

“Situation and Trends of Corruption in Local Governments”

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Various studies and reports show that corruption in Nepal’s local governments is complex and multi-dimensional. Analysis from the past three years reports by the Commission for the Investigation of Abuse of Authority (CIAA), the Office of the Auditor General (OAG), and the Transparency International- Corruption Perception Index (TI-CPI) identifies procurement / contracting, staff management, permits/recommendations, and misuse of public facilities as the major corruption-prone areas. Structural weaknesses, accounting irregularities, lack of expenditure discipline, weak Public Financial Management (PFM) systems, and fluctuations in CPI scores clearly reveal inadequate transparency and accountability at the local level. These reports indicate that policy intervention, strengthened monitoring, and institutional capacity building are essential to improve local governance.



CIAA reports show clear patterns of corruption practices in local governments. Procurement/contracting, staff management, permits/recommendations, and misuse of public services are highly vulnerable areas due to weak regulation, inadequate monitoring, and lack of transparency. Of the total 98,668 complaints registered at the CIAA in the past three years, the highest number was in Bagmati Province (28.89%) followed by Madhesh Province (24.35%), while Gandaki Province recorded the lowest (7.19%). Koshi Province recorded 9,581 complaints (9.71%) during the same period. Provincial trends show decreasing complaints in Koshi, Gandaki, Karnali, and Sudurpaschim, whereas Madhesh and Bagmati show an increasing trend.

Among all complaints registered over three years, 52.89% (52,181) were related to local governments. Madhesh Province had the highest number (71.06%). In Koshi Province, around 57.7% of complaints each year were related to local governments. These figures highlight local governments as the most vulnerable tier to corruption, where weak internal control, political interference, non-transparent processes, and poor audit systems deepen the problem. Although the proportion of complaints in Koshi dropped from 11% to 8.9% over three years, further analysis is needed to determine whether this reflects improvement or reduced accessibility to complaint mechanisms.

Analysis by the OAG shows persistent problems in financial discipline and auditing systems in local governments. Audit findings reveal accounting irregularities, unauthorized expenditures,

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record-keeping errors, spending not aligned with policy, delayed/incomplete reports, and recurring weaknesses. Weak budget implementation, financial reporting, and internal control systems within the PFM structure contribute to resource misuse and reduced transparency. The repetition of these issues annually indicates the urgent need for structural reform and stronger financial discipline at the local level.

TI's CPI reports show fluctuations in Nepal's overall corruption perception, public sector credibility, rule of law, political finance, and judicial independence indicators over the past three years. Changes in CPI scores reflect weaknesses at the national level as well as lack of transparency, accountability, and administrative efficiency within local governments. Nepal's weaker standing compared to South Asian countries highlights both the need and the potential for deeper reforms in local governance.

Overall, CIAA, OAG, and TI-CPI data confirm that local governments have become the center of corruption risk. High complaint volumes, audit deficiencies, inactive monitoring mechanisms, weak regulations, recurring financial irregularities, and declining CPI indicators send a clear message that governance improvement programs must be tailored to provincial contexts. The evidence strongly shows that without strengthening transparency, accountability, and financial control systems, corruption control goals cannot be achieved.

Major Risk Areas

Corruption risks in local governments are structurally spread across many sectors. The highest risks are seen in public procurement processes, project selection, and budget allocation. Due to political influence in project planning often ignoring data, actual needs, and cost estimation projects are vulnerable to misdirection from the start.

In revenue mobilization, risks are high in tax collection, revenue deposits, recommendation-based services, land measurement/mapping, building approvals, and business registration, where irregular fees are often reported. Financial administration faces risks such as double payments, payments for incomplete or non-compliant works, arbitrary billing/budgeting, weak auditing, and lack of financial disclosure.

In human resource management, political appointments, indiscipline, impunity, and the absence of performance evaluation weaken the administrative system, creating an environment where corruption becomes institutionalized. Weak implementation of citizen engagement and social accountability mechanisms—such as social audits, public hearings, and the right to information—further escalates these risks.

Impact on Local Governance

Corruption at the local level directly affects the quality of public services. Citizens do not receive services on time, infrastructure deteriorates, costs rise, while results remain poor. Declining trust in elected representatives and officials weakens democratic institutions. Development priorities shift from real needs to political or personal interests, delaying long-term development goals.

The greatest impact is seen in deteriorating citizen–government relations, creating negative perceptions of governance. Poor and marginalized groups are disproportionately affected as their access to limited resources, opportunities, and services becomes further restricted. As trust erodes, civic participation declines, making anti-corruption mechanisms ineffective—thus reinforcing a vicious cycle.

Foundations for Reform and Emerging Challenges

Despite challenges, some local governments have initiated positive practices to enhance transparency and accountability. These include open budget programs, digital service delivery, online payments, e-governance systems, improved information disclosure, and more active grievance-handling mechanisms. If expanded and institutionalized, these practices can significantly help control corruption.

Political will remains the decisive factor for successful reform. Sustainable cooperation among elected representatives, civil servants, user committees, civil society, the media, and local communities can help reduce risks. Strengthening the capacity of representatives and staff, stricter monitoring, robust financial systems, and ending impunity are essential steps. Current improvements indicate that corruption control at the local level is achievable with consistent and coordinated efforts.

References

- A. CIAA Annual Reports: 2077/78, 2078/79, 2079/80
- B. OAG Annual Reports: 2077/78, 2078/79, 2079/80
- C. TI – CPI Reports: CPI 2022, 2023, 2024
- D. Other legal/policy documents:
 - Constitution of Nepal 2015
 - Local Government Operation Act 2017
 - Public Procurement Act/Regulations
 - CIAA Act
 - Prevention of Corruption Act