Goal 10 of the UN-SDG states that economic growth is not sufficient to reduce poverty if it is not inclusive. In this paper we analyze whether the rapid economic growth experienced by Vietnam in the last two decades was sustainable and helped reduce inequality, poverty in the country.

Vietnam is widely regarded as a success story for its fast economic growth (Glewwe Dang, 2011; Lanjouw et al., 2017). Our estimates based on multiple rounds of the Vietnam Household Living Standards Surveys indicate that national headcount poverty declined from 30% in 2002 to less than 10% in 2016. Yet we find a large degree of variation in poverty reduction between provinces.

Employing a recently developed technique for analyzing poverty concentration (Dhongde, 2017), we estimate a poverty segregation curve that compares a region’s share of the poor population with its share in the overall population. We find an unambiguous increase in the segregation of poor in Vietnam. Provinces with a cumulative share of 50% of the population witnessed their share of the poor jumping up from 13% to 30%. Interestingly, we also find that average incomes across provinces converged during this period.

Given this evidence, we study in depth the changes in income distribution in Vietnam in the last two decades. Why were the poor concentrated spatially in some provinces and not others? Did factors such as geographical location, volume of international trade and investment, quality of local government institutions play a role? How did the the “poorest of the poor”, differ by gender, ethnicity, and education? We use econometric techniques to investigate channels affecting provincial income distributions. Finally, we recommend policies to help mitigate the rising segregation of the poor in particular provinces and make Vietnam’s economic growth more sustainable.

References