

MEDIA RELEASE

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FRONTING CONTRIBUTES TO SLOW ECONOMIC TRANSFORMATION – DEPUTY MINISTER MASINA

The Deputy Minister of Trade and Industry, Mr Mzwandile Masina says one of the factors contributing to the slow pace of economic transformation is fronting. Masina was speaking at the Broad-Based Black Economic Empowerment (B-BBEE) conference on fronting practices held in Midrand today.

The conference was meant to provide the overview of the Broad-Based Black Economic Empowerment Act, the scourge of fronting practices and the recently-launched Black Industrialists Programme.

“It is sad that fronting occurs in all areas of B-BBEE, and takes forms that have become even more sophisticated and look legitimate. For instance, we see trends in B-BBEE equity deals structures with no economic value flowing to black people, but companies continuing to benefit from government contracts,” said Masina.

Masina said black shareholders at times are used for bidding purposes and when they raise concerns on noticing the treatment after the contract was awarded, they are subjected to lengthy legal processes that exhaust the little finances they have or are forced to dilute shareholding or exit. He said most were reduced to mere employees with no shareholders rights that they are entitled under the Companies Act.

According to Masina, companies are creating schemes which identify black people as beneficiaries, and at times the said people do not even know they are beneficiaries.

“The use of trusts with the executives of the companies that created such trusts being trustees, and influencing all activities of the trust, has become prevalent as well. Employees are at times being made shareholders merely on paper to get higher B-BBEE rating,” he added.

Masina also said the B-BBEE Commission has now been established to deal with practices such as fronting. Over and above, it is set up to monitor that B-BBEE is implemented to achieve the goals it was adopted for.

Speaking at the same conference, the Acting Commissioner of B-BBEE, Ms Zodwa Ntuli said as the commission, it was key to their mandate that BEE was no longer for a few people in business but it must be a reality to everyone who is economically active.

She said today’s conference kick-started their education and awareness campaign that will assist in gathering inputs from everybody and drive the message of the commission forward.



Figure 1 Deputy Minister Masina addressing the B-BBEE fronting conference in Midrand today.

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