

OUTLINE OF THIS OVERVIEW POLITICAL REPORT

Introduction	2
PART I - Political Overview: Challenges and Possibilities	5
1. COSATU and the 2015 Plan	5
2. The Movement and a Revolution at a Crossroads?	18
3. The low road scenario.....	24
4. A high road scenario: Creating our Lula Moment?.....	25
5. The second phase of the transition: Opportunity for a radical break?	30

PART II THE INTERNATIONAL SITUATION

PART III THE COMPLEX POLITICAL ENVIRONMENT POST-POLOKWANE (Challenges of transformation)

1. The significance of Polokwane
2. The 6 Phases
3. Contestation in the State [Need separate section on developmental state?]
4. Corruption

PART IV COSATU AND THE ALLIANCE

1. The ANC and issues of the pact, political centre, leadership, governance, 2010 NGC, Bilaterals, Lekgotla, 2012 Policy Conference, etc.
2. Alliance Summits
- 2.The SACP, the NDR and building socialism. Bilaterals
3. The Youth*

PART V COSATU'S POLITICAL FRAMEWORK

1. The 6 point mandate
2. Debates on Strategy and tactics
3. Impact of contestation on the organisation

PART VI CIVIL SOCIETY

1. COSATU and civil society*
2. Community protests*

PART VII BUILDING WORKING CLASS CONSCIOUSNESS

PART VIII INTERNATIONAL SOLIDARITY

Introduction

- 1) This Secretariat Report to COSATU's 11th National Congress takes stock of developments since the last Congress in September 2009. It identifies the key political challenges facing the working class moving forward.
- 2) This reports is our attempt to assess developments in relation to the three key mandates of the 2009 COSATU Congress:
 - Political transformation; particularly in relation to the Alliance, governance, and advancing a working class political agenda;
 - Building of working class consciousness and ideological cohesion; and
 - Building the organisational engines of COSATU and the working class.
- 3) We are introducing this report accounting for a complex and politically challenging period.
- 4) The last congress was held under conditions of the decisive victory – a honeymoon period and celebrations. As the congress warned we need not drop our guard and celebrate forever. Nelson Mandela who this year turned 94 years had this to say about his long journey: “*After climbing a great hill, one finds that there are many more hills to climb*”. This report talks about the many more hills we have to climb to a united, democratic, non racial, non sexist and prosperous South Africa.
- 5) Many of our members may find these reports too long and complex. This report is an attempt to summarise a very detailed, eventful three years. We urge members and activists to give themselves time to go through all the sections of the report so that they have a full view of the challenges our Federation is facing.
- 6) This is our moment - this is our burden - and this is our challenge. Franz Fanon put it better when he said “*Each generation must, out of relative obscurity, discover its mission, fulfill it, or betray it*” This is the task we have today as revolutionaries, to discover our mission – fulfill it or betray it.
- 7) The report is deliberately provocative and is intended to be a shock therapy. It presents a comprehensive political overview including at the international level as well as the organisational and socio economic conditions of the working class to its representatives so that as Franz Fanon said, to discover our mission – fulfill it or betray it.
- 8) It's a report that seeks to get us out of our comfort zones by forcefully presenting our situation to the worker leadership. It's a report that in its totality presents an argument that says we must change by adopting a new mindset or simply perish! We must recover the very purpose of why COSATU was formed 27 years ago!
- 9) Notwithstanding all of the challenges presented, we are returning to you an organisation that is in tact. Challenging as this period has been, we are presenting back to the workers parliament a movement that will show battle scars on its forehead because we did not retreat, not once!

- 10) Our movement remains relatively united and have survived periods of difficulty only to continue to focus on the challenges at hand. We are a growing organisation that has continued to buck the trend in most parts of the world. We will report about a fighting and campaigning movement that has remained the voice of reason despite the many challenges we had to confront.
- 11) Precisely because of our importance we have attracted the attention of both friends and foes. Everyone would like to influence and be in the same corner as the Federation. The rightwing had sought to discredit us because it is concerned about our growing influence in society.
- 12) We have won many friends and admirers. Some of these friends are genuine and they want the best for the worker's movement. Others are opportunists who want to influence us for their narrow interests. Others are demagogues who as the former SACP General Secretary, comrade Charles Nqakula succinctly put it; "Demagogy is an attempt to stir up popular emotions in order to secure a bigger slice of the action for an elite." He went on to say, "Let me be perfectly clear, to voice the concerns of the poorest of the poor is not demagogy. To help marginalised communities organise themselves for transformation is not demagogy. To speak the truth, however awkward or unwelcome, is not demagogy. Demagogy is to lie to the people about what is possible and what is not. Demagogy is to foster dependency through patronage. Demagogy refuses collective responsibility and collective discipline. Sometimes demagogy masquerades as left militancy, but it is always, through and through, reactionary."
- 13) This quote attempts to analyse this extremely challenging and complex political environment we are accounting for. COSATU has not been referred to as the last hope by many for nothing. It was not be referred to as the morale compass and fearless spokesperson of the most downthrodren for nothing. We have earned our stripes.
- 14) Lastly and most importantly, this Congress takes place at a time where there is a consensus in the Alliance that we need to tackle the crisis at hand more aggresively and comprehensively. Finally, we have a government and ruling party who recognise that we are indeed facing a national crisis. This is a welcome move from the denialism of a few years ago, when we had to argue that there was a national crisis, against those who believed that the revolution was on course and that the benefits of economic growth supposedly produced by GEAR would soon be 'trickling down' to the poor and the workers.
- 15) We now know how false that argument was and the debate has now shifted from whether there is a national crisis to how we can solve it. This is the basis for the ANC's discussion paper on strategy and tactics.
- 16) This Congress must spend most of its time answering a critical question – what should be the content of the second phase? We have also reported in some detail about the Brazilian Lula da Silva moment in order to draw comparison if any.
- 17) The CEC agreed that the main Congress theme will be '*Strengthen COSATU for total emancipation*', with two subsidiary themes: '*Celebrating working class contribution to the liberation struggle: celebrating the ANC centenary*' and

'Deepening unity of the leading detachment of the working class and confronting the triple challenges'.

- 18) A key discussion will also be about how we assess progress towards the implementation of the document "*Consolidating Working Class Power for Quality Jobs – Towards 2015*", popularly referred to as the 2015 Plan, which was adopted by the 8th COSATU National Congress in October 2003.
- 19) We have developed a programme to mobilise all our members on the issues that they are better prepared for to confront our challenges. We hope by the time the Congress is held that workers will be speaking through the delegates who will gather to take the worker's movement forward.

PART I - Political Overview: Challenges and Possibilities

1. COSATU and the 2015 Plan

“The complex challenges facing the working class demand a longer- term vision to build a strong trade union movement and to assert working class leadership. The march to our longer- term vision demands patience, resilience; bold thinking foresighted and visionary leadership. We need a medium- term plan because it has become clear that only deep-seated transformation of our economy and the state can bring about the aims of the National Democratic Revolution (NDR). .. The overall thrust of our political strategy is to assert working class hegemony of society to counteract the entrenched power of capital. To that end, we seek to combine state and social power in a way that consistently tilts the balance of power in favour of the working class. Freedom must bring tangible and real benefits to the working class” **COSATU 2015 Plan**

Introduction

Over the last few years, COSATU has played an increasingly powerful role in shaping the politics of the country. Through its activities, mobilisation and strategic focus, it has assumed the role of leader of progressive civil society. Previously marginalised by those in power, now few key policies or national issues affecting workers are able to move forward without the Federations input. The organisations political impact is far reaching, both inside and outside the state.

These strategic political advances by the organisation nevertheless take place in the context of a political environment which is far from ideal:

- Heightened contestation for the soul of the movement, and control of the state, continues between the progressive forces, on the one side, and remnants of the 1996 class project, and the new predator elite, on the other. This contestation takes place at all levels of the state and movement, from local to national, and from leadership to the bureaucracy.
- Contestation between these forces results in constant political zigzagging between different positions, both in the movement and state, leading to endemic instability and conflict, instead of a coherent political project. This is further complicated by declining political morality, and ideological cohesion, as well as growing nepotism, corruption, and abuse of the movement for selfish accumulation by people in positions of power.
- Given these dynamics, initial advances post-Polokwane in stabilising and consolidating the Alliance, are constantly undermined, and, the Alliance continues to lurch between excellent co-ordination and unity, to dysfunctionality. The Alliance only sees the need to meet when there is a crisis: last time we met was at beginning of last year. Now that we have agreement on a programme, the Alliance partners don't seem to see the necessity to take it forward.
- While important interventions have been made in the movement and the state in an attempt to respond to these developments, lack of consistency by the political leadership in arresting this situation has meant that we perpetually lurch from temporary advances to political crisis. Because leadership structures are so compromised by these negative features, and contestation by different forces, they appear unable to forge a principled and coherent platform to place our politics on a different trajectory. At best, political leadership are confined to *managing* the effects of this situation. At worst, the leadership continues to act to reproduce these negative features.

In this context, COSATU's political strategy, as set out in our 2015 plan, is at a crossroads: on the one hand, we have shown that a multi-pronged political strategy of engagement on many fronts is effective in ensuring not only that organised workers have a coherent voice in society, but also that they play a key leadership role. At the same time, we continue to confront the severe limitations placed on this strategy by an untransformed state; and an ANC, and Alliance which appears unable, for reasons summarised above, to move the country forward. We therefore need to consider whether our current strategy is adequate, and what more, or different, can be done, to move the country onto a new political path.

Assessing the 2015 Plan

1.1. It is nearly 10 years since COSATU adopted its landmark 2015 Plan at the 2003 Congress. 2015 itself will be a historic anniversary for COSATU, as it will mark 30 years since its founding. The 2015 Plan was aimed to be a medium-term plan to guide the Federation, strengthen the trade union movement, and ensure that the organised working class played a central role in shaping the political, socio-economic, and international trajectory in South Africa, the region, and beyond. It is therefore a good moment to stand back, reflect on progress made in implementing the Plan, honestly assess advances and setbacks, and take the necessary corrective steps to ensure more rapid advance by the time we report to the 2015 Congress.

1.2. The nine years since the 2015 Plan was adopted, has seen many achievements which the more than 2 million workers organised under COSATU can rightly be proud of. Some highlights of COSATU's achievements in the areas identified in the 2015 Plan include:

1.3. Organisationally:

- A growth in COSATU membership of 25%, from 1 768 338 (or nearly 1.8 million) members in 2003 to 2 191 016 (or nearly 2.2 million) members today, an increase of over 422 000 members in 9 years, after a decrease in members from 2000 to 2006. This membership growth makes COSATU one of the fastest growing trade union Federations in the world.
- COSATU remains a vibrant, militant, democratic trade union movement, despite a number of challenges to this organisational culture, and has successfully mobilised its members, together with millions of other South Africans, around a series of important national, local, and workplace campaigns and struggles.
- Surveys reveal that organised workplaces continue to achieve the greatest improvement in working conditions, wages, and a range of benefits, although often off a very low base.

1.4. On the socio-economic front:

- COSATU has played a central role in driving shifts in economic policies and programmes. Including shifts in industrial and trade policies, procurement, investment, infrastructure etc. as reflected in IPAP and the NGP. It also secured a commitment- still to be fully realised- to align all economic policies with the objective of creating decent work.

- It has campaigned for the improvement of labour laws to protect all workers, and seen some progress in this regard, while having to continue defending existing gains against those wanting to roll back worker rights.
- It has played an important role in campaigning for extension of social protection, the extension of grants to all vulnerable children, and income support for the unemployed; and the adoption of National Health Insurance as government policy.
- It has been a key force in defeating privatisation, defending the public sector, pushing for a developmental mandate for state enterprises, and expanding employment of those providing frontline public services.
- It was a key driver of the 2008 National Framework Agreement in response to the global financial crisis, which promotes many of the proposals in the 2015 Plan.

1.5. Politically:

- COSATU was key in defeating attempts by a right wing clique in the movement to collapse the Alliance, and redirect the NDR into a narrow nationalist project focused on winning elections, while reducing the people to spectators in the theatre of struggle. It continues to combat various forms of predatory practices, and fight attempts to abuse the NDR as a vehicle for private accumulation.
- It played a key role in the Polokwane breakthrough, and the progressive policy shifts adopted at the 2007 Conference.
- It was central in the progressive posture adopted in the 2009 elections, and the drafting of a pro-worker elections manifesto
- It has forged improved relations with the ANC and government, and used these improved relations to exercise a greater influence over policy, following previous marginalisation of the Federation
- It played an important role in winning acceptance of the need to shift to a more interventionist developmental state
- It has been a key player in society fighting against all forms of corruption
- COSATU has won widespread respect from broader society for its consistency in advancing a programme based on solid principles, solidarity and sacrifice.

1.6. At the International level:

- COSATU and its affiliates have played an important role in the international trade union movement, and the Global Union Federations
- The Federation has played a significant role in Africa, and particularly in the regional Southern African movement, despite many weaknesses
- It has been an important player in the International Labour Organisation, and has advanced the agenda of decent work both in the ILO and at home
- It has been an active participant in the struggles to advance a developmental trade agenda at the World Trade Organisation
- It has mobilised solidarity actions in support of workers, both in the region, as well as struggles in other parts of the world.

1.7. It is important to acknowledge and celebrate these, and other, achievements. At the same time, we need to avoid arrogance, complacency or triumphalism, since these only serve to mislead ourselves, rather than our adversaries. Despite these achievements, a careful and detailed assessment of the 2015 Plan reveals a very mixed picture of progress and setbacks, bold action to achieve the Plan's goals in some areas, and inaction or inadequate action, on other fronts. We briefly capture some of the more important advances and challenges below. Some of the greater detail is contained in other sections of

the Secretariat report, including the socio-economic and organisational sections.

- 1.8. The 2015 Plan aimed to avoid what it called the *worst-case scenario*, which it defined as entailing among others:
 - A rapid decline in membership to below 1 million by the 30th Anniversary of COSATU in 2015.
 - The persistence of financial challenges, ultimately forcing a cutback in our roles on a range of issues.
 - The coherence and unity of COSATU being undermined leading to splits.
 - The collapse of the Alliance and in that context the ANC and the SACP also facing splits.
 - A full-blown "skorokoro" scenario as painted by the September Commission Report.
- 1.9. The context of the Plan is important here: COSATU had lost over 100 000 members from 2000-2003, and was facing significant financial challenges. The Alliance was in deep crisis, and attempts were being made to engineer splits in the Federation. As this report will reveal in more detail, points 1 & 2 (membership and financial decline) of this worst-case scenario seem to have been averted. More worrying in the current context however, are points 3-5 (dealing with divisions in COSATU, the Alliance, and society). The trajectory described in this political report suggests that, while points 3 and 4 have not yet materialised, if we don't act decisively to address a range of concerns, these elements of the scenario may indeed become a reality over the medium to long term. Furthermore, the *skorokoro* scenario painted by the September Commission already, in important respects describes the situation we are facing, particularly the zig-zagging and occasional political paralysis described in detail in this Political Report.
- 1.10. In relation to the ambitious targets and benchmarks set out in the 2015 Plan, the assessment is that while we have made some progress, we could have done far more. An analysis of the four main pillars of the plan- organisational, political, socio-economic, and international- suggests that many, but not all, the shortcomings in relation to the political and socio-economic pillars were as a result of external factors, some of which were largely beyond our control. On the organisational pillar, however, we have fallen far short of the targets set by the Plan, to a significant extent because of our own failure to implement agreed to plans and programmes, including our OD and recruitment drive frameworks. Part of the reason for this is an insufficient focus on the core business of the Federation, because of an overemphasis on political contestation. On the other hand, a number of the breakthroughs we have made have *been the result of a shift in the political environment*. Therefore we need a careful assessment of the balance between these different elements of our work.
- 1.11. To drive transformation needs a stronger Federation and stronger unions. Back to basics means being focused on strategic workplace, social, economic and political issues, without being captured by palace politics. If we lose touch with our members concerns there is the danger of finding ourselves the new TUCSA, outflanked by the new independent unions which are emerging as a result of dissatisfaction from the shopfloor, just as it happened with the

Durban Strikes 39 years ago. COSATU must rediscover its very purpose of existence if it wants to make a real impact.

Organisational Plan

- 1.12. The *recruitment programme and membership growth* is a key area where we have made significant advances, but not close to the targets set by the 2015 Plan. This is critical, because as the Plan points out, our ability to impact on society, depends on the strength and depth of our organisation. The impressive growth in COSATU's membership since 2003 (25%), is a result of a general membership increase, rather than a systematic, co-ordinated recruitment campaign. This is well below the target set by the 2015 Plan of a 10% membership increase per year. The CEC agreed to set targets to realise this objective, but this plan was undermined by lack of co-operation from many affiliates, who failed to report on recruitment strategies, targets, and gains achieved. We need to revive this strategy and ensure that all affiliates set clear targets per sector, with identification of which groups of workers we intend to recruit. We need to identify potential growth areas and set targets accordingly. A general target of 10% p/a may not be realistic for all unions, particularly in sectors where union density is particularly high, such as mining, the public sector and clothing. Conversely, certain sectors and groups of workers where union density is particularly low, such as retail, services, construction, agriculture, and domestic work, and are characterised by atypical and vulnerable work, require particular targeted strategies. The manufacturing sector may require a different approach. Best recruitment practices in these different types of sectors need to be analysed, and lessons drawn for the broader COSATU strategy. We need to ensure that both at a Federation level, and at the level of individual affiliates, there is a systematic strategy to realise our objectives. This should be captured in an annual plan which is submitted to the CEC.
- 1.13. The 2015 Plan also has a number of proposals which are aimed at improving the **quality** of our organisation, increased democratic participation, education and servicing and benefits to members etc. It calls for nothing short of a comprehensive programme of organisational renewal. We need to question whether the current reality on the ground reflects this proposed shift. There are pockets of organisational excellence in the Federation. However, there are some worrying trends emerging which need to be seriously examined and addressed, even if these are regarded by some as exceptions:
- Growing social distance between union leaders and the membership. Different lifestyles and material realities are creating a leadership which is not fully in tune with what members are facing. Crises faced by working class communities for example in the areas of dysfunctional hospitals, the textbooks saga, the winter electricity cut-offs, pre-paid water cut-offs etc do not appear to be taken up by our unions working in those sectors with the same vigour as if there had been a problem with wages. If they were, we could expect to have seen strikes, or at least high profile campaigns, erupt around some of these crises.
 - Perceptions are setting in that some union leaders are reluctant to take up certain issues for fear of embarrassing the ANC.
 - Perceptions in the trade union survey amongst some workers of 'growing corruption' amongst union leaders, including the sense that union leaders are being co-opted, and selling them out.

- COSATU interventions to assist unions, where they face disgruntled members or internal difficulties at times get resisted and is seen by some as an attempt to undermine affiliate leadership, instead of welcoming the fact that the Federation is playing its proper role. COSATU leaders who persevere with these interventions are then targeted, in an attempt to discredit them. This underlines the need to appreciate the right of the Federation to intervene but in a manner that will foster cooperation with affected unions.
- Lack of proper attention to members concerns is leading to a proliferation of small independent unions springing up.
- Neglect by some unions of basic organisational controls and procedures is leading to some affiliates being deemed to be in violation of the LRA. Particularly disturbing are reports from the Department of Labour that a large number of affiliates have not complied with registration requirements.
- Focus on the traditional organisation-building culture of the Federation is diminishing- only one quarter of union members in the 2012 workers survey for example had participated in a union educational programme. Just over half had attended a union meeting in the past year.
- Distance of leaders from the membership is graphically illustrated in the Survey by the fact that only 6% of the members knew who their union General Secretary or President was.

1.14. We need to confront the fact that the labour movement is weakest where the working class has been most restructured, through casualisation, labour broking and so on. The 2015 plan calls for focused attention by unions to developing targeted strategies to address the needs of specific layers and sectors of workers, including youth, women, atypical workers, migrants, and the vulnerable unorganised workers. Some work has been done by affiliates e.g. in terms of focusing on young workers, workers employed by labour brokers etc. But the Federation still needs to draft overall organising strategies, for these and other groupings of workers, drawing on the more successful approaches adopted by particular affiliates.

1.15. Other important organisational issues raised by the 2015 Plan which need serious attention from the Federation include:

- The need for a closer relationship between Locals and community structures, which can also assist in giving leadership to emerging community struggles- similar to the relationship which developed in the 1980's between COSATU Locals and the organs of peoples power.
- The ongoing question of trade union unity, the need to make progress in unifying the Federations, and the consolidation of unions into single industrial or sectoral structures.

Socio-economic Plan

1.16. On **socio-economic** matters, the analysis above highlights a number of issues raised in the 2015 Plan on which COSATU has made significant progress including: progressive shifts in industrial and trade policies; a commitment to align all economic policies with the objective of creating decent work; improvement of labour laws to protect all workers and defence of existing worker rights; partial extension of social protection; adoption of National Health Insurance ; defeating privatisation, defending the public

sector, pushing for a developmental mandate for state enterprises, and expanding employment of frontline public services; and driving the National Framework Agreement on the global financial crisis.

- 1.17. The 2015 Plan also emphasises the importance of **promoting social dialogue**, to institutionalise the voice of organised labour, as a complementary vehicle to engagement through political alliances and state institutions. COSATU has consolidated its voice in these forms of engagement since 2003, although shortcomings have been identified in the consistency, and seniority, of participation by affiliate leadership in the institutions where labour is represented, especially Nedlac. Nevertheless Nedlac, as the premier institution of social dialogue, remains an important forum where COSATU has been able to advance its views on policies, including those it disagrees with, such as e-tolling, and the youth wage subsidy, and to promote workers rights, such as through negotiation of the labour law amendments.
- 1.18. Despite reservations expressed about aspects of the **New Growth Path**, COSATU has registered a number of successes in the shifts promoted by the NGP engagements, including progressive agreements on local procurement, skills, green economy, and basic education. An overarching framework agreement remains an area where some of the more fundamental questions around macro economic matters needs to be negotiated. A gap exists between ourselves, employers and government on whether the traditional social accord approach is an appropriate vehicle to address South Africa's socio-economic challenges, and whether the need for a fundamental overhaul of the structure of the economy can be addressed through such a vehicle. Talks on this matter therefore remain at an exploratory phase. A question we need to address is whether this should be driven through a social partnership approach, or whether an Alliance Pact, or agreement, is needed as the basis for any such overarching agreement with employers.
- 1.19. The matter of **macro economic policy** remains at the heart of many disagreements on the economy, particularly questions relating to fiscal and taxation policy, monetary policy, exchange rate financial sector and investment policies, and matters relating to the movement of capital. As we have seen in many countries around the world, pre and post the financial crisis, the ability of developmental states to regulate, lead and direct their economies, relates closely to the extent they have been prepared to exercise control over these economic levers, compared to states which have abandoned this control to market forces, as we have tended to do in South Africa. Key institutions of power in the state, namely Treasury, together with powerful sections of capital, particularly the financial sector, continue to pursue policies which limit the democratic governments access to these levers. Further the SA Reserve Bank has been given a restrictive inflation targeting mandate, which entrenches contractionary monetary policy. Lack of alignment of macroeconomic policy with our developmental challenges, is fundamentally retarding efforts to build a developmental state, or to maximise the impact of progressive policies in areas such as trade and industrial policy , among others.
- 1.20. Central to the achievement of the 2015 Plan, therefore is progress in breaking the deadlock in the movement and the state on macro economic policy.

COSATU has consistently advanced alternative perspectives in various engagements, including in the Alliance and Nedlac. However, **commitments in the Alliance to engage** on these matters, through the setting up of task teams etc, have repeatedly failed to be implemented. This is because macro economic policy has become a holy cow in the movement; and because of the deliberately fuelled paranoia that any radical shift in this area will lead to a collapse in 'investor confidence', and therefore an economic collapse. This perception is totally contrary to the experience post the financial crisis: i.e. only those states which have been prepared to effectively use these macro economic alternatives, have been most able to weather the storm. The ANC Policy Conference agreed to initiate a review of macro economic policies, for consideration at Mangaung. We need to demand, in line with commitments to a radical economic shift, that real alternatives are considered by this review, to avoid a re-churning of the conservative economic platitudes which have come to characterise ANC ETC documents on this matter.

- 1.21. An important area raised by the 2015 Plan is strategies towards **wages, collective bargaining and social protection** issues. The Plan proposes far greater co-ordination by the Federation around the area of wages and collective bargaining, and suggests that it develop a clear framework, or *model demands*, which would guide affiliates in their negotiations. This has not been implemented. In line with the Plan, the May 2012 CEC discussion paper addressed the need for a coherent policy framework on wages and collective bargaining, including proposals on the need for a national minimum wage, the need for government to adopt a national wage solidarity framework, the need for comprehensive collective bargaining arrangements, and a connection between these labour market policies, and the establishment of comprehensive social protection, particularly for the unemployed.
- 1.22. Within this conception of a coherent wages and collective bargaining strategy, it would be important to revive the notion introduced in the 2015 Plan, of Federation-wide living wage model demands, which would guide affiliate negotiation strategies. This is aimed to promote greater convergence in standards across all industries, and could be a key instrument for closing the apartheid wage gap. Naledi should be requested to draft a proposal, drawing on the international experience, and the CEC discussion paper, as to how such a wage strategy could be implemented. We also need to engage with government and the ANC on the need for a coherent wage and collective bargaining policy, since the current arrangements are failing to overcome the inherited inequities in our labour market.
- 1.23. The 2015 Plan calls for **comprehensive social protection**. Advances in improving old age pensions and extending child support grants have played an important role in combating the most extreme forms of poverty. However millions of unemployed continue to fall outside the social security net, and many have no regular source of income. To address this, COSATU has campaigned for a Basic Income Grant. Although this was supported by sections of government and the movement, the proposal has been blocked by Treasury. A ministerial task team on comprehensive social protection was supposed to address this matter, but again a Department of Social Development (DSD) proposal for a workseekers grant was opposed by Treasury, and the report has been held up for several years. The President has now announced that the ANC is considering a jobseekers grant for young

people, linked to work search and training. We need to engage with this proposal, and determine whether all unemployed workseekers would qualify, since to limit it to those of a certain age would be discriminatory; further, whether conditions to be attached are reasonable, and would not lead to coercion of workseekers to accept unacceptable work; and finally, what the scale and duration of the benefits would be. On the face of it, if these matters are addressed satisfactorily, it appears to be a step forward towards comprehensive social protection. We need to prioritise engagement on this proposal.

- 1.24. The 2015 plan proposes that **Retirement Funds** direct investment into the productive sector. At a policy level, gradual progress is being made on this front, with ANC Policy documents, as well as the Economic Development Department (EDD), floating the possibility of some sort of prescribed asset requirements for investment of retirement funds, and promoting the desirability of a public investment vehicle, such as a development bond, through which workers can direct their savings. While some engagement has taken place at the level of trustees, particularly in the public sector, far more work needs to be done by COSATU and affiliates to drive greater control by workers of their investments. At another level, Treasury has attempted to delink discussion of retirement reform from the comprehensive social protection reform process. COSATU has strongly opposed this, including proposals from Treasury to unilaterally transform Provident funds, and force mandatory savings outside of the provision of broader social protection. This is something workers will never accept, and we have warned Treasury that they are playing with fire on this issue. We are confident that we will stop this proposal from going ahead in its current form.
- 1.25. The 2015 Plan calls on COSATU to implement gains we have achieved at the level of **legislative advances into coherent organisational strategies**. This laid the basis for our Walking Through the Open Doors project, which *inter alia* aims to draw on labour supporting intellectuals to leverage these gains more effectively. We aim to do this, and have begun to develop proposals to this end, in relation to industrial policy, retirement funds, labour legislation, collective bargaining and wages, as well as on broader economic issues. However far more needs to be done by the Federation to develop strategic implementation frameworks in all these areas. Further we need to revive the plan which was negotiated with the former Minister of Labour, to drive implementation of gains in the labour legislation, through a collaboration between the Department and unions. The Department has failed to follow through on this, partly it appears because of turnover of key officials, and partly as a function of the lack of capacity in this key Department. This is a matter of great concern, which needs to be addressed.
- 1.26. The 2015 Plan calls for an effective strategy to **lock capital into a national agenda,** through incentives, regulation and discipline, in order to ensure higher investment'. There is indeed the need for discussion of a more coherent strategy towards capital, and an analysis of the different approaches being taken by the various business organisations, and different sectors of the economy. Finance capital continues to be the most reactionary grouping-ideologically driven in its opposition to labour, and without any commitment to the development of the productive sector. We have seen however, that engagement with the manufacturing sector has yielded some areas of convergence over a number of economic policy questions, as reflected in our

joint declarations with the Manufacturing Circle in May 2010, which called for a macroeconomic policy which promotes industrialisation, local procurement, lower interest rates, a more competitive currency etc. ; and the declaration in July 2012, which focused on the Buy Local campaign.

- 1.27. Linked to this, the 2015 Plan places strong emphasis on sectoral strategies to drive an industrial development agenda. It calls for a series of sectoral summits in the sectors prioritised by the GDS. Some of these summits were held, but the process was not as extensive as envisaged. The introduction of IPAP 1 and II introduced a new dimension with a far more proactive and worker-friendly industrial strategy than previously. COSATU and affiliates are now challenged to take this forward in a more coherent way. As part of this effort, we have negotiated an agreement with EDD to second sector specialists to targeted affiliates. COSATU and relevant affiliates need to seize this opportunity to develop capacity and strategies to take the IPAP forward in a way which advances our objectives. We also have an opportunity with the announcement of the massive infrastructure plan, geared towards a broad based industrialisation strategy. We need to engage with this plan and look at how we can take this forward, both in South Africa and the Region, while addressing concerns about potential problems with it.

Political Plan

- 1.28. On the **political front**, we outlined above the considerable gains we have made since 2003, when the Alliance was in crisis, COSATU was marginalised, the ANC was a conveyor belt dominated by a top-down government culture, and government policy continued to be characterised in most areas by neo-liberal approaches. This relatively desperate political situation has been replaced by a new set of political challenges, which we discuss in detail in Part III below. We focus our discussion here only on the specific proposals contained in the 2015 Plan.
- 1.29. The 2015 Plan proposes "to combine state and social power in a way that consistently tilts the balance of power in favour of the working class". A key component of this strategy is to promote interventions which **transform the ANC and Alliance in favour of the working class**. The Plan made a call for the working class to be a factor in ANC 2007 conference, as well as the SACP Congress. It is clear now that Polokwane, despite all its problems represented a revolt from below, and assertion of policies biased to the working class. The Plan also calls for active participation by COSATU in the elections campaign, and for it to help shape the ANC's Manifesto, both of which were effectively implemented. The problems detailed in Part III relate to what happened after the elections: the sense that the Alliance was being used as an election machine, and the continued failure of the ANC to assert control of the state's agenda would lead to non-implementation of important elements of the manifesto.
- 1.30. In terms of building the Alliance, the 2015 Plan proposes that COSATU engage on the need to assert the role of the **Alliance as a Political Centre and table the proposal for an Alliance Pact**. COSATU took both of these forward. However, despite us tabling these proposals, and agreement in the 2008 Alliance Summit on the Political Centre, this was subsequently reversed.

This lack of agreement on these two critical issues- the Alliance's modus operandi, and the policy platform of the Alliance - led the Alliance to continuously zigzag between functionality and dysfunctionality. Little progress has been made on these fronts, and it remains a key outstanding task of the 2015 Plan. There is an agreed to 2011 Alliance programme on transformation, but even this has not been implemented. We make some proposals in this regard below. A more complex challenge which was not anticipated in the Plan, is the fact that the deeply entrenched culture of factionalism which emerged in this period has also infected COSATU, although in a less severe form.

- 1.31. The 2015 Plan calls for a campaign to ensure that the working class **swells the ranks of the ANC**, as part of the contestation for the soul of the movement, and to 'jealously defend the progressive and working class bias of the ANC' by calling on its members, shop stewards and leaders to join the ANC *en masse*. There is no doubt that many organised workers have joined the ANC since then, and COSATU members form a significant component of ANC membership. This would vary from area to area. In some mining towns for example NUM members would make up the majority of ANC branch membership. However, a more scientific study is needed to determine what proportion of ANC members are COSATU members. It may be useful for COSATU or the Alliance to commission such a study. What we do know is that the ANC's membership has grown over 300% since then, with membership rising from 416 846 members in 2002 to 1 270 053 in January 2012. The next audit will be done in August. Further, the 2012 COSATU workers survey reveals that over a quarter of COSATU members surveyed 'are active in their ANC branch'. This suggests that *around half of ANC members are also COSATU members*¹, given that a quarter of COSATU members nationally totals about 550 000. This is highly significant, if accurate, as it is the first survey, since the ANC's growth spurt which gives a clear sense of the overlap between COSATU and ANC membership².
- 1.32. The question is what the *impact* of increased membership, and growing participation of workers has been, and what has driven this membership growth, with the possibility that at least a part of this growth is attributable to people seeing the ANC as a vehicle for either access to state resources, or as a career ladder leading to positions as public representatives or employees of the state. We also raise questions in the detailed political report below, as to whether organised workers have had the type of ideological effect on the ANC which the 2015 Plan envisaged. Indications are that ordinary branch members are not well positioned to change the policy direction of the organisation, because of the top-down character of policy processes, although they may be engaged in political and ideological contestation. Operation *ANC ibuyile* was supposed to return the ANC back to members, and hold leadership to account, both in the organisation and in government. However, indications are that members only make a significant impact at big policy gatherings, after which the organisation returns to old patterns. Further, there is little to suggest that organised workers are changing the character of ANC leadership. Therefore in reflecting on the 2015 strategy, it may be necessary to consider whether COSATU needs to be more active in giving guidance to

¹ Assuming that yet other COSATU members are ANC members but not active in their branches

² The 2006 workers survey found that 35 percent of COSATU members belong to an ANC branch, and 14 percent to an SACP branch. In contrast, only 20 percent of members of other unions belonged to an ANC branch, and only 17 percent of non members.

workers in ANC branches, including on policy questions, and popularising its criteria for leadership-see below. In addition, we need to reflect on why, outside of election campaigns, it has been difficult to engage the ANC in joint campaigns and other programmes called for in the 2015 Plan.

- 1.33. At the level of **the SACP** too, there has been a significant growth in membership. In 2007 the Party reported a membership of 51 874, and this had increased to 154 220 members audited for its 13th Congress in July 2012. A significant trend however, is the reported concentration of SACP membership amongst the unemployed: 95 052 of these members stated they were unemployed, and only 22 921 indicated they were workers (plus over 7500 professionals). Although the Party suggests a significant underreporting by its employed membership, on the basis that workers don't want to have to pay the monthly dues, even a doubling of this figure would make a small minority of Party members who are workers. However, the COSATU workers survey casts doubt on the accuracy of these figures, and tends to support the claim that worker members of the Party are not reporting their status. The Survey reveals that 6% of COSATU members are active in the SACP, which translates to over 130 000 COSATU members being active in the Party (which would constitute nearly 90% of the Party's 2012 membership), way above the figures quoted by the SACP. However, the Survey figures should also be treated with caution, as it may not be accurate to generalise them to the national picture.
- 1.34. The 2015 Plan states that "the SACP is the vanguard of the working class, and we seek to build it into a strong, mass- based organisation that truly can be the bedrock for workers. To remain relevant, the SACP must strengthen its capacity for independent analysis and policy development from a working class perspective." The Plan calls for the Socialist Commission to develop a minimum platform of work, and to take forward the work of the Socialist Forums. Despite many discussions and bilaterals with the Party, the Commission has not yet been established. A key challenge facing us is that Party leaders in government are not available to drive this process. It also calls for us to encourage members to join on debit order, to encourage young workers to join the YCL, and to continue financial support to the Party. This has been done, but the question of financial self sufficiency remains an ongoing concern, not only as an organisational matter, but in terms of political independence. A more detailed analysis on COSATU's relations with the Party is dealt with below.
- 1.35. The 2015 Plan calls on COSATU to step up its work in terms of ideological contestation and political education. It calls for the building of the Chris Hani Institute into a "strong engine for ideological grounding and political education as well as the development of alternatives on a range of issues". It calls for the Federation to invest more resources on internal political education. The launch of a major political education programme has not been sustained- see Organisational report. It further calls for collaboration with "the progressive intelligentsia to contest the intellectual and ideological space in society through public debates, use of media, and influencing centres of knowledge production such as universities, policy institutes, etc". The Chris Hani Institute has not played the role we envisaged. Challenges confronted include the loss of key people on the Board, and the failure to find a suitable Director to head it. We are in the process of reviving the CHI, and appointing Professor Eddie Webster as Director of the Institute.

- 1.36. On support for the **Mass Democratic Movement** (MDM) and social movements, the 2015 Plan proposes two elements: Firstly for COSATU to continue supporting MDM formations such as the student movements which need assistance, and to continue relations with the various coalitions, and our traditional allies. Secondly, it sets out six criteria for working with social movements. COSATU continues to maintain healthy relations with traditional MDM formations, coalitions, and progressive civil society. This is an area of work we continue to take forward and prioritise, despite tensions this has created with our Allies . Our relations with the 'new social movements' are more complex, as a few define themselves primarily in opposition to the ANC, and therefore indirectly to COSATU, because of the Alliance. The 2015 Plan makes it clear that it will be difficult to work with movements which define themselves in this way. However, more nuanced rights based social movements are beginning to emerge such as SECTION27 and Equal Education Campaign, which respect our independence, and are developing a healthy relationship with the Federation.
- 1.37. Our work in convening civil society organisations has created tensions with the ANC, as we outline in more detail below. The Party unfortunately has also adopted in our view an unnecessarily hostile posture to some progressive civil society organisations and coalitions, painted a number of organisations with the same brush, and has tended to take the view that they are the product of external agendas. On the whole, mass formations, and progressive civil society remain in a weak state, and an approach to rebuilding the MDM requires greater strategic focus, as well as robust engagement in the Alliance on our understanding of the role of progressive civil society in this second phase of our transition.
- 1.38. On **democratising the state** the Plan calls for the Alliance to "assert its hegemony over the state and governance based on an agreed programme for change". Although we could not reach agreement on the Alliance Pact, the Alliance programme of action contains an agreement on the Political Centre which will be constituted by the Alliance NOB's. This Political Center whilst it does not address the demands of the last congress for a Pact that will drive transformation based on tight agreements, it nevertheless can play a meaningful role if it was to function strategically. Regrettably the Alliance Political Center has not been meeting and consequently does not drive any programme.

Alliance ideological and political contestation since 2007 has shifted the centre of political gravity in the state. Increasingly we have seen a move away from the pure Gear approach, with the abandonment of privatisation, or moves to cut back the state, a move away from market driven industrial and trade policies , amongst other encouraging shifts. A significantly different agenda emerged post-Polokwane, with an emerging focus on the need to build a developmental state, promote the decent work agenda, state-led industrial policy etc. While some of these shifts were, and remain highly contested, they reflect a far greater imprint of the working class on emerging policies, than pre-2007. The 2015 Plan's call for **greater engagement by COSATU in shaping policy** has been advanced in a number of areas. As indicated above, the key area of contestation, in which the old paradigm

persists, is macro-economic policy. The decision however to set up the Ministry of Economic Development has created a counterweight to Treasury, which has already been evidenced, despite ongoing contradictions, eg through the emergence of new policies on procurement, beneficiation, broad based industrialisation linked to infrastructure development etc. The setting up of the Planning Commission, too, was a shift towards long range planning by a developmental state, a demand which we had ourselves put on the agenda. The content of the planning nevertheless remains highly contested.

- 1.39. The 2015 Plan, linked to the agenda of building a developmental state, also calls for the **defending and building of the public sector**. Important advances have been made in that regard and COSATU has been a key force in defeating privatisation, defending the public sector, pushing for a developmental mandate for state enterprises, and expanding employment of public sector workers providing key public services. This is an ongoing challenge and priority for the organisation.
- 1.40. Other proposals advanced by the 2015 Plan aimed at transforming the state include an Alliance **Deployment strategy for public representatives, and proposals for a mixed electoral system**, which would combine the PR and constituency based system. We have subsequently also called for a broader deployment strategy by the Alliance to deal with all strategic appointments into the state. Neither of these interventions, which are aimed at creating greater accountability by cadres deployed into state have been taken forward, and they remain issues which need consideration in the Alliance.
- 1.41. Finally the 2015 Plan proposes that we **monitor the performance** of Ministers and public representatives, and communicate our assessments to our members. This has only been done sporadically, and relates to the point above, that in the current electoral system, it is difficult to create accountability as there is no democratic mechanism of recall. Nevertheless closer bilateral relations, with Ministers and other deployed leaders, and greater openness in the movement to consultation over appointments, has created an improved environment for COSATU to input in this regard.
- 1.42. **The Way Forward** : The 2015 Plan calls for the CEC to develop plans and frameworks on all the identified issues. We need to develop the analysis in this report into a comprehensive audit, and a proposal to prioritise implementation of the key issues. We also should consider the need to update and realign the 2015 Plan to current realities, where appropriate.

2. The Movement and a Revolution at a Crossroads?

"...the issues of the developmental state or the defence of the revolution are no longer prominent on the agenda. This erodes the principle of unity, respect, collective leadership and adhering to policies that advance the revolution and its defence. When interests are at stake, the issue of leadership becomes a matter of "do or die". The issue is not how the organisation will or should be led, but how the interests of certain people must be protected... the money issue has become a big sickness in the organization. It is used to promote self-interest and that impacts on how the organisation is run. This affects not only the ANC but the Alliance as a whole. This is a challenge that faces many liberation

movements in the second decade of liberation... In some cases the organisations change and become something unrecognisable. We need to uproot this sickness so that our organisations whose interest is to defend the revolution can become instruments of the revolution rather than instruments of certain classes and certain people. ... If we do that we will restore respect, comradeship and dignity in the ANC and the Alliance. We will stop the situation where what should have been the healthy and constructive contradictions within the broader movement become antagonistic and turns comrades into enemies of one another. We will stop clique-ism and gossip and adhere to the revolutionary way of doing things. We will restore the character of the ANC. These tendencies must be fought by all who still call themselves revolutionaries." **Comrade Jacob Zuma, address to the COSATU Central Committee, 27 June 2011**

- 2.1. The COSATU 11th National Congress is taking place at a profoundly important moment in South African politics. At one level this year is characterised by a number of significant gatherings in the political calendar of the country. 2012 sees events which, taken together, could have a defining impact on the direction of South African society, including:-
 - a) the ANC centenary
 - b) the COSATU 11th Congress in September, and affiliates Congresses
 - c) the SACP 13th Congress in July
 - d) the ANC Policy Conference in June, and 53rd National Conference in December
- 2.2. This highly charged political calendar coincides with growing realisation amongst all progressive forces that we have reached a turning point in our movement and broader society. Increasingly, there is recognition that:
 - The country faces a multiple crisis; and
 - Something radically different has to be done if we are to move forward.
- 2.3. The ANC's Policy Conference in June 2012 focused on some elements of this crisis, in particular the crisis of poverty, inequality, and unemployment, and the movements emerging organisational crisis; and called for the launching of a *second phase of our transition*, which should concentrate in particular on a radical shift in economic policies. This echoes, in important respects, the view of COSATU and other Alliance and MDM formations, that the policy trajectory of the last 18 years has failed to address key challenges of the NDR, and that a qualitative shift is required in the economy if we are to avoid the total derailing of the NDR. The assertion by the ANC that we cannot continue with business as usual in the light of these multiple challenges, is welcome. However, the movement needs to ensure that the language of a radical shift is matched by *radical content* in what is proposed. Critically, it needs to build capacity to implement, to deal with the crisis of non-implementation and the culture of mediocrity. This Congress of COSATU has to be about how we give content to this second phase, and how we create our own 'Lula moment'³, to assist our country in forging a new direction.
- 2.4. It is important that on the face of it there is an emerging convergence on the challenges confronting us. However, deeper analysis reveals that far more work needs to be done in reaching consensus in the Alliance on an:
 - Analysis of the character and extent of the crisis; and therefore on
 - What needs to be done.

³ The notion of a 'Lula moment' is explained in Section 4 below

2.5. In our view, a **multiple crisis** is emerging in society, which, if not addressed, has the potential to result in an organisational implosion, and social explosion, which could reverse the gains of our democracy, and prevent us from advancing the core tasks of the NDR. We need to be shaken out of our comfort zones, and develop a totally new mindset, if we are to appreciate the extent of this crisis, and what measure are needed to address it. **Key elements of this emerging multiple crisis include:**

- An **organisational** crisis, in which the ANC, in particular, is increasingly wracked by factionalism, patronage and corruption, and is unable to reassert the mission and strategic vision of the organisation. Struggles in the organisation are increasingly over control of the levers of accumulation. Those challenging these abuses find their lives increasingly in danger. There is growing social distance between the leadership and the rank and file. This emerging crisis was clearly identified by the 2010 ANC NGC, and the organisational renewal paper to the 2012 Policy Conference. This crisis is *systemic* and relates to broader crises in the state and society. Because the ANC is the ruling party, and leader of the Alliance, and society, this situation also has profound implications for society more broadly, for governance from national to local levels, for all state institutions, and for progressive civil society, including the labour movement. Success in addressing this crisis is therefore critical in resolving other dimensions of the crisis.
- A crisis in the **state**, in which years of neglect, fiscal cutbacks, and contracting out of state responsibilities (including through tenderisation and agentification⁴) - combined with endemic corruption, and a failure of political and bureaucratic leadership- together render elements of the state apparatus increasingly ineffective, or even dysfunctional. The most devastating indictment of this failure has come from the Auditor General: Only 3 out of 36 government departments received unqualified or clean audits in 2010/11, and only 13 out of 343 local governments in 2011/12! This institutional crisis in parts of the state is directly related to the **crisis of non-delivery** which confronts many working class communities. It is also linked to the legacy of economic policies, which commodified and privatised basic services, as well as running down and underfunding public services, and shifted the burden to the working class and the poor. Therefore inappropriate economic policies, and problematic funding and institutional frameworks form a *toxic combination*, which lead to the types of crises we have seen recently with electricity provision, housing, public transport, public health and public education. The role of Provinces has also been sharply raised by these crises. The textbook saga in Limpopo, which demonstrated an area of total state dysfunctionality, provides a serious wake-up call as to what may face us, on a larger scale, if these trends are not arrested and reversed through a set of deliberate interventions. These trends are part of a general crisis of failing to act decisively on a broad range of issues, as a result of divisions in the movement, and paralysis in the state. The areas of crisis are tending to

⁴ By *tenderisation* is meant the excessive reliance on tenders to the private sector to perform functions which the state could perform more efficiently and cost-effectively. By *agentification* is meant the unnecessary creation of independent or operationally autonomous agencies to perform functions which government departments should perform, thereby relinquishing effective control and accountability over critical functions.

overshadow important areas of advance in the democratic state, and drag down the morale of the public sector, and the entire society. A danger is that failure to act to arrest this trend will also lead to *defeatism* about the possibility of building a developmental state.

- A crisis of **poverty, inequality, and unemployment** which is reproduced by the structural features of our economy. This systemic crisis has been analysed repeatedly by ourselves, as being a function not only of inherited economic relations, but also worsened by inappropriate neo-liberal policies, as well as policies focused on promoting elite economic empowerment. It is now widely accepted, including in our broad movement, and government, that even much higher rates of economic growth along this problematic growth path will not succeed in addressing the triple challenge, but will rather continue to reproduce the same structural problems which generate high levels of poverty, inequality, and unemployment. It has therefore been accepted that we need to embark on a different growth path, and it is now agreed that there is the need for a 'radical shift' in economic policies. However, despite the Resolutions from Polokwane providing clear support for this, contestation is continuing in the movement and the state as to what should constitute the policy shift. A powerful bloc in the political leadership and the bureaucracy (supported by capital) continue to strongly resist a change from conservative macro-economic policies. This has led to economic policy paralysis, and the failure to drive a coherent agenda, leading in turn to progressive elements of industrial and other policies failing to make a real impact in turning the situation around. There is also a failure to grasp the nettle that addressing this crisis requires a deliberate and systematic programme of income redistribution, social protection and wage policies, which can radically reduce poverty and inequality in the short term, as well as providing the economic stimulus, combined with appropriate economic interventions, to underpin a major recovery in employment. This is the lesson of Brazil, which we return to below.
- An emerging crisis of **political legitimacy and disillusionment**. These three sets of crises- in the movement, the state, and the economy- are laying the basis for growing disillusionment in society, and even questions about the legitimacy of the leadership in the movement and the state. Opinion polls, which should not simply be dismissed- even if we recognise their limitations- are increasingly showing worrying trends, particularly, but not only, amongst the youth, which suggest a growing political demobilisation and alienation of society. This includes suggestions that growing numbers of the electorate don't intend to vote in 2014, and increasingly negative perceptions of the leadership. Any programme of radical transformation, if it has any hope of succeeding, must rely on mobilisation of the people. Therefore this trend should not be taken lightly, or dismissed as a creation of the media. The hostile agenda of certain sections of society and the media can only be effectively countered by a credible leadership, which communicates effectively, and takes meaningful action to turn the situation around, including by taking drastic steps to improve the image of the movement. Opinion polls continue to show the worrying trend of people losing faith in the current leadership, and still focusing on Comrade Nelson Mandela as their saviour. In the context of growing social distress, and desperation of the unemployed, alienation from the movement can easily be replaced by right wing populist

alternatives, which aim to divide workers from the unemployed, South Africans from migrants, promote tribal divisions, and so on. Further, spontaneous protests about community problems are too easily dismissed as being the work of opportunist elements. As we outline below, South Africa is now the protest capital of the world. At the same time the local government elections showed an alarming trend for the ANC to lose support to the DA, including in traditional ANC areas. We need to wake up and smell the coffee!

- 2.6. While avoiding narrow economism, we need to acknowledge that the value of a revolution is largely measured by the people in terms of material improvement in their lives. We pose the question in this report which we posed at the last Congress- who have been the main beneficiaries of our democratic revolution in the first 18 years? This report, particularly the Socio-economic section, shows that economically, the main beneficiaries have been capital, particularly white monopoly capital, and a small emerging elite. The report shows that while profits rise, workers are receiving a declining share of GDP, and that the combination of high unemployment, low wages, and limited social protection, mean that in real terms the income and living standards of many workers and their families have not improved. Socially, many of the initial gains made in terms of 'delivery' have not been sustained, because of commodification, and lack of accountability by state structures and public representatives, especially in poor communities. This report shows further that linked to a growing crisis of corruption and dysfunctionality in provincial and local governance, there is an emerging crisis in public delivery of services, particularly in the areas of education, health, transport, housing, and electricity. Further that redistribution of assets, including land has not taken place in any meaningful way. There is emerging agreement in the Alliance that this trajectory of the last 18 years therefore has to change.
- 2.7. Africa itself, as well as revolutions elsewhere, has seen too many liberation movements with noble ideals, hijacked by corrupt individuals, predatory classes, and foreign interests, for us to close our eyes to that danger now. Our liberation movement, and our struggle, will never be up for sale. It is the working class, and the poorest of the poor, who always end up the worst victims of these failed revolutions. However, while the rich have more resources to cushion themselves, a predator state, will ultimately eat away, and consume the whole of society. No one is immune. But as we have seen in recent times, it is up to the organised working class to stand up, and mobilise society, against corruption, greed, and abuse of power and resources.

Impact of these crises on COSATU

COSATU has influence but on issues that has nothing to do with workers... like Polokwane and Mangaung, that's where you'll start to hear COSATU, but when it comes to worker issues on the ground and to influence government to change policies that affects workers you find it asking⁵

- 2.8. This multiple crisis will also have a direct and indirect effect on the cohesion of COSATU, and ultimately lead to a crisis in the organisation, if we don't handle things correctly. Most obviously, the deepening crisis facing the working class

⁵ Workers focus group, Peddie Eastern Cape, June 2012

will put growing stress on workers and the Federation, particularly if it is not seen to be responding adequately to their most pressing challenges. Further, measures taken by capital to restructure the economy, and transform the nature of employment relations, puts new pressures on the organisation, as challenges of organising atypical and vulnerable workers grow increasingly difficult. But it is not only the economic situation which poses difficulties. Broader political challenges in the state and the movement also impact on the trade unions, for example in relation to the perception of leadership, and the challenge of corrupt and undemocratic practices. The 2012 COSATU workers survey indicate that while the labour movement remains vibrant and democratic, on the whole, some worrying trends are emerging. These suggest in some instances a growing distance between leaders and members, and a growth in negative perceptions amongst members about 'corruption' in the movement. Some of this appears to be not literally about corruption (in the sense of misappropriation etc), but about leaders with divided loyalties 'selling out' workers i.e. a decrease in trust and organisational accountability.

2.9. At a more macro political level, differences within the Federation about its political posture, and strategic and tactical approaches to challenges in the movement, the state and society, are placing growing pressure on the cohesion of COSATU's leadership collective, as we outline in some detail in this political report. Historical consensus which had emerged since the mid 90's on our strategic posture is increasingly being undermined, and political differences magnified. Therefore COSATU has a direct stake in the development of a more coherent political response to these challenges by the movement as a whole. In addressing these challenges COSATU needs to defend its traditions of addressing matters robustly and honestly, promoting openness in debating the issues, and respect for organisational decisions. Importantly, the organisation needs to avoid:

- Factional politics taking root
- Denialism about the extent of the challenges; or
- Shirking responsibility for our role in addressing them

2.10. We analyse concerns relating to threats against COSATU's political cohesion in this Political Report, particularly those which have arisen over the last year. These concerns are serious, and their potential impact on the organisation should not be underplayed. At the same time, the organisation remains in a relatively good position to advance alternatives in response to the different dimensions of the emerging crisis: In relation to the *organisational crisis*, it remains a movement which is on the whole controlled by its members, and where the challenges of corruption and undemocratic practices are not dominant. In relation to the crisis in the *state*, our members are at the coalface of delivery, and conscious of the need to transform a range of practices and dynamics in the public sector. Our unions have embarked on a number of campaigns to improve and transform the public service, although far more needs to be done. Our members are key activists in the fight against corruption.

2.11. In relation to the *economic crisis*, and the triple challenge, COSATU and its affiliates have been at the forefront of promoting alternatives on issues such as employment creating industrial and trade policy, the need for alternative monetary and fiscal policies, transformation of the financial sector, and redistributive labour market and social protection policies. In relation to the

legitimacy crisis of our broad movement in society, the Federation is relatively well placed. COSATU's credibility in society remains high, because of the organisations consistency in speaking honestly about the challenges facing the country, raising its concerns without fear or favour, and preparedness to be self-critical, where necessary. Most importantly its ability, and willingness, to mobilise its members and society to act in the interests of ordinary people. A recent survey, published in July 2012 showed that among a range of respondents, from workers to higher income groups, COSATU commands a great deal of respect.⁶ The organisation has managed to establish this degree of credibility despite ongoing attacks on it, around issues such as the wage subsidy, certain issues of economic policy etc. However, we need to avoid complacency, and recognise that our handling of certain matters could be improved. Most importantly we need a shift in our mindset to recognise that the labour movement needs to renew itself, and re-establish its very purpose of existence, by placing much greater emphasis on issues which matter most to workers.

- 2.12. Failure to turn the situation around will be devastating for the progressive forces, and the left project as a whole. Ordinary people will rightly question why, having repeatedly been given an overwhelming mandate to lead transformation of society, our movement has continued to advance policies which in effect entrench the structures of power and privilege in society, with modifications aimed at incorporating a new elite; while the lives of poor communities and working people continue to be characterised by poverty, disease, ignorance and unemployment. If their movement continues to fail them, they will be forced to look for an alternative. And international experience shows that this alternative won't necessarily be a left alternative.

3. The low road scenario

- 3.1. Let us paint what seems to be an extreme scenario: The downward slide in the movement and the state continues. Delegates go to the ANC Conference in Mangaung focused on the leadership contest only, and policy questions fall by the wayside. A grinding machine in the Provinces and Regions sifts who gets to the Conference. You have to be part of this machinery to control the conference. Nearly everyone there has a material stake in the results. Principle is replaced by politics of power and patronage. The ANC leadership in most Provinces and regions are compromised, by the presence of tenderpreneurs in their ranks. The ANC Conference is an expression of pure slate politics, and good people from either side are excluded. Those who lose out form a camp of the disillusioned and disgruntled. Divisions are so deep, that talk of a second phase of the transition is mere lip service. The ANC is too weak and divided to drive a new agenda.
- 3.2. As a result, the ANC again loses part of the electorate in 2014. Many voters don't participate because of disillusionment. We increasingly move towards US-style politics, because of apathy, where a minority of the population participate in elections. Politics shift to the right, the DA further consolidating its hold on the minorities, and makes inroads into the majority vote. The non-

⁶ COSATU General Secretary Zwelinzima Vavi was voted as the most trusted leader by 1 304 respondents surveyed nationally. People from Living Standards Measure 6 and up were surveyed. LSM 6 is the largest Living Standards Measure, and includes about 7 million workers earning over about R4000 p/m. The survey also included the middle and highest paid earners in the economy.

racial and national project slips away. The working class project is marginalised, as is the gender project. Instead of asserting hegemony, the ANC becomes increasingly discredited in broader society, although a core still remain loyal to the ANC. Having placed all its eggs in the ANC basket, the left finds itself marginalised - because the ANC is seen as a discredited faction which has betrayed the people, and the Party and COSATU are perceived to have been part of that betrayal. The revolution has reached a dead end. People start searching for solutions elsewhere.

- 3.3. This scenario is not a fantasy, but a real possibility if we don't act decisively to arrest the disturbing trends described above. What are we capable of doing to respond to this situation? COSATU is in a difficult dilemma - it is seen as a hope by many, but it is also being attacked for being the hope- on the basis that it is creating an MDC alternative. We face a number of questions. Does COSATU allow itself to be blackmailed into silence, and swallowed by this trajectory? Or do we see the second phase of the transition as a window of opportunity which must be pursued? Can we do this without supporting factional battles? Is the ANC capable of emerging from the current morass? Is the Alliance still a viable vehicle?
- 3.4. Some come into this Congress positive and optimistic about the current situation. Others are very worried. Many fall somewhere in between. If we allow our perspectives on these matters to polarise into two extremes, there is the danger that we are laying the basis for the development of divisions, and ultimately splits, of the type referred to in the 2011 Central Committee Discussion Paper on the international situation. This is the type of situation which confronted CUT in Brazil, which split three times over its relationship with the ruling Workers Party.
- 3.5. So it is essential that we confront the implications of these scenarios, negative and positive. We need to be robust and honest about the challenges which are being confronted; and bold in our responses to these challenges. If such an honest approach is taken, there is still hope that we can turn the situation around. This is true even in the most apparently hopeless of situations. As Comrade OR Tambo said, in the darkest days of exile 'the peoples project is never defeated'.

4. A high road scenario: Creating our Lula Moment?

Always bear in mind that the people are not fighting for ideas, for the things in anyone's head. They are fighting to win material benefits, to live better and in peace, to see their lives go forward, to guarantee the future of their children. Amilcar Cabral

- 4.1. The ANC is proposing to launch a second, more radical, phase of the transition which will coincide with the second term of the ANC post-Polokwane. This raises interesting parallels with the Brazilian experience, where the first term of the Workers Party (PT), led by President Lula from 2002-6 was fraught with all sorts of difficulties. In President Lula's second term (2006-10) he engineered a dramatic turnaround, which saw a series of amazing achievements in terms of improvements of the living standards of the

working people of Brazil. These achievements continue to this day, under the leadership of his successor, President Dilma. We refer to this turnaround as the 'Lula moment' and pose the question as to whether we are able to drive our own Lula Moment, given the challenges, and possibilities we have outlined under the low road scenario.

What is happening in Brazil

- 4.2. A revolution is taking place in peoples living standards in Brazil, and certain other parts of Latin America. Strides are being made in reducing poverty, creating decent work, and reducing inequality and unemployment, over a short period. At the heart of the gains in the labour market, is the consolidation of *national minimum wages and collective bargaining*, with a deliberate strategy driven by progressive governments, to substantially increase the real level of minimum wages, and address the plight of the working poor. The other key leg of this strategy to raise peoples incomes, is the introduction of *social protection measures* to ensure that all the poor, including the unemployed, have access to basic income. These redistributive policies have been effectively combined with state-driven industrial and investment strategies. How have these achievements been driven politically in Brazil⁷?
- 4.3. In the first term of his government (2002-2006), President Lula was tainted both by the adoption of neo-liberal economic policies, as well as a serious problem of corruption in the Party and in government: "During Lula's first administration, conservative fiscal and monetary policies prevented any significant improvement of the country's social indicators, and wages and employment stagnated. To cap it all, in the run-up to the 2006 elections the administration was battered by a relentless succession of corruption scandals backed up by media and political hysteria which suggested that Lula might be impeached or, at the very least, defeated in his bid for re-election."
- 4.4. Lula, together with his allies in the party, state, and the broader movement, acted decisively to turn this around, in his second term, moving to address these problems in policy and leadership, both in government and the party. Policies were implemented which radically increased the income of workers and the poor (see box below). Government and Party leadership was changed, and important policy shifts were engineered, regaining the support of worker and peasant organisations, and led to a huge increase in support from the masses. By the end of Lula's second term (2010), surveys put his support at 80%, making him the most popular leader in the world. An interview in November 2010 with Professor Alfredo Saad-Fihlo, a left critic of Lula's government who acknowledges the progressive impact of this turnaround, outlines how this was done, including:
- 4.5. "He recomposed his top team, decimated by the scandals. Heterodox⁸ economists and nationalist diplomats aligned with the PT were appointed to head the Ministry of Finance, the Secretariat of Strategic Affairs and the National Bank for Economic and Social Development (BNDES), the largest

⁷ The 2011 COSATU Central Committee discussion paper on the international situation (summarised in this report) reflects in more detail on the progressive Latin American experience. For the purposes of this section we focus only on Brazil.

⁸ Economists who draw from various schools of thought, not just traditional conservative economics.

development bank in the world... they have been able to implement activist and distributive fiscal and financial policies, and to moderate the Central Bank's orthodoxy....The administration pushed up the minimum wage gradually and consistently, and embarked on a reasonably ambitious 'programme of growth acceleration' focusing on investments in infrastructure, transport and energy. In the higher education sector, 14 new federal universities were created, staffed by thousands of new academics, to cater for 210,000 new students."

- 4.6. "The government's social programmes were also expanded, especially 'bolsa familia' (an income support programme for poor households). The buoyant economy created 14 million new formal sector jobs... the social benefits paid in the poorest regions supported local production, rather than fuelling purchases of imported durable goods. The strengthening of the domestic market, the expansion of production and careful banking regulation helped to shelter the Brazilian economy from the ravages of the global crisis: GDP is poised to grow by 7.5% in 2010. The minimum wage rose by 67 per cent between 2003 and 2010 ... the Gini coefficient fell from 0.57 in 1995 to 0.52 in 2008, and salaries rose from 58% of GDP in 2004 to 62% in 2009... Lula's government has also played an important role in the political stabilisation of Latin America and, in particular, supporting the left-wing administrations ...None of these outcomes is revolutionary, but they are real enough. For these reasons ...Lula's popularity among the poor, and in the poorest regions, is overwhelming. ..."⁹
- 4.7. These major advances in Brazil don't mean that it has solved its fundamental problems. It remains a capitalist society, with high levels of inequality, poverty, violence and landlessness. Even though it has begun to make huge strides in reducing some of the most negative features of Brazilian society, the Brazilian government continues to face criticism from the left *inter alia* for:
- Environmentally destructive policies, including the destruction of important environmental systems, and displacing of communities, particularly through large agro industry, energy exploitation and infrastructural developments;
 - The absence of an agrarian reform programme, and a high concentration of land ownership;
 - While fiscal policies have become more progressive, and the Treasury given a developmental thrust, Central Bank monetary policies remain conservative, with high interest rates. This is countered by the use of state facilities which provide finance at very low interest rates;
 - Growing dependence on the export of primary commodities, despite its industrial policy;
 - The transformation of society has tended to be driven from above, popular forces remain relatively fragmented, and there is an over-reliance on the state, unlike other Latin American countries like Venezuela and Bolivia, which have entrenched popular participation, and promoted the deepening of democracy.

Nevertheless the achievements of the last decade have been dramatic...

⁹ <http://www.lab.org.uk/index.php/news/57-focus/688-brazil->

Transforming peoples lives: how this was achieved

More pay and more jobs: How Brazil got both¹⁰ From 61.4 million people in 2003, the number living in poverty dropped to 41.5 million in 2008 (a decline from 34.3 per cent to 21.9 per cent of the total population). *The recovery in the purchasing power of the minimum wage has been crucial here. It really gained momentum from 2005 on, when the federal government made an explicit commitment to promoting it. Between 2003 and 2008, the minimum wage rose faster than inflation, providing workers at the base of the income pyramid with significant real gains (38.3 per cent).* There has also been an important, though smaller, increase in the real median wage. Its purchasing power rose by 23.5 per cent.

The **proportion of formal employment** in the whole economically active population (including the unemployed) aged 15 and above increased from 36.1 per cent in 2004 to 40.9 per cent in 2008. There was an especially significant increase in the formalization of jobs for youth. This is important, as formalization brings workers within the effective scope of labour law and social security provisions. Recent Brazilian experience **contradicts the assumption that a minimum wage will lead to net job losses** and inflationary pressures. One of Brazil's greatest successes since 2003 has been the **creation of 15.3 million formal jobs**, which has led to growing **formalization of the country's labour force**. Indeed, during the 2000s, formal job creation outpaced informal job growth by a three-to-one ratio. The **unemployment rate** when Lula took office in 2002 was 12,6%. By December 2011 it had been reduced to 4.7%¹¹.

The role of trade unions Although it has seven recognized trade union centres and more than 1,600 unions, the Brazilian labour movement has been demonstrating greater unity in action in recent years. Even during the crisis of 2008–09, a large proportion of occupational categories bargained up the purchasing power of their wages. The negotiating climate has changed significantly since 2003. *Rights are no longer being bargained away in exchange for the maintenance of employment.* Recently, with the relaunch of the development agenda, increasingly the trade union movement's focus has shifted from simply defending jobs to winning back lost rights and broadening out its demands. Among the main issues around which the unions and the trade union centres are currently mobilizing are: i) reducing weekly working hours to 40; ii) regulation of subcontracting; iii) the minimum wage revaluation policy¹²; and iv) defending a development model that distributes income.

ILO & G20 policy brief on Brazil, September 2011 During the 2000's Gini coefficient measure of inequality was reduced from 0.58 to 0.54. *Two-thirds of the fall in inequality is attributed to increases in wages, of which one-third stems from earnings equivalent to the minimum wage (between 2003 and 2010, the real value of the minimum wage increased by 81 per cent).* The remaining distributional gains stem from the social safety net, in particular the rural pension, which provides benefits equal to the minimum wage to 8.4 million rural workers; the Continued Benefit Provision, which provides social assistance pensions equal to the minimum wage to 3.5 million elderly poor and disabled; and the flagship *Bolsa Família* conditional cash transfer programme, which provides modest benefits to a quarter of the population, at the low cost of 0.4 per cent of GDP.

The increase in incomes of the poor and middle classes has fuelled **domestic demand**. Because Brazil retains an important manufacturing base, the growth in consumer demand has benefited the economy and spurred job creation, particularly in manufacturing and distribution as well as among large retailers, where jobs are predominantly formal.

Changes to **labour inspection** methods in Brazil have improved labour law compliance while contributing to increased formality.

The recent economic crisis did not halt the trend towards a greater share of formal employment in Brazil's labour force. When the international economic crisis hit the country in 2008, GDP contracted by 4.4 percentage points and GDP declined by 0.6 per cent in 2009. Yet in 2009, the country was able to generate 1.7 million formal jobs, an increase of 4.5 per cent over 2008. The

¹⁰ This is based on the paper by Paulo Baltar et al., *Moving towards Decent Work. Labour in the Lula government: Reflections on recent Brazilian experience*, GLU Working Paper No. 9, 2010

¹¹ en.wikipedia.org/wiki/Unemployment_Rate_in_Brazil It has subsequently increased slightly in 2012, with the economic downturn.

¹² The minimum wage revaluation policy is the policy according to which the minimum wage is increased at a level above inflation every year. Currently the increase is calculated as - inflation plus the combined GDP growth of the 2 previous years

Lessons from Brazil

- 4.8. These achievements are important, because they show that, with the necessary political will, and strong and capable leadership, a turnaround can be achieved, from an apparently desperate situation. It therefore contains important lessons for SA. We need to analyse how the progressive movement achieved this under President Lula's leadership, and whether, we can learn from that experience, even if we can't copy it.
- 4.9. A more detailed study is required of the Brazilian experience, but some initial lessons include:
- Decisive political leadership enabled the Brazilian leadership to navigate out of an emerging crisis, and use the need for change to chart a new path. They were not blackmailed by pressure from the conservative establishment, or problems in their own ranks, to abandon their programme of social transformation. Instead they became more focused and decisive.
 - They put key people into strategic positions (Treasury, Industrial Development Bank- the BNDES etc) to drive the policy shifts they wanted to implement.
 - They were not afraid to take on the markets where necessary, for example through implementing taxes on capital flows, or introducing more effective regulation of worker rights.
 - The Brazilians were very practical in their approach, and avoided getting stuck at the level of political rhetoric. They focused on interventions which were high-impact and transformative in improving the material realities of the majority of people, particularly in relation to key challenges of poverty and inequality. They launched simple high-profile campaigns which would have a concrete impact, and everybody could relate to, such as the 'zero hunger' campaign.
 - They asserted a central role for the state in the economy in terms of driving and financing development. They reversed privatisation, drove a state-led industrial strategy, with the involvement of key state corporations in strategic sectors, and provided affordable finance on a massive scale to promote industrial development, through the state bank.
 - They defied conventional economic prescriptions, and instead advanced economic strategies which put redistribution of incomes and stimulating demand at the centre of their approach, especially through raising wage levels and social protection. This was deliberately linked to an industrial policy which promoted local procurement and production, and which fed off growing demand. Increased consumption was based on rising incomes, rather than credit.
 - This national economic strategy was linked to a broader economic development strategy in the region which was aimed at asserting an independent development path.
 - They set out to deliberately formalise the labour market, and demonstrated that increased worker rights, combating of atypical and unregulated work, rising wages and improved conditions of employment, are consistent with large-scale job creation. They took on employer lobbies who were

opposed to such changes, but also put in place incentives for employers to comply, as well as acting firmly against those who violated legal protections.

- Strategic focus meant that they put in place the measures required to build state capacity to drive these changes, e.g. through strengthening their labour inspectorates, and massively increasing training in tertiary institutions to ensure sufficient qualified people were available to staff key state institutions.

4.10. These developments in Brazil are part of the resurgence of left alternatives throughout the continent, particularly over the last decade. Seven of the ten major Latin American countries¹³ now have left or centre left governments: namely Venezuela, Brazil, Argentina, Bolivia, Uruguay, Ecuador, and Peru. Increasingly this bloc of progressive states (despite some differences between them) is characterised by: a rapidly expanding state role in the economy, with strategic ownership of key sectors; active promotion of social ownership, particularly through a huge increase in co-operatives; pursuit of expansionary macro economic approaches; and lastly, progressive interventions to transform the labour market, by formalising employment, combating atypical work, raising wage levels and promoting collective bargaining. In the case of the more left governments, such as Venezuela, Bolivia and Argentina, governments have promoted popular participation, and the growing assertiveness of the working class and peasantry. This has led to new forms of popular democracy.

4.11. At a regional level, these countries have pursued strategies to build the continent's independence from US domination, and are putting in place various regional institutions to strengthen their ability to achieve this. An innovative approach has emerged to create continental economic integration, using the creation of a new regional financial architecture, and by harnessing natural resources as economic leverage, and a springboard for development. Further detail on this emerging Latin American alternative are contained in the international section of this report.

4.12. What are the political lessons we can derive from this Brazilian and Latin American experience? In the next section we look at some of the interventions which could be pursued in South Africa, during this second phase of the transition, which could help us to create our own *Lula Moment*.

5. The second phase of the transition: Opportunity for a radical break?

5.1. It is often said that a crisis represents both a threat and an opportunity. At the international level, the financial crisis has opened up a range of possibilities, particularly for the global South, to do things differently. Similarly, our domestic crises could, if approached correctly, create an opportunity for us to break with past practices, and approach things differently in the four identified areas: *Organisationally*, to take radical steps to reassert the values of sacrifice, selflessness, service to the people, democratic participation, harnessing of peoples power etc, including acting decisively to combat conflicts of interest in the movement. The ANC Organisational Renewal paper makes a call that the "Mangaung Centenary Conference should strive

¹³ Down from 8 after the left leaning Paraguayan president was recently removed by a right wing congress.

to be a watershed by addressing some of the persistent challenges that have plagued our movement since 1994". This will also contribute to narrowing social distance between leaders and the masses. At the level of the *state*, to take urgent measures in the short-term to arrest the downward slide, and implement strategies to systematically build an effective and capable developmental state, which leads social and economic transformation.

- 5.2. In terms of the triple challenge of *poverty, inequality and unemployment*, to develop and implement a coherent set of policy interventions which, in reality and not just at the level of rhetoric, constitute a radical shift, putting the creation of decent work, and redistribution, at the centre of policy. Economically, this means a total break with orthodox neo-liberal policies which have failed our country. Visible progress in these three areas will go a long way to combating the emerging alienation and *legitimacy crisis* of the movement, and renewing the confidence and involvement of our people in driving the revolutionary project. But we need to do far more to engage our people, dynamically interact with them in finding solutions to these challenges, and communicate far more effectively on this radical shift, if they are to appreciate what it is we are trying to achieve.
- 5.3. This political report analyses the patterns of political paralysis and zig-zagging in the movement and the state, and some of the underlying reasons for this. If the notion of the second phase of the transition is to constitute a radical break with these patterns, a political reconfiguration and strategic shift will be required in relation to the democratic forces and the democratic state. This means that the structural features which are inhibiting forward movement in the areas we have identified, need to be systematically addressed and transformed. The strategic interventions proposed by this Congress need to focus on transformation in the **3 key pillars** we have identified - **the movement, the state and the economy**:
- 5.4. In relation to **the ANC**, we need to ask what interventions are required to ensure a leadership which is uncompromised, and is primarily driven by its desire to address the needs of the people; an ANC which operates in a democratic and accountable manner, and takes responsibility for transformation; and an Alliance which is able to shape the strategic direction of the movement and the state. Failure to do this will mean that the organisation is constantly held hostage by different groupings who are using the movement as a vehicle for personal accumulation.
- 5.5. At the level of the **democratic state**, we need to spell out what needs to be done to take full control of the levers of governance; make the leadership and bureaucracy accountable to the democratic mandate; and answerable for their performance. Failure to do this will mean that powerful centres in government and the state continue to drive agendas which are contrary to that of the movement; and leaders and bureaucrats continue to abuse public resources with impunity.
- 5.6. At the level of **the economy**, we need to spell out what could constitute the 'radical economic shift' which would change the trajectory in terms of distribution of income, employment, access to assets etc. It would require a

coherent package of economic policies which ensure that macro-economic policies, industrial policy, labour market policies, and social protection, are driven by the same agenda, unlike the current situation, where policies contradict each other, and are held hostage by key centres of economic power, particularly Treasury and the SA Reserve Bank, which needs a new mandate. It would also require a strategic set of interventions to harness the power of the state to redirect the economy. Failure to do these things would mean that we continue to pay lip service to economic shifts, while in reality the market, and power centres aligned to finance capital, or the new elite, continue to drive the agenda.

- 5.7. An understanding of the power dynamics summarised above is important to help appreciate why progressive resolutions, or stated policy shifts, aren't *in themselves* sufficient to change the trajectory of the country. Many progressive resolutions from Polokwane, the 2010 NGC, and the Alliance Summit remain unimplemented either because they threaten vested interests who continue to dominate the policy agenda; or because the ANC leadership remains deeply divided over certain decisions; or because the Alliance and the ANC don't have control over the policy agenda in government; and the mechanisms and institutions haven't been put in place to ensure accountability to the democratic mandate. This is worsened by a weak leadership collective which is unable to give direction, and a lack of consistent pressure from below, outside of Conferences. Therefore any decisive advance depends on a radical shift in power relations. This, amongst others, requires a focused leadership collective with the necessary political will, including to challenge entrenched interests in the movement, state and capital. The outcome of Mangaung will indicate whether this is on the agenda.
- 5.8. COSATU's political strategy of mobilising social power combined with engagement in all forums and sites of struggle remains valid and correct. However, the analysis contained in this political report, as well as previous reports to Congress, reveal that in the absence of meaningful agreements to implement a programme at the level of the ruling party and the state, gains arising from this strategy are limited and difficult to sustain. The patterns of political paralysis and zigzagging, are also reflected in the outcomes of these various mobilisation and engagement processes, as we have seen eg in the battles around e-tolls and labour law amendments. On the other hand, clear agreements with the movement and government on issues such as public procurement and industrial policy, while continuing to be subject to class contestation, form a solid platform on which legislation, policy initiatives, resources and programmes can be processed, and can then be effectively advanced. This is of course provided that other aspects of policy e.g. fiscal policy, don't undermine such gains. Such instances provide examples of what a more comprehensive agreement could achieve.
- 5.9. COSATU can therefore contribute to this reconfiguration of power relations if we are able to advance a clear proposal on what needs to be done to achieve such a comprehensive agreement. This requires that the Federation itself is united on a minimum platform, or set of interventions which are required to break the political paralysis. If COSATU can agree on what should constitute such a platform, this will also help deal with emerging political divisions in the Federation, and harness the power of organised workers to such an agenda. This would in itself be a major contribution towards advancing a radical shift.

5.10. Clearly, however this will not by itself be sufficient. The ANC would need to share our view on the necessity for such a platform. The 2011 Alliance Summit agreed on an Alliance programme of action, which is a step forward in agreeing to take forward a programme on certain issues, but falls short of a comprehensive policy platform, which addresses the identified crisis areas. This Political Report outlines problems we have encountered in securing agreement on the strategic Political Centre, and need for an Alliance Pact, as mandated by COSATU Congress. However, conditions have changed in important respects, which suggest that prospects may have improved: There is now agreement in principle that we need to make substantial political changes in relation to the functioning of the movement and the state; and that a radical economic shift is required. Further, conditions described above (the multiple crisis) are putting huge pressure on the forces for change to put forward a united front on an alternative platform. Therefore there is objectively a greater basis for the Alliance to agree on a platform than there was in the past. It is less important whether this is called a Pact, or an agreement. More important is the content of what is agreed, and the need to ensure that meaningful commitments are made on the critical issues.

5.11. **Elements of such an agreement** which should be considered include:

- 5.11.1 Measures to ensure representivity and integrity of the new leadership collective, at national provincial and local levels, and to combat social distance. Proposals are contained in this report in the section dealing with leadership.
- 5.11.2 Legislation to govern conflicts of interest in the state and the movement; policy to prevent those convicted of certain types of offenses from holding certain leadership positions; as well as a package of interventions to combat corruption. Proposals are contained in this report in the section dealing with corruption as well as the section on leadership.
- 5.11.3 A package of interventions to advance a radical economic shift, including specific commitments to align macro-economic policies, and all institutions of state, to the agenda of promoting decent work, agreed interventions to dramatically scale up the state's role in strategic sectors of the economy as proposed at the 2010 NGC; and a commitment that all appointments to strategic positions will be reviewed in line with the need to effect these changes in strategic Ministries, including Treasury, the SA Reserve Bank, and key SOEs and DFI's, and that their mandates be changed accordingly. A renewed and more focused mandate should also be given to the National Planning Commission to realign the planning process to reflect this radical shift.
- 5.11.4 A coherent labour market, wages and incomes policy, including a legislated national minimum wage, linked to a minimum living level, and comprehensive collective bargaining; and social protection measures, including a grant for the unemployed. These policies should be explicitly aimed at redistributing income, radically raising incomes of the working poor, and reducing inequality.
- 5.11.5 Special intervention programmes to address crisis situations, in public health and education, and other identified areas of service delivery.
- 5.11.6 Agreement on a protocol on the Alliance and Governance to ensure effective implementation of ANC and Alliance policies, and co-ordination with the work

of government. Further to create a regular co-ordinating mechanism between the President and COSATU, to ensure a structured forum for ongoing input into issues of governance.

- 5.11.7 Related to the above, an Alliance mechanism to receive reports, monitor and ensure implementation of identified strategic or priority Alliance decisions which seek to contribute to this radical shift e.g. the proposals from the NGC on transformation of the mining sector, and state ownership in key sectors of economy, various Polokwane and Manifesto undertakings on the economy, corruption and state transformation etc.
- 5.12. Given the limitations of the existing Alliance POA, what do we do to achieve such a comprehensive Alliance agreement? Once the ANC Conference is over, there is the danger that the urgency for such an accord would be lost. Therefore, if the Alliance agreement, as set out above, were to have the necessary impact, its key elements would preferably need to be agreed before December, for endorsement at the Mangaung Conference. This should be a clearly spelled out agreement, not something with vague statements of intent. It should set out a clear sequence of practical commitments to advance each of the identified areas within reasonable time frames. To counter growing public scepticism that radical-sounding statements are merely hollow rhetoric, it would be important to embark on a set of concrete confidence-building steps, to re-establish the belief amongst people, and broader movement, that a real change is being advanced. Such concrete actions could be identified for each of the elements of the platform, in a way which demonstrates that we are indeed embarking on a radical shift, rather than a business as usual posture.
- 5.13. One area which needs special emphasis is the urgency of *building capacity* to implement policy directives. Polokwane, the Manifestos, State of the Nation Addresses, ANC Conferences (including the NGC and recent Policy Conference) contain many positive and progressive announcements on what will be done, yet the sorry track record of non-implementation, has led to the disillusionment referred to in this report. One of the main reasons for this state of affairs is the organisational weakness we have referred to, as well as mediocrity, which is a by product of slate politics and divisions. We need to take responsibility for our failure to implement, and take corrective measures. While we don't agree that the liberal anti-majoritarian organisations are the main problem, there are a number of right wing organisations which are attempting to orchestrate a sense of crisis, and the impossibility of moving forward, using a range of tactics, including through the courts. However it would be a mistake to paint all critics, or those using the courts, with the same brush.
- 5.14. This Congress needs to address the risk of us repeating history, by basing our actions purely on trust. We have to mobilise the working class, and broader society, around the urgency for such a comprehensive set of interventions. We must avoid the danger that we reach an agreement, but post December, are unable to hold leaders to account in terms of meeting its conditions. We analyse in this political report how, in recent years, leaders have been pulled in many different directions by competing interests, and factions, and as a result have been unable to act decisively. How do we avoid this situation recurring? What will be different this time? We need to ensure that we mobilise pressure from below. The current balance of forces in the movement

suggests that a mobilised working class has the best opportunity in a long time to set clear conditions under which the new leadership will be given a mandate.