



THE PALESTINIAN AUTHORITY: INSTITUTIONAL DEVELOPMENT, ECONOMIC DEPENDENCY, AND THE CHALLENGES OF NATION-BUILDING

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ABSTRACT:

This paper analyzes the institutional framework, economic arrangements, and political structures underpinning the establishment of the Palestinian Authority (PA) following the Oslo Accords. It focuses on the Paris Protocol on Economic Relations (1994), the creation of security and governance institutions, and the ongoing dependency of the Palestinian economy on Israel. The paper also examines the limits of Palestinian nation-building within the constraints of partial sovereignty, highlighting the structural challenges faced by the PA.

KEYWORDS:

PALESTINIAN AUTHORITY, PARIS PROTOCOL, NATION-BUILDING, INSTITUTIONAL DEVELOPMENT, ECONOMIC DEPENDENCY.

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1. INTRODUCTION: THE PALESTINIAN AUTHORITY AS A PRODUCT OF THE OSLO PROCESS

The Palestinian Authority (PA) emerged as the most significant institutional outcome of the Oslo Accords (1993–1995). Conceived as an interim self-governing body, the PA was tasked with exercising limited jurisdiction in the West Bank and Gaza Strip during a five-year transitional period (United Nations, 1993). Its creation raised questions about the relationship between occupation and autonomy, with scholars debating whether the PA represented a step toward sovereignty or merely a mechanism for managing the population under continued Israeli control (Sayigh, 2011; Brown, 2003).

2. INSTITUTIONAL FRAMEWORK AND GOVERNANCE STRUCTURES OF THE PALESTINIAN AUTHORITY

The PA was designed as an **executive administrative body**, initially centered on President Yasser Arafat's leadership and Fatah's dominance (Robinson, 1997). The **Palestinian** Legislative Council (PLC), elected in 1996, was envisioned as a check on executive power, but in practice, the PA developed authoritarian tendencies, concentrating authority in the presidency (Brown, 2003).

The PA's governance framework included:

- Civil administration (education, health, infrastructure).
- Security apparatuses (police, preventive security, intelligence).

- Coordination mechanisms with Israel through Joint Committees.

However, the limited jurisdiction of the PA, restricted to Areas A and B (post-Oslo II), highlighted the fragmented and constrained nature of Palestinian governance (Shlaim, 2014).

3. THE PARIS PROTOCOL: ECONOMIC RELATIONS AND STRUCTURAL DEPENDENCY

The Paris Protocol on Economic Relations, signed in April 1994, institutionalized economic ties between Israel and the PA (World Bank, 1994). While it allowed the PA to collect customs revenues and regulate internal trade, it effectively bound the Palestinian economy to Israel's through a customs union model (Arnon&Weinblatt, 2001).

3.1 REVENUE FLOWS AND FISCAL DEPENDENCE

Customs and VAT revenues collected by Israel on behalf of the PA became its main source of income. This created a chronic dependency, as Israel periodically withheld transfers for political leverage (Klein, 2007).

3.2 LABOR AND MARKET INTEGRATION

The protocol facilitated Palestinian labor flows into Israel but also exposed the PA to economic vulnerability, as closures and permit restrictions disrupted employment (Hilal, 2007). The integration of Palestinian markets into the Israeli economy constrained prospects for independent development.

4. SECURITY ARRANGEMENTS AND THE PA AS A QUASI-SOVEREIGN AUTHORITY

Security coordination was central to the PA's mandate. The

creation of multiple overlapping security forces reflected both the priority given to stability and Arafat's strategy of balancing rival factions (Sayigh, 2011).

While Palestinians expected the PA to defend their national rights, its primary security role was to police its own population in coordination with Israel (Beinin&Hajjar, 2014). This dual function undermined the PA's legitimacy, with critics arguing it acted as a subcontractor of occupation (Ghanem, 2010).

5. THE NATION-BUILDING DILEMMA: INSTITUTIONS WITHOUT SOVEREIGNTY

The PA invested in state-like institutions—ministries, police, taxation systems, and service delivery—but its capacity for sovereign governance remained restricted. Scholars have described this paradox as “state-building under occupation” (Brown, 2003; Robinson, 1997).

Key challenges included:

- Lack of control over borders and resources, limiting economic autonomy.
- Expansion of Israeli settlements, undermining territorial contiguity.
- Exclusion of refugees and the diaspora, weakening national consensus.
- Donor dependency, which shaped PA priorities to fit international agendas (Sayigh, 2011).

Thus, while the PA embodied the institutional symbols of a proto-state, it lacked the structural conditions necessary for true sovereignty.

6. INTERNATIONAL INVOLVEMENT AND DONOR-DRIVEN DEVELOPMENT

International donors played a pivotal role in financing PA institutions. The creation of PECJAR (Palestinian Economic Council for Development and Reconstruction) coordinated external aid, but donor priorities often favored stability over sovereignty (Hilal, 2007). Aid conditionality meant the PA was pressured to prioritize security reform and fiscal discipline, sometimes at the expense of grassroots development (Aruri, 2003).

This donor-driven development created a “rentier dynamic”, where external financial flows sustained the PA but reduced incentives for building sustainable domestic economic structures (Sayigh, 2011).

7. CONCLUSION: INSTITUTIONAL ACHIEVEMENTS AND STRUCTURAL CONSTRAINTS

The establishment of the Palestinian Authority marked an unprecedented moment of Palestinian self-rule, with the

creation of institutions resembling those of a state. However, its economic dependency on Israel, limited jurisdiction, and reliance on donor aid prevented genuine sovereignty. The PA's institutional framework thus reflected both an achievement in governance capacity and a constraint imposed by occupation and asymmetrical agreements. The paradox of the PA remains unresolved: it has the institutions of a state but not the sovereignty to exercise them fully.

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