

Does The Pro-Poor Financial Package Work? Evidence From Vietnam

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Paper Abstract: This article examines the causal effects of the National (Pro-poor) Targeted Programs (NTPs) on both poverty incidence and inequality in Vietnam over the period 2002–2010. While the independent links between pro-poor expenditure and (1) poverty alleviation, (2) income inequality have previously been analysed, this study is the first to offer a comprehensive analysis of NTPs expenditure on poverty and inequality at the same time. Applying a system generalised method of moments (GMM) estimator to a panel of Vietnamese regional data, we are unable to establish that NTPs have significantly mitigated poverty incidence. However, we estimate that NTPs significantly increased inequality as measured by the Gini coefficient. We offer two possible explanations and discuss the possible policies which can reduce both poverty and inequality simultaneously.