

Political Report to the Tenth Cosatu National Congress

Theme: Consolidating Working Class Power in Defense of Decent Work and for Socialism

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i. Preamble

This Report is dedicated to comrade Violet Seboni, who was prematurely taken away from the movement. Comrade Violet was a good example of the shop floor based and shop-stewards activism that has characterised COSATU for more than two decades. In honour of this fine comrade, the movement must continue to be rooted in the workers at the shop floor, in the mines, factories and public services. Shop-floor activism and internal dynamic participation by all the structures is the only guarantee of the movement's survival. It is also how, for many years, COSATU has reproduced leadership. Further, we acknowledge the many members and leaders that have laid down their lives in service of the movement and the cause it is fighting for. In this regard we recall the immense contribution of comrade John Gomomo, the former President of the Federation who passed on January 22, 2008, Don Pasqualli, Deputy General Secretary of SADTU, who like Violet Seboni died tragically in a car accident on January 25, 2008. We recall comrade Pinky Singozo-Shuping, Deputy President of POPCRU who also passed on June 20, 2008.

The Report is also dedicated to the countless shop stewards, the COSATU's two million members, and leaders at all levels. These comrades are the bedrock and lifeblood of the Federation; and continue to work tirelessly, often without reward, to continue the struggles of the workers. Without, their contribution, COSATU will not be a force to be reckoned with. It is for this reason, that your efforts must be acknowledged. COSATU is a movement of ordinary working men and women that have joined together to fight for a better life for the workers in the thousands of workplaces across the country. COSATU members also understand that workplace struggles are integrally linked to community and the broader struggle for social transformation. Hence, they form the backbone of our allied formations, the leading

formation of our national democratic revolution, ANC and the vanguard of the South African working class, the SACP.

ii. Introduction

The task of the political report to the Congress is two-fold. First, it must provide a political analysis of the domestic and global situation; identify opportunities and challenges; and assess the strengths and weaknesses of the forces fighting for change. The second task of the report is give feedback to delegates on what actions were taken to implement the mandate of the previous Congress, i.e. Activity Report. For that reason, the Political Report is divided into two parts, reflecting on the broad strategic challenges facing the democratic movement, and a report to delegates and members on the execution of the mandate.

The political report is obviously tabled in a different context than the one that prevailed at the 8th National Congress:

- a. The profound ANC 52nd ANC Conference or 'Polokwane Conference' will resonate for many years to come. The changes it has proposed are still at an early stage, but mark a decisive landmark in the post 1994 history of the ANC;
- b. The subsequent formation of an opportunist splinter group which, in its bid to steal the legacy of our National Democratic Revolution, calls itself the Congress of the People;
- c. The historic fourth democratic general elections that took place on April 22, 2009. Regular elections are important sign of the health and maturity of democracy. The elections affirmed South Africa's march towards a free, united, democratic, non-racial and non-sexist South Africa. This year also marked also the 15th Anniversary of the 1994 democratic breakthrough.
- d. The installation of new government led by Comrade Jacob Zuma as President of the Republic.
- e. The tumultuous economic developments at a global and national level. The world is still struggling to shake off the massive impact on jobs, livelihoods, national economies and financial markets unleashed by the global economic crisis. The effects are still working their way in the South African economy and have prompted a national response involving government, labour and business to address the ramifications of the global economic crisis.

The question facing us as delegates is what has changed since the previous time we met? The dominant theme of this report is to provide an answer to this question. There is no doubt that there has been significant change since the last Congress. Before, reflecting on what the post-Polokwane moment represent, the report briefly recalls the mood and context of the previous Congress.

It is now a matter of historical record that the 9th Congress ushered COSATU in uncharted waters. The mood was certainly militant, nudging COSATU to become more assertive in its political stance, whether in the Alliance or in debates about the trajectory of the NDR. The previous Congress also demonstrated the unity, growth and coherence of COSATU. Not only did we report growth in membership, the stature of COSATU remained very high including within the world trade union movement.

COSATU was however, not immune from the political contestation characterizing the ANC-led democratic movement before Polokwane. This manifested itself in the hot contestation for leadership and the direction of the Federation. Negative campaigning, including the use of tribalism, character assassinations and selective use of the mass media to destroy particular leaders or contest Federation position; was the hallmark of electioneering. To the public, COSATU appeared like a movement at war with itself. The Federation survived that test and emerged united behind a common programme and leadership, to the utter horror of the skeptics and dooms-day philosophers. We owe it to the maturity of delegates and the strength of our organisation that we survived the test.

Congress must also reflect on the strategic task contained in the *September Commission Report*, the *Organisational Review Report* and the *2015 Plan* adopted in the 8th National Congress. At the centre of these historic documents is the task of placing working class interest as the dominant national goal. That includes building strong organisation; asserting working class hegemony in all sites of power; and defeating neo-liberal dogma. We have the privilege as this generation of trade unionists to evaluate progress in achieving the goals we set ourselves in the previous congresses. Further, we must set ourselves a mission that we must fulfill in order to take forward the workers' struggle. As we undertake this task, we must remind ourselves of the advice by one of the African revolutionaries, Franz Fanon, when he said:

"Each generation must find a mission, fulfill it or betray it"

Certainly we hope that as a generation of trade unionists we plan to fulfill and not betray our mission. To appreciate the moment we invite delegates to spare some moment thinking about previous congresses in particular the historic eighth and ninth National Congresses of the Federation.

- i. Recall that as we met to adopt the 2015 programme in our eighth National Congress in 2003, the Alliance was on the brink of collapse. The Alliance was effectively marginalised and reduced into a crises manager. The drivers of the 1996 class project were provoking a walk out by the left as they were driving a systematic campaign to transform the liberation movement, which is a home for all progressives, into a narrow centre-left political party and election machinery. At this stage a growing number of our cadres, in particular in the unions organising in the state, were calling for the severance of relations. Labeling and trading of insults was the only thing written in the newspapers about the Alliance.
- ii. Recall the job loss blood bath of the period between 1997 until 2002, which was the period in which GEAR was imposed as non-negotiable, a culture that was alien to our movement.
- iii. Recall one of the lowest points in our democracy which involved a Minister of Safety and Security and the then Deputy President, making wild, dangerous and untested allegations that other leaders of our movement were planning to overthrow the state, in a bid to marginalize comrades and thereby divide our movement, so that they can clear a way for themselves towards positions of power.
- iv. Recall the days when the then President of the Republic frequently declared with arrogance that he has not seen anybody dying of HIV and AIDS. This was contradicted by his government's statistics that showed that close to 1000 people were dying a day from AIDS-related diseases. In this period 365 000 people died unnecessarily. Do you remember the paper written by the fictitious Castro Hlongwane? Do you remember the

- days of massive confusion when the then Minister of Health acted with impunity telling desperate parents that their sick and dying children must use 'ubhejane' and beetroot in stark contradiction of ANC policy to HIV and AIDS, namely prevention, treatment including thorough introduction of anti-retrovirals and continuous search for a cure.
- v. Recall the long and chilly nights outside the Pietermaritzburg Court, when we were protesting against the persecution of comrade Jacob Zuma. Recall the anger amongst our delegates in the 4th Central Committee when it was reported that the police raided and searched the houses of comrade Jacob Zuma and his lawyers. These raids were ostensibly undertaken to search for evidence in a case comrade JZ was already facing charges on. Do you recall that this easily could have caused a civil war and disintegration of our ranks?
 - vi. Recall that none of us spoke freely in our phones, preferring to dismantle our cell batteries and cards in fear that our conversations were being listened to. If Nelson Mandela's homes were tapped - what about us ordinary mortals. This use of state institutions had placed the ANC on the route to '*Zanufication*'.
 - vii. Recall that all this was done for an accumulation agenda of those connected with the class project. Foreign cultures visited our movement including crass materialism, selfishness and individualism, personality cult, patronage and so on. In the process a movement renowned for its traditions of robust debate was being reduced into a choir of praise singers, where dissent was brutally suppressed and crushed. Do you remember how Nelson Mandela was humiliated by the class project elements in the ANC NEC? Do you recall how this hurt him?
 - viii. Recall that we declared the first decade of freedom as a bonanza for capital and resolved that the second decade must belong to the workers.
 - ix. Do you recall that the COSATU CEC just like the ANC could not have any confidential leadership discussion without this making its way to newspapers, leaked by the faceless sources? Do you recall the spread of rumours and scandal-mongering, accompanied by wild allegations against leaders the 1996 class project sought to discredit and destroy? Do you recall how divided our congress was? Do you recall the politics of regionalism and tribalism being used in factional battles that threatened to consume our glorious movement of workers, the movement of Elijah Barayi?

This is where we are coming from. We fought a good fight! At the end of that fight no one could dare contradict us when we proudly declared that this Federation of Elijah Barayi and Leslie Masina is a conscience of our young democracy; a voice of the voiceless and marginalised; a champion and fearless spokesperson of the most downtrodden within and outside our borders.

For choosing to stand up when others were intimidated into silence and turned into the blind that did not see injustices committed in front of their own eyes, and for choosing to fight and resist we took lots of punches and knocks. We all have deep political scars in our foreheads, which we will take to our graves and with pride to show them to Oliver Tambo, Walter Sisulu, Chris Hani and Joe Slovo. We will tell them the story that very few are prepared to write about, that is the moment when an elitist club tried to hijack our great movement of liberation. We will tell them of the moment in Polokwane in that rain and mud when we succeeded to save our movement and return it back to its members in the branches of the ANC.

This congress must appreciate this moment - this occasion - this conjuncture. We must appreciate the moment when:

- We have dislodged the 1996 class project. Instead of succeeding to force a walk out by the left, it is they that perished into political wilderness.
- The movement is back to its rightful owners - its members. When the democratically elected NEC fosters a new spirit of collectivism that inspired millions of South Africans through a simple message that underscores the new moment - working together we can do more, better!
- Comrade Jacob Zuma is now the President of the ANC and of the Republic of South Africa. He is the worst victim of the politics of backstabbing and use of state institutions tempered by existence of tapes and videos demonstrating the extent to which the NPA and other institutions were manipulated for political ends.
- The deputy President is Kgalema Motlanthe, the former General Secretary of the NUM, a leading and respected member of the COSATU Central Executive Committee. The Secretary General of the ANC is Gwede Mantashe also a former General Secretary of the NUM, a leading member of the COSATU Central Executive Committee. In the ANC NEC and in the cabinet there are countless former unionists who mostly have retained their loyalty to the basic principles taught in the trenches of the school of Marxism - the university and a factory whose wheels continue to turn, producing some of the finest leaders for our society.
- Ebrahim Patel, that untiring voice of clothing and textiles workers, is now a first ever Minister of Economic Development whose responsibility is to ensure that government's policies works to create decent work. Noluthando Mayende-Sibiya is now the Minister responsible for uplifting women, people living with disabilities and children. Membathisi Mdladlana is the Minister of Labour. Angie Motshega is now the Minister for Basic Education. Ednar Molewa is the Minister of Social Development. Susan Shabangu is the Minister of Mineral Resources. Blade Nzimande is the Minister of Higher Education. Nkosazana Zuma is the Minister of Home Affairs, Sbu Ndebele and Jeremy Cronin, Ministers of Transport. There is a new Minister of Finance, Pravin Godhan. In November there will be a new Reserve Bank Governor - comrade Gill Marcus.

If we cannot make the relationship with our Alliance to work under these conditions then we simply have no capacity to make a relationship to work with anyone else. If we can't make our relationship with government to work then there will be something wrong with all of us in the Alliance. Equally there will be something wrong with all these comrades in government if they allow the relationship to collapse.

If we cannot succeed with the agenda of decent work and poverty eradication with Jacob Zuma as the President, Kgalema Motlanthe as the Deputy President responsible for poverty eradication, Gwede Mantashe as the ANC Secretary General, Ebrahim Patel as the Minister of Economic Development and Rob Davies as the Minister of Trade and Industry, then there is little possibility that we can succeed to make any next period that of workers and the poor. This is the moment that comes once in a long while. We the leaders of the generation largely responsible for this political climate so pregnant with real possibilities cannot afford to squander this moment.

Many unions across the globe envy our position today. There is a real possibility that we can expand the shift to the left now experienced in Latin America. The key and fundamental challenge we face is how do

we defend the gains, how do we consolidate and advance them and how do we create a lasting legacy from this moment. It is in this context that the CEC chose this theme "**Consolidating working class power in defense of decent work and for socialism**".

The political report will reflect on the steps and progress to achieve these broad goals of the **2015 Plan**. It must be borne in mind that it is only six years towards the 2015 milestone, which also represents COSATU thirtieth anniversary. Thus, this Congress is confronted by the difficult task of evaluating progress and adopting a programme to accelerate the achievement of the bold declarations contained in the reports cited above. We do not have the luxury of mere reflection **BUT** also have the daunting task to rise up once again to provide answers to many questions facing our society, the world and the democratic movement. Delegates are asked to search deep, ask probing questions and participate in debates. Let's have a festival of ideas flourishing in this Congress so that the new mandate is set on a firm foundation. If this congress rehashes old resolutions and falls short of coming with path-breaking resolutions it would have failed its historic mission - that is, to take COSATU and South Africa and indeed the rest of the World to new heights. We must emerge from this congress with at least three outcomes:

- a. **Ideological clarity** about where we are, what are the forces ranging against the strategic interest of the working class; who are our allies; and last but not least clarity about the international ideological warfare and our role in it;
- b. **A Programme for Transformation**. While we must pay homage to our historic documents like the Freedom Charter; RDP and September Commission, the Congress would have failed if it does not emerge with a relevant plan of action that takes into account the reconfigured situation at a domestic and international level. The argument is not to throw these historic programmes away, but simply restating our commitment is not enough. Comrades should also remember that these historic guiding documents emerged within a set of national and international balance of forces. The challenge is, given this new moment what is our vision and programme to advance the NDR and socialism. The national framework to respond to the current crisis is a useful starting point but does not constitute the programme for a systematic transformation of South Africa and the world we live in.

The programme of action must also talk to the challenges confronting organised workers at the point of production, including issues of a living wage, workplace change; equity and skills development; to mention a few.

COSATU, through its locals, must find dynamic link with community struggles working with other components of our movement. The xenophobic attacks of the past year and sporadic social unrest revealed the absence of the Congress movement in these communities. For that reason, like the Party we must urge our shop stewards and members to take an active part in community struggles. The aim should be to channel the community grievances in a constructive manner and displace opportunists.

Lawlessness should not be tolerated, but it is equally wrong to approach this political task from a law and order/conspiratorial approach. The people are responding to their dislocation, squeeze and marginalisation visited upon them due to the structural inequalities of this society and the policies of the 1996 class project. The movement as a whole must work tirelessly to win back these communities and above all win their trust. They must see the movement as a whole as their salvation and not cynically as vote-catching machine. A narrow law and order approach is most like to unwittingly gloss over poor

genuine grievance as a result of performance and corruption. In its place we need a political response to once again place our organisation in the hands of our people. The real danger of leaving the police to resolve issues of social dislocation is that it can trigger panic in our already weary society and open the way to a police or securocratic state. Under these conditions, the rich will continue to retreat into 'gated communities' and provide their own services. The walls that they build will be a dramatic metaphor of the inequalities of the country.

- c. An **organisational development and building programme**: In the first instance that means strengthening COSATU at all levels. Our organisational machinery must be adapted to the new realities and new forms of organising. The aim is not only to build a strong organisation but to ensure maximum unity of the working class to realise COSATU's visions of '*One Country-One Federation; One Industry One Union*".

Building the ANC and the SACP is the second challenge for our organisation building programme. COSATU boldly declared that it will *swell the ranks* of both the ANC and SACP. This aim remains a paper reality due to our failure to convert at least half of our members into active ANC and SACP members.

At the risk of stating the obvious naturally there must be a link between COSATU's plan of action and the organisation building element. The two must reinforce each other. To deal with the challenge of post-apartheid 'de-politisation' of our youth it goes without saying that political education must be stepped up across the movement. In this regard we should harness our education programme with programmes of the Chris Hani Institute, the ANC, SACP, YCL, ANCYL and ANCWL.

Part 1: Reflection on the Domestic and Global Balance of Forces

1. Sharpening our Ideology and Theory of Revolution

1.1 Building Marxism for Contemporary Challenges

The salesmen of globalisation declared the end of history and ideology. In particular, Marxism was declared to be a dead ideology and as belonging to the dustbin of history. Not only has Marxism been resilient, capitalism has not overcome the contradictions first pointed out by Karl Marx and Friederick Engels. Today, in the context of the global crisis there is renewed interest in Marxist analysis of society especially class analysis in academia and public policy debate. This is not an idle theoretical debate but an attempt to find alternatives to the thirty year dominance of neo-liberalism and to capitalism itself. As a movement we have a duty to partake in these debates to sharpen our theoretical foundations and to fashion concrete strategies to respond to the myriad of challenges confronting us. The materialist theory of knowledge is the guide to action and practice, the yardstick of the correctness or otherwise of ideas. In thinking about theory we recall the words of comrade Rick Turner, which remain relevant since they were written thirty seven years ago:

"There are two kinds of 'impossibility': the absolute impossibility, and the 'other things being equal' impossibility. It is absolutely impossible to teach a lion to become a vegetarian. 'Other things being equal' it is impossible for a black person to become Prime Minister of South Africa.....

Let us for once, stop asking what the whites can be persuaded to do, what concessions, other things being equal, they may make, and instead explore the absolute limits of possibility by sketching an ideally just society...

Social institutions are certainly not a solid existing thing like a mountain or an ocean...The most obvious reason is that an institution is not created simply by me behaving in a particular way; it is created by everybody behaving in the same way. So to change it is necessary for everybody, or at least everybody, to change their behavior...

But there may be other reasons as well. First, it may be that we cannot in fact behave differently. It may be that, in some spheres at least, we can only behave in certain ways...Factors such as these I shall refer to as imperatives of human nature. Secondly, it may be that, in order for the coordinated action of a large number of people to be effective, certain behavior patterns have to be ruled out...Imperatives of this sort I shall refer to as imperatives of organization...

This brings me to the second reason for the importance of utopian thinking. Unless we can see our society in the light of other possible societies we cannot even understand how and why it works as it does, let alone judge it...

To understand a society, to understand what it is, where it is going, and where it could go, we cannot just describe it. We also need to theorise about it. We need to continually refer back and forth, between what we see in the society and what is essential to any society. Theory itself is not difficult. What is often difficult is to *shift oneself into a theoretical attitude (sic)* - that is, to realize what things in one's experience cannot be taken for granted. Firstly most people only experience one society in depth. Secondly, a society changes relatively slowly. The present nearly always at least seems to be fairly permanent. In order to theorise about society perhaps the first step we have to make is *to grasp the present as history (sic)*. History is not something that has just come to an end, and certainly not something that came to an end 50 years ago. Societies, including our own society, have been changing in many ways, great and small, throughout time, and there is no reason to believe that they have stopped now...

So it is probable that many of our social institutions and personal ways of behaving will change. The fact that something exists is no guarantee that it will continue to exist, or that it should exist. A glance at some of the institutions which other societies have taken unquestioningly for granted...should make us a little more hesitant in taking absolutely for granted such institutions as private ownership of the means of production, social inequality, monogamy, the school system, 'national growth', war and racial oligarchy in South Africa."¹

What comrade Rick was challenging us to do is not to be imprisoned by the present or what is feasible, but to think beyond an ideal society as a benchmark for our current actions. If we are too much caught up in what is possible in the present we are likely to lose sight of our long term vision of building a classless society. Another danger of being stuck in the present we are likely to compromise too much and make future possible movement impossible for ourselves. It is imperative that we do not lose sight of the end goal and ask ourselves whether what we are doing in the present is taking us closer or further away from our strategic goals. That strategic long term goal is to build a socialist South Africa.

All these challenges open a space and movement to sharpen our theoretical tools and practice. That demands that we build Marxism as opposed to simply using Marxism. The distinction between the two is not as easy as it seems. Academics and in the recent past and some within the movement have used Marxism to analyse society but fall short of calling for socialist transformation. Using Marxism can also translate into a cynical approach that seeks to beat the working class into line using Marxist rhetoric.

Building Marxism on the other hand means using Marxism as a tool of scientific enquiry to understand the nature of capitalism; develop a theory of transition from capitalism; and developing a vision of a post socialist society. Marx was an ardent student of capitalism and developed different trajectories, which should not be quickly dismissed as representing a distinction between the young and old mature Marx. In all, Marx can be said to have developed the following theories about capitalism.

- First, is the radical social transformation, under the heat of class struggle, from capitalism to socialism contained in the main in the *Manifesto* and to some extent Capital Volume I.
- Second, Marx specified in Volume II of Capital, particularly in his discussion of the reproduction schemes, the conditions under which capitalism can develop without crisis. Such conditions are nevertheless found to be stringent and for the first time, Marx puts forward a crisis theory based on demand constraints, a fore-runner to Keynesian theory.
- Third, in Capital III, Marx expounds a fundamental law of the tendency of the rate of profit to fall, a law that welds together all the tendencies of capitalist accumulation, together with its financial aspects. If anyone wants to know the causes of this crisis, they must read Capital III. The law of the tendency of the rate of profit to fall is the cornerstone of the Marxist theory of crises, and hence the most important law of political economy. It drums a message to the working class that capitalism, no matter what wealth and welfare it can bring, has a tendency to deliver catastrophic social upheavals and costs.
- For under-developed countries, capitalism is on a 'civilising' mission. Recall that in the *Manifesto*, Marx says that when capitalism takes root, "all that is solid is turned into air". It tends to dissolve pre-existing cultures, but sometimes it preserves them for purposes of domination, what our own Harold Wolpe called "articulation of modes of production". Nevertheless a strand of Marxism sees capitalism as a necessary 'evil' in the sense that it develops the forces of production. Hence, it is argued that capitalism must be given a chance to develop the forces of production before socialism can be placed on the agenda.

This perspective was countered by Leninist theory, which argued that under-developed countries can bypass capitalism and leap from pre-capitalist relations of production to socialism or non-capitalist route of development or socialist-oriented national development project.

The project of building Marxism must also engage openly with critiques from the right and the left of socialist theory and practice. It does not mean accepting these views on face value but to evaluate what is useful and can enrich our theory in contemporary society.

Thus Marx has given us the tools to understand society but not a blueprint. It falls on our shoulders, using the tools developed by Marx, to scientifically uncover the nature of global capitalism and how it can be transformed. That is what it means to Build Marxism. In carrying out this task we must be open-minded and grasp what is useful in critiques of Marx from both the right and the left. It is a pointless exercise to be stuck in debates between Marx and his contemporaries or between the Bolsheviks; if in the end we do not add anything new to advance the theory of Marxism. It must be borne in mind that even the nature of capitalism that Marx studied has undergone profound changes in the last hundred years.

For example, the communitarian anarchist movement, critique of classical Marxism on the grounds that it has latent features of authoritarianism, has to be engaged. Anarchists by definition are anti-authority and hierarchy. They make a compelling argument that hierarchical organisations or societies like capitalism

tend to reproduce rather than eliminate inequality. Further, the anarchist critique of the Soviet Union as state capitalism in which a 'coordinator class' of bureaucrats has replaced the bourgeoisie to exploit the working classes challenges us to think about how working class democracy is practiced and enriched in a post-capitalist society. That is, it cannot be taken for granted that working people will effectively be in control without a conscious and deliberate effort. This anarchist critique is directed at two canons of the communist movement, namely 'vanguardism' and its relationship to proletarian democracy. Rosa Luxembourgh also echoed similar concerns regarding the latent authoritarianism of the Bolsheviks. We can spend time explaining the contingencies that led to authoritarianism of the Soviet Union but this is not useful in taking forward the struggle for socialism. We must bother ourselves with questions of how not to repeat this negative experience of the Soviet political system.

An attack from the Trotskyites is also worth engaging in so far as revolutionary strategy is concerned. For example, the concept of permanent revolution has been a source of much debate within the socialist movement. We will come to this issue when dealing with the different approaches to the notion of two-stages. It is also worth noting, that if discussed with hindsight, this concept has been misunderstood by the South African Trotskyites to attack a rigid notion of two-stages of the revolution. If understood correctly, in its dynamic meaning, the concept can be reconciled with a dialectical (that is dynamic) relationship between national democratic revolution and socialism.

It is also important to take into account popular experiments in several countries to construct socialist spaces from below. The cases of Kerala in India and Porto Allegre in Brazil and the Venezuelan project offer tantalising lessons.

1.2 Debates on the Nature and Trajectory of the National Democratic Revolution

This brings us to theoretical debates about how to characterise the South African society pre-and post apartheid. Central to this enterprise is an understanding of the causes of enduring inequalities in South Africa. To say South Africa is a complex society is to state the obvious. Yet, there is a vast chasm across the political spectrum on how to characterize this society and whether to emphasise class; race/ethnicity or gender as the primary contradiction facing us.

Liberals² believe that South African capitalism was distorted by over-zealous government regulation, be it the colonial or the apartheid state. At the beginning the political and economic interest of capitalists, especially mining and agriculture, coincided with those of the white political elite. Such interest was to ensure a steady supply of docile and cheap Black labour to the mining and agricultural sector. However, in the long run, government intervention, whether by the colonial or the apartheid administration, served to hamper the development of capitalism, in particular the manufacturing sector. It is further argued that as mining and agriculture mechanised, the purported increase in the need for skilled labour marked a break between the interests of the white political elite and captains of industry, mining and agriculture. Liberals therefore argue that the problem is not capitalism per se but the manner of its development in South Africa. One of the arch liberal academics posed a set of interesting questions regarding the relationship between apartheid and capitalist in the 1980s. If it is assumed that capitalists are a homogenous group, and apartheid a fixed social system, then there are four possible relationships between capitalists and apartheid:

- a. Capitalists do not want apartheid and have the power to get rid of it;
- b. Capitalists do not want apartheid, but do not have the power to get rid of it;

- c. Capitalists want apartheid, and have the power to retain it; and
- d. Capitalists want apartheid, but do not have the power to retain it.³

The solution, according to the Liberals is therefore an 'an equal opportunity society or a free enterprise' in which individuals are not hampered by restrictive state intervention to fulfill their interests. Further the market is the most efficient allocator of skills, capital and goods and if allowed to operate freely will ultimately lead to improved social welfare. That there are structural impediments to free competition for example in the labour market, like the unequal access to education, is hardly considered by this perspective. It assumes that the market is a 'great leveler' and individuals must be held responsible for not taking enough risks if they are poor or jobless.

Within African Nationalism, the corollary of this approach is the 'de-racialising' capitalism notion. What this means in essence is the integration of blacks into the structures of ownership, while leaving the structure unchanged. Though couched in 'Africanist' rhetoric this approach is tantamount to an *integrationist strategy* that does not tamper with the capitalist logic of accumulation. Hence the political attempt to define the black bourgeoisie as a motive force of the revolution and a narrow approach to black economic empowerment. This is similar to the earlier ANC perspective of seeking civil rights, within a dominant white society, for educated Blacks. This was before the radicalisation of the ANC as a mass movement in the late 1940s.

The funny part of this strand is that, it relies on using African revolutionaries as a stepping stone to justify its rightwing deviation, without acknowledging that these African revolutionaries were themselves Marxist-Leninists, anti-imperialism, opposed the crass materialism and arrogance that this "Africanist" tendency displayed since the 1994 breakthrough.

In the left there is strand of thought that argues for privileging class as the key contradiction. The temptation to prematurely argue that the NDR has exhausted its potential and ought to be replaced by a focus on overthrowing capitalism is very attractive. This is grounded on an analysis that there has been limited change over the last fifteen years; capitalism is in crisis, and to some extent a mistrust of national liberation movements. There is also some inevitability to this analysis. That is, middle-class led national movements are believed to have a tendency to betray the working class and peasantry after the defeat of the colonial powers.⁴ Clearly this approach is a-historical by not taking into account the concrete conditions prevalent at a particular point in time including the working class readiness and consciousness to launch a radical path.

The dominant discourse in the democratic movement, at least the ANC-led mass movement, is to conceive class, race and gender as interlinked into a veritable system of oppression. In simple terms, black people's oppression was not only based on their colour, but this oppression was functional to the capitalist system. African women were oppressed to perform unpaid household labour in the 'reserves' to subsidise the cost of reproducing black labour for capitalism. Sexism was also used to construct a hierarchy between men and women within the apartheid-capitalist state. Patriarchy predates the onset of capitalism in South Africa, but was further refined under colonial-capitalist relations to support the cheap migrant labour system.

The concept of national democratic revolution speaks to the African peoples' desire for self determination and to participate in the affairs of this country. It also speaks to the desire to build a more egalitarian non-racial, non-sexist society and democratic society. The NDR also seek to resolve the marginalization of

women, especially African women from power and the mainstream economy. In that sense it aims to reconstruct the relationship between men and women on a more egalitarian basis in the household and in the public sphere. All these tasks cannot be achieved without destroying the systemic sources of inequality in our society. The Freedom Charter is a vision to reconfigure society on a more egalitarian basis and require radical not cosmetic changes of society. That is, we cannot be content with the mere transfer of political power while retaining the structural foundations colonialism of a special type intact.

The post 1994 conservative reform project attests to the necessity for radical change as espoused in the Reconstruction and Development Programme (RDP). The blind belief in market forces, for that matter the apartheid market, has not only entrenched the inequalities of the past but has further widened them. A black elite has emerged and together with its white counterpart has reaped most of the benefits of democracy. However, the fundamental national, class and gender contradictions remain firmly entrenched in post-apartheid South Africa. White men still monopolise positions of power and influence especially in the private sector. The endurance of the systemic inequalities makes a compelling case for a working-class led national democratic revolution. The working class must unite the broadest section of the South African society to move beyond the neo-colony to a truly democratic, non-sexist and non-racial society.

For socialists within the Congress movement, the NDR is not a detour but the most direct route to socialism. That means, it must build the momentum and capacity for socialism as captured by the SACP slogan: Socialism is the Future - Build it Now! In simple terms, this means waging a struggle to de-commodify basic needs, build a strong development and democratic state; open new sites of collective accumulation including cooperatives, and the strategic deployment of social capital in the form of retirement funds.

It also means reversing the privatization of government and state enterprises and using these public resources for a transformation project. It also means, in the words of the RDP, meeting our peoples' basic needs as a means to industrialise South Africa and the region. This also requires stronger international links among progressive forces to counter neo-liberal globalisation. The following section will address the relationship between the NDR and socialism.

1.3 The NDR and the Struggle for Socialism

In debating this important question we move from the premise that we have a vision of building socialism through the consolidation and deepening of the national democratic revolution. This means we reject a rigid compartmentalisation between the socialism and the NDR. Dialectics teaches us that a new society is built within the womb of the old society until such a time that the old is replaced by the new. Even in the new, traces of the old can still be found coexisting with new social relations. This means, we need to take into account the historical moment at a global and national level in constructing alternatives to the current system. That said, it does not mean we should not continue to refine, debate and construct our ideas of the alternatives.

Socialists, within the Congress Movement thus face a momentous challenge to defend the theoretical soundness of their historical position. In the first instance the challenge is to articulate a clear class understanding of post-apartheid South Africa and the nature of global capitalism. In the second instance, the task is to be concrete about how the NDR will mature into or lay the basis for socialism. A third, task is clarifying the concrete programme to deepen the level of class consciousness of the working class during

this phase. Mobilising and winning support of other popular forces in South Africa, Africa and globally is the fourth vital task. The implication of not bothering with these questions would be an assumption that we are still on course, or we can miss strategic opportunities, while in reality we are incorporated into the system as 'insiders' with permanent jobs and benefits.

The key issues in 2009 are - what is the nature of the capitalist accumulation path - basically persisting over 100 years - in South Africa? The early primary accumulation period (from 1870s to 1910), the white minority segregationist period - to 1948, the apartheid period to 1994, and the post-apartheid period till the present have ALL seen the reproduction of basically the same dependency accumulation path that actively relies upon and reproduces high levels of racialised, class and gendered inequality, poverty and under-development. It is not about the "form" of rule so much (whether metropolitan-dominated colonialism, or colonialism of a special type in its white minority segregation and apartheid periods, or now post-apartheid neo-CST rule) but rather the nature of the dominant accumulation path that is the CRITICAL factor - and it is THIS factor that grounds a strategy of NDR - not whether whites or blacks are dominant in the political apparatus or even whether whites or blacks are dominant in the commanding heights of the economy. The key thing is WHAT are the underlying systemic features that constantly perpetuate colonial-type racialised, class and gendered realities in our society - even in 2009. Obviously, one is not saying that the form of political rule is unimportant - clearly the conquest of non-racial majority rule provides a better POSSIBILITY for advancing an NDR and socialist struggle - but only if majority rule is USED and empowered to carry forward real transformational struggles.

If we set up the argument in this way then the connection between a socialist struggle and a national democratic struggle in the concrete conditions of SA is also better clarified. The NDR is not so much about laying the basis for a subsequent struggle for socialism - it IS the basis on which a socialist struggle needs to be waged here and now in SA. Hence the SACP slogans - "advance, deepen and defend the NDR" (which is what we were doing, for instance, at Polokwane)... AND "socialism is the future, build it NOW". Our socialism is not a deferred struggle, nor is it a deferred perspective. Not all forces mobilised and organised programmatically into an NDR struggle will of course necessarily regard themselves as socialist...but, in struggling for basic national democratic objectives - for instance an NHI based on the principle of "from each according to their ability, to each according to their need" - a broad national movement will be rolling back the capitalist market and constructing elements of socialism. It is the role of vanguard socialist forces and of the leading motive force of the revolution (the working class) to provide organisational and mobilisational leadership to the widest array of progressive forces - not by distinguishing ourselves as "better", but by uniting the maximum number of forces to attack and transform the key the links in the specific capitalist accumulation chain that still binds us into the reproduction of brutal inequality, poverty and misery for the majority. This brings us to what the struggle for socialism means in the current global order. In debating this issue we are faced by five tasks/issues, namely:

- a. Learning the lessons of history;
- b. Building a movement for socialism;
- c. Develop a critical theory of the present;
- d. Linked to the latter, is developing a theory of the transition to socialism
- e. Defining the vision of socialism in the 21st experience

On learning the **lessons of history**, we have to draw on both the negative and positive aspects of the Bolsheviks project to build socialism in the Soviet Union and Eastern Europe, as well as other projects in developing countries like China, Cuba, Mozambique and Angola, among others. On the positive side the Bolshevik revolution of 1917 reconfigured the world political and economic map and acted as a buffer

against the imperialist bloc. Needless, to point out that the South African struggle benefited a lot in material terms and in inspiration from the people of the Soviet Union. Secondly the Soviet Union industrialised faster than any country in the world, including the developed capitalist countries like the US which took more than hundred years to industrialise. Even though lopsided from a geographic perspective, Soviet industrialisation turned a backward feudal/capitalist system into a modern industrialised country. In the midst of mass unemployment in the 1920s, there was subsequently zero unemployment in the Soviet Union. For a time the standard of living of Soviet citizens was high owing to state provision of basic services in particular free education.

The negative aspects of this industrialisation project are three-fold. The Soviets concentrated on heavy industry, specifically the arms industry to the neglect of light consumer industry. In some respects the Soviet agricultural policy was a disaster forcing the country to import food. The Soviet Union was constantly faced by prospects of famine and the forced collectivisation programme under Stalin was very costly in terms of lost human life. Some estimates suggest that over 30 million peasants were killed or died of starvation during this period. The Soviet Union did not take into account the environmental impact of its industrialisation policy. Working conditions especially in the mines were considered as some of the most unsafe in the world.

Political authoritarianism and the one party state insulated the leadership and planners from influence by the ordinary people. This distorted the nature of signals on the needs of the people as decision-making was centralised in an unaccountable bureaucracy or politicians. Another casualty was the quality of information available to planners. Bureaucrats soon learned that to survive you had to tell the higher offices and politicians what they wanted to hear, often resulting in inflated figures. Khrushchev's boisterous claim that the Soviet Union will surpass the United States in food production by the 1970s was sadly partly based on fraudulent information on the state of Soviet agriculture.

The characterisation of the Soviet Union either as a totalitarian state, workers democracy, degenerated workers' state or state capitalism is a well canvassed debate among socialists, historians and academics. In reality, the Soviet Union started off as a genuine workers' democracy. But in the context of the siege faced by the new society the leadership suspended open public debate and direct input by the working class. Thus, the ordinary people of the Soviet Union were ignorant of the different tendencies and tension among the leaders. What little information they received about this issue was a distorted version during Stalin's show trial.

Rosa Luxemburg was critical of the Bolshevik notion of 'vanguardism' and foresaw that it contained the seeds of authoritarianism. By its definition, vanguardism suggests that an elite with the correct theory will conscientise the masses and lead them to victory. The question of self-empowerment and management by the workers is often neglected because the 'vanguard' has the monopoly of knowledge and wisdom. The worst manifestation was Stalin's proclamation to be a patron of literature, arts and the science neither of which he was trained in.⁵

The anarchists, especially the collectivist or communitarian anarchist like Bukunin and Kropotkin, on the other hand, were weary of a political system based on hierarchical relations and division of labour. They argued that a '*class of coordinators*' whether under capitalism or socialism tends to monopolise power and become a self-serving bureaucracy, which will expand and defend its privilege. In the worst case scenario democracy is a hollow affair because the bureaucracy is better informed than the rest of the people. The people, aware of their limitation will always defer and concur with the bureaucrats thus

becoming co-conspirators in their own enslavement and marginalisation. The anarchist antidote to hierarchical political relations was the decentralisation of power to self-managed workers' council and consumer councils, under guidance by national or international council that is democratically elected.⁶

As socialist anchored in the congress and Comintern tradition we differ with some of the theoretical, strategy and tactics of the Troskyites and Anarcho-Syndicalists, but it will be folly to ignore some of their valuable critique of bureaucratic socialism. As we confront the challenge of developing a vision for socialism in the 21st century we cannot sweep these critiques under the carpet. While we retain most of the communist canon including the notions of vanguard party and the dictatorship of the proletariat, we must however, concretely define how workers will be empowered to be their own liberators and run the post-capitalist society. If we postpone these issues to a mythical future, the likelihood is that we may repeat the mistakes of the Bolsheviks. In fact acknowledging what the Troskyites and Anarcho-Syndicalists are saying will actually lay the bases for the unity of the left in our country.

The second challenge is building a **socialist movement**. This is broader than just COSATU and the SACP, as it needs to draw on many forces in civil society that have a fundamental critique of capitalism like the environmental movement and the gender movement. The SACP, as the vanguard, must be the anchor of such a socialist project. That demands self-introspection on the part of the Party and COSATU why they are not the pole of attraction for Marxist or socialists in these movements, in academia and within the ANC. Part of the critique should be a reassessment of how the notion of and the role of vanguard party is understood and practiced in the current conjuncture. We raise this knowing that the SACP itself has repeatedly emphasised how its vanguard role should be understood. The challenge has been how this understanding is exercised in reality.

Implicit in this, is the challenge to strengthen the SACP to play its vanguard role and to mobilise sympathetic individuals within and outside the movement. COSATU itself must ask itself the question whether it is doing enough, beyond material support to build and support the SACP. On this count, unfortunately COSATU is found wanting. The 12th congress of the SACP revealed that the industrial employed working class is just under forty percent of the membership of the SACP. Clearly we are not doing enough, to convert our members into staunch socialists who are active in the SACP.

The issue of the Party's internal life becomes a critical question to pose and answer. Besides attending meetings, participating in few campaigns and periodically voicing socialist opinions on the trajectory of our society, is there more to socialist activism? If party activism is limited what type of cadres is it bound to produce? The likelihood is that it may proliferate activists that are administrative and bureaucratic in their approach to important questions because they are locked in the mode of attending un-ending meetings. We need cadres steeped in both theory and practice.

COSATU and the SACP in this regard are challenged to define socialist activism without apology to anyone in the current period. The SACP cannot be subordinated to defending the gains of the democratic breakthrough without raising sharp questions about how this actually builds the momentum and capacity for socialism. The party itself has grappled with these questions and it means we will not be starting from a clean slate. The greatest challenge of our era is to rebuild the confidence of the working class in its theory and ideas of radical change of society. That means among others, heightening political consciousness of the working class and socialist activism. Socialist should be at the forefront of working class struggles in the workplace and communities, not as an opposition, but as a commitment to spread the benefits of post-apartheid society to the working class.

Earlier in the report we highlighted the need to build Marxism as opposed to a dogmatic and unscientific approach. Suffice to say, that at a theoretical level this means understanding the nature and trajectory of capitalist accumulation, the constraints it imposes as well as the opportunities open to the working class. This is what dialectical materialism means in concrete terms. That is, provide an internal critique of capitalism, understand its strength and weaknesses; and harness the movement for change. That requires a break with the dogmatic pragmatism that has come to define our movement of late. The tendency to over-emphasise constraints amounts to privileging materialism at the expense of dialectics. The opposite is an adventurist project that ignores current realities tantamount to emphasising dialectics over materialism. Marx himself said that the point is not to interpret the world but to use that knowledge to change society!

As part of the project to build Marxism, is to offer a vision for socialism in the 21st century. This has political, economic and strategic and tactical implications that cannot be fully addressed in the political report. The task for South African socialists is made hard by the fact that there is limited example of national struggles that fully matured to socialism. Of course there are exceptions like China, Cuba and recently Venezuela. However, in reality these experiments are stuck somewhere between capitalism and socialism. Without exhausting the list we face the following tasks in defining a vision for socialism:

- a. A theory of the transition from capitalism to socialism on a global and national scale;
- b. The nature of the movement and forces to fight for socialism at global and national scale;
- c. The type of democracy and political power that will translate into true proletarian democracy. This includes how workers exercise control and keep the leadership accountable. Further, is the dynamic interaction between state and society so that the Plan is informed by the needs of society and is continuously evaluated and monitored.
- d. Taking into account the ecological limits facing humanity. As a planned economy, socialism is supposed to overcome the environmental destruction wrought by capitalism. The experience in many former socialist countries is far from encouraging. However, there are pockets of positive experience like Cuba on how to manage issues of food production; public transport without damaging the environment. It also means revisiting the model of development inherited from the 19th and 20th century. There was a tendency in this model to centralise production of goods and energy in a few centres and rely on inefficient transport systems to move goods and energy across the country and the world. Given the huge challenge of climate change due to uncontrolled emission of carbon dioxide into the atmosphere, this model should be reviewed. Perhaps, as part of overcoming urban and rural divide it may be necessary to decentralise production of goods and energy. This may also require changing the current patterns of consumption by the rich and the ecological inefficient production of the current global capitalist order.
- e. The nature of socialist relations of production, including the thorny question on what principle to remunerate the working class. If it is based only on ability this is likely to perpetuate inequality. There is a need to combine, ability, effort and need in the remuneration of the working people and state bureaucrats.

How socialism concretely lays the basis for a truly class-less society, i.e. communism is another critical challenge to socialists. Marx and Lenin assumed that the state will wither away as socialist relations of production mature on a global scale. This assumption has proven to be much more stubborn than anticipated by the early theory. Not only did the state not wither away, it was consolidated and imposed

its will on the people, often limiting the freedom of the very people it is supposed to serve, because the global revolution stalled.

2. The Global Situation

The global division of power still has the United States as the remaining superpower. The US deploys this power militarily and economically. On the military front, the previous regime led by George W Bush almost plunged the world in a war. The regimes jingoist international posture presented the US in its naked ambition to remain a military power. US military prowess is expressed in two ways. The first, is its unforgiving war on terror which led the US to deploy its armed forces in Iraq and Afghanistan.

Secondly, the US as the world police seeks to determine access to nuclear weapons or 'weapons of mass destruction', mostly in its favour and that of its allies like Israel. In this context, the rhetoric against Iran and North Korea must be located within this broad aim to limit competitors. Weapons of mass destruction are a threat to world peace and the future of humanity. Therefore a genuine non-proliferation should start with the US reducing unilaterally its stockpile of the weapons of mass destruction. But this is unlikely because the US sternly refuses to subject itself to multilateral institutions and processes such as the Non-proliferation treaty. It is small wonder why some countries are tempted to have nuclear weapons when they perceive that the US needs very little justification to attack. The doctrine of preventative war is a mask for the US to pursue its national agenda and to protect its hegemony. To date, the US has not produced a shred of evidence that Iran is producing nuclear weapons. The Iranians themselves have been at pains to explain that they are enriching uranium for domestic energy need.

The third track of the US pursuing its imperialist policies is on the economic front. Through its dominance of world bodies such as the IMF and the World Bank, it has imposed a rigid policy of neo-liberalism as a standard for the world to follow. It is not a secret that the US and its allies are pushing hard for a comprehensive trade liberalisation without making compensating change to their trade regime. Neo-liberalism is presented in neutral terms like structural adjustment programmes or poverty reduction papers, which mask the real purpose. Read in this neutral language it is not hard to convince the developing world that neo-liberalism has an altruistic aim of helping their development. However, scratching below the surface it becomes apparent that neo-liberalism is aimed at securing the interest of international financial capital, especially the one located in developed countries. At the core, the strategy is not about economic development but how to force indebted developing nations to pay their debts to foreign banks.

The second aim of neoliberalism is to serve the US domestic economy, i.e. the value of the dollar. By opening capital markets this creates demand for dollars and exports of capital to US financial markets. When this model, imposed since the 1970s works, the US is saved the pain of domestic economic adjustment. Thus the huge current account deficit is bankrolled by export of capital to the US and the demand for the dollar. The dollar, an international currency of exchange and wealth, is not sufficiently backed by the US domestic economy, but by foreigners who are buying dollars in financial markets and by export of capital to the US. Import of cheap goods from China and other developing countries have kept inflation low in the US. In this way the US does not have to bother to develop its manufacturing industry. Thus, we have seen in recent decades, the relocation of manufacturing to Asia while the US and other developed countries focus on the higher-end knowledge economy while production takes place elsewhere. This has produced a global production change like never seen before in the history of capitalism. If you were to take apart a motor vehicle, you are likely to find that the inputs are from across the globe.

The thirty-year stranglehold of the US neo-liberal policy came crushing down in late 2007 as the financial sector faced major crisis, bigger than during the depression. It is easy to put the blame on the greedy and reckless and greedy bank managers, but the real cause of the crisis stem from capitalist accumulation itself, fuelled by liberalisation of financial capital, promoted by the US. Thus the free market dogma is at the core of the financial crisis and global recession. Unlike previous economic crises located in developing countries, the epi-centre of this crisis is in the US and other developed countries. Consequently, the US had to spend trillions of dollars saving its banks and companies and in some cases nationalising the banks and private debt. Developing countries have been forced to impose some Keynesian measures to save their economies. Government after being vilified for thirty years is back in business rescuing and ensuring the profits of the corporate sector.

Most countries have felt the impact of the global crisis as export markets disappeared almost overnight. South Africa is not an exception to this general trend, though to an extent cushioned by the limited capital controls that are still in place. The impact of the global economic recession has translated into mass unemployment and massive reduction in tax revenues for governments. The following section illustrates the impact of global economic crisis on the South African budget.

2.1 Impact on GDP and jobs

We are deep in recession. The country's gross domestic product (GDP) dropped by 6.4% in the first quarter of 2009, even worse than the drop of 1.8% in the fourth quarter of 2008.

The impact of this can be seen through the statistics below:

- The number of the unemployed - across all categories of the labour force - from 23.5% to 23.6% in the second three months of this year. The expanded unemployment figure - including those who have given up seeking work - which we believe is a more realistic figure rose much faster, from 31.2% to 32.5%.
- This reveals that 302 000 additional workers have despaired of ever finding a job and have given up looking. It brings the total of discouraged workers up to a massive 1.52 million, out of the total number of 4.12 million unemployed people. Meanwhile the number of employed people fell by 267 000 to 13, 37 million in the second quarter of 2009.
- Manufacturing production for the three months up to January 2009 fell by 8.1% compared to a 5.8% fall in the previous three-month period.
- For the first three months, a total of 208,000 jobs were lost, almost two thirds (143 000) of them in retail, just under a third (62,000) in manufacturing and the rest (53,000) in agriculture, transport and the public service. This increased the number of officially unemployed people in the country from 3, 9 million to just under 4, 2 million. These figures completely reversed figures in the labour market indicators for the fourth quarter of 2008 which showed that the economy had created 189,000 new jobs.
- And the official figure of 4, 2 million unemployed people does not include the 1, 2 million others who are deemed to be too discouraged to look for employment because there are either no jobs available in their area, or there is no work requiring their skills. The majority of discouraged work seekers are young people who have lost all hope of ever finding a job. Around 3, 2 million or 75% of all unemployed people in South Africa are between the age of 15 and 34 years.

- Vehicle sales in July 2009 were down 27.6%, from a year ago, an even bigger drop than the 23.7% fall in June. Sales have now been falling every month since April 2007. Even worse is the news that vehicle exports fell by a massive 60.3% over the year to July.
- There was a massive 17.1% drop in factory output in the year to June 2009. This follows by the reported 6.7% slump in retail sales.

Growing unemployment poses major social and economic problems not just for workers and their families, but also for the incoming ANC government.

Firstly, government will struggle to meet its target of halving unemployment and poverty within the first two decades of freedom. Under the 2005 Accelerated and Shared Growth Initiative for South Africa, government suggested that if economic growth rose to 6% by 2009, it would be possible to cut down unemployment to around two million or 14% of the labour force by 2014. At its apex of job creation between 2004 and 2006, the economy was only able to generate half a million jobs a year, yet if the current survey is anything to go by, the economy is shedding at least half of that number every three months.

Secondly, the country's social safety net will experience tremendous pressure as those who lose jobs are forced to rely on family members receiving state social grants, which support not just the individual recipient but the whole family too. Able-bodied people between 18 and 60 years with no job get no income support from the state. As more people are thrown out of work they will have to rely on their limited unemployment insurance benefits, and once these are exhausted, on those family members already on the state's grant system.

Thirdly, we are likely to witness greater conflict in the labour market as employees demand higher wages to counteract the high cost of living, while employers point to the worsening economic situation as an excuse curb wage increases. Dispute resolution bodies like the Commission for Conciliation, Mediation and Arbitration will come under increasing pressure.

Finally, the incoming ANC government has the daunting task of realising its election promise of creating decent work for all in a climate where the economy is shedding employment at a frightening pace. Much reliance has been placed on the Expanded Public Works Programme which created almost a million jobs in the three year period between 2004 and 2007. But important as these jobs have been, most of them were short term and have not helped facilitate employment into the formal economy.

Government's massive investment in infrastructure development partially in response to the 2010 Soccer World Cup has had a net positive impact on economic growth and employment creation. This however has not shielded sectors like construction which for the first time since 2002 has lost a massive 65,000 jobs.

It has become more urgent than ever for the new government to kick-start the implementation of the excellent and very necessary measures contained in the Framework Agreement drawn up by government, business, labour and community as South Africa's response to the world economic crisis. Its top priority was how to minimise jobs losses and pave the way for future job growth. The Stats SA figures show that we are falling dangerously behind in the task of implementing this crucial set of programmes to save and create jobs and restructure our economy.

The joint task teams set up in NEDLAC to implement the agreement must be revitalised and start delivering immediately.

We have rejected totally the argument that the solution to the crisis is for workers to 'moderate' their wage demands so that business can maintain its profits. This is firstly grossly unfair. You cannot expect the have-nots of society - the workers and the poor - to bear the burden of a crisis, which was one of their own making. It was the profiteering, free-market capitalists who brought about this mess, and they - the rich and the bosses - must make the biggest sacrifices. They have received a bonanza for the past decade, they must now pay.

Secondly it is economic nonsense to call for wage cuts to escape from recession. One of the reasons for the drop in retail sales is the growing number of unemployed, with no money to spend in the shops. If in addition, employed workers take home less money, they also spend less in the shops, more businesses are forced to close, more workers are retrenched and we plunge into an even deeper recession. This was perfectly understood by Keynes in the 1930's.

Thirdly such a 'solution' will increase even further the levels of inequality in South African society, which are already among the highest in the world. Winning above-inflation wage increases is one of the ways by which low-paid workers can start to narrow the wealth gap, and we shall continue to support any union which fights for real increases in the living standards of their members and families. Below-inflation increases are in reality not increases at all but wage cuts in real terms and will make us an even more unequal society.

2.2 Impact of the economic crisis on the budget

At the time of the budget, government anticipated that economic growth would slow to 1.2% this year and projected a deficit of 3.8% of GDP. It also projected a borrowing requirement for the state owned enterprises of about 3.7% of GDP, taking the projected public sector borrowing requirement to about 7.5% of GDP.

Built into these figures was a substantial increase in spending, some of it planned before the economic crisis set in, and some of it designed to mitigate the impact of the crisis.

- Since the tabling of the budget, Treasury now think that growth will be much lower. Projection is for something closer to what is now market consensus (-2%) for this year. Similarly, growth estimates for 2010 would also be revised downwards.
- Revenue for the first quarter was R22 billion below our estimate. Extrapolating this suggests a revenue shortfall of about R60 billion. This would take the deficit to above 6% of GDP and the public sector borrowing requirement to about 10% of GDP.
- VAT receipts are sharply down on last year and company taxes have started to fall too. Given the lag on company taxes, we expect that company taxes would only recover about 18 months after the economic recovery is underway.
- The higher deficit raises public debt and debt service costs going forward.
- Borrowing costs have gone up for both national government and state owned enterprises. This has the potential to crowd out other spending in future.
- Accessing the finances for the large capital projects is proving to be much tougher than originally anticipated, mainly due to the higher government borrowing requirement.

National government is now borrowing about R1.8 billion a week and this would have to increase steadily over the course of the year. We would need to borrow about R160 billion (including debt that must be repaid) this year.

- The spending items that are directly attributed to the response are difficult to unpack because we already budgeted for a sharp increase in capital spending.
- Nevertheless, some items that are specifically in response to the crisis include:
 - Expansion of the school nutrition programme
 - Increase in the child support grant to children up to 15
 - Large increase in allocations to public employment programmes
 - Higher spending on agricultural starter packs
 - Increased capital spending, especially on built environment infrastructure (housing, transport, water, sanitation, roads, electrification etc)
- There is also an impact on the broader public finances that are beyond the budget. These include:
 - Increasing the lending capacity of the DBSA and the Land Bank
 - The IDC has set up a fund for distressed firms and sectors
 - The R2.4 billion for the training lay-off programme comes from the SETAs and UIF
- In addition, there are numerous areas of pressure on the budget, many of which have little direct relationship with the state of the economy, but still have to be managed. These include:
 - Higher cost of OSDs
 - Public sector salary increases yet to be finalised
 - SOEs - Denel, SAA, Alexkor, PBMR, InfraCo, SABC
 - Proposals for more direct support to industries (industrial policy interventions)
 - Higher prioritisation for rural development
 - Higher costs of free basic services
 - Overspending in education and health departments putting pressure on goods and services budgets
 - ARV programme is facing budgetary pressure
 - Higher costs of stadium projects
 - Rising cost of land restitution
 - Creation of new government departments

Against this background, the pertinent question of alternatives has become urgent. There are several possible options. First option is for the status quo continues until somehow the world economy finds a new balance. The second option is a modest adjustment through for example soft Keynesian measures and some revision in the architect of the financial sector. This may restore profitability, but leave the status quo almost unchanged, including the further marginalisation of poor nations such as sub-Saharan Africa from the global economic recovery. The third option is for a radical transformation of our economy as envisaged by the Polokwane resolutions and ensuring this restructuring happen at the global level. Analysing the state of the left globally, one cannot help being despondent because the movement is incoherent, fragmented and unable to provide solutions, outside some few academics, political parties and the union movement.

Yet, the current global crisis presents an opportune moment to heighten the struggle for radical reforms and for a change to a new socialist future. In addition, while the US remains hegemonic, this is not

uncontested. Different sites of power are emerging in the form of the role of some of the large developing countries in the south, namely Brazil, Russia, India and China. Europeans also seek to retain their autonomy from the US in their spheres of influence. In the East, Japan is competing with China for hegemony in that region of the world. On the surface the world may appear uni-polar but in essence it is pluralistic with different countries trying to chart an independent development path. The US itself is surrounded by left governments in its sphere of influence in Latin America. In a word, unlike after the collapse of the Soviet Union, US power and influence is challenged, even though it often acts unilaterally.

The challenge confronting COSATU in this congress is a clear development of a strategy that links domestic struggles to the global struggles. The tendency to be insular at a national level is in the ultimate end futile because workers' gains in South Africa can be eroded by external forces. In the second place, there is the challenge of nudging the global trade union movement out of its neo-Keynesian rut to offer more radical solutions to the global crisis. COSATU itself, is also forced to re-look in its policies of modernising South African capitalism to secure workers interests. Undoubtedly, if we are stuck in the present and preoccupied with domestic problems, the task may seem daunting. However, if we were to combine forces with the ANC, SACP and progressive civil society to catalyse a global movement for change, more can be gained rather than a unilateral approach. On that score, we must reflect on how our international work contributes to the global search for solutions and to build a global movement for change. In particular, we must assess the impact of our contribution to the Southern African and African trade union movement.

3. Progress in the National Democratic Revolution

Progress of the national democratic revolution should be measured against its objectives. A rough sketch of the changes since 1994 was mapped above. This section provides a detailed analysis of the national and international situation. The purpose is to understand progress since the democratic breakthrough; tease out the challenges; and assess opportunities for taking the struggle forward.

South African society is constantly evolving and there is intense battle for the trajectory of our new nation, we here identify some of the key features of a post-apartheid South Africa. In official political terms, the liberation movement has triumphed against the apartheid system in a hostile international climate. Despite this constraint a new political order underpinned by a democratic Constitution has been installed. The ANC continues to enjoy the broadest support of the electorate and we are concerned that if we do not exploit and take advantage of this historic moment it may not last forever. In fact it can be argued that when we went to negotiations capital was ready to make qualitative concessions and compromises but instead we allowed them to get away and regroup.

We now know very well that we may have gained political freedom yet economic power is firmly in the hands of a white minority. Poverty, joblessness and inequality are still confined mainly among the black people and women. Even progress by the black middle class is constrained by the reality that whites still disproportionately control the economic and senior positions in the economy.

Before the recession, the country was told over and over that there is an economic boom. We were told that this is a season of hope. Contrast this with the world from where the delegates of the congress came from - a situation of complete hopelessness. Unemployment was hovering at just below 40%. Unemployment affects more young people and women and is intense in rural areas. Of the unemployed over 70% are younger than age of 35.

From a trickle of job creation, the economy is now shedding employment, especially in services and mining. This should put to rest, the argument that South African economy has been transformed into a service or knowledge economy. Tumbling world prices and demand for commodities like gold and platinum are in part responsible for the job cuts. Further, it is proof that services on their own are not capable of sustaining job growth. This means that we need a new growth path, based on a restructured manufacturing and supported by the rest of the other sectors.

Income inequality remains high. Yet inequalities have long been identified as one of the key impediments to faster economic growth. These inequalities have both national and class dimensions. Black people in general, are still concentrated at the bottom of society while a sizeable minority has moved up. The class divide between the rich and poor is widening and South Africa has produced many millionaires.

One of the measurers of these inequalities is the fact that the workers' share in the national income has been on the decline since 1981 and has continued to decline in the first 12 years of democracy. The share of profits continues to increase. According to the Labour Force Survey figures 16.7% of all officially employed people in South Africa earn less than R500 a month, 34.3% earn under R1000 a month and a total of 60% of all workers earn less than R2500 a month. Many of these workers are sole income earners in their households.

Poverty remains the reality of between 40% and 50% of the population. There is a debate on whether poverty has decreased but there is no doubt that poverty remains extremely very high.

This is the reality of the many. This did not have to be, and neither was it inevitable. The ANC's 1969 Morogoro Strategy warned against the danger of superficial change. The paper titled '*Possibilities for Fundamental Social Change*' asked a fundamental question that begs for answers. One of the questions is whether as a movement we betrayed the demands of the Freedom Charter and the 1969 in Morogoro Strategy and Tactics document? In that paper we asked pertinent questions:

"Has democracy failed the workers and the poor? Have we reached a tipping point where the post apartheid state could be defined as one acting on behalf of the affluent in our society?... What is the value of our democracy to the working class?"

In that paper we tried to make sense of what could have been factors leading to our NDR producing this outcome. Firstly power was concentrated in too few hands. The Alliance was not the political centre that drives transformation and deployment of cadres. It was the presidency that does that. We underestimated the power of patronage. The ANC outside periodic influence of the deployment of cadres and through development of policy in national conferences, national general councils and policy conference, was itself largely sidelined. Most of the important policy arose from the state and the conservative economics from the universities or even overseas. ASGISA was a typical example of this. The ANC had no 'independent' instrument to monitor compliance of government with policy directives of its constitutional structures or to monitor effectively progress. This led to a situation where those in the executive basically monitored their own performance and defended their shifts.

However, the state was deliberately weak in driving a development agenda and had no central institution with such a mandate. Prior to the creation of the Policy Advisory Service and Cabinet clusters, government was incoherent and 'compartmentalised'. It was however, committed to driving a neo-liberal economic programme concerned primarily with stabilisation RATHER than transformation.

By default, Treasury exercised the power to determine developmental priorities and policy within the logic of reducing the deficit. Early policy developments were debated in an atmosphere of enshrining Constitutional rights; under the direction of the Treasury this shifted to a highly technocratic and exclusive approach, which was dominated by local and international "experts" in the respective macro-economic fields.

We did not properly analyse the power of capital. We accepted that de-racialisation of the economy will unavoidably be one of the products of the NDR. What we did not anticipate is that this would unleash unbelievable levels of crass materialism and careerism that have combined to kill some of the best and finest traditions of our movement such as solidarity and selflessness. As we have said so often, leaders are not standing at the back of the queue for the masses to feed themselves first, they push themselves to the front and actually take the food out the mouth of the poor as Gautrain and Telkom shares debacle showed.

We had a referee state that only saw its role as a mediator between workers and capital during intense class battles. In the survey we conducted in the run up to the Ninth National Congress, most workers perception was that the state is intervening more in the favour of business using law and order as an instrument. Recent emphasis on building a development state are welcome but such a state must be buttressed by and act in the interest of the forces for change.

We are still to see the transformation of the economy as envisaged by the RDP. Important shifts in the structure of the economy include growth of services particularly wholesale and retail, financial services and construction. These are highly cyclical in nature and are driving the growth of atypical employment. Still minerals constitute around 30% of total exports meaning that close to a third of our foreign earnings are from mining.

The state has redistributed from capitalists to the working class and the poor through a combination of social grants and extension of basic serves. These interventions play an important role in social development and constitute a barrier against poverty. However, poverty eradication was conceived more as a deduction from growth rather than a central part of economic development. ASGISA did not define poverty as a key constraint to growth and it continued to perpetuate the idea of poverty eradication as a trickle down from growth under the new terminology of "leverage of the second economy by the first economy".

Which means the whole social development agenda was dependant on growth - i.e. it's a trickle from growth. The inherent risk of the model is that if growth collapse or falters government will have to cut back on social development and other areas of expenditure. The section above on the impact of the global economic crisis illustrates this point.

What do we do about this situation? The Ninth National Congress in a way tried to answer this through all the 25 resolutions it adopted. COSATU congress decided not to abandon the struggle and give up on the dream of millions for a better life for all. The congress decided not to break the relationship between ANC, SACP and COSATU and rejected unsolicited advises from some. Breaking the Alliance will ultimately defeat the revolution itself. The time is now to defend the Alliance on the basis of a progressive platform for change. The working class has invested so much energy, effort and hopes in the ANC to walk away.

However, we must break new ground, as we cannot cling uncritically to our "swelling the ranks and build the alliance approach". The congress went beyond and proposed that we must combine the tactic of swelling the ranks with actual grass roots struggles and building maximum unity of the working class.

As we convene the congress, all the criticism we have made do no longer apply. From the Polokwane resolutions to the 2008 January statement and eventually the ANC 2009 manifesto, we have made tremendous progress to reverse that trend. If we do the right things we can bring back the national democratic revolution to its correct path.

4. The Road to Polokwane and its Outcomes

4.1 The Road to Polokwane

COSATU's political preparation for the ANC 52nd Conference can be traced back to the *September Commission Report* tabled at the 1997 Congress. The Report was the first major reflection by the Federation of the challenges posed by the transition from apartheid and the process of economic restructuring. The main argument of the *September Commission* was the importance of putting redistribution back on the national agenda after GEAR was imposed on the country. It was also aimed at advancing the struggle to oppose the self imposed Gear constraints and to build COSATU as an organisation. COSATU had to be sharpened as an instrument in the hands of the working people.

The Report also sought to define the role of COSATU in the post apartheid period and proposed that the Federation continues on the trajectory of revolutionary or transformative trade unionism. Since then, numerous political papers and reports placed on the table strategic options for the Federation. These documents interpreted the trajectory of the transitions and what was possible given the set of balance of forces domestically and internationally.

COSATU's Eight National Congress in 2003 adopted the 2015 Plan following the conclusion that the working class was being sidelined and capital had reaped substantial benefits from democracy. Key strategies of the 2015 Plan are the decision to '*swell the ranks of the ANC*' with working class cadres aimed at changing the direction of the ANC towards a consistent pro poor and working class agenda.

It is the 9th Congress in 2006 that plunged the Federation into new terrain by adopting the resolution that COSATU should identify its preferred candidate on the ANC NEC. Additionally, the Congress called for an *Alliance Electoral Pact* to define a new approach to the Alliance coupled with the resolution to take stock in June 2008 whether there has been any measurable shift to the left. Implicit in this approach was that COSATU's support for the ANC depends on the measurable shift to the left.

An extended Central Executive Committee was convened to discuss the political discussion papers prepared for the ANC Conference including but not limited to Strategy and Tactics and Economic Transformation. Following that, the 4th Central Committee deliberated on the meaning of the 9th Congress Resolutions in respect of the list of preferred candidates as well as the notion of the Pact. The Central Committee then agreed on the list of preferred candidates for the officials and mandated the NOBs and political commission to identify further names.

The decision to identify a list of preferred candidates combined with a momentum in ANC structures. It coincided with the grouping within the ANC that was disillusioned about the general direction of the movement and therefore was punting for change. This momentum proved to be so decisive and many

attribute the eventual triumph in Polokwane to have been occasioned amongst others by the bold step and unusual step to debate and announce preferred leaders of another organisation in a COSATU constitutional meeting.

We argued that the situation was abnormal and that the working class could no longer sit idle whilst the organisation they have built over decades was facing a danger of being hijacked by what is loosely known as the '1996 class project', which was forming a new alliance with capital. Abnormal circumstances sometimes demands abnormal responses. Our intervention was a rescue operation and a class intervention.

Obviously there was a backlash. The rightwing in the ANC was absolutely incensed by what they regarded as 'extra ordinary arrogance and interference' by COSATU. Even moderates in ANC leadership were also uncomfortable and felt that COSATU was committing an error that will come back to haunt it in the future. The SACP did not back our decision to name preferred candidates openly. They nevertheless published an open letter to the delegates calling for either a change of attitude or change of leadership in Polokwane.

All these interventions firmly placed COSATU into a particular camp in opposition to another camp in the ANC. We were suddenly formed part of an organised faction in the ANC fighting against another organised faction. In the process we got tainted by whatever criticism against what became known as a "Zuma camp". We could no longer play a neutral role to unify the two camps that existed. The environment allowed little space for neutrality. It came down to either to be working for change in the ANC or defending the status quo!

This somehow put pressure on our own internal unity and cohesion. A few comrades irrespective of their union's position on the matter were loyal to particular personalities and were broadly sympathetic to the political direction pursued by the dominant camp in the ANC. This small group has not been comfortable with the general direction the Federation, and had on many occasions expressed discomfort with the role COSATU played in the post 2004 period. This grouping kept on wrongly arguing that COSATU was engaging more on the political front at the expense of workplace struggles. It was not surprising that some COSATU leaders appeared on the list of the other ANC camp.

This did not necessarily destroy our cohesion. No South African could argue that he/she was confused as to what COSATU wanted in the run up to Polokwane. Members were never confused about what we are pursuing even though they would express discomfort that some of the leaders were perceived to be working against the mandate.

4.2 Strategic considerations informing the Federation's approach to Polokwane

In this section we outline some of the key strategic questions that informed the federation's posture going to Polokwane. First, the imposition of GEAR in 1996 signaled a shift towards a conservative stabilisation project largely supported by capital and rightwing opposition parties. The political centre shifted towards the *centre right* and this became the dominant discourse in our society. It was a discourse that favoured cautious approach to questions of economic management, privileging markets over the state. At the factory level, economic liberalisation and capital's response to the new labour laws unleashed an unprecedented restructuring of the working class via retrenchments, sub-contracting and casualisation.

Capital itself experienced major restructuring as some of the big corporations 'transnationalised' shifting primary listing to New York and London. Simultaneously some sections of capital were devastated by economic liberalisation, especially small businesses and elements in manufacturing.

The second consideration was the political ethos that was linked to this economic conservatism. The Constitution promised a radical democratic political culture but this was limited by the overwhelming influence of capital and the closure of democratic participation on the economy.

Third, this political culture spilled into the ANC and the Alliance. The ANC and the Alliance were largely sidelined in shaping the economic future of this country, as decision-making was concentrated in the Executive. Even in the executive, the Treasury loomed large and had the final word on developmental questions, which were subordinated to deficit reduction. In this political climate the Alliance functioned more as a crisis manager than a driver of the transformation process.

The last ten years since 1996 have been characterised by major conflict in the Alliance on a number of issues, including the very nature of the Alliance. In 2001 the Alliance was on the brink of collapse as a witch-hunt against the so called 'ultra-left' was launched through the briefing notes. Alliance membership rejected this approach and urged the leadership to find solutions to the political disagreements. In this context, the *Ekurhuleni 1 and 2* played an important role in bringing the parties together even though the resolutions were largely not implemented.

A fourth consideration driving the political thinking of the Federation is the palace politics that have characterised the Alliance in the recent past. Political intrigue has taken the place of genuine engagement around strategic issues facing the movement and our society. In this climate there were charges of state institutions being used to settle internal party disputes, especially through the selective use of the corruption stick.

The working class was not a passive observer of this unfolding tragedy. In the post 96-period the working class remobilised and mounted several campaigns on jobs, poverty and basic services all targeted at neo-liberal economic liberalisation. The working class also challenged the bosses at the factory level fighting restructuring and to improve working conditions. Working class communities also resisted the 'commodification' of water, electricity and other basic services.

Political upheaval in the country led by COSATU or social movements in part, account for the outcomes of the ANC NGC in 2005, the ANC Policy Conference in 2007; and the ANC National Conference in Polokwane. It is important to remember this fact, that it is mass struggles not shenanigans among the leadership that tilted the balance of forces.

4.3 The Federation's Preparation for Polokwane

As we said earlier, COSATU took some flak from across the political spectrum for announcing its list of preferred candidates. We must unequivocally defend the decision of the Congress on this question as correct under the political climate in which it was adopted. Ultimately, history will judge whether this was a decisive or divisive move by the Federation, but we must be steadfast in defending that decision.

The list of names adopted by the Central Committee COSATU was in tandem with the list of the forces campaign for comrade Jacob Zuma led NEC. COSATU had to work with these forces to ensure the decisive victory of the Zuma led list in the leadership contest.

Undoubtedly, this group was not a homogenous group as it brought together comrades with different class and other interests. This group was unified by the desire to bring change in the ANC leadership and internal political environment even though there is no unifying vision of what this means. For that reason, COSATU and the working class must assert its agenda and continue to work with all forces for change around a progressive platform.

At the Congress, COSATU lobbied for a number of its leaders to be included on the list. In principle, most of the names were welcomed, but due to technicalities could not make it on the final list. It also became embarrassingly obvious that we did not study the Election Rules, which implies that our level of activism in the ANC leaves a lot to be desired as individuals and as a collective.

This to some extent exposed the extent to which we have allowed the decision of swelling the ranks of the ANC to unfold on its own without any tight monitoring by the centre. This also raised a question of the extent to which COSATU cadres link their trade

unionism with political activism where they reside. It also brought to fore the weaknesses in COSATU's internal processes of identifying leaders. This particular weakness continues to manifest itself particularly in the unity and cohesion of the Federation. Put crudely, we may ask a question where did COSATU leaders receive their 'baptism of fire' and how did this relate to their conduct inside the Federation and how they perceived challenges facing the movement as a whole?

There is no doubt that the ANC was deeply divided towards the 52nd Conference. Results for the leadership illustrate the extent of such divisions as groups voted for their own slate with few 'cross-over'. The message of unity in this context is very important to heal the cracks that were reflected in Polokwane. It is also correct, that there should be no vindictiveness as this will only serve to further divide the ANC. Divisions in the ANC spilled over into COSATU for the better part of 2007. We saw the emergence of media leaks or faceless individuals contradicting or challenging official positions of the Federation. The division further manifested in COSATU leaders appearing on different list at the conference. At the heart this reflected different political alignment within the Federation.

4.4 The meaning of Polokwane: Assessing the outcomes of the Conference

Going to the conference we plotted several scenarios and we here evaluate the outcome of Polokwane against these scenarios. In addition, we provide an analysis of the resolutions of the Conference. The analysis is based on overall political reading of the outcome of the conference and events since the Conference. The next section will unpack the resolutions of the conference.

Notwithstanding the victory of the collective under the leadership of comrade Jacob Zuma, it is still early to definitely conclude as the political situation is still in a flux, suggesting that we are in no particular scenario. A few general indicators are worth elaborating and discussing - we cite these development to reject the idea of a business as usual conference. However this is not a comprehensive and exhaustive list.

First, it is only die-hards that can argue nothing has changed in Polokwane, although there are different interpretations of the outcome. The ANC mass base revolted against the status quo and installed a new leadership with the hope that it will lead the revival internal democracy. This revolt was against the *'technocratic-near authoritarian style'* of managing the movement and its subordination to the executive. The revolt was essentially about political accountability and democratisation and rejection of the culture of closed decision-making. By rejecting the third term option, the membership also opposed the idea of indispensable leaders who possesses all wisdom and knows what's best for the movement. Still, a sizeable section of the ANC, i.e. 40% of delegates still supported this option and this is not to be easily dismissed. The overwhelming members of this group understood democracy and that exercise of the democratic right to vote for a candidate of choice does not mean when you don't win you must walk from the organisation. Our responsibility is to continue with the message of unity and make all members of the ANC feel at home. A small number of people who were in this group refused to accept the democratic practices that does not guarantee them a victory and walked out to form COPE. We analyse this phenomenon in later sections of this report.

Second, a business-as-usual analysis of the resolutions of conference totally misreads the outcome of the conference. The alternative reading, that Polokwane represented an overhaul of policy does not also stand up to scrutiny. Contrary to attempts to downplay the policy shifts emanating from these conferences, Polokwane (and the NGC and Policy Conference that preceded it) signaled the need for policy shift on a number of issues.

In some cases, the Polokwane conference consolidated the shifts that were beginning to emerge from within the state for example around the developmental state: industrial policy, poverty eradication, education and health care. In some areas of policy, conference emphatically rejected existing or proposed policies on key questions. **Annexure 1** deals comprehensive but not conclusively with the resolutions from Polokwane.

Third, we should not lose sight of the fact that this conference did not spend inordinate amount of time trying to preach to the perceived ultra-left. Previous ANC conference had a tendency to distance the ANC from the perceived ultra-left and to reiterate the non-socialist credentials of the ANC. In contrast, this conference was a one marked by a constructive spirit to find answers to challenges facing our society. It may not have adopted resolutions that live up to all our expectations but it certainly has opened the political space for new politics and relations to emerge. The challenge is for COSATU and working class organizations, including the SACP, to consistently and vigorously give their correct interpretation to these resolutions or we run the risk of allowing the prevailing view of no policy shift to gain hegemony even within the ANC.

Fourth, the new NEC is the most representative of many layers of the ANC even though there is still a gap of social movement representation. Cabinet members and those with business links have dominated the NEC in recent past. This NEC comprises of MPs, business people, the executive and others drawn from the women and youth sections of the ANC. Post elections, with the appointment to the executive of the single person that came from civil society in the form of NEHAWU President, that question arises about representativeness of the NEC. This we raise as a practical issue not because we do not appreciate a large number of former unionist and others who support a left agenda in the executive and the NEC. In a way the NEC has sought to address this by co-opting the SADTU Vice President, Salome Sithole into the NEC. We need to continue lobbying for more unionists to be co-opted to ensure the balance is improved.

The ANC National Working Committee (NWC) includes many SACP leaders, which is both positive and concerning. What are the implications for the SACP that has many of its senior leaders serving in the National Working Committee? While there is nothing inherently good or bad about political independence, will the SACP be subordinated to the ANC and be constrained to pursue its independent programme? The blurring of the ANC and the SACP requires strategic reflection in the context of how we pursue the socialist struggle.

Fifth, post conference a number of events have taken place that deserve some attention, namely the January 8 statement; the extended NEC Lekgotla; the state of the nation address by the President; and the Budget speech by the Minister of Finance. We briefly underline key issues raised by these developments:

1. **The 2008 and 2009 January 8 statements** were significant for two reasons. First, in the preparation of the statements, COSATU's views were solicited, which is unprecedented. Second, the message of the statement is one that focuses on the correct priorities for the movement and our society. There is also political willingness to address the rifts that has emerged within the Alliance.
2. **The 2008 and 2009 ANC NEC Lekgotla** was so remarkably different from the previous meetings. Unlike being subject of ridicule and spirited attacks, COSATU, SACP and SANCO leaders were received with open comradely spirit. The new spirit that we are in this together underlined the debates in the commissions. We made few further advances in the 2008 Lekgotla in particular to further improve the economic programme of action.
3. The pronouncement by President Zuma in 2008 and reinforced in 2009 after the elections, urging parliamentarian to stop being lapdogs and hold the executive accountable is refreshing. This comes against the backdrop of parliament being subordinated to the executive demonstrated forcefully by the appointment of the SABC Board and the probe in the arms deal.
4. The President, in his state of the nation address, argues that it cannot be business as usual in relation to the challenges facing our country, especially the energy crisis. The expectation was that the budget would give concrete meaning to this sense of urgency. While not a complete disaster, the budget however fails the test to scale up resource allocation and has squandered some of the resources by giving tax breaks to individuals and companies.

For an in-depth analysis of the 52nd Conference refer to the **Annexure 1**. The assessment indicates that there was a definite shift in the Conference. However, the analysis also shows that the outcome was ambivalent on some areas but overall positive.

5. The Elections and the Outcomes

5.1 The Political Environment under which elections were held:

The biggest political task facing the working class was to displace and dislodge the "1996 class project" within its ranks and everywhere else. Our struggle against this class project predates the December 1995 when the government through the then Deputy President announced a programme to restructure the state owned enterprises, which was a code name for a privatisation programme.

We have always regarded the introduction of the Growth, Employment and Redistribution (GEAR) as the new economic strategy of government as representing the trophy of the 1996 class project. This was the moment they succeeded to reverse the RDP and the Freedom Charter and replace it with a neoliberal programme that in the main sought to assert the role of the markets over the state and the people.

We fought bitter battles to resist this. Very soon the battle transgressed from just a narrow economic programme into a political project that it has always been. This was underlined by the use of state institutions for factional battles in the ANC. Paranoia engulfed the country leading to others such as Cyril Ramaphosa, Mathew Phosa and Tokyo Sexwale being accused of plotting to overthrow the democratically elected government.

COSATU itself was labelled a counter revolutionary force, which together with other trade unions in the SADC was being accused that they are used, by the ICFTU and other 'imperialist's interests' to displace the liberations movements. The Alliance and indeed the ANC and the rest of the democratic forces were effectively sidelined in policy formulation. The was at the brink of collapse between 1999 - 2002 with the 1996 class project systematically provoking a walk by the left so that they can succeed transforming the ANC from being a left leaning liberation movement into a neo liberal center-right narrow political party that would only use the masses as the voting cattle. Through the use of patronage many former militants were turn upside down.

The 8th National Congress of COSATU will go down in the annals of history one of the most important congress ever held by the Federation. At that 2003 congress we adopted the 2015 Plan and in the next 9th National Congress held in 2006 adopted a militant platform. We knew that this has to be our response to the threat to mortgage our movement.

These battles were taken to new heights within the ANC itself when for the first time since the 1969 historic Morogoro conference, ANC members openly questioned and defied the leadership driving this 1996 class project in the NGC held in 2005.

Eventually a full-scale revolt transpired in the 52nd national conference of the ANC. A new leadership and new policies that reaffirmed the ANC as the pro-worker and pro-poor liberation movement emerged.

5.2 The media, conservative academics and commentators

Throughout this battle, the mainstream media, despite in some cases changes of ownership proved that change of ownership on its own is not equal to transformation. The media was sucked into the factional battles of the ANC through systematic and well calculated leaks to drive the strategy and impose the hegemony of the project.

Conservative academics in the universities never questioned the general direction of the politics until it was too late. They were enlisted as key strikers by the class project. They coordinated their assault providing space to liberal academics that provided intellectual support for the 1996 class project. These academics grew into a class of own known as the "political experts".

The media as well as the conservative expert whose views dominated the public discourse praised the 1996 class project as being enlightened, moderate and pragmatic whilst the working class were called all

manner of names to ridicule them and create environment where their opinions would be dismissed as that from a lunatic fringe.

It is this class that was to later create the huge hullabaloo and frenzy around formation of COPE. The problem is that they believed their own propaganda. They were proven to be completely out of touch with the popular sentiments in the working class. They continued misleading each other but not the working class.

5.3 The Jacob Zuma factor

Bearing in mind the class of the elites focused all their attention to attack the person of comrade Jacob Zuma; it was never going to be easy to have an election campaign led by him.

The campaign to demonise comrade Jacob Zuma was launched as early as 1999/2000. It was sustained through the so called rape trial and reached new record heights in the run up to Polokwane and beyond. Basically the world was being told that comrade Jacob Zuma was not fit for higher office. When the COSATU and others endorsed him in the run up to the Polokwane conference this was met with disbelief from the elitist quarters. Eventually after Polokwane and elections they ate a humble pie! Many seem to be folding their campaign after the elections with few 'die hards' such as Allister Sparks continuing the vendetta against him.

5.4 The emergence of COPE

On the 02 October 2008, Terror Lekota who has been the National Chairperson of the ANC for ten years until the 52nd national Conference held in December 2007 wrote an open letter to the Secretary General of the ANC making all sorts of wild allegations against the ANC.

Soon after this (on the 8th October 2008) flanked by Mluleki George, Terror Lekota convened a press conference covered live by most of the media houses and "served divorce papers on the ANC" and announced that he was to convene a conference of the 'people of South Africa' to decide on the way forward.

Indeed with much fanfare they convened a Convention on the 01 November 2008 at the ICC, Sandton. Later a new political formation called *Congress of the People* was launched on December 16, 2009 in Bloemfontein.

COSATU understood the threat this brings to the unity of our liberation movement, the ANC and to itself, as the workers organisation. We understood that if the "dissidents" succeed, it would roll back the gains workers and the poor have made since 1994 and weaken the organisations that have been the shield and spear of the working class. The agenda of this new formation was clear - derail the NDR, confuse and divide voters, cause enough damage to reduce the ANC majority in Parliament and some provinces, and put the brakes on policies to create jobs, cut poverty and improve the lives of South Africans.

The CEC decided that a letter exposing the agenda of this new counter revolutionary force must be written to COSATU members and communities at large.

5.5 Understanding the reasons behind the split

Two big events provoked Terror Lekota's breakaway - the victory of the democratic majority within the ANC at its National Conference at Polokwane in 2007, which reclaimed our organisation and voted for new policies and leaders - and the recall of former President Thabo Mbeki from his position in September 2008.

But its roots go deeper - to processes at work within the ANC and the country for many years. This breakaway represents a coalition of conservative forces, who have been, and are still, pursuing the agenda of a section of the capitalist class. Their goal is to dislodge a progressive ruling party that has the support of the majority and imposes the agenda of international capital and its local allies.

It is no accident that almost all the dissident leaders, including former trade unionists, are wealthy business people. They used leadership positions in the ANC, and in some cases SACP and COSATU, to accumulate wealth and dispense patronage.

They and some of their families benefited from what we now call the "1996 Class Project" - which imposed the neo-liberal, pro-business and pro-rich GEAR policy in the late 1990s. They are beneficiaries of the narrow BEE policy that has given a small number of Africans shares in big companies.

Their policies led to the retrenchment of thousands of workers. The Telkom privatisation alone led to the loss of over 15 000 jobs. From 1994-2001 the public service lost over 100 000 positions, due to outsourcing and privatisation, especially in hospitals and the state forests, where 10 000 jobs went. These misguided policies contributed to today's disastrous unemployment figures.

Public services suffered catastrophically too. We are still paying the price for outsourcing in the public service - in filthy, unhygienic and dangerous public hospitals, understaffed and under-funded public schools and shoddily built, substandard 'RDP' houses.

The very people, who, with their capitalist allies, are now mobilising for the dissidents, were the most enthusiastic promoters of the pro-capitalist policies that caused all these problems.

Their strategy also required the demobilisation of the mass movement, reducing the ANC members into spectators and voting cattle. It sought to restructure the ANC into a "modern political party", while marginalising the Alliance with COSATU and the SACP.

They would have preferred to continue this strategy from within the ANC and government. But the Polokwane delegates, representing South Africa's poor and marginalised majority, put a stop to it. They rejected the policies and leadership of the 1996 Class Project. They passed resolutions reflecting the ANC's long-standing pro-poor and pro-worker orientation and set the ANC back on course.

But the faction driving the pro-capitalist line within the ANC did not accept their defeat. They met again just one week after the conference and decided to continue fighting from within, to contest all remaining regional, provincial, youth and women's league conferences. Had they won, they would have moved a vote of no confidence in the leadership that had just been democratically elected, but this strategy failed.

For a while the defeated minority tried to exploit the "two centres of power," refusing to co-operate with the new ANC leadership and hoping to use their government positions to undermine the ANC's attempts to implement the Polokwane resolutions and unite the ANC.

But after Mbeki's recall some of his supporters, led by Lekota and Shilowa, saw that the ANC was no longer a route to power, and decided to form a new party, which, in cahoots with other opposition parties, would fight for their class project outside, and indeed *against*, the ANC and the Alliance.

They know however that to win support they cannot openly proclaim support for a blatant pro-capitalist project. So they seek demagogically to exploit whatever social grievances they can find amongst the people, grievances that result from the very policies they imposed while they were in government.

If this agenda succeeds, it would disrupt and cripple the organised working class and our liberation movement. It would blunt our weapons and turn the trade union movement into a conveyor belt for the interests of big business.

This agenda seeks to replace the ANC - which has always been a broad liberation movement with a bias towards the working class - with a neo-liberal, centre-right, bourgeois political party that will be narrow electoral machinery.

5.6 What is COPE offering the working class?

The COPE breakaway has not broken away on the basis of a clear policy platform or openly stated policy difference with the ANC, but just splits and confusion. Though the Shikota clique would have us believe that they left the ANC out of "principle", everyone knows that they left because they lost the debate in the movement, not to mention their leadership positions.

At the core of Shikota's strategic agenda is to disorganise the organisations of the working class at political and workplace levels. They despise the ANC yet they want to lay claim to its traditions and symbols, such as the Freedom Charter, while pursuing an active agenda to split COSATU.

This strategy to 'kill and cannibalise' our movement is a kick in the teeth for everything our people have tried to build up over many decades.

The unprincipled and opportunist nature of this splinter is not new. We have faced many such challenges, and will face more in the future. But it is particularly disgraceful that a grouping, with no openly stated ideological or policy reasons for leaving the movement, is prepared to sacrifice the unity of workers' organisations, which so many have struggled and even given their lives for.

We know that their attempts to create an alternative federation or mobilise large numbers will not succeed. But we must always be concerned about the potential for conflict amongst workers and for disruptive activities and recall the following incidents from our history.

- In 1986 the IFP, funded by the apartheid regime, established a right-wing labour federation, the United Workers Union of SA, a sweetheart federation with no affiliated unions, to oppose COSATU, which they feared as a revolutionary trade union federation. It did not destroy COSATU because essentially it was not a genuine union. Its agenda was purely narrow and political.
- In 1997, the *five madoda* in Rustenburg and the small union calling itself *Mouthpiece*, linked to the IFP, caused mayhem. Their activities led to the killing of NUM Carletonville regional chairperson, Comrade Selby Mayise, and other shaft

stewards in Carletonville, when they convinced workers to join unprotected strikes in demand of death benefits and provident funds.

- In 1995 Turning Wheels - a small union - mobilised truck drivers who were members of SATAWU and staged a highway blockade near Mooiriver that lasted days.
- NUMSA in Volkswagen faced a similar challenge in 2000 when a man not even employed by the company worked with *indlu yengwevu*, a faction within the plant, and managed to mobilise thousands of NUMSA members to embark on an unprotected strike, which led to thousands of workers being dismissed as a result.
- Recently 3000 workers were led by a small crisis committee of a mere seven people in the uranium mine near Klerksdorp. All these workers have been dismissed. The NUM must now fight for their reinstatement - the crisis committee is nowhere to be found.
- During 2008, the NUM reported that people associated with Shikota have tried to organise the NUM members in Carletonville. They are using the same old and tired strategy of whipping up emotions and getting members to go on strike in demand of their death benefits and their pensions.

In all these examples the small crisis committees and/or unions never existed outside the strikes. But the impact on the union, the Federation and even the economy was huge.

This is why we need cool heads and a clear strategy to deal with the threat politically, and patiently explain to workers, including those who may be confused or have genuine grievances against their unions and the movement, why this splinter is so dangerous to the unity and fighting capacity of the working class.

Only then will the current splinter group go the same route travelled by all other such divisive splinters - the dustbin of history.

One thread that runs through all the groupings that have broken away or engaged in factionalist activity in our liberation movement is their anti-communism and anti-worker, anti-trade-union attitude. Often they express themselves in exactly the same way as the apartheid regime.

Like their predecessors, the 2008 dissidents have turned their anti-communist volume ever louder, coinciding with the campaign to project the ANC as having been "captured" by communists and COSATU.

Discussion Point: it would be a great mistake to simply dismiss the threat of COPE. Clearly we have to engage with this threat including the threat to counter organise COSATU and create an alternative formation loyal to COPE's objectives articulated above. Part of the response must be to acknowledge that a number of supporters of the ANC and indeed of the democratic movement as a whole were drawn into this agenda because of genuine grievances they had against the movement and some of its leaders. Certainly that was the case in particular in the Western Cape. Part of dealing with the threat is to return the movement to its best traditions.

The opposition parties and later the new Black DA were invigorated by the media campaign. They believed the opinion polls and the newspapers headlines. Kenneth Meshoe frequently declared, "The titanic was sinking!" An elated ID leader Patricia de Lillie could not hide her excitement in the Lekota/Shilowa convened Convention, when she said she never thought a day will come for her to

preside over the death of the ANC. Helen Zille who received a heroes welcome in the so called convention together with Bantu Holomisa truly believed that the ANC will not survive the onslaught.

Misled by the 40% that supported the "third term", these people thought that 40% of the ANC is Shikota. They had no clue that, in the ANC, disciplined cadres abide by democratic decisions. So the anticipated 40% was an illusion.

Indeed inspired by these prophets of doom the political vultures were circling on the carcass of the movement of the people with excitement.

After weeks of over exposure, the COPE and the media were emboldened by the "victory" in the local government elections in some wards in the municipalities around Cape Town. The fact that they won these elections with 5% of participation in some voting station and absence of the ANC in the ballot paper, did not mean a thing to them. They counted provinces they were to win and declaring the Eastern Cape in particular as their strong hold.

The second price for COPE was that they would make huge gains in all provinces and cut the ANC support to below 50% nationally. They would then form anti ANC coalitions in most provinces and at the national level to govern the country.

Today the press that they enlisted as their friends whilst still in the ANC has turned against them frequently reporting about their endless battles for positions of leadership and factionalism.

5.7 The mythical investors

At the public level the captains of industry shrewdly played a neutral role. Of course they were not about to commit a class suicide. They knew that a new conservative black opposition or government would be a dream come true. Capital in our country is not a homogeneous group though. There is size/monopoly as well as race dynamics that makes it hard for them to adopt an open position on political matters.

An important grouping of black business felt sidelined by the 1996 class project. They did not benefit fast enough from the trickle down neoliberal policies the project pursued. When there was a chance to displace the project, some of the black business personalities for this reason alone decided to throw their weight with the forces of change.

The leadership style of comrade Jacob Zuma including the carefully considered engagement with the international investing community achieved the objective of at least muting their voices and addressing their immediate concerns. They demanded continuity with regard to macro economic policy.

5.8 Subjective and objective weaknesses of the ANC and Alliance

The divisions that engulfed the ANC and the Alliance for many years came back to haunt us during the campaign. Amongst some voters we were seen as too divided to lead the country. But the main weakness remains that of ideological clarity. The ANC faces a challenge of clarifying the specific role of the working class in its mission for social change, COSATU faces a challenge of continuously clarifying the role of the working class in the NDR, and the SACP faces a challenge of providing theoretical and

ideological leadership as we emerge from the dark age of the 1996 class project. Failure to undertake these clarifications will open up yet another neo-liberal incursion into our ranks, in the name of the NDR.

Below, we document some incidents that highlight the weaknesses of our movement.

5.8.1 Western Cape

It was not surprising that we took such a beating in the Western Cape that has been plugged by divisions for many years. Initially the divisions appeared to be between two groupings battling for power. An Africanist grouping opposed to affirmation of Coloured leadership on the basis that the Coloured leadership did not have big following amongst the coloured majority. Scratching below the surface it became clear that the divisions had little to do with the professed reasons but were about intense battle for control and access to resources.

These divisions tremendously weakened the movement. When COPE was formed it was natural that its immediate base would be in the Western Cape.

This base never and still does not have a shared overall strategy pursued by the masterminds behind formation of COPE. Mostly these were people with genuine grievances against the leadership and had felt that the national leadership did not intervene or were biased against them.

The ANC NEC has since disbanded the PEC of the province and is currently having a caretaker committee led by Membathisi Mdladlana.

5.8.2 Eastern Cape

The provinces have not enjoyed high degrees of political stability for many years. Whilst it has always been a heaven of left politics, we saw an intense contestation by a formidable and spirited conservative grouping that today forms the nucleus of COPE. The balance of forces changed in the provincial conference held in December 2006 where a rightwing grouping gained ascendancy.

Whereas in the past - that is before this conference the Alliance relatively was good, the tipping of scales in favour of the rightwing plunged the Alliance into a crises leading to both COSATU and the SACP being sidelined effectively.

When COPE came, this rightwing grouping, angry at the outcomes of Polokwane, and angry at the dismissal of their Da Lai Lama, found a new political home. A significant number of the PEC joined COPE, including the Provincial Secretary. Others who had strong personal, business and political links with those that have left remained seemingly very confused and torn apart. They were in charge of the ANC and therefore had no reason to leave. They allegedly adopted the wheelbarrow approach to elections work.

The ANC NEC was forced to intervene and took powers of the ANC away and put in a task team of the NEC to drive the mobilisation. The Alliance faced with this difficulty of people suspected to have sympathy to COPE, was forced to take initiative and effectively steamed ahead to mobilise the ANC in the run up to the national manifesto launch working in the main with the ANC grass roots structures and the NEC task team.

Eventually the PEC came on board. Together the forces worked to organise the biggest rally of the ANC in history. Despite this showing and the earlier victories in the by-elections, the historic divisions had weakened the ANC. COPE won a 13% of the province. Our majority has been reduced to 69,70%. Previously the ANC won the province by over 79,31%. Looking at the results more closely revealed that the ANC lost support mainly in the metropolitan areas in particular in the Nelson Mandela (where it received 50,14%, DA 28,17% and COPE 17,02%) but largely maintained its rural support where COPE received single figures.

ANC must discuss its organisational state in the province. The province is preparing for an elective conference in October this year. Unless the current divisions are managed better, we may begin a process of self-destruction that may further weaken the ANC in future elections.

5.8.3 Northern Cape

The province had a divisive provincial congress post the Polokwane conference. Largely the divisions mirrored the national divisions. These divisions pitted the ANC provincial chairperson against the provincial secretary. Chairperson won the conference with the defeated secretary forming the nucleus support for COPE.

The COSATU newly created province, just like all other formations did not escape the impact of these divisions on its cohesion.

COSATU election work was flat and hardly inspired confidence. This demanded a national intervention that led to the POBs power to coordinate elections being taken away. The President of SAMWU, Petrus Mashishi and Provincial Secretary of COSATU in the Free State, Sam Mashinini were given the political control to drive the campaign with the assistance from the POBs and affiliates.

All these efforts seem to have paid off. The ANC won comfortably at 61,10% with the DA winning 13,08% followed by COPE at 9,08%. The ANC had won the province in 2008 by 68,75%

5.8.4 North West

The province has been one of the most affected by the divisions. It has dynamics of its own that have little to do with the national divisions. These divisions predate the *amapogo* and *talibans*. Basically the province has not enjoyed stability from inception. The Alliance has never worked enjoyed unity after the days when Popo Molefe was the Premier.

The PEC of the ANC was a vociferous supporter of the third term. When President Mbeki was recalled and COPE was being established it was thought by many that most of the PEC will cross over to COPE in a block. At the end only the deputy provincial secretary and the chairperson of the ANCYL moved.

But the PEC seems to adopt the same attitude adopted by other vociferous supporters of the third term in the Eastern Cape - the wheelbarrow strategy. This eventually forced the hand of the NEC, which took away the powers of the PEC and installed the NEC task team. This definitely saved us from the looming disaster. Eventually the ANC won decisively by a 73,84% with COPE at 8,43%. The ANC previously won the province by a whopping 81,83%.

The ANC NEC recently disbanded the PEC of the province.

5.8.5 Free State

The province has also a history of divisions dating back to the times of its first Premier, Terror Lekota. Since then the province basically never enjoyed high levels of coherence. But the province had a very strong personality in its current chairperson who seems to command a huge number of forces. The Alliance has its own ups and down in the province.

Because two of the national office bearers of COPE, one of which was a provincial secretary of the ANC and a member of the NEC, there were fears that COPE may erode our support base. This did not really materialise in the elections as we received 71, 9%, but previously we won more than 80% of the vote in this province.

5.9 Mobilisation

The February 2008 COSATU CEC historically understood the critical challenge the working class faced - the defense of the workers gains and space. These gains included the progress achieved in the past 15 years and the policy shifts of the 52nd conference of the ANC.

Through our intensive campaigning, we turned the Election Day to look like the festival of the working class. We visited every house, every workplace; farm and every village and we were able to turn a lot more of undecided voters to vote for the ANC and into a firm support base for our revolution.

The ANC won the elections by 65, 90%. Unlike before, the biggest opposition against the ANC in these elections was its own children who had turned against it to form a new organisation. Some remained inside devouring it from within.

More important about these results is that they reflect the class character of the support base of the ANC. They show that that the ANC support still resides in the black working class areas and that mostly the black middle class retained its confidence in the policies and programmes of the ANC.

The challenge still remain that we mobilise beyond the African working class and that in the Western Cape we still have a huge challenge of a Coloured working voting for its class enemy for narrow racial chauvism reasons.

We would like to express our thanks and congratulate the cadres who spent time in the war room, affiliates and provinces who went to the ground and spoke to our people.

The team consisted of eight comrades seconded by the following affiliates SACCAWU - Thabo Mahlangu, NEHAWU - Fusi Ncabeng, SAMWU - Koena Ramatlolou, NUMSA - Bheki Msibi & Sellina Tyikwe, SASAWU - Ingrid Lawrence and the Campaigns Coordinator led by the Organising Secretary, Theo Steele. At the peak of the campaign the Deputy General Secretary joined the team and gave political support.

COSATU unions also took time to come to the party with the exception of the NUM. The NUM deserves a special praise! This is not to suggest that other unions did not do splendid work, but the NUM again

cemented its leadership role in the Federation. A special praise must be given to task team that was deployed in the Eastern Cape but also went to the Northern Cape as well. COSATU should award these comrades in the same way we awarded the comrades the *amadela kufa* we deployed in the rural areas of KwaZulu in the last elections in 2004.

SADTU also played a very important role in particular to turn our fortunes in the Eastern Cape where we were facing the threat of COPE. Later NUMSA also sent in teams that did wonderful work.

SACTWU deserves a special praise for the splendid job in the Western Cape. Again SACTWU like NUM at the national level proved that they are the leading union in the province not only through size but also through fine example. Without the COSATU unions we would have been extremely embarrassed by the DA in that province.

The COSATU provinces and their shop steward councils are always the star of the show in the Federation. Nothing moves without the POBs and the Provincial Shop Stewards Councils. This campaign was no exception. They give us the respect we enjoy on the ground - they are the backbone of the Federation.

5.10 ANC elections manifesto

As pointed out in the section reporting on the Alliance developments, COSATU participated effectively in the writing of the ANC 2009 Elections manifesto. In fact the write up of the manifesto started with the 2005 ANC NGC, ANC Policy Conference in August 2007, the ANC 52nd National Conference itself, the Alliance Summit, Alliance Economic Summit and Mass Democratic Movement Summit. COSATU had participated effectively in all these processes and meetings.

In addition to this, the ANC through "my ANC, My vision, and my future" campaign opened up participation to the public to receive suggestion on what the manifesto should entail.

The manifesto was undoubtedly progressive and represented a shift to the left. It contained five simple priorities:

1. **Creation of Decent work:** The manifesto committed the ANC, as its Polokwane resolutions demanded that all economic policies shall be realigned to the decent work agenda and eradication of poverty. It affirmed the need to restructure the economy through an active state driven industrial policy
2. **Health:** the manifesto committed the ANC to a thorough going transformation of the health policy to achieve equity in the health care. It committed to introduce the National Health Insurance within the next five years.
3. **Education:** The manifesto recognised that our education system has not assisted with the objective of skills revolution and committed the government to a thoroughgoing transformation of the education system.
4. **Fighting crime and corruption:** The manifesto committed the state to root out crime and corruption and to ensure improved remuneration of the law enforcement agencies such as the police.
5. **Rural development, agrarian reform and food security:** The manifesto took forward the progressive resolutions adopted by the ANC Policy conference.

We obviously will be on guard against any deviations from this mandate.

5.11 Transition to the new Cabinet

For the first time in a long while (since Madiba's term as the first President) we were not only consulted but our views were subjected into a discussion and were seriously engaged with. The CEC Political Commission guided this engagement and provided the support. The Political Commission meetings were extended to all affiliated unions and in most of the times, the unions came in numbers to provide support to this process.

Overall we have a dream team to drive the decent work agenda subject to ensuring that the Minister of Economic Development is given a space to do what he is appointed for. Currently there is a turf war being waged by some to try to limit the role of the ministry. We are aware of some shenanigans being deployed by some bureaucrats to demean the status and the role of this department, calling it with funny names. But if this battle is won, we should go far in taking forward the agenda against unemployment, poverty and inequalities through real restructuring of the economy and industrial policy. We return to this issue of internal contestation within the state apparatus below, because it is critical for the success of the movement in delivering on the Polokwane mandate.

Other Ministers are outlined in the full statement of the President when announcing the new cabinet. In summary, he said, some of the changes in the structure of government are the following:

- Following extensive research on international models on how governments in other parts of the world plan and monitor performance, we have decided to establish a National Planning Commission (NPC), which will be based in the Presidency.
- The NPC will be responsible for strategic planning for the country to ensure one National Plan to which all spheres of government would adhere. This would enable us to take a more comprehensive view of socio-economic development in the country.
- We have also created a monitoring and evaluation competency in the Presidency, to monitor and evaluate the performance of government in all three spheres.

There will therefore be two Ministers in the Presidency, one responsible for the NPC and the other for Monitoring and Evaluation as well as administration in the Presidency. Other changes are the following:

- The Department of Minerals and Energy will be split into two separate departments of Mining and of Energy, each with a Minister.
- The Department of Education will be split into separate Ministries, one for Basic Education and the other for Higher Education and Training.
- The Department of Housing will be called the Department of Human Settlements to take on a more holistic focus.
- There will be a new department of Rural Development and Land Affairs, which are part of our key priorities for the next five years.
- The Department of Water affairs and Forestry becomes the Department of Water and Environmental Affairs.
- A new Department of Economic Development has been established to focus on economic policy making and economic planning. The implementation functions will remain with the Department of Trade and Industry.

- A new department of Tourism has been created.
- Agriculture becomes Agriculture, Fisheries and Forestry.
- The Department of Provincial and Local Government becomes Cooperative Governance and Traditional Affairs.
- A new Ministry has been created for Women, Youth, Children and People with Disability, to emphasise the need for equity and access to development opportunities for the vulnerable groups in our society. The Cabinet that will fulfill our objectives is composed as follows:
 - The Deputy President of the Republic of South Africa will be Mr. Kgalema Motlanthe. For a detailed list of cabinet and portfolio chairpersons refer to Annexure.

We now turn to the important issue of class contestations within the state apparatus, specifically with reference to the role of the NPC and the Ministry of Economic Development.

5.12 The Green Paper on Strategic Planning: A Big Step Back Towards Pre-Polokwane Shenanigans

As we mentioned above, there is an underlying struggle within the state apparatus to demean the role of the new Ministry of Economic Development in particular, spearheaded by the erstwhile powerful forces that colonized key positions in government. As we outlined above, Polokwane and the Alliance Economic Summit resolved to restructure government to achieve the goal of creating a developmental state, and ensure far more effective, government wide, co-ordination and planning. This included a package of proposals to:

- Set up a two tier Cabinet structure
- Reconfigure government Ministries in a way, which would make them more effective, and advance our developmental priorities.
- Set up a Planning Commission headed by the Presidency.
- Prioritise the transformation of the bureaucracy

To recap, these resolutions were aimed at: effective co-ordination and political oversight within clusters of government, and promoting greater accountability; shifting power away from unaccountable technocrats, who continued to drive governance processes; and ensuring long range planning and strategic alignment. These proposals therefore need to be seen as a package of political interventions, which are interconnected, rather than merely a technical set of rearrangement of operations of government.

Therefore the Green Paper on National Strategic Planning, which was released on 4 September 2009, needs to be tested against the extent to which it advances the objectives of this package, in assessing whether COSATU can support its proposed approach.

The Green Paper contains far-reaching proposals on national strategic planning, and an extensive mandate for the Ministry in the Presidency responsible for the National Planning Commission, referred to in the Green Paper as the Planning Ministry. The proposed mandate of the Ministry goes way beyond what was envisaged by the Alliance, and arguably creates a new centre in government. Indeed there is a widespread view, that if the Green Paper is adopted, it would create a *de facto* imperial Prime Minister, who would assume powers, which are now collectively exercised by Cabinet, and clusters within government. An analysis of the Green Paper tends to support this view.

It is not possible to conduct a detailed analysis of the Green Paper in this report (and COSATU will formally submit its comments on the Green Paper to Parliament). However, key features of the Green Paper, which raise serious concerns, include:

- The original mandate of the Minister in the Presidency, as announced by the President in May, was to be responsible for the National Planning Commission (NPC). The Green Paper, which was drafted by a team led by the Minister, however, proposes a far more wide-ranging role, which is effectively to be responsible for overseeing all planning and co-ordination within government, a function currently performed by Cabinet;
- The 'Planning Minister' assumes responsibility in the Green Paper for producing the three key policy and planning documents in government, namely: government's 5 year programme or MTSF; government's annual programmes of action; and government's long range plan. The latter is to be produced by the Minister with the NPC. The remainder are to be produced by a structure of Ministers to be chaired by the planning Minister;
- The Green Paper conflates the role of the Minister, and the Presidency as a whole; and the Minister's powers substitute for those of Cabinet. For example while the Minister is responsible for producing the strategic documents mentioned above, the Green Paper states that Cabinet will be responsible for their *implementation*. Therefore the Minister is given a central policy role.
- Clusters, Ministers and Departments currently play a key role in production of strategic plans, and Cabinet co-ordinates their finalisation. The Green Paper is totally unclear on the role of these structures in the finalisation of the Plan and these strategic documents;
- The mandate given by the President to the Economic Development Ministry, having given it responsibility for development of economic policy, when he announced the Cabinet on 10 May, was also to "address, among other, matters of macro and micro economic development planning". (Speech to Parliament 24 June 09) Yet there is not a single reference to the role of this Ministry in the Green Paper, not only in relation to the overall plans, but also in relation to co-ordination of economic planning. The Green Paper suggests that this Ministry, like all others will be subordinate to the 'Planning Ministry';
- There are numerous references in the Green Paper to the role of the 'Planning Minister' in economic policy and economic planning. There is no coherent reason advanced as to why the Planning Minister should be co-coordinating policy matters, given that this is clearly a different role from planning. Yet there are repeated references in the Green Paper to functions, which make the Minister *de facto* the head of policy in government, in economic matters, as well as all other areas. The mandate of the Minister of Economic Development is effectively negated by the Green Paper;
- The blurring of the planning and policy roles of the Planning Minister is clearly demonstrated in the statement that the Planning Ministry would driving "processes of strategic planning and ensure consistent and integrated policies and programmes across multiple layers of policy-making, planning and implementation.";
- The Green Paper clearly implies that officials in the Presidency will 'supervise' the activities of Departments, including DG's, as well as the Clusters in which planning had previously taken place.

Therefore, while the Green Paper has been presented as a technocratic planning intervention- it is in reality a wide ranging political manoeuvre. It has profound implications for governance, and democratic processes, and if not corrected, could have the effect of rolling back Polokwane gains.

The emerging contestation around the Green Paper, and the role of the Minister in the Presidency, who has assumed responsibility for overall planning, must be situated in the context of the role, which some officials in the Presidency have begun to play in recent years, in combination with Treasury. COSATU in our previous Congress warned of the increasing concentration of power in the hands of an unaccountable bureaucracy in the Presidency, which in driving its own agenda, was increasingly taking over the problematic role played by Treasury, insofar as it undermined the role of Cabinet, Ministers, government departments, and Parliament in ensuring that government took forward its electoral mandate.

The role of this powerful group of technocrats in government pre-Polokwane, continues to be consolidated, despite the political shifts which have taken place, and the Green Paper must be seen as a key intervention to institutionalise that power. The Green Paper, by going way beyond the legitimate role of long-range planning, to assert far reaching power in the hands of one Minister and his technocrats, proposes interventions which threaten to be even more problematic, than the role which many Presidency, and other, officials played under President Mbeki.

Finally, this intervention cannot be considered in isolation from the personality of the office bearer who is driving the Green Paper. In theory, it shouldn't matter, when one is formulating policy, who the office bearer of a particular structure will be.

However, given that the Green Paper proposes a 'Prime Ministerial' role for the Minister, which in many ways will supplant the collective decision making of Cabinet, and even the role of the President, it is unavoidable to consider this dimension. Indeed, the problems identified with the Green Paper proposals, are further underlined by the fact that the current occupant of this position has a history of unaccountability to the collective, imposition of undemocratic structures in the form of an all-powerful Treasury, and open flouting of mandates given by ANC and Alliance structures.

This is also the same person who recently stated (at the World Economic Forum in Cape Town) that business were cowards because they refused to take on the unions. It is of major concern that this proposed structure will give such unfettered power to a person who has abused his power in the past, advances an openly anti-working class agenda, and that the inherited bureaucracy in the Presidency which constitutes the secretariat for this Ministry, largely continues to advance and defend pre-Polokwane positions.

Therefore it should be of serious concern to democratic forces at large that the Green Paper proposes to create this planning function at the apex of government, with both coordination, planning, and policy dimensions, in a way which will put excessive power in the hands of this problematic constellation of forces. Therefore COSATU will engage vigorously to argue for the fundamental overhauling of the Green Paper, and the promotion of an approach which is in line with that advocated at Polokwane, and at the Alliance Economics Summit.

We urge the new Minister of Economic Development to move with haste to assemble his team. And in so doing, he must make sure to pick the best minds within the movement, so that he begins the long process of undoing the policies of 1996 class project, which derailed our glorious movement from its revolutionary path.

5.13 The Impact on COSATU

We will not speak about the political investment we have made since we stood up against the encroaching dictatorship and Zanafication of the ANC in the late 1990's and until the triumph of 2007 in Polokwane, where our ideological foes met their Waterloo. When the historians write honestly about the contributions the workers movement made in this period we are certain they will speak in glowing terms about COSATU.

The defense of workers' gains and space meant that we must walk through the open doors and pick up these gains. We did not do everything we did in order to open doors for others but ourselves. A number of our leading cadres have been lost to the trade union movement. Below we try to make account without counting those who left us early from the CEC.

1. Alinah Rantsolase, she has been our Treasurer for the past 10 years and has over 30 years of her life served the movement. She was an extremely capable Treasurer and a passionate worker leader with huge guts, outstanding and incorruptible attributes of a worker leader. She ably represented COSATU in the audit committee of the Africa-ITUC. She became a member of the permanent standing committee on worker rights violation in the ILO. It will not be easy to replace her.
2. Ebrahim Patel, the General Secretary of SACTWU. His departure is going to be felt in a long time to come in the Federation and in the international trade union movement. He was one of the brightest and sharpest brains we had. We are happy the working class is bringing this talent to the service of all our people.
3. Thulas Nxesi, has been the General Secretary of SADTU for the past 16 years. This is a lot of institutional memory we lost. He also was the President of the teachers' global union. His outspokenness will serve to advance our quest for deeper accountability of public representatives.
4. Noluthando Mayende-Sibiya, has been the President of NEHAWU since 2004 having been a Deputy President since 1998.
5. Nonhle Mkhulisi, she was a SADTU Vice President.
6. Bonakele Majuba, he was the Deputy President of SADTU.
7. Abbey Witbooi, he has joined the department of correctional services.
8. Jan Tsiane, provincial secretary Limpopo.
9. Norman Mokoena provincial secretary Mpumalanga.
10. Xola Phakathi provincial secretary Eastern Cape.
11. Siphwe Mgcina provincial secretary Gauteng.
12. Enoch Mthethwa, the chairperson of COSATU in KwaZulu-Natal.

There are a few more people we lost who were either POBs and or members of the PEC of the Federation. This is no small contribution. It is what the working class is expected to do in the NDR.

5.14 The Impact on the ANC

We did not calculate the number of the NEC members who are now in the executive. One of the lessons we thought we would be able to take forward from the unfortunate recent past is that there should always be a balance in numbers and quality between the members of the ANC NEC in cabinet and others active in civil society, including in the trade unions.

With Noluthando Mayende-Sibiya now going to serve government, we have not a single person active in the civil society left in the NEC. This is not good news! Originally we were asked to submit three names for possible cooption to the NEC. We submitted Violet Seboni, Salome Sithole and Fikile Majola. Following the death of comrade Violet Seboni we were asked to submit just one name. Comrade Salome Sithole's name was submitted. She has since been affirmed.

5.15 Impact on SACP

We must have an intense discussion on the SACP. What do all these advances mean to the Party of the working class? Firstly its National Chairperson was elected as the Secretary General of the ANC. Now its General Secretary, Deputy General Secretary and Treasurer are all elected as MPs, and to worsen the situation they have all been appointed as ministers at national level (provincial level in the case of the National Treasurer).

On the positive side this means the SACP cadres occupy strategic levers of power. This is a massive advance! Yet there is also a danger in this. That danger is cooption of the communists to find permanent comfort in the current bourgeois-democracy and postpone the struggle for socialism to the back banner. The last thing workers can afford is to lose the political insurance cover they have enjoyed for so long. The SACP is the workers' vanguard, without which workers are weak and vulnerable politically and ideologically. Just think what could have happened to COSATU, if the SACP had not been strong and independent in the period of the intense class battles over the direction of our revolution. These and many other challenges must be fully confronted.

5.16 The programme of action of government

On the 3 June 2009, the new President outlined in the state of the nation address the new programme of the government. He acknowledged that the programme was being introduced under difficult economic conditions. The past year has seen the global economy enter a period of crisis unprecedented in recent history. We highlight in this report only the most critical elements of the programme:

1. Using the framework for South Africa's response to the international economic crisis, concluded by government, labour and business in February this year to minimise the impact of this downturn on those most vulnerable.
2. Fast tracking Phase 2 of the Expanded Public Works Programme, the Community Work Programme that offers a minimum level of regular work to those who need it, while improving the quality of life in communities.
3. A commitment not to scale down on the planned spending by government as a result of the economic crisis. The Medium Term Strategic Framework commits the government to 10 priorities.
 - Working together, we will speed up economic growth and transform the economy to create decent work and sustainable livelihoods
 - Introduce a massive programme to build economic and social infrastructure. We will develop and implement a comprehensive rural development strategy linked to land reform, agrarian transformation and food security.
 - Strengthening the skills and human resource base by improving the health profile of all South Africans.

- Intensification of the fight against crime and corruption to build cohesive, caring and sustainable communities.
 - Enhancement of international co-operation to ensure sustainable resource management and use.
 - And, working with the people and supported by our public servants, build a developmental state, improve public services and strengthen democratic institutions.
4. The creation of decent work will be at the centre of economic policies and will influence our investment attraction and job-creation initiatives.
 5. Utilise state levers such as procurement, licensing and financial support to assist small medium enterprises as well as to promote the implementation of Broad-Based Black Economic Empowerment and affirmative action policies.
 6. Another important element of the drive to create job opportunities is the Expanded Public Works Programme (EPWP). The initial target of one million jobs has been achieved. The second phase of the programme aims to create about four million job opportunities by 2014. Between June and December 2009, plan to create about 500 000 job opportunities.
 7. Social grants remain the most effective form of poverty alleviation. As of 31 March 2009, more than 13 million people received social grants, more than 8 million of whom are children.
 8. The newly formed Infrastructure Development Cluster of government will ensure that the planned R787 billion-infrastructure expenditure as provided for in the budget earlier this year is properly planned for and executed. This funding includes allocations for the school building programme, public transport including the bus rapid transit system, housing, water and sanitation.
 9. One of the biggest infrastructure investment projects is in the 2010 FIFA Soccer World Cup.
 10. Working together with our people in the rural areas, we will ensure a comprehensive rural development strategy linked to land and agrarian reform and food security, as our third priority.
 11. Education will be a key priority for the next five years. The state will foster a relationship to ensure that our teachers, learners and parents work with government to turn schools into thriving centres of excellence. Teachers should be in school, in class, on time, teaching, with no neglect of duty and no abuse of pupils! The children should be in class, on time, learning, be respectful of their teachers and each other, and do their homework.
 12. Reducing inequalities in healthcare provision, to boost human resource capacity, revitalise hospitals and clinics and step up the fight against the scourge of HIV and AIDS, tuberculosis (TB) and other diseases. Will work to ensure implementation of the Comprehensive Plan for the Treatment, Management and Care of HIV and AIDS so as to reduce the rate of new HIV infections by 50% by the year 2011. We want to reach 80% of those in need of ARV treatment also by 2011.
 13. We will introduce a National Health Insurance scheme in a phased and incremental manner. In order to initiate the NHI, the urgent rehabilitation of public hospitals will be undertaken through Public-Private Partnerships.
 14. Changing the name of the relevant Ministry from Safety and Security to Police to emphasise that we want real operational energy in police work. Will contribute to the reduction of serious and violent crimes by the set target of 7% to 10% per annum. The

most serious attention will also be given to combating organised crime, as well as crimes against women and children.

15. Will continue to play an active role in ensuring the conclusion of the World Trade Organisation (WTO) Doha Development round of negotiations.

5.17 Summary of the mandate

In this section we summarise the tough mandate we received from the congress and how far we have moved to implement the programme. The Ninth congress demanded:

1. A qualitative improvement in the workings of the alliance
2. An *elections pact* or alliance governance programme
3. A measurable shift to the left

We are pleased to report that we have made huge advances in all these fronts. Whilst we have not won every finer detail of what we set for ourselves, but we have made undeniable progress on most of these areas.

The Alliance is stronger than in any other time in the past 15 years of democracy. Whilst no Summit or Political Center have been held since after elections there has been a dynamic contact and great interaction at the highest level informed by the need to consult and sharing of views and challenges confronting us.

We could not reach agreement in the Alliance for a written *elections pact* as we reported in greater details in the early sections of the report. We however reached an agreement on the detailed programme as reflected in the Alliance summit resolutions, Alliance economic summit, MDM summit manifesto, the manifesto and the state of nation address. See the Annexure analysing Polokwane resolutions on measurable targets.

6. Way Forward: Strategic Challenges Facing COSATU and the Liberation Movement

6.1 There are no permanent victories

We live in a class based society. Our state is democratic in character but nevertheless remains a bourgeois state. As Lenin taught the working class a long time ago, the state is an instrument of class rule. Because we live in a capitalist society, dominated by a private accumulation regime, the state will tend to defend the interest of the ruling elite - the owners of production.

Because of this cold reality, we know that there are no permanent victories for the working class. The advances we made yesterday are under pressure all the time. Gains we have achieved are being contested within the broad church, liberation movement we are part of and in the broader society. Space opened is contested all the time. This is a class battle - a class war. As the communist manifesto declared, this class war continues all the time unabated - sometime you see in the streets and sometimes you don't see it. This war can either end in a victory for workers or in a common ruin of all contending forces.

Power can only be conquered by the most conscious and power concedes nothing without a fight. This we know because daily we are involved in bitter battles to defend and to advance our gains.

The battle is about which class interests will be imposed as the national interest by the state. Is it going to be the decent work agenda or unfettered private accumulation? Every weapon is being used in the ongoing class battles. Bribery of the leading cadres through winning them over by dining and wining them to make them experience the fringes of the dance room of the ruling elite happens all the time. Today's heroes become tomorrow's traitors.

Our political education must be stepped up to produce leadership and cadre that will fully appreciate this ongoing war and contestation. Failure to appreciate this battle is equal to us committing a class suicide. There is a danger that if we are not conscious that the power we possess may be used for the benefit of others for narrow private accumulation. There is a danger that we may lock ourselves forever into an unending NDR that would lead us not only suspending but also abandoning the struggle for socialism.

COSATU drafted a paper on NDR and socialism for discussions in our fourth Central Committee. We guess since then we have allowed that paper to gather dust. One of the key challenges we face is to equip our cadres and indeed the working class as a whole that we see the NDR as only capable of meeting some but not all of our political objectives.

6.2 State of the motive forces who imposed changed

None of us should forget that it was not COSATU alone who fought for change, just like it was not the working class alone that delivered freedom and democracy. As organised workers we are a leading detachment of the working class. It is the working class as a whole that is the primary motive force of the NDR. Even as we were involved in a rescue mission to halt the hijacking of our glorious liberation movement, it was the working class in the front rows leading all manner of other social forces.

We build a broad coalition that coalesced around leadership of comrade Jacob Zuma. It was a broad front in the true meaning of the word united by one objective that things are going wrong and we need a new direction and new leadership. These forces were never united though on what that new direction mean. We would not dare ask these questions prior to Polokwane in fear that the coalition will simply collapse. We needed to cross the river. When you cross the river you cannot refuse to climb on the back of the crocodile.

We have now crossed the river. The critical challenge is climb off the back of the crocodile! Put in the extreme, it may be easy to climb on the back of the lion but the challenge is to climb off. Our challenge is to impose a progressive agenda that is informed by the progressive conclusions of the ANC 52nd national conference and best values and traditions of the democratic movement as a whole. In order to achieve this aim, COSATU developed a paper we called seizing the moment. The Alliance Political Council endorsed this paper in its two sessions in 2008.

Unless we succeed to get a broad consensus around the platform, unity between us in the Alliance will always be temporary, fragile and unsustainable.

This broad consensus is necessary for three reasons:

1. To develop a common understanding within the Alliance of what transpired in Polokwane.
2. To develop a common analysis of the post-94 trajectory; and

3. Define what should be done in the current period to consolidate the outcome of the Polokwane Conference or to move decisively in addressing the underlying challenges confronting our society.

We highlight the most telling areas that we know if we cannot find a consensus the unity will be difficult.

- The closing of the political space and marginalisation of the ANC structures and the Alliance in policy formulation. Increasingly the ANC was unable to provide leadership to its Alliance and the mass democratic movement. In the process working class leadership and the working class biasness of the ANC was threatened.
- Use of state power to distribute patronage as well as build a reward system for loyal friends led to appointment on a number of occasions of people who have no capacity to lead important areas of transformation. This in turn developed a culture where mediocrity was tolerated and talented individuals were sidelined for factional reasons.
- The failure to deal with incompetent state functionaries who were frustrating the process of service delivery, thereby alienating our movement from poor communities in particular.
- Corruption and deepening of the culture of accumulation with increasing blurring of lines between political leadership and business interests. On occasions the divisions centred on frustrated expectations and entitlement mentality to government tenders and accumulation.
- All these issues combined to threaten the most important culture of the ANC and the congress movement as a whole - selflessness. This culture was being replaced by selfishness, as the big race between the activists to accumulate and to be rich as quickly as possible, through whatever means possible began.
- Economic policies adopted whilst celebrated by the employers, IMF and World Bank, were never accepted by the ANC key constituencies. Failure to address with speed unemployment, poverty coupled with evident growing inequalities laid the basis for many protests by the trade unions and civil society formations.
- The undermining of working class and its leadership, as the heartbeat of the motive forces of the revolution. Some even went further with their neo-liberal opportunism to suggest that the employed section of the working class, particularly COSATU, was advancing narrow interests opposed to the poor sections of our society in general.

The above points are our point of departure of what went wrong in the period before Polokwane. This is what we must proclaim should never happen again. This should be rod to measure our association with any grouping all levels. This is the consensus we need to build.

Getting a consensus is going to hard. The battles we have seen post Polokwane are not based on differences on the new approach. Something else is happening. This "something else" need to be properly analysed post the tenth National Congress. It appears that a realignment of forces that imposed changes is happening. Already we have seen a degree of fragmentation.

1. Immediately after the Polokwane the forces that fought for change split and there was a realignment of forces with a confusing mix-up between those who fought for change and those who resisted change. The end result is not clear. Whilst we still to test this none of us can say with confidence that the victorious faction in the women league conference will embrace the platform endorsed by the national leadership. We do need to engage

directly with the ANCWL to test this as part of a development of the post Polokwane consensus.

2. The ANCYL largely but not completely, was one of the most united forces demanding change in the run-up to Polokwane. The close relationship with COSATU positioned the youth league firmly on the left. The policy shift that happened could have not been achieved without the left leaning ANCYL. But immediately after Polokwane the ANCYL had a conference where there was a bitter leadership contest with the very forces that fought so gallantly for change split in the middle. We still to do a proper analysis of why this happened. We do no need to engage with the ANCYL to ensure that they back a progressive platform already agreed by the ANC top six.
3. Two important provincial conferences took place after Polokwane - in Limpopo and Mpumalanga. Here the forces that emerged victorious were those that fought for change. In the case of Mpumalanga though clearly the forces are not as united as they were in the run-up to Polokwane. New contradictions are clearly under way. The central question we should ask though is can we rely on this new leadership we fought so hard shoulder to shoulder with to deliver a progressive platform post Polokwane.
4. As we prepared this report a battle was ranging in the Eastern Cape. Again there appear to be clear realignment of forces. Comrades who fought hard in the same side for many years are now appearing in different slates for leadership positions. The immediate past COSATU Provincial Secretary of COSATU appears on the slate not supported by COSATU. COSATU in the Eastern Cape now accuses the slate where the former Provincial Secretary as a rightwing slate led by a combination of the old rightwing and the former left forces won over by the narrow and personal accumulation agenda. If this is true that the best of our own can easily be won by the accumulation agenda then we must all be extremely worried.
5. Western Cape and Northwest Provincial Executive Committees have been disbanded. It means a new leadership will soon be elected. Again a question must be asked, what will emerge in both provinces, will it be leaders pursuing a narrow self accumulation agenda or will it be people ready to defend the platform agreed to by the Alliance Political Center?
6. We know a grouping is emerging big or small, which seemingly is a unity between some of the forces that fought for change and others who came later to the agenda of change after the defeat of their own ambitions. This grouping is buying time and meeting behind our backs. It wants to introduce some changes in the top six. The changes demanded by this grouping appears to be as a result of frustration with style of leadership of some of the top six, but it goes much deeper than that. The grouping is however pursuing a clear agenda of narrow accumulation, which as the experience dictates, coincides with the agenda pursued by the 1996 class project for over a decade. The tactics seem of the new grouping seem to be clear - to win over key important players that played a leading role in the run up to Polokwane through offering business opportunities and isolating and or muting others through politics of cooption. Judging by what is going on in the Eastern Cape currently as mentioned above, COSATU and the genuine left forces within the ANC cannot afford to undermine this agenda. We have to prepare our base for possible battles in the 2012 ANC national conference of beyond. Again the only defense we have against attempts of transforming the ANC for narrow personal accumulation agenda is to strengthen it on the ground as stated in our 2015 Plan.

6.3 Attempts to divide the Alliance and attacks on the ANC President

Since Polokwane, some conservatives have been trying hard to drive a wedge between ANC and other formations of the Alliance. There have been three main areas to stoke divisions and to set us back to where we emerged.

6.3.1 Macro Economic Policy

We have no intention of repeating the analysis we make in the section dealing with the ongoing contestations above. Basically the message from the rightwing regrettably also from some ultra left groupings is that Polokwane represents no change whatsoever. The rightwing inspired by this lie and believing in their own propaganda have launched a massive media campaign to put pressure on the ANC to state that there will be no tempering of the macroeconomic policies. As we have said, inflation targeting is the main weapon they have used.

6.3.2 Battles on National Health Insurance

There is a huge battle being fought around the issue of the National Health Insurance. Many interests groups have suddenly emerged to launch a huge ideological battle against Polokwane and ANC Elections manifesto commitments around the introduction of the NHI. These groupings of course combine well with some conservatives, in particular in the National Treasury. They argue that NHI is both unaffordable and not desirable for South Africa. The ANC, SACP and Minister of Health Dr Aaron Motsoaledi have all been brilliant in defense of the progressive resolutions adopted by the majority in Polokwane. This battle is continuing. See the socio economic section of the report.

6.3.3 Speculation about where power resides

The conservatives have also launched a huge political attack on ANC President. Every week they have been running a story about where the real power resides. In the process they present President Zuma as really a puppet or stooge as they have said so many times of other interests. They claim that the real power resides with personalities in the SACP in particular the General Secretary, comrade Blade Nzimande or COSATU in particular its General Secretary, Zwelinzima Vavi or both. In this context the ANC Secretary General will be isolated as the real power behind President Zuma.

The City Press, on 14 June raised a totally spurious scare around the question: "Who is running the country?" It suggested that the ANC and its allies are taking decisions on government policy. In the process the media suggested on one hand that the government is being held hostage by Luthuli House and its allies in the form of COSATU and the SACP.

The opposition parties have jumped into the bandwagon. The DA frequently raises the question of who is running the country. All of a sudden all of these forces have forgotten that it is the ANC that received a mandated from 66% of the population to form a government and implements its policies. In their eagerness to create divisions between the cadres deployed by the ANC in government and the ANC itself they push this line of a weak government.

Any statement made by COSATU and the SACP gets turned on its head to feed into this propaganda and agenda of dividing the Alliance.

The middle ground gets uneasy as they are told daily that the ANC has been taken over by communists and radical unionists. This propaganda is then used by a small grouping agitating for change in the leadership of the ANC. They too, through a whispering campaign, spread the rumour and the untruth of a communist and union take over, like Botha and his friends used to misinform white South Africans.

6.3.4 Exaggeration of the strike actions

In the first half of 2009, we have seen militant wildcat strikes by doctors frustrated by the unbearable working conditions and poor pay in our public health facilities. They demanded that government implement the Occupational Special Dispensation it should have introduced on the 01 July 2008. Some of these doctors demanded 70% whilst SAMA based on the study it conducted, demanded a 50% raise. Doctors have never embarked on any form protest, worst of all a strike action. They are essential service workers. The strike by the doctors was unprecedented. It created a huge interest by the media. But there are only 17 000 doctors employed in the public sector, 7000 of them belong to SAMA. Not all of them went on strike.

There was also a high profile strike by the Johannesburg Metro bus drivers. The impact of the strike was huge in that it added pressure to Gauteng's highways. The strike forced the hand of the new Gauteng Premier, who ensured that there was a settlement. But it was a strike of less about 700 bus drivers. When one reads the newspaper headlines, one would have thought that the whole country is on strike.

The strike by Johannesburg ambulance drivers also received a massive publicity for obvious reasons. But there are only about 500 ambulance drivers in Johannesburg.

These strikes coincided with the inauguration of the new government. It was largely interpreted by some in the media as a flexing of muscles by COSATU. Others pointed to what they called cracks in the Alliance.

Again some of the middle ground got nervous, as they believed that COSATU and workers were not prepared to "give Msholozzi a chance". Some of the thin-skinned in the leadership lost their composure and expressed their discomfort. A siege mentality deepened.

As we report above, in his element, the Minister of the National Planning Commission in the Presidency suggested that trade unions were exacerbating the global economic crisis by going out on strike at this time, and accused them of abusing their right to call socio-economic strikes under Section 77 of the Labour Relations Act. He told business leaders they were 'cowardly' for not standing up to unions more.

The Secretary General of the ANC, also regrettably fed to this media frenzy when he made comments understood to be telling workers at the NUM conference that their strikes were projecting President Jacob Zuma as "weak and indebted to various constituencies". Further the SG made further comments suggesting that the "NUMSA protest actions to the Reserve Bank were counter-productive particularly when there is an ANC that is there to listen and engage. It doesn't help if those doors are open and you keep kicking the door. Walk in and engage."? Of course the rightwing media seized the opportunity to praise him for his bravery, deliberately creating a wedge between him and the working class.

While COSATU supported these justifiable strikes, the Federation's priority has always to seek to resolve disputes without strikes, and indeed the vast majority are settled through negotiation.

Section 77 is also a mechanism for resolving disputes over socio-economic issues, such as electricity tariff increases or opposition to privatisation, through a process of negotiations at NEDLAC. It involves a long procedure to ensure that the matter is fully considered and to try to reach agreement through consensus. Only after a failure to agree has been formally registered by NEDLAC, can the unions embark on lawful protest action.

The business leaders whom the Minister accuses of being 'cowards' are overwhelmingly supportive of this procedure, as it channels workers' anger into a constructive negotiating process which makes strikes less, rather than more likely to take place. Without Section 77, workers would no longer be able to express their anger legally, and would be more likely to engage in uncontrolled strike action. An attack on Section 77 is an invitation to social and industrial chaos.

Discussion point: There will always be differences within the Alliance and between personalities about policies, tactical and even strategic issues. The issues are how we manage this in public. The Ekurhuleni I and II, which have been reinforced by the Alliance Summit in 2008, provides a good guidance on how we should avoid acrimonious public debates that present the Alliance as divided. Whilst we are guided by these Alliance resolutions on management of the public discourse we should be aware that there is a class war that never stops, in a class based society. COSATU must engage with the public discussion in particular that seeks to present it negatively. Above all we are an independent formation - the worst we can do is to blackmail ourselves into asking permission in Luthuli House every time we decide to take protest action.

6.4. Options for Revolutionary Unions in Post-Apartheid South Africa

Polokwane represented a sea change in the ANC, generally in the positive direction. It has definitely opened new exciting possibilities that the working class must grasp to maximise its political gains. At the same time there are certain risks in the political climate. The most obvious risk is the unraveling of the coalition of forces that coalesced around the 'JZ-led' leadership collective campaign. Another risk is that the legacy of the past 10 years example the email saga; special browse report, suspension of the NPA director and the culture of crude accumulation continue to haunt us. How we handle these delicate issues will set the tone for the coming few years. This section discusses political strategy for COSATU to navigate this exciting and complex terrain.

COSATU's political strategy must be informed by the principle of empowering the working class and placing its concerns at the centre stage. The working class must win more allies towards its goals and interests and therefore avoid alienating potential supporters. This is easier said than done and the temptation to take shortcut or paths of least resistance can be tantalizing. The temptation for triumphalism in view of the decisive outcome of Polokwane must be avoided. Still what adjustments is necessary post-Polokwane? What should be our posture today now that we have comrade Jacob Zuma as the President and Gwede Mantashe as the SG? We have definitely entered a new period but what should be our posture and tone? This is not an easy question and demands serious thinking by the affiliates as we prepare for the congress.

The first option is to be exceedingly cautious to avoid rocking the boat and the fragile coalition emerging from Polokwane. In this option the Federation will moderate its stance, particularly in public because it fears to alienate the new ANC leadership. This places tacit faith in the ANC leadership collective to consistently pursue a worker-friendly political rhetoric and perhaps even interventions.

This option taken to the extreme has a danger of slowly or even quickly transforming COSATU into a yellow union, a conveyor belt that government uses to explain to the restless working class its constraints and failure to move with urgency to build a better life for all. If we adopt this stance, slowly or quickly we will lose the credibility we have earned amongst members and in society. So we will not be the conscience of our democracy or fearless spokespersons of the most downtrodden and the marginalised. In this case workers will find new vehicles to take forward their struggle for a better life. The recent history is full of examples of workers that abandoned ultra conservative unions in TUSCA and throw their weight with COSATU. Or for sporadic strike not sanctioned by the union spreading as workers become unsettled by poor progress in their living conditions. The sporadic social protests are also a manifestation of the MDM not being routed firmly among our people.

This posture must however be evaluated on the ground whether the working class is being empowered and is on the driving seat. Another danger of this approach is to place too much faith in leadership processes while demobilising members in the long run. COSATU will then fall into a false sense of comfort until it is rudely awoken one day.

Within the contours of this option, if it is seriously considered by the Federation, the question then is what is our leverage? COSATU's source of strength in any of the scenarios includes the moral obligation on the new leadership to respond to wishes of the popular masses that placed them in office. Capacity to mobilise is also COSATU source of strength but should not be taken for granted.

If it is accepted that the situation is fluid, reflected for example by the contradictory approach of reassuring capital and labour, then a different strategy is required altogether. It is a strategy that first and foremost places COSATU's organisational muscle as the key decisive factor to tilt balance of forces. It is therefore, not a strategy based on a belief in messiahs that somehow will act on behalf of the class.

The objective constraints as well as opportunities facing the current leadership must be fully unpacked to avoid unrealistic expectations on what is possible or feasible. Regrettably the new leadership took over the reins of government in the midst of the worse economic global crises. This crisis imposes serious limitations on what is possible or not as we deal with its implications elsewhere in this report.

Having said that, it goes without saying that political approach and tone of the Federation must adjust to the new reality, but there is no compelling reason for the Federation to abandon its multifaceted strategy of engagement. The Federation cannot place all eggs in one basket as class contestation is still intense and the working class is reasserting its power. The best assurance for COSATU is not mere undertakings by leaders but a concrete programme with clear implementation strategies, as well as monitoring and evaluation.

Another option is to pretend that nothing has changed - it is business and usual - *qina msebenzi- phambili - asijiki!* In this option we seek to prove wrong the ultra left and rightwing skeptics who usually doubt or dismiss our proclamation of being independent. We overtly take a narrow approach to engagement abandon the multifaceted strategy of engagement and use only mass action. Mass action on its own does not sustainably guarantee victories. It is a combination of many strategies that ensures a movement forward.

In this option we slowly and or quickly adopt an oppositional stance. Everything that moves we would shoot down. Everything that comes from government we would oppose even if a more nuanced response on some issues would have guaranteed a better result.

In this option we place no consideration to the broader contests in society and therefore the need to win more allies and continue employing inappropriate tactics. In this regard we make only as example the recent SAMWU recent strike. Before we do so let us place on record that COSATU congratulated SAMWU on its milestone 13% settlement with SALGA, which will greatly improve the lives of its members, and instill the workers new confidence that they can move forward if they are united and determined.

At the end, we would sound and look the same as the mainstream opposition party that offers no policy options to hard challenges facing society.

We are aware of incidents of provocation by the police as well as excessive and brutal over-reaction by the police. COSATU once again called for the banning of the use of rubber bullets by police in controlling demonstrations. There is an urgent need to find more civilized and peaceful ways of controlling crowds and resolving conflicts.

Having said that, members trashing of streets, which took place throughout the country, whilst we can understand their anger and frustration, cannot justify actions, which alienate the very people whom the unions need on their side - other workers, small business people and the middle class. Failure to unequivocally condemn and ensure that it does not happen again would simply hand over the middle ground in society to the rightwing.

Another example is the unprocedural and unprotected (illegal) two weeks strike by the SADTU Soweto region. The strike was about the disputes between the union and school governing bodies as a result of disputes over the employment of school principals. So disruptive was the strike, the working class in Soweto organised a march against the union to protest the fact that their children's future was placed in jeopardy. Which aspect of this incident proved that we are the politically advanced detachment of the working class?

There can be no better way of isolating the organised working class than these two examples. Yet the *qina msebenzi* approach will see nothing wrong with the use of these tactics and ignore the ramifications. In the long run when society moves towards rightwing solutions to all problems, the advocates of this approach will be complaining about how far society is from the unions. Again within this option we will lose the middle ground and possibly more and more ordinary members of the ANC and society. We don't want that to happen to us either.

The role of the revolutionary and transformative trade union movement at this juncture is more relevant than ever before. The report will then talk to the strategic moment we face - the political posture we should take and how we should position ourselves.

It will talk to the guiding principles of this discussion: We are a trade union movement- a product of capitalist accumulation- we are a legal institution and a representative of members who pay dues. Yet we are a leading detachment of the working class, which is the primary motive force of the revolution and therefore has a responsibility to lead broader society. We are a progressive and transformative union

movement. We have a political responsibility to manage these roles more effectively to create an acceptable balance to our members.

Secondly under no circumstances would we suspend the class struggle. Thirdly we should avoid the two extremes we discussed above.

We offer some suggestions to the congress. The easiest example to give one is redefining the role of the relationship between COSATU unions and the government. If we trace all the tensions we have witnessed they start with a clash between the government and union over wages and other collective bargaining demands. Recently a meeting between the ANC National Office Bearers and the COSATU affiliated union took place to discuss the moment and the political challenges we face. Public sector unions can lead the struggle for the transformation and improvement of the public service. This does not mean abandoning the struggle for better working conditions. The two must go hand in hand. We should recall that it is the poor who suffer the brunt of poor public service whether be it health, education or inefficient and corrupt home affairs. That also means unions must be at the forefront of fighting and exposing corruption in the public service. Corruption diverts resources from useful purposes to the pocket of few individuals.

6.5 Reasserting revolutionary morality and ethics

There is a new old enemy that is silently threatening our national democratic movement. The 1994 historic breakthrough has opened a completely new chapter for everyone. Transformation of our society is taking place in all fronts as this report indicates. A Chinese puts it nice when he said when you open the window for fresh air, you also attract flies and all manner of other things you did not intend that they come through. This is exactly what is happening in our country regrettably. When we freed ourselves from apartheid oppression and discrimination, we wanted to ensure that all South Africans are given equal opportunity to participate in all fronts including the economy. We recognised that this required deliberate measures to affirm targeted groups and classes. But in the process a disturbing culture has taken root in our society and our movement. This culture threatens to erode the moral and ethic of our revolution. We are talking here about the following tendencies:

- a. Politicians with business interests
- b. State official with business interest or involved in shady relationships with the private sector.
- c. Unionists having shady relationships with private business and service providers.

For the purpose of this report we will focus briefly on key issues of concern and offer some proposals. A detailed report analyzing corruption in the Public Service by the Auditor General and the Public Service Commission is attached to the report. It details the many shenanigans by state officials and politicians to enrich themselves at the expense of the public. We add that the corruption also afflicts state enterprises and agencies, despite these paying hefty salaries to managers. Fighting corruption is not only a moral imperative but a major issue of social justice in this country. Resources being intended for the public good are being diverted to individuals' pockets and rob the poor of the much needed basic services.

Opportunities that should accrue to those who truly deserve them are monopolized by a handful of people who control budgets in departments and state agencies. It is also theft of our taxes that we work so hard

to pay in order to improve public services. Further, incidents of bureaucratic incompetence and indolence such as the example of the young man who was refused access to an ID and subsequently he committed suicide, can no longer be tolerated.

6.5.1 Politicians with Business Interests

The first is the corrupting relationship between politicians and business on the one hand, and the relationship between unions and service providers on the other hand. The negative element in this relationship is the 'peddling' of influence in which some politicians and individuals in unions facilitate business access to government; unions facilitate access to workers for service providers like medical aids. In its worst manifestation, some politicians charge facilitation fees for arranging meetings between the President and business people. The commercialisation of this political relationship is a rot that must be fought against. It is staggering that some do not see anything wrong with this practice. Related to this is the practice of comrades fighting each other over government tenders and influencing tender process to gain as individuals. This 'grab what you can while you can' attitude is at the centre of political rivalry in our movement.

The second issue of concern is the lifestyle of leadership compared to ordinary people and members. The ostentatious show of wealth has become a social norm among the elite from expensive parties to crass materialism, to cite a few examples. It is as if there are two standards for leaders and for ordinary people. This notion of some being more equal than others is a dangerous cancer that can alienate society from the state and members from the union leadership. Who can trust the credibility of a politician or union leader who preaches moderation and patience to the working class, while they line their pockets with public resources? We are happy that the cabinet, in response to the public outcry, has started a process to review this scandalous apartheid ethos based handbook. A new handbook must reflect the morality of the ANC, which is based on selflessness.

The issue of the car allowance for Ministers should have been handled sensitively. Spending so much money on vehicles is to spit in the face of poor people living in shantytowns. This is what gives politics a bad name and to be conceived as a stepping-stone to easy and quick wealth.

If political positions are seen as the means to enrich oneself little surprise that comrades murder each other to win positions since these positions have become a stepping stone to resources. The politics of patronage have destroyed the self-sacrificing and service ethic that characterised the movement for decades. It is a cancer eating slowly at all component of the mass democratic movement from branch to national level.

The third problem is the phenomenon of feathering ones' nest while still in public service. We have often referred to this phenomenon of politicians, public servants and unionists leaving the service to go and work in the same sector in the private sector, without a cooling off period as '*throwing the javelin*'. We have seen many manifestations of this phenomenon. The recent example of this is the sale of Telkom shares. The Department of Public Service, in recognition of this problem has developed guidelines for a cooling-off period of one year after a public servant leaves the public service. COSATU's counter proposal is a five year cooling off period. However, this issue cannot be left to the government alone, the political leadership of the alliance must grapple with this issue and provide guidance.

As we have mentioned above, we should not let state owned enterprises get out of our radar screen. Hefty salaries are being paid in these institutions for sub-standard performance. People give each other salary increases and appoint friends, thereby creating networks of corruption, fiefdoms that sometimes figure themselves above the departments to which they should report. Others, on the eve of the new administration, renewed their contracts to trap the state to wallow in their incompetence. An audit of these contract renewals and salary increases must be investigated. They offer each other bonuses, have people who sit in many boards, who cannot effectively conduct their fiduciary duties. In addition corruption in these enterprises and agencies needs to be investigated, because these institutions absorb a large amount of public funds.

6.5.2 State Officials Corrupting the State

As indicated earlier, a detailed report is appended to illustrate the various nefarious schemes by public servants to steal from the public purse. The extent of corruption in the public service by public servants was poignantly confirmed by the Auditor General report entitled 'Report of the Auditor General to parliament on a performance audit of entities that are connected with government employees and doing business with national departments' of August 2008 which was presented to Parliament in August 2009. The report focused on government employee related entities doing business with national departments. The purpose of the report was to facilitate public accountability by informing parliament of the findings of the performance audit, enhance transparency and the applicability and understating of relevant laws and to reduce the risk of corruption.

The report focused on the 2005-2006 financial year transactions and it is based on audit at provincial levels, which were completed in August 2007 and July 2008. The provincial audit found that the extent of business done by employee or spouse related companies at provincial level for the period 1 April 2005 to 31 January 2007 amounted to approximately R540, 2 million. Furthermore, the report found that in the majority of cases employees did not have approval to perform other remunerative work.

The report paints a bleak picture of the public service that is supposed to caring for the public, but is promoting their own narrow material and financial interests. Furthermore, the report indicates that level of accumulation and misappropriation of state resources has reached alarming proportions. This corruption is so endemic that departments are not enforcing the laws and officials are exploiting gaps in the laws to win government tenders.

Some of the relevant laws include the requirement for designated employees to disclose their financial interests by submitting a financial disclosure form with their departments and the Public Service Commission every year, application by employees to obtain approval for the performance of other remunerative work, that all companies doing business with government department should register for VAT if their supplies exceed R300 000 per annum. The AG reported that some companies did business with departments despite not being registered for VAT. Only designated employees are required to disclose their financial interest. Designated employees are those occupying position of at least a director. Deputy Directors do not need to disclose their financial interest. However, they must seek prior approval to do remunerative work outside their official work.

The report focused on among others the following issues:

1. Non-compliance with regulations on the conduct of remunerative work by government employees:

The Public Service Act provides that employees must seek approval to do remunerative work outside their official duties. Most importantly the Act provides that if an officer receives any remuneration or reward without approval, such remuneration should be paid into the national revenue account. However, the AG report is silent on this potentially effective remedy that the State can use to deprive corrupt officials of their profits.

The explanatory manual on the code of conduct of the public service further provides that it is mandatory to obtain prior approval to perform remunerative work outside official hours. The AG report identified 30 employees who are directors and/or members of close corporations (CC), which did business with national departments where they were employed. It found that 30 employees involved as directors or members of companies or close corporations (CC) did not have approval to perform remunerative work and that the total amount payable to these companies was R32 123 890.

Furthermore, 19 employees were identified as directors or members of companies or CC's that were doing business with other departments. Of the 19 employees 16 (84%) did not have approval to perform other remunerative work. Of the 3 that did get the approval one was employed at the department of Home Affairs and did business with other departments amounting to R20 954 545. The AG report attributed non-compliance of laws on remunerative work on among others, the lack of control systems to manage performance of the remunerative work by employees, no database or register to monitor remunerative work, lack of knowledge of the relevant laws for e.g. Some of the designated employees did not seek approval because they thought that the financial declaration forms submitted to their national departments and the Public Service Commission were sufficient.

2. Declarations of registrable interests:

Public service regulations require employees to disclose their interests. Of the 30 employees who were directors or members of companies or CC's did business with departments where they were employed, five were designated employees. Of these five employees, one had not submitted a financial disclosure form, three failed to declare their interests and one incorrectly indicated on the form that he has resigned from the CC. The amount paid to these companies for 2005-06 was R30 644 013.

3. Declaration of interest in standard bidding documents:

In terms of the supply chain management rules there must be disclosure of interest if the bidder has a relationship with a person employed by the department that issued the tender. This is different from previous guidelines where there was a requirement to indicate whether there was connection with a person employed by the state and not necessarily the department. As a result, if an employee of a department is a director or member of a CC that conducts business with another department there is no requirement to disclose his or her spouse's interests in the company.

The AG report found that in respect of employee related companies or CC's involved in business with other departments tenders to the value of R2 897 593 were approved but the companies or CC did not disclose the employee's or their spouse's interests because they followed the regulations which required disclosure if there is connection with the department and not the state. In respect of companies involved

in business where the employees were employed, a tender to the value of R30 303 249 was approved by the Department of Education but the company did not disclose the employee's interest.

Therefore, the disclosure of a connection or link with the department issuing the tender leaves room for collusion among employees in different departments. The declaration of interest should include interest with the State and not only with department issuing the tender.

4. Deviation from supply chain management processes

The supply chain management practice notes prescribe procurement procedures for goods and services for different thresholds. For example three verbal or written quotations are required where the contract value is above R2000 but not exceeding R10 000, for contract exceeding R10 000 but below R200 000, three written quotations are required. The regulations further provide that the values should not be split into parts to avoid complying with the prescribed thresholds. The report found that there was non compliance with the regulations, e.g. two or more quotations with a total value in excess of R30 000 were issued within a short period for the same product or service.

5. Cases where conflict of interest existed

On conflict of interest, four quotations were submitted by a CC of which an employee was a member for the attention of the senior administrative officer (SAO) in the procurement office of the department of Agriculture. It was established that the SAO was the father of the CC member employee in the department. Furthermore, the SAO failed to disclose his interest in the contract when he evaluated the contract in question. In the department of Arts and Culture the designated employee did not submit his financial disclosure nor did he apply for approval for remunerative work. The designated employee signed the agreement with the CC as representative of the department whilst he also had a 50% membership in the CC.

In the department of education a designated employee resigned as a director of a subsidiary but still retained her shareholding in the company and her directorship in the holding company of the company (the subsidiary) that did business with the department. There was no indication on the declaration of interest by the company that an employee working at the department had an interest in the company. The employee did not disclose her directorship of the holding company nor did she disclose the shares that she held in the subsidiary. The subsidiary received a tender to the value of R30 303 249 from the department. The table below represents a summary of employee related companies and/or CCs doing business with national departments.

	No. Of employees	No. Of companies	Amount paid R
Employee-related companies and/or CC's doing business with own national departments	30	30	32 123 890
Employees' spouse -related companies and/or CC's doing business with own departments	19	20	1 966 148
Employee-related companies and/or CC's doing business with own national departments	19	22	42 208 015

6.5.3 Monitoring Government Procurement and tender process

An ad hoc task team was set up comprising representatives on the National Treasury, the South African Revenue Service, the Financial Intelligence Centre, the Office of the Auditor-General and the Special Investigations Unit to discuss and enable improved compliance within the government supply chain management and procurement business segment.

All parties agreed that it was critical that the leakage in the government procurement process should be stemmed. This was a particularly acute need if there was pressure on government's spending capability in the current economic climate. The parties agreed to examine the system within which the procurement process takes place, as well as instances in which the system has been abused in order to better understand the problem and to find solutions.

All parties agreed to re-emphasise government's commitment to rigorously enforce the laws, policies and procedures relating to supply chain management within government.

The task team has developed some preliminary results.

In most instances of **National Departments** where procurement problems can be shown, it is because poor compliance systems have been put in place. Moreover it can also be shown that there is poor adherence to procedures. There are repeated findings with regard to the same institutions without any improvement in the situation. For example, the Auditor-General has set these out clearly in reports to Scopa and in the departmental audits.

The analysis shows that the tender rules are being manipulated equally from both the side of business ("fronting", paying bribes, manipulating the tender process and contracts, non-delivery, kick-backs, etc) and of government officials (accepting bribes, establishing their own companies, involving relatives, etc). A large proportion of the abuse takes place through procurement process for small-ticket items being accessed by departments. Analysis of the procurement of smaller values showed:

- Numerous instances of three quotes made on the same piece of paper;
- Multiple instances where three quotes were sent from the same fax number;
- A consistent payment pattern of R30 000 or just below for a single service provider (SP);
- Payments slightly above and below R30 000 threshold, suggesting that these are fictitious services delivered;
- Spikes in departmental payments in the R25 000 to R30 000 expenditure range;
- Constant round number payments to the same service provider;
- Two or more payments made against the same order number - indicating the possibility of splitting of orders; and
- Sequential order numbers awarded to the same SP in quick succession.

The leakage takes many different forms, including the non-declaration of tax. For example, analysis shows that of the amount paid by government departments to vendors in a 6-month period in late 2007 to 2008, *only 10.31% was declared for tax purposes* by the vendors who benefited. Yet these vendors were all able to claim tax registration certificates.

There are numerous examples of tender processes in **Provincial Departments** having being manipulated or abused and in which serious questions must be raised as to the benefit or value for money achieved.

For example:

- The award of a contract for Internet rollout in provincial schools where about R1bn was spent for one consultant to carry out the project. The overall financial implication is about R3bn.
- R36m worth of contracts were awarded in 2007/08 without following a competitive bidding process in the Health Department;
- The biggest consulting contract was made when R465m was awarded in 2008/09 in contracts for consultants to provide business advice, project management and other related services. There is serious doubt as to the benefit that accrued to the province.
- Over R220m was paid to a consultant for "business advisory services", although there is no contract in place. An employee of the consultancy firm was subsequently appointed the CFO of the Department, which made the award.
- One province has spent R1bn overall for its motor sport programme in the province. This includes:
 - R490m for motor sport events, but poor contract crafting and management (such as the refurbishment of the racing complex) has placed significant burdens on the province without clear benefits and returns;
 - R40m was spent to sponsor a particular motor racing team;
 - When the rights purchase to host events was cancelled, the obligations of existing contracts remain. In this instance, the Executive Manager of the Premier's office was subsequently appointed Chief Operations Officer of a company established to manage the contracts.
- A provincial department of health developed a project to introduce a smart card system for health in which R600m was budgeted. The project was suspended after R324 million was spent with little benefit.
- In Gauteng R140 million was spent on the GAURIDE for the Confederation Cup without funds in the budget.
- Provincial departments have spent huge sums on conferences. For example, R1.3 million was spent in a single day on a conference held in one province.
- In another province, 82 luxury vehicles for traditional leadership were acquired at a cost of R59m without funds in the budget.
- A provincial Sport Department started a new building without funds in the budget. The building is not fully complete but there is no allocation and no report on spending yet.
- A province awarded R91m in contract to a US company for transport services, without conducting a competitive tender process. R45m already spent and the contract cannot be cancelled because of penalties that shall have to be paid.

There are a number of ways in which the formal and legal tender process is subverted, especially when the price gets inflated through the collusion of contractors and officials. One such way is for a department

not to accept the lowest quotes. Often the contractor who wins the tender does not have the capability to deliver the service, which has been contracted. So the contractor subcontracts to a competitor (who also tendered but was unsuccessful) at the same price (often the lowest quote made) that the subcontractor unsuccessfully quoted. The subcontractor takes on the job and delivers the work, while the contractor who won the contract walks away with the difference while not providing any service.

There are numerous examples of poor contract management. For example:

Inflated pricing -

- A provincial department pays R25 per bottle of 500 ml ValprÃ© water and R26 for a loaf of bread;
- The variances in the building of schools of the same size and specifications in a same country are simply staggering as reflected below:
 1. Eastern Cape - R13.5m
 2. Free State - R38m
 3. Gauteng - R24.7m
 4. KwaZulu Natal - R19m
 5. Limpopo - R27m
 6. Mpumalanga - R32m
 7. North West - R12.5m
 8. Northern Cape - R24m
 9. Western Cape - R27m
- A building in one province costs R67 million more than originally quoted, mainly as a result of poor contracting processes.
- A government agency signed an agreement with a training academy for an amount of R39 million **before** it had secured the funds for the project. This is in contradiction with section 38(2) of the PFMA, which states that, an accounting officer may not commit a department, trading entity, or constitutional institution to any liability for which money has not been appropriated. In addition, when procuring the services of the training academy, competitive bids were not invited in terms of the prescribed supply chain management (SCM) process. No evidence was provided that the accounting officer had approved a deviation from the prescribed SCM process.
- Departments in certain provinces are alleged to have procured goods and services from various service providers without the departments following the SCM processes. This is an acknowledged indicator, which could be an indication of preferential treatment to some service providers.
- Provincial departments do not always obtain three quotations for transactions with a value above R10 000 but not exceeding R200 000, which is required in the regulations for the procurement of goods and services. Reasons for not obtaining three quotations were not recorded and approved by the accounting officers.
- Quotations above R30 000 are awarded in contradiction to SCM processes as departments failed to cross-reference the original tax clearance certificates for auditing purposes.
- It is frequently seen that a bid adjudication committee (BAC) approves tenders other than the ones recommended by the bid evaluation committee (BEC).

The following incidences of corruption in **Municipalities** were reported to National Treasury and were subject to media reports in the past year.

1. A municipality awarded a contract to a consulting firm based in Johannesburg to build a road in the local area. The company claimed to have ordered and delivered bricks worth R1.3 million and submitted invoices to the municipality. It has been alleged that two senior officials authorised the payment towards the delivery of the bricks without checking whether the bricks had in fact been delivered. It is further alleged while the Chief Financial Officer refused to sign the cheque for the payment because there was no proof of delivery; the other senior officials apparently signed for and transferred the money to the service provider. This case is under investigation by the SAPS Commercial Branch in the area.
2. A large metropolitan municipality conducted an audit of the land and property it owned in order to update the asset register. This revealed several instances in which land was allegedly sold by Councillors and municipal officials without the knowledge of the municipality's senior management. An investigation was conducted by the municipality using a service provider, but the report was never tabled. This resulted in the Municipal Manager in the municipality being relieved of his duties.
3. An incidence of a deviation from supply chain regulations in the municipality was also reported in which it was alleged that a contract was awarded to the daughter of the Mayor at the time for the supply of bullet proof vest for the metro police. It is alleged that the contract was awarded irregularly and that the vest bullet proof vests which were supplied were defective and of an inferior quality. It is unknown if any action has been taken so far regarding the matter.
4. In another municipality it is understood that the Chief Financial Officer was suspended for having failed to properly advise the Acting Municipal Manager on contracts awarded to several companies for grass-cutting services in the area. A subsequent investigation revealed that the contracts were awarded when there had been acting Municipal Manager in place. Moreover, there had been a deviation from the tender recommendations. The investigation included an audit of the companies awarded the contracts, where it was discovered that a senior official involved in the tender process was the owner of one of the companies that had been awarded the tender.

A number of methods are used to siphon funds from a municipality's primary bank account.

- Funds can be withdrawn out of the municipality's primary bank account due to lapse in delegations and internal controls in the municipality. The Accounting Officer can delegate signing and authorisation powers to the Chief Financial Officer only according to section 10 (2) of the Municipal Finance Management Act and can also delegate these powers to any other senior manager in the municipality in writing. Incidences where funds are improperly withdrawn from the primary bank account happen mostly in the absence of the either the municipal manager or the chief financial officer while one of the senior managers is acting.
- Section 11 of the MFMA request accounting officers to submit on a monthly basis a list of withdrawals from the primary bank account of the municipality to Council

and the provincial treasury. The practice is not being followed by most municipalities and is not monitored by most provincial treasuries, except for those in Gauteng and Western Cape. Such monitoring of the primary bank account can enable detection if these reports are properly monitored.

Other incidences of this kind happen through fraudulent acts that are done by outsiders with the collusion of municipal officials. These take the form of stealing of cheques by municipal officials; these cheques are then forged and changed with the assistance of bank employees. Another scam is where an outsider phones the municipality saying that the municipality has deposited money in his/her bank account and that the money is excessive, he/she then offers to write a cheque back to the municipality so that the municipality issues a cheque with a correct amount. The cheque issued by the fraudster then bounces and he receives a legitimate cheque from the municipality. This is normally done with the collusion of a municipal official and is due to lapse in internal controls.

The scourge of tender fraud in the country is creating serious implications for society as a whole and government alike. In addition to the examples above, several common methods are used by criminals:

- **"Fronting" to circumvent BEE requirements:** for example, in once case that certain individuals would entice people in a poor community to join their companies as "directors" and then open bank accounts in their names. However only the real people in charge would have signing powers on those accounts into which tender payments would be made. In worse case scenarios, these dishonest characters would take the money and disappear, leaving the recruited individual with incomplete task and huge debts.
- **Abuse of SMMEs:** a favoured method of fraud in tenders is to use SMMEs with people who are related to the involved parties. Sometimes an SMME knew nothing of the required work is contracted to deliver services. In most cases, this SMME will pay a kick back to the party that brought it in the deal.
- **Payment of Consultation and Professional Fees:** There are frequent instances of companies that have successfully tendered being expected to pay funds (so-called "professional services" and/or "consultation fees") to individuals within a government department for facilitating the deal. Usually these fees are not overly large and are paid into third-party accounts to disguise their source and the reason.
- **Awarding Tenders to Undeserving Companies:** This happens when an undeserving company wins a tender bid but fails to complete the required task. Then the company that was deserving of the bid would challenge the process and later win the case, either getting the tender or being paid. In this instance, two companies have gained financially from the bid but the task is incomplete. In some cases, this is a deliberate tactic employed by those who will benefit.
- **Bidding Companies involved in Tender Specifications:** This happens when a departmental official involves a company in assisting with tender / product or service specifications. With this "insider" knowledge, the company then tenders for the service. This prejudices other bidding companies as the company involved would have ensured that the specifications are according to their capabilities and covered by their patents.

What is a worrying factor is that most of the cases involve government departments, provincial governments, municipalities and parastatal staff, senior managers or leaders as accomplices or facilitators of the frauds.

Government generally does not act against instances of non-declaration of interests and conflicts of interest. This is exploited by officials and business people alike. Moreover, there is a poor track record of senior officials disclosing their financial interests on a regular basis. All of these abuses are further exacerbated by poor records keeping and the fact that critical information and data in many government registries and databases is of poor quality and lacks integrity.

6.5.4 Unionists with Business Interests

Finally, we come to the home front. We have witnessed a range of corrupt practices in the union movement. This includes very shady relationship between unionists and services providers on the one hand and those with business interests on the other hand. We know of many union Congresses in which service providers sought to determine leadership outcomes to serve their interests.

6.5.5 Waging an all-round battle against crass materialism and corruption

If we ever wondered why individuals change the ideological and political stance the answer is provided in this report. If we wondered why comrades could be so unreliable politically and simply shift loyalties with lightning speed the answer lies in this section of the report. If we want to understand the divisions and battles waged for leadership positions in our organisations - the answer is provided in this report. If you want to know why some people leave their thriving businesses to join government, which pays peanuts in comparison, - the possible answer may lie in the examples provided in this report. All of this combines to spell five words: our revolution is in danger! As more and more join this, the more the needs of workers and the poor take a back seat. Individualism takes root, then soon we will be en-route to Zimbabwe and other failed revolutions elsewhere in the world.

The primary motive forces of the revolution - the working class is once again called upon to rescue our liberation movement from self-destruction. COSATU the leading detachment of that working class must lead the way, starting internally of course - the charity starts at home. This is not what OR Tambo sacrificed thirty years of his life in exile for. This is not what Nelson Mandela spent 27 years of his life in prison for. This is an insult to all of our heroes and heroines. We must stop this cancer before it is too late. We must raise our fingers now before down the line no one will be able to raise a finger without it being chopped.

6.6 Discussion Point:

1. Firstly, the only real weapon we have against this phenomenon is our organisations. The 2015 Plan objective of building COSATU, ANC, SACP and the rest of the democratic movement is simply critical. Without that we are all doomed.
2. Secondly, COSATU should continue to insist that those who want to be public representatives must choose from being public representatives who live within the salaries provided for these positions or choose to be businesspersons. No one should be allowed to choose both. Those who choose both must be asked to resign. Clearly simple declaration of interest is not good enough. If the ANC precisely because of the entrenchment of this culture in its ranks refuses to back COSATU, then politically

conscious working class cadres who are members of the ANC should know that backing these individuals for leadership positions amounts to committing class suicide.

3. Thirdly, we must deliberately inject more politics in our transformation. The ANC's principle of selflessness is key. When revolutionary politics die the politics of crass materialism and downright corruption take root.
4. Fourthly we must acknowledge and praise the current administration for exposing these acts of counter-revolution. If it was not for this administration all these examples we give to this report, would have been unknown by the country. In this regard we need to ensure we provide political backing to those in government who are sick and tired of this looting of public resources. In this regard, this congress must consider specific roles that COSATU in general and the COSATU public sector unions can play to provide backing and protect the whistle blowers.
5. We commend the Minister of Public Administration who acted swiftly on the instructions of the President that a new law be introduced to address the *throwing the javelin syndrome*. In this regard COSATU should insist that this law be subjected to the widest possible discussion by our society through intense provincial and national public hearings. COSATU have insisted that instead of the cooling off period being one year, this should be extended to five years.
6. We commend the work of the Auditor General that has systematically exposed graft. We now call on the government at all levels to find its political will to act against any corruption no matter who is involved. We still have to see a high profile individual being shown the door despite many cases being known involving corruption. Such an act would go a long way in sending a message to all others that crime and corruption does not pay. Those found on the wrong side should not be allowed to use ignorance of our structures to divide our organisations.
7. We should call on all Ministers who used the government hand book to buy themselves vehicles well over a million rands to kindly return them. We commend that cabinet has started a process to review the handbook. We call on adoption of a new handbook that represents the ethos and revolutionary morality of the ANC led liberation movement. Simply hiding behind an apartheid style handbook that represents opulence and complete disregard to the suffering of those we serve represents the worst form of moral bankruptcy.
8. The priority for public servants should be to promote the public interest and not their own selfish interests. In order to root out corruption in the public service, government should introduce stricter penalties and fines for using government resources for one's own interests.

Furthermore, government should blacklist entities and their directors, employees who conduct business without disclosing their interests should be banned from doing business with government again, and all companies applying for government business should indicate the extent shareholding by government employees and their spouses as well. In the event that an employee participates in a conflict of interest situation and derives a benefit, such benefit or gain should be paid back to the State. Instead of misusing state resources through moonlighting and manipulation of tenders, public servants should utilise their time and skill to promote socio-economic programmes to benefit the poor and the working class.Â

Part 2: Political Activity Report

1. The Alliance

The Alliance relations have been altered fundamentally since the December 2007 ANC 52nd National Conference. Gone are days where the Alliance was reduced into a crises manager. The feelings of being used only as voting cattle are disappearing. The days of labelling has been replaced by mutual respect and common purpose. Whilst the Alliance is not yet working ideally but there can be no doubt that a qualitative shift has happened.

Below we provide a comprehensive report from the declaration of the Alliance Economic Summit to demonstrate the massive overlaps and consensus that has emerged in the Alliance since Polokwane.

1.1 Alliance Summit

The highly successful Alliance Summit was held on 9 - 10 May in 2008. All of us who participated in the summit felt that our efforts to agitate for a change in leadership and direction of the ANC were not in vain. The spirit has changed fundamentally. We were welcomed with open arms. We raised issues sharply as we have always done and no one was overly sensitive. As can be seen the conclusions were not only refreshing but went a long way to kick start the elusive economic debate that has dodged the alliance for the past 12 years.

This summit discussed many challenges, which face our society. In the coming period we shall be working together on the following key areas:

1. *The rise in the prices of food, fuel and many other basic necessities;*
2. *High levels of unemployment, poverty and inequality;*
3. *Health, education and crime;*
4. *The electricity crisis;*
5. *The 2009 elections.*
6. *Zimbabwe*

1. **Policy Coordination:** It was agreed that the Alliance will work together to formulate policy, and monitor its implementation through joint ANC/Alliance policy committees and other mechanisms. This will include the drafting of the ANC Election Manifesto for the 2009 elections and matters pertaining to deployment. These kinds of interactions will become a permanent feature of alliance processes in the formulation, implementation and monitoring of policies. In this regard the meeting recommitted itself to the implementation of decisions of the Ekurhuleni I and II summits.

It was also agreed that this culture of collective work would be replicated at Provincial and Regional levels and in this regard capacity needs to be developed to achieve this objective.

2. **Support for the ANC President:** The Summit reaffirmed its support for the President of the ANC. We vowed that will not only be accompanying him to court but to the Union Buildings as the next President of South Africa.
3. **Economic Summit:** It was agreed to hold a top-level Alliance conference on economic policy.

4. **Alliance the strategic political center:** The summit reaffirmed the ANC-led Alliance as the strategic political centre. Steps need to be taken to strengthen the capacity of the ANC and the alliance to play this role. Therefore the alliance must engage actively and dynamically with its deployees in government, both with regard to the implementation of current programmes and preparations for the medium term.
5. **Attending to hotspots:** The summit directed the alliance leadership to urgently attend to all hot spots like cross-border problems, crisis in the Eastern Cape in general and Nelson Mandela Metro in particular.
6. **Food prices:** The summit agreed to support the COSATU-led civil society action against high food prices and the rising cost of living on 17th May the Alliance expressed its deep concern at the devastating impact of rising food prices on our people. Urgent action is required in this regard includes strengthening legislation to criminalize collusive behaviour, including price fixing in the food sector. Urgent consideration should be given to:
 - Removing VAT on a wider range of basic food,
 - Revamping and increasing financial allocations to the school feeding schemes and
 - Subsidies to cushion the effect of price rise on the poor.
7. **Land and Agrarian reform:** Land and agrarian reform programmes must be radically speeded up, so that more land can be made available for food production to ensure food security. The sale of publicly owned land for speculative purposes and non-developmental use should stop.
8. **Energy crisis:** The summit was unanimous in rejecting Eskom's demand for a 53% tariff increase. It was agreed that the Energy Summit should examine all aspects of the energy policy and not just electricity tariffs. It was also agreed that energy-intensive projects such as aluminium smelters should be reviewed, in line with the country's strategic needs. The alliance will take active part in the study to determine the costs and benefits to the country and at provincial level of these decisions. The summit further expressed support for initiatives designed for the promotion of renewable energy generation as well as utilisation of available opportunities for co-generation. In this regard the alliance committed itself to intensify our campaign on the saving of energy.
9. **The NPA and the scorpions:** The summit welcomed progress that has been made to finalise legislation on the incorporation of the Scorpions into SAPS, in a manner that would strengthen our fight against organised crime, as part of the overhaul of the criminal justice system that is now underway. It is necessary in this regard to exercise maximum vigilance and ensure that the weaknesses that existed in the DSO are not reproduced in the new institution.
10. **The SABC:** The summit noted with concern developments at the SABC and the controversy surrounding the appointment of the Board. The current board is not sufficiently representative. The Alliance is committed to an SABC that is truly a public broadcaster and whose board is representative of the broad cross section of South African society. This matter requires the urgent attention of the Alliance, parliament and government.
11. **Single public service:** The alliance supports the principle of a single public service. The summit however urged that the process to finalise legislation in this regard should be handled in a manner that would allow for sufficient time for inputs from the public.
12. **Macro Economy:** The Summit has taken note of rising inflation driven largely by external factors. It noted that high and rising interest rates impact negatively on poor communities

and on job creation. The alliance therefore calls for urgent national reflection on the appropriateness of inflation targeting as well as the ranges chosen as policy for South Africa given its developmental challenges.

13. **Managing transition:** The Summit committed itself to ensuring that, as we move towards elections. Further the Alliance committed itself to ensure that there is a stable and effective transition so that the ANC can continue to meet the objective of improving the quality of life of our people. To ensure that this happens, mechanisms of consultation will be put in place between government, the ANC and the Alliance partners including in regard to key deployments.
14. **Privatisation:** The Summit calls for a moratorium on privatisation and outsourcing and the review of current outsourced public sector utilities.
15. **Money Bills:** Parliament must introduce and pass legislation, as required by the constitution, enabling it to amend money bills. The budgeting process across the spheres of government, including special appropriations, should take into account urgent social needs and other priorities. Provision should be made for special appropriations to address urgent national needs.
16. **Decent work at the center of all policies:** The summit reaffirmed the decision of the ANC National Conference in Polokwane that the creation of decent work and sustainable livelihoods should be the primary focus of economic policies. It noted with concern the continuing high levels of unemployment as well as the vulnerable position of workers in trade-exposed sectors such as clothing and printing. It calls for urgent industrial and other policy intervention in vulnerable sectors to ensure that industries are placed on a sustainable growth path and that jobs are created and saved. The Summit called on government to develop a quick response capacity to address potential large scale job losses and to implement the measures set out in the Polokwane resolution on economic transformation. We commit to develop measures to address and combat increasing actualization of work, so that we can achieve decent work for all.
17. **Zimbabwe crisis:** The summit notes the outcome of the Zimbabwean elections and expressed grave concern at the worsening situation in that country, including the arrest of the President and Secretary General of the Zimbabwe Congress of Trade Unions. Our approach on this matter is informed by our commitment to the principles of democracy and human rights. We call for an end to all violence and harassment of the civilian population. We urge the leadership and the people of Zimbabwe assisted by SADC to work together to find a lasting solution to this crisis. As an alliance we will mobilise solidarity for the Zimbabwean people in our country and the region.

We have not moved slowly to carry forward all decisions of the summit. But we are proud to report that a great deal of progress has been made. It is not possible to report in this section all the achievements in so many fronts.

Implementing the Alliance Summit Resolutions

We provide a brief synopsis on how these resolutions were taken forward.

1. **Alliance coordination:** coordination has been great consultation has improved. We have not succeeded to make the alliance function in all provinces. In fact we have not taken forward the resolution to ensure that the spirit that prevails at the national level is cascaded to the lower levels. There have been

too many areas of tension amongst alliance partners in some provinces. This is an area that still requires lots of attention.

2. **Policy coordination:** Largely we have taken forward the spirit of the summit. The ANC manifesto was a product of joint work. COSATU was invited to participate in the ANC sub committees including the deployment committee and the transitional team. We report more comprehensively on the transitional team in the later sections.

3. **Alliance now the political center:** There is an agreement now that the Alliance as a whole is the political center. This concept was taken forward in the Alliance National Office Bearers discussions, which we report, in greater details later.

4. **Alliance Pact and reconfigured Alliance:** There is no agreement on the matter. The ANC flatly refused to sign an Alliance Pact. We however agreed that Alliance must develop a comprehensive programme for fundamental transformation.

5. **Support for the ANC President:** This area was no longer a holy cow. We have done so much working together. Today charges have been dropped and as we said we literally accompanied the ANC President to the Union Buildings.

6. **Attending to hotspots:** we worked well together in this area. We have been together in Matatiele and Moutse. We did not attend the problems in the Nelson Mandela and North West together. We however fully supported the ANC interventions in these areas. Today thanks to these discussion the North West PEC has been dissolved together with that of Western Cape.

18. **Food prices:** Food security forms one of the five ANC government priorities. There is a comprehensive report on this in the socio economic section of the report. We have not succeed to have the VAT removed on a wider range of basic food.

19. **Land and Agrarian reform:** The 2009 elections manifesto took this forward. Land and agrarian reform together with food security are all part of the five priorities of the ANC government commitments to the people.

20. **Energy crises:** We worked together in this area very well. That cooperation combined with militant worker action forced NERSA to improve a 27% increase in the electricity tariffs.

21. **The NPA and the scorpions:** The legislation dissolving the scorpions and creating a new specialist unit within the SAPS to fight organised crime was passed. The unit is called the Hawks.

22. **The SABC:** The SABC Board was eventually dissolved. An interim Board is now in place. As we write the report we were preparing to make our own submission for a permanent board which will be up and running before the end of this year (2009)

23. **Macro Economy:** The debates on this subject are not over. See the section below reporting on the Alliance Economic Summit.

24. **Managing transition:** There will be a comprehensive report on this later.

25. **Privatisation:** There is no longer wide spread privatisation like it happened in the late 1990's. Privatisation still happens in some local governments and therefore the call for a moratorium on privatisation and outsourcing and the review of current outsourced public sector utilities was not taken forward systematically.

26. **Money Bills:** Parliament approved the Money Bills and ended many years conflict between COSATU and parliament in this regard.

27. **Decent work at the center of all policies:** The ANC 2009 elections manifesto list creation of decent work first indicating the importance that has been placed on decent work agenda.

28. **Zimbabwe crises:** A government of national unity has been established. We provide a more comprehensive report under the international section of the report.

1.2 Alliance Economic Summit

The Alliance Economic Summit met on 17th-18th October 2008. The focus of the Summit was to consolidate the economic policy perspectives that will inform our common election manifesto.

The Summit agreed that much has been achieved over the past 14 years, and that much still needs to be done. There are many policies and programmes on which we can build. Other policies require review, and in many cases persisting problems relate to poor institutional coherence and coordination within the state. There is the need for both continuity and change.

The Summit occurred in the context of an extremely grave financial market crisis with its epicentre in the US.

The Summit took the following resolutions

- **On macro economic policy and inflation targeting:** It was agreed that the Alliance, working closely with our colleagues in government, should set up a task group to receive reports and to assess the effectiveness of our macro-economic policies in the face of the global crisis, and to evaluate possible measures to ensure a relatively stable and competitive currency. The Summit had a constructive engagement on a range of macro-economic policy choices, including inflation targeting, and the broader role of monetary policy in line with the ANC's 52nd National Conference resolutions, which prioritise the creation of decent work. The Summit agreed to continue in the task team referred to above.

1.2.1 Planning and Co-ordination in Government

The Summit *agreed* that there was the need for a high level planning, evaluation and monitoring capacity in government. To pursue this, it is proposed, as a preferred option, that a Planning Commission needs to be set up, headed by the Presidency. This Commission would have the power to align the work of all Departments of government and organs of state to government's developmental agenda. The Planning Commission would *inter alia* promote the alignment of government budgets with developmental planning,

set broad targets through medium term and long term plans, conduct strategic risk assessment, and act as secretariat to the Council of State (see below).

It *supported in principle* the need to develop and consider proposals for the restructuring of cabinet, and reconfiguration of government departments, in a way, which would most coherently advance our developmental priorities.

1.2.2 Trade and Industry and Employment

A lengthy and detailed resolution on Industrial and trade policy was adopted. Key elements include:

- a. The creation of decent work for all South Africans, including the unemployed and underemployed, must be the primary focus of all economic policies, including industrial and trade policy. The activities of all government departments, parastatals and DFIs, should be reviewed to ensure more purposeful achievement of decent work outcomes.
- b. A major shift and upscaling of industrial policy with significant additional resources, complemented by a more effective managerial and implementation capacity. Industrial policy must lead transformation of the economy instead of simply following investment decisions. Both exchange rates and interest rates need to be calibrated to take account of industrial policy imperatives. This will require, among others, a discussion on the mandate and practices of the SARB to include considerations of employment and economic growth in addition to the mandate on price stability.

Summit considered the current global turbulence in financial markets and called on government to take active steps to ensure that the economy and jobs are not damaged. This calls for strengthened industrial policy measures and the development of a rapid-response capacity including defensive measures that may need to be invoked.

The Summit defined decent work as a concept embraces a number of dimensions: from increasing the quantity of work available to all South Africans, to improving the quality of work for workers; to ensuring rights to join trade unions and bargain collectively and a society free of child labour and forced labour; to promoting social dialogue. The ANC Election Manifesto will spell out what decent work means for the unemployed, for women, for those in the informal sector, for those in vulnerable sectors, for organised workers, for those in insecure forms of employment and for those exploited by labour brokers.

The summit listed a variety of financial and non-financial instruments, which it can use much more actively to leverage productive assets in the economy, to achieve decent work outcomes, to meet basic needs, promote technological innovation and improve beneficiation and local value addition.

It was agreed that the "package" presented at the July WTO Ministerial does not meet the developmental mandate agreed in Doha in 2001. South Africa cannot accept an outcome imposing large cuts in applied industrial tariffs that will threaten jobs in vulnerable industries and curtail industrial development policy space. If the final package does not provide substantially greater flexibilities and higher trade coefficients so that our sensitive sectors can be properly shielded and policy space for future industrialisation be adequately retained, we should not sign the package.

SADC integration should be based on a developmental model that includes infrastructure development, cooperation in the real economy including the development of regional supply-chains instead of the current narrow 'free-trade' model.

The Summit developed a framework for our industrial policy initiatives and urged government to urgently address the situation of vulnerable sectors to ensure that the immediate threats of job losses and trade destabilisation are addressed.

Summit noted with concern the high levels of executive pay in the corporate sector and SOEs as well as the huge income inequalities in the labour market. It calls for consideration of ways to promote more equitable income outcomes.

Summit urges an expansion of skills development policies. The quality of the skills and education institutions is a major determinant of the success of industrial policy. This requires a strengthening of institutions such as SETA's together with a much stronger alignment between sector strategies and SETA targets.

1.2.3 Comprehensive Social protection

The Summit agreed that poverty remains widespread and agreed on a policy based on three pillars:

1. The basic social "endowment" that everyone must have, including the concept of a social wage (free basic water, electricity, sanitation, basic education, subsidized housing) is included.
2. Individuals being in a position to access the following benefits- health insurance, retirement benefits, disability, occupational accidents, and unemployment.
3. Social security-type benefits that are voluntary and Government has an important role to regulate the private market to ensure consumer protection.

Policy proposals, to be discussed by the Constitutional structures of the Alliance included:

- A Department of Social Security
- the extension of child support grants to 15-18 years-olds
- a flat benefit for unemployed workers who's UIF has expired
- a basic income grant, linked to skills development
- a mandatory contributory social insurance system
- a uniform national pension scheme
- An Ombudsman for social security to deal with complaints
- mplementation of a National Health Insurance scheme, with free health care at the point of delivery.

1.2.4 Macroeconomic policy

The meeting agreed that policy must be guided by the Freedom Charter call that "The people shall share in the country's wealth". Decisive action is required to transform the patterns of wealth production and distribution

Macroeconomic policy needs to support economic development and employment creation. Interest rate policy, while continuing to be directed at containing inflation should also be sensitive to its impact on the productive economy and employment. The priority, in line with the Polokwane resolutions, is to create decent jobs and combat poverty and unemployment.

It was agreed that the systemic crisis in the global economy could have serious short-term repercussions for South Africa but could ultimately mark a watershed in the world balance of forces, and close the chapter of the 'Washington Consensus'. We must identify threats in advance and take defensive measures.

The Alliance Summit also agreed that, as part of a conscious effort to reconnect with the mass formations a conference will be convened with these formations to evaluate how we have worked together since the democratic breakthrough. This meeting was to coincide with the launch of the United Democratic Front. The Alliance Secretariat has set a new date for this meeting and it will now be held from 13th - 14th September 2008. The primary intention of this meeting will be to achieve the following:

- a. Reconnecting with the mass formations.
- b. Brief each other about progress and challenges that lies ahead
- c. Closing the gaps by creating a platform for constructive criticism and to raise a variety of concerns.
- d. Re-building a mass base for the transformation project based on a programme of action for and by the masses themselves through their formations

The Alliance Summit recognised that respective national conferences of each Alliance formation had taken resolutions that narrowed policy gaps. This has resulted in broad consensus on key priorities to be tackled. Time could not allow for an effective discussion on the important economic matters. It was therefore agreed to hold a top-level Alliance Conference on Economic Policy.

The ANC has established the following task teams under the ETC: Industrial policy, Trade policy, Agrarian reform and food prices, Climate change and environment, Fiscal and monetary policy, and Employment creation. The task teams are meeting already, although COSATU has not attended all of the meetings.

1.2.5 Processes to implement these decisions:

It is not feasible to in great detail report on how each of the Alliance Summit resolutions was taken forward. We attempt below to highlight the key decisions of the summit.

1. **Policy coordination:** COSATU was invited and participates in the ANC subcommittees including the NEC ETC subcommittees. This included the critical deployment committee and other adhoc committees established to manage the transitional period. This helped deepen the levels of unity and cohesion of the alliance.
2. **Macro economic policy debates:** The debate on macro economic policies in particular the inflation targeting remain a key area of a public discourse. It is interesting that government is no longer religiously advancing the argument that inflation targeting is a fundamental policy cast in stone. The new Minister of Finance whilst clearly in support of the current monetary policy stance has made it clear that he would subject his views to

debates. The incoming Reserve Bank Governor declared that she favours debates and engagement.

3. **Planning and coordination:** Two new ministries have been created to monitor and improve government planning and coordination. In addition new Ministry of Economic Development responsible for the development of government policies that have been created and to plan economic development. We hope all these measures will go a long way to ensure better planning, coordination and monitoring of government programmes.
4. **Industrial Policy:** The 2009 elections manifesto has raised the strategic role of the industrial policy. Refer to the section report on the manifesto. In addition there is a new Minister appointed underscoring the need for speedy transformation of the economy.
5. **Comprehensive Social Security system:** The comprehensive social policy debates have not been finalised. There has been a stalemate between the social development department and the Treasury who were tasked by government to develop a paper. Whilst the elections manifesto go a long way to address the logjam but it is no way introducing a comprehensive social security system as envisaged by COSATU.
6. **Increased interaction with the people:** The alliance has improved coordination to interact more with the people. The alliance addressed hot spots together including in Matatiela, Moutse. Recently the President has been in Balfour that saw violent service delivery demonstrations. This underlines the different approach. In addition to this we convened Alliance and Civil Society Summit, which we will report on in greater detail below.

1.3 Alliance and Mass Democratic Movement

Consistent with the resolutions of the Alliance Summit a historic summit of the Mass Democratic Movement was held on the 13 September 2008. This was very important if we consider that the mass democratic movement played such a important role in the defeat of the tyranny of apartheid and for playing a decisive role in the defeat of the apartheid system. It is these forces made apartheid ungovernable and unworkable.

Yet after the 27 April 1994, the formations that constitute the mass democratic movement were also sidelined.

In the summit we reaffirmed that the task of advancing the democratic struggle demands a united coalition of social forces that take into account the qualitative changes in the political terrain. The summit helped to reconnect the MDM with the alliance after a long period.

The summit recognised that these formations should play a qualitatively different role compared to the period of the anti-apartheid struggle. This is so because today unlike before it is the ANC that leads a legitimate democratic government. The formations that constituted the MDM have also undergone a transformation and the society we live in has changed, demanding new strategies and tactics. The strategic objective is to unify our people in the transformation struggle and to join state and mass power as a powerful tool for transformation guided by the Freedom Charter's clarion call that *The People Shall Govern*.

The challenge the summit recognised is that the MDM possesses a wealth of experience, which helped us define a vision of state-society relations that should empower the mass democratic movement to act boldly and decisively.

The declaration of the Summit further made the following commitments and observations:

1. We are committed to rebuild a broad coalition of social forces united by the common objective to build a united, democratic, non-racial, non-sexist and prosperous South Africa. Our desire is to mobilize as broad a section of our society behind the task of defending and consolidating democracy and to build a just and equal society.
2. The coalition will function as a loose but effectively coordinated initiative that aims to draw as many of our people behind the common goals that unify all us. The MDM is established on the basis of mutual respect for the autonomy of the component of the coalition guided however by our shared objectives to transform the South African society and build a just world orders. We also commit to work in a non-sectarian fashion and to be tolerant of diverse views while we collectively search for common ground on how to drive the affairs of the coalition.
3. Ultimately, we seek to coalesce around a Programme for Transformation that defeat unemployment, poverty and inequality, but recognize that momentum to such a broad programme will begin on a step-by-step basis. On this ground we will launch the following campaigns:
 - a. Jobs Creation and poverty eradication as the centrepiece of economic strategy
 - b. Building Safe Communities -fighting the scourge of crime
 - c. Education for All Campaign
 - d. A healthy nation - Health Care for All Campaign
 - e. HIV and AIDS
 - f. Land and Agrarian Reform.
4. We are committed to rebuilding mass organizations from the street committees and the various formations of the movement.
5. A follow up meeting will be convened to elaborate in detail the programme and how the MDM will function under current conditions. To that end the Alliance Secretariat will convene a Task Team to take this declaration forward and prepare for the next summit, which must take place in late 2008 or early 2009.

Area for discussion: Guided by the 8th National Congress resolutions, how do we practically how do we take forward this vision? How do we ensure an effective coordination of these forces to achieve the objectives of the revolution? What is our own experiences in working with the forces in the Jobs and Poverty Campaign, Basic Income Grant coalition, Peoples Budget, HIV and AIDS, etc.

1.4 Alliance NOB - the Alliance Political Center

Two meetings of the Alliance Political Center were held during 2008. Again the conclusions of these meetings are historic and reflect the mood of our times. We summarise the key resolutions of both meetings.

1.4.1 Reconfiguration of the Alliance and an Alliance Programme of Action

It is agreed that the Alliance was not based on a short-term or tactical relationship but it was an expression of an organic relationship born out of struggle and was grounded on a shared strategic perspective, elaborated in many policy positions, mainly the Freedom Charter and the Reconstruction and Development Programme.

Against this background the meeting reaffirmed that the Alliance was the only vehicle capable of driving social transformation but to achieve this it must be fully functioning, with clear authority, structures at all levels and a common Programme based on agreed socio-economic policies which will take forward the shared vision of the National Democratic Revolution which meant the radical transformation of society.

In this context the meeting reaffirmed the Programme of Action that emerged from Ekurhuleni 1 and 2 and also the declaration and the report of the 1st Alliance Summit after 52nd Conference held in Gallagher in 9th May 2008.

1.4.2 The ANC - led Alliance as a Strategic Political Centre and the Alliance Political Council

The Alliance Officials reiterated that South Africa would not be where it is today without the struggles and sacrifices by the ANC-led Alliance. The current challenges needed a stronger alliance to lead and inspire hope to the society.

Against this background the meeting re affirmed the ANC-led Alliance as a strategic political centre. It was further agreed that the political authority of the Alliance shall rest in the Alliance Political Council, constituted by the Alliance officials.

1.4.3 The Functioning of the Alliance

The meeting agreed that one of the main challenges to be confronted if the Alliance was to succeed was its ability and capacity to implement the decisions. This would require a focused deployment of both the human and material resources.

In this regard the Alliance Secretariat shall on among others, develop a framework to enhance the functioning of the Alliance including strengthening its own operational capacity.

This will also include ensuring that the commitment and the visible coordination that is seen at a National level also find expression at all levels. This will include ensuring that the Alliance co-ordinates effectively at provincial, regional and local- and that Alliance structures are established where they don't exist.

1.4.4 Building and Sustaining the Post Polokwane Framework

The meeting received three inputs from the three alliance partners on how the movement was to confront the current challenges and seize the moment post the ANC 52nd National Conference held in Polokwane in 2007. In the main the inputs addressed three related issues and these included the following:

- a. Give a scientific analysis and crystallise both the history and the causes of the challenges currently facing the movement. These include both the Political and the economic bases leading to these challenges in the movement.

- b. Make proposals on what should be the content and process to develop a sustainable plan to lead and inspire the democratic forces in the country and to inspire hope in the society as a whole. This includes governance, political and organisational covering the period pre and post 2009 Elections.
- c. Reaffirming and elaborating on what should be the role of the masses in building the organisation and in taking forward the transformation project.

It was agreed that the three documents constituted the bases for the Programme of the Alliance moving forward. The Alliance Secretariat will urgently do the final editing for each, integrate them where possible, and develop them further into a booklet. This however has not been done and our sense is that the other components did not report on these developments to their respective constituencies.

1.4.5 Reflecting on the Current Political Situation

The October 2008 Political Center agreed that the reports about meetings that have taken place in some parts of the country to discuss a possible break away were true. In this context the Alliance agreed that it would be important to give a scientific analysis on the reasons that may have propelled the reported possible split.

Such an analysis would help provide a bases for a conclusion on whether this was a primary issue which would require the movement to focus all its attention and deploy its resources to address. The meeting spent time reflecting on this matter among others, and made the following observations:

1. Most of the comrades who were said to be participating and leading the initiative of a possible break away were part of a group that did not accept the outcome of the 52nd ANC National Conference held in Polokwane in 2007.
2. Most of them were leading cadres of the movement who over the years have been systematically attempting to sideline the movement from leading and determining policy content, emphasis and direction.
3. Most of them have been placed in strategic positions both inside the movement and in government to control the levers of power. They have used these strategic positions to silence dissenting views and intimidated other comrades to the periphery. This allowed them space to redirect the ANC from its primary tasks of having focused programmes to resolve the dominant contradictions and create space to also address the primary contradictions as reflected in the Freedom Charter and the Reconstruction and Development Programme.
4. The meeting also argued that it was not to be taken for granted that comrade Thabo Mbeki was also part of a plan to form a break away party.
5. Within the same wavelength the meeting noted that the initiatives for a break away party were being done in his name.
6. The meeting also agreed that the movement was to appreciate the extreme levels of disgruntlement, however unfounded the reasons for such disgruntlement.
7. It was also noted that this has created some levels of confusion amongst members of the movement as a whole.
8. The meeting was concerned about the role of the media particularly the SABC, which was openly being used to propagate the views of one section in the ANC

at the expense of its core mandate and at the expense of its expected conduct as a public broadcaster.

9. Within the same context the meeting noted that some of the statements made by some alliance, ANC and ANCYL leaders who were associated with the new leadership have had a negative impact. They have helped to deepen perceptions of an "unthinking group" that usurped the ANC. This needed to change systematically through propagated coherent alliance public messaging.

Against this observation and the analysis done in the meeting it was agreed that:

1. The ANC NWC should convene a meeting with comrade Thabo Mbeki and request him to come out publicly to distance himself from the initiative of a breakaway party.
2. All the comrades who are implicated in this initiative should be engaged on an individual basis.
3. A booklet that traces the developments of what went wrong in the movement was to be developed. This will be used internally to engage the structures of the movement and society in general.
4. All alliance leadership will be deployed throughout the country to engage with the branches of the movement. This will be done in such a way as to ensure coherence in the statements being made anywhere both inside and outside the country.
5. All alliance formations were to deliberately create space for a platform to have the Alliance leadership address membership and explain what went wrong including preparing for elections
6. Everything was to be done to avoid triumphalism manifested in provinces in which following the recall of comrade Thabo Mbeki there had been an equivalent recall for premiers with a ripple effect to local government recalling Mayors and councillors. This had to be addressed as a matter of priority.

1.4.6 Governance and Transition

The October 2008 meeting made the following observations:

1. All had to accept the reality of having to prepare for elections next year and things were not to be left to chance.
2. The previous NEC agreed on a transitional team constituted by among others the President and the Deputy President of the ANC.
3. The Polokwane Resolutions could not be translated to government programme in the current budget, which was based on the 2004 mandate.
4. One of the biggest challenges to be confronted is perceptions sometimes-real corruption of government officials.

It was therefore agreed that:

1. The transitional Committee was to meet and continue with its work to prepare for the next administration in 2009.

2. The NWC would convene a meeting with National Treasury to ensure that the necessary fiscal conditions were created to start translating some critical aspects of the Polokwane resolutions into government programme.

There should be a consideration to have the elected officials not involved in procurement particularly to be removed from sitting in structures that decide on tenders. Theirs should be to identify needs and tendering to be presided over by a neutral structure.

2. Programmes developed to take forward the resolutions of the congress

The CEC adopted the following programme to take forward the resolutions adopted by the congress.

2.1 Building the alliance

The CEC adopted the programme below to take forward the resolutions.

- a. Prepare a paper on the pact and workings of the alliance.
- b. Ensure Alliance debates on the following:
 - o Centralisation of power and patronage
 - o Ideological differences
 - o Class contradictions
 - o Pact
- c. Develop a programme on swelling the ranks
- d. Prepare a paper on ANC/SACP leadership in preparation for the September Central Committee
- e. Prepare a paper on conditionality of our support

2.2 The SACP

- a. Ensure a focused debate on SACP and state power between now and June 2007.
- b. Work with the ANC on the left unity project and decide on the convening of the left conference. Consider moving towards a major bilateral with the SACP by March 2007.
- c. Develop a path to socialism; start the discussion in the political commission and discuss this in the COSATU/SACP bilateral including the above issues as well as synergy between 2015 and MTV.
- d. Constitute the general secretaries and NALEDI into a commission on socialism

2.3 NDR and Socialism

- a. Develop a minimum platform for this in the alliance and facilitate a debate inside the structures of the alliance.
- b. Develop programmes to asset the working class leadership.
- c. Educate and deepen the COSATU campaign on a range of policies
- d. Campaign to have the property clause removed from the constitution.
- e. Debate the relationship between the NDR and the Alliance

2.4 Strengthen Democracy

- a. Debate the congress demands in the alliance meetings
- b. Campaign against floor crossing
- c. Convene a constitutional review conference in April/May 2007

2.5 Women Movement and women empowerment

- a. Create COSATU and SACP forums on a progressive women movement.
- b. Raise the profile of working class women issues
- c. Direct NALEDI to work on affiliates' membership gender balance and impose quotas on every union and the federation. Clarify possible contradictions of this resolution with that of the 8th Congress in the November CEC.
- d. NOBs to ensure implementation of the empowerment programme agreed to in 2003.
- e. Direct the NGC to present a programme in February/March 2007.

2.6 Monument for working class heroes

- a. Commission a paper on how this recognition could be made in partnership with government
- b. Deepen relationship with the parliament and the DAC and Freedom Park Trust.
- c. Ask Structures to generate a list of all our heroes and heroines
- d. Popularise the demand
- e. Present the demand at NEDLAC

2.7 Organisational

- a. Effect constitutional amendments and ensure mass circulation of the new constitution.
- b. Commission a paper by the FAWU General Secretary on how best the resolution on Farm Workers could be implemented.
- c. Convene a meeting with a cluster of relevant ministers on how best the rights of the farm workers and dwellers can be protected, enforced and advanced. This should be done around February/March 2007
- d. Finalise the partnership agreement with the DOL before the end of 2006
- e. Campaigns committee to present a report to the November CEC on how we could improve coordination of the LWC campaign in the context of the congress resolution and the CEC framework.
- f. Present the demand on non-trading public holidays in the alliance and NEDLAC.

2.8 Jobs and poverty campaign

- a. Convene civil society meeting and enlarge the united front against unemployment and poverty around June 2007.
- b. Generate demands through a popular participation and build hype on the demands of the congress.
- c. Be more active on social economic campaigns and support other campaigns led by other members of the coalition.
- d. Commission a paper on how the retrenchments could be more effectively monitored

2.9 HIV and AIDS campaign

- a. Convene conference in October 2006 and ensure more effective coordination of civil society and strengthening of the partnership with government
- b. NOBs to ensure implementation of existing policy

2.10 Import parity pricing

Need a high profile political meeting with the ministry in the DTI to lobby and discuss about issues of mutual interest.

2.11 State involvement in the economy

To have the matter raised in the Alliance ten aside

2.12 BBBEE

- a. Popularise the demands
- b. Commission a paper based on the previous and the current conjuncture
- c. Engage NEDLAC and the Alliance
- d. Influence ANC and SACP structures in the run-up to the big constitutional meetings in 2007.

2.13 SACCAWU Provident Fund

- a. Engage FSB and the Minister of Finance
- b. Popularise the demands and link them to the broader COSATU demands

2.14 Labour Market

- a. Popularise the demands
- b. Convene a high profile meeting with the Minister of Labour in February 2007
- c. Lobby and influence the ANC and the SACP structures in the run-up to their major gatherings in 2007.

2.15 Police Brutality

Convene a meeting with the Minister of Safety and Security to discuss:

- Police Brutality
- Crime and the role that working class should play

2.16 Demarcations

Implement a programme to create separate Free State and Northern Cape Provinces.

- Convene a Northern Cape congress in November 2007
- Allow the Free State to have only by-elections at the PEC to fill the resultant vacancy of the Treasurer who is the only POB from Northern Cape
- Rent /buy a building in the Northern Cape in 2008

- Employ the administrator in 2008
- Employ the administrator in 2008.
- Employ an organiser in 2009
- Finalise movement on locals elsewhere.

2.17 Organisational development

- a. Continue debating on improvements needed at COSATU
- b. Convene meeting with the CWU National Office Bearers and NALEDI before CEC
- c. Convene FAWU NOB meeting
- d. Intervene at CEPPWAWU
- e. Convene a meeting with SACCAWU

2.18 Mergers and unity programme

- a. Finalise DENOSA/SADNU unity process
- b. Finalise PAWE/MUSA merger and ensure no further postponements
- c. Accept the application for affiliation by SASFU and change the army regulations that inhibit freedom of association
- d. Drive broader public sector unity process
- e. Finalise debates on manufacturing at the policy level before driving the process of mergers
- f. Put Pressure on FEDUSA and NACTU to begin unity talks
- g. Gather more information on PSA and NAPTOSA

2.19 NEDLAC

- a. Ensure debate on the NEDLAC review report
- b. Ask all to develop a data on who represents COSATU where and fill vacancies.

2.20 Unity Project

Unity is the most important weapon of the working class. Without unity we are weak and exposed to the brutality of our class enemies. The ninth congress will go down in our history as one of the most divisive we have in our lifetime. The NOBs took the responsibility of leading the Federation out of the situation we found ourselves in the last congress.

Immediately after the ninth National Congress, the NOBs convened a beebread to confront the difficulties within the collective of the NOBs that have affected unity in the Federation.

The CEC discussed held in November 2006 discussed the beebread conclusions and made the following observations:

1. It was agreed that despite the divisions manifested in the build-up and during the Congress, the Congress was an illustration of workers' unity, power and democracy in action. Delegates engaged in constructive debates on a range of issues and reached consensus on a broad and ambitious programme. There was no major disagreement on any of the resolutions.

2. The CEC recognised however that Congress and the period leading up to it was also characterised by real divisions. These divisions were essentially at the NOB and CEC level, but, as would always be the case, they affected delegates.
3. The CEC agreed that these divisions were caused by some political differences and centred on apparent differences on the role of COSATU in the transition. Broadly these differences mirror the political differences in the broader liberation movement. It is however an exaggeration and over-simplification to suggest that COSATU is split between any two 'camps'.
4. Political differences that clearly exist in the CEC lead to different expectations on the role the Federation must play. Despite the policy unanimously agreed to in the congresses and CEC, there is a view held by some albeit the minority that wants COSATU to limit its political role and concentrate on shop-floor issues. There is a view that wants COSATU not to robustly engage the government and ANC and feels COSATU must soften its stances, in particular at the public level. There are differences on the NDR itself, in terms of what it is, what it seeks to achieve and its relation with the struggle for socialism. These views may reflect on occasion's genuine tactical and strategy differences. They are not necessarily ideological difference since it appears all agree on COSATU's long-term vision for socialism. At times this appears to reflect a desire to sell out workers interests.
5. The CEC agreed that whilst we may recognise left wing and right-wing tendencies, including factions, it would be an error to rush to label comrades as left wing and right wing. Labelling and pigeonholing closes debate and leads to permanent divisions.
6. The CEC was however alarmed that new cultures have been introduced in this period, the most disturbing being the manufacturing of untruths and lies by leaders who have reduced themselves to media sources and spreading rumours and scandals to the media to deal with one another and assassinate the characters of the perceived political enemies. The CEC resolved that this must stop and that it was wrong to:
 - a. Use the media to air differences with COSATU official policy when no one raised a contrary view within the structures, in particular to do so as an anonymous source.
 - b. Manufacture and peddle lies about other comrades and assassinate their characters with the intention of undermining their credibility, and/or promote other candidates in leadership battles.
 - c. Use the media to campaign for leadership positions
 - d. Issue statements and conduct media interviews on which candidate the unions would be backing in leadership elections.
 - e. Form organised factions, no matter the justification of their existence, which always carry a danger of bypassing official structures.
 - f. Use tribalism in any way to advance a political aim. This must be nipped in the bud whenever it rears its ugly head.

The NUM, NEHAWU, FAWU and SADTU apologised for having taken their positions on leadership to the media.

The NOBs will convene a political school to discuss and examine salient and key political issues raised during the debate in the CEC.

The CEC was categorical that organisational indiscipline must end. The political school is not in anyway convened to discuss indiscipline. Use of the media and spreading lies, including leaking of information, must end. Refusal to implement agreed positions or attacking such positions in the media, as faceless sources, must end. Spreading of rumours in order to assassinate the character of others must end. This does not require political discussion; it is a demon that has crept into the federation. This new culture must be confronted and defeated.

At the end of the day the responsibility to lead the federation lies with President and the General Secretary. This does not in anyway suggest that the problems of divisions in the NOBs and the CEC are centred on the two comrades, but they have a particular responsibility to lead the Federation. The CEC urged the two leaders to rise above factions and

their personal pride or even feelings they may hold and take the first steps to unite the movement. The CEC will monitor this and will not hesitate to act against any leader undermining this spirit. The CEC in February 2007 should consider proposals from the NOBs on how this process can be sustained. Consideration will be given to get those elected in all the Federation structures to be sworn in and sign an oath pledging allegiance to the code of conduct and the constitution of COSATU. In this regard a road map to unity should include the adoption of the codes issues listed below:

- a. A leadership code that will talk to the attributes of a typical COSATU leader, the basic values of the federation, how to manage differences, and the use of tribalism and racism, and sexism, etc
- b. Management and control of COSATU resources in the hands of leaders such as credit cards
- c. Managing the relations with the leadership of other Alliance partners and government
- d. Managing relations with service providers including a commitment to make a solemn undertaking not to seek benefits or to pursue personal business and accumulation.

3. Building unity: the report of the Commission and proposals from NOBs

The CEC expressed appreciation that the NOB have taken a lead on the matter of the Commission report and endorsed its recommendations on the way forward. In debating the report the CEC treated this as a continuation of the report on the post congress assessment. After the discussion the CEC accepted the Commission Report and the National Office Bearers proposed way forward. The CEC in addition decided on issues presented as follows:

3.1 The COSATU constitution and the worker control principle

The CEC did not support the COSATU Presidents' view of worker control and leadership. In particular the CEC rejected the idea that the President is "the head of the Federation" that should be allowed to make interventions in-between National Congresses and the CEC. The CEC further rejects the assertion that the President is the head and that all the other NOBs are in the NOB collective at his invitation.

The CEC asserted that the COSATU constitution was designed to reinforce the principle of worker control and collectivity, not presidential control or individualism. The COSATU constitution allocated the powers of the President in a manner that reinforce the principles of worker control, collective leadership and internal democracy. The COSATU constitution states that the President's role shall be "*in conjunction with*

other NOBs, to generally supervise the affairs of the Federation between meetings of the NC and the CEC". Anything else other than this collectivism is foreign in the Federation.

3.2 The *Modus Operandi*

The CEC decided that the *modus operandi* document must be circulated more widely to affiliates and the Federation's structures as it may help generally in managing problems that exist elsewhere.

The CEC agreed that in implementing the *modus operandi* the NOBs would in particular target the following priorities:

- a. Capacity building so that all NOBs feel confident to represent the federation anywhere
- b. Resources, so that no NOBs are constrained by lack of resources to exercise their responsibility
- c. Profiling, so that no impression is created that the Federation is a one- or two-person show.

3.3 Capacity building and development for NOBs

The CEC endorsed the recommendation that the National Office Bearers that the Secretariat and Education Unit must ensure that the capacity of the NOBs is enhanced. These programmes to build capacity should not be limited to the NOBs but all the leaders of the Federation at all levels. These areas would include:

- a. Computer skills
- b. Writing skills
- c. Media skills
- d. Chairing of the meeting and
- e. General political empowerment

3.4 Resources

The CEC agreed that the NOBs should be allocated adequate resources within the means of the federation. This will also take into account that the secretariat has a primary responsibility to coordinate the activities on a daily basis and to report to the constitutional structures, whilst all the NOBs generally supervise the work of the Federation. The secretariat will work with the Treasurer to ensure in the context of the 2007 budget the following and other resources will be mobilised:

- Vehicles
- Adequate office space
- Computer with email facility

3.5 Profiling of all NOBs

The principle of the profiling of all the NOBs was accepted. This must be carried through more consciously. Whilst this principle must be taken forward, the NOBs were aware of the following issues that may from time to time undermine this understanding.

- Seniority questions
- A cumulative profile that makes the media to want to quote particular individuals
- Affiliates, provinces and other organisations we work with insisting on particular speakers when they invite COSATU
- Ability to represent the federation more effectively
- Dynamism and talents of individuals

3.6 Leaking of information

The CEC reaffirmed the decisions on this matter held in the earlier discussion - see section above.

3.7 Frequency of the NOBs meetings

The CEC noted that the NOBs have committed themselves to meet weekly. Whilst it believes this may be an exaggeration the CEC would not express an opinion since the requirement is that they should meet frequently to manage and generally supervise the affairs of the federation in-between CEC meetings.

3.8 The manner of raising issues

The CEC endorsed the NOBs discussion that in future no NOBs should appoint himself or herself a spokesperson of other NOBs. Issues will be raised in meetings and not outside. Banking issues is not good for any organisation. NOBs should be brave enough to raise issues in the meeting, rather than outside. The culture of gossiping should come to an end. In future those who gossip outside the meeting instead of raising issues in the correct platform would be confronted and be asked to repeat what they are saying in the meeting.

3.9 Meeting with the President and Chairperson of the ANC

The CEC broadly agreed with the NOBs that the code referred to above must deal with the general principles so as to avoid controversy arising out of this type of meeting in the future. These principles are the following:

- Worker control does not give one NOB a blanket right to make interventions behind the back of other NOBs. Worker control means internal democracy, report back and mandate, dissemination of information and transparency.
- This does not mean that the NOB should not make an intervention in the best interests of the organisation but at all times it should be borne in mind that all NOBs are political animals and operate strictly in the context of collective leadership.
- The basic lesson of a trade unionist is that you 'never meet management alone'; because when disputes arise about the facts discussed and agreed in the meeting no one will be there to back you in your organisation.
- The Secretariat is primarily the coordinator of COSATU activities with the NOBs playing an oversight role. It is better that this protocol is respected as far as possible. This does not mean that individual NOBs cannot intervene and meet anyone as long as this is done in a manner that would be understood and endorsed by the full collective. (See first bullet)
- The meeting further advised that even though the recent experience made it tempting to make proposals for stringent rules, it was important to avoid rules that will undermine the

inherent processes of engagement. For example, it was in the nature of engagement at the executive level that sometimes there would be secret meetings. The test should be accountability and using one's discretion to study the objective and subjective factors surrounding any meeting before engaging.

3.10 Security of the General Secretary

The CEC agreed that based on the threats to the life of the General Secretary in the run-up to and after the congress, the security measures taken should be kept in place. The NOBs should engage the Minister of Safety and Security to see if the state cannot play a role in this regard.

3.11 Credit Card investigation

The CEC noted the NOBs discussion that:

- There was no complaint to anyone suggesting a need for an investigation. The question still needed to be answered as to who was the complainant who led to the investigation. Definitely an explanation still needs to be given if this was done in the context of the campaigning towards the National Congress. The NOBs raised a serious concern at this.
- It was incorrect to launch a secret investigation against another NOB without that NOB being confronted if there was a suspicion or evidence that he/she misappropriated resources of the Federation.

The CEC endorsed its earlier decision to develop codes on the use of COSATU resources such as credit cards in the possession of the COSATU leaders in the February CEC.

3.12 Allegations of sexual harassment

The CEC noted the NOB discussion on this matter. That discussion concluded that the sexual harassment allegations made against the General Secretary were inspired by the pre 9th national congress and had no basis whatsoever.

3.13 Progress on cementing this unity project

The NOBs did everything to ensure that the spirit of firstly the NOBs beebread and the CEC held in November 2006 are taken through. Most of the issues raised as part of addressing tensions and uncomfotabilities were also taken forward and implemented. Resources were made available, the frequency and attendance to meetings improved, etc. This required that irrespective of the personal hurt arising from the campaigning in the run up to the ninth National Congress, as well as other political including tactical and strategic differences, the NOB should grow and act in the best interest of the Federation.

3.14 New tensions arising from R500 000 donation allegations saga

After these important and historic discussions in the November 2006 and February 2007 CEC meeting, new tensions emerged arising out of public allegations by the former President of COSATU, Willy Madisha leveled against the SACP General Secretary, Blade Nzimande to the fact that, Nzimande misappropriated R500 000 and more which were donations intended for the SACP.

The CEC skillfully managed this matter through the Central Committee that took place on the 17 - 20 August 2007. At this CC with lots of pressures from some delegations, the matter was handled in a manner that would not allow an open discussion on it that risked destructing us away from the key objectives of the CC.

In the context of these allegations, two special Central Executive Committee ("CEC") meetings have been held to discuss the allegations and their probable impact on COSATU.

13 September 2007

1. On 13 September 2007 the CEC was critical, in particular, about *the President's* management of the allegations concerning the SACP donation, the nature of his utterances to the media, and his failure to take his collective of the National Office Bearers (NOBs) to confidence prior to the allegations being a subject of public discussions. The CEC accordingly resolved to consider all of these issues - including the allegations set out above - and to take appropriate action where necessary.

4 October 2007

On 4 October 2007 a special CEC meeting was held, *inter alia*, to fulfill the resolutions passed at the CEC meeting on 13 September 2007. After much debate an independent commission would be established to investigate the allegations and to make recommendations to the CEC, where applicable

A special CEC was convened after the CC as per the resolution of the CC to address the concerns initially expressed by the CEC held in May 2007 which were endorsed by the CC. Consequently the CEC resolved that an independent Commission of Inquiry be appointed to investigate the allegations and to make comprehensive recommendations with regard to the issues set out in its terms of reference.

3.14.1 The Allegations

1. An allegation has arisen in the context of *the President's* involvement in the much publicized
2. Donation to the South African Communist Party ("the SACP") by businessman Charles Kasinja Modise ("Mr. Modise").
3. It appears from various media reports that:

3.1 *The President* received a donation from businessman, Mr. Modise, in the amount of R500 000 on behalf of the SACP;

3.2 *The President* confirms receipt of such monies but contends that he handed over the amount of R500 000 in cash to Mr. Blade Nzimande, the General Secretary of the SACP ("Dr Nzimande").

3.3 Mr. Nzimande denies receipt of such monies or any other monies from *the President*.

3.4 As a result of these allegations, the SACP has conducted an investigation into this allegation and a report on the outcome of their investigations exists. There is also a police investigation into this matter.

3.14.2 Establishment of the Commission

4. The NOBs have appointed the following persons to be members of the Commission:
 - 4.1 Charles Nupen - the chairperson of the Commission;
 - 4.2 Sophie De Bruyn;
 - 4.3 Nomazotsho Memane; and
 - 4.4 Peter Harris.

3.14.3 Terms of Reference

5. The Commission is established to conduct an inquiry into the allegations referred to above and its terms of reference are set out below:
 - 5.1 To determine if *the President* did make the public statements and the nature of these statements
 - 5.2 To determine the impact (positively or negatively) of these statements to COSATU,
 - 5.3 To determine how *the President's* handling of the matter may have presented COSATU and the President and in particular to consider if he brought COSATU in disrepute.
 - 5.4 To recommend appropriate action that COSATU should take.
 - 5.5 Depending on the outcome of the investigations in respect of the matters referred to in paragraph 7.1, 7.2 and 7.3 to investigate and to determine the impact of such events on COSATU, its national office bearers ("the NOBs") and the relationship between *the President* and the NOBs. Without limiting the generality of this investigation, the Commission is required to determine, in particular:
 - 5.5.1 whether the recent events have led to a destruction of trust between the NOBs and *the President*, alternatively, whether there is any level of trust between the NOBs and *the President*?
 - 5.5.2 whether in light of the police and SACP investigations into the donation, *the President* is still able to discharge his responsibilities as President of COSATU?
 - 5.5.3 whether and to what extent the recent events have damaged the reputation of *the President* and that of COSATU?

The CEC held in February 2008 received the report of the Commission of Enquiry into allegations involving the COSATU President, Willy Madisha. It decided to release the copy of the report publicly in the light of the misrepresentation by some in the media and unauthorised sources in the Federation which all combined to misinform the public about the real facts behind the establishment of the commission and its terms of reference.

Below is the report of the commissioners that summarises key findings. We are putting down this detail because of the importance of the subject we are dealing with.

6. ISSUES FOR CONSIDERATION UNDER THE TERMS OF REFERENCE

The Commission will deal with the issues raised in the terms of reference, in the order set out hereunder.

2. DID THE PRESIDENT MAKE THE PUBLIC STATEMENTS? WHAT WAS THE NATURE OF THESE STATEMENTS, IF ANY?

The President made several public statements to the audio and print media in relation to the R500, 000 donation (the donation). These are attached in full in a schedule marked B and are listed below with a brief explanation of their contents

- a. A report in the **City Press** of 4 August 2007 in which details of the donation are outlined and the President is mentioned but not quoted.
- b. A report in **the Times** of 5 August 2007 in which details of Charles Modise's affidavit handed to the SAPS are revealed and wherein Modise states that he handed R500,000 to Madisha who gave the money to Nzimande. Modise accuses Nzimande of theft. Madisha is quoted as saying " I refuse to talk about this thing.....I don't want to get involved"
- c. Transcript of an **SAFM Radio Broadcast** on the morning of 7 August 2007 in which Madisha is introduced as the COSATU President and is questioned about his role in the donation. He explains his role confirms the donation but refuses to disclose to whom and other details citing the sub judice rule. He describes the experience as very painful.
- d. A report in **Business Day** of 8 August 2007 in which Madisha is described as COSATU President and in which he is quoted as saying "Yes I received the money and I delivered it". Asked if he had given the R500, 000 to Nzimande, Madisha said he would rather not comment.
- e. A **press statement issued by the President** dated 22 August wherein he defends his role in the events surrounding the disappearance of the R500, 000 donation, and takes issue with the SACP in regard to its handling of the matter by describing him as an instigator of a smear campaign with laughable and dubious merit and refusing him access to the rules of natural justice. He reconfirms that he received the R500, 000 and reveals that he handed it to Nzimande but emphasizes that the details will be the subject of police investigation.

- f. A report in **the Citizen** of 23 August 2007 in which Madisha confirms he handed the donation to Nzimande. Nzimande is quoted as denying having received the money. Gwede Mantashe, the Party chairman is quoted as saying that Madisha sat on the information for more than 5 years and did not disclose to the party that it had not received the intended funds. Mantashe is further quoted as saying: "He didn't come to the structures in his own party but went public - I think that is bordering on hypocrisy" Madisha commented: "I handed the money to the general secretary. That he had not handed it over to the party purse, I did not know." Madisha further commented that the matter was an issue within the SACP where it had to be dealt with and had nothing to do with COSATU, the ANC or succession. Madisha described himself as a taxi that had collected and delivered the funds and repeated that he was willing to prove this. When asked if Nzimande was lying about the donation Madisha replied that he would not use that word. He hadn't said the General Secretary was lying.
- g. A report in **the Star** of 23 August 2007 which covered the same media briefing given by the President covered in the Citizen on 23 August 2007. Madisha is described in the article as COSATU President. He is quoted as saying "I am willing to stand in front of a Court and the Communist Party and prove what happened". The report states that he decried that while he had seemingly been fed to the wolves, Nzimande appeared to have been protected by the party. He argued that "sides were taken" even before he had been approached for his version of the story. He wanted the SACP to urgently get to the bottom of the matter because otherwise it could "negatively affect the party".
- h. A report in **the Weekender** dated 25 August wherein Madisha is quoted as saying "I am not going back as the leader of COSATU or SADTU, other people must come in. I am not Mugabe or Mobutu, and I am not bitter". Madisha is quoted as saying he had been "sacrificed to the media" by the SACP following reports over the R500, 000 donation.
- i. An interview with the President in the **Mail and Guardian** online dated 28 August 2007 wherein he deals with various aspects of the donation. Questioned on why the money was not banked he said that this was part of the information contained in the affidavit given to the police. Questioned on why he did not acknowledge the R500, 000 during the SACP's Central Committee meeting in August 2002 he said he had explained that to the police and the matter was sub judice. He further stated that he, Nzimande, Modise and others had met at the Birchwood Hotel on the East Rand and that Nzimande had thanked Modise for having donated the R500, 000 to the SACP. He maintained that he had been targeted wrongly.
- j. A report in the **Mail and Guardian** online of 30 August 2007 in which he is described as COSATU President, Madisha is reported as having made public affidavits telling his side of the story relating to the missing R500, 000 donation. Madisha is reported as saying he has two witnesses who saw him deliver the donation to Nzimande. The report says that in a police statement Madisha and a witness corroborate delivering the

money in two refuse bags to Nzimande in a room at the Sunnyside Park Hotel. Madisha added that he left Nzimande in the hotel room and has no more knowledge of what happened thereafter. Madisha and Nzimande were reported as having counted the cash together. Madisha and the witness both say that Madisha and Nzimande met Modise at the Birchwood hotel in Boksburg to thank him.

These reports were admitted as exhibits at the Commission hearings. The President did not take issue with whether he had made the statements contained in the reports. His concern was the capacity in which he had made them, and this issue is dealt with in paragraph 9 below.

3. WHAT HAS BEEN THE IMPACT (POSITIVE OR NEGATIVE) OF THESE STATEMENTS ON COSATU AND THE PRESIDENT AND, IN PARTICULAR, HAS THE PRESIDENT BROUGHT COSATU INTO DISREPUTE.

In his submission to the Commission, and indeed as is apparent from his public statements the President has repeatedly asserted that the issue of the donation was a SACP matter and not a COSATU matter.

In his opening statement to the Commission, the President stated that the issue of R500, 000 was a non COSATU matter. It was, in his view one of the matters transported to COSATU both to settle unresolved scores of individual leaders and to attempt to prove as destructive, the federation's President.

In his testimony before the Commission, the President suggested that the Commission must ask whether he made the statements as a senior member of the SACP or as the President of COSATU. The President asserted that he was speaking in his capacity as a senior member of the SACP. As to whether the statements had impacted negatively on COSATU the President's response was no, it cannot impact negatively because it is not a COSATU matter. The essence of the President's argument is fourfold:

- The issue is not a COSATU matter but a SACP matter.
- When he made the statements he did so in his capacity as a senior member of the SACP and not as President of COSATU
- As such the statements could not impact negatively on COSATU nor upon himself in his capacity as COSATU President, nor could it bring COSATU into disrepute
- The matter has been transported into COSATU to settle unresolved scores of individual leaders and to cast the President as destructive.

There is, at one level, consensus between the President and the COSATU NOB's that the issue is not a COSATU matter but a SACP matter. In their press statement on Monday 6 August, in response to the weekend revelations linking the President to the donation, the NOBs took the view that this was purely a

matter for the SACP. The question around the alleged donation and its handover were matters for the Party to deal with. This had absolutely nothing to do with COSATU as no individual acted on behalf of the Federation. The statement went on to say that if it is true that the COSATU President was somehow involved, he would have been acting in his capacity as a member of the SACP Central Committee and not on behalf of COSATU. The statement concluded with the NOBs confirming their complete confidence in the SACP's and the Federation's leadership.

In the Commission's view this statement was an exercise in damage limitation and control, where the NOBs sought to distance the Federation from the issue and thus protect it from any association with what loomed as an unseemly financial scandal. The success of this strategy was predicated upon the NOBs, including the President, limiting publicity on the issue.

It was the manner in which the President dealt with the matter following upon the weekend revelations, his management of the allegations, the nature of his utterances to the media, and his failure to take the NOBs into his confidence prior to the matter being the subject of public discussions, that gave cause for concern. This is apparent from the criticism levelled at the

President by the COSATU CEC in its resolution of 13 September, and from the testimony of the COSATU General Secretary (the GS). The GS, in response to a question at the Commission that the President refers to the R500, 000 as a non COSATU matter, replied "we did recognize the R500, 000 as a SACP one, even the special CEC meeting held in October 2007 referred to it as a SACP matter, but it is the Presidents handling of the matter, in particular the public statements that he made, that concerns COSATU."

At their weekly meeting held on Monday 6 August, the NOBs were faced with a request from the President, who was unable to attend the meeting, that they do not discuss the donation. The President had written a letter to the GS in which he himself suggested that as this was a SACP matter the Federation should be quiet and not go into public debates about it. The President said he had refused to respond to all media questions because he believed the SACP must address the matter internally, and that this had now become a criminal matter and thus any statement that gets done affects all legal processes. Despite this request the NOBs regarded the matter of sufficient importance as warranting consideration by them. In an SMS to the President, dated 6 August 2007 sent at 12h40, the GS said: "President, the NOBs decided that they will discuss the matter since all received many enquiries on the matter. You can help the meeting by indicating whether you did receive the money and handed it over to the SACP's GS as alleged by C Modise or not. To say there is no comment is complicating matters. Your apology was however accepted."

The President testified that he interpreted this as approval to deal with the matter publicly. In contrast, the minute of the meeting states: "The meeting

acknowledged the sensitivity of the matter and it was agreed that it required further discussion within the federation. It was further cautioned that in the meantime the matter should not be handled publicly. The GS would communicate the decision of the NOBs to the COSATU President and the structures on how the matter was to be handled".

The GS, in his testimony, said that he had communicated the content of this decision to the President telephonically on 6 August 2007. The President testified that he could not remember that.

On a balanced consideration of these different communications, the Commission found that the President was in all probability aware of the decision of the NOBs to curb comments to the media on the issue. This indeed accorded with his own position set out in a letter to the GS on 6 August 2007. For reasons best known to himself, he chose to ignore his own advice and spoke to the media on the following morning.

It should be noted that following the interview with the President on the morning of 7th August, the General Secretary was interviewed on radio that afternoon on the issue. By 8 August 2007, the third day after the story broke; the NOBs and the President had yet to meet on the issue. An SMS from the Deputy GS to the President was sent on 8 August 2007 in the following terms:

"Few unions have registered their concerns about the matter on the media pertaining to the SACP General Secretary in so far as the involvement of COSATU President and the negative impact on the Federation, and are asking that the NOBs discuss the matter urgently. This call is made fully aware of the NOBs statement made on Monday. Please advise what we should do? Do we wait for Monday meeting or what? These union leaders want to know what we are going to do."

On 9 August, the President replied: "I propose we discuss the matter at the normal NOB meeting on Monday 13th. The urgency alleged by "some affiliates" is baseless as this in reality is the SACP matter". The President asserted, and indeed may well have intended, that his statements to the media on the donation be given in his capacity as a member of the SACP. He testified that ordinary members of COSATU would be able to draw a distinction between his conduct in his capacity as a member of the SACP and his position as President of COSATU. This is a submission that the Commission finds itself, on the evidence before it, unable to accept. The Commission finds that the overwhelming impression created through the President's exposure to the media on the issue is that he was at all material times identified with COSATU, as President of COSATU, despite his evident concern that this should not be the case. This impression created in the mind of the public and within COSATU an inescapable connection between the Federation and the donation which no amount of assertions to the contrary by the President can frankly countervail.

The President's failure to see any degree of urgency in consulting with the collective leadership in COSATU on a controversial issue, which implicated very senior leaders in COSATU and the SACP, organizations in formal alliance, is highly surprising. It would, in the Commission's view, have been appropriate for him to seek out his co-leaders in COSATU at the first available opportunity, share with them the circumstances surrounding the donation, discuss how to manage the issue from the Federation's perspective and secure the benefit of their views on the matter. The state of the relationship between the President and the NOBs, which will be the subject of consideration later in this report, may, in the Commission's view, explain his reluctance to do so, but it cannot detract from the fact that it would have been the right thing to do in the circumstances.

Once it has been established, as the Commission finds, that COSATU was, through its President, identified with the donation and a potential financial scandal, the next enquiry is to determine whether the statements impacted positively or negatively on COSATU and in particular whether the President has brought COSATU into disrepute.

The statements, in sequence, reveal an unfolding version of events by the President which commence on, 5 August 2007, with a refusal to comment and conclude on 30 August with specific details about how the money was conveyed, to whom it was given, the fact that there were witnesses, about how Nzimande thanked Modise at the Birchwood hotel for the donation. Each successive media statement reveals more detail about the issue. The sub judice rule is at times invoked by the President in relation to certain questions only for it to be discarded in later reports on the same questions. In later statements the President's frustration with what he perceives as unfair treatment at the hands of the SACP becomes increasingly apparent, and the SACP is accused of "sacrificing him" to the media.

From the President's perspective it is clear that he felt let down by the SACP and was driven to reveal more and more information in an attempt to defend himself. From COSATU's perspective it witnessed its President being drawn ever deeper into a public drama the ultimate proportions of which it was, and arguably still is, unable to gauge.

During this period there was little if any contact on the issue between the NOBs and the President. The COSATU GS describes in his testimony that after the radio interview given by the President on 7 August 2007, he did not challenge the President on a breach of the agreement. When questioned why not, he said: "I threw my hands in the air". Questioned further on how on the basis of that interview he proposed to deal with the matter he replied: "Honestly we did not know what to do any more: we sat on a powder keg that was ticking towards the Central Committee. Then we received a letter from the NUM questioning what was happening, and then a letter from the KZN provincial secretary, then a letter from SAMWU's general secretary, all of them with innuendos about what was happening and whether the President was capable of doing this in the first place"

And later, "we only realized after we received the letters that sitting on the problem was not going to help.

The 1st Deputy President testified that the NOBs did have a discussion with the President at the NOBs meeting on 13 August. At that meeting he again was advised not to make statements but the President stated he felt he had to respond especially to comments made by the Chair of the Party Gwede Mantashe. He felt on the advice of his lawyer he needed to respond to legal matters that were being raised.

On 22 August 2007, the President sent the following SMS to all NOBs" "Comrades national office bearers, I am forced to respond to allegations made against me through the media by SACP. This is what the lawyers insisted I do as a necessary response to these allegations. I must emphasize that it is not against your advice, but a legal instruction."

So further statements were issued by the President. They certainly enabled the President to put his version of events in the public domain. They also had the impact of keeping the issue very much in the public eye. And as the statements contained ever more detail, they raised as many questions as they provided answers. These questions included the following:

- Why a donation of the magnitude described, was paid in cash?
- Why the money was transported in black plastic bags and not simply paid into the party's bank account?
- Why was the money handed to the SACP General Secretary and not the Treasurer?
- Why was it necessary to hand the money over in a hotel room on a weekend?
- Why was a receipt not issued when the money was received from the businessman Modise when the President took possession of the funds?
- Why was a receipt not requested from, or offered, by Nzimande when he took receipt of the funds?
- Why was there no follow up when the money was not accounted for in SACP financial statements?

The President addressed a number of these questions in his testimony to the Commission. He indicated that he was requested to fundraise on behalf of the SACP. In response to a question whether he thought it was normal for R500, 000 in cash to be carried in plastic bags and delivered to a hotel on a Saturday afternoon he answered:

"Well it just happened, it has happened on many occasions, this was not the first time and R500, 000 was a much smaller figure compared to other instances. When we requested the money, Mr. Modise gave us two reasons, one was that he has business partners and they will not be happy to have a cheque given to the communist party, some of them did not agree with the communist party, even

today there are some who see the communist party as a bunch of terrorists. Secondly, I indicated to him that if he deposited the money into the account it will be swallowed by the overdraft. We had to pay workers at that time they were getting 25% of their salaries. It is not a miracle it has happened before"

The Commission was referred to the SACP report on its investigation into the matter. In that report Thaba Mufamadi who was at the time the National Treasurer of the SACP, denied that the SACP was experiencing financial difficulty leading to it being unable to pay its salaries. This assertion was strongly contested by the President.

In response to further questioning the President said he was unaware of whether Mr. Modise would be duty bound to reflect the donation in its books. Legally it would have been correct if the money had been paid by cheque with the donation remaining anonymous in the hands of the SACP. But one was acting in a state of desperation. He expected the General Secretary of the SACP to pay the money over to the Treasurer and for the funds to be paid into a bank account of the SACP, thus reducing the overdraft. There were in effect no financial controls in the SACP to track what happened to the money. In his position as a member of the SACP finance committee he had not seen the donation reflected in the SACP's financial statements. He had not raised the matter with Nzimande. He trusted that the comrade Nzimande would do the right thing.

Acknowledging that the incidence of handing over the money and the circumstances he described and what had happened thereafter had caused him and his family a great deal of distress, had caused a great deal of distress to members of COSATU and the SACP, he would, with the benefit of hindsight, if he had had the opportunity to do it differently, to hand the money directly to the treasurer, he would have done so.

It must be emphasized that the Commission is not enjoined to investigate whether in fact the money was handed over in the manner described by the President. Such an investigation does not form part of its terms of reference and it accordingly makes no finding in that regard. So the truthfulness of the President's version on the handing over of the donation is not at issue here. But the focus of the investigation, as set out in our terms of reference, is quite different and is not based upon resolving the dispute of fact that exists between him and the General Secretary of the SACP.

On the Presidents version, as it emerged in the public statements and in testimony before the commission, the whole approach to the donation raises serious questions of propriety. It stands in sharp contrast to the strict procedures and financial controls which exist within COSATU in regard to eliciting and receiving donations, which were outlined to the Commission in the testimony of the COSATU national treasurer. These are standards which officials in COSATU, including the NOBs, are expected to adhere to. They do not of course apply to the President in his capacity as a member of the SACP, but the Commission is of

the view that the President should know, or should have foreseen, that members within the organization he heads would be drawn to judge his actions against the standards of financial propriety in their own organization, and for which he, as the President, is the principal custodian.

The consequences of the way in which the donation issue has been handled, were numerous: Testimony from the NOBs indicated that the President, and COSATU, became the object of ridicule once information about the donation was revealed. The National Treasurer testified: "It has become a joke, because people had started saying that COSATU doesn't have banks anymore we use black plastic bags. This has created a negative impact on COSATU".

The Second Deputy President testified that people were referring to the President as "cash in transit". The First Deputy President, a more recent appointee, testified: "There is an impression created that the SACP and COSATU are at loggerheads. So called heads are in conflict politically what does that mean?".

The General Secretary addressed the issue of the extent to which, in his view, the recent events have damaged the reputation of the President and COSATU: "I think they have been damaged grossly. When you are leader and you can't discuss or address other forums in the organization that you lead (a reference to a reluctance by some unions to have the President address them) then it talks to the question about reputation being damaged. This whole thing of the R500, 000 has basically become a national joke. Everybody that wants a laugh talks about the R500, 000 in plastic bags in the boot of a car in a manner that seeks to ridicule the person who makes the claim. It was done everywhere, email, internet."

The circumstances surrounding the donation attracted satirical comment in the media. which was demeaning of the President. The Commission refers to an article in the Financial Mail dated 16 November entitled "Sunnyside Upwards" and which is attached in the schedule of press statements. The President's approach in his testimony was one that did not engage the detail of these perspectives. He maintained consistently that this was not a COSATU matter but a SACP matter and as such could not have a bearing on him in his capacity as President nor upon the Federation. He conceded that it may have affected the party negatively but not COSATU. He strongly believed that there was no damage to his reputation.

Mr. Phutas Tseki took the view that in these challenging times the office of the President must be defended at all times. The person who is bestowed to this position in whatever he does, it must be seen as being protected in particular to the outside world. He felt the timing of the SACP report was such as to try and influence an outcome or discussion of the predicament facing the President at the COSATU Central Committee.

The COSATU CEC in a position endorsed by the COSATU Central Committee noted that COSATU's good name and image keeps on being associated with the controversy and that the whole saga had caused anxiety in COSATU's ranks and in the public discourse. It regarded the whole matter as divisive and a threat to COSATU's internal unity and cohesion. It commended the way the COSATU NOBs had handled the matter. It criticized how the whole saga had been handled and condemned in particular the public mudslinging and insults traded between those who went public on a matter that should have been handled internally a long time ago. It singled out for criticism the President's handling of the matter which was specified in the resolution. It was critical of his behaviour and regarded his handling of the matter as being in breach of previous CEC resolutions, which, whilst placing the responsibility on all members of the CEC and the NOBs collective, placed even more responsibility on the shoulders of the President and the General Secretary to lead the Federation and heal the rifts in the run up to the Congress and foster maximum unity in the federation.

That is the COSATU position on the issue. The Commission could find no evidence to support the President's contention that the matter was transported into COSATU to settle unresolved scores by individual leaders and to cast the President as destructive.

The President is the figurehead of COSATU. COSATU's members are entitled to expect his conduct to be beyond reproach, not only in relation to COSATU matters but generally. In the Commission's view his conduct in relation to the donation as revealed in the statements falls well short of that expectation.

It has caused divisions within the Federation. It has implicated the President and by association COSATU in what has all the trappings of an unseemly financial scandal. It has reduced his level of acceptability to important constituencies in COSATU and its alliance partner the SACP. It has exposed the President and COSATU to ridicule. The Commission accordingly finds that the statements have had a negative impact on COSATU and the President and have brought COSATU into disrepute.

4. **DEPENDING ON THE OUTCOME OF THE INVESTIGATIONS IN RESPECT OF THE MATTERS REFERRED TO IN PARAGRAPH 8.1 AND 8.2 OF THE TERMS OF REFERENCE, TO INVESTIGATE AND DETERMINE THE IMPACT OF SUCH EVENTS ON COSATU, ITS NATIONAL OFFICE BEARERS AND THE RELATIONSHIP BETWEEN THE PRESIDENT AND THE NOBS. WITHOUT LIMITING THE GENERALITY OF THIS INVESTIGATION, THE COMMISSION IS REQUIRED TO DETERMINE, IN PARTICULAR, THE ISSUES SET OUT IN PARAGRAPHS 8.3.1, 8.3.2, AND 8.3.3 OF THE TERMS OF REFERENCE.**

The Commission will address each of the issues set out in the paragraphs 8.3.1, 8.3.2 and 8.3.3 in turn. To the extent that the Commission regards it as important

to go beyond the specificity of each issue to determine impact as set out in Paragraph 10 above, it will do so.

5. HAVE THE RECENT EVENTS LED TO A DESTRUCTION OF THE TRUST BETWEEN THE NOBS AND THE PRESIDENT, ALTERNATIVELY, IS THERE ANY LEVEL OF TRUST BETWEEN THE NOBS AND THE PRESIDENT?

A significant proportion of the evidence led before the Commission focused on tensions within the leadership collective of COSATU which preceded the issue of the donation to the SACP. In order to adequately address the question posed it is, in the view of the Commission, necessary to have regard to this history. Tensions were rising between the GS and the President, according to the testimony of the GS, from 2005.

By the third quarter of 2006 the situation had become sufficiently serious for COSATU to appoint a fact finding Commission comprising the Presidents of several of its affiliates to probe the circumstances giving rise to what was described as a collapse of trust between the NOBs (The COSATU Commission). These circumstances included media leaks, an allegation of unauthorized credit card expenditure by the GS, which was leaked to the media, and an allegation that a NOB was spying on the General secretary of the SACP. It is not necessary to go into the detail of the investigation. A final report was issued in September 2006 that found, inter alia, that there was a collapse of trust between the COSATU NOBs. The COSATU Commission drew:

"the inescapable conclusion that the trust relationship among the NOBs has broken down irrevocably at least between the office of the President and the General Secretary and between the office of the President and the rest of the NOBs."

It was decided not to place the report before the forthcoming 9th Congress of COSATU as a result of a concern that it would negatively impact the Congress. In his opening speech to the Congress the President pledged his unwavering support to the GS and pledged to work together. Both the GS and the President were re-elected to their positions.

After the Congress the NOBS went away for a two day bosberaad to see if they could iron out their differences. There were frank exchanges and the net result was that some progress was made toward resolving issues, developing a modus operandi to tackle difficult issues, a commitment to fashioning a working relationship going forward.

The Minute of the November 2006 COSATU CEC records that at the end of the day the responsibility to lead the federation lies with the President and the GS. The CEC urged the two leaders to rise above factions and their personal pride or even feelings they may hold and take the first steps to unite the movement. The

CEC would monitor this and would not hesitate to act against any leader undermining this spirit.

The Minute of the February 2007 COSATU CEC was able to welcome the report on the progress made regarding the important task of building unity amongst the NOBs and in the Federation. The NOBs were instructed to ensure more qualitative progress was registered by May 2007. A Code of Conduct for the NOBs was to be developed and presented at the May NEC. The Minute also records that the CEC endorsed the NOBs conclusion that all the NOBs and in particular the President and the GS must be extra careful about what they say in public:

"In a poisoned environment of divisions and deep perceptions about the role and camps all NOBs are supposed to belong to, anything they say gets analysed. In the process of this analysis they may deepen perceptions and suspicions that exist. Process to build unity may easily be undermined in the process."

The evidence before the Commission suggests that whatever progress had been made toward building trust in the period subsequent to the 9th Congress has been undermined by the events surrounding the donation. The GS expressed the view that there is no trust left whatsoever between the President and the NOBs

The Deputy GS said: "I don't think there is any left. I see a situation where office bearers will not open up in an office bearers meeting if the President is present". Similar sentiments on the lack of trust were expressed by the other NOBs. The President took a different view. He testified that he did not agree that the recent events had led to a destruction of trust. He testified:

"The issue of trust has been discussed a while ago, in 2007, progress was noted at the CEC. But right now it is being brought into this, how does this happen? I would say that it is coming up again because of those who failed to have me removed; they are trying to find reasons to say you can't trust this man."

On the issue of whether there was any level of trust remaining the President testified:

"The lack of trust is on the side of the office bearers not me. I want to work with them. I have said publicly, comrades let's work together, but they say no, we don't trust you. That is why sensitive information is discussed behind my back. Issues of trust have always been there. This question should have been asked before the R500, 000 issue arose."

"The main problems are with the GS and President of COSATU. The other poor NOBs are just taken are really just swallowed in this thing, they are forced to repeat what the GS has said."

On whether relations can be healed amongst the NOBs, he testified: "Yes, I believe they can be healed if for the sake of the working people of our country, I am prepared to sacrifice to sit down and do what the workers want us to do. If I didn't care for COSATU I would not need to suffer these blows. Let her President and the GS sit and look at these things."

These are noble sentiments, but his comments to the Commission about the GS in particular give little cause for optimism that rifts can be healed. It is absolutely apparent that the NOBs do not share the optimism of the President, and he acknowledges it. The stark reality is that they stand apart and that there is too much water under the bridge at this stage to talk realistically of rebuilding trust and mending relationships. The efforts to rebuild trust have floundered, and there can be little doubt that the tensions generated over the revelations and the lack of consultation around the donation have been the most recent contributing factor.

The Commission found it compelling that five of the six NOBs stated that there was no trust between them and their President. The Commission finds that at this point in time there is no level of trust between the NOBs and the President.

6. IN THE LIGHT OF THESE EVENTS AND THE POLICE AND SACP INVESTIGATIONS INTO THE DONATION, IS THE PRESIDENT STILL ABLE TO DISCHARGE HIS RESPONSIBILITIES AS PRESIDENT OF COSATU.

The police and SACP investigations per se should not inhibit the President from discharging his responsibilities as President of COSATU. The outcome of these investigations and what ensues may have a bearing but that would be to enter the realms of speculation.

The President believes strongly that he can discharge his responsibilities. He asserted that he was neither the complainant nor under investigation in the matter. Jacob Zuma and Blade Nzimande were considered capable of discharging their responsibilities and they were under investigation"

What does inhibit the President in the discharge of his duties is his complete isolation from the leadership collective in COSATU. The NOBs are designed to operate as a collective, to work together to implement policy, to guide the federation, to prioritize and plan and to represent the federation.

In the minute of the COSATU CEC of November 2006, the CEC asserted that the constitution was designed to reinforce the principle of worker control and collectivity, not presidential control or individualism. The COSATU constitution "allocated the powers of the President in a manner that reinforce the principle of worker control, collective leadership and internal democracy." The minute further cited the Presidents role under the constitution as "in conjunction with other

NOBs, to generally supervise the affairs of the Federation between meetings of the NC and CEC"

In circumstances of a complete breakdown of any effective working relationship between the President and the NOBS it is difficult to imagine how the President could do justice to the responsibility accorded him under the constitution. The GS, in his testimony, spoke to the consequences, in his view, of the current state of affairs:

"We have reached a point now where in the NOBs we can only talk general issues. We can't even talk about my security if the president is available. Because there are issues about whether the information can be leaked and used elsewhere. When that happens in an organization, the organization is paralysed at the centre. We as COSATU had a relationship with the SACP which is very intimate. That relationship is not possible at least under the leadership of the President."

In response to a question from the Commission as to why he did not believe they could chart a course going forward (in relation to trust building) that they had charted in 2006/7 the GS responded: "I guess that I can, but will I ever be able to discuss very sensitive things that I discuss with Blade, I will not. Will I discuss things with him that I have discussed with Zuma and Kgalema Motlanthe which I have, continuously as the General Secretary, I will not.

That is the leadership paralysis I was talking about. It is when the leadership collective has developed so much distrust in one another that they find different ways of addressing sensitive political issues. That is when they have night teleconferences excluding the COSATU President, and that is the paralysis because when you do that it means that the organization has been paralysed." On the operational implications of that paralysis, the GS testified:

"It is lack of democracy. Democracy collapses when you start having parallel discussions of matters that should be discussed openly and within the structures of the organization."

Another issue that the President has to confront going forward is the opposition he faces from a number of affiliates within COSATU. It is one thing not to have the support of certain constituencies in a large organization. That is not uncommon for democratically elected leaders. But it is quite another thing when the level of hostility towards that leadership reaches a point where the constituencies effectively don't want to have anything do with you.

Absent a complete turn-around in the current circumstances that confronts the COSATU leadership, which the Commission believes is extremely unlikely, and an approach that paves the way for a reacceptance of the President into the broader body of COSATU, it appears that the President will only be able to discharge his responsibilities as President of COSATU with difficulty.

7. WHETHER AND TO WHAT EXTENT HAVE THE RECENT EVENTS DAMAGED THE REPUTATION OF THE PRESIDENT AND THAT OF COSATU?

This issue in the Commissions view has largely been dealt with in its consideration of the proposition in Paragraph 9 above. Insofar as the President's comments to the FAWU Congress regarding a lack of leadership in COSATU are concerned, these remarks were unfortunate particularly as they did not represent the view of COSATU nor its collective leadership.

It is understandable that the Presidents failure to share within COSATU his intention not to re-stand for election before making his intention public, would invite criticism but this does not affect COSATU's or his reputation. The Commissions view is that the manner in which the President managed the issue of the donation to the SACP damaged his reputation and that of COSATU.

14. RECOMMENDATIONS

The Commission has carefully considered the issue of recommendations. The Commission recommends that COSATU develop and adopt a protocol on dealing with the media which would define, inter alia, who is authorized to make statements to the media and in what circumstances. The Commission recommends that the Code of Conduct for National Office Bearers be finalized without further delay

The Commission recommends that COSATU define with greater precision the ambit and degree of collective and individual responsibility to be borne by each of the NOBs. The Commission is mindful of the fact that it has not been constituted as a disciplinary panel. The Commission notes that the President has not been charged with any code violation which prescribes or suggests a sanction.

On the issue of sanction the COSATU constitution only speaks to the issue of the removal of NOBs (see Clause 9.6). There are three instances in which removal may take place. One is a matter of fact, if an NOB ceases to be a member of an affiliate. The other two are a matter of choice, first by resolution of a special NC or second by resolution of a majority of the CEC.

The Commission is of one mind that it would be inappropriate for it to circumvent the constitutional authority of the CEC by recommending a specific course of action in relation to the President. The Commission recommends that the approach to be taken in this matter is for the CEC in the first instance to debate whether it accepts the findings of the Commission or not.

If it accepts the findings, in whole or in part, then it will determine whether action is warranted and if so what course of action to follow. There are a range of approaches that may be adopted and the Commission believes that it is the responsibility of the CEC and the President to engage over a course of action which effectively addresses the current set of circumstances.

If not then it is open to the CEC to consider recourse to the democratic remedy provided for in the constitution. The CEC accepted the Commission's findings and recommendations and unanimously resolved to remove Willy Madisha as President of COSATU in terms of Clause 9.6.1.3 of the COSATU constitution.

Comrade Sidumo Dlamini who was the 1st Deputy President was elected at the CEC held in May 2008 as the new President of COSATU in line with clause 9.6.2 of the COSATU constitution. The CEC decided not to fill the vacant position of the 1st Deputy President until at this congress.

4. Adoption of the Leadership CODE of Conduct

The CEC as a direct result of the discussion held in November 2006 as guided by the resolutions of the NOBs beebread adopted a Leadership Code of Conduct with the view of regulating the conduct of leaders of the Federation.

The Code sets out the standard of conduct required by the leadership, individually and collectively, of COSATU ("the Federation"). It applies to:

- e. All persons who occupy leadership positions including office bearer positions at all levels of the Federation, including local, provincial and national levels;
- f. All affiliates of the Federation, and to their internal leadership, in so far as they represent the interests of the Federation and
- g. All the Federation's staff including the staff employed by the affiliates in so far as they represent the interests of the Federation.

The code generally describes the task of leaders as:

- 5. Every leader and employee occupies a position of trust towards his or her structure and to all other structures of the Federation.
- 6. Every leader has a fiduciary duty to the Federation, which requires that he or she, at all times, acts: With fidelity, honesty, integrity and in good faith; and in the best interests of the Federation.
- 7. Every leader must conduct himself or herself in a manner that: Provides effective, transparent and accountable leadership; and
 - 1. Facilitates effective co-operation between the structures in the interests of the Federation.

4. Leaders must advance the principles of co-operative governance between the structures by ensuring that:

- 4.1 They conduct their activities without impeding nor contradicting the spirit and efforts of the Federation's constitution, its policies and decisions; and

4.2 Co-operate with other structures within the Federation in a spirit of mutual trust and good faith by:

4.3 Assisting and supporting one another;

4.4 Informing one another of, and consulting one another on, matters of common interest;

4.5 Coordinating their actions with one another;

4.6 Adhering to agreed procedures; and

4.7 Generally conducting himself or herself in the highest standards of integrity and ethical behaviour.

The leadership Code of Conduct further address such issues as Duty of Honesty, Loyalty and Accountability, Use of the Federation's Property, Assets and Resources, Duty to avoid Conflicts of Interest, Duty relating to Confidential Information, Financial Gain or Gifts, Discipline and Implementation and Sanctions.

The challenge exposed by the decision to take disciplinary action against the General Secretary of NUMSA is the enforceability of the Leadership Code of Conduct. Whereas the code was demanded and adopted by the CEC to apply to all leaders and staff of the broader Federation, it is clear that the code can only be applied to the COSATU NOBs and staff. The nature of the Federation is that it does not elect therefore does not hold leaders or staff employed by its affiliates directly accountable to its policies - or at least it is difficult to enforce discipline on people not directly employed or elected by the Federation. Yet the spirit of the code is not to address problems at COSATU but at the Federation at large.

5. Willie Madisha goes to the Equality Court

Willie Madisha subsequently challenged his dismissal in the Equality Court. Essentially he alleged that COSATU has treated him differently to how it treated matters involving the COSATU General Secretary citing the issue of the alleged abuse of the COSATU credit card and the several statements made by the General Secretary that he considered were reckless. He is demanding reinstatement and compensation of R200 000. COSATU was the first respondent, SADTU second and SACP third.

Our lawyers have not responded to this application and have demanded that he supply specific information to back his claim before they respond. Through lawyers he indicated that we should not respond since he is going to amend his application in the light of the SADTU disciplinary inquiry on his conduct as SADTU President.

Subsequently he launched a high court application wherein he refused to give back SADTU properties in his possession such as the union car, etc. When SADTU filled responding papers he withdrew his application and returned all the union properties.

He did not pursue the Equality Court application. Later we established that he was defiantly chairing the Labour Job Creation Trust and refused to step down. The CEC nominated new COSATU trustees. We still await the registrar to certify the new trustees. We shall subject the trust to the forensic audit, as there have been allegations of abuse.

6. Former NUMSA General Secretary

The Federation was also concerned with the matter of ill discipline involving the former NUMSA General Secretary, Silumko Nondwangu who in a report, which originally appeared on page 10 of the Cape Argus newspaper on the 11 October 2007, claimed that certain aspects of the CEC decisions on Willy Madisha were fabrications by the COSATU General Secretary. The CEC also agreed that the NUMSA General Secretary, comrade Silumko Nondwangu would be subjected to disciplinary action for ill discipline in that he, despite being part of structures to adopt a line up of leadership of the Federation would support in the 52nd conference of the ANC, made himself available to be nominated in a rivalry and or alternative leadership line up.

The NUMSA and COSATU NOBs met on May 5 to discuss a request by NUMSA NOBs that the CEC drops the charges and a political solution found. NUMSA could not elaborate what they meant by finding a political solution. Following the discussion, the NUMSA NOBs requested that they be allowed to consider what would be a political solution and inferred that this may include an apology. They were to write a letter to the NOBs for attention of the CEC. This letter was to have been sent to the HQ on the 06 May 2008. The letter has not arrived.

The CEC noted with concern the conduct displayed by some members of NUMSA from Ekurhuleni who have displayed an unbecoming attitude against the COSATU General Secretary. They have openly attacked him in the presence of the media, shouting and singing derogatory slogans and songs against him regarding the CEC decision to discipline the NUMSA General Secretary comrade Silumko Nondwangu as well as on the dismissal of the former COSATU President.

The NUMSA NOBs informed the NOBs that they clarified their NEC position, which was inconsistent with the position of Ekurhuleni region. The NUMSA NOBs promised to look at attempts to disrupt the COSATU Gauteng Shop Steward Council. Subsequent to this particular decision the CEC also agreed that the NUMSA General Secretary comrade Saluki Nondwangu would be subjected to disciplinary action for ill discipline.

Later the CEC expressed regret that the NUMSA General Secretary joined the "be afraid of the future under the new ANC leadership" band. The CEC further expressed its concern that the CEPPWAWU congress, which elected a new leadership, was attacked by the NUMSA General Secretary as being a product of external influence. The CEC however decided that no action be taken against the NUMSA General Secretary since this may be a deliberate campaign to present himself as a victim of intolerance whilst gunning for sympathy votes in the coming NUMSA congress. NUMSA apologised to CEPPWAWU and the CEC for the remarks. This apology was accepted but it was pointed out that NUMSA has never undermined any of the COSATU positions, but that it is rather its General Secretary who must apologise. The NOBs and the Disciplinary Committee will proceed with the disciplinary process as agreed in the previous CEC.

The NOBs in discussion with the new NUMSA leadership felt it would serve no purpose to pursue the matter and the matter was dropped. We raised under the section dealing with the Leadership Code of Conduct the difficulties of enforcing the code.

8. Current state of discipline and coherence of the CEC and the Federation

The Federation has put behind the ugly era of divisions. The CEC has returned to be a forum of matured robust debates in the true tradition of the workers movement. This does not in any way suggest that there is consensus on every issue debated. But all discussions are held sensibly, with maturity and are conducted in the comradeship spirit.

Most importantly, there are no longer leaks of discussions taking place at the CEC. Leadership hold discussions assured that what they are discussing would not be misrepresented by faceless sources hell bent of creating negativity and sensationalisation of important discussions.

In a way this tenth National Congress represent a huge leap forward - a victory against divisive politics. The CEC must be commended for a splendid job.

9. Willie Madisha today

Our erstwhile President is now a leading member of the misnamed political formation called Congress of the People (COPE), he attempted to form a 'federation' before he had a single trade union to affiliate to it. He claimed that his new organisation is 'non-political', yet was created solely by him and other COPE activists.

Interestingly others who once belonged to our Federation played a role in the formation of the bogus Federation. They included the former and founding General Secretary of NUMSA Moses Mayekiso, former FAWU Transvaal regional who was fired by the union for creating divisions endlessly, Mkhali Nzipho, the former member and official of NEHAWU Sipiwe Mabaso who was at the center of NEHAWU's ugly divisions in the early 2000's as well as the former NEHAWU deputy General Secretary, fired for using the union to pursue his business interests Gaugelo Ramodise. All of these individuals are members of COPE.

Madisha claimed that his Federation would be bigger than COSATU in six months. He claimed that NEHAWU and SADTU members were joining his union in droves. It appears that the bogus Federation died on the same day when it was launched. We have not heard from them since then. Madisha and his cahoots just like their mother body COPE have only one agenda as we pointed in our booklet "The core of COPE's strategic agenda is to disorganise the organisations of the working class, and draw support from them, both at political and workplace level. This strategy of 'kill and cannibalise' our movement is a kick in the teeth for everything our people have tried to build up over many decades, centred on unity of our people and building our organisations as our shield, and our spear.

Yet this threat is not necessarily over. The forces of reaction know that the main strength of the liberation movement is derived from the support of the workers organised and led by COSATU. They are unlikely to give up this campaign to target and weaken COSATU. We cannot afford therefore to undermine this new threat to the unit of South African workers. We must consistently and continuously address weaknesses at the affiliates of the Federation.

We urged COSATU members and working-class to reject the attempt to hijack them and rally around the only movement that speaks for the workers and the poor majority of South Africans - COSATU, the ANC and the South Africa Communist Party, and to give the ANC yet another record election victory.

3. The historic 4th Central Committee

As directed by the Ninth National Congress and as well as part of fulfillment of the COSATU Constitution, we convened the 4th Central Committee on the 17 - 21 September 2007.

The Central Committee took place at an important juncture in our ongoing National Democratic Revolution. It occurs a few months after the ANC Policy Conference and the 12th Congress of the South African Communist Party. It takes place in a period where there are intense debates about the trajectory of our Revolution and what is possible in the current global world order. It was a period marked by resurgence of popular mobilisation across the length and breadth of country around service delivery and wages and working conditions. Mass mobilisation signifies both the rising confidence of the working class and dissatisfaction with the pace of social change.

The 4th Central Committee was confronted by very difficult and complex issues and emerged united around the resolutions adopted. In its declaration the 4th Central Committee affirmed that:

"We remain convinced that despite progress recorded in the last thirteen years, the capitalist class gained the most in economic terms. Workers have to contend with poor quality jobs, poverty and unemployment and millions of workers do not enjoy the fundamental rights enshrined in our labour laws. While the Constitution is progressive, the substantive realisation of the rights it embodies remains a promise on paper. The country's economic policy, including the budget, is not based on the promises of the Constitution. If that was the case the budget would be substantially larger than what it is currently.

In recent years, South Africa's rate of economic growth has been higher than in any comparable period. However, without a clear redistribution policy, development strategy to transform the colonial economy and employment creating industrial policy, growth has not substantially benefited the poor. This calls to question a one-sided approach to increase the rate of growth without a development policy aimed at transforming the historical patterns of accumulation. We argue that the growth target in ASGISA, modest as it is, will not change the conditions of the poor unless accompanied by a job creating industrial policy and commitment to redistribute far more than in the last 13 years.

In this vein we are encouraged by recent development in the ANC Policy Conference and the tabling of the industrial policy framework by the government. This represents a basis upon which we can fashion a new people-centred and people-driven development policy. In this regard, we believe that all policies must be subordinated to the development imperatives facing our society and call for the review of the Macro-Economic Policy Framework"

The Central Committee adopted the resolution summarised in its declaration as follows:

1. The CC assessed the strength of the organisation measured against our 2015 Plan and the 9th Congress Resolutions. Against this background, it reaffirmed the need for a systematic Organisation Development and Organisational Renewal programme which in the first instance seek to improve levels of

representation in all sectors, so that we double our members to 4 million. We are encouraged by progress in all these fronts within the Federation and in many of our unions but called on the Federation and unions to redouble efforts to build strong and vibrant unions.

2. The CC identified the priorities of the recruitment campaign as to draw in the masses of rural, casualised and sub-contracted workers and to champion their interests. The CC recommitted the Federation to the programme of organisational renewal to strengthen the organisation and improve service to members. Further it affirmed that we must translate the gains of the strikes into more members across all sectors of the economy. The CC committed us to step up our efforts to unify the working class to realise our age-old aspiration of one industry-one-union, one-country-one-federation.
3. The CC supported efforts to restructure our social security system including the retirement fund system. This process must be guided by the principle of universal coverage and state constitutional obligation to provide social security. The CC reiterated our demand for a universal Basic Income Grant to plug the existing gaps in the social security network but more importantly as means to give hope to the hopeless.
4. The CC called for changes in our labour laws to close loopholes exploited by employers to deny workers their rights. In addition, the CC resolved to challenge interpretations that fundamentally alter the architecture of our labour laws, including the interpretation of 'operational requirements in Fry's Metals and Rustenburg Platinum Cases. The CC called for adoption of the Minimum Service Agreement between government and public sector unions; and further called for a review of the LRA on this score.
5. The CC resolved to defend and support the progressive thrust of the ANC Policy conference on organisational and policy issues. In this endeavour the CC committed us to ensure collective leadership, involvement of members, the alliance and ANC in policy formulations, the return to the goals of the Freedom Charter and the RDP. COSATU was to therefore embark on a mass campaign to involve our members in the policy debate between October and November. This was to include Socialist Forums, local meetings and shop stewards council.
6. The CC committee as directed by the ninth National Congress adopted a list of ANC leaders that it will be back in the 52nd National Conference of the ANC as follows:
 - President, Jacob Zuma
 - Deputy President, Kgalema Motlanthe
 - National Chairperson, Nkosazana Dlamini Zuma or another women meeting the set criteria or Makhenkesi Stofile
 - Secretary General, Gwede Mantashe
 - Deputy Secretary General, Baleka Mbethe
 - Treasurer General, Mathew Phosa
7. In order to take forward this the CC committed the Federation to engage with ANC structures and other progressive formations to popularise our views and to mobilise their support.
8. The CC called for the intensification of the struggle for gender emancipation within our organisations and in society in general.

9. The CC called on the Alliance to truly become the vehicle and political centre under the ANC leadership. To that end it must drive policy formulation and implementation; direct deployment and hold cadres accountable; and mobilise our people as their own liberators. The Alliance machinery must be reinforced to ensure that it discharges this responsibility and a Protocol governing alliance relations must be developed. In addition, an Alliance Electoral Pact or Programme for transformation should be developed to reach agreement on policies required for achieving the goals of social transformation, employment creation and eradication of poverty.
10. The CC reaffirmed that COSATU remained committed to the Jobs and Poverty Campaign and will execute the mandate from the 9th National Congress and the recent Jobs and Poverty Summit. The CC expressed a concern at the spate of interest rate hikes, which were anti growth and employment creation.
11. The CC called for the SABC Board nomination process to be changed to include reserved seats for stakeholders like labour and the broader working class and civil society. The CC expressed a concern at the repeated exclusions of nominees from these sectors and believed that the proposed list was too heavily biased toward people with business links. The CC decided to engage the public broadcaster on the deteriorating quality of news and to ensure fair coverage of labour issues and the development of more worker friendly content.
12. Lastly the CC received and debated discussion papers to help stimulate the discussion within the Federation and in society. These paper which were endorsed by the CC were:

4. The SACP 12th National Congress

The historic SACP 12 National Congress took place on the 11 - 15 July 2009. It is natural that there is a big overlap between COSATU and SACP membership. The mood of the SACP National Congress was the same as that we saw in the COSATU's ninth National Congress. The core and most advanced of COSATU's cadres forms the core of the SACP's membership and activists.

A number of the resolutions were adopted by the congress but we chose to highlight those that relate to some of the discussions that happened in the run-up to the last congress. On the question of the state power the SACP resolved as follows:

1. That the SACP deepens its capacity to provide strategic leadership in regard to key policy sites of state power, including industrial policy, social policies and the safety, security and defence sectors.
2. That the SACP contests state power in elections in the context of a reconfigured Alliance.
3. To mandate the incoming CC to actively pursue the different potential modalities of future SACP electoral campaigning. These modalities could involve either:
 - o An electoral pact with our Alliance partners, which could include agreement on deployments, possible quotas, the accountability of elected representatives including accountability of SACP cadres to the Party, the election manifesto, and the importance of an independent face and role for the SACP and its cadres within legislatures.

OR

- Independent electoral lists on the voter's roll with the possible objective of constituting a coalition Alliance agreement post elections.
- 5. The SACP must actively engage its Alliance partners on these proposals.
- 6. The Party and State Power Commission must take forward its work to study international experiences closely, and to analyse in detail and evaluate our local reality.
- 7. The incoming CC must convene a policy conference within a year, in order to assess the feasibility, and potential advantages and disadvantages of the different modalities noted above, including further detailed research.
- 8. Whatever options are chosen, we must strengthen the SACP's policy capacity, and our organised strength on the ground.

The mandate to the SACP and that of COSATU largely overlapped. Whereas the SACP was calling for the reconfigured alliance and SACP Central Committee was mandated to pursue - we repeat:

- An electoral pact with our Alliance partners, which could include agreement on deployments, possible quotas, the accountability of elected representatives including accountability of SACP cadres to the Party, the election manifesto, and the importance of an independent face and role for the SACP and its cadres within legislatures.

OR

- Independent electoral lists on the voter's roll with the possible objective of constituting a coalition Alliance agreement post elections.

The COSATU Ninth National Congress had earlier called for a Pact to be signed, or a governance agreement, or a development of a comprehensive alliance programme of action for fundamental transformation. We shall revert to what happened to these demands in the engagements of the Alliance.

5. Support for Comrade Jacob Zuma

Motivated by a say that injustice anywhere is a threat to justice everywhere, COSATU ninth National Congress and the fourth Central Committee directed us to do everything to ensure that comrade Jacob Zuma is treated with dignity just like the Freedom Charter promises that all shall be equal before the eyes of the law.

COSATU together with the SACP as well as ANC Youth League, Young Communist League, SANCO and others provided the platform for comrade Jacob Zuma when he was systematically thrown into the cold. We concretised the support and gave it a human face; we took the flak from different quarters, soldiered on and never lost sight of the ball. The campaign has reached maturity after the ANC 52nd National Conference.

The Congress will recall that it was during the last congress that Judge Qedusizi Msimang struck the case of Jacob Zuma off the roll in response to the state inability to proceed with the prosecution. They claimed

that their case now depended on the documents they seized from the premises of comrade Jacob Zuma and his lawyers. Use of these documents was now subject to separate court processes. Indeed comrade Zuma won an order in the Durban High Court preventing the NPA from using documents seized from his lawyers and personal premises. The NPA appealed to the Supreme Courts of Appeal who overruled the Durban High Court decision. This application failed with the majority of the judges deciding to uphold the decision of the Supreme Court of Appeal.

ANC President and Thint also lost their bid to prevent the state from bringing original documents from Mauritius to South Africa for use in their corruption trial. The congress will also recall that during December 2007 ANC President was served with an indictment in terms of which he was supposed to appear in the High Court, Pietermaritzburg on 05 August 2008. He duly appeared in court, where he launched an application challenging the constitutional validity of the charges, as well as the processes and procedure attached thereto.

The challenge was successful and as a consequence Judge Chris Nicholson on the 12 September 2008, found, *inter alia* that the indictment was of no force and effect. In the result, Comrade Zuma no longer had the status of an accused. The judge's ruling as a whole completely vindicated the stance that COSATU and its allies took - that comrade Jacob Zuma's prosecution has been politically manipulated and should be abandoned.

We agreed in particular with Judge Nicholson's description of the decision in 2003 by the then National Director of Public Prosecutions, Bulelani Ngcuka, not to prosecute Zuma despite the presence of a prima facie case against him, as 'bizarre', given that a decision had been made to prosecute Schabir Shaik and his corporate entities.

COSATU concurred that this was a total negation of the constitutional imperatives imposed on the National Directorate of Public Prosecutions to prosecute without fear and favour independently and in consistent, honest and fair fashion.

The National Director of Public Prosecutions appealed the Nicholson decision. On appeal the Supreme Court of Appeal overturned the Nicholson judgement and consequently found, *inter alia*, that the indictment was valid. In the result of the appeal, comrade Zuma's status reverted to that of an accused. Comrade Zuma's lawyers appealed the judgement of the Supreme Court of Appeal in the Constitutional Court, which is the final decision making in the legal process. The matter was then set on 04 February 2009 for the enrolling the prosecution.

On the 08 December 2008, the ANC President and Thint appeared in Court for the trial date to be set. The NPA want the trial to start in April 2009. The ANC President is facing a charge of racketeering, four charges of corruption, a charge of money laundering and 12 charges of fraud. At this appearance, the presiding judge was informed of the pending appeal to the Constitutional Court, as well as the pre-trial challenges, which comrade Zuma is intent on pursuing. Consequently the parties agreed on 24 August 2009 as the holding date for the court to review processes underway. If all other processes fail, the court was to then determine the trial date.

Should the appeal to the Constitutional Court be successful, it was envisaged that the application for the Permanent Stay of Prosecution would commence in June 2009 at the earliest. In the meantime comrade Zuma's lawyers made representation to the NPA. Key sectors of the society including business, youth,

MKVA and COSATU filed affidavits outlining why the charges must be dropped and why this case is no longer in the interest of justice and the country.

Following these presentations, the NPA announced on the 06 April 2009 that they have decided to withdraw all the charges against ANC President Jacob Zuma. The Acting Director of Public Prosecution, Mokotedi Mpshe declared, "I have come to the difficult conclusion that it is neither possible nor desirable for the NPA to continue with the prosecution of Mr. Zuma".

In our response, we pointed out that even though the NPA decision is based on a consideration of the policy aspects of what militated against conducting a free and fair trial, we had consistently argued that if there was a case against Jacob Zuma he should have been charged way back in 1999/2000 when the NPA started to leak information to the media that he was being investigated.

By failing to charge him, whilst effectively conducting a media trial through systematic leaks to the media, the NPA acted unfairly and grossly prejudiced the ANC President. The fact that the state took so many years to investigate, led many to start asking a basic question - why is the man not being charged so that he may have the opportunity to defend himself in the court of law?

This unfair treatment made workers argue correctly and consistently that justice delayed is justice denied. Regrettably sections of the media and some of the so-called experts ignored the facts and were happy to be used by those pursuing a political agenda.

Despite being ridiculed and lampooned, COSATU tirelessly argued that "it was wrong for the former NPA Director (Bulelani Ngcuka) flanked by the then Justice Minister (Penuell Maduna) to effectively declare comrade Jacob Zuma guilty of corruption when he said in 2003 that although there was a "prima facie" case for charging Jacob Zuma, he would not be charged because the case would be unwinnable.

Bulelani Ngcuka should have kept quiet rather than let comrade Jacob Zuma hang in the court of public opinion. COSATU agreed with Judge Chris Nicholson's description of that decision as 'bizarre', given that a decision had been made to prosecute Schabir Shaik and his corporate entities, and considering that the two were supposed to be in cahoots. This decision was a total negation of the constitutional imperatives imposed on the National Directorate of Public Prosecutions to prosecute without fear and favour, independently and in a consistent, honest and fair fashion. When these violations of the rights of Jacob Zuma happened as earlier confirmed by the Public Protector, most of the mainstream media houses and opposition parties simply refused to accept that.

We reacted with anger when the NPA raided his and his lawyers' houses, frantically trying to find evidence two months after it decided to charge him. We argued that in a normal case, investigators investigate, and take their evidence to court. In this case they charged and then investigated, which we interpreted as looking for a political justification for his dismissal. Most of the mainstream media, aided by the so-called experts and the opposition parties, ignored this flagrant injustice.

We nevertheless accompanied him to court in June/July 2006 only to find out that the NPA was not ready to proceed with the trial, six years after the NPA started investigating him. Their excuse was that they now relied on the documents obtained in the raid to Jacob Zuma and his lawyer's premises. As we have said in the paragraph above this was astonishing considering that the NPA decided to charge Jacob Zuma in June 2005 following his dismissal as the Deputy President of the Republic, but could not proceed with the

trial because it suddenly depended on the evidence obtained after they have laid the charges. When Judge Qedusizi Msimang in the Pietermaritzburg High Court struck the case from the roll in September 2006 and correctly criticised the conduct of the NPA, we felt vindicated. Most of the mainstream media and so-called experts however chose to ignore the criticisms Judge Msimang made.

Despite this criticism, the NPA has ever since then, been arguing that their case depends upon the evidence seized in these raids conducted in August 2005, two months after he had been charged and dismissed. Justice does not work that way - you investigate, gather evidence and then approach the courts to secure a conviction. You can't arrest and charge then frantically try to gather evidence. Yet much of the mainstream media during the Shabir Shaik trial, and at the time of comrade Jacob Zuma being dismissed and charged, were telling the nation that the state has enough evidence. This order of things simply deepened our suspicions of a political trial.

The decision to prosecute comrade Jacob Zuma seemed to be selective. The very people defending the NPA decision to lay charges against comrade Jacob Zuma who at the time occupied key government positions opposed COSATU's call for a full judicial inquiry into the arms deal to identify all those who may have been involved in corruption.

Political trial - persecution and not prosecution

Despite years of being dismissed as a lunatic fringe, COSATU and indeed the majority of our citizens, insisted that Jacob Zuma was the victim of political machinations. The NPA decision was based on evidence, which constitutes incontrovertible proof, recorded on tapes, that the decision to prosecute was taken after blatant attempts to manipulate the NPA's prosecutorial processes in pursuit of a political campaign.

The decision completely vindicated the view taken by COSATU and its allies - and the judgement by Judge Chris Nicholson - that Jacob Zuma could never have received a fair trial. Indeed, that he was been the victim of political machinations to destroy his career and prevent him initially from being the President of the ANC, and then from being the President of the Republic of South Africa.

Even when an independent judge came to the same conclusion that there was political meddling in the case, many in the mainstream media demanded that we, the ordinary workers, should produce proof that there was a political conspiracy. Obviously we did not have such proof. We insisted that political conspiracies are always extremely difficult to prove, as they are by their nature undercover, clandestine activities. Because we had no documented evidence and proof, most mainstream media and so called experts simply dismissed our arguments, without seeking to engage us on why we had come to believe that there was a political conspiracy.

The NPA statement demonstrated in no uncertain terms that Bulelani Ngcuka and the NPA systematically and over many years committed grave violations of Jacob Zuma's rights to pursue a political agenda. COSATU's case has been based on the following arguments:

1. It was wrong for the investigators to launch a media trial by leaking information, instead of approaching courts to seek a conviction.
2. It was wrong for the then NPA Director (Bulelani Ngcuka) to convene an off-the-record media briefing with certain black journalists, thereby launching a media

trial with the intention of winning public opinion instead of approaching the courts to seek a conviction if he really believed in his information.

3. It was wrong for Zuma to be dismissed as the Deputy President before he had been convicted in a court of law. We saw this as a political justification to satisfy what we have now come to believe to be part of a concerted campaign to deal with an individual.
4. Other developments, including the 'Special Browse Mole Report' and so-called hoax emails saga and the suspension of Vusi Pikoli, all of which further pointed to the fact that state institutions were being used to fight factional political battles within the ANC and the Alliance.
5. The so-called coincidence of announcing the charging of the ANC President few hours after he was elected simply deepened the sentiment that here we were dealing with a case of persecution of the individual which has nothing to do with the purported pursuance of justice.

Based on the above beliefs, now shared by the majority in our society, we objected to the charges he faced. The charges have formed part of the concerted campaign to persecute and not prosecute. We made this argument, not as an expression of lack of confidence in the judiciary but in defence of the rights of an individual, which we believed had been violated.

4.1 The politics of the 1996 class project

The Federation has written paper upon paper analysing the phenomenon of what we have come to call the 1996 class project. Central to this project was the politics of crass materialism and neo liberal economic policies. Their only way to achieve this was to transform the ANC from within, from a broad-church liberation movement with a bias towards the workers and the poor to a narrow political party that is elite driven, practices no internal democracy, an instrument of private accumulation, and a forum where court jesters entertain the president with their backstabbing antics. The delegates at the 52nd national conference held in Polokwane revolted against this revolting situation and returned the ANC firmly back to its historic roots - mass participation, democracy and biasness towards the interests of workers and the poor. The ANC was cleansing itself of years of accumulated dirt. COPE is the response of those driving the 1996 class project, to the rejection of their programme for narrow accumulation.

In our statement we expressed a hope that the media and the so-called experts will learn one lesson from the saga: be independent and objective!

Bulelani Ngcuka sought to convict Jacob Zuma in the court of public opinion. He had no case to pursue. He knew this from the beginning. He was conducting a political trial on behalf of his colleagues, here and outside the borders of our country.

The media was happy to receive information that had been illegally and clandestinely acquired and was happy to publish it without any regard to rights of comrade Jacob Zuma. When Bulelani Ngcuka convened an off-the-record briefing with carefully selected black journalists as part of his war to win the public opinion and convict Zuma in the court of public opinion, the media happily attended and used the information they received. None of them asked a question - why are you telling us these things instead of telling them to a Judge?

They never had any regard for the law and human rights and dignity of Jacob Zuma. Instead of being independent and exercising its watchdog role, the media was slowly drawn into factional battles of the ANC and took sides. In the process it lost its credibility in the eyes of many, as it got embedded in factions and acted in their interests, not in the public interest.

6. The recall of President Thabo Mbeki

Arising from the judgement of Judge Nicholson on the 12 September 2008, the ANC in its ordinary meeting of the National Executive Committee held on the 18 - 19 September discussed the implications of the judgement. In the view of the NEC the judgement "had a profound impact on many aspects of our legal system. It has obviously also had an impact on the affairs of the ANC." The NEC further discussed the broader impact the whole saga related to the judgement and acknowledged that the ANC has gone through a difficult period. The ANC decided that it must confront the difficulties it has faced and heal the rifts that may exist. In the light of this the ANC NEC decided to recall the President of the Republic before his term of office expired.

On the 21 September 2008, President Thabo Mbeki through a live broadcast announced his decision to resign as the President of the Republic.

The COSATU CEC met on the 22 September 2008 and also assessed the implications of Judge Chris Nicholson's judgement and the decision of the ANC NEC to recall President Thabo Mbeki. The CEC expressed its satisfaction with the manner in which the ANC managed the whole saga, but expressed anger at the fact that some leaders leaked information to their friends in the media in a manner that undermines the whole purpose of diligently managing a rather sensitive political matter. The CEC also expressed gratitude at the dignified manner in which President Mbeki dealt with the matter.

The CEC called on the ANC leadership to work with the outgoing President so that he may be deployed elsewhere, in line with his passion for African development. The next day, the 22 and on the 23 September a group of cabinet ministers and some deputy ministers announced their resignation from cabinet as an act of solidarity. Later the Mbhazima Shilowa announced his resignation as well and pledged that he would be a volunteer to help convene his people's convention called by Terror Lekota.

Kgalema Motlanthe, the ANC Deputy Chairperson who was at this stage already a Member of Parliament as part of management of the transition was elected to the President of the Republic on the 25 September 2008.

7. Walking Through the Open Doors

The CEC held on February 2008 declared that the strategic task we face is to defend the gains of the working class, post Polokwane.

The February CEC and the COSATU CEC held from 26-28 May 2008 deliberated on the strategic challenges facing COSATU post-Polokwane, as to how we concretely take forward the progressive gains made at Polokwane, and the new political space which had opened up, and translate these into a concrete programme which would benefit the working class. The observation was made that we now needed to shift gears, and adjust our strategic posture to address the shifting political realities, which were the product of our struggles over the last decade.

The central political reality which we needed to confront in this changed terrain, was that a range of doors were now opening for us to enter, which had previously been slammed in our face. Yet this remained a complex and mixed reality: Some of these doors were wide open, some were only narrowly open, and others were still being pushed closed from the other side. Nevertheless the view of the CEC was that this changed reality required a strategic shift on our part, if we were to seize the political moment which had emerged post Polokwane.

Critical self-reflection on our part largely agreed with that of a well-known academic and friend of the labour movement, Professor Eddie Webster, who argued that the labour movement was "good at opening doors, but not as good at walking through them". This conclusion flowed from an assessment of the extent to which we had systematically taken advantage of our victories in certain areas, such as rights secured in progressive labour legislation, the constitution, institutional forums such as NEDLAC, etc.

While it would be an exaggeration to say that we had failed to grasp any of the opportunities offered by such breakthroughs, it would be equally incorrect to say that we had fully exploited the opportunities we had created. The reasons for this are varied, but the assessment of the CEC was that we needed a clearer and more deliberate strategy to take forward our gains, particular in these conditions where space had now opened up on a much wider front.

Based on these reflections, the CEC decided to launch a project known as the Walking Through the Open Doors Project, aimed to identify targeted strategic areas where the Federation could systematically take forward its gains. It was the view of the CEC that in order to do this, required innovative and dedicated strategies which combined the best organisational and analytical minds of the Federation, with that of the brightest and most progressive intellectuals in academia, and other institutions, who broadly supported the agenda of workers.

This idea drew on the interaction with labour-supporting intellectuals sparked by a Conference convened by COSATU in 2005 to assess the meaning for workers of Ten Years of Democracy, which invited a range of intellectuals to engage with the Federation's leadership on key questions.

The Walking through the Doors Project which was launched in July 2008, aimed to reposition the Federation to seize the moment which was created by the new space opened up at Polokwane. The agreed concept was, in addition to our own internal COSATU work, to set up teams of COSATU leaders which would engage with progressive intellectuals and experts, where appropriate, to develop practical, implementable strategies to take forward workers gains in identified priority areas. This would both allow COSATU to draw on both external and internal expertise, as well as further assert its influence in broader society.

The proposed approach was to set up the Project teams in 2 phases, to allow for the necessary capacity to be established. The first phase, would comprise of

- An overall reference team to guide the project
- A focus on politics and governance, conducted through the COSATU CEC Political Commission
- Establishment of a Panel of Progressive Economists
- Establishment of a Retirement Funds Reference Team
- Establishment of Expert Teams on Labour Market issues

This was to be supplemented by the establishment late in 2009 of expert teams focusing on

- Public sector issues
- Industrial policy questions and
- Issues relating to social protection (health, energy, water, housing, education, social security etc)

A more detailed report is contained in the Section on organisational issues, but a couple of key observations are important here: the current environment and the strategic focus of the Project has assisted the Federation to consolidate its influence in broader society, and to establish the building blocks of a coherent strategy to take forward our gains. Secondly, consolidation of gains made at the political level, have created the platform to systematically implement strategies in the identified areas. Thirdly, greater focus, capacity and resources are required both in the Federation, and within affiliates, if these strategies are to have the impact that is desired. Further, the effort required to drive COSATU's agenda in the transition process, and the political realm, and the deployment of the Project Co-coordinator first into the ANC Transition Team, and then into government, as Special Advisor to the Minister of Economic Development, has slowed down implementation of the strategy in other areas.

7.1 Walking through the doors- Political Strategy

Walking through the political doors in the Post-Polokwane period, and in the run up to the 2009 elections required a focused political strategy to take forward the perspectives agreed at the September 2007 Central Committee, in essence to secure a pro-worker agenda and platform in the transition to a new post-Polokwane government. A discussion document focusing on Walking through the Doors of Politics and Governance was tabled in the May 2008 CEC covering the following areas:

1. Managing and contesting politics and governance until 2009.
2. Securing Agreements for Governance post 2009
3. Managing the relationship with the ANC/Alliance in the current transition
4. Strategy for the 2009 Elections
5. Strategy towards leadership issues
6. Broader deployment and accountability strategy
7. Building Democratic levers
8. Strategy for Governance post 2009
9. Approach to civil society/ broad alliances
10. Co-ordination and capacity-building

The document focused on practical questions which needed to be addressed if we were to take our agenda forward, and laid the basis for discussions in the CEC Political Commission.

This strategic framework was drafted before the removal of President Mbeki from office. Nevertheless one of the key questions facing us post-Polokwane was how to translate the progressive advances in the ANC and Alliance, into meaningful transformation at the level of governance. We have learned through hard experience that progress at the level of the Alliance can be systematically undermined at the level of the state, and therefore a coherent strategy is required at that level too. Indeed it is probably the more critical level: without a progressive agenda in the state, gains made at Alliance level cannot be sustained. Therefore the question posed was, could the doors opened by Polokwane lead to doors being opened,

and walked through, at the level of the state and governance? This was one of the key questions confronting us in the run-up to the elections, and remains a key question as the Congress meets.

The first challenge in this regard was to consolidate the Polokwane gains in a progressive elections manifesto, which should lay the basis for the new government programme. We therefore deployed the Project co-coordinator to ensure consistent input of COSATU perspectives into the Manifesto drafting process. This was done, although as with previous Manifesto processes, it took place in a sharply contested environment, in which pre-Polokwane positions continued to be advanced, particularly by those in government. Nevertheless, the consolidation of progressive positions in the Manifesto Framework document (which outlined perspectives in the Manifesto in more detail) laid the basis for the final political engagement in the Alliance, which ensured that these attempts to reverse the Polokwane perspectives was defeated, and actually ensured that the Manifesto built in most respects on the gains made at Polokwane.

A more detailed discussion of the Manifesto is contained elsewhere. However, it is significant to note that an assessment conducted by the Walking through the doors Project concluded that the Manifesto consolidated the Resolutions, or was an advance on Polokwane in the following key areas:

- A progressive and comprehensive formulation on macro economic policy;
- Consolidation of Polokwane's commitment to make decent work the centre of all economic policies, and commitment to act against casualisation and labour broking;
- An elaboration of the approach agreed at Polokwane on industrial policy, as well as issues agreed at the Alliance Economics Summit;
- Consolidate's Polokwane's commitment to shift the structure and direction of the economic growth path, and promote a central economic role for the state in shaping that economic trajectory;
- While Polokwane predates the economic crisis, the Manifesto commits government to an economic stimulus package, and programmes to protect vulnerable sectors from the crisis;
- On Education and Health Care, the Manifesto actually goes beyond the commitments at Polokwane, in certain respects, providing e.g. a detailed and categorical commitment to the NHI;
- On food security, the Manifesto is far more detailed than Polokwane, and makes some important commitments on concrete programmes to address this issue

Areas where the Manifesto is weaker, were identified as:

- Rural and agricultural development and land reform. The analysis identifies the fact that the Polokwane resolutions on these areas are stronger and more comprehensive than the formulations in the manifesto (although some of them are retained in the more detailed Manifesto Framework document), Nevertheless the Manifesto retains a clear commitment to rural development as a priority;
- While the Manifesto is strong on the state's economic role, it omits to deal with the Polokwane commitments on the role of State Owned Enterprises, something which is regarded as an oversight, rather than deliberate;

- As with Polokwane, the formulations on social security are weak, and fudge the question of how to ensure that social security is comprehensive (talking only about 'establishing a consensus on our future social security system'), although it does commit to a 'bolder expansion of UIF'.

Nevertheless, taken as a whole, the assessment is that the Manifesto significantly and progressively took forward Polokwane, and opened further doors which had been opened at Polokwane and the Alliance Summit. The question now was whether we could develop a strategy to walk through these doors moving into the new period of governance. Two key challenges emerged in this regard:

- Managing the transition to the new government, in the post-Mbeki era;
- Translating the Manifesto and Polokwane gains into a new programme for governance

On managing the *transition*, a detailed process of engagement, guided by an ANC transition team, with Alliance participation, took place, and is dealt with separately below. The overall assessment is that the transition was managed relatively well, and with reasonable outcomes, although there are some areas of serious concern.

The challenge of translating the Manifesto into a programme for governance, is taking place under new conditions. At one level, a new era was inaugurated after President Zuma announced his new Cabinet, and the new structure of government was unveiled, guided by a new political programme and ethos. At another level, however, the old bureaucracy and ways of thinking in government continue to pervade the culture of governance. In addition, some key leaders in government remain committed to pre-Polokwane perspectives. It is in this context of sharp contestation that the new government's programme is unfolding. And it is in this context that COSATU has to elaborate *its* programme, together with our allies, to ensure that the doors which have been opened, remain open, and that we are able to walk through them.

Politically, a key element of this challenge is to ensure that the government programme remains true to the mandate received at Polokwane, and in the elections. It is against these criteria that government's recently adopted Medium Term Strategic Framework needs to be tested.

7.2 Walking through the doors- Economic Strategy

During the past decade, the doors which were most firmly shut have been the doors of economic policy. The Economic policy Resolutions from Polokwane began to open new doors, but as had happened before with ANC and Alliance resolutions, most of government continued to act as if it was business as usual, despite the Polokwane Resolutions, and attempted to shut these doors again.

One of the arguments used in government against COSATU, and others in the Alliance attempting to advance progressive perspectives on economic policy, has been that we have no coherent alternatives. Of course, this has not been true. COSATU has consistently advanced alternatives on a range of issues, from our policy work in Parliament, in NEDLAC, in the Peoples Budget, and in affiliates individual work on sectoral strategies etc. But many officials and leaders in government have deliberately chosen to ignore these alternatives, particularly on the big economic policy questions.

Having said this, the Polokwane economic policy resolutions constituted an important breakthrough in debates, which had raged since the mid-90, and laid the basis for further advances. For more detail, see the section dealing with an assessment of the economic policy gains at Polokwane.

It was in the context of this sharpening contestation on economic policy issues, that a decision was taken to convene a Panel of Progressive Economists, consisting of COSATU leaders, and external experts, as part of COSATU's 'Walking through the Doors Project'. While COSATU had been developing economic alternatives for many years, there were important advantages over the long term, to having a panel of progressive economic experts, which could help advance the debate on economic alternatives:

- Engagement with progressive economists and intellectuals helps to test and refine our ideas, and sharpen knowledge of economic debates, as well as broadening access to analysis of the international experience. This gives greater depth and credibility to our alternatives.
- Equally, establishing relationships with intellectuals on key economic questions exposes them to the ideas and contributions of the labour movement on economic issues. Networking with progressive individuals, as well as fraternal organisations and institutions, lays the basis for social alliances on economic alternatives.
- It helps to create a cadre of progressive voices, inside and outside the labour movement, on economic issues, which gives public voice to alternatives, which have not traditionally been considered by the economic 'mainstream' which dominates the commercial and public media. Having independent intellectuals to articulate complementary views on economic questions helps to demonstrate the credibility of our ideas, and supports the fact that we have serious alternatives.
- The technical expertise offered by the intellectuals we work with, helps to add technical detail to our economic alternatives. For example, techniques such as economic modelling can assist in demonstrating the likely economic impact of various economic policy options, and their superiority over failed orthodoxies.

The decision to launch the Panel of Progressive Economists was therefore an important statement by COSATU, and intervention into the economic policy debate. The challenge was to use the work of the Panel to reinforce, and complement, the work being done by the Federation on economic policy issues, in its interaction with governance processes, the Alliance, NEDLAC, and in broader society, to open up the policy debates which had previously been closed off.

A more detailed account of the work of the Panel is contained in the Organisational Report. We focus here only on COSATU's key economic engagements which have drawn on the expertise of Panel members, and which have helped to shift the trajectory of policy debates and choices since Polokwane. These include:

- In the run-up to the Alliance Economics Summit in October 2008, a series of task teams were convened under the auspices of the ANC Economic Transformation Committee (ETC). Key inputs were made by COSATU, with assistance from the progressive economists, to the teams on Employment, State Planning, Macro Economic Policy etc. Serious contestation took place with those in and outside the state still trying to promote conservative economic perspectives.

- COSATU inputs were made to the Alliance Economics Summit, and papers distributed, on monetary policy and inflation targeting, and on the financial crisis, based on discussions which we had conducted in the Economists Panel. One of our economists made an input to the macro-economic policy commission at the Summit, which led to a decision to set up an Alliance task team to consider our response to the financial crisis, and review macro-economic policies, in the light of current challenges facing the country. This team, however, was never established, a challenge which remains to be implemented. Monetary policy in particular remains an issue of major contestation, but we shouldn't allow this to be isolated from the broader challenge of asserting a developmental macro-economic strategy.
- The progressive set of resolutions taken at the Alliance Summit laid the basis for COSATU's engagement on the ANC elections Manifesto, in November and December 2008. The general formulation on macro-economic policy at Polokwane was elaborated into a detailed, progressive formulation in the Manifesto, which is worth quoting here in full: "The ANC government will ensure that macro-economic policy is informed by the priorities that have been set out in this Manifesto. Fiscal and monetary policy mandates, including management of interest rates and exchange rates, need to actively promote creation of decent employment, economic growth, broad-based industrialisation, reduced income inequality and other developmental imperatives. Economic policy will include measures to decisively address obstacles that limit the pace of employment creation and poverty eradication, and will intervene in favour of more sustainable and inclusive growth for all South Africans." This formulation in the Manifesto constituted an important breakthrough, and was supplemented by a range of progressive formulations on the state's economic role, industrial policy, rural development etc.

The space for COSATU to engage its progressive economists in policy formulation, particularly at the level of governance, while expanding, has been relatively limited, until recently. We have mainly had to rely on channels for engagement in the Alliance and at NEDLAC. However, it is also significant to note, that a number of the members of the panel are key economists in government or state institutions. As the process of economic policy contestation unfolds in the current government, and progressive centres in government attempt to chart a new economic policy direction, this space will gradually open, and COSATU needs to position itself, with the assistance of progressive intellectuals, to more aggressively contest this space.

At a **public level**, there has been a gradual opening up of the terrain for expression of economic alternatives, and COSATU, working together with progressive intellectuals has played a significant role, in this regard. However, the mainstream media, and public broadcaster, remains largely dominated by the views of business economists. There therefore needs to be proper thought given to how to institutionalise progressive economic voices, as a regular part of the mainstream, rather than, as is currently the case, being given the occasional space, to spice up debate, and create the illusion of media pluralism.

'Walking through the doors' also means walking through the doors of public opinion. Certainly the international economic crisis has led to a serious crisis for economic orthodoxy, and it is widely accepted

that conventional economics both failed to anticipate the crisis and it does not have answers for the world moving forward.

In the context of this growing public debate, the COSATU Economists Panel has an important role to play, although it has not yet lived up to its potential in this regard. Nevertheless, a range of interventions have been made in the media, both by COSATU leaders who are members of the panel, as well as the progressive economists, on issues including fiscal policy, taxation, role of the financial sector, monetary policy, critique of the Harvard Panel etc. Deliberations in the Panel formed the basis for a major series on economic alternatives by the COSATU General Secretary in the Mail and Guardian, which has been widely quoted. Members of the Panel have also participated in numerous debates on radio and TV. This has laid the basis for the emergence of an alternative voice on economic questions.

Affiliates themselves have begun to occupy this space more aggressively. NUMSA in particular, but other affiliates as well, have effectively articulated perspectives on key questions, including monetary policy, and combined this with mass mobilisation. Importantly, affiliates have also begun to work more actively with progressive intellectuals in their engagements on these issues. The challenge now is to consolidate this voice of COSATU and affiliates, together with progressive allies, as the dominant mainstream voice in society on economic issues which affect the majority.

7.3 Gaining control of our economic levers

If institutions of public opinion are important vehicles to articulate these views, control of **retirement funds** constitutes a potentially major lever to ensure implementation of an alternative economic programme. Public and private sector funds together control around R3 trillion in assets (or R3000 billion Rand), a huge chunk of investible assets in the economy. COSATU and affiliates have been key actors in the retirement fund sector over many years. However, it is true to say that doors opened by the labour movement, to wield potentially major economic power through control of these funds and their investment decisions have not been entered in a major way. These funds remain largely under the *de facto* control of private capital and fund administrators. This is despite the formal legal victory won in 1995, providing for a minimum of 50% representation of members on the boards of retirement funds- a potential building block to control of the funds, since member trustees, in theory, have to approve investment decisions.

COSATU has therefore identified the need for a strategy, and campaign, to direct investment of these funds as an important component of our Walking through the Doors strategy. As part of the Project, a retirement funds reference team, consisting of retirement fund activists, and various experts, has been convened to assist in developing this strategy. Work has begun to be done, with the assistance of progressive experts, to identify interventions which can help to consolidate the leverage of trustees, and the labour movement as a whole, over the economic resources being held in trust for workers. Elements of this include:

- Strategies to empower trustees, together with their mandating principals, to assert an alternative agenda which represents workers interests- through training and education, and development of a progressive community of activists uniting around a single agenda. One of the mechanisms identified to do this is the creation of an interactive trustee community website, which brings trustees together in a progressive community, to share strategies around transformation

of funds. Detailed proposals on this interactive trustee community site have been drafted and are ready in principle for implementation, if approved.

- Mechanisms to harness the economies of scale to build aspects of trade union administered funds, through the setting up of administration mechanisms, to reduce costs of administration, by cutting out the middle man, and increase benefits to members; to assist members in accessing unclaimed benefits etc. Ultimately the aim would be to pull all union controlled funds under one administration platform, a long stated objective of COSATU. Initial proposals have been made by progressive experts on related issues.
- Development and implementation of an investment strategy, and ownership policy. The Federation and affiliates have a range of policies supporting the need for retirement fund investments to be channeled to support the developmental economic strategies of COSATU. The major gap has been interventions to convert this into a concrete strategy to guide investment decisions of trustees, create the necessary investment vehicles and legislation, and a strategy to return control of the funds to their rightful owners, the workers. We also agree, with progressive experts, that once we assert control of investment decisions, we need a strategy to use the resulting ownership of companies (or shares thereof) to begin to leverage change in those same companies. This investment strategy, and ownership policy, also needs to be complemented by the necessary legislative measures and regulatory framework, to bring more accountability to the industry. Mobilisation is required, at the level of investment, to win wider support for COSATU's call for the introduction of Prescribed Asset Requirements to compel investment of a portion of assets in social investment (e.g. through a government, or union-controlled, Reconstruction Bond). Such transformation will also be assisted by the development of a union-controlled investment management capacity, linked to the issue of fund administration mentioned above.
- Linked to the three issues above, is the need for effective intervention and regulation to stamp out abuse in the industry, and waste and misappropriation of members funds. The Reference Team has proposed the need for a comprehensive investigation into abuses in the industry; consideration of ways to develop the power and capacity of regulators; and amendments to the legal and regulatory framework.
- As an initial phase, transformation of the huge public sector, and parastatal, retirement funds, as well as a couple of major private sector funds (e.g. in mining and engineering), should be looked at, as a lever to drive broader transformation of the industry. Taken together, this small number of retirement funds, while the minority of funds, constitutes the bulk of the asset base of retirement funds in the country (there are in excess of 13500 funds in the country, the vast majority, or 80%, with less than 100 members). The one major public service fund, the Government Employee Pension Fund (GEPF), taken alone, controls assets of over R700 billion. Therefore, given these economies of scale, transformation of the GEPF, and the other giant funds, should be prioritised in this initial phase, although the broader structural and legal transformations spoken about above will assist in the transformation of all funds. Of course, this will all take place in the environment of the broader retirement fund reform, which aims to consolidate

funds, and end the current fragmentation (see discussion in the organisational report).

Â Taken together, these proposals constitute the basis for a comprehensive strategy of retirement fund transformation, and the harnessing of the massive economic resources under their control. If we are truly to walk through this partly open door, these proposals need to be adopted at a federation-wide level, and systematically implemented. As with other strategies in the Walking Through the Doors Project, the intention is to ensure that our strategy on Retirement Funds has a dramatic and measurable impact over a 3-5 year period, i.e. by 2013.

7.4 Transition to the new order

At the end of 2008 the ANC set up a transitional management team (TMT), chaired by the ANC President, to manage the transition to the new administration after the elections. The ANC NOB's and other national ANC leaders were deployed to the team, as were the COSATU and SACP General Secretaries. The implementation and detailed work was assigned to the TMT Secretariat, headed by comrade Collins Chabane. COSATU deployed Comrade Neil Coleman, Strategies Co-ordinator, to work in the Secretariat from January to May 2009.

An extensive programme of work was developed by the Secretariat, but ultimately the main focus of the TMT was consideration of proposals from Polokwane, and the Alliance Summit for the reconfiguration of government, particularly Cabinet and Departments, and, to a lesser extent, issues of deployment. Other issues which were supposed to receive attention during this transition period, included management of the economic crisis, alignment of the budget with the Manifesto, elaboration of a 5 year programme of action for government, and addressing of problem issues which may undermine a smooth transition. A number of problems confronted the Transition Team, including inadequate availability of leaders to address key issues, because of other elections and organisational commitments, and the difficulty of securing the necessary co-operation from government officials. Further, that while proposals were being developed in the TMT, parallel proposals were being developed in government, particularly in the Presidency.

Nevertheless a degree of progress was made on some issues, while others remained unresolved.

7.4.1 Reconfiguration of Government

Both Polokwane and the Alliance Economic Summit, last year, resolved to restructure government to achieve the goal of creating a developmental state, and ensure far more effective, government wide, co-ordination and planning. The Polokwane resolution outlined the broad approach on this question. The Alliance Economic Summit resolution was more detailed and contained the following proposals:

- Consideration of the setting up of a two tier Cabinet structure, presided over by a Council of State comprised of the President and Deputy President, and Senior Ministers, heading key clusters and responsible for high-level planning, coordination, monitoring and evaluation; plus a second tier Cabinet, comprising of the political heads of line-departments, who would be members of a larger cabinet.

- Develop and consider proposals for the restructuring of Cabinet, and reconfiguration of government Ministries and Departments (including the reconfiguration of existing Departments and creation of new Departments), in a way which would make them more effective, and most coherently advance our developmental priorities.
- As a preferred option, that a Planning Commission needs to be set up, headed by the Presidency. This Commission would have the power to align the work of all Departments of government and organs of state to government's developmental agenda.
- Prioritise the transformation of the bureaucracy

The Alliance Summit agreed that further detailed work is required on all the proposals, including the Configuration of Cabinet, government departments and state institutions.

In making these proposals, Polokwane, and the Alliance Summit sought to achieve a crucial political balance in governance, in contrast to the situation which had obtained pre-Polokwane, in order to: ensure effective co-ordination and political oversight within clusters of government, and promote greater accountability; shift power away from unaccountable technocrats, who continued to drive governance processes; and ensure long range planning and strategic alignment. These proposals therefore need to be seen as a package of political interventions, which are interconnected, rather than merely a technical set of rearrangement of operations of government.

The work of the Transitional Management Team, although charged with finalising proposals for the reconfiguration of government, focused more extensively on the reconfiguration of Ministries and Departments, and to a lesser extent, the Planning Commission. The proposals for the two tier cabinet, however, while amended, and agreed in principle (see below), were not properly fleshed out. One source of this problem was that discussions on the reconfiguration package took place in various fora and processes, some informal, and were not strictly located in the transition team. Also, Government officials (particularly in the Presidency) were conducting their own discussions parallel to the ANC discussion, and attempting to drive their own proposals in the ANC. In particular, they sought to avoid the two-tier cabinet proposal, as it was seen as being likely to relocate power away from the bureaucracy into Cabinet.

As a result, this three-part package, which was intended to hang together, was unclear in two vital respects, by the time the new Cabinet was announced: the exact role and shape of the Planning Commission; and the proposed restructuring of Cabinet into a two tier system.

COSATU indicated in the transition team that the Alliance needed to sign off on the entire package, and there needed to be a collective discussion, so we could apply our minds properly as an Alliance to such important decisions as creating new ministries, proposals for restructuring Cabinet, and the role of the Planning Commission.

The meeting of the Transition Management Team on the 5th March gave an in principle endorsement to a proposed package of restructuring government, focusing however mainly on the question of the reconfiguration of government Departments. COSATU, among others expressed a number of reservations, and indicated both in the TMT and the Secretariat, that remaining issues needed to be resolved, a number of which are dealt with below.

Included among the issues which were the subject of debate, or were not fully resolved, in the TMT, were:

1. Proposals for a two-tier cabinet, with a Cabinet Working Committee (previously called the council of state), comprised of cluster co-coordinating Ministries.
2. Proposals to change and split Ministries, as well as to add new Ministries, although this discussion was ultimately concluded by the TMT, with a couple of exceptions.
3. Debates around configuration of economic Ministries, including discussion on an **economic development planning Ministry vs. an Enterprise Development Ministry.**
4. Proposals re the composition and role of the Planning Commission, and the role of the Presidency.

Cabinet Working Committee: in the course of discussion in the ANC, it was felt that while the proposal for a two-tier cabinet should be supported, the notion of a Council of State of senior cabinet ministers should rather be changed into a Cabinet structure of co-coordinating Ministers, to be known as the 'Cabinet Working Committee' (CWC). It would be comprised of Cabinet cluster co-coordinating Ministers with the responsibility and authority to ensure that Cabinet mandates were implemented effectively in the cluster. However, it would meet between full Cabinet meetings, and de-emphasise the notion of a supreme structure of senior Ministers, as suggested by the concept of Council of State. Nevertheless it would ensure much more effective oversight by key Ministers, of processes in government. COSATU supported this proposal.

It was largely agreed who would be the co-coordinating Ministers for the seven proposed clusters, and which remaining Ministers would serve *ex officio* on the CWC, under the chair of the President. This was the compromise proposal which was largely supported in the TMT process. However, in the proposals being motivated by officials in the Presidency, which was that the cluster co-coordinating Ministers instead serve in the Planning Commission structure, they motivated in the TMT Secretariat that the Cabinet Working Committee (which would meet fortnightly) should be dropped, in favour of the Planning Commission proposal which would see the co-coordinating Ministers meet only 3 times per year.

There was a strong sense that the officials feared that the CWC structure would weaken the power of the bureaucracy, and therefore opposed it. In the final run up to the transition to the new Cabinet, this matter was left hanging, and a formal detailed agreement was not reached on the matter in the TMT. However the in principle decision to set up a CWC was never implemented. The

effect of the consequent shift in power back to government officials, particularly in the Presidency, combined with their attempt to assert the role of the 'Planning function' in the Presidency over other areas of government, including economic co-ordination, is being seen in battles which are raging today.

Reconfiguration of Ministries: A large amount of energy was devoted in the TMT processes, to the issue of reconfiguration of Ministries. A number of options were debated over a period of time. A range of questions were debated, such as whether Education should be 2 Departments in one Ministry or 2 Ministries, and where Seta's should be located; whether it is justified to have separate Ministries dedicated to Tourism, and Energy; whether there should be a dedicated Women's Ministry; the shape and

role of the Public Enterprises Ministry; the role of the Ministry of Rural Development; the configuration of the Presidency, and the Planning Commission etc.

A substantial debate was opened up on the configuration of economic Ministries- see below. Some debate also took place about who should co-ordinate the clusters within government. While there could have been any number of options, or permutations, it is fair to say that the TMT, using a range of criteria, settled almost all the issues, possibly with one or two exceptions. Last minute consultations by the President finally resolved these issues, and were reflected in the announcements of Cabinet on 9th May.

Economic Ministries: A major debate emerged on the proposal for an Economic Development Ministry vs. the idea of **an Enterprise Development Ministry**. COSATU supported the idea of a new Economic Development or Economic Planning Ministry, which would play an overall economic co-ordination function, together with the Planning Commission. An early ANC proposal on reconfiguration of government (dated 31 January 09) stated *inter alia* that the proposed Economic Development portfolio "will have a strong domestic focus and will address matters of macro- and micro-economic development planning...".

In contrast to this, a proposal was, put forward by Presidency officials, that the proposed Economic Development Ministry should rather be an 'enterprise development ministry', which would *separate out certain functions from* DTI, to focus on issues such as SMME development, and consumer affairs, on the basis that the DTI was ineffective in driving these issues, on top of its other mandates.

COSATU raised a number of concerns about this proposal to reconfigure Trade & Industry and Economic Development, in a separate Enterprise Development Department:

- it dilutes the original intention of having an economic planning centre, which works together with the planning commission, in ensuring that we have a coherent economic development centre which drives forward the Polokwane objectives;
- it undermines the centrality of industrial policy in our economic development strategy- issues of 'second economy' and SMME development can't be separated from an overarching industrial strategy, given the fact that these are closely tied up by linkages between these different sectors of the economy. To the extent that the existing DTI is inadequate, serious attention needed to be given to beefing it up.
- it implies a continued focus on elite economic empowerment programmes as a central thrust of economic policy, by elevating SMME development, and BEE into a separate Ministry.

Â In the course of discussions in the TMT and the Secretariat, in advancing the notion of enhanced economic co-ordination within a developmental state, agreement began to emerge that:

1. The DTI has not been playing the role it should, due to a number of factors, including under-resourcing, lack of adequate skilled personnel, the lack of a clearly defined mandate within government etc., and this needs to be corrected.

2. It is inappropriate for Treasury to continue playing the role of driving economic policy, and that DTI, in whatever form it is reconfigured, or a new Economic Development Department, needs to play a far more central role in the formulation of economic policy, and driving development of the real economy.
3. It is accepted that other Departments, such as Mining, Agriculture, Tourism etc, also have an important economic role to play, as does Treasury, but that the role of co-coordinating interventions in the real economy needs to be located with a restructured DTI or a new economic planning ministry.

Therefore, although this debate was not finally settled in the TMT, it was consistent with the above conceptions, when the President in announcing his Cabinet, explained his decision to form the new Economic Development Ministry, to develop economic policy and undertake economic planning, and when he announced in Parliament on 24 June, that the Ministry "will address matters of macro- and micro-economic development planning...".

However, the different conceptions of policy and economic development, particularly within the government bureaucracy, with a reluctance to shift the centre of economic policymaking away from Treasury, and an attempt by officials in the Presidency to assert control in this arena, using the issue of Planning, constitute significant resistance to the announcements of the President. Therefore sharp contestation continues around the emergence of a new approach to economic development, and significant obstacles are being placed in the way of the new Economic Development Ministry playing its assigned role.

Planning Commission: concerns were raised in the TMT that there were different conceptions of the character of the Commission, and it was felt that further clarification was required on the role envisaged for the Planning Commission; its relationship to Ministries, Cabinet, and other structures of government; its relationship to government processes such as budget processes; and in particular, its relationship to the proposed Cabinet Working Committee.

At the time of writing the report, a discussion was taking place in government on a proposed Green Paper dealing with the role of the Planning Commission. It is expected that the Green Paper will be published at the end of August, and will raise important questions, including those related to economic planning, discussed above. An update will be given to Congress.

7.4.2 Composition of the new Cabinet

No discussion was held on this matter in the TMT, although the President publicly stated that he would solicit input from the Alliance leadership. He did indeed consult- this is dealt with elsewhere in the report.

7.4.2.1 The five year programme

A key task facing the Alliance was to elaborate the agreements which emerged post-Polokwane, and the undertakings in the Manifesto, into a more detailed 5 year programme for governance.

Before the elections, starting end March, the Policy Co-ordination Unit in the Presidency led an intensive 2 month programme of discussion within government departments which was intended to culminate in presentation of a proposed 5 year programme, or Medium Term Strategic Framework (MTSF), to the new Cabinet at its Lekgotla from 26-28 May. This programme of discussions was coordinated through FOSAD, the Forum of Director Generals.

In response to the announcement of this proposed programme to the TMT Secretariat, it was agreed in the Transition Team, together with the heads of the NEC committees:

- That all ANC NEC sub-comms need to meet, together with the Alliance, and elaborate 5 year programmes (as well as short-term programmes for the 1st 100 days), taking forward Polokwane and the Manifesto.
- That they interact with the relevant DG's, as part of their work, without letting the inputs of government departments define their agenda; and that they needed to give direction to the processes in government.
- That they finalise their inputs by Mid May, and that a Special extended NEC (including the Alliance) deliberate on these in mid-May, before the Cabinet Lekgotla.
- That these proposals then lay the basis for the President's State of the Nation address on 3 June.

Failure to implement these decisions meant that Departments' proposals for the MTSF were presented to the Cabinet Lekgotla without a structured Alliance input, and contained significant elements of pre-Polokwane perspectives, particularly on economic policy.

7.4.1.2 Aligning ANC, Alliance and Government processes

The Resolutions of Polokwane, required that, unlike the previous situation where government tended to dominate policy formulation, the ANC needs to lead governance processes. This requires firstly the development of protocols for governance; and the development of capacity in the ANC and Alliance to make this political oversight a reality. A key element which needs to be captured in a proposed protocol, is the determination of processes which would require key policy proposals in government to be referred to ANC and Alliance structures for comment, before being processed through the government system.

It was agreed in principle by the TMT that such a protocol needs to be drafted, bearing in mind the need for effective political oversight, and crafted in a manner which promotes better and more responsive governance. This protocol should be integrated into the programme of governance. In relation to issues of capacity, a proposal is required to expedite measures which will radically improve the capacity of the ANC and the Alliance to exercise political oversight, including through the establishment of the Policy Institute.

COSATU had raised the idea that after the elections the TMT should be transformed into a body to exercise Alliance oversight over governance. The pressures of setting up the new administration have overtaken the work of the ANC TMT, and this idea has not as yet been taken forward. It is a matter, however, which should be revisited.

7.4.3 Deployment

As part of its work, the TMT Secretariat drew up a short list of high level strategic posts in government, and state institutions. However, the TMT battled to secure co-operation of government Departments, and state entities, in submitting the required information.

The intention was to look at posts, which are

- vacant
- expiring soon
- newly created posts
- occupied by individual appointed unprocedurally

We were led to believe that a moratorium had been placed in government on new high level appointments by the cabinet, pending the election of a new administration. So it is with some surprise that we saw the Cabinet statement of 15 April which contained a number of high level and strategic appointments, including several DGs and heads of state entities. Following the transition, a range of urgent strategic appointments have had to be made, or are pending, and require an agreed Alliance mechanism.

Over and above the immediate task of finalising urgent deployments, a *longer term deployment strategy* is required which takes into account lessons from existing experience, and proposals to overcome challenges which have emerged in this regard.

7.5 Budget

Discussions were held in the TMT Secretariat about the pending 2009/10 budget due to be presented in February, the need to align it with the Manifesto commitments, and how the budget would be handled post the April elections.

It was agreed to consult with the Minister of Finance and the Treasury, to receive an input on the proposed budget, and discuss options available in terms of handling the budget during the transitional period.

Options that the Secretariat raised for consideration included:

- Announcing a 'holding budget' in February, to tide government over until June, followed by the presentation of the full budget by the new government after the elections;
- Announcing the 2009/10 budget in February, but with the understanding that substantial revisions would be made to the budget after the elections. One possible way of doing this is to table a substantive 'adjustment estimate' reflecting the new priorities, earlier than is normally done ;
- Accepting that the budget has been finalised for this fiscal year, and that the new government's first real budget will be in the 2010/11 fiscal year.

It proposed the need for a discussion on these strategic options. However, Treasury repeatedly failed to make itself available for the required discussions, and the 2009/10 Budget was presented before the options could be thoroughly considered.

This was particularly worrying in the light of the fact that the Budget was in many respects not aligned with ANC commitments. A comprehensive audit conducted by the COSATU Walking through the Doors Project, concluded that many of the specific commitments made at Polokwane and in the Manifesto, were not reflected in the budget. Further, the claim by Treasury that a large contingency reserve would be contained in the budget to accommodate the priorities of the new administration, were not borne out in reality.

Procurement and Tender Procedures

The Manifesto identified the need to regulate and harness procurement and tender procedures with two objectives:

- to root out abuse and corruption;
- to insert requirements into all government procurement to advance the ANC's programmes, such as the creation of decent work, rural development

The TMT therefore agreed that a review is required of procurement and tender processes, and an examination of current and expired contracts, both to deal with existing abuse, and to determine what new policies and legislation are needed on procurement for the upcoming term of government.

Further, an audit is needed of existing and pending major procurement programmes (a minimum value of these could be specified), and all Departments and Parastatals should be requested to submit this information.

Finally a team should be asked to translate the manifesto commitments into policy proposals to advance its objectives on procurement and tenders; and to propose legislative amendments, which can be introduced early in Parliament.

Footnotes

1. Richard Turner, 1972, *The Eye of the Needle: An Essay on Participatory Democracy*, pp.5-8.
2. The term is used loosely to refer to strand of thinking that believes in free enterprise and liberal democratic rights.
3. Merle Lipton, *Capitalism and Apartheid: South Africa, 1910-1986*.
4. See for instance Franz Fanon's chapter on the pitfalls of national consciousness contained in his book "The Wretched of the Earth and Legassik book referred in footnote 3.
5. For further reading check Joe Slovo's *Has Socialism Failed*; or Paul M. Sweezy's, *Post-Revolutionary Societies*, or Leon Trosky's *History of the Russian Revolution*.
6. For further reading of the anarchist views refer to Michael Albert's, *Parecon: Life After Capitalism*, Robert Knowles, *Political Economy from below: communitarian anarchism as a neglected discourse in the histories of economic thought*, John Bekken's, *Kropotkin's Anarchist Critique of Capitalism*, or Lucien van der Walt and Michael Schmidt's, *Black Flame: the revolutionary class politics of anarchism and syndicalism*.