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Linking ODA to the MPI: A Proposal for Latin America

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Abstract:
The article starts from the Multidimensional Poverty Index (MPI) methodology and measures (Santos et al. 2015) available, and uses them to compare the current disbursements of Official Development Aid (ODA) with MPI-related deprivations and indicators. In particular, the six deprivation dimensions are matched with the current sectorial classifications contained in the OECD-CRS database. This empirical exercise allows making a comparison between ODA donors' current disbursements (priorities) and normative disbursements, if the MPI were taken as the rule in order to attain the objective of real poverty eradication. Important political consequences of this counterfactual exercise are deduced: Latin American development agencies (ministries or departments) should start to register ODA flows using the multidimensional poverty dimensions (housing, basic services, standard of living, education, and employment, and social protection); donors (both North-South and South-South Cooperation) should focus their resources and priorities on the MPI structure, increasing recipients' ownership of development strategies and interventions. This information and way of delivery may make it possible to focus the evaluation of ODA flows more deeply on their impact on poverty, in line with Busan's recommendations and the post-2015 development agenda (SDG 1).

Keywords: human development, foreign aid, multidimensional poverty index, normative scenario, ownership
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1 Introduction

The Sustainable Development Goal (SDG) 1 of the 2030 Agenda for Sustainable Development is to "*end poverty in all its forms everywhere*", and more precisely, target 1.2. reads as follows: "*By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions*". This article is related to poverty "in all its dimensions". "According to national definitions" refers to the fact that each country will be able to define and construct their own poverty indicator based on the Alkire & Foster's (2011a, b) methodology (Alkire, Foster et al. 2015; Alkire and Robles 2015). An adaptation of the global multidimensional poverty indicator conceived by the Oxford Poverty and Human Development Initiative (OPHI) and the United Nations Development Program (UNDP) was carried out by Santos et al. (2015) for Latin America based on Santos's previous work (2013), in which the past experience measuring poverty in the region is reviewed. Furthermore, SDG 17 insists on foreign aid as an external flow to achieve SDGs as a whole and poverty eradication. But how much aid actually reaches the poor? Is aid effective in reducing multidimensional poverty? How can donors and partner countries allocate aid so that it gets to the poorest? This article deals with these significant questions from a normative perspective. The main goal of this paper is to link multidimensional poverty with foreign aid.

Aid has multiple personalities (Djankov, Montalvo, and Reynal-Querol 2009) but one of its main goals has always been related to poverty eradication. Although –as it will be shown- not all aid has been focused directly on poverty, international rhetoric and compromises justify reserving at least some aid for this purpose. The Agenda 2030 states again in its 17th Goal that developed countries have to "*implement fully their official development assistance commitments, including the commitment by many developed countries to achieve the target of 0.7 per cent of gross national income for official development assistance (ODA/GNI) to least developing countries*" (target 17.2).

Literature about positive and normative models for aid allocation is relatively abundant, but no paper has proposed linking ODA to a multidimensional poverty indicator. This article intends to fill this gap. Nevertheless, the normative proposition that is put forward here must not be taken as a fixed rule. The aim is to select some specific ODA in order to influence directly on SDG 1.2. Other flows and indirect effects of ODA-not-for-the-poor may contribute to eradicating extreme poverty as well. However, for political reasons and based on past experience, it is important that some resources be focused directly on the poorest.

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As far as I know, no study has as yet considered the multidimensional poverty index as the core pillar on which donors and recipients may build aid allocation agreements. This paper tries to fill this important gap given that the allocation of ODA as a resource for development that is not expected to grow in the short and medium run is still essential for many middle income countries, and particularly for Latin America, because many of their departments and provinces run the risk of being excluded from this source of funding. For instance, in accordance with the normative allocation established by Guillaumont, McGillivray, and Wagner (2017), which intends to unify economic efficiency and social justice (equal opportunities), only Haiti among LAC countries should receive assistance.

The purpose of the article is not so much to optimally model global aid, but to point out that the multidimensional poverty index, with the adaptive flexibility offered by the Alkire & Foster's methodology (2011a, b), may be vital for focusing aid on reducing poverty. The utility of an MPI in terms of public policy mainly depends on the ability and transparency of policy makers to represent public policy priorities through their normative choices (Angulo 2016).

Focusing on multidimensional poverty is critical at a political time when the post-2015 development agenda may lose sight of poverty as a cornerstone, and pointlessly waste time and energy on other objectives having to do with the environment or equality. Firstly, because the poorest are those who suffer the consequences of pollution and environmental degradation more than others, despite being the ones who contribute the least to them; and secondly, because given that there are renewed and potentially new sources of funds for development, the aid should increasingly focus on its often too rhetorical objective of eradicating extreme poverty. In the next few years, many countries – both donors and recipients – will carry out a new strategic planning of assistance resources. Using the data and diagnoses provided by the MPI in each country may help perform a previous allocation and a monitoring and subsequent evaluation of the effectiveness of these resources. How much aid really reaches the poor? This simple question does not have a clear empirical answer yet. The proposal we put forward here may greatly help answer it in the near future. We propose creating a 'marker' of 'ODA for the poor' (or the poorest) and measuring its impact on reducing multidimensional poverty.

For this purpose, the rest of this article is organized as follows. Section 2 briefly reviews the literature on aid allocation and the multidimensional poverty index, explaining the assumptions and adaptation of the global MPI to the Latin American case. Section 3 offers a normative exercise on how "ODA for the poorest" should be allocated if the MPI were used as a basic reference, and includes a discussion of the results. Finally, Section 4 presents the conclusion and highlights some policy implications.

2 Literature Review

The goal of this section is to mention how the literature on ODA allocation has not considered multidimensional poverty as a key variable to reduce extreme poverty, and to assess ODA's effectiveness. Moreover, the way the MPI was built in Mexico and Colombia, as pioneers of the Latin American experience with these indexes, emphasizes the normative and political process that involved setting an MPI. Country ownership and the flexibility of the MPI structure are also underlined in this section.

2.1 Aid Allocation

The literature on aid allocation is very extensive (see Alesina and Dollar 2000; McGillivray 2004; Neumayer 2003; Round & Odedokun 2004; or Tezanos 2008, 2015for a review). Even though the first allocation models tried to reconcile recipients' needs with donors' interests (Berthelemy 2006a; 2006b; Maizels and Nissanke 1984; McKinley and Little 1979; Tsoutsoplides 1991; b; Hoeffler and Outram 2008; Nunnenkamp and Öhler 2009), subsequent models have included the aspects that are most related to political economy (Bobba and Powell 2007; Brück and Xu 2011), such as the vote composition in the United Nations Security Council (Dreher, Sturm, and Vreeland 2009a; 2009b; Dreher, Thiele, and Nunnenkamp 2008; Kuziemko and Werker 2006; Werker 2012), the recipient's level of indebtedness (Powell and Bobba 2006), social capital (Knowles 2002), the birthplace of the country's political leader (Hodler and Raschy 2010), and the United States' geostrategic interests (Harrigan and Wang 2011; Harrigan, Wang, and El-Said 2006). At the beginning of the 21st century, and especially after the 2002 Monterrey Conference on Financing for Development, several selectivity models were developed, inspired by the allocation criteria of the USMillennium Challenge Account, which included recipients' governance and institutional quality as key criteria (Chotray and Hulme 2009). Thus, after the utilitarian empirical exercises carried out by Collier & Dollar (2001; 2002), some alternativesemerged, i. e. Amprou, Guilaumont, and Guillaumont (2005), Clist (2011), Cogneau and Naudet (2007), Dollar and Levin (2006), Hout (2002), and Wood (2008) or Carter (2014), successively adding some poverty and social indicators as critical elements when it comes to

allocating aid optimally. Guillaumont and Chauvet (2001), Guillaumont, McGillivray & Pham (2017), Guillaumont, McGillivray, and Wagner (2017) or Guillamount et al. (2015) have used a multidimensional vulnerability index as a guideline for an optimal normative aid allocation.

Other studies have considered emigrants who arrive in donor countries (Tezanos and Gutiérrez Sobrao 2014), corruption (Alesina and Weder 2002), the donor's cultural values (Ball 2010), income inequalities in donor countries (Chong 2006; Chong and Gradstein 2008), whether the aid changes the recipient country's regime (Bermeo 2011), and the impact of the aid's great volatility (Neanidis and Varvarigos 2009) on the recipient country's level of indebtedness (Powell 2003). Other authors have focused on whether NGOs have an allocation pattern other than bilateral aid (Masud and Yontcheva 2005; Nancy and Yontcheva 2006; Koch 2007; Koch et al. 2009; Nunnenkamp, Weingarth, and Weisser 2009; Dreher et al. 2010b), or if multilateral aid agencies are the ones that have a different pattern (Powell and Bobba 2006; Claessens, Cassimon, and Van Campenhout 2007; Kilby 2009). The main findings of these analyses are that multilateral agencies and NGOs allocate aid in a more "altruistic" manner, whereas self-interest predominates among bilateral donors. However, poverty (measured in a monetary-income or multidimensional way) is never considered as the key factor for aid allocation.

Another set of studies have analysed whether emerging donors (especially China) show a different pattern from those in the DAC (Lum et al. 2009; Doucouliagos and Manning 2009; Dreher, Nunnenkamp, and Thiele 2011; Dreher and Fuchs 2011; or Shushan and Marcoux 2011; for the aid to Arab states),as emerging donors also respond to lobbying (Lahiri and Raimondos-Moller 2000). Broadly speaking, the conclusion is that new donors are careless of aid-partner countries, they are not considering corruption to allocate their resources –both new and old donors-, and exhibit a weaker bias towards badly governed countries, whereas old-DAC donors tend to consider their commercial interests distort the allocation of aid.

Other studies have taken the Millennium Development Goals as a reference (Thiele, Nunnenkamp, and Dreher 2007), and opted for a sectoral analysis rather than for a macroeconomic one (Reinhardt 2006; Cadot et al. 2014). These analyses are focused on the small economies that receive more aid compared to bigger ones (Choi 2004), and determine whether there is a 'herd behaviour' among donors (Frot and Santiso 2011; Knack, Xu, and Zou 2014), or they do not coordinate with each other (Öhler 2013). These authors also studied whether the allocation pattern has changed after the fall of the Berlin Wall (Frot, Olofsgard, and Berlin 2013) oras a result of the impact of the recent fiscal crisis in OECD countries (Gnangnon 2013). None of them takes poverty variables or indicators into consideration.

All in all, many factors for aid allocation have been considered, but a multidimensional poverty index has never been taken into account. This constitutes a policy gap because the MPI has many properties –especially a broad set of decompositions- that anti-poverty policy makers might use for their purposes. In fact, Alkire and Foster (2016) have highlighted three properties of the MPI that are largely responsible for its growing use: decomposability into subgroups (facilitating regional analysis and targeting), dimensional breakdown (which makes it easier to identify common deprivations and coordinate anti-poverty programs), and ordinality (which ensures that the method can be used in cases where variables only have an ordinal meaning).

Several studies have employed increasingly sophisticated econometric techniques that improved the first cross-country regression analyses (White 2004; Round and Odedokun 2004). Berthelemy and Tichit (2004) and Trumbull and Wall (1994) use panel data, Fenny and McGillivray (2008) make use of time series, Jones (2011) resorts to error correction models, and Van Der Veen (2011) applies a constructivist methodology. Neither of them uses an MPI as a regressor of aid.

Despite the fact that, considering the recipient country's needs, some studies bear poverty in mind (Subramanian 2007), it is usually reflected on the average income per capita or on the monetary poverty line indicator (be it$1.25 per day for extreme poverty or$2 per day for less severe poverty) like in the case of Guillaumont, McGillivray, and Wagner (2017) .

When researching the impact of aid on economic growth, several concepts of aid have been used. Apart from the 'canonical' one adopted by the DAC, in the first decade of the 21st century EDA (*Effective Development Assistance*)[1] was used, slightly changing the way the discount rate was measured. Another concept is Net ODA, as used by Roodman (2006) when calculating the *Development Commitment Index*.[2] The DAC itself calculates CPA (*Country Programmable Aid*)[3] removing the aid items that are more volatile and less directly usable by the recipient country.[4] CPA *per multidimensional poor person* (that means, the number of poor people under the global MPI divided by the average CPA 2013–2014 received by the country) went from USD 1.107 in Ecuador and USD 671 in Honduras, to USD 80 in Brazil or USD 18 in Colombia.

Currently, work is underway on a more comprehensive concept of financial funds for development as a whole (*Total Official Support for Sustainable Development, TOSSD*)[5] and some even differentiate international cooperation for development from official aid.[6]

The problem with all these concepts is that they do not exclusively focus on fighting poverty. Today, there is no 'aid for the poor' whose purpose is *exclusively* to fight poverty (the definition of ODA itself states that

the main –therefore, not exclusive– objective is the economic and social development of the recipient country. However, there is no established definition of 'development' and it is widely recognized that ODA is used as a geopolitical instrument of donors' foreign policy[7]). Donors should reserve some amount of ODA exclusively for the poorest. Donors' allocation decision is structured into two consecutive phases (Tezanos 2015): first, a predetermined aid budget is annually set and committed and, second, the donor decides how much aid to disburse to each partner country after a political negotiation between them. If the partner country's needs and policy priorities are respected (in other words, recipient country's ownership), multidimensional poverty may explicitly be considered as an indicator to reduce poverty and to finance anti-poverty interventions with domestic resources and ODA for the poorest.

Figure 1 shows the resources that a developing country may use to finance human development (as an end) and economic growth and social development (as a means). It would be advisable to emphasize here how neither ODA nor CPA defines the poorest as the main target population, whereas the MPI clearly does.

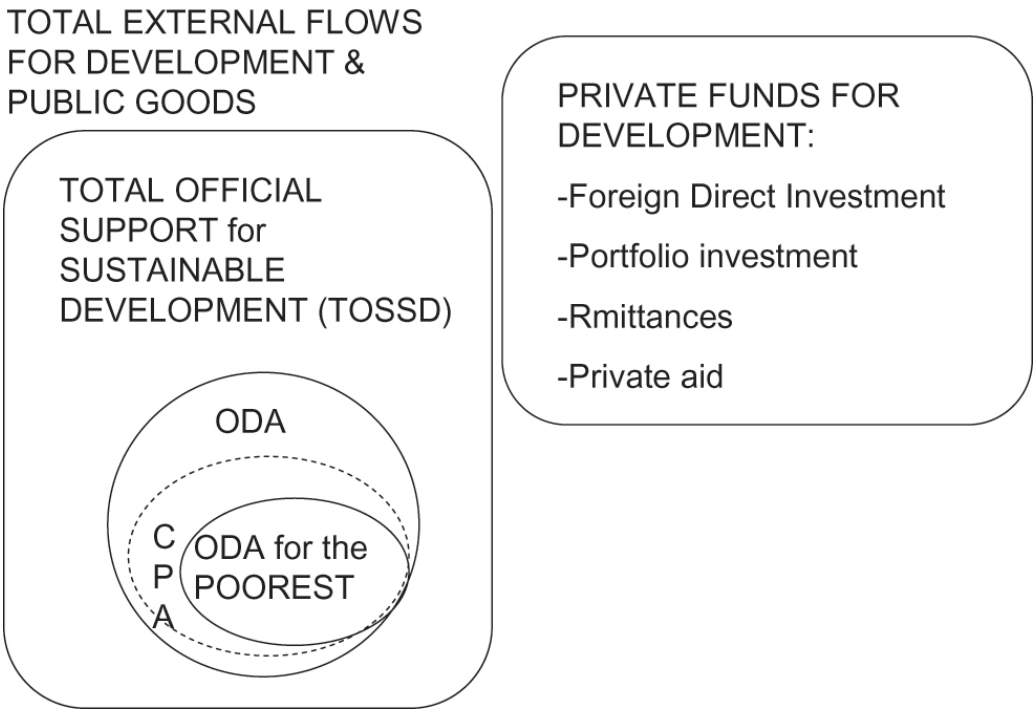

Figure 1: Financial flows for development and ODA for the poorest.

The Addis Ababa Action Agenda supports development on three pillars: inclusive growth, environmental sustainability and social inclusion (UN 2015:2). That is to say, it goes well beyond poverty and even sharing prosperity, which are the 'twin' objectives defined by the World Bank. The SDGs also intend to: i) finish the process started by the MDGs and, within them, eradicate poverty in its multiple dimensions and across countries (a universal dimension that is essential for this article); ii) guarantee enough funds to limit global warming and achieve a green economy free from carbon emissions; iii) tackle the increasing inequality within and across countries; iv) move towards a global governance that allows offering better and wider universal access to global public goods. The main point here is to warn that the new development agenda is so holistic that poverty might be limited to just one goal among many others and perhaps very few resources are eventually allocated to the poorest. This is one of the reasons for the policy proposal made here. If some public resources (based on the negotiation between donors and partner countries) are explicitly allocated to the poorest, the MPI may be a good enough instrument to select target people, regions and sectors of intervention. If this premise is assumed, interventions should be monitored and results should be evaluated applying this poverty- based criterion, and sharing responsibilities, not serving other geopolitical ends.

2.2 Multidimensional Poverty Measurement in Latin America

As Santos (2013) has stated, Latin America has a long experience measuring poverty in a multidimensional way. The Unsatisfied Basic Needs index might be seen as a precedent of the Multidimensional Poverty Index if needs are managed as a whole (Feres and Mancebo 2001). Battiston et al. (2009) analysed some of these indexes for the period 1992–2006 in six Latin American countries. Six dimensions were considered: income, children's

attendance at school, education of the household head, sanitation, water and shelter. Access to proper sanitation and education of the household head were the highest contributors to overall multidimensional poverty.

Before Alkire, Foster and the *Oxford Poverty and Human Development Initiative* (OPHI) presented the global MPI in 2010 together with a revised Human Development Index (Alkire 2002, 2016; Alkire and Roche 2013 a,b; Alkire et al. 2015; Seth and Alkire 2015), Mexico had made a great effort to go deeper into the one-dimensional income poverty index. After a brief description of this process and of the adoption of the multidimensional poverty philosophy and practice in Colombia, the Latin American MPI put forward by Santos et al. (2015) will be briefly described.[8]

2.2.1 The Mexican Precedent

The Mexican case is interesting not only because it was elaborated previously to the global MPI, but the political and academic process involved. Up to now, Colombia, Chile and Ecuador have carried out a similar process and Peru is currently involved in the same discussion. Moreover, the Mexican case is important because the country had to deal with the traditional suspicions and misuse of earlier poverty indicators due to political manipulations. The new index had to link a human rights approach with empirical problems and data availability. Other countries who want to elaborate their own MPI can learn a lot from their experience.

In 2004, the General Act on Social Development (LGDS in its Spanish acronym) was enacted in Mexico and the National Council for the Evaluation of Social Development (CONEVAL in its Spanish acronym) was created. This public agency had two main duties: measure poverty from a multidimensional perspective and assess social policies and programs.

The Mexican Act established that poverty measurement should have several characteristics: "It shall easily link social programs with poverty, in order to guide the decisions on public policy; poverty shall be defined within the framework of social rights and income, and include the following dimensions: income, educational gap, access to healthcare services, access to Social Security, housing quality and spaces, access to basic services at home, access to food, and degree of social cohesion" (CONEVAL 2014).

Moreover, the Act established that the indicators should be identified by the National Statistics and Geography Institute, and developed and published every two years nationwide, and every five years at a municipal level. After several years researching and receiving up to five proposals for multidimensional poverty measurement, CONEVAL decided in 2008 to keep two fields: economic welfare and social rights. This methodological option led them to a bi-dimensional index. On the one hand, economic welfare is measured through monetary income, called *Economic Welfare Line*. Household income is compared to the retail prices of a regular basket of food goods and another of mass consumption goods and services. It is important to emphasize that Mexico retrieves the link of the poverty line associated with food intake and, therefore, to physical survival; something that was forgotten by Ravallion, Chen, and Sangraula (2009), who used the average of the 15 countries with the lowest per capita household consumption surveyed.

On the other hand, the approach to rights imposes a dichotomous decision (you have them or not), which led to count material deprivation without using an ordinal scale that the Mexican Constitution as well as subsequent legal developments had established as minimum thresholds (e. g. the educational minimum is basic education). If there was no legal 'floor', the following sequence was applied: "*(a) apply legal regulations, if any; (b) otherwise, it was decided to resort to the knowledge and experience of experts from public institutions specialized in the topics associated with the indicator; (c) if the before mentioned criteria were not conclusive, it was agreed that statistical methods would be used in order to specify them; and (d) the threshold would be ultimately established by CONEVAL according to well-founded arguments*" (CONEVAL 2014 :20). The approach of human rights also requires that all deprivations receive the same weighting, since no rights are superior to others. This also requires a 'maximum-based' approach by which one unsatisfied right (lack or deprivation) is enough for a person to be considered poor. Thus, a *Social Deprivation Index* is built through a linear combination of the different deprivations.

CONEVAL considers poor in Mexico any person who fulfills the condition of poverty because they do not earn sufficient income *and* lack any of the social rights chosen as minimum, whose threshold was established in a participatory manner as has been referred to. The ratio of individuals who fulfill the condition of poverty among the total number of people provides the measure of poverty *incidence*. The technical characteristics of the index make it also possible to know poverty depth (severity) by multiplying incidence by the average proportion of social deprivation, but not inequality among the poor themselves (see CONEVAL 2014).

In short, according to the Mexican methodology, a person is in a condition of moderate poverty when they have *at least one* social deprivation (considering the six indicators: educational gap, access to healthcare services, access to Social Security, housing quality and spaces, basic services at home and access to food) *and their income is insufficient* to acquire the goods and services they need in order to cover their food and non-food needs. Poverty is considered to be extreme when an individual has *three or more deprivations*, out of the six possible in the Social

Deprivation Index, and is also below the *minimum welfare line*. People in this situation have such a low income that, even if they spent the whole of it on buying food, they would not be able to acquire the nutrients required to have a healthy life.[9]

Mexico already has four multidimensional poverty measurement rounds (2008, 2010, 2012, 2014) that have been critical for guiding government policies against poverty. In 2014, the Mexican population was classified as follows (Figure 2). The number of extremely poor people was 11.5 million and the amount of poor people was 55.3 million (53.2 million in 2012). That means 46.2 % of the population with 2.3 average deprivations.

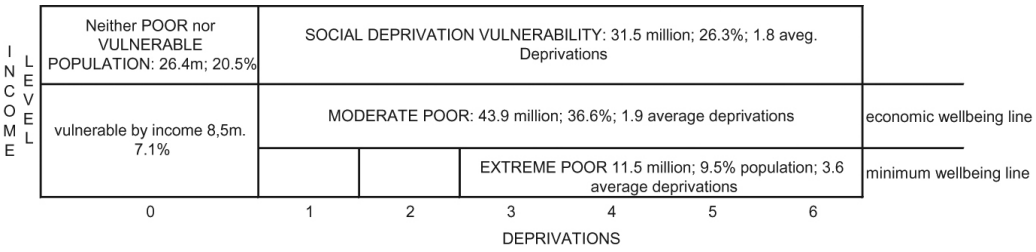

Figure 2: Mexican population under poverty situation (2012).
Source: Author's elaboration on CONEVAL's estimations, based on MCS-ENIGH 2014

2.2.2 The Colombian 'Ownership' of the MPI

As mentioned by Angulo et al. 2011, Colombia has taken 'ownership' of the MPI methodology and adapted it to its own national context. They keep households as units of analysis, which is justified by the fact that decent living conditions do not depend on individual responsibility in an isolated manner. The response to situations of poverty is rather given by households, and not exclusively by individuals. Besides, most social programs and strategies are focused on households. Colombia has selected five dimensions (education, childhood and youth conditions, employment, health, access to public utilities and housing conditions) and 15 indicators to compose its own MPI. Each dimension receives the same weighting (20 %), as each indicator within each dimension.

After considering several cutting lines, the nested weighting method with a cutting line at 5/15 (=33 %) is chosen. A strong argument in favor of this option was that the households self-defined as poor experience five deprivations on average. This leads to a weighting of 33 %, whereas those who do not consider themselves poor experience an average of 3.2 deprivations, which would be equivalent to a weighting of 22 %.

With these methodological options, the evolution of multidimensional poverty has been calculated for the country and its regions for the period 1997–2010 in terms of incidence, intensity, gap and severity. Poverty gap is defined as the product M1=H*A*G, where G is the depth or distance poor people have to cover to stop being poor. Severity is M2=H*A*S, where S is the average of standardized gaps squared, divided by all dimensions where households experience deprivations.

A remarkable application of the Colombian case is the use of the MPI as a tool for selecting the goals to be achieved within the National Development Plan 2010–2014. Starting from a base line of 35 % of the MPI poor population, the goal was 22.5 % for 2014 (a reduction of 12.5 %), which implies a decrease of more than 4.7 million people (Angulo et al. 2011).

Differences between the Mexican and Colombian multidimensional poverty index (in the number of deprivations, weights and indicators) show the flexibility and adaptation capacity that the methodology has to "national definitions" in the vein of the target 1.2. of the 2030 Agenda for Sustainable Development. A MPI's utility in terms of public policy depends not only on the mathematical and statistical robustness, but also "on the ability of the policy maker to represent the public policy priorities through its normative choices" as the Colombian case shows (Angulo 2016 :21). In the case that a regional analysis monitoring and evaluation is desired, a regional MPI may be elaborated as it is now described.

2.2.3 The MPI Applied to Latin America

As explained above, Mexico has somehow been the country that has led the definitive abandonment of poverty metrics exclusively based on income. Colombia has followed its example and nowadays Chile (Gobierno de Chile 2015), Costa Rica (Gobierno de Costa Rica 2015),El Salvador (Gobierno de El Salvador 2015), Ecuador (Castillo Añazco & Jácome 2016) and Peru (in progress) have joined this process. Latin America has for many years developed alternative poverty indicators such as Unsatisfied Basic Needs indexes that considered deprivations separately. Following this rich tradition, analysing the databases and surveys available, and applying

the same Alkire-Foster methodology, but changing dimensions and indicators, Santos (2013) prepared a preliminary proposal for adapting the MPI to the Latin American context. As Alkire & Foster (2011a:17) remarked, their methodology is a general framework for measuring multidimensional poverty, "an open source technology that can be freely altered by the user to best match the measure's context and evaluative purpose". Santos et al. (2015) have refined that initial work and calculated the index for 17 countries. The LATAM MPI considers five dimensions (housing, basic services, standard of living, education, and employment and social protection); the first four with an equal weighting (22.2 %) and the last one (employment and social protection) at half that (11.1 %).

As opposed to the global MPI, the LATAM MPI i) raises the thresholds compared to the Unsatisfied Basic Needs indexes traditionally considered in the region; ii) includes the monetary dimension; iii) adds non-monetary indicators traditionally ignored such as insecure home ownership (indicator 3), and lack of energy as a basic service (indicator 6) or of durable goods within the standard of living dimension (indicator 8). Unlike the global MPI, it does consider food as a 'floor' criterion for per capita income (see Figure 3).

The 13 indicators assigned to each dimension are as follows (Figure 3):

DIMENSIONS	INDICATOR	WEIGHT (%)
HOUSING MATERIALS (22,2%)	1. Housing materials: Households with dirt floor or precarious roof or wall materials (waste, cardboard, tin, cane, palm, straw, other materials).	7,4
	2. People per room: Households with three or more people per room, in urban and rural areas (overcrowding).	7,4
	3. Housing tenure: Households which live in i) an illegally occupied house or ii) in a ceded or borrowed house	7,4
BASIC SERVICES (22,2%)	4. Improved Water Source: Urban areas: Households with some of the following water sources: piped to yard/plot; unprotected well or without mechanic pump; cart with small tank; bottled water; river, spring, dam, lake, ponds, stream, rainwater, other. Rural areas: Households with some of the following water sources: unprotected well or without mechanic pump; cart with small tank; bottled water; river, spring, dam, lake, ponds, stream, rainwater, other.	7,4
	5. Improved Sanitation: Urban areas: Households with some of the following: toilet or latrine not connected to piped sewer system or septic tank; shared toilet facility; no toilet facility (bush/field). Rural areas: Households with some of the following: no toilet facility (bush/field); shared toilet facility; toilet or latrine flushed without treatment to surface, river or sea.	7,4
	6. Energy: Households with no access to electricity or which use wood, coal or dung as cooking fuel.	7,4
LIVING STANDARD (22,2%)	7. Monetary Resources: Households with insufficient per capita income to cover food and non-food needs.	14,8
	8. Durable Goods: Households which do not own any of the following items: car, refrigerator or washing machine.	7,4
EDUCATION (22,2%)	9. Children's School Attendance: Households where there is at least one child or adolescent (6 to 17 years) not attending school.	7,4
	10. Schooling Gap: Households where there is at least one child or adolescent (6 to 17 years) who is over two years delayed with respect to his/her schooling grade for age.	7,4
	11. Adult Schooling Achievement: Households where no member 20 years or older has achieved a minimum schooling level, defined as: complete lower secondary school for people between 20 and 59 years, and complete primary school for people of 60 years or more.	7,4
EMPLOYMENT AND SOCIAL PROTECTION (11,1%)	12. Employment: Households with at least one member between 15 and 65 years old being one of the following: unemployed; employed without a pay; or a discouraged worker.	7,4
	13. Social Protection: Households experiencing the three following characteristics: no member has some form of contributory health insurance; no member is contributing to a social security system; and no member is receiving a pension or retirement income.	3,7

Figure 3: LATAM-MPI: dimensions, indicators and weights.
Source: Santos et al. (2015).

The cutoff line to consider households poor is 1/4 (25 %), which requires experiencing deprivation in all indicators of one of the first four dimensions, plus some other indicator.[10] Alternatively, experiencing deprivation in per capita income plus at least two other indicators. This way, a poor household must experience deprivation in more than one dimension, thus guaranteeing the indicator is 'multidimensional'.

The outcome for the 17 countries considered by Santos et al. (2015) in 2012 is an average in the region of 28 % of the population under multidimensional poverty (almost 160 million people). This incidence is 1.86 times higher than that offered by the Global MPI and strongly influenced by the case of Brazil. If this country was excluded, the incidence would be 35 % of the population.

Nevertheless, heterogeneity within the region is very high. Central America has countries with an incidence of multidimensional poverty higher than 70 % (Guatemala, Honduras and Nicaragua), whereas this figure in Bolivia, El Salvador and Paraguay is 50–58 % of their population. Five countries are between 30–40 % (Colombia,

Dominican Republic, Ecuador, Mexico and Peru, three more within the interval between 14 and 19 % (Brazil, Costa Rica and Venezuela), and Argentina, Chile and Uruguay below 10 % (Figure 4).

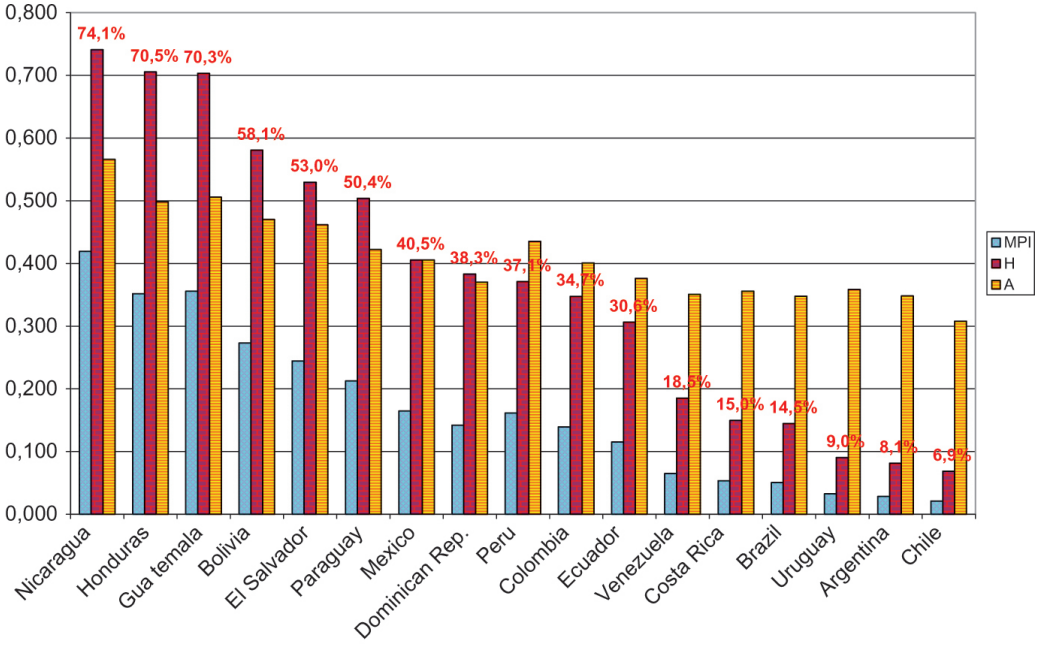

Figure 4: Multidimensional poverty: MPI-LATAM. Nota: H (Headcount) or % of poor population; A is poverty intensity; MPI=HxA.
Source: Author's elaboration from Santos et al. (2015) .

It is also worth highlighting that the countries ranking varies if instead of incidence, intensity is considered. The standard deviation of intensity among countries is 0.07 (with a coefficient of variation [CV] of 5.86). In the case of incidence the deviation is 0.23 (CV=1.61). If intensity and incidence are jointly considered, the standard deviations is 0.12 (CV=1.32).

Like the Global MPI, the LATAM MPI helps to understand urban poverty vis-á-vis rural (in all countries, rural poverty is higher and the level doubles in Central America and Bolivia). Intertemporal changes in each country (the higher the initial MPI is, the lower poverty reduction is) shows that where the strong reduction in Bolivia and Peru stands out compared to Costa Rica and El Salvador (Figure 5). Therefore, the incidence of each dimension and indicator in each country is extremely useful (and differentiating) vis-à-vis the income poverty line.

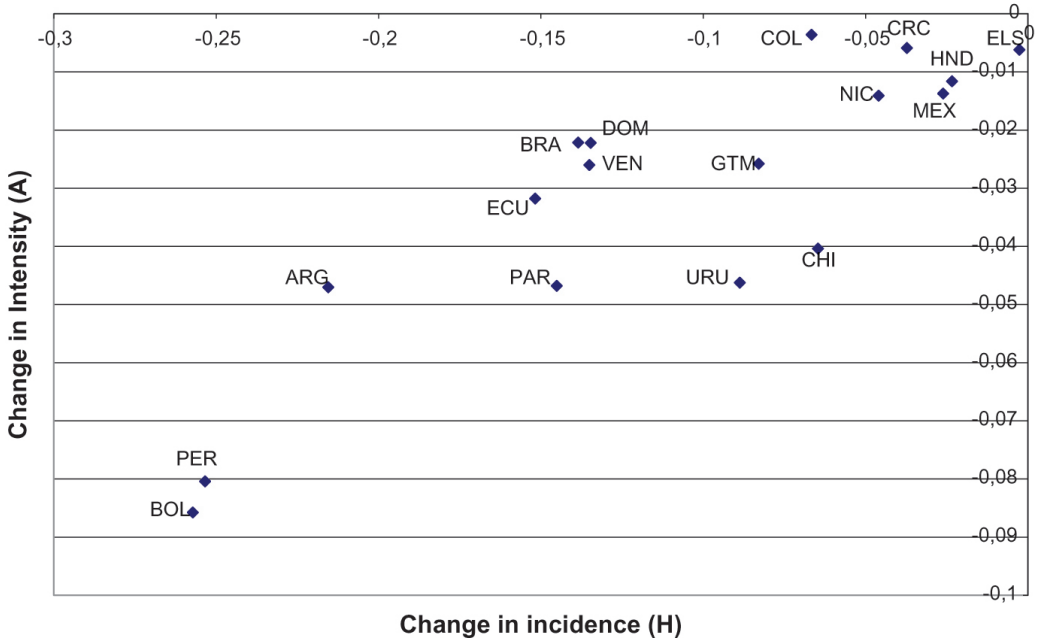

Figure 5: MPI reduction in LATAM: circa 2005-circa 2012.
Source: Author's elaboration from Santos et al. (2015) .

Given that each country has surveys for different years and change periods are not consistent, we have calculated the annualized weight of each indicator: the MPI, incidence (H) and intensity (A). Table 1 illustrates the results. The differences in order to show how each country can reduce multidimensional poverty either through incidence or through intensity.

Table 1: Annualized poverty reduction ratios.

Country	Annualized MPI ratio	Annualized H ratio	Annualized A ratio
Bolivia	−2,41 %	−3,21 %	−1,07 %
Peru	−1,78 %	−2,82 %	−0,89 %
Paraguay	−1,53 %	−2,42 %	−0,78 %
Argentina	−1,27 %	−3,08 %	−0,67 %
Guatemala	−1,04 %	−1,38 %	−0,43 %
Ecuador	−1,02 %	−2,17 %	−0,45 %
Dominican Rep.	−1,02 %	−2,24 %	−0,37 %
Nicaragua	−0,93 %	−1,15 %	−0,35 %
Venezuela	−0,80 %	−1,93 %	−0,37 %
Brazil	−0,78 %	−1,98 %	−0,32 %
Colombia	−0,70 %	−1,66 %	−0,09 %
Uruguay	−0,57 %	−1,27 %	−0,66 %
Honduras	−0,50 %	−0,58 %	−0,29 %
Chile	−0,32 %	−0,81 %	−0,50 %
México	−0,21 %	−0,33 %	−0,17 %
Costa Rica	−0,21 %	−0,53 %	−0,08 %
El Salvador	−0,06 %	−0,03 %	–0,08 %

Source: Author's elaboration from Santos et al. (2015) .

Table 2: Contribution of each dimension to poverty in Latin America.

Country	Year	MPI-LA	Percentage contribution of deprivations of each dimension to overall poverty …				
			Housing	Basic Services	Living Standard	Education	Employ-ment and Social Protection
Argentina	2005	0,117	10,2 %	11,8 %	52,9 %	11,3 %	13,8 %
Argentina	2012	0,028	18,0 %	15,1 %	32,9 %	17,5 %	16,5 %
Bolivia	2003	0,466	15,8 %	24,9 %	34,6 %	13,2 %	11,5 %
Bolivia	2011	0,273	16,3 %	22,1 %	30,2 %	17,2 %	14,1 %
Brazil	2005	0,105	8,8 %	17,0 %	37,3 %	21,9 %	15,0 %
Brazil	2012	0,050	8,7 %	15,0 %	38,0 %	22,2 %	16,1 %
Chile	2003	0,046	15,6 %	9,5 %	43,4 %	15,3 %	16,1 %
Chile	2011	0,021	14,6 %	5,9 %	45,8 %	13,5 %	20,2 %
Colombia	2008	0,167	8,5 %	16,1 %	40,5 %	19,3 %	15,5 %
Colombia	2012	0,139	9,7 %	17,6 %	37,5 %	19,1 %	16,1 %
Costa Rica	2005	0,068	11,2 %	10,4 %	35,7 %	28,9 %	13,9 %
Costa Rica	2012	0,053	10,3 %	11,5 %	37,4 %	26,2 %	14,5 %
Ecuador	2005	0,187	14,7 %	18,4 %	33,1 %	18,9 %	14,9 %
Ecuador	2012	0,115	13,2 %	12,8 %	38,2 %	17,3 %	18,5 %
El Salvador	2004	0,249	18,0 %	18,4 %	34,0 %	18,8 %	10,7 %
El Salvador	2012	0,245	17,9 %	20,1 %	33,6 %	16,8 %	11,7 %
Guatemala	2000	0,418	20,9 %	14,4 %	32,0 %	22,8 %	9,9 %
Guatemala	2006	0,356	19,7 %	13,2 %	34,3 %	22,5 %	10,3 %
Honduras	2006	0,372	15,8 %	14,8 %	36,1 %	22,9 %	10,4 %
Honduras	2010	0,352	13,7 %	18,7 %	34,6 %	20,7 %	12,3 %
Mexico	2004	0,181	17,8 %	17,8 %	32,1 %	20,9 %	11,4 %
Mexico	2012	0,164	14,8 %	21,3 %	32,7 %	18,6 %	12,6 %
Nicaragua	2005	0,456	19,6 %	22,2 %	30,4 %	17,4 %	10,3 %
Nicaragua	2009	0,419	20,7 %	23,9 %	30,1 %	17,4 %	7,9 %
Paraguay	2005	0,304	11,9 %	26,4 %	31,7 %	17,2 %	12,8 %
Paraguay	2011	0,213	12,5 %	25,3 %	32,7 %	15,9 %	13,7 %

Peru	2003	0,322	18,3 %	24,1 %	32,3 %	10,5 %	14,8 %
Peru	2012	0,161	20,0 %	21,3 %	32,1 %	11,1 %	15,5 %
Dominican Rep.	2006	0,203	5,8 %	20,5 %	37,4 %	18,8 %	17,5 %
Dominican Rep.	2012	0,142	6,8 %	20,8 %	39,1 %	17,0 %	16,3 %
Uruguay	2005	0,072	22,2 %	9,5 %	33,4 %	20,7 %	14,2 %
Uruguay	2012	0,032	16,2 %	17,1 %	25,1 %	27,5 %	14,1 %
Venezuela	2005	0,121	15,0 %	9,1 %	38,3 %	22,5 %	15,1 %
Venezuela	2012	0,065	15,6 %	10,0 %	38,4 %	20,9 %	15,0 %
mean		0,197	14,7 %	17,0 %	35,5 %	18,9 %	13,9 %
median		0,166	15,3 %	17,3 %	34,4 %	18,8 %	14,2 %
estandar deviation		0,134	4,3 %	5,4 %	5,1 %	4,3 %	2,7 %
maximum		0,466	22,2 %	26,4 %	52,9 %	28,9 %	20,2 %
minimum		0,021	5,8 %	5,9 %	25,1 %	10,5 %	7,9 %
Coefficiet of Variation		0,682	0,294	0,316	0,142	0,228	0,191

Source: Santos et al. (2015) and author's calculation.

3 Normative Allocation of ODA Under the Multidimensional Poverty Index

In this section, multidimensional poverty in Latin America is calculated and compared to the ODA it receives (for each year for which the household survey that leads to the MPI has been conducted). On the other hand, ODA should be received in normative terms, if it is considered that the ODA for Latin America should keep on being the predominant and main tool for fighting poverty. For this purpose, after calculating how much ODA is effectively being allocated to each dimension of the LATAM MPI, a *normative ODA marker* is put forward. It consists of financing each dimension of poverty according to the percentage that dimension represents in the MPI itself. This way, if housing explains x% of multidimensional poverty, the *ODA for the poor* should be allocated to that x%; if basic services represent y% of multidimensional poverty, the *ODA for the poor* should concentrate y% on basic services, and so on with education, employment and social protection. The standard (quality) of living is used as the 'residual' dimension to which the rest of the ODA for the poor would be allocated.[11]

3.1 Multidimensional poverty in Latin America

As Table 2 shows, according to Santos et al. (2015), multidimensional poverty in Latin America is rather heterogeneous. The second column shows the year of the household survey data were collected. Column three offers the MPI value (incidence multiplied by intensity) according to the authors' methodology. When the MPI is broken down into five dimensions (last columns), the highest weight of each dimension is related to a different country.

In Uruguay, housing explains 22.2 % of multidimensional poverty, whereas in the Dominican Republic it only accounts for 5.8 %. The highest weight of the lack of basic services corresponds to Paraguay (26.4 %), while the highest weight of standard of living corresponds to Argentina (52.9 %), of education to Costa Rica (28.9 %), and of employment and social education to Chile (20.2 %).

Standard of living has a significant weight in multidimensional poverty (with a mean of 35.5 %), but the highest volatility occurs in basic services (5.4 % standard deviation and a coefficient of variation of 0.316). In contrast, the most stable dimension across countries is standard of living (CV=0.142), followed by employment and social protection (CV=0.191).

Taking the MPI for granted, in a first step, we computed donors' "positive aid" allocation to each country. This means that we had to assign each poverty dimension to some ODA sector. Based on the OECD-DAC's Creditor Reporting System (CRS),[12] we assigned sectors 16,030 ('housing policy') and 16,040 ('low-cost housing') to the housing dimension. As 'basic services' are defined by Santos et al. (2015), i. e. improved water sources, sanitation, and energy, we assigned to this dimension CRS sectors 140 ('water supply and sanitation, total') and 230 ('energy, total'). Sector 110 ("education, total") was assigned to the education dimension. Sectors 16,010 ("social welfare") and 16,020 ("employment") were assigned to the employment and social protection dimension. Finally, we assigned the residual amount of ODA to the standard of living dimension.

Table 3 shows the total amount of ODA received by each country in the year of the survey used to compute the MPI, and the percentage and level of ODA effectively allocated by donors.

Table 3: ODA allocated in each poverty dimension. % Percentage of total ODA and levels in USD million.

Country	Year	ODA "positive"						ODA "positive" (million USD)				
		Total ODA-positive (MUSD)	Housing	Basic Services	Living Standard	Education	Employment and Social Protection	Housing	Basic Services	Living Standard	Education	Employment and Social Protection
Argentina	2005	96.44	0.2 %	0.8 %	77.0 %	20.0 %	2.0 %	0.19	0.78	74.21	19.31	1.95
Argentina	2012	193.71	0.2 %	0.8 %	79.6 %	18.9 %	0.5 %	0.39	1.53	154.15	36.69	0.94
Bolivia	2003	744.75	0.1 %	1.6 %	88.3 %	6.9 %	3.2 %	0.91	11.56	657.26	51.11	23.91
Bolivia	2011	742.32	0.8 %	13.2 %	75.1 %	8.7 %	2.3 %	6.08	97.79	557.20	64.22	17.03
Brazil	2005	388.91	0.5 %	1.8 %	82.1 %	13.2 %	2.3 %	2.13	7.04	319.21	51.48	9.06
Brazil	2012	1,654.16	0.0 %	14.1 %	77.5 %	7.9 %	0.5 %	0.26	233.45	1,281.45	131.09	7.91
Chile	2003	72.78	0.2 %	1.8 %	75.3 %	18.0 %	4.7 %	0.13	1.34	54.83	13.07	3.40
Chile	2011	184.61	0.3 %	53.0 %	28.6 %	17.7 %	0.4 %	0.52	97.83	52.81	32.75	0.70
Colombia	2008	1,006.79	0.1 %	1.2 %	88.9 %	5.7 %	4.1 %	1.02	12.18	894.80	57.68	41.11
Colombia	2012	805.51	0.0 %	13.4 %	75.7 %	8.0 %	2.8 %	0.36	108.18	609.85	64.45	22.67
Costa Rica	2005	51.41	0.1 %	4.8 %	86.2 %	7.3 %	1.5 %	0.06	2.49	44.33	3.77	0.76
Costa Rica	2012	63.96	1.6 %	18.3 %	59.0 %	17.6 %	3.5 %	1.01	11.73	37.74	11.26	2.22
Ecuador	2005	267.12	0.3 %	3.5 %	82.3 %	6.9 %	7.0 %	0.81	9.25	219.89	18.48	18.69
Ecuador	2012	227.91	0.2 %	11.1 %	67.7 %	19.6 %	1.4 %	0.40	25.39	154.24	44.70	3.17
El Salvador	2004	226.04	4.1 %	3.5 %	87.8 %	4.2 %	0.3 %	9.38	7.89	198.47	9.54	0.77
El Salvador	2012	304.16	0.7 %	1.5 %	83.3 %	9.8 %	4.7 %	2.13	4.44	253.48	29.81	14.30
Guatemala	2000	224.97	0.1 %	2.9 %	87.5 %	8.6 %	1.0 %	0.14	6.47	196.81	19.29	2.26
Guatemala	2006	522.37	0.1 %	4.8 %	88.1 %	6.3 %	0.7 %	0.55	25.20	460.22	32.75	3.65
Honduras	2006	338.93	1.8 %	6.7 %	76.8 %	13.2 %	1.5 %	6.01	22.76	260.27	44.85	5.03
Honduras	2010	652.64	1.2 %	18.2 %	70.2 %	4.5 %	5.9 %	8.13	118.68	458.12	29.26	38.44
Mexico	2004	172.56	0.3 %	22.8 %	60.4 %	15.6 %	0.9 %	0.58	39.28	104.17	26.92	1.61
Mexico	2012	528.29	0.3 %	22.9 %	64.6 %	11.1 %	1.1 %	1.36	121.02	341.33	58.74	5.84
Nicaragua	2005	644.63	0.2 %	4.2 %	85.3 %	8.2 %	2.1 %	1.48	27.29	549.90	52.55	13.41
Nicaragua	2009	768.12	0.6 %	16.0 %	68.6 %	9.7 %	5.1 %	4.35	122.95	526.76	74.55	39.51
Paraguay	2005	101.58	0.0 %	0.7 %	88.5 %	8.5 %	2.3 %	0.03	0.69	89.88	8.67	2.30
Paraguay	2011	158.94	0.1 %	3.8 %	71.1 %	23.9 %	1.1 %	0.13	6.10	112.94	38.00	1.76
Peru	2003	574.99	0.1 %	4.3 %	89.8 %	5.3 %	0.6 %	0.37	24.52	516.10	30.31	3.68
Peru	2012	568.27	0.5 %	15.7 %	72.2 %	8.2 %	3.3 %	2.74	89.36	410.56	46.67	18.94
Dominican Rep.	2006	204.38	0.1 %	16.9 %	70.4 %	7.0 %	5.5 %	0.19	34.59	143.98	14.34	11.29
Dominican Rep.	2012	346.22	0.1 %	4.4 %	88.2 %	6.7 %	0.7 %	0.39	15.09	305.25	23.08	2.41
Uruguay	2005	26.13	0.6 %	7.1 %	71.0 %	17.5 %	3.8 %	0.15	1.87	18.56	4.57	0.99
Uruguay	2012	27.68	0.4 %	2.8 %	72.5 %	20.9 %	3.4 %	0.12	0.77	20.06	5.79	0.93
Venezuela	2005	58.36	0.1 %	4.7 %	70.6 %	21.5 %	3.1 %	0.07	2.73	41.21	12.54	1.80
Venezuela	2012	47.43	0.1 %	2.0 %	63.0 %	32.8 %	2.1 %	0.05	0.94	29.88	15.56	1.00
promedio		382.3	0.5 %	9.0 %	75.7 %	12.4 %	2.5 %	1.55	38.04	298.53	34.64	9.51
mediana		247.5	0.2 %	4.5 %	76.3 %	9.2 %	2.2 %	0.46	11.96	209.18	30.06	3.53
des tipica		351.8	0.8 %	10.4 %	12.2 %	6.8 %	1.8 %	2.40	53.61	283.47	25.99	11.73
maximo		1654.2	4.1 %	53.0 %	89.8 %	32.8 %	7.0 %	9.38	233.45	1281.45	131.09	41.11
minimo		26.1	0.0 %	0.7 %	28.6 %	4.2 %	0.3 %	0.03	0.69	18.56	3.77	0.70
CV		0.920	1.625	1.153	0.162	0.550	0.709	1.552	1.409	0.950	0.750	1.233

Note: In the case of Honduras2006, debt relive component of aid was not taken into account as an outlier.
Source: Authors' calculation based on OECD-DAC (2015) CRS database.

As expected by construction, standard of living concentrates most ODA (75.5 %). Education represents 12.4 %, followed by basic services (9 %). Employment and social protection only entails 2.5 % and housing shows the lowest percentage (0.5 %). Dispersion relative to the mean (the coefficient of variation) is high in housing (1.62), followed by basic services (1.15) and employment and social protection (0.7). The lowest disper-

sion occurs in education (0.5) and standard of living (0.16). This rank does not vary using ODA levels instead of percentages.

At a second stage, we translate the MPI structure (the percentages across the five dimensions) into 'normative ODA allocation'. In other words, we assume that ODA should be allocated only to the poor, because *people must be at the centre of development*, although we reckon that climate change, inequality, social exclusion, poor governance or other public goods are of course linked to poverty, and many times poor people are the most harmed by the lack of these goods. However, the point here is that considering the post-2015 development agenda and SDG with such a wide approach involves the real danger that poverty will become *just one more* goal among others, and that the prominence of poor people will get diluted.

As ODA is going to be 'one among many others' financial flows for development, and certainly not the biggest one, especially in Latin America[13] and other middle-income countries, we propose that ODA be allocated only for poverty mitigation purposes and distributed among poor people. We define "poor" as those considered by the multidimensional index, although those under the $4-a-day poverty line (as it is usual in Latin America[14]) could also be considered. In a nutshell, it would be desirable to see 'aid for the poorest' instead of 'foreign aid'. Under these considerations, we take the percentages of each dimension of poverty as the rule for the normative allocation of 'aid for the poorest'. The results can be seen in Table 4.

Table 4: Normative allocation of "aid for the poorest" under the multidimensional poverty index structure.

Country	Year	ODA "normative"					dif. ODA positive-normative				
		Housing	Basic Services	Living Standard	Education	Employment and Social Protection	Housing	Basic Services	Living Standard	Education	Employment and Social Protection
Argentina	2005	9.88	11.36	51.00	10.91	13.29	−9.69	−10.58	23.21	8.40	−11.34
Argentina	2012	34.87	29.24	63.65	33.99	31.95	−34.48	−27.71	90.50	2.70	−31.00
Bolivia	2003	117.96	185.21	257.37	98.40	85.81	−117.06	−173.65	399.89	−47.29	−61.90
Bolivia	2011	121.34	163.97	224.52	127.63	104.86	−115.26	−66.18	332.67	−63.40	−87.83
Brazil	2005	34.10	66.03	145.14	85.15	58.49	−31.97	−58.99	174.07	−33.67	−49.43
Brazil	2012	143.69	247.94	627.84	367.83	266.85	−143.43	−14.50	653.61	−236.74	−258.94
Chile	2003	11.38	6.92	31.58	11.17	11.72	−11.25	−5.58	23.25	1.90	−8.32
Chile	2011	26.89	10.92	84.53	25.00	37.28	−26.37	86.91	−31.71	7.75	−36.58
Colombia	2008	85.39	162.27	408.15	194.74	156.25	−84.36	−150.09	486.65	−137.06	−115.14
Colombia	2012	78.27	141.49	302.22	153.66	129.87	−77.91	−33.31	307.62	−89.21	−107.19
Costa Rica	2005	5.75	5.33	18.36	14.84	7.14	−5.69	−2.85	25.97	−11.06	−6.38
Costa Rica	2012	6.61	7.37	23.95	16.78	9.27	−5.60	4.37	13.80	−5.52	−7.04
Ecuador	2005	39.32	49.05	88.51	50.46	39.78	−38.51	−39.80	131.38	−31.99	−21.09
Ecuador	2012	30.07	29.08	87.02	39.50	42.24	−29.67	−3.69	67.23	5.20	−39.07
El Salvador	2004	40.79	41.60	76.86	42.61	24.18	−31.42	−33.71	121.62	−33.07	−23.41
El Salvador	2012	54.38	61.04	102.19	50.98	35.56	−52.26	−56.60	151.29	−21.17	−21.26
Guatemala	2000	47.07	32.49	71.91	51.30	22.20	−46.93	−26.02	124.90	−32.01	−19.94
Guatemala	2006	102.81	68.85	179.26	117.41	54.04	−102.26	−43.65	280.96	−84.66	−50.39
Honduras	2006	53.47	50.29	122.43	77.50	35.25	−47.46	−27.53	137.84	−32.64	−30.22
Honduras	2010	89.25	121.83	226.06	135.13	80.37	−81.11	−3.15	232.06	−105.87	−41.93
Mexico	2004	30.65	30.71	55.42	36.12	19.65	−30.07	8.57	48.75	−9.21	−18.04
Mexico	2012	77.96	112.56	172.76	98.19	66.83	−76.60	8.46	168.58	−39.45	−60.99
Nicaragua	2005	126.62	143.13	196.25	112.22	66.40	−125.15	−115.84	353.65	−59.68	−52.99
Nicaragua	2009	158.83	183.65	231.15	133.46	61.03	−154.48	−60.70	295.61	−58.91	−21.52
Paraguay	2005	12.07	26.82	32.22	17.44	13.04	−12.03	−26.13	57.67	−8.77	−10.74
Paraguay	2011	19.86	40.17	51.94	25.20	21.77	−19.72	−34.07	60.99	12.81	−20.01
Peru	2003	105.14	138.43	185.93	60.53	84.96	−104.77	−113.91	330.17	−30.22	−81.28
Peru	2012	113.57	120.79	182.57	63.08	88.26	−110.84	−31.43	227.99	−16.41	−69.31
Dominican Rep.	2006	11.82	41.88	76.52	38.48	35.69	−11.63	−7.29	67.46	−24.14	−24.40
Dominican Rep.	2012	23.63	71.90	135.35	58.93	56.42	−23.24	−56.80	169.90	−35.85	−54.01
Uruguay	2005	5.81	2.48	8.72	5.41	3.71	−5.66	−0.61	9.84	−0.84	−2.72
Uruguay	2012	4.48	4.73	6.94	7.62	3.90	−4.36	−3.96	13.12	−1.83	−2.97
Venezuela	2005	8.77	5.34	22.35	13.12	8.79	−8.70	−2.61	18.86	−0.57	−6.98

Venezuela	2012	7.42	4.74	18.24	9.90	7.13	−7.37	−3.81	11.64	5.67	−6.13
promedio		54.12	71.17	134.38	70.14	52.47					
mediana		37.10	45.47	87.76	50.72	36.48					
des tipica		46.34	66.33	128.90	71.73	53.12					
maximo		158.83	247.94	627.84	367.83	266.85					
minimo		4.48	2.48	6.94	5.41	3.71					
CV		0.856	0.932	0.959	1.023	1.012					

Source: Authors' calculation based on OECD-DAC (2015) CRS database.

Clearly, housing and employment and social protection have been underfinanced, whereas standard of living receives more funds under the normative scenario (except for Chile in 2011). Chile is an interesting case, because it is the only country that has received more aid in terms of basic services and education. Other outliers are Argentina, Ecuador, Paraguay and Venezuela, since they have also received more resources for education than the normative rule has computed. The other cases of overfunding are Costa Rica and Mexico in basic services.

All in all, if we accept that the aid should go to the poorest (in the sense that the aid should eradicate poverty in Latin America guided by a multidimensional poverty index), donors and recipients should change their current ODA allocation. More resources should be allocated to make up housing, water and sanitation, energy, education, employment and social protection deficiencies. Obviously, other dimensions of poverty are also important, and other pillars of development should be covered as well, as the post-2015 development agenda is going to put in place. But we consider that poor people must be at the centre of human development and that multidimensional poverty must receive a special consideration and be prioritized when planning the scarce funds for development.

3.2 Discussion

It is worth enough to bear in mind that percentages in deprivations do not explain the cause of poverty among these households, but the MPI allows multiple decompositions. In fact, the MPI indicates how many and what deprivations are affecting each household. Different levels of aggregation of the information revealed by the MPI process can hold different ODA targets and strategies. Aid effectiveness may be assessed by its impact on different subgroups: ethnic group, gender, region, district, municipality and so on. Although M0 (incidence) does not explain the cause of deprivations, comparisons made at different level of aggregation within the framework of longitudinal studies make it possible to judge if the unit of analysis (from households to the whole country) remains under the same conditions or if aid interventions were effective in reducing the number and type of deprivations. Moreover, the analysis can be completed by adding the intensity (multiple deprivations). Of course, if we want to know the impact that aid (and no other potential factors) caused on multidimensional poverty, experimental evaluations should be made.

Another useful information that the MPI gives to the policymaker are the differences of poverty using various cut-offs. Currently, the global MPI classifies population into three categories: vulnerable (20–33.3 %), poor (33.3–50 %), and severe (more than 50 %). Policy makers have to decide what population they want to attend first: the most severe cases (more time and resources will be required to reduce this poverty) or those who are closer to the poverty cut-off (higher success in a shorter period of time and maybe lower aid amounts).

Using the MPI has a third advantage. Intersections across deprivations and indicators can be studied. This means that interventions in different households might lead to different results due to spill overs across deprivations. This information is very valuable for policy makers because when it comes to reducing poverty there is no "one-size-fits-all". Without analysing the effects of different combinations among poor households, there is no way to know if a nutrition program should be implemented before (or at the same time as) a health or education program. Nevertheless, MPI axioms and qualities enable these types of process and impact evaluations.

Finally, it is worth mentioning that none of these policy implications may be established taking the unidimensional income poverty line as an indicator.

4 Conclusion and Policy Implications

Target 1.2 of SDG1reads: "By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions". In this paper we propose that

poverty, measured with a multidimensional index that allows each country to choose dimensions, indicators, proportions and thresholds, as carried out by Santos et al. (2015), should have its own funding program. I call it 'aid for the poor' or 'for the poorest' in order to differentiate it from the rest of proposals for financial flows whose objective is to develop countries as in the context of the 2030 Agenda for Sustainable Development. The proposal put forward here invites donors to focus the resources on the poor, not on countries as a unit of analysis. In this way, information will have to be gathered on the aid flow that is effectively reaching the poor, in order to be able to analyse whether external resources are effective in fighting poverty in its dimensions or not. No study on aid allocation has adopted this approach so far and no empirical study on aid effectiveness has done it inan aggregate manner. Studies dealing with aid impact on poverty have not used specific poverty indicators such as the MPI,. The few studies conducted at the sectorial level show that, in general terms, ODA is allocated to sectors that are little correlated with increasing productivity, and does not reduce the significant bottlenecks faced by the poor (see e. g. Cadot et al. 2014), as the Addis Ababa Action Plan (numbers 52 and 58) has pointed out (United Nations 2015). Nowadays, it is not known how much ODA actually reaches the poor. At best, some studies have dealt with the impact of aid on economic growth per capita. However, this is not the approach nor the idea of development handled for instance by the UNDP. If the UNPD and other donors want to put the poorest people at the centre of development and verify if human progress is made in the Latin American region or other middle income countries where most poor people currently live, it should be possible to know how many financial resources, both domestic and foreign, are allocated to and reach the multidimensional poor, in order to be able to evaluate aid impact and sustainability.

This study has shown that at present (and with few exceptions) insufficient resources are allocated to the multidimensional poverty dimensions of housing, basic services, education, employment and social protection. The selection of these dimensions (or others that could be set in the future) should be critical for building a marker of foreign aid effectiveness against poverty, at least for the portion that I have called "aid for the poorest".

Thus, the national ownership of these resources and their final purpose, which should be communicated to the beneficiaries themselves, may facilitate the search for –technical and political–answers to the complex question of how to eradicate multidimensional poverty. This normative framework is clearly in the spirit of the 2030 Agenda for Sustainable Development. As its main document points out, *"each Government setting its own national targets guided by the global level of ambition but taking into account national circumstances"* should define the targets, there defined as aspirational and global (United Nations 2015b, number 55). The Agenda also recognizes that there are different approaches, visions, models and tools available to each country, in accordance with its national circumstances and priorities, to achieve sustainable development. The operational framework proposed in this paper fulfils these features.

Notes

[1]Chang, Fernandez-Arias, and Servén (1999). Basically, they propose a new evaluation approach that measures official aid flows as the sum of grants and the grant equivalents of official loans.

[2]The component on foreign assistance combines quantitative and qualitative measures of official aid, and of fiscal policies that support private charitable giving. The quantitative measure uses a net transfers concept, as distinct from the net flows concept in the net Official Development Assistance measure of the Development Assistance Committee. The qualitative factors are: A penalty for tying aid; a discounting system that favours aid to poorer, better-governed recipients; and a penalty for "project proliferation." The charitable giving measure is based on an estimate of the share of observed private giving to developing countries that is attributable to a) lower overall taxes or b) specific tax incentives for giving.

[3]OECD-DAC defines CPA as "the proportion of aid that is subjected to multi-year programming at country level, and hence represent a subset of ODA outflows. It takes as a starting point data on gross ODA disbursements by recipient but excludes spending which is: (1) inherently unpredictable (humanitarian aid and debt relief); or (2) entails no flows to the recipient country (administration costs, student costs, development awareness and research and refugee spending in donor countries); or (3) is usually not discussed between the main donor agency and recipient governments (food aid, aid from local governments, core funding to NGOs, aid through secondary agencies, ODA equity investments and aid which is not allocable by country). (4) CPA does not net out loan repayments, as these are not usually factored into aid allocation decisions. CPA is therefore a gross concept."

[4]The average of CPA in LAC countries for 2000–2013 was USD 8337.5 million (constant 2013), whereas net ODA was USD 9097.9 million and gross ODA USD 10,531,3 million. The correlation coefficient between CPA and net ODA was 0.838 and 0.552 between CPA and gross ODA disbursements. In 2013, Brazil captured 15.8 % of CPA followed by Haiti (11.3 %), Colombia (10 %), Mexico (9 %) and Bolivia (9 %). Total CPA among these top-five was 54.6 %.

[5]OECD (2014) sets up the new form of computing concessional loans. TOSD will include official funds not only for economic development purposes but for climate change, and security and peace, for instance, as well. Development, not poverty, is at the heart of the concept.

[6]Alonso and Glennie (2015). The authors differentiate aid from "Development Cooperation" as the latter is "the activity that aims explicitly to support national and international development priorities, is not driven by profit, discriminates in favor of developing countries, and is based on cooperative relationships that seek to enhance developing country ownership" (such as financial and in-kind transfers, capacity support and policy change).

[7]As an influential document from the World Bank acknowledged: "Foreign aid is a post World War II phenomenon from the start, it had twin objectives, potentially in conflict. The first objective was to promote long-term growth and poverty reduction in developing countries; the underlying motivation of donors was a combination of altruism and a more self-interested concern that, in the long term, their economic and political security would benefit if poor countries were growing. The second objective was to promote the short-term political and strategic interests of donors. Aid went to regimes that were political allies of major Western powers. Thus the strategic and developmental objectives were potentially, but not necessarily, at odds." (World Bank 1998 :7).

[8]Here we take for known the characteristics of the global MPI (see Alkire and Foster 2011a; 2011b; Alkire and Santos 2014; Alkire et al. 2015a for a complete description). Limitations and criticism of this index may be found in Rippin (2010, 2011, 2012, 2014a, and 2014b), Ravallion (2011; 2012), Silber (2011), Klasen and Lahoti (2016) or Duclos and Tiberti (2016) among others and this dispute is behind the scope of this article, because it aims to be more policy-oriented.

[9]See the glossary prepared by CONEVAL: http://www.coneval.gob.mx/Medicion/Paginas/Glosario.aspx

[10]However, the authors carry out sensitivity exercises with cutting lines between 10 % (close to the criterion of union) and 100 % (criterion of intersection). The results provide robustness in the indicator for cutting lines between 10 % and 70 %.

[11]I have used OECD-DAC Country Reporting System to match dimensions of poverty and ODA sectors. The description of each sector and purpose code of CRS classification can be looked up at http://www.oecd.org/dac/stats/purposecodessectorclassification.htm

[12]I use 'gross ODA disbursements' in current dollars as a measure of aid, because it reflects the amount of resources received by each country more clearly.

[13]According to World Bank's World Development Indicators database, in 2013, only Bolivia, Honduras and Nicaragua received more than 1 % of ODA/GNI. Bolivia received 2,44 % (USD 65,5 per capita), Honduras 3,66 % (USD 77,5 per capita, and 13 % of central government expense) and Nicaragua 4,71 % (USD 81,7 per capita, and 33 % of central government expense). The average for LAC countries was 0,17 % GNI and USD16,8 per capita. If Caribbean countries are also consider, Belize (3,3 %), Dominica (4 %), Grenada (1,2 %), Guyana (3,4 %), Haiti (13,8 %), Saint Kitts and Nevis (3,9 %), St. Lucia (1,9 %), should be added.

[14]See for instance, Lopez-Calva and Ortiz-Juarez (2011) and Ferreira et al. (2013) .

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