

Seize the moment!

A message to all COSATU members and the people of South Africa

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'Our victories have opened up a new terrain of struggle; a front as full of possibilities for swift and decisive advances as it is laden with the chances of reversals. We are therefore burdened with much more complex tasks than ever before...' ANC President OR Tambo.

1. Letter to COSATU members and the people of South Africa

Dear Comrades

Workers will be present in numbers at the ANC Conference in Mangaung, and we call on you, COSATU members, together with all true patriots, to play your historic role of leading the National Democratic Revolution, by ensuring that our people's movement is restored to its roots; that problematic practices are arrested; and that our movement attains its true potential of being a powerful instrument in transforming the lives of our people. This has to be the Conference which generations to come will see as a turning point in our country's long and proud history of struggle.

We have taken the extraordinary step of producing this booklet for the Conference, to set out in our own words how we see the current situation, and what COSATU is proposing as a way forward in this very difficult moment. This will allow all our members, many of whom are delegates to the Conference, to read for themselves what we are saying, rather than relying on media reports for an understanding of what one of the ANC's strategic partners is putting forward.

This booklet is not only aimed at worker delegates to the Conference, but at all those alarmed at the current state of our movement, who want to see the necessary action at Mangaung to create the conditions for a radical turnaround, in the movement and our country.

We hope that you find this booklet helpful and constructive, in its analysis and its proposals, and will share it with fellow members and delegates. We in turn welcome feedback and suggestions as to how we can more effectively pursue the goals we all share. Just as the peoples of Latin America are showing us today, a united people working and struggling together is an unstoppable force for transformation, and will overcome powerful elites opposed to change. It is time for us to seize that potential and take control of our own destiny.

We wish all ANC members and delegates the insight, determination, and revolutionary maturity, to execute this responsibility in a way which will not disappoint the expectations of our people. While the challenges are massive, we are confident that you will rise to the occasion. The eyes of workers and the country are on you.

We extend to you the greetings and best wishes of more than 2 million members under the umbrella of our Federation, for a revolutionary and watershed Conference. We dare not fail!

Sidumo Dlamini: COSATU President

Zwelinzima Vavi: COSATU General Secretary

2. The strategic challenge at Mangaung

“This second phase of the transition should be characterised by more radical policies and decisive action to effect thorough-going socio-economic and continued democratic transformation, as well as the renewal of the ANC, the Alliance and the broad democratic forces”. S & T Resolution of the 2012 ANC Policy Conference

2.1 Our three Alliance formations have had key conferences this year (the ANC Policy Conference in June, the SACP Congress in July, and the COSATU Congress in September), which agree in critical respects on the challenges facing us.

2.2 We all agree that the National Conference at Mangaung cannot be ‘business as usual’. Our broad movement and the country is demanding a clear message of change, but particularly in three core areas: far-reaching structural change in the **economy** which will fundamentally transform people’s lives; decisive change in the **state** to systematically build leadership and capacity to drive development and direct the economy; and radical change and renewal in our broad **movement** to reassert a culture of service to our people, accountability etc.

2.3 The country is facing a multiple crisis. The ANC Policy Conference in June 2012 focused on some elements of this crisis, in particular poverty, inequality and unemployment, and the movement’s emerging organisational crisis. It 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 various 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.

2.4 The assertion by the ANC that we cannot continue with business as usual in the light of these multiple challenges is welcome. The movement needs to ensure that the language of a radical shift is matched by **radical content**. We need to see nothing less than systematic progress to implement the demands of the Freedom Charter. Critically, the movement needs to build capacity to implement and deal with the crisis of non-implementation and the culture of mediocrity. The Mangaung Conference has to be about how we give content to this second phase, and how we create what COSATU has called our own ‘**Lula moment**’ (*referring to the Brazilian experience- see below*), to assist our country in forging a new direction.

2.5 Shifts in the international balance of forces, and the alignment of states around different policy trajectories, can greatly enhance the ability of peoples and states to forge a progressive policy agenda. Therefore the emergence of the international economic crisis, and the collapse of neo-liberalism as the dominant policy agenda, certainly creates greater possibilities for the assertion of progressive alternatives. This challenges delegates to the Conference to think more boldly and creatively than ever before.

2.6 The key focus of the Conference needs to be on clearly spelling out the shifts required to give effect to the second, radical, phase of our transition, particularly on the economy. We need to move from rhetoric to coherent policy, from broad commitment to concrete action. COSATU has identified strategic areas where we believe change is most critical - outlined in Sections 9 and 10 below.

2.7 Conference cannot devote its main energy to a leadership contest for the top six; leadership discussion needs to take place in the context of these transformation imperatives and a holistic discussion on leadership aimed at ensuring the capacity to meet the challenges of this period. The

broad leadership collective - the NEC and the leadership at provincial and local level - needs to be both representative of the membership, and capable of driving a radical transformation agenda.

2.8 This pamphlet briefly analyses the period since the 2007 Polokwane Conference, and some of the key challenges facing us. It then makes proposals to move forward, in driving the second radical phase of our transition.

3. Significance of Polokwane

3.1 The Polokwane Conference was a revolt by ANC delegates against practices which had deviated from the movement's historic policy perspectives, democratic organisational culture, and collective traditions. The outgoing leadership and organisational style was seen as individualistic and elitist, abusive of government power and having imposed inappropriate policies, particularly economic policies, which failed to take account of the views or needs of the people.

3.2 Organised workers, as ordinary members and leaders of ANC branches, played a leading role in the Polokwane revolt. Delegates articulated views which had long been advanced by many in the organisation, although these views had previously been suppressed, ridiculed and vilified.

3.3 At a **political level**, Polokwane was a basic battle against:

- The closing of political space and shifting of power from the ANC to government leaders and bureaucrats, and marginalisation of the ANC in policy formulation.
- Sidelining of the Alliance, and suppression of the views of COSATU and the SACP.
- Disregarding the people, reducing them to voting cattle, and 'wheeling them out for the celebration of historic dates' (Fanon)
- Abuse of state institutions to advance factional interests, and illegally pursue opponents of the power elite.
- Corruption and nepotism, abusing positions of power to accumulate wealth, and distribution of patronage, especially through government tenders, and blurring the lines between political leadership and business interests.
- Use of state power to appoint people without capacity to lead transformation; tolerance of mediocrity and sidelining of talented individuals for factional reasons.
- Culture of using media (including SABC) to selectively leak information to sideline and publicly try opponents.

3.4 At the **socio economic level**, Polokwane delegates sought to reverse the impact of:

- Neoliberal economic policies promoted by GEAR, and an elite pact with big capital, which deliberately excluded labour and mass movements.
- Narrow BEE politics, which affirmed the elite, but left the masses as disempowered as before.
- Undermining of the state's role in the economy, and pursuance of the mantra of a slim state resulting in cutback in services and personnel.
- Slow progress in addressing poverty.
- Deepening inequality and growing unemployment.
- Casualisation, contracting out, labour broking, and the worsening quality of employment.

- Redistribution to the rich. We said the first decade of freedom was a decade which primarily benefited capital in economic terms.
- AIDS denialism: 350 000 people had died whilst the then head of state and Minister of Health adopted a denialist approach, against the policies of the ANC on HIV and AIDS.

The key focus of Polokwane delegates was that economic policies must be centred on the creation of decent work, the eradication of poverty, and radical reduction of unemployment and inequality.

3.5 On **International policy** there was unhappiness that:

- South Africa had not been taking a sufficiently principled stand on various issues, of both human rights, and economic justice.
- Our role in the region and Africa was problematic, and we were attempting to export government's neoliberal policies, without advancing a coherent developmental agenda.
- We were seen as too closely aligned to the imperialist powers, c.f. Bush's statement- 'Mbeki is our point man in Africa'.

3.6 The Polokwane Resolutions sought to address a number of these issues, and the new leadership was given a mandate for change, under the banner of **"iANC ibuyile"** (ANC has returned to its members). Following Polokwane, the Elections Manifesto took up a number of key proposals, and **prioritised 5 areas for focus by government :**

- The creation of decent work as the basis for all economic policy
- Rural development, agrarian reform, and food security
- Universal, quality, affordable education
- Health care for all through a National Health Insurance
- Combating of corruption and crime

The Mangaung Conference must take stock of progress on these key priorities

3.7 We need to recognise that the run-up to Polokwane, and the period beyond, ***also saw some negative features***, which were both a function of the destructive politics which went before it, and were to lay the basis for some new problems in the movement. These included:

- the growth of indiscipline, a culture of disrespect, and the entrenchment of slate politics;
- The phenomenon of the 'walking wounded', which united those who had in some way fallen foul of the previous leadership. This resulted in a coalition not bound by shared principles.
- The lack of a coherent programme to renew the movement, and address the destructive legacy of previous years. This meant that some of the problematic practices which the Polokwane revolt was aiming to overcome continued to characterise the movement.

3.8 Further, contestation in the state, movement and society intensified after the 2007 Conference. Elements of the ***pre-Polokwane order*** continued trying to advance their agenda in the state, the ANC, and the broader movement, together with their allies amongst monopoly capital; and at the same time, the ***new predatory elite***, together with their allies in the state and the movement, attempted to take control. Both these powerful, and overlapping groupings, contested progressive forces in the ANC, COSATU, Alliance and government genuinely trying to advance the Polokwane mandate.

3.9 Failure to break the resulting political paralysis has blocked the significant break with past policies and practices, which the Polokwane delegates had foreseen. Nevertheless some advances have been made in advancing the Polokwane mandate. In Section 9 below we make proposals on how we can make a qualitative leap forward, and overcome these blocks to progress.

4. Confronting organisational challenges and the poisoned environment

“...The issues of the developmental state or the defence of the revolution are no longer prominent... This erodes the principle of unity, respect, collective leadership & adhering to policies that advance the revolution & 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 & that impacts on how the organisation is run. This affects not only the ANC but also 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... can become instruments of the revolution rather than instruments of certain classes and certain people. ... If we do that we will restore respect, comradeship & 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, June 2011**

4.1 As the President clearly outlines above, attempts by the new tendency - the predatory elite - and other corrupt elements, to seize control of the movement and the state, as levers for personal accumulation have thrown the people's project into a crisis, given that the democratic state and the movement are the key vehicles we have to improve people's lives, and transform society. These elements are associated with the most backward, reactionary and opportunistic politics, and will seize on any opportunity to advance their selfish accumulation agenda. They follow in the worst traditions of those who have betrayed the people throughout history.

4.2 This includes using naked racism or tribalism, or even radical sounding political rhetoric, whatever serves their cause best at a particular moment in time. These elements associate their agenda with a particular political slate, only to give themselves the veneer of respectability. They lack any conscience about the fact that they are betraying their movement and their communities; or that they are responsible for denying services, social grants, medicines, school books, etc to our people. This makes them in many ways a far more difficult and dangerous enemy than the people's historical adversaries in the state and capital. They are poisoning the political environment.

4.3 As a result, politics of principle are being replaced by a politics based on narrow ambition and accumulation. There is a poisoned atmosphere of divisions and fast-forming cliques and cabals, pigeonholing of unsuspecting individuals, innuendos, gossip, backstabbing, character-assassination, political and even physical assassinations. Seeds of mistrust are now blossoming amongst comrades.

4.4 This is the moment of slate politics and the winner-takes-all philosophy, of sidelining talented individuals in favour of the weakest, just because they are on the 'correct slate' and 'progressive camp'.

4.5 The discussion document on **organisational renewal** prepared for the 2012 ANC Policy Conference recognises the seriousness of these challenges. Among others, it stresses the need to reaffirm the movement character of the ANC, and a return of the ANC to the 'mass line'. Amongst its proposals is the urgent need to revive the activism of ANC branches and reorient them towards a politics based on development and the urge to serve the people, as opposed to the parasitic politics informed by factionalism and in-fighting. It recognises the paralysing effects that factionalism, corruption and disunity pose to the movement.

4.6 This is not the first time the structures of the movement have recognised these challenges. The 50th Conference of the ANC in Mafikeng 1997 discussed these challenges at length, noting "how leadership of the ANC is increasingly perceived as a stepping stone to powerful positions in the state (local, provincial and national) or in business."¹ The same conference also noted the extent to which there is a social rift between ANC cadres occupying key positions of power (councillors, mayors, premiers, MECs, ministers etc) from the mass of ANC members and broader society. The 1997 Strategy and Tactics was honest about the dangers of a social distance between ANC leaders and the motive forces of the revolution and lamented that a tendency in which cadres of the movement become "progressively lethargic to the conditions of the poor" was taking root.²

4.7 This year's ANC Policy Conference attempted to grapple with this emerging crisis confronting the movement. The **Organisational Renewal Resolution**, in the part dealing with safeguarding the ANC's core values agreed that:

- The gradual erosion of the core values of the ANC "threatens its continuing existence in the second centenary", and that safeguarding and promoting the core values of the ANC constitute one of the "key tasks of new phase of the NDR".
- More urgent steps should be taken to protect the image of the organisation by ensuring, among others, that "urgent action is taken to deal with public officials, leaders and members of the ANC who face damaging allegations of improper conduct". Measures should be put in place to "prevent abuse of power or office for private gain or factional interests. The ANC can no longer allow prolonged processes that damage its integrity."
- The delegates emphatically condemned "factionalism as well as the practice of slates" during conferences. In addition, delegates called for the ANC to tackle the underlying roots of these problematic practices which undermine the unity and cohesion of the movement. A clarion call was made on the organisation to "collectively develop new measures to stop these negative practices and not just condemn them while practically allow them to take root."

4.8 We agree with this approach. But in addition to the measures agreed at the Policy Conference, we want you to consider the **following proposals** :

4.9 On addressing the conflict of interests

- Public representatives cannot be public servants and business people at the same time. The same applies to leaders of the unions and SACU. We propose that all public representatives should choose whether they want to be people's representatives who must live within the means of the salaries their position provide, or business people.
- Where a person is elected whilst s/he is already involved in business, a mechanism should be found where his/her business interests shall be placed in a trust that cannot be active whilst he/she is still serving in political office.

1 Organisational Report of the 50th National Conference of the ANC, Mafikeng 1997.

2 Strategy and Tactics 1997, www.anc.org.za

- In addition to this, a rule must be introduced that when a public representative's family is involved in business, a conflict of interest must be avoided at all costs, through a rule that no family member of any public representative may do business with the state

4.10 Build capacity of the state and stop outsourcing and tenderisation of the state

- Endemic outsourcing creates a climate in which tender fraud flourishes, as more contracts are dangled in front of private companies for work, which could be done by workers employed directly.
- Therefore an important step to combat corruption is to reverse the policy of outsourcing public work. Putting work out to tender, which public service workers could do internally, threatens jobs in the public sector and leads to a worsening of working conditions. The Department of Public Works must be strengthened to implement this policy.
- While tenders are being phased out we need to implement the manifesto commitment on ensuring no tampering with tenders, that "we will step up measures to ensure politicians do not tamper with the adjudication of tenders; the process of the tendering system is transparent; as well as ensuring much stronger accountability of public servants involved in the tendering process." Concrete policy and legislation is urgently needed on this.

4.11 Implement Polokwane resolution on framework for post-tenure rules

- The ANC conference in 2007 and the manifesto for 2009 said we "must develop a framework on post-tenure rules, including a cooling-off period during which public representatives and senior officials will be prevented from accepting appointment to a board, employment or any other substantial benefit from a private sector organisation that has benefitted from a contract, tender or partnership agreement with the public service/state in a process that the official has participated in." Comprehensive policy and legislation must be introduced to give effect to this commitment.
- The Department of Public Service has developed guidelines for a cooling-off period of one year after a public servant leaves the public service before they can have an interest in businesses which they formerly dealt with. We believe it should be five years. Even this weak one-year period is not being enforced, so the guidelines should be replaced by legislation.

4.12 Redraft the ministerial handbook so that it is underpinned by our ethos of service

The former Minister of Public Service was instructed to review the ministerial handbook so that it is underpinned by the ethos and the culture of selflessness. This process is yet to bear results. The Conference should direct government to complete this process as a matter of urgency.

4.13 A new revolutionary morality to guide leaders facing serious allegations

A leading member of the movement facing serious allegations of criminality - corruption, theft, rape or murder - based on credible evidence, should bear in mind the interests of the movement and the damage that such scandals cause to the ANC's reputation in society, and be willing to resign from his/her position of responsibility, or at least to withdraw until full investigations are conducted into the accusations. This is notwithstanding the constitutional right to equality before the law and the principle of innocence until proven guilty. Guidelines should be drawn up by the movement which indicate what the movement and its leaders should do, once it is determined that the accusations are not frivolous or malicious, and that based on available information, they have a case to answer.

5. Our political framework in this current conjuncture

5.1 The 2011 COSATU Central Committee and August 2011 CEC, adopted an **overarching political framework** for the Federation. The resolution on the NDR stated:

"Our task in the current conjuncture is to defend the ANC 52nd National Conference progressive resolutions and ensure that we embark on a series of campaigns to ensure their effective

implementation. The political task of the working class in this conjuncture is to defend the leadership collective elected in this conference against those who have from inception launched campaigns to put this leadership on the back foot and who have undermined their authority.

“Our task is to work with government to realise the common objectives summarised in the ANC elections manifesto of 2009, and ensure that the programme of decent work is taken forward.”

5.2 The Resolution outlined the federation’s political posture as follows:

“We want the government to succeed on its five priorities because we know their failure will spell disaster for the working class. We will do so not by becoming uncritical supporters of both the ANC and government leaders hip. We shall at all times engage strategically with the ANC to ensure that it builds capacity and has the necessary confidence to act decisively to lead the Alliance and society. At the same time, when the leadership allows paralysis and lack of confidence in our movement, we shall, in a principled fashion, speak out and embark on campaigns to ensure that the revolution stays on track. We shall at all times engage the ANC leadership on our concerns so that they may appreciate why we have chosen to embark on such campaigns .

“Articulation of COSATU positions in opposition to the government or even other components of the Alliance policy positions should not be seen as public spats. It also does not take away the right and responsibility of comrades to engage robustly on any political question as they try to find answers to the burning questions of our society. This articulation should happen in a manner that seeks to build consensus and unity of the Alliance and should not degenerate into name calling and labelling.”

6. Scenarios, and the strategic approach of COSATU’s 2012 Congress

6.1 Given the political situation which has been unfolding, the COSATU Congress considered possible scenarios which may emerge. By a **scenario** we mean possible negative or positive future outcomes which may happen if certain factors, which are present to some degree in the current reality, are intensified, or alternatively, strategic interventions are made to chart a new course. The Congress further debated how to ensure that through our political actions, we realise the **high road** scenario we desire, and avoid the **low road** scenario which would spells disaster for our movement and the country, if it materialised.

6.2 This discussion of scenarios is similar to the debates which have been unfolding in the ANC, which acknowledge the seriousness of certain negative tendencies, and the devastating impact they will have, if they continue unchecked. The emphasis on the need to shift to a second more radical phase of the transition is precisely an attempt to create a new, more positive scenario, which will move the NDR into a new phase.

6.3 At the root of this approach of engaging with political scenarios, is the understanding that the political choices we make can have a profound impact on the future development of the country, positively or negatively. Indeed, our analysis of the Brazilian experience below shows that such choices can make a radical impact on a country, and can completely alter its course of development, within the space of 10 years or less. We consider the Brazilian experience, not in an attempt to mechanically transplant it, but as an inspiring experience of how a shift in political direction can profoundly change people’s lives.

6.4 The programme of action proposed by the COSATU Congress aims to realise this high road through a four pronged approach, which we believe is directly relevant to the challenges which delegates will confront at the Mangaung Conference. The four prongs of this approach are not very different to the challenges which the ANC has identified:

- Abolishing the apartheid wage structure, developing a national wage policy, redistributing income, and extending social protection;
- Radical socio-economic transformation, aimed at securing structural economic change, and addressing the triple crisis of poverty, unemployment and inequality;
- Organisational renewal, and deepening of democracy;
- A political programme to drive the second phase of our transition, through a developmental interventionist state, and an ANC led Alliance constituting the strategic centre of power.

6.5 This proposed programme is set out in more detail in the Congress Declaration. An extract of this Declaration is attached to the booklet.

7. The low road scenario

7.1 The Political Report to COSATU Congress considers a series of negative tendencies in the movement, state and society, which if unchecked, could lead to a fully-fledged low-road scenario unfolding. The Report sees political choices made at this year's Mangaung Conference as being critical to either plunging the movement into this disastrous scenario, or helping to avoid it, and constructing a much more progressive trajectory for the country.

7.2 The Report paints the following 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 is 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.
- 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 consolidates its hold on the minorities and makes inroads into the majority vote. The non-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 remains loyal. 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 SACP and COSATU are perceived to have been part of that betrayal. The revolution has reached a dead end. People start searching for solutions elsewhere.

7.3 The Political Report then says "the working class must do whatever it takes to stop this low road scenario from materialising. It is not an option for us to allow a derailed revolution, or the emergence of a DA or other reactionary government in future. "It then argues for the movement to pursue a high road scenario, which it suggests can emerge from South Africa's equivalent of Brazil's Lula moment ...

8. A high road scenario - the 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

8.1 The ANC proposal to launch a second, more radical, phase of the transition coincides with the second term of the ANC post-Polokwane, raising interesting parallels with the Brazilian experience. In Brazil, 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), however, he engineered a dramatic turnaround, which saw a series of amazing 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

8.2 A revolution is taking place in people's living standards in Brazil, and other parts of Latin America. Strides have been made in creating decent work and reducing poverty, inequality and unemployment over a short period. At the heart of 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 people's incomes is the introduction of ***social protection measures*** to ensure that all the poor, including the unemployed, have access to a basic income. These redistributive policies have been effectively combined with state-driven industrial and investment strategies.

How have these achievements been driven politically in Brazil³?

8.3 In his first term of government (2002-2006), President Lula was tainted both by the adoption of neoliberal economic policies and a serious problem of corruption in the Workers Party (PT), and government. An interview in November 2010 with Brazilian academic Professor Alfredo Saad-Fihlo outlines the difference between his first and second terms: "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

³ The 2011 COSATU Central Committee discussion paper on the international situation reflects in more detail on the progressive Latin American experience.

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

8.4 According to Professor Saad-Fihlo - a left critic of Lula’s government - Lula, together with his allies in the PT, 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. Government and Party leadership was changed and important policy shifts were engineered, regaining the support of worker and peasant organisations, which 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%. This turnaround is what we term the **‘Lula Moment’**.

8.5 Professor Saad-Fihlo, who acknowledges the progressive impact of this turnaround, describes how this was done: “He recomposed his top team, decimated by the scandals. Heterodox⁵ 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 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.

8.6 “The government’s social programmes were also expanded, especially the ‘bolsa família’ (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% 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.”

8.7 Since this interview was published, the figure for formal jobs created since 2003 was 17 million by 2012, unemployment was reduced from 13% in 2003 to 5% in 2011, and real increases in the minimum wage grew substantially. In addition, extreme poverty had been reduced from 30% of the Brazilian population to 10%, between 1993 and 2008.

8.8 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

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

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

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 *among others* for:

- Environmentally destructive policies, 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, Central Bank monetary policies, until recently have been conservative, with high interest rates. This is countered by the use of state facilities which provide finance at very low interest rates. Under President Dilma, a new Reserve Bank head has recently been appointed, who has progressively reduced interest rates;
- Dependence on the export of primary commodities, and import of consumer goods, despite its industrial policy;
- Persistence of relatively high levels of corruption;

8.9 Nevertheless the achievements of the last decade have been dramatic, particularly in terms of the labour market, reduction of poverty and redistribution of income (see attached appendix).

Lessons from Brazil and Latin America

8.10 These achievements are important, because they show that, with the necessary political will, and strong leadership, a turnaround can be achieved, from an undesirable situation. It therefore contains important lessons for South Africa.

8.11 A more detailed study is required of the Brazilian experience, but some initial lessons include:

- Decisive political leadership enabled the Brazil 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.
- They 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 centred on redistribution of incomes and stimulating demand. This was deliberately linked to

an industrial policy which promoted local procurement and production and 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 Latin America 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.
- 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.

8.12 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 countries⁶ now have left or centre-left governments: Venezuela, Brazil, Argentina, Bolivia, Uruguay, Ecuador, and Peru, in addition to progressive governments in Central America. 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 macroeconomic 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 actively promoted popular participation, and the growing assertiveness of the working class and peasantry. This has led to new forms of popular democracy.

8.13 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 advance 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.

8.14 We now 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*. This strategic path is not an option, but a *necessity* for the working class, if we are to play our role as the leading motive force, putting the NDR on track, and keeping it there.

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

9.1 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 forge a new path, and some countries are taking that space.

9.2 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

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

participation, harnessing of peoples power etc, and 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 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.

9.3 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.

9.4 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 failed orthodox neoliberal policies.

9.5 Visible progress in these three areas will go a long way to combat emerging alienation of our people, and renew their confidence and involvement 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.

9.6 Interventions proposed at the Mangaung Conference need to focus in particular on transformation in the **3 key pillars** we have identified - **the movement, the state and the economy** :

9.7 In relation to **the ANC**, delegates 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.

9.8 At the level of the **democratic state**, delegates 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.

9.9 At the level of **the economy**, the Conference needs 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 requires a coherent package of economic policies to ensure that macro-economic, industrial, labour market, and social protection policies, are driven by the same agenda. This is 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 (SARB), 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.

9.10 The post-Polokwane power dynamics summarised above help to explain why progressive resolutions, or stated policy shifts, aren't **in themselves** sufficient to change the trajectory of the

country. Many progressive resolutions from the Polokwane Conference, the 2010 NGC, and the Alliance Summits remain unimplemented either because they threaten vested interests who continue to dominate the policy agenda; 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. Any decisive advance depends on a radical shift in power relations. This requires a focused leadership collective with the necessary political will, challenging entrenched interests in the movement, state and capital. The outcome of Mangaung will indicate whether this is on the agenda.

9.11 There is now an Alliance agreement in principle that we need to make substantial political changes to the functioning of the movement and the state; and that a radical economic shift is required. Further, conditions described above (an emerging multiple crisis) are putting huge pressure on the progressive forces to put forward a platform which can unite the broad movement. The international situation has also created new policy space to promote progressive alternatives. So there is objectively a greater basis for the Alliance to agree on a platform than there was in the past.

Elements of a National Agreement

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

1. Measures to ensure representivity and integrity of the new leadership collective, at national provincial and local levels, and to combat social distance.
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; and a package of interventions to combat corruption.
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; 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 SARB and key SOEs and DFIs, and that their mandates be changed accordingly. A renewed and more focused mandate should also be given to the National Planning Commission and EDD to realign the national development plan and the New Growth Path to reflect this radical shift.
4. Implementing proposals to promote a more effective, co-ordinated developmental state, including the Alliance-agreed proposal to implement a Council of State, to ensure a more streamlined and effective Cabinet structure.
5. 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.
6. Special intervention programmes to address crisis situations, in public health and education, and other identified areas of service delivery.

7. A protocol on the Alliance and governance to ensure effective implementation of ANC and Alliance policies, and co-ordination with the work of government, and a regular co-ordinating mechanism between the President, ANC, SACP and COSATU, to ensure a structured forum for ongoing input into issues of governance.
8. Alliance mechanisms to monitor and **ensure implementation** of identified strategic 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, and various Polokwane and Manifesto undertakings on the economy, corruption and state transformation, etc.

9.13 This should be a clearly spelled-out agreement, setting out a sequence of practical commitments to advance 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 concrete confidence-building steps, to re-establish the belief amongst people, and the 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.

9.14 An area which needs special emphasis is the urgency of **building capacity** to implement policy. Polokwane resolutions, the manifestos, State of the Nation Addresses, ANC Conferences, the NGC and recent Policy Conference all contain many positive and progressive announcements on what will be done, yet the sorry track record of non-implementation has led to some disillusionment. We need to take responsibility for our failure to implement, and take corrective measures.

Leadership

9.15 *"Before we can even begin to think about (electing) individuals, workers should go back to lead the ANC. Before emotions take their toll on all of us and before we get trapped into pro this and anti that caucus, we must agree on the framework and criteria for electing leadership."* Discussion paper on the Leadership Challenge, 4th COSATU Central Committee 2007.

This statement remains as valid today as it was then.

9.16 The COSATU Special CEC of October 2012 reaffirmed a framework of criteria which will guide support of any ANC or Alliance leadership. These criteria for supporting leadership were their:

- a. Commitment to a radical NDR and thorough going transformation of society;
- b. Proven commitment to the Alliance and asserting the hegemonic position of the working class as a primary motive force;
- c. Commitment to the unity of the ANC, the Alliance and the democratic movement;
- d. Commitment to make this decade truly a decade of workers and the poor, and galvanise the progressive forces of the liberation movement and work with progressive elements of civil society;
- e. Have an anti imperialist and internationalist character;
- f. Have a struggle record and are politically experienced;
- g. A record of good governance and a fight against corruption.

9.17 The leadership document also proposes:

- The need for measures to ensure greater working-class leadership in ANC structures, **given that** “the working class has been displaced in the leading structures of the ANC”. It proposes extending the gender quota, to ensure that the demographics and class composition of the membership is also broadly reflected in leadership structures;
- The need for measures to limit the over representation of business people, bureaucrats and government ministers in leadership structures.
- The possibility of having a bloc of seats allocated to COSATU top leadership to sit *ex officio* in the NEC, PEC etc;
- The ANC leadership election process could be subjected to rigorous criteria to ensure representivity, as is currently done with gender requirements.

9.18 Leaders have in the past 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? We need to ensure that the people mobilise pressure from below. The current balance of forces suggests that a mobilised working class has the best opportunity in a long time to set conditions under which the new leadership will be given a clear mandate for change.

10. Socio-economic Transformation

10.1 Delegates to the COSATU Congress in September this year agreed with the proposal from the ANC Policy Conference that we need to engineer a second, more radical, phase of the NDR; and that the core of this second phase must be a ***fundamental economic shift***, to transform the structure of our economy and address the triple crisis of poverty, unemployment and inequality.

10.2 The 2012 ANC Policy Conference agreed that a comprehensive strategy was needed to ensure that a strong developmental state intervened decisively in the economy, to address the triple challenges of unemployment, poverty and inequality⁷, and that a review of macro-economic policies was required aimed at realigning these policies to ensure development, employment and redistribution, with other forms of “bold state intervention”, including:

- Financial regulation and control, including through a state owned bank.
- Progressive and redistributive taxation.
- Wage and income policies that address poverty and inequality.
- Land redistribution
- Progressive competition policies aligned to our development objectives
- Well-resourced state-led industrial and trade policies
- State ownership, including more strategic use of existing state-owned companies, as well as strategic nationalisation, where appropriate.

10.3 A process of engagement on economic policies should be co-ordinated in the run-up to Mangaung, involving ANC structures, the Leagues, and Alliance partners, to develop this comprehensive strategy.

⁷ This reflects the thrust of the agreement in the Commissions on economic transformation. The formulations published in the report of the policy conference did not capture this accurately in all respects.

10.4 While there are some differences in emphasis, the thrust of the approach emerging from the ANC Policy Conference, is broadly similar to proposals from COSATU'S 2012 Congress. Key economic proposals contained in the adopted Congress Declaration include:

- A call for decisive state intervention in strategic sectors of the economy, including through strategic nationalisation and state ownership, and the use of a variety of macro-economic and other levers at the states disposal, which can be deployed to regulate and channel investment, production, consumption and trade to deliberately drive industrialisation, sustainable development, decent employment creation, and regional development, and to break historical patterns of colonial exploitation and dependence.
- The need to adopt measures to transform the apartheid wage structure and craft a new national wage policy. Proposals to advance this include a national minimum wage, mandatory centralised collective bargaining, and ensuring social protection for the unemployed. The national minimum wage would be linked to a minimum living level, as a basic wage floor above which unions will negotiate sectoral wage levels
- The urgent need to overhaul our macro-economic policy in line with the radical economic shift which we all agree needs to happen. To this end we committed to engaging with our alliance partners in the run-up to the ANC National conference, on the macro-economic policy review.
- The radical economic shift requires that a new mandate needs to be given to the Treasury, all state-owned enterprises and state development finance institutions and the SARB, which must be nationalised. The National Planning Commission must be given a renewed mandate, to realign the national plan, and aspects of the New Growth Path, with the proposed radical economic shift and new macro-economic framework.
- Urgent steps must be taken to reverse the current investment strike and export of South African capital, including capital controls and measures aimed at prescribed investment (channelling of retirement funds into productive investment) and penalising speculation. Currently R1, 2 trillion lies idle in social surplus which employers are refusing to invest.
- Comprehensive land reform and measures to ensure food security.
- The urgent introduction of comprehensive social security.

10.5 These resolutions flag the broad strategic direction which our organisations are proposing on economic policy. The ANC Provinces have advanced more detailed proposals on a wide range of issues relating to socio-economic transformation, in the run-up to the Policy Conference. Here too there are significant areas of convergence with the detailed resolutions put to the COSATU Congress.

Key economic proposals of the ANC Provinces and Leagues⁸

⁸ This is not comprehensive, but extracts some key proposals from submissions of Leagues and Provinces, which run to several hundred pages. A few examples are given of specific proposals from Provinces, but many of the proposals are shared by a number, and in some cases all, Provinces.

There is agreement that we need structural economic transformation, if we are to address the triple challenge. The question of transformation, control & ownership of the economy is at the core of the NDR. Key elements of this transformation, advanced by the ANC Provinces and Leagues, which, together with some of our suggestions, and consolidation of progressive resolutions from Polokwane on economic policy, COSATU believes need to find their way into the final policy decisions adopted at Mangaung, include:

1. A strong **developmental state**, capable of intervening strategically in the economy. We need a state-led, not a market driven economy, with state intervention in the commanding heights of the economy (ANC Gauteng & KZN). Further, the ANCYL argues, we need a state that will intervene decisively in the economy in favour of the working class and its popular allies. The Freedom Charter should remain the centrepiece informing economic transformation in South Africa (ANC Northwest).
2. On **state ownership**, there is broad support amongst all provinces for greater state ownership in strategic sectors of the economy. In addition to leveraging existing state ownership more effectively, and transforming SOEs, there is wide support for the creation of state owned corporations in banking and finance, construction, and steel. Further, COSATU supports the Policy Conference call for nationalisation in strategic sectors of the economy, including those identified by the 2010 NGC, as well as renationalisation of key entities such as Sasol, and Arcelor Mittal.
3. On **macroeconomic policy**, there is agreement that we need fiscal and monetary policies to be realigned to promote development, the creation of decent work, etc. Elements of an approach are contained in the Provinces' submissions, but more engagement is needed to flesh out what this realignment involves. No development strategy can succeed without appropriate macroeconomic tools (ANC Limpopo). This includes the need for a refocusing and broadening of the mandate of the SARB and the need for greater accountability by the Bank; the need for monetary policy to be more flexible, in order to promote development (ANC N Cape); the need for affordable interest rates, to promote productive investment, and state measures to provide affordable finance, including preferential interest rates offered by DFIs; the need for capital controls to be introduced, including taxes on short term speculative capital flows; greater regulation of the financial sector; a more progressive fiscal framework aligned to our developmental objectives, with a proper resourcing of employment promotion policies, in particular our industrial strategy; and to ensure that the tax regime is more progressive and redistributive, including the need for companies to pay their fair share. Further discussion is needed on how our macro-economic stance stimulates economic activity and promotes employment.
4. On **industrial strategy**, there is general agreement that inadequate resources are being applied to this flagship programme and that it needs to be properly resourced (ANC E Cape). This strategy is key in transforming the structure of our economy - breaking our reliance on export of commodities; promoting domestic manufacturing; development of a capital goods sector; and implementation of a comprehensive beneficiation strategy. This industrial strategy should promote a greater labour intensity of the economy. The dti should assist in identifying imported goods which could be targeted for import substitution by manufacturing locally (ANC N West). State procurement must systematically promote local manufacturing and services. Additional specific calls are for action against monopolies, and an end to import parity pricing⁹, to control the price of key inputs to the

⁹ A system whereby SA producers charge a price for commodities based on what it would cost to import the goods from a foreign country.

economy. Further, for an overhaul of BEE policy, and decisive action to eradicate BEE fronting. Social forms of ownership should be promoted, particularly co-operatives development.

5. On the **minerals sector**, there is in general agreement that state intervention and ownership is necessary in various forms if this key strategic sector of our economy is to be transformed. The debate is on the nature and extent of state ownership. All structures agree that there needs to be far more decisive use of state ownership of *mineral rights*, both in terms of conditions attached to those rights, deployment of those rights as part of a coherent industrial strategy, as well as capturing by the state of a far more substantial part of the social surplus (through resource rents) created through these national assets. Greater state control also extends to control over marketing and selling of strategic minerals such as platinum (ANC KZN).

There is agreement that our minerals need to be harnessed for development and employment, both nationally and in mining communities. Strategic exploitation of mineral resources needs to be a key driver of our industrial strategy. Decisive state intervention is needed to ensure the maximum beneficiation of these resources, and to promote industrialisation, both through downstream and upstream linkages (upstream, e.g. the provision of machinery to the mining sector; and downstream the manufacturing or beneficiation of minerals). Detailed proposals on various mechanisms for state control have been made by Provinces such as N Cape, KZN, Gauteng, and theANCYL.

There is also agreement on the need for the state to develop the *state owned mining company* as a serious player in the minerals sector. None of this will happen without major state intervention. On *nationalisation*, the majority of ANC structures agree that strategic nationalisation is necessary at least in some parts of some parts of the mining sector, but there are differences of emphasis on the degree of nationalisation which is necessary, and the model to be used. There appears also to be agreement that nationalisation of mines should not be used to bail out indebted mines which are not profitable (ANC Gauteng).

6. On the role of **State Owned Enterprises (SOEs) and Development Finance Institutions (DFIs)**, there are a range of proposals to increase their strategic role and effective state deployment of this capacity to intervene in the economy. Through an overarching SOE and DFI policy, the state should set clearly defined mandates & objectives for all state entities, and ensure proper oversight and co-ordination. They should be strengthened to play a key role in identified strategic sectors. SOEs and DFIs should play a key role as vehicles to revitalise economic centres in urban and rural areas. Workers should be empowered in management and decision making processes within SOEs.

7. On **tendering and procurement**, there is agreement that there needs to be a strategy to abolish the tender system in its current form, and review the system of procurement, to reduce overreliance on the private sector and eliminate corruption and mismanagement from the system. The state should avoid renting buildings and infrastructure.

8. On **infrastructure**, it is agreed that infrastructure development should be harnessed to promote production of local goods and services, through drive for local content; that it must not be skewed towards monopoly capital, but must address social backlogs and promote new industrial development (ANC Mpumalanga); and ensure maximum leverage for job creation.

9. On **labour market transformation**, a more comprehensive input is needed at Mangaung, particularly on the need to abolish the apartheid wage structure (see COSATU resolution above),

and to give meaning to the concept of decent work, in the context of the current challenges of poverty wages and massive inequalities. COSATU has advanced a clear set of proposals on national minimum wages, a co-ordinated collective bargaining strategy to reduce wage gaps, and comprehensive social protection. In addition the ANC provinces have placed important questions on the agenda including the need to act against abuse of migrant workers by employers, with sectors employing migrants being tightly monitored and regulated; the need for more effective policing of labour laws on the farms; and better alignment between skills development strategy, and our industrial strategy.

10. Extensive proposals are made by the Provinces and Youth League on **youth development**, which we are not able to reproduce here. But the Policy Conference resolution on Economic Transformation contains a subsection on youth employment which proposed that urgent measures are introduced to address youth unemployment. The Conference proposes various measures to bring youth into the workplace "while still protecting the jobs and conditions of existing workers." While COSATU supports the need for urgent action on youth employment, and in principle supports initiatives such as the work-seekers grant, and measures to promote training, we remain convinced that the wage subsidy is the wrong instrument to use, and had support on this matter of the majority of provinces and the Youth League, at the policy conference. We support the idea of a national accord on youth employment, but this should be based on a strategic agreement between the Alliance partners. We believe that sufficient basis exists for a joint platform between COSATU's proposals in our *Growth Path for Full Employment*, and proposals by the ANC Provinces and Youth League on this matter.

11. On economic empowerment of **women**, provinces focus on a number of interventions, including those which will address the plight of the most vulnerable women workers, with a focus on decent work in sectors they occupy; the extension of social protection; and actions to protect women in the most vulnerable sectors, such as domestic and agricultural work (ANC KZN).

12. On **rural and regional development in South Africa**, provinces have proposed various mechanisms to address regional underdevelopment. These include the need for a development fund, and an equalisation fund, to redress inequalities, and a more equitable fiscal framework. Spatial planning should consciously counter these disparities, and focus on underdeveloped and rural regions. A focused financing agency is proposed for rural development (ANC W Cape) and a rural co-operatives bank.

The industrialisation strategy should include a special focus on rural areas, which in addition to the infrastructure rollout programme, caters for appropriate development of rural industry, and light manufacturing, as well as beneficiation of raw materials, and agro-processing. Targeted incentives should be used to promote development of rural and underdeveloped areas. Proposals for **land reform** include recognition of land in the constitution as a socio-economic right, massive speeding up of land redistribution, replacement of the willing-buyer-willing-seller model, passing and implementation of an Expropriation Act, agrarian reform aimed at ensuring increased food production and food security, and restructuring of the land tenure system.

13. On **Southern Africa, Africa and Brics**, it is agreed that there should be a broad-based industrialisation strategy for Africa, as part of a new developmental agenda. The government and SOEs should take the lead in this African development strategy. We should shift focus to greater trade in Africa, and with the East and Latin America (ANC E Cape). On Brics, we should

maximise the leverage which our membership of Brics offers, and support the plan for a Brics Development Bank, and alternative currency.

10.6 These key proposals on economic policy from the ANC Policy Conference, the COSATU Congress, and submissions from the ANC Provinces and the Leagues, form a solid basis for a policy platform to give effect to the radical economic policy shift envisaged in this second phase of the transition. We encourage the delegates to Mangaung to give effect to this shift at this critical point in our revolutionary transformation.

10.7 Organised workers in this country again want to wish all delegates and leaders of the ANC the insight, energy and revolutionary determination to succeed in this epic task!

Appendix 1: Extracts COSATU 11th National Congress Declaration

We are meeting at a time of a global economic crisis, and massive domestic challenges. On the one hand this crisis worsens our triple crisis of poverty unemployment and inequality. On the other, space has now opened up for countries to pursue radical economic alternatives. The moment to act is now! After 18 years of freedom the patience of our people is running out!

Workers are demanding that the People Shall Share in the Country's Wealth. Our people are speaking through their structures, and demonstrating their lack of patience through wildcat strikes and service delivery protests. Our members are sending us a clear message:

- They are demanding an end to starvation wages that in the main affects the black working class. They are demanding that the unions should spare no efforts to fight against these poverty wages and near slavery working conditions in most of the sectors of the economy.
- They are telling us that they have had enough of the unfulfilled promise to implement the Freedom Charter. They demand a radical change in their socio-economic conditions, and the creation of a powerful developmental state, which intervenes decisively in strategic sectors of the economy. This requires a radical shift in economic policy, and a full implementation of the Freedom Charter! They are communicating a strong message that political freedom may soon be meaningless without economic freedom.
- They are calling for the abolition of the apartheid wage structure, the creation of strong collective bargaining institutions in all sectors of the economy, and comprehensive social protection for the unemployed!
- They are calling for decisive action to end abusive practices particularly labour broking, and casualization, and the super-exploitation of vulnerable workers!
- They are calling for the creation of decent living conditions where they live, rural and urban; they want urgent steps to address the crisis facing the public health system, and for us to work to address the education crisis, in particular the dysfunctionality of most of the working class schools; they want affordable, accessible and efficient transport so that they do not continue to be the main victims of the ongoing road carnage; they want provision of houses close to where they and in a manner that ends the apartheid spatial development.
- They are demanding powerful worker-controlled unions in all sectors! They want their unions to in the main focus on a battle to improve their wages, improve conditions of employment and defend their jobs.
- They demand responsive and accountable local government. They demand councillors and government officials that are selflessly dedicated to improve their conditions by embarking on a series of joint campaigns aimed at turning their situation around.
- They have had enough of corruption which is an elite programme to steal from the poor. They do not take kindly to the obscene displays of public consumption by the elite, a message that says we don't care about your crisis of poverty - we have arrived.

Workers whether in far flung rural areas, or urban slums, say that they are no longer prepared to tolerate poverty wages:

- Mineworkers, who produce our wealth in the belly of the earth, are earning a tiny fraction of the surplus they produce.
- Farm workers who produce our food work under near slave conditions.
- Retail and commercial workers, many casualised women without basic benefits barely make enough to pay for their transport.
- Security workers who protect us, and transport workers who take us to work, work unbelievably long hours for a pittance.
- Our nurses, teachers and police are not being fairly paid for the valuable services they provide.

The majority of these workers, together with workers in the clothing factories, the foundries, and countless plants around the country work long hours and face dangerous conditions for poverty wages. Over half of South Africa's workers work for less than R3000 a month!

We know that we cannot afford to fight silly battles against one another when the house is on fire. We have agreed that a radical agenda of socio-economic transformation must be the core element of the second phase of our democratic transition! We call this our ***Lula moment*** to speak to a successful transformation that has changed the lives of millions of workers and peasants in Brazil.

Congress asserts that it is only through strong worker-controlled organisations and unity that workers can make gains, defend these gains and sustain them over time. We will therefore embark on a concerted organisational drive to consolidate, build and further democratise our organisations; extend our organisations to areas where workers are currently unorganised; and to act decisively to combat practices, or conditions, which lead to worker disunity or fragmentation of our organisations.

The COSATU Congress therefore called on us to go back to basics, focus effectively on workplace issues, organisation and recruitment, deliver service to our members, and implement our 2015 Plan! It is only through building powerful, unified organisation that workers will have an effective engine to drive the changes we want to see at the workplace, in the economy, and at a political level.

In relation to the ***current crisis in the mining industry***, and the situation post-Marikana, the Congress observes that organisationally, the history of workers struggles in South Africa shows:

- Wild cat strikes and undirected outbursts of workers grievances, while they can achieve significant gains in the short term, will in the longer term leave workers isolated, vulnerable and exposed to worker-bashing tactics by employers, if this militancy is not transformed into sustainable organisation, both at a company and industry level. There is no short-cut outside of the building of strong worker-controlled unions.
- COSATU is the Federation of choice, and the home for the vast majority of organised workers in this country. Therefore, workers who build their organisation within the Federation multiply their power, and can draw on the solidarity of millions of fellow members. Equally those who choose to move outside the organisation, weaken themselves immeasurably.
- We need to expose and combat the deliberate ploys by employers to promote splinter unions, provoke unprotected strikes, and undermine centralised bargaining, as ways of smashing worker organisation.

Business and their opportunist political bedfellows want to play the old strategy of divide-and-rule, so that they can reverse the workers' victories and resume and intensify their super-exploitation of the workers and amass even bigger profits.

We reiterate the call that there must be an Independent Commission of Inquiry into the mining industry, to look at measures to transform the sector; and that COSATU will fully support a fighting programme for a more equitable distribution of the surplus to mine workers, in line with our campaign for wage equity throughout the economy.

The programme of action will be based on the following pillars:

ABOLISH THE APARTHEID WAGE STRUCTURE: FORWARD TO A LIVING WAGE!

Too many workers and their families are living in poverty. It is totally unacceptable that half of all employed workers earn R3000 a month or less, meaning that the majority of South African workers can't afford the basic necessities of life. Combating low wages is at the heart of addressing poverty and inequality.

Congress agrees on the following urgent measures to abolish the apartheid wage structure, and put a more equitable structure in place. As a matter of extreme urgency, we will take the following steps:

1. Call a **National Bargaining, Campaigns and Organising Conference** to consider proposals to transform the apartheid wage structure, and craft a new national wage policy. These proposals include a National Minimum Wage, mandatory centralised collective bargaining, as well as ensuring social protection for the unemployed. The national minimum wage, if adopted, would be linked to a minimum living level, as a basic wage floor above which affiliates will negotiate sectoral wage levels
2. All COSATU affiliates will **urgently review wages and collective bargaining strategies** in their sectors, and develop demands to take forward this programme of transforming our wage structure. This will include innovative bargaining strategies which move away from an over-reliance on across-the-board percentage increases, as well as challenging entrenched discriminatory grading systems.
3. We will convene urgent meetings with government and the ANC, at the highest level, to discuss the development of a **new wage policy** for the country, which will be aimed at deliberately and systematically transforming the current apartheid wage structure.

Congress expressed its determination to protect the integrity of collective bargaining, and to resist all attempts by employers to undermine it. Congress reaffirmed the strike weapon as the primary tool of exercising power that workers have at their disposal. It was agreed that we need to step up our solidarity in strikes, that we should campaign for amendments to the Gatherings Act, and that we should investigate the establishment of workable strike funds, within the framework of a Federation-wide policy.

RADICAL SOCIO-ECONOMIC TRANSFORMATION: THE PEOPLE SHALL SHARE IN THE COUNTRY'S WEALTH!

We agree with our Alliance partners that **the core of this second radical phase of the transition of our NDR must be a fundamental economic shift**, to transform the structure of our economy, and address the triple crisis of poverty, unemployment and inequality.

While we have made important advances in the areas of democracy, human rights and social benefits, for which we give full credit to the efforts of our Alliance, and the ANC government, socio-economically, workers' lives have not been transformed. As a result of the structural fault-lines of the

economy we inherited from colonialism and apartheid, the disastrous neoliberal policies of the 1996 class project, and the worldwide crisis of capitalism, working people face mass unemployment, widespread poverty and widening inequality.

The shocking levels of unemployment, poverty and inequality lie at the heart of the increasingly violent protests we are seeing in both workplaces and communities. It is creating what until recently we have called 'ticking' bombs. In the context of the events in the mining industry, and the growing service delivery protests, we now must talk of 'exploding' bombs.

We have clearly not come close to achieving the demands in the Freedom Charter that:

- *The people shall share in the country's wealth;*
- *The national wealth of our country, the heritage of South Africans, shall be restored to the people;*
- *The mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole;*
- *All other industry and trade shall be controlled to assist the wellbeing of the people."*

This Congress therefore resolves to embark on a programme of action to drive the radical economic shift in line with the demands of the Freedom Charter. Key demands include:

- The call **for decisive state intervention in strategic sectors of the economy**, including through strategic nationalisation and state ownership, and the use of a variety of macro-economic and other levers at the states disposal, which can be deployed to regulate and channel investment, production, consumption and trade to deliberately drive industrialisation, sustainable development, decent employment creation, and regional development, and to break historical patterns of colonial exploitation and dependence.
- The urgent need to radically overhaul our **macro-economic policy** in line with the radical economic shift which we all agree needs to happen. To this end we will engage with our alliance partners in the run-up to the ANC Manguang conference, on the macro-economic policy review.
- The radical economic shift requires that **institutionally**, the Treasury, which constitutes the biggest obstacle to the government's economic programme, needs to be urgently realigned; a new mandate needs to be given to the Reserve Bank, which must be nationalised; and the National Planning Commission must be given a renewed mandate, to realign the national plan, in line with the proposed radical economic shift. Aspects of the New Growth Path also need to be realigned in line with the proposed new macro-economic framework. All state owned enterprises and state development finance institutions need to be given a new mandate.
- Urgent steps must be taken to reverse the **current investment strike and export of South African capital**. There is currently R1, 2 trillion lying idle in social surplus which employers are refusing to invest. These measures need to include capital controls and measures aimed at prescribed investment, and penalising speculation.
- The urgent introduction of comprehensive social security.

The COSATU Congress resolved to lodge a Section 77 notice around demands for a radical economic policy shift including:

1. On the role of Treasury, monetary policy and the Reserve Bank;

2. State intervention in strategic sectors including through nationalisation;
3. Measures to ensure beneficiation, such as taxes of mineral exports;
4. Channelling of retirement funds into productive investment;
5. Comprehensive land reform, and measures to ensure food security; and
6. The more effective deployment of all state levers to advance industrialisation and the creation of decent work on a large scale.

The CEC will elaborate the Section 77 notice based on these demands and other socio-economic demands which have been raised by Congress.

At the same time, Congress was encouraged by certain new directions in government policy, including some steps towards a coherent beneficiation strategy, local procurement, an infrastructure programme aligned to an industrialisation and development strategy, IPAP, and the beginnings of a new approach to regional development.

However much more urgency is required. In addition Congress is convinced that these initiatives will only have their full impact in the context of an appropriate macro-economic strategy, through which the state is able to maximise the developmental impact of its interventions on the economy. In addition, certain amendments need to be made to legislation aimed at curtailing monopoly capital, to strengthen and broaden the power of competition authorities.

In terms of workers collective savings we pledged to work towards:

- The consolidation of retirement funds and the creation of a central retirement fund investment vehicle in the private sector, along the lines of the PIC, aimed at directing savings of workers into productive investment, and development.
- The establishment of a Workers Bank.

Congress called for a coherent regional strategy to promote African economic development and industrialisation and the development of the African market. We further call for the involvement of African trade unions in continental development processes.

CREATING OUR OWN LULA MOMENT: DRIVING THE SECOND PHASE OF OUR TRANSITION!

The Lula moment starts now! Congress agrees that we need to drive a programme of action together with our allies, which will engineer the transformation we desire. The Congress endorses the proposal for a national agreement contained in the **Secretariat political report (see section 9 above)**, as a basis for engagement with our allies, to be further elaborated by the CEC. This will be our key input into the second phase of the transition, and our contribution to our `Lula moment`.

The second phase of the transition requires that

- The programme of the movement is clearly biased towards the working class, and is based on an agreed platform which is implemented by government
- We deliberately build an activist interventionist state
- The ANC-led Alliance constitutes the strategic centre of power

The Political Report, together with affiliate proposed resolutions, proposed a series of interventions which need to be advanced by the Federation, together with our Allies, including effectively transforming the state, dealing with challenges of corruption and non-delivery, ensuring representative

and accountable leadership in the movement, swelling the ranks, building political unity inside and outside COSATU, building the mass democratic movement, and developing the Alliance as the engine of transformation.

In addition, a specific matter which Congress said must be addressed is the abolition of the Provinces. The CEC must look at how to best elaborate these proposals and take them forward.

While the country is facing serious challenges, we must not sink into despair and feel that there is nothing we can do. Developments in Brazil and other Latin American countries have shown in practice that policies to reduce poverty, create employment and speed up economic growth can start to turn the tide. They have confounded the prophets of doom who say there is no alternative to the neoliberal, free-market system of capitalism which is based on the super-exploitation of workers and lies at the heart of our crisis of unemployment, poverty and inequality. Of course the policies implemented in Brazil and other Latin American countries cannot be implemented mechanically in South Africa but they give us hope that there is an alternative.

Appendix 2 Transforming people's lives in Brazil: 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. [Note: the real increase in the minimum wage since 2003 is now over 80%]

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. [Note: formal employment since 2003 has now increased by 17 million jobs]

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.

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 It has subsequently increased slightly in 2012, with the economic downturn.

12 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

ILO and 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 strong labour market performance was due in large part to the Government's effective **response to the economic crisis**.