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## Maat for Peace' submission on Ensuring Access to Public Office to Alleviate Poverty

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### ➤ **Preamble:**

In light of the spread of the Coronavirus pandemic throughout the world, and the precautionary measures that followed, economic crises began to spread in a number of countries, and the unemployment rate began to exacerbate at an unprecedented level. Many workers were laid off from their jobs. Therefore, there is a need to develop real working mechanisms, with the primary objective of reducing unemployment rates and stimulating economic development through unconventional and integrative methods among various parties. The “public works projects” guarantee individuals the right to hold public office and are one of the most important strategies that countries rely on to reduce poverty and unemployment, by employing large numbers of citizens with minimum wages for temporary periods. This in addition to the social insurance, which would mitigate the risks associated with unemployment and poverty. Public works and social insurance programs play a great role in the economic empowerment of women, in addition to being good administrative, economic and societal models for poverty reduction, through which unmet societal needs can be satisfied.

In this report, Maat will address the consequences of unemployment and poverty on societies, the significant influence of monetary policy on unemployment levels, the role of public works and social insurance programs in addressing unemployment and meeting the needs of society and finally the economic empowerment of women through public works program. Women's access to public office is like a safety valve for them in light of the successive crises that are currently shaking the world.

### ➤ **The effects of unemployment on societies and its connection to poverty and the monetary policies of countries:**



Unemployment refers to a situation when individuals between 15 and 65 years are able to work but cannot find jobs. High unemployment rate means there is some kind of imbalance in the labor market, as it cannot accommodate all members of society. Unemployment is a key measure of the health of the economy and it leads to different negative consequences on the economic, social and political aspects, primarily poverty. Poverty has a long-term impact on the poor, as it affect their economic and social status as well as their psychological well-being. There are some causes of unemployment, including poor health conditions, isolation, lack of education and the inability to take advantage of opportunities in the labor market. Poverty and unemployment increase the burdens on the individual, leading to a vicious cycle that spreads its negative effects on society<sup>1</sup>.

The consequences of unemployment include financial difficulties represented in poverty, debts, homelessness, housing pressures, family tensions and family breakdowns, in addition to boredom, isolation, shame and stigma, increasing crimes and lack of self-esteem of individuals. These consequences develop and transform into a social crisis with multiple effects suffered by individuals, society and the state<sup>2</sup>. The state's monetary policies must take into account the levels of unemployment. Central banks must adopt an easy monetary policy to stimulate the local economy to emerge from the stagnation and inflation zone, which will in turn open up the labor market to individuals and increase the number of investors. Reducing the value of interest by central banks encourages investors and entrepreneurs to establish companies and initiate projects that subsequently attract more workers, reducing the unemployment and poverty rate in the country<sup>3</sup>.

The increase of capital flowing by central bank will result in higher prices of goods increase, which will in turn increase the consumer price index. This may result in higher unemployment rate and poor level of local economy, which will be followed by an increase in

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<sup>1</sup> GUIDE TO UNEMPLOYMENT, Investopedia, 30 Jan 2022. <https://cutt.us/QTiyv>

<sup>2</sup> The Cost of Unemployment to the Economy, Investopedia, 24 Sep 2020. <https://cutt.us/XmvN4>



commodity prices and inflation rates. Thus, the role of central banks is very important, as they are required to inject more capital into the market, but with lower or relatively fixed interest rate in order to achieve economic stability in the country. This is in conjunction with the state's efforts to stabilize commodity prices and control the unemployment rate at a reasonable level that can be controlled by the government through programs and policies that open up the labor market to individuals and increase opportunities to hold public office<sup>4</sup>.

In this regard, the Central Bank of Egypt has implemented a distinguished monetary policy to reduce the effects of the Corona virus, and the subsequent economic consequences around the world with regard to employment and the high rates of unemployment. The Central Bank of Egypt reduced basic interest rates, and postponed all credit dues to clients from institutions and small and medium-sized companies to individuals, in addition to supporting various companies by making credit lines available in order to finance the working capital. The Central Bank also made initiatives to support the most significant sectors that were mostly affected by the Corona virus, such as tourism, industry, agriculture and contracting, which had a great impact in making unemployment levels somewhat stable during 2020 and 2021<sup>5</sup>. In 2022, the Central Bank decided to stabilize the interest rates to achieve the bank's target inflation rate, which helped in the recovery of Egyptian economic activity, with relatively high growth rates in December 2021, and in turn affected the labor market. Until the first quarter of 2022, unemployment rates seem stable in general due to the increase in the number of workers in infrastructure projects, such as roads, bridges, and canals, as well as new city projects, such as the New Administrative Capital, which attracts more laborers almost every day<sup>6</sup>.

➤ **The important role of public works and social insurance programs and policies in addressing unemployment:**

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<sup>4</sup> Ibid.

<sup>5</sup> السياسة النقدية، آفاق اقتصادية معاصرة، مركز المعلومات ودعم اتخاذ القرار، العدد (3) فبراير 2021. <https://cutt.us/ndLt5>

<sup>6</sup> يمكن الإطلاع على البيانات والإحصائيات المتعلقة بالسياسة النقدية للبنك المركزي المصري، من خلال الرابط التالي. <https://cutt.us/WeTwq>



Public works programs and projects play a vital role in reducing unemployment and poverty. They provide employment for large numbers of citizens with wages close to the minimum to implement development projects that require large numbers of workers. During these projects, the state provides workers with some free services, such as transportation and social and educational services. Many countries of the world have used public works projects to reduce poverty and unemployment. This idea of these projects or programs spans more than 200 years. In 1817, Britain introduced a law to employ the poor, and this law has been used by the rest of the world's countries over time in order to achieve development, reduce poverty and provide more job opportunities<sup>7</sup>.

Public works projects include three types of projects: The first is infrastructure projects, including economic infrastructures such as the construction of roads, ports, dams, railways, etc., infrastructure concerned with the provision of water and sanitation services, such as water projects, irrigation canals and sanitation services. This is in addition to social infrastructure, including the building and rehabilitating of schools, hospitals, health centers, and facilities for providing public social services. The second type of public works projects concerns the reclamation and rehabilitation of lands and water resources, such as rivers and national reforestation programs. The third type includes social services projects and voluntary works. All these projects are carried out by thousands of workers, mainly those most in need of a source of income. These social services projects secure income for those in need, achieve economic prosperity for the state and reduce poverty and unemployment. Practically, these programs and projects have achieved amazing results in many countries of the world<sup>8</sup>.

In this regard, the Arab Republic of Egypt has adopted the economic reform program, which has met its main objective of achieving macroeconomic stability, which is one of the requirements for attracting investments and increasing growth. This program also helped creating new job opportunities, reducing current account deficit levels and increasing foreign exchange

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<sup>7</sup> مشاريع الأشغال العامة فرصة حقيقية لتقليل الفقر والبطالة وتحقيق التنمية، عمون، 6 فبراير 2019. <https://cutt.us/FOKap>

<sup>8</sup> نفس المصدر السابق.



reserves. This led to the recovery of economy, a decrease in the unemployment rate, a decline in the level of public debt, a decrease in inflation rates and an increase in internal and external investments, which created more job opportunities. and with regard to social protection programs, the authorities intensified their social support during the crisis to protect groups It expanded the coverage of the main cash transfer program “Takaful and Karama” to include more than 3.6 million families, and in addition, the Egyptian authorities carried out a review of public spending supported by the World Bank in order to assess the effectiveness of social protection programs and identify any remaining gaps under the current framework.

The public works programs launched by the Egyptian government, which included huge national projects, effectively contributed to reducing the unemployment rate. One of these projects is the New Delta project, which provided about 200,007 new direct and indirect job opportunities and 200,000 acres were cultivated. This is in addition to the National Project for the Development of the Egyptian Countryside, "A Decent Life", which provided more than 330,000 jobs through infrastructure projects in villages. The project of Suez Canal Economic Zone (SCZONE) also provided about 80,000 direct and indirect job opportunities and the total investments in the Canal Zone amounted to about \$18 billion. Notably, the huge Egyptian national project, the New Administrative Capital project, has provided about one million direct and indirect job opportunities<sup>9</sup>.

The Medium and Small Enterprises Development Authority provided 25.7 billion pounds as soft loans to support small and micro enterprises during the period from July 2016 to July 2021. This all in addition to the Egyptian government’s continuous improvement of the business climate and environment to attract more investments, which decreased the unemployment rate by 5.2 %, to reach 7.3% in the second quarter. The number of employed people increased by 8% in the second quarter of 2021 and the volume of the labor force increased by 2.1% in the second quarter of 2021 with 29.1 million individuals. Furthermore, the number of companies established annually

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<sup>9</sup> كيف تأثرت البطالة بالمشروعات القومية التي أطلقتها مصر؟، العربية، 26 سبتمبر 2021. <https://cutt.us/Ool9I>



increased by 135.3%, as 28,500 companies were registered in 2020-2021 and the Egyptian government continues to work on more programs for social protection<sup>10</sup>.

➤ **The role of public works programs and policies in the economic empowerment of women:**

Women's economic empowerment is a prerequisite for the achievement of development and economic growth on the basis of equity and sustainability. At the present time, economic empowerment of women has become a national priority for countries, and countries are interested in launching various national initiatives to achieve such goal. In this regard, Egypt is one of the first countries in the Middle East that developed a strategy to empower women, "Women 2030", through which the state aspires to develop women's capabilities to expand their work options and achieve equality in employment in all sectors to ensure women's involvement in the private sector, increase their participation in business and spread the culture of entrepreneurship among women. The Egyptian government, in coordination with some partners, adopted an entrepreneurship stimulation project, Rowad 2030, to create job opportunities worth \$200 million from the World Bank. The economic empowerment of Egyptian women can be realized through the small and medium enterprises sector, which accommodates a decent number of Egyptian women from various Egyptian regions and governorates. This sector has received unprecedented support from the Egyptian government, including financial, legislative and institutional support, in addition to a number of non-financial services<sup>11</sup>.

The public works programs and policies and the huge opportunities they provide for both men and women can help create a fertile environment for girls and women to develop their practical skills and hold important and sustainable jobs. In Egypt, the National Council for Women launched a new national project under the title "Women's Empowerment and Financial and Economic Inclusion in Rural Egypt: COVID-19 Response", in cooperation With the Central Bank of Egypt, the European Union, the Embassy of the Netherlands, and the United Nations Women

<sup>10</sup> «الوزراء»: فرص التشغيل بمشروعات الجمهورية الجديدة تقهر معدلات البطالة، بوابة الأهرام، 26 سبتمبر 2021. <https://cutt.us/PaZSp>

<sup>11</sup> تمكين المرأة اقتصاديا أولوية الدولة.. تعرف على التفاصيل، اليوم السابع، 18 نوفمبر 2020. <https://cutt.us/TVras>



in Egypt. The project targets more than 120,000 women in the governorates of Minya, Beni Suef, Assiut and Sohag, aims to support small projects led by women in rural areas, and works to increase rural women's knowledge of all the monetary and financial transactions through various electronic payment methods<sup>12</sup>.

➤ **Recommendations:**

Maat for Peace, Development and Human Rights presents a set recommendation to the governments:

- The need to work on developing new initiatives to diversify the national economy, achieve financial stability, and stimulate the private sector in order to create more job opportunities for citizens, which reduces unemployment poverty.
- The need for government expansion through national mechanisms to provide training for the workforce of university graduates in order for them to gain the necessary experiences and skills needed to enter the labor market.
- The need to change monetary and fiscal policies by lowering interest rates, which will stimulate the demand for market and consumer goods, creating more job opportunities to meet the increasing market need, and thus reducing unemployment rates.
- The need to encourage inward investment through public projects as well as constructive cooperation with the private sector to help create public job opportunities, which will reduce unemployment.
- The need to work according to a well-thought national mechanism and vision to attract foreign direct investment, which is an important means of reducing unemployment.
- The need to expand the establishment of social safety nets, public works programs and social assistance.
- The need to develop a national plan that includes supporting and financing initiatives for small and medium businesses to help them continue performing their functions.

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<sup>12</sup> «القومي للمرأة» يطلق مشروع تمكين المرأة بريف مصر، المال، 11 مارس 2021. <https://cutt.us/HRfli>



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- The need to take comprehensive measures with the aim of improving the business environment, removing burdensome legal and regulatory obstacles, and addressing any imbalance in the social and tax system. This is in addition to implementing awareness campaigns aimed at eliminating false stereotypes about working women in a manner that allows for the economic empowerment of women, without any obstacles.