

SCIENTIFIC FOUNDATIONS OF PUBLIC INVESTMENT FOR POVERTY REDUCTION IN VIETNAM

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ABSTRACT

Throughout its development process, Vietnam has formulated and implemented a relatively comprehensive system of policies aimed at poverty alleviation, including public investment policies. The achievements attained have been highly impressive. Nevertheless, concerns remain regarding the efficiency and quality of public investment projects in this domain. Drawing upon a review of existing literature, this paper discusses several theoretical and practical issues related to public investment for poverty reduction. It further identifies key groups of factors influencing the effectiveness of such investments. Based on a synthesis of both domestic and international experiences, the study systematizes seven key lessons to enhance the effectiveness of public investment for poverty reduction, thereby contributing to the achievement of rapid and sustainable poverty alleviation in Vietnam.

Keyword: Policy, public investment, poverty alleviation, poverty reduction, Vietnam

1. INTRODUCTION

Public investment for poverty alleviation constitutes a series of activities implemented with the support of public resources (i.e., government, communities, and society at large), both domestically and internationally, to finance poverty reduction efforts. Such investment represents a fundamental and essential condition for creating an enabling environment that allows poor individuals and disadvantaged communities to improve their livelihoods (Pham Bao Duong, 2022).

In recent years, Vietnam has achieved significant progress in poverty reduction. The multidimensional poverty and near-poverty rates have steadily declined over time, reaching 4.3% in 2022 and further decreasing to 1.93% in 2024 (General Statistics Office, 2025). Despite these notable achievements, concerns persist regarding the efficiency and quality of public investment projects in poverty alleviation. These concerns primarily relate to issues such as fragmented investment, prolonged project implementation, and suboptimal capital utilization (Pham Bao Duong, 2022).

Although numerous poverty reduction policies have been formulated and implemented, identifying effective solutions to enhance the efficiency of public investment for rapid and sustainable poverty reduction, particularly in

regions with high poverty rates, remains a top priority for the Vietnamese government,

2. RESEARCH METHODOLOGY

This study adopts a literature review approach to systematically synthesize existing research on both theoretical and practical issues related to enhancing the effectiveness of public investment for poverty alleviation in Vietnam. The data used in this paper are secondary sources, including published statistics, reports from ministries, sectors, and local authorities, and policy documents relevant to the research topic.

The primary analytical method employed is a comprehensive review of academic literature, involving the interpretation of key concepts, analytical frameworks, and influencing factors. In addition, the study provides a descriptive analysis of public investment practices for poverty reduction in selected countries worldwide and in Vietnam.

3. RESULTS AND DISCUSSION

3.1. Theoretical Foundations of Public Investment for Poverty Reduction

a. Key Concepts

Poverty: Poverty is defined as a condition in which a segment of the population is unable to access and satisfy basic human needs recognized

by society, depending on the level of socio-economic development and local customs (ESCAP Conference on Poverty in Asia and the Pacific, Bangkok, Thailand, September 1993). In contemporary discourse, poverty is increasingly examined from multiple dimensions. The concept of “*multidimensional poverty*” has emerged, emphasizing that poverty is not merely characterized by food deprivation, lack of basic living conditions, or insufficient material resources. Rather, it is also driven by social barriers and other constraints that prevent individuals or communities from accessing resources, information, and essential services (Dang Nguyen Anh, 2015).

Public Investment: Public investment refers to the State’s investment activities in programs and projects aimed at developing socio-economic infrastructure, as well as those serving broader socio-economic development objectives (Law on Public Investment, 2024). More broadly, public investment can be understood as the utilization of state financial resources to fund programs and projects that support socio-economic development without profit motives. These include national target programs; projects for the development of technical, economic, and social infrastructure; and investment projects in sectors where socialization is limited, such as economic, cultural, social, healthcare, and educational domains.

Public Investment for Poverty Reduction: In its most general sense, public investment for poverty reduction refers to the process of mobilizing and utilizing public resources (from the government, communities, and society, both domestically and internationally) to support rapid and sustainable poverty alleviation. It constitutes a core component of poverty reduction support. Public investment in this domain plays a critical role in implementing poverty reduction policies and strategies. Importantly, such investment encompasses not only resources from the central and local governments but also contributions from society and communities at large.

b. Scope of Public Investment for Poverty Reduction

Under current conditions, public investment constitutes an effective instrument for poverty alleviation. The scope of public investment for

poverty reduction primarily focuses on the following key areas:

First, public investment aims to provide the poor with essential basic needs, including food, housing, clothing, and healthcare. These forms of support represent initial and fundamental assistance for impoverished populations.

Second, public investment contributes to the development of social protection systems, thereby enabling the poor to access essential services such as healthcare, education, clean water, and cultural services. This includes ensuring access to medical treatment, universal education, and unemployment benefits.

Third, public investment supports vocational training for workers, particularly the poor, who often have low educational attainment and limited labor skills. These constraints significantly reduce their employment opportunities.

Fourth, public investment in infrastructure development for poor and disadvantaged regions plays a crucial role. Investments in electricity, transportation, schools, healthcare facilities, irrigation systems, markets, and community infrastructure not only improve living conditions but also enhance the investment climate, thereby attracting private investors to these areas.

Fifth, public investment supports economic development through preferential credit policies, provision of productive land, and extension services in agriculture, forestry, and fisheries, as well as the development of rural and non-farm livelihoods.

Sixth, public investment fosters the development of community organizations and institutional frameworks for poverty reduction, including strengthening community capacity and promoting active participation of local people in poverty alleviation efforts.

c. Sources of Public Investment for Poverty Reduction

At present, public investment for poverty reduction is primarily financed through multiple sources. The most significant source is the state budget, including both central government allocations (through public investment expenditures) and local government budgets. In addition, funding is mobilized from development organizations (including international

development agencies and international non-governmental organizations), socio-political organizations (particularly those mobilizing resources in the agricultural sector), economic organizations (including professional and social organizations contributing to poverty alleviation), and local communities (through voluntary contributions aimed at poverty reduction).

d. Factors Influencing Public Investment for Poverty Reduction

First, institutional and policy frameworks: Institutional arrangements and policy coherence play a critical role in shaping public investment for poverty reduction. Strong alignment between central and local governments ensures that public investment is allocated appropriately, targeted effectively, and implemented at an optimal scale, thereby avoiding fragmentation and overlap. As a result, investment efficiency is significantly enhanced.

Second, financial resources: Fiscal capacity and budget size exert a substantial influence on both the scale and modality of public investment. When financial resources are abundant, poverty reduction interventions tend to be more direct. Conversely, under budget constraints, public investment mechanisms are more likely to rely on indirect forms of support.

Third, natural and socio-economic conditions of poor regions: Regional variations in natural conditions and socio-economic characteristics create both opportunities and constraints. These differences necessitate context-specific investment policies. For instance, low levels of education among local populations may limit their capacity to effectively utilize investment resources. Similarly, low-income levels constrain internal savings, resulting in limited local investment capacity and negatively affecting both capital mobilization and the effectiveness of poverty reduction efforts.

Fourth, characteristics of the poor and community participation: The socio-economic characteristics of the poor, such as limited access to capital, low educational attainment, and small-scale, fragmented production practices, significantly affect the outcomes of public investment. Therefore, poverty reduction interventions must be tailored to the specific conditions of poor households and communities. Furthermore, traditional social structures, cultural practices,

and local institutions (e.g., customary rules and community norms) also play an important role in shaping both the implementation mechanisms and the effectiveness of public investment.

Fifth, institutional capacity and implementation capability: The capacity of implementing agencies at different administrative levels is a decisive factor in determining the outcomes of public investment programs and projects. The effectiveness of poverty reduction efforts depends heavily on the administrative, managerial, and operational capacities of government bodies, as well as their experience in implementing poverty alleviation initiatives.

3.2. Empirical Foundations of Public Investment for Poverty Reduction

3.2.1. Public Investment for Poverty Reduction: International Evidence

Over the past decades, countries worldwide have increasingly prioritized public investment for poverty reduction, particularly in Asia, Latin America, and Africa (UNDP, 2024). Notable examples in Asia include China, India, and Thailand—countries that share several socio-economic characteristics with Vietnam.

a. China:

China has implemented the “Three Rural Issues” policy since the early 2000s, significantly increasing public expenditure for rural development. This policy prioritizes investments in infrastructure, irrigation, electricity, transportation, public services, and high-tech agriculture. Programs such as the “New Socialist Countryside” initiative have contributed to improving rural livelihoods, accelerating poverty reduction, and narrowing the rural-urban gap.

The Targeted Poverty Alleviation (TPA) program, launched in 2013, focuses on directing resources and assistance specifically to the poorest households and regions.

In terms of infrastructure and industrial development, the government has invested substantially in rural infrastructure (roads, electricity, and water supply) while promoting labor-intensive industries at the local level to generate employment.

Financial support mechanisms have also been strengthened, with state-owned banks increasing

credit accessibility for poverty reduction initiatives by approximately 27%, thereby enabling enterprises participating in TPA programs to expand production.

Furthermore, China's rural revitalization strategy focuses on five key pillars: industrial development, human capital, cultural development, environmental sustainability, and governance.

Outcomes: The combination of large-scale public investment and supportive policy measures enabled China to eradicate extreme poverty by 2020 and continue progressing toward its broader goal of "common prosperity."

b. Thailand

The Thai government has established an investment efficiency evaluation system based on the Incremental Capital-Output Ratio (ICOR) and actively promotes private sector participation in agricultural value chains. Public investment for poverty reduction in Thailand primarily focuses on building social safety nets and enhancing the productive capacity of the poor through infrastructure development and access to credit. By 2023, Thailand's national poverty rate had declined to 3.4%. Key areas and strategies of public investment include:

Social protection and welfare systems: Thailand has significantly increased public spending on social protection programs to support vulnerable groups. Social assistance expenditure rose by more than 50% between 2010 and 2018 (from 0.5% to 0.77% of GDP). The country has also implemented universal health coverage through three public health insurance schemes since 2002, enabling low-income populations to access healthcare services without financial hardship. Additionally, direct fiscal stimulus measures, including cash transfer programs targeting approximately 40 million citizens, have been deployed to stimulate consumption and support livelihoods.

Rural infrastructure investment: The government has prioritized improving connectivity in remote and disadvantaged areas to enhance access to services and markets. Investments in transportation and logistics, particularly the upgrading of rural roads, have reduced transportation costs for farmers and facilitated access to education and healthcare. Model village

initiatives, such as the "Gajanurak Village" program, have supported poor farmers in generating income from underutilized land through localized infrastructure investment. Furthermore, concessional credit schemes and agricultural support programs have enabled poor households to invest in production, while cooperative-based models have strengthened value chains and improved product value, contributing to sustainable poverty reduction.

c. India

India has focused on large-scale public investment programs in irrigation, water resource management, rural credit, and agricultural price support. These programs are highly decentralized and subject to strong social accountability mechanisms. Public investment in India emphasizes poverty reduction through social protection, rural development, education, and healthcare. Key priorities of public investment include:

Social protection and rural infrastructure: The government has implemented extensive programs to improve access to sanitation, electricity, clean cooking fuel, and piped water, particularly in rural areas, thereby reducing structural inequalities and limiting distress migration.

Food subsidies: Significant public expenditure has been allocated to provide subsidized or free wheat and rice to approximately two-thirds of the population, playing a critical role in ensuring food security and poverty alleviation.

Employment generation and microfinance: Policies have promoted small and medium-sized enterprises and expanded microfinance initiatives through self-help groups, creating sustainable livelihoods for the poor, particularly women.

Healthcare and education: Public investment in basic healthcare and education has improved human capital, enabling long-term improvements in living standards and socio-economic mobility.

Case of Kerala State: Kerala is widely recognized as a leading example of successful poverty reduction, having effectively eradicated extreme poverty through targeted public investment in land redistribution, healthcare provision, and livelihood support programs.

d. Malaysia

Malaysia has implemented robust public investment strategies to reduce poverty through an inclusive growth approach, with a strong focus on education, human capital development, agricultural modernization, and digital infrastructure. The government has allocated substantial financial resources, including RM1.5 billion (approximately USD 320 million) for income enhancement programs targeting poor households, alongside interest-free microcredit schemes provided by institutions such as Amanah Ikhtiar Malaysia (AIM) and Yayasan Usaha Maju (YUM). The key pillars of public investment for poverty reduction in Malaysia include:

Education and human capital development: Education is regarded as a central instrument for poverty alleviation. The government has made significant investments in education to improve skills, expand employment opportunities, and ensure sustainable income growth for disadvantaged populations.

Agricultural and rural modernization: Public investment focuses on enhancing productivity and improving rural incomes through technical support policies and infrastructure development. These efforts aim to modernize agricultural practices and strengthen rural economies.

Microfinance and entrepreneurial support: Institutions such as AIM and YUM provide small, interest-free loans to low-income individuals, particularly the in poverty. These programs have demonstrated high repayment rates and have been effective in promoting self-employment and small-scale entrepreneurship.

Social protection and income support: The government has implemented direct public expenditure programs to raise the incomes of the poorest households, thereby reducing income inequality and vulnerability.

Digital transformation and infrastructure development: Malaysia has invested in 4G infrastructure and digital technologies to enhance access to information, public services, and economic opportunities, particularly for underserved populations.

3.2.2. Public Investment for Poverty Reduction in Vietnam

According to the National Office for Poverty Reduction, the Communist Party and the

Government of Vietnam have prioritized the allocation of substantial resources to implement poverty reduction policies. Notably, the National Target Program on Sustainable Poverty Reduction for the 2021-2025 period has a total budget of VND 75 trillion, of which VND 48 trillion is financed by the central government, approximately VND 12 trillion is contributed by local governments, and the remainder is mobilized from socialized sources.

For the 2026–2030 period, state budget support for the National Target Programs on New Rural Development and Sustainable Poverty Reduction is projected to reach approximately VND 360 trillion. During this phase, sustainable poverty reduction efforts will focus on three major areas: (i) supporting the development of socio-economic infrastructure in disadvantaged regions; (ii) addressing multidimensional poverty by reducing deficiencies in access to basic social services in accordance with updated poverty standards; and (iii) strengthening governance, communication, monitoring, and evaluation mechanisms.

Starting from 2028, the minimum living standard is expected to be announced annually as a basis for determining social policy benchmarks. This measure will also play a critical role in adjusting region-based minimum wages for workers in Vietnam. The Ministry of Finance is currently drafting a Prime Ministerial Decision to approve this initiative.

According to a consolidated report from the Ministry of Finance, in 2025, total state budget allocations for the three National Target Programs, namely New Rural Development, Sustainable Poverty Reduction, and Socio-economic Development in Ethnic Minority and Mountainous Areas, amounted to nearly VND 75 trillion. Of this, VND 52.584 trillion was sourced from the central budget, while more than VND 22.37 trillion was contributed by local budgets.

3.2.3. Lessons Learned for Enhancing Public Investment in Poverty Reduction in Vietnam

Based on a comprehensive review of countries with similar public investment patterns in poverty reduction, particularly China, Thailand, India, and Malaysia, this study derives several key lessons to improve the effectiveness of public investment for poverty alleviation in Vietnam:

First, it is essential to further refine the legal and policy framework governing public investment for poverty reduction. Investment policies must be rational, coherent, and efficiency-oriented, particularly in relation to socio-economic infrastructure development. In addition, reforms in decentralization should be strengthened, linking investment decisions more closely with resource allocation and fiscal balancing.

Second, greater investment priority should be given to disadvantaged regions and localities with low initial economic conditions. Targeted support for these areas and vulnerable populations can help stimulate local economic development, laying the foundation for sustainable growth. Moreover, it is necessary to enhance decentralization and clearly define the responsibilities of government agencies at all levels, as well as those of project owners, for managing and utilizing public investment resources.

Third, preferential credit mechanisms should be expanded to support poverty reduction, particularly through investments in rural infrastructure such as irrigation systems, rural transportation networks, and essential public facilities. Strengthening rural credit systems and expanding banking service networks are also critical to improving financial inclusion.

Fourth, the design and implementation of publicly funded investment programs and projects, whether financed by the state budget or government bonds, must align closely with national, sectoral, and local socio-economic development strategies. At the same time, investment structures should be gradually rebalanced by reducing reliance on public funding and increasing the mobilization of resources from both domestic and international private sectors.

Fifth, the development of social enterprises should be promoted, with the state budget serving primarily as a catalyst rather than the main funding source. By leveraging social enterprises and fostering linkages between poor households and businesses, poverty reduction can be achieved more sustainably. This model also aligns with integrated approaches to new rural development and sustainable poverty alleviation.

Sixth, policies should continue to incentivize and facilitate private-sector participation in agriculture, rural development, and poverty-reduction initiatives. Scaling up successful models

of socialized investment and effective infrastructure management is essential. Additionally, local authorities should be empowered to attract investment through public-private partnership (PPP) models such as BT, BOT, and other hybrid financing mechanisms.

Seventh, the active participation of local communities and beneficiaries should be strengthened throughout the investment process. Policies should be designed to be accessible and demand-driven, enabling the poor to engage in agricultural value chains and benefit from development programs. Enhancing information dissemination and improving access to policy support are crucial to ensuring that targeted populations fully benefit from public investment initiatives.

4. CONCLUSION

Public investment for poverty reduction constitutes a coordinated set of activities supported by resources from the government as well as domestic and international socio-economic organizations. These efforts are implemented through policy mechanisms aimed at strengthening both physical and human capital, thereby enabling poor individuals and disadvantaged regions to achieve rapid and sustainable development.

This study adopts a literature review approach, utilizing secondary data to establish a theoretical foundation for assessing the effectiveness of public investment in poverty alleviation. It clarifies key conceptual issues, including definitions and the scope of public investment for poverty reduction, and identifies major factors influencing its effectiveness. Furthermore, drawing on practical experiences, the study systematizes seven key lessons that contribute to improving the efficiency of public investment in poverty reduction.

Effective poverty reduction through public investment requires coordinated efforts from multiple stakeholders, including government authorities at all levels, socio-economic organizations, and the poor themselves. At the same time, existing policy constraints need to be addressed to maximize community participation in poverty reduction initiatives. Only through such comprehensive and inclusive approaches can public investment deliver truly sustainable poverty alleviation outcomes.

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