



**DITIKENI**  
*Investment Company*  
BROAD-BASED EMPOWERMENT

# BROAD-BASED **BEE CHECKLIST**

## THE DITIKENI BROAD-BASED BEE CHECKLIST

### EXECUTIVE SUMMARY

The Ditikeni Broad-based BEE Checklist is a valuable tool to verify the credentials of any broad-based BEE organisation. An organisation that passes the Ditikeni Checklist test, is credibly broad-based.

It supplements, but does not replace, the BEE Codes of Good Practice.

#### THE CHECKLIST COVERS:

##### THE NATURE OF THE BENEFICIARIES

This section checks that the beneficiaries are genuinely broadly-based.

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##### TRANSPARENCY IN THE ORGANISATION

There need be no secrecy in a genuine broad-based BEE organisation.

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##### GOOD GOVERNANCE

Broad-based organisations are required to demonstrate that they are managed honestly and effectively.

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##### EFFECTIVE DELIVERY TO THE BENEFICIARIES

Demonstrable capacity to deliver the benefits of BEE to the intended beneficiaries.

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##### THE ORGANISATION'S TRACK RECORD

This is the test for assurance that the broad-based organisation has a good chance of actually empowering its beneficiaries.

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##### THE CONTROL OF OVERHEAD COSTS

The checklist tests whether overhead costs are reasonable in relation to the ultimate benefits to the beneficiaries.

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##### HEALTHY, EMPOWERING RELATIONSHIPS

Donors and sponsors have a responsibility to ensure that their contributions make the receiving organisation stronger, not weaker and more dependent. Clientism and paternalism are to be avoided.

## THE DITIKENI BROAD-BASED BEE CHECKLIST

The Ditikeni Broad-based BEE Checklist is a valuable tool to verify the credentials of any broad-based BEE organisation. Broad-based BEE organisations themselves may find it helpful to check their own performance against these questions. The checklist does not deal however with the extent to which the subject organisation complies with the BEE Codes of Good Practice - that remains a separate exercise. The Checklist covers what the BEE Codes do not, that is, the bona fides of those organisations which claim to be broad-based.

Scoring is by a simple yes-or-no response, and every "yes" response counts for one point.

Organisations with a sufficiently high score assigned by an independent agency can justly claim to be fully broad-based BEE organisations.

*\*Note: a Ditikeni shareholder, the Labour Research Service, is willing to undertake an independent assessment of any broad-based organisation on request. See [www.lrs.org.za](http://www.lrs.org.za) for contact details.*

BENEFICIARIES		Y/N
1	Are the beneficiaries truly "previously disadvantaged"?	
2	Are the beneficiaries a class of person or a community (and not an individual or group of individuals)?	
3	Have the beneficiaries been defined?	
4	Are the beneficiaries sufficient in number to justify the term "broad-based"?	
<b>TOTAL</b>		

TRANSPARENCY		Y/N
1	Are the founding documents publicly available?	
2	Are the directors or trustees publicly identified?	
3	Are the financial statements publicly available within a reasonable period after the year-end?	
4	Are the financial statements audited, without qualification, in terms of a recognised accounting standard and by a reputable firm of registered chartered accountants?	
5	Does the organisation report at least annually on the organisation's activities as well as finances to its beneficiaries?	
6	Is the Public Officer (or similar) identified and are his or her contact details publicly available?	
<b>TOTAL</b>		

GOOD GOVERNANCE		Y/N
1	Is there a governing board?	
2	Does it have independent members?	
3	Does the board include members either representing or knowledgeable about the communities who are to be supported?	
4	Does the governing board meet at least twice annually?	
5	Is the attendance record of board members satisfactory (at least half of meetings attended)?	
6	Are there clear lines of separation between board and management?	
7	Are the respective powers of authority of the board, the management and other participants clearly set out?	
8	Do beneficiaries have an opportunity to hold the board to account at least once annually?	
<b>TOTAL</b>		

EFFECTIVE DISTRIBUTION OR SERVICE DELIVERY MECHANISMS		Y/N
1	Does the organisation have, in place, either an effective distribution mechanism of its own, or a distribution arrangement through other parties who have such a mechanism in place? Alternatively, a service delivery mechanism.	
2	Can the organisation demonstrate that distributions or service delivery have indeed been made to the correct parties?	
3	Is there clear evidence that the distributions are effectively employed at their final destination? Or that service delivery is efficient at the end of the chain?	
<b>TOTAL</b>		

TRACK RECORD		Y/N
1	Has the organisation evidence of sufficient experience in its chosen field, to give reasonable confidence of success? If not, does it have board members and management with the requisite experience?	
2	Does the organisation have a definite way of measuring its achievements?	
3	Does it regularly disclose how far it has achieved its objectives?	
4	Does it periodically evaluate its progress towards its objectives?	
<b>TOTAL</b>		

COSTS		Y/N
1	Does the organisation disclose sufficient financial information to enable the cost of administration to be calculated?	
2	Is the cost of administration reasonable in relation to the assets, or alternatively to the income, of the organisation?	
3	Are related-party payments (such as commission payments or transaction fees) disclosed separately?	
4	Are such commission and fees reasonable in relation the transaction involved?	
5	Are related party payments approved by the governing board (the related party recusing itself)?	
6	Do board members get paid fees or receive any other benefits, and is this disclosed in detail in the publicly-available annual report?	
<b>TOTAL</b>		

RELATIONSHIPS		Y/N
1	Does the organisation have measures in place to ensure that a "client" relationship with beneficiaries is avoided?	
2	Does the organisation ensure that party political considerations play no role in the allocation of funds?	
3	Ditto sectional interests?	
4	Are the funding (or service delivery) relationships based on sustainability and has the organisation examined carefully the consequences of withdrawal of funding (or service delivery) before it proceeds?	
5	Is the organisation satisfied that its intervention is in the best long term interests of the community concerned?	
6	Is the intervention driven by the needs of the beneficiaries, rather than by the needs of the giving organisation?	
7	If publicity is sought for the organisation's intervention, is this primarily for the benefit of the beneficiary concerned?	
<b>TOTAL</b>		

SCORING		Y/N
1	Was this checklist completed by an independent person?	
<b>TOTAL</b>		

## SCORING

There are 40 questions.  
Score 1 point for every positive answer.  
Convert to a percentage.

SCORE	RATING	COMMENTARY
80% plus	A	Outstanding: this is a credible and responsible broad-based BEE organisation.
60% to 79%	B	A good pass; a little work should be done to get to the next level.
40% to 59%	C	Poor; not acceptable. Progression to the next level will require serious transformation.
0% to 39%	D	Outright fail.

## COMMENTARY ON THE METHODOLOGY

The temptation to over-complicate the Ditikeni Checklist has been avoided. No weighting is given to the various factors, and detailed definitions as well as fixed targets have been avoided. Every organisation is different and there is no wisdom in forcing all into a single pattern. For example, a maximum percentage expenditure on overhead costs is not given here. Reasonable expenditure on overheads will vary from organisation to organisation, and from year to year.

Applied intelligently and with good faith, this Checklist will identify the genuine and expose the bogus broad-based BEE organisations.

Much emphasis has been placed on transparency, because this alone will serve to ensure honesty in the application of the Checklist. Thus disclosure of overhead costs will do much to ensure that a broad-based organisation is genuine.

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