**Chapter 4**

**Israel-WBG integration index**

In this chapter we develop the Israel-WBG integration index (ISR-WBG-II). We first present our dataset and proceed to the structure of the ISR-WBG-II developed, focusing on data treatment and the methodology. Finally, the results, as well as Sub-indexes 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. The criteria of integration can be broadly classified into two categories, namely quantity-based and price-based measurements. The quantity-based category includes measurements such as openness and restrictiveness in trade and financial transactions, capital flows, output correlation, savings-investment correlation and consumption correlation. The price-based category consists of tests derived from price differentials in goods and financial markets (Cheung, Yiu and Chow 2008). Economic Integration indices have already been used for analyzing trade integration, monetary integration, capital market integration, labor market integration and institutional integration, and have been used to examine the degree of integration of different regions, such as the Globalization Index[[1]](#footnote-1), EU[[2]](#footnote-2), Africa[[3]](#footnote-3), Asia-Pacific Region[[4]](#footnote-4), and more. We also used the "Handbook on Constructing Composite Indicators" by the OECD (2005) as a methodological tool and user guide to construct the ISR-WBG-II.

Below the 4 steps we followed so as to construct the ISR-WBG-II composite index:

* Data selection
* Normalization
* Weighting
* Aggregation

**Data selection**

The indicators should be selected were based on their analytical soundness, measurability, and relevance to the phenomenon being measured and relationship to each other.

The Israel-WBG index comprises 5 dimensions of integration:

1. **Trade, employment, and taxes** - Real economic activity is the main channel through which the Israeli and Palestinian economies integrate. The unified customs envelope encourages trade between the Israeli and the Palestinian economies because it reduces barriers to mutual trade. Employment of Palestinians in Israel plays a key factor and is a significant anchor of the Palestinian economy.
2. **Movement of people -** Allowing people to move more freely helps build economies of scale, develop effective value chains, and foster social links. These aspects are very relevant, including to trade, employment and manufacturing, medicine, and tourism. Israel maintains a system of permits for the entry of Palestinians into Israel, mainly for the following needs: health, legal, education, employment, economy, religious worship, family reunification, tourism and more.
3. **Resources and infrastructure** **-** The share of resources such as information and communication technology, water and cross-border electrical infrastructure directly affect transaction costs, prosperity, stability and encourages economic growth. With the rapid development of mobile telephony and the global expansion of the Internet, information and communication technologies are increasingly recognized as essential tools of development, contributing to integration.
4. **Banking and money** - A high rate of usage of the Israeli shekel in the Palestinian Authority will indicate high monetary integration between the regions in a way that helps reduce transaction costs and promotes monetary stability.
5. **Wealth and Standard of living –** A positive process of integration will enable economic convergence and closing the gaps in the standard of living between the regions.

In light of the fact that the Palestinian economy is significantly dependent on the Israeli economy and not the other way around, we chose to assess -- through the selected indicators -- **the level of integration of the Palestinian economy into the Israeli economy and not the other way around**. That is, the indicators were calculated so that the measurement is made on each issue in relation to the Palestinian economy. For example, the volume of imports or exports between the regions is measured in relation to the total Palestinian exports or imports.

Data limitations, missing data treatment and data coverage

The indicators in each dimension were chosen so as to represent significant activities and the state of integration that take place between the regions, and adequately represents the dimension to which they belong. Of course, there are other relevant indicators, but it was not possible to find reliable data for them. It is important to note that the frequency of all indicators is on an annual basis. But each indicator has a different time which necessitated creation of a number of integration indices. Indicators were included, only where reliable data was available for most of years of coverage. In a few cases where data was missing, we used the most similar datasets or an average of the adjacent years.

Table 1 below summarizes the dimensions and relevant indicators and details of data sources and years covered:

**Table 1: Dimensions and indicators**

|  |  |  |  |
| --- | --- | --- | --- |
| **Dimension** | **Indicator** | **Data sources** | **Years of coverage** |
| **Trade, Employment 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 |
| Palestinians employed in Israel out of total Palestinian individuals employed | PCBS, ICBS | 1968-2019 |
| Remittances of Palestinians workers in Israel out of WBG 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 guests’ nights in WB Hotels | PCBS | 2010-2019 |
| Percentage of Palestinian households that conducted Outbound Trips to Israel | PCBS | 1996-2019 |
| **Resources and infrastructure** | 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 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 in table 1 above, not all indicators have observations starting in 1968, but rather only from a later period. Our way to solve this matching problem was to produce several indices that start at different periods and include a different number of indicators. Thus, the more advanced the period, the greater the number of indicators and dimensions can be found in the index, as expressed below:

* the index starting in 1968 includes 3 dimensions and 6 indicators,
* the index starting in 1996 includes 4 dimensions and 10 indicators,
* the index starting in 2000 includes 5 dimensions and 15 indicators,
* the index starting in 2010 includes 5 dimensions and 24 indicators

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

**Normalization method**

ISWBGII is made up of varied indicators measured in different units, from the share of NIS deposits in the Palestinian banking system to Palestinians employed in Israel out of total Palestinian individuals employed. A common scale (normalization) is thus required prior to aggregation. We adopt min–max rescaling, which has been used in several integration indexes mentioned above[[5]](#footnote-5). The indicators are normalized so that they range between 0 and 1, where 0 denotes the lowest integration level and 1 the highest level:

**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; therefore, weights are necessary to account for these differences. As such, we can use an equal weighting system where all indicators have the same weight. This approach assures that weighting does not have a differential impact on the results. Another approach can be setting the weights, in an objective manner, however it is a daunting task as there exists no consensus in the literature as to which method is the best. Heavy weights on indicators can strongly influence the final scores and they should, therefore, be assigned using a sound methodology (Nardo et al., 2005).

Principal components analysis (PCA) is a methodology been used in constructive a number of important and well-known indices such as: Asia-Pacific Regional Cooperation and Integration Index and Africa Regional Integration Index[[6]](#footnote-6). PCA is a statistical methodology that allows robust computation of weights while maintaining objectivity. PCA derives weights based on the structure of the data. It also preserves variations in the data. We also use the Kaiser-Meyer-Olkin (KMO) Test to measure how suitable are our indicators - A high KMO (> 0.5) indicates that PCA is relevant. In a few of the individual indicators, the KMO test showed poor results (<0.5). Despite this, we have chosen to maintain the results of the PCA method as we implemented the equal weighting system and found there are no significant discrepancies in results.

We decided to use **both** methodologies (an equal weighting system where all indicators have the same weight, and PCA) to compute the weights to assign to each indicator and dimensions before building the aggregate index.

For the indices starting in 1968 (6 indicators), 1996 (10 indicators), and 2000 (15 indicators) we decided to use an equal weighting system while for the index starting in 2010 (24 indicators) we use the PCA methodology.

The reason we choose an equal weighting system for the first 3 indices is that the dimensional composition includes a small number of indicators relative to the later index, beginning in 2010. Also, the dimensions often included only one indicator to represent them, so to avoid bias in the results we decided to intervene it and reduce the weights, as will be explained in more detail in the section below.

Equal weighting system

This includes a two-stage procedure set the weights:

* In the first stage, we set a weight for each indicator in each dimension in an equal manner - that is, if there are 3 indicators, each indicator is given a weight of one third.
* In the second stage, each dimension was given a weight according to the number of indicators available in it - so that if the index includes 10 indicators and there are 4 dimensions (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.

Principal components analysis

Our approach includes a two-stage PCA estimation to set out 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.

**Aggregation scheme**

Indicators in a composite index can be aggregated using a linear or a geometric aggregation method ("Handbook on Constructing Composite Indicators" by the OECD (2005)). Linear aggregation is an additive method that involves the summation of individual indicators. It ensures full compensability, that is poor performance in some indicators can be compensated by good performance on others. The most widely used aggregation techniques are additive techniques. Its advantages are simplicity and independence from the impact of outliers. Its disadvantage is that the method loses the absolute value information. Geometric aggregation is a multiplicative method, and it involves partial compensability where elements with higher scores are given more importance. Given that indicators have been normalized and are on the same scale and that indicators have already been weighted to reflect their importance, a simple linear aggregation method has been used.

* 1. **Results**

We have created 4 indices starting in different years (1968, 1996, 2000 and 2010). As mentioned, each index contains 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 | Palestinian exports of goods and services to Israel out of total Palestinian exports | 50.00% | 33.33% |
| Palestinian imports of goods and services from Israel out of total Palestinian imports | 50.00% |
| Employment | Palestinians employed in Israel out of total Palestinian individuals employed | 50.00% | 33.33% |
| Remittances of Palestinians workers in Israel out of 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: 3

Number of indicators: 6

The weighting technique - Equal weighting system

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

**Figure 32: ISR-WBG-II 1968-2019 by dimensions**

**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 | Palestinian exports of goods and services to Israel out of total Palestinian exports | 20% | 50% |
| 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% |
| Palestinians employed in Israel out of total Palestinian individuals employed | 20% |
| Remittances of Palestinians workers in Israel out of WBG GNI | 20% |
| Movement of people and Services | Percentage of Israeli guests’ nights 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

The weighting technique - 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 | Palestinian exports of goods and services to Israel out of total Palestinian exports | 20.0% | 33.3% |
| 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 WBG GNI | 20.0% |
| Movement of people and Services | Percentage of Israeli guests’ nights 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

The weighting technique - Equal weighting system

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

**Figure 38: ISR-WBG-II 2000-2019 by dimensions**

**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 | Palestinian exports of goods and services to Israel out of total Palestinian exports | 21.2% | 18.2% |
| 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% |
| Palestinians employed in Israel out of total Palestinian individuals employed | 19.3% |
| Remittances of Palestinians workers in Israel out of WBG GNI | 20.9% |
| Movement of people and Services | Percentage of Israeli cars entering the WB | 22.9% | 22.4% |
| Movement of people between Israel and the WB | 21.3% |
| Percentage of Palestinians entering Israel for medical treatment | 18.4% |
| Percentage of Palestinian households that conducted Outbound Trips to Israel | 22.6% |
| Percentage of Israeli guests’ nights 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% |
| Electricity imported from Israel out of total available electricity in the WBG | 17.9% |
| 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% |
| Excess NIS cash deposited in Israel out of total NIS circulation | 17.2% |
| Checks and Money transfers volume out of 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 capitilazation (ratio) | 20.7% |
| Daily Wage (ratio) | 26.7% |

Number of dimensions: 5

Number of indicators: 24

The weighting technique - PCA (please see **Appendix II**).

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

**Figure 41: ISR-WBG-II 2010-2019 by dimensions**

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

* + 1. **Discussion of the results**

As can be seen in figure 1 above, the long-term trend is mixed. In the twenty years after the 1967 war, as a result of Israel's open policy toward the West bank and the Gaza Strip, there was a dramatic increase in the level of integration, to a level that was not been achieved again (1987 is the peak year(. After the first intifada in the late 1980s, the level of integration began to decline in the face of periodic closures and restrictions on the movement of people, and the beginning of the terrorist events that accompanied this period, and finally ended in the second intifada in the early 2000s. According to Arnon (2007), those who signed the Paris Protocol (1994) anticipated an increase in economic integration between the two economies, but the reality was a growing, unilaterally imposed, separation.

Over the period 1996 - 1999 the relative security calm led to a temporary increase in integration (as can be seen in figure 2) until the beginning of the second intifada. The results of the second intifada are clearly reflected in the indices (see graphs 1, 4 and 7).

After the end of the second intifada, a certain recovery was observed. As can be seen in figures 7 and 10, after the second intifada there is an upward trend that reflects a steady increase in the level of integration. As can be seen in figures 8 and 11, the main dimensions that contribute to increase of the index is “Banking and money”, “Resources and infrastructure” and “Movement of people and services”, while the dimension that reduces the integration is Wealth and standard of living.

As can be seen in figure 10, in 2014 and 2015 there is a slight decline in the level of integration, as a results of “Operation Protective Edge״ in the Gaza Strip which took place in 2014 and wave of violence called the "Intifada of the Individuals" that began in 2015.

In recent years, a certain decrease in the level of integration has been observed in all indices. The main factor explaining this is the continuing decline in “Wealth and standard of living” dimension.

Figure 13 shows in radar chart, the development of dimensions between years specific (2010, 2015 and 2019). As can be seen, “Banking and money”, “Resources and infrastructure” and “Movement of people and services” dimensions are contributing to increase in the level of integration between the regions, while "Wealth and standard of living" dimension reduces the level of integration. The "Trade, employment and taxes" dimension increased between the year 2010 to 2015 but lagged behind between 2015 to 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. **An overview of the indices**

In Figures 14 and 15 we summarize the results of the indices graphically. In Figure 14 we see the results of the 4 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 should be noted that methodologically it is incorrect to compare or link the indices to each other as they include several different dimensions and indicators, as well as 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**

* **Palestinian exports of goods and services to Israel out of total Palestinian exports –**

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

|  |  |
| --- | --- |
| 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, Registered goods only, Foreign Trade Statistics |
| 2000 - 2019 | Palestinian Central Bureau of Statistics, foreign trade and balance of payments |

* **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.

|  |  |
| --- | --- |
| 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, Registered goods only, Foreign Trade Statistics |
| 2000 - 2019 | Palestinian Central Bureau of Statistics, 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, Annual Statistics, Time Series Data, Public Finance, Revenues, expenditures and financing sources of PNA fiscal operations (cash basis) |

* **Palestinians employed in Israel out of total Palestinian employed Individuals –**

Measures the number pf Palestinians employed in Israel and the settlements out of total Palestinian employed Individuals.

|  |  |
| --- | --- |
| 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 | Palestinian Central Bureau of Statistics, *Labor Force Survey* |

* **Remittances of Palestinians workers in Israel out of WBG GNI –**

Measures the value of Palestinians workers’ salaries in Israel and the settlements out of total WBG gross national income.

|  |  |
| --- | --- |
| 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 | Palestinian Central Bureau of Statistics, 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** | **Palestinian exports of goods and services to Israel out of total Palestinian exports** | **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** | **Palestinians employed in Israel out of total Palestinian employed Individuals** | **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 cars (mainly Israeli Arab) entering the WB through the Gilboa crossing point out of total Israeli Arab population. The index reflects aspects of private consumption of Israeli Arabs in the WB.

|  |  |
| --- | --- |
| Data source | |
| 2010 | Missing data – equal to year 2011 |
| 2011-2019 | The Ministry of Defense Crossing Points Authority (C.P.A.) and the Israeli Central Bureau of Statistics |

* **Movement of people between Israel and the WB –**

Measures the number of people passing through the crossings between Israel and the West Bank to the total average population of Israel and the West Bank

|  |  |
| --- | --- |
| Data source | |
| 2010 | Missing data – equal to year 2011 |
| 2011-2019 | The Ministry of Defense Crossing Points Authority (C.P.A.), Palestinian Central Bureau of Statistics, Israeli Central Bureau of Statistics |

* **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.

|  |  |
| --- | --- |
| Data source | |
| 2010 | Missing data – equal to 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 - equal to year 2013 |
| 2015-2019 | Specific request - Coordinator of government activities in the territories, Palestinian Central Bureau of Statistics |

* **Percentage of Israeli guests’ nights in WB Hotels –**

Measures the number of guest Nights in Hotels in the West Bank by Israeli nationality to total number of guest nights.

|  |  |
| --- | --- |
| Data source | |
| 1996-2019 | Palestinian Central Bureau of Statistics, Hotel Activities |

* **Percentage of Palestinian households that conducted Outbound Trips to Israel–**

Measures the number of Palestinian households that conducted Outbound Trips to Israel out of total Palestinian households who conducted a trip.

|  |  |
| --- | --- |
| Data source | |
| 2009-2019 | Palestinian Central Bureau of Statistics, traveled Households on Outbound Trips by Destination Country and year, the data are published with a frequency of two years and therefore an average is made in 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 entered the WB** | **Movement of people between Israel and the WB** | **Percentage of Palestinians entered to Israel for medical treatment** | **Percentage of Palestinian households that conducted Outbound Trips to Israel** | **Percentage of Israeli guests’ nights 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 –**

The indicator measures the ratio of Mobile cellular subscriptions (per 100 people) in WBG relative to Israel. Mobile cellular telephone subscriptions are subscriptions to a public mobile telephone service using cellular technology, which provide access to the public switched telephone network (PSTN) using cellular technology.

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 the Ministry of Communications in Israel that enables the establishment of infrastructure for a 3G cellular network for the Palestinian population in the WB to help the development of the cellular field and increase the number of Palestinians employed in Palestinian telecommunications companies.

|  |  |
| --- | --- |
| 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 –**

The indicator measures the ratio of Individuals using the Internet (% of population)in the WBG to Israel. Internet users are individuals who have used the Internet (from any location) in the last 3 months. The Internet can be used via a computer, mobile phone, personal digital assistant, games machine, digital TV etc. New information and communications technologies (ICT) offer vast opportunities for progress in all walks of life in all countries - opportunities for economic growth, improved health, better service delivery, learning through distance education, and social and cultural advances.

|  |  |
| --- | --- |
| 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 –**

The indicator measures fixed broadband subscriptions (per 100 people) in the WBG to Israel. Fixed broadband subscriptions 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.

|  |  |
| --- | --- |
| Data source | |
| 2010 | Missing data – equal to 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 total available electricity in the WBG –**

The indicator measures the quantity of electricity Imported from Israeli Electricity

Company to total available electricity in the WBG. It reflects the dependency of the WBG on Israeli electricity infrastructure.

|  |  |
| --- | --- |
| Data source | |
| 2004-2019 | Palestinian Central Bureau of Statistics, Energy Tables and Energy Balance |

* **Water Purchased from Israel out of available water quantity in the WBG –**

Annual quantity of water purchased from Israeli Water Company (Mekorot) out of total annual available water quantity in the WBG

|  |  |
| --- | --- |
| Data source | |
| 2000-2019 | Palestinian Central Bureau of Statistics, 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** | **Electricity imported from Israel out of total available electricity in the WBG** | **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 amount of NIS deposits in the Palestinian banking system out of total amount of deposits.

|  |  |
| --- | --- |
| Data source | |
| 2006 - 2019 | Palestine Monetary Authority, Annual Statistics, Time Series Data, Deposits |

* **Share of NIS credit in the Palestinian banking system –**

Measures the amount of NIS gross credit facilities out of total amount of gross credit facilities in the Palestinian banking system

|  |  |
| --- | --- |
| Data source | |
| 1996-2019 | Palestine Monetary Authority, Annual Statistics, Time Series Data, Credit Facilities |

* **Share of NIS checks presented for clearing in the Palestinian banking system –**

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

|  |  |
| --- | --- |
| Data source | |
| 1998-2019 | Palestine Monetary Authority, Annual Statistics, Time Series Data, Clearance Data |

* **Excess NIS cash deposited in Israel out of total NIS circulation -**

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

|  |  |
| --- | --- |
| Data source | |
| 2010 -2019 | Palestine Monetary Authority, annual reports |

* **Checks and Money transfers volume out of WBG GNI -**

Measures the amount of NIS Checks & Money transfers on the correspondent banking relation of Israeli banks and the Palestinian banks out of WBG gross national income.

|  |  |
| --- | --- |
| Data source | |
| 2010 - 2019 | Palestine Monetary Authority and Palestinian Central Bureau of Statistics |

**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** | **Excess NIS cash deposited in Israel out of total NIS circulation** | **Checks and Money transfers volume 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 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.

|  |  |
| --- | --- |
| Data source | |
| 1968-1993 | SCHEIN, A. (2013). Growth in Per Capita GDP in the West Bank and Gaza 1950–2005, Per capita GDP in 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 US$) |

* **Price level ratio –**

Measure 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.

|  |  |
| --- | --- |
| 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 Palestine Exchange (PEX) and the Tel Aviv Stock Exchange (TASE).

Market capitalization (also known as market value) is the share price times 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.

|  |  |
| --- | --- |
| Data source | |
| 2000-2019 | World bank, World Development Indicators, Market capitalization of listed domestic companies (current US$) - 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 to average wage of Palestinian employees working in Israel.

|  |  |
| --- | --- |
| 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, Pubilication No. 1012, Israeli Central Bureau of Statistics |
| 1995 - 2019 | Palestinian Central Bureau of Statistics, *Labour 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 capitilazation 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 Palestinians 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 entered the WB 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 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 palestinian 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 palestinians Households traveled 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 Guests 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 (% 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 ou of total NIS circulation | 0.45 | 0.24 | 0.86 | 0.23 | 79% | 21% | 17% | 85% |
| Component 4 | 0.10 | 2% | 99% | Checks & Money transfer Volume between WBG & Israel out of WBG GNI | -0.36 | 0.75 | -0.68 | 0.72 | 98% | 2% | 22% | 44% |
| Component 5 | 0.04 | 1% | 100% | Share of NIS checks (Value) 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 capitilazation 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 Palestinian employees workingin in Palestine to average wage of Palestinian employees 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 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 that conducted Outbound Trips to Israel | 5% | 2% | 0% | 1% | 1% | 5% | 6% | 5% | 4% | 5% |
| Percentage of Israeli guests’ nights 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% |
| Checks and Money transfers volume out of 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 capitilazation (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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| --- | --- | --- | --- |
|  | **Data sources** | **Indicator** | **Dimension** |
| 1968-2019 | PCBS, ICBS, WB | Palestinian exports of goods and services to Israel out of total Palestinian exports | **Trade, Employment and Taxes** |
| 1968-2019 | PCBS, ICBS, WB | Palestinian imports of goods and services from Israel out of total Palestinian imports |
| 1996-2019 | PMA | Share of gross clearance revenues out of total PA net revenues and grants |
| 1968-2019 | PCBS, ICBS | Palestinians employed in Israel out of total Palestinian individuals employed |
| 1968-2019 | PCBS, ICBS | Remittances of Palestinians workers in Israel out of WBG GNI |
| 2010-2019 | ICA, ICBS | Percentage of Israeli cars entering the WB | **Movement of people** |
| 2010-2019 | ICA, PCBS | Movement of people between Israel and the WB |
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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 available at Organization for Economic Co-operation and Development (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 Coordinator of 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)