**Chapter 4: Israel-WBG Integration Index**

In this chapter, I propose what I call the Israel-WBG Integration Index (ISR-WBG-II). I first present the dataset and proceed to the structure of the ISR-WBG-II I developed, focusing on data treatment and the methodology. Finally, the results, as well as sub-indices of the individual components of the index, are presented.

* 1. **Methodology**

Several criteria have been developed to evaluate the degree of economic integration in and between regions globally. They broadly fall into two categories based on either quantity- or price-based measurements. The quantity-based category includes measurements such as openness or restrictiveness in trade and financial transactions, capital flows, output correlations, savings–investment correlations, and consumption correlations. The price-based category consists of tests derived from price differentials in goods and financial markets (Cheung, Yiu and Chow 2008). Integration indices have already been applied for analyzing degrees of trade, monetary, capital market, labor market, and institutional integration and have been used to examine degrees of regional integration. These include the Globalization Index[[1]](#footnote-1) and those of the EU,[[2]](#footnote-2) Africa,[[3]](#footnote-3) Asia-Pacific.[[4]](#footnote-4) I have also referred to the OECD’s “Handbook on Constructing Composite Indicators” (2005) for guidance and methodologies in constructing the ISR-WBG-II. I have constructed the ISR-WBG-II through four staged processes: data selection; normalization; weighting; and aggregation.

1. Data selection: Indicators were selected based on their analytical soundness, measurability, relevance to the phenomenon being measured, and relationships to each other. The Israel-WBG-II index includes five such indicators:

* Trade, employment, and taxes: Real economic activity is the main channel through which the Israeli and Palestinian economies have integrated. The unified customs envelope fosters trade by reducing barriers between the two economies. Employment of Palestinians in Israel plays a key role in this, representing a significant anchor for the Palestinian economy.
* Movement of people: Freer movement of people helps build economies of scale, develop effective value chains, and foster social ties. These factors have a significant impact on important economic sectors, including trade, employment and manufacturing, medicine, and tourism, among others. Israel’s entry permit system for Palestinians is principally geared to the provision of health, legal, educational, employment, economic, religious, familial, and tourism needs, among others.
* Resources and infrastructure: Greater sharing of resources, such as information and communication technology (ICT), water, and cross-border electrical infrastructure directly reduces transaction costs and thereby encourages prosperity, stability, and economic growth. With the rapid development of mobile telephony and the global expansion of the internet, ICT tools are increasingly essential for development, contributing significantly to integration.
* Banking and money: A high rate of NIS usage in the PA indicates a high degree of monetary integration between the regions in a way that helps reduce transaction costs and promote monetary stability.
* Wealth and standard of living: A positive process of integration enables economic convergence and reduces regional disparities in living standards.

Since the Palestinian economy is considerably dependent on the Israeli economy but the reverse is not the case, I assessed the level of integration of the Palestinian economy with the Israeli economy through the selected indicators. This is to say that the indicators were calculated to measure each aspect in relation to the Palestinian economy alone: For example, the volume of imports or exports between the regions is measured in relation to the total Palestinian exports or imports.

The indicators were chosen to adequately represent assessments of significant activities and the degree of integration between the regions. Other relevant indicators could have been used, but the data for them were insufficiently reliable over the entire period. Each indicator was calculated on an annual basis, but each had a different timeframe, something which necessitated the creation of a number of integration indices. In a few cases where some data were missing, I used the most similar datasets available or an average of the adjacent years. Table 1 summarizes the dimensions, relevant indicators, data sources, and years covered:

**Table 1: Dimensions and indicators**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Data sources** | **Years of coverage** |
| **Trade, employ-ment, and taxes** | Palestinian exports of goods and services to Israel out of total Palestinian exports | PCBS, ICBS, WB | 1968–2019 |
| Palestinian imports of goods and services from Israel out of total Palestinian imports | PCBS, ICBS, WB | 1968–2019 |
| Share of gross clearance revenues out of total PA net revenues and grants | PMA | 1996–2019 |
| Share of Palestinians employed in Israel out of total Palestinian individuals employed | PCBS, ICBS | 1968–2019 |
| Share of remittances of Palestinians workers in Israel out of the WBG’s GNI | PCBS, ICBS | 1968–2019 |
| **Movement of people** | Percentage of Israeli cars entering the WB | ICA, ICBS | 2010–2019 |
| Movement of people between Israel and the WB | ICA, PCBS | 2010–2019 |
| Percentage of Palestinians entering Israel for medical treatment | COGAT, PCBS | 2010–2019 |
| Percentage of Israeli overnight stays in WB hotels | PCBS | 2010–2019 |
| Percentage of Palestinian households making outbound trips to Israel | PCBS | 1996–2019 |
| **Resources and infrastruc-ture** | Mobile cellular subscriptions (ratio) | World Bank | 2000–2019 |
| Individuals using the internet (ratio) | World Bank | 2000–2019 |
| Fixed broadband subscriptions (ratio) | World Bank | 2010–2019 |
| Electricity imported from Israel out of total available electricity in the WBG | PCBS | 2004–2019 |
| Water purchased from Israel out of available water quantity in the WBG | PCBS | 2000–2019 |
| **Banking and money** | Share of NIS deposits in the Palestinian banking system | PMA | 2010–2019 |
| Share of NIS credit in the Palestinian banking system | PMA | 1996–2019 |
| Share of NIS checks presented for clearing in the Palestinian banking system | PMA | 2000–2019 |
| Excess NIS cash deposited in Israel out of total NIS circulation | PMA, BoI | 2010–2019 |
| Checks and money transfers volume out of the WBG GNI | PMA | 2010–2019 |
| **Wealth and standard of living** | GDP per capita (ratio) | WB | 1968–2019 |
| Price level (ratio) | WB | 1996–2019 |
| Market capitalization (ratio) | PMA, TASE | 2000–2019 |
| Daily wage (ratio) | PCBS | 1968–2019 |

As can be seen, not all indicators have observation periods starting in 1968. I addressed this problem of comparability by producing several indices that start at different times and include different numbers of indicators. Thus, the later the period starts, the greater the number of indicators and dimensions in the index, as expressed below:

* the index starting in 1968 includes three dimensions and six indicators
* the index starting in 1996 includes four dimensions and 10 indicators
* the index starting in 2000 includes five dimensions and 15 indicators
* the index starting in 2010 includes five dimensions and 24 indicators

Additional explanations and graphs of the indicators that make up the integration indices can be found in Appendix I.

1. Normalization method: IS-WBG-II is made up of various indicators measured in different units, from the share of NIS deposits in the Palestinian banking system to the share of Palestinians employed in Israel out of the total Palestinians employed. A common scale for normalization is thus required prior to aggregation. I have adopted min–max rescaling, which has been used in several integration indices already mentioned.[[5]](#footnote-5) The indicators are normalized to range between 0 and 1, where 0 denotes the lowest integration level and 1 the highest level:
2. Weighting: Although all the indicators used in ISR-WBG-II are relevant, their relative influence on regional integration may vary. Different indicators do not necessarily have the same economic significance, so weighting of them is necessary to account for these differences. In this way, we can use an equal weighting system where all indicators have the same weight. This approach ensures that weighting does not have a differential impact on the results. Another approach is setting the weighting in an objective manner, but this is difficult, as there is no consensus in the literature about which method is best. Heavy weighting on indicators can strongly influence the final scores and should therefore be assigned based on a sound methodology (Nardo et al., 2005). Principal components analysis (PCA) is a methodology used to construct important and well-known indices such as the Asia-Pacific Regional Cooperation and Integration Index and the Africa Regional Integration Index.[[6]](#footnote-6) PCA allows for a robust computation of weights while maintaining objectivity, derives weights based on the structure of the data, and preserves variations in that data. I have also used the Kaiser-Meyer-Olkin (KMO) test to measure the suitability of the indicators I have selected. A high KMO (> 0.5) indicates that PCA is relevant. For a few of the indicators, the KMO test showed poor results (<0.5). Despite this, I have chosen to proceed using the results of the PCA method as I implemented the equal weighting system and found no significant discrepancies in results. I used both methodologies (an equal weighting system where all indicators have the same weight and PCA) to compute the weighting to assign to each indicator and dimensions before building the aggregate index. For the six indicators starting in 1968, the 10 starting in 1996, and the 15 starting in 2000, I used an equal weighting system, while for the 24 starting in 2010, I used the PCA methodology. I chose an equal weighting system for the first three sets of indicators because the dimensional composition includes a small number of indicators relative to the later index beginning in 2010 and because I reduced the weighting to avoid bias in the results, as the dimensions often include only one indicator to represent them, which I will explain in more detail.
3. Equal weighting system: This is a two-stage procedure. The first is setting the weights for each indicator in each dimension in an equal manner. Thus, if there are three indicators, each is given a weight of one third. In the second stage, each dimension was given a weight according to the number of indicators within it. Therefore, if the index includes 10 indicators and there are four dimensions (as in the index that begins in 1996), each indicator gets a weight of 1/10. Then the weight of each dimension is the number of indicators present in it multiplied by 1/10.
4. Principal components analysis: My approach includes a two-stage PCA estimate to determine the weights. In the first stage, PCA is applied to each of the dimensions independently and the implied weights assigned to the indicators are used for constructing a set of dimensional composite indexes. In the second stage, PCA is applied again to weight the dimensional indices to produce an overall index.
5. Aggregation scheme: Indicators in a composite index can be aggregated using a linear or a geometric aggregation method, as the OECD handbook indicates. Linear aggregation is an additive method that involves the summation of individual indicators. It ensures full compensability, meaning that poor performance in some indicators can be compensated for by good performance in others. The most widely-used aggregation techniques are additive techniques, which have the advantage of simplicity and independence from the impact of outliers, but the disadvantage of losing absolute value information. Geometric aggregation is a multiplicative method and involves partial compensability where elements with higher scores are given more importance. Given that indicators have been normalized on the same scale and already weighted for importance, a simple linear aggregation method has been used.
   1. **Results**

The four indices starting in different years (1968, 1996, 2000 and 2010) each contain different number of indicators. Below are the results of the indices according to the different dimensions and their contribution to the aggregate index. In each section we describe the composition of the index (dimensions, indicators, and weights), the overall result, the result at the level of the dimensions, and the contribution of the various dimensions to the integration index.

* + 1. **ISR-WBG-II 1968–2019**

**Table 2: Dimensions, indicators, and weights 1968–2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Indicator weight** | **Dimension weight** |
| Trade | Share of Palestinian exports of goods and services to Israel out of total Palestinian exports | 50.00% | 33.33% |
| Share of Palestinian imports of goods and services from Israel out of total Palestinian imports | 50.00% |
| Employment | Share of Palestinians employed in Israel out of total Palestinians employed | 50.00% | 33.33% |
| Share of remittances of Palestinians workers in Israel out of the WBG GNI | 50.00% |
| Wealth and standard of living | GDP per capita ratio | 50.00% | 33.33% |
| Daily wage ratio | 50.00% |

Number of dimensions: three

Number of indicators: six

Equal weighting system

**Figure 31: ISR-WBG-II 1968–2019 total index**

**Figure 32: ISR-WBG-II 1968–2019 by dimension**

**Figure 33: ISR-WBG-II 1968–2019 by contribution of dimensions**

* + 1. **ISR-WBG-II 1996–2019**

**Table 3: Dimensions, indicators, and weights 1996­–2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Indicator weight** | **Dimension weight** |
| Trade, employment, and taxes | Share of Palestinian exports of goods and services to Israel out of total Palestinian exports | 20% | 50% |
| Share of Palestinian imports of goods and services from Israel out of total Palestinian imports | 20% |
| Share of gross clearance revenues out of total PA net revenues and grants | 20% |
| Share of Palestinians employed in Israel out of total Palestinians employed | 20% |
| Share of remittances of Palestinians workers in Israel out of the WBG GNI | 20% |
| Movement of people and services | Percentage of Israeli overnight stays in WB hotels | 100% | 10% |
| Banking and money | Share of NIS credit in the Palestinian banking system | 100% | 10% |
| Wealth and standard of living | GDP per capita (ratio) | 33.33% | 30% |
| Price level (ratio) | 33.33% |
| Daily wage (ratio) | 33.33% |

Number of dimensions: 4

Number of indicators: 10

Equal weighting system

**Figure 34: ISR-WBG-II 1996–2019 total index**

**Figure 35: ISR-WBG-II 1996–2019 by dimensions**

**Figure 36: ISR-WBG-II 1996–2019 by contribution of dimensions**

* + 1. **ISR-WBG-II 2000–2019**

**Table 4: Dimensions, indicators, and weights 2000–2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Indicator weight** | **Dimension weight** |
| Trade, employment, and taxes | Share of Palestinian exports of goods and services to Israel out of total Palestinian exports | 20.0% | 33.3% |
| Share of Palestinian imports of goods and services from Israel out of total Palestinian imports | 20.0% |
| Share of gross clearance revenues out of total PA net revenues and grants | 20.0% |
| Palestinians employed in Israel out of total Palestinian individuals employed | 20.0% |
| Remittances of Palestinians workers in Israel out of the WBG GNI | 20.0% |
| Movement of people and services | Percentage of Israeli overnight stays in WB hotels | 100.0% | 6.7% |
| Resources and infrastructure | Mobile cellular subscriptions (ratio) | 33.3% | 20% |
| Individuals using the internet (ratio) | 33.3% |
| Water purchased from Israel out of available water quantity in the WBG | 33.3% |
| Banking and money | Share of NIS credit in the Palestinian banking system | 50.0% | 13.3% |
| Share of NIS checks presented for clearing in the Palestinian banking system | 50.0% |
| Wealth and standard of living | GDP per capita (ratio) | 25.0% | 26.7% |
| Price level (ratio) | 25.0% |
| Market capitalization (ratio) | 25.0% |
| Daily wage (ratio) | 25.0% |

Number of dimensions: 5

Number of indicators: 15

Equal weighting system

**Figure 37: ISR-WBG-II 2000–2019 total index**

**Figure 38: ISR-WBG-II 2000–2019 by dimension**

**Figure 39: ISR-WBG-II 2000–2019 by contribution of dimensions**

* + 1. **ISR-WBG-II 2010–2019**

**Table 4 -** **Dimensions, indicators, and weights 2010–2019**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Indicator weight** | **Dimension weight** |
| Trade, employment, and taxes | Share of Palestinian exports of goods and services to Israel out of total Palestinian exports | 21.2% | 18.2% |
| Share of Palestinian imports of goods and services from Israel out of total Palestinian imports | 20.3% |
| Share of gross clearance revenues out of total PA net revenues and grants | 18.3% |
| Share of Palestinians employed in Israel out of total Palestinians employed | 19.3% |
| Share of remittances of Palestinian workers in Israel out of the WBG GNI | 20.9% |
| Movement of people and services | Israeli cars entering the WB | 22.9% | 22.4% |
| Movement of people between Israel and the WB | 21.3% |
| Palestinians entering Israel for medical treatment | 18.4% |
| Palestinian households making outbound trips to Israel | 22.6% |
| Israeli overnight stays in WB hotels | 14.8% |
| Resources and infrastructure | Mobile cellular subscriptions (ratio) | 19.2% | 22.4% |
| Individuals using the internet (ratio) | 20.7% |
| Fixed broadband subscriptions (ratio) | 22.8% |
| Share of electricity imported from Israel out of total available electricity in the WBG | 17.9% |
| Share of water purchased from Israel out of available water quantity in the WBG | 19.4% |
| Banking and money | Share of NIS deposits in the Palestinian banking system | 20.4% | 19.8% |
| Share of NIS credit in the Palestinian banking system | 20.5% |
| Share of excess NIS cash deposited in Israel out of total NIS circulation | 17.2% |
| Share of checks and money transfer volumes out of the WBG GNI | 21.6% |
| Share of NIS checks presented for clearing in the Palestinian banking system | 20.3% |
| Wealth and standard of living | GDP per capita (ratio) | 24.2% | 17.2% |
| Price level (ratio) | 28.4% |
| Market capitalization (ratio) | 20.7% |
| Daily wage (ratio) | 26.7% |

Number of dimensions: 5

Number of indicators: 24

PCA weighting technique (see Appendix II).

**Figure 40: ISR-WBG-II 2010–2019 total index**

**Figure 41: ISR-WBG-II 2010–2019 by dimension**

**Figure 42: ISR-WBG-II 2010–2019 by contribution of dimensions**

* + 1. **Discussion**

Figure 1 shows that the long-term trend is mixed. There was a dramatic increase in the degree of integration in the 20 years after the 1967 war to a level not since matched, due to Israel’s open policy toward the WBG, with 1987 its peak year. The degree of integration began to decline after the “First Intifada” in the late 1980s in the face of periodic border closures, restrictions on the movement of people, and the frequent terrorist events during this period, which ended in the early 2000s with the “Second Intifada.” According to Arnon (2007), those who signed the 1994 PP anticipated an increase in economic integration between the two economies, but the reality that followed was growing, unilaterally imposed separation.

The relative security calm from 1996 to 1999 led to a temporary rise in integration (as can be seen in Figure 2) until the beginning of the Second Intifada in 2000. The results of the Second Intifada are clearly reflected in the indices (see graphs 1, 4 and 7). There was a certain recovery after that: Figures 7 and 10 show an upward trend in integration. Figures 8 and 11 show that the main dimensions contribute to integration were “banking and money,” “resources and infrastructure,” and “movement of people and services,” while the dimension contributing to reducing integration was “wealth and standard of living.” Figure 10 shows a slight decline in integration in 2014 and 2015, due to the 2014 Operation Protective Edge in the Gaza Strip and the wave of violence called the “Intifada of the Individuals” that began in 2015. In recent years, a certain decrease in the degree of integration has been observed in all indices. The main factor in this is the continuing decline in the “wealth and standard of living” dimension.

Figure 43 shows, in radar chart form, the development of dimensions between specific years (2010, 2015, and 2019). “Banking and money,” “resources and infrastructure,” and “movement of people and services” are the dimensions increasing integration between the regions, while the “wealth and standard of living” dimension reduces it. The “trade, employment and taxes” dimension increased integration between 2010 and 2015 but lagged behind between 2015 and 2019.

**Figure 43: Development in dimensions 2010, 2015, and 2019**

**based on ISR-WBG-II 2010–-2019**

For the specific contribution of each indicator to its dimensions and to the total index see Appendix III.

* + 1. **Overview of the indices**

In Figures 14 and 15 we summarize the results of the indices graphically. Figure 14 shows the results of the four indices together, and in Figure 15 the indices are shown according to the period in which they include the most indicators as compared to other indices. It is methodologically incorrect to compare or link the indices to each other as they include several different dimensions and indicators and reflect normalization and weighting processes that include the observations relevant to the specific index. However, indices are presented in this way so that it is possible to get a general and graphical impression of the indices.

**Figure 44: ISR-WBG-II by periods**

**Figure 45: ISR-WBG-II by index**

**Appendix I: ISR-WBG-II indicators**

1. **Trade, employment, and taxes**

* **Share of Palestinian exports of goods and services to Israel out of total Palestinian exports:** Measures the value of the goods and services that the PA has exported to Israel or through Israel abroad as a percentage of total Palestinian exports.

|  |  |
| --- | --- |
| Period Data source | |
| 1968–1987 | National Accounts of Judea, Samaria and the Gaza area, 1968–1993, Registered Goods Only, Publication No. 1012, Israeli Central Bureau of Statistics |
| 1988–1991 | World Bank Report, September 1993, Developing the Occupied Territories |
| 1992–1994 | Missing data supplemented by the average of the years before and after |
| 1995–1999 | Palestinian Central Bureau of Statistics (PCBS), Registered Goods Only, foreign trade statistics |
| 2000–2019 | PCBS, foreign trade and balance of payments |

* **Share of Palestinian imports of goods and services from Israel out of total Palestinian imports:** Measures the value of the goods and services the Palestinians have imported from Israel or through Israel as a percentage of total Palestinian imports.

|  |  |
| --- | --- |
| Period Data source | |
| 1968–1987 | National Accounts of Judea, Samaria and the Gaza area, 1968–1993, Registered Goods Only, Publication No. 1012, Israeli Central Bureau of Statistics |
| 1988–1991 | World Bank Report, September 1993, Developing the Occupied Territories |
| 1992–1994 | Missing data supplemented by the average of the years before and after |
| 1995–1999 | PCBS, Registered Goods Only, foreign trade statistics |
| 2000–2019 | PCBS, foreign trade and balance of payments |

* **Share of gross clearance revenues out of total PA net revenues and grants:** Measures the value of clearance revenues collected by Israel and transferred to the PA out of total PA net revenues and grants.

|  |  |
| --- | --- |
| Data source | |
| 1998–2019 | Palestine Monetary Authority (PMA), annual statistics, time series data, public finance, revenues, expenditures and financing sources of PNA fiscal operations (cash basis) |

* **Share of Palestinians employed in Israel out of total Palestinian employed Individuals:** Measures the share of Palestinians employed in Israel and the settlements out of the total Palestinian employed individuals.

|  |  |
| --- | --- |
| Period Data source | |
| 1968, 1969, 1994 | Missing data supplemented by the average of the years before and after |
| 1970–1993 | National Accounts of Judea, Samaria and the Gaza area, 1968–1993, Publication No. 1012, Israeli Central Bureau of Statistics |
| 1995–2019 | PCBS, Labor Force Survey |

* **Remittances of Palestinians workers in Israel out of the WBG GNI:** Measures the share of the value of Palestinians workers’ salaries in Israel and the settlements out of the WBG’s total GNI.

|  |  |
| --- | --- |
| Period Data source | |
| 1968–1994 | Sharbel Shoukair (2013), The Impact of Foreign Aid and Donations to Palestine on Development of its Economy under Alternative Israeli- Palestinian Economic Interaction Regimes,  Salaries of residents from abroad and net income from abroad |
| 1995–2019 | PCBS, National Accounts and Balance of Payments, Fifth Edition. Compensation of employees from balance of payment out of GNI in current prices |

**Figure XX: Trade, employment and taxes**

**Table XX: Raw data - Trade, employment and taxes**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Share of Palestinian exports of goods and services to Israel out of total Palestinian exports** | **Share of Palestinian imports of goods and services from Israel out of total Palestinian imports** | **Share of gross clearance revenues out of total PA net revenues and grants** | **Share of Palestinians employed in Israel out of total Palestinian employed individuals** | **Share of remittances of Palestinians workers in Israel out of WBG GNI** |
| 1968 | 43.1% | 76.5% |  | 12% | 1% |
| 1969 | 36.6% | 80.2% |  | 12% | 6% |
| 1970 | 46.2% | 83.6% |  | 12% | 11% |
| 1971 | 44.6% | 81.7% |  | 19% | 16% |
| 1972 | 48.9% | 85.0% |  | 28% | 23% |
| 1973 | 66.1% | 90.1% |  | 32% | 24% |
| 1974 | 67.0% | 89.2% |  | 33% | 21% |
| 1975 | 63.9% | 91.2% |  | 33% | 24% |
| 1976 | 63.0% | 90.3% |  | 32% | 21% |
| 1977 | 60.4% | 91.4% |  | 31% | 22% |
| 1978 | 60.0% | 88.6% |  | 32% | 22% |
| 1979 | 62.2% | 86.8% |  | 35% | 25% |
| 1980 | 65.4% | 87.6% |  | 35% | 21% |
| 1981 | 71.6% | 90.1% |  | 35% | 24% |
| 1982 | 66.2% | 89.0% |  | 36% | 26% |
| 1983 | 74.7% | 90.8% |  | 38% | 28% |
| 1984 | 64.1% | 90.3% |  | 38% | 25% |
| 1985 | 66.6% | 89.5% |  | 37% | 24% |
| 1986 | 72.3% | 89.6% |  | 36% | 25% |
| 1987 | 78.8% | 91.4% |  | 39% | 30% |
| 1988 | 70.8% | 88.2% |  | 39% | 27% |
| 1989 | 69.6% | 81.6% |  | 38% | 27% |
| 1990 | 79.5% | 84.2% |  | 36% | 26% |
| 1991 | 77.6% | 86.2% |  | 34% | 26% |
| 1992 | 85.0% | 87.1% |  | 36% | 26% |
| 1993 | 85.0% | 87.1% |  | 27% | 18% |
| 1994 | 85.0% | 87.1% |  | 21% | 12% |
| 1995 | 92.4% | 88.1% |  | 16% | 13% |
| 1996 | 94.0% | 86.5% | 38% | 14% | 12% |
| 1997 | 93.7% | 82.7% | 44% | 17% | 12% |
| 1998 | 96.1% | 77.2% | 49% | 22% | 17% |
| 1999 | 96.9% | 61.6% | 49% | 23% | 17% |
| 2000 | 95.5% | 73.8% | 41% | 19% | 9% |
| 2001 | 96.8% | 68.4% | 0% | 13% | 4% |
| 2002 | 94.0% | 76.3% | 7% | 9% | 3% |
| 2003 | 94.1% | 76.6% | 35% | 9% | 4% |
| 2004 | 93.2% | 77.0% | 51% | 8% | 3% |
| 2005 | 92.8% | 75.5% | 45% | 9% | 4% |
| 2006 | 94.2% | 77.4% | 20% | 9% | 5% |
| 2007 | 93.8% | 77.6% | 45% | 9% | 5% |
| 2008 | 93.7% | 83.4% | 30% | 10% | 6% |
| 2009 | 93.0% | 78.0% | 37% | 10% | 5% |
| 2010 | 90.7% | 75.3% | 40% | 10% | 5% |
| 2011 | 91.6% | 74.1% | 47% | 10% | 6% |
| 2012 | 88.9% | 75.0% | 50% | 10% | 6% |
| 2013 | 91.7% | 75.6% | 46% | 11% | 7% |
| 2014 | 90.6% | 73.2% | 51% | 12% | 9% |
| 2015 | 91.5% | 65.5% | 55% | 12% | 11% |
| 2016 | 91.6% | 66.0% | 54% | 12% | 11% |
| 2017 | 91.1% | 63.0% | 57% | 13% | 11% |
| 2018 | 90.8% | 60.6% | 55% | 13% | 14% |
| 2019 | 89.4% | 60.2% | 59% | 13% | 14.61% |

1. **Movement of people**

* **Percentage of Israeli cars entering the WB:** Measures the number of Israeli (mainly Israeli-Arab) cars entering the WB through the Gilboa crossing point out of the total Israeli-Arab population. The index reflects aspects of private consumption of Israeli Arabs in the WB.

|  |  |
| --- | --- |
| Period Data source | |
| 2010 | Missing data adjusted to the year 2011 |
| 2011–2019 | The Ministry of Defense Crossing Points Authority (CPA) and the Israeli Central Bureau of Statistics (ICBS) |

* **Movement of people between Israel and the WB:** Measures the number of people passing through the crossings between Israel and the West Bank compared to the total average population of Israel and the West Bank.

|  |  |
| --- | --- |
| **Period** Data source | |
| 2010 | Missing data – equal to year 2011 |
| 2011–2019 | CPA, PCBS, ICBS |

* **Percentage of Palestinians entering Israel for medical treatment:** Measures the number of applications approved by the Coordination of Government Activities in the Territories in favor of the entry of Palestinians into Israel for the purpose of receiving medical treatment out of total Palestinian population.

|  |  |
| --- | --- |
| Period Data source | |
| 2010 | Missing data adjusted to the year 2011 |
| 2011–2014 | Israeli Knesset, data on providing medical care to Palestinians  in hospitals in Israel, 2017  https://fs.knesset.gov.il/globaldocs/MMM/302ae8cf-a7b3-e511-80d0-00155d0acb9e/2\_302ae8cf-a7b3-e511-80d0-00155d0acb9e\_11\_10394.pdf  Missing data for Gaza Strip for the years 2011–2012 adjusted to the year 2013 |
| 2015–2019 | Specific request to coordinator of government activities in the territories, PCBS |

* **Percentage of Israeli overnight stays in WB hotels:** Measures the number of overnight stays in hotels in the WB by Israeli nationals to the total number of overnight stays.

|  |  |
| --- | --- |
| Period Data source | |
| 1996–2019 | PCBS, Hotel Activities |

* **Percentage of Palestinian households that made outbound trips to Israel:** Measures the number of Palestinian households that made outbound trips to Israel out of the total Palestinian households that made a trip.

|  |  |
| --- | --- |
| Period Data source | |
| 2009–2019 | PCBS, households making outbound trips by destination country and year; the data are published with a frequency of two years and therefore an average was calculated for the missing years (2011, 2013, 2015, 2017, 2019) |

**Figure XX: Movement of people**

**Table XX: Raw data - Movement of people**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Percentage of Israeli cars entering the WB** | **Movement of people between Israel and the WB** | **Percentage of Palestinians entering Israel for medical treatment** | **Percentage of Palestinian households making outbound trips to Israel** | **Percentage of Israeli overnight stays in WB hotels** |
| 1996 |  |  |  |  | 2.70% |
| 1997 |  |  |  |  | 3.20% |
| 1998 |  |  |  |  | 5.00% |
| 1999 |  |  |  |  | 9.70% |
| 2000 |  |  |  |  | 9.30% |
| 2001 |  |  |  |  | 5.30% |
| 2002 |  |  |  |  | 4.30% |
| 2003 |  |  |  |  | 8.40% |
| 2004 |  |  |  |  | 8.70% |
| 2005 |  |  |  |  | 8.70% |
| 2006 |  |  |  |  | 11.60% |
| 2007 |  |  |  |  | 10.00% |
| 2008 |  |  |  |  | 4.20% |
| 2009 |  |  |  | 9.80% | 7.70% |
| 2010 | 54% | 46.71% | 2.75% | 15.80% | 6.00% |
| 2011 | 54% | 47% | 2.75% | 12.80% | 5.90% |
| 2012 | 67% | 56% | 2.93% | 9.80% | 8.40% |
| 2013 | 75% | 67% | 2.64% | 11.10% | 9.60% |
| 2014 | 77% | 80% | 2.93% | 12.40% | 8.90% |
| 2015 | 89% | 104% | 2.53% | 19.65% | 2.90% |
| 2016 | 101% | 118% | 2.46% | 26.90% | 11.50% |
| 2017 | 102% | 134% | 2.49% | 24.10% | 8.80% |
| 2018 | 99% | 149% | 2.62% | 21.30% | 7.60% |
| 2019 | 94% | 157% | 2.53% | 21.30% | 6.50% |

1. **Resources and infrastructure**[[7]](#footnote-7)

* **Mobile cellular subscriptions ratio:** Measures the ratio of mobile cellular subscriptions (per 100 people) in the WBG relative to Israel. Mobile cellular telephone subscriptions are subscriptions to a public mobile telephone service using cellular technology that provides access to the public switched telephone network (PSTN). Mobile communications have a particularly important impact in rural areas. The mobility, ease of use, flexible deployment, and relatively low and declining rollout costs of wireless technologies enable them to reach rural populations with low levels of income and literacy. In 2015, an agreement was signed between the Palestinian Ministry of Communications and Israel’s Ministry of Communications in that enables the establishment of infrastructure for a 3G cellular network for the Palestinian population in the WB to encourage development of the cellular field and increase the number of Palestinians employed in Palestinian telecommunications companies.

|  |  |
| --- | --- |
| Period Data source | |
| 2000–2019 | World Bank, World Development Indicators, ID: IT.CEL.SETS.P2  https://data.worldbank.org/indicator/IT.CEL.SETS.P2?locations=IL-PS |

* **Individuals using the internet ratio:** Measures the ratio of individuals using the internet (percentage of population)in the WBG to that of Israel. Internet users are defined as individuals who have used the internet from any location in the last three months. The internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV, or other means. New ICT offer vast opportunities for economic growth, improved health, better service delivery, distance learning, and other social and cultural advances.

|  |  |
| --- | --- |
| Period Data source | |
| 2000–2019 | World Bank, World Development Indicators, ID: IT.NET.USER.ZS  https://data.worldbank.org/indicator/IT.NET.USER.ZS?locations=IL-PS |

* **Fixed broadband subscriptions ratio:** Measures fixed broadband subscriptions (per 100 people) in the WBG compared to Israel. The term fixed broadband subscription refers to fixed subscriptions to high-speed access to the public internet (a TCP/IP connection) at downstream speeds equal to or greater than 256 kbit/s. This includes cable modem, DSL, fiber-to-the-home/building, other fixed (wired)-broadband subscriptions, satellite broadband and terrestrial fixed wireless broadband.

|  |  |
| --- | --- |
| Period Data source | |
| 2010 | Missing data adjusted to the year 2011, ID: IT.NET.BBND.P2 |
| 2011–2019 | World Bank, World Development Indicators  https://data.worldbank.org/indicator/IT.NET.BBND.P2?locations=IL-PS |

* **Electricity imported from Israel out of the total available electricity in the WBG:** Measures the share of the quantity of electricity imported from Israeli Electricity Company to the total available electricity in the WBG. It reflects the dependency of the WBG on Israel’s electricity infrastructure.

|  |  |
| --- | --- |
| Period Data source | |
| 2004–2019 | PCBS, Energy Tables and Energy Balance |

* **Water Purchased from Israel out of the total quantity of available water in the WBG:** Measures the share of the annual quantity of water purchased from Israeli Water Company (Mekorot) out of the total quantity of annual available water in the WBG.

|  |  |
| --- | --- |
| Period Data source | |
| 2000–2019 | PCBS, Selected Indicators for Water Statistics |

**Figure XX: Resources and networks**

**Table XX: Raw data - Resources and networks**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Mobile cellular subscriptions ratio** | **Individuals using the internet ratio** | **Fixed broadband subscriptions ratio** | **Share of electricity imported from Israel out of total available electricity in the WBG** | **Share of water Purchased from Israel out of available water quantity in the WBG** |
| 2000 | 0% | 5% |  |  | 13.74% |
| 2001 | 6% | 11% |  |  | 15.17% |
| 2002 | 7% | 17% |  |  | 13.72% |
| 2003 | 7% | 21% |  |  | 14.05% |
| 2004 | 11% | 19% |  | 87% | 14.39% |
| 2005 | 13% | 64% |  | 85% | 13.38% |
| 2006 | 18% | 66% |  | 90% | 13.76% |
| 2007 | 21% | 44% |  | 85% | 14.74% |
| 2008 | 27% | 41% |  | 86% | 17.11% |
| 2009 | 36% | 51% |  | 84% | 16.93% |
| 2010 | 52% | 55% | 14.98% | 86% | 18.21% |
| 2011 | 57% | 60% | 15% | 85% | 17.60% |
| 2012 | 61% | 61% | 17% | 88% | 16.21% |
| 2013 | 60% | 66% | 19% | 85% | 17.31% |
| 2014 | 60% | 72% | 20% | 89% | 18.53% |
| 2015 | 59% | 74% | 22% | 87% | 19.22% |
| 2016 | 61% | 77% | 25% | 88% | 21.75% |
| 2017 | 66% | 80% | 27% | 89% | 22.17% |
| 2018 | 70% | 77% | 26% | 91% | 22.00% |
| 2019 | 63% | 81% | 25% | 87% | 20.15% |

1. **Banking and money**

* **Share of NIS deposits in the Palestinian banking system:** Measures the share of the amount of NIS deposits in the Palestinian banking system out of the total amount of deposits.

|  |  |
| --- | --- |
| Period Data source | |
| 2006–2019 | PMA, annual statistics, time series data, deposits |

* **Share of NIS credit in the Palestinian banking system:** Measures the share of the amount of NIS gross credit facilities out of the total amount of gross credit facilities in the Palestinian banking system.

|  |  |
| --- | --- |
| Period Data source | |
| 1996–2019 | PMA, annual statistics, time series data, credit facilities |

* **Share of NIS checks presented for clearing in the Palestinian banking system:** Measures the share of the value of NIS checks presented for clearing out of the total value of checks presented for clearing in the Palestinian banking system.

|  |  |
| --- | --- |
| Period Data source | |
| 1998–2019 | PMA, annual statistics, time series data, clearance data |

* **The share of excess NIS cash deposited in Israel out of the total NIS circulation:** Measures the share of the amount of excess NIS cash of the Palestinian banking system deposited in Israel out of the total NIS circulation.

|  |  |
| --- | --- |
| Period Data source | |
| 2010–2019 | PMA, annual reports |

* **Check and money transfer volumes out of the WBG GNI:** Measures the share of the amount of NIS check and money transfers through the correspondent banking relations of Israeli banks and the Palestinian banks out of the WBG gross national income.

|  |  |
| --- | --- |
| Period Data source | |
| 2010–2019 | PMA and PCBS |

**Figure XX: Banking and money**

**Table XX: Raw data - Banking and money**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Year** | **Share of NIS deposits in the Palestinian banking system** | **Share of NIS credit in the Palestinian banking system** | **Share of excess NIS cash deposited in Israel out of total NIS circulation** | **Share of check and money transfer volumes out of WBG GNI** | **Share of NIS checks presented for clearing in the Palestinian banking system** |
| 1996 |  | 30% |  |  |  |
| 1997 |  | 31% |  |  |  |
| 1998 |  | 25% |  |  | 57% |
| 1999 |  | 21% |  |  | 67% |
| 2000 |  | 23% |  |  | 66% |
| 2001 |  | 19% |  |  | 66% |
| 2002 |  | 18% |  |  | 63% |
| 2003 |  | 23% |  |  | 62% |
| 2004 |  | 28% |  |  | 65% |
| 2005 |  | 17% |  |  | 61% |
| 2006 | 14% | 17% |  |  | 65% |
| 2007 | 18% | 20% |  |  | 66% |
| 2008 | 22% | 26% |  |  | 70% |
| 2009 | 23% | 26% |  |  | 69% |
| 2010 | 25% | 30% | 10% | 87% | 70% |
| 2011 | 30% | 24% | 11% | 61% | 67% |
| 2012 | 31% | 33% | 11% | 65% | 73% |
| 2013 | 29% | 34% | 17% | 66% | 73% |
| 2014 | 31% | 29% | 14% | 64% | 74% |
| 2015 | 33% | 34% | 12% | 60% | 74% |
| 2016 | 33% | 36% | 16% | 67% | 73% |
| 2017 | 34% | 40% | 15% | 68% | 75% |
| 2018 | 36% | 37% | 17% | 54% | 78% |
| 2019 | 36% | 40% | 20% | 58% | 80% |

1. **Wealth and Standard of living**

* **GDP per capita ratio:** Measures the ratio of GDP per capita of the WBG to that of Israel. GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products.

|  |  |
| --- | --- |
| Period Data source | |
| 1968–1993 | SCHEIN, A. (2013). Growth in per capita GDP in the West Bank and Gaza 1950–2005, per capita GDP in the WBG in 1990 international dollars, Middle Eastern Studies, 49(6), 973—989. Retrieved April 25, 2021, from http://www.jstor.org/stable/24585955 |
| 1994–2019 | World Bank, World Development Indicators, GDP per capita (constant 2010 USD) |

* **Price level ratio:** Measures the differences in price levels between the WBG and Israel. Price level ratio is the ratio of a purchasing power parity (PPP) conversion factor to an exchange rate. It provides a measure of the differences in price levels between countries by indicating the number of units of the common currency needed to buy the same volume of the aggregation level in each country. At the level of GDP, they provide a measure of the differences in the general price levels of countries.

|  |  |
| --- | --- |
| Period Data source | |
| 1994–2019 | World Bank, World Development Indicators, Price level ratio of PPP conversion factor (GDP) to market exchange rate,  PA.NUS.PPPC.RF |

* **Market capitalization ratio:** Measures the ratio of market value for listed domestic companies on the Palestine Exchange (PEX) and the Tel Aviv Stock Exchange (TASE). Market capitalization (also known as market value) is the share price multiplied by the number of shares outstanding (including their several classes) for listed domestic companies. Investment funds, unit trusts, and companies whose only business goal is to hold shares of other listed companies are excluded.

|  |  |
| --- | --- |
| Period Data source | |
| 2000–2019 | World Bank, World Development Indicators, market capitalization of listed domestic companies (current USD) - Israel, West Bank and Gaza, [CM.MKT.LCAP.CD](http://cm.mkt.lcap.cd/) |

* **Daily wage ratio:** Measures the average wage of Palestinian employees working in Palestine compared to average wage of Palestinian employees working in Israel.

|  |  |
| --- | --- |
| Period Data source | |
| 1968, 1969, 1991–1994 | Missing information supplemented by the average of the years before and after |
| 1970–1990 | National Accounts of Judea, Samaria and the Gaza area, 1968–1993, Publication No. 1012, ICBS |
| 1995–2019 | PCBS, Labor Force Survey |

**Figure XX: Wealth and standard of living**

**Table XX: Raw data - Wealth and standard of living**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **GDP per capita ratio** | **Price level ratio** | **Market capitalization ratio** | **Daily wage ratio** |
| 1968 | 5.06% |  |  | 55% |
| 1969 | 5.10% |  |  | 55% |
| 1970 | 5.73% |  |  | 55% |
| 1971 | 5.92% |  |  | 61% |
| 1972 | 6.20% |  |  | 64% |
| 1973 | 5.61% |  |  | 67% |
| 1974 | 6.53% |  |  | 72% |
| 1975 | 6.33% |  |  | 81% |
| 1976 | 7.37% |  |  | 87% |
| 1977 | 7.24% |  |  | 90% |
| 1978 | 7.76% |  |  | 88% |
| 1979 | 7.45% |  |  | 79% |
| 1980 | 8.55% |  |  | 90% |
| 1981 | 7.62% |  |  | 91% |
| 1982 | 7.99% |  |  | 91% |
| 1983 | 7.34% |  |  | 91% |
| 1984 | 7.52% |  |  | 111% |
| 1985 | 7.07% |  |  | 109% |
| 1986 | 7.97% |  |  | 92% |
| 1987 | 7.13% |  |  | 84% |
| 1988 | 6.82% |  |  | 77% |
| 1989 | 6.75% |  |  | 68% |
| 1990 | 7.49% |  |  | 71% |
| 1991 | 6.61% |  |  | 75% |
| 1992 | 7.47% |  |  | 73% |
| 1993 | 7.79% |  |  | 75% |
| 1994 | 8.04% | 67.14% |  | 69% |
| 1995 | 7.64% | 66.35% |  | 62.09% |
| 1996 | 7.23% | 65.27% |  | 54.42% |
| 1997 | 7.82% | 62.64% |  | 53.88% |
| 1998 | 8.58% | 61.10% |  | 53.40% |
| 1999 | 9.01% | 60.76% | 0.92% | 57.28% |
| 2000 | 7.67% | 65.83% | 0.68% | 57.56% |
| 2001 | 6.93% | 68.29% | 0.89% | 60.09% |
| 2002 | 6.04% | 76.07% | 0.99% | 55.95% |
| 2003 | 6.77% | 67.05% | 0.66% | 52.52% |
| 2004 | 7.86% | 62.71% | 0.85% | 53.31% |
| 2005 | 8.35% | 57.99% | 2.58% | 54.78% |
| 2006 | 7.77% | 57.79% | 1.20% | 56.78% |
| 2007 | 7.56% | 55.28% | 0.75% | 56.31% |
| 2008 | 7.81% | 53.38% | 1.69% | 55.24% |
| 2009 | 8.38% | 57.68% | 1.26% | 53.81% |
| 2010 | 8.33% | 61.12% | 1.08% | 49.30% |
| 2011 | 8.66% | 60.96% | 1.77% | 47.97% |
| 2012 | 8.92% | 59.66% | 1.77% | 48.63% |
| 2013 | 8.92% | 60.86% | 1.60% | 45.92% |
| 2014 | 8.55% | 55.24% | 1.59% | 44.52% |
| 2015 | 8.64% | 54.43% | 1.37% | 41.82% |
| 2016 | 9.02% | 56.71% | 1.58% | 39.21% |
| 2017 | 8.83% | 54.26% | 1.68% | 38.44% |
| 2018 | 8.59% | 53.26% | 1.99% | 38.99% |
| 2019 | 8.33% | 54.06% | 1.58% | 39.70% |

**Appendix II - Empirical results: PCA and weightings ISR-WBG-II 2010–2019**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Eigenvalues and eigenvectors** | | | | | | | **Loadings** | | | | **Weights** | **KMO** |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** | **Component 2** | Component 1 | Component 2 | Commun | Specific |
| Component 1 | 3.66 | 73% | 73% | PT exports of goods and services to Israel out of total exports | 0.04 | -0.98 | 0.08 | -0.99 | 99% | 1% | 21% | 15% |
| Component 2 | 1.02 | 20% | 94% | PT imports of goods and services from Israel out of total imports | 0.51 | 0.03 | 0.97 | 0.03 | 95% | 5% | 20% | 91% |
| Component 3 | 0.23 | 5% | 98% | Share of gross clearance revenues of total PA net revenues and grants | -0.48 | 0.10 | -0.92 | 0.11 | 86% | 14% | 18% | 76% |
| Component 4 | 0.07 | 1% | 100% | Palestinians employed in Israel out of total PT of employed individuals | -0.49 | -0.14 | -0.94 | -0.14 | 90% | 10% | 19% | 69% |
| Component 5 | 0.02 | 0% | 100% | Remittances of Palestinian workers in Israel out of GNI | -0.52 | -0.01 | -0.99 | -0.01 | 98% | 2% | 21% | 69% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** | **Component 2** | **Component 1** | **Component 2** | **Commun** | **Specific** | **Weights** | **KMO** |
| Component 1 | 2.81 | 56% | 56% | Number of Israeli cars entering the WBG out of Israeli Arab population | 0.56 | -0.21 | 0.94 | -0.24 | 94% | 6% | 23% | 61% |
| Component 2 | 1.31 | 26% | 82% | Movement of people of the WBG population to Israel out of total PT population | 0.56 | -0.07 | 0.93 | -0.08 | 88% | 12% | 21% | 66% |
| Component 3 | 0.74 | 15% | 97% | Number of permits to Palestinians for medical treatment out of total PT population | -0.20 | -0.70 | -0.34 | -0.80 | 76% | 24% | 18% | 30% |
| Component 4 | 0.09 | 2% | 99% | Percentage of Palestinian households traveling on outbound trips to Israel | 0.56 | 0.17 | 0.94 | 0.20 | 93% | 7% | 23% | 64% |
| Component 5 | 0.05 | 1% | 100% | Percentage of Israeli overnight stays in PT hotels (left) | 0.12 | -0.66 | 0.21 | -0.75 | 61% | 39% | 15% | 27% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** |  | **Component 1** |  | **Commun** | **Specific** | **Weights** | **KMO** |
| Component 1 | 4.12 | 82% | 82% | Mobile cellular subscriptions (per 100 people) ratio | 0.44 |  | 89% |  | 79% | 21% | 19% | 67% |
| Component 2 | 0.47 | 9% | 92% | Individuals using the internet (percentage of population) ratio | 0.46 |  | 92% |  | 85% | 15% | 21% | 69% |
| Component 3 | 0.28 | 6% | 97% | Fixed broadband subscriptions (per 100 people) ratio | 0.48 |  | 97% |  | 94% | 6% | 23% | 63% |
| Component 4 | 0.11 | 2% | 100% | Electricity imported from Israel out of total available electricity in the PT | 0.42 |  | 86% |  | 74% | 26% | 18% | 76% |
| Component 5 | 0.02 | 0% | 100% | Quantity of water purchased from Israeli Water Company (Mekorot) out of available water quantity in the PT | 0.44 |  | 89% |  | 80% | 20% | 19% | 66% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** | **Component 2** | **Component 1** | **Component 2** | **Commun** | **Specific** | **Weights** | **KMO** |
| Component 1 | 3.64 | 73% | 73% | Share of NIS deposits in the Palestinian banking system | 0.48 | -0.32 | 0.91 | -0.31 | 93% | 7% | 20% | 63% |
| Component 2 | 0.92 | 18% | 91% | Share of NIS gross credit in the Palestinian banking system | 0.45 | 0.48 | 0.85 | 0.46 | 93% | 7% | 20% | 56% |
| Component 3 | 0.30 | 6% | 97% | WBG excess NIS cash deposited in Israel banking system out of total NIS in circulation | 0.45 | 0.24 | 0.86 | 0.23 | 79% | 21% | 17% | 85% |
| Component 4 | 0.10 | 2% | 99% | Check and money transfer volumes between the WBG and Israel out of the WBG GNI | -0.36 | 0.75 | -0.68 | 0.72 | 98% | 2% | 22% | 44% |
| Component 5 | 0.04 | 1% | 100% | Share by value of NIS checks presented for clearing in the Palestinian banking system | 0.49 | 0.21 | 0.94 | 0.20 | 93% | 7% | 20% | 82% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** | **Component 2** | **Component 1** | **Component 2** | **Commun** | **Specific** | **Weights** | **KMO** |
| Component 1 | 2.06 | 52% | 52% | GDP per capita ratio (2015 prices) | 0.11 | 0.78 | 0.15 | 0.89 | 82% | 18% | 24% | 19% |
| Component 2 | 1.31 | 33% | 84% | Price level ratio of PPP conversion factor (GDP) to market exchange rate ratio | -0.63 | 0.33 | -0.91 | 0.37 | 96% | 4% | 28% | 42% |
| Component 3 | 0.54 | 14% | 98% | Market capitalization ratio (right) | 0.41 | 0.52 | 0.59 | 0.60 | 70% | 30% | 21% | 54% |
| Component 4 | 0.08 | 2% | 100% | Daily Wage Ratio- average wage of Palestinians working in the WBG to average wage of Palestinians working in Israel | -0.65 | 0.14 | -0.94 | 0.16 | 90% | 10% | 27% | 45% |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Component** | **eValue** | **Proportion** | **Cumulative** | **Indicator** | **Component 1** |  | **Component 1** |  | **Commun** | **Specific** | **Weights** | **KMO** |
| Component 1 | 4.14 | 83% | 83% | Trade, employment and taxes | 0.43 |  | 0.87 |  | 75% | 25% | 18% | 89% |
| Component 2 | 0.35 | 7% | 90% | Movement of people and services | 0.47 |  | 0.96 |  | 93% | 7% | 22% | 76% |
| Component 3 | 0.35 | 7% | 97% | Resources and infrastructure | 0.47 |  | 0.96 |  | 92% | 8% | 22% | 82% |
| Component 4 | 0.12 | 2% | 99% | Banking and money | 0.45 |  | 0.91 |  | 82% | 18% | 20% | 84% |
| Component 5 | 0.04 | 1% | 100% | Wealth and standard of living | -0.42 |  | -0.84 |  | 71% | 29% | 17% | 89% |

**Appendix III – Contribution of indicators**

**Contribution of each indicator to its dimension ISR-WBG-II 2010-2019**

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Indicator** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** |
| Palestinian exports of goods and services to Israel out of total Palestinian exports | 8% | 11% | 0% | 8% | 5% | 8% | 6% | 5% | 4% | 1% |
| Palestinian imports of goods and services from Israel out of total Palestinian imports | 12% | 10% | 8% | 8% | 6% | 3% | 2% | 1% | 0% | 0% |
| Share of gross clearance revenues out of total PA net revenues and grants | 0% | 4% | 4% | 2% | 4% | 6% | 4% | 4% | 4% | 6% |
| Palestinians employed in Israel out of total Palestinian employed individuals | 3% | 1% | 0% | 3% | 4% | 4% | 3% | 5% | 5% | 6% |
| Remittances of Palestinians workers in Israel out of the WBG GNI | 0% | 1% | 1% | 2% | 3% | 5% | 4% | 4% | 5% | 6% |
| Number of Israeli cars entering the WB | 0% | 0% | 3% | 4% | 4% | 7% | 6% | 6% | 6% | 6% |
| Movement of people between Israel and the WB | 0% | 0% | 1% | 2% | 3% | 5% | 4% | 5% | 6% | 7% |
| Percentage of Palestinians entering Israel for medical treatment | 8% | 7% | 9% | 3% | 8% | 1% | 0% | 0% | 2% | 1% |
| Percentage of Palestinian households making outbound trips to Israel | 5% | 2% | 0% | 1% | 1% | 5% | 6% | 5% | 4% | 5% |
| Percentage of Israeli overnight stays in WB hotels | 6% | 5% | 7% | 7% | 7% | 0% | 7% | 5% | 4% | 3% |
| Mobile cellular subscriptions (ratio) | 0% | 3% | 5% | 4% | 4% | 4% | 4% | 5% | 7% | 4% |
| Individuals using the internet (ratio) | 0% | 2% | 3% | 4% | 6% | 8% | 6% | 7% | 6% | 8% |
| Fixed broadband subscriptions (ratio) | 0% | 0% | 2% | 4% | 4% | 7% | 7% | 8% | 7% | 8% |
| Electricity imported from Israel out of total available electricity in the WBG | 1% | 0% | 4% | 0% | 5% | 3% | 3% | 4% | 6% | 2% |
| Water purchased from Israel out of available water quantity in the WBG | 5% | 3% | 0% | 2% | 4% | 5% | 6% | 7% | 6% | 5% |
| Share of NIS deposits in the Palestinian banking system | 0% | 6% | 5% | 3% | 4% | 7% | 4% | 5% | 6% | 7% |
| Share of NIS credit in the Palestinian banking system | 5% | 0% | 5% | 5% | 3% | 5% | 5% | 6% | 5% | 7% |
| Excess NIS cash deposited in Israel out of total NIS circulation | 0% | 1% | 0% | 5% | 3% | 1% | 4% | 3% | 4% | 6% |
| Check and money transfer volumes out of the WBG GNI | 14% | 3% | 3% | 3% | 3% | 2% | 3% | 3% | 0% | 1% |
| Share of NIS checks presented for clearing in the Palestinian banking system | 3% | 0% | 5% | 4% | 4% | 5% | 3% | 4% | 5% | 7% |
| GDP per capita (ratio) | 0% | 6% | 8% | 7% | 3% | 4% | 6% | 5% | 2% | 0% |
| Price level (ratio) | 16% | 14% | 9% | 10% | 3% | 2% | 3% | 1% | 0% | 1% |
| Market capitalization (ratio) | 0% | 8% | 6% | 4% | 4% | 2% | 3% | 4% | 5% | 3% |
| Daily wage (ratio) | 15% | 12% | 10% | 6% | 5% | 3% | 1% | 0% | 0% | 1% |
| **Total** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

**Appendix IV: Indices results**

**Table XX: Indices results**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** | **ISR-WBG-II 1968** | **ISR-WBG-II 1996** | **ISR-WBG-II 2000** | **ISR-WBG-II 2010** |
| 1968 | 17.60% |  |  |  |
| 1969 | 20.50% |  |  |  |
| 1970 | 30.24% |  |  |  |
| 1971 | 38.08% |  |  |  |
| 1972 | 50.82% |  |  |  |
| 1973 | 59.15% |  |  |  |
| 1974 | 62.84% |  |  |  |
| 1975 | 65.59% |  |  |  |
| 1976 | 68.76% |  |  |  |
| 1977 | 68.39% |  |  |  |
| 1978 | 69.64% |  |  |  |
| 1979 | 69.17% |  |  |  |
| 1980 | 75.35% |  |  |  |
| 1981 | 76.28% |  |  |  |
| 1982 | 77.56% |  |  |  |
| 1983 | 80.23% |  |  |  |
| 1984 | 80.59% |  |  |  |
| 1985 | 77.17% |  |  |  |
| 1986 | 79.02% |  |  |  |
| 1987 | 80.93% |  |  |  |
| 1988 | 72.32% |  |  |  |
| 1989 | 65.86% |  |  |  |
| 1990 | 72.66% |  |  |  |
| 1991 | 67.60% |  |  |  |
| 1992 | 74.36% |  |  |  |
| 1993 | 66.15% |  |  |  |
| 1994 | 60.10% |  |  |  |
| 1995 | 58.24% |  |  |  |
| 1996 | 52.56% | 57% |  |  |
| 1997 | 55.06% | 61% |  |  |
| 1998 | 61.65% | 69% |  |  |
| 1999 | 57.80% | 72% |  |  |
| 2000 | 49.42% | 61% | 47.49% |  |
| 2001 | 38.12% | 39% | 33.73% |  |
| 2002 | 33.09% | 34% | 28.10% |  |
| 2003 | 35.72% | 43% | 33.86% |  |
| 2004 | 39.81% | 49% | 39.66% |  |
| 2005 | 40.77% | 42% | 42.30% |  |
| 2006 | 40.51% | 42% | 40.64% |  |
| 2007 | 40.74% | 44% | 40.34% |  |
| 2008 | 45.41% | 41% | 44.96% |  |
| 2009 | 43.45% | 45% | 47.19% |  |
| 2010 | 41.32% | 43% | 48.28% | 30% |
| 2011 | 41.84% | 43% | 49.67% | 32% |
| 2012 | 42.15% | 47% | 53.82% | 43% |
| 2013 | 44.85% | 54% | 59.53% | 48% |
| 2014 | 42.56% | 46% | 56.12% | 47% |
| 2015 | 37.80% | 38% | 50.22% | 44% |
| 2016 | 38.94% | 49% | 60.80% | 63% |
| 2017 | 37.38% | 46% | 60.59% | 64% |
| 2018 | 38.26% | 45% | 62.04% | 66% |
| 2019 | 37.04% | 45% | 59.33% | 60% |

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| --- | --- | --- | --- |
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| 1996-2019 | PMA | Share of NIS credit in the Palestinian banking system |
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1. https://kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html [↑](#footnote-ref-1)
2. http://www.eu-index.uni-goettingen.de/?lang=en [↑](#footnote-ref-2)
3. https://www.integrate-africa.org/ [↑](#footnote-ref-3)
4. https://aric.adb.org/integrationindicators [↑](#footnote-ref-4)
5. Numerous normalization methods are detailed in OECD (2008), *Handbook on Constructing Composite Indicators: Methodology and User Guide*, European Commission. [↑](#footnote-ref-5)
6. Detailed information about the technique can be found in methodologies notes of both Asia-Pacific Regional Cooperation and Integration Index and Africa Regional Integration Index. [↑](#footnote-ref-6)
7. The Communications and Postal Services Office (in coordinating government activities in the territories) is responsible for regulating the activity of Israeli telecommunications and postal service companies, authorizing use of frequencies in the entire region, granting approvals to place telecommunications infrastructure, and establishing communications facilities in Area C. The office is also responsible for granting approvals for the transfer of telecommunications equipment into Judea and Samaria and maintaining working relationships with its Palestinian counterparts in all areas of telecommunications and postal services.  [↑](#footnote-ref-7)