IRR

South African Institute of Race Relations

The power of ideas

2014

85th ANNUAL REPORT

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SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC

85th ANNUAL REPORT

1 JANUARY TO 31 DECEMBER 2014

MARCH 2015

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

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

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ISBN 978-1-86982-602-4
PD 4/2015

Printed by Topgear Stationers

Cover design by Worx Group

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CONTENTS

CHIEF EXECUTIVE'S REPORT TO MEMBERS FOR THE ANNUAL GENERAL MEETING OF MEMBERS OF THE IRR ON MONDAY 8 JUNE 2015

Mr President, Members of the IRR, I have pleasure in presenting this report to you. The attached annual financial statements cover the financial year ended 31 December 2014. The narrative report is written in the main to reflect developments in 2014, with some limited comments on subsequent events.

POLICY SOLUTIONS

Policy Solutions is the title of this *85th Annual Report* of the IRR. This is very much how we see our present role – as a think-tank developing and promoting policies to improve the socio-economic circumstances of poor communities and allow South Africa to realise its potential as a leading emerging market.

The problems are well known. South Africa's economic growth rate is well below that of comparable emerging markets – particularly those in Africa. Electricity supply shortages are a crippling constraint on future growth and make it impossible in the short term for the country to notch up growth rates above 3% of GDP. But economic growth at twice that rate is necessary to make major inroads into our unemployment crisis. Half of the country's young people do not have jobs, nor are they likely to find work for as long as our current economic malaise persists. Only half of South Africa's children are likely to complete their schooling, while only 5% will pass maths with 50% in matric. Weak economic performance is putting pressure on government revenues, which means that policies based on state-driven socio-economic advancement are ever less likely to succeed. Despite significant service delivery successes, rising and unmet expectations are now driving protest levels that have grown by more than 1 000% over the past decade.

The policy threat

In recent months, a number of damaging acts have been brought into operation. In addition, several worrying bills or policy proposals have been put forward and are likely to take effect in 2015. These state interventions focus mainly on:

- Employment equity (EE) and black economic empowerment (BEE)
- The mining and oil sectors
- Property rights
- Labour law

New EE and BEE requirements

The *Employment Equity Amendment Act of 2013* was brought into effect in August 2014. It threatens employers with massive fines – of up to R2.7 million or 10% of annual turnover, whichever is the greater – for repeatedly failing to meet racial targets at management levels, which the age and skills profiles of black South Africans make difficult to fulfil.

The *Broad-Based Black Economic Empowerment Amendment Act of 2013* was generally made operative in October 2014. It introduces fines of up to 10% of annual turnover, and/or jail terms of up to ten years, for 'fronting' or misrepresenting the BEE status of firms. It also defines fronting very broadly, to include conduct that 'indirectly' (ie unintentionally) 'undermines' BEE objectives.

New generic codes of good BEE conduct were gazetted by the Department of Trade and Industry (DTI) in October 2013 and will come into effect on 30 April 2015. The revised codes make BEE requirements very much more onerous and difficult to fulfil. This is especially the case for some 30 000 small and medium enterprises with annual turnover of between R10 million and R50 million.

The mining and oil sectors

The *Mineral and Petroleum Resources Development Amendment Bill of 2013* (the Mining Bill) seeks to impose price and export controls on coal and other minerals. It also entitles the State to a 20% free carried interest in all new oil exploration and production ventures, as well as a further possible 80% stake at a price the Government is willing to agree.

The Mining Bill has been sent back to Parliament by President Jacob Zuma, who says its provisions may not be constitutional. The Chamber of Mines has opposed this development out of fear that some of the concessions it won in the earlier parliamentary process may now be reversed.

Property rights

Property rights are under threat in a host of spheres. Although a mere 8% of South Africans want land to farm, the flawed land claims process has been re-opened under the *Restitution of Land Rights Amendment Act of 2014*, which came into effect in July 2014. The Government expects some 379 000 new claims to be lodged within the new five-year window period. These claims could cost R179 billion to settle, but the land restitution budget over the next five years is likely to be less than R15 billion, raising questions as to how adequate compensation is to be provided.

The *Property Valuation Act of 2014* (which has been signed into law but is not yet operative) seeks to give a state official, the new valuer general, the sole power to value all land and accompanying movables that are targeted for land reform. Such land will not be limited to farming land but could include land used for mining, industrial, residential, and other purposes.

The *Private Security Industry Regulation Amendment Bill of 2013* has not yet been signed into law. It requires all foreign-owned security companies – defined as including companies that manufacture or transport security equipment (such as Fedex) – to have 51% South African ownership. This may herald the beginning of broader indigenisation requirements, as in Zimbabwe.

The *Promotion and Protection of Investment Bill of 2013* (the Investment Bill) remains in the policy pipeline. If it is enacted in its initial form, it will allow the State to take virtually any property that is 'used for commercial purposes' as custodian for the poor and without having to pay any compensation for it at all. However, in the face of an outcry spearheaded by the IRR, this particularly damaging provision has reportedly been omitted from the most recent version of the Bill, which has yet to be publicly released.

The *Expropriation Bill of 2015* has recently been tabled in Parliament. Like its predecessors, it allows the State to take ownership and possession of property by notice to the owner and without first requiring the State to obtain a court order confirming the constitutionality of the proposed expropriation. The measure also puts expropriated owners under great pressure to accept whatever compensation the State might offer by saying they will be deemed to have agreed to this amount unless they sue for more within two months. These provisions in the Bill contradict the Constitution.

Also in the policy pipeline are:

- proposals to transfer 50% of all commercial farms to long-serving farm workers;
- new limits on land ownership, in terms of which farmers would be allowed to own a maximum of 12 000 hectares;
- new rules prohibiting foreigners (and foreign-owned companies) from owning farm-land; and

- DTI proposals to restrict or terminate patent rights with the help of a new patents tribunal, which would replace the current patents court and would not be bound by the rules of civil procedure with their guarantees of fairness to both sides.

Labour laws

Labour laws have been amended to restrict the use of casual or atypical jobs, even though these are the only private-sector jobs that have been growing in the past decade. Under the new rules, casual workers who work longer than three months for the same employer will generally be deemed to have become permanent employees, and will automatically have the same rights to pensions and other benefits as other permanent staff.

The Government already has the power to lay down minimum wages in agriculture, the security industry, the retail sector, domestic service, and elsewhere. It is now seeking to introduce a statutory minimum wage for employees in all sectors. The likely effect will be to price even more people out of the labour market and add to the unemployment crisis.

The limits of the National Development Plan (NDP)

New rules in these (and other) spheres show the Government's determination to bring about 'radical' policy change in this 'second phase' of the national democratic revolution. Its reportedly renewed commitment to the National Development Plan (NDP) thus remains little more than a smokescreen for its true agenda. The Economic Freedom Fighters (EFF) are also putting increased pressure on the African National Congress (ANC) to use the two-thirds majority the two command in Parliament to change the Constitution, and so jettison what the EFF describes as 'the elite pact' concluded during the political transition. However, overt amendments remain less likely than a continued white-anting of constitutional protections for property and other rights.

Despite these disturbing developments, many commentators either fail to see the growing threat to economic and political freedom or are unwilling to acknowledge this. During the year, a number of groups (especially in business circles) asked if the IRR's policy efforts were really necessary, as many of the outcomes we seek had surely already been adopted by the Government in the National Development Plan. The Government, they argued, must understand the country's growing predicament and must be proposing, via the NDP, to address policy failings in areas ranging from burdensome business regulation to bad schooling.

In seeking to correct these common misperceptions, we wrote in the *Financial Mail* that the Government was effectively ignoring the NDP's proposals, while simultaneously portraying the plan as far more market-friendly than it is. Since the NDP's adoption, we pointed out, the ANC had 'moved quickly to adopt laws and policies that weakened property rights, reduced private sector autonomy, threatened business with draconian penalties, and undermined investor confidence'. All these policies clearly undermined the NDP's key goal of attracting investment and significantly boosting economic growth.

In addition, as we told the *Financial Mail*, the NDP is not nearly as market-friendly as many business people, journalists, and other commentators assume. In many respects, the NDP is simply an uncosted 'wish-list' of policy ideas, many of which are inconsistent and mutually contradictory. Worse still, many of its proposals seek to increase state power, rather than hold this in check. Hence, in buying into the NDP and calling for its rapid implementation, many business leaders and commentators are in fact endorsing statist policies and interventionist ideas that cannot solve South Africa's problems – and are likely, in fact, to make them even worse.

Mainstream policy thinking

As these developments indicate, perhaps the greatest threat confronting South Africa is the content of mainstream policy thinking. In response to the country's mounting economic and social problems, the usual 'solution' is to urge even tighter regulation of the private sector, hand still more power to the ruling party, limit property rights, reduce individual autonomy, and make people ever more dependent on the State.

An analysis published in *@Liberty* highlighted this trend in more than ten policy areas. These range from stricter labour market regulation to much more demanding race-based employment equity and empowerment rules, to a raft of laws reducing property rights and often vesting these in the State. Based on this overview, *The Economist* quoted us at length on what it called the South African Government's 'business-bashing' policies.

In addition, though statist intervention is clearly proving harmful in practice, it still enjoys strong support among key opinion makers. In our engagements with civil society organisations and journalists, we regularly confront influential people who spend a lot of their time advocating for ways in which the State can exercise greater control over the lives and futures of individuals, businesses, and other organisations.

Perversely, such policy thinking may become even more entrenched as the economy weakens. It has already helped bring about the appointment in May 2014 of a Cabinet in which more than 40% of ministers and deputy ministers are past or present members of the South African Communist Party (SACP). Many of these individuals are deeply hostile to private investment, property rights, and the true meaning of political and economic freedom.

The IRR's fundamentally different approach

The IRR has a fundamentally different approach to empowering the poor and promoting prosperity. We are not trying to find ways in which the State can better run its failing stable of parastatals, but urging the Government to dispose of these underperforming assets. We are not seeking to make the poor ever more dependent on welfare, but rather urging new policies that will empower them to find employment and the income they need to improve their own lives. We are not trying to give the State greater regulatory control over the private sector, but rather aiming to free entrepreneurs and investors from damaging regulation and red tape, so that they can help build a high-growth economy. We are not encouraging the State to step up the redistribution of existing wealth by undermining property rights, but rather urging a shift to proven policies that will promote investment, growth, and jobs.

As we told the *Financial Mail*, South Africa has two broad choices: 'It can blame the market for the weak economy and unemployment, and respond by putting the State at the centre of the economy and increasing regulation.' Alternatively, 'it can seek to grow the economy by attracting significant capital inflows'.

The former is in practice the policy direction of the NDP. The latter is the policy direction advocated by the IRR. Convincing government leaders, politicians, academics, civil society, and leading journalists of the merits of this second approach was the IRR's key goal in 2014. As part of this endeavour, we continued to put forward alternative policy solutions, warn against the damaging policies being adopted, and use ten-year scenarios to illustrate the country's policy choices and their significance for the future.

IRR policy solutions

As we wrote in last year's *Annual Report*, the economic malaise confronting South Africa requires much more than a critique of failed policies. Also essential are workable alternative policies with a realistic prospect of improving the lives of poor people and putting the country on the path to prosperity. The IRR has thus developed a proposed plan which offers a sound alternative to the NDP and has been distilled from our long commitment to the classically liberal tradition. Published in February 2014, in the first edition of *@Liberty*, the IRR's policy bulletin, our proposed 12-point plan is as follows:

1. Advance economic growth as the central policy priority of the Government. Without doubling our current growth rate, we cannot push our unemployment rate downwards.
2. Reform the labour market to make it easier for the poor to find work.
3. Reform the education system by passing more control over schools from politicians and bureaucrats to communities and parents, via a voucher system.
4. Reform healthcare policy by allowing the private sector a greater role in provision, while ensuring that much of that provision is funded by the state.
5. Get the state to sell the very many companies it owns and controls. Turn these parastatals into taxpayers rather than tax consumers.
6. Reform the investment environment to promote entrepreneurship and economic growth.
7. Liberalise trade policy to promote competitiveness and reduce prices for consumers.
8. Rework current land reform policy to provide and safeguard ownership rights for all.
9. Scrap race-based empowerment and affirmative action policies and adopt a new empowerment model that seeks to empower poor people – most of whom will, in any event, be black.
10. Professionalise the civil service and end cadre deployment.
11. Change the electoral system to include a constituency-based system and make politicians more accountable to voters.
12. Decentralise political decision-making downwards as far as is feasible.

These twelve points are not written in stone and the plan of which they form a part is not a policy straitjacket for the IRR. Rather, it is a point of departure for the development of a clear and classically liberal alternative to the racial nationalism and state control that characterise so much of present government policy. New proposals may in time be added, while others might be discarded as changing circumstances require.

During 2014, the IRR began putting flesh on the bones of two of its key proposals: how to improve education through a voucher system; and how best to devise a non-racial and effective way of increasing opportunities for the truly disadvantaged. It also sketched out its ideas on various other elements in the 12-point plan, including labour reforms, privatisation, and healthcare vouchers.

Education vouchers for quality and choice

In September 2014 John Kane-Berman, former CEO and now consultant to the IRR, wrote in *@Liberty* on the crucial need to 'level the educational playing field' via a voucher system. As Mr Kane-Berman points out, 'inequality in educational opportunity' is particularly unfair because its consequences are so damaging and so long-lasting. However, even as state initiatives to improve schooling continue to flounder, so 'more and more parents are voting with their children's feet: they are removing them from poor township schools and putting them into good suburban state schools or private schools. The latter include growing numbers of low-fee schools, some of them run as businesses. This quiet, grassroots, revolution is taking place in many other countries as well, even though teaching unions, education officials, education academics, and development bureaucrats are often bitterly opposed to breaking down state monopolies in schooling'.

Adds Mr Kane-Berman: 'More parental choice and greater school autonomy are critical to improving education in South Africa. Schools should have to compete for pupils or shut up shop. The state's role is to keep paying for education, but to reduce its role in actually providing it. One way of bringing this about is to give vouchers to parents to enable them to buy education for their children from the school of their choice.

'Vouchers are especially popular in the United States among black parents, who see them as a means of buying their way out of bad government schools in the inner cities and putting their children into better suburban schools. Studies in New York, Washington DC, and various other American cities have found that black schoolchildren with vouchers do better than those without.

'What South Africa needs to do to fix the broken parts of the schooling system is to empower parents with vouchers so that they can make choices. Much of the money the state now spends paying teachers and running schools – about R180 billion in 2014/15 – would be redirected to parents in the form of vouchers worth some R12 000 per pupil… At the moment, only a few parents can shop around for the best education for their children… Vouchers would enable everyone to shop around.'

From BEE to 'EED' or 'Economic Empowerment for the Disadvantaged'

In Anthea Jeffery's latest book, *BEE: Hurting or Helping?* (the product of the Dick Gawith project and published by Tafelberg in October 2014), we examined the impact of race-based empowerment policies in all their many aspects. Such policies range from racial targets in university admissions to land reform, along with employment equity in the workplace, BEE in the generic codes, and BEE in mining and elsewhere.

As the book shows, empowerment policies help only the relative elite, whereas the truly disadvantaged have little prospect of ever benefitting from equity deals, management posts, preferential tenders, or new small businesses to run. Worse still, poor people – who generally have little choice but to rely on the goods and services provided by the Government – pay a high price for the growing inefficiency of the State. Much of this malaise stems from rapid affirmative action in the public service, which has led to a crippling loss of experience and institutional memory. At the same time, onerous and constantly shifting BEE requirements have become a major obstacle to direct investment in mining and elsewhere. This has resulted in lower economic growth and fewer jobs, adding to the unemployment crisis and worsening the plight of the poor.

In private discussions with the IRR, foreign and domestic investors often acknowledge that BEE policies are so unrealistic and difficult to implement as to deter direct investment to a significant extent. These policies also impose obligations on business that simply do not apply in other emerging markets, including most African ones. Even within the State, public servants are sometimes frank about the frustrations of trying to work with inexperienced and unqualified colleagues. Some also acknowledge that affirmative action policies are eroding the capacity of the State to carry out its most basic functions.

At the same time, political sensitivities around questions of race and history in South Africa remain so strong that few business leaders, potential investors, or public servants are willing to acknowledge these concerns in public. Most find it easier to emphasise their support for 'transformation', and play down the problems inherent in these policies. Some go so far as to claim that the rules work well in practice, despite their own experiences to the contrary.

Part of the problem is that no one has yet developed a viable alternative to current race-based empowerment policy. Hence, when critics of current policy are accused of 'resisting transformation', they are unable to say 'Actually, we think there is a better way, and this is how it would work'.

The IRR is thus busy developing an alternative model, which we have summed up in the concept of 'EED' or 'Economic Empowerment for the Disadvantaged'. As we wrote in the *Sunday Tribune*: 'EED differs from BEE in two key ways. First, it is not race-based but uses other indicators of socio-economic disadvantage as the basis for its interventions. Second, EED focuses not on outputs in the form of numerical quotas but rather on providing the inputs necessary to empower poor people.'

Part of the problem with the current race-based system, as the IRR points out, is that it requires some form of racial classification. Yet this is intrinsically distasteful and irrational.

Moreover, after some 20 years of affirmative action and BEE – and the emergence of a number of BEE millionaires and billionaires – race is clearly no longer an accurate indicator of disadvantage. This explains why the University of Cape Town (UCT) and the University of the Witwatersrand (Wits) are busy changing their admission criteria to give more weight to disadvantage and less to the racial identity of applicants.

In addition, there is no need to use race as an indicator of disadvantage. This is evident from the social grants system, under which close on 17 million South Africans receive monthly cash payments from the State, mainly in the form of old-age pensions and child-support grants. These grants, which play a crucial role in alleviating poverty, raising living standards, and reducing inequality, are paid out on the basis of a means test which is entirely race neutral. Most grant recipients are, of course, black; but their race is not the criterion that counts.

The inputs needed to empower the disadvantaged include decent schooling, opportunities for tertiary training on the sound foundation thus laid, a realistic chance of jobs and income, and the entrepreneurial skills and other inputs needed for success in business. Coupled with the other reforms set out in the IRR's 12-point plan, a shift to EED would help to bring about a new dynamism in the economy. Direct investment would increase, and the average rate of economic growth would begin to rise again, in time reaching the key figure of 7% of GDP a year. As former Reserve Bank governor Gill Marcus (and many others) have pointed out: 'With growth of 7% a year, you double your income every ten years.' A rising tide of this magnitude would swiftly lift all boats. It would be highly effective in helping the poor climb the economic ladder, whereas current transformation policies are harming rather than assisting them.

As the high economic costs and other negative consequences of race-based BEE become more apparent, so various journalists are beginning to question the value of the current system. A couple of newspapers (*The Post* and *Volksblad*) have even started calling for alternatives. This may seem a small shift, but it is nevertheless very significant. It reflects an important move away from an earlier, virtually blanket, consensus that race-based BEE was needed to redress past wrongs and should be strongly endorsed. The more that consensus is eroded, the more scope this opens up for better alternatives.

Healthcare vouchers

Having set out the case for education vouchers (as outlined above), the IRR also argued for a similar voucher scheme to increase access to health care. Writing in *Rapport*, we said that such a scheme would allow poor households to take charge of their own healthcare decisions. Armed with state-funded health vouchers, they would be able to purchase basic medical aid membership as well as the 'gap cover' needed to insure themselves against medical emergencies. This idea will be developed into a fully-fledged policy proposal in 2015 and further explained in *@Liberty*.

Privatisation and parastatals

On parastatals, we wrote in *@Liberty* that the Government should, 'sell South African Airways and other state-owned enterprises to the private sector'. The Minister of Finance, in his medium term budget policy statement in October 2014, has since acknowledged that rising budget and other deficits rule out further costly bail-outs for parastatals and require the State to start selling off some of its non-core assets to help fund Eskom and the like. Many in the SACP and the Congress of South African Trade Unions (Cosatu) remain deeply ideologically opposed to any such measure, but rising state debt cannot be ignored. Hence, as we wrote in *Business Day*, 'the most likely scenario is not a systematic privatisation but an erratic and reluctant process undertaken for no other reason than that there is no other option'.

Labour market reforms instead of welfare dependency

Ever since the child support grant was introduced in the late 1990s, the Government has steadily extended its reach by raising the age limits of the children eligible to receive it. Already, the grant is available to all such children aged 18 or less. Now the Government is talking of including people up to the age of 23.

Writing in *Beeld*, the IRR said it would be 'madness' to use welfare payments to improve the living standards of people who could and should be able to work. The Government should be removing barriers to employment, not 'making people even more dependent on the State'. *The Witness* echoed our views in an editorial entitled 'The call for jobs, not grants', which strongly endorsed our argument that more should be done to help people find work, rather than encourage them to rely on hand-outs. In several media interviews, we also highlighted the risk that reduced tax revenues might tempt the Government to resort to reckless borrowing to sustain and/or expand an already massive welfare net.

Despite the fiscal limits to the current welfare programme, mainstream policy thinking still looks to expanded welfare services to alleviate the crisis of unemployment. However, the only long-term solution to joblessness lies in the labour market. At the same time, higher levels of labour absorption will be difficult to achieve as long as the country continues to confront a weak skills base, destructive trade unions, and coercive labour laws. All these obstacles to job creation will thus have to be addressed.

Education vouchers will help overcome the skills backlog, but many of the other barriers to employment require wide-ranging reforms to labour laws. As the IRR wrote in *City Press*, South Africa needs to 'introduce strike ballots, scrap the extension of bargaining council agreements to small businesses unable to afford them, and replace minimum wage laws with a system of private voluntary contracts between employer and employee'. These proposals might be 'unpopular among the commentariat', as the IRR acknowledges, 'but the extent of our youth unemployment crisis means there are no popular choices left'. The IRR's ideas on labour market reforms will be further developed in 2015, and explained in *@Liberty* and elsewhere.

THE IRR'S 'WATCHDOG' ROLE

Though the IRR's most important function is to develop and advocate sound policy solutions, it also plays a vital 'watchdog' role in warning against damaging policies, existing or proposed. In 2014, its new *@Liberty* policy bulletin became an important vehicle for such 'watch-doggery'. IRR interventions here focused mainly on the Investment Bill; the Department of Trade and Industry's (DTI) proposals to restrict patent and other intellectual property rights; and the way in which employment equity and cadre deployment in the public service are harming the poor and even putting lives at risk. We also made a written submission to the DTI on the content of a revised BEE generic code of good conduct for qualifying small enterprises, now redefined as firms with annual turnover of between R10 million and R50 million.

The IRR also maintained a careful monitor of the country's performance on democratic rights and freedoms. While our sustained focus on property rights helped establish us as the leading expert in this field, we also pointed out that the political future of the country cannot be divorced from its economic prospects. As we explained in numerous interviews with journalists, and in briefings across the length and breadth of the country, the success of the political transition increasingly hinges on the ability of the economy to meet widespread expectations of a 'better life'. If these expectations remain unmet, resulting frustrations will provide fertile ground for populist politicians to argue that the rights and freedoms in the Constitution need to be removed in order to build the power of the State and so attain a socialist 'nirvana'.

The Promotion and Protection of Investment Bill of 2013

The IRR was the first to warn against the worst ramifications of the misleadingly named Promotion and Protection of Investment Bill of 2013. In a ground-breaking article in *@Liberty*, it highlighted the practical significance of a 'weasel' clause stating that there would be no 'act of expropriation' if the State took commercial property, not as owner, but rather as custodian for the disadvantaged.

This clause in the Bill, we pointed out, echoed a judgment handed down by the Constitutional Court in April 2013. In this ruling, Chief Justice Mogoeng Mogoeng found that no expropriation had occurred when an unused mining right 'ceased to exist' and became vested in the State as 'custodian' for the disadvantaged, rather than as its owner. According to the chief justice, this finding also meant that no compensation was payable for the loss of the mining right, even though its erstwhile owner had paid R1 million for it.

As the IRR noted, the weasel clause in the Investment Bill was intended to turn this ruling into a general principle of law. It indicated that zero compensation would be payable if the State took mines, farms, factories, and virtually any other kind of commercial property as custodian, rather than as owner. This made the Bill potentially the most damaging measure put forward since 1994.

The IRR warned against the Investment Bill in *@Liberty*, in press articles, in radio interviews, and through a host of briefings to a range of different audiences. It also published a further article in *@Liberty*, which elaborated on the flaws in the Mogoeng judgment and warned that the Constitutional Court, despite its positive reputation, had a patchy record on upholding property rights. This article also broke new ground in pointing out that the Mogoeng judgment had been based on the particular facts before the court and might be too narrow to support the general rule set out in the Bill.

The IRR's criticisms were taken up by many other commentators and seem to have borne important fruit. According to press reports, the 'weasel' clause has been removed from the Bill, making it far less damaging than before. However, this cannot be verified until the final version of the Bill has been published.

Patent and other intellectual property rights

As the IRR pointed out, patents play a vital part in spurring on innovation by giving inventors the sole right to produce and sell their inventions for some 20 years. Patents also protect inventors against people who try to copy their innovations, thereby reaping an unwarranted reward from the creativity, insight, hard work, and costly research of others.

The Department of Trade and Industry (DTI), the IRR went on, was well aware of the importance of patent rights in attracting investment, stimulating growth, and encouraging the generation of new jobs. Yet the DTI was also seeking wide powers to take or bypass patent rights with the help of a new patents tribunal.

The DTI claimed this was necessary to bring down the price of medicines and save lives, but the changes were unlikely to achieve these goals. They would also extend far beyond the health sector, raising questions as to why they needed so broad an ambit if the aim was simply to help the sick.

If the DTI's proposals were translated into law, the IRR warned, this would reduce the impetus to local innovation. The new patent regime would also contradict South Africa's obligations under relevant international conventions – and would give potential investors yet more reason to regard the country as a 'rogue' state with scant regard for property rights or the rule of law.

The IRR's warnings again seem to have borne fruit, for the DTI is yet to proceed with its damaging proposals in this sphere.

Affirmative action, cadre deployment, and a lack of accountability

In June 2014 the IRR put out a press release highlighting the causal link between affirmative action and government incompetence. In Bloemhof (North West), for example, three babies had died from contaminated water because the municipality had failed to fix a waste water leak of which it was well aware.

Against this background, we again called for an end to race-based policies and their replacement by 'economic empowerment for the disadvantaged' or 'EED' (as outlined above). This new strategy, we stressed, would target the truly disadvantaged and empower them via education, employment, and entrepreneurial skills, against a background of rapid economic growth.

Some commentators nevertheless condemned the IRR, accusing it of racism and an attack on the competence of all black people. But, as CEO Frans Cronje pointed out: 'The IRR's sustained and brave opposition to apartheid policy rested on the obvious point that there is nothing inherent in people's race that determines their abilities. Only our critics draw the offensive connection between race and competency.'

That the IRR, with its long record of opposing racial discrimination, was so quickly accused of racism demonstrates the difficulties in evaluating policies based on the contentious issue of race. The IRR thus published two issues of *@Liberty* dealing further with these points. In the first, Dr Cronje warned against the 'stranglehold of political correctness', saying this was barring proper debate on whether 'race should remain the foundation of affirmative action' or should be replaced by race-neutral and more effective measures to combat disadvantage.

In the second issue, Mr Kane-Berman asked why so many babies or mothers died of 'preventable' or 'avoidable' causes, why sewerage systems collapsed, and why contractors failed to fix holes in waste water pipes. Much of the answer, he went on, 'lay in how government in South Africa worked – or failed to work'.

Wrote Mr Kane-Berman: 'Our system of government is poisoned by a toxic mix of affirmative action, cadre deployment, and impunity… Affirmative action and cadre deployment mean that appointments to government jobs are very often made on grounds of race and/or political allegiance to the ruling party. This is not whim or individual prejudice, but policy. Requisite skills and experience are subordinate criteria. This does not mean that all those appointed on the grounds of race or political allegiance are unqualified. But a great many are. Given the skills deficits caused by Bantu education, it could hardly be otherwise.'

The Government nevertheless remained determined to press on with affirmative action until such time as 'all echelons of our society were demographically representative'. Warned Mr Kane-Berman: 'Given the country's human needs and its skills profile, this can only have dire consequences, and especially for the black poor. But affirmative action is one of those holy cows discussion of which is inhibited by the dictates of political correctness… South Africans need to wake up to the tragic results of the policies being implemented in their name.'

In November 2014 the IRR followed up with an article in *@Liberty* calling for the present system of employment equity to be replaced by a non-racial form of affirmative action in the workplace. In this article, advocate Mark Oppenheimer and analyst Cecelia Kok argued that current race-based policies are unjust and ineffective in seeking to redress past wrongs. They also pointed out that race is no longer an accurate proxy for disadvantage, given the number of upwardly mobile 'black' people who have prospered since 1994. Hence, the use of race in deciding who should be given preferential treatment by employers is now likely to result in wealthy people being given an unnecessary leg-up.

The present system often also denies the benefits of valuable engineering and other skills to poor people, leaving them without access to clean water and proper sanitation. This serves to entrench rather than diminish disadvantage. Wrote Oppenheimer and Kok: 'Ironically, the main victims of race-based affirmative action are not the "whites" who may be excluded from job appointments but the "black" and marginalised majority'. South Africa, they urged, should thus shift to an 'equal opportunity' form of affirmative action which would target the truly disadvantaged, leave race out of account, and be significantly more effective in overcoming the lingering consequences of past discrimination.

Revised BEE generic codes for qualifying small enterprises

In October 2014 the DTI published revised BEE generic codes for qualifying small enterprises (QSEs) and invited comment on them. In a written submission in response, the IRR noted that the revised rules would triple the costs of BEE compliance for some 31 400 QSEs. Yet many of these small businesses were already battling to survive in a climate of low growth, high inflation, persistent electricity shortages, poor transport, high crime, and limited skills. The Government thus needed to promote the small business sector, rather than tie it up in ever more onerous and costly BEE red tape. The IRR again urged the DTI to shift away from the current BEE system – which damages business and harms the poor – and instead embrace its EED policy solution.

Democratic rights and freedoms

Despite its emphasis on economic policy, the IRR is also well aware of the need to safeguard South Africa's future as a free and open democracy under the rule of law. Part of our watchdog role lies thus in blowing the whistle on threats to fundamental civil liberties, including media freedom and the independence of the criminal justice system.

In keeping with this function, we warned against political manipulation of agencies ranging from the Hawks to the South African Revenue Service and the South African Broadcasting Corporation (SABC). On the SABC, we warned in *Die Burger* of the danger that a 'ministry of propaganda' (as we described the new communications ministry established in May 2014) would seek to undermine free speech. Later in the year we helped publicise a management instruction to SABC journalists to 'censor' political interviews and ensure that certain perspectives were not aired.

As the IRR also pointed out, even privately owned newspapers which should be beyond the reach of the State are now under threat. A prominent example is the Independent newspaper group, which changed hands in 2014 via a 'transformation deal' that involved a significant degree of state financing. Newspapers within the group have since adopted a subservient editorial line, while two of its (newly appointed) senior editors attended an ANC event decked out in party colours. In addition, many other newspapers are partially dependent on government advertising, which could now be withdrawn from those identified by the ANC as too critical and 'negative' in their reporting. The risk here is steadily expanding control by a State hostile to adverse press coverage.

Also worrying is the growing brutality of the State. In *The New Age* we warned against the high number of torture cases being brought against the police. In time, we said, such methods might be used not only against criminals but also against the Government's political opponents. Already, we said, there was 'chatter' among grassroots activists about the partisan use of the police to suppress demonstrations and other protest actions. This was also arguably a factor in the Marikana massacre in August 2012, when the police shot dead 34 people demonstrating outside Lonmin's Marikana mine near Rustenburg (North West). On the evidence available, these police shootings seem little more than an unwarranted display of lethal force against demonstrators linked to a trade union that was successfully supplanting Cosatu on the platinum mines.

This analysis might seem too strong to some. However, not even the sanctity of Parliament was respected when riot police entered the legislature to eject an opposition member who had described President Jacob Zuma as 'a thief'. As the IRR pointed out in a number of media interviews, the use of the police for this purpose – and in breach of the rules of Parliament – was a 'most shocking abuse of State power'.

Part of the remedy against such abuses, as the IRR has suggested in its 12-point plan, lies in strengthening individual freedom and ensuring greater accountability to the electorate. Hence, in two columns in *Rapport*, we proposed the introduction of a constituency-based electoral system that would break the stranglehold of party bosses over elected public representatives and compel political accountability downwards towards communities.

Future scenarios

Sketching possible future scenarios for the country over a ten-year period is particularly useful in combining watch-doggery with policy solutions and highlighting the likely consequences of different policy choices. It shows, in particular, the huge risks in persisting with damaging policies, as well as the exciting gains to be made through constructive reforms. The contrast between the two makes scenario planning a particularly effective tool in pushing for fundamental policy shifts.

Dr Cronje thus wrote a book entitled *A time traveller's guide to our next ten years*, which was published by Tafelberg in April 2014, shortly before the May general election. The book sets out four possible 'futures' for South Africa from now until 2024. Which of these 'futures' comes to pass by then will largely hinge on the policy choices made by the Government today. The scenarios thus graphically illustrate the probable consequences of failing to implement necessary policy changes. The book was widely reviewed in the media, and Dr Cronje was invited during the year to present its findings to more than 200 audiences, including all major political parties.

MAKING FRIENDS AND INFLUENCING PEOPLE

Analysing the South African situation is complicated by the fact that major policy threats go hand-in-hand with undeniable and substantial progress since 1994 in raising living standards for the poor. The IRR has taken the lead in highlighting government successes in the rolling out of houses, sanitation, electricity, and water. It has also acknowledged the success of social grants and the wider social wage (the provision of subsidised housing, education, and the like) in increasing income and improving living conditions for millions of South Africans.

However, these achievements, as we have also pointed out, have been accompanied by a fundamentally flawed set of policies. These policies have helped to generate massive dependency on the State. They have also prioritised centralised state control over the devolution of power, and put the emphasis on the redistribution of existing wealth rather than the creation of new wealth.

However, as we have also often pointed out, few changes are likely to be made to these damaging statist interventions while current policies are accepted and endorsed by key opinion makers in the media and elsewhere. This means that the climate of ideas must be shifted before policy change will seriously be considered. Yet the importance of waging and winning what Thabo Mbeki rightly described as 'the battle of ideas' is often overlooked.

Many people in business, for example, think it more important to seek a meeting with 'the minister' so that they can put forward their concerns and argue for changes to specific policies, present or proposed. But the minister has little reason to heed their views if public opinion – as moulded by the Government, civil society, and many in the media – remains supportive of the statist ideas underpinning the policies in question.

Hence, calls for investment-friendly migration, energy, education, investment, and other policies are unlikely to have much impact as long as public opinion endorses the view that a State-directed economy will deliver better results than one driven by market principles and the private sector. For the same reason, it is largely futile to drag the Government to court to seek policy concessions if opinion leaders continue to support the policies in question and cannot be convinced of the need for change by reasoned argument.

If the IRR is to help turn the tide in South Africa, we must first and foremost dedicate ourselves to shifting public opinion away from *dirigisme* and towards the economic freedom vital to investment, growth, and jobs. We must also keep showing that economic and political freedoms are two sides of the same coin. Given the essential link between the two, the diminution of economic freedom now well in train will in time also reduce the political freedom secured in 1994. However, this connection is still little understood. It is only when public opinion starts to reflect and endorse this perspective that the content of public policy will begin to change. Moreover, it is only by shifting public policy that South Africa will be able to realise its potential as a leading emerging market and safeguard its future as a free and open democracy.

It is against this background that the impact and potential long term influence of the IRR's work must be gauged. Think-tanks in South Africa, given their limited budgets, cannot afford to get stuck in esoteric academic debates about theoretical solutions to practical problems. They must rather focus on producing two measurable results. First, they need to produce workable policy alternatives that can be applied in the real world and have a high probability of bringing about better socio-economic outcomes. Secondly, think-tanks should have the capacity to bring their ideas and policies into the public domain, so that they influence the public debate and help shape the prevailing climate of opinion on important policy issues.

How substantive was the IRR's influence in the past year? The data, reported in detail later in this document, speaks for itself. In 2014 we authored over 100 opinion articles in newspapers, delivered over 300 briefings to outside audiences, granted about 800 media interviews, and were quoted 1 632 times in the press. Hence, our arguments and policy alternatives reached literally millions of people. Those citations, articles, and briefings made up the bulk of the free-market analysis, argument, and policy ideas that entered into the public debate in 2014. They played a vital part in shaping public opinion.

The Government is also very much aware of what we say. When we paid tribute to the State for its successes in rolling out housing, sanitation and the like, a host of senior figures in the ruling party were quick to pick up on this commendation. Jeremy Cronin, spokesman for the South African Communist Party (SACP), Jessie Duarte, spokeswoman for the African National Congress (ANC), Mac Maharaj, spokesman for President Zuma, and a host of cabinet ministers all quoted us on the progress on 'delivery' that South Africa had made since 1994. We had, of course, also warned against growing welfare dependency within the country, but this part of our message was overlooked. However, if nothing else, the statements by Mr Cronin and others showed that the country's most senior political and government leaders listen to what we say – even if they publicly repeat only parts of our perspective.

The rest of what we say may not be acknowledged in public, but we know from our interactions with state entities and others that the remainder of our message is being heard, if not yet heeded. The challenge is to change that in the years ahead.

SOCIAL AND ECONOMIC RESEARCH

Social and economic research into key trends and statistics remains the foundation of all our policy work.

South Africa Survey

The 2014/2015 edition of the *South Africa Survey* was published in January 2015 and ran to 836 pages of data, tables, and charts tracking every area of social and economic development for South Africa. It has 14 chapters, which cover demographics, the economy, public finance, employment, assets and incomes, business and infrastructure, industrial relations, education, health, social security, living conditions, communications, crime and security, and politics and government. The *Survey* secured extensive media coverage with a large number of newspapers citing *Survey* information on education, labour issues, crime, living standards, poverty, health care, social development, and demographics.

The *Survey* is made available in both hard copy and electronic format to fee paying subscribers in business, government, and foreign governments and is provided free of charge to the media, civil society, and politicians. Access to sound and independently researched socio-economic information is critical in helping to formulate policy solutions to address South Africa's serious economic and social problems. The *Survey* plays a uniquely influential role here, being received by:

- 254 corporations, government departments and foreign governments
- 810 journalists and media houses
- 618 civil society groups
- Most universities
- All major political parties in South Africa

Fast Facts

Our monthly *Fast Facts* report remains a vital vehicle through which the IRR can bring major social and economic trends to the attention of the media and civil society, along with leaders in Government and business. In drawing focussed attention to key social and economic trends, *Fast Facts* plays an important role in supporting constructive and solution oriented policy formulation in South Africa. Twelve editions of *Fast Facts* were published in the year to December 2014:

- The January edition featured a 32-page analysis of South Africa's political climate as well as its performance across a range of international business indicators. Much of the data revealed that 20 years into the democratic dispensation, confidence in South Africa is waning;
- The February edition contained a 17-page analysis of South Africa's education system. It broke down key data regarding National Senior Certificate (NSC) passes in various important ways, showed throughput rates from grade 2 to graduation with a bachelor's degree, sketched the opportunities available to school leavers, and unpacked key trends in tertiary awards (February 2014);
- The March edition sifted through the 2014 budget, showing how expenditure patterns have changed in the last 20 years, and highlighting economic gains and losses. It also contained a penetrating analysis of the budget, viewed against the country's economic outlook, from the IRR's chief economist, Ian Cruickshanks;
- The April edition contained a 15-page analysis of South Africa's socio-economic standing on the 20th anniversary of its becoming a democracy. This analysis provided indicators in 14 key areas ranging from demographics to the economy. It also tracked South Africa's progress in relation to the Millennium Development Goals (MDGs);
- The May edition featured an 18-page analysis of the 2014 election results. It broke down key data such as how the National Assembly and provincial legislatures are structured, changes in party support since 1994, and voter turnout as a proportion both of eligible and registered voters;

- The June edition featured an 8-page breakdown of the annual changes in gross value added (GVA) by year, from 2002 to 2013, and by industrial and economic sector. Its key finding was to show the extent of deindustrialisation in South Africa;
- The July edition sketched a picture of South Africa's youth: how many there are, where they live, what they do with their lives, and what they think, among other things. The picture that emerged was one of youth with significant potential to contribute to the future of the country but not in a position to do so;
- The August edition again emphasised the IRR's long-held view that, despite many challenges, there has been successful delivery of basic services under the rule of the African National Congress (ANC). Trends over time to support this argument, particularly with regard to the provision of water, housing, and electricity were provided;
- The September edition provided an analysis showing a leap forward in digital communication in South Africa, in spite of slow internet speeds and high broadband costs;
- The October edition featured comparative crime data for South Africa. It highlighted the fact that many violent crime categories were on the increase;
- The November edition tracked South Africa's trade with major partners, emerging markets, and Africa. It then presented data on major imports and exports and tracked trade balances against the value of the Rand. It found that South Africa featured a trade deficit with every major global economy and region other than the United States of America and non-energy Africa; and
- The December edition provided a comparative analysis of socio-economic conditions in the nine provinces according to over 100 indicators ranging from education to health.

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

Fast Facts was received by virtually the same readership as the *South Africa Survey*.

The *Risk*REPORT

This publication was introduced in October of 2014 and is made available exclusively to premium subscribers of the Centre for Risk Analysis (CRA). It is published monthly and seeks to give its readers a screenshot of emerging economic, political, and social risks.

Four editions were published in 2014:

- The September edition explained how the ANC's reputation and the economy were shrinking in tandem;
- The October edition highlighted future water shortages and quality problems as well as the implications of a nuclear energy deal with Russia;
- The November edition drew attention to the long term implications of South Africa's fiscal deficit; and
- The December edition highlighted issues of slow growth, tensions in the Tripartite Alliance, the conduct of the ANC in Parliament, and how the energy crisis is but only one of the many challenges faced by the country.

RESEARCH AND POLICY PROJECTS

The IRR continued to operate a number of research and policy projects. These are initiatives aimed at securing a specific policy outcome or objective and usually require a great degree of time and focussed research. Projects included:

Broken Blue Line

This project investigated police involvement in serious and violent crime and proposed policy interventions to address such criminality. The research work on the project was conducted in 2014 and its results were released at a press conference in 2015. The project generated massive media coverage and saw questions asked in Parliament as to what the Minister of Police would do to address the problems identified in the report. The pressure generated by the report should go some way to ensuring improved policing in South Africa.

Intellectual Property Rights Project

The IP project was conceived to promote the protection of intellectual property rights in South Africa. The project released two reports via *@Liberty* along with a stand-alone policy paper, entitled *Patents and Prosperity*, which was published on our website. All three documents were widely cited in the media and attracted significant interest from the pharmaceutical industry, in particular. As the sole public effort to protect such rights in South Africa the project was instrumental in highlighting the importance of sound intellectual property policy in attracting the fixed investment necessary to ensure higher levels of economic growth. Its work has been reported on in more detail under the Policy Solutions section of this report.

Empowerment Policy Project

This is our most important policy project. It is seeking to devise and promote an alternative to Black Economic Empowerment policy, termed 'economic empowerment for the disadvantaged' or EED. This will not be race-based. Its work has been reported on in more detail under the Policy Solutions section of this report.

'Time-Traveller' scenarios

The IRR published these scenarios in book form via Tafelberg in April 2014 under the title *A Time Traveller's Guide to Our Next Ten Years*. The book set out the policy choices that South Africa would have to take if it were to realise its potential as a leading emerging market. The book generated significant interest in the IRR's broader policy work. A briefing on the book was presented to over 200 audiences in government, business, party politics, civil society, and academia during 2014. These scenarios became arguably the single most influential policy reform initiative that the IRR has launched.

'Born-Free' Project

This project was conceived to investigate the circumstances of people born after Nelson Mandela's release from prison in 1991 and to propose policies to improve the social and economic circumstances of those people. The main outcome of the project was a policy paper, entitled 'Born free, but still in chains: South Africa's first post-apartheid generation'. Like our research into the South African family, it is a pioneering piece of work putting flesh on to the bones of the 'born free' concept. At the time of writing this report, that paper was still due to be published and we anticipate that its findings will be very effective in promoting policy reforms aimed at improving the socio-economic circumstances of young people in South Africa.

Project 'lights out'

This project was launched to find a solution to South Africa's energy crisis. Its main report was published in *@Liberty* in March 2015. It identified what had gone wrong in Eskom, why it had gone wrong, how it could be fixed, and how Eskom should be financed. The report was widely cited in the media and distributed to political and government leaders.

Students for Liberty

Students for Liberty is based in Washington and assists in establishing liberal student associations on university campuses. The IRR believes that such associations will be an important adjunct to its policy efforts in the battle of ideas. In addition these chapters will serve as a liberal kindergarten. We will support the establishment of student chapters and they will be encouraged to draw heavily on the work of the IRR. The first chapter was established at the University of Pretoria in 2015 at a launch addressed by John Kane-Berman.

Bursaries

In 2014 there were 68 students on bursaries for tertiary studies via the IRR's various bursary trusts. Of these, 38 students were continuing ones previously also funded by us, while 30 were 'new' students receiving IRR support for the first time. Overall, 93% of our students passed in 2014 and proceeded either to the following year of their studies or to graduation. In 2015 bursary awards worth R4.1 million are to be made to 74 students, of whom 12 are new. Of these 74 awardees, 57 will be at tertiary institutions and 17 at high schools.

OUTREACH AND ADVOCACY PROJECTS

The most important measure of the success of a think-tank is the ability to get its ideas and policy proposals into the public domain where they can influence the decisions of policy formers. Think-tanks that do this effectively can be highly influential in shaping the policies adopted by the countries they operate in. In our case the **Free Society Project** is our major outreach and public-relations initiative. It is structured to ensure that our policy research and solutions influence the thinking of the broadest possible cross-section of South Africans. Through shaping public opinion the project seeks to influence public policy in a manner that will help to secure South Africa's future as a free and prosperous emerging market.

The project comprises four separate initiatives, each of which is a project in its own right, managed by its own project manager. The four include:

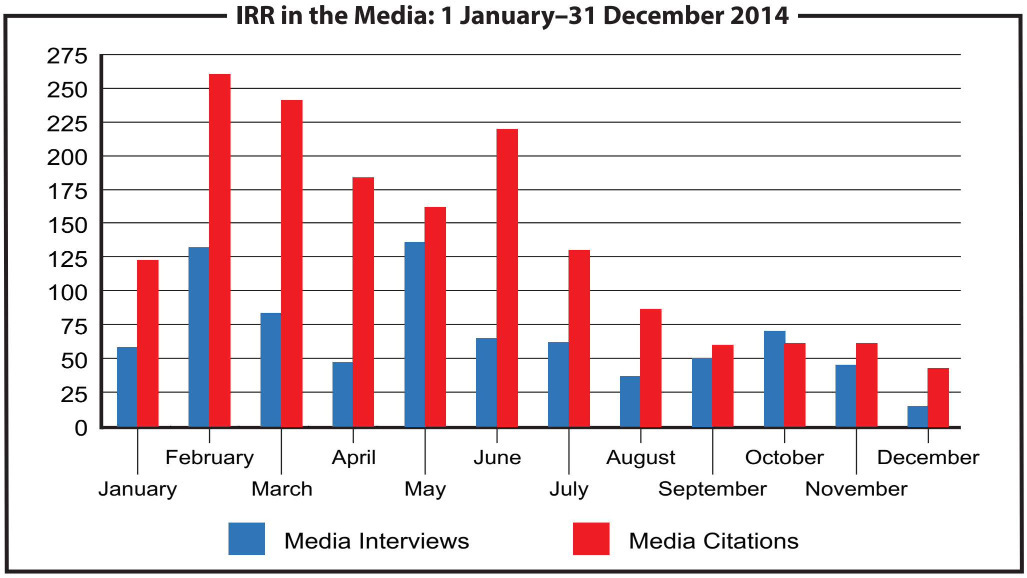
- the **Centre for Risk Analysis**, which examines economic and social risks and uses scenario planning to help business and government leaders make constructive policy decisions for South Africa. The centre currently has more than 267 private companies, government agencies, political parties, and foreign embassies as its subscribers allowing the IRR a unique degree of direct access to policy shapers in the country.
- the **Media Alert Service (MAS)** through which we provide 810 media agencies, bureaus, newspapers, television stations, individual journalists, and radio stations around the world with a vast range of socio-economic and other information. Arguably now South Africa's largest private media agency, the MAS allows the IRR to present its findings to literally millions of people every year.
- the **Democracy Support Programme**, which helps more than 2 200 elected public representatives across the political spectrum to hold the executive to account, benchmark social and economic progress, and identify policy challenges needing to be resolved. Through this project the IRR is able to secure a significant degree of reach into the political environment in South Africa and use that reach to promote policy reform.
- the **Civil Society Support Programme** through which we are increasing the effectiveness of 618 civil society groups in meeting the social and economic needs of their beneficiaries. This programme allows the IRR to support other influential civil society groups to identify and advocate reforms that will improve the social and economic conditions of all South Africans.

MEDIA AND PUBLIC RELATIONS

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

Media interviews and citations

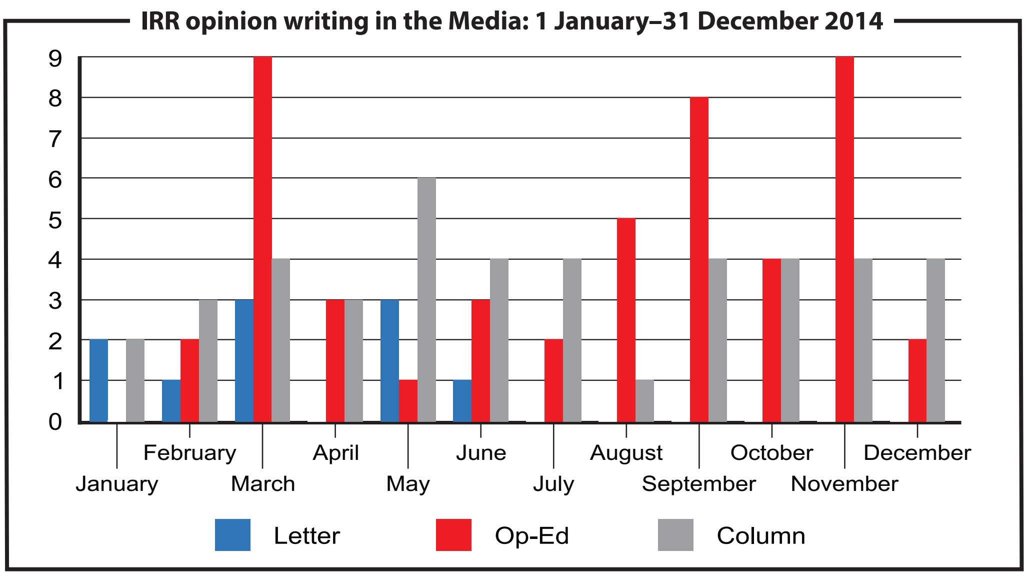
In the year to December 2014 IRR research and other staff provided 798 media interviews to radio, television, and print media. Our media tracking system shows that the IRR was cited 1 632 times in local and international media over the course of the year. The table below shows the month by month breakdown of that coverage.



On average we were therefore being interviewed and/or cited 6.7 times every day of the year. As one of the few liberal voices left in South Africa the IRR therefore generated the bulk of liberal ideas that entered the public arena in 2014.

Opinion articles and columns in newspapers

A particularly influential component of our media and public relations efforts is our own writing of opinion articles in the media. These articles allow us to promote our own home-grown policy alternatives in our own words. The IRR in now in the unique position of authoring regular columns in *Business Day*, BizNews.com, *Moneyweb.co.za*, and *Rapport*. The following chart shows the monthly spread of articles and columns in the press written by IRR staff from 1 January to 31 December 2014. There were 102 columns and opinion articles published over this period.



Media releases

Media releases are another important component of our efforts to influence public opinion. During 2014, 45 media releases were published which were instrumental in attracting the 1 632 media citations of the IRR's research that we recorded during the year.

IRR TV and social media

In a major shift in communications strategy the IRR has launched a new initiative called IRR-TV. This will see the IRR release all its major reports via video clips that are produced in-house and circulated via Twitter to smart-phone users. For over 80 years the IRR communicated via written papers. In order to make use of our work you had to receive our papers and read them – in other words you needed to make an active effort to be a consumer of the type of information we provide. But the world is changing. Newspaper circulation figures show that people do not read as much as they used to. South Africa's leading business daily now prints less than 30 000 copies. Should we have stuck to the written word we would seriously impede our ability to have an influence on public opinion. IRR-TV will ensure that we reach a far broader audience of passive consumers of news. By tapping on their phones they will receive a short 3-5 minute clip produced by the IRR telling them what they need to know about a policy and why and how that policy needs to change. I expect that in time IRR-TV will become our most influential single initiative. To produce a good 3–5 minute clip you still need the hard slog that goes into publishing a solid policy paper.

Critical to the success of IRR-TV is to boost our social media following. The IRR's two most important Twitter accounts now have 8 405 followers. This is far too small a number and an initiative has been launched to take that number to 20 000 by the end of 2015 via the use of promoted tweets.

Website

Our website is the primary warehouse holding our policy papers and research reports. We do not intend the website to be the primary interface with users of our work. Rather we rely on third-party news sites and social media for that purpose. From 1 January to 31 December 2014 the website had:

- 80 117 sessions (a session is the period of time a user is actively engaged with the site)
- 64 942 users (users that have had at least one session on the site; it includes both new and returning users)
- 224 333 page views (page views are the total number of pages viewed; repeated views of a single page are counted)

Public events we hosted

Events we host remain a further important part of our efforts to shape public opinion. We hosted eleven public events during 2014. These include:

- Consistently Contrarian (John Kane-Berman) (Johannesburg) (24 February)
- South Africa's next ten years: The second transition (Frans Cronje) (Johannesburg) (10 April)
- South Africa's next ten years (Jay Naidoo and Frans Cronje) (Johannesburg) (14 July)
- 'The Economists' (co-hosted with the Friedrich Naumann Foundation for Freedom) (Ettienne le Roux, John Loos, Mike Schussler, and Ian Cruickshanks) (Johannesburg) (7 August)
- Current conflict between Israel and Gaza (Benjamin Pogrund) (Johannesburg) (19 August)

- The future of property rights (conference co-hosted with the FW de Klerk Foundation and in partnership with the Konrad Adenauer Foundation) (Johannesburg) (27 August)
- South Africa: the next ten years (Dawie Roodt and Frans Cronje) (Pretoria) (16 September)
- How to fix the future (John Kane-Berman) (Johannesburg) (29 September)
- How to fix the future (John Kane-Berman) (Cape Town) (1 October)
- South Africa: the next ten years (Dawie Roodt and Frans Cronje) (Cape Town) (2 October)
- Engaging economic policy: the Growth and Development Forum (seminar in Stellenbosch) (24 October)

Private events we presented

The IRR also provided a far greater number of briefings via private meetings with a host of outside organisations. In 2014 there were 333 such meetings (against a total of 229 in 2013) of which 201 were formal briefings on our scenarios. Here, we were able to present our data, analyses, and policy solutions to a diverse range of audiences, including banks, mining houses, foreign embassies, chambers of commerce, universities, and civil society organisations. Every major political party in the country received a briefing. These briefings are a powerful advocacy tool as they allow us to literally look policy formers in the eye and explain why key policy reforms are necessary and how those reforms would work.

IRR INFLUENCE

Influence in numbers

Reduced to numbers, the IRR's influence on South Africa looked as follows in 2014:

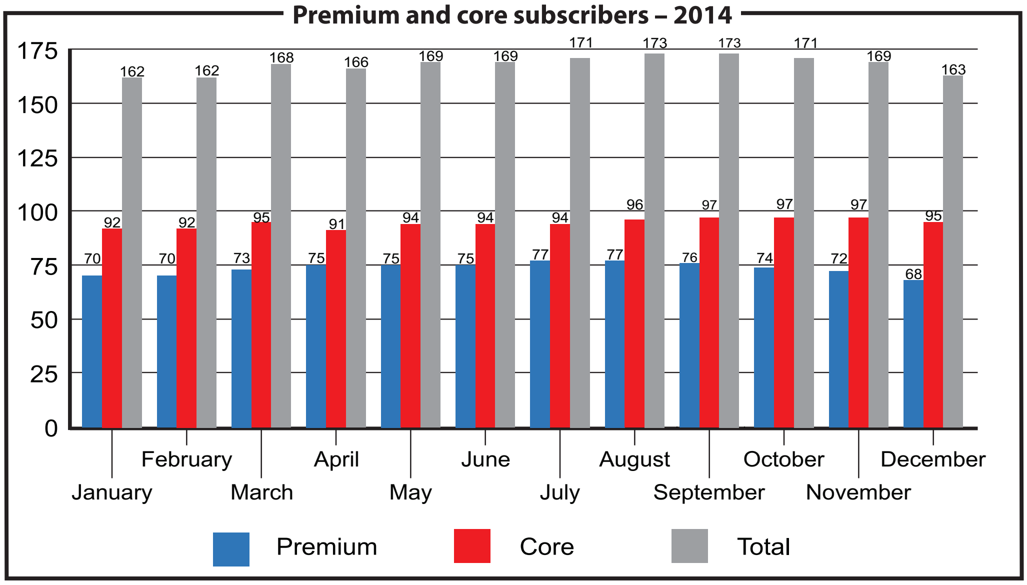
- **2 206** *political leaders given access to information on social and economic development*
- **1 632** *media citations of our work*
- **810** *media outlets and journalists empowered to report better on South Africa*
- **798** *media interviews and information requests granted*
- **618** *civil society groups helped to be more effective in helping others*
- **333** *meetings and/or briefings presented to outside audiences*
- **102** *opinion articles published (as well as 23 letters)*
- **45** *media statements released*
- **16** *@Liberty policy papers published*
- **12** *Fast Facts reports published*
- **11** *briefings hosted for outside speakers*
- **4** *RiskREPORTS*
- **3** *policy submissions released*
- **1** *South Africa Survey published*

CENTRE FOR RISK ANALYSIS

The Centre for Risk Analysis (CRA) continues to provide its users with access to information on socio-economic and political trends that shape South Africa's future. The team had a target to secure renewal income and new sales of R4 854 323 in 2014. Income amounted to R4 523 539, with sales exceeding expectations of R965 000, and instead coming in at R1 075 389. Renewals amounted to R3 448 150 against a budget of R3 927 323.

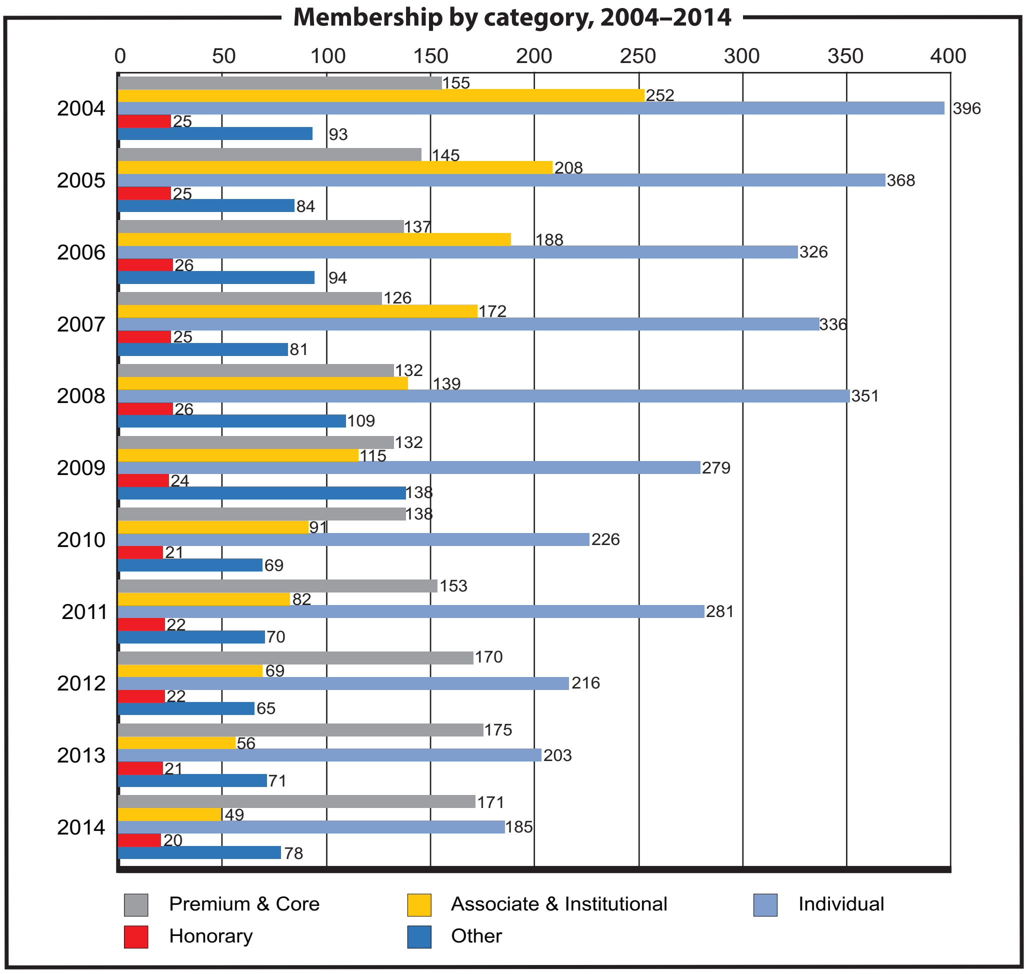
Subscriber and member trends

The following graphic shows growth across all top-tier subscriber categories.



The graphic shows that we saw growth of 10% in premium subscriber numbers from January to August and then a 10% decline back to December. We cannot predict whether this will occur into 2015 but have put measures in place to secure subscriber growth. These include, for example, setting targets for soliciting information requests and delivering briefings to clients.

The graphic below shows subscriber/member numbers by category from 2004 to 2014.



GOVERNANCE AND COMPLIANCE

Office bearers

It is with great regret and sadness that I record the deaths of:

- Mr Brian Hawksworth, who died in May 2014 after a long illness. He served as Honorary Treasurer of the IRR from 1996 to 2010, and also as Chairman of the Finance (later Audit) Committee;
- Mr John Morrison, who died in May 2014, also following a long illness. He was the IRR's librarian for many years and also served as a representative of KwaZulu-Natal Inland on Council; and
- Dr Claris Palmer, who died in July 2014. She was a member of our Bursary Selection Committee for many years.

Elections, reappointments, and committees

The following four directors were unanimously re-elected at the AGM of Members on 28 July 2014: Ms Jenny Elgie, Mr Peter Joubert, Mr Peter Letselebe, and Mr Ishmael Mkhabela. Ms Colleen McCaul was not available for re-election to the Board of Directors. The Chairman of the Board thanked her on behalf of the IRR for all the support and hard work she has put in, initially as a researcher at the IRR and thereafter as a member of the Board for some 15 years.

All directors are up for re-nomination by Council and subsequent election at the AGM of Members in 2015. Council is due for election in 2016 together with all office bearers.

Professor Bill Johnson resigned from Council and Mrs Elisabeth Bradley retired from the Board.

All committees met in accordance with their requirements.

New Memorandum of Incorporation (MOI)

We are finally in receipt of a new signed and stamped copy of the IRR's new Memorandum, lodged with the Companies and Intellectual Property Commission (CIPC) in 2013. The original copy had been lost in the post.

Strategic planning

In 2014 the IRR adopted three-year planning cycles. These cycles allow the IRR to plan for long-term financial and policy targets. The current three-year cycle runs to the end of 2016. Its financial targets include that the IRR should aim for a three-year deficit (post investment and interest income but less unrealised gain) of less than R5 million. Any deficit of up to R5 million will be financed out of share sales. This in turn has allowed the IRR to plan and execute initiatives such as the EED project and IRR-TV, secure in the knowledge that the finances to fund such work will in all likelihood be available. Of course the management team strives through each cycle to reduce any deficit to zero. At the end of every cycle a new three-year plan will be developed and put to the Board for acceptance and monitoring. It is this new approach to management that has allowed for the IRR's much increased policy influence of the past 18 months.

At the time of writing this report the anticipated deficit to the end of 2016 stood at just over R1.5 million – despite the fact that we have seen fit to raise our initial expenditure estimates. In other words extra funds to the value of at least R3.5 million have been secured since the current three year cycle was adopted.

As part of the new management regime, line-managers within the IRR were assigned Key Performance Indicators which track their performance in meeting goals aligned to the three-year plan. These indicators are reported to the Board on a quarterly basis. The adoption of such KPI's coincided with a further change in management philosophy which handed far greater responsibilities and decision making powers to the IRR's research, marketing, media, and policy managers. It is this greater individual responsibility which has helped to ensure the many successes the IRR recorded in 2014.

Fundraising

The future impact of the work of the IRR will be determined largely by what happens in the fundraising environment. For think-tanks the going is tough across the board. Were it not for the income generated by our Centre for Risk Analysis and our investment income the IRR would be in terrible trouble and its influence on South Africa would be negligible. While we continue to maintain good relationships with important funding partners these represent a minority of the broader funding community and a particularly small minority of the corporate world. As a rule we fall outside the scope of corporate social investment funding because the nature of our work is so special. We have also seen the fear that many large corporations have of the government and hence their reluctance to invest in policy reform even where such reforms would assist the government in reaching its own stated goals. Our numerous attempts to raise money from organised business for policy work have all failed. We also fall outside of the scope of most international development funders, as their work is focussed on projects seeking to ensure short-term direct relief from deprivation and poverty, while our focus is on ensuring long term policy change in order that a healthier economy can lift the majority of poor communities out of poverty. Where international development funding is available it is often of an ideological bent that favours redistribution over growth and state intervention over private enterprise. Our efforts at drawing support from high-net-worth individuals have generated some notable successes but have generally met with rejection.

We have no doubt that the greatest risk facing our future lies in fundraising. However, despite that, we are in a very sound position for the time being. Our estimates suggest that, given current funding levels and agreements, the IRR should quite comfortably be able to finance its current levels of policy work into the 2019 election and can then review its position again.

FINANCE, ADMINISTRATION, AND STAFF

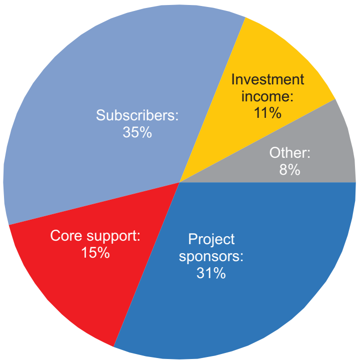
Finance

The attached accounts cover the financial year ended 31 December 2014. Operating income was R11.5 million and expenditure R12.7 million, leaving an operating deficit of R1.2 million. Income from investments (interest, dividends, and unrealised gain) was R5.4 million, bringing the overall surplus for the year to R4.2 million. Of the investment income R4.1 million related to the unrealised gain in the value of our share portfolio.

In 2014 we succeeded in generating R4.5 million in membership and subscription fees, against R3.9 million the previous year.

For 2014 the IRR's income (excluding unrealised gain on investments) fell into five categories: corporate and individual membership and subscriber fees, comprising 35% (up from 19% in 2013) of the total; individual and corporate core support making up 15%; project sponsors, accounting for 31%; interest and dividends, making up 11%; and other income amounting to 8%. This last category included royalties, consultancy fees, and bursary administration charges.

Sources of income 2014



As at 31 December 2014, the assets under the control of the IRR were valued at R63.8 million, a 5.1% increase over the year before. Of this amount, R15.4 million was accounted for by bursary funds.

In the current financial year, we initially budgeted for an operating loss of R1.2 million. However, the likely outcome for the year already looks brighter, as we continue to pursue additional funding sources.

Staff

During 2014 we made three new staff appointments, namely a new head of media and two junior researchers. One staff member, a researcher, resigned and one was dismissed.

At a one-day senior staff breakaway, the 'key performance indicators' for 2015 were finalised. These, in essence, are financial and output targets which relevant departmental heads are required to meet. Staff performance and advancement in these critical roles are measured according to these indicators.

A revised scheme of financial incentives aimed at encouraging research staff to meet and exceed their output targets is in operation. This is consistent with the IRR's management philosophy, which aims increasingly to include incentives and commission structures into the employment contracts of new staff (as well as some of our current personnel).

In 2014 we established a formal internship programme run by the head of research and accommodated eight students from North West University, Wits, and the University of Johannesburg.

Two long-service awards were celebrated, Dr Frans Cronje ten years of service with the IRR in January and Sarah Zwane 35 years in September 2014.

THANKS

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

Johannesburg
March 2015

Frans Cronje

SOUTH AFRICAN INSTITUTE OF RACE RELATIONS NPC

ANNUAL FINANCIAL STATEMENTS
for the year ended 31st December 2014

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

CONTENTS

The annual financial statements set out on pages 45–55 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 2014

COMPANY INFORMATION

Country of incorporation	South Africa	
Registration numbers:		
Company registration number	1937/010068/08	
Non-Profit registration number	000-709-NPO	
Public Benefit Organisation number	930006115	
Nature of business	Research and bursary administration	
Registered address	2 Clamart Road Richmond 2092 Johannesburg	
Postal address	P O Box 291722 Melville 2109 Johannesburg	
Auditors	Grant Thornton Chartered Accountants (SA) Registered Auditors A South African member of Grant Thornton International	
Bankers	First National Bank	
Council Office Bearers	J D Jansen	President
	H B Giliomee	Vice President
Non Executive Directors	T Coggin	Chairman of Board of Directors
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	D S L Bostock	Honorary Legal Adviser
	P L Campbell	
	R D Crawford	
	J A Elgie	
	P G Joubert	
	P Letselebe	
	I Mkhabela	
	M J Myburgh	
	C E W Simkins	
	D F P Taylor	
	G N Towell	
	E le Roux Bradley	Retired on 24th October 2014
	C J McCaul	Resigned on 26th July 2014
Executive Director	J S Kane-Berman	Chief Executive – Retired 28th February 2014
	F J C Cronje	Chief Executive – Appointed 1st March 2014
Company Secretary	R D le Roux	
	Business address:	*Postal address:*
	2 Clamart Road Richmond 2092 Johannesburg	P O Box 291722 Melville 2109 Johannesburg

CORPORATE GOVERNANCE

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

Board of Directors

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

Audit Committee

The Audit Committee, which is not a statutory committee but established by a decision of the Board, assists the Board by reviewing the annual financial statements and obtaining assurance from management, supplemented by external audit, regarding the effectiveness of internal controls, the management of risk and compliance with relevant laws and regulations. The small size of the Institute's administrative structures makes it unnecessary to establish formal risk management or an internal audit function. The Committee satisfies itself regarding the effectiveness of the Institute's finance function. The Committee, consisting of five 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 four independent non-executive directors appointed by the Board, all of them non-executive. The remuneration of the Chief Executive and the Prescribed Officers is disclosed. Members of the Institute are asked to approve the remuneration policy at the Annual General Meeting.

Social and Ethics Committee

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

Company Secretary

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

Financial control

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

Sustainability

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

Code of ethics

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

DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

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

The directors have reviewed the Institute's cash-flow forecast for the year to 31st December 2015 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 37.

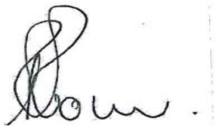
The annual financial statements set out on pages 41 to 55, which have been prepared on the going concern basis, as well as the Directors' report presented on pages 39 and 40, were approved by the Board on 11th May 2015, and were signed on its behalf by:

Tom Wixley

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 2014 all such returns and notices as are required of a private company in terms of the said Act, and all such returns and notices appear to be true, correct and up to date.



R D le Roux

DIRECTORS' REPORT

The directors submit their report for the year ended 31st December 2014.

Review of the Institute's business and operations

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

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

Going concern

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

Dividends

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

Events after reporting date

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

Auditors

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

Prescribed officers

The prescribed officers during the year:
F J C Cronje – until 28th February 2014
(Appointed as Chief Executive and Executive Director on 1st March 2014)
R D le Roux

Secretary

R D le Roux served as secretary of the Institute for the year ended 31st December 2014.

Directors

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

Non Executive Directors	T Coggin	Chairman of Board of Directors
	T A Wixley	Audit Committee Chairman and Honorary Treasurer
	D S L Bostock	Honorary Legal Adviser
	P L Campbell	
	R D Crawford	
	J A Elgie	
	P G Joubert	
	P Letselebe	
	I Mkhabela	
	M J Myburgh	
	C E W Simkins	
	D F P Taylor	
	G N Towell	
	E le Roux Bradley	Retired in October 2014
	C J McCaul	Resigned in July 2014
Executive Director	J S Kane-Berman	Chief Executive – Retired 28th February 2014
	F J C Cronje	Chief Executive – Appointed 1st March 2014

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 Grant Thornton as auditors and Annalisa Amiradakis as the designated auditor for the 2014 financial year;
- Satisfied itself that the auditors are independent;
- Approved the annual financial statements of the Institute for 2014, prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs), and recommended them to the Board for approval;
- Satisfied itself, based on information received from management and the auditors, that the internal control of the Institute is adequate, that the accounting policies followed are appropriate and that the audit was properly carried out.

INDEPENDENT AUDITOR'S REPORT

To the members of the
South African Institute of Race Relations NPC ("SAIRR")

We have audited the financial statements of South African Institute of Race Relations NPC ("SAIRR") set out on pages 42 to 55, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South African Institute of Race Relations NPC ("SAIRR") as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 31 December 2014, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion thereon.

Grant Thornton

GRANT THORNTON
Chartered Accountants (SA)
Registered Auditors

A Amiradakis
Partner
Chartered Accountant (SA)
Registered Auditor

11 May 2015

@ Grant Thornton
52 Corlett Drive
Wonderers Office Park
Illovo
2196

STATEMENT OF FINANCIAL POSITION

as at 31st December 2014

	Notes	2014 R	2013 R
ASSETS			
Non current assets			
Plant and equipment	2	1 479 842	1 748 050
Intangible assets	3	43 202	–
		1 523 044	1 748 050
Investments			
Special Funds			
– Bursary	19.1.1	15 371 332	18 291 129
– Institute	19.1.2	4 155 159	1 251 677
– Other	19.1.3	1 000	131 538
		19 527 491	19 674 344
Other Institute investments	19.2	40 574 203	38 328 770
		60 101 694	58 003 114
Current assets			
Trade and other receivables	5	1 261 262	612 565
Cash resources	6	970 064	403 192
		2 231 326	1 015 757
TOTAL ASSETS		**63 856 064**	**60 766 921**
FUNDS AND LIABILITIES			
Funds and reserves			
Accumulated funds		40 757 557	36 522 569
		40 757 557	36 522 569
Special funds			
– Bursary	17/18	15 371 332	18 291 130
– Institute	17/18	4 155 159	1 251 677
– Other	17/18	1 000	131 537
		19 527 491	19 674 344
Non current liabilities			
Wesbank instalment sale agreement	8	–	36 051
Sunlyn investment finance lease agreement	9	427 001	679 324
		427 001	715 375
Current liabilities			
Wesbank instalment sale agreement	8	–	39 850
Sunlyn investment finance lease agreement	9	162 693	173 679
Income received in advance	7	1 459 368	1 440 248
Trade and other payables	7.1	1 521 954	2 200 856
		3 144 015	3 854 633
TOTAL FUNDS AND LIABILITIES		**63 856 064**	**60 766 921**

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2014

	Notes	*2014* *R*	*2013* *R*
INCOME			
Administration fees received		732 544	697 780
Bequests		56 306	10 250
Bad debts recovered		18 662	61 895
Grants and donations		5 936 934	14 482 519
Membership fees and subscriptions		4 523 539	3 912 643
Publication sales		215 674	71 002
		11 483 659	**19 236 089**
EXPENSES			
Amortisation	3	53 000	33 167
Auditors' remuneration			
– Fees for the audit	12	229 689	252 060
Bad debts			46 774
Depreciation	2	321 380	385 972
Finance costs	11	45 974	53 490
Lease expenditure		23 029	34 982
Loss on disposal of plant and equipment		23 978	61 047
Overheads and administration		1 316 603	1 736 231
Personnel		9 206 893	11 278 930
Postage		38 629	166 384
Printing		297 764	574 279
Rent and utilities		693 294	793 368
Telecommunications		243 246	157 517
Travel		198 298	696 894
		12 691 777	**16 271 095**
OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		**(1 208 118)**	**2 964 994**
INCOME FROM INVESTMENTS			
Dividends from investments		1 248 861	1 031 290
Realised and unrealised gain on investments		4 067 330	3 348 437
Interest received		126 915	234 162
		5 443 106	**4 613 889**
SURPLUS FOR THE YEAR		**4 234 988**	**7 578 883**
Other comprehensive income		–	–
SURPLUS AFTER OTHER COMPREHENSIVE INCOME		**4 234 988**	**7 578 883**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2014

INSTITUTE	***Accumulated funds R***
Balance at 1st January 2013	28 943 686
Surplus for the year	7 578 883
Balance at 31st December 2013	**36 522 569**
Balance at 1st January 2014	36 522 569
Surplus for the year	4 234 988
Balance at 31st December 2014	**40 757 557**

STATEMENT OF CASH FLOWS

for the year ended 31st December 2014

	INSTITUTE	
Cash flows from operating activities	***2014 R***	***2013 R***
Surplus for the year	4 234 988	7 578 883
Adjustments:		
Depreciation/Amortisation	374 380	419 139
Interest received	(126 915)	(234 162)
Fair value gain on investment	(4 067 330)	(3 348 437)
Straight-lining of office lease	(82 484)	(29 696)
Loss on disposal of plant and equipment	23 978	61 047
Movement in working capital		
– (increase)/decrease in trade and other receivables	(648 698)	174 238
– increase/(decrease) in trade and other payables	(577 299)	156 801
Sub total	(869 380)	4 777 813
Interest received	126 915	234 162
Net cash (outflow)/inflow from operating activities	**(742 465)**	**5 011 975**
Cash flows from investing activities		
Acquisition of shares	(178 101)	(5 142 540)
Proceeds received from disposal of investment	2 000 000	–
Proceeds received from disposal of plant and equipment	363 481	238 037
Acquisition of plant and equipment and other intangible assets	(536 833)	(1 133 311)
Net cash outflow/(inflow) from investing activities	1 648 547	(6 037 814)
Net proceeds from finance lease arrangements	(339 210)	554 973
Net cash (utilised in) generated for the period	566 872	(470 866)
Cash resources at beginning of period	403 192	874 058
Cash resources at end of period	**970 064**	**403 192**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 31st December 2014

1. ACCOUNTING POLICIES

Basis of preparation

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

Financial assets measured at cost and amortised cost

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

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

Impairment testing

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

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

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

Taxation

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

Fair value measurement

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

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 fair value and the archives, which are housed at the University of the Witwatersrand, are carried at no cost. Other assets are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis to write off the depreciable value of each asset over its estimated useful life as follows:

Furniture and equipment	3–6 years
Motor vehicles	5 years

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

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

1.3 Intangible assets

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

Intangible assets are initially recognised at cost.

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

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

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

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

Website development	1 year

1.4 Accumulated Funds

All reserves are reflected under accumulated funds.

1.5 Impairment

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

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

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

1.6 Contingencies and commitments

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

NOTES (continued)

1.7 Financial instruments

Initial recognition

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

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

Financial instruments at amortised cost

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

Investments

Investments are stated at fair value. The increase or decrease in fair value is capitalised for Bursary Funds. 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 19.

1.8 Cash and cash equivalents

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

1.9 Revenue

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

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

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

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

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

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

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

Membership fees and subscriptions

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

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

Donations and grants

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

1.10 Leases

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

Operating leases

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

Finance leases

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

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

1.11 Investment policy

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

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

1.12 Short-term employee benefits

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

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

1.13 Finance costs

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

NOTES (continued)

2. PLANT AND EQUIPMENT

INSTITUTE	*Furniture and equipment R*	*Motor vehicles R*	*Library R*	*Total R*
Year ended 31st December 2014				
Opening net carrying amount	1 086 225	257 825	404 000	1 748 050
Additions	191 882	248 749	–	440 631
Disposals	(129 634)	(257 825)	–	(387 459)
Depreciation	(293 068)	(28 312)	–	(321 380)
Closing net carrying amount	**855 405**	**220 437**	**404 000**	**1 479 842**
Year ended 31st December 2014				
Cost	2 642 504	406 854	404 000	3 453 358
Accumulated depreciation	(1 787 099)	(186 417)	-	(1 973 516)
Closing net carrying amount	**855 405**	**220 437**	**404 000**	**1 479 842**
Year ended 31st December 2013				
Opening net carrying amount	577 784	318 011	404 000	1 299 795
Additions	1 133 311	–	–	1 133 311
Disposals	(299 084)	–	–	(299 084)
Depreciation	(325 786)	(60 186)	–	(385 972)
Closing net carrying amount	**1 086 225**	**257 825**	**404 000**	**1 748 050**
Year ended 31st December 2013				
Cost	2 580 256	415 930	404 000	3 400 186
Accumulated depreciation	(1 494 031)	(158 105)	–	(1 652 136)
Closing net carrying amount	**1 086 225**	**257 825**	**404 000**	**1 748 050**

	2014 R	*2013 R*
The net book value of the motor vehicle purchased in 2011 was pledged as security to Wesbank, a division of FirstRand Bank Limited. The vehicle was sold in 2014.	–	75 901

3. INTANGIBLE ASSETS

	2014 R	*2013 R*
Website development and computer software:		
Opening net carrying amount	–	33 167
Additions	96 202	–
Amortisation	(53 000)	(33 167)
Closing net carrying amount	**43 202**	–
Cost	242 602	146 400
Accumulated amortisation	(199 400)	(146 400)
Closing net carrying amount	**43 202**	**–**

4. RELATED PARTY NOTE

Board of Directors:

The Board of Directors of the Institute as set out on pages 39 and 40 of this Report is considered to be a related party.

In 2013 the Elisabeth Bradley Trust donated R5 million to the Institute. Mrs E le Roux Bradley is a trustee of the trust and a non-executive director of the Institute.

In 2014 no related party transactions were entered into.

NOTES (continued)

5. TRADE AND OTHER RECEIVABLES

	2014 R	2013 R
Receivables	1 020 766	565 181
Receiver of Revenue – VAT	78 889	30 327
Staff debtors	161 607	17 057
	1 261 262	612 565

6. CASH RESOURCES

Cash on hand	3 500	3 500
Current account	115 727	302 915
Call account	850 837	96 777
	970 064	403 192

7. TRADE AND OTHER PAYABLES

Payables	896 063	1 299 706
Accruals	25 651	329 940
Accrual for leave pay	600 240	571 210
	1 521 954	2 200 856

7.1 INCOME RECEIVED IN ADVANCE

Income received in advance has been reclassified from Trade and other payables to a separate classification as Income received in advance.

8. INSTALMENT SALE

Motor vehicle:

Minimum instalment payments:		
– within a year	–	45 038
– within second to fifth year	–	37 532
	–	82 570
Less future lease charges	–	(6 669)
Present value of minimum lease payment	–	75 901
Current liabilities	–	39 850
Non current liabilities	–	36 051
	–	75 901

The lease was paid in full during 2014. The motor vehicle was sold and replaced by new cash purchased vehicles.

9. FINANCIAL LEASES

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

Office equipment:	2014 R	2013 R
Minimum lease payments:		
– within a year	162 693	239 249
– within second to fifth year	567 378	779 166
	730 071	1 018 415
Less future lease charges	(140 377)	(165 412)
Present value of minimum lease payment	589 694	853 003
Current liabilities	162 693	173 679
Non current liabilities	427 001	679 324
	589 694	853 003

The financial lease for the PABX system was cancelled in April 2014 and replaced by a rental agreement for a Voice over IP system, which is rented from Merchant West Investments.

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:

	2014	*2013*
Premises:	***R***	***R***
Minimum lease payments:		
– within a year	721 156	712 628
– within second to fifth year	3 724 032	243 556
	4 445 188	956 184

Operating lease payments represent rentals payable by the Institute for its office premises. The average escalation is 8% (2013: 8%) and has been reflected in the amounts above.

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

Avaya IP Office PABX		
Minimum lease payments:		
– within a year	136 406	–
– within second to fifth year	518 646	–
	655 052	–

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

11. FINANCE COST

	2014 *R*	*2013* *R*
Finance lease charges	45 974	53 490
	45 974	53 490

12. AUDITOR'S REMUNERATION

	2014 *R*	*2013* *R*
Institute	229 689	252 060
	229 689	252 060

Audit fees paid in the 2014 financial year to Grant Thornton for the audit of the 2013 financial year. The 2014 audit fees to Grant Thornton will be paid in 2015 and will reflect as such in the financial statements.

13. DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION

The directors' and prescribed officers' emoluments in connection with the affairs of the Institute were as follows:	*2014* *R*	*2013* *R*
JS Kane-Berman - Salary to 28 Feb 2014	438 558	1 822 500
JS Kane-Berman - Fringe benefits	25 038	83 460
FJC Cronje - Salary	1 053 100	899 100
RD Le Roux - Salary	758 100	704 700
	2 430 196	3 509 760

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

14. TAXATION

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

15. RETIREMENT BENEFITS

Defined contribution plan

The Company encourages employees to belong to a pension or provident fund. Four 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.

	2014 R	2013 R
The total contribution to such schemes	146 333	177 355

16. CAPITAL EXPENDITURE

	2014 R	2013 R
Authorised but not yet contracted for	350 000	150 000

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

17. SPECIAL FUNDS

INCOME	Bursary R	Institute R	Other funds R	2014 R	2013 R
Donations and grants	1 984 751	6 693 346	–	8 678 097	9 366 747
Interest	52 862	177 527	12	230 401	150 663
Dividends	458 001	–	–	458 001	494 633
Surplus on investments	–	–	–	–	1 802 952
	2 495 614	6 870 873	12	9 366 499	11 814 995
EXPENSES					
Administration fees and running costs	754 855	3 967 391	130 549	4 852 795	8 818 706
Audit fees	9 000	–	–	9 000	8 811
Bursaries and grants	4 284 010	–	–	4 284 010	3 900 771
Loss on investments	367 547	–	–	367 547	176 908
	5 415 412	3 967 391	130 549	9 513 352	12 905 196
(LOSS) SURPLUS FOR THE YEAR	(2 919 798)	2 903 482	(130 537)	(146 853)	(1 090 201)
Accumulated funds at beginning of year net of deficit balances	18 291 130	1 251 677	131 537	19 674 344	20 764 545
NET ACCUMULATED FUNDS	**15 371 332**	**4 155 159**	**1 000**	**19 527 491**	**19 674 344**

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 19.

NOTES (continued)

18. SPECIAL FUNDS

18.1 Bursary Funds

	Capital *R*	*Amounts held for Bursary awards* *R*	*2014* *R*	*2013* *R*
Amcham Fund	–	1 264 596	1 264 596	1 295 789
Berkowitz Scholarship Fund	–	412 644	412 644	637 692
Clive Beck Education Trust	–	164 612	164 612	208 805
Durban Thekwini Bursary Fund	–	36 437	36 437	35 120
Giannopoulos Bequest	322 000	108 155	430 155	422 041
Horace Coaker Fund	500	1 024 869	1 025 369	1 113 461
Hungjao Bequest	821 831	125 880	947 711	935 289
Isaacson Foundation Bursary Fund	67 025	2 313 720	2 380 745	3 349 911
Johnson and Johnson Medical Bursary Fund	–	21 699	21 699	283 158
Luthuli Memorial Foundation Fund	107 883	57 276	165 159	165 159
Oppenheimer Memorial Trust	–	580 383	580 383	191 436
Reginald Smith Memorial Trust	10 000	1 884	11 884	11 428
Robert Shapiro Trust	56 868	5 423 474	5 480 342	6 753 630
Senior Bursary Fund	50 000	87 073	137 073	134 594
Shirley Simons Fund	772 778	1 539 745	2 312 523	2 753 617
TOTAL BURSARY FUNDS	**2 208 885**	**13 162 447**	**15 371 332**	**18 291 129**

18.2 Special Research Projects:

	2014 *R*	*2013* *R*
Royal Belgian Embassy	1 000	1 203 602
Dick Gawith Fellowship	1 071	43 754
Good Goverance Africa	–	1 003
International Republican Institute	1 140	1 095
Open Society Foundation for South Africa	1 000	1 011
Reform Project	4 150 948	–
Swedish International Development Cooperation Agency	–	1 212
	4 155 159	**1 251 677**

18.3 Other funds:

Johnson and Johnson Best Care Always Fund	–	1,322
Johnson and Johnson BTC Fund	1 000	130 216
	1 000	**131 538**
TOTAL SPECIAL FUNDS	**19 527 491**	**19 674 344**

NOTES (continued)

19. INVESTMENTS

19.1 Special funds	*2014* *R*	*2013* *R*
19.1.1 Bursary Funds (Note 18.1)		
Listed Investments (Note 20)	11 400 746	14 356 353
	11 400 746	14 356 353
Total equities and other investments	11 400 746	14 356 353
Cash deposits	3 979 586	3 943 587
	15 380 332	18 299 940
Less: Creditors	(9 000)	(8 811)
	15 371 332	**18 291 129**
19.1.2 Institute Special Research Projects (Note 18.2)		
Unit Trusts and Cash on call	4 155 159	1 251 677
19.1.3 Other funds (Note 18.3)	1 000	131 538
Total Special Funds	**4 156 159**	**1 383 215**
19.2 Other Institute Investments		
First National Bank Call Accounts	–	2 000 000
Listed Investments (Note 21)	40 574 203	36 328 770
	40 574 203	**38 328 770**
TOTAL INVESTMENTS	**60 101 694**	**58 003 114**

20. LISTED INVESTMENTS OF BURSARY FUNDS	*2014* *Qty*	*2014* *R*	*2013* *Qty*	*2013* *R*
Banks				
Standard Bank Group Limited	9 300	1 334 364	9 300	1 203 606
Beverages				
SAB Miller Plc	2 280	1 380 289	2 280	1 214 670
Chemicals, Oils and Plastics				
Sasol Limited	3 060	1 318 891	3 060	1 574 370
Clothing and Accessories				
Compagnie Financière Richemont SA	24 900	2 614 500	24 900	2 604 042
Mining Holdings and Houses				
Anglo American Plc	6 200	1 335 046	6 200	1 419 800
Kumba Iron Ore Limited			2 600	1 152 970
BHP Billiton Plc	5 991	1 489 842	5 991	1 940 425
Property Unit Trusts				
Redefine Income Fund Limited	–	–	161 200	1 570 088
Services				
Bidvest Group Limited	6 344	1 927 815	6 247	1 676 382
		11 400 746		**14 356 353**

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

21. LISTED INVESTMENTS OF OTHER FUNDS

	2014 Qty	*2014 R*	*2013 Qty*	*2013 R*
Banks				
Standard Bank Group Limited	13 900	1 994 372	13 900	1 798 938
Beverages				
SAB Miller Plc	4 166	2 522 055	4 166	2 219 437
Business Support Services				
Santova Limited	700 000	1 981 000	700 000	812 000
Chemicals, Oils and Plastics				
Sasol Limited	5 000	2 155 050	5 000	2 572 500
Clothing and Accessories				
Compagnie Financière Richemont SA	22 600	2 373 000	22 600	2 363 508
Containers and Accessories				
Nampak Limited	26 100	1 138 482	26 100	1 070 100
Coal				
Exxaro Resources Limited	5 400	558 900	5 400	790 884
Equity Investment Instruments				
Rand Merchant Insurance Holdings Limited	30 700	1 254 402	30 700	842 715
Food Retailers and Wholesalers				
Tiger Brands Limited	4 575	1 683 875	4 575	1 221 205
Shoprite Holdings Limited	9 250	1 556 220	9 250	1 517 000
The Spar Group Limited	10 200	1 645 872	10 200	1 341 708
Furnishings				
Steinhoff International Holdings Limited	26 400	1 568 160	18 098	816 763
Investment Services				
Brait SE	14 900	1 172 630	14 900	781 356
PSG Group Limited	4 200	536 550	–	–
Life Insurance				
Sanlam Limited	21 000	1 470 000	16 900	899 756
Marine Transportation				
Grindrod Limited	57 395	1 285 648	54 300	1 522 029
Mobile Telecommunication				
Vodacom Group Limited	9 700	1 245 771	9 700	1 290 100
Mining Holdings and Houses				
Anglo American Plc	4 150	893 620	4 150	950 350
BHP Billiton Plc	5 564	1 383 656	5 564	1 802 124
Kumba Iron Ore Limited	–	–	3 300	1 463 385
Pharmaceuticals				
Aspen Pharmacare Holdings Limited	6 350	2 578 100	6 350	1 706 372
Real Estate Holding & Development				
Redefine Properties Limited	97 000	1 037 900	97 000	944 780
Rockcastle Global Real Estate Company Limited	46 100	1 115 620	–	–
Restaurants and Bars				
Famous Brands Limited	11 000	1 268 960	11 000	1 053 360
Retailers				
Clicks Group Limited	17 000	1 377 000	17 000	1 067 430
Services				
Bidvest Group Limited	7 190	2 184 897	7 080	1 899 918
Tobacco				
British American Tobacco Plc	4 102	2 592 464	4 102	2 297 653
Transportation Services				
Trencor Limited	–	–	18 600	1 283 400
		40 574 203		**36 328 770**

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

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