low economic growth causes conflict, or conflict causes low economic growth?
 - need to find an instrumental variable...

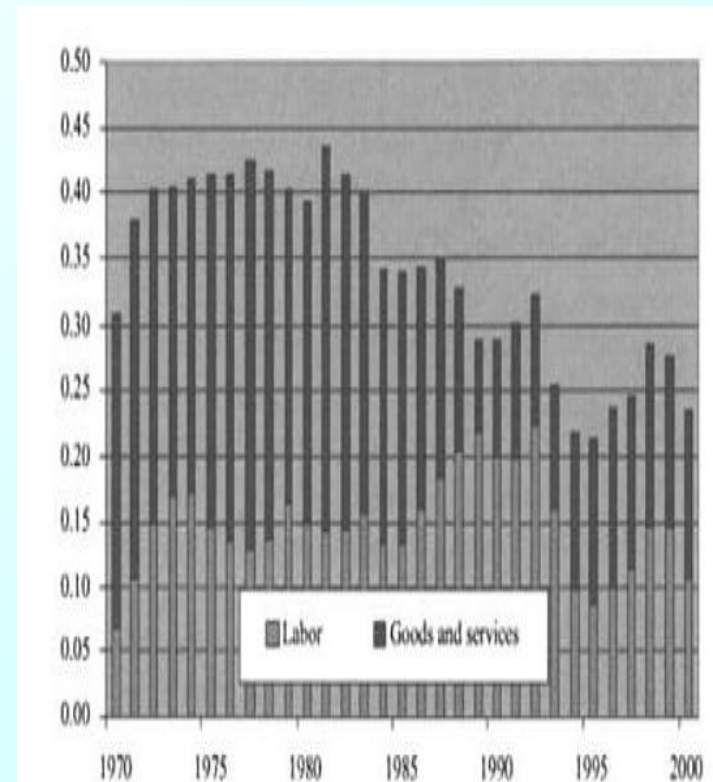


Contextualizing economic development in Palestine

- Dependence of the Palestinian economy
 - Dependence on foreign aid
 - Dependence on Israel
 1. Palestinian exportation of goods and services to Israel and
 2. Palestinian Labour in Israel.

- The **decreasing dependence** of the Palestinians war **less costly** for them.

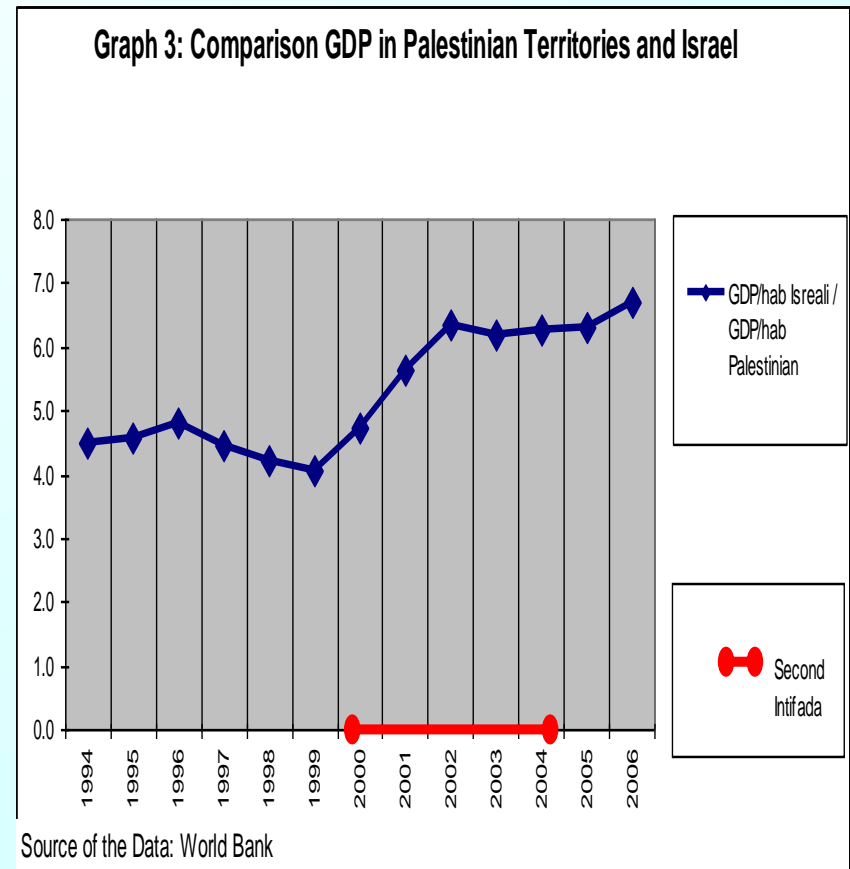
Graph 2 : Dependency Index



Cabham 2004; 15

Contextualizing economic development in Palestine

- Context of asymmetrical power
- Increased dependency of Palestine on Israel's political decisions.
 - Exportation of goods and services
 - Labour mobility
- Palestine's economy depends more considerably on peace than Israel



Assessing the potential of Microfinance as an economic mean to manage and resolve conflict

- **Microfinance:** refers to the provision of financial services to poor or low-income clients, including consumers and the self-employed (CGAP, 2009).
- Three main arguments in the case of conflict resolution
 1. Microfinance helps to foster production and commercialization of new goods and services
 2. Microfinance is an alternative economic development tool to avoid international aid dependence
 3. Microfinance reduces unemployment, poverty, and inequalities

Conclusion

- In the case of the Arab-Israeli conflict, what is the potential of economic development through microfinance in contributing to the management and resolution of the conflict?

- Although Microfinance Institutions (MFIs) have their *raison d'être* in resolution and management of the Arab Israeli conflict, the dependence of the Palestinian economy severely limits the positive impact that Microfinance can have.
 - Economic development in Palestine is highly dependant on Israel's political decisions that are closely related to security issues.
 - Microfinance's impact on economic development is limited because economic development relies on many other variables, among which external variables are more important than internal variables.
 - Within the actual context, economic development has a limited impact on conflict management and resolution in the conflict between Israel and Palestine.

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- Thank you!
 - Questions?
 - Comments about differences between Microfinance in Palestine and Microfinance in Afghanistan?