

# Could Urban Poverty in Egypt Be Grossly Underestimated?

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The scale of urban poverty is rising worldwide. The world's population is shifting rapidly from rural areas to cities. Based on current trends, the majority of the people in the world will soon be living in urban slums. A major reason is that the poor are urbanising faster than the rest of the population.

Yet the extent of poverty in urban slums across the developing world is substantially underestimated. This *Development Viewpoint* concretely illustrates this problem by drawing on the results of extensive field work in eight informal areas of Greater Cairo, Egypt, which is considered to have one of the largest slum populations in the world (see Sabry 2009).

National poverty estimates for Egypt give a misleading picture of trends in urban poverty. As the table shows, the decline in nationwide poverty in 2000 is reportedly due to a sharp drop in urban poverty. Despite increasing thereafter, urban poverty is still reported to have remained low. For example, in 2005, poverty incidence in Cairo governorate was estimated to be only about 5%, and its depth considered relatively shallow.

**Poverty Estimates in Egypt**

|                                       | 1990        | 1995        | 2000        | 2005        | 2009        |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Poverty headcount ratio, Urban        | 20.3        | 22.5        | 9.3         | 10.1        | 11.0        |
| Poverty headcount ratio, Rural        | 28.6        | 23.3        | 22.1        | 26.8        | 28.9        |
| <b>Poverty headcount ratio, Total</b> | <b>25.0</b> | <b>22.9</b> | <b>16.7</b> | <b>19.6</b> | <b>21.6</b> |

Sources: CAPMAS, World Bank

However, if one investigates, first-hand, conditions in Greater Cairo, where many of the urban poor in Egypt live, one immediately encounters a markedly different world. The urban poor are much more prevalent than commonly assumed. The populations of informal areas are increasing, both in absolute numbers and relative to the rest of the city's population.

## Urban and Slum Population Underestimated

National surveys greatly underestimate the populations of these huge sprawling slum areas. Also, poverty estimates severely underestimate their cost of living. Thus, the conventional story about Greater Cairo does not reflect reality: its poverty is not low, shallow or declining.

One of the first problems impeding estimates of the extent of poverty in the city is that Greater Cairo is not a single governorate. Its

population is divided among five different governorates: all of Cairo governorate and parts of four others (Giza, Qalyoubia, Helwan and 6th October). Two of the others, Giza and Qalyoubia, are classified as rural governorates. Hence, a portion of the urban population of Greater Cairo could easily be mistakenly classified as rural.

Moreover, the formal boundaries of Greater Cairo are unclear and ever-changing. Depending on the boundaries chosen, its total population could range between 12.5 million and 18 million. As Greater Cairo has mushroomed outward, the poorer peripheral areas that have now become, in reality, an integral part of it are still considered rural.

This misrepresentation is due partly to the government's restrictive definition of urban areas. In fact, the 2000 and 2005 national Household Income, Expenditure and Consumption surveys (HIECs), which have produced the data for the poverty estimates in Egypt, rely on the outdated 1996 census for their sample frame.

An additional reason that Greater Cairo's urban population is grossly underestimated is that Egypt's national statistical agency, CAPMAS, consistently undercounts the populations of informal settlements. Since these slums are difficult environments, survey enumerators are reluctant to stray very far into their midst. Moreover, the areas closest to their main entrances—which are the most likely to be surveyed—tend to be better off. These slum populations also tend to be discounted because their large size could be regarded as a failure of government policy.

For all of these reasons, the national trends reported for both urban and rural poverty in Egypt could, in fact, contain a wide margin of error.

## Real Costs Underestimated

An additional underlying problem is that money-metric poverty lines—even the highest metropolitan poverty line—fail to factor in the real costs of even the most basic needs of life in informal areas. Public services and infrastructure, such as schools, health centres, clean water and adequate sanitation, are sorely lacking in most informal settlements.

Not all residents of informal settlements pay the same prices for basic necessities. There is a lot of price variation even within the same areas. For example, supplies of food are not bought directly from suppliers, but from intermediaries. If residents have to travel to markets—as many often have to do—not only do they have to pay for transportation but also they have to face higher food prices.

In addition, because of uncertain sources of income, many poor residents are forced to buy small quantities of food on a daily basis.

Thus, they cannot enjoy the lower unit prices derived from bulk buying.

Access to food is not a severe problem in Egypt. Bread is subsidised, for example. But poverty lines are based on the cost of a certain minimum daily intake of calories, not on the requirement that the corresponding food be nutritious.

The extent of malnutrition in urban areas in Egypt is confirmed by the estimate from a 2005 survey that about 16% of children were underweight. It is revealing that the rate of malnutrition among children (16%) is much higher than the recorded income poverty rate in urban areas (5%).

Detailed research in eight informal settlements in Greater Cairo (see Sabry 2009) has documented that the costs of basic non-food needs—such as for housing, transportation, basic education and health, and access to water, sanitation and electricity—are much higher than commonly recognised. They are certainly much higher than the costs assumed for poverty lines.

For example, when deriving a poverty line for the 2005 national survey, the World Bank calculated that if a family of four spent less than 143 Egyptian pounds (LE) per month on non-food essentials, they would be considered poor. If they spent between 143 LE and 299 LE, they would be considered 'near poor', and if they spent more, they would not be considered poor.

About half of the residents in informal areas in Greater Cairo have to rent their accommodations even though most outside observers assume that they are squatters who have built their own dwellings. As an example, for a two-room flat, where children have to sleep on the floor in the living room, the monthly rent is 130-170 LE. If a family paid such rent, they would essentially have to be above the poverty line since they would have little money left for anything else.

### **Costly Public Services**

There is a two-tiered system of social services in Egypt, under which the better-off are able to afford private health and education while the poor have to access degraded public services.

The supposedly universal and free education system in Egypt has been effectively privatised. To get an education for their children,

families have to pay for extra tutoring after school, as well as for the transportation costs to and from school and a daily allowance for food.

The monthly transportation costs alone could easily amount to 50 LE. The special tutoring (which is effectively mandatory) could cost 20-50 LE per month for grades 1-6 and 45-80 LE for grades 7-9. Parents also have to pay for school uniforms, a school bag and books. Not surprisingly, in view of such costs, many children fail to finish primary school and very few go on to secondary school.

In the poor environmental conditions of most slums, the chances of getting ill are high. Yet the public health system in Egypt is severely deteriorated. Poor people rarely find the free medicine that is supposed to be available. Thus, their health expenses are extremely high. Thus, it is not surprising that our field investigation found that the scale of untreated illnesses in these areas was colossal.

Health conditions in informal areas are often deplorable because of the lack of access to essential services. For example, connections to the public sanitation networks are missing from entire areas. This means that residents have to pay once or twice a month (at 50-80 LE) just to have their trenches emptied of sewerage. Even when there are water connections in slums, low pressure makes its supply scarce. Just to be connected to the water network costs an average of 15 LE per month.

When you sum up all of the monthly costs for basic non-food needs that we have enumerated above, you quickly recognise that poverty lines in Egypt grossly underestimate them. If national policymakers will continue relying on such lines to judge the extent and depth of poverty in urban areas, their money value needs to be substantially raised. Certainly, more sophisticated measures that take account of the costs of access to essential infrastructure and services should be used.

Until such improved methods of poverty estimation are adopted, urban poverty—particularly in the large-scale growing informal settlements that are part of Greater Cairo—will continue to be gravely underestimated.

### **Reference:**

Sabry, Sarah (2009). 'Poverty Lines in Greater Cairo: Underestimating and Misrepresenting Poverty'. Working Paper #21, Poverty Reduction in Urban Areas Series, International Institute for Environment and Development, London.