



Innovative Finance Inclusion

Social Impact Bond Rehabilitation of Prisoners Case

Date: January 2023

Authors:

**Ms. Michal Engelberg, Dr. Rachel Azurel Calipha,
Prof. Vered Holzmann**

Affiliation:

The Academic College of Tel Aviv-Yaffo

**In collaboration with Social Finance Israel (SFI) and
IBI Capital**





Abstract

Social Impact Bonds are based on public-private partnerships to provide effective social services through performance-based contracts. Investors from the private sector provide funds for the development and expansion of solutions to social problems, with the aim of reducing negative impact while also creating a financial return. Intervention programs, made feasible by private capital, are expected to demonstrate measurable benefits (“pay for success”) and therefore, will generate public value for which the government or public bodies will repay the private investors.

Social Finance Israel (SFI) was established in 2013 to promote the flow of capital towards solving social issues in Israel using innovative financing tools. SFI is the leading developer of Social Impact Bonds in Israel, and has launched several successful Social Impact Bonds. However, not all initiatives are successful and here, the SFI team shares with us the story of initiating a Social Impact Bond for prisoners’ rehabilitation, which was not realized because of several reasons.

Important lessons can be drawn from this story with regards to the implementation of innovative financial tools in general, and Social Impact Bonds in particular.

Keywords

Social Impact Bonds, Social Challenge, Prisoners’ Rehabilitation, Israel, Stakeholders Management





1 Background

In recent years, we hear more and more public leaders, investors, philanthropists, and public-opinion leaders speak about the emergence of a "new economy". Although it is still early to present defined properties and fully-formed theories regarding an alternative economy, the trends are clear: From 2014 to 2019, capital infused into Impact Investments grew from US \$46 billion to US \$228 billion¹; a survey conducted by Deloitte² among millennials showed that about 40% of them expect businesses' goals to include social improvements; and a KPMG report indicates that nearly 90% of the large corporations worldwide use sustainability indices according to international standards³.

Mr. Yaron Neudorfer, founder and CEO of Social Finance Israel (SFI)⁴, speaks of these trends as a development of an "Impact Economy," which has four main aspects: Investments, business approach, consumption, and accounting. SFI's vision is to create measurable change in people's lives by deploying innovative financing tools to solve social problems, while developing the impact investing sector in Israel. For the vision to materialize, organizations working to achieve social change must transition from process-oriented to outcome-oriented project management. A transition to consequential thinking is essential, as it enables focusing both on a joint objective that serves the beneficiaries needs and ways to achieve it, and success indices. The effectiveness of social resource allocation will be higher, because funds will be invested in real results rather than in unnecessary processes. Yaron describes this transition as a very difficult one for the social field, which has grown accustomed over the years to measuring processes and outputs rather than results: "It is also difficult for the government, as well as for the philanthropic world and for civil society organizations. If we are not very optimistic and very dedicated to the cause, we may be very easily steered away from observing and measuring societal results. We are not giving up and are not discouraged, since this is at the heart of transformation. Our great vision gives us sufficient fuel to work towards its achievement."

SFI is devoted to the vision with admirable determination, its professional team 'burning the midnight candle' in designing models, establishing partnerships for the implementation of innovative models, promoting change in government policy, and working to expose the Israeli public to the potential embodied in this new economic perception.

¹ Fine, D., Hickson, H., Pandit, V. & Tuinenburg, P. (December, 2018). Catalyzing the growth of the impact economy. McKinsey & Company. Retrieved from: <https://www.mckinsey.com/industries/private-equity-and-principal-investors/our-insights/catalyzing-the-growth-of-the-impact-economy>. GIIN 2020

² [The Deloitte Global Millennial Survey 2019](https://www.deloitte.com/au/en/issues/sustainability/millennials-survey.html)

³ King, A., Blasco, J.A., (October 2017). The Road Ahead, The KPMG Survey of Corporate Responsibility Reporting 2017. Retrieved from: <https://assets.kpmg/content/dam/kpmg/xx/pdf/2017/10/kpmg-survey-of-corporate-responsibility-reporting-2017.pdf>

⁴ <https://www.social-finance.org.il/>



Therefore, they did not hesitate to open their binders and hearts to us and allow us to thoroughly examine one of the longest and most complex processes they led in the company since its establishment: Initiating a Social Impact Bond for prisoner rehabilitation.

2 Social Impact Bonds

The idea of developing Social Impact Bonds (SIBs) was first suggested by The Council on Social Action, a British think tank established in 2007, aiming to examine solutions for pressing societal issues in England (Liang et al., 2014). One of the important issues raised at the Council referred to the challenge of financing social projects, particularly prevention and early intervention programs. In most cases, governments take exclusive responsibility for the risks associated with financing expensive programs designed to lead to public savings at some point in the future. When programs are successful, they generate significant improvement in the target population’s life alongside national substantial savings in the long run. This gave rise to the question: *How can one propose successful yet expensive programs to a wide audience of funders, without asking government and taxpayers to take upon themselves the risk of failure?*

An SIB is an outcomes-based contract between public service providers or non-profit organizations and private investors. In such contracts, the private financier provides advanced funding to an intervention program for targeted consequential improvement of an existing social condition, among a defined target-audience, and in return, is refunded for its investment based on government savings generated by the achievement of predefined results by the operating party.

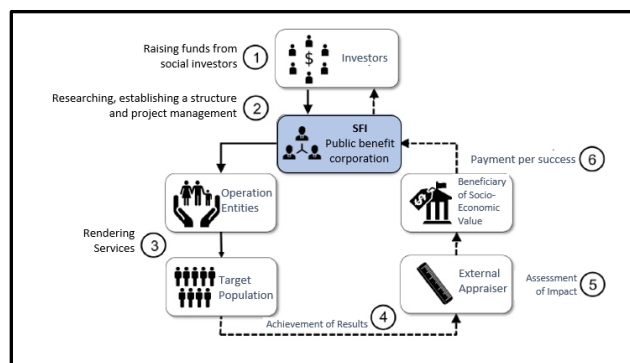


Figure 1. Structure of an SIB (adopted from SFI’s website)

Although SIBs are not considered classic bonds (Warner, 2013), the idea behind them is to raise private capital for investment in areas of public policy that are characterized by high complexity, by assuring a return on yield contingent on the achievement of predefined consequential targets. Most government programs, particularly those designed for



populations of low socio-economic status, such as homeless persons, ex-convicts, at-risk youths, and the early childhood education system provide care when the social problem is already evident and well established. The same population groups are characterized by invisibility and a lack of presentation in the broad socio-political system, and therefore, are unsuccessful in attracting investments for prevention programs.

The model represented by the SIB is payment contingent upon success. Pilot programs financed by investors' funds operate under this model, while the return on investment is provided only in the event of measurable positive results. The SIB attributes economic value to achievements associated with social interventions and ties the payment to the achievement of social goals.

The rationale at the basis of the SIB falls under the “outcomes-based payment” approach, which is identified with the target-based management that became very popular under Tony Blaire's government in Britain in the 2000s. The bonds are active for a predefined period; however, they do not guarantee investors a fixed return rate. The main objectives of SIBs are (Barclay & Symons, 2013):

1. To learn how to manage measurable data-based and results-oriented social projects
2. To create a direct link between private investments and the achievement of social results
3. To enable cooperation among a wide and diverse range of social service providers
4. To create higher security levels in the income channels of effective service providers
5. To encourage a wide and more profound usage of performance management approaches, including result assessment, that will contribute to field enhancement and promotion of models that can prove success
6. To increase capital resources available for financing prevention and early intervention programs





“Governments can't cope with difficult social problems, they lack the innovation and resources as well as the ability to take risks. All these are available in the world of investments. All that has to be done is to connect the two – the vast capital, entrepreneurship and flexibility of the investment world with social objectives. It is a WIN-WIN tool for all parties involved. Investors gain another investment branch, that can be very profitable for them, and incidentally they also enjoy the fact that their money made social change for the better. Governments enjoy the fact that private money is working for their benefit. They don't have to take any risk, since they only pay if the bond is successful, the investors are the ones taking the risk – as always.”

Sir Ronald Cohen, of the initiators of the first SIB in the world and a founding partner of Social Finance UK, in an interview to [The Marker](#) (2 May, 2019, translated from Hebrew.)

2.1 The Structure of Social Impact Bonds

An SIB is a financial tool which is not suitable for every type of intervention and in many cases, traditional financing channels may be a better fit. Warner (2013) pointed out that SIBs work only in programs with the following characteristics: (1) High rewards with short-term repayments; (2) Excellent performance indices; (3) A defined and distinguished target population and the promotion of combined programs addressing diverse needs; (4) A credible-random, quasi-experimental impact assessment that includes comparative studies before/after and a neutral authority to evaluate the results and settle any debates between the financiers and the government.

In order to determine if an SIB is suitable for coping with a certain social problem, core issues (Barclay & Symons, 2013) should be examined in six, not necessarily linear, stages that conclude with products.

Stage 1. Define the field of action

An analysis of the arena currently available for treatment or for creating change in the examined social field, including mapping the central players active in the field, their characteristics, and the interventions they offer. During this stage, various interventions previously carried out in the specific field with proven measurable success will be examined. Such mapping enables making a preliminary decision about moving forward with the SIB. A field of action will be chosen when it becomes clear that the promotion of innovation and effectivity in it through outcome-related payment is important, and that success may be clearly associated with economic value.

Cases in which the field of action is unsuitable for SIB financing: (a) A service profoundly and fundamentally anchored in constitutional responsibilities such as policies; (b)



A service that does not enable transferring the risk to the investor, since drafting an effective outcomes-based contract is not possible, e.g., cases in which consequential change may be attributed to multiple external factors; (c) When it is clearly evident that results will be achieved through payment for the action and not for the outcome.

The product of this stage is a document reflecting the examination of social intervention possibilities as part of services rendered in the field redesigning process.

Stage 2. Analyze the social problem

Analyzing data to understand the target population, its needs and the underlying data. The deeper one delves into the target audience’s characteristics and the social problem’s definition, the better the chances of forming a group of interested parties committed to agreed-upon strategic objectives. Working in close cooperation with an involved public leadership that can provide access to data is crucial in helping accurately define the target audience intended to take part in the SIB program. Defining an unfocused target audience may be too broad to create a significant impact or too narrow to justify the existence of a separate intervention service.

The product of this stage is a defined target audience and involved public leadership.

Stage 3A. Develop the measurement model

Outcome indices provide the basis for the contract between the public sector and investors. All interested parties need to know that there is an objective mechanism for the assessment and for achieving agreement about the level of social results achieved. The most important criterion in reviewing outcome indices is that they serve as significant incentives for improving the service for the benefit of the beneficiaries. These outcome indices should directly and relatively simply link the results with the economic savings achieved for the public sector. They will typically include a combination of objective and subjective indices, some of which will be attached to investor payments.

The measurement framework primarily defines the result in the lack of SIB intervention. Thus, the target audience may be examined against a primary criterion and the resultant difference is measurable. Three methods may be used to define the preliminary criterion: (1) Historic data for that specific target audience; (2) Measuring the target group before and after intervention, generally in the form of identical questionnaires during different points in time along the process; (3) A control group that is not provided with the innovative service offered to the target group throughout the SIB period.



The value of SIB results is a combination of the social value for which the public body is willing to pay, and the average savings generated by the improved results. In the simpler scenario, the value of the result is savings in a specific budget in the public sector, however, most bonds reflect savings in several public budgets.

The product of this stage is: Defined consequential indices designed to reflect a successful intervention, based on improvement in target audience results; objectively measurable indices, including a preliminary criterion against which the success of the program is defined; and reflection of the current cost and the value of the result to the public body.

Stage 3B. Design an effective intervention

Assessment of target audience needs and inspection of the number of interventions made in relation to these needs on the local and national levels. The assessment study will review the extent to which existing interventions are clearly defined and their measurement and assessment potential, as well as if there is a need in the field of action that is not being addressed or a gap in the response provided that an SIB investment may fulfil to achieve significant change in results. The SIB encourages all other service providers in the field to act in cooperation towards achieving the desired result.

The product of this stage is a document concerning the intervention to be financed by an SIB, including the method in which actions will address needs, the contact with authorities will be maintained, the management will be structured, and the budget will be controlled.

Stage 4A. Outline the social-economic investment

The decision of public bodies to move forward with an SIB depends on three main factors: (1) Guaranteed savings in financial resources. The SIB helps public bodies avoid payment due to failure and guarantees payments are made only if the service achieves its goals; (2) Achieving government strategic objectives and learning how to manage a results-oriented social project. (3) Financing Innovation. The SIB enables the public body to transfer the risk involved in the assimilation of innovative models only partially proven, to an investor who will not be paid for the service if it fails to achieve the desired results.

Therefore, in most cases, the financial model developed should enable assessment of the potential savings to be achieved as a result of the intervention; i.e., assessment of intervention costs versus the level of savings to be distributed to the investors if significant improvement in the defined indices is achieved.

An SIB is a high-risk investment, since the investor may lose the entire capital if the program does not achieve its social results. Social investors are willing to take upon



themselves the risk, as they are interested to enable the implementation of new, effective services in the addressed field of action.

The product of this stage are general outlines of an intervention program designed to fit in with the products of all previous stages and be submitted for public leadership approval.

Stage 4B. Identify the interested stakeholders

SIB stakeholders and interested parties change according to the field of action, and include public leadership, service providers, investors, and the target audience. All relevant stakeholders must be identified, their primary motivation for promoting the SIB must be analyzed, and a method of communication with them during each and every SIB stage must be determined.

The product of this stage is an agreement in which all interested stakeholders express their satisfaction from the project and its anticipated results and approve the outlines of the proposed SIB program.

Stage 5. Develop an intervention program operation model

A detailed work plan that includes preliminary conditions, pre-kickoff program set-up costs, defined measurement period and method, as well as program integration with other existing public services. In parallel, due diligence for potential service providers is conducted, including past successes and experience in executing similar programs, the ability to assimilate the SIB required scope of work in the organization, and the organization's economic stability. It is important to note that investors usually prefer financing civil society organizations, thereby establishing their internal capabilities, rather than financing government or large commercial bodies' interventions.

The structure of the payment mechanism includes result indices designed to measure the intervention's success, payment rates versus success, and payment schedule.

The product of this stage is a Memorandum of Understanding that will constitute the basis for the SIB contract and a detailed business plan.

Stage 6. Sign the social impact bond contract

Arranging the activity of the public mechanism with the service providers receiving the funds, includes the definition of terms for direct engagement with the service provider or with a designated body established especially for the SIB; and recruiting committed partners and setting a management structure for the intervention program, which includes government agencies, investors, implementation bodies and assessment and measurement bodies.



Most SIBs are mediated by an external body which coordinates all partners; although the government determines some of the SIB terms, it transfers nearly full control to the mediating body. Most investments are obtained from private investors and from philanthropists, who are able to make long-term, high-risk capital investments and seek to generate social return on investments. Importance is attached to the existence of an independent measuring body, which will follow results and carry out accurate revaluations of fiscal returns to be paid to investors.

The product of this stage is a final signed contract approving intervention program kickoff.

2.2 Social Impact Bonds Worldwide

In September 2010, the British Ministry of Justice first teamed-up with Social Finance LTD, a non-profit organization (and a sister company of SFI) established in 2007, that develops and implements new models for social change, for the joint planning of the first Social Impact Bond – a program for reducing recidivism in Peterborough Prison. Under this SIB, £5 million were raised from investors. In the summer of 2017, investors in the world’s first SIB were notified that their investments were to be reimbursed in full, with a 3% increment in annual returns⁵, due to a successful reduction in recidivism rates: The intervention program implemented under the SIB was successful in achieving a 9% reduction in recidivism rates, compared to a government defined goal of 7.5%.

The program’s success led to a governmental decision to commit £600 million for the implementation of the therapeutic method in all UK prisons. This indeed is the true success and message brought by the SIB: Systemic learning from the success of a project financed by investor-provided funds and the adoption of insights within the state system.

Since then, the concept has spread throughout the world, with the UK and the USA leading with the highest number of bonds. In 2010, Social Finance was established in the USA, following the Obama Administration’s decision to dedicate multiple resources towards experimenting with social investments on a national level. In 2012, the City of New York launched an SIB for the rehabilitation of juvenile delinquents. That very same year, the American Working Group on early childhood finance innovation, advertised an SIB kindergarten education program.

⁵ Ainsworth, D. (27 July 2017). Peterborough social impact bond investors repaid in full. **Civil Society New**. Retrieved from: <https://www.civilsociety.co.uk/news/peterborough-social-impact-bond-investors-repaid-in-full.html>



In 2018, agencies of the Social Finance organization were established in India and in the Netherlands. As of March 2022⁶, 210 SIBs have been launched in 37 countries around the world and US \$462.68 million were raised from investors with an average investment of US \$3.15 million upfront capital. On average, each SIB benefits 11,760 beneficiaries. An average SIB lasts 52 months. Most SIBs are concerned with the fields of social welfare (76) and employment (69), 14 SIBs were issued within the field of criminal justice, and the rest focus on health, education, and the environment.

2.3 Social Finance Israel (SFI)

Social Finance Israel was incorporated in June 2013 as a public benefit company working to develop innovative financing tools and recruiting new capital for investments in social change organizations in Israel. About a year earlier, Sir Ronald Cohen, one of the founders of Social Finance UK, asked to examine the possibility of establishing an Israeli extension, by addressing its feasibility, advisability, and local market maturity. Following meetings with relevant stakeholders in the social field and in the capital market, it was concluded that the proposed working model may be suitable for Israel, mainly due to the tendency for innovation and the risk-taking culture characterizing Israelis.

In those days, Yaron Neudorfer, whose term in office as CFO of the Jewish Agency was nearing its end, was interviewed by *TheMarker* newspaper⁷ regarding the Jewish Agency's economic strategy. He described the changes in the world of philanthropy and the characteristics of the new donors who integrate business thinking into their largess-related decisions, asking to know what is the true influence of their contribution in the field and on changing reality. Identifying similarities with Sir Ronald Cohen's thinking, the reporter offered to introduce the two “Since, as it were, he is currently looking for a CFO for SFI.”

Yaron, currently the CEO of SFI, says that as early as their first meeting, he was already enthused by the concept, as he understood that it is an economic tool that may entirely change Israeli reality and civil society in particular, mainly due to the emphasis on working through organized and measurable processes and the great importance attributed to results. In his words: “When you have investors, you are committed to the results and choose the processes and modes of operation that will achieve the very best results.”

⁶ For more information about Social Impact Bonds worldwide [Press Here](#)

⁷ [TheMarker](#)



SFI initially focused its work on the development of an SIB designed to find solutions for Jewish Haredi (ultra-orthodox) employment, through an intensive collaboration with the Ministry of Economy. In 2013, SFI conducted economic research in collaboration with the Pareto Group, to assess the total economic benefits anticipated to result from the integration of Haredi men in employment. The results indicated that economic arteries are expected to be impacted in terms of reduction in payment of benefits, increased revenue from different taxes, and a strengthening of the GDP (gross domestic product). The research found that overall economic benefits are set at approximately NIS 94 thousand for each year in which an adult Haredi man is employed, compared to studying in Kollel [institute for full-time Jewish learning]. Pursuant to a year of research and discussion, SFI’s team understood that the government is investing great efforts in promoting Haredi employment under its own initiated projects, and therefore, maintains it cannot simultaneously divert resources to another external project.

Over the years, SFI have issued several SIBs to tackle national social challenges, including an SIB to reduce higher-education dropout rates from computer science at the University of Haifa and the Academic College of Tel Aviv-Yaffo, prevention of Type II diabetes morbidity, increasing the scope of matriculation exam graduates in 4 and 5-unit mathematics and Hebrew in the Bedouin community of Rahat, and preventing loneliness among older adults.

3 The Social Problem: Prisoner Rehabilitation

The Prisoner Rehabilitation SIB is dedicated to finding solutions to the problem of ex-prisoners returning to jail (recidivism). Ex-prisoners’ recidivism constitutes a budgetary and social burden on the state and on its citizens; prisoner rehabilitation is an action designed to reduce the phenomenon. To understand the social problem in a way that facilitates the construction of an SIB, agreement must be reached with regards to the definition of the term relating to recidivism, and familiarity must be gained with the rehabilitation program as a key to solving this problem.

3.1 Recidivism

The term “Recidivism”⁸ originates from the Latin phrase “to fall back” and means ‘falling back into the cycle of crime or repeated criminal behavior within a given period

⁸ Ben Zvi, K., Walk, D. (1 August 2011). Back to jail – Recidivism of Israeli inmates released in 2004. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14, 10-28



following a first conviction.’ Some perceive⁹ the rate of recidivism as an evaluation tool that can be used by law enforcement systems and within rehabilitation programs. However, several approaches maintain that recidivism is not an accurate index for measuring the effectivity of prisoner rehabilitation programs, including because of the fact that prisoners participating in the program are initially at lower risk for recidivism.

The literature¹⁰ mentions three recidivism indices: The rate of post-release prisoners arrested, the rate of convicted prisoners, and the rate of repeated arrests. Each of these indices is overinclusive (includes people who should not have been considered recidivists), and each index is expected to have a different rate of recidivism.

Moreover, the probabilistic assumption obscured in measuring recidivism is that a person who persists in a criminal lifestyle is bound to be caught by the law enforcement system, and therefore, the absence of new criminal records indicates a normative lifestyle. This assumption must be critically examined, since the rate of recidivism is also a product of the efficiency of the law enforcement system, and therefore – given an effective enforcement system – the rate of recidivism measured may be high.

The Israel Prison Service research unit followed¹¹ ex-prisoners over five years, beginning in 2004, and provided data regarding the rate of recidivism among 5,958 criminal prisoners residing in Israel. In this study, recidivism was defined as released sentenced prisoners’ return to prison, within five years from the date of their release, to serve a new sentence. The rate of recidivism was measured according to the proportion of sentenced individuals who returned to prison within the first year of their release out of all individuals re-imprisoned at the end of five years. The overall national recidivism rate was found to be 43.5%. The calculation excluded non-Israeli-citizen prisoners and prisoners released due to severe medical issues or by court order. The rate of prisoner recidivism among individuals whose sentence was reduced by the parole board (most of them on probation) was 33.1% and the rate of recidivism of prisoners who served their sentence in full was 48.1%. Prisoners' supervision may have a beneficial influence on their rate of recidivism; however, prisoners eligible for early release may also be prisoners with better rehabilitation potential from the outset.

Incarceration rates among men are 1.25 more than among women, yet women's rate of return to prison within less time than men. Unmarried prisoners return to jail 1.4 times

⁹ Tal-Spiro, O. (4 July 2011) Data on Prisoner Rehabilitation. The Knesset Center for Research and Information

¹⁰ Davidsko, I., Walk D. (May 2011). Employment of prisoners as a Rehabilitation Tool - Literary Review. Research Unit, Israel Prison Service

¹¹ Ben Zvi, K., Walk, D. (1 August 2011). Back to jail – Recidivism of Israeli inmates released in 2004. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14, 10-28



more and within less time than married men. Re-incarceration rates among Jews and Muslims are similar, as is its speed. The rate of recidivism among ex-prisoners serving short terms is low, and gradually increases to a peak of 50.1% in incarcerations lasting a year or two. In longer-term jail sentences, the rate of re-incarceration gradually decreases.

3.2 Prisoner Rehabilitation

Entering a prison, prisoners experience multiple difficulties, due to the loss of their physical freedom and privacy, as well as the detachment from their family and social systems. Upon release, prisoners are usually compelled to begin life anew, devoid of means or social support, and to face multiple challenges: Finding residence or returning to the family unit, finding a job, acclimating in a new reality, dealing with stigmas, and more. The ex-prisoner is typically ostracized, isolated, and unemployed and therefore needs help upon return to society.

In recent years¹², interest in offender rehabilitation has increased in the USA and other Western countries, following the accumulation of research-based evidence regarding rehabilitation programs' ability to significantly reduce offender recidivism. According to these studies, as a result of successful rehabilitation programs, recidivism rates fell by 5% to 35%.

Prisoner rehabilitation¹³ is possible only with a world view that recognizes an individual's ability to change, his/her obligation and privilege to do so, and society's obligation to look for appropriate means to prevent crime and rehabilitate criminals. In other words, crime should be referred to as the failure of an individual, also taking into account society's responsibility for the elements that led to the crime and its obligation to amend social policies and guarantee ways of prevention and rehabilitation, including the provision of means towards these objectives.

Rehabilitation is also necessary for creating a safe society. Prisoners released without business training or without the ability to cope with problems in a normative way may return to the cycle of crime and pose a danger to society. Many studies prove that participation and achieved success in rehabilitation programs reduce the risk of repeated criminal behavior or recidivism. In addition to contributing to a safer society, prisoner rehabilitation costs may be lower than those of keeping a prisoner inside prison.

¹² Timor, U. (1 August 2011). Rehabilitating Rehabilitation in the Prisons – Transforming prisons in Israel into closed rehabilitating institutions. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14

¹³ Bialer, G., Peled R. (1 August 2011). Supervision and Employment – Contribution of Supervision and Employment towards the Rehabilitation of Ex-inmates in Israel. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14



4 A Social Impact Bond for Prisoner Rehabilitation

At the end of 2013, the Deputy Commissioner of Budget at the Ministry of Finance, who was familiar with SIB, based on his joint work with SFI concerning Haredi men brought to attention the difficulty and the challenge posed by prisoner rehabilitation in Israel, and invited SFI to propose an intervention program. The SIB would be examined according to professional costs processes and based on the knowledge accumulated from six SIBs focusing on inmates around the world.

The developer of the bond for prisoner rehabilitation at SFI said: “This Bond is very traumatic for me, any sentence I utter in this regard will pain me. And it’s not that I haven’t experienced failure with other SIBs, but this story is particularly difficult.”

The following sections present the six stages of prisoner rehabilitation SIB development taken by SFI and its partners. The presentation is based on information and data that SFI possessed in the point in time in which the SIB was designed.

4.1 Field of Action

SFI began the process of developing the SIB by getting thoroughly acquainted with the area of prisoner rehabilitation in Israel, including conducting a mapping of major players, areas of responsibility of central bodies, and their modes of operation.

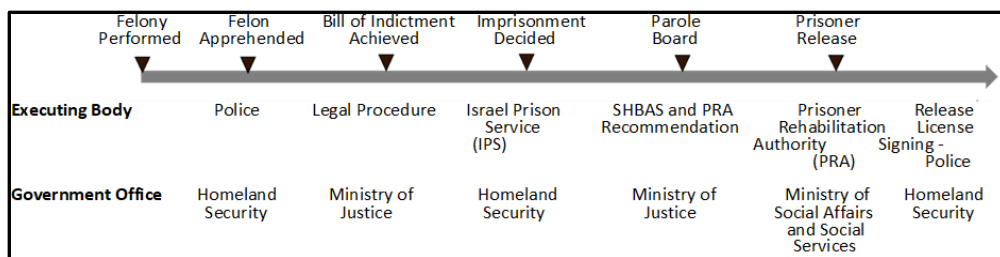


Figure 2. Stages of prisoner management and rehabilitation in Israel

The above chart indicates that convicted felons undergo ineffective transition between the various government authorities during the supervision and rehabilitation stages, with no continuity of care and supervision. Moreover, two bodies are involved in prisoner rehabilitation: The Israel Prison Service (IPS) and the Prisoner Rehabilitation Authority (PRA). The IPS is the main body dealing with rehabilitation during incarceration, while the PRA is the main body involved in prisoner rehabilitation after their release. In addition to the IPS and the PRA, the Ministry of Welfare and Social Services with its various departments, the Israel Anti-Drugs Authority, other nonprofit organizations, as well as private rehabilitators are also involved when the rehabilitation of special populations is concerned.



A prisoner about to complete two-thirds of their sentence appears before the parole board in order to have their sentence reduced by one-third. About six months prior to the final third of imprisonment, the prisoner goes on furlough and meets with a prisoner rehabilitation coordinator at his/her place of residence, in order to establish a rehabilitation program for the period following the release, also meeting with a PRA advisor to help find a job. Based on the rehabilitation program established, the prisoner may appear before the parole board and ask for a reduction of one-third of the original sentence. A reduction is obtained based on recommendations submitted to the board by PRA and the IPS. Seventy percent of the parole board's discussions end in postponement of the decision due to different delays in the submission of the recommendations, such as missing data from the PRA social worker or a missing IPS intelligence officer evaluation. Thirty percent of the prisoners are released after serving two thirds of their sentence; these are prisoners who had served their jail sentence without any special incidents and with no negative intelligence associated with them.

It should be noted that PRA representatives work in the local authorities in collaboration with municipal the social service departments; however, during the period in question, only 46 municipalities employed "Regional Rehabilitation Coordinators" (full-time coordinators of the PRA) who were social workers entrusted with prisoner treatment within the community, preparing rehabilitation programs and supervising their realization. Prisoners residing in communities where there is no rehabilitation coordinator, are usually not provided with a rehabilitation program, since there is no way to supervise its operation; these prisoners will not be able to obtain a recommendation for a reduction of their sentence by one third. In such cases, prisoners have three alternatives: Waiving the right to a one-third sentence reduction, changing their address and moving it to a municipality that does have a PRA coordinator, or recruiting a privately paid rehabilitator. Of prisoners released in 2010¹⁴ after serving two-thirds of their sentence, 3% acquired private rehabilitation programs that are not supervised by the PRA. Private rehabilitators constitute a professional loophole in the field of rehabilitation, as they refrain from reporting offences for fear of harming their personal livelihood.

This description presents a combination of deficiencies, barriers, and inefficiencies in the system, as a result of which the transition from prison to the life in the community becomes the most painful stage for the prisoners and their families.

¹⁴ Tal-Spiro, O. (4 July 2011) Data on Prisoner Rehabilitation. The Knesset Center for Research and Information





4.1.1 Prisoner Rehabilitation Bodies in Israel

The **Israel Prison Service (IPS)** is an executive body subject to Ministry of Public Security¹⁵, and is therefore perceived as a security organization with a social purpose. In essence, its role is to keep prisoners under safe, adequate supervision, while maintaining their dignity, fulfilling their basic needs, and providing corrective tools to all prisoners deemed suitable for the challenge, in order to improve their ability to re-enter society upon their release. It should be noted that the IPS strategically states that it provides care only for those deemed suitable for the challenge, implying that the IPS does not believe all prisoners can be rehabilitated – whether because prisoners cannot be fully rehabilitated but only improve their ability to return to society within the prison system framework, or because the improvement of this ability is possible only for some of the prisoners.

The budget allocated to the IPS for prisoner care is approximately NIS 74 million, of which NIS 14 million is allocated to rehabilitation and education. To realize the social purpose of the IPS, the Department of Education, Therapy and Rehabilitation was established. Its vision, as specified in the manual of “Education, Therapy and Rehabilitation in the Israel Prison Service” (October 2007) is “A professional component that influences the Israel Prison Service system to act in a way that enables prisoners to effect change in all their life cycles, thus changing the face of society for the better.” (For more about IPS's educational and rehabilitative activity, see Appendix 1).

The Israel **Prisoner Rehabilitation Authority (PRA)**¹⁶ acts in accordance with the Prisoners Rehabilitation Authority Law (5743-1983) and engages in the rehabilitation of ex-prisoners and their reintegration in society. The Release on Probation Law, 5761-2001 provisions a prisoner's release on probation, on his/her participation during the probation period in a PRA-supervised treatment program. The PRA is a statutory body appointed by the Ministry of Welfare and Social Services. The authority's vision ¹⁷ is “Giving a rehabilitation opportunity to any prisoner who can be rehabilitated.”

The PRA is the body mediating between government offices and local authorities and other bodies concerning all rehabilitation-related issues. The PRA works mainly among ex-prisoners, but also within prisons, ahead of prisoners’ release, with rehabilitation programs determined approximately six months prior to the expected release date. According to the

¹⁵ The Ministry of Public Security constitutes a combined headquarters designed to help the Minister of Public Security work with the two executive bodies in his charge: The Israel Police and the Israel Prison Service, while realizing his general responsibility for public security, law enforcement and the detention array. The office is also in charge of controlling and supervising the use of resources allocated to the activity of the Israel Police and the Israel Prison Service

¹⁶ From the PRA's website: <http://bit.ly/32usMyl>

¹⁷ From the PRA's website: <http://bit.ly/3ceDn5i>



PRA¹⁸, a lack of resources prevents it from preparing and operating rehabilitation programs for all prisoners; it thus refrains from preparing rehabilitation programs for prisoners not eligible for vacation time, prisoners residing in communities that do not have a rehabilitation coordinator, and prisoners with short-term sentences. On average, the PRA receives NIS 30 million from the Ministry of Welfare and Social Services annually, also raising resources from such entities as the JDC (Jewish Joint Distribution Committee), private funds, and the National Insurance Institute (more about PRA's rehabilitation activity in Appendix 2).

4.2 The Measurement Model

Crime results in high costs to society at the individual, community, and national levels (McCollister et al., 2010); programs that directly or indirectly prevent crime can therefore generate significant economic savings. The cost of crime is commonly divided into four basic components: (1) Casualty costs, including medical treatment, loss of income, and lost or damaged property; (2) Legal costs, in terms of public investment in police protection and costs of legal representation and care, rehabilitation programs, and therapy; (3) Criminal career costs, due to citizens' actual involvement in criminal, rather than productive, activity, which reduces income; and (4) Intangible costs, translated to pain and suffering, decreased standard of living, and psychological stress experienced as a result of crime.

In 2014 the Ministry of Homeland Affairs published a document specifying the economic damage resulting from the phenomenon of crime in Israel¹⁹, revealing the following:

- The economic damage caused as a result of crime was estimated at about NIS 15.8 billion in 2014.
- The 'Burden of Crime' – economic damages stemming from the crime phenomenon as expressed as GDP percentages were about 1.5% in 2014, an increase from the 1.4% measured in 2013.
- The economic damage accumulated between 2001 and 2014 is assessed at approximately NIS 228 billion, averaging NIS 16.3 billion a year.
- The economic damage caused by violations impacting 'feelings of personal safety' increased in 2014 by a rate of approximately 18.6%, constituting about 45.8% of the economic damage associated with the crime phenomenon during that year.

¹⁸ Tal-Spiro, O. (4 July 2011) Data on Prisoner Rehabilitation. The Knesset Center for Research and Information

¹⁹ Deputy Director General, Planning Budgets and Control, the Ministry of Public Security. (2014). The impact of crime on Israel's Economy



A report published in *TheMarker*²⁰ introduces a key datum from an extensive economic paper prepared by the Ministry of Finance’s Budget Department, indicating that the overall benefits gained from the prevention of an individual prisoner’s return to crime – including the reintegration in the workforce, correctional facility savings, prevention of crime related damages and so on – is NIS 3.1 million in capitalized value. Had the state succeeded in permanently reducing the numbers of returning prisoners by 1,000, it would have saved some NIS 3 billion.

The staff at SFI presumed that economic data in Israel cannot be compared to that of other countries, since the detention and judiciary systems are entirely different in different countries. Therefore, based on the data the organization received from the IPS, direct annual detention costs for a single prisoner is NIS 10,321, indirect and other costs are NIS 111,159. State savings were calculated according to compiled data provided by the Ministry of Homeland Affairs and the IPS. The following table presents the most conservative summary of savings calculated.

Area of Saving	Savings value (NIS)
Cost of detention – Israel Prison Service	41,963
Economic worth of crime related damages	316,381
Allowances – National Insurance Institute	-
Ministry of Welfare expenses (foster families and boarding houses, etc.)	20,883
Occupational implications	101,085
Cost per reincarcerated prisoner	480,312

SFI incremented the cost of a reincarcerated prisoner by the positive implications attained by the entry of the remaining rehabilitated prisoners into the labor market, obtaining a final benefit in the amount of NIS 571,000 per each rehabilitated prisoner for the rest of their life.

4.2.1 Recommended Ex-Prisoner Follow-Up Period

The period until an individual’s return to crime is derived from the nature of the offense and from the character of the offender. Therefore, the effective follow-up period of a released prisoner should reflect a balance between the capture time of the vast majority of re-offenders and the relevance of the research and its implementation for policy makers. The USA’s Commission on Law Enforcement Standards and Goals recommended, in 1973, a

²⁰ Heruti Sover, T., Basoul, J. (31 May 2015). Prevention of a prisoner's return to crime saves the State NIS 3.1 million. *TheMarker*. Retrieved from: <https://www.themarker.com/career/1.2960334>



measurement range of three years. Various studies indicate that the chances of returning to crime for an individual with a criminal record who did not commit an offense in seven years is similar to that of an individual with no criminal record. The period of time customary for measuring recidivism is five years, constituting the average between the common three-years measurement and the seven-year measurement considered to be more accurate.

In the SIB project, the partnering bodies have agreed to follow-up prisoners for a period of four years, based on a data analysis indicating that almost all those re-incarcerated do so within that period of time²¹.

4.2.2 A Recidivism Prediction Model

The method determined to define a success criterion is based on a prediction model developed especially for the IPS research department. This model is used to predict the rate of ex-prisoners' reincarceration within four years of their release.

Previous studies conducted by the IPS research department, provided recidivism data concerning all ex-prisoners pertaining to their reincarceration within five years. As mentioned above, the intervention program defined criteria of prisoners with specific characteristics and there was an all-round agreement that the measurement period would be four years. Therefore, a designated recidivism calculator had to be constructed according to the individual characteristics of the program's target population. The prediction model (see Appendix 3) was based on data pertaining to 2,246 prisoners and any variable predicting reincarceration was attributed a weight respectively. Predicted recidivism among the target population was determined to be 31.7%.

"Building the success measurement model was a process. Initially, we said that the comparison will be made to the historical goal, but then an argument was made that it is incompatible with the intervention model, since it is based on prisoners with a broad profile, while we plan to use a narrow profile, where recidivism chances are not high to begin with. Using a control group in such a rehabilitative area is operationally complicated, hence we constructed a unique model."

VP of R&D, SFI

This unique measuring method was not implemented in any other prisoner SIB in the world and enables determining an accurate goal for intervention-group characteristics.

²¹ Ben Zvi, K., Walk, D. (1 August 2011). Back to jail – Recidivism of Israeli inmates released in 2004. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14



4.3 Effective Intervention

Research literature²² regarding recidivism emphasizes two factors that may influence a prisoner's chances of becoming re-offenders and getting reincarcerated: (1) Static unchangeable factors such as gender, age, ethnicity, and criminal history. The static factors are easy to find and facilitate identifying populations in which the investment of resources to influence their chances to refrain from returning to criminal behavior is worthwhile. (2) Dynamic factors, which may change over time and include different personal and behavioral characteristics, employment and education. When studying the efficiency of care and rehabilitation programs one must examine the dynamic factors, since these programs were designed to impact factors that can be changed. Dynamic factors include continuity of care, employment subsequent to release, acquiring an education, compatibility of a rehabilitation program to the needs of an individual prisoner, compatibility of rehabilitation programs to groups in the population, and support provided to the prisoner's family.

Findings from other studies²³ disclose the components of rehabilitation programs that are most effective and efficient in reducing recidivism:

1. Using cognitive-behavioral techniques.
2. Suitability of the program to the prisoner and of the prisoner to the program – screening offenders in order to match prisoners with the variety of programs designed for and aimed at specific solvable offender issues.
3. Providing care for the community with emphasis on maintaining personal contact – programs implemented in the community are more effective than programs implemented in prison. A qualified and fair staff, familiar with all rehabilitation program aspects, is required.

The most effective programs for reducing recidivism (not focusing on any specific type of offense but rather general programs that attempt to impact different types of offenders simultaneously) are cognitive-behavioral programs, teaching prisoners to cope with irrational thinking and with perceptions that lead to antisocial behavior. They are designed to help prisoners adopt rational thought, provide them with opportunities to practice problem solving and to acquire social skills. Such programs lead to an average reduction of 8.2% in recidivism among prisoners in the various types of criminal behavior.

²² Ben Zvi, K., Walk, D. (1 August 2011). Back to jail – Recidivism of Israeli inmates released in 2004. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14

²³ Timor, U. (1 August 2011). Rehabilitating Rehabilitation in the Prisons – Transforming prisons in Israel into closed rehabilitating institutions. Crimes and Penalties in Israel, Glimpse into prison, Issue No. 14



Employment and training programs enable prisoners to acquire employment experience that may serve their integration into the community following release from prison. Employment intervention programs can be divided into three main categories: Work during prison time (prison industries), short-term vocational trainings, and guidance towards employment following release.

Research indicates that unlike employment programs, educational programs do not improve the chances of reintegration of ex-prisoners in the labor market. However, it appears that the implications of employment programs and education programs on the reduction of recidivism are fairly similar. In view of prisoners' profound educational deprivation and in view of the significant connection between the level of education and criminal behavior, it is more appropriate to perceive employment programs as complementary rather than as a substitute to education. However, there is no sufficient compatibility between groups participating in the intervention programs in general and in employment programs in particular, to control groups.

In conclusion, it is important to run intervention programs even after release from prison by the bodies entrusted with re-integrating prisoners in the community. This effort should involve other government agencies as well as public and private organizations. In addition, recidivism studies show that, for the most part, failures occur during the first year following release. Therefore, it is important to help prisoners preserve their place of work over a substantial period of time. Also, combining employment and other forms of training in terms of extensive intervention programs that encompass a variety of topics (employability skills, job hunting, anger management, and others) are more effective than programs with a narrower focus. Finally, the efficiency of vocational training programs and direction towards employment depend on the prisoner's level of motivation to exit the crime cycle. Therefore, it is important to adapt the program to prisoner needs.

4.3.1 Afikim – A Pilot Program for Ex-Prisoner Employment

In mid-2014, Joint TEVET²⁴ (*Tnufa Bata'asuka*, “Momentum in Employment”) suggested integrating its Afikim program in the SIB process – a program designed to achieve ex-prisoner perseverance in the workplace, which ran as a pilot since 2010. Participants in the pilot program included about 120 men in a continuity-of-care model, in which work with the prisoner began during his imprisonment period and continued up to a year after release.

²⁴ Joint-TABAT is a partnership between JDC Israel and the government of Israel. TABAT was established in 2006 for the purpose of developing programs for the integration and promotion in employment of diverse populations, in which the rate of involvement in the labor market is low. From the website: <https://www.thejoint.org.il/>



The basic assumptions of the program are: (1) Continuity of care from the prison to the community improves prisoners' chances of community reintegration. (2) Employment is a main and essential tier in the rehabilitation process of ex-prisoners. (3) The first year after release is extremely critical in respect of recidivism rates and therefore an extensive envelope designed to reduce the chances for recidivism leading to reincarceration, must be provided.

The program's objectives were defined as follows: (1) Reducing recidivism among ex-prisoners using the rehabilitation program. (2) Assistance in good community reintegration and improving the quality of life of the target population. (3) Reducing harm to society.

Afikim program participants' recidivism was studied by the department of Research and Strategic Planning at the IPS, based on population of 80 participants in the Ma'asiyahu and Hermon prisons during the years 2011-2015. Since participants were tested in different cycles, the time that elapsed from their release to the measuring point (March 2016) is not identical. In order to take these differences into account, each participant's individual probability of reincarceration was assessed according to his own measurement period. Recidivism among ex-prisoners meeting threshold conditions for the Afikim program was used as a basis for assessing recidivism probability. Then, the actual re-incarceration data among Afikim participants was compared to the average probability of their re-incarceration.

Until March 2017, the average probability for re-incarceration of re-sentenced prisoners was 30.5%. In other words, 24 of the 80 participants were expected to return to jail. In reality, only 12 of the prisoners were reincarcerated. The number of prisoners returning to jail is thus below the lower limit of probability, serving as evidence of the program's success.

Throughout the program's duration, recommendations for its improvement accumulated with regards to aspects of program management and coordination, methods of recruiting participants, aspects related to the area of employment, therapeutic and rehabilitative accompaniment given to participants, as well as the economic aspect.

4.4 Social-Economic Investment

The overall cost of an intervention program for 360 participating prisoners is NIS 12 million, i.e., NIS 33,000 per participant. As mentioned earlier, state benefit from each rehabilitated prisoner is NIS 571,000. The benefit for the state according to this formula is clear. NIS 12 million were raised from social investors in order to finance all intervention program expenses and the amount required for its operation and management (SFI participated in this project on the managerial, operational, and budgetary levels). To finance recovery of SIB development expenses, 2.5% of the total sum are used.



Between 50% to 80% of the direct financial benefit to the state returns to the investors subject to of an SIB risk assessment and up to investors' maximum yield cap, ranging from 10% to 12%.

"The SIB is constructed according to an economic model raising funds from individual investors in order to address public needs. I believe that many times, such selections cannot be made for public needs, such as un-privatized prisons, so, here too, since Israeli society is the body that discharges prisoners, it must also provide for their community reintegration. Something in this tool of measurement and payment for successes – what should be done with the "unsuccessful ones"? Who shall we abandon on the way? In retrospect, this economic model may prove successful in higher education students and in diabetics but not in ex-prisoners in Israel, who are at the very end of a disadvantaged population, and not in a model that addresses only the "pilots" among prisoners [model prisoners]. I believe that addressing the needs of "pilots" is a privilege when I am dealing with a "bleeding" population that requires a great many resources that are not directed to the right places. To this date, the state did not invest enough funds in these populations. The state has to shoulder more responsibility for things than it currently does. I understand that raising funds from individuals and this economic model is a tool that is greatly developing worldwide; at the same time, here it concerns disadvantaged populations and something in the specific aspect of this population makes it difficult to accept the model".

4.5 Stakeholder Management

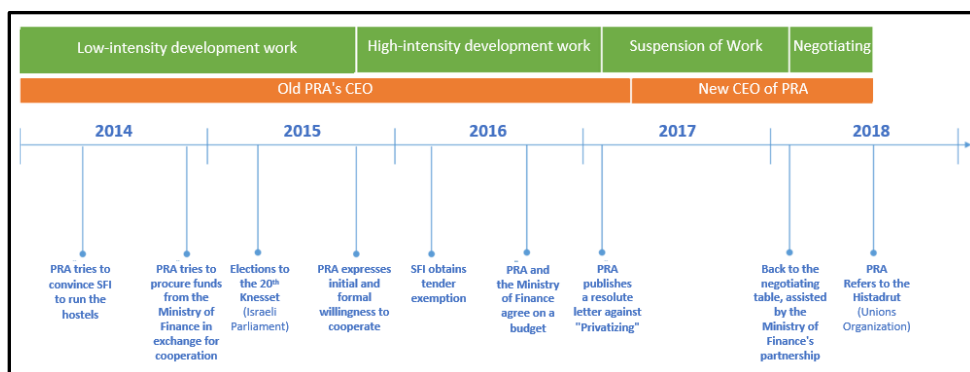


Figure 3. Management and involvement of interested parties

Early 2014

The Chief Budgeting Official asked SFI to examine the possibility of building an SIB concerning the issue of prisoner rehabilitation in view of the heavy implications of the high recidivism rates on the state budget. The Prisoner Rehabilitation Authority's Acting Director held three meetings with SFI for an initial review of possible collaboration. Within a short period, the position was filled by a new PRA CEO, whose commitment to the process was not high; however, SFI began gathering information and forming a preliminary model.



SFI's initial understanding was that the mechanism in question is a non-sequential, multi-challenge one and that government system concerned with prisoner rehabilitation lacks structural efficiency. In such situations, one may safely assume that an SIB will yield good results, if only due to the possibility to employ continuity of care and have little dependency on bureaucratic mechanisms.

Initially, the PRA asked that the SIB should focus on rehabilitation in hostels²⁵ and even took the SFI staff for a visit of Beit HaHasid hostel in Haifa, to get them acquainted with the operation model in order to propose its duplication elsewhere.

In his response to the State Comptroller's Annual Audit Report²⁶, the PRA's CEO said that "Hostels [are] a major professional therapeutic tool of the first degree, particularly when considering the most difficult populations with the highest recidivism rates that require intensive treatment. Therefore, opening additional new hostels designed to provide a comprehensive solution for this entire population is imperative." Nevertheless, after the SFI thoroughly examined the intervention model employed in hostels, it concluded that this model was not suitable for the SIB. According to SFI's CEO: "The PRA were not able to provide sufficiently detailed hostel success data on which a model for measurable change could be constructed, as required in SIBs."

On April 6, 2014, PRA's CEO sent SFI's CEO a formal letter that said: "The Afikim and the regional rehabilitation centers project, as well as their operation with your involvement, constitute a secondary priority on our list, compared to promoting the issue of hostels," going on to say, "I would like to remind you that, before we establish joint working processes, I wish to obtain from the Ministry of Finance a document of Agreement in Principle stating that it will not deem fundraising through Social Impact Bonds as any alternative for the Authority's budget."

"PRA's budgetary allocations were 'dried out' by the Ministry of Finance. Hostels are very expensive, and therefore, it preferred to outsource them to us. The PRA may have attempted to use this incident to obtain additional budgets. Nevertheless, we found it difficult to give up; although had we done so, it may have saved us much heartache and stress. We told the PRA, you begin your work the moment a prisoner is released from prison; let's work together to establish a model that begins as early as during incarceration, add several courses and try out a model you haven't tried yet."

VP of Research & Development, SFI

²⁵ Hostels are therapeutic frameworks in communities designed for prisoners after multiple incarcerations, mainly on drug related offenses. Rehabilitation is performed within closed frameworks serving as a rehabilitative framework for the transition from the prison to the community. The hostel houses ex-prisoners and a counselor. The ex-prisoners leave for work in the mornings and upon their return in the evenings, attend workshops and dynamic group sessions. In Israel, there are nine hostels that treat some 200 ex-prisoners a year.

²⁶ Israel Prison Authority, Ministry of Public security. (2014) Aspects in Prisoner Rehabilitation. In response to State Comptroller's Annual Report (p.504)



The Ministry of Finance’s Budgeting Department also supported the Afikim program model, and took it upon itself to recruit the PRA to the project, and in the meantime, a thorough work on the model and its economic feasibility was initiated.

One of SFI’s greatest accomplishments was the formation of a roundtable that worked jointly and in full cooperation on building the Social Impact Bond:

- In the lead – the Head of the Planning Division in the Ministry of Public Security
- Public Security coordinator at the Ministry of Finance
- A representative of the General Comptroller’s Office
- Prisoner Rehabilitation Officer

The roundtable initially convened in early 2015 and re-assembled often for the purpose of creating an SIB contract. During 2015, the Ministry of Finance’s Public Security Coordinator managed to convince the PRA’s CEO to move forward with the Afikim intervention program, at which time the SFI entered the process of tender exemption.

May 3, 2015

PRA’s CEO sent a position paper prepared by the PRA concerning the formation of the specified plan for realization of the SIB for prisoner rehabilitation. The letter detailed two prerequisites: (a) Presenting a confirmation made by the Ministry of Finance that supports and approves the SIB, and (b) A commitment made by the Ministry of Finance that any funds, in the present or in future, will under no circumstances be imposed on the PRA budget.

The letter also specifies topics that the PRA recognizes as having high potential for the realization of the SIB, including the hostels area (where the level of achievements is safe, quick, and measurable), development of care and rehabilitation among the Arab population, targeting young people to whom social contribution is of the highest and most effective, and aiming at employment which was proven to be one of the most important areas in prisoner rehabilitation.

At the same time, since a discussion was already scheduled for May 10, 2015 at the Ministry of Finance, under which the Afikim program was to be presented alongside data of financial benefits, the letter specified eleven pre-requisites to the program’s operation method.



"We, as JDC, were not an involved party in this PRA project. We are all for the program and of course all for prisoner rehabilitation. As far as we are concerned, SFI has no advantage over the PRA. We tried, based on our ideological view, to provide the Prisoner Rehabilitation Authority with funds and resources that will enable it to expand a tool that showed enough signs of being effective and could bring much value to Israel. It is a tool we developed together with the PRA, and they obviously also wanted to operate and implement this program, but, due to various budget issues, could not expand and operate it. And therefore, as customary in the world, the program we ran as a pilot, whose scope was relatively small due to limited resources, sought additional financing. SFI's tool presented an opportunity to conduct an experiment, and it is still an experiment! This is the message we did not manage to relay to the PRA – even the Ministry of Finance made a commitment to us and to the PRA only under the assumption we succeed in demonstrating this tool in larger scopes, shows results – then we will give you a budget to do this within your own framework. For us it seemed like an all-around win-win situation."

Director, Afikim program, JDC

October 19, 2015

PRA's CEO sent another letter to all roundtable participants. It opened with a reminder of PRA's preferences regarding areas in which the SIB will be operated (hostels, Arab society, youth). It said, "In spite of this, representatives of the SIB preferred, for their own reasons, to base their activity on the PRA-JDC joint Afikim project and expand it to all other parts of Israel." The CEO subsequently suggested two major alternatives to PRA's involvement in the project: (a) The PRA will have central responsibility for the project, with the SIB financing budgetary additions for human resources that will be mostly employed by the PRA; (b) The PRA will bear no any professional responsibility for rehabilitation results and processes and will allocate only limited human resources to the project. The first alternative amounts to NIS 1,495,000, and the – to NIS 570,000.

"In one of the alternatives they said "we will run it" and even sent us a quotation. we helped them understand that it was not possible because a government body cannot be paid with investors' money".

VP of Research & Development, SFI

October 26, 2015

The PRA sent the summary of the discussion held on the previous day, which was attended by representatives of SFI, the Ministry of Finance, and PRA, as well as the Afikim program director at JDC. According to the summary, "In view of reference made by the Ministry of Finance and at its request, as well as in light of the importance attributed to advancing the project, the PRA agrees to accommodate the Ministry of Finance's requests," and to undertake the following expenses:

- a. Involvement in the process of screening and identification of prisoners for the project and preparation of expert opinions for the Parole Board.



- b. Conducting Parole Board interfaces, including the completion of programs in accordance with Parole Board instructions and requirements.
- c. Preparation and submission of follow-up reports towards the Parole Board's follow-up discussions.
- d. Preparation of reports and expert opinions in cases of prisoner violation of probation.
- e. Allocation of a permanent PRA representative for the project's steering committees and for the professional commission.
- f. Allocation of a group therapy room for sessions to be held once every two weeks by appointment in each district.

January 20, 2016

A discussion was led by the Minister of Public Security, addressing the following primary topics:

1. Presentation of an economic layout: The costs of a four-year program – NIS 12 million (SFI's investment); maximum yield for investors – 13%, conditional upon the program's success.
2. Presentation of a layout for program achievement measurement through a designated measurement model – IPS Head of Research Division was defined as the determining body in respect of program measurement.
3. The IPS Commissioner noted that unlike other bodies, the IPS cannot receive donations. The Social Impact Bond thus enables it to promote the prisoner treatment mechanism and its success is of paramount importance.
4. The Minister asked for an update on the progress made in the negotiations regarding the interest to be paid to investors and tender exemption.

April 19, 2016

Tender Exemption is granted – engagement with SFI towards the Prisoner Rehabilitation Social Impact Bond as sole provider for the period from April 3, 2016, to January 31, 2025. The scope of the engagement is NIS 26,623,595, including V.A.T.

According to the summary of the Exemption Committee meeting²⁷, the program will run for five years (including the preparation period); two treatment cycles spanning 18 months each will be opened during each of the first four years in each of the three jails implementing the program. A total of 360 prisoners will take part in the program.

August 9, 2016

The Afikim program steering committee convenes in order to coordinate the entry of SFI as program operator. A professional conference is scheduled for the program in

²⁷ https://www.mr.gov.il/Files_Michrazim/209764.pdf



preparation of its transfer, towards December 2016, and it is resolved to form a team that will be responsible for thinking and planning; and will include representatives of all the partner organizations (the PRA, the Ministry of Public Security, and the IPS).

September 19, 2016

Incorporation permits are obtained: A statute and certificate for a designated public benefit corporation (PBC) established for the SIB under the name “Social Finance Israel – Prisoner Rehabilitation Ltd.”

September 29, 2016

The Ministry of Finance reached an agreement with the Prisoner Rehabilitation Authority and a Budget Summary was signed regarding cooperation in the Social Impact Bond project. According to the agreement, “the Prisoner Rehabilitation Authority will work in cooperation with all the parties involved in the project, including SFI, and that in order to lead to the program's success and to the promotion of the prisoner rehabilitation field in Israel, leading, in turn, to a variety of social and economic benefits for the Israeli market. The Ministry of Finance intends, respective of the extent of the program's success, to implement the program and associated resources in the budgets of the Prisoner Rehabilitation Authority.” The summary document was signed by the PRA’s CEO and the Public Security coordinator at the Ministry of Finance.

Several months go by, during which members of the roundtable work on draft contracts and meet periodically for discussions.

January 19, 2017

PRA's CEO sent a letter to the CEO of the Ministry of Public Security and a letter addressed to all members of the roundtable. The conclusion of the letter reads, “As the body entrusted with the rehabilitation of ex-prisoners in Israel under the law, the Prisoner Rehabilitation Authority cannot cooperate with such a process, and moreover – it is our professional and public duty to warn of the existence of such a process. (...) we believe that this project may serve to privatize social services, while trampling the state's regulatory powers. Not only that, but a concern arises in regard to the entry of private bodies motivated by financial interest into the area of prisoner rehabilitation. (...) Multiple disagreements between the PRA and the SIB, unbridgeable gaps concerning the fundamental perception of prisoner rehabilitation, and the fact that the PRA will not be able to exercise its power as the supervising body, lead me to decide that the PRA will not take any part in the SIB project. And we extend our wishes for its success.”



The letter was issued towards the end of the PRA CEO's term in office and froze the entire process for a year.

"The letter came as total surprise. We sat together, the entire roundtable, on Sunday I think, and on Thursday morning the letter arrives by email. There was an economic model, a financial model, what we wish to achieve and how to measure results – agreement about all these things was the purpose of the roundtable. We went through Tender Exemption – that is a very advanced stage of maturity. But the project cannot be executed without the Prisoner Rehabilitation Authority."

VP of Research & Development, SFI

May 29, 2017

A new PRA CEO is appointed. A few days later (June 4, 2017) the VP of Research & Development received a [link](#) to a report on prisoner costs in California and decided to examine a return to discussions. The roundtable returned to work in the beginning of 2018 as a result of a joint initiative by the SFI, a representative of the Budgets department and the Ministry of Public Security, following conversations and bridging actions led by the Budgets Department.

"We thought it was a long shot due to the nature of the Authority, regardless of who was running it, but rationale had the last word. Something in our DNA is restless and unyielding. This is our spirit, push forward full speed ahead and charge. It drove us to try and give it a second start at any rate. We have already invested so many hours, that we said it doesn't matter anymore, come what may – it's worth a try."

VP of Research & Development, SFI





4.6 The Intervention Program Model

Target Population

Formal Criteria:

Male prisoner, age 21-45, residence in a geographical area enabling him to attend the program, within the range of public transportation from work at the end of the day, does not require drug or alcohol addiction therapy, needs no sex-offence or domestic violence-related designated therapy, does not suffer any significant mental disorders that impact his daily function, has basic reading and writing skills.

Dynamic Criteria:

The most significant criterion is the prisoner's level of maturity to enter a process of change. Such maturity is a combination of motivation and will, supported by his power and ability to implement the required change.

"In retrospect, the main error of the SIB was in the actual definition and limitation of the target population. Taking the ex-prisoner population while excluding the mentally ill, drug addicts, sex-offenders, when in reality – almost all prisoners fall within one of these categories. On the social level, this limitation does not express a Social Impact Bond since it does not see the population as is, but rather, as a very limited and selective group. That was one of the main issues that was not well understood in the discussions. And for me, as a person accompanying ex-prisoners for many years, it was very significant. For years, I have been active in fellowships and NPOs and then when you actually see that in the end people are only looking to show success, something in that leaves you with a bitter taste from the entire process."

Head of Prisoner-Community Area, PRA

Operation Model

1. Participant recruiting and screening – four months, including exposure days, interviews with the program coordinator and with IPS social workers and selection committees attended by a PRA advisor, the head of the social workers department at the prison and the director of the program.
2. Activity inside the prison – two months, during which an 80-hour workshop in preparation for the world of employment is conducted under the guidance of the prison's social workers, who will be given professional training provided by the program. The program incorporates 2-3 individual sessions with the program coordinator, during which information is gathered for the purpose of preparing a customized rehabilitation and supervision plan.
3. Accompaniment in the community – for a year from release, during which treatment sessions and individual accompaniment sessions are held once a week, fourteen group-meetings (in the period during which the group meetings are held, individual meetings are held bi-weekly on alternate weeks with group meetings), support and accompaniment in



studies and vocational training, liaising complementary therapy when required (couples therapy, medical tests, etc.), assistance in handling of bureaucratic issues.

Towards the end of the accompaniment year, participants' condition is examined and, respective of the findings, a decision is made to end the accompaniment, continue the accompaniment for several additional months with reduced frequency, or refer the participant to further accompaniment by other bodies within the community.

Financial Aid within the Program

"The SIB did not provide new financing programs but rather relied on the state's voucher programs. I said what I had to say loud and clear at the roundtable and in the negotiations held. I would like to create new tools and solutions. Had they decided on another form of measurement or given a new, unique solution that I do not have, such as individual job training in sewing financed by the SIB – then it would have been possible to see the value of the SIB model. I, at any rate, am always required to measure, to provide numbers and to justify them, but in this case that extra something providing value was missing. It wasn't there. A therapist accompanied the prisoner during individual and group sessions, as usual, and then, when I want to send for vocational training, I have no financing and I am in search of philanthropic foundations, vouchers, collaborations. Had there been any tidings here, then I personally would have been able to see the positive value of this. It seemed to me more of the same thing that the PRA was doing except on a private basis, with much less supervision and with the same resources. A program that would have focused on vocational training could have succeeded greatly and the state could have learnt from this that vocational training is an important tool for reducing recidivism."

Head of Prison-Community, PRA

Part of the program's budget was dedicated for financial aid to participants for the purpose of professional advancement and integration in training and studies – basic education courses, drivers' license, employment diagnosis, tutoring for people studying in external frameworks and in vocational training. The aid was given in the form of a subsidy, in order to create a commitment on behalf of the participant.

"The SIB did not provide new financing programs, but rather, relied on the state's voucher programs. I said what I had to say loud and clear at the roundtable and in the negotiations held. I would like to create new tools and solutions. Had they decided on another form of measurement or given a new, unique solution that I do not have, such as individual job training in sewing financed by the SIB – then it would have been possible to see the value of the SIB model. I, at any rate, am always required to measure, to provide numbers and to justify them, but in this case, that extra 'something' providing value was missing. It wasn't there. A therapist accompanied the prisoner during individual and group sessions, as usual, and then, when I want to send for vocational training, I have no financing and I am in search of philanthropic foundations, vouchers, collaborations. Had there been any tidings here, then I personally would have been able to see the positive value of this. It seemed to me more of the same thing that the PRA was doing except on a private basis, with much less supervision and with the same resources. A program that would have focused on vocational training could have succeeded greatly and the state could have learnt from this that vocational training is an important tool for reducing recidivism."

Head of Prison-Community, PRA



4.7 The Social Impact Bond Contract

The SIB for Prisoner Rehabilitation Agreement drawn between representatives of the State of Israel – the Ministry of Public Security CEO, Public Security and IPS comptroller, the IPS commissioner, PRA CEO and PRA comptroller – and between SFI Ltd., had undergone several rounds of editing, reaching a level of advanced maturity. Following are the main sections of the draft agreement dated April 17, 2018.

Responsibility for the Intervention Program

Operating Body	PRA	IPS
<ul style="list-style-type: none"> • Program execution; budgetary and logistics management • Performance management • Reporting to the PRA concerning program participants and reports towards the follow-up committee and in reference to the Parole Board protocol 	<ul style="list-style-type: none"> • A supervisory body on behalf of the state, involved in screening and search of candidates • Managing interfaces with parole boards • Allocating a permanent representative to the professional committees • Allocating a room for the program's bi-weekly pre-scheduled group therapy sessions in each district 	<ul style="list-style-type: none"> • Facilitating the use of existing infrastructures in the IPS (such as rooms, classes, and offices) • Program marketing and exposure to therapists • Appointment of a social worker at a 2/3-position in each prison as rehabilitation program coordinator

The Intervention Program

The rehabilitation program will be operated by the company over the span of four years in three prisons – Eshel, Ayalon, and Hermon, one in each district. From the intervention program's start date and every six months for a period of four years, a new activity cycle of the rehabilitation program will be opened, under which 15 to 18 new participants will be integrated in the program in each one of the prisons.

Overall, eight activity cycles will be opened and a total of 24 groups of participants will take part in the program (six groups of participants each year), consisting of about 360 participants in total. The list of candidates for the program will be delivered by the IPS alongside data concerning variables predicting “reincarceration” within four years from the release date.

Measuring Success

The program's success will be measured by ISF and will be approved by the IPS. The measurement will also be controlled and verified by an independent external accountant with



whom SFI will engage under a separate agreement. The measuring accountant's fee will be paid in equal parts by the state (50%) and by SFI (50%).

The program’s success will be measured by comparing the number of prisoners participating in the program who were released on their predicted release date, as expected upon their entry into the program, and who would subsequently be reincarcerated after having been tried and convicted (or arrested until termination of proceedings) within four years of their release date, with the number of prisoners which the prediction model predicted would be reincarcerated within four years. The lower the number of reincarcerated program participants is as compared to that predicted by the prediction model, the greater the success of the intervention program. Measurement of the program's success will take into account only participants who took part in the first group meeting outside the prison walls. Participants' characteristics will be included in the model and the scope of group participants predicted to be reincarcerated will be determined. “Recidivism” is defined as the rate of those actually reincarcerated following conviction (and not as detainees) within four years from their release date.

For each activity year (two cycles), SFI will produce a report that will include the number of participants expected to be reincarcerated according to the prediction model, the number of participants in that cycle who were in fact reincarcerated after having been tried and convicted within four years of their release date, and the difference between these numbers reflecting the program's success (“number of successes”); the state will reward SFI respective of the success measured.

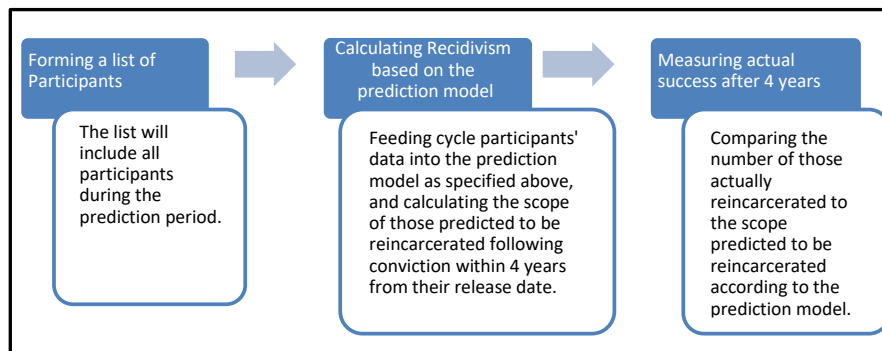


Figure 4. Prisoners SIB success measurement model

Financing by the Program

The rehabilitation program will be financed by investors with whom SFI will engage through loan agreements and /or will issue bonds without state intervention. The state will not be obligated to the investors, whether directly or indirectly, and the investors will pledge that they will have no option of appealing to the state in the event of non-payment by the



company. SFI pledges that investors shall have no influence on the intervention/rehabilitation program.

For the activity of the IPS's program coordinators, SFI will pay the state NIS 51,130 per group of participants accompanied by the program coordinator.

For the execution of the rehabilitation program, the state will give SFI a “success-based-fee” to be calculated by the external accountant respective of the program's success and will be specified in the verified measurement reports prepared by the accountant and delivered to the state. Payments will be made on four instances, in accordance with the measurement dates.

The maximum payment for program success will be NIS 20,647,514. In the event the number of successes in any of the measurements is negative (in other words, the number of prisoners reincarcerated after conviction is greater than that predicted by the prediction model), appropriate offset will be conducted in the positive number of success cases in the following measurement dates. Thus, by offsetting the number of success cases in the following measurement dates, a proportional part will be reduced from the payment due to SFI for the program's success. At any rate, payments made to SFI will not be returned to the state, even if the number of success cases (or additional activity cycles) is insufficient for an offset. In the event no success is achieved in the project or if the overall number of “failures” is greater than that of successes (a negative success number), SFI will not be required to pay or to return sums it received or to pay the state compensation for the program's failure. Accordingly, in as much as no success whatsoever is achieved in the project, the state shall not be required to pay SFI.

5 The Unsigned Contract

Throughout the arduous work invested in preparing the contract, there was an increasing feeling among SFI workers that PRA representatives are trying to “torpedo” the discussions: “They raised irrational demands and made irrelevant claims and arguments at the conference table, as we were going through the agreement paragraph by paragraph. We made a budget summary with the state that significantly benefits the PRA. We also agreed with the PRA with regards to a full partnership: They will sit on the steering committee, will select prisoners together with us, will control and supervise our execution of the program; we are required to notify them of any changes made to the program, and data is available for their viewing 24/7.”



During the break in the last discussion, the PRA CEO's personal advisor and legal advisor approached SFI's VP of Research & Development to update him that the PRA is going to derail the agreement. Their recommendation was to prepare a Declaration of Intent. On April 4, 2018, SFI's VP of R&D sent a draft Letter of Intent only to the advisors, but everything broke down even before they saw the letter. The *Histadrut* (Israeli Workers Union) contacted the Ministry of Public Security, informing it by phone that the entire procedure must be stopped, and threatening with a strike.

"When the agreement was already very close to signing – I believe in another meeting or two we would have closed – the PRA went to the Histadrut claiming that the entire process is harmful to PRA employees and may institute privatization, and is therefore risky for the employees. They were afraid that we will see positive results at a quarter of the cost on which their current calculations are based. PRA's CEO was ambivalent about the agreement and could not stand up to his own team."

VP of Research & Development, SFI

Several months later, a report was published in *TheMarker*²⁸ under the title "Prisoner Rehabilitation Authority employees concerned for their positions – prisoners pay the price."

"It appeared to be a very promising project; unfortunately, we were unable to promote it. Had I not failed to recognize that ultimately the PRA will be the project's primary source of failure, I would have handled them differently. I should have 'greased' them, nurtured them, cared for them, in order to keep them with us. But I only say this in retrospect, I could not have recognized at the outset that they will constitute the project's primary source of failure, since the arguments made there, which were the cause of our inability to move forward, were irrelevant and difficult to recognize in advance. I say this with regards to myself, in all honesty, even if I had been a little more alert, precautionary, or suspicious, I could not have recognized these arguments. Coping with irrelevant reasoning with logical tools is difficult."

Head of Planning Division, Ministry of Homeland Security

²⁸ Heruti Sover, T., (15 August 2015), Prisoner Rehabilitation Authority Employees are concerned with their positions – prisoners pay the price, *TheMarker*. Retrieved from: <https://www.themarker.com/career/1.6383448>





"I actually believe that the leadership and work conducted here were very appropriate in presenting and building the process throughout its stages. The greatest problem was in risk assessment, something was totally off because the greatest risk wasn't anticipated at all. As a project manager, you must calculate the risks, and in this case, the main risk was not taken into consideration. As a tool, the SIB works in other frameworks and other countries, yet it seems to eat into the PRA's role in this case – a risk not anticipated by anyone. This led to the fact that all calculations and considerations concerning how to ameliorate us [IPS] and the Ministry of Homeland Security were wrong; no one noticed that anyone here would resolutely objected. Had it been presented and constructed in a different way which could overcome this risk, then maybe everything would have been different. This risk was the essence of everything and it was not recognized. Why was it not recognized? I have my assumptions, but cannot talk about this."

Head of Prisoner Rehabilitation, IPS

6 The Dilemma

Four years of work were invested in the development of the Social Impact Bond for Prisoner Rehabilitation. As mentioned above, SFI uses bonds as a primary tool for promoting its vision in Israel and abroad. The company's team continues developing bonds and promoting their implementation in Israel, and takes part in other issuance processes around the world.

The main question SFI's team is occupied with is how to avoid situations where public or social bodies, which engage in work similar to that proposed by the intervention program as part of their daily function, are threatened by a project – and instead, lead them to understand that the program can serve as a tool for their own specialization and for improving the positive impact of their work? Moreover, will they be able to relate to the Bond as a new tool in their toolbox that can generate more successful activities?





7 Appendices

7.1 Appendix 1

Education and Rehabilitation Actions – the Israel Prison Service

Education

The IPS’s education system is geared towards creating change processes in prisoners’ thought patterns and behavioral norms, imparting tools and life skills that will help them utilize their sentence period as a “school for life” and increase their chances of reintegrating into society. The basic educational perception is that any person is capable of change.

The IPS’s education system includes formal education, mainly intended to provide prisoners with basic-level reading and writing skills, elementary and high-school education; informal education, which offers prisoners a wide variety of educational programs in various areas, with the primary purpose of bringing prisoners into active social engagement for the greater good, personal expression, and significant changes in the various cycles of their lives. The informal education is guided by a cognitive-educational and behavioral perception and complements the educational system.

In 2009, 276 classes of formal education, for about 4,300 prisoners, were offered. 31 prisoners studied at the Open University. Additionally, some 2,100 educational programs were operated, with 12-15 prisoners participating in each.

Treatment and Rehabilitation

The basic assumption at the basis of the IPS’s rehabilitative-therapeutic activity is that a prisoner is a human being who has experienced a series of major losses in life – the loss of physical freedom, breach of the freedom of choice, loss of status and human dignity, detachment from their family and society, in addition to the denial of pleasures, economic loss, and, in some cases, the loss of profession. The IPS’s social workers work to reduce incarceration damages, to the extent this is possible, by caring for prisoners' welfare and their mental and social adjustment during their imprisonment. Towards its end, the care provides prepare prisoners for their release, by building a personalized program and referring them to the PRA and community treatment agencies, writing a social report addressed to the Parole Board, and conducting readiness workshop ahead of the release date in collaboration with the PRA.

Every week, approximately 3,800 prisoners participate in an average of 235 defined therapeutic groups:

- Addiction groups (about 130 groups with some 2,130 prisoners)
- Domestic violence groups (21 groups with 238 prisoners)



- Sex offenders (14 groups with 321 prisoners)
- Groups on other issues (70 groups with 1,115 prisoners)

The Employment Program

The Employment Program²⁹ acts as a business body using a revenue contingent expense model. Income from the manufacturing prison factories is channeled to prisoner rewarding and improvement and development of the employment program.

In 2010, the IPS employment program included 30 IPS-operated factories in the worlds of wood, textile, printing, and more; 22 private-initiative plants in the fields of paper, printing, plastics, footwear, electronic wiring, and more; 22 companies employ prisoners in factories outside the prison walls within a framework called “Group Rehabilitation.” Some 40 vocational training courses were given to approximately 700 prisoners in a variety of areas, including small business management, computerized warehouse management, flooring, and tiling. Approximately 3,000 prisoners were employed daily in maintenance, kitchen work and other prison services. Some 2,200 prisoners in 54 plants participated in the employment programs of the plants program – approximately 85% of the employable prisoner potential.

Preparation for Release

The rehabilitation wards accept prisoners whose participation in the rehabilitation programs preparing them for release had been approved. Prisoners in the rehabilitation wards are initially transferred to group rehabilitation. Subsequently, prisoners who have fulfilled their rehabilitation tasks and still have sufficient imprisonment time, are transferred to individual rehabilitation. Prisoners in rehabilitation wards work outside the prison walls and have longer vacations, to enable them to reintegrate into their families and communities. Treatment programs are individually adapted to each prisoner.

The rehabilitation ward engages prisoners with 42-46 months remaining of their sentenced imprisonment in group therapy, and prisoners with up to 18 months remaining in individual therapy. In 2010, about 150 prisoners were integrated into the rehabilitation wards, 120 of them into group rehabilitation and 30 into individual rehabilitation. According to the IPS, the rate of recidivism is 12% among prisoners who left the rehabilitation wards, 12% among those who participated in domestic violence therapy programs, and 33% among those who participated in drug and alcohol addiction therapy programs.

²⁹ Davidsko, I., Walk D. (May 2011). Employment of prisoners as a Rehabilitation Tool - Literayure Review. Research Unit, Israel Prison Service



7.2 Appendix 2 Rehabilitation Activity – the Prisoner Rehabilitation Authority

PRA Activity inside Prisons

1. During incarceration, PRA counselors meet with all prisoners three to six months prior to the Parole Board’s discussion date, in order to prepare a rehabilitation plan.
2. Workshops preparing prisoners for life after their release: A. PRA consultants conduct seminars in prisons, with the participation of representatives from community therapeutic services. The prisoners hear about the agencies and bodies that can provide assistance after their release. B. Employment-readiness workshops are held in the prisons and an employment rehabilitation plan is prepared ahead of the prisoner’s release.
3. The “Rehabilitation Bus” project: PRA representatives and volunteers visit the prison and meet with prisoners.
4. The “Prisoners’ Children” mentoring project – experiential meetings of prisoners and their children.

Rehabilitation after Release

The PRA employs 126 workers who hold 69.4 positions: 27 counselors, 11 hourly workers, and the rest social workers. The PRA accepts ex-prisoners and is tasked with treating them and their families. An average of 6,500 prisoners are released in Israel each year; only 2,000 of them receive any kind of treatment from the PRA.

In total, the PRA provides treatment to around 3,000 individuals overall: Some 1,400 released prisoners in supervised rehabilitation programs with legal guidance (intensive treatment programs), 600 in voluntary treatment (following full release), and 1,000 prisoners’ wives and children.

A prisoner under supervision (Bialer & Peled, 2011) is a prisoner who was released after having served two thirds of the sentence with a recommendation of the Parole Board, determining that the prisoner must attend a PRA-supervised rehabilitation program. Unsupervised prisoners are those the Parole Board recommended for unconditional early release or prisoners released after having served their full sentence. Such prisoners may voluntarily refer to the PRA, which refers them in turn to appropriate therapeutic and employment frameworks.

The rehabilitation process is administered in several centers:





1. Community rehabilitation activity – the PRA appoints rehabilitation coordinators in most of the communities populated by more than 40 ex-prisoners. Coordinators are social workers who aid in the diagnosis process pre-release and treatment to ex-prisoners and their families, and operate therapeutic projects in the community. Treatment may be individual, family- or group-based, and may conclude after one session or continue for more.
2. Rehabilitation activity in frameworks outside the community – intended for prisoners incarcerated multiple times and mainly for drug offenses. This type of rehabilitation is administered in hostels (closed frameworks) serving as a rehabilitative framework for the transition from the prison to the community. The hostel houses ex-prisoners and a counselor. The ex-prisoners leave for work in the morning and after returning in the evening, take part in conversations, workshops, and dynamic group sessions at the hostel. There are nine hostels in Israel, treating some 200 ex-prisoners each year. The follow-up period is five years and the rate of recidivism is 10%.
3. The prisoner's family – special rehabilitation programs are in place for prisoners' families. Treatment of prisoners' families begins on the day a prisoner enters jail.
4. Employment – employment advisors help prisoners re-integrate into work, recruit employers, accompany prisoners in their workplace, and maintain continuous contact with the employers. The PRA currently has six employment advisors.
5. Supervised rehabilitation programs – rehabilitation under the control and supervision of a PRA representative, mainly intended for prisoners who received intensive treatment or were treated for drug addiction in prison. Supervision continues for three years. Currently, there are about 1,400 ex-prisoners in supervised rehabilitation programs. 85% of the prisoners who participated in the supervised rehabilitation programs are drug-free and conduct a normative way of life. These programs are currently operated in only 42 towns; therefore, prisoners assessed in prison as suitable for the program but who do not reside in a town where there is such a program, are not provided with rehabilitation and are compelled to stay in prison.





Recidivism³⁰ in PRA-supervised rehabilitation programs

Treatment Framework	Supervised individuals reviewed in the study	Recidivism in PRA supervised rehabilitation programs	Follow-up period after termination of supervision period
Community Rehabilitation	1,286	16% re-incarcerated	Three years
Hostel Rehabilitation	120	10% re-incarcerated	Five years

Regarding recidivism rates, or PRA's success rates – it should be noted that some claim that if the PRA would work to rehabilitate all released criminal prisoners, including those deprived of vacations, recidivism rates will increase, as the PRA would also be treating ex-prisoners who it currently does not attempt to treat from the outset. Moreover, since participation in rehabilitation programs is not mandatory, it is possible that prisoners who do participate in the program are originally at lower risk for recidivism³¹.

³⁰ Tal-Spiro. Data on Prisoner Rehabilitation.

³¹ For additional Incarceration and Recidivism data from IPS's Research Department pertaining to the year 2010 -please [Press Here](#)



7.3 Appendix 3 The Prediction Model

*Data required for each program participant

Var.	Variable	Values	Source of Data
1	Marital status	0 – Single, divorced, separated, widow / 1 - married	"Zohar 2" system – Prisoner details-marital status
2	Age	Difference in whole years between actual release and date of birth (rounding up or down)	"Zohar 2" system – Prisoner details-date of birth
3	Number of previous incarcerations	Total number of sentenced entries to the IPS (not including arrests, including current entry)	"Zohar 2" system – Prisoner details-number of entries
4	Number of days in current incarceration	Difference in days between entering the IPS in the current incarceration and actual release	"Zohar 2" system – Prisoner details-incarceration period
5	Release type	0 – Early release 2/3 by Parole board / 1 – full release	"Zohar 2" system – Prisoner details-release type
6	Addiction	0 – None / 1 – addicted (1 specified by the system <u>or</u> by the participant)	"Even Bohan" system – reintegration difficulties – drug or alcohol addiction
	Violent offense	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
8	Property crime	0 – None in current incarceration / 1 – Crime committed	"Zohar 2" system – Prisoner details -Offense type
9	Drug offense	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
10	Public order offence	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
11	Traffic offense	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
12	Fraud offense	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
13	Offense of national security	0 – None in current incarceration / 1 – offense committed	"Zohar 2" system – Prisoner details -Offense type
14	A felony against human life	0 – None in current incarceration / 1 – felony committed	"Zohar 2" system – Prisoner details -Offense type



Anticipated recidivism rate calculation:

Stage A – calculating X for each prisoner – values provided by the IPS will be entered into the following formula:

$$\begin{aligned}
X = & -0.5978597 - 0.0608873 * \text{variable 1} - 0.0598906 * \text{variable 2} + 0.4348272 * \text{variable 3} \\
& + 0.0001739 * \text{variable 4} + 0.7687622 * \text{variable 5} + 0.0090211 * \text{variable 6} - 0.148098 * \text{variable 7} \\
& + 0.5922625 * \text{variable 8} + 0.2718658 * \text{variable 9} + 0.2979905 * \text{variable 10} + 0.4715098 * \text{variable 11} \\
& - 0.2562895 * \text{variable 12} - 0.1317549 * \text{variable 13} - 0.6229111 * \text{variable 14}
\end{aligned}$$

Stage B – Calculating Y for each prisoner:

$$Y = \frac{2.71828^X}{1 + 2.71828^X}$$

Stage C – Classifying Y for recidivism:

Each participant in the program will be attributed one of the following values:

- 1 (anticipated to be reincarcerated within four years from the release date) if the Y value is greater than or equal to 0.485
- 0 (not expected to be reincarcerated within four years from the date of release) if the Y value is less than 0.485





8 References

- Barclay, L., & Symons, T. (2013). A technical guide to developing Social Impact Bonds. *Social Finance Ltd, London*.
- Bialer, G., & Peled, R. (2011). Supervision and employment: The contribution of supervision and employment to the rehabilitation of released prisoners in Israel. *Glimpse into Prison, 14*, 113–130.
- Liang, M., Mansberger, B., & Spieler, A. C. (2014). An overview of social impact bonds. *J. Int'l Bus. & L.*, 13, 267.
- McCollister, K. E., French, M. T., & Fang, H. (2010). The cost of crime to society: New crime-specific estimates for policy and program evaluation. *Drug and Alcohol Dependence, 108*(1–2), 98–109.
- Warner, M. E. (2013). Private finance for public goods: social impact bonds. *Journal of Economic Policy Reform, 16*(4), 303–319.





Disclaimer

The content contained in this document is provided only for educational and informational purposes and reflects the author's opinion only. The publication of the document shall not constitute or be deemed to constitute any representation by the publisher that the data presented therein are correct or sufficient to support the conclusions reached or that the experiment design or methodology is adequate. The publisher attempts to ensure that content is accurate and obtained from reliable sources but does not represent it to be error-free and makes no statement, representation, warranty, or guarantee of the accuracy, reliability of the information and content contained in this document. Publisher will not be liable for damages of any kind arising from the use of this document, including but not limited to direct, indirect, incidental punitive and consequential damages.

