



Reforming the Palestinian Authority A Roadmap for Change

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The new PA government at its swearing-in, Ramallah, March 31, 2024; President Mahmoud Abbas (third from right) stands next to incoming prime minister Muhammad Mustafa (fourth from right). REUTERS

The Hamas-Israel war has underscored the urgency of reforming the Palestinian Authority (PA) as a necessary condition along the path to a credible Palestinian state.* At a time when a Palestinian address is needed for maintaining stability in the West Bank, planning for the “day after” the war in Gaza, providing a governance alternative to Hamas, and engaging future diplomatic initiatives, the current PA is simply not up to the task. Weak, corrupt, lacking in domestic legitimacy, and mistrusted by donors, the governing body is instead irrefutably part of the problem. For the PA to carry out its key roles—and, as importantly, to earn the confidence of Palestinians and the international community—it will need to undergo significant reforms. While full reforms will take time to implement, merely initiating the effort

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Abbreviations

AHLC	Ad Hoc Liaison Committee
GCC	Gulf Cooperation Council
OECD	Organisation for Economic Co-operation and Development
PA	Palestinian Authority
PASF	Palestinian Authority security forces
PLO	Palestine Liberation Organization
UNRWA	UN Relief and Works Agency for Palestine Refugees in the Near East
USSC	U.S. Security Coordinator for Israel and the Palestinian Authority

and achieving basic benchmarks—in security, the economy, and education—will signal a new role for the PA in Palestinian politics, postwar Gaza, and ultimately peace diplomacy.

This paper will examine why reform of the Palestinian Authority is needed, the relationship between PA reform and postwar Gaza, and the associated requirements for an international architecture along with key areas on which to focus.

Why Reform the PA?

The Palestinian Authority was created in 1994 as a result of the Oslo Accords, signed the previous year, to serve as an interim governing body for the Palestinians in the West Bank and Gaza until a permanent peace deal could be concluded between Israel and the Palestine Liberation Organization (PLO). Initially, the PA was popular among Palestinians, and its leaders—drawn overwhelmingly from among PLO officials who were until then based in Tunisia and led by Chairman Yasser Arafat—enjoyed credibility. The PA, along with the Oslo Accords, was marketed to the Palestinians as a step toward ending the occupation

and creating a Palestinian state, which further bolstered its stature. Since then, however, the PA's standing has slipped and now sits at a historic low, creating questions about its future.

The primary weakness of the PA today is one of legitimacy, caused by a combination of diplomatic, governance, and political failures. While the extreme levels of unpopularity seen in recent polls are a direct result on the Gaza war,¹ the trend has been negative for a number of years. The initial promise of the PA has failed on two main counts: Diplomacy has failed to produce progress toward a Palestinian state, and PA governance is widely perceived as corrupt, ineffective, authoritarian, and stagnant by a majority of the Palestinian public and international community. For years before the Hamas attack of October 7, 2023, the PA had suffered from systemic and structural weaknesses that prompted Palestinians to consider it a liability rather than an asset. Besides corruption, specific critiques have centered on the governing body's inability to exert security control over parts of the West Bank and a lack of expertise necessary to help improve the daily lives of Palestinians.

The PA's decline has occurred amid zero-sum political competition with Hamas. Since its creation in 1987, the Islamist group has sought to supplant the secular ideology espoused by its rival Fatah and to emerge as the leader of the Palestinian national movement. The rivalry deepened with the PLO's adoption of diplomacy, the signing of the Oslo Accords, and the creation of the PA. Hamas, in turn, has benefited concretely from the decline of the PA and its main party, which in 2006 fell to Hamas in parliamentary elections and, the next year, was ousted militarily by the group, leading to Hamas's longtime control of Gaza. Ever since the takeover, the PA has been on the defensive versus Hamas and other Palestinian rejectionist factions.

Moreover, the PA in its current form is not trusted by donors—whether Arab or Western—leading to a significant reduction of external support.² Still, with the exception of the period under President George W. Bush when the international community

undertook a concerted push for reform, donor frustration has not translated into sustained pressure for meaningful reform. Whether driven by fatigue after the reversal of reforms enacted by former PA prime minister Salam Fayyad, competing regional and international priorities, or fear of alienating the PA leadership during peace talks, the issue of PA reform has been neglected. The Biden administration has followed this general path. While raising the issue rhetorically, it has put forth no serious initiatives. Specifically, after the October 7 attack, the administration called for a “revitalized Palestinian Authority,”³ yet it did not advance a clear policy to achieve this end. The passive U.S. approach was on full display when the administration welcomed the formation of a new PA cabinet in March 2024 despite doubts about its commitment to reform.⁴

A genuine effort to reform the PA is essential if the body is to regain public legitimacy, compete against and confront Hamas, remain a relevant structure in the West Bank capable of providing services and governance to the Palestinian people, maintain control over Palestinian national institutions, and serve as a civilian and diplomatic address.

PA Reform and the “Day After” in Gaza

Before the Gaza war and the connected questions about which actor will oversee the coastal territory’s recovery, reconstruction, and ultimately governance, the PA’s decline tended to be viewed as an abstraction by international observers. But the war has changed that. Today, the PA is too weak and discredited by Palestinian civilians and the international community to take immediate control of Gaza, severely complicating the day-after question. Meaningful reform is needed if the PA is to ultimately govern Gaza or even gradually reenter the territory as an administrative force. While reform is a major undertaking, the PA requires it to amass the practical ability and political credibility to play a role in postwar Gaza.

The current Israeli government, for its part, formally opposes a PA role not because the Authority is too weak or corrupt but because it is regarded as advancing anti-Israel views on the global stage and inadequately forceful against terrorism.⁵ Moreover, many members of the Israeli cabinet oppose the PA because they simply oppose a future Palestinian state. Yet for all the Israeli resistance, the government under Prime Minister Binyamin Netanyahu has yet to put forward a convincing, realistic alternative. A full Israeli reoccupation of Gaza runs counter to both Israeli policy and international positions. Leaving a governance and security vacuum will only invite negative forces—whether Iran, Hamas, or other jihadist groups—and enable ongoing instability and chaos. Such an outcome will ensure that Gaza remains a security threat to Israel.

Regional and international parties have made it repeatedly clear that they will only play a role in Gaza if such a role is approved by the PA—which they view as the only acceptable, viable Palestinian address—and framed as a transitional step toward resuming PA control. It should be noted that while many countries pay lip service to reform, most are anxious for the PA to take the lead on postwar Gaza and unwilling at this stage to exert pressure on the PA to initiate reform. While such a sense of urgency may be understandable, the PA in its current form will not have the capacity or domestic legitimacy to effectively and transparently govern Gaza, nor will it be capable of credibly shepherding a future Palestinian state.

No Arab government, for example, will agree to support stabilization and reconstruction in Gaza without assurances that it will eventually cede control to Palestinian leaders. The prospect of permanently running the Strip and inevitably being accused of usurping Palestinian agency and collaborating with the Israeli occupation will be a nonstarter.

Furthermore, the idea advanced by Netanyahu that Gaza governance can be achieved through local, unaffiliated groups such as clans creates a set of problems.⁶ For one thing, it is unlikely that local

actors would be willing to play this type of role, whether owing to fear of delegitimization across the Palestinian political spectrum or threats to their personal security. Past attempts to create such structures—e.g., the Village Leagues established in the late 1970s in the West Bank or the South Lebanon Army following Israel’s 1982 occupation—ended in failure, with little evidence suggesting such an arrangement would fare any better this time. By process of elimination, a future PA role seems to be the least imperfect option.

Nevertheless, envisioning a PA role in Gaza does not mean that the Authority will take full responsibility for the territory as soon as the war ends. Even once major hostilities are concluded, Israel will likely maintain significant control as it shifts to lower-intensity security operations. Indeed, for any day-after scenario to materialize, Hamas must be significantly weakened and degraded. Throughout the war, the terrorist group has demonstrated its ability to play the spoiler and prevent any other actor, whether Gaza locals or international aid agencies, from operating independently.⁷

PA reform is needed not only for practical reconstruction and Gaza governance but also for future diplomacy. The events of October 7 demonstrated the limits of delinking normalization with Arab states from the Palestinian issue. As illustrated in the intervening period, events in the Palestinian territories can still foment regional instability. Indeed, since the beginning of the war, calls for a two-state solution—or at least a credible pathway thereto—have become commonplace, whether in the United States, Europe, or the Arab world. Most important, any future process for achieving normalization between Israel and Saudi Arabia will require a significant Palestinian component.⁸ While a traumatized Israeli public currently has little appetite to discuss a future Palestinian state, the postwar scene will likely see attempts to revive normalization talks with Saudi Arabia, requiring eventual attention to the Palestinian issue. Progress on resolving the conflict—whether bilaterally or in the context of wider regional diplomacy—cannot take place without a legitimate, capable Palestinian address.

Building an International Reform Coalition

Initiating and sustaining the Palestinian Authority reform process will require significant international involvement. The PA leadership has demonstrated an unwillingness to initiate meaningful reforms on its own and must therefore be pressured by the international community to do so. But even if such pressure can compel it to launch this process, PA leaders will likely resist, evade, or undermine reform efforts every step of the way. In addition to protecting the political space for reform, the PA will need external financial and technical support to build its institutions.

Designing a diplomatic process and an international coalition will be key to any effort to reform and rebuild the PA. Fortunately, the successful—albeit short-lived—experience of PA reform initiated in the early 2000s by the George W. Bush administration offers some guidance on how to proceed. A generative date was June 24, 2002, when President Bush delivered a Rose Garden address calling for PA reform, which triggered a U.S.-led diplomatic process culminating in the adoption by the Quartet (United Nations secretary-general, European Union, United States, and Russia) of the “Roadmap for Peace” initiative in 2003. Later that year, the UN Security Council adopted the Roadmap in Resolution 1515 while the Bush administration secured support from key Arab states. In 2007, the Quartet appointed a high-level representative in former British prime minister Tony Blair to oversee the process, bolstered by ministerial- and envoy-level participation by Quartet members.

As a result, the PA was left with no choice but to embark on reform. Under Prime Minister Salam Fayyad (2007–13), the PA enacted significant improvements in the areas of public finance, security, and public administration. Unfortunately, many of these were reversed under subsequent prime ministers appointed by President Mahmoud Abbas once international attention turned elsewhere, whether due to competing priorities in the

region—particularly after the Arab Spring uprisings—overall peace process fatigue, or loss of patience with corruption and poor governance by the PA. For his part, Abbas leveraged renewed international interest in relaunching the diplomatic process, particularly under President Barack Obama, to deflect international attention from reform.

To reinvigorate a process of PA reform, the U.S. president will again need to initiate the effort in order to signal American seriousness. Such signaling needs to be reinforced with sustained U.S. focus on the issue of reform. Furthermore, a coalition akin to the Quartet, although this time with Arab participation, will need to oversee the process directly and through a high-level envoy. Absent such an effort, PA leaders will identify differences in international actors' commitment to and definitions of reform, and exploit resulting cracks to avoid making any serious changes—or else simply wait until attention wavers to resume the status quo ante.

U.S. Role

Reform of the Palestinian Authority will be a complex, multifaceted process that requires U.S. leadership along with the engagement of many international and regional actors. The diplomatic investment required will be steep, but developments on and after October 7 harshly spotlight the risk to American interests of failing to mind the Palestinian arena. The Hamas attack shifted attention away from Saudi-Israel normalization, emboldened Iran's proxies, and placed stress on U.S. allies. The U.S. role with respect to PA reform must now include organizing a coalition of the willing to pressure the Authority, establish performance benchmarks, provide technical and financial support, and supervise implementation. Washington will also be pivotal in mobilizing other donors and international actors to the cause. If the United States endorses and engages in a reform process, including through the conditional provision of funds, other donors are more likely to follow and international actors will likewise be more compelled to take part.

When it comes to coalition building, only the United

States has the diplomatic muscle to ensure key international donors amplify a common set of demands when engaging the PA and to coordinate their assistance policy accordingly. Today, different actors emphasize different aspects of reform. Whereas Israel is focused on security and incitement-related issues, some donors spotlight democracy, human rights, and fundamental freedoms, and others—particularly those in the region—care most about transparency and efficient governance. For its part, the PA itself is focused on avoiding anything beyond cosmetic changes that preserve its internal power dynamics. Indeed, while the Roadmap requires an “empowered” prime minister who serves as a counterbalance to the president, PA prime ministers since Fayyad have had their authorities curtailed in practice, particularly with regard to control over security agencies and public finances. This is why only a unified vision that insists on meaningful reform, while also setting reasonable objectives and timelines, will hold the PA accountable and prevent it from exploiting an unaligned international coalition and sustaining the status quo.

Regional Role

The United States must undoubtedly lead the PA reform effort, but it must do so within the framework of an international coalition anchored by Arab states, which can exert leverage on the PA in ways that the United States and Western countries cannot—and which have access to quickly deployable financial resources. But the Arab effort should be broader still. Compared against the Bush years, Arab states today have the advantage of being able to provide relevant technical assistance on a regional level. During previous reform efforts, Arab actors were seen simply as financiers of PA institution building, with the exception of Jordan, which—partnering with the U.S. Security Coordinator for Israel and the Palestinian Authority (USSC)—trained the PA security forces (PASF), thereby contributing to their effectiveness and durability. In today's environment, Jordan remains a prime candidate for training the PASF, while Gulf Cooperation Council (GCC) countries can play a leading role in public-sector and educational reforms.

Israel's Role

Many of the needed reforms can be undertaken solely by the PA, which cannot be allowed to use Israel as an excuse for failing to initiate the process. Yet ultimately, Israel will play a significant role in the success or failure of a PA overhaul. Specific measures, especially those related to security and economic development, will require Israeli permission and facilitation. Even further, Israel is central to the PA's functioning—particularly through its control of much of the body's tax revenues—as well as in West Bank life generally. As such, Israel can create conditions conducive to stabilizing and empowering the PA—or else adopt policies that weaken it. Moreover, Palestinian opponents of PA reforms will attempt to brand them as the subcontracting of Israel's work, as they did during Fayyad's prime ministerial tenure. The ability of reformers to show positive Israeli steps in response to reforms will strengthen the process—and the reverse is also true.

The following sections proceed from the assumption that Israel has an interest in adopting policies that strengthen the PA and will support efforts to reform the entity. A weakened or collapsed PA will impose a significant financial and diplomatic burden on Israel. It will also create a vacuum that will be exploited by Hamas, Iran, and other terrorist actors, requiring Israel to commit additional security resources in the West Bank. Here, it must be noted that members of the current Israeli government are proactively pursuing policies intended not only to weaken the PA but to collapse it.⁹ Without a fundamental policy shift by Israel, reform efforts will have minimal chances of success.

Israel has an interest in creating a stable security reality in the West Bank, and should acknowledge that it cannot serve as a civilian address in the Gaza Strip for postwar recovery and stabilization. Since Israeli consent will be required to conduct many of the necessary reforms for the PA, Israel will need

to be on board for them to be successful. Therefore, Israel should take part in any discussion dealing with PA reforms. Yet if Israel continues to refuse to formalize or even discuss such a vision, other actors, including the United States, will likely step in to do so without Israeli participation. Once such a vision is formulated, Israel will likely come under pressure to endorse it, but at that point with minimal leverage to shape the parameters.

Finally, whatever Israel's ultimate stance in supporting a vision of PA reform, its role in the process must be invisible—while nevertheless substantive—so as not to offer the impression that the plan is being imposed by Israel and designed to serve its interests. Such a perception would harm the legitimacy of any such effort in the eyes of the Palestinian public.

What Would PA Reform Look Like?

Reform of the Palestinian Authority will have to address an array of issues, ranging from the authoritarianism of the current president to political stagnation, public-sector inefficiency, security-sector and economic challenges, and educational curricula.

Accountability at the Top

A key feature of the PA's dysfunction is concentration of power in the hands of President Abbas. Like his predecessor Arafat, the current executive controls all levers of national power. Abbas has brought the security forces under his direct control, dissolved the Legislative Council, subordinated the judiciary to his will, and refused to appoint a deputy or clarify the succession process, even though he turns eighty-nine in November. While separation of powers is called for in the Palestinian Basic Law—the de facto PA constitution—the leadership ignores this requirement and functions instead as an authoritarian regime.

Compounding these structural challenges is Abbas's deepening unpopularity in recent years, exemplified in a poll released in June 2024 in which 90 percent of Palestinians indicated that they wanted him to resign.¹⁰ This is why any PA reform effort must start at the top. Abbas must be persuaded to resign and national responsibilities must be devolved to other governing actors. Otherwise, Palestinians themselves will view any reform effort with skepticism.

Abbas will not easily relinquish his powers. His resistance was underscored after October when, faced with calls for reform, he appointed a new cabinet under his longtime aide Muhammad Mustafa,¹¹ who appears neither empowered nor inclined to make fundamental changes. A successful bid to supplant Abbas will likely involve a combination of pressure and persuasion focused on preventing a dark legacy of PA collapse and Hamas takeover in the West Bank. Abbas would also want assurances for himself and his family so as to avoid a fate similar to that of some leaders deposed during the Arab Spring uprisings.

While Abbas is personally an obstacle to reform and must be sidelined, the concentration of authorities he enjoys must not be passed on to his successor. Instead, balance should be restored to the PA leadership by following the models of the Palestinian Basic Law and the Roadmap peace initiative, which situate the presidency as a political office with well-delineated executive authorities. The bulk of meaningful executive powers—whether related to security (including control over the relevant PASF agencies) or public finances or administration—would fall to the prime minister and cabinet. At its inception, this model was adopted in part to sideline Arafat, but it is grounded in a broader desire to ensure that power is not concentrated in one location and that functional authorities are exercised outside the highly political office of the PA president. Notably, such a model prevailed when Abbas served as prime minister under President Arafat, over 2003–2004, and when Fayyad was prime minister under President Abbas from 2007 to 2013.

Given that Abbas has systematically prevented the emergence of strong political figures in Fatah or the

PA, a single individual would be unlikely to fill the gap left by his eventual departure, and some type of power-sharing arrangement would probably be necessary in the post-Abbas phase. Here, no ideal solutions present themselves. Whereas an informal arrangement could be inherently unstable, a more formal one that divides leadership of the PLO, PA, and Fatah—which have been under one leader until now—could cause paralysis and a destabilizing power struggle. In such a scenario, whoever controls Fatah may also control the party's Tanzim paramilitary force and command loyalty from Fatah-affiliated PA officials, while whoever controls the PA will presumably control the PASF and public finances.

The exact form of the post-Abbas PA leadership should be up to the Palestinians, as long as it follows the structure laid out in the Basic Law and ensures that all security forces are under unified civilian control. No matter what arrangement emerges, strong regional and international facilitation and oversight will almost certainly be required to bolster its stability and ensure its adherence to a reform agenda.

An End to Political Stagnation

The legitimacy crisis facing the PA is related not only to poor governance but also to the specific challenges facing Fatah, the Authority's dominant political movement. In addition to being associated with the PA's failure, Fatah under Abbas has lost much of its traditional internal vibrancy. Some of the movement's longstanding leaders, such as Mohammad Dahlan and Nasser al-Qudwa, were expelled for disagreeing with Abbas, and loyalty—rather than capability—has become the primary criterion for advancement, making the movement unattractive to many young, politically minded Palestinians.

The consolidation of power under Abbas has affected the movement's own cadres and reduced Fatah's appeal to the general public. Along with the lack of political mobility are stark failures such as Abbas's inability to deliver a Palestinian state through diplomacy, joined by a growing shortage of resources, which have widened alienation between

the leadership and Fatah's grassroots echelons. The implications have security as well as political dimensions. Parts of the Tanzim militia are becoming less responsive to Fatah or PA directives, and some members have joined newly formed radical groups operating in ungoverned areas and have targeted the Israel Defense Forces and Jewish settlers.

Given the symbiotic relationship between the PA and Fatah, reforming the first cannot be done without addressing the second. This is particularly urgent given Abbas's advanced age and the ambiguity surrounding the succession process. The "day after" Abbas could be extremely disruptive to the PA's stability and status as a relevant interlocutor in the West Bank.¹² The chaos created by this eventuality could lead to one or a combination of the following scenarios—cantonization and the fragmentation of authority into various power centers; violent power struggles between potential successors; and increased security and political challenges by Hamas and other rejectionist forces. In any case, Fatah elements will play an important role in stabilizing the situation on the ground or intensifying the discord.

As with the PA, an effort to extensively reform Fatah will be complicated and time-consuming. Yet visible initial steps could send a clear public signal of changes afoot, including the reinstatement of leaders who formerly belonged to the establishment, the creation of incentives for younger Palestinians to enter the party's ranks—including clear pathways for upward mobility—and political clarification of the succession process. These changes will need to be initiated immediately and formalized through the long-overdue convening of Fatah's Eighth General Conference.¹³ Like PA reform, the advocacy of such changes in Fatah runs counter to Abbas's governing style, and external pressure will have to be exerted to deliver results. While Arab states are best equipped to apply such pressure given associated sensitivities, the United States will need to ensure sufficient coordination among key Arab actors—in particular Jordan, Egypt, Saudi Arabia, and the UAE—and to avert a situation in which specific Arab states simply back their favorite Fatah officials.

While efforts to revive Fatah and encourage a revitalized Palestinian politics are essential, an insistence on premature elections will be counterproductive. As demonstrated in 2006 with the PA and later in some Arab Spring countries, elections without effective institutions—e.g., apolitical judicial and security sectors, democratic civilian infrastructure, and political party activity, along with civic participation in political life—can empower radical elements, including Hamas or other organizations that reject the PA's basic principles, whether the recognition of Israel or the renunciation of terrorism. Such an outcome would place the Palestinian leadership at odds with both Israel and much of the region and international community. Elections will eventually be needed, but they must be preceded by a years-long, systemic, and meaningful reform agenda.

Security Sector Reform

Security sector reform is essential for broader PA reform, potentially facilitating PA control over all Palestinian jurisdictions and reducing the need for Israeli forces to enter Palestinian areas to act against terrorist elements, thereby diffusing friction with the population. Such desirable ends can come through competent, capable, empowered Palestinian security forces, which can also be the linchpin of any future PA role in Gaza.

Undoubtedly, the PA security sector is in much better shape than it was before and during the second intifada (2000–2004) in terms of training, equipment, and maintenance of a clear chain of command. Yet the PASF has faced significant difficulty in dealing with enforcement and governance in recent years. This is most obvious in the northern West Bank, and especially in the refugee camps. Pockets of anarchy are especially prevalent in the refugee camps, among residents of Area C (administered entirely by Israel), and among unemployed youths. These trends, which are related to overall PA legitimacy problems, are amplified by a continuing decline in the functioning and motivation of the security apparatuses. In particular, despite the significant reforms initiated after 2007, the PASF has continued to suffer from basic weaknesses:

perceptions of politicization, limited resources, a checkered human rights record, poor internal coordination, failure to close the circle of evidence (in order both to build cases for prosecution and to conduct law enforcement activity), reluctance to deal with Fatah’s armed Tanzim wing, and a decline in public legitimacy.¹⁴

Given questionable PASF effectiveness, Israel has intensified its counterterrorism activities in the PA-administered Area A, in turn stoking violent friction on the ground while deepening the image of the security forces as Israel collaborators and increasing Israel-PA tensions. These problems grew sharply worse after October 7. If the PA is to be reinvigorated and play a future role in Gaza, the PASF must be strengthened on the two general fronts of capabilities and policy.

Capabilities. Largely destroyed by Israel during the second intifada, the PASF was reconstituted after the 2007 Hamas takeover of Gaza and today is staffed, trained, and equipped to deal with the West Bank only. If the PA is to assume governance in Gaza, the 35,000-member-strong PASF will need to be greatly reinforced in terms of recruitment, equipment, vetting, and training, a process that will take years. But this process need not be fully completed for the PA to be reintroduced to Gaza, which in any case will occur gradually.

Policy changes. Besides an expanded PASF, the Palestinian security sector in both the West Bank and ultimately Gaza will require key policy changes. At a structural level, while the Palestinian Basic Law places much of the security forces under the interior minister, security chiefs in reality today report to the president, thereby leading to their politicization. A first step would be to revert to the structure envisaged in the Basic Law and place the relevant security forces under the authority of an empowered interior minister.

On a policy level, PA leaders must also make a declarative and practical commitment to fight terrorism in coordination and cooperation with Israel. The PA must act to implement the principle of

“one authority, one law, one weapon”—as articulated by Abbas on numerous occasions—while stamping out inevitable postwar attempts by Hamas and other terrorist elements to reconstitute themselves.

On more of an operational level, the PA must allocate the necessary resources and reexamine its counterterrorism and prevention processes with an emphasis on:

- Full thwarting and targeting of not only Hamas and other Islamist terrorist operatives but rogue Tanzim elements as well.
- Carrying out a complete cycle of preventive measures: arrest–interrogation–indictment–prosecution–judgment–imprisonment.¹⁵
- Avoiding security vacuums and pockets of anarchy, especially in the refugee camps, where the PA has no presence and terrorism and crime reign. Here, strengthening the Palestinian Civil Police—which is responsible for enforcing the law, maintaining civil order, and investigating crimes within PA jurisdiction—is critical. With the assistance of international actors, the PA must carry out reforms in the following specific areas relating to internal security and public order: imprisonment and conditions of imprisonment; safeguarding government buildings, security facilities, and civilian infrastructure; criminal investigations; securing crossings; and border control.
- Establishing a training program to deal with Hamas and other terrorist organizations. In this regard, the USSC—which has proven effective—should continue to oversee PASF reforms as it has done since its establishment in 2005. Its training and equipping mission must be enhanced given the new challenges it will face if it is to eventually assume security control in Gaza. Moreover, the USSC must be empowered to fulfill its mandate regarding security-sector governance reform, whether this relates to improving coordination and interoperability or even subjecting the PASF to an empowered prime

minister. As demonstrated in the past, USSC collaboration with Jordan has contributed greatly to the professionalization of the PASF.¹⁶

But ensuring the effectiveness of the PASF also requires action from Israel. As a matter of policy, Israel needs to limit its operations in Area A to the bare minimum needed to address threats. Israel should also take measures to facilitate PASF effectiveness by approving requests for upgraded equipment, enabling the forces' freedom of movement, and allowing law-and-order operations in Area C. And Israel needs to address the issue of settler violence, which in addition to increasing overall tension in the West Bank delegitimizes efforts by the PASF to combat terrorism. In general, Israel should respond to increased PASF effectiveness by acting to ease daily life hardships in the West Bank, signaling that a cooperative approach will produce results for Palestinians.

In addition to countering terrorism, the PASF requires enhanced policing abilities to bolster those of the Civil Police, which is largely seen as a reasonably professional, effective force in the law-and-order domain. It does, however, suffer from the overall legitimacy problems associated with the PA—as seen in the force's inability to function in certain PA-run West Bank areas such as refugee camps—as well as Israeli limitations on its freedom of movement and ability to operate in certain areas.

A Strengthened Economy

While attention is often drawn to the political, security, and governance aspects of PA reform, economic development is key to transforming the Authority into a stable, capable governing actor. In the past several months, an already fragile economic situation has been exacerbated by the Gaza war. Immediately after the October 7 attack, Israel prevented 170,000 West Bank Palestinians who previously worked in Israel from entering the country, with the lost wages dealing a serious blow to the territory's economy. Between October and December 2023, the unemployment rate jumped from 13 percent to 29 percent, and in the fourth

quarter of 2023 GDP plunged by 22 percent.¹⁷ PA debts are estimated at \$20 billion, of which \$9 billion is owed to Palestinian banks, more than \$5 billion to local suppliers and contractors covering sectors such as food, fuel, and office supplies, and about \$4.7 billion to foreign financial institutions.¹⁸

Periodic Israeli gambits like those recently attempted by far-right finance minister Bezalel Smotrich to indefinitely withhold tax revenue from the PA and refuse renewal of waivers allowing Israeli banks to cooperate with their Palestinian counterparts could thrust the PA into full-scale crisis. While these latest moves were walked back, the associated uncertainty and unpredictability threaten to destabilize the West Bank economic and security situation and gradually impair the PA's ability to function. One striking consequence is that the PA often ends up paying its public-sector employees only partial salaries. Given these stressors, the World Bank forecast in May 2024 that the PA was facing economic collapse.¹⁹

THE BASIC ECONOMIC PROBLEMS OF THE PA

In the three decades since its establishment, the Palestinian Authority has failed to transition from a developing to a developed economy, based on factors including an inability to create engines for job creation, a high deficit, and a bloated public sector, along with negative GDP growth and stagnant per-capita GDP. Dependence on Israel and external donors, among other areas considered in the following passages, also explains the PA's struggles:

- **Dependence on Israel.** The relationship with Israel is a double-edged sword for the PA. On the one hand, Israel serves as a central “oxygen source” for the West Bank economy, while on the other the dependence significantly inhibits local entrepreneurship, development of growth engines, and implementation of reforms. Moreover, this dependence has sometimes led to the politicization of economic priorities. For example, negotiations over resources like water rights are often linked by Israel to political demands from the PA. The case of a new planned Palestinian city, Rawabi, is illustrative. Permits for establishing

the city's water infrastructure were repeatedly delayed by Israeli authorities for a series of political reasons.²⁰ Conversely, the PA's repeated emphasis on economic development in Area C—rather than Areas A and B—is not only motivated by economic considerations, valid as these may be, but also by political ones.²¹

The Protocol on Economic Relations, aka Paris Protocol, was signed by Israel and the PLO in 1994. The measure, which was meant to expire in 1998 but is still in effect today, sets the framework for managing Israel-PA economic relations and centers on the creation of a customs union that establishes Israel as the main conduit for PA finances. This is because Israel collects tax revenues, including through import taxes, excise taxes, value-added taxes, and direct taxes. According to Yoram Gabbay, an economist who served as Israel's representative in peace talks with Jordan and the Palestinians, these funds—amounting to about 600–700 million Israeli shekels monthly, or roughly US\$160–\$185 million—are supposed to be transferred each month to the PA, offsetting expenses for services such as electricity, water, sewage, and medicine. Israel is also a major destination for Palestinian exports (90%) and imports (60%), and controls freedom of movement and much of the West Bank's natural resources.²²

Moreover, Israel serves as the near-exclusive source of essential Palestinian utilities such as electricity and water, furthering the relationship of dependency, and Palestinians often travel to receive medical treatment in Israeli hospitals, for which the PA bears the costs through revenues.

With the war in Gaza still active, making wholesale changes to the Paris Protocol would likely be untenable, given that the Palestinian economy is intertwined with security and diplomatic questions that can only be resolved once the fighting ends. But the Paris Protocol undoubtedly limits the PA's ability to determine its own economic and trade policies and thus its economic fate. While full Palestinian economic

growth cannot be achieved until the conflict with Israel is resolved, Israel could ease the PA's economic strain with simple steps such as updating its lists of importable products and reducing its 3 percent management fees for handling Palestinian taxes. Other necessary amendments, which may be more complicated from a political point of view, include enabling the PA to enter into free trade agreements with other countries, eventually establish an independent customs regime, and conduct its own monetary and fiscal policy. Thus, the short-term fixes mentioned here must be followed by a longer-term overhaul of the Paris Protocol.

- **Dependence on external aid.** Beyond its dependence on Israel, the Palestinian economy relies on external aid, including from regional countries and the international community. This assistance is provided directly to the PA, to the public through welfare allowances, and to the economy through projects that encourage employment or services. Notably, in recent years, direct PA budget support has trended significantly downward owing to concerns about corruption, transparency, and other issues. In addition, international organizations such as the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) assist hundreds of thousands of West Bank residents in the fields of education, health, economic support, and others.
- **Enmeshed political-economic elites.** The Palestinian economy is centralized, with a close connection between economic and political elites. Thus, most holdings are concentrated in a few hands in a way that inhibits economic competition, creates monopolies, impedes social mobility, and prevents effective efforts to prevent corruption. These factors lead to low investment in infrastructure and a lack of attractiveness for external investors.
- **Bloated public sector.** For several years now, PA expenses have significantly exceeded revenues. This has led the Authority to pay only partial salaries to its employees and cut budgets,

including for ministries and the security forces. The decline in PA revenues can also be attributed to falling international aid and the failures of an inefficient tax collection system. Reforms in this area require substantially reducing public payrolls, whether through retirements or dismissals, streamlining the civil service, and improving tax collection throughout the West Bank. Many such reforms were initiated under Prime Minister Fayyad but suffered a backslide after his departure. Reinstating them will help reduce expenditures and increase tax revenues while fostering international trust in the PA, thereby facilitating an increase in external aid and revenues.

- **Traditional nature of West Bank society.** Only 19 percent of women in the West Bank and Gaza are employed, a figure similar to some nearby Arab countries but well below the GCC and certain countries in North Africa.²³ Additionally, the economy tends to rely on underproductive traditional industries (e.g., textiles and wood-working), whereas newer industries too seldom flourish. All this exacts an economic price.
- **Policy of payment to prisoners and families of those killed by Israel.** In its current form, the PA's system rewards terrorism against Israelis and therefore must be completely restructured. A needs-based social security program must be introduced, guided by the actual financial situation of the recipient rather than the length of sentence or similar categories that incentivize terrorism. Without such changes, the United States will remain—under the Taylor Force Act, which became law in 2018—legally prohibited from providing economic assistance that directly benefits the PA.

The following actors can take specific steps to improve the economic situation in the West Bank:

- **The PA.** To achieve growth and reduce unemployment, the Palestinian Authority—the party ultimately responsible for governance and economic growth in the West Bank—will need to reduce its dependence on external sources and

create new engines for growth, including by crafting a more favorable regulatory infrastructure that can attract foreign investment; developing infrastructures to benefit the economy (communications, roads, electricity); and implementing reforms to improve regulatory efficiency, reduce corruption, and prioritize economic advancement over political interests. While some of these changes can be carried out independently by the PA, others—particularly in the areas of infrastructure and foreign investment—will need Israeli cooperation.

- **International donors.** Donors from abroad must continue providing budget assistance to the PA, but this assistance should be conditioned on the achievement of reform benchmarks. International donors should also explore investments in the West Bank economy, particularly in infrastructure; science, technology, engineering, and mathematics (STEM) education initiatives; and labor-intensive projects—as a way to help reduce unemployment. Over the years, PA donors have done little to encourage reform in general or to condition their aid on the implementation of specific reforms. Only around 2007, when Fayyad took office, did donors make any visible effort to press for reform;²⁴ since then, they may give lip service to the need for reform, but their inaction implies an assumption that achieving it is too difficult.
- **Regional support.** Alongside direct international aid, regional actors can initiate large projects in the West Bank outside the PA framework that can energize the private sector, reduce Palestinian dependence on Israel, and change the daily reality for Palestinians. Such an approach comports with that of GCC states, which have moved away from an aid-centric model to one focused on investment. Related steps can include: upgrading transportation, water, and electricity infrastructure; developing the Gaza Marine natural gas field; building solar fields; preparing water desalination and sewage treatment plants; and preparing industrial zones and agricultural fields. Regional actors should also consider welcoming more Palestinians in their territories to increase

remittances and enable the entry of foreign capital into the Palestinian economy.

- **The banking sector.** Given the banking sector's role as an anchor for both the PA and the Palestinian economy, stabilizing it must be a priority. Since the Gaza war, banks have teetered under the pressure of providing large loans to the PA. Because the collapse of a single bank could create a perilous domino effect, stakeholders must help ensure the independence and effectiveness of the Palestine Monetary Authority, which functions as the PA's central bank, along with international monitoring of the banking system to guarantee its compliance with global standards.
- **Israel.** In the long run, separation between the Israeli and Palestinian economies will be necessary,²⁵ but until then Israel must act to improve the fabric of economic life in the West Bank and strengthen the PA as a governing structure. In this framework, Israel must develop thoughtful policies to address the key drivers of the West Bank economy: trade relations; employment of workers in Israel and the Jewish settlements; and entry of Israeli Arabs into the West Bank for the consumption of goods and services.

In concrete terms, Israel needs to remove bureaucratic restrictions in all areas related to imports and exports. This means reducing checkpoints that interfere with the movement of workers between areas in the West Bank, expanding the number of Palestinian workers working in Israel, removing barriers to the entry of products from the West Bank into Gaza once the war ends, raising water quotas with the goal of increasing West Bank agricultural output, and—as noted earlier—reducing processing fees for tax revenues. In this context:

- ◇ Israel should invest in the West Bank and help establish development zones where Palestinians can work, encouraging such projects through tax breaks and the

recruitment of foreign—including Arab—investors. Israeli facilitation of such projects, and the removal of earlier-noted bureaucratic obstacles, will pave the way for an independent Palestinian economy that is not connected to Israel.

- ◇ Israel should ease restrictions on Palestinian trade. Officially, Israel often imposes limits on the export of Palestinian goods based on public health concerns, even though in practice the considerations are different—e.g., protecting Israeli agricultural production. The same applies for the entry of foreign imports into the West Bank. While maintaining standards is important, Israel should not use these powers arbitrarily or with the actual goal of protecting its own products.

Education

The Palestinian Authority's educational system is in urgent need of reform from two distinct angles: (1) like in many Arab countries, it is outdated and cannot meet the needs of a modern economy; (2) issues of incitement against Israel and overall lack of peace education militate against an end to the conflict with Israel. A range of reforms could help put the system on a better track.

BUILDING SKILLS

Assessing education in the West Bank can be a confusing endeavor. Data from the UNESCO Institute for Statistics, for example, painted a positive picture of the education system in the West Bank despite political and security unrest.²⁶ Stated causes for optimism include the territory's high literacy rate, a decent number of colleges and universities, and thousands of students matriculating annually from high school to university. Analysts like Ronni Shaked, who has long followed the West Bank educational system, likewise have pointed to improvement in the educational infrastructure.²⁷ Thus, for example, the territory today has adequate classrooms and teachers—although the quality of instruction remains

deficient—students are motivated to learn, and parents are involved in their children’s education, including through work on committees. In addition, evidently flourishing universities are increasingly focusing on the sciences and practical fields like medicine and engineering, and moving away from a less useful emphasis on the humanities.

Yet when one dives deeper into the West Bank educational system, one finds a highly challenging landscape for students and educational institutions alike. Whatever the emphasis on the sciences at the university level, the system is fundamentally outdated and does not provide the younger generation with the tools needed to thrive in a modern economy. Nor does it cultivate properly trained and accredited teachers who can implement the components of a modern system. Specifically, a multi-country study of fifteen-year-old students published in December 2023 by the Program for International Student Assessment—run by the Organisation for Economic Co-operation and Development (OECD)—found that 90 percent of Palestinian students lack the basic knowledge or abilities required of an adult citizen in a modern state; that 95 percent of teachers have not been fully certified; and that the average annual PA expenditure is \$3,090 per student, a third of the average in OECD countries (\$10,260) or Israel (\$9,440)—although more than Jordan (\$2,010).²⁸ Palestinian students’ test scores are correspondingly low, and violence and bullying are reported at roughly twice the rate of other countries.

Also, according to the Borgen Project, which seeks to reduce poverty worldwide, only 11 percent of students in the West Bank eighteen or older study in institutions of higher education, and many drop out before finishing their studies.²⁹ The Palestinian Central Bureau of Statistics likewise reports that most university students do not complete their degree.³⁰ Given that a main driver of socioeconomic mobility is attainment of higher education, such trends will need to be reversed if the West Bank is to enjoy a healthy, dynamic economy.

To be sure, financial considerations play a significant role in this reality. High poverty rates prevent many families from affording higher education, including tuition, computers, and study materials. And for the institutions themselves, a dearth of public funding means surviving on tuition fees alone—a tall task. At scientific and technical schools, financial strains prevent the acquisition of necessary lab and other equipment as well as the hiring of academics and qualified staff.

To address outdated PA curricula, comprehensive reform efforts must focus on:

- Building new curricula that emphasize critical thinking and market-relevant skills such as technology and engineering.
- Significant investment in teacher training and continuing education to ensure that educators, themselves the products of the outdated system, can properly teach the new curricula.
- Additional investment in the educational infrastructure, including classrooms, teaching tools, and so forth.

In the West Bank, to sum up, an essentially stable, supportive educational space must be reconciled with the needs of the twenty-first-century economy.

EDUCATING FOR PEACE

The PA educational system has long been identified as an obstacle to advancing the peace process and to Israeli-Palestinian coexistence.³¹ Existing textbooks contain materials easily interpretable as incitement to violence and glorifying terrorism against Israelis and Jews. In a highly insecure post-October 7 reality, students will be especially susceptible to such messages, which can shape the future of politics and society. However fraught the current moment may be, new PA curricula are needed that promote peace and interfaith coexistence, as well as reconciliation, tolerance, and human rights.

Changes to curricula, however, will be insufficient to change public perceptions, with negative Palestinian views of Israel rooted in their lived experience of the conflict. Students, like the society from which they hail, consider themselves members of a national liberation struggle that sometimes includes violence, irrespective of their factional affiliation. The war in Gaza along with increased settler violence against Palestinians have only hardened these positions, and changing the national ethos will require time, daily life improvements, and leadership, just as it will among Israelis.

IMPLEMENTING EDUCATIONAL REFORM

The Palestinian Authority is unlikely to pursue reforms in either modernization of the educational system or incendiary yet politically sensitive narratives. The PA Ministry of Education, like many of its regional counterparts, is highly resistant to change and will only pursue reforms if under significant outside pressure. Yet pressure alone will not do the job, and must be joined by significant resources and technical input into curriculum design and teacher training.

Fortunately, regional success stories in the United Arab Emirates, Morocco, and other countries—where new curricula emphasize diversity and exposure to different cultures—can provide a blueprint. Reforming the PA’s educational system should draw on such regional models, and these countries should play a direct role in providing technical assistance to the PA. While educational reform will not generate short-term dividends, it can be a foundation for other reforms needed to create a stable, economically viable PA while also addressing the problem of incitement.

Conclusion

Two decades ago, the Roadmap peace initiative recognized the essential linkage between PA reform and clarity about a two-state solution. The latter cannot be achieved without a stable, capable, and responsible Palestinian governance structure. The former cannot gain credibility among Palestinians and the international community unless it is seen as a step toward ultimate Palestinian statehood. This fundamental dynamic remains true not only in the long term but also as it relates to galvanizing international support for postwar Gaza. Yet with the exception of the Salam Fayyad era, the PA has failed to credibly pursue changes or even live up to the requirements of its own Basic Law. The international community is also complicit, having failed to seriously pursue this goal in the intervening years.

A long-unstable West Bank arena has grown shakier still in the wake of the Hamas-Israel war. Still, neither Israel nor the international community has taken the necessary aggressive steps to halt the PA’s deterioration, placing the governing body at risk of outright collapse and the territory at potential risk of civil war. Indeed, some policies of the current Israeli government—whether in terms of applying financial pressure on the PA or failing to respond to lawlessness from certain Israeli settlers—appear intentionally designed to weaken the PA. A strong, stable PA is in Israeli, U.S., and international interests, and can prevent rejectionist actors such as Hamas or Iran from consolidating influence in the West Bank.

While restoring PA governance in Gaza may be the most desirable outcome for the day after the war, realizing this option will require significant reforms that increase the PA’s capabilities while also bolstering its domestic and international credibility. Only these reforms can allow the PA to play a meaningful role in Gaza, and also attract support from international and regional donors.

The PA responsibility in Gaza will need to be acknowledged up front by Israel in order to create the necessary diplomatic conditions for reconstruction. Yet given the PA's current capabilities, such a role will at first be largely declarative. The reforms themselves will have to be gradual and conditional, with subsequent implementation covering public finance, security (i.e., counterterrorism), and public order. Achieving reform of the PA will not be easy, and President Abbas and other top officials can be expected to resist any moves that dilute their power. Moreover, Israel will need to agree to and facilitate many of the changes, as well as act affirmatively in response to reforms once they are in place. Here, Israel should move now to improve the overall security situation in the West Bank, particularly as it relates to settler lawlessness. Yet even after the political obstacles are cleared, reform itself will require significant resources and technical expertise.

The profound complexity of the task requires an international effort akin to the Bush-era Quartet and Roadmap, with a steering body established to ensure a sustained sense of political urgency and the commitment of adequate resources to achieve success. But unlike the Quartet, this new steering body will need to include regional as well as international actors given the sway they will hold over the PA—and, in certain instances, Israel—along

with their ability to provide technical and financial input. Only the United States can create and lead such an effort.

The Ad Hoc Liaison Committee (AHLC)—the international forum established in the Oslo years to coordinate assistance to the PA—needs to be reinvigorated with a focus on coordinating reform priorities, raising funds, and creating incentives and disincentives for PA responsiveness, just as it did during the Roadmap process. While the AHLC must remain a professional body, occasional ministerial-level meetings buttressed by strong, clear statements can provide necessary political urgency when needed.

Creating a revitalized PA is a daunting process. Yet just as the failure to reform the PA in previous years helped strengthen Hamas, a failure to do so today will inevitably lead to future catastrophe. Without PA reform, there simply can be no realistic plan for a day after the Gaza war when Hamas—or a similar actor—is not resurgent or Israel is not in prolonged occupation of the Strip, scenarios in no one's interest. Looking beyond Gaza, only a reformed PA can help ensure stability in the West Bank and a revamped political process that, in time, will address the more fundamental aspects of the Israeli-Palestinian conflict. ❖

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