



Presentation by the CSCC CEO Thabo Masombuka

FRONTING:

Lessons from BBBEE gone wrong

EVOLUTION OF FRONTING



HOW FRONTING EVOLVED

- In the aftermath of the 1994 political dispensation
- More and more businesses took advantage of demographic era and claimed relevance
- Emergence of new names identical to indigenous identity
- “Zama-Zama”, ‘Bafana-Bafana’ , ‘Siya-Qhuba’ , ‘Woza-Woza’ ’
- These names were inherently misleading – to the extent that they created an impression of “indigenous/Black owed” – The contrary is the case.
- These trends provided a fertile ground for DIRECT FRONTING
- Misleading identity. Creating an impression of something that is not was the case.

FRONTING DEFINED



The BBEE Amendment Act defines fronting practice as;

- *Transaction, arrangement or other act*
- *Direct or indirectly undermines or frustrates*
- *Achievement of the objectives of Act*
- *Black persons who are appointed and discouraged/inhabited from participation*
- *To deprive- economic benefits*

The misrepresentation of facts regarding the extent of the company's compliance and any practices in contravention of the B-BBEE Act and B-BBEE Codes of Good Practice

CATEGORIES OF FRONTING



INDIRECT FRONTING : WHERE THE VICTIMS DO NOT KNOW

When Black people are listed as shareholders and executives, but are unaware of their participation within the enterprise.

“In most of these fronting cases, victims are often black women and disabled persons in rural areas with no knowledge of their rights and obligations. As a result of this misrepresentation of facts, the culprits then claim “impressive empowerment status” that end up winning them lucrative tenders and contracts.”

- Other than **ADVOCACY** - Not much can be done
- Awareness about the effect of fraud & criminal liability
- Usually outside the control and knowledge of authorities



DIRECT FRONTING : OUGHT TO HAVE KNOWN, BUT FOR ECONOMIC CONDITIONS

“how do you tell a person who has never had an income for the better part of his/her life that receiving an income, for virtually doing nothing is in fact an offence”

- This is rooted on the socio-economic realities
- Primarily informed by poverty and hunger
- The victims are desperate to become economically active

Prevalence in the construction sector ;

- **Sub-contracting & Joint Venturing, manifest itself through :**
 - *Squeezed pricing margins & BOQ*
 - *Poor and unfair working conditions*
 - *Take it or leave situations*



DIRECT FRONTING : KNOWINGLY & DELIBERATELY

“These are persons who are knowingly aware of the implications of their actions and have reconciled themselves with these.

Like MATCH-FIXERS in football, they pride themselves for making money without virtually doing anything”

- **They don't care about them.**
- **They actively solicit fronting transactions at a fee**

*They actively seek the award of public sector contracts
Sell these without lifting a finger on site*

- **They make use of such to finance lavish lifestyles**
- **This has an effect of diluting transformation efforts**