

2019

90TH ANNUAL REPORT

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IRR

South African Institute of Race Relations
The power of ideas



SOUTH AFRICAN INSTITUTE
OF RACE RELATIONS NPC

90th ANNUAL REPORT

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CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING OF MEMBERS OF THE IRR ON MONDAY 8 JUNE 2020

Mr President, Members of the IRR and Members of Council, I have the pleasure of presenting this report to you. The attached annual financial statements cover the financial year ended 31 December 2019. The narrative report is written in the main to reflect developments in 2019, with some limited comments on the subsequent Covid-19 pandemic and its implications for the IRR.

In terms of both finance and influence, 2019 demonstrated that the strategy adopted by the Board and the Council in 2014/15 is paying off. That strategy had three components, all of which were at odds with conventional wisdom on how think tanks should be run.

- The **first** component was not to cut back on expenditure under financial pressure, but to rather incur significant deficits in order to increase the quantum of argument and output produced by the organisation.
- The **second** was to disregard our critics and to 'tone-up' rather than 'tone-down' the tenor and content of our messaging.
- The **third** was to reduce levels of donor dependency via sourcing financial support from people and institutions who heard, appreciated, and supported the stances and tenor of the IRR.

It has not been easy, but I can report that:

- For 2019, revenue was up 28% compared to 2018 and 85% compared to 2015.
- The budget presented to the board at the end of 2019 forecast revenue to increase by a further 29% in 2020.
- As revenues have risen, the IRR's deficit was reduced to R1 668 786 in 2019 from R6 686 830 in 2018 and should be eliminated in 2020.
- Our crowd-funding efforts have paid off spectacularly, with fee-paying supporter numbers increasing by 168% over the year to just over 10 000.
- In line with our financial strategies, the proportion of income contributed by traditional donors fell to 7% in 2019 from 59% in 2015.

We raise money in order to better prosecute the battle of ideas so that we might influence, with liberal ideas, the decisions taken by politicians, government officials, business leaders, and foreign governments with respect to South Africa. Success in the battle of ideas requires, above all else, having the reach and ability to shape public opinion, and I am pleased again to report that in 2019 the IRR saw to it that 5 192 reports, policy submissions, media releases, media interviews, self-authored opinion pieces, briefings, events, and video and audio clips were placed in the public domain at a rate of over 14 per day or one every 103 minutes. When social media comment is added, the IRR placed an idea in the public domain once every 63 minutes. By comparison, in 2014 we ensured 8.1 such interventions per day or once every 178 minutes. On any given week of the year we comfortably reach several hundred thousand people with our ideas.

How we communicate has also changed. For much of the past 91 years, we did so by writing things on paper and then sending them to people to read. After years of trialling different approaches, we have come to possess a strong in-house video (including live-

events), audio, social media, and digital marketing capacity enabling the production and output of that type of content to increase by over 1 000% in 2019. 20% of our staff now work almost exclusively on media and social media matters. And, whereas we employed or contracted 3 senior top-tier writers and opinion formers in 2014, the number at the end of 2019 was 9.

That increase has been matched in an increase in the number and range of communications platforms used by the IRR. Nine such platforms are prominent.

- The **first** of these remains the **traditional media**. The IRR places a considerable volume of opinion writing and commentary into the traditional print, radio, and TV media every year. In 2019, the IRR granted 1 189 interviews to journalists and placed 1 117 self-authored opinion articles in the traditional media.

- The **second** is **The Daily Friend Show**. This is a 25-35 minute current affairs show that discusses topics in the news. It features various staff from the IRR giving their opinions on current political and other issues. It comes out every Monday, Wednesday and Friday.



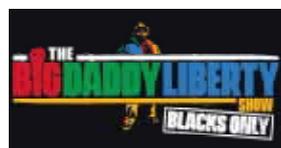
- The **third** is **Two Crickets in a Thorn Tree**. This is a weekly 55-70 minute discussion show featuring Gabriel Crouse and Nicholas Lorimer, and covering wide-ranging topics, from pop culture, history and current affairs to geopolitics and philosophy.



- The **fourth** is the **The Big Daddy Liberty Show**. The show is a classical liberal weekly variety show on YouTube. Host Sihle Ngobese, aka Big Daddy Liberty, tackles social, political and economic issues from a liberal perspective, and by engaging the public and key freedom thinkers on everyday issues.



- The **fifth** is **Blacks Only**, another YouTube-based show under the **Big Daddy Liberty Show** stable, and, as its name suggests, is a cheeky parody of society's obsession with race and identity politics, insisting instead that it is ideas and not race that matter. This weekly talk show has a revolving list of regular contributors, who discuss and analyse the top news items of the week. To bust the myth that all black people are leftist, contributors are either liberals, classical liberals, libertarians or even anarchists.



- The **sixth** is the **Centre for Risk Analysis (CRA)**. The CRA carries research and analysis into the business and diplomatic community. A large number of corporations and other institutions consult the CRA for advice on how to ensure South Africa's success as staff complement of its own free and open society. The CRA has a dedicated full-time staff of its own and its own publications and products. Its stock in trade is analysis and advice.



- The **seventh** is the **Liberal Club**. The club meets weekly to discuss political, economic, and related developments around the world. Speakers regularly address the club, and it hosts a number of dinners. Membership is open to IRR staff and invited persons.

LIBERAL CLUB



Many more hills to climb

- The **eighth** is the **Daily Friend**. This is an online newspaper which runs daily news, opinion, podcast, and YouTube content and is focused on South Africa's liberal community and those interested in liberal ideas. It only publishes original content although it allows third-party publications to run that content. The *Daily Friend* has its own full-time editorial staff, with various IRR staff contributing to it, and it employs a number of contracted columnists.



Friend has its own full-time editorial staff, with various IRR staff contributing to it, and it employs a number of contracted columnists.

- The **ninth** is the **Friends of the IRR**, the community of individuals who support the work of the IRR and are active supporters of the IRR in their communities. At the end of 2019, there were over 10 000 active **Friends of the IRR** across almost every town, city, and region of the country as well as abroad.



All these platforms are growing strongly and allow us to reach a specific target audience. We intend for each one to become a dominant voice in South Africa's battle of ideas.

The payoff for our investment in media and communication is perhaps best read in the fact that, in 2019, over 200 000 people used IRR platforms to make policy submissions to Parliament. A multiple of that number would have considered IRR positions, and taken them on board, even if they did not go as far as actually completing a submission themselves. If that multiple is 5:1 (in other words that for every five people who thoroughly considered our policy proposals, one went as far as endorsing these online) that suggests that in the region of 1 in every 30 South African adults was significantly influenced by IRR policy proposals in 2019. The number who became aware of such positions would be a multiple of that.

Given the dearth of organisations that take the positions the IRR does, such as those unambiguously in favour of property rights, freedom of speech, a market economy, and non-racial empowerment policy, the importance of the IRR in South Africa's battle of ideas is hard to overstate.

Successfully prosecuting the battle of ideas requires more than shaping public opinion. Such influencing needs to be backed up and reinforced via face-to-face engagements with policymakers and opinion shapers. We have done well here, too; in 2019 the IRR facilitated or presented 463 briefings to business, political, and foreign groups on events in the country and the reforms that need to be carried out in order to ensure its prosperity. These took place locally and around the world, from London to Tel Aviv, Beijing, and Washington. Our foreign expeditionary efforts attracted particular attention during the year and were particularly influential in bringing pressure to bear on the South African government to stop its expropriation plans. Since 2015, 2 160 foreign and domestic face-to-face events have been held.

Given the investment we have made in reach and communications, what has happened to our policy research and report writing? We knew when we set out in 2014/15 on this new strategy that a primary challenge would be reaching very large numbers of people while remaining a think tank whose purpose was the creation and dissemination of ideas. Populism would beckon at various junctions which was a temptation we knew we would have to withstand. Many think tanks have struggled here and tended to

retreat from their early public engagement efforts into ivory tower elitism – writing for business and political elites. In 2019, a particularly idiotic journalist suggested that given its growing prominence on social media and related platforms, the IRR had surrendered its traditional think-tank role of research and the production of in-depth policy critiques. This was despite that journalist having had sight of IRR data showing that it has published 340 policy papers and research reports since 2015, of which 61 were written in 2019. On a per-rand basis, we do not think that any think-tank competitor can come near to matching those levels of policy output.

Why have we done relatively well? I draw ten lessons from our experience that the Council and Members should reflect upon. But, before listing them, I want to sound a cautionary note against complacency; central to each of the ten points that follow was a willingness to run risks in reinventing the organisation and introducing bold changes often at odds with conventional wisdom. The strategies the Board and the Council pursue today must not be those we pursue tomorrow. Our experience is that continued boldness, reinvention, and innovation will determine the success of the IRR as it marches towards its centenary.

- The **first** lesson is that the basic policy differences between successful, free, and prosperous societies on the one hand and failing, unfree, and poor societies on the other are already available and well understood. When it comes to the broad principles of governance and economics, it is pointless for think tanks to spend the great bulk of their time and financial resources on research and policy papers.
- The **second** is that their research should rather be focused on understanding why good ideas are sometimes not adopted and what must be done to change that. This line of enquiry will take them straight to battle-of-ideas theory – as the leadership of the IRR has understood so well for many decades.
- The **third** is that it is not very useful for think tanks to simply audit the progress of a society. Their mandate should extend beyond analysis to influence via adopting battle-of-ideas methodologies.
- The **fourth** is that if they influence effectively, they will come under withering public attack by their ideological adversaries. This must be welcomed, as attacks indicate success. When under attack, not one inch must be surrendered to critics, let alone orienting the focus of the organisation to addressing or (worse) appeasing critics. Essential is to keep the focus on liberal ideas and policy solutions and not to allow critics to set the framework for debate.
- The **fifth** is to be clear about who and what the greatest threats and adversaries to substantive liberty are. Those adversaries are ever less the familiar nexus of corrupt, nationalist, and socialist governments, large monopoly corporations and related formal political parties and unions. We are no longer engaged in fighting the apartheid government and its supporters in business and the media. The African National Congress (ANC), too, I will go on to argue in this report, is dying and is no longer the primary long-term threat to South Africa's future as a free and open society. These neatly delineated threats to liberty, with their published policy stances, prominent leaders, and formal institutional characteristics, are unlikely to be the chief adversaries faced by liberal institutions over the next decade. The primary threat to liberty, and classical liberal ideas, both here and around the world, has already evolved to become a nebulous congregation of scores of small propagators of cultural Marxism and related theses.
- The **sixth** is to know that the attacks launched against liberal institutions by these new adversaries will take three forms in the main: de-platforming, undermining sources of donor support, and painting liberal positions as right wing.
- The related **seventh** is that given the influence of cultural Marxists over many philanthropic, corporate, and media institutions, successful liberal think tanks will best survive attacks by breaking their dependency on third-party media channels through

developing their own channels, learning to communicate directly with people, and breaking dependency on traditional donor funding sources.

- The **eighth** is that winning public arguments will depend on maintaining intellectual and research capacities without peer (you must have the cleverest people – fail at that and you might as well pack up and go home) and then properly segmenting the public-ideas market into supporters, neutral parties, and adversaries to ensure that your top thinkers and writers reach each market with messages that resonate. Supporters must be reinforced and encouraged. Neutral parties convinced through reasoned argument. And the internal contradictions and flaws in adversary arguments attacked and exposed. Floundering institutions, the evidence is now unambiguous, will focus on accommodating adversaries and will thereby fail to convince neutrals while alienating supporters.
- The **ninth** is that only if you win public arguments will you translate your communications efforts into the financial support necessary to sustain those efforts. You must win often and publicly. Margaret Thatcher said that you have to win the argument before you can win the politics. Liberal organisations must cultivate a culture of winning and elements of those organisations that lose must be excised.
- The **tenth** is that, because of the importance of public audiences, think tanks cannot afford to degenerate into ivory towers. The ideas they generate must have an even greater influence in living rooms than they do in boardrooms and think tanks should therefore be geared to the production of vast levels of easily consumed high-quality argument.

Fatal mistakes for liberal institutions range from retreat when under public attack to failing to innovate funding models, failing to develop new media platforms, and failing to hire on the basis of cleverness and boldness above all else.

It goes without saying that liberal think tanks need a very clear understanding of their liberal roots and an unflinching commitment to liberal principle. In the heat of public engagement, which is what the strategy we have pursued will necessarily lead to, any confusion or degree of internal incoherence will be quickly exposed. Deep and clearly defined ideological roots are crucial – a task that falls to the Council of the IRR.

Sometimes we are asked, by well-meaning people, if it would not be better if we compromised a little bit, just to bring some new supporters on board – to make the odd strategic concession, as it were. The answer is never. As well-meaning as they might be, what the proposers of such ideas fail to understand is the pressure to compromise that liberal organisations such as the IRR are constantly under. If their management vacillate at all, even once, they will do so again and again to the point where their stances become ultimately so diluted as to be indistinguishable from the vacuous. Rather be accused of overcompensating in the face of pressure, and coming across too aggressively, in order to completely insulate the IRR against the danger of liberal slide-away.

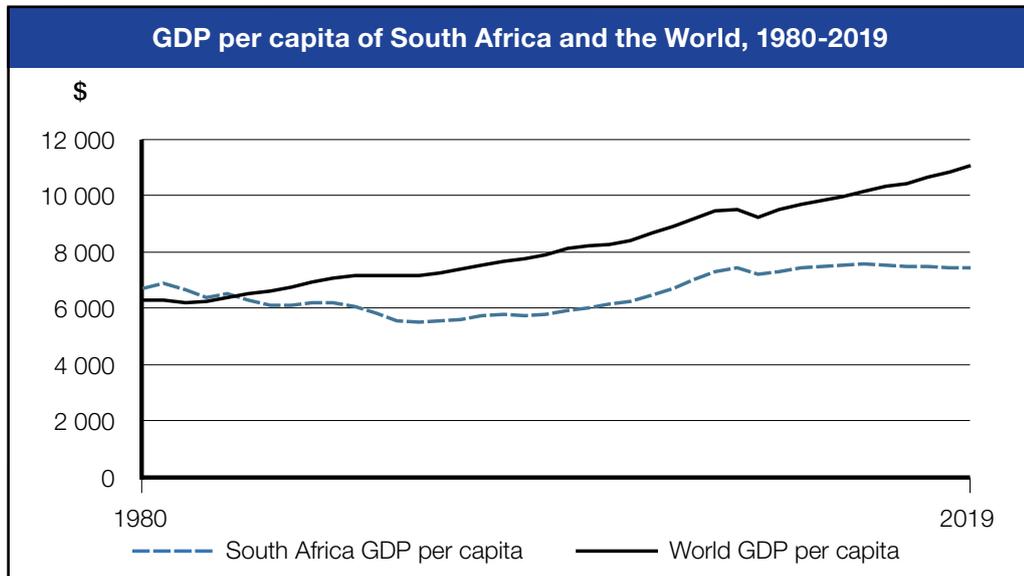
We speak quite openly about our strategies and tactics and have been asked if that is wise? It does not really matter. Our most competent adversaries know all that we know about strategy and they execute such strategies very effectively themselves. There is a great degree of professional respect even, purely on a strategic level, between top-flight liberal institutions and those on the left. We have learned a great deal from them.

Where to now for the IRR, given the economic and political circumstances South Africa now confronts?

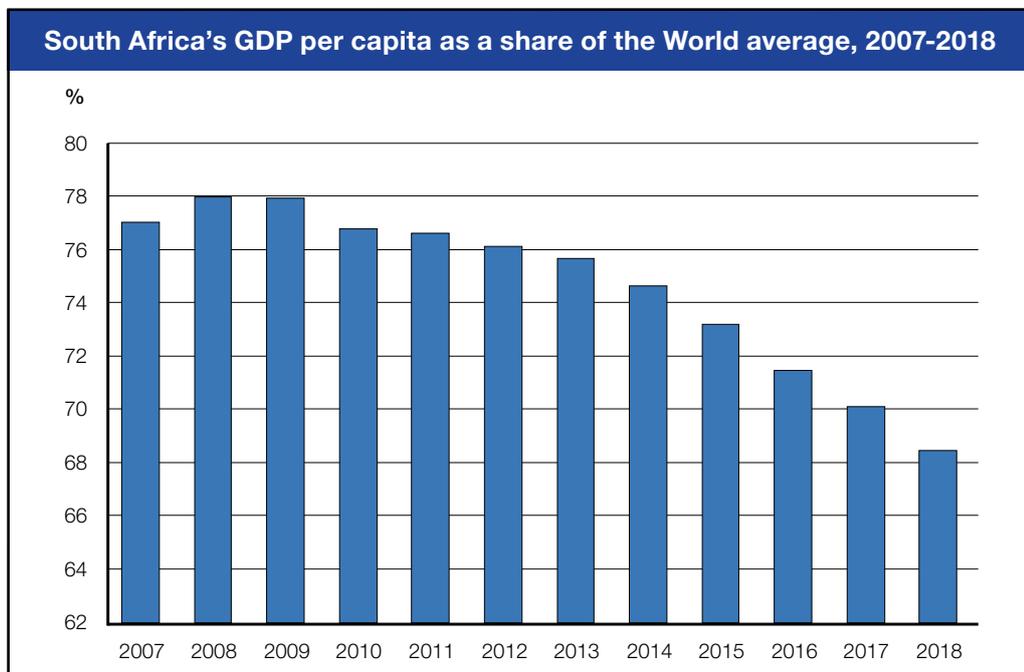
The following charts produced by our research staff are useful in understanding the point South Africa has reached and why it is now primed, I will argue, for a profound degree of change.

The chart below tracks real per capita GDP for South Africa and the world over the past five decades. From coming in above the world average in the late 1970s, South Africa lost considerable ground through the catastrophic last decade of apartheid before stabilising

and then rising through the 2000s at a rate roughly on a par with global averages. But the confluence of the Polokwane conference of the ANC and the 2009 global financial crisis would put an end to that and, as the world pulled out of that crisis, South Africa departed on a separate trajectory, replicating a pattern last seen in the economic data of the 1970s.

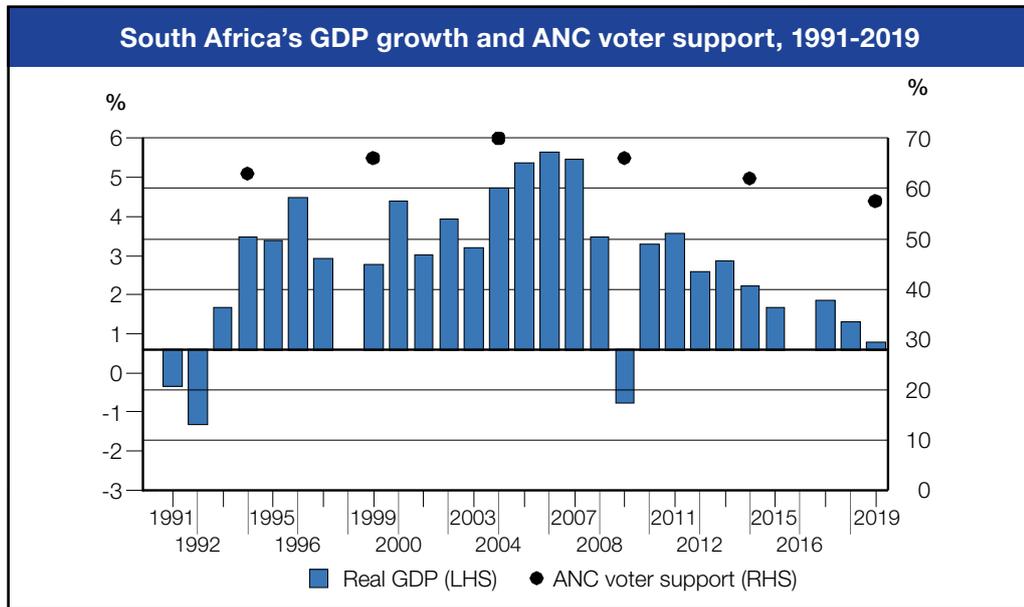


As South Africa departed from the global growth track, South Africans began to get poorer relative to people in the rest of the world. The extent of such impoverishment is set out best on the chart below, which tracks South Africa's GDP per capita as a share of the global average since 2007. In 2008 and 2009, for example, South Africa's per capita GDP was estimated at 78% of the global average. Yet at the end of 2018 it was estimated at nearer 68%.

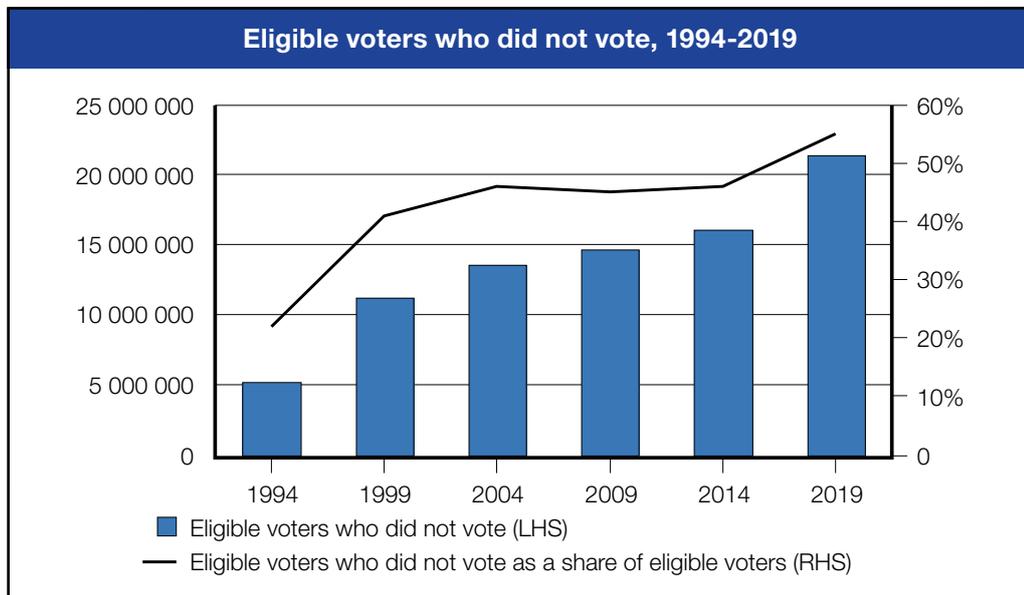


This is profoundly important in gauging the likely political consequences of the ruinous policies pursued by the South African government over the past decade. ANC support has always tracked the living standards of people (which has in turn reflected the rate of growth in the economy) and South Africans, contrary to so much that is written in

the media, broadly vote on their material circumstances. The chart below, for example, sets out ANC support at national elections plotted against GDP growth in South Africa. Note how in 2004, as economic growth began to ramp up, the ANC stood almost six percentage points stronger than when Mr Mandela had led it to victory a decade earlier.

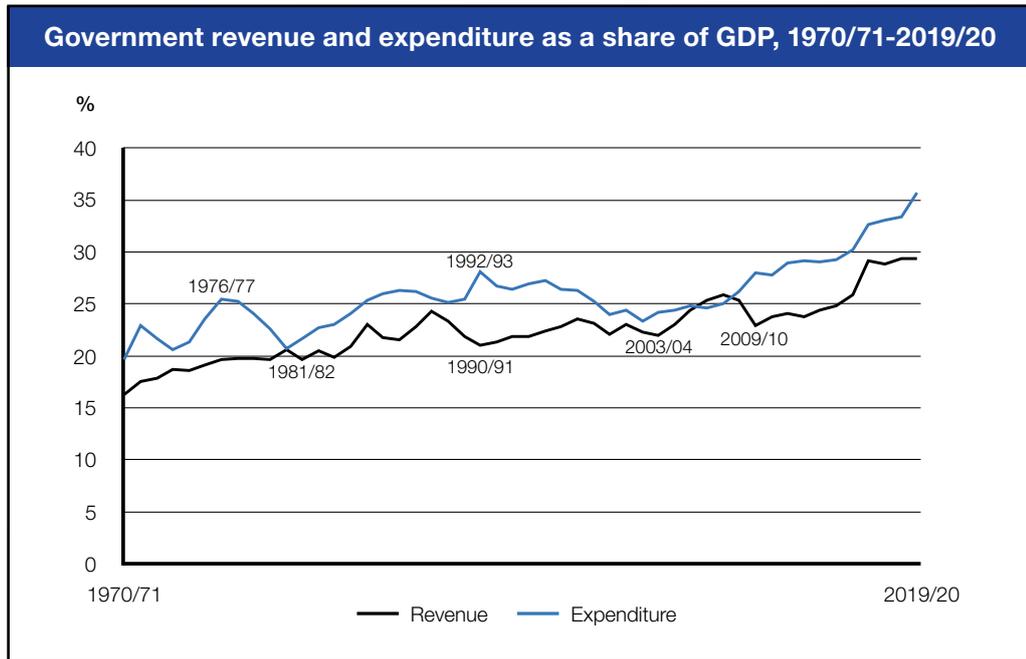


The same pattern is true for the relationship between service delivery numbers and ANC support, job numbers and ANC support, middle class growth and ANC support, and a host of other indicators. Let there be no doubt that, as economic growth slows, political disillusionment, in the main with the ANC, accelerates. I think this will continue to be the case and the chart below, which tracks voter turnout data, and reveals the size of South Africa's untapped political market, alludes to some of the consequences.

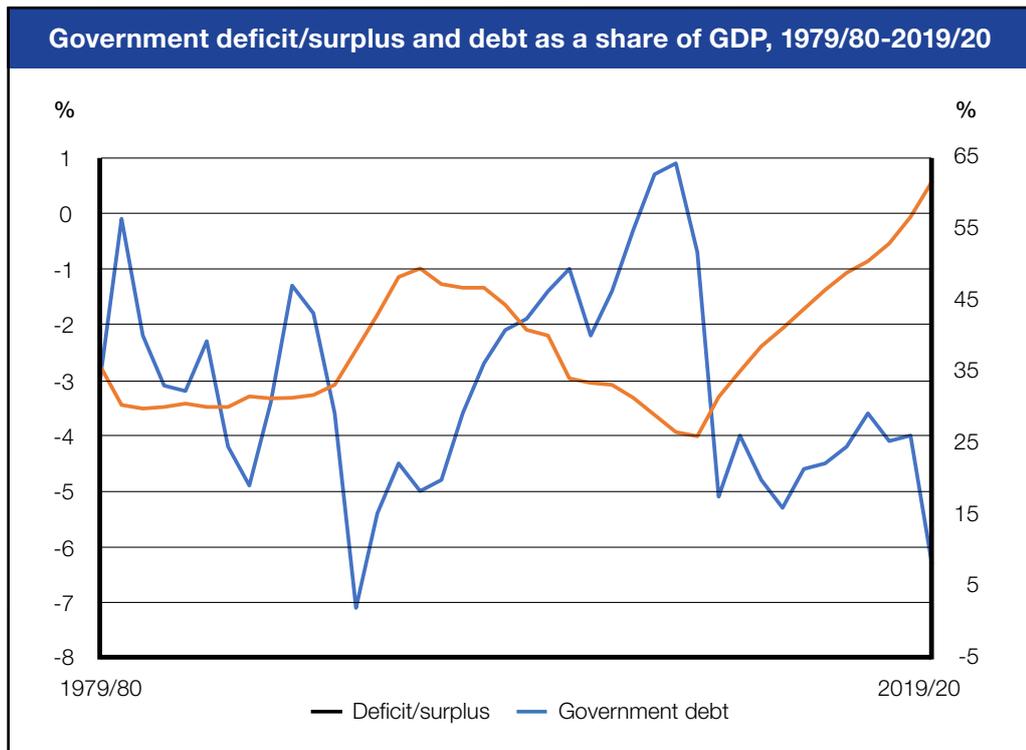


As political disillusionment rises, the ANC also begins to run out of the money it needs to run the country. The chart below tracks government revenue and expenditure as a share of GDP since 1980. Both indicators have exceeded record all-time high points, and South Africa's point of diminishing returns on tax increases is roughly a decade behind us. Look especially at the recent trajectory of the expenditure line compared to the revenue

line and you realise why the fate of South African Airways awaits virtually every state-owned enterprise, government department, and state-driven development project in the country.



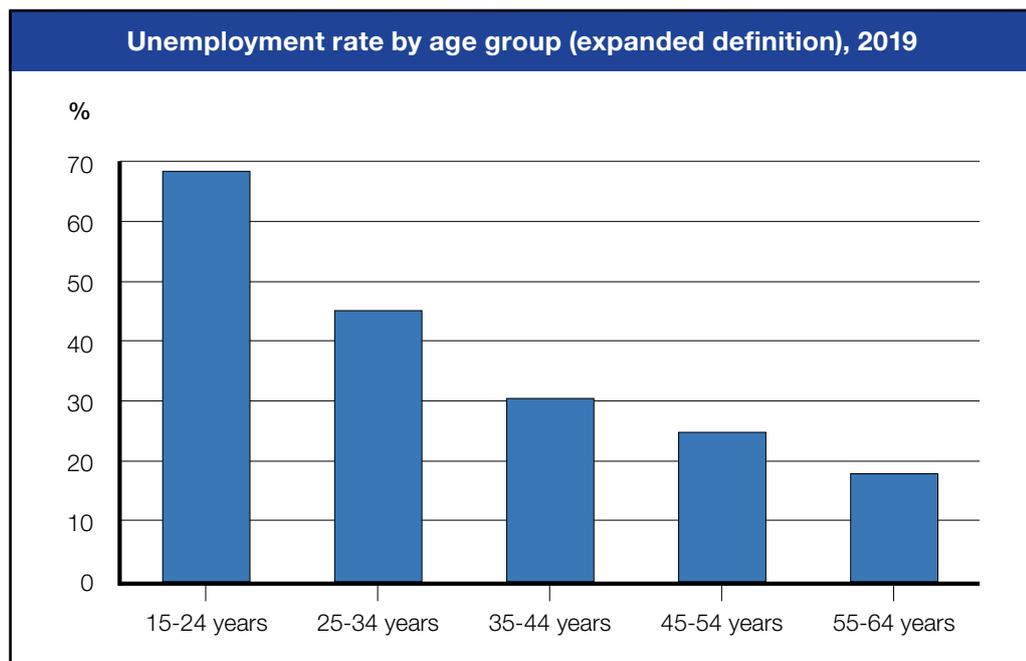
As government spending gaps have opened, these have mainly been plugged by borrowing, the extent of which is set out on the graphic below. Debt to GDP has exceeded an all-time high point and even before Covid-19 the budget deficit was stacking up to be ten times a multiple of the likely rate of economic growth. (In February 2020, the Minister of Finance had budgeted for a deficit of -6.8% against a forecast rate of economic growth of just 0.9% – but Treasury growth forecasts having been off by around 50% over the past decade.)



What is the government to do? Austerity, the ANC is correct in believing, is no solution to a low-growth problem (although the party does not concede that this problem arises from its policies). Nor is the printing of money or the looting of pension funds and savings (as many in the ANC are wont to try) a long-term solution. All that can rescue the economy is a vast surge of fixed investment triggered by extensive deregulation of the labour market, throwing the electricity market open to competition, allowing parents and communities more control of the schools their children attend, repealing all race-based policy, and securing property rights. Short of that, South Africa will never generate the jobs and related opportunities to defeat poverty – in which case the political decline of the ANC should be expected to continue.

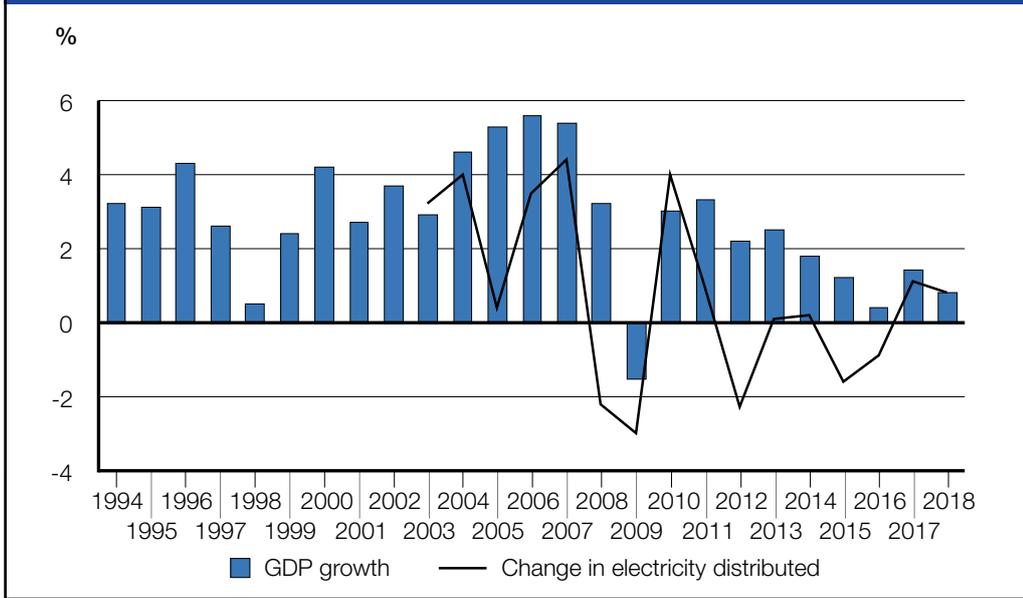
And yet, three years into the administration of Cyril Ramaphosa, there has been very little by way of firm moves towards reform. The opposite has often been true as his government has regularly moved against reform and doubled down on policies that would reduce South Africa's investment competitiveness and growth potential.

For example, even in the face of a pre-Covid-19 unemployment crisis as pronounced as that set out in the chart below, where more than half of young people did not have a job, his administration moved to hike minimum wages and double down on restrictive labour practices, while he appointed one of the most militant of South Africa's trade unionists to head the labour ministry. The dissonance in all those decisions was extraordinary.



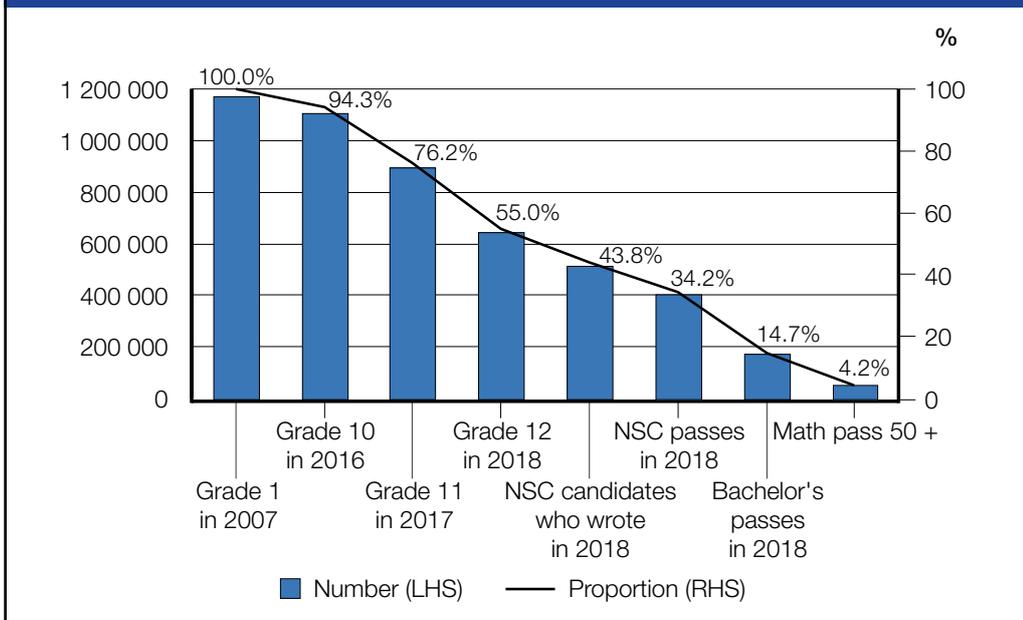
On electricity, the government continues to vacillate and remains hostile to mass deregulation and the floating of the electricity price, despite a decade-long negative trend line on electricity distribution – which is plotted against the country's economic growth rate on the chart below (the electricity data we cite starts in 2003). What came first, the chicken or the egg? We estimate that electricity supply constraints are in and of themselves sufficient to pin economic growth to levels of not much higher than 1% of GDP. Worse is that the government's environmental commitments have cut off many of the generating avenues that could alleviate the country's energy crisis and open the way to higher rates of economic growth.

GDP growth and annual change in electricity distributed, 1994-2018



Schools continue to produce frightening results that condemn the great majority of children in South Africa to a future of unemployment and dependency, making the dissonance between education outcomes and the government’s commitment to empowerment policy as extraordinary as the dissonance between unemployment and its labour policy. The chart below demonstrates that just 4.2% of children who entered grade 1 in 2007 went on to pass maths in matric with a grade of 50% or higher in 2018. But education policy ever more gravitates towards excluding parents and communities from running schools while increasing the powers of officials and unions to decide how children should be educated.

The grade 1 class of 2007



And yet, while faced with such stunning evidence of policy failure, the policies of the government broadly remain racial nationalist, centralising and statist, and hostile to

property rights, a market economy, and the rule of law, and continue to prioritise state-directed wealth redistribution over the pursuit of much higher levels of investment-driven growth.

Examples include a draft constitutional amendment bill aimed at allowing the expropriation of both land and 'the improvements thereon' for 'nil' compensation in a range of unspecified circumstances; the Expropriation Bill of 2019, with its open list of six (already up from five) instances in which nil compensation on expropriation may be paid; the National Health Insurance (NHI) Bill of 2019, which seeks to introduce a NHI Fund with monopoly powers over the pricing and provision of healthcare in both the public and private sectors; the draft Public Procurement Bill of 2020, which will increase the scope for fraud and inflated pricing in state tenders to the great detriment of the disadvantaged majority; the Employment Equity Amendment Bill of 2020, which will empower the labour and employment minister to set binding, and often unrealistic, racial targets for business in different sectors; and the growing likelihood that public and private pension funds may be compelled to invest, for low or no returns, in Eskom and other failing state-owned enterprises (SOEs).

It is a policy offering that cannot meet popular demands for improved standards of living, and I think this Council should consider that, given the odds against it and that these have been greatly multiplied by the Covid-19 pandemic, the ANC is not going to succeed in securing a social and economic recovery. A diplomat was recently stunned to hear, in response to a question put to us, that we doubted whether the ANC would ever move to substantive policy reform. Rather, the complete defeat of the ANC seems more likely than a real move towards reform.

How do we read the ANC? I think the Covid-19 crisis has done much to bring out the fissures in the party. One particularly influential faction is that of the securocrats with their roots in the Zuma-era state-capture legacy. A second influential faction is the political left of the ANC that played such a prominent role in helping to bring Mr Zuma to power. Between these two still rest the balance of power in the ANC – as it has for more than a decade. On issues such as expropriation or the erosion of civil liberties, both factions have a lot in common. The state-capture faction, for example, wishes to seize private property to loot the proceeds. The socialists and communists wish to seize such property to bring about their socialist revolution. Neither side is tolerant of criticism, and both share a common interest in controlling the flow of ideas into South Africa's society – an interest that grows as the fear of an ANC electoral defeat begins to loom. Both sides demonstrate a deep commitment to the dogma of National Democratic Revolution (NDR) and have done well to imprison the ANC in an ideological cage, the bounds of which are dictated by thinking that would not have been out of place at the height of the Soviet era. Don't think that such thinking is dated dogma, entirely irrelevant to the 2020s. That is ever less true given the influence of cultural Marxists and their supporters in the media and civil society. The ANC's dominant factions exist in quite an enabling climate of opinion. Both sides have further proved most adept at using the Covid-19 crisis to set policy precedents in line with the prescripts of the NDR and therefore at odds with economic and political freedom in South Africa.

As for real reformers, these are thin on the ground, having been crushed over the past decade by the two now collectively dominant factions. For three years, many observers and the broader investment community have been disappointed at the lack of reform from the administration of Cyril Ramaphosa. Much of that disappointment arose from plain poor analysis that failed to appreciate that what reformist inclination exists within the ANC does not command the balance of power in that party, and may never do so, even before the racial nationalist and related ideological influences on the reform elements themselves is taken into account. And all of this is before considering that in terms of its management structure, where almost 100 people need to agree on reform before reformist policy is adopted, the ANC may have an inbuilt structural immunity to reform.

If we are right, this might mean that, like the National Party of old, the ANC is now dying, and that Covid-19 may accelerate its death. Unable to reform, its only feasible survival strategy would be the near destruction of South Africa's civil rights culture, constitutional safeguards, and the rule of law so that it might preside for a longer time than should be the case over the economic collapse of South Africa. It is exhausting the public funds that financed the welfare and tender merry-go-round that remains central to holding the party together. As those public funds run dry, the ANC turns to private funds to plug spending gaps, but in doing so it hounds investment out of the country, reduces the rate of growth, and worsens the net economic position. As the money runs out, it has also run out of the electricity needed to run the country, putting a concrete ceiling on levels of economic growth. It has shed its better and more pragmatic thinkers and no longer has the intellectual ability to plan its way out of the rapidly closing trap. All the while its support among younger, urban, and better-educated people flirts with the 50% mark – presaging its electoral defeat.

In this context the Council should consider a twofold role for the IRR:

- The first is to hold the line of civil liberties and the rule of law. If that battle is lost, South Africa's political and policy reformation may be delayed by a decade or more and the country will suffer great economic and institutional damage as a result.
- The second is to win broad public support for policy reform in order to create a climate of opinion that South Africa's future political leaders can capitalise on – understanding that much of the present balance of civil society and media opinion is supportive of a more dirigiste state and reduced freedom, even as the propagators of such opinion rage against the consequences of the policies they are central to sustaining.

One of the threats the IRR will confront, as the ANC dies, is the rise of right-wing populism. Not the camouflage-clad horsemen of old, but a youthful and even multiracial right-wing populism the likes of which few observers have been able to comprehend. But comprehend it they must because around the world where centrist to left-of-centre governments lose touch with their supporters they are being defeated not by liberal governments or centrist governments but by right-wing populist movements. Examples now stretch from Jair Bolsonaro's Alliance for Brazil movement to Viktor Orbán in Hungary.

In **The Rise or Fall of South Africa**, which we published earlier this year, we suggested



that in South Africa's case the same might apply and we must be alive to the risk of a slide-away to the right, whereby liberal institutions endorse right-wing populist politicians for slaying left-wing governments and political parties. It is a dangerous thing, the echoes and memory of which will cause as much harm to the liberal tradition as the traditional bogeyman of a liberal slide-away to our ideological left. Liberal thinkers need to understand the nature of populist right-wing movements, attack them with vigour, and develop effective arguments to expose their internal contradictions and counter their influence.

If, in the aftermath of Covid-19, the ANC is not supplanted from the political right, then it might, alternatively, and under the influence of global culture wars, woke-socialism, and the valorising of victimhood, give way to a new leftist movement which might lead the country through a Venezuela-style ideologically driven collapse. In South Africa, developing an effective strategy to counter cultural Marxism is a challenge that will in disproportionate measure fall to the Council of the IRR – the success of which will depend on the IRR's ability to sell an alternative ideological and policy framework built around the sanctity of property rights, the importance of free markets, and the moral case for non-racial policy.

Reports, policy proposals, and campaigns released in 2019

FreeFACTS

FreeFACTS is a monthly publication which is published on the IRR's website. Each month it looks at a certain aspect of policy and includes graphs and tables, presented in an easy-to-understand format. Each month it is included in a newsletter to Friends.



FreeFACTS on pensions: EWC – it's not just about land (January)

This edition highlighted the risk of prescribed assets, with data showing how government debt had risen rapidly. It also showed the scale of assets in the South African pension industry and why they would be an inviting target for a government rapidly running out of fiscal road.



FreeFACTS on South Africa's decline under Zuma: The Zuma years – a tale of decline (February)

This *FreeFACTS* showed the extent of South Africa's backsliding under Jacob Zuma's presidency. It demonstrated how on a number of indicators – including GDP growth, crime, and unemployment – South Africa had performed poorly.



FreeFACTS on the progress (despite Zuma) made since 1994: South Africa – a qualified success (March)

In contrast to the previous month's *FreeFACTS*, this edition showed that South Africa had actually made a fair amount of progress on certain indicators, especially under Jacob Zuma's predecessors, Nelson Mandela and Thabo Mbeki. The report argued that South Africa could once again make rapid progress if the country was governed competently.



FreeFACTS on voter trends and results: Election turnout on the decline: Consequences for democracy? (April)

This edition showed how voter turnout in post-apartheid elections in South Africa had been on a steady downward trend. It argued that a declining trend on voter turnout boded ill for democracy and that, as people turned away from traditional politics, the threat of the rise of demagogues increased.



FreeFACTS on race relations in South Africa: South Africa's moderate majority – more dominant than you think (May)

This edition showed that despite what you read in newspapers or on social media, or heard from most radio talkshow hosts, race relations in South Africa remained quite sound. The report showed that there was a large moderate middle of South Africans who agreed on most of the main issues facing the country.



FreeFACTS on the economy: South Africa's spluttering economy (June)

This *FreeFACTS* gave an overview of South Africa's poor economic performance over the last few years. It showed how per capita incomes were declining after a long period of growth and that South Africa was stuck in its longest-ever downward business cycle. It concluded by calling for real economic reform rather than cosmetic tinkering.



FreeFACTS on unemployment: SA's unemployment crisis; no end in sight (July)

This edition laid bare the national crisis of South Africa's high unemployment, with joblessness in South Africa far exceeding international norms while the globe enjoyed its lowest levels of unemployment in 40 years. The report also showed that in some provinces the expanded unemployment rate was approaching 50%. It concluded by calling for labour market reform.



FreeFACTS on crime: SA continues to lose the war on crime (August)

South Africa's crime statistics continue to disappoint, as this *FreeFACTS* showed. It indicated that, since 2011/12, crime trends had, in general, been worsening. The report called for a number of innovative solutions, such as increasing the involvement of communities in policing and allowing communities to elect their station commanders.



FreeFACTS on education: A mixed bag for SA education (September)

This edition showed trends in South African education, some positive, some negative. It showed that the number of children passing matric had increased significantly, but that there were serious questions about the quality of school leavers' education. The report called for the influence of teachers' unions to be reined in, and for reforms to allow greater involvement of parents and communities in schools.



FreeFACTS on the national finances: South Africa's finances in a parlous state (October)

This edition returned to the issue of prescribed assets, showing the continued deterioration in South Africa's finances and why prescribed assets was an even greater possibility than at the beginning of the year. It drew on data from economist Mike Schussler on the size of the South African pension pot, and showing that most pension savers were black South Africans. This edition again called for economic reforms to get the economy growing once again.



FreeFACTS on inequality: Inequality trends show folly of government policy (November)

This edition showed that, contrary to popular wisdom, inequality was actually on the decline in South Africa. In addition, it showed that when inequality was broken down within race groups, black South Africans were the most unequal group in the country. The report argued that this was likely a reflection of how BEE and EE policies benefited a relative elite, with poorer black South Africans remaining outsiders. The report noted that reducing unemployment was the key to reducing inequality, and proposed a number of reforms to do so.



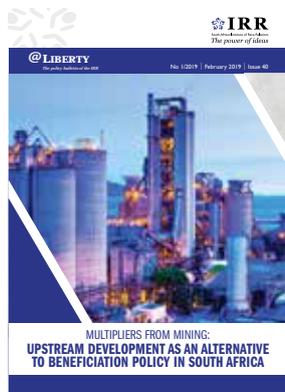
FreeFACTS on business: South Africa's decline continues (December)

The final edition of the year looked at a number of business indicators, such as confidence indices, to show how South Africa was failing. It also looked at international comparisons, such as the Ease of Doing Business index, to indicate the country's slide. Noting that in a world where investors and investment dollars were finite, South Africa had to embark on reforms to attract money from abroad.

@Liberty

@Liberty is an occasional report which features policy analysis, proposals, and solutions for South Africa.

Multipliers from mining: Upstream development as an alternative to beneficiation policy in South Africa (March)



This paper looked at the economic possibilities that mining-related value chains offered South Africa. It recommended focusing on upstream activities – supplying mining operations – rather than on beneficiation. South Africa had technological expertise which, with the correct enabling environment, it would be well placed to exploit globally. This would need to be accompanied by economic reforms that would free the mining industry to mine rather than be forced into manufacturing spaces to which it was not suited. This would spur entrepreneurship and prosperity.

The September 2018 Mining Charter: An improvement, but transformation still trumps sustainability (April)



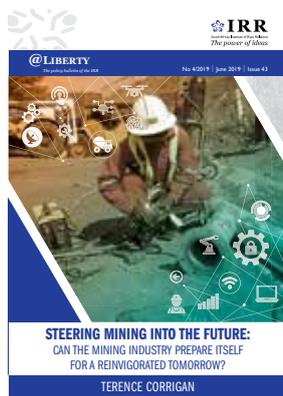
This paper examined the latest iteration of the Mining Charter. While noting that it was more sympathetic to the interests of the industry than the version that had previously been proposed, the paper pointed out that numerous provisions remained which would make doing business difficult. Race-based transformation would continue to be pushed, with the possibility of more intrusive measures in future. The remedy would be to replace the current model with Economic Empowerment for the Disadvantaged. This would reward competitiveness and the extension of benefits to South Africa's poor.

A New Empowerment Strategy to Liberate the Poor (May)



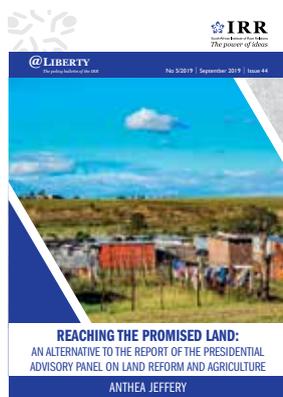
This report spelt out the benefits of shifting from damaging Black Economic Empowerment (BEE) measures to an effective and non-racial strategy of Economic Empowerment for the Disadvantaged (EED). An alternative EED scorecard would reward business for all its contributions to investment, employment, tax revenues, export earnings, and R&D. It would also reach down to the grassroots by providing poor households with tax-funded education, healthcare, and housing vouchers. These vouchers would empower the disadvantaged to select providers of their choice, while giving those providers strong incentives to compete for their custom. A new EED scorecard could be piloted in the mining industry, where pending legal challenges to the mining charter provided a chance to reconsider BEE. The report promoted the market economy and a non-racial approach to the vital empowerment challenge.

Steering mining into the future: Can the mining industry prepare itself for an invigorated tomorrow (June)



This paper analysed the South African mining industry, with specific reference to its preparedness for the future. It concluded that the industry of the future would likely be very different from that of today, with a hunger for skills and innovation. To position itself to take advantage of this, and to enable the country's people to benefit, it would be necessary to review the regulatory environment, so as to encourage entrepreneurship and to create a suitable business ecosystem.

Reaching the Promised Land: An alternative to the report of the Presidential Advisory Panel on Land Reform and Agriculture (September)



This @Liberty explained the ideological reasons behind the government's determination to amend the Constitution to allow expropriation without compensation (EWC). It analysed the dangers in the Expropriation Bill of 2019, and highlighted the manifold threats to property rights in the Presidential Advisory Panel's report. It also set out (in its *Ipulazi* and *Indlu* proposals) effective ways to resolve the land reform challenge and boost housing provision for the poor. The report focused on property rights and advocated a shift from current statist policies to market-based solutions. It also stressed the benefits of abandoning racial tagging and embracing a colour-blind approach.

Policy submissions

We made the following submissions directly to politicians and lawmakers in pursuit of safeguarding South Africa's future as a free and open society:

Submission to the Department of Public Works regarding the Draft Expropriation Bill of 2019, 19 February 2019

This submission analysed the key provisions in the Expropriation Bill of 2019, including new clauses providing for 'nil' compensation on expropriation. It noted that the Bill's unusually narrow definition of 'expropriation' could also result in zero compensation for the various custodial and regulatory takings that were already in the policy pipeline. It outlined the economic damage likely to result from the Bill, contrasting this bleak picture with evidence from around the globe on how respect for property rights promoted prosperity. As various international monitors confirmed, countries that upheld property rights had the fastest rates of economic growth and the highest average levels of GDP per head, even among the poorest 10% of their populations. The submission underscored the importance of both property rights and free market principles in helping everyone to get ahead.

Submission on 'Economic transformation, inclusive growth and competitiveness: Towards an Economic Strategy for South Africa', 11 September 2019

This submission unpacked the National Treasury's analysis of current obstacles to 'inclusive growth' and how these should be overcome. The submission commended many of the suggestions made, including: abolishing statutory minimum wages to

encourage the employment of young people, promoting competition by lowering barriers to market entry, cutting the 'red tape' obstructing new entrepreneurs, rethinking the BEE procurement requirements that often pushed up prices, and reevaluating the role of struggling SOEs such as South African Airways (SAA). Such suggestions from the Treasury, noted the IRR submission, had the potential to lift the economy and get many more people into jobs. They highlighted the importance of rolling back excessive intervention and allowing markets to operate more freely.

Submission to the Portfolio Committee on Health, National Assembly, regarding the National Health Insurance Bill of 2019 [B11 – 2019] 29 November 2019

Here the IRR warned that the proposed NHI system – far from fulfilling the government's promise of free healthcare for all – would deprive many South Africans of the health services they currently enjoyed. The NHI would drive health professionals away, reduce an already narrow tax base, promote corruption, push health spending up to unsustainable levels, and bring about a major increase in public debt. In addition, it would effectively nationalise private healthcare and vastly expand the interventionist powers of a generally incompetent and often venal state. The NHI would thus also conflict with various guaranteed rights. The submission highlighted the importance of choice, competition, property rights, and a free market system in expanding access to healthcare, promoting efficiency, and holding down costs.

Campaigns

The IRR ran a number of focused campaigns in 2019. Campaigns are targeted efforts that align the full resources of the IRR behind specific policy reforms and objectives. A dedicated campaigns staff drives and coordinates such actions.

The first was against the nationalisation of private healthcare resources and funds in South Africa and in favour of improved public private partnerships and the introduction of healthcare vouchers and low-fee medical aid schemes.

The second was against EWC. This was the largest campaign of the year and remains the IRR's central campaign focus. Hundreds of outputs, media engagements, and advocacy efforts were conducted both in South Africa and globally. A legal strategy was conceived.

The third was against prescribed assets and the seizure by the state of pension funds and the savings of individuals. This took the form of media, political, and corporate pressure actions.

Occasional reports

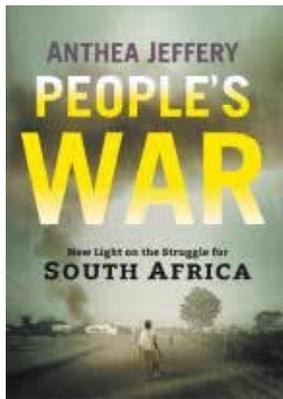
Occasional reports are analyses of topical themes or policy issues germane to any of the priorities of the Institute. They do not form part of a regular series, but are authored and published as and when appropriate.

Why mining still matters: The socio-economic importance of the mining industry (March)



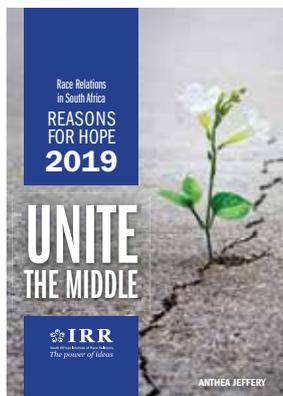
This paper reviewed the contribution of mining to South Africa's economic wellbeing and societal prosperity. It warned that this was being taken for granted and that counterproductive policy was contributing to the industry's decline. This was hitting the country hard, and the loss of mining operations was placing the survival of mine-dependent communities in jeopardy. It argued that major policy and regulatory reforms were needed to enable the industry to recover. These would be rooted in greater economic freedom and more scope for innovation and entrepreneurialism in the industry – conditions that could bring mining back from the brink.

People's War: New light on the Struggle for South Africa, 2019 (May)



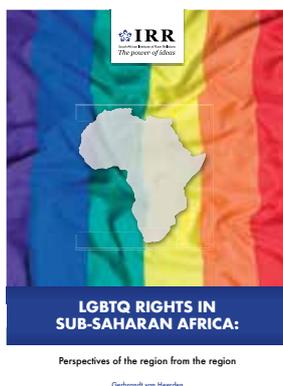
This revised and abridged edition of the 2009 *People's War* book describes the extraordinary success of this multi-faceted and ruthless strategy in weakening or destroying rival black organisations and so bringing the ANC to virtually untrammelled power in 1994. It debunks the 'third force' theory, while showing that the tripling of the death rate in the early 1990s happened largely because the ANC was then using its returned Umkhonto fighters to attack its black rivals in the Inkatha Freedom Party and the Black Consciousness Movement. The book further outlines how the ANC has used the state power it gained through the people's war to implement a socialist NDR. The book strips away the 'struggle' myths the ANC has so sedulously cultivated and warns of the enormous threats to democracy and freedom implicit in the NDR.

Race Relations in South Africa: Reasons for Hope 2019 – Unite the Middle (June)



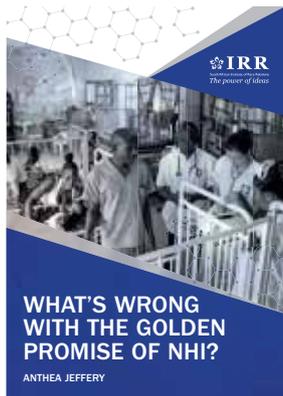
This report provided an overview of how ordinary South Africans regard the state of race relations in the country. According to an opinion poll conducted in December 2018, most people believed that race relations had improved significantly since 1994, that the different races needed each other to make progress, and that politicians often used racial rhetoric to distract attention from their own failures. Unemployment, corruption, crime, and poor housing were the key priorities most people wanted the government to overcome. Very few, by contrast, thought the government should focus on speeding up land reform or stepping up BEE. Often both black and white South Africans held remarkably similar views on contentious issues, such as racial quotas in employment or sport. The report highlighted the extent to which this 'moderate majority' was overlooked in most analyses of racial issues in South Africa.

LGBTQ Rights in Sub-Saharan Africa: Perspectives of the region from the region (November)



This report sought to track the progress of LGBTQ rights in Sub-Saharan Africa through personal interviews with human rights activists and ordinary citizens from various countries on the continent. Through these engagements, a number of strategies to advance LGBTQ rights were uncovered. These strategies included reconsidering the use of language depending on the context in which human rights organisations operated, and countering the notion of homosexuality as a Western concept by allowing local LGBTQ groups to feature more prominently in the fight for equal treatment. One recommended strategy was to focus on individual rights as a means of advancing the rights of LGBTQ people.

What's wrong with the golden promise of NHI? (November)



This report warned against the government's simplistic claims that the proposed NHI system would reduce the costs of medical treatment and provide all South Africans with free, high-quality healthcare. It noted that the ANC was pushing ahead with NHI implementation without bothering to clarify the services to be covered, the likely costs and affordability of this package, or how increased demand could be met when most public facilities would not qualify to participate in the NHI and many health professionals planned to emigrate rather than subject themselves to the NHI's comprehensive controls. The report also cautioned against the planned elimination of medical schemes. It highlighted the dangers in giving the state a monopoly over healthcare and underscored the importance of free markets, property rights, competition, and choice in securing universal health coverage.

How Zakaria got it wrong (December)



This document examined in detail a widely watched segment by the respected CNN host Fareed Zakaria on South Africa's land politics. Zakaria made a number of mistakes, material omissions and misleading elisions which left a false picture of the situation in South Africa. This response pointed these out word by word, and put forward an accurate view of what was taking place. It was also intended as a contribution to the defence of property rights in South Africa, offering a crisp refutation of some claims invoked to justify EWC.

Centre for Risk Analysis Reports 2019

Fast Facts

Fast Facts was a monthly report which updated subscribers on over 200 economic and social indicators for South Africa. It featured in-depth data analyses across a range of policy areas. **Fast Facts** was terminated in June 2019 and replaced by the **Macro Review**.



January 2019: No sign of fiscal squeeze letting up

This edition tracked tax and revenue indicators for South Africa, at a critical period of rising fiscal pressure. The report cautioned that the practice of prescribed assets — forcing investors to save and invest their money in specified projects and companies — was increasingly becoming a possibility, as was the likelihood of International Monetary Fund (IMF) bailouts. The report also demonstrated, among other things, that expenditure to GDP had reached a record all-time high and was forecast to increase further.



February 2019: Please, Sir, may I have some more?

This edition examined the 2019/20 Budget and warned that key challenges emerging included low levels of economic participation and job creation, unfavourable global circumstances and government policy actively inhibiting rather than facilitating growth. The report concluded that if South African growth rates continued to underperform relative to forecasts, there was a risk of long-term recession, deteriorating living standards and rising political instability.



March 2019: The dying of the light

This edition looked at the crisis at South Africa's energy utility, Eskom, highlighting the widening gap between demand for electricity and electricity sales. The report also found that although the utility's staff complement was larger than before, it was selling less electricity, thus impacting negatively on operational and maintenance expenses. It also stated the urgent need for bold policy reform, such as the reduction of Eskom's wage bill, the appointment of staff on merit, and giving greater autonomy to the company's board.



April 2019: Elections Preview

This edition presented general election trends and looked at possible outcomes of the general election scheduled for 8 May 2019. Polling suggested that representation by the ANC in Parliament would drop substantially below the 60% mark for the first time, while that of the Economic Freedom Fighters (EFF) was projected to increase. The data also projected a drop for the ANC in votes cast on the provincial ballot in Gauteng. The DA appeared to be flatlining, while for the EFF, Gauteng looked set to be the strongest province.



May 2019: The Sleeping Giant: 2019 Post-Election Analysis

This edition analysed some of the major trends and patterns of the elections held on 8 May 2019. Two key takeaways came to the fore: The first was the decline of the ANC and the DA, and the rise of the EFF and the Freedom Front Plus (FF Plus). The second was the depth and breadth of voter apathy and its effect both on turnout (a record low 65.99%) and the legitimacy of the ANC's majority. The report concluded that the latter trend was detrimental not only to the legitimacy of the ANC, but also to South Africa's electoral system.



June 2019: Economy on a losing wicket

This edition looked at the state of South Africa's economy, highlighting the all too optimistic official economic growth estimates and targets, given the constraints of electricity supply and labour market inflexibility. It noted that there was also little prospect of a ratings agency upgrade, which had been one of the hopes of the government.

This report was terminated in June and replaced by the *Macro Review* (see below).

Fast Stats

Fast Stats is a monthly report — introduced as a stand-alone publication in July/August — which updates subscribers on over 200 indicators for South Africa, providing data-driven insights into current political and economic trends. Five editions of *Fast Stats* were published in 2019.



Fast Stats July/August 2019

Key takeaways:

- The population increased from 57.73 million in 2018 to 58.78 million people in 2019.
- The official unemployment rate rose to 29% in Q2 2019 – up from 27.2% in Q2 2018.
- The headline inflation rate for June 2019 (Y/Y) was 4.5%.
- Real gross fixed capital formation (GFCF) fell 2.9% (Y/Y) in Q1 2019.



Fast Stats August/September 2019

Key takeaways:

- South Africa's Gross Domestic Product grew by 3.1% (Q/Q) and 0.9% (Y/Y) in Q2 2019.
- The leading business indicator was down 2.8% for June 2019 compared to June 2018.
- The headline inflation rate for July 2019 (Y/Y) was 4%.
- Household debt-to-disposable income for Q1 2019 was 72.5% compared to 71.7% in Q1 2018.



Fast Stats October 2019

Key takeaways:

- GDP per head (annualised, adjusted) for Q2 2019 was R85 870.
- The headline inflation rate for August 2019 (Y/Y) was 4.3%.
- Household debt-to-disposable income for Q2 2019 was 72.7% compared to 71.6% in Q2 2018.
- The current account deficit for Q1 2019 was R56.7 billion, compared to R72.7 billion for Q1 2018.



Fast Stats November 2019

Key takeaways:

- The leading business indicator was down 1.3% for August 2019 compared to August 2018.
- GDP per head (annualised, adjusted) for Q2 2019 was R85 870.
- The headline inflation rate for September 2019 (Y/Y) was 4.1%.
- Equities net purchases/sales by foreigners were at -R63.5 billion for January to September 2019, compared to R0.4 billion for January to September 2018.



Fast Stats December 2019

Key takeaways:

- GDP per head (annualised, adjusted) for Q3 2019 was R87 095.
- The headline inflation rate for November 2019 (Y/Y) was 3.6%.
- Household debt-to-disposable income for Q3 2019 was 72.6% compared to 71.9% in Q3 2018.
- The current account deficit for Q3 2019 was R62.2 billion, compared to R58.5 billion Q3 2018.

RiskREPORT

The *RiskREPORT* was a confidential briefing note made available exclusively to premium subscribers of the CRA. The CRA produced six editions of the *RiskREPORT* in 2018 and one in 2019.



Risk Report Vol.1 (March)

This report analysed the risks and opportunities in the global and domestic economic, political and socio-economic environment. On policy, the key risk was the Expropriation Bill which opened the way to regulatory and custodial takings across all sectors, with considerable downside risks to healthcare, financial services, agriculture, mining, and oil and gas. The report closed with possible scenarios for South Africa over the next twelve months.

Inside Politics

This was a report based on the IRR's growing investment in polling and sought to provide CRA users with an inside track on the events and the inner workings of political parties.

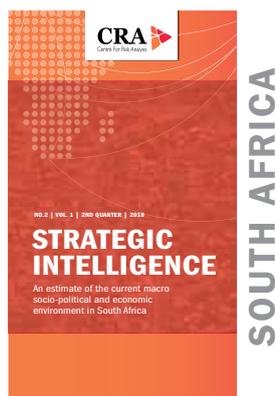


Inside Politics No. 1 Vol. 2/1st Quarter 2019 (April)

This edition was based on a series of findings from a survey conducted in February, focusing on Gauteng, perhaps the key battleground in the February 2019 election. The aim was to profile Gauteng voters in order to provide an overview of their demographic character, their position on key issues and their attitude towards each of the “big three” political parties – the ANC, DA and EFF. This provided CRA subscribers with a clear picture of where the parties stood in the lead-up to the elections on 8 May 2019.

Strategic Intelligence Report

These reports provide a deep-dive analysis of the current macro socio-political and economic environment in South Africa together with scenarios on how that environment will change over the next decade. It is provided exclusively to CRA users.



Strategic Intelligence Report NO.1/2019 (July)

This report explored prospects for structural and policy reform in the SA economy over the short-to-medium term, the balance of power within the ANC and the outlook for the global economy and likely impacts on South Africa.

Macro Review

These monthly reports provide in-depth assessments of the trends shaping specific current social, economic, and political risks in South Africa. In 2019 the *Macro Review* was supplemented by a monthly lunchtime seminar at the CRA's headquarters in Johannesburg.



The young and the restless: South Africa's youth unemployment crisis (August)

This first edition of the *Macro Review* explored the causes of unemployment in South Africa and explained the role that government economic policy played in exacerbating unemployment.



Open for business? A review of the SMME landscape in South Africa (September)

This report was a collaboration between the CRA and Agis, a strategy and economic-development consulting firm active throughout Africa, and an investor in three SMMEs. The report was presented in three sections. In the first section, the CRA presented high-level data on SMMEs in South Africa. In the second section, Agis shared their insights into the opportunities and challenges facing small businesses operating in South Africa. The final section of the report showcased the joint policy recommendations of the CRA and Agis.



The whole nine yards: Profiling South Africa's provinces (October)

This edition provided comparative data on South Africa's nine provinces across various key areas: demographics, the economy, education, health and social security, living conditions, as well as crime and security.



South Africa's Quality of Life (November)

This edition updated the Quality of Life Index (QOLI), first developed by the CRA in 2017. The Index was designed to enable users to gauge South Africa's progress in improving the quality of life of its residents, and to draw comparisons between South Africa's nine provinces and the four race groups.

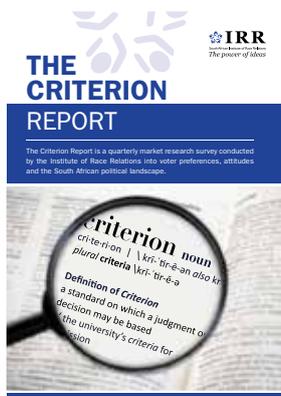


South Africa in Brief (December)

This edition provided an overview of key statistical trends in South Africa drawn from the CRA's 2020 *Socio-Economic Survey of South Africa*.

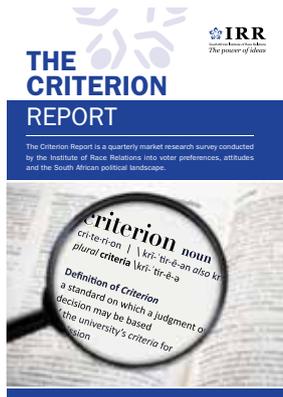
Criterion Reports

The Criterion Report was a quarterly market research survey conducted into voter preferences, attitudes and the South African political landscape.



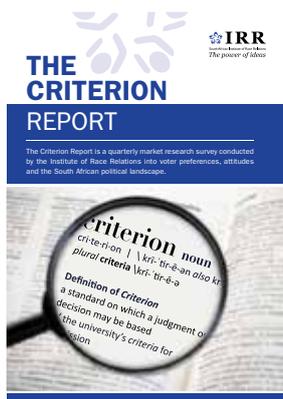
The Criterion Report Special Edition (February)

This report noted that, while a huge number of South Africans relied on minibus taxis (82% of all respondents), which dominated the market (64% of all taxi-users), there were profound concerns both about taxi-safety and crime, as well as the condition of South African roads.



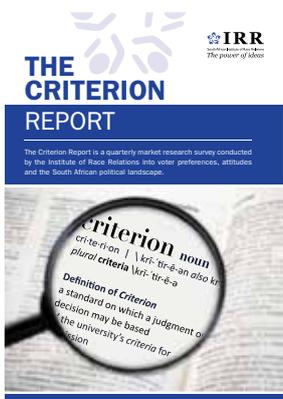
The Criterion Report Vol 2 No 1 (March)

The first set of results from the IRR’s February 2019 Election Poll provided key insights into voters’ party political preferences and the electoral standing of the major parties. In line with the IRR’s objective to become an authority on political market research, the Institute undertook its second full survey of the electoral landscape, to supplement the first full survey carried out in September 2018, and a “snap poll” carried out in December 2018.



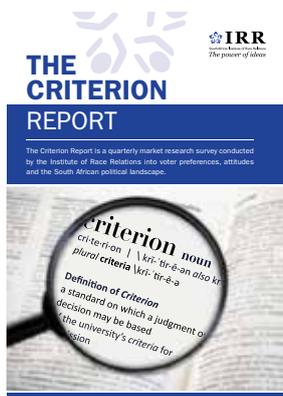
The Criterion Report Volume 2 No 2 (March)

This report set out voter perceptions of the ANC national government’s performance on six core issues – Economic Growth, Crime, Education, Healthcare, Corruption, and Land Reform – and voter sentiments about which of the big three political parties – the ANC, DA and EFF – was best placed to deliver on these issues.



The Criterion Report Volume 2 No 3 (April)

The first set of results from the IRR’s April 2019 Election Poll provided key insights into voters’ party political preferences and the electoral standing of the major parties in the build-up to the May 2019 elections.



The Criterion Report Volume 2 No 4 (May)

The IRR undertook a fifth survey of the electoral landscape to supplement surveys carried out in September 2018, December 2018, February 2019 and April 2019. This report contained the IRR’s final results from its 8 May election tracking poll conducted between 27 April and 4 May 2019.

CRA February 2019 election poll: full diagnostic (February)

This poll was conducted between 12 and 26 February 2019. The sample was fully demographically representative and comprised only registered voters. A total of 1 611 respondents were questioned. The national margin of error was 3.3%. Supplementing this were two fully demographically representative sub-samples for Gauteng (sample size: 502 registered voters) and the Western Cape (sample size: 405 registered voters). The margin of error for the Gauteng sub-sample was 3.8%, and for the Western Cape sub-sample, 5.9%. The confidence level was 95%. The poll was conducted telephonically, using a single frame, random digit-dialling sampling design.

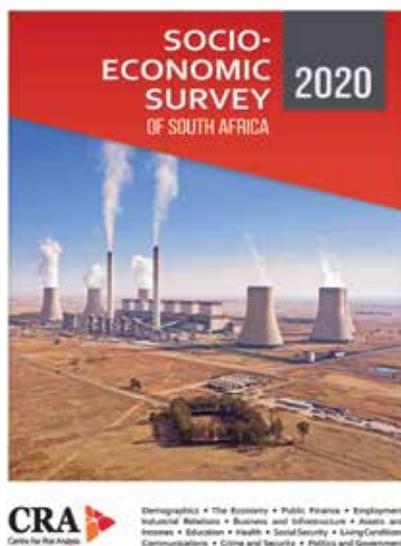
South Africa Survey/Socio-Economic Survey

The *South Africa Survey* and the *Socio-Economic Survey of South Africa* are published annually providing primary data on South Africa's economy, government finances, living standards, healthcare, crime, education, and demographics. At over 800 pages there is no more complete a statistical reference guide to the trends that will shape a future South Africa and this makes the *Survey* an essential resource for any firm with interests in South Africa. The Survey is published in hard copy and online in PDF and Excel.

The 2019 edition was published in February 2020 as two different versions: the *South Africa Survey* under the banner of the IRR, and the *Socio-Economic Survey of South Africa* under the banner of the CRA. Both ran to over 800 pages of tables and graphics on South Africa's socio-economic standing. Fourteen chapters were featured, as listed below.

These were also published as stand-alone PDF and Excel reports:

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



Governance and compliance

Elections

Board election: All members of the Board are nominated annually by Council and elected by the AGM of Members.

Council election: Council elections were held early in 2020 and new Office-Bearers were nominated. The new Council reflected a meshing of many of the stalwarts of South Africa's liberal tradition together with a now small majority of younger liberal leaders. Mr Russel Lamberti was congratulated on becoming the new President of the IRR.

Board and Committee Chairmen

Mr Theo Coggin resigned as Chairman of the Board at the Board meeting on 5 August 2019, having served in this position since August 2011. Mr Roger Crawford was elected as new Chairman of the Board at the meeting on 5 August 2019.

At the Audit Committee meeting on 11 November 2019, Mr Tom Wixley proposed that Mr Akshar Patel take over that chairmanship in 2020. This was agreed to. Mr Wixley has served as Audit Committee Chairman since November 2010.

Honorary Life Members

On 22 June 2019, the Council unanimously resolved to elect Dr Chester Crocker as an Honorary Life Member. Dr Crocker was Ronald Reagan's minister for Africa. He developed the strategy and managed the negotiations that led to the withdrawal of both Cuban and South African troops from Angola, as well as South Africa's withdrawal from Namibia.

Finance, administration, and staff

Finance and administration

Going into Covid-19 the financial position of the organisation was strong and it had budgeted for an operating surplus of almost R2 million – which would have allowed it to replace some of the capital spent since 2015. The IRR entered 2020 in such a strong position because its funding base is very broad and very diverse, with only the most limited exposure to traditional donors. Crowd financing as a dominant source of income has the further benefit that it will keep the IRR honest in living up to the ideals and principles that its supporters would like to see upheld. At the end of the first quarter of 2020, as the impact of the economic lockdown in the country became apparent, the IRR revised that position via a forecast that suggested a near break-even result would still be achieved without the need to adjust staffing numbers. A secondary set of 'disaster forecasts' was also produced in the event that the government's counter productive lockdowns triggered a cataclysmic South African economic meltdown (together with the deep cost-cutting exercise that the IRR would engage in). This secondary set of forecasts and their mitigation strategies reproduced a still highly effective liberal think-tank – albeit one somewhat smaller than the IRR is today.

Below follow the financial statements for 2019 which show that the IRR secured income from projects, donors, and sales of R22 688 287 in 2019, an increase of 28%, over that of 2018, and had expenses of R27 544 937 in 2019 against R22 930 348 in 2018, an increase of 20%. This amounts to an operating deficit of R4 856 650. When interest is added, the operating deficit reduces to R3 474 271. When unrealised income on investments is included, the deficit for the year after comprehensive income is R1 613 561.

Staff

During 2019, we made 5 new appointments, mostly younger analysts/researchers and received one resignation. A number of consultants and contributors, who are not staff, were also appointed. Frans Cronje celebrated 15 years of service.

Thanks

I am immensely grateful to our Friends and supporters and to my colleagues who have collectively done such a heroic job in upholding liberal principles in South Africa. The nature of our work is that it is seldom possible to report our greatest successes. But there must be no doubt that over recent years the IRR has won some very important battles, holding the line in favour of a market economy, property rights, freedom of speech and the rule of law. Those who supported and fought those battles may never get the credit due to them.

A handwritten signature in black ink, appearing to read 'F J C Cronje', written in a cursive style.

F J C Cronje

Johannesburg

April 2020

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC

ANNUAL FINANCIAL STATEMENTS for the year ended 31st December 2019

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

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The annual financial statements set out on pages **48-61** 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 2019**

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	BDO South Africa Inc. Chartered Accountants (SA) Registered Auditors	
Bankers	First National Bank	
Council Office Bearers	J D Jansen	President – Resigned 22/06/2019
	R D Crawford	Vice President
	P G Joubert	Vice President
	I Mkhabela	Vice President
Non Executive Directors	T Coggin	Chairman of Board of Directors – Resigned as Chairman 5/8/2019
	R D Crawford	– Elected as Chairman 5/8/2019
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	P Leon	Honorary Legal Adviser
	P L Campbell	
	R D Crawford	
	J A Elgie	
	P G Joubert	
	P Letselebe	
	I Mkhabela	
	A Patel	
	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 NPC (the Institute) applies the principles set out in the King Report on Governance for South Africa 2009 (King IV) 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 annually 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 42 of the annual financial statements. The Board is assisted by the Audit, Remuneration, and Social and Ethics Committees, whose members are listed on page 5.

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 5 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 Officer 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 main object of the Institute is to promote democracy, human rights, development, and reconciliation between the various peoples of South Africa through the conduct and publication of relevant political and socio-economic research and the provision of bursaries on the basis of merit and need. 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.

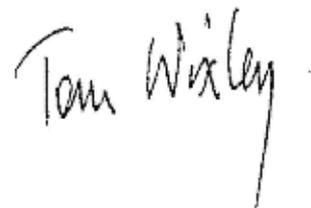
The directors have reviewed the Institute's cash-flow forecast for the year to 31st December 2020 and, in the light of this review and the current financial position, they are satisfied that the Institute has, or has access to, adequate resources to continue in operational existence for the foreseeable 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 47.

The annual financial statements set out on pages 48 to 61, which have been prepared on a going concern basis, as well as the Directors' report presented on pages 45 and 46, were approved by the Board on 18 May 2020, and were signed on its behalf by:



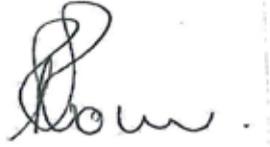
F J C Cronje



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 2019 all such returns and notices as are required of a non profit 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 2019.

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.

Auditors

The directors recommend that BDO South Africa Incorporated be appointed to office as auditors in accordance with Section 90 of the Companies Act of South Africa. Mandi Turner is the designated director.

Secretary

R D le Roux served as secretary of the Institute for the year ended 31st December 2019.

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 – Resigned 5 August 2019
	R D Crawford	Chairman of Board of Directors – Appointed 5 August 2019
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	P Leon	Honorary Legal Adviser
	P L Campbell	
	J A Elgie	
	P G Joubert	
	P Letselabe	
	I Mkhabela	
	A Patel	
	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 five 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 BDO South Africa Inc. as auditors and Mandi Turner as the designated director for the 2019 financial year;
- Satisfied itself that the auditors are independent;
- Approved the annual financial statements of the Institute for 2019, 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.
- The Audit Committee evaluates and considers the risks facing the Institute of Race Relations from time to time.



Independent Auditor's Report

To the members of South African Institute of Race Relations NPC

Opinion

We have audited the financial statements of South African Institute of Race Relations NPC (the company) set out on pages 48 to 61, which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 2019, 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled South African Institute of Race Relations NPC Annual Financial Statements for the year ended 31 December 2019, which includes the Directors' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with 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 the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO South Africa Inc

BDO South Africa Incorporated
Registered Auditors

MANDI TERNER
Director
Registered Auditor
27 May 2020

Wanderers Office Park
52 Corlett Drive
Illovo, 2196

STATEMENT OF FINANCIAL POSITION

as at 31st December 2019

	Notes	2019 R	2018 R
ASSETS			
Non current assets			
Plant and equipment	2	2 135 585	2 349 408
Intangible assets	3	112 051	191 368
		<u>2 247 636</u>	<u>2 540 776</u>
Investments			
Special Funds			
– Bursary	19.1	12 984 801	13 870 010
Other Institute investments	19.2	28 606 429	29 812 918
		<u>41 591 230</u>	<u>43 682 928</u>
Current Assets			
Trade and other receivables	5	1 803 428	1 849 246
Cash resources	6	266 164	517 990
		<u>2 069 592</u>	<u>2 367 236</u>
TOTAL ASSETS		<u>45 908 458</u>	<u>48 590 940</u>
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated funds		27 322 047	28 935 608
		<u>27 322 047</u>	<u>28 935 608</u>
Special funds			
– Bursary	17/18	12 984 801	13 870 010
		<u>12 984 801</u>	<u>13 870 010</u>
Non current liabilities			
Finance leases	8	390 019	689 369
Instalment lease	9	222 790	263 366
		<u>612 809</u>	<u>952 735</u>
Current liabilities			
Finance leases	8	298 844	269 848
Instalment lease	9	66 074	92 908
Income received in advance		1 847 339	2 142 469
Trade and other payables	7	2 776 544	2 327 362
		<u>4 988 801</u>	<u>4 832 587</u>
TOTAL FUNDS AND LIABILITIES		<u>45 908 458</u>	<u>48 590 940</u>

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31st December 2019

	<i>Notes</i>	2019 R	2018 R
INCOME			
Administration fees received		756 989	954 850
Bequest		42 697	–
Grants and donations		14 542 782	9 099 890
Membership fees and subscriptions		7 212 296	7 448 626
Publication sales		133 522	142 861
		22 688 287	17 646 227
EXPENSES			
Amortisation	3	95 312	64 998
Auditors' remuneration			
– Fees for the audit	12	295 296	279 312
Bad debts		97 752	238 078
Outsourced contributors		4 596 548	2 062 398
Depreciation	2	661 015	605 431
Finance cost	11	169 516	170 930
Legal costs		147 770	–
Loss on disposal of plant and equipment		10 584	–
Overheads and administration		1 317 892	1 379 755
Personnel		16 346 833	14 967 318
Postage		112 848	138 694
Printing		312 523	264 298
Rent and utilities		1 080 592	1 052 938
Survey/Polling cost		615 217	552 133
Telecommunications and social media		541 102	341 475
Travel		1 144 138	812 590
		27 544 937	22 930 348
OPERATING DEFICIT FOR THE YEAR		(4 856 650)	(5 284 121)
INCOME FROM INVESTMENTS			
Dividends from investments		–	426 901
Realised loss on disposal of investments		–	(3 503 534)
Unrealised gain on investments		1 860 710	596 419
Interest received		1 382 379	1 077 505
		3 243 089	(1 402 709)
DEFICIT FOR THE YEAR		(1 613 561)	(6 686 830)
Other comprehensive income		–	–
DEFICIT FOR THE YEAR AFTER OTHER COMPREHENSIVE INCOME		(1 613 561)	(6 686 830)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2019

	Note	<i>Accumulated funds R</i>
Balance at 1st January 2018		35 622 438
Deficit for the year		(6 686 830)
Balance at 31st December 2018		28 935 608
Balance at 1st January 2019		28 935 608
Deficit for the year		(1 613 561)
Balance at 31st December 2019		27 322 047

STATEMENT OF CASH FLOWS

for the year ended 31st December 2019

	2019 R	2018 R
Cash flows from operating activities		
Deficit for the year	(1 613 561)	(6 686 830)
Adjustments:		
Depreciation/Amortisation	756 327	670 429
Interest received	(1 382 379)	(1 077 505)
Fair value (gain)/loss on investment	(1 860 710)	2 907 115
Straight-lining of office lease	(109 461)	(39 848)
Loss on disposal of plant and equipment	10 584	–
Revaluation of Sales prepaid	(233 023)	–
Movement in working capital		
– decrease/(increase) in trade and other receivables	45 818	(966 667)
– increase/(decrease) in trade and other payables	493 559	(965 894)
Sub total	(3 892 848)	(6 159 200)
Interest received	1 382 379	1 077 505
Net cash outflow from operating activities	(2 510 469)	(5 081 695)
Cash flows from investing activities		
Net (sale)/acquisition of investments	6 967 199	(22 465 413)
Net (acquisition)/ sale of shares	(3 900 000)	28 816 750
Acquisition of plant equipment and other intangible assets	(483 253)	(1 088 851)
Net cash inflow from investing activities	2 583 946	5 262 486
Net cash flow	73 478	180 791
Payment of finance lease arrangements	(325 303)	(230 226)
Net cash utilised for the year	(251 825)	(49 435)
Cash resources at beginning of the year	517 990	567 425
Cash resources at end of the year	266 165	517 990

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st December 2018

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 (cN) of the Income Tax Act No. 58 of 1962, ('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 Accumulated Funds

All reserves are reflected under accumulated funds.

1.4 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.

1.5 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.

1.6 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.

NOTES (continued)

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 17/18.

1.7 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.

1.8 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 value added tax.

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.

NOTES (continued)

1.9 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.

1.10 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.

1.11 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.

1.12 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 2019				
Opening net carrying amount	1 575 420	369 988	404 000	2 349 408
Additions	467 258	–	–	467 258
Disposals	(20 066)	–	–	(20 066)
Depreciation	(609 356)	(51 659)	–	(661 015)
Closing net carrying amount	1 413 255	318 329	404 000	2 135 585
Year ended 31st December 2019				
Cost	3 742 143	559 855	404 000	4 705 999
Accumulated depreciation	(2 328 888)	(241 526)	–	(2 570 414)
Closing net carrying amount	1 413 255	318 329	404 000	2 135 585
Year ended 31st December 2018				
Opening net carrying amount	1 611 147	107 207	404 000	2 122 354
Additions	521 379	311 106	–	832 485
Depreciation	(557 106)	(48 325)	–	(605 431)
Closing net carrying amount	1 575 420	369 988	404 000	2 349 408
Year ended 31st December 2018				
Cost	3 294 952	559 855	404 000	4 258 807
Accumulated depreciation	(1 719 532)	(189 867)	–	(1 909 399)
Closing net carrying amount	1 575 420	369 988	404 000	2 349 408

Certain office equipment and motor vehicles are held under finance lease and instalment sale (refer to Note 8 and 9).

The book value of assets held under lease is R547 373 (2018: R790 651).

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

<i>Website development and computer software:</i>	2019	2018
Year ended 31st December 2019		
Opening net carrying amount	191 368	–
Additions	15 995	256 366
Amortisation	(95 312)	(64 998)
	112 051	191 368
Year ended 31st December 2018		
Cost	729 488	713 493
Accumulated depreciation	(617 437)	(522 125)
	112 051	191 368

4. RELATED PARTIES

Board of Directors:

Full details of all the directors of the Institute are set out under the Report of the Directors on pages 45 and 46 of this annual report. With the exception of one executive director, whose remuneration is set out in Note 13, there have been no transactions with the executive and non-executive directors of the Institute.

NOTES (continued)

	2019	2018
	R	R
5. TRADE AND OTHER RECEIVABLES		
Receivables	1 411 262	1 400 796
Receiver of Revenue – VAT	260 036	293 531
Staff debtors	132 130	154 920
	1 803 428	1 849 247

6. CASH RESOURCES		
Cash on hand	549	620
Current account	265 443	458 825
Call account	172	58 545
	266 164	517 990

7. TRADE AND OTHER PAYABLES		
Payables	1 947 627	1 565 073
Accruals	–	27 660
Accrual for leave pay	828 917	734 629
	2 776 544	2 327 362

8. FINANCE LEASES

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

	2019	2018
	R	R
Office equipment:		
Minimum lease payments:		
– within a year	298 844	269 848
– within second to fifth year	554 944	857 305
	853 788	1 127 153
Less future lease charges	(164 925)	(167 936)
Present value of minimum lease payment	688 863	959 217
Current liabilities	298 844	269 848
Non current liabilities	390 019	689 369
	688 863	959 217

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

9. INSTALMENT SALE

	2019	2018
	R	R
Motor vehicle:		
Minimum instalment payments:		
- within a year	66 074	92 908
- within second to fourth year	286 134	366 556
	352 208	459 464
Less future lease charges	(63 344)	(103 190)
Present value of minimum lease payment	288 864	356 274
Current liabilities	66 074	92 908
Non current liabilities	222 790	263 366
	288 864	356 274

A new motor vehicle was purchased in November 2019 on an instalment sale over 5 years.

NOTES (continued)

10. 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:

	2019	2018
	R	R
Premises:		
Minimum lease payments:		
– within a year	324 484	949 788
– within second to fifth year	–	324 484
	<u>324 484</u>	<u>1 274 272</u>

Operating lease payments represent rentals payable by the Institute for its office premises. The average escalation is 8% (2018: 8%) and has been reflected in the amounts above. A new lease is being negotiated from April 2020.

	2019	2018
	R	R
11. FINANCE COST		
Finance lease charges	169 516	170 930
	<u>169 516</u>	<u>170 930</u>

	2019	2018
	R	R
12. AUDITOR'S REMUNERATION		
For audit services rendered	295 296	279 312
	<u>295 296</u>	<u>279 312</u>

Audit fees paid in the 2019 financial year to BDO South Africa Inc for the audit of the 2018 financial year. The 2019 audit fees to BDO South Africa Inc will be paid in 2020 and will reflect as such in the financial statements.

13. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

One director and one (2018: two) prescribed officer received emoluments in connection with affairs of the Institute as follows:

	2019	2018
	R	R
FJC Cronje – Salary	1 958 445	1 871 780
RD Le Roux – Salary	1 233 872	1 054 644
G Ngwenya – Salary (Resigned February 2018)	–	179 300
	<u>3 192 317</u>	<u>3 105 724</u>

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

14. TAXATION

The Institute is exempt from tax in terms of Section 10(1) (cN) of the Income Tax Act No: 58 of 1962 ('the Act') for the period under review.

NOTES (continued)

15. RETIREMENT BENEFITS

Defined contribution plan

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.

	2019 R	2018 R
The total contribution to such schemes	148 573	140 860

16. CAPITAL EXPENDITURE

Authorised but not yet contracted for

	2019 R	2018 R
	250 000	450 000

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

17. SPECIAL FUNDS

	2019 R	2018 R
Bursary		
Donations and grants	3 701 046	6 536 398
Interest	56 189	80 889
Dividends	286 779	208 700
Unrealised – Surplus on investments	1 014 403	–
	5 058 417	6 825 987
EXPENSES		
Administration fees and running costs	822 351	1 108 300
Bursaries and grants	4 934 405	6 070 286
Realised loss on investments	186 870	879 243
	5 943 626	8 057 929
(LOSS)/SURPLUS FOR THE YEAR	(885 209)	(1 231 942)
Accumulated funds at beginning of year	13 870 010	15 101 952
NET ACCUMULATED FUNDS	12 984 801	13 870 010

A list of the balances of the Special Funds administered by the Institute appears in Note 18 and the related investments are set out in Note 20.

NOTES (continued)

18. SPECIAL FUNDS

Bursary Funds

	Capital R	Amounts held for Bursary awards R	2019 R	2018 R
Amcham Fund	–	1 103 919	1 103 919	1 023 195
Clive Beck Education Trust	–	307 004	307 004	243 898
Durban Thekwini Bursary Fund	–	42 640	42 640	42 578
Giannopoulos Bequest	322 000	255 470	577 470	504 228
Horace Coaker Fund	500	1 115 655	1 116 155	998 061
Hungjao Bequest	821 831	304 350	1 126 181	1 026 730
Isaacson Foundation Bursary Fund	–	835 229	835 229	738 108
Johnson and Johnson Medical Bursary Fund	–	492 900	492 900	340 660
Luthuli Memorial Foundation Fund	107 883	57 276	165 159	165 159
Oppenheimer Memorial Trust	–	1 591 683	1 591 683	3 212 149
Reginald Smith Memorial Trust	10 000	4 390	14 390	14 174
Robert Shapiro Trust	–	3 444 242	3 444 242	3 595 558
Senior Bursary Fund	50 000	33 907	83 907	83 797
Shirley Simons Fund	772 778	1 311 144	2 083 922	1 881 715
TOTAL BURSARY FUNDS	2 084 992	10 899 809	12 984 801	13 870 010

NOTES (continued)

19. INVESTMENTS

	2019 R	2018 R
19.1 Bursary funds (Note 18)		
Equities and other investments		
Listed Investments (Note 20)	10 401 435	9 499 799
Cash deposits	2 583 366	4 370 211
	12 984 801	13 870 010
19.2 Other Institute Investments		
Investec Fixed Deposit	10 419 090	14 656 721
FNB Fixed Deposit	5 079 123	7 808 692
Listed Investments (Note 21)	13 108 216	7 347 505
	28 606 429	29 812 918
TOTAL INVESTMENTS	41 591 230	43 682 927

20. LISTED INVESTMENTS OF BURSARY FUNDS

	2019 Qty	2019 R	2018 Qty	2018 R
Broadcasting and Entertainment				
Naspers Limited	–	–	630	1 822 130
Chemicals, Oils and Plastics				
Sasol Limited	3 060	928 649	3 060	1 300 500
Clothing and Accessories				
Compagnie Financière Richemont SA	12 450	1 363 649	12 450	1 165 943
Food Retailers and Wholesalers				
Bid Corporation Limited	6 344	2 094 852	6 344	1 681 160
Internet and Staples Retailing				
Prosus N.V. - N ordinary	1 880	1 981 520	–	–
Metals and Mining				
Anglo American Plc	2 000	797 680	–	–
Paper				
Mondi PLC	3 000	978 870	3 000	912 210
Preference Shares				
FirstRand B-Preference shares	16 000	1 360 160	16 000	1 305 600
Services				
Bidvest Group Limited	–	–	6 344	1 312 256
Tobacco				
British American Tobacco Plc ADR's	1 500	896 055	–	–
		10 401 435		9 499 799

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

NOTES (continued)

21. LISTED INVESTMENTS OF OTHER FUNDS	2019 Qty	2019 R	2018 Qty	2018 R
Foreign instrument: Societe Générale SA				
Alphabet Inc Cap Stk USD	120	2 243 950	120	1 792 455
Alibaba Group Holding Limited USD	440	1 305 231	–	–
Berkshire Hathaway Class 'B' Com USD	650	2 059 091	650	1 914 244
Facebook Inc Com USD	–	–	450	850 849
Microsoft Corporation USD	1 000	2 205 594	–	–
Roche Holdings AG Genusscheine NPV	410	1 859 061	410	1 455 406
Siemens AG NPV EUR	–	–	750	1 210 677
Toyota Motor Corporation JPY	1 400	1 389 463	–	–
The Walt Disney Company USD	950	1 921 657	–	–
Cash held for investments	–	124 169	–	123 875
		13 108 216		7 347 506

The fair values of listed investments are based on the quoted market price at the reporting period date. The foreign investments values are based on the quoted market price and translated into South African Rand at the exchange rate of 31 December 2019.

22. GOING CONCERN STATEMENT

After reviewing the Institute's cash-flow forecast for the year ending to December 2020, the Directors are of the opinion that, the Institute has resources to maintain its operational existence for the foreseeable future and that:

- The Institute's assets fairly valued exceed its liabilities fairly valued; and
- The Institute will be able to pay its debts as they become due in the ordinary course of business for the 12 months following 31 December 2019.

23. EVENTS AFTER THE REPORTING DATE

The coronavirus Covid-19 outbreak, and subsequent lockdown, will have an unknown impact on the Institute as well as on all our suppliers and clients. However, the Institute immediately implemented systems and alternative ways to continue with its work, which should limit the financial impact of the present conditions on the Institute. The Institute is constantly monitoring the situation, and is keeping in touch with donors and subscribers to ensure an uninterrupted income stream. Cost savings are currently being investigated, but no retrenchments are planned.

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

THOUSANDS OF SOUTH AFRICANS HAVE DECIDED TO **#TAKEBACKCONTROL** FROM CORRUPT AND INCOMPETENT POLITICIANS AND IDEOLOGUES BY JOINING THE IRR AS **#FRIENDS** TO SUPPORT US IN STOPPING COUNTER-PRODUCTIVE POLICIES AND PROMOTING POLICIES WHICH WILL ENSURE THAT SOUTH AFRICA BECOMES A PROSPEROUS AND FREE SOCIETY.

THE IRR IS PROUD OF THIS GROWING COMMUNITY OF LIKE-MINDED **#FRIENDS** OF THE IRR. THESE ARE PEOPLE WHO BELIEVE IN THE VALUES AND CAUSES THE IRR IS FIGHTING FOR AND SUPPORT US THROUGH SMALL MONTHLY DONATIONS. YOU CAN BECOME A FRIEND OF THE IRR BY SMSING YOUR NAME TO **32823** OR BY GOING TO OUR WEBSITE AT **WWW.IRR.ORG.ZA**. JOIN US BECOME A FRIEND OF THE IRR IF YOU WANT TO **#LIVEFREE**.