"Exploring the Opportunities and Challenges of Building Alternative Revenue Streams for Non-Profit Organizations in Africa:

The Case of the Kenya Community Development Foundation (KCDF)."

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ABSTRACT:

Many non-profits in Africa find themselves trapped on a financing model of what has come to be referred to as the 'aid architecture.' In it, funding is primarily driven from the North, and thus has a bearing on their programming. The English saying, 'He who pays the piper, calls the tune' accurately describes what most African non-profits have to contend with. Aid architecture impacts how successful these organizations can be in meeting their specific missions. It is for this reason that this chapter focuses on exploring alternative revenue streams sustainability mechanisms for non-profits. It draws from my lived-in experience as a leader in the sector, running a foundation (KCDF) that has for many years explored alternative strategies to raise resources differently, starting with a strong orientation and belief in the power of community philanthropy as a key ingredient for sustainable development, to exploring investment opportunities in the marketplace.

> *"It was a Tuesday morning. I sat in the Board room with my Senior Management Team (SMT) on what was a regular monthly meeting. On this day, the agenda was to discuss the Annual budgeting process since the annual plan was due for presentation at the next Board meeting. While introducing the agenda, I reminded the team that the Board had made it very clear, that they do not want to see another 'deficit budget'!*
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> *Having shared the key documents earlier, the Finance Director took the team through them, highlighting the confirmed funding for the different programmes. He then went on to say rather soberly, 'Although we have a 40% increase in our budget next year compared to last year, I don't know how we will fund the Strategic planning process due next year. I have also not factored in the replacement of our Office Rav4 (Toyota) which is due for replacement. You know last week, two staff nearly slept in the bush after it*

broke down in the field.' He had barely finished his presentation when I nodded for the M & E Manager whose hand was already up to talk. 'Please whatever else we budget for, we must remember the new 'Gifts' grantmaking software, will now require US $30,000 annually. It has made us look very professional since adopting it two years ago!'. This conversation soon deteriorated into requests and each new one looked more pressing than the last. The administration department needed two additional laptops; the Server was due for replacement, the annual staff retreat had not taken place this year as funding was low, etc.

Before we concluded the meeting after nearly two hours of deliberations attempting to prioritize and determine what to give up, I reminded the team, that one conversation that we still had not cracked, was how to develop our current office premises donated to us almost six years ago, which could be a source of funds if we were able to develop it into a partial rental property. 'We clearly appear rich…and yet very poor" I quipped, as I ended the meeting, by which time, my head was spinning. I went on to take refuge in my office with my packed lunch."

INTRODUCTION

The scenario above is a frequent occurrence in the life of many non-profits on the continent who have significant funding, but practically all of it to support specific areas of work agreed upon with funders. They lack the flexible funding needed to support some of their critical core functions. While budgeting for the coming year, KCDF was struggling to find funds to enable the board and staff to have their annual reflection retreat, replace an old server and other hardware equipment etc., all of which are essential for any effective organization. It is therefore common to see many non-profits thin down their operations when funding has dried up simply because the whole 'operation' was one hundred percent dependant on external programmatic funding that had completed its term. In other cases, the funder may have changed their strategy or chosen a different 'geography' to work in, meaning that in the absence of a new funder, the non-profit has no choice but to end the contracts of staff. If they do not own their office either, they have to close that as well. It's a life of living 'from hand to mouth', or alternatively as the donor agency's contractor! This chapter addresses itself to what options and opportunities CSOs

in the continent may consider in order to stabilize their existence and the pursuit of their mission as important actors in society.

The idea of non-profits being used as ‘contractors’ by donor agencies is not a new phenomenon. There is substantive literature that has addressed itself to this question, (Aina & Moyo, 2013; Edwards & Hulme, 1995a, 1996; Fowler, 1991, 2013). The fact that non-profits must continuously invest significant resources into preparing funding proposals just to keep their organization afloat, makes that function one of the biggest one in the sector. This resource imbalance is sometimes at the expense of expertise, energy and time that could have been invested in advocating for better service delivery by the government. In the decades I have worked in the sector, I have witnessed many sad stories of excellent programmes being wound up simply because the funding had come to an end just when things were beginning to change. Indeed, this frustration has inspired the writing of this chapter to encourage non-profits to join KCDF and others to find their liberation from this cycle of dependence. Such freedom would allow them to pursue their passion to change lives in our communities for the better, so I would argue that finding workable options towards financial freedom is an imperative.

The chapter takes the view that non-profits bolster more stable societies which respect human rights and freedoms, which is important (Aina & Moyo, 2013; Fowler, 1991, 2013). This makes a strong case for us in Africa to invest energy and resources in figuring out how to better guarantee the existence of non-profit, so that they can play their role in creating a better continent. Several researchers (Edwards & Hulme, 1995a, 1996; Fowler, 2013; Obadare, 2014), have expounded on the importance of CSO’s in the continent, and the great work they do despite the challenges, which include a tightening civic environment. It is therefore not surprising that governments in the global North are the major funders of their own non-profit organizations.

Recognizing the complexity in the formations of non-profits, their operations, diversity, fluidity etc., and yet filling a critical gap in many communities, I will use the terms ‘non-profits’ and ‘CSOs’, interchangeably, since both terms are used to refer to the same organizations, and all experience the same challenges of being donor dependent. Considering that the sector is diverse, the chapter addresses more formal non-profits, including Faith Based organizations (FBO’s), and speaks from Kenya which shares similarities with many other countries in the continent.

To put the topic of this chapter in its context, I have kicked off the background section by highlighting the motivations, and rationale which led to the establishment KCDF as a local grantmaking foundation. I then show how it operationalizes its work with a strong community philanthropic lens in an environment dominated by a growing CSO sector, that is highly depended on external resources. The chapter then delves into a literature review to examine the experiences of international organizations and non-profits in different contexts, who have tried to diversify their income sources. The final section discusses KCDF's experiences in this journey, also highlighting the emerging learning, and drawing the parallels from the available literature. The chapter concludes with reflections on the emerging lessons non-profits considering income diversification may need to take into account as they seek free themselves from donor dependence.

BACKGROUND

In the mid to late '90's, a group of Kenyans from diverse professional backgrounds, were drawn together by their common frustration on the 'aid' delivery system, which left many communities more dependent on external aid than was the case in traditional societies, where they had a rich culture of helping one another. They came together and deliberated on how this problem could be addressed, a process which concluded with the decision to form what became Kenya Community Development Foundation. This new institution was distinctive for its strong ethos in building community philanthropy as an effective tool to address development challenges. The entity would lead in advocating for approaches which re-ignited, revamped, and enhanced community confidence in themselves to sit at the driver seat of their own development processes. The founders also took the time to study the foundation movement especially in the United States but adapted the concept for Kenya's environment where raising resources was going to be from ordinary people and communities, as opposed to focusing on the rich to endow the new entity as happens a lot in some contexts. They decided to birth a 'foundation' and not an 'NGO', convinced that the former would give them a better platform to get Kenyans involved in determining their own development destiny.

In 1997, KCDF was registered as a Company limited by guarantee (*The Company Act 2015*, 2017), which is one of the legal frameworks for non-profits in the country. The foundation has continued to promote community-led development which as explained in the literature review section, places great emphasis in facilitating processes which put people at the driver seat of their own development. KCDF works at the national level, and partners with organized (legal entities)

communities across Kenya, investing significant resources to enable them to build their capacity to work effectively in their defined areas of operation. In the last two decades, KCDF has partnered with over 2000 grassroot based organizations in diverse programmes, riding on community philanthropy as a key tool to achieve sustainable development. KCDF has also disbursed close to USD 30 million in the last two decades, but I must note that from many interviews with KCDF's partners, the one thing they value most is the accompanying capacity strengthening processes they receive, over and above what in international terms are really small grants.

It is also in the 'DNA' of KCDF to promote different forms of local giving across the board (i.e., ordinary community members, middle-class citizens, High Net-Worth Individuals, corporate sector etc.), as part of taking responsibility for development challenges in the country. The foundation upholds the view held by traditional societies that 'everyone has something to give', while highlighting the need for Kenyans to go beyond the many charitable contributions still made at next of kin levels, to give towards broader social issues affecting segments of our population. KCDF's efforts in this area have demonstrated that indeed, Kenyans can go beyond kinship circles of giving to funding an institution.

KCDF therefore continues to invest significant resources in growing a movement of local organizations to push the practices and philosophies it stands for, as a strategy for greater impact on the ground, while also being part of various networks that promote a more favourable pro-poor policy environment. Recognizing the magnitude of the development challenges in the world, the foundation has a culture of being part of local, regional, and international networks to contribute to scaled up impact beyond our borders, while continuing its various efforts to cement its own sustainability. Key areas of its primary interventions with communities include those that hurt communities most such as Education (access and quality), livelihoods (especially as they affect vulnerable groups like youth, women and girls), as well as environment and climate change. A third key area of our primary intervention is the policy areas related to our interest areas.

Having spent a little over two decades working for government and international organizations, I observed the limitations of various development efforts driven by foreign agencies and was excited to join an organization that was committed to change the development paradigm. I was keen to be part of a work environment that was committed to facilitating the full empowerment of local communities, despite the funding challenges that came with it. Joining KCDF therefore ended up being one of the best professional decisions I ever made in my career. Working with an

engaged board and experimenting with different financial sustainability models including building an endowment has been a great learning experience.

The Kenyan CSO context: Just like in many other African countries, Kenya has a wide variety of organizations described as civil society right from the grassroots level to the national level. This seems to agree with the fluidity, and lack of homogeneity described by some writers in the literature reviewed, (Edwards & Hulme, 1995a, 1996; Hasenfeld & Gidron, 2005; Obadare, 2014). The country also has different non-profit registration regimes which include the NGO Act which came into effect in 2009 (*Non-Governmental Coordination Act- Chapter 134*, 2012), the Society Act in this context often used by faith based non-profits (FBO's) and churches, the Company limited by guarantee under the Company Act, (*The Company Act 2015*, 2017) and finally under the Succession Law (*The Law of Succession Act - Chapter 160*, 2012) often used in the registration of family and other trusts overseeing assets. The different registration regimes are a testament to the diversity and breadth of the sector in the country, (Mbote, Dr Patricia Kameri, 2000), which has been a challenge for the government to exercise full regulation. The regulatory regime also poses difficulty for the government's attempts to quantify their full contribution to the country. In 2013, the government created and consented to what has come to be known as the Public Benefits Organization Act, (*The Public Benefits Organizations Act - No. 18 of 2013*, 2013) which required all non-profits to register under the new law in an effort to better legislate the sector. The government has however not operationalized the Act, despite the long consultative process that went into its creation, and many campaigns by many CSOs to get it operationalized. It remains one of the contentious issues between the government and the civic sector, with the decreasing civic space becoming an issue of concern (Mbote, Dr Patricia Kameri, 2000).

The role of non-profits is nevertheless appreciated, as seen from various government documents, including the Vision 2030 (*Kenya Vision 2030*, 2007) and Annual Regular report from the NGO Coordination Board (*Annual NGO Sector Report 2018/2019*, 2019), which often looks at them as agents to complement government service delivery work. The Board has registered over 11,260 CSO's under the NGO Act, according to its 2018/2019 Annual report referred above. The same report also states that NGOs received over USD1,522,660 billion, out of which 88% was from international sources, which also confirms the dependence of the sector on external resources. Their top three thematic spenders being Health, HIV/AIDS, Education and Relief, in that order.

At the same time, Kenya has a network of philanthropic actors, within which KCDF falls, called the East African Philanthropy Network, (EAPN). This is a membership network made up of trusts and foundations (corporate, family, community, etc.) who have differentiated themselves

from NGOs, often by their registration, philosophies, or ability to work with their own resources. A good number hold significant assets which they re-grant to local organizations or give as university scholarships. According to the EAPN Report, (*Key Facts on Kenya, Uganda & Tanzania Philanthropy*, 2020), published in conjunction with Candid, Kenya had the largest number of funders (81) i.e., philanthropic organizations funding local groups, out of a total of 113 for the three countries. These 113 regional funders provided about $ 135.1 million out of which $73.1 million was spent in Kenya. The top four thematic programme areas were slightly different from the ones NGOs seemed to be focusing on, as they included economic development, agriculture, human rights and international relations, (in that order), with education being the fifth priority sector.

NON-PROFIT RESOURCE DIVERSIFICATION EXPERINCES AND THE LITERATURE REVIEW FINDINGS

It is encouraging to know that the challenge I experienced captured in the introductory story is not unique to non-profits in Africa, but also plays out in different contexts even for international NGOs (INGO's). Some literature actually highlights this challenge with respect to INGOs who sometimes have to work within tight parameters tied to the nature of their funding, which often lacks the flexibility they would like, (Edwards & Hulme, 1995b; Fowler, 1996, 2000; Phillips & Pittman, 2009). The changing social, economic, and political landscapes in the global arena, have caused many international development organizations to have to re-think their approaches and funding models.

From the literature, one of the areas with potential for generating additional resources for programmes, is the approach the facilitating agency adopts on the ground. Some approaches leverage resources from communities and increase ownership for projects while others make them wait to receive. This has been well articulated by J. Hodgson, B. Knight and S.Wilkinson-Maposa, who have strongly argued that a community-led approach when well done, enhances sustainability which is often not guaranteed in many development efforts. In their report (Hodgson, Jenny et al., 2019) commissioned by Comic Relief, they unpacked in great detail what it means to practice community-led development, while also acknowledging that diminishing 'aid' resources around the world, is driving donors to desire to know better what to do differently. Reduced funding even in the north has created pressure to want to leverage on southern resources both from communities and governments. They have given a detailed chronological description of the origins of the different development approaches and

accompanying terminologies now dominating the 'aid' discourse, some of the key ones being, 'community asset-based development', 'community driven development', community philanthropy approach', 'community-led development', 'localization of development'. They also acknowledge difficulties experienced in implementation by many external agencies due to different interests and objectives in the aid sector. Other relevant literature on this included (Doan, Dana & Fifield, Mary, 2020; Hodgson Jenny & Knight, Barry, 2010).

In agreement with these writers and from my lived-in experience working at KCDF, we took a conscious decision to keep the community philanthropy lens, in the work we do for the same reason, sustainability and a genuine involvement of local communities. This approach means paying attention to building trust, investing in growing community voice, building community assets by tapping into whatever local resources are available, re-looking at existing power dynamics and ensuring all can be heard and seen, organizing, and structuring credible entities to deliver at community level, just to mention some key tenets. It is for this reason that I am convinced there is value in investing in building strong African local organizations at the different levels, from the grassroots to national, an essential aspect of shouldering development in the continent. Thus, having resources is not enough unless they are also deployed appropriately. It is equally important to invest in re-orienting and re-tooling development actors across the board (even for funders), to ensure they are well placed to facilitate transformative processes which can unlock resources from different quarters. These arguments are aligned to other literature as well, (Aina & Moyo, 2013; Fowler, 1996).

Building on the community philanthropy approach, KCDF has been able to implement a matching model where communities contribute a shilling to get a shilling in agreed projects they have prioritized. This has worked very well especially when a community has infrastructure projects that may not be in the government's priority list. When well facilitated, I have witnessed communities raise half the resources needed to leverage what KCDF is willing to match for projects ranging from revamping a community piped water scheme, building a library, additional classrooms or even a dining hall for a high school, solar lighting to facilitate evening classes in remote locations, just to mention a few. Every group that qualifies for a match, must bring their funds to the organization, before proceeding to work out the implementation details when the funds are re-granted to the organization according to the approved workplan they have developed. In recent years, some corporate local donors have embarrassed this idea of matching community contributions as it means every shilling, they give leverages another shilling for greater impact. This approach has increase some of the direct programme resources available for community projects.

With the matching model, KCDF has also enabled communities interested in solving nagging issues like frequent fundraising events for orphaned children, to establish community endowment funds where a percentage of the annual yield is granted to the community each year to meet pressing scholarship needs. The community endowment funds are commingled for investment together with KCDF's own endowment funds, which has also given ordinary communities to indirectly invest in the Nairobi stock exchange. This approach provides an opportunity for communities not only to have resources for their pressing needs, but also rebuilds their confidence in their capability to play a leading role in their own development. Thus, being a trusted partner with local communities is fundamental to be able to apply approaches like these, which aligns well with literature referenced earlier.

Another diversification option that some non-profits have considered is going for market-inspired solutions, like social enterprises, hence involving themselves with commercial undertakings which would provide resources to subsidize their social interventions, (Fowler, 2000). The Bangladesh Rural Advancement Committee (BRAC) tried this approach by establishing potato cold stores, as a way of linking farmers directly to the marketing system of a key crop, hence allowing them to negotiate better prices and the advantages of collective marketing. Another example observable in Kenya among one of the KCDF partners, Beacon of Hope (BOH) (www.beaconofhope.org), is the initiation of production units for vocational training programmes. This means they have the chance to train the students, and under supervision of a capable instructor, take on some manageable commercial contracts, (in this case, tailoring, weaving, electrical works, just to mention a few), to enable them make some income for their mission work. In this later example, I observed that BOF ensures that each unit of production is an independent cost center, as a key monitoring area for management, so that no department is eating into the profits of another. This tight business orientation towards an approach like this is critical so that the non-profit can make business decisions on which elements to retain for income, and which to retain for different mission related reasons.

The Grameen Bank in Bangladesh is another example where social enterprise has been used for many years as an approach to provide micro-credit to local women (Fowler, 2000) and has demonstrated a huge capacity to sustain their activities from their profits, hence reduce external dependence. However, the major challenge observed whenever non-profits undertake social enterprises, is that they tend to get into them with a not-for-profit mind, instead of a business orientation (Foster, William & Bradach L Jeffery, 2005). In many cases, the enterprise side is run by same team running the social sector activities, hence lacking the business rigger that would ensure good systems to determine if indeed a profit has been made, and of what magnitude,

compared to the investment put. At KCDF we have supported a couple of community groups to initiate social enterprises to help them diversify their incomes, and these same issues have arisen. The positive side I have observed at this level, is that the investment in this kind of a process helps to re-orient communities to believe in themselves in money making ventures, hence less vulnerable. In mitigating COVID19 community challenges from year 2020, KCDF with support from its partners was able to increase such opportunities by supporting resilience initiatives like soap and sanitizer making, masks and the making of protection gear, among others, all of which have rebuild the confidence of these groups to creating alternative livelihood options. Other aspects like marketing, branding, quality control, growing scale, etc. would need attention by non-profits taking this social enterprise route.

Another approach to revenue diversification also found in literature is when a non-profit organization besides running its service delivery side of work, establishes a profit side of businesses that are aimed at creating income for the organization. This approach creates what has come to be a called multi-purpose hybrid organizations, (Fowler, 2000; Hasenfeld & Gidron, 2005; Ometto et al., 2019). In expounding further on this, Ometto et al, highlights the complexities of the different cultures they have to deal with, the values and skills needed to run the different segments of the businesses, coupled with new demands that require attention. All these issues create a scenario where there is need for tighter formalization of systems in the different areas of each operation. When these have not been properly handled, they become a potential area for mission drift on the social side of the organization. In the next section, I will explore the parallels and insights that KCDF, an organization that embarrassed a mixture of resource diversification approaches has learnt, since the literature seems to indicate that it fits the profile of a multi-purpose hybrid organization.

KCDF’s enhanced income diversification strategies and emerging lessons:

At KCDF’s birth, its founders expressly intended that the fledgling organization should not be one hundred percent donor dependent. This consciousness moved the founders to renovate a former Ugandan refugee holding house offered by the Aga Khan Foundation (AKF), and turn it into an office. The former holding house was in a safe, but less desirable part of town. The founders could have instead chosen to rent an office in a more affluent and prestigious part of the city, and ride on the seed money they had negotiated for with the Ford Foundation. AKF had, by that time, emerged as a partner interested in supporting an African foundation to grow. They’d even offered to midwife the new entity until it got its legal status. Having the benefit of an office at inception was a great way of saving the organization a major core cost, and engender a saving culture from the get-go. On its tenth anniversary, KCDF was pleasantly surprised when AKF

decided to transfer the property to the foundation, making it its first endowment asset. This action signalled a consequential statement of confidence in the work the foundation was doing. Over time, the area around the office began to develop, and high-rise buildings began to emerge. That's when ideas around re-developing the plot to create a rental property began to take center stage in some governance conversations. Over time it became clear that this could be a potential area to invest in but also help us diversify our asset base. The major challenge was where to find the resources to make such an investment. Nevertheless, that the office belonged to KCDF was a crucial contribution that the institution could use to leverage funding from donors, further pushing the diversification argument.

In the meantime, the foundation adopted a business culture of not only being prudent with funds and obtaining the best value for money when such funds were deployed, but also investing any idle money that was awaiting programme implementation in cases where the stages of grant making were incomplete. This became possible with proper programme planning and the development of clear workplans, all of which facilitated good financial management with predictable cashflow both internally and with partners. It is this saving and planning culture which enabled the foundation to build reserves over time, eventually becoming the basis for starting to build an endowment for the organization. These internal mechanisms have continued to offer KCDF opportunities to create savings and reserves of cash, and indeed enabled us opportunities to leverage other resources just by being innovative and prudent.

Another matter that needed determination right from the start was the appropriate legal framework for holding KCDF assets in trust, given that these are strictly speaking 'public' assets. Much work and consulting with a leading law firm, led the board to resolve that KCDF would register a Trust under the perpetual law of succession (*The Law of Succession Act - Chapter 160*, 2012), for purposes of holding its assets. The fact that a property had already been donated to KCDF made it a credible proposition to the government. The process of deciding the skills needed at the trust resulted in the selection of seven trustees to exercise oversight. A decision was taken in those early days to ensure that among the original trustees, three were drawn from the foundation so that the perspectives of the foundation were retained as the trust's assets grew. An independent trust also provided public confidence in the foundation's asset management, at a time when corruption scandals were rampant in the country, especially in public institutions. This was also important because KCDF had already started providing matching incentives to communities who agreed to contribute their own resources to invest in a collective fund (i.e., a small endowment fund specific to their agreed issue, like scholarships for their orphans). When these funds were brought to KCDF for management, they would be held in the trust so

completely separate from foundation funds. Establishment of a separate entity for the holding and managing KCDF assets as well as community funds, became an advantage when both the foundation and the trust applied for tax exemption. The government approved the applications, since it was clear that the institutions was performing a public good and had a credible structure, with each entity able to demonstrate clean audits. KCDF's tax exemption has become attractive to corporates who contribute to the foundation's work, and become another instrument that enables it to leverage more resources.

KCDF's efforts to build an endowment were boosted in 2006 when the organization qualified to join a Ford Foundation initiative to strengthen philanthropy globally, making it one of three foundations in Africa to be selected. This opportunity provided KCDF the chance not only to make some institutional governance strengthening interventions, but also to receive a USD 3 million injection into its endowment fund. This came after a strenuous five-year process of demonstrating KCDF's success in raising the required match of USD 1 million. This validated the trust's earlier decision to put in place professional management, when it appointed two globally reputable fund managers. Having received international resources, KCDF understood that as is the case with CSO's elsewhere, such resources always push the accountability yardstick higher. As such, the trust has found it necessary to regularly review its approved investment policy to ensure a considered risk appetite, to guarantee the security of invested capital. The trust also makes a regular determination of an appropriate spending rate ensuring the fund is not only secured, but also growing. Annual audits have continued to be the mechanism to determine what is due to each investor, that is, to KCDF and its individual fund builders, (i.e., the communities and families who have funds invested), to enable then meet the purposes for which these funds were established.

The foundation's continued efforts to build diverse trustworthy partnerships and relationships paid dividends again Rockefeller Foundation (RF) celebrated its centennial year, (2011) and decided to mark their celebration by making flexible grants to 100 outstanding non-profits around the world. Despite never having previously applied for a RF grant (although KCDF had previously accepted to be a fiscal agent for a Pan-African network that received a RF grant), KCDF was selected to receive an undesignated flexible USD 500,000, to put into its area of choice. After overcoming the shock of such a gift, KCDF was finally able to start the long-awaited construction of a new office block. KCDF took this seed capital, and supplemented it with funds from its endowment fund.

A preliminary matter which had to be resolved prior to moving ahead with construction, was to determine where KCDF would be located for the approximately twenty-four months of

construction, until the new building was complete and fully functional. The search for suitable temporary office for that period revealed that the rent would cost almost half the cost of purchasing a decent office space, which did not make financial sense. That led to the decision to purchase 3,000 square feet of office space elsewhere in the city. The office space has become an additional asset for the foundation, where it is housed to-date, and freed up the entire plaza for income generation. These developments would have been impossible were it not for the very prudent approach the foundation and trust had adopted over the years to grow flexible funds, including the decision not to touch endowment yields for at least a ten-year period if all critical core costs could be adequately catered for through different funding sources.

But a major highlight of KCDF's 20th anniversary in 2017 was the official unveiling of what is now known as KCDF House, a five-storey office rental property. A year later, it became clear that a specialized management agent was necessary to ensure that the property was not becoming a pit for the finite time of the foundation. This led the trustees to identify a skilled firm to play this role, and allowing them to retain their oversight function.

The 2007/8 global financial crisis provided many lessons for KCDF. . We also observed US foundation endowments lose significant value. So KCDF's leadership felt the urge to explore additional diversification strategies. In 2012, the foundation established a partnership with a South African foundation experienced in creating operational funds from its investments. The conversation resulted in the formation of a joint investment vehicle, KCDFIH, (known by its acronym) with KCDF holding majority share capital. The question of how this new vehicle would connect with the mother foundation came up again, and it was resolved by appointing relevantly skilled directors from both the trust and the foundation. This investment company eventually bought a 12.5% stake in a real estate/hospitality industry company, which also came with one board position.

It is still early days in the life of this investment experience, but it has already provided several useful lessons to trustees. For instance, this was the first time that KCDF had no control over the culture of the entity in which the joint venture invested, and it did not have veto rights. As a result, KCDF has had to learn alternative ways of influencing decision making in what was originally a family business. KCDF also learned the importance of a tighter management of investments of this nature, as well as the need for non-profits to ensure professional due diligence is undertaken before venturing into commercial activities, since non-profits are likely to approach commercial ventures with more naivety.

But looking more broadly at KCDF’s overall experience in creating these different entities in its journey to diversify its investments and develop governance structures connected to the foundation, a new challenge began to emerge. By this time, several directors and trustees held several overlapping roles, which sometimes compromised their objectivity or created conflicts of interest. To illustrate the problem, a trustee could simultaneously hold a directorship at the foundation, as well as another directorship at KCDFIH, meaning they were playing three distinct roles. This soon became a concern.

In 2019 KCDF undertook a comprehensive review of its investment portfolio with a specialized trust lawyer. That process led to the establishment of an independent management company, which is fully owned by the trust. The name of the new company shares no relation with the KCDF brand by design, another lesson that emerged over time after we observed the reputational risk associated with activities of a more corporate nature. Another key consideration was the appointment of independent directors, who were to be determined based on a set of skills related to the purpose of the new company. Doing this enabled the foundation to realize enhanced objectivity and tighten oversight functions across its investment portfolio, and so increase its chances of achieving each investment’s set targets.

Following my review of the literature, and especially drawing from Ometto et al, and my subsequent reflection, one area that needs attention is the creation of what they refer to as “negotiation” and “herding” spaces in order to keep the investment arm connected to the mission of the foundation, and to improve information flow. Instituting overlapping directors in the different entities was actually an attempt to address this issue but that approach created other challenges. It is clear that the foundation needs to enhance the handling of his issue, in a more structured manner. The foundation may require more capacity in order to create the necessary forums between the entities and ensure better communication and information sharing. Such forums should also enhance opportunities to maintain the connection of these different entities to the foundation’s mission on an ongoing basis.

CONCLUSION

KCDF’s story demonstrates that growing diverse income sources for a non-profit is possible and is best driven from within the organization. Other actors can contribute fuel to the moving train that is the non-profit’s commitment and innovative strategies to free itself from donor dominance. Simple seeming decisions: like how a CSO profiles itself; how it grows its accountability and trustworthiness to both its horizontal and vertical stakeholders; the culture it

propagates in its operations; and the kind of partnerships it builds along the journey all play a role in enabling it to access opportunities to diversify its resource base. The chapter also shows that the approaches a non-profit use in its areas of intervention can also free-up resources that can increase its operational budget, as KCDF's community philanthropy lens has done. Successfully diversifying institutional resources requires prudent decision making, even eschewing being pulled towards what funders are willing to cover, but rather seizing every opportunity to explore best value for money, and holding the long view of the organization, even if it means having a plebian appearance before one's peers.

Diversification approaches begin with proper and faithful management of existing resources and partnerships, as it is always easier to deepen an existing relationship than to start a fresh one. Obviously, this means non-profit staff must take their roles very seriously, theirs cannot be 'just a job'. These roles may demand upskilling as the institution and its complexity grows, adopting a business mindset as a tool to imagine solutions that tend towards financial sustainability. The KCDF experience for me confirm Greg Mills words in his book *Africa Beyond Aid*, that "You can't have a long-term institution without investing in governance as a continuing concern" (Mills, 2005). However, much KCDF has achieved, it will inevitably have to keep a close eye on its governance structures to ensure they are growing and evolving along with the complexity and maturation of its investments. From my experience, good governance is the only way to guarantee that those investments can continue to realize the appropriate returns to enable the foundation to do its work, while also allowing it to focus its day-to-day efforts on its mission.