Romania's System to Combat Error, Fraud & Corruption in Social Assistance Programs
A mature system developed in the last three years

Ms. Marinela DINU, Deputy Director, Municipal Agency for Payments and Social Inspection of Bucharest, Romania

Mr. Alexandru Alexe, Public Manager, General Directorate for Social Assistance, Ministry of Labour, Family, Social Protection and Elderly, Romania

Session 3, Romania

**WORKSHOP ON
REDUCING ERROR, FRAUD & CORRUPTION (EFC) IN SOCIAL PROTECTION PROGRAMS
June 8-12, 2014, Opatija, Croatia**

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Outline

1. Context
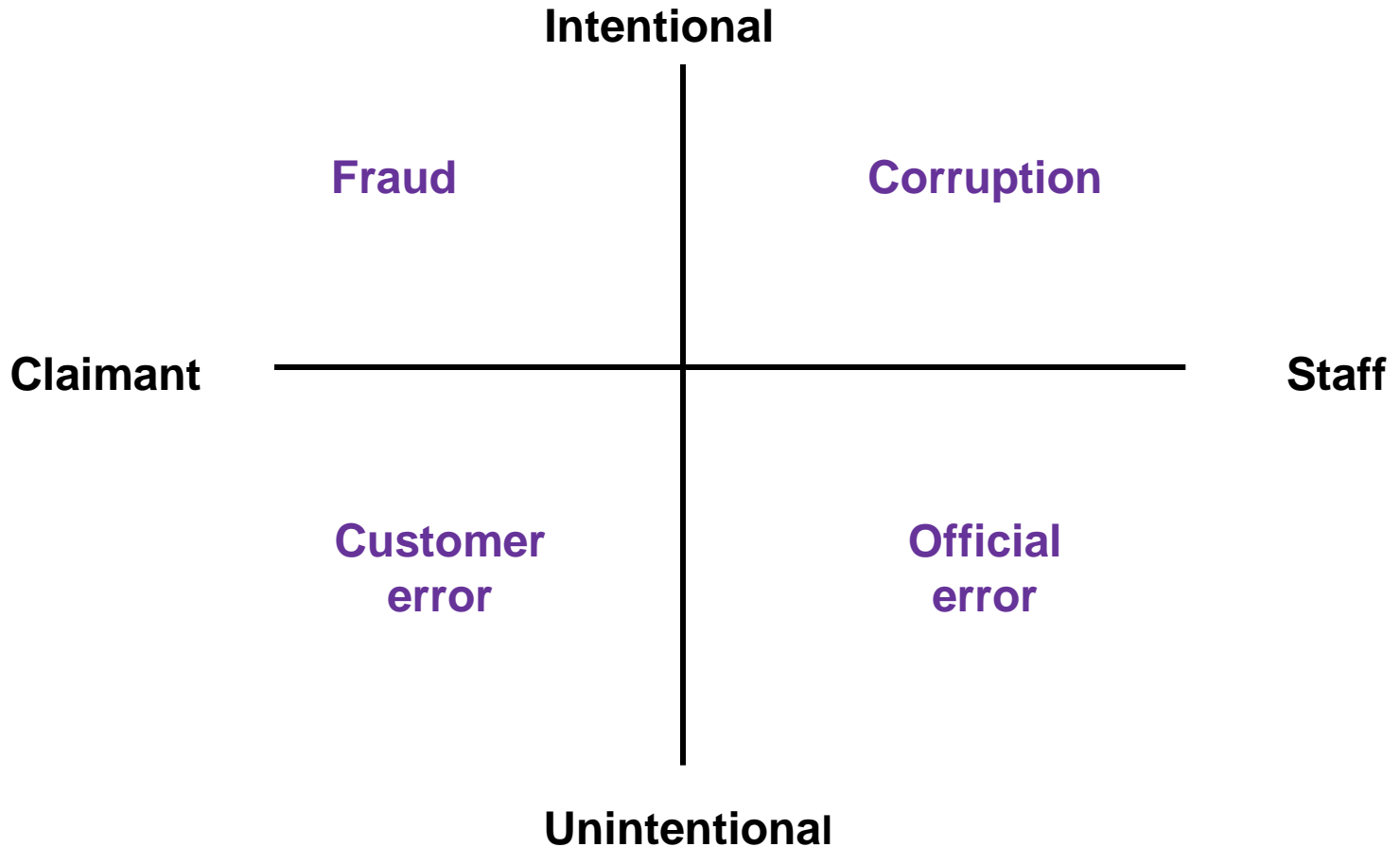
2. Our Approach

3. Our Results

4. Next Steps

What is Error Fraud and Corruption (EFC)? Definitions

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                        Intentional
                            │
                            │
         Fraud              │          Corruption
                            │
                            │
Claimant ───────────────────┼─────────────────── Staff
                            │
                            │
         Customer           │          Official
         error              │          error
                            │
                        Unintentional
```

EFC in Social Protection (SP): The good and the bad

- GOOD: Most SP benefits are paid correctly, and most beneficiaries & program staff are honest.
  - Most benefits are paid to the right beneficiary, in the right amount, at the right time
- BAD: But not all. Some of the program budget is lost to error, fraud and corruption (EFC). Unavoidable

- A good system to prevent, detect and deter EFC can minimize it
- Need to find the right balance:
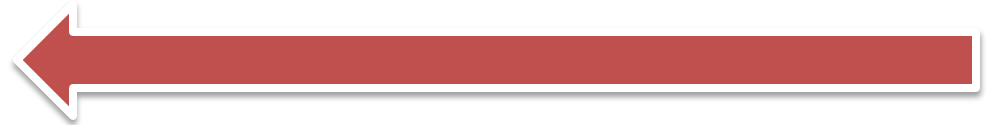 - Do not scare good-standing beneficiaries!

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Starting Point

In 2010:

- Around 125 social inspectors - focus on social services not cash benefits
- No distinction between proportion of cash expenditure on services vs benefits or relative risks per cash benefit programme
- No effective targeting, data/analysis or legal powers for social inspectors
- Agreed social assistance modernisation project with WB – including strengthened EFC controls

Our Aims

To strengthen EFC controls by:

- Improving policies and powers on investigation, sanctions and referrals for SI

- Introducing regular large scale cross-checking of beneficiaries data against other databases

- Using risk profiles to target SI inspections at highest risk cases

- Improved IT, organisational structures, and reporting/monitoring

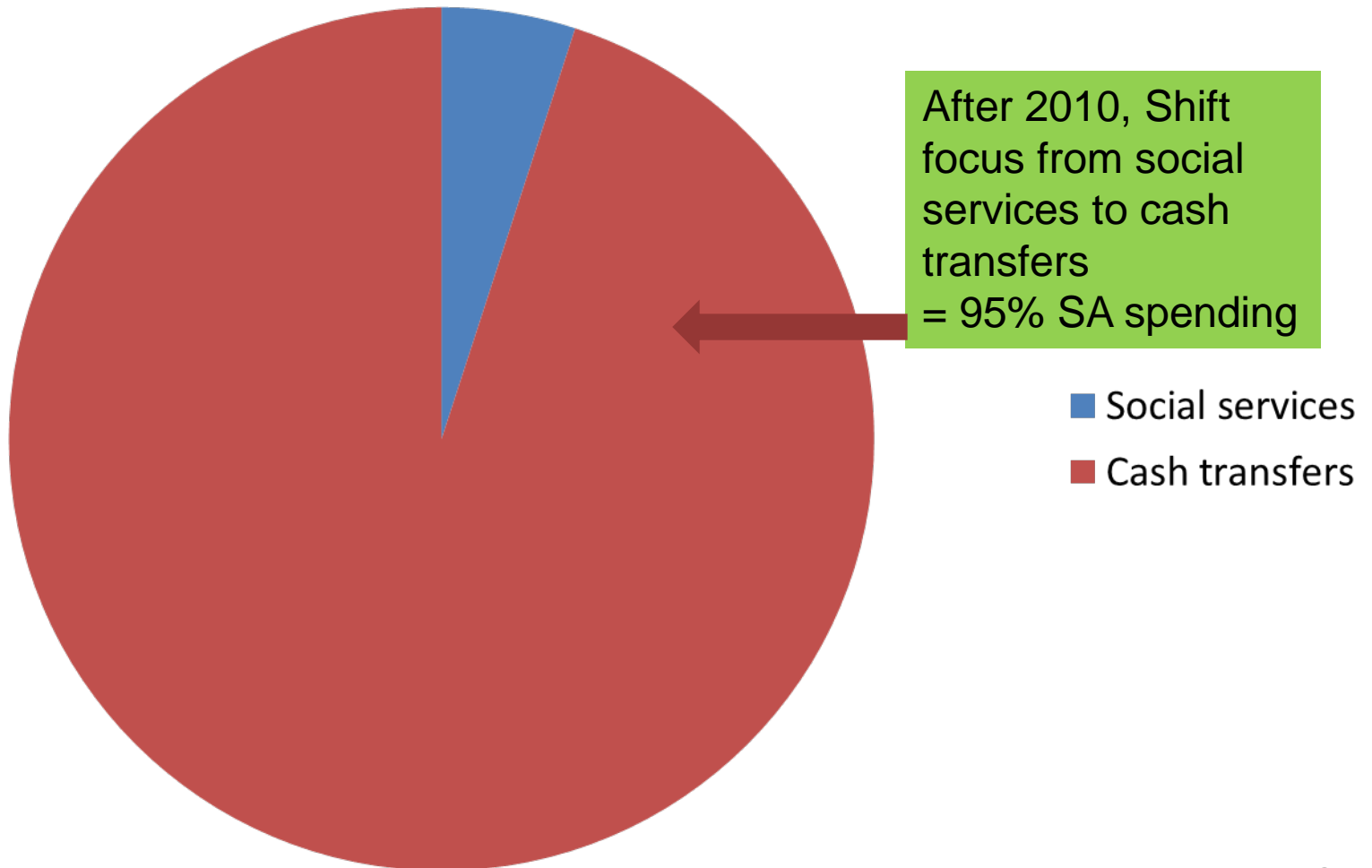- Learning from best international practice

Our Opportunities

- Political commitment to tackling EFC

- Fit with wider social assistance reform programme objectives

- Leverage of knowledge, skills and experience of World Bank social protection experts

- Access to international and local EFC, Information Technology, Database and Risk experts

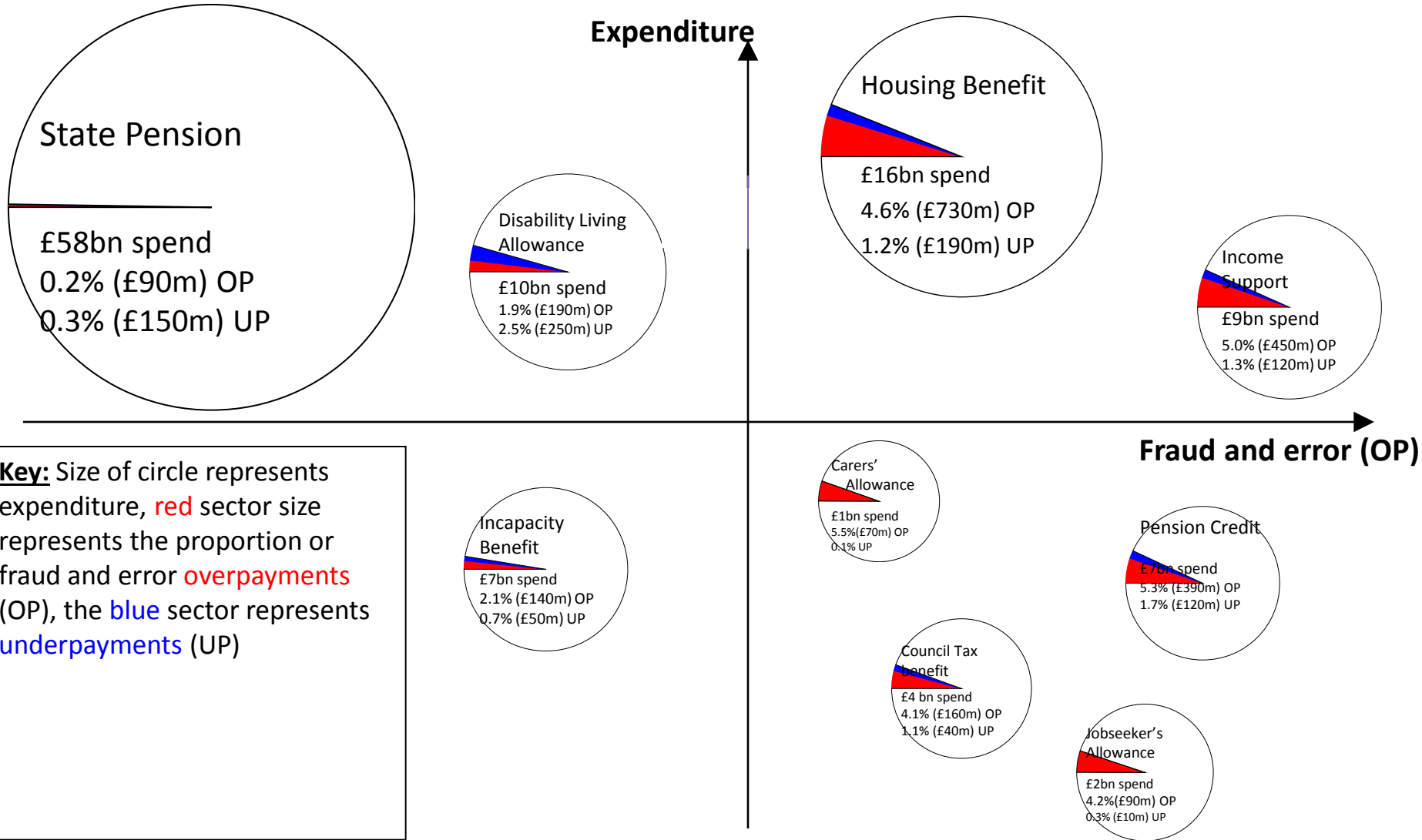- Study visits to EFC counterparts in UK

Our Actions

Share in Social Assistance Spending, 2010

After 2010, Shift focus from social services to cash transfers
= 95% SA spending

■ Social services
■ Cash transfers

Our Actions

State Pension

£58bn spend
0.2% (£90m) OP
0.3% (£150m) UP

Disability Living Allowance

£10bn spend
1.9% (£190m) OP
2.5% (£250m) UP

Housing Benefit

£16bn spend
4.6% (£730m) OP
1.2% (£190m) UP

Income Support

£9bn spend
5.0% (£450m) OP
1.3% (£120m) UP

Fraud and error (OP)

Key: Size of circle represents expenditure, red sector size represents the proportion or fraud and error overpayments (OP), the blue sector represents underpayments (UP)

Incapacity Benefit

£7bn spend
2.1% (£140m) OP
0.7% (£50m) UP

Carers' Allowance

£1bn spend
5.5%(£70m) OP
0.1% UP

Pension Credit

£7bn spend
5.3% (£390m) OP
1.7% (£120m) UP

Council Tax benefit

£4 bn spend
4.1% (£160m) OP
1.1% (£40m) UP

Jobseeker's Allowance

£2bn spend
4.2%(£90m) OP
0.3% (£10m) UP

Focus on large risky benefits (UK example)

Our Actions

- Focus on high-value, high risk programs :
  - Guaranteed Minimum Income (means-tested – 193k families)
  - Heating benefit (means-tested- 1.2m families)
  - Family benefit (means-tested – 301k families)
  - child raising (maternity) benefit (income replacement – 179k families)
  - Disability allowances and invalidity pensions (income replacement – 542k families)

- Account for 2.3% of GDP

- Total social assistance and disability pension spending bill of 4% of GDP

- Recognize even small % of EFC means large cash leakage

Our Actions

Identified different risks per program /eligibility criteria, for example:

- Means-tested programmes
  - failure to declare all incomes /assets
- Income replacement programmes

  - Incomes exaggerated to increase entitlement (child raising benefits)

  - Working while claiming maternity
  - complicity between beneficiaries and the medical professionals (disability benefits)

Our Actions

- Obtained access to personal employment, income, property, births, deaths databases
- Implemented quarterly bulk cross-checking of databases
- Conducted inspections based on suspicions from cross-checking
- Reviewed legal powers – draft legislation on sanctions and SI statute prepared
- Developed Social Inspection procedural manual and training programmes
- Significant increase in number of Social Inspectors from 125 to 325 – split proportionally between services and cash benefits
- Established statistical /risk analysis and profiling team
- Improved debt recovery procedures agreed

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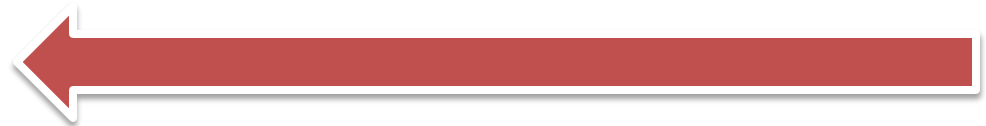
Inspections Results 2013
(Following Database Cross - Checks)

Program	No. of persons subject to verifications (irregularities suspected)	% confirmed irregularities	Debts established (RON)	Cost/Benefit Efficiency Rate
GMI	6,478	19.6	1,391,882 ($461k)	0.21
Heating aids	24,030	20.2	709,309 ($258k)	0.65
Family allowance	19,925	46.9	2,119,092 ($702k)	0.29
Child Raising benefit	21,457	26.1	6,513,162 ($216k)	0.01
Allowances for persons with disability	5,465	57.9	Not yet available	0.13

Examples of cross-check findings

- Disability allowances & pensions:
  - Blind people who subsequently pass the driving license test (2,317 persons)
  - Large number of disabled people with same medical condition and certifying physician
- Child Raising Benefits:
  - Sudden increase in productivity and wages after pregnancy, which translated in higher benefits

Results – Financial Impact

In 2012:

- 100m Euros ($149m) less expenditure than previous year

- 84000 files terminated – without any legal challenge

In 2013:

- 39m Euros ($58m) of confirmed debt from EFC being recovered from beneficiaries

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Next Steps

- Start to develop risk profiles per benefit

- Train Social Inspectors in investigation skills

- Develop guidance on applying new sanctions powers

- Implement risk-based inspections from later this year

Conclusion

From Romania's experience so far:

- EFC is threat everywhere – can consume significant expenditure

- Best EFC practice workable and effective for low and middle income countries

- Investment in systems and people essential – but pays for itself through reduced EFC

- Significant quick wins available

- Controlling EFC is a continuous journey – can never be complacent