Early Warning System

AIIB-001047

Nepal: Dudhkoshi Storage Hydroelectric Project

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Quick Facts

Countries	Nepal
Specific Location	Dudhkoshi river; Koshi province, Eastern Nepal
Financial Institutions	Asian Infrastructure Investment Bank (AIIB)
Status	Proposed
Bank Risk Rating	A
Voting Date	2026-09-01
Borrower	Government of Nepal -Nepal Electricity Authority (NEA); Dudhkoshi Jalvidyut Company Limited (DKJVCL)
Sectors	Energy, Hydropower
Investment Type(s)	Loan
Investment Amount (USD)	$ 200.00 million
Loan Amount (USD)	$ 200.00 million
Project Cost (USD)	$ 2,320.00 million

Project Description

As stated by the AIIB, the objctive of the project is to increase Nepal's supply of climate-resilient renewable electricity through the construction and commissioning of the Dudhkoshi Storage Hydropower Plant.

Component A:
This component will mainly consist of civil work for the construction of the headworks structures, construction of the underground power complex, powerhouse equipment and installation of hydromechanical and electro-mechanical equipment. The dam, with a maximum height of 220 m, will be built. The project consists of two powerhouses, main powerhouse of installed capacity 600 MW will be underground, and an ecological flow power station of 70 MW will be built in the toe of the dam.

- Subcomponent A1: Construction and Installation of Dam, Intake, and Spillway
- Subcomponent A2: Construction and Installation of Headrace Tunnel and Main Powerhouse
- Subcomponent A3: Electrical and Mechanical Works

Component B:
This component will support the implementation of environmental and social (E&S) mitigation and enhancement measures identified in the ESIA, ESMP, RP, IPP, and other safeguard instruments. The component will support community-driven initiatives, and finance activities that extend beyond the direct project footprint and/or beyond contractors' obligations to ensure comprehensive management of ES risks and impacts. The component includes "Safe and Sustainable Landscape" activities in and around the dam, reservoir, and catchment areas, aimed at reducing siltation, enhancing flow regulation, benefiting local communities and affected people, and improving overall hydropower performance. Overall, these measures will enhance livelihoods, strengthen climate resilience, and promote long-term environmental and social sustainability. Key interventions, for example, may include biodiversity management and offset programs, watershed and catchment conservation, sediment management, slope stabilization, plantation, community health and safety initiatives beyond the project footprint, local community development activities, eco-tourism, sustainable forest and non-timber forest (NTFP) management, conservation of springs and water sources, protection of cultural heritage, and others.

Component C:
This component will support DKSHEP in implementing/managing and monitoring project activities. It will also support capacity building to ensure the effective implementation of the Project. This component will further cover the cost of consultancy services for construction supervision, as well as other expenses for the management and oversight of the implementation of E&S plans and various activities of the Project.

People Affected By This Project

The Project involves construction of a 220-meter-high dam and associated facilities within a geologically fragile Himalayan region. It will result in inundation of forest and agricultural land, potentially affecting terrestrial, aquatic, and avian biodiversity. Although legally protected areas, such as Sagarmatha National Park, lie more than 25 km away, nearby community forests and the riverine corridor provide habitats for species of conservation value. Key environmental risks include impacts on aquatic ecology and fisheries due to altered flow regimes and reduced environmental flow (e-flow), sedimentation, muck disposal, and vibration-induced slope instability. The area is also prone to seismic activity, landslides, and Glacial Lake Outburst Floods (GLOFs), necessitating Dam Safety and Climate Risk Assessments. Likely mitigation measures may include maintaining minimum e-flows, implementing sediment and waste management plans, stabilizing slopes, and establishing an appropriate biodiversity management and monitoring program. The findings of the CIA may further inform basin-level risk management and mitigation measures.

As per the preliminary assessment, for the hydropower component, the land acquisition will affect permanently 2,405 hectares (ha) of land out of which 1,155 ha land is privately owned, 517 ha is Government land, and 694 ha is covered by forest areas. Approximately 3,300 households will be affected, of which 290 households will be physically and economically displaced. The total project-affected Indigenous Peoples (IP) households is 1,245 of which 171 will be physically displaced. Land acquisition and involuntary resettlement (IR) impact associated with the transmission line(s) and access roads are being assessed with land acquisition and resettlement frameworks being prepared. According to ADB requirements, a Panel of Experts (POE) with IP and IR expertise will be appointed to support and advise the borrower. As the dam is in a remote area with IP groups' presence and land-based livelihoods, the mitigation measures for households impacted by IR shall include land-based livelihood restoration measures in addition to cash compensation. Downstream and catchment area impacts shall also be assessed and mitigation measures developed.

Out of the approximately 3,300 affected households, an estimated 245 are Indigenous Peoples households of which 171 households are expected to be also physically displaced. The broad community support (BCS) for the Project will be ascertained as per ADB ESF (2024) requirements and the whole process of seeking BCS and agreements between the IP communities and the borrower should be documented. In the case of the co-financing of the Project, including the World Bank which requires seeking free, prior, and informed consent (FPIC), the safeguard documents will need to properly demonstrate how both BCS and FPIC requirements are met. The POEs should include the IP experts, and the Project preparation and meaningful consultations shall be conducted with IP communities and IP organizations.

The Project will require the borrower to establish procedures for engagement of stakeholders and affected communities and require all its service providers to comply with the procedures. An integrated and comprehensive SEP will be developed and implemented at the outset to sensitize civil society, affected communities and other stakeholders on the impact and benefits of the proposed Project. In line with AIIB's Policies applicable to Category A projects, relevant environmental and social information, including draft E&S assessment documents, will be disclosed at least 60 calendar days prior to consideration of the Bank's financing for approval, in accessible formats and appropriate language(s), with continued disclosure of updated E&S information during project implementation.

GRM is being developed and will be operational prior to construction, ensuring accessible, transparent, and gender-sensitive processes for addressing grievances. There will be a separate grievance mechanism for the workers. The Project will establish a project-level GRM to receive and resolve project-related grievances in accordance with the requirements of ADB's ESF. The information of established GRM and the Independent Accountability Mechanism (IAM) applied to the Project will be timely disclosed in an appropriate manner.

DKJVCL will oversee the monitoring and evaluation of the project's implementation and prepare progress reports regularly

Investment Description

- Asian Infrastructure Investment Bank (AIIB)

Estimated total financing: USD2.32 billion.

According to the AIIB, the indicative financing plan is as follows:

AIIB - US$ 200 million
ADB - US$ 550 million
World Bank - US$ 200 million
EIB - US$ 500 million
OFID - US$ 100 million
SFD - US$ 100 million
GoN & NEA - US$ 670 million.

Contact Information

AIIB Team Leader:

Barsha Pandey - Investment Officer
Email: barsha.pandey@aiib.org

ADB Team Leader:

Jiwan Acharya - Principal Energy Specialist
Email: jacharya@adb.org

Client - Government of Nepal:

Dhani Ram Sharma - Joint Secretary
Email: drsharma@mof.gov.np

Implementing Agency - Dudhkoshi Jalvidyut Company Limited (DKJVCL):

Basanta Shrestha - Chief Executive Officer
Email: bdshrestha@gmail.com

ACCESS TO INFORMATION

You can submit an information request for project information at: https://www.aiib.org/en/contact/information-request/index.html

ACCOUNTABILITY MECHANISM OF AIIB

The AIIB has established the Accountability Mechanism for Project-Affected People (PPM). The PPM provides Òan opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIBÕs failure to implement the ESP in situations when their concerns cannot be addressed satisfactorily through Project level GRMs or AIIB Management processes.Ó Two or more project-affected people can file a complaint. Under the current AIIB policy, when the bank co-finances a project with another development bank, it may apply the other bank's standards. You can refer to the Project Summary Information document to find out which standards apply. You can learn more about the PPM and how to file a complaint at: https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html

The complaint submission form can be accessed in Arabic, Bahasa Indonesia, Bengali, Chinese, English, Tagalog, Hindi, Nepali, Russian, Turkish, or Urdu. The submission form can be found at: https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/submission/index.html

Bank Documents

- Project Summary (February 05, 2026) [Original Source]

Community Documents

- Training Manual on the Rights of Indigenous Fishermen in the Context of Hydropower Projects (CEMSOJ)

Campaign Documents

- The struggle of Nepal’s Indigenous Majhi communities against large dams- Article by CEMSOJ

Media

- World’s top lenders join hands to build 670MW Dudhkoshi

Other Related Projects

- ADB-50049-001 Supporting Disaster Risk Reduction and Management in Dudh Koshi River Basin
- ADB-50049-002 South Asia Subregional Economic Cooperation Dudh Koshi Hydropower Project