



CSO Involvement in the Energy Sector in Nepal 2025



Background

Nepal's energy sector is dominated by hydropower projects which involve processes that alter the ecological and social structure of communities. In Nepal, hydropower projects fall in the hilly region, mostly inhabited by indigenous and marginalized communities. Displacement, relocation and loss of local ecological resources are common during the construction of mega-projects like hydropowers. Affected communities need support to tackle the complex legal arrangements that come with such mega-projects. Hydropower projects have a huge capital and political leverage. As a result, local issues have, at times, met administrative interference and crackdowns. Independent periodic investigation and environmental impact assessments after construction begins are required to identify and analyze long-term dynamics of hydropower construction and its impact on local communities. This is a gap that needs to be closed in existing practices, and CSOs are well positioned to play the role of an independent body to monitor hydropower and advocate for community rights in order to limit existing issues and ensure fair compensation. The study aimed to unearth the nuances around issues caused by the hydropower sector and to scope how the CSO ecosystem can be better fitted to benefit communities and such companies, through possible alternatives, practices and courses of action.



Methodology

The study included the mixed method approach of interviews and case studies. It included case studies from two different hydropower projects companies, Upper Trishuli-1 (UT-1), Rasuwa a foreign direct investment (FDI) and Super-Dordi (SD), 54 MW in Lamjung, a domestic project. UT-1 is the only hydropower project in Nepal to implement Free Prior Informed Consent (FPIC) and has an Indigenous People's Plan (IPP) board which has led to the significant involvement of indigenous, land rights-based CSOs' involvement. The study analyzes the differences in practices of FDIs and domestic investments. It includes 20 consultations with diverse stakeholders including government agencies, bilateral and multilateral institutions, private sector actors and CSOs, at both the federal and local level, as well as focus group discussions with the impacted population and displaced communities. Additionally, the study includes insights from reports and publications from multilateral development financial institutions, government bodies, academic research, think tanks and CSOs.



Mapping CSO actors in the energy sector:

RIGHTS-BASED ORGANIZATIONS:

1. Indigenous Rights organizations

Provide legal aid and advocacy for indigenous people’s rights affected by development projects through advocacy for implementation of international human rights instruments, such as the ILO Convention 169 and the UNDRIP. They have also worked towards facilitating FPIC and formation of the IPP in UT-1 216 MW.

2. Land rights Organizations and Associations

Translated FPIC into Nepali, making it accessible to rural populations and helped in preparing guidelines of Indigenous People’s Plan (IPP), a loose committee formed for the welfare of indigenous groups in Upper Trishuli 1-216 MW.

POWER PRODUCERS ASSOCIATION

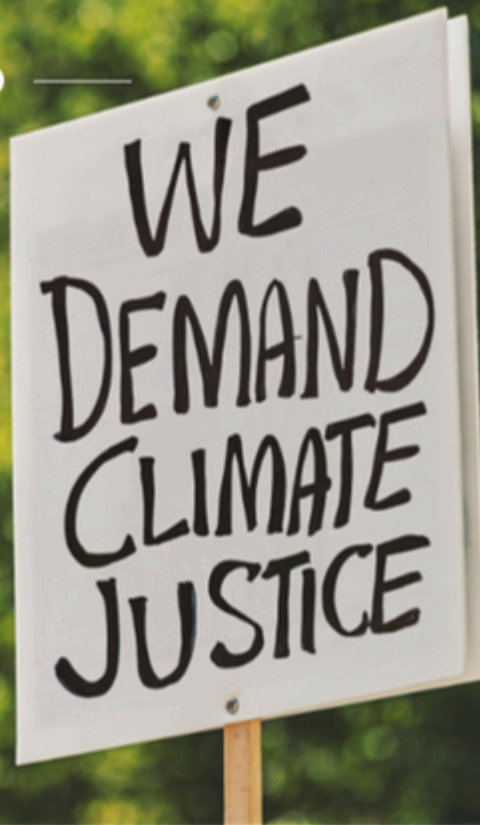
Associations of hydroelectricity producers advocate for private interests, but have major influence. They have conducted campaigns, causing policy changes and amendments. They have collaborations with the government, investors, and business forums to attract investment in renewable energy.

RESEARCH AND KNOWLEDGE INSTITUTIONS

Knowledge institutions have played a crucial role through research and recommendations, influencing policy amendments and drafting. They have conducted various studies on vital issues like benefit sharing, and increasing transparency of hydropower projects. They help realize issues and gaps in the hydropower environment and recommend solutions.

OTHER CSO ACTORS

Activists, journalists, organizations that have contributed in raising awareness and facilitating dialogue on clean energy, rights, environment and ecology, women’s rights and other cross-cutting issues.



Findings

1. INVOLVEMENT OF CSOS

Rights-based groups are most prominent in the energy sector. The large-scale nature of energy projects are often located in remote hilly regions of Nepal, which are mostly inhabited by indigenous populations. Organizations like Nepal Federation of Indigenous Nationalities (NEFIN), Community Self Reliance Centre (CSRC), Lawyers' Association for Human Rights of Nepalese Indigenous Peoples (LAHURNIP) have been instrumental in safeguarding community rights through legal aid, advocacy, and facilitation of the FPIC process. Likewise, Nepal Forum of Environmental Journalists (NEFEJ)'s efforts are focused on raising awareness on ecological impacts. Knowledge and research organizations contribute to evidence-based policy making. However, all the efforts of the organizations are scattered i.e, environment based groups, rights-based groups, think-tanks and private sector actors advocate in their interest fields in silos. The absence of collaborative efforts amongst CSOs limit their influence resulting in fragmented advocacy rather than a collective push towards sustainable and inclusive energy development.

2. PERSISTENT ISSUES IN NEPAL'S ENERGY SECTOR

i) Mandates and their implementation

According to Environmental Protection Rules, 2020, the hydropower projects should conduct Environment Impact Assessment (EIA) and Initial Environmental Examination (IEE). As per the EIA guidelines, it is mandatory to conduct the consultations through public hearings and involve diverse stakeholders; however, these are treated as mere formalities rather than meaningful participation. Power producers also often ignore ecological mandates for hydro-power projects that require a 10% flow in rivers in the dry season. Similarly, The Forest Regulation 2079 mandates compulsory afforestation and contribution to the Forest Development Fund for reducing the environmental impacts.

Hydropower project UT-1 accommodates the loss of forest and compensatory afforestation through afforestation in Sindhupalchowk instead of Rasuwa. Although, these steps suffice the mandate but it does not address the drying of the water resources, potential risk of loss of habitat and biodiversity etc at Rasuwa.

ii) Bigger promises and less deliveries

Affected communities report that the hydropower project makes verbal commitments often in meetings and public hearings and thus are legally unenforceable. For instance, in Lamjung, the SD project promised 'One Home, One Job' along with the support in building local infrastructure. While they supported building local shrines and gravelled roads, the promise was not met. The project provided the training for operating heavy vehicles but did not provide any jobs around this in lack of experience. The locals are employed for menial, laborious jobs and minor contracts. This has led to a sense of betrayal among communities, as they expect initial commitments to be respected.

iii) Representation and political capture

Some hydropower projects in this study require formation of a consultative body for ensuring the voices and participation of indigenous people such as IPP. However, as is the case for UT-1, the selection of members within these bodies is influenced by the elites, such as politically inclined local leaders, and has become inaccessible to impacted individuals and communities. The expensive elections and the budget of the IPP board has also caused it to sometimes overshadow local government bodies, creating animosity between local representatives and IPP board electees. The mechanism built for the advocacy of fair and just decisions on compensation for property damage, land procurement, and displacement is biased based on political standing and prowess. Benefit sharing through reserved local shares and promoter shares, too have largely failed to benefit financially disadvantaged people. Communities often do not have information regarding the long term benefits and risks of investment in shares. The capital required for the purchase of such shares in beneficial amounts may also not be readily available to affected communities. CSOs and social workers who are politically unaligned have faced documented patterns of intimidation, harassment and even filing of false criminal charges against the activists advocating for equitable representation on consultative bodies.

3. COMMUNITY DISTRUST TOWARDS CSOS

CSO activities are short-lived and mostly limited to data collection and short-term advocacy. Impacted communities are annoyed at the constant data collection by CSOs that often doesn't produce concrete results. This has led to frustration and accusations against CSOs of using collected data to bargain with companies for personal gain. Such issues have arisen due to limited funds for the operation of CSOs and grassroots organizations and limit their involvement and long-term advocacy. For think tanks and knowledge institutions a lack of funding makes it difficult to maintain sustainable research to capture long-term dynamics on their topics, and they often have to rely on secondary data.

4. SPACES FOR ENGAGEMENT

The opportunities for CSO engagement in Nepal's energy sector exist in both mandated and voluntary spaces. The mechanisms such as EIA and IEE provide formal avenues for the participation and advocacy by CSOs. Additionally, they can further act as independent watchdogs, to ensure that hydropower projects ensure that both the mandated and promised requirements made to communities during public hearings and at different stages of implementation are enacted. In this study, the CSO engagement differs widely between the two hydropower entities. This may be due to the scale of investment, accessibility, and more. CSOs need to urgently build local capacity, facilitate community advocacy, and serve as conveners between hydropower (implementor), powerholders/funders and affected communities. Effective engagement in these spaces could strengthen oversight, support skill-building, and promote equitable participation across Nepal.

Recommendations

STAKEHOLDER	SHORT TERM	LONG TERM
Government (MoEWRI, DoED, Provincial and local regulators)	<ol style="list-style-type: none"> 1. Translate and publicly disclose EIAs, IEEs, and FPIC reports in Nepali/local language in accessible formats. 2. Allocate budget for CSO-government joint monitoring of EIA compliance. 3. Facilitate inclusive dialogues via local level committees. 	<ol style="list-style-type: none"> 1. Formalize standard benefit-sharing policy (equity royalties) with CSO and local level input. 2. Amend Local Government Operation Act 2017 for Environmental, Social & Governance (ESG) enforcement and mandatory CSO partnerships in project monitoring.
CSO Networks and ecosystem	<ol style="list-style-type: none"> 1. Form national CSO coalition focused on coordination advocacy on renewable energy. 2. Conduct independent social audits and rights-based community training. 3. Partner with communities for grievance documentation using tools like 	<ol style="list-style-type: none"> 1. Build research partnerships with think tanks for policy influence. 2. Collaborate with international networks to promote UNGP's mandates and ILO 169. 3. Develop sustainable funding models. (endowments, long-term donor partnerships)
Financiers/DFIs & Energy Developers	<ol style="list-style-type: none"> 1. Make FPIC a mandatory pre-financing condition with independent verification. 2. Translate and publicly disclose project documents. 3. Establish grievance redress with third-party CSO facilitation. 4. Ensure local hiring and training and compliance with EIA guidelines. 	<ol style="list-style-type: none"> 1. Integrate CSO inputs into due diligence and project monitoring via independent oversight. 2. Promote community-owned hybrid energy models, like solar power and wind energy to diversify from hydropower.
Private Sector Associations & Media	<ol style="list-style-type: none"> 1. Create dialogue platforms with CSOs and communities to communicate and resolve issues. 2. Train local journalists on energy reporting and strengthen national-local media coordination. 	<ol style="list-style-type: none"> 1. Integrate ESG training into private sector programs and advocate for evidence based policy reforms. 2. Develop ethical reporting guidelines and promote investigative journalism on energy governance.
Communities	<ol style="list-style-type: none"> 1. Communities must form monitoring groups consisting of Women, youth and Marginalized communities to track project progress. 	<ol style="list-style-type: none"> 1. Communities must build alliances with CSOs for continuous participation and representation in energy governance forums.



Accountability Lab Nepal (ALN) makes governance work for people by supporting active citizens, responsible leaders and accountable institutions. We are part of the global translocal network of Accountability Lab, dedicated to building accountable, inclusive, and responsive governance systems. ALN pioneered a community-based feedback model during the 2015 earthquake that laid the groundwork for “information aid” and advocated for inclusive decision making in crisis. ALN continues to promote equitable and inclusive governance through citizen-led approaches.

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