The paper examines the poverty targeting and impact of the preferential credit program for the poor from Vietnam Bank for Social Policies using data from Vietnam Household Living Standard Surveys 2002 and 2004. The empirical results are:

- The program targeting is not very pro-poor. Only 12% of the poor households in rural areas participated in the program in 2004. Meanwhile, the program covered 6.4% of the non-poor households. Up to 67.1% of the participants were found as non-poor households.

- The program has positive and statistically significant effect on poverty reduction. The program decreases the poverty incidence for its participants by almost 4 percentage points. The program also reduces the poverty-gap and poverty-severity indexes by around 20 percent.