

PROPOSED AMENDMENTS TO B-BBEE CODES: A DOUBLE-EDGED SWORD FOR TRANSFORMATION?

On 29 January 2026, the Minister of Department of Trade, Industry and Competition (the dtic), Mr Parks Tau, published draft amendments to the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice in Government Gazette No. 54032 which are open for public comment until **30 March 2026**. The proposed amendments seek to strengthen Enterprise and Supplier Development (ESD) outcomes and introduce alternative pathways for measurable transformation contributions.

The draft amendments cover an array of statements under Section 9(5) B-BBEE Act, including:

- Draft Statement 000: The General Principles and the Generic Scorecard.
- Draft Statement 004: Scorecard for Specialised Enterprises.
- Draft Statement 103: The Recognition of Equity Equivalents for Multinationals.
- Draft Statement 400: The General Principles of Measuring Enterprise and Supplier Development.
- Draft Statement 600: Codes of Good Practice for Qualifying Small Enterprises (QSEs).
- Schedule 1: Interpretations and Definitions.

Building on the Draft Transformation Fund Concept Document released in March 2025, these amendments aim to substantially and fundamentally reshape the manner in which B-BBEE points are earned. This carries inherent complexities, as the methodology behind the revised point-scoring framework and the rationale for the conclusions reached are not fully transparent.

While each of these instruments sits within a broader legal framework, the proposed Transformation Fund, positioned as an alternative compliance mechanism within the Enterprise and Supplier Development (ESD) and equity equivalent ecosystem, could in principle address persistent inefficiencies where training and infrastructure support flow unevenly, but financial assistance to black-owned entities remain a trickle. The promise of the fund is compelling, because if successful, it would mean that resources are channelled more directly to sustainable operational Black-owned Qualifying Small Enterprises (QSEs) and Exempted Micro Enterprises (EMEs) making tangible differences on the ground, ensuring that money flows to a broader “package of black people” rather than concentrated pockets.

Yet promise alone does not constitute policy certainty. The legal and governance architecture of the Fund remains opaque as any public entity must be established under the Public Finance Management Act (PFMA) or Public Service Act, complete with a feasibility study, parliamentary approval, and National Treasury sign-off, especially if the funds are handled outside the auspices of the National Revenue Fund.

KEY PROPOSED CHANGES

1. Introduction of the Transformation Fund as an Alternative Compliance Mechanism

The most consequential proposal in these amendments relates to establishment of a Transformation Fund whose legal status is unclear under Draft Statement 400, Clause 2.4, which provides that measured entities may elect to contribute an annual value of 3% of Net Profit After Tax (NPAT) to the Transformation Fund, instead of executing their own direct ESD spend.

For context, under the existing framework, entities earn a maximum of 15 core points, typically 5 points for 1% NPAT directed to Enterprise Development (ED) and 10 points for 2% NPAT directed to Supplier Development (SD), with potential bonus points. Under the proposed Transformation Fund route, entities secure up to 20 weighting points without sufficient transparency on how those funds are allocated or adequately accountability mechanisms that are commensurate with the scale of the funds involved.

2. Revised Preferential Procurement Targets (Code Series 500)

The proposals introduce more differentiated and outcome-focused targets under the Preferential Procurement scorecard:

Description – Preferential Procurement	Current Scorecard		2026 Draft Gazette	
	Target	Weighting Points	Target	Weighting Points
B-BBEE Procurement from all suppliers	80%	5	80%	5
B-BBEE Procurement from all suppliers that are QSEs	15%	3	15%	1
B-BBEE Procurement from 100% Black-owned QSEs	N/A	–	15%	2
B-BBEE Procurement from all suppliers that are EMEs	15%	4	15%	2
B-BBEE Procurement spend from 100% Black-owned	N/A	–	15%	2
B-BBEE Procurement from all suppliers that are at least 51% black owned	50%	11	N/A	–
			25%	3
B-BBEE Procurement from all suppliers that are 100% Black owned	N/A	–	25%	7
B-BBEE Procurement from all suppliers that are at least 30% Black women owned	12%	4	12%	2
			12%	3
Total Points before bonus points	27	27	27	27
Bonus Points: B-BBEE Procurement spend that are at least 51% owned by Black Designated Group Suppliers	2%	2	N/A	2
Bonus Points: B-BBEE Procurement from suppliers that are 100% owned by Black Designated Group Suppliers	N/A	N/A	10%	2
Total Points	27	27	27	27 + 2
Total Points	27 + 2		27 + 2	

3. Enhanced Bonus Incentives for Supplier Enablement

Additional bonus points are proposed for measured entities that:

Description	Current Scorecard		2026 Draft Gazette	
	Target	Weighting Points	Target	Weighting Points
Annual value of all Supplier Development as a % of the target informed by a needs analysis	2% of NPAT	10	2% of NPAT	10
Annual value of all Enterprise Development as a % of the target informed by a needs analysis	1% of NPAT	5	1% of NPAT	5
OR				
Annual value of Enterprise and Supplier Development contribution to the Transformation Fund	N/A	—	3.00% of NPAT	20
Total Points before bonus points	15		15	15 / 20
Bonus Points for graduation of one or more ED beneficiaries to Supplier Development level	Y/N	1	N/A	—
Bonus Points for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	Y/N	1	N/A	—
Bonus Points: A recipient of ESD contribution and/or a 100% Black owned QSE/EME, and a first-time supplier that has a minimum 3-year contract with the Me	N/A	—	Y/N	2
Bonus Points: Average turnover and job-creation growth of at least 10% per annum for a period of a three-year contract for all on-boarded first timesuppliers	N/A	—	Y/N	2
Total Points	15 + 2		15 / 20 + 4	

4. Strengthened Verification and Reporting Requirements

To claim ESD points (including opting for the Transformation Fund), entities must submit the following:

- A formal needs analysis
- Performance metrics with clear outputs and outcomes
- An annual monitoring and evaluation report verified by the Verification Agency

- Contributions to the Transformation Fund must be informed by a needs analysis

5. Equity Equivalent Provisions for Multinationals

Draft Statement 103 recognises contributions to the Transformation Fund as a qualifying programme under the Equity Equivalent Investment Programme. However, it does not provide any mechanism or clear explanation of how such contributions will be implemented, measured, or recognised.

OVERALL CONCLUSION

The Transformation Fund represents a bold and potentially transformative idea in South Africa's ongoing quest for economic redress. By centralising a portion of Enterprise and Supplier Development (ESD) contributions into a single, aggregated vehicle aimed at mobilising up to R20 billion annually over five years toward majority black-owned enterprises, it directly confronts persistent deficiencies in the current B-BBEE framework. These include fragmented spending, inconsistent impact on grassroots black businesses, limited financial flows to operational entities (as opposed to training or infrastructure alone), and the challenges of scaling support for exempted micro-enterprises (EMEs) and qualifying small enterprises (QSEs).

In principle, this shift could address long-standing ESD inefficiencies by creating a more streamlined, high-impact channel for resources, potentially accelerating inclusive growth, value-chain participation, and job creation in underserved sectors. The promise of a state-private partnership-managed Special Purpose Vehicle (SPV), with oversight mechanisms, hints at a move toward greater aggregation

and accountability, provided that governance is robust and transparent.

However, the draft amendments and accompanying Concept Document fall short in clearly articulating these deficiencies or providing strong evidentiary basis for why this centralised model will outperform company-led initiatives. The explanatory materials lack detailed needs analyses, success metrics from pilot projects, or comprehensive modelling of how the fund will outperform existing ESD outcomes in delivering substantive empowerment.

This lack of clarity raises legitimate questions about whether the fund truly fixes root causes or merely relocates them to a single, state-influenced pot. However, it is only implementation that determines the shortcomings or successes of any framework. Whether the Transformation Fund can offer a second chance for inclusive reform will ultimately depend on the strength of its governance, transparency, and accountability mechanisms.

WHAT IS THE EFFECTIVE DATE FOR THE PROPOSED B-BBEE AMENDMENTS?

The latest proposed updates to the B-BBEE Codes are still only drafts at this stage. Here's the current timeline:

29 January 2026	Drafts published in Government Gazette No. 54032
30 March 2026	Public comments close
TBD	DTIC reviews feedback and finalises

Only once gazetted will the new rules become law and take effect. No confirmed implementation date is available yet. It's smart to start thinking about the impact now rather than waiting. The reality of implementing the Transformation Fund with full compliance with the PFMA and the Public Service Act puts the effective date in the next 24 months (at best) if not more, as the BBBEE Codes or the BBBEE Act does not have the power to establish a new public entity or SPV (owned and controlled by the State) without going through an Act of Parliament and the National Treasury approval. Furthermore, no public entity can open a bank account without National Treasury approval, which was not indicated in the budget speech nor in the State of the Nation Address. Tax approval of the Transformation Fund also needs to be obtained after it is properly established as a fully-fledged public entity. It makes no practical sense to have an implementation date of the changes to the B-BBEE Codes when the Transformation Fund legal and governance structures are not established and solidified.

HOW EMPOWERDEX RESEARCH AND ADVISORY SUPPORT YOUR BUSINESS?

We help companies move past simple checkbox compliance and build practical B-BBEE plans that fit real business needs. Our team can support with:

- Checking and adjusting your procurement spend targets so they match your current suppliers.
- Turning the draft rules into clear, workable business actions and testing different scorecard options to see outcomes before you commit.
- Reviewing your existing programmes to check if they will meet new proof and results requirements, creating strong supplier and enterprise development strategies, and making sure everything is ready for verification with proper records and evidence.

If you want to see how these draft changes could affect your B-BBEE level, supplier choices, or overall transformation goals, get in touch.

Get in touch with Empowerdex Research & Advisory today

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