Towards Local NGO Sustainability

HDCS CASE STUDY (NEPAL)



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Acknowledgment of country

We acknowledge the Traditional Custodians of the lands on which we live and work, recognising their deep and enduring connection to land, waters, and culture. We pay our respects to Elders past, present, and emerging and extend that respect to all Aboriginal and Torres Strait Islander peoples. As we develop and implement our Localisation Framework, we recognise the invaluable knowledge, practices, and leadership of Indigenous peoples in Australia and across the countries where we operate. Their stewardship of the land and people for thousands of years embodies sustainable, locally led approaches that align with our commitment to social justice. We commit to centring Indigenous voices, learning from their knowledge systems, and fostering partnerships that respect and uphold their rights, ensuring that locally-led development is not only effective but also inclusive and just.

This case study has been prepared during the months of November 2025 and January 2026. We gratefully acknowledge the crucial collaboration of Felix Catford, whose contributions were instrumental in the completion of this work, and the HDCS senior management and program team, who dedicated their time, knowledge and experience to provide the information needed for this study.

ACCREDITATION AND CERTIFICATION

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Introduction

Ensuring a local non-government organisation (NGO) is truly sustainable both financially and organisationally is not easy.[1] Local NGOs[2] across the world face a myriad of challenges influencing their ability to be effective in the long-term, despite the clear strengths they bring to development in terms of local knowledge, skills, relationships, understanding and context appropriate solutions. Local NGOs very often live hand to mouth, struggling to secure the financial resources they require to operate sustainably into the future. They often remain beholden to the support and direction of the donors who fund them, instead of being truly local leaders within their context.

Imbalances and power dynamics that exist across the development sector - such as INGOs offering much higher salaries that drive people with the right skills away from leadership of local organisations, or perceptions that local actors are not 'neutral' in their own context so cannot provide services for all - contribute to limiting opportunities for local leadership.[3] This places an additional burden on local leaders to guide their organisations effectively and efficiently, whilst competing with much better resourced organisations.

Human Development and Community Services (HDCS) is a local NGO in Nepal who over the last 35 years has managed to overcome many of these challenges and position itself as one of the leading local NGOs within both the local and international NGO community in Nepal. Importantly, HDCS is also very well advanced in becoming both financially and organisationally sustainable. HDCS provides a strong case study for how a local NGO can effectively work towards and achieve financial and organisational sustainability.

The aim of this Case Study is to explore the history of HDCS and to uncover the key factors that have led HDCS to move towards sustainability more than many other organisations. It is hoped this will provide important lessons to fellow local NGOs, supporting INGOs, and donors. The Case Study was prepared between November 2025 and January 2026 including interviews with HDCS Board Members, Management and staff, and it provides a unique insight into local NGO sustainability through the experiences of one Nepali NGO.

Through the process, five key themes emerged in terms of what had enabled the organisation to move so effectively towards sustainability compared to other organisations. This includes building in sustainability from the start, diversifying income, fostering good donor relations, ensuring effective leadership, and robust financial management.

1 See, for instance, Bains, Mathews and Kotsiris, *Transforming Partnerships in International Cooperation* (2023), Peace Direct, page 4, in which the authors argue that despite improvements in recognising the value of locally-led development, the structures and systems surrounding local NGOs "still reflect neo-colonial hierarchies, undermining the value and dignity of local partners."

2 In this paper, the term "local NGO" refers to "local NGOs/civil society organisations (CSOs) operating in a specific, geographically defined, subnational area of an aid recipient country, without affiliation to an international NGO/CSO." This was the original definition proposed through the Great Bargain (arising from the 2016 World Humanitarian Summit). Whilst ultimately the Inter-Agency Standing Committee responsible for coordinating Grand Bargain commitment adopted a definition that allowed country offices of INGOs to be considered "local", a truly locally-led development approach requires independence from INGO control. See Peace Direct, Adeso, Alliance for Peacebuilding and WCAPS, Time to Decolonise Aid (2021), Peace Direct, page 24.

3 See, for example, Pailey, 'De-Centring the "White Gaze" of Development', *Development and Change* 51/3 (2019), page 733.

Building in Sustainability

HDCS is a local Christian, Nepalese NGO that was founded in 1991. From its inception, HDCS has sought to address the systemic issues underpinning poverty in Nepal including health inequity, limited access to education, and limited livelihood opportunities through locally led, community driven development projects. The organisation currently runs a wide array of projects including health strengthening, education improvement, livelihood development, and water, sanitation and hygiene. It responds to both long-term development needs and humanitarian crises that impact Nepal including earthquakes and pandemics. As a locally led NGO, all leadership positions within HDCS are held by Nepalese nationals, ensuring strong local knowledge, cultural understanding, and community trust. Self-sustainability has been a core principle of HDCS since its founding, with long-term sustainability planning embedded into the organisation's design, governance, and operational strategy.



Tirtha Bahadur Thapa

HDCS's foundation is very much intertwined with the personal experience and beliefs of its founder, Tirtha Bahadur Thapa.

After losing his father at a young age to a preventable urinary tract disease, Thapa became acutely aware of the lack of medical facilities in rural Nepal and the injustice faced by vulnerable communities in his country. Unable to pursue his dream of becoming a doctor due to personal financial constraints, he turned instead to community service through the church, where his faith shaped his understanding of compassion, responsibility, and service to others. Despite significant resistance from church leaders and the wider society, Thapa founded HDCS in 1991 with the conviction that sustainable change required both vision and long-term planning. As a result and from the outset, sustainability was carefully embedded into the organisation's design through a thirty-year plan that aimed to transition HDCS from donor dependence to self-sufficiency, and ultimately to be able to support other local NGOs like themselves.

A defining feature of HDCS is its commitment to local leadership. Unlike many other NGOs operating in Nepal, HDCS was intentionally designed to be established, governed, managed and staffed by Nepalese nationals, with no expats undertaking leadership roles. Having this approach from the very beginning has enabled the organisation to build deep community trust, respond rapidly during emergencies, and design programs that are culturally appropriate and contextually relevant. This would not have been achieved if the organisation was governed and managed by foreigners.[4] Over more than three decades now, HDCS has evolved into one of the most recognised NGOs in Nepal, respected by communities, government and aid donors alike, while maintaining a strong Christian identity and unwavering commitment to transparency, accountability and service.

4 See, for example, Kapsalis, 'Local leaders as catalysts for sustainable development: A behavioral and systemic analysis' *Sustainable Social Development* (2024), 2(6), 2998.This study examines how local leaders' behavioral traits and their dynamic interactions with systemic factors are critical to successful sustainable development.

Diversifying Income

A key factor in HDCS's sustainability is its deliberate diversification of income streams. From the time of its founding, HDCS had a strategy in place to become completely financially independent. Whilst the organisation was fully donor-dependent during its first decade, it strategically transitioned towards self-sufficiency through the establishment of several social enterprises. The securing of a hospital in 2001 marked a first turning point, enabling HDCS to generate revenue through the provision of health services, pharmacy sales, and administrative fees while providing free care to approximately 20% of patients who cannot afford treatment, also demonstrating their strong commitment to social equity. In addition, HDCS operates six radio stations, two of which are fully owned and operated by the organisation, generating income through advertising while also promoting public health, education, and community awareness. Radio remains a highly accessible and effective medium in Nepal, and HDCS estimates it will continue to be relevant for decades to come. The organisation has also demonstrated adaptability by expanding into social media and digital platforms, while continuing to prioritise radio as its primary communication tool.

Another main source of income is the Kathmandu International Study Centre (KISC) established in 1987. The school was identified by HDCS Board and Management as a potentially viable social enterprise when suitable land became available in 2007 in Kathmandu and given at the time of its establishment, there was no other specific Christian international school operating in Kathmandu, despite the large potential market. Over the last 39 years, this international fee-paying school has grown to become a leading international Christian school in Kathmandu with 210 students and 59 teachers.The money generated from the school is 40% of their total budget A large portion of the school fees (or profit) are used to fund HDCS 's head office costs and the rest are spent elsewhere.

HDCS also sells various products that are produced by farmers on their projects including Jam and soap. These products are sold through the international school and wider community in Kathmandu and beyond. Funds raised from these products not only help farmers earn much needed additional income but it also raises revenue to help fund the operations of HDCS and is another element of the organisation's financial sustainability.

During times of financial hardship, including the COVID-19 pandemic and major earthquakes, HDCS's diversified income streams allowed it to continue operating and supporting communities when donor funding alone might not have been enough. This strategic approach to income diversification has demonstrated how HDCS is financially resilient and capable of long-term sustainability. Today, HDCS generates approximately 70–75% of its income locally and could be 100% financially sustainable but currently opts to utilise funds from donors to help fund some of its activities that aren't profit making like ABBS (a school for disabled children in Kathmandu). This balance between income generation and being socially responsible demonstrates HDCS's ability to operate effective enterprises without compromising on its organisational values, in fact these social enterprises all greatly contribute towards HDCS's values and mission.

Fostering Good Donor Relationships

Strong and enduring donor relationships form another cornerstone of HDCS's sustainability. The organisation has built long-term partnerships with a small but varied and committed group of donors, many of which have supported HDCS consistently since its early years. These relationships are built on trust, transparency, and open communication, which HDCS considers essential to ethical and effective development practice.

HDCS staff members maintain frequent and personal communication with donors, often engaging in daily contact on platforms such as WhatsApp and Zoom. Donors are regularly updated on project progress, challenges, financial performance, and strategic changes. Importantly, HDCS places a strong emphasis on honesty, even when mistakes or failures occur. The organisation believes that openly reporting failures and learning from them strengthens donor confidence and reinforces their shared values.

This commitment to transparency has been further reinforced through compliance with strict donor requirements, particularly those associated with Australian Department of Foreign Affairs and Trade (DFAT), Australian NGO Cooperation Program (ANCP) funding, implemented through partner NGO International Needs Australia (INA). While DFAT requirements demand a large number of policies and procedures to be in place and rigorous tracking of finances and activities, by applying these standards across all its programs, HDCS have significantly strengthened their internal systems and reporting capacity. As a result, other donors have noted this, and expressed increased confidence in the organisation, leading to several opportunities for HDCS to gain additional funding from new donors.

Implementing DFAT funding has therefore become more than just gaining and implementing another donor's funding, but it has proven a key aspect of overall organisational strengthening for HDCS and has provided the ability to diversify funding through new donors.



HDCS's Covid response

In addition, when the COVID pandemic hit Nepal in 2020, the Australian Embassy in Nepal having worked with HDCS on the ANCP program suggested to INA that HDCS would make a suitable partner for the Embassy's COVID response in Nepal if INA was willing to have them work with the Embassy directly. INA discussed this and given its firm belief in locally-led development, it encouraged the Australian Embassy in Nepal to work directly with HDCS on this important response, despite it meaning INA would not benefit from this arrangement directly. The resulting two-year COVID intervention went very well and again became a key step in HDCS being seen as a credible local NGO with other donors, again leading to additional funding including implementing the Australian Embassy Rukum Earthquake Response again directly in 2023.

Regular, well managed donor visits play a key role for HDCS building a strong and authentic relationship with their donors. Most HDCS's donors visit their projects and the radio stations twice a year, allowing them to see the impact of their partnership and to see first hand the quality of HDCS's team and programs. These visits have reinforced trust with donors and validated the accuracy of HDCS's reporting to its partners. According to the CEO Kapil Sharma, "effective donor relationships is one of HDCS's greatest strengths". This is reflected in the priority the organisation places on this and also the longevity of HDCS's partnerships and the organisation's strong reputation among both existing and potential donors".

Ensuring Effective Leadership

Effective management and leadership are also central to HDCS's long-term success. From its founding, the organisation prioritised strong governance, having a clear vision, and completing robust and regular strategic planning. Leadership succession was deliberately planned well in advance, ensuring continuity and organisational stability. The current CEO, Kapil Sharma for example, was identified and mentored years before assuming his role to ensure HDCS had a qualified, experienced and effective local Director leading the organisation.

Kapil describes his leadership style as a servant leadership approach, where authority is shared and decision-making is delegated across the organisation. This helps build an organisational culture of trust, and empowerment of those closest to where decisions need to be made, rather than a more top down, hierarchical approach. With approximately 400 staff members, HDCS also places significant emphasis on capacity building, professional development, and teamwork. Many staff members hold tertiary qualifications, including master's degrees, and all receive training relevant to their particular roles. This investment in human resources has enabled HDCS to manage complex programs across multiple sectors to a standard comparable with international NGOs however because of their all national staffing model, they can do this on a far more cost effective basis.

Governance of HDCS is further strengthened by an experienced and committed board of nine volunteer members who meet 5-6 times a year.

Board members who are all local, bring diverse expertise and actively support management through guidance, accountability, and constructive criticism. The board plays a critical role in appointing and supporting the CEO and as Kapil says "without the board I don't think the organisation could function or be able to be sustainable. The board is critical in educating HDCS and HDCS is critical in educating the board and ensuring alignment with the organisation's mission and values".



HDCS Board with INA CEO

HDCS has a clear 10-year strategy to drive its forward and work towards sustainability. However it also has demonstrated flexibility in its strategic approach, adapting programs and methods in response to changing community needs while maintaining a consistent mission and overall direction. The examples of seizing opportunities to take on new hospitals, the Australian Embassy COVID funds or establish KISC all show the ability to be flexible and adaptable, whilst working towards a long term strategic direction and to achieve ultimate sustainability. HDCS recognises that in order to be able to run a sustainable local NGO, it is vital to have strong leadership and strategy that is adaptable, but with a clear plan and overall direction.

Robust Financial Management

Sound financial management is a fundamental part of HDCS's sustainability. The organisation recognises that all funds entrusted to it are given with good intentions and much trust so therefore funds must be managed with the highest levels of integrity and accountability. HDCS has seen what has happened to other local and international NGOs in Nepal when they have suffered significant fraud and mismanagement and it is clear to them the crucial importance of ensuring its finances are managed to the highest levels. HDCS has therefore established robust internal financial systems, including secure accounting processes and clear financial controls, to ensure accurate tracking of income and expenditure that can meet the requirements of the various donors they work with and to ensure the highest levels of accountability and transparency are achieved.

Although HDCS does not use cloud-based accounting software, it operates an internal digital accounting system that provides similar levels of security and oversight. Compliance with donor requirements, particularly DFAT ANCP standards across all its programs, has further strengthened financial transparency and accountability. These systems have not only ensured compliance but also enhanced HDCS's credibility, making it more attractive to many new donors and partners.

HDCS has demonstrated the highest ethical stance by always taking clear and decisive action in cases of financial misconduct, including the immediate dismissal of any staff members found to be misusing funds and ensuring any issues are carefully investigated and donors continually informed during the process. This creates a culture of accountability and transparency and shows the inaorganisation's commitment to its core values. During periods of crisis, such as natural disaster or the COVID-19 pandemic, it was this strong financial management and support from DFAT ANCP that enabled HDCS to respond quickly and sustain critical services.

Financial stability remains a key priority for HDCS going forward, especially in light of global funding uncertainties and the changing donor landscapes. The organisation continues to strengthen its financial systems and diversify income sources to ensure long-term resilience and the ability to support not only its own programs but also other local NGOs in Nepal in the future.

HDCS staff are quick to identify the nature of the role that INA and DFAT have played in HDCS's journey of growth. The partnerships HDCS has with INA, and through it DFAT, are focused on creating opportunities for local NGOs to participate on the global development stage on equal footing with INGOs. Stepping away from models of aid that conceive local actors as recipients or beneficiaries, INA's support was guided by HDCS, helping HDCS to develop its own robust policies and practices that satisfy ANCP funding requirements. This approach not only secured HDCS as a trusted direct partner of DFAT, but also helped to open relationships with other donors who could see that they could rely on HDCS's systems and financial processes. It is this catalyst role that Australian NGOs can play, to truly support locally-led development.

Conclusion

HDCS is an excellent example of a successful local NGO who uses the knowledge of local staff to its full advantage. Its growing level of sustainability is the result of intentional long-term planning from its beginning, focus on diversified income streams, fostering strong donor relationships, ensuring effective leadership, and employing rigorous financial accountability. Guided by a clear vision and deeply rooted in its values, the organisation has successfully transitioned from donor dependence to a largely self-sustaining model while maintaining a strong commitment to serving the most vulnerable people in Nepal. Through locally led leadership, social enterprise initiatives, and transparent governance, HDCS has built an organisation capable of adapting to challenges. HDCS is well positioned to continue its mission in Nepal and potentially expand its support to other local organisations and regions, serving as a model of sustainable locally led development that others can learn from.