



JANUARY 2026 DRAFT AMENDMENTS TO THE B-BBEE CODES: AN EXERCISE IN MEASURED REFORM

The publication of the January 2026 draft amendments to the Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice, gazetted under Government Gazette No. 54032 on 29 January 2026, represents a considered evolution of South Africa's transformation framework. The amendments attempt to reconcile two competing imperatives that are often difficult to hold in balance: the introduction of a new, centrally administered Transformation Fund on the one hand, and the preservation of the integrity of the balanced scorecard – with continued recognition of existing initiatives – on the other. On balance, this has been managed more successfully than might initially have been expected.

The draft amendments, issued by the Minister of Trade, Industry and Competition, Mr Parks Tau, reflect an intent to deepen the quality, scale, and measurability of empowerment outcomes. Importantly, they do so without displacing responsibility solely onto the private sector. There is a clear policy signal that government and business alike are expected to play a role in maximising the returns generated from transformation spend, rather than treating compliance as an end in itself.

From Activity to Impact

A consistent theme running through the draft amendments is a deliberate move away from activity-based compliance toward demonstrable impact. The message is not subtle: the mere allocation of funds or the execution of isolated initiatives is no longer sufficient. All parties to an Enterprise and Supplier Development (ESD) relationship are expected to take accountability for the success—or failure—of the intervention.

This intent finds expression in the proposed changes to Draft Statement 400 of 2026, which introduce a markedly more structured approach to ESD. The requirements for formal needs analyses, defined performance indicators, ongoing monitoring and evaluation, and verified outcome reporting prior to the recognition of points materially raise the standard of participation. While this will undoubtedly increase the administrative burden associated with private-sector ESD initiatives, it does provide greater certainty that contributions are strengthening black-owned enterprises and supporting sustainable job creation, rather than merely satisfying spend thresholds.

The Transformation Fund: Scale With Simplicity

The most consequential amendment is, without doubt, the formal introduction of the Transformation Fund as an alternative compliance mechanism under the Enterprise and Supplier Development element. Measured entities are afforded the option of contributing 3% of Net Profit After Tax to the Fund in exchange for a full allocation of ESD points, in place of the existing 2% Supplier Development and 1% Enterprise Development targets.

From a compliance perspective, this does not increase the overall burden on measured entities. In fact, given the newly proposed monitoring and evaluation requirements tied to traditional ESD initiatives, the Fund may well emerge as the more administratively efficient route for entities lacking the internal capacity to manage complex development programmes. From a policy perspective, the pooling of capital introduces the possibility of interventions at a scale that has historically been difficult to achieve—whether in relation to the funding of growth-stage black-owned industrial businesses, supplier industrialisation, or job-rich sectors aligned with national priorities. It is a pragmatic compromise between flexibility for business and developmental ambition.



Procurement: Rewarding Depth Over Breadth

The draft amendments also rework procurement targets to more deliberately reward depth of transformation. Increased weighting for procurement from 100% black-owned EMEs and QSEs, 100% black women-owned enterprises, and long-term first-time black suppliers with measurable turnover and employment growth reinforces a clear policy preference for fully black-owned and sustainably empowered suppliers. The introduction of clearer differentiation between levels of black ownership is welcome. It encourages more deliberate supplier strategies without entirely dismantling the existing procurement framework, preserving continuity while refining incentives.

The Balancing of the Scorecard

The introduction of any new points or level-earning initiatives to the B-BBEE Scorecard is inherently difficult, as it necessarily dilutes the weighting of existing elements. The placement of the Transformation Fund within the ESD element—already commanding a substantial portion of total points—left **the dtic** with limited room to manoeuvre. They have navigated this constraint reasonably well.

Positioning the Transformation Fund as an alternative to the Enterprise and Supplier Development subcategories preserves overall balance, while the allocation of an additional five points modestly tips the scales. The relative impact on other elements is contained. The Ownership element, for example, now accounts for approximately 22.12% of the total scorecard, compared to 22.93% previously (excluding bonus points). This marginal adjustment appears to be an acceptable trade-off when viewed alongside the strengthened focus on black ownership within Preferential Procurement.

Areas of Concern

There are, however, drawbacks. The draft documents contain several obvious drafting errors. These are, in the main, easily correctable and are unlikely to persist in the final gazette.

More substantively, the administrative demands placed on private-sector ESD initiatives may result in a greater proportion of funds being diverted toward compliance rather than beneficiaries. In addition, the procurement targets requiring QSEs to source a significant portion of spend from 100% black-owned suppliers may prove overly ambitious.

QSEs, by their nature, possess limited buying power and are often poorly positioned to reshape supply chains or exert ownership pressure on suppliers.

Conclusion

While the draft amendments are not yet law, their direction is broadly constructive. They reinforce:

- Outcome-based empowerment
- Simplified yet accountable compliance pathways
- Deeper and more deliberate transformation incentives
- Improved coherence across enterprise sizes

If implemented with balanced guidance and a pragmatic appreciation of capacity constraints, the January 2026 draft amendments have the potential to strengthen both the credibility and developmental impact of the B-BBEE framework—for the broader economy, empowered enterprises, and responsible corporate participants alike.