U4 Helpdesk Answer

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Corruption and anti-corruption efforts within social protection systems in low- and middle-income countries

Corruption in social protection is multifaceted, encompassing political patronage, fraud in eligibility documentation and wasteful expenditures. In corrupt contexts, spending in education, healthcare and social protection declines, often disproportionately burning women, migrants and informal economy workers. Its impacts extend to poverty, inequality and an erosion of public trust. Evidence signals a recent shift to preventive anti-corruption strategies, blending traditional measures with emerging technologies such as big data and artificial intelligence.

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Query

What are the most significant corruption risks within social protection systems? How can an anti-corruption and integrity approaches contribute to strengthening social protection systems?

Contents

The nature of social protection systems in LMICs

Global developments such the COVID-19 pandemic have pushed social protection systems into the spotlight, particularly in low and middle-income countries (LMICs).[1] Schüring & Lowe (2021) define social protection as the entire range of policies and programmes that protect people against poverty and risks to their livelihoods and well-being.

A narrower definition of social protection is provided by the International Labour Organisation (2004: 2) as "the set of public measures that a society provides for its members

- to protect them against economic and social distress caused by the absence or a

MAIN POINTS

- Social protection spending is significantly reduced in corrupt contexts. Petty pribery, collusion, clientelism and embezzlement are among the main forms of corruption affecting social protection schemes in LMICs.
- The impact of corruption in social protection systems has severe implications on poverty and inequality levels and public trust in state institutions. Women, migrants, displaced persons and informal economy workers who rely heavily on public services are often disproportionately affected.
- Evidence suggests a recent shift from punitive measures to preventive approaches. Best practices in curbing corruption in social protection systems point to use of emerging technologies along with traditional integrity and accountability tools such as legal frameworks, risk management systems, internal and external audits, whistleblowing or community and citizen engagement.

[1] This paper uses the BMZ country list of their bilateral official development cooperation (BMZ 2024a)

substantial reduction of income from work as a result of various contingencies (sickness, maternity, employment injury, unemployment, invalidity, old age or death of the breadwinner),

- the provision of health care and
- the provision of benefits for families with children."

As such, social protection efforts typically involve state assistance for people experiencing illness, unemployment, child poverty, or requiring child benefit, parental leave, or pensions (BMZ 2024).

Broadly speaking, there are four archetypal forms of social protection system, as depicted in Table 1. These measures are explored in the next section, with the functions and financing mechanisms of each considered in more detail.

Table 1: Archetypal forms of social protection systems

Area of intervention	Social protection measure
Labour	Unemployment benefits
Retirement	State pension schemes
Access to healthcare	State health insurance
Direct poverty reduction	Social assistance programmes

Social protection systems thus encompass a comprehensive array of policies and redistribution schemes at both national and sub-national level. These include individual and household social insurance, contribution-free cash or in-kind support.

In the context of protecting people from the effects of the pandemic, between 2020 and 2021, nearly 4,000 social protection measures were launched globally, accompanied by a substantial allocation of fiscal resources aimed at supporting around 1.4 billion individuals (IBRD-IDA 2023).

However, despite an increase in social protection programmes worldwide, much of the global population is outside their coverage. The World Social Protection Report 2020-2022 shows that only 47% of the global population is covered by at least one social protection benefit (ILO 2021).

As many low- and middle-income countries struggle to finance these programmes, the scale of coverage by social protection programmes is uneven around the globe. Sub-Saharan Africa has the lowest coverage of any region in the world, with only about 13% of its population covered by at least one social protection benefit (ILO 2021). According to the ILO (2021: 20), high income countries spend on average 16.4% of their GDP on social protection (excluding healthcare spending),[2] whereas their LMIC counterparts dedicate only 1.1% of their GDP to social protection measures.

The situation is increasingly acute in some LMICs given the large number of unemployed young people, growing life expectancy, the failure to realise universal health coverage, and the heighted socio-economic insecurity generated by climate change and other humanitarian disasters.

To bridge the annual financing gap for social assistance, the ILO (2021: 20) estimates that lower-middle income countries would need to invest an additional US$362.9 billion to provide adequate social protection (5.1% of their GDP), while low-income countries would have to spend an additional US$77.9 billion (15.9% of their GDP).

[2] See also OECD (2024) for data on social spending in OECD countries.

At the same time, some estimates of the annual capital flight out of LMICs surpasses US$1 trillion in the form of illicit activities, tax evasion and corruption associated with illicit financial flows (IFFs) (GFI 2015). This outflow constitutes untapped potential for financing social protection systems.

As such, the efficient use of fiscal resources and developmental assistance that fund social protection programmes is particularly important in LMICs. It is therefore imperative to prevent forms of corruption and financial mismanagement that undermine the effectiveness of social protection, as part of a wider efforts to ensure these programmes have the intended impact.

The UN Special Rapporteur on extreme poverty and human rights emphasises obstacles to the expansion of social protection coverage including chronic under-funding, systemic mismanagement and the harmful effects of corruption. The right to social security is recognised in human rights instruments, such as the Universal Declaration of Human Rights and the International Covenant on Economic, Social and Cultural Rights. However, in many LMICs, the theoretical recognition of the human right to social security is limited in practice by the impact of fraud, systemic abuses of power and administrative corruption (UNHCR 2022). Navigating these risks in LMICs therefore necessitates an emphasis on the efficient and responsible management of social protection systems.

Corruption in social protection systems in LMICs

Social protection programmes channel substantial public resources to millions of beneficiaries, often in line with complex eligibility criteria and recertification rules. As such, it is considered impossible to operate a programme that it is completely free of error and fraud (Tesliuc and Grigoras 2017).

In OECD countries, which have some of the strictest control and accountability mechanisms in place, errors, fraud and corruption still account for about 2% to 5% of social protection spending annually (IBRD-IDA 2014). The UK estimates that around US$3.2 billion of government social expenditure is lost on an annually due to fraud and error (Van Stolk & Tesliuc 2010). In the United States, from 2012–15, more than 1.2 million Medicare beneficiaries were treated by 1,364 individual healthcare providers who were subsequently found to have committed fraud and abuse (Nicholas et al. 2019).

In LMICs, losses to corruption and mismanagement are certain to be higher, despite the absence of aggregated estimates at the national level.

An analysis conducted by Inter-American Development Bank (IDB) of government spending in Latin America and the Caribbean reveals widespread waste and inefficiencies in social protection transfers that could be as large as US$220 billion a year, or 4.4% of the region's GDP (IDB 2018).

In specific social protection schemes in Uganda and Indonesia, 87% and 78% respectively of benefits allocated for certain social assistance programmes failed to reach the designated recipients (Malaza & Parekh 2020). However, the aggregated scale of corruption in social protection systems at the national or sub-national level is mostly unknown in developing countries due to the lack of transparency, weak institutional and governance structures and absent data infrastructure (Malaza & Parekh 2020).

This section now considers the situation in relation to the four major types of social protection measure introduced above.

Unemployment benefits

A state unemployment benefit scheme, also referred to as unemployment insurance, is a government-run program intended to provide financial security to individuals who become unemployed to allow them to meet their basic needs while they search for new employment.

To qualify for unemployment benefits, individuals need to meet qualifying criteria, such as having been employed for a minimum period, be actively seeking work, and having lost their job through circumstances beyond their control. The process to receive benefits typically involves eligible people filing a claim with government agencies, in which they provide information about their employment history. The agency is then responsible for assessing the individual's claim and calculating the amount of financial support to which they are entitled, based on factors such as prior earnings. Unlike pensions, unemployment benefits are generally provided only for a limited period.

State unemployment benefit schemes are normally funded through a combination of employer and employee contributions, deducted from their salary. Government funds may also be used to subsidise such schemes.

In LMICs, state unemployment benefits programmes tend to have low coverage as a result of the high incidence of informal employment and underemployment, as well as subsistence farming. Often only a minority of workers in these countries have formal employment contracts and therefore qualify for unemployment benefits (Asenjo et al 2024). As a result, governments and international donors working in LMICs may promote active labour market policies to support those out of work, including targeted assistance programmes such as public works projects, job training initiatives and microfinance initiatives (Asenjo et al 2024: 2). Community-based social protection mechanisms may also play a significant role, including mutual aid associations, kinship networks, and informal savings and credit groups (Shai 2021).

Some of the corruption risks in state unemployment benefit schemes in LMICs include corruption during the process of enrolling beneficiaries, such as scheme administrators demanding bribes in order to register recipients to disburse funds to them, as well as collusion between these administrators and applicants to falsify employment records and manipulate eligibility criteria. In addition, 'ghost workers' may be added by corrupt officials to the list of recipients to divert funds, often by fabricating identifies or using the names of dead people. Inadequate identify verification processes and a lack of oversight and community monitoring can exacerbate this risk (Shai 2021). Finally, public officials might collude with employers to allow them to reduce or avoid their expected financial contribution to the system.

As such, corruption can weaken each of the three enabling conditions for effective unemployment benefit schemes that Asenjo et al (2024: 18) identify in LMICs: correct identification of target groups, quality of service, and sufficient institutional capacity and financing.

State pension schemes

State pension schemes are government-run programmes designed to provide financial security to retirees. The main goal of such schemes is to ensure a basic income for individuals who are no longer able to work due to old age, disability, or the death of a breadwinner. Citizens or residents of a country typically become eligible for a state pension upon reaching a specified age, which varies between states and is generally linked to life expectancy and demographic trends in a given country.

State pension systems can be financed through various means, including investment returns from pension fund assets and government subsidies. However, usually a large proportion of the state pension budget is financed through contributions from both current members of the workforce and their employers, in the form of mandatory deductions from their salaries or wages.

The amount distributed to pensioners often depends on specific formulas that account for an individual's lifelong earnings and personal circumstances. In industrialised economies, a major challenge of the sustainability of pension schemes is posed by aging populations and increasing life expectancy.

The situation in LMICs is often qualitatively different, given their typically youthful populations and large informal economy (ILO 2010). As formal employment is less prevalent in LMICs and a smaller proportion of workers contribute to pension schemes, coverage rates of state pension schemes are generally lower. As a result, where state pension schemes do exist, they are more likely to be financed from government subsidies deriving from general tax revenue (ILO 2010). In addition to such non-contributory schemes, informal social protection mechanisms, such as family support networks and community-based initiatives, often play an important role in providing financial support to elderly people.

State pension schemes have multiple vulnerabilities to corruption. First, some individuals might be fraudulently enrolled in pension schemes despite being ineligible, or administrators may artificially inflate the number of recipients (so-called 'ghost recipients') to pocket excess funds, as was reportedly the case in Nigeria (BBC Africa Eye 2021). In Pakistan, at least 600,000 ghost pensioners out of total of 2.2 million clients drew money from a pension fund operated by the National Bank of Pakistan until the bank discovered the scam during efforts to reform the disbursement system in response to pensioners' complaints about payment delays (Dawn 2015).

In the UK, research estimates that there are over 1.6 million "lost" individual pension funds worth around £20 billion (Gee et al. 2020). Most of these losses are associated with errors such as beneficiaries moving addresses and jobs frequently. However, a significant proportion of resources is vulnerable to corruption in the form of corrupt insiders who can use their knowledge to divert pension payments. Indeed, funds assigned to pension schemes can be embezzled by corrupt officials or misappropriated by intermediaries, a particular risk in LMICs that have limited oversight or control mechanisms in pension administration. In Timor-Leste, the number of beneficiaries of the universal old-age and disability pension exceeds the total population of elderly and disabled individuals, as benefits are distributed based on electoral cards susceptible to bribery or falsification (ILO 2019).

Eligible recipients may also be extorted by unscrupulous administrators, having to pay bribes to be registered or to receive their entitlements (BBC Africa Eye 2021). Organised criminal groups may attempt to falsify identity documents or steal personal information in order to claim other individuals' pension benefits (Gee et al. 2020).

Where pension schemes are partly funded through investment returns on pension fund assets, collusion between public officials and financial institutions may channel pension funds into high-risk or low-return investments in exchange for kickbacks or other illicit gains (Kennedy 2022). This could jeopardise the financial stability of the pension scheme and compromise the retirement savings of beneficiaries (Kennedy 2022; Reason Foundation 2017). Revealingly, Wald and Zhang (2013) find that pension funds in more corrupt US states tend to perform worse than in less corrupt states, with one standard deviation increase in corruption being associated with a reduction in annual returns of between 17 and 25 basis points.

Other studies on the US state pension system shows that reducing corruption by one standard deviation would have saved annual pension benefit by 10.24% or US$1,894.64 per recipient in the period 2003-2013 (Liu et al. 2021).

Comparable data on public pension funds in LMICs is scarce. However, inadequate transparency in the operations of public pension funds, limited disclosure of financial transactions and conflicts of interest are frequent corruption risks associated with LMICs and OECD countries alike (Liu et al. 2021). Risks of corruption include individuals responsible for overseeing pension funds who divert pension assets to unauthorised accounts or use them for purposes other than intended. Bribery and nepotism may influence the selection of fund managers, investment advisers or individuals involved in decision-making processes, which can lead to the appointment of individuals who prioritise personal interests over the best interests of pension fund beneficiaries.

State health insurance

State health insurance schemes refer to government-run initiatives to ensure that individuals have access to essential healthcare services without facing financial hardship. These services can include hospitalisation, outpatient care, medication or prophylactic measures.

Each polity has its own criteria to determine eligibility for state health insurance, which may be based on an individual's income as well as citizenship, residency or employment status. State health insurance is often extremely complex, involving a multitude of actors such as insurance and billing companies, pharmaceutical companies, providers of medical equipment, hospitals, clinics, private practitioners and non-profits (Susanti et al 2022). Particularly in LMICs, healthcare systems are often fragmented, with a complex constellation of public and private providers and multiple forms of health financing existing alongside state heath insurance, such as private healthcare, community-based health insurance and donor-funded healthcare services (Hussmann 2020: 7).

Most state health insurance schemes involve some degree of cost-sharing between different parties, including premiums paid by beneficiaries, employer contributions and government subsidies. Typically, individuals are required to pay part of the cost of their care through payroll deductions, copayments, coinsurance or out-of-pocket expenses, though low-income individuals may be exempted from this (Susanti et al 2022: 1).

Given resource constraints in LMICs, state health insurance provision may be patchy and only cover certain population groups, such as government employees, formal sector workers or low-income individuals.

Many of the corruption risks in the area of state health insurance schemes are broadly similar to those affecting unemployment benefits and pension schemes, such as corruption in enrolment processes, 'ghost beneficiaries', embezzlement by public officials, as well as extortion and petty bribery by frontline workers in exchange for treatment (Susanti et al 2022). According to Transparency International, nearly US$500 billion, which amounts to 7% of global healthcare expenditure (an amount sufficient to achieve universal health coverage) is lost to corruption each year (TI Health 2022). Some studies estimate the impact of corruption on health and health-related social protection to be even higher. Hanf et al. (2011) calculated that 10% to 25% of global spending in the health sector is lost.

However, given the presence of private sector healthcare providers and the complex system of reimbursing them by the state for providing treatment, there are also specific integrity risks. These include healthcare providers engaging in fraudulent practices to increase their reimbursement and exploiting weaknesses in billing and claims processing (Hussmann 2020: 7). Common fraudulent practices in national health insurance schemes include "billing for services not rendered, unnecessary medical testing and overtreatment, fictitious providers, double billing, coding fragmentation, kickbacks, multiple claim submissions or alterations to claims, and third-party fraud" (Susanti et al 2022: 2). This can also result in the provision of substandard or unnecessary treatment to patients, as is reportedly the case in Indonesia (Susanti et al 2022).

The scale of bribery and petty corruption negatively affects the ability of African countries to move towards universal health coverage. A survey conducted by Hsiao (2019) used data from 32 sub-Saharan African countries in 2014–2015 and suggested that individuals who reported paying bribes for health-related services were 4 to 9 times more likely to report difficulty accessing health care.

Social assistance programmes

According to the World Bank (2024a), social assistance programmes, also known as social safety net programmes, are transfers in cash or in-kind that are usually targeted at low income or marginalised population groups, and to which they are not expected to contribute. The World Bank (2024a) notes that some initiatives may seek to alleviate poverty, while others focus on providing new opportunities, or protecting communities from external shocks. Common modalities include "cash transfers (conditional and unconditional), in-kind transfers, such as school feeding and targeted food assistance, and near cash benefits such as fee waivers and food vouchers" (World Bank 2024a).

Such programmes often begin with the identification of eligible beneficiaries through household surveys, socioeconomic assessments, or community consultations. Criteria to qualify for support can relate to income level, asset ownership, employment status, household composition, or other indicators of vulnerability. Support can be finance through a variety of sources, including government budgets, official development assistance, charitable donations, and social impact investing.

The scale of corruption in social assistance programmes is reportedly significant. Bailey and Harvey (2015) argue that cash is likely to be more vulnerable to misappropriation by political elites and other intermediaries than in-kind social protection benefits. In Nigeria, corruption among officials has been identified as the most serious problem for conditional cash transfers as the approach used to select the beneficiaries of the programme was not rigorously impartial (Abdulkarimn 2023). More generally, corruption has long been among the most serious concerns for development partners and recipients of conditional cash transfers in humanitarian settings (see de Vera 2012).

Nonetheless, corruption can also plague in-kind transfers. Chowdhury et al. (2023) highlight that an evaluation of an in-kind social transfer programme in Bangladesh during the COVID-19 pandemic found that nearly 15% of the total volume of BDT 4.6 billion (US$42 million) was lost to scheme administrators demanding bribes against proof of eligibility for the distribution of food benefits under the government's food programme.

Other corruption risks include the instrumentalisation of social assistance programmes by political actors. In Ethiopia, Cochrane and Tamiru (2016) demonstrate how the Productive Safety Net Program was used by local political elites in rural areas to cement their control over public life and the distribution of resources, including through the selection of beneficiaries. Similarly, de Waal (2015: 69) has observed that in some cases in Ethiopia only members of the dominant political party were able to access benefits under social assistance programmes.

Overview of corruption risks in social protection systems in LMICs

As large amounts of public funding are involved in social protection systems, substantial risks persist in the efficient use of these resources. The literature shows that there are different risks depending on each country context. In OECD countries, for example, there is a much greater concern about error and fraud in these systems (Van Stolk & Tesliuc 2010), while in LMICs there is a greater risk of multiple forms of corruption (Van Stolk & Tesliuc 2010).

Bribery to access services

Petty corruption, particularly bribery, frequently influences the determination of social protection eligibility in LMICs. This disproportionately affects those in poverty, in particular women, who rely heavily on public services and bear a greater burden of bribes as a percentage of their household income (Justesen & Bjørnskov 2014; Peiffer & Rose 2018; TI 2019).

Vulnerable groups, including women, children, youth, migrants and displaced populations, face heightened risks of exclusion from social protection due to both de jure and de facto ineligibility (GA 2023). Women may pay bribes for official documentation more frequently for healthcare and education as they tend to be more dependent on these services more than men (UNODC 2020). A lack of information and limited avenues to hold officials accountable further compound challenges encountered by women and girls (Malaza & Parekh 2020).

The documentation required for eligibility is susceptible to corruption too. In South Africa, the certification process for disability status, involving medical examinations and administrative actions, has been marred by widespread corruption on the part of medical personnel (Kelly 2016).

Administratively cumbersome procedures for proving eligibility elevate the risk of corruption. A study in the Indian states of Assam and Andhra Pradesh revealed that 51% of errors in receiving cash transfers through the national social assistance programme for poor farmers were associated with issues such as spelling errors, pending know-your-customer (KYC) verifications, or frozen or blocked bank accounts. As these corrections require additional administrative steps and contact with public officials and private sector providers, the volume of corrupt transactions increases (Gupta & Hussain 2022).

Political patronage and clientelism

Another form of corruption which impedes access to social protection programmes is political patronage and clientelism. Political patronage and clientelism within social security schemes occur when public officials, either explicitly or implicitly, exhibit discriminatory tendencies based on political affiliations, ethnicity or oppositional stances, thereby impeding equitable access for certain groups to social security benefits (Gherghina & Volintiru 2015).

Political patronage extends the disproportionate sway elites hold over resource allocation within state institutions. Consequently, the resistance of these elites obstructs the redirection of public resources towards vital social sectors like health, education and social protection, perpetuating their privileged status and corrupt intent (Sánchez-Ancochea 2020). According to Sánchez-Ancochea (2020), the reluctance of small yet influential political and business elites to invest in universal social protection is more pronounced in regions with high income inequality (Sánchez-Ancochea 2020).

Ghost beneficiaries

This type of corruption involves the manipulation of beneficiary rosters; staff accepting illegal payments from legal or illegal beneficiaries; or diversion of funds to ghost or illegal channels. Non-existent, 'ghost beneficiaries' are a persistent problem in large-scale social protection schemes due to administrative errors and corruption. Ghost beneficiaries may be added by administrators, and payments are disbursed to benefit them directly or a third party through fake contracts, fake third-party beneficiaries or ghost employees (World Bank 2007).

A study conducted by the Oversees Development Institute (ODI) on cash transfer responses to COVID-19 concluded that the availability of socioeconomic data about the potential beneficiary caseload is considered a prerequisite for eliminating ghosts in the distribution of welfare benefits, especially during a crisis (Lowe et al. 2021).

Error, evasion and fraud

Error, evasion and fraud (EEF) present a set of common challenges for all social security institutions. Errors within social protection systems are characterised as unintentional errors in applying established rules and calculating benefits and contributions. Evasion involves actions that exploit applicable laws, regulations or gaps in fraud control systems to either enhance benefit levels or diminish contribution levels. Fraud encompasses intentional acts that violate rules, committed by a beneficiary, contributor or service provider, with the aim of obtaining undue benefits from social security systems for themselves or a third party (ILO, OECD, ISSA 2023; Luana Goveia & Sosa 2017).

While EEFs are not forms of corruption, they can be result from forms of corruption such as collusion or where corrupt officials administering various social security schemes exploit their insider knowledge. Beneficiaries can commit fraud by providing false or altered information about their situation, which gives them fraudulent access to social protection benefits (Malherbe 2001). For example, in Romania, 2,317 blind people who had been eligible for welfare benefits subsequently passed their driving tests (Tesliuc and Grigoras 2017).

In addition, organised criminal groups have been known to commit widespread identity fraud to capture social protection benefits. According to the European Union Agency for Criminal Justice Cooperation (2022), for instance, a criminal gang allegedly brought vulnerable families from Romania to Germany to fradulently claim 2 million Euros of child benefits.

Fragile contexts and risks of corruption in social protection responses

Social protection is increasingly considered an important component of the policy response in contexts of fragility and displacement. Social safety nets in fragile and conflict affected states often include cash and in-kind transfers, school feeding programmes and public works programmes (ILOa 2021). These programmes generally target vulnerable households, refugees and internally displaced persons (IDPs) to reduce their exposure to shocks and recourse to negative coping strategies, and to strengthen social cohesion (see for example O'Brien et al. 2018).

Conditional and unconditional cash transfers have been used in most humanitarian and conflict responses. They are considered more efficient in reaching the poor than food distribution as fewer middlemen are involved, which reduces the potential for corrupt transactions (Amundsen 2020). The 2015 report from the High-Level Panel on Humanitarian Cash Transfers concluded from 200 evaluations that, in most contexts including fragile settings, cash transfers can be provided to people safely, efficiently and accountably, especially when delivered through digital payments (ODI 2015).

Yet corruption risks include the diversion or theft of funds, corruption in the selection of beneficiaries and transfer of cash, collusion in distribution of social protection benefits by aid agency staff or corruption and fraud by bank and money transfer staff (see e.g. Idris 2017).

In LMICs, the scale of corruption in social protection schemes in these settings is affected not only by fraudulent financial practices but also by non-financial corruption such as nepotism, sexual exploitation and abuse, coercion and intimidation of humanitarian staff or aid recipients for personal, social or political gain, manipulation of assessments, targeting and registration to favour particular groups, and diversion of assistance to non-target groups (Maxwell et al. 2008).

Adaptive social protection (ASP) systems are designed to build the resilience of those living in poverty and vulnerable households to cope with the impact of large shocks, such as natural disasters, economic crises, pandemics, conflict and forced displacement (IBRD-IDA 2018; BMZ 2024; OECD 2018). ASP thus connects social protection initiatives to poverty reduction, disaster risk management and climate change adaptation (GIZ 2023). At the national level, ASP corruption risks are mostly associated with misappropriation and embezzlement of funds. In the wake of hurricanes Rita and Katrina, the US Federal Emergency Management Agency (FEMA) provided financial aid for housing and immediate needs. In 2006, more than 2.6 million payments were made totalling US$6 billion. The US government accounting office estimated US$1 billion of these payments were fraudulent from false claims and double registrations in the damage and protection claim requests (Gordon 2015).

Impact of corruption on social protection systems in LMICs

Development partners and national governments are increasingly concerned about the impact of corruption on social protection systems (Dávid-Barrett et al. 2020). Tackling corruption in social spending is thus mentioned by the IMF as a priority in reducing inequality in the medium and long term (IMF 2019).

There is evidence that corruption in social protection systems directly or indirectly affects poverty and inequality, the allocation of fiscal resources, targeting of social protection beneficiaries, access and coverage, public trust and fragility.

Perpetuation of poverty and inequality

The nexus between corruption, poverty and inequality is supported by robust empirical evidence. Research indicates that corruption drives inequality by depleting government funds and creating opportunities for the transfer of public resources, including those allocated to social protection, into the pockets of unscrupulous officials (see, e.g., Apergis & Cooray 2015; Gupta et al. 2006).

Evidence from Kenya, Ecuador and Peru illustrates the link between bribery and the non-take-up by the poorest segments of society of benefits nominally provided by social protection schemes. Entire groups do not take up social protection benefits for which they qualify due to corruption, discrimination, distrust of beneficiaries towards social service providers, or administrative obstacles (HRC 2022).

As such, care should be taken when designing anti-fraud safeguards in social protection schemes, such as additional administrative requirements to verify recipients' identify, to ensure these do not result in further exclusion of marginalised population groups unable or unwilling to submit the required documentation (UNHCR 2022).

Misallocation of resources

Within national landscapes, the intersection of political corruption, patronage and clientelism often transforms access to social security benefits into a currency for securing votes and political party allegiance.

Fiscal allocation away from social protection programmes can be a result of deliberate political corruption. Sombie (2023) hypothesises that corrupt actors involved in public financial management favour large-scale infrastructure investment over long-term allocations to social protection schemes as it offers more opportunities for rent-seeking. Similarly, Delavallade (2006) concludes that spending on education, healthcare and social protection is significantly lower in corrupt states, while spending on law and order, culture, fuel, energy and security increases. This may be because opaque and complex value chains in certain sectors such as defence or extractive indsutries make it easier to conceal corruption practices over others.

Baghdasaryan (2017) provides a case study of how social security benefits in Armenia became entwined with patron-client relationships, where access to social protection benefits was related to party membership. In Zimbabwe, politically influential voter segments like farmers, civil servants, soldiers and ruling party members are reportedly able to fraudulently access in-kind social protection in the form of disbursements of fertilisers, farm equipment and seeds (Alexander and McGregor 2013).

Reduced access and coverage

The impact of corruption on access to key social services can be wide. For example, in the health sector, the World Bank estimates that more than 80% of individuals have experienced healthcare corruption in LMICs, severely curtailing accessibility for the poor. Corruption directly jeopardises efforts to ensure universal health coverage (IBRD-IDA 2019).

Various approaches to identify beneficiaries of social protection programmes are employed in LMICs, some of which are more affected by corruption than others. For example, community-based targeting is prone to elite capture, where local elites involved in community-based selection may choose beneficiaries among their close friends and relatives or even keep the transfers for themselves. In countries with large informal sectors, the low availability of data further exacerbates the opportunity for corruption in the selection of beneficiaries (Malaza & Parekh 2022).

Undermining public trust

Corruption in social protection institutions undermines the social contract between citizens and state institutions. When citizens perceive that resources are being misused or unfairly distributed, they may lose confidence in the government's ability to address their needs, leading to a decline in support for much-needed social protection programmes.

For example, in Indonesia, surveys show that where local governments are highly corrupt, citizens oppose proposals to reduce direct fuel subsidies and use the savings to increase investment in targeted social spending on health or education channelled through local public administrations and resistance to reform is high (Kyle 2018). In Nigeria, labour unions and citizens have widely protested against reductions in fuel subsidies and the re-direction of resources towards social expenditures, citing a lack of transparency and a history of corruption in government social spending (Al Jazeera 2023).

Exacerbation of fragility

Corruption is a driver of fragility and undermines sustainable peace and stability (Raballand & Recanatini 2023). The exact impact of corruption on social protection systems in fragile settings is unclear and concealed behind generic statements of lack of effectiveness. For example, Doocy & Tappis (2018) conducted a systematic review of 4,000 studies on cash-based approaches in humanitarian and emergency settings. Only five rigorously measured the impact of cash-based schemes, while 10 measured efficiency, and 108 measured operational components. Corruption was not explicitly analysed at all (Brück et al. 2019; Doocy & Tappis 2018).

Nonetheless, there is consensus that in fragile contexts, social protection policies typically benefit very small or richer segments of populations. Due to reduced accessibility and state control, social protection systems are often fragmented (see, for example, World Bank 2023; GIZ 2020). This results in low social protection coverage, high transaction costs, information gaps and poor administrative infrastructure, creating conditions conducive to corruption and other abuses of power (World Bank 2015).

Best practices of anti-corruption in the field of social protection

Measures to prevent fraud and corruption

Recent data indicates a shift in anti-corruption strategies by governments and development partners within social protection schemes from punitive measures and criminalisation of corruption to preventive approaches. For example, in the health sector, a paper by Gorodensky et al. (2022) suggests that the Global Fund, World Bank, UNDP and WHO prioritise preventive anti-corruption measures over punitive approaches. Likewise, Dávid-Barrett at al. (2020) emphasise the need to strengthen safeguards in social protection systems, especially where overseas development assistance is involved.

Rigorous legal and policy framework

The ILO recommends grounding social protection systems in a robust legal and institutional framework that enshrines transparency and accountability principles (ILO 2012). It is argued that a clear institutional framework is essential to enable rights holders to identify responsible duty bearers (SPHR 2024). Kurani (2021) nonetheless contends that information related to social protection mechanisms must be balanced with strong data privacy and data security.

In Nigeria, the revised National Social Protection Policy is an umbrella policy framework that incorporates a related social agenda promoted by the Ministry of Finance, Budget and National Planning (National Social Safety Net Coordinating Office 2021). The need for transparency and accountability is emphasised, including organisational and procedural arrangements to prevent and detect corruption. The policy explicitly stipulates the development of regulations on accountability measures and mechanisms within social protection programmes. The role of CSOs is emphasised in their monitoring capacity (National Social Safety Net Coordinating Office 2021).

In Cameroon, the national social insurance fund (*Caisse nationale de prévoyance sociale* – CNPS) has established a unit that trains staff and customers on what constitutes corrupt behaviour. In Cameroon, "gifts" are customary in exchange for free social benefits (ILO 2014). The established system defines acts of corruption by form and type, which enables the training of staff and advocacy towards beneficiaries (ILO 2014). It emphasised that social norms and customs must also be addressed, as corruption is frequently socially accepted in the form of "gifts", which can increase the cost or prevent access to social protection for the most vulnerable (ISSA 2016).

Compliance risk management systems

According to the ISSA guideline to counter and reduce error, evasion and fraud, the global approach to risk management as a business and organisational process includes a set of legal, economic, social and psychological aspects and inducements. ISSA proposes six phases (ISSA 2019):

- identifying risks
- prioritising risks
- analysing the causes of risk
- defining incentives to address and correct EEFs
- planning and implementation
- monitoring and evaluation

This model introduces new sources of risks such as large-scale modification of data, diversion of automated financial transactions, and electronic identity theft (ISSA 2019).

Tesliuc and Grigoras (2017) argue that compliance risk management practices and risk-profiling in LMICs should focus on large budget programmes instead of focusing on all social protection systems. It further urges the building of an end-to-end system to prevent, deter, and monitor compliance with beneficiary targeting and social protection expenditures. This includes using ICT for data cross-checking and risk-profiling (Tesliuc and Grigoras 2017).

Technology and data management

Advances in technology, such as big data, artificial intelligence and machine learning can potentially improve accuracy in social protection, preventing and reducing corruption in the process (IBRD-IDA 2022). Chirchir & Barca (2020) argue that transparency and accountability in digital social protection information systems must critically consider whose data is collected and stored. It should also address how data is verified, validated, stored and used for monitoring and evaluation, management, accountability, knowledge generation and evidence-based policymaking.

For example, in Brazil, cases of big data and artificial intelligence are used by law enforcement and public servants to detect corruption in public spending and public procurement auditing. Odilla (2023) emphasises how tech-savvy civil servants and the public can engage with digital data and contribute to data-driven efforts to curb fraud in social benefits.

Despite the potential benefits, most social protection programmes in LMICs lack access to big data analysis. During the COVID-19 pandemic, 80% of national statistics offices assessed by Gunderman and Vance (2021) in LMICs indicated they needed additional support for important data collection and analysis. Nigeria was an exception, responding better to the initial outbreaks and taking an informed approach when reopening sections of the economy (Gunderman and Vance 2021).

ICT support has massively expanded within social protection programming. For example, the World Bank supported the establishment of the Philippine identification system, PhilSys, to improve social protection coverage in the Philippines during the COVID-19 pandemic. The system was developed with the explicit objective of identifying and removing ghost beneficiaries, including duplicate and deceased individuals, to address leaks, fraud and corruption (Diop 2021). The objective is to achieve the "transformational trilogy" of digital ID, digital payments and digital data management, using technology as an anti-corruption enabler (Cho 2021).

However, according to the GIZ (2020), technical anti-corruption solutions need to ensure strong protocols for data use and sharing and for data privacy and protection. There is evidence that some development and humanitarian initiatives are enabling surveillance in LMICs by pushing the adoption of biometric systems or integration of different registries (GIZ 2020). These can be misused by corrupt law enforcement or an authoritarian regime, creating unintended harms. CGD (2021) flagged the need for more resources to strengthen domestic data governance within the field of social protection, considering the local context, do-no-harm principles, and local needs and capacities.

Budget transparency and financial management

The implementation of integrated financial information management systems (IFMIS) has been introduced in almost every country as part of public financial management (PFM) reforms (IBRD-IDA 2024), and bears relevance for social protection schemes (Chêne 2014). Evidence suggests that IFMIS systems contribute to reducing fraud and corruption by enhancing transparency and accountability, minimising political discretion and serving as a deterrent to corrupt practices. However, IFMIS can also be susceptible to fraud and corruption, manifested through the misallocation of budget items, processing inflated payments to shell companies or phantom vendors, and facilitating payments to offshore accounts as part of a money laundering scheme (GovTech CMC 2020). A notable drawback is that IFMIS systems often face the risk of collapse when foreign development partners withdraw financial support (USAID 2008).

Community and citizen engagement

The crucial role of community and citizen engagement in monitoring social protection policies has been acknowledged for some time, especially in light of the poor performance of government-led anti-corruption efforts. Social protection policies in health, education and other welfare benefits have a long history of citizen engagement. Social accountability mechanisms such as social audits, surveys, citizen report cards or grievance mechanisms can be effectively used to address corruption in social protection (IBRD - World Bank 2020; Ayliffe et al 2017). For example, in the health sector, social accountability tools like community monitoring have successfully deterred and detected corruption in Malawi, Uganda and Tajikistan (Brinkerhoff et al. 2017). Other initiatives have also succeeded in increasing awareness of entitlements and empowering people to demand accountability, claim rights and entitlements in social protection systems (Joshi 2013).

In some countries, grievance mechanisms within social protection programmes involve independent governmental agencies to receive and process grievances related to specific social protection programme. Models of independent institutions include the ombudsman offices in Ethiopia, Uganda's inspectorate of government and the anti-corruption commission in Sierra Leone's cash transfer programme. The rapid spread of social media feedback mechanisms has exponentially increased the ability to collect grievances by these institutions (World Bank 2022).

Citizen report cards (CRC) is yet another method of compliance reviewing. This social audit tool uses a participatory approach by engaging citizens to assess the quality of a diverse range of public services based on their experience (Albisu 2020). Citizens' perceptions assess the quality and satisfaction of specific attributes such as access, availability, quality, reliability, agency responsiveness and transparency of social protection providers (Albisu 2020). Examples of successful CRC schemes include the observation of social programmes by Transparencia Venezuela (2019), the conditional cash transfer programme in the Philippines (Bhargava 2016), or the monitoring of public procurement at the local level in Uganda (INFOC Uganda 2011). Community complaints resolution mechanisms often seem to work well, except for sensitive complaints involving grand corruption (Ayiliffe et al 2017).

Important enabling factors for effective community and citizen engagement include access to information, conducive legislative and policy frameworks, an active and independent media, citizens' ability to hold institutions accountable through oversight institutions and political channels, credible sanctions and the existence of broad-based coalitions (DFID 2015).

There is some evidence that citizen oversight of social protection programmes is heavily weighted toward urban populations. For example, the availability of universal health care is mostly monitored by citizen engagements in urban centres that are easily researched and have better access to services (Vian 2020).

Human resource policies

According to the ISSA (2019) guidelines on good governance, human resources management (HRM) in social protection institutions is a crucial element for accountability and anti-corruption efforts. Powers and responsibilities of institutional boards must be clearly delineated from management to minimise ambiguity, dilemmas or conflicts of interest. The establishment of specialised committees, such as a sanctions committee or integrity body, underpins preventive anti-corruption efforts. For instance, the pension fund of Morocco (*Caisse marocaine des retraites* – CMR) is implementing the international standard for assurance engagements to reinforce the transparency of its board and asset allocation committee (ISSA 2019). In recent years, it has established an actuarial steering committee and an appointment and governance committee to enhance rigour and transparency in the management of the pension fund (ISSA 2019).

A study by Morales & Rios (2021) investigated the correlation between HRM and 544 local municipalities in Mexico, partly responsible for implementing social protection programmes. The authors found that misappropriation did not have statistically significant relationship with merit-based recruitment, the presence of an internal comptroller or a programme of organisational evaluation. However, the existence of robust HRM policies was found to be significantly associated with less misappropriation. Regarding internal control and evaluation, the study found that regular personnel performance evaluations have significant effect on reducing misappropriation.

Detection and sanctions

Internal and external audits

Internal and external audits are powerful detection tools for corruption, wasteful expenditures and errors in social protection programmes. The International Social Security Association (ISSA) good governance guidelines encourage the establishment of internal audits within social protection institutions (ISSA 2019).

For example, in Latin America, numerous supreme audit institutions adopted citizen participation practices in external audit processes in the last two decades. Colombia created a task force in charge of coordinating and implementing external audits in 2003, which institutionalised a participatory fiscal oversight system for social protection programmes with the help of civil society organisations (Iniciativatpa 2014).

In Argentina, the participatory planning of the national audit office involves citizen participation in the formulation of the annual audit plan. In the 2010-2018 period, civil society organisations submitted a total of 183 proposals for fiscal oversight of local projects. These areas touched on health programmes, government schemes related to social security, public works, housing programmes for the poor and institutional reforms of service delivery providers.

Brazil, Chile, Colombia, Mexico and Peru have also introduced citizen participation in auditing in planning, implementation, dissemination and monitoring of findings (Mendiburu 2020). Pavlik (2021) finds evidence from Brazil that a random audits programme successfully reduced corruption in some social protection programmes implemented by municipal governments.

Tesliuc (2013) argues that sanctions policies are an important element to deter corruption in social protection schemes, and that penalties should be standardised across programmes.

Whistleblowing and reporting channels

In general, whistleblowing has been proven to be one of the most effective ways to detect and prevent corruption and other malpractice (Transparency International 2024). There is abundant evidence that whistleblowers detect and expose corruption in social expenditures. Transparency International's Advocacy and Legal Advice Centres specialise in receiving corruption-related grievances and seeking resolution and restitution. In Zambia, an emergency health worker recruited by the Ministry of Health during the COVID-19 pandemic exposed corruption in a World Bank funded project. In Nigeria, a whistleblower exposed fraudulent social benefits claims by military personnel within the Ministry of Defence. In Hungary, a whistleblower exposed medical staff who regularly requested "gratuities" and other illegal charges for the delivery of patient care, contrary to medical examinations and attestations (Transparency International 2023).

In LMICs, public bureaucracies are often reluctant to promote whistleblower protection. Personalised loyalty, loosely regulated institutional environments, fluid policy ownership, institutionalisation deficits, and autocratic and self-serving leadership traditions hamper the efficiency and personal safety of whistleblowers (Gholami & Abdulrauf 2019). Organisational retaliation targeting whistleblowers is frequent, therefore sensitisation is important as well as whistleblower protection mechanisms (Brody et al. 2020), including against physical threats (Maslen 2023).

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