

# **Pro-Poor Growth, Poverty and Inequality in Rural Vietnam**

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# Research Objective

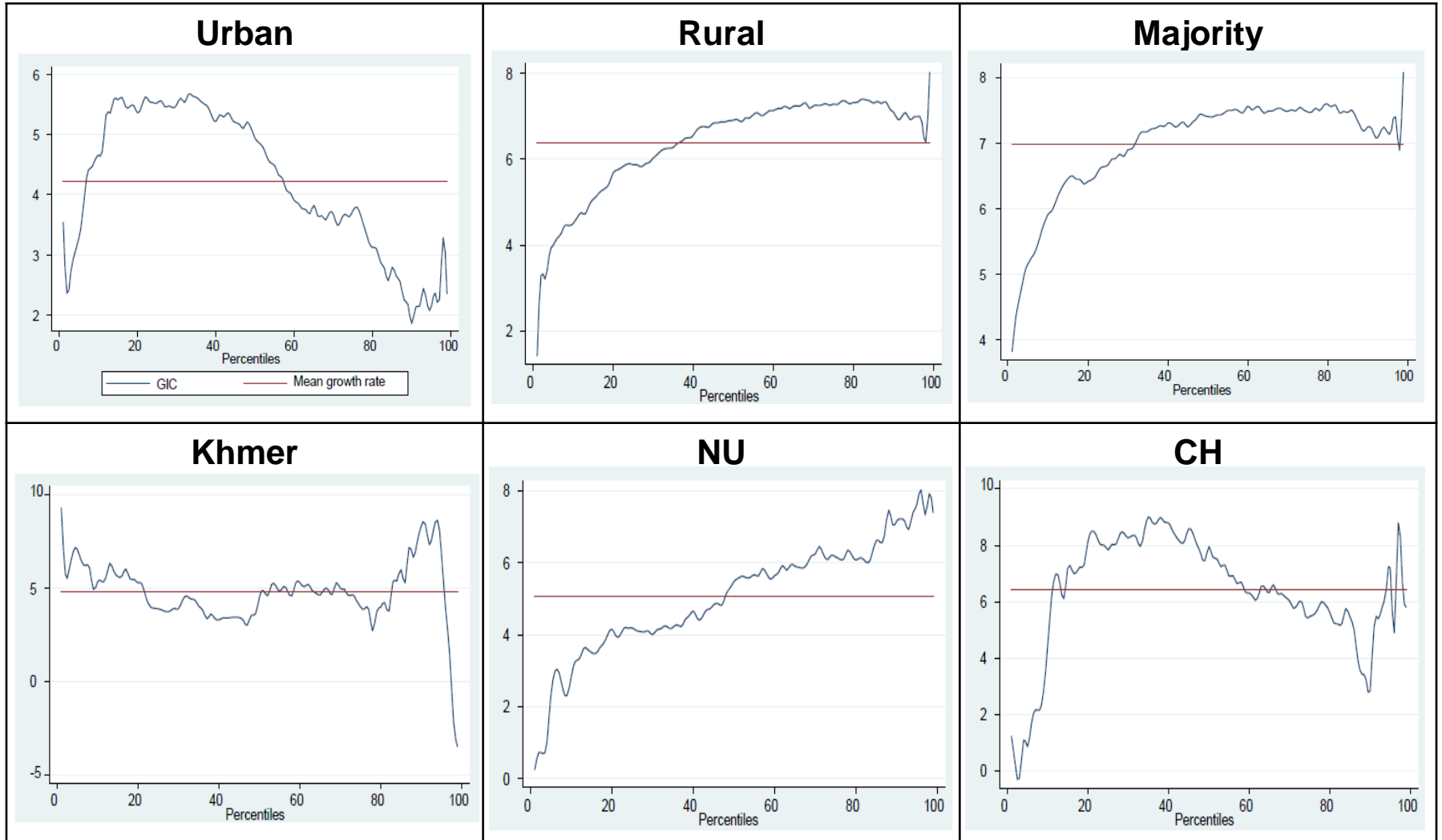
- To explore the changes of poverty and inequality during the second phase of economic transition in accordance with ethnicity
- To examine the impacts of growth and redistribution on poverty changes in different ethnic groups
- To investigate the main driver of inequality within each ethnic group

# Poverty Incidence in Vietnam

Poverty head count ratio	2002	2004	2006	Annual % P change (2002-2006)
Vietnam	28.8	19.5	16.0	-3.2
Urban	6.5	3.6	<b>3.9</b>	-0.7
Rural	35.5	25.0	<b>20.4</b>	-3.8
		Rural		
Majority	29.0	17.8	<b>13.5</b>	<b>-3.9 (-5.2%)</b>
Minorities	72.1	62.7	<b>54</b>	<b>-4.5 (-2.0%)</b>
Khmer minority	56.5	41.3	<b>34.6</b>	-5.5
NU minority	69.6	61.0	50.9	-4.7
CH minority	87.0	76.1	<b>71.5</b>	-3.9
Other minority	87.4	77	69.3	-4.5

- An early achiever of MDGs. Now VDGs, however,
- **Uneven progress**
  - 3.9% in Urban vs. 20.4% in Rural
  - highly concentrated in ethnic minorities (13.5% vs. 54%)
- **Unstable achievement**
  - 16% (100% poverty line) vs. 24.5% (120% poverty line)

# Growth Incidence Curve



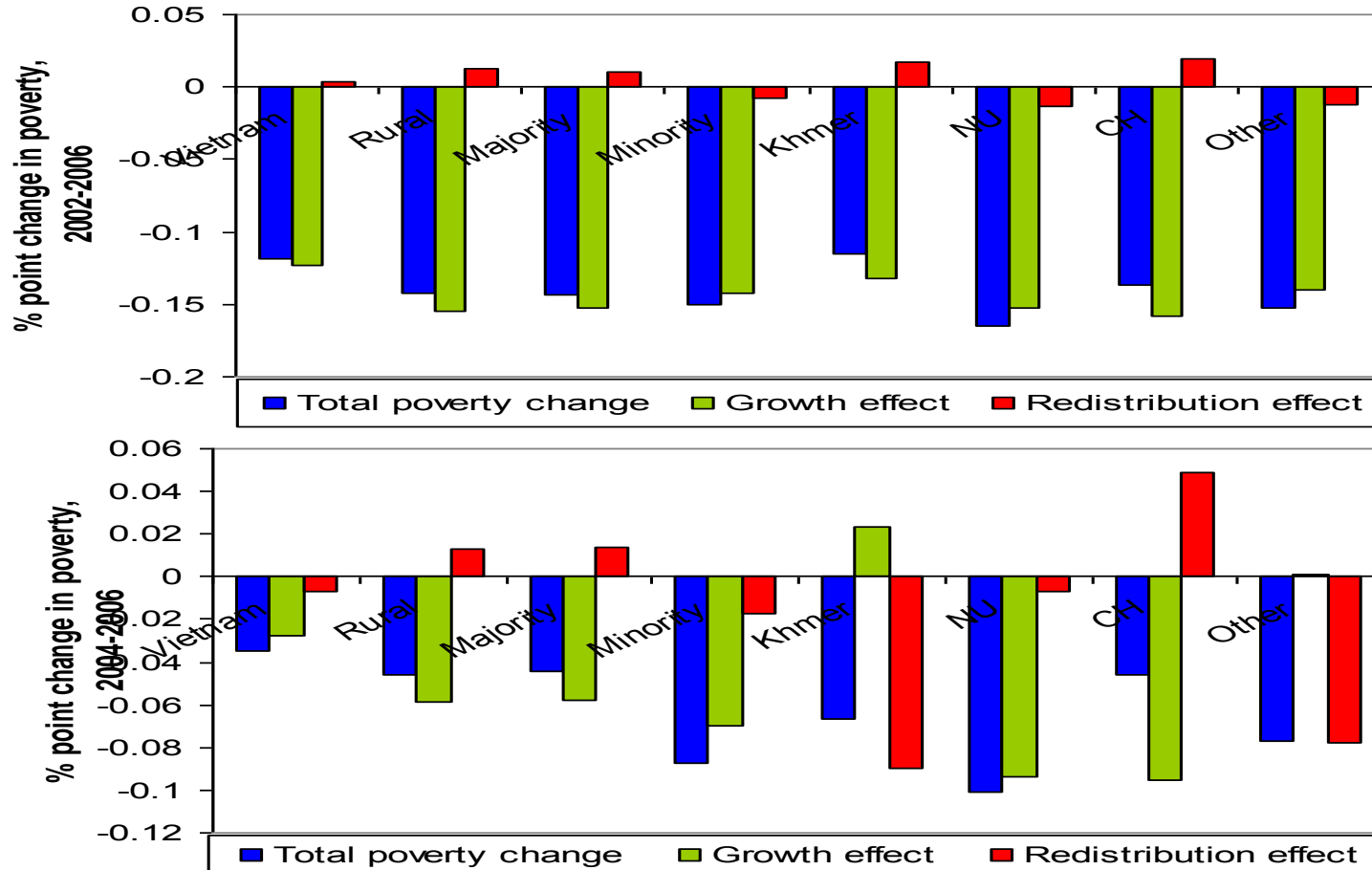
# Inequality Measures

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	2002	2006	2002-06 (% change)
Gini coefficient	0.281	0.302	7.5
GE(0) – Theil’s L	0.128	0.151	<b>18.0</b>
GE(1) – Theil’s T	0.136	0.157	<b>15.4</b>
Within Ethnic majorities/minorities			
GE(0) within majorities	0.115	0.131	<b>6.5</b>
GE(0) within minorities	0.105	0.124	<b>14.8</b>

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# Poverty Decomposition



In spite of negative economic growth, poverty within Khmer minority was reduced due to solely by the improved redistribution. In contrast, redistribution within CH minority worsened and significantly eroded the growth impact, almost halving the effect of growth

# These summary measures imply...

- The nature of growth is diverse across ethnic minority groups – the growth was either pro-poor or pro-rich
- The redistribution component has a different effect on each of five ethnic groups
- The results might reflect that different socio-economic characteristics of each ethnic minority group rooted in their culture or the geographical location

# Regression-Based Inequality Decomposition

<b>2002</b>	<b>Majority</b>	<b>Khmer</b>	<b>NU</b>	<b>CH</b>	<b>Other</b>
Household	25.87	7.79	8.24	12.79	6.88
Education	<b>41.28</b>	28.74	<b>49.65</b>	<b>3.65</b>	6.90
Land	23.04	<b>39.17</b>	24.22	<b>55.12</b>	38.10
Infrastructure	9.82	24.30	17.89	28.44	<b>48.12</b>
SUM	100	100	100	100	100

<b>2004</b>					
Household	12.09	4.16	2.02	13.69	7.43
Education	<b>58.68</b>	9.46	<b>61.38</b>	8.84	3.74
Land	26.07	<b>71.36</b>	19.21	<b>39.88</b>	<b>53.96</b>
Infrastructure	3.17	15.01	17.40	37.59	34.86
SUM	100	100	100	100	100

<b>2006</b>					
Household	22.44	5.97	15.44	24.63	8.61
Education	<b>41.01</b>	7.39	<b>44.61</b>	9.80	32.21
Land	32.48	<b>63.53</b>	21.97	23.07	21.52
Infrastructure	4.07	23.11	17.99	<b>42.50</b>	<b>37.66</b>
SUM	100	100	100	100	100



# Conclusions

- Aggregate or a simple dichotomy – ethnic majority and minority may mislead our conclusions
- The main source of *within* inequality differs *across* ethnic group, but the tendency shown within each group is relatively consistent in over time
- More precise investigation of ethnic minority groups at disaggregated level is suggested and it will increase the effectiveness of development projects against inequality