



South African Institute of Race Relations
The power of ideas

2015

86th ANNUAL REPORT





SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC

86th ANNUAL REPORT

1 JANUARY TO 31 DECEMBER 2015

MARCH 2016

PUBLISHED BY THE
SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC
2 CLAMART ROAD
RICHMOND
JOHANNESBURG
2092 SOUTH AFRICA

COMPANY REGISTRATION NUMBER: 1937/010068/08
NON-PROFIT REGISTRATION NUMBER: 000-709-NPO
PUBLIC BENEFIT ORGANISATION NUMBER: 930006115

P O Box 291722
Melville
2109 South Africa
Telephone: 011 482 7221
Telefax: 011 482 7690
E-mail: info@irr.org.za
Website: <http://www.irr.org.za>

ISBN 978-1-86982-604-8
PD 1/2016

Printed by Topgear Stationers

Cover design by The Worx Group

COUNCIL

<i>President</i>	: Professor Jonathan Jansen
<i>Vice President</i>	: Professor Hermann Giliomee
<i>Chairman of the Board of Directors</i>	: Mr Theo Coggin
<i>Audit Committee Chairman</i>	: Mr Tom Wixley
<i>Honorary Legal Adviser</i>	: Mr Derek Bostock
<i>Representatives of Members:</i> <i>Honorary Life</i>	: Mr Benjy Donaldson Professor Elwyn Jenkins
<i>Individual</i> <i>Gauteng</i>	: Mr Francis Antonie Mr Oliver Barker Mr Jack Bloom MPL Mr Martin Brassey SC Mr Peter Joubert Mr Peter Leon Mr Peter Letselebe Ms Colleen McCaul Mr Ishmael Mkhabela Professor Charles Simkins Mrs Jill Wentzel Mr Tom Wixley
<i>Limpopo, Mpumalanga, and North West</i>	: Mr Brian Kane-Berman
<i>Northern Cape and Free State</i>	: The Right Reverend Thomas Stanage
<i>Western Cape</i>	: Mrs Jenny Elgie Mr Andrew Kenny Dr Helen van der Horst
<i>Eastern Cape</i>	: Professor Valerie Moller
<i>KwaZulu-Natal Inland</i>	: Mr Graham McIntosh
<i>KwaZulu-Natal Coastal</i>	: Professor Peter Robinson
<i>Foreign</i>	: Dr Rudolf Gruber Ms Reina Steenwijk
<i>Corporate/Company</i>	: Mr Roger Crawford Mr David Lewis Mr Garth Towell
<i>Institutional</i>	: Dr Norris Dalton Mr Roger Godsmark Mr Mike Myburgh Mr Harry Rutenberg
<i>Chief Executive</i>	: Dr Frans Cronje

BOARD OF DIRECTORS

Chairman	: Mr Theo Coggin
Audit Committee Chairman	: Mr Tom Wixley
Honorary Legal Adviser	: Mr Derek Bostock
Representative of Corporate/Company Members	: Mr Roger Crawford
Representative of Institutional Members	: Mr Mike Myburgh
Representatives of Individual Members	: Mr Peter Campbell Mr Theo Coggin Mrs Jenny Elgie Mr Peter Joubert Mr Peter Letselebe Mr Ishmael Mkhabela Professor Charles Simkins Mr Douglas Taylor Mr Garth Towell
Chief Executive	: Dr Frans Cronje

AUDIT COMMITTEE

Chairman	: Mr Tom Wixley
Members	: Mr Derek Bostock Mr Peter Campbell Mrs Jenny Elgie Mr Douglas Taylor

REMUNERATION COMMITTEE

Chairman	: Mr Roger Crawford
Members	: Mr Peter Campbell Mr Ishmael Mkhabela Professor Charles Simkins Mr Garth Towell

INVESTMENT COMMITTEE

Members	: Mr Peter Joubert Mr Ian Cruickshanks
---------	---

SOCIAL AND ETHICS COMMITTEE

Chairmen	: Mr Derek Bostock Mr Douglas Taylor
Members	: Dr Frans Cronje Dr Anthea Jeffery Mrs Rhona le Roux Mr Sherwin van Blerk

PERSONNEL

Chief Executive	: Frans Cronje Susanne Eusman, PERSONAL ASSISTANT
Head of Finance	: Rhona le Roux
Head of Bursaries	: Pule Motaung Marion Gordon, SENIOR BOOKKEEPER William Francis, MAINTENANCE & SAFETY CLERK Haley Jimmie, RECEPTIONIST Patricia Seheri, CLEANER
Head of Marketing	: Sherwin van Blerk
Head of Centre for Risk Analysis	: Boitumelo Sethlatswe Natasha de Oliveira, ACCOUNT MANAGER
Head of Policy	: Anthea Jeffery Carol Archibald, RESEARCH ASSISTANT Cilliers Brink, POLICY FELLOW Rabelani Dagada, POLICY FELLOW John Endres, POLICY FELLOW Sara Gon, POLICY FELLOW Phumlani Majozi, POLICY FELLOW Rian Malan, POLICY FELLOW Paul Pereira, POLICY FELLOW
Head of Research	: Lerato Moloji
Deputy Head of Research	: Roshuma Phungo
Head of Information	: Tamara Dimant Ian Cruickshanks, CHIEF ECONOMIST Thuthukani Ndebele, ANALYST AND FAST FACTS MANAGER Kerwin Lebone, ANALYST AND KEY ACCOUNT MANAGER Gabriela Mackay, ANALYST AND KEY ACCOUNT MANAGER Gerbrandt van Heerden, ANALYST AND KEY ACCOUNT MANAGER Tawanda Makombo, JUNIOR ANALYST Unathi Matwasa, JUNIOR ANALYST Alfred Nkungu, RESEARCHER Martin Matsokotere, TYPESETTER Sarah Zwane, PRODUCTION SECRETARY John Kane-Berman, CONSULTANT Donwald Pressley, CONSULTANT Conrad Steenkamp, CONSULTANT Laureen Bertin, COPY EDITOR Jenny Mostert, COPY EDITOR Willemien Klinger, COPY EDITOR Siyasanga Rini, INTERN Moratuwa Mthimkhulu, INTERN Baba Mafiri, INTERN Sashe Weelson, INTERN Kaylea Sher, INTERN Erin Richards, INTERN Lyndal Whiting, INTERN
Head of Media and Public Relations	: Mienke Steytler Chelsea-Summer Lodewyk, MEDIA AND PR MANAGER

HONORARY LIFE MEMBERS

Mrs Elisabeth Bradley
Dr Norman Brown
Mr Benjy Donaldson
Professor John Dugard
Mr Rainer Erkens
Professor Elwyn Jenkins
Mrs Winnie Makhalemele

PRESCRIBED OFFICER

Mrs Rhona le Roux

BURSARY SELECTION COMMITTEE

Chairman : Dr Bethuel Sehlapelo
Representatives of academic
institutions : Mr Matome Maake
Mr Vusi Shongwe
Community representative : Mr Ishmael Mkhabela
Institute representative : Mr Pule Motaung

FRIENDS OF THE SOUTH AFRICAN INSTITUTE OF RACE RELATIONS INC

(Incorporated in the United States of America)

Board of Directors

Chairman : Dr Frans Cronje
Treasurer : Mr Ed Stewart
Members : Mr Josh Berkowitz
Dr Chester Crocker
Mr Peter Honey
Mr Walter Kansteiner
Mr Dan O'Flaherty
Mr Hank Slack

SPONSORS AND DONORS

AfriForum

Anglo American Chairman's Fund

Elisabeth Bradley Trust

FirstRand Foundation

Friedrich Naumann Foundation for Freedom

George Laurence

Haggie Charitable Trust

International Republican Institute/National Endowment for Democracy

Johannes van der Horst

Julian Ogilvie Thompson

Oppenheimer Memorial Trust

Peter Joubert

Royal Belgian Embassy

Trencor Services

Bursary Funds

American Chamber of Commerce in South Africa
Berkowitz Family Scholarship Fund
Clive Beck Education Trust
Durban Thekwini Bursary Fund
Giannopoulos Bequest
Horace Coaker Fund
Hungjao Bequest
Isaacson Foundation Bursary Fund
Johnson & Johnson Medical Bursary Fund
Luthuli Memorial Foundation Fund
Oppenheimer Memorial Trust
Reginald Smith Memorial Trust
Robert Shapiro Trust
Senior Bursary Fund
Shirley Simons Fund

Tax-free donations

Donations to the IRR are tax-deductible in the hands of donors under Section 18A of the Income Tax Act.

They are also exempt from donations tax.

Bequests are exempt from estate duty.

Please contact the Chief Executive should you wish to make a donation or bequest.

CONTENTS

A consistent voice of reason in a hostile policy climate	11
Property rights	14
On empowerment and transformation	16
On social policy	18
On growth-focused policies	21
Foreign affairs	25
Other policy areas	26
Our impact	26
Reports and submissions released in 2015	26
<i>@Liberty</i>	26
Written and oral submissions	27
The <i>RiskReport</i>	28
<i>Fast Facts</i>	29
Occasional reports	31
<i>South Africa Survey</i>	31
Media and Public Relations	32
Free Society Project	32
Media interviews and citations	32
Opinion articles and columns in newspapers	33
Media releases	33
IRR TV and social media	34
Briefings on policy issues	34
Centre for Risk Analysis	34
Bursaries	35
Governance and Compliance	35
Office Bearers	35
Elections	35
Finance, Administration, and Staff	35
Finance and administration	35
Staff	36
Thanks	36

CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING OF MEMBERS OF THE IRR ON MONDAY 6 JUNE 2016

Mr President, Members of the IRR, I have pleasure in presenting this report to you. The attached annual financial statements cover the financial year ended 31 December 2015. The narrative report is written in the main to reflect developments in 2015, with some limited comments on subsequent events.

A consistent voice of reason in a hostile policy climate

The exchange rate is sometimes described as the share price of a country. The sharp decline in the value of the rand over the past year is thus indicative of how perceptions have shifted on South Africa. More people and organisations are now concerned about the country's prospects than at any point in the past 20 years.

Some in the government say that the rand has long tracked commodity prices, so the slide in its value has much to do with falling commodity prices and mirrors similar currency declines in other mining countries. That is partly true, of course. But it also ignores the fact that the government has itself been guilty of some extremely counter-productive policy-making. Examples from 2015 alone stretch from the Expropriation Bill to the Protection of Investment Act, the Copyright Amendment Bill (which has major implications for patent rights too), damaging new immigration and visa regulations, proposed minimum wage legislation, proposed ceilings on the size of commercial farms, and President Jacob Zuma's decision in December to fire the former finance minister, Mr Nhlanhla Nene. As the IRR has often pointed out, the government makes too much of tough global conditions – and overlooks all that it could itself do to change damaging policies and improve South Africa's economic prospects.

Writing in the *Sunday Times*, we also pointed out that the current commodities slump may last for much longer than most analysts think. The critical issue is the way in which the structure of China's economy is changing. China's focus used to be on expanding infrastructure to fuel economic growth: a strategy that resulted in a massive demand for commodities. Now it wants to shift to a more internally-focused economy, built around domestic consumption. The implications for commodity exporters are likely to be profound.

At the height of the commodities boom, China was consuming up to 60% of the world's concrete and more than half of its steel production. Now, however, it needs far fewer commodities to grow as its urban middle class expands. Some estimates suggest that this middle class could rise from 50 million in 2000 to 400 million in 2030. On this basis, China's urban middle class will soon exceed the entire population of the United States of America. Chinese domestic consumption is thus growing very quickly – which helps explain why a significant number of Apple's top global stores are now to be found on the east coast of China. The implication is that China will continue to rack up respectable rates of economic growth even as its investment in infrastructure levels and its consumption of commodities slows. China is also benefiting from this slowdown, which is allowing it to obtain the commodities it needs at much lower prices than before.

What is the import for South Africa? If our thinking on China is accurate (and India does not rise to take up the commodities slack), then global commodity prices will remain lower for longer than many analysts expect. Yet the modern South African economy was largely built around commodities. The downside has been a resource 'curse', because

the windfalls that commodities have regularly produced have helped extend the shelf-life of a long series of more or less inept governments.

We can see the effects over the past 20 years, during which there has been no real incentive for the government to position South Africa as a truly competitive investment destination or manufacturing exporter. The ruling party didn't need to focus on these needs because commodities were doing enough to keep the economy ticking along. They were also helping to bring debt levels down, which meant the resulting savings could be used to increase spending on social protection. This helps explain why, of South Africa's top ten export products today, very few are manufactured products. The rest are dug out of the ground. So, if a commodities comeback is off the table, South African policy makers face a very serious problem.

That problem will play itself out in lower growth rates and revenue collections, which will coincide with rising public debt and higher interest rates. The fiscal space to fund South Africa's expansive welfare system will be eroded, just as job growth slows and the demand for increased social protection goes up. Add the worst drought in decades and a sharply weakening currency – and the political ramifications of the growing economic crisis are likely to be considerable.

Think-tanks such as the IRR exist to help solve policy problems. With the impact of bad policies becoming ever more apparent, so the policy climate is becoming more open to our ideas. We believe the IRR can now exert a considerable influence on the policy decisions of the government. Specifically, we see an opportunity to exploit the commodities slump to help convince policy makers of the need for policy changes that will position South Africa as a truly competitive emerging market.

Such a repositioning, as we have already advised the government, needs to be built around new fixed investment in re-industrialisation projects, an expanded manufacturing base, large scale commercial agriculture, and hi-tech services. We also need to exploit South Africa's tourist potential to the full, with the help of the weak rand. But we have also warned the government that investment and expansion will occur only if it fully accepts the need for a market economy, excellent education, a thriving private sector, and the continued expansion of property rights.

As things stand, South Africa ticks none of these boxes. Interference in the market economy is growing. Education standards are far too low. The private sector is increasingly hemmed in by counter-productive regulation. Property rights are under threat in almost all areas of economic activity. The freedom of the individual and freedom of speech are also under threat.

If we are to start ticking more of these boxes, major policy reform will be needed. Tinkering with policies that have already failed in the hope of securing vastly improved economic results will not work. What is necessary is wholesale reform: a fundamental and profound rethinking of how to structure and expand the South African economy.

Think-tanks such as the IRR exist to help solve policy problems. With the impact of bad policies becoming ever more apparent, so the policy climate is becoming more open to our ideas. Specifically, we see an opportunity to exploit the commodities slump to help convince policy makers of the need for policy changes that will position South Africa as a truly competitive emerging market.

The need for change is ever more urgent. To press home this point, we have highlighted the correlation between 'the leading indicator' compiled by the South African Reserve Bank and the rate of economic growth – and tracked the relevant data all the way

back to 1960. The correlation between the leading indicator and the growth rate is nearly perfect, for the peaks and troughs in both correspond very neatly with one another. After the 2008 global financial crisis, the leading indicator soon rebounded to its pre-crisis levels. However, since 2011, it has been sliding downwards. At the same time, annual economic growth rates have dropped to levels below 2% of GDP – with a yet more meagre 1.3% recorded in 2015. In the past, the longest downward slide in the leading indicator was evident in the years from the Rubicon speech in August 1985 to the negotiated settlement in the early 1990s. This suggests that reforms as far-reaching as those in the early 1990s are necessary to return South Africa to respectable

Reforms as far-reaching as those in the early 1990s are necessary to return South Africa to respectable levels of economic growth. In the 1990s the reforms had to be political. Now they must be economic.

levels of economic growth. In the 1990s the reforms had to be political. Now they must be economic.

The IRR's role is thus clear. We need to exploit the economic crisis triggered partly by low commodity prices to help political leaders and policy makers identify and implement the policy reforms necessary to increase competitiveness, raise the growth rate, and bring about better living standards for all South Africans.

Our proposals to bring about the necessary policy shifts are now under active consideration by various policy makers in the government. We are also seeing more impact for our policy suggestions right across the political spectrum. This is an encouraging development – and one we will continue to build strongly on.

Though talking to politicians is useful, this is not our primary objective. What we most need at this stage is to shift the intellectual climate in the country until it becomes ripe for reform. Former President FW de Klerk could not have called his 1992 referendum, asking whites if they wanted his reforms to continue, until he was reasonably sure that he would win. Likewise, reformers in the government are unlikely to make any dramatic moves until they are reasonably confident that the public will embrace the changes they put forward.

We are fairly certain that we can convince a number of prominent political leaders of the need for comprehensive reform. But we must also be able to assure them that the public will embrace their reforms and this is not yet clear.

The leftist view that the state must direct the economy – and that redistribution is a better option than growth – has gained far too much ground in shaping the intellectual climate over the past 20 years. Many in the government and the ruling party have become convinced of this mantra, which helps explain why we keep making the wrong policy decisions. Yet very few people understand how critical the intellectual climate is to the success of any reform initiative.

We are fairly certain that we can convince a number of prominent political leaders of the need for comprehensive reform. But we must also be able to assure them that the public will embrace their reforms.

Most of our efforts in the past year have thus been focused on winning public support for reformist ideas. Our media, policy, and research staff have achieved extraordinary successes here in reaching out to the public (as shown by the data cited later in this report). It is no exaggeration to say that the IRR's communication efforts provide a best-practice example of how think-tanks can disseminate ideas to a very broad audience.

Central to our success is our own strong ideological grounding. Our commitment to the classically liberal tradition informs all our analysis. The world has only one set of economic rules and there is only one set of policies that are capable of transforming poor societies into rich ones. These are policies that make economic growth the overriding priority, ensure the primacy of markets in directing economic activity, deliver high quality education and skills, strongly protect property rights, and allow individuals the freedom to make decisions regarding their own lives. We stand for all these things – and because of this we often stand alone in the South African policy debate.

Property rights

Our year on the policy front kicked off when the revised Expropriation Bill was tabled in Parliament in January 2015. The Bill sought to oust the jurisdiction of the courts by stating that expropriated owners would be able to contest the amount of compensation offered by the state, but not the validity of the expropriation. It also sought to limit access to the courts by providing that owners who failed to sue for increased compensation within 60 days would be deemed to have accepted the compensation offered by the state.

In March 2015 we published an *@Liberty* policy paper challenging the constitutionality of the Bill. We also embarked on a public campaign against the Bill, during which we released a number of press statements highlighting its flaws and addressed various political and business audiences on the risks it posed, while advising them on strategies and arguments to oppose it. We also sent a written submission to the relevant parliamentary committee and drew up an alternative bill that would be fully compliant with the Constitution and less damaging to the economy. This alternative bill was presented to business, media, political, and diplomatic audiences, who were encouraged to make use of it in their own advocacy efforts. Both our submission and our alternative bill were also sent to many business organisations and most political parties.

We were later invited to brief the Portfolio Committee on Public Works, while the Bill was subsequently amended to address many of the IRR's concerns. Some of the most problematic provisions were removed, while others were inserted, so as to guarantee, in particular, that expropriated owners would have access to the courts on both the validity of an expropriation and the compensation payable. This was a major success – and it demonstrates that well-executed and well-resourced policy campaigns can deliver results.

The world has only one set of economic rules and there is only one set of policies that are capable of transforming poor societies into rich ones. These are policies that make economic growth the overriding priority, ensure the primacy of markets in directing economic activity, deliver high quality education and skills, strongly protect property rights, and allow individuals the freedom to make decisions regarding their own lives.

However, the state remains intent on undermining property rights, as we saw with the signing into law in December 2015 of the Protection of Investment Act, which offers very little protection for either domestic or foreign investors. We have driven a long-running campaign against aspects of this legislation (formerly the Promotion and Protection of Investment Bill of 2013) because it is likely to prove so damaging to foreign direct investment (FDI). Here we also scored a significant success, in that the damaging custodianship clause the IRR was instrumental in exposing was removed before the measure was signed into law. Particularly in the current commodities climate, it is vital that South Africa should be positioned to win considerable new FDI in manufacturing, tourism, agriculture, and other sectors. We emphasised this need in both our written and oral submissions to Parliament. We also briefed various other audiences on the Bill, and used media interviews and opinion articles to draw public attention to the likely negative impact of this Bill.

The IRR also presented 20 briefings, across eight of the nine provinces, to farmers and their unions, so as to educate them about the Agri Land Bill, the Expropriation Bill, and the broader onslaught against property rights. We also advised them on strategies to secure the future of commercial farming in South Africa.

form, this will give the state pervasive and often draconian control over farming. The IRR thus made a written submission on the Bill to the Department of Agriculture, Forestry and Fisheries, wrote extensively about it in the media, and provided a number of media interviews warning against it.

The IRR also presented 20 briefings, across eight of the nine provinces, to farmers and their unions, so as to educate them about the Agri Land Bill, the Expropriation Bill, and the broader onslaught against property rights. We also advised them on strategies to secure the future of commercial farming in South Africa. These briefings further highlighted five policy interventions which are supposedly aimed at 'land-reform' in the country. Tellingly, not one of those five policies will help generate successful new black commercial farmers with title deeds to their own farms. Some 10 000 leaflets highlighting the dangers in these proposed laws were circulated in farming communities. Our analyses were also published in media ranging from *Farmer's Weekly* and *Landbou Weekblad* to the *Mail & Guardian* and *Politicsweb*.

Property rights – this time, intellectual property rights – are also under threat from the Copyright Amendment Bill of 2015. This Bill provides for the establishment of an 'intellectual property tribunal', to be appointed by the Minister of Trade and Industry.

Worryingly, the custodianship clause we were instrumental in getting excised from the Investment Act has recently been included in the Expropriation Bill, though in a modified form. This could negate many of the improvements made to the Bill. We have doggedly fought this development into 2016 and will, if necessary, support taking the fight to the Constitutional Court. The saga shows just how important it is to keep mobilising against the erosion of property rights, which the government as yet remains intent on weakening and undermining.

The onslaught against property rights is happening on a broad front. One of the worst threats is now to be found in the Preservation and Development of Agricultural Land Framework Bill of 2014 (the Agri Land Bill, for short). This Bill seeks to vest all agricultural land in the custodianship of the state. This, of course, has already been done with all mineral resources, with many negative consequences. If the Agri Land Bill is adopted in its current

This tribunal would deal with patent rights as well as copyright issues, and would be empowered to grant or refuse patent applications. It would also be able to issue compulsory licences allowing the use of patented products (against the will of the patent holder) in return for royalties decided by the minister. Our warnings on the Copyright Bill followed on from the work we did in 2014 in highlighting threats to patent rights and urging stronger protection for intellectual property rights. This is vital if South Africa is to retain its competitiveness as a research and development investment destination in Africa – a need which is particularly acute as the economy comes under pressure to diversify away from its commodities base. As part of our policy work on this Bill we made a written submission to the Department of Trade and Industry and highlighted its key risks in media articles and interviews.

On empowerment and transformation

Though a market-driven economy is vital to increase growth and prosperity, it is also very important to take effective steps to increase opportunities for the poor and disadvantaged to climb the economic ladder.

The government's employment equity and black economic empowerment (BEE) policies are supposed to achieve this, but in fact work only to the benefit of a relatively small – and often politically connected – elite. Present transformation policies have also helped to stifle growth and foster cadre deployment and corruption. Hence, they not only pass the disadvantaged by, but also harm them by undermining the delivery of essential services, choking off investment, and making it very difficult to generate more jobs.

There is nevertheless very little debate about transformation policies. Much of the reason for this lies in the absence of any workable alternative to current laws. The IRR has sought to change that by developing such an alternative set of empowerment and affirmative action policies that will be far more effective in expanding opportunities for the poor. Broadly, our alternative may be summed up as 'Economic Empowerment for the Disadvantaged' or 'EED'.

EED policy looks to the socio-economic circumstances of its intended beneficiaries. If you are poor and come from a disadvantaged background, then you qualify as a beneficiary of EED. If you are well off, you do not. Your race is irrelevant. Our policy thus discards race as a proxy for disadvantage and cuts straight to the heart of the matter by focusing on disadvantage itself as the trigger for the help that EED provides. This makes our policy thoroughly non-racial and aligns it with key tenets of the liberal tradition. This approach has intrinsic appeal – and especially so in South Africa with its history of legislated racial discrimination.

However, it also goes against the government's perspective, which emphasises race rather than disadvantage as the foundation for its interventions. BEE policies thus continue to benefit the most advantaged within the disadvantaged group. As this relative

EED policy looks to the socio-economic circumstances of its intended beneficiaries.

If you are poor and come from a disadvantaged background, then you qualify as a beneficiary of EED. This makes our policy thoroughly non-racial and aligns it with key tenets of the liberal tradition. This approach has intrinsic appeal – and especially so in South Africa with its history of legislated racial discrimination.

elite moves up the economic ladder, so race is becoming an increasingly unreliable predictor of disadvantage. But BEE policies largely overlook this, allowing this small elite to continue garnering the benefits of race-based preferences, even as the poor are left further and further behind.

The merits of the IRR alternative are compelling and self-evident – especially when weighed against the failures of current BEE policies.

contributions as essential as new fixed investment, the generation of more jobs, or the payment of taxes that support social development. Under the IRR's alternative policy all this would change, however, as EED would reward contributions that in practice make South Africa a better and more prosperous society.

The merits of the IRR alternative are compelling and self-evident – especially when weighed against the failures of current BEE policies. Yet even the official opposition is unsure whether to embrace EED or copy the government's failed and distasteful racial policies. Privately, the business community expresses interest in our alternative. Publicly, however, it seems to think it has little alternative but to declare unwavering support for current BEE policies – even though many business people privately acknowledge that these policies are harming investment and growth.

We are, of course, trying to change this situation and win public support for EED. An early step in this direction was the publication in 2014 of Anthea Jeffery's book, *BEE, Helping or Hurting?* The book provides an objective but damning analysis of the failures of the government's policy. Pulling together all the evidence of failure is a necessary first step in winning public support for a better policy. The book was placed on the long list for the Alan Paton prize and was widely reviewed in the media. It also saw the IRR invited to brief various political and business audiences. Around the book, we took every opportunity to attack the concept of race-based policies via opinion writing and commentary in the media. There was significant interest in our ideas and, encouragingly, much less media criticism than our views would have attracted in the past.

A further step towards winning public support for EED was the commissioning in 2015 of a nation-wide opinion survey of public attitudes to race relations and transformation policies. The survey's results on the state of race relations were released early in 2016, to wide acclaim in the media. They show that race relations are generally sound, that South Africans have great respect for each other

Another key difference between EED and the government's BEE policies is that EED emphasises and rewards the inputs necessary to empower poor people. These include employment, excellent education, an enabling environment for start-up enterprises and entrepreneurs, and sound infrastructure. These areas must be the main focus of all empowerment policies, yet the government instead puts its emphasis on the setting and auditing of racial targets. It is a major indictment of government policy that a business cannot earn BEE points for

We took every opportunity to attack the concept of race-based policies via opinion writing and commentary in the media. There was significant interest in our ideas and, encouragingly, much less media criticism than our views would have attracted in the past.

across the colour line, and that a substantial majority of South Africans remained firmly committed to working together to build a prosperous future. The survey also showed that very few people (around 15%) benefit from current transformation policies and that most people support the ideas underpinning our EED alternative.

The third step in our campaign for EED will come at the end of 2016 and in early 2017 when we put out a comprehensive model of how EED would work, via an *@Liberty* policy paper. For the first time, a workable alternative empowerment policy will then be available to South Africans. Proponents of race-based policy will no longer be able to claim that empowerment has to be race-based because there is no better alternative available. In this way, we will offer the government, the ruling party, the official opposition, and the business community a choice between failed and destructive racial nationalism and a new policy that will be effective in healing remaining racial divisions and helping disadvantaged people get ahead.

This initiative is our most important. If we can break the hold of racial nationalism over policy formulation, we will have won much of the battle for a fairer and more prosperous future.

On social policy

Poor **education** and skills shortages continue to keep people poor. In February 2015, we used *Fast Facts* to highlight the poor performance of the education system and its impact on the country's skills base. Some progress has been made, as we pointed out, but on balance the system performs badly. Wrote the IRR: 'Put plainly, if ten children enrol in grade 1 in any given year, we can expect five of them to reach matric, three to pass and, at most, only one to pass maths with 50%. There is no better way to explain the damage that the current school system causes to the life prospects of South Africa's children and the reason why education policy reform that will allow parents to take control of schools via vouchers is so important'. We pushed this report strongly in the media, and it became a useful platform for us to repeat our long-running call for parents and communities to take back control of their children's education from bureaucrats.

The education crisis in turn feeds into the **unemployment** crisis. To overcome our exceptionally high jobless rates, we need not only better education but also reforms to labour law. In *@Liberty* we thus published a 10-point plan on the key reforms to labour legislation now urgently required. It is encouraging that various senior government leaders have fledged the idea of labour market liberalisation over the past decade, which means the concept is not alien to the ruling party. Moreover, as the unemployment crisis

For the first time, a workable alternative empowerment policy will then be available to South Africans. Proponents of race-based policy will no longer be able to claim that empowerment has to be race-based because there is no better alternative available. In this way, we will offer the government, the ruling party, the official opposition, and the business community a choice between failed and destructive racial nationalism and a new policy that will be effective in healing remaining racial divisions and helping disadvantaged people get ahead.

deepens and its political consequences became more damaging to the government, the point will come where reform can no longer be avoided. Our ten-point plan urged the need to increase democracy in the workplace (through secret strike ballots and an end to the closed shop), enhance union accountability (by holding unions accountable for violence during strikes), give managers back their capacity to manage dismissals and

Our advice to the government was: ‘Only labour market reforms matched by investor-friendly policies can ease the unemployment crisis. Poor people will continue to pay a heavy price until this view is more broadly accepted.’

retrenchments, and help price the unskilled back into the labour market (by ending, rather than extending, minimum wage requirements).

We launched the report amidst much media interest and garnered many media interviews, while writing extensively in the media on the enormous benefits to ordinary people that labour market liberalisation would bring. By contrast with the situation some ten years ago, the seriousness of the unemployment crisis is now well understood. This helped to generate an encouraging degree of support for our proposals.

To reinforce our message on labour market reform, we published a *Fast Facts* report in December 2015 on the ‘world of work’ in South

Africa. It highlighted the structural unemployment crisis among young black South Africans and showed that the crisis is not abating. On the contrary, the labour market absorption rate, a critical indicator, has fallen since 2008. Our advice to the government was: ‘Only labour market reforms matched by investor-friendly policies can ease the unemployment crisis. Poor people will continue to pay a heavy price until this view is more broadly accepted.’

As our opinion survey on race and transformation also showed, ordinary South Africans see **crime** as the second greatest challenge confronting the country (after unemployment). Early in 2015 we released a research report on continued criminality within the police. We also made important proposals on how that criminality could be brought to an end. The report was released at a packed media conference in Pretoria (this was held at the offices of Afriforum, which had agreed to fund our work on the issue). A week before the release, we made a point of briefing both the national commissioner and the senior management of the South African Police Service on the content of the report. The national commissioner was hostile and threatened to obtain an interdict preventing the release of the report, but such interdicts are fortunately difficult to obtain. Hence nothing came of this threat. The report found considerable evidence that the police have been infiltrated by criminal elements. It also warned that police officers were often responsible for planning and executing serious and violent crimes. To put a stop to this, we proposed a variety of interventions ranging from a special task force to prosecute police officers suspected of criminal conduct to depoliticising the police service and appointing all officers on merit. The report generated massive media interest and was also influential (as we were later told) in the decision to suspend the national commissioner.

The report found considerable evidence that the police have been infiltrated by criminal elements. It also warned that police officers were often responsible for planning and executing serious and violent crimes.

Crime and violence also featured in the September 2015 edition of *Fast Facts*, in which we reported on 20 years of crime statistics and drew out key trends. We released the report to a well-attended media conference at our offices, a few days ahead of the official release of the 2015 crime statistics. The overall picture we sketched was a complex one.

Part of the solution to the intractable crime problem, we said, was thus to promote co-operation between the private industry and the police – especially as more high-quality policing skills are probably now to be found in the private industry.

The murder rate was down by some 50% since 1994, but armed robberies at homes and businesses had spiked sharply in the past decade. Overall, the vast resources poured into policing since 1994 had not had any marked positive effect on crime levels. Also remarkable was the extent of the growth in the private security industry. In 1994 the number of guards employed by the private security industry was roughly equal to the number of police officers in the SAPS. But by 2015 the private industry dwarfed the police in terms of boots on the ground. Part of the solution to the intractable crime problem, we said, was thus to promote co-operation between the private industry and the police – especially as more high-quality policing skills are probably now to be found in the private industry.

Since **housing** remains a pressing social problem, we also published a policy paper in *@Liberty* which explained the failures of current housing policy and urged a different approach to resolve the housing backlog. Again, to much media interest, the paper proposed that much of the housing budget should be used to fund a housing voucher scheme. Poor households could then use their housing vouchers to build their own homes or gain easier access to mortgage finance. This would free them from dependency on state delivery, which is often slow, inefficient, and unnecessarily costly. It would also help people build or buy their own housing of a type and in a place of their own choosing. The paper was a good example of our efforts to encourage people to break from dependency on the state and insist on the state allowing them greater choice and freedom in the decisions they make and how they live their lives.

We stayed with the housing theme in *Fast Facts* in November 2015, when we published a report that highlighted the successes of housing delivery since 1994. Though the housing backlog still exceeds 2.1 million units, more than 3 million houses and/or serviced stands have been provided in this period. The report also noted that, for every shack newly erected over the past twenty years, almost 10 formal houses had been built. However, despite these achievements, much more still needs to be done to overcome the backlog. Both for this reason, and because it is intrinsically a better policy, we again encouraged the government to change its housing policy and empower poor communities to take charge of their own housing needs via the voucher system earlier proposed in *@Liberty*. We also came to the defence of the housing minister when she argued that the state should not be building houses for people who are perfectly able to provide their own houses. The ruling party in turn quoted our *Fast Facts* analysis in Parliament, in answering criticisms from opposition parties about the service delivery record of the government.

We again encouraged the government to change its housing policy and empower poor communities to take charge of their own housing needs via the voucher system.

Perhaps our most influential social policy intervention during the year was the publication of a report on the challenges confronting the **'born-free' generation**. Entitled *Born Free But Still in Chains*, this report set out in some detail the difficult social and economic circumstances faced by young people born in 1990 (at the start of the political transition) or thereafter. Some of the most important data from the report was also published in

These demonstrations confirmed the salience of our core finding: that higher levels of economic growth, plus labour market liberalisation, are urgently needed to help young people find jobs, improve their own lives, and cut their dependency on the welfare state.

Fast Facts. Perceptively (as later events were to confirm), the *Born Free* report warned that, unless more was done to create an inclusive society, the anger felt by many young people could evolve into a large-scale protest movement. Six months after its publication, the student protests that swept the country were in full force. These demonstrations confirmed the salience of our core finding: that higher levels of economic growth, plus labour market liberalisation, are urgently needed to help young people find jobs, improve their own lives, and cut their dependency on the welfare state.

In July 2015 we published a related report in *Fast Facts*, which tracked and quantified how the **middle class** has grown since 1994. Using indicators such as household spending, along with access to mortgage finance, Internet banking, and satellite television, we concluded

that: 'As an absolute maximum, one could stretch the size of the middle class to say that it accounts for, at best, 20% of people in the country. The more realistic estimate is closer to 10% or perhaps somewhat below that.' This report generated great media attention as the size of the middle class is one of the most important benchmarks of our progress since 1994. However, since quantifying the middle class is not easy, it is also one of the most contested and controversial issues. Having noted that the middle class is smaller than many people assume, we also warned that the further growth of this class would slow in line with the struggling economy. In particular, we warned that the fiscal deficit would make it difficult to keep expanding the civil service, which has been a key incubator of the black middle class. Nine months after that warning, the finance minister announced a freeze on non-core public-sector hiring. Our advice to the government was again simple and straightforward: improve the investment climate (both foreign and domestic), liberalise the labour market, and use education vouchers to improve the quality of schooling and empower ordinary people to take charge of their children's education. As we wrote in a note to subscribers, tax increases and austerity measures will not suffice for South Africa to escape its low-growth trap.

On growth-focused policies

Growth-focused policies provide the only sustainable solution to the economic troubles confronting South Africa. In 2015 much of our work on overcoming barriers to growth took the form of research and proposals on **energy policy**. Our own estimates have long shown that, in order to reach and sustain growth levels of 5% of GDP by 2024, South Africa will need to add the equivalent of another Medupi and another Kusile to the grid. We thus devoted an *@Liberty* policy

Growth-focused policies provide the only sustainable solution to the economic troubles confronting South Africa.

paper to understanding the broader Eskom crisis and proposing ways to fix it. The paper recommended that Eskom should remain a state-owned power generator – but only if certain essential conditions were met. In particular, any company should be allowed to compete against it for the generation and sale of electricity. In addition, Eskom would

Eskom would need to be depoliticised, and should resume its old function: to provide sufficient, reliable electricity and cover its costs. Nothing else. It should be forbidden from pursuing political, social, or racial ambitions, and would have to appoint its engineers and other technical staff entirely on merit.

need to be depoliticised, and should resume its old function: to provide sufficient, reliable electricity and cover its costs. Nothing else. It should be forbidden from pursuing political, social, or racial ambitions, and would have to appoint its engineers and other technical staff entirely on merit. We also urged that energy transmission should be taken away from Eskom and transferred to an independent operator, while the distribution function should be spread among private and competitive electrical engineering companies. If these reforms could not be implemented, then Eskom should be privatised entirely (but with safeguards against a private monopoly developing).

We also published a second energy-related policy paper, this time on **climate change**. This argued that, while the climate is of course changing – and has always done so – the extent of man’s influence on the earth’s climate is often overstated. In addition, recent

warming is not outside of historical norms. We thus argued, in the media and elsewhere, that South African policy makers should not be stampeded into adopting carbon taxes and related measures which would limit growth and make it harder to lift the disadvantaged out of poverty. We later receive two quiet endorsements and thanks from very senior policy people in the South African energy policy space.

In a water-stressed country such as South Africa, any failure to ensure adequate access to water is another potential constraint on economic growth. Given this concern, along with the environmental importance of clean water, we received funding from the Friedrich Naumann Foundation for Liberty to help produce a paper on **water policy**. This was duly published in *@Liberty* in November 2015. The paper sounded a strong warning about an alarming deterioration in water quality and the likely impact on poor communities in particular. The paper also outlined the key reasons for this decline, pinpointing the usual litany of suspects: too much political interference in water policy, misguided affirmative action in public water institutions, and an ideological insistence on state control despite the state’s declining capacity. The paper added that ‘ideological filters make it very difficult to carry out any serious

The solutions to the country’s varied crises lie in keeping racial politicking out of policy-making, appointing people to jobs on merit rather than race, and entering into effective public-private partnerships that will allow the private sector to take over some of the key functions the state is battling to perform.

assessment of water policy'. It also warned that 'politicisation has become so high that decision-making is no longer rooted in hydrological realities'. The release of the report coincided with some sustained water outages in Johannesburg, which increased media interest in its findings. This provided further public platforms for our arguments that

We also warned in the media against the uncertainties in the mining charter – and how the government's audit of performance against the charter's often vague and shifting targets could be used to terminate mining rights.

the solutions to the country's varied crises lie in keeping racial politicking out of policy-making, appointing people to jobs on merit rather than race, and entering into effective public-private partnerships that will allow the private sector to take over some of the key functions the state is battling to perform.

How public-private partnerships can both promote growth and resolve environmental challenges was also canvassed in another policy paper in *@Liberty*. This explained the importance of exploiting the 'dead capital' to be found in discarded waste, so as to help poor communities earn incomes from **waste recycling** and develop a new lifeline out of poverty. We also showed how this concept is operating in practice in the context of waste tyres. Here, a recycling levy introduced by the

government goes directly to a non-profit company, which uses it to fund the collection and reprocessing of waste tyres. It also now provides a living to thousands of people involved in the tyre recycling process. The story shows that an appropriate policy and financing framework can encourage poor communities to clean up the environment, while simultaneously allowing individuals in those communities to earn an income from the waste products they collect. Critical to the success of any such initiative, we said, is that the state must create the right policy environment and then allow the private sector to run the operational side.

Since the **mining** sector still plays a key role in the economy, we also warned in the media against the uncertainties in the mining charter – and how the government's audit of performance against the charter's often vague and shifting targets could be used to terminate mining rights. This could cause extensive further damage to the industry. With the Mining Bill of 2013 still up for reconsideration by the government, we also started work on a mining policy paper. This will be published in *@Liberty* in due course and will highlight the reforms required to position South Africa as a leading mining investment destination.

On **IT and communications**, we published a *Fast Facts* report in June 2015 which shows the extent to which South Africans are moving their reading, banking, shopping, and even dating habits online. Lower costs and higher speeds are vital to advance this process, yet South Africa lags behind many other countries on these issues. This too is an important constraint on growth. In the media exposure that followed the release of our report, we repeatedly emphasised the major benefits that faster and cheaper bandwidth would deliver.

We repeatedly emphasised the major benefits that faster and cheaper bandwidth would deliver.

In South Africa today, the most important single driver of economic growth is **consumer spending**, which accounts for 60% of GDP. In August 2015 we thus published a report on the health and standing of South Africa's consumers in *Fast Facts*. The report showed secured lending has flattened out over recent years, whereas unsecured credit (not

backed by any type of collateral) has more than tripled. Moreover, many in the black middle class are deeply in debt. With interest rates likely to rise, perhaps sharply, over the medium term – in response to foreign rate hikes and the inflationary pressures inherent in the weakening rand – the South African consumer will come under growing economic

The government seems to hope that tax increases and other interventions (prescribed assets for pension funds, for instance) will suffice to fill the gap. But our advice is that the state must rather look to liberalisation and growth to achieve this – and that business leaders need to keep reinforcing this essential message in their own engagements with the government.

pressure. This holds major ramifications for the economy. What, then, is needed to strengthen consumer spending? First, as we stressed in many media interviews, we need to have more consumers. This requires better education and very many more jobs, including higher-paying ones. Second, we must generate much higher levels of economic growth. This in turn means that we must embark on policy reforms to attract investment, encourage job creation, and create a business-friendly environment in which entrepreneurs can thrive.

people would expect a government that is running out of money to move quickly and effectively to create a policy environment conducive to more investment, growth, and jobs. Alas, in recent years, too many politicians and bureaucrats remain invested in outdated ideology, along with the belief that it is possible to extract wealth *ad infinitum* from our low-growth economy.

Thus far, however, the government has avoided such reforms – which explains why the economy is slowing and the gap between government revenue and expenditure is growing, as we showed in *Fast Facts* in January 2015. Our analysis shows that, despite increased taxes and levies on hard-working South Africans, the government is running out of money. Its capacity to keep funding social grants, public sector wages, fixed investment, and other needs is coming under severe pressure, just as demands for greatly increased spending on tertiary education, national health insurance, and energy infrastructure are growing. Most

This is a point we made repeatedly throughout the year in media commentary and in briefings to outside audiences. Our data on tax revenues, debt levels, and government spending clearly show the funding gap which has already developed and is steadily widening. Increased borrowing cannot easily be used to close the gap, as borrowing costs have already gone up and bond yields will rise further in the event of ratings downgrades. The government seems to hope that tax increases and other interventions (prescribed assets for pension funds, for instance) will suffice to fill the gap. But our advice is that the state must rather look to liberalisation and growth to achieve this – and that business leaders need to keep reinforcing this essential message in their own engagements with the government.

Rather than seeking ways to expand welfare programmes, the government should develop policies that would allow people to become self-reliant and help them improve their own lives.

In another report in *Fast Facts* in March 2015, we again pushed this point by warning that **social protection services** would in time become unaffordable. Hence, rather than seeking ways to expand welfare programmes, the government should develop policies that would allow people to become self-reliant and help them improve their own lives. In May 2015 we returned to this theme (again in *Fast Facts*) with a report that analysed the steady expansion in social protection services. This report encouraged the government to make ‘a paradigm shift’ in its ‘development policy model so that employment and higher economic growth are prioritised’.

Why repeat a message so many times? Advertising research shows that the more you tell people something, the more they are likely to act on what they hear. Our experience is that the fiscal deficit is helping to focus the government’s collective thinking on alternative policies. The deficit is a crisis too good to waste – and we intend to use it to the full in explaining why the government has little choice but to start freeing people from dependency and empowering them to improve their own lives.

The fiscal deficit is helping to focus the government’s collective thinking on alternative policies. The deficit is a crisis too good to waste – and we intend to use it to the full in explaining why the government has little choice but to start freeing people from dependency and empowering them to improve their own lives.

Foreign affairs

During the year, the IRR delivered briefings in Washington, Berlin, and Brussels. It is an open secret that relations between South Africa and the West have soured over the past four to five years. In many respects, South Africa adopted a one-sided foreign policy that seeks to bolster relations with Russia, China, Iran, Cuba, Venezuela, and Sudan, while allowing relations with the United States of America, the United Kingdom, and the European Union to deteriorate.

In a speech delivered in Washington and later published on *Politicsweb*, we warned against this deterioration in relations with the United States. We urged instead a multi-polar foreign policy aimed at maintaining sound relations with all countries, saying this would best advance our own national interests. We cautioned against any further decline in our relations with Western democracies, saying this would be a setback for freedom, democracy, and the rule of law in South Africa

itself. Yet South Africa often seems to follow the lead of Russia and China on human rights issues before the United Nations.

It would also be a mistake, we added, for western nations to write off South Africa, as this would undermine their strategic interests across the African continent in the future. We thus urged the United States not to exclude South Africa from the benefits of its African Growth and Opportunity Act (AGOA). We also urged western diplomats and investors to speak out more clearly on the value of their contributions to South Africa. Since few have done this, they continue to face significant media and state hostility.

We have subsequently been involved in tentative moves to open up stronger lines of communication between South African policy makers and foreign investors. The aim is to help both sides understand and embrace the policy shifts needed to increase economic growth and position South Africa as a leading emerging market.

Other policy areas

IRR staff and Fellows wrote a variety of opinion articles in newspapers on issues that ranged from IT policy to gun control, higher education funding, university autonomy, civil rights, service delivery, race relations, commodity prices, and trade policy.

Our impact

In total, in 2015, IRR staff and fellows granted 955 media interviews, published 151 opinion articles in newspapers, presented 151 briefings on South Africa and how to return it to prosperity, released 53 media statements, and distributed 42 reports and policy papers to the media, politicians, business, and civil society. In total, these (and other) efforts saw our arguments and ideas enter the public domain 6.6 times per day on average through the year. The arguments we put forward were always liberal ones about the need for policy reforms that will better fulfil the aspirations of all South Africa's people for prosperity and happiness. This performance is one that places our staff in a league of its own when it comes to think-tank reach and the dissemination of information to a public audience. It also gives us considerable influence over ideas and the intellectual climate in the country. No single organisation does more to make the public case for investment-led economic growth, property rights, and effective measures to empower the disadvantaged.

Reports and submissions released in 2015

We released the following reports and submissions over the year.

@Liberty

Seven @Liberty reports were released:



The Expropriation Bill is back and it's still unconstitutional (4 March 2015): This report argued that the Expropriation Bill would give the state the power to take ownership and possession of property of virtually any kind by notice to the owner – and without a prior court order confirming the validity of the expropriation. This report was the basis of our successful public campaign to change key aspects of this bill.



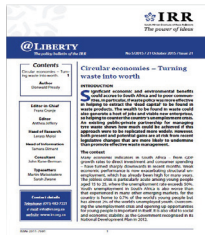
The rise and fall of Eskom – and how to fix it now (18 March 2015): This policy paper explained what steps were necessary to return Eskom to stability and efficiency and thereby help resolve South Africa's electricity crisis. We specifically proposed allowing competitors into the energy market, handing the transmission system to an independent operator, and transferring distribution functions to private operators.



Give the poor back their right to work: a 10-point plan for jobs (24 June 2015): In this paper we presented the ten steps required to align labour policy with the needs of the economy and the unemployed. These steps range from insisting on secret ballots in advance of strikes to stopping the extension of bargaining council agreements to non-parties and lifting minimum wage laws.



South Africa's Housing Conundrum (6 October 2015): In this paper we set out the reasons for the housing crisis and explored the policy changes needed to resolve the crisis. In particular, we proposed the introduction of state-funded housing vouchers that would allow poor households to take charge of their housing needs.



Circular economies – Turning waste into worth (21 October 2015): In this paper we showed that significant economic and environmental benefits can accrue to poor communities from policies aimed at extracting the ‘dead capital’ to be found in waste. For best results, we proposed a public-private partnership, in which the state develops the necessary policies and the private sector takes charge of day-to-day operations.



Sitting on the Horns of a Dilemma – Water as a Strategic Resource in South Africa (10 November 2015): This paper explained the reasons behind South Africa’s water crisis and suggested a series of policy solutions to resolving this. We proposed that the government should end its political and ideological interference in water policies, and that it should also appoint engineers, and other professionals on the basis of merit rather than race.



Climate change science and the climate change scare (24 November 2015): In this paper we challenged the validity of popular climate theory, saying there is little empirical evidence to support it. We also argued that the South African government should be cautious about adopting climate-related policies that would deter growth and undermine investment while doing little to help the environment. In our media commentary around this paper we specifically warned against carbon taxes.

Written and oral submissions

We submitted the following nine submissions directly to politicians and lawmakers:

Submission to the Portfolio Committee on Public Works, regarding the Expropriation Bill of 2015 (6 May 2015): In this submission we warned the committee about the unconstitutionality of several clauses in the Bill, along with the dangers to the economy inherent in the measure.

The IRR’s Alternative Expropriation Amendment Bill: A Framework Document (6 May 2015): In this submission we explained to MPs how a new expropriation bill could be crafted that would be fully in line with the Constitution and would avoid serious damage to property rights and investor confidence.

Address to Portfolio Committee on Public Works on the Expropriation Bill (28 July 2015): In this submission we briefed the committee in person on the above two written submissions.

Submission to the Department of Agriculture, Forestry and Fisheries, regarding the Preservation and Development of Agricultural Land Framework Bill of 2014 (29 May 2015): In this submission we cautioned the department against the Bill’s likely negative consequences for property rights and food security, and explained what could instead be done to promote investment in agriculture.

The IRR’s Response to a Flawed Legal Opinion on the Constitutionality of the IRR’s Draft Expropriation Bill (3 August 2015): In this submission we explained to lawmakers the many flaws in a legal opinion obtained by the Minister of Public Works on our proposed alternative expropriation bill. We also stressed that the IRR’s alternative remained the only viable option open to the government if it wanted to align expropriation law with the Constitution and simultaneously retain investor confidence.

Submission to the Portfolio Committee on Trade and Industry regarding the Promotion and Protection of Investment Bill of 2015 (25 August 2015): In this

submission, we set out why the proposed bill would do great damage to investor confidence, and why such confidence is essential for growth and job creation.

Address to Portfolio Committee on Trade and Industry on the Investment Bill (15 September 2015): We briefed the committee in person on the above written submission.

Submission to the Department of Trade and Industry regarding the Copyright Amendment Bill of 2015 (16 September 2015): In this submission we cautioned policy makers in the Department of Trade and Industry against policies that undermine intellectual property rights, saying this could see South Africa lose the race to become Africa's research and development hub.

Submission on Promotion and Protection of Investment Bill. Further points submitted by the IRR (South African Institute of Race Relations NPC) in response to the chair's invitation during the portfolio committee hearing on the Investment Bill on 15 September 2015 (21 September 2015): This submission was specifically requested by the committee to explain in greater detail our concerns with the Bill and our proposals of how the government should approach investor protection.

The RiskREPORT

The RiskREPORT continues to be published monthly and is made available exclusively to premium subscribers of the CRA (Centre for Risk Analysis).

Twelve editions were published in 2015:

The year of the leopard: Will it change its spots? (January 2015): In this briefing note we said it was unlikely that mounting economic pressures would see the government reverse policy course during 2015.

The electricity crisis should be a turning point, but the risk is that it won't (February 2015): Here, we warned that despite the costs to the economy, it is unlikely that the government will seriously address the root causes of South Africa's energy crisis.

Yet another tax-and-spend budget that puts the cart before the horse (March 2015): The recent budget speech, we said, suggests that the government does not fully appreciate the costs of continued low growth rates and policies hostile to business.

Rhodes rage has economic implications far beyond the campus (April 2015): We warned that the implications of the student protests on South Africa's campuses would be felt very much beyond the confines of universities.

ANC and SACP declare open season on private property (May 2015): We pointed out that despite the costs to investment, the government seems determined to proceed with policies that threaten property rights and deter investment.

Farming set to follow mining into greater state control, with business in general possibly next (June 2015): We suggested that the government intended to regulate the commercial farming sector along similar lines to those laid down for the mining industry a decade earlier.

Investors head for green pastures, but not in South Africa (July 2015): We cautioned that in the current policy climate, more investment outflows should be expected.

Government's long-term growth, investment, and job targets now probably beyond reach as the state stretches out its tentacles (August 2015): We warned that, in the current policy climate, it is not possible for the government to reach its growth and job creation targets.

Without much faster growth, downgrade to junk status seems ever more likely (September 2015): We explained that on current trends, a further downgrade from rating agencies is likely.

ANC admits problem of low economic growth, but will not change course to speed it up (October 2015): We cautioned that, despite a growing understanding within the government of the consequences of low growth, there is little sign of a policy turnaround.

Student protests usher in a new normal (November 2015): We cautioned that the instability on university campuses could easily spread into government, political parties, and the corporate sector.

The beginning of the end of Jacob Zuma (December 2015): We suggested that factions within the ruling party would increasingly erode the authority and decision-making power of the president.

Fast Facts

Twelve editions of *Fast Facts* were published in the year to December 2015:



Sing a song of sixpence (January 2015): In this report we set out the financial position of the state, arguing that only growth, and not tax increases or austerity measures, would be sufficient to avoid a fiscal crisis.



There were ten in the bed...(February 2015): This report reviewed the skills base of the economy. It pointed to considerable improvements in tertiary-level education, as well as serious shortcomings in schools. It urged the introduction of school vouchers to allow parents to take back control of schools from bureaucrats and politicians.



Housing cutbacks mooted, but unlikely (March 2015): In this report, having reviewed government spending and budget allocation trends in housing over 20 years, we pointed out the government would soon run out of the money to implement its policies unless it changed its policies.



Jack and Jill went down the hill...(April 2015): This edition examined the experience of South Africa's 'born free' generation. It noted that this generation, which accounts for roughly half the South African population, suffers from very high levels of unemployment and economic exclusion. The report urged that youth development policies should concentrate on improved schooling and increased labour market participation.



Please sir, I want some more...(May 2015): Here, we examined the scope of South Africa's social protection services, warning that these were already proving difficult to fund and might have to be curtailed as the fiscal crisis deepened. The report called for a paradigm shift in policy away from social protection towards investment-led growth and job creation.



Connected in space (June 2015): This report provided an overview of the cyber, e-commerce, and technology environment in South Africa. It urged policy makers to take effective steps to cut bandwidth costs and increase speed, saying such interventions would deliver significant economic benefits to South Africa.



To market, to market to buy a fat pig... (July 2015): In this edition we tracked the growth of South Africa's middle class and concluded that it makes up less than 20% of the national population. The report warned of the negative effects that slowing growth and rising interest rates would have on the middle class. It pointed out that much faster growth rates would have to be reached and sustained to allow further expansion of the middle class.



To the grocer's shop...with a skip and a hop (August 2015): In this report we published an overview of the South African consumer environment. We emphasised the extent to which unsecured lending rates are escalating, saying this was likely to prove a precursor to a growing consumer crisis.



They all lived together in a crooked little house (September 2015): In this report, we provided a 20-year breakdown of major crime trends. In addition to other interventions, our report suggested that the police should do more to take advantage of private sector expertise in the fight against crime.



Humpty Dumpty had a great fall (October 2015): This edition featured a critical assessment of the state of the economy. It concluded that the African National Congress was throwing away the progress it had notched up during the GEAR policy era, and that major reforms would be required to restore investor confidence and push growth rates up again.



They huff and they puff but cannot blow this house down (November 2015): This report identified major successes in the government's housing policy since 1994. However, it also found that considerable backlogs still remain – and urged that the introduction of a voucher-driven policy model should be explored.



There's a hole in the jobs bucket (December 2015): Reinforcing our earlier *@Liberty* paper on how to address the unemployment crisis, this paper showed that young black people would be the major beneficiaries of labour market reforms.

In addition, each issue of *Fast Facts* contained our regular six pages of statistics on economic, socio-economic, business, property market, and labour trends, plus forecasts on key economic indicators – more than 200 line items in all.

Getting our reports into the public domain and in front of policy makers is a considerable undertaking that takes place under the auspices of the Free Society Project.

cohort might politically be ‘free,’ but it nevertheless confronted an enormous economic and social burden. The report proposed various policy solutions aimed at liberating South Africa’s young people from a life of dependency and deprivation.

South Africa Survey

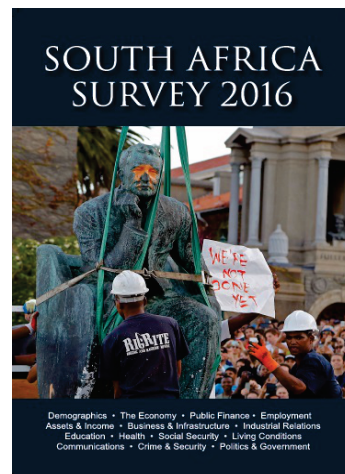
The 2014/15 edition of the *South Africa Survey* was released in February of 2015. The 2016 edition of the *South Africa Survey* was published in March of 2016 and ran to 905 pages of data, tables, and charts, tracking every area of social and economic development for South Africa. Both editions contained the following fourteen chapters. Each chapter is published online as a stand-alone report.

- Demographics
- The Economy
- Public Finance
- Employment
- Assets and Incomes
- Business and Infrastructure
- Industrial Relations
- Education
- Health
- Social Security
- Living Conditions
- Communications
- Crime and Security
- Politics and Government

Occasional reports

The Broken Blue Line (January 2015): This report investigated the extent to which police officers are involved in serious and violent crime. It found considerable evidence that the police have been infiltrated by criminal elements, and proposed various policy shifts to restore public confidence in the police.

Born Free but Still in Chains (April 2015): This report investigated the status of South Africa’s first post-apartheid generation. This



The *Survey* is the factual basis underpinning all our policy thinking and analysis. It is made available in both hard copy and electronic format to fee-paying subscribers in business, government, and foreign governments and is provided free of charge to the media, civil society, and politicians. Access to sound and independently researched socio-economic information is critical in helping to formulate policy solutions to South Africa’s serious economic and social problems. The *Survey* plays a uniquely influential role and is received by the same audience as *Fast Facts*.





If we take the *Survey* as a single report, we published 42 stand-alone reports and submissions during 2015, or one every 8.7 days.

Media and Public Relations

Getting our reports into the public domain and in front of policy makers is a considerable undertaking that takes place under the auspices of the **Free Society Project**. The project is structured to ensure that our policy research and solutions influence the thinking of the broadest possible cross-section of South Africans. Through shaping public opinion, the project seeks to influence public policy in a manner that will help to secure South Africa's future as a free and prosperous emerging market.

All our reports are released to a very broad readership in civil society, the media, business, government, politics, and academia. But our most important reader is the ordinary hard-working South African who cares about his or her country and wants the best possible future within it. That person is most likely to come across our arguments in a newspaper, on the radio, or on television, which is why we put enormous effort into our media and public diplomacy work.

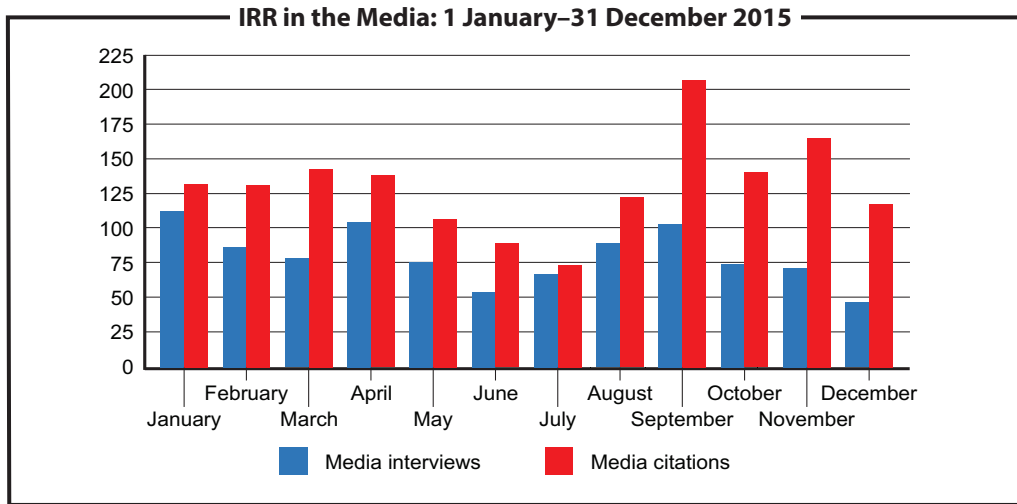
The Free Society Project is made up of four separate initiatives, each of which is a project in its own right, managed by its own project manager. The four include:

-  the **Centre for Risk Analysis**, which examines economic and social risks and uses scenario planning to help business and government leaders make sound policy decisions. The centre currently has **183** private companies, government agencies, political parties, and foreign embassies as its subscribers, giving the IRR a unique degree of direct access to policy-shapers in the country.
-  the **Media Alert Service (MAS)**, through which we provide **1 154** media agencies, bureaus, newspapers, television stations, individual journalists, and radio stations around the world with a vast range of socio-economic and other information. The MAS is arguably South Africa's largest private media agency and allows the IRR to present its findings to millions of people every year.
-  the **Democracy Support Programme**, which helps provide more than **2 130** elected public representatives across the political spectrum with the information and analysis they need to hold the executive to account, benchmark social and economic progress, and identify policy challenges and solutions. This project gives the IRR a significant degree of reach into the political environment in South Africa, which it uses to promote policy reform.
-  the **Civil Society Support Programme**, which helps increase the effectiveness of **627** civil society groups in meeting the social and economic needs of their beneficiaries. Through this programme, the IRR is able to support other influential civil society groups and help them identify and advocate for reforms aimed at improving the social and economic conditions of all South Africans.

The success of our efforts at shaping public opinion can be measured in terms of the media exposure we generate and the briefings or advice we are invited to provide to policy formers in South Africa.

Media interviews and citations

In the year to December 2015, IRR research and other staff provided **955** media interviews to radio, television, and print media. Our media tracking system shows that the IRR was cited **1 563** times in local and international media over the course of the year. The following table shows the month-by-month breakdown of that coverage.

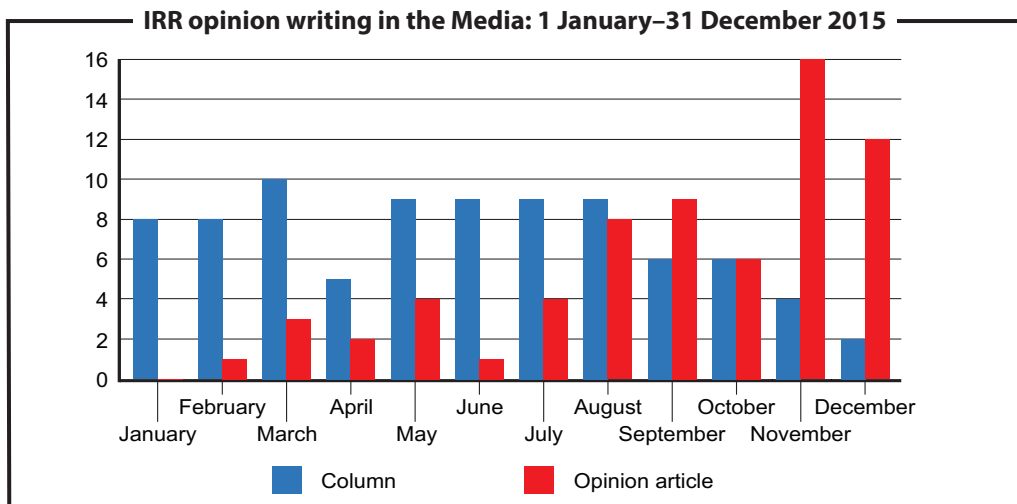


On average we were interviewed and/or cited **6.6** times every day of the year. As one of the few liberal voices remaining in South Africa, the IRR generated the bulk of the liberal ideas that entered the public arena in 2015.

Opinion articles and columns in newspapers

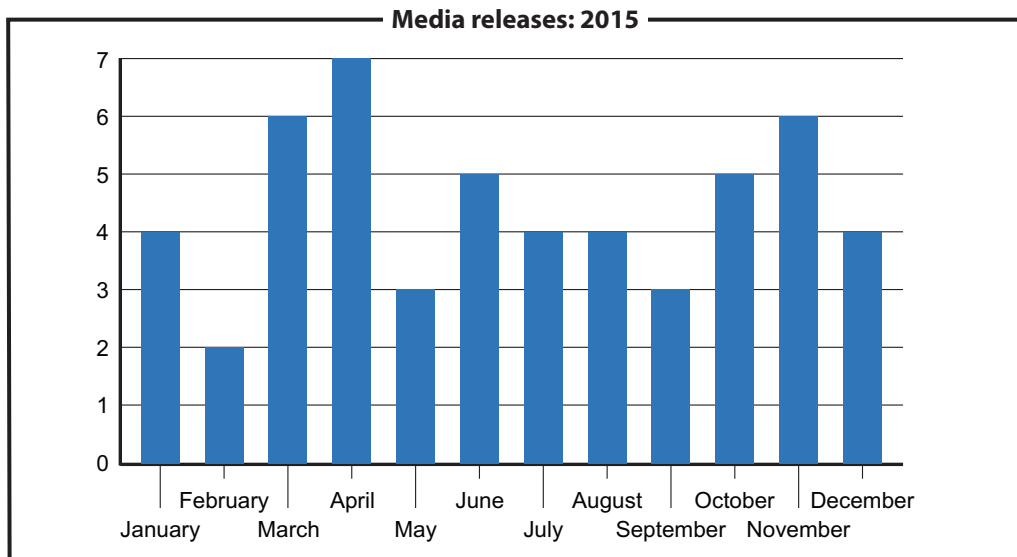
The opinion articles we write for the media are a particularly influential component in our overall communications efforts. These articles allow us to advance our home-grown policy alternatives in our own words. In total in 2015, we produced **151** published columns and opinion articles. An IRR-authored opinion article thus appeared in the media every **2.4** days.

The following chart shows the monthly spread of articles and columns in the press written by IRR staff from 1 January to 31 December 2015.



Media releases

Media releases are another important component of our efforts to influence public opinion. During 2015, **53** media releases were published which were instrumental in attracting the **1 563** media citations for the IRR's research that were recorded during the year.



IRR TV and social media

In February 2015 the IRR launched a new initiative called IRR TV, which produced **21** video clips on important policy issues over the year. All the IRR's major reports were accompanied by video clips that were produced in-house and circulated via Twitter and Facebook to smartphone users. IRR TV is thus helping us reach major audiences outside the traditional media space. To increase the impact of IRR TV, we have also taken steps to boost our social media following. At the end of 2015 the IRR's two most important Twitter accounts had **18 874 followers** – an increase of over 100% for the year.

Briefings on policy issues

The briefings we host or provide at public events remain an important part of our efforts to shape public opinion. In 2015 we collaborated with Moneyweb, Brenthurst Wealth, Afriforum, the Friedrich Naumann Foundation, Constitution Hill, the Free Market Foundation, TAU-SA, the Stellenbosch Business School, and Frontier Advisory to co-promote or host **36** public events. We also held **343** private meetings with third-party organisations (against a total of 333 in 2014). Of these, **151** were formal briefings on our scenarios, making for one such briefing every **2.4** days.

Centre for Risk Analysis

The Centre for Risk Analysis (CRA) continues to provide its users with access to information on the socio-economic and political trends likely to shape South Africa's future. The team's target was to bring in R5 148 696 in new and renewed subscriptions for 2015, but the amount secured by the end of December 2015 was instead R4 479 187. Though this was R669 509 short of budget, it nevertheless demonstrated the value of our research and analysis to a host of subscribers in many different spheres.

Income from the renewal of subscriptions came in at R3 159 224, against a budget of R4 148 696. There were several reasons for this shortfall, including budgeting mistakes, incorrect client information, management changes within the CRA, and a lack of sufficient management supervision. Various changes have been made to address these

We also held 343 private meetings with third-party organisations (against a total of 333 in 2014). Of these, 151 were formal briefings on our scenarios, making for one such briefing every 2.4 days.

weaknesses. By contrast, new subscriptions, coupled with consulting fees amounted to R1 319 963 against a budget of R1 000 000. We are confident that the corrective measures implemented will address the 2015 problems and return the CRA to the very positive year-on-year growth numbers it recorded between 2007 and 2015.

Bursaries

In 2015 there were 69 students on our bursary programme. Of these, 52 were continuing students previously also funded by us, while 17 were 'new' students receiving IRR support for the first time. Overall, 98% of our students passed in 2015 and proceeded either to the following year of their studies or to graduation. In 2016 bursary awards worth R4.3 million are to be made to 72 students, of whom 23 are new. Of these 72 awardees, 57 will be at tertiary institutions and 15 at high schools.

Governance and Compliance

Office Bearers

It is with great regret and sadness that I record the death of Ms Colleen McCaul, a member of Council, who died on 5 February 2016 after a short illness. Ms McCaul was initially a researcher at the IRR and thereafter a member of the Board for some 15 years. She did not stand for re-election to the Board in 2014, but remained a member of Council. She was also a trustee of the Robert Shapiro Trust for eight years.

Mr Derek Bostock and Professor Charles Simkins retired from all their IRR positions in 2015. Mr Peter Leon has agreed to stand for nomination as Honorary Legal Adviser.

Elections

Board election: All members of the Board are nominated annually by Council and elected by the AGM of Members. There are currently three vacancies on the Board.

Council election: A new Council will be elected in 2016 for a four-year term.

Finance, Administration, and Staff

We plan our finances in three-year cycles in order to commit to long-term policy objectives. These forecasts are not included in the attached audited financial statements but I can report that the current cycle commenced in 2014 and will run until the end of 2016. Initially a total deficit for all three years of R5 million was forecast, after taking into account likely investment income. Two years into the cycle, at the end of 2015, the actual deficit stood at R477 023. We now anticipate ending the three-year cycle with a deficit of around R951 203 – a much stronger position than we had expected. The next three-year cycle will start in 2017 and run to the end of 2019. It will thus coincide with both the ruling party's electoral conference in December 2017 and the general election to be held in 2019. This is likely to be a critical period for South Africa, which means that the IRR must do all it can to exert the greatest possible influence during this time. In a

The next three-year cycle will start in 2017 and run to the end of 2019. It will thus coincide with both the ruling party's electoral conference in December 2017 and the general election to be held in 2019. This is likely to be a critical period for South Africa, which means that the IRR must do all it can to exert the greatest possible influence during this time.

presentation to the Board early in 2016, I said it would be a mistake to put the emphasis on preserving capital at such a crucial period for the country. While the current three-year forecast indicates the IRR will succeed in breaking even over the three years from 2017 to 2019, the Board has thus agreed that the organisation may sell around 10% of its current shareholdings in this period to maintain its research and policy work, if anticipated funding does not in fact materialise. This means that the IRR can confidently maintain its current levels of output and influence through to 2019. A new strategy will then be drawn up for the years 2020 to 2022.

Our forecasts for 2016 currently suggest income of R11 476 649 against expenditure of R13 338 586, making for an operating deficit of R1 861 937. After interest and dividends estimated at R1 350 000 are taken into income, we expect to end the year with a deficit of R511 937. Any realised and unrealised gain in our investments would be subtracted from that figure.

The attached accounts show that, for the 2015 financial year, the IRR recorded income of R12 195 486 (against R11 483 659 in 2014) and expenses of R15 130 053 (against R12 691 777 in 2014). This resulted in an operating deficit of R2 934 567 (against a deficit of R1 208 118 in 2014). Dividend and interest income, together with the unrealised gain in the value of our investments, turned that deficit figure into a surplus of R3 282 739 for the year (against a surplus of R4 234 988 in 2014). The increased expenditure in 2015 reflected the costs of our field survey, along with the commissioning of outside researchers, some additional travel and briefing costs to promote our research findings, increased media and PR staff costs, and investments made in media and public relations activities. At the same time, we made considerable savings on overhead, telecoms, and printing costs.

Staff

In 2015 we introduced the Policy Fellows programme to further expand our policy influence. Policy Fellows are not technically members of staff, but are rather attached to the IRR and are paid for the output they produce. In this way we hope to turn the IRR into a 'home base' for South Africa's top liberal thinkers, and to provide them with a platform on which to influence public policy debates.

During 2015 we made three new appointments and received four resignations. One member of staff retired. Pule Motaung celebrated 20 years of service and Anthea Jeffery 25 years of service.

There was some restructuring of the finance and marketing functions, which should serve to strengthen these even as we trimmed staff costs.

Our internship programme was successful and saw us host a total of eight young people over the course of the year.

Thanks

Our sincerest thanks are due to the people and organisations that support our efforts to create a more prosperous and stable South Africa. They represent a small band of loyal patriots and friends of South Africa: people who have decided not to throw their hands up in despair and cry that 'something must be done', but who have rather got on with doing what is most important. They are helping to secure the policy reforms that will attract the investment needed to drive the economic growth that will create the opportunities for South Africans to free themselves from a future of dependency and deprivation.



Johannesburg
March 2016

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC

ANNUAL FINANCIAL STATEMENTS for the year ended 31st December 2015

COMPANY REGISTRATION NUMBER: 1937/010068/08
NON-PROFIT REGISTRATION NUMBER: 000-709-NPO
PUBLIC BENEFIT ORGANISATION NUMBER: 930006115

CONTENTS

	Page
Company information	38
Corporate governance	39
Directors' responsibilities and approval	40
Certificate by the company secretary	41
Directors' report	41–42
Independent auditor's report	43
Statement of financial position	44
Statement of comprehensive income	45
Statement of changes in equity	46
Statement of cash flows	46
Notes to the annual financial statements	47–57

The annual financial statements set out on pages 44–57 were drawn up by R D le Roux BCom (Acc), audited as required by the Companies Act, and have been approved by the Board of Directors.

**SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC
ANNUAL FINANCIAL STATEMENTS
for the year ended 31st December 2015**

COMPANY INFORMATION

Country of incorporation	South Africa	
Registration numbers:		
Company registration number	1937/010068/08	
Non-Profit registration number	000-709-NPO	
Public Benefit Organisation number	930006115	
Nature of business	Research and bursary administration	
Registered address	2 Clamart Road Richmond 2092 Johannesburg	
Postal address	P O Box 291722 Melville 2109 Johannesburg	
Auditors	Grant Thornton Chartered Accountants (SA) Registered Auditors A South African member of Grant Thornton International	
Bankers	First National Bank	
Council Office Bearers	J D Jansen	President
	H B Giliomee	Vice President
Non Executive Directors	T Coggin	Chairman of Board of Directors
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	D S L Bostock	Honorary Legal Adviser – Retired in April 2015
	P L Campbell	
	R D Crawford	
	J A Elgie	
	P G Joubert	
	P Letselebe	
	I Mkhabela	
	M J Myburgh	
	C E W Simkins	Retired in April 2015
	D F P Taylor	
	G N Towell	
Executive Director	F J C Cronje	Chief Executive
Company Secretary	R D le Roux	
	<i>Business address:</i>	<i>Postal address:</i>
	2 Clamart Road	P O Box 291722
	Richmond	Melville
	2092 Johannesburg	2109 Johannesburg

CORPORATE GOVERNANCE

The South African Institute of Race Relations (the Institute) applies the principles set out in the King Report on Governance for South Africa 2009 (King III) except for those principles that are inappropriate because of its nature and limited size. Exceptions are explained below.

Board of Directors

The Institute is controlled by the Board, which meets quarterly. The roles of Chairman and Chief Executive do not vest in the same person. Directors are appointed for a three-year term of office and re-appointment is not automatic. New members of the Board are appropriately inducted and the Board and its committees are evaluated annually. Membership of the Board is set out on page 40 of the annual financial statements. The Board is assisted by the Audit, Remuneration, and Social and Ethics Committees, whose members are listed on page 4.

Audit Committee

The Audit Committee, which is not a statutory committee but established by a decision of the Board, assists the Board by reviewing the annual financial statements and obtaining assurance from management, supplemented by external audit, regarding the effectiveness of internal controls, the management of risk and compliance with relevant laws and regulations. The small size of the Institute's administrative structures makes it unnecessary to establish formal risk management or an internal audit function. The Committee satisfies itself regarding the effectiveness of the Institute's finance function. The Committee, consisting of 4 independent non-executive directors, meets at least twice a year.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of executive management and recommending overall remuneration policies to the Board. The Committee consists of no fewer than 4 independent non-executive directors appointed by the Board. The remuneration of the Chief Executive and the Prescribed Officers is disclosed. Members of the Institute are asked to approve the remuneration policy at the Annual General Meeting.

Social and Ethics Committee

To advise the Board on social and ethical matters in accordance with the Companies Act, the Board appointed a Social and Ethics Committee. The Committee reported during the year to the Annual General Meeting of Members and the Board.

Company Secretary

All directors have unlimited access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed.

Financial control

The Institute maintains accounting and administrative control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are appropriately executed and recorded. These controls include proper delegation of responsibilities, effective accounting procedures, and adequate segregation of duties, which are monitored regularly.

Sustainability

The Institute's main purpose is to promote democracy, development, human rights, and reconciliation across the colour line. In doing so it aims to enhance the sustainability of South African civil society. The sustainability of the Institute itself depends on careful management of its financial resources as reflected in its annual financial statements. The effect of the Institute's operations on the physical environment is immaterial and is not separately dealt with in this report.

Code of ethics

The South African Institute of Race Relations conducts its activities in accordance with the principles of excellence, integrity, human dignity, and fairness.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Institute as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

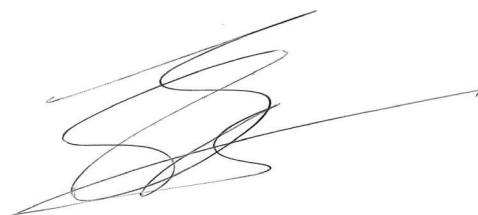
The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Institute and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Institute and all employees are required to maintain the highest ethical standards in ensuring the Institute's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Institute is on identifying, assessing, managing, and monitoring all known forms of risk across the Institute. While operating risk cannot be fully eliminated, the Institute endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems, and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.


The directors have reviewed the Institute's cash-flow forecast for the year to 31st December 2016 and, in the light of this review and the current financial position, they are satisfied that the Institute has, or has access to, adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Institute's annual financial statements. The annual financial statements have been examined by the Institute's external auditors and their report is presented on page 43.

The annual financial statements set out on pages 44 to 57, which have been prepared on the going concern basis, as well as the Directors' report presented on pages 41 and 42, were approved by the Board on 9 May 2016, and were signed on its behalf by:



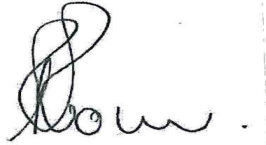
F J C Cronje



T A Wixley

CERTIFICATE BY THE COMPANY SECRETARY

In accordance with the provisions of section 88(2)(e) of the Companies Act, I certify that to the best of my knowledge and belief, the company has filed for the financial year ended 31st December 2015 all such returns and notices as are required of a private company in terms of the said Act, and all such returns and notices appear to be true, correct and up to date.



R D le Roux

DIRECTORS' REPORT

The directors submit their report for the year ended 31st December 2015.

Review of the Institute's business and operations

The main purpose of the Institute is to promote democracy, development, human rights, and reconciliation across the colour line. We seek to attain these objectives by conducting and publishing relevant research and policy analysis and by providing bursaries (mainly to black South Africans) on the basis of merit and need.

The operating results and state of affairs of the Institute are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations, and commitments will occur in the ordinary course of business.

Dividends

The Institute is a non-profit organisation. It has no shareholders and is not permitted by its memorandum of incorporation to distribute profits to its members.

Events after reporting date

The directors are not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements which would affect the operations of the Institute or the results of those operations significantly.

Auditors

Grant Thornton will continue in office as recommended by the Audit Committee and the Board, subject to the approval by the Members at the Annual General Meeting.

Secretary

R D le Roux served as secretary of the Institute for the year ended 31st December 2015.

Directors

The directors of the Institute during the year and to the date of this report are as follows:

Non Executive Directors	T Coggin	Chairman of Board of Directors
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	D S L Bostock	Honorary Legal Adviser – Retired in April 2015
	P L Campbell	
	R D Crawford	
	J A Elgie	
	P G Joubert	
	P Letselebe	
	I Mkhabela	
	M J Myburgh	
	C E W Simkins	Retired in April 2015
D F P Taylor		
G N Towell		
Executive Director	F J C Cronje	Chief Executive

Remuneration policy

The Remuneration Committee operates in terms of a charter approved by the Board. All members are non-executive directors. The committee meets in time to approve remuneration adjustments normally due on 1st October each year. Pay rises of senior management are determined by the committee in consultation with the Chief Executive. The Chief Executive's own salary is determined by the committee in his absence. Salaries of other staff members are decided by the Chief Executive after consulting the committee and his senior colleagues. All pay rises are performance-based, while also taking into account affordability and increased responsibility. Remuneration consists entirely of a fixed salary except in the case of a few individuals whose remuneration is partly dependent on success in marketing Institute services or raising funds for special projects (excluding the Chief Executive and Head of Finance).

The Chief Executive is authorised to grant pay rises during the year at his discretion, except where it involves senior management, in which case he obtains permission from the Chairman of the committee.

Report of the Audit Committee

The Audit Committee has 4 members, all of whom are independent non-executive directors of the Institute. The committee has met twice since the previous Annual General Meeting of Members and has performed the following functions:

- Recommended Grant Thornton as auditors and Mandi Turner as the designated auditor for the 2015 financial year;
- Satisfied itself that the auditors are independent;
- Approved the annual financial statements of the Institute for 2015, prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), and recommended them to the Board for approval;
- Satisfied itself, based on information received from management and the auditors, that the internal control of the Institute is adequate, that the accounting policies followed are appropriate and that the audit was properly carried out.



Independent Auditor's Report **To the members of** **South African Institute of Race Relations NPC**

We have audited the financial statements of South African Institute of Race Relations NPC set out on pages 44 to 57, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Institute of Race Relations NPC as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2015, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. The Directors' Report is the responsibility of the directors. Based on reading the Directors' Report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited the Directors' Report and accordingly do not express an opinion thereon.

Grant Thornton

GRANT THORNTON JOHANNESBURG PARTNERSHIP

Registered Auditors

M Turner

Partner
Registered Auditor
Chartered Accountant (SA)

10 May 2016

@Grant Thornton
Wanderers Office Park

STATEMENT OF FINANCIAL POSITION

as at 31st December 2015

	Notes	2015 R	2014 R
ASSETS			
Non current assets			
Plant and equipment	2	1 353 000	1 479 842
Intangible assets	3	105 211	43 202
		<u>1 458 211</u>	<u>1 523 044</u>
Investments			
Special Funds			
– Bursary	18.1.1	13 550 936	15 371 332
– Institute	18.1.2	1 243 257	4 155 159
– Other	18.1.3	1 034	1 000
		<u>14 795 227</u>	<u>19 527 491</u>
Other Institute investments	18.2	45 378 540	40 574 203
		<u>60 173 767</u>	<u>60 101 694</u>
Current Assets			
Trade and other receivables	5	1 244 032	1 261 262
Cash resources	6	1 020 244	970 064
		<u>2 264 276</u>	<u>2 231 326</u>
TOTAL ASSETS		<u>63 896 254</u>	<u>63 856 064</u>
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated funds		44 040 296	40 757 557
		<u>44 040 296</u>	<u>40 757 557</u>
Special funds			
– Bursary	16/17	13 550 936	15 371 332
– Institute	16/17	1 243 257	4 155 159
– Other	16/17	1 034	1 000
		<u>14 795 227</u>	<u>19 527 491</u>
Non current liabilities			
Finance lease agreement	8	240 672	427 001
		<u>240 672</u>	<u>427 001</u>
Current liabilities			
Finance lease agreement	8	178 774	162 693
Income received in advance		1 798 421	1 459 368
Trade and other payables	7	2 842 864	1 521 954
		<u>4 820 059</u>	<u>3 144 015</u>
TOTAL FUNDS AND LIABILITIES		<u>63 896 254</u>	<u>63 856 064</u>

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2015

	<i>Notes</i>	2015 R	2014 R
INCOME			
Administration fees received		737 297	732 544
Bequests		–	56 306
Bad debts recovered		130 445	18 662
Grants and donations		7 187 610	5 936 934
Membership fees and subscriptions		4 076 649	4 523 539
Publication sales		63 485	215 674
		12 195 486	11 483 659
EXPENSES			
Amortisation	3	152 516	53 000
Auditors' remuneration			
– Fees for the audit	11	242 030	229 689
Bad debts		321 301	–
BEE Survey cost		325 200	–
Consulting		347 630	–
Depreciation	2	369 850	321 380
Finance cost	10	47 146	45 974
Lease expenditure		137 951	23 029
Loss on disposal of plant and equipment		447	23 978
Overheads and administration		1 026 542	1 316 603
Personnel		10 265 038	9 206 893
Postage		98 985	38 629
Printing		206 333	297 764
Rent and utilities		917 433	693 294
Telecommunications		144 049	243 246
Travel		527 603	198 298
		15 130 054	12 691 777
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		(2 934 568)	(1 208 118)
INCOME FROM INVESTMENTS			
Dividends from investments		1 218 616	1 248 861
Realised and unrealised gain on investments		4 916 137	4 067 330
Interest received		82 554	126 915
		6 217 307	5 443 106
SURPLUS FOR THE YEAR		3 282 739	4 234 988
Other comprehensive income		–	–
SURPLUS FOR THE YEAR AFTER OTHER COMPREHENSIVE INCOME		3 282 739	4 234 988

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2015

	<i>Accumulated funds R</i>
Balance at 1st January 2014	36 522 569
Surplus for the year	4 234 988
Balance at 31st December 2014	40 757 557
Balance at 1st January 2015	40 757 557
Surplus for the year	3 282 739
Balance at 31st December 2015	44 040 296

STATEMENT OF CASH FLOWS

for the year ended 31st December 2015

	2015 R	2014 R
Cash flows from operating activities		
Surplus for the year	3 282 739	4 234 988
Adjustments:		
Depreciation/Amortisation	522 366	374 380
Interest received	(82 554)	(126 915)
Fair value gain on investment	(4 916 137)	(4 067 330)
Straight-lining of office lease	49 110	(82 484)
Loss on disposal of plant and equipment	447	23 978
Movement in working capital		
– (increase)/decrease in trade and other receivables.	17 230	(648 698)
– increase/(decrease) in trade and other payables	1 610 853	(577 299)
Sub total	484 054	(869 380)
Interest received	82 554	126 915
Net cash inflow/(outflow) from operating activities	566 608	(742 465)
Cash flows from investing activities		
Net sale/(acquisition) of shares	111 800	(178 101)
Proceeds received from disposal of investment	–	2 000 000
Proceeds received from disposal of plant equipment	7 567	363 481
Acquisition of plant equipment and other intangible assets	(465 541)	(536 833)
Net cash outflow/(inflow) from investing activities	(346 180)	1 648 547
Payment of finance lease arrangements	(170 248)	(339 210)
Net cash (utilised in) generated for the year	50 180	566 872
Cash resources at beginning of the year	970 064	403 192
Cash resources at end of the year	1 020 244	970 064

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st December 2015

1. ACCOUNTING POLICIES

Basis of preparation

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa. The financial statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value, and incorporate the principal accounting policies set out below.

These annual financial statements are presented in South African rands, the currency of South Africa and the country in which the Institute is incorporated.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement are inherent in the formation of estimates. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Financial assets measured at cost and amortised cost

The Institute assesses its financial assets measured at cost and amortised cost for impairment at each reporting period date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Institute makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment of financial assets measured at cost and amortised cost is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting period date that correlate with defaults on the portfolio.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the residual value assumption may change which may then affect the estimations and require a material adjustment to the carrying value of tangible assets.

The Institute reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, including political stability, foreign sponsor contributions and demand for research as produced by the Institute, together with economic factors such as exchange rates, inflation, and interest rates.

Taxation

The Institute is a Public Benefit Organisation in terms of section 30 of the Income Tax Act, ('the Act') and the receipts and accruals are exempt from Income Tax in terms of Section 10(1) (cN) of the Act.

Fair value measurement

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price.

NOTES (continued)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

1.2 Plant and equipment

Library books are not depreciated. Library books are stated at cost and the archives, which are housed at the University of the Witwatersrand, are carried at no cost. Other assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the depreciable value of each asset over its estimated useful life as follows:

Furniture and equipment	3–6 years
Motor vehicles	5 years

The depreciable value is the cost less the residual value. The residual values and useful lives are reviewed at each reporting date and adjusted if appropriate. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (thus impairment losses are recognised).

Gains and losses on disposals of plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

1.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

Intangible assets are initially recognised at cost.

All research and development costs are recognised as an expense unless they form part of the cost of another asset that meets the recognition criteria.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting period date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Website development	1 year
Computer software	1 year

1.4 Accumulated Funds

All reserves are reflected under accumulated funds.

1.5 Impairment

The Institute assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Institute estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, a recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual assets, the recoverable amount of the cash generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of the fair value less cost to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. The reduction is an impairment loss and is charged to profit and loss.

1.6 Contingencies and commitments

Transactions are classified as contingencies where the Institute's obligations depend on uncertain future events. Items are classified as commitments where the Institute commits itself to future transactions with external parties.

NOTES (continued)

1.7 Financial instruments

Initial recognition

The Institute classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the agreement.

Financial assets and financial liabilities are recognised on the Institute's statement of financial position when the Institute becomes party to the contractual provisions of the instrument.

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include accounts receivable, accounts payable, and instalment sale agreement liabilities. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Investments

Investments are stated at fair value. For Bursary Funds, the increase or decrease in fair value is capitalised. For the Institute, the increase or decrease is recognised as a fair value adjustment through profit and loss in the Statement of Comprehensive Income.

Special Funds

Funds specifically designated by donors may, at the discretion of the Institute, be retained and invested by the Institute pending disbursement.

Bursary Funds and Special Research Projects

The Funds and Projects administered by the Institute are disclosed in these financial statements in Note 17.

1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. These are initially and subsequently recorded at fair value.

1.9 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Institute; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Institute;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and valued added tax.

NOTES (continued)

Interest income is recognised on an accrual basis, using the effective interest rate method. Dividends received are recognised when the right to receive payment is established.

Membership fees and subscriptions

Membership fees are recognised in the accounting period in which the services to members are rendered.

For membership fees collected in advance, the revenue is deferred to income received in advance in the statement of financial position.

Donations and grants

Donations and grants are brought to account on a cash-received basis except where they cover more than one year, in which case they are brought into income over the period.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Finance leases

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property, or if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction in outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of return over the remaining balance of the liability.

1.11 Investment policy

Investment income consists of net realised surpluses and deficits on the sale of investments, net unrealised surpluses and deficits on the valuation of investments at fair value, interest, and dividends.

Realised and unrealised surpluses and deficits are recognised in the profit or loss.

1.12 Short-term employee benefits

The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The accrual for employee entitlements to annual leave represents the amount which the Institute has a present obligation to pay as a result of employees' service provided up to the reporting date. The accrual has been calculated at undiscounted amounts based on current salary rates.

1.13 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

NOTES (continued)

2. PLANT AND EQUIPMENT

	<i>Furniture and equipment R</i>	<i>Motor vehicles R</i>	<i>Library R</i>	<i>Total R</i>
Year ended 31st December 2015				
Opening net carrying amount	855 405	220 437	404 000	1 479 842
Additions	251 016	0	0	251 016
Disposals	(8 008)	0	0	(8 008)
Depreciation	(332 100)	(37 750)	0	(369 850)
Closing net carrying amount	766 313	182 687	404 000	1 353 000
Year ended 31st December 2015				
Cost	2 196 757	248 749	404 000	2 849 506
Accumulated depreciation	(1 430 444)	(66 062)	–	(1 496 506)
Closing net carrying amount	766 313	182 687	404 000	1 353 000
Year ended 31st December 2014				
Opening net carrying amount	1 086 225	257 825	404 000	1 748 050
Additions	191 882	248 749	0	440 631
Disposals	(129 634)	(257 825)	0	(387 459)
Depreciation	(293 068)	(28 312)	0	(321 380)
Closing net carrying amount	855 405	220 437	404 000	1 479 842
Year ended 31st December 2014				
Cost	2 642 504	406 854	404 000	3 453 358
Accumulated depreciation	(1 787 099)	(186 417)	–	(1 973 516)
Closing net carrying amount	855 405	220 437	404 000	1 479 842

Certain office equipment is held under finance lease (refers to Note 8).

A register with details of Plant and Equipment is available for inspection by members or duly authorised representatives at the registered office of the company, in terms of Regulations 25(3) of the Companies Act, 2011.

3. INTANGIBLE ASSETS – WEBSITE DEVELOPMENT AND COMPUTER SOFTWARE

	2015 R
Year ended 31st December 2015	
Opening net carrying amount	43 202
Additions	214 525
Amortisation	(152 516)
Closing net carrying amount	105 211
Year ended 31st December 2015	
Cost	457 127
Accumulated amortisation	(351 916)
Closing net carrying amount	105 211
Year ended 31st December 2014	
Opening net carrying amount	–
Additions	96 202
Amortisation	(53 000)
Closing net carrying amount	43 202
Year ended 31st December 2014	
Cost	242 602
Accumulated amortisation	(199 400)
Closing net carrying amount	43 202

NOTES (continued)

4. RELATED PARTY NOTE

Board of Directors:

Full details of all the directors of the Institute are set out under the Report of the Directors on pages 41 and 42 of this annual report. With the exception of one executive director, whose remuneration is set out in Note 12, there have been no transactions with the non-executive directors of the Institute.

5. TRADE AND OTHER RECEIVABLES	2015	2014
	R	R
Receivables	1 092 227	1 020 766
Receiver of Revenue – VAT	–	78 889
Staff debtors	151 805	161 607
	<u>1 244 032</u>	<u>1 261 262</u>

6. CASH RESOURCES

Cash on hand	3 500	3 500
Current account	231 025	115 727
Call account	785 719	850 837
	<u>1 020 244</u>	<u>970 064</u>

7. TRADE AND OTHER PAYABLES

Payables	1 975 244	896 063
Accruals	89 624	25 651
Receiver of Revenue – VAT	56 802	–
Accrual for leave pay	721 194	600 240
	<u>2 842 864</u>	<u>1 521 954</u>

8. FINANCIAL LEASES

The Institute has certain financial leases on office equipment. In terms of the leases the Institute's commitments are as follows:

Office equipment:	2015	2014
	R	R
Minimum lease payments:		
– within a year	178 774	162 693
– within second to fifth year	285 242	567 378
	<u>464 016</u>	<u>730 071</u>
Less future lease charges	(44 570)	(140 377)
Present value of minimum lease payment	<u>419 446</u>	<u>589 694</u>
Current liabilities	178 774	162 693
Non current liabilities	240 672	427 001
	<u>419 446</u>	<u>589 694</u>

The book value of the assets held under finance lease is detailed in Note 2 of the financial statements.

NOTES (continued)

9. OPERATING LEASE COMMITMENTS

The Institute has an operating lease on office premises and office equipment. In terms of the lease the Institute's commitments are as follows:

	2015	2014
	R	R
Premises:		
Minimum lease payments:		
– within a year	754 608	721 156
– within second to fifth year	2 970 625	3 724 032
	<u>3 725 233</u>	<u>4 445 188</u>

Operating lease payments represent rentals payable by the Institute for its office premises. The average escalation is 8% (2014: 8%) and has been reflected in the amounts above.

A new operating lease for the premises was signed in 2015 for a 5 year period. The annual escalation will be 8%.

Avaya IP Office PABX

Minimum lease payments:		
– within a year	143 226	136 406
– within second to fifth year	375 420	518 646
	<u>518 646</u>	<u>655 052</u>

The operating lease payments represent rentals payable by the Institute for its PABX system. The average escalation is 5% and has been reflected in the amounts above.

	2015	2014
	R	R
10. FINANCE COST		
Finance lease charges	47 146	45 974
	<u>47 146</u>	<u>45 974</u>

	2015	2014
	R	R
11. AUDITOR'S REMUNERATION		
Institute	242 030	229 689
	<u>242 030</u>	<u>229 689</u>

Audit fees paid in the 2015 financial year to Grant Thornton for the audit of the 2014 financial year. The 2015 audit fees to Grant Thornton will be paid in 2016 and will reflect as such in the financial statements.

12. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The directors' and prescribed officers' emoluments in connection with the affairs of the Institute were as follows:

	2015	2014
	R	R
JS Kane-Berman – Salary to 28 Feb 2014	–	438 558
JS Kane-Berman – Fringe benefits	–	25 038
FJC Cronje – Salary	1 437 117	1 053 100
RD Le Roux – Salary	864 338	758 100
	<u>2 301 455</u>	<u>2 274 796</u>

The directors' emoluments were payable to executive directors only. Non-executive directors are not paid for their services.

13. TAXATION

The Institute is exempt from tax in terms of Section 10(1) of the Income Tax Act for the period under review.

NOTES (continued)

14. RETIREMENT BENEFITS

Defined contribution plan

The Company encourages employees to belong to a pension or provident fund. Three staff members are currently covered by an umbrella fund under the SA Welfare Consolidated Investment Portfolio. The Company is under no obligation to cover any unfunded benefits.

	2015 R	2014 R
The total contribution to such schemes	132 402	141 321

15. CAPITAL EXPENDITURE

	2015 R	2014 R
Authorised but not yet contracted for	240 000	350 000

The future capital expenditure is for computer equipment and will be funded out of cash resources.

16. SPECIAL FUNDS

	Bursary R	Institute R	Other funds R	2015 R	2014 R
INCOME					
Donations and grants	2 733 820	570 190	–	3 304 010	8 678 096
Interest	48 251	137 050	346	185 647	230 401
Dividends	357 278	–	–	357 278	458 001
Surplus on investments	–	–	–	–	–
	3 139 349	707 240	346	3 846 935	9 366 498
EXPENSES					
Administration fees and running costs	817 264	3 619 142	312	4 436 718	4 852 794
Audit fees	9 540	–	–	9 540	9 000
Bursaries and grants	4 055 816	–	–	4 055 816	4 284 010
Loss on investments	77 125	–	–	77 125	367 547
	4 959 745	3 619 142	312	8 579 199	9 513 351
(LOSS)/SURPLUS FOR THE YEAR	(1 820 396)	(2 911 902)	34	(4 732 264)	(146 853)
Accumulated funds at beginning of year	15 371 332	4 155 159	1 000	19 527 491	19 674 344
NET ACCUMULATED FUNDS	13 550 936	1 243 257	1 034	14 795 227	19 527 491

A list of the balances of the Special Funds administered by the Institute appears in Note 17 and the related investments are set out in Note 18.

NOTES (continued)

17. SPECIAL FUNDS

17.1 Bursary Funds

	<i>Capital R</i>	<i>Amounts held for Bursary awards R</i>	<i>2015 R</i>	<i>2014 R</i>
Amcham Fund	–	1 172 865	1 172 865	1 264 596
Berkowitz Family Scholarship Fund	–	163 539	163 539	412 644
Clive Beck Education Trust	–	272 727	272 727	164 612
Durban Thekwini Bursary Fund	–	37 919	37 919	36 437
Giannopoulos Bequest	322 000	118 866	440 866	430 155
Horace Coaker Fund	500	912 826	913 326	1 025 369
Hungjao Bequest	821 831	150 759	972 590	947 711
Isaacson Foundation Bursary Fund	–	1 838 699	1 838 699	2 380 745
Johnson and Johnson Medical Bursary Fund	–	89 098	89 098	21 699
Luthuli Memorial Foundation Fund	107 883	57 275	165 158	165 159
Oppenheimer Memorial Trust	–	819 086	819 086	580 383
Reginald Smith Memorial Trust	10 000	2 401	12 401	11 884
Robert Shapiro Trust	–	4 433 544	4 433 544	5 480 342
Senior Bursary Fund	50 000	36 659	86 659	137 073
Shirley Simons Fund	772 778	1 359 681	2 132 459	2 312 523
TOTAL BURSARY FUNDS	2 084 992	11 465 944	13 550 936	15 371 332

17.2 Special Research Projects:

	<i>2015 R</i>	<i>2014 R</i>
Royal Belgian Embassy	1 165	1 000
Dick Gawith Fellowship	982	1 071
International Republican Institute	1 037	1 140
Open Society Foundation for South Africa	1 166	1 000
Reform Project	1 238 907	4 150 948
	1 243 257	4 155 159

17.3 Other funds:

Johnson and Johnson BTC Fund	1 034	1 000
	1 034	1 000
TOTAL SPECIAL FUNDS	14 795 227	19 527 491

NOTES (continued)

18. INVESTMENTS

	2015 R	2014 R
18.1 Special funds		
18.1.1 Bursary Funds (Note 17.1)		
Listed Investments (Note 19)	9 110 726	11 400 746
	<u>9 110 726</u>	<u>11 400 746</u>
Total equities and other investments	9 110 726	11 400 746
Cash deposits	4 449 750	3 979 586
	<u>13 560 476</u>	<u>15 380 332</u>
Less: Creditors	(9 540)	(9 000)
	<u>13 550 936</u>	<u>15 371 332</u>
18.1.2 Institute Special Research Projects (Note 17.2)		
Unit Trusts and Cash on call	1 243 257	4 155 159
18.1.3 Other funds (Note 17.3)	1 034	1 000
	<u>1 244 291</u>	<u>4 156 159</u>
Total Special Funds	1 244 291	4 156 159
18.2 Other Institute Investments		
First National Bank Call Accounts	–	–
Listed Investments (Note 20)	45 378 540	40 574 203
	<u>45 378 540</u>	<u>40 574 203</u>
TOTAL INVESTMENTS	60 173 767	60 101 694

19. LISTED INVESTMENTS OF BURSARY FUNDS

	2015 Qty	2015 R	2014 Qty	2014 R
Asset Managers				
Peregrine Holdings Limited	15 740	461 182	–	–
Banks				
Standard Bank Group Limited	9 300	1 055 550	9 300	1 334 364
Beverages				
SAB Miller Plc	2 280	2 139 826	2 280	1 380 289
Chemicals, Oils and Plastics				
Sasol Limited	3 060	1 283 364	3 060	1 318 891
Clothing and Accessories				
Compagnie Financière Richemont SA	12 450	1 389 420	24 900	2 614 500
Mining Holdings and Houses				
Anglo American Plc	3 000	206 970	6 200	1 335 046
BHP Billiton Plc	2 830	492 250	5 991	1 489 842
Services				
Bidvest Group Limited	6 344	2 082 164	6 344	1 927 815
		<u>9 110 726</u>		<u>11 400 746</u>

The fair values of listed investments are based on the quoted market price at the reporting period date.

NOTES (continued)

20. LISTED INVESTMENTS OF OTHER FUNDS	2015 Qty	2015 R	2014 Qty	2014 R
Banks				
Standard Bank Group Limited	13 900	1 577 650	13 900	1 994 372
Beverages				
SAB Miller Plc	4 166	3 909 874	4 166	2 522 055
Broadcasting & Entertainment				
Naspers Limited	300	636 000	–	–
Business Support Services				
Santova Limited	700 000	2 975 000	700 000	1 981 000
Chemicals, Oils and Plastics				
Sasol Limited	5 000	2 097 000	5 000	2 155 050
Clothing and Accessories				
Compagnie Financière Richemont SA	22 600	2 522 160	22 600	2 373 000
Computer Services				
Datatec Limited	3 053	157 230	–	–
Containers and Accessories				
Nampak Limited	–	–	26 100	1 138 482
Coal				
Exxaro Resources Limited	–	–	5 400	558 900
Equity Investment Instruments				
Rand Merchant Insurance Holdings Limited	41 500	1 606 465	30 700	1 254 402
Stellar Capital Partners Limited	160 083	377 796	–	–
Food Retailers and Wholesalers				
Tiger Brands Limited	–	–	4 575	1 683 875
Shoprite Holdings Limited	9 250	1 325 155	9 250	1 556 220
The Spar Group Limited	10 200	1 877 820	10 200	1 645 872
Furnishings				
Steinhoff International Holdings Limited	33 900	2 661 489	26 400	1 568 160
Investment Services				
Brait SE	21 309	3 557 324	14 900	1 172 630
PSG Group Limited	8 000	1 788 000	4 200	536 550
Life Insurance				
Sanlam Limited	21 000	1 271 340	21 000	1 470 000
Marine Transportation				
Grindrod Limited	–	–	57 395	1 285 648
Mobile Telecommunication				
Bluelabel Telecommunications Limited	20 000	243 000	–	–
Vodacom Group Limited	9 700	1 478 377	9 700	1 245 771
Mining Holdings and Houses				
Anglo American Plc	2 000	137 980	4 150	893 620
BHP Billiton Plc	5 564	967 802	5 564	1 383 656
Kumba Iron Ore Limited	–	–	–	–
Pharmaceuticals				
Aspen Pharmacare Holdings Limited	6 350	1 965 198	6 350	2 578 100
Real Estate Holding & Development				
Capital and Counties Properties Plc	6 900	707 250	–	–
Redefine Properties Limited	100 861	978 352	97 000	1 037 900
Rockcastle Global Real Estate Company Limited	48 018	1 675 828	46 100	1 115 620
Restaurants and Bars				
Famous Brands Limited	11 000	1 430 000	11 000	1 268 960
Retailers				
Clicks Group Limited	17 000	1 513 000	17 000	1 377 000
Services				
Bidvest Group Limited	7 190	2 359 830	7 190	2 184 897
Tobacco				
British American Tobacco Plc	4 102	3 581 620	4 102	2 592 464
		45 378 540		40 574 203

The fair values of listed investments are based on the quoted market price at the reporting period date.



IRR

South African Institute of Race Relations

The power of ideas

2 Clamart Road, Richmond, Johannesburg, 2092 South Africa

P O Box 291722, Melville, 2109 South Africa

t. 011 482 7221 / f. 011 482 7690

info@irr.org.za / www.irr.org.za