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UN ASSESSMENT ON ECONOMIC IMPACTS OF COVID-19

AND STRATEGIC POLICY RECOMMENDATIONS FOR VIET NAM



PREPARED BY:

**FAO, IFAD, ILO, UNDP, UNICEF, UNIDO,
UN Women and WHO**

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FOREWORD

With the aim of helping to inform the Government of Viet Nam’s response and recovery to COVID-19, the UN COVID-19 Economic Impact Working Group, led by UNDP with the participation of WHO, UNICEF, UNIDO, ILO, IFAD, FAO, and UN Women in Viet Nam, prepared a report “UN Assessment on Economic Impacts of COVID-19 and Strategic Policy Recommendations for Viet Nam”.

This report presents an analysis of the economic impact of the pandemic on vulnerable groups, households and enterprises based on information produced by the Government of Viet Nam, other international development partners and the United Nations agencies in Viet Nam. The studies cited in the report include an assessment conducted by UNDP-UNWOMEN of the impact of the pandemic on vulnerable households and enterprises; a UNICEF rapid assessment of the impact of COVID-19 on children and their families; a survey by IFAD-ADB-IPSARD on the Impact of the pandemic on the incomes of rural households; and a UNIDO survey of firms in a number of countries, including Viet Nam, to gather information on the impact of COVID-19 and the responses of enterprises. Based on these sources and other inputs from the members of UN COVID-19 Economic Impact Working Group, the UNDP international and national economic advisors (Dr. Jonathan Pincus and Dr. Nguyen Thang) have prepared the report. The report provides (i) an update on the epidemiological situation and Viet Nam’s COVID-19 response; (ii) a review of the global and regional economic context including the role of economic imbalances that predated the pandemic on the impact on the recovery; (iii) a summary of the economic impact of COVID-19 in Viet Nam; (iv) estimations of the loss of income and employment, focusing on micro and small businesses and vulnerable workers and their families, while exploring the impact on specific vulnerable groups, including migrants, people living in remote and underserved areas, ethnic minorities, people with underlying health conditions, people with disabilities and others. The report focuses on the ways in which the pandemic has deepened existing disparities and policy recommendations to mitigate the effects of the crisis on poor and vulnerable people.

The report forms a part of a comprehensive program of the United Nations in Viet Nam to collect and analyze information relating to the social and economic impact of the novel coronavirus. The present report of the UN COVID-19 Economic Impact Working Group, together with a report on the social impact of the pandemic produced by the UN COVID-19 Social Impact Working Group, will form, a Joint UN report on the combined social and economic impact of COVID-19 that will be published in the third quarter of 2020.

We offer the report’s findings and recommendations as inputs to the GoV efforts in refining the formulation of the Socio-Economic Development Strategy 2021-2030 and Socio-Economic Development Plan 2021-2025, COVID-19 response actions and the implementation to protect livelihoods of vulnerable households, support MSMEs in recovering their operations and ensuring continued employment for workers, and eventually to achieve the Sustainable Development Goals (SDGs) in the ‘new normal’ of living safely with COVID-19.

UN COVID-19 Economic Impact Working Group

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ASF	African Swine Fever
CPI	Consumer Price Index
DESA	Department for Social and Economic Affairs (of the United Nations)
ECLAC	The UN Economic Commission for Latin America and the Caribbean
EM	Ethnic Minority
FAO	The Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GGE	General Government Expenditure
GGHE	General Government Health Expenditure
GSO	General Statistical Office
GVC	Global Value Chain
HB	Household Business
HH	Household
ICT	Information and Communications Technology
IFAD	International Fund for Agricultural Development
ILO	International Labor Organization
IMF	International Monetary Fund
IPSARD	Institute of Policy and Strategy for Agriculture and Rural Development
LDC	Least Developed Country
MGNREGA	India's National Rural Employment Guarantee Scheme
MOH	Ministry of Health
MOLISA	The Ministry of Labor - Invalids and Social Affairs
MPSARD	Master Plan for Social Assistance Reform and Development
MSME	Micro, Small and Medium Enterprises
NEU	National Economic University
NSC	National Steering Committee
OOP	Out-of-pocket
PMI	The Purchasing Managers' Index
PPE	Personal Protective Equipment
PWD	People with Disabilities
SBV	State Bank of Viet Nam
SP	Social Protection
UNDP	United Nations Development Programme
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNICEF	The United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNWOMEN	The United Nations Entity for Gender Equality and the Empowerment of Women
WTO	World Trade Organization

EXECUTIVE SUMMARY

The Government of Viet Nam's proactive response to the coronavirus pandemic saved thousands of lives and reduced the scale of the negative economic impact on the economy and livelihoods. Gross domestic product (GDP) is expected to record positive growth this year—a considerable achievement given the severity of the global recession and the devastating impact of the pandemic on domestic industries like transportation and tourism. Nevertheless, the pandemic represents a major development challenge globally and for Viet Nam. It has exposed the high social and economic costs of inequality and of gaps in health care provision and access to social protection around the globe. The pandemic has also had a disproportionate impact on specific groups including the poor and people vulnerable to poverty, migrants and informal sector workers, ethnic minority groups, the elderly, and women.

This report presents an analysis of the economic impact of the pandemic on households, communities and enterprises based on information produced by the Government of Viet Nam, other international development partners and the United Nations agencies in Viet Nam. The studies cited in the report include an assessment conducted by UNDP-UNWOMEN of the impact of the pandemic on vulnerable households and enterprises; a UNICEF rapid assessment of the impact of COVID-19 on children and their families; a survey by IFAD-ADB-IPSARD on the Impact of the pandemic on the incomes of rural households; and a UNIDO survey of firms in a number of countries, including Viet Nam, to gather information on the impact of COVID-19 and the responses of enterprises. Based on these sources, the report estimates the loss of income and employment resulting from social distancing and quarantine measures, focusing on micro and small businesses and vulnerable workers and their families. The impact on specific vulnerable groups is also explored, including migrants, people living in remote and underserved areas, ethnic minorities, people with underlying health conditions including people with disabilities and others. The report focuses on the ways in which the pandemic has deepened existing disparities and policy recommendations to mitigate the effects of the crisis on poor and vulnerable people.

The report forms part of a comprehensive program of the United Nations in Viet Nam to collect and analyze information relating to the social and economic impact of the novel coronavirus. The program consists of sectoral and thematic studies, targeted surveys, analysis of secondary data and policy reviews conducted globally, regionally and in Viet Nam. The present report

has been produced by the UN Economic Impact of COVID-19 Working Group, and is accompanied by a report on the social impact of the pandemic produced by the UN Social Impact of COVID-19 Working Group. A final report on the combined *social and economic impact of COVID-19* incorporating results from the two reports and new information from surveys and analysis will be published in the third quarter of 2020.

Viet Nam's response to the emerging coronavirus pandemic was launched on January 15, 2020 with the convening of the National Steering Committee (NSC) chaired by Deputy Prime Minister Vu Duc Dam. The National Response Plan for the Novel Coronavirus Pneumonia was issued on January 20. The aim of the plan was to detect and contain COVID-19 infections to minimize the incidence of illness and death from the disease. Central and local government budgets and social health insurance were mobilized to cover the costs of the national response plan and to ensure that out of pocket payments would not be an obstacle to personal safety, testing, tracing, quarantine and treatment for the disease. The program was largely successful, recording 99 days with no confirmed cases of community transmission. The reappearance of new cases on July 25, 2020 has served as a reminder continuing threat that the virus poses to health and well-being, and of the need for continued vigilance and adherence to Ministry of Health guidelines to contain the spread of the disease.

Globally, the pandemic has had a devastating impact on economic development and poverty reduction. Countries at all levels of income imposed travel restrictions, social distancing, school closures and stay-at-home orders in March and April. The resulting slowdown in economic activity has affected every region and country. The United Nations Department for Economic and Social Affairs (2020) forecasts negative world GDP growth of 3.2 percent this year, recovering to positive four percent in 2021. However, the impact will vary considerably among countries and regions. Economies that rely more heavily on services, commodity exports and remittances will be hit hardest, as will those with weak public health and social protection systems.

The pandemic represents a serious setback to global efforts to achieve the Sustainable Development Goals by 2030. While the short-term impact on growth is greatest in the high-income countries, developing countries and Least Developed Countries (LDCs) lack the fiscal capacity to finance programs to replace earnings for people who have lost their jobs

temporarily or permanently. The global incidence of extreme poverty has risen for the first time since the 1990s. The ILO estimates that up to half of all working people were at risk of losing their jobs at the peak of the pandemic, and the World Food Program has warned that 265 million people will face crisis levels of hunger in the absence of direct action. School closures will have a disproportionate impact on students who do not have easy access to digital technology, including students from less well-off households and those living in remote areas lacking digital infrastructure.

Hope for a robust recovery in 2021 are clouded by the persistence of economic vulnerabilities that can be traced back to the Global Financial Crisis that began in 2008. High levels of public and private indebtedness, low rates of investment, slow productivity growth and widening economic inequality have held back growth of global demand. Recent challenges to the multilateral trading system, including a sequence of trade disputes between the United States and China, are another source of uncertainty. A reinvigorated multilateralism is needed to avoid a slow recovery and more lost ground in the struggle to achieve the SDGs. At the national level, governments will need to adopt a proactive response, using the public sector balance sheet to the greatest extent possible to stimulate growth and sustain viable businesses during the crisis. Public investment will play an important role, but the selection of projects should be forward-looking, emphasizing sustainability, renewable energy, digital technologies and other productivity-enhancing infrastructure.

The pandemic has affected the Vietnamese economy through various channels. Manufacturing was hit by disruption to supply chains and weak global demand. Tourism and hospitality suffered the biggest blow following international travel restrictions, and other contact-intensive services had to temporarily cease activities. The impact on employment and incomes varied by sector, but at the height of the pandemic more than two million people had lost their jobs according to the Government. Female workers were most severely affected, as were migrants and workers in the informal sector. Exports were down marginally in the first half of the year, although the trade surplus expanded as imports of raw materials and intermediate goods fell. Exports of services fell by nearly USD 5 billion over the same period because of the impact on transportation and tourism.

The Government responded to the economic crisis with fiscal and monetary policies to support affected industries and people. Interest rates were reduced, taxes and social security payments deferred, and direct assistance was provided to specific vulnerable groups. These policies contributed helped to cushion the blow

of the pandemic, but the Government also realizes that more will have to be done as the global crisis deepens.

In the midst of an unfolding crisis, traditional economic indicators often appear too late to help guide policymaking. Recourse to non-traditional surveys and data is necessary to assemble real-time information about risks faced by specific locations and groups of people. In April and May 2020, UNDP and UN Women commissioned a rapid impact assessment and monitoring exercise (RIM 2020) to collect and analyze information on the socio-economic impact of COVID-19 on households and enterprises vulnerable to a sudden loss or reduction of income. The study found that the pandemic had resulted in a substantial fall in incomes among vulnerable households and an increase in transient poverty and the depth of poverty. The largest declines were recorded in April will evidence of recovery in May 2020.

Simulations carried out using RIM 2020 data indicate that poverty at the \$3.20 per day international poverty line increased from 4.6 percent to 26.7 percent in April, falling back to 15.8 percent in May 2020. The pre-pandemic poverty rate of 22.1 percent among ethnic minority households jumped to 76.3 percent in April 2020, dropping slightly to 70.3 percent in May 2020.

Although all groups benefited from the recovery in May 2020, the rate of recovery was slower among urban households, informal sector workers, migrants and ethnic minorities. Among households with informal sectors workers, female-headed households recovered more slowly. The onus of caring responsibilities and domestic work fell disproportionately on women, and there were reports of increased incidence of domestic violence during lockdown.

The results of the study are corroborated by other studies and surveys conducted by United Nations agencies in Viet Nam, including UNICEF's rapid assessment of the impact of COVID-19 on children and their families, the IFAD-ADB-IPSARD rural survey and UNIDO's cross-country enterprise survey. The UNICEF survey in Hanoi, Vinh Phuc and Ho Chi Minh City reported that many informal sector workers were left with no income and had to rely on borrowing and dissaving.

Transient poverty was a challenge for Government social protection programs, which were based on lists of the poor and near poor compiled before the crisis in December 2019. Groups of people underserved by the package include families of young workers and single mothers living in rented accommodations; families with pre-existing medical conditions, including people with disabilities and the elderly; informal workers in urban areas; ethnic minority households in rural areas; and cross-border migrant workers. Even some

targeted groups experienced problems in accessing support because of complicated rules and procedures, including formal sector workers who were not eligible for unemployment insurance benefits; informal sector workers; and enterprises lacking resources to pay workers' salaries. Migrants applying for support required certification at both sending and receiving locations, significantly increasing the cost of requesting assistance.

The report recommends closing gaps in the social protection system, including special programs to address the crisis; public works in rural areas to provide immediate incomes to people in poverty or vulnerable to poverty; cash transfers to distribute aid quickly to children, pregnant women, the elderly and people with disabilities; adoption of a universal social protection system based on citizenship rather than locality; and increased investment in counseling and training for

frontline workers to recognize domestic violence and resources to protect vulnerable women and children.

As public investment will play a central role in the recovery, the report urges Government to focus on forward-looking projects and programs to achieve more rapid and sustainable productivity growth, the development of renewable energy and support for emerging industries. Investing in ICT infrastructure to improve quality and access would help MSMEs and facilitate rapid digitization of government services. Some industries, like transportation and tourism, will require direct support to ensure that businesses are able to rebound quickly when conditions improve. Other recommendations include strengthening domestic supply chains, prioritizing linkages of MSMEs to foreign and domestic exporters, and assistance for Vietnamese firms to attain international standards to improve access to global markets.



INTRODUCTION

The Government of Viet Nam's early and proactive response to the emergence of the coronavirus pandemic in January 2020 has saved thousands of lives and has helped the country reduce the scale of damage to the economy and livelihoods. Viet Nam was among the first countries to recognize the severity of the pandemic and to take swift action to control its spread. The government launched an emergency plan even before the first case was recorded on January 23, 2020. Border controls, school closures, and extensive programs of testing, contact tracing and quarantine were introduced. Communities in which cases emerged were quickly sealed off. Because of this quick and decisive response, the Vietnamese economy is expected to achieve positive growth this year—a considerable achievement given the severity of the global recession and the devastating impact on specific domestic industries like transportation and tourism. Although it is too early to say that the danger has passed—as demonstrated by the recent uptick in new cases—the Government and people have demonstrated the capacity and determination to do what is necessary to contain the virus and minimize its social and economic impact.

Still, the pandemic represents a significant threat to Viet Nam's development progress and the well-being and livelihoods of millions of Vietnamese people. Globally, coronavirus is a development challenge of historic proportions. By mid-August more than 760 thousand people had died from the virus worldwide and 21 million had been infected (WHO, 2020a&b). At current rates the annual figure for COVID-19 related deaths will approach 1.25 million in 2020, on a par with global deaths from road accidents. After declining in May 2020, the growth rate of new infections rose month on month through July as the number of new cases increased in the United States, India, Brazil and several large Latin American countries. The World Bank (2020a) predicts that the global economy will contract by 5.2 percent this year, making this the worst economic crisis since the Great Depression of the 1930s. The World Food Programme (2020) estimates that hunger could affect up to 265 million people this year.

Across the globe the pandemic has starkly exposed the high social and economic costs of extreme disparities in income and wealth. The impact of coronavirus is most severe in low-income countries with weak healthcare and social protection systems, and disadvantaged people in rich and poor countries were less able to protect themselves from disease, obtain treatment, remain in work and educate their children. The virus has disproportionately affected people in poverty or

vulnerable to poverty, migrants and informal workers, ethnic minority groups, the elderly, and women. Low-income households and individuals were less able to practice social distancing because they must work outside of the home, and because they are more likely to live in smaller dwellings in densely populated neighborhoods. The elderly and people already suffering from chronic health problems suffered higher mortality rates and because they were more susceptible to the virus and because normal health services were unavailable as hospitals and clinics were overwhelmed with coronavirus cases.

This report presents an analysis of the economic impact of the pandemic on vulnerable groups, households and enterprises based on information produced by the Government of Viet Nam, other international development partners and the United Nations agencies in Viet Nam. The studies cited in the report include an assessment conducted by UNDP-UNWOMEN of the impact of the pandemic on vulnerable households and enterprises; a UNICEF rapid assessment of the impact of COVID-19 on children and their families; a survey by IFAD-ADB-IPSARD on the Impact of the pandemic on the incomes of rural households; and a UNIDO survey of firms in a number of countries, including Viet Nam, to gather information on the impact of COVID-19 and the responses of enterprises. Based on these sources, the report estimates the loss of income and employment resulting from social distancing and quarantine measures, focusing on micro and small businesses and vulnerable workers and their families. The impact on specific vulnerable groups is also explored, including migrants, people living in remote and underserved areas, ethnic minorities, people with underlying health conditions including people with disabilities and others. The report focuses on the ways in which the pandemic has deepened existing disparities and policy recommendations to mitigate the effects of the crisis on poor and vulnerable people.

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reports and new information from surveys and analysis will be published in the third quarter of 2020.

The information and analysis presented in the report leads to three main conclusions. First, the pandemic has had a disproportionate impact on poor and vulnerable people, heightening existing social and economic disparities and reversing progress towards achievement of the Sustainable Development Goals (SDGs) in Viet Nam as in other developing countries. Governments, including the GoV, will need redouble efforts to expand access to health care, close gaps in social protection systems and stimulate the creation of formal sector employment. Second, at the time the pandemic hit the world economy was already showing signs of weakness, weighed down by high levels of public and private debt and slow growth of productivity and international trade. In the absence of concerted government action, the post-pandemic recovery is likely to disappoint, both in terms of the rate of growth and improvements to living standards, especially among the poor and vulnerable. Finally, the formulation of the Socio-Economic Development Strategy 2021-2030 and Socio-Economic Development Plan 2021-2025 is an opportunity to refocus public investment on sustainable development, including renewable energy and climate change mitigation, universal access to digital technologies and other essential infrastructure to stimulate job creation and productivity growth.

The rest of the report is structured in four sections. Part I provides an update on the epidemiological situation and Viet Nam’s COVID-19 response. This is followed by a review of the global and regional economic context including the role of economic imbalances that predated the pandemic on the impact on the recovery. This section also summarizes the economic impact of COVID-19 in Vietnam. Part III presents the

results of surveys and studies on the impact of the crisis on vulnerable groups, households, businesses and localities. This section reviews the objectives of government economic policy during the crisis, achievements of these policies and lessons learned. Based on this analysis and international experience, the report then offers several recommendations for economies policies to reduce the negative impact of the pandemic on the most vulnerable people and localities, to accelerate economic recovery and build the foundations for sustainable economic growth and achievement of the Sustainable Development Goals by 2030.

Part 1. The Trajectory of the Pandemic

As of August 15, 2020, nearly 21 million people around the world had been diagnosed with COVID-19 and 760 thousand had died (WHO, 2020a&b). The seven-day average of new cases was 263,232,700, the highest recorded to date. In the first half of August, two-thirds of new cases and over half of deaths occurred in the Americas region, and one third of deaths in Asia and the Pacific. Over the same period, the top five countries in terms of confirmed cases were India, the United States, Brazil, Colombia and Peru. From the pandemic outbreak to mid-August, Viet Nam has recorded 930 confirmed cases and 21 deaths, with nearly 60 percent of cases transmitted locally (Figure 1). The period of 99 days without community transmission ended on 25 July 2020 with a new case found in Da Nang, which became an epicenter of new cases in Viet Nam (MOH, 2020).

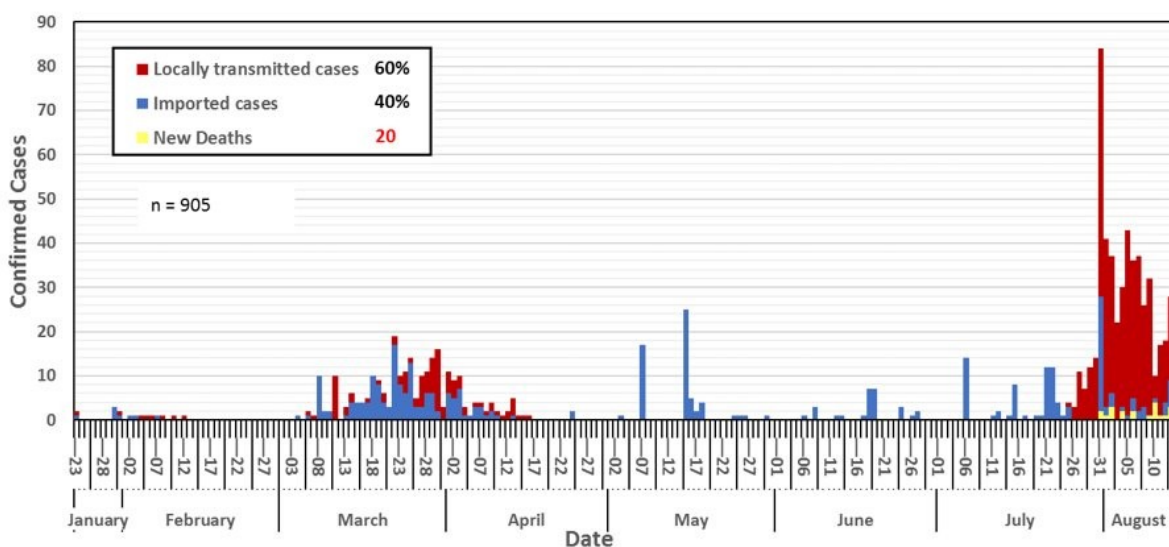


Figure 1. Epidemic curve of COVID-19 laboratory confirmed cases (Source: WHO)



Most of the countries in the Western Pacific Region, especially Viet Nam, took effective early action, including strict social distancing, tracing and quarantine measures, to contain the spread of COVID-19. However, the recent cluster of cases in Da Nang, which have been linked to cases in 15 cities and provinces across the country, show that Viet Nam needs to remain vigilant, including aggressive contact tracing for early detection of cases, strong case management, and proactive public health measures. In addition, the continuing rise in new cases globally poses a significant risk to all countries. Containing the pandemic also depends on the development of effective vaccines. There are now 28 vaccines undergoing clinical evaluation, with six having commenced Phase 3 clinical trials (WHO, 2020c). Once the efficacy and safety of one or several of the vaccines have been demonstrated, there remains the problem of production and distribution on a scale to reach everyone, regardless of where they live or their capacity to pay. Furthermore, the duration of immunity provided by the presence of antibodies from prior infection or vaccination is still uncertain and requires further research.

¹ Decisions No. 156/QĐ-BYT, No. 237/QĐ-BYT, and No. 42/QĐ-BCĐ

As the situation in the Western Pacific Region has improved, countries have requested guidance from WHO on easing non-pharmaceutical interventions. In response, the WHO Office for the Western Pacific Region published guidelines on *Considerations to Relax Borders in the Western Pacific Region* (WHO, 2020d), which highlights the following key factors:

- Reducing the risk of importation of COVID-19 by carefully assessing the origin and groups of people allowed to enter the country;
- minimizing the remaining risk of importation before, during and after travel;
- strengthening in-country capacity to detect and respond to COVID-19 cases; and
- monitoring the impact of changes in border restrictions and continuously calibrating the restrictions.

1.1. Viet Nam's COVID-19 response

On 31 December 2019, cases of pneumonia due to unknown causes in Wuhan, China were reported to the WHO China country office. On January 15, 2020, Viet Nam's National Steering Committee (NSC) for the government's COVID-19 response, chaired by Deputy Prime Minister Vu Duc Dam, was convened. The government moved swiftly to issue the *National Response Plan for the Novel Coronavirus Pneumonia (nCoV)* on January 20, 2020 with subsequent revisions on January 31, 2020 and February 18, 2020.¹ The main objective of the response plan, which was fully funded by the government, was to detect and contain COVID-19 infections to avoid transmission to minimize the incidence of illness and deaths. The plan outlines five scenarios depicted by the following stages: Stage 1 of only imported cases, Stage 2 of reported local transmission, Stage 3 of local transmission with more than 20 cases, Stage 4 of community transmission with cases greater than one thousand and up to three thousand, and Stage 5 of large-scale community transmission. On 25 July 2020, after a new case was found in Da Nang, Viet Nam has ended 99 days (MOH, 2020) of Stage 1 with only imported cases and returned to stage 3 in some localities.

The Government of Viet Nam provided strong leadership and a whole-of-society approach in responding to the COVID-19 outbreak. At the national level, the National Steering Committee is chaired by Deputy Prime Minister Vu Duc Dam with high-level representation from 14 Ministries and sectors. Provincial People Committees and other provincial non-health sectors and departments, local health facilities were also mobilized for the response plan.

1.2. Financing the COVID-19 response

The Government of Viet Nam has taken measures to ensure access to COVID-related services to all. As shown in Table 1, central and local budgets, other local funds, and social health insurance have been deployed to fund the national response plan, including the costs of mandatory centralized quarantine, testing for all Vietnamese and foreign patients, and treatment for COVID-19 induced illness for all Vietnamese patients. Foreign patients are required to self-finance COVID-19 and other treatments. For Vietnamese patients who are diagnosed with COVID-19, 80 percent of the cost of treatment for other existing or chronic conditions is covered by social health insurance, with the remaining 20 percent covered by the national government. The government covers all health expenditures

for Vietnamese COVID-19 patients without health insurance. The overall principle is the removal of financial barriers to health care access for COVID-19 patients. Viet Nam's OOP health expenditure as a share of current health expenditure of around 45 percent is not expected to increase as a result of the pandemic (WHO, 2020e). It is possible that OOP health expenditure may even decrease for those who would normally have accessed health services during this time but have opted not to access these services. The main concerns are: (i) the possibility that individuals will not seek early care leading to potentially more serious illnesses later; and (2) with declining and/or insecure incomes, the burden of OOP expenses will increase and discourage people from seeking medical attention and treatment not related to COVID-19.

Table 1. Financing of COVID-19

Expenditure item	Source of fund/funding mechanism
Overall national response plan	Central and local budgets, other local funds, and health insurance
Cost of quarantine	Central budget, local budget, and other local funds ²
Cost of testing	Social health insurance ³
Cost of treatment for COVID-19 induced illness	Social health insurance (for Vietnamese patients), out-of-pocket or own health insurance (for foreign patients)
Cost of treatment for other existing/chronic conditions of COVID-19 patients	Social health insurance covers 80% and central budget covers 20% co-payment (for Vietnamese patients), out-of-pocket or own health insurance (for foreign patients)

Source: Department of Planning and Finance (MOH), Health Insurance Department (MOH)

There are also implications for the overall national budget and sustainability of financing the COVID-19 response. Since 2010, over eight percent of general government expenditure (GGE) has been dedicated to health in Viet Nam (Figure 2). Viet Nam's government spending on health is a greater share of general government expenditure than the share in several other middle-income countries (Figure 3). Thailand spends much more than equivalent countries at about 15 percent, while other Asian middle-income countries' spending ranges from four to nine percent. As in Viet Nam, other countries like Indonesia, China, and Malaysia have increased their health spending's share of the government budget over the past decade.

Given the many factors that can affect both GGHE and GGE, more information is needed to determine how the health and national budgets are impacted

from the COVID-19 response, more immediately and in the longer-term, and how much has been spent on health and non-health sectors to the COVID-19 response. For example, a potential rise of GGHE as a result of COVID-19 may pose challenges for the government's ability to ensure GGHE increases at a higher rate than overall budget spending each year, so as to: (a) achieve universal health coverage, including universal population coverage of health insurance; and (b) accommodate the rapidly aging population and associated medical costs. In addition, less revenues from a reduction in social health insurance contributions may also have an impact. Adjusting health budgets to compensate for these shocks will be critical to the recovery. To further examine some of these issues, MOH and WHO plan to conduct a study on health and COVID-19 related expenditures.

² The government of Viet Nam allows those who are required to quarantine the option of residing at designated hotels and other accommodation facilities, which may be in better condition than centralized quarantine sites, at their own expense.

³ On 30 July 2020, VSS issued Official Letter No. 2418/BHXH-CSYT to advise social security authorities of provinces and centrally run cities to temporarily pay for COVID-19 testing costs and coordinate with local health insurance facilities.

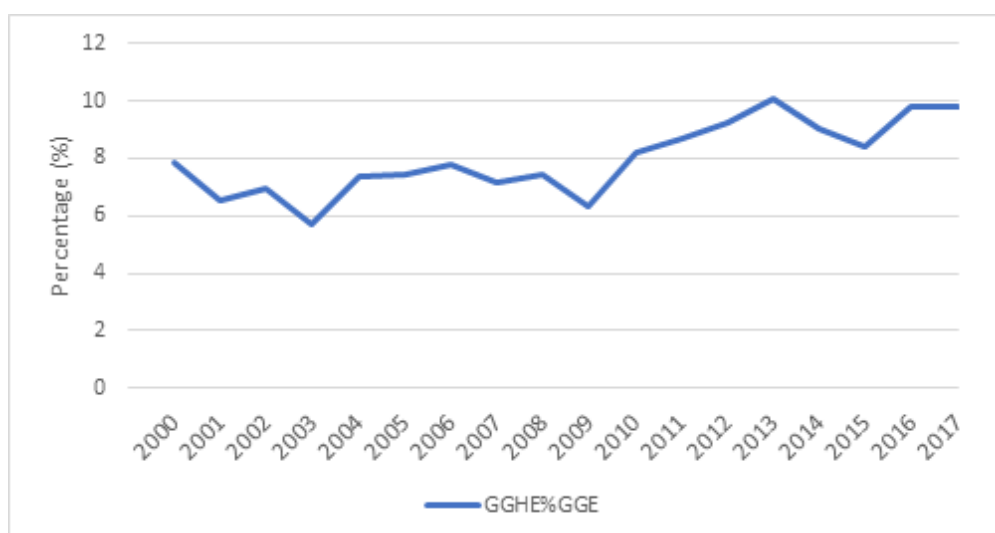


Figure 2. General government health expenditure (GGHE) as a percentage of general government expenditure (GGE) in Viet Nam, 2000-2017 (Source: WHO Global Health Expenditure Database)

Note: General government health expenditures include transfers from government domestic revenue, transfers distributed by government from foreign origin, and social insurance contributions.

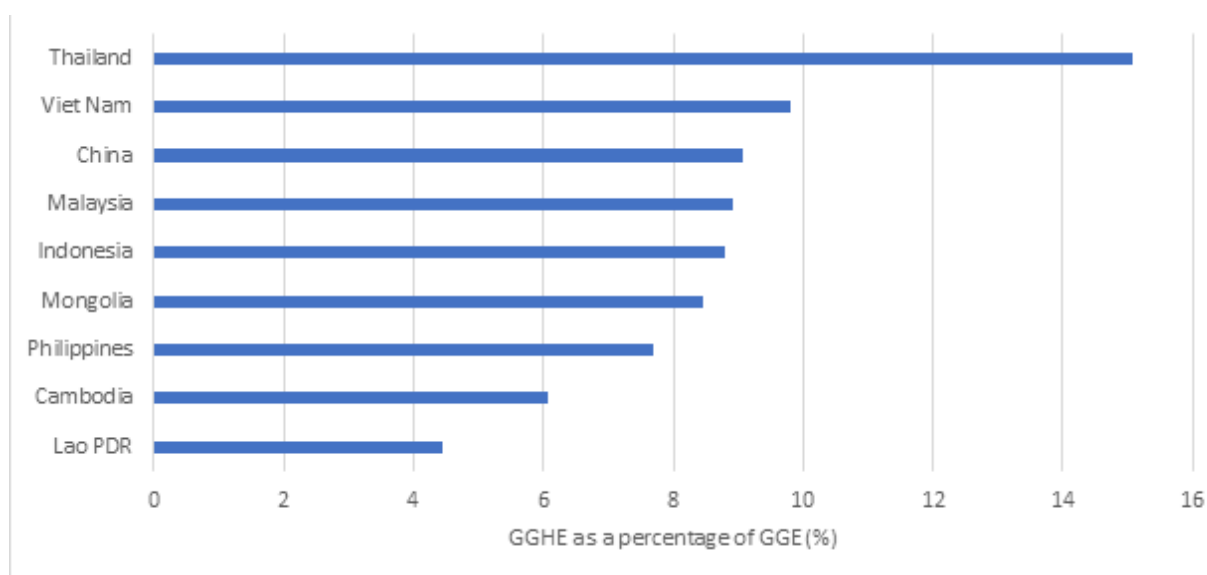


Figure 3. General government health expenditure (GGHE) as a percentage of general government expenditure (GGE) in middle-income countries in Asia, 2017 (Source: WHO Global Health Expenditure Database)

Part 2. Socio-Economic Impact at the Global and Regional Levels

The coronavirus pandemic has thrown the world economy abruptly into reverse. Global output is now expected to contract in 2020, and the outlook for 2021 is uncertain. The burden of COVID-19 has fallen most heavily on the people and places who are least able to cope with its effects: the poor, racial and ethnic minorities, the elderly, children, migrants and people living with disabilities and people facing

a range of serious health issues. The short-term economic consequences of the crisis range from increased levels of poverty and hunger and mass unemployment to missed opportunities for education and training. Avoiding serious long-term damage to the global economy, and to prospects for achieving the Sustainable Development Goals, will require large-scale and sustained public action at the national and international levels.

This section reviews the impact of the pandemic at the global and regional levels, providing context for the detailed discussion of the situation in Viet Nam. Three

points are worth emphasizing. First, the COVID-19 pandemic has starkly exposed the human costs of inequality, both between and within nations. Human suffering resulting from the pandemic is most acute in low income countries that lack the fiscal capacity needed to make testing and treatment available to all citizens or to cushion the economic shock caused by the pandemic and social distancing measures. Within middle and high-income countries, marginalized and vulnerable communities and individuals suffered the most severe effects of the crisis. Second, global economic growth was already slowing before the pandemic hit, and the crisis will intensify some of the causes of the downturn, such as: underinvestment and slow productivity growth; high levels of public and private debt; rising inequality; and emerging obstacles to trade and the functioning of the multilateral trading system. Third, the strength of the recovery will hinge crucially on public finance and the capacity of governments to invest in sustainable, productivity-enhancing infrastructure and skills, and to reverse the long-term trend towards widening inequality. A renewed commitment to multilateralism and the SDGs is crucial if we are to build capacity in the developing world and provide the global public goods to overcome shared challenges like climate change, food security and health risks including new epidemics.

The COVID-19 pandemic set in motion the most sudden and extreme reversal in economic conditions since the Great Depression of the 1930s. Lockdowns and social distancing forced businesses to shut down or adjust normal routines; borders were closed and transportation curtailed; supply chains were interrupted and commodity prices fell sharply. The Institute of International Finance (IIF, 2020) reported that a record USD 83.3 billion was withdrawn from developing country bond and equity markets in March as capital sought safe havens in gold and US assets. The loss of production expected this year and next is likely to exceed US\$8 trillion, an amount equivalent to the combined output of the Japanese and Indian economies.

The number of countries imposing school and workplace closures increased rapidly in March and April, before declining in June. The timing and pattern of closures was similar across countries regardless of income level (Figure 4). However, as new infections in Europe began to fall after May, the geography of the pandemic shifted to the Americas—the United States, Brazil, Mexico, Peru and Colombia—and to Africa, and Asia (Figure 5). By early August, the daily increase in new cases in India was equal to that in the United States.

2.1. Economic Growth

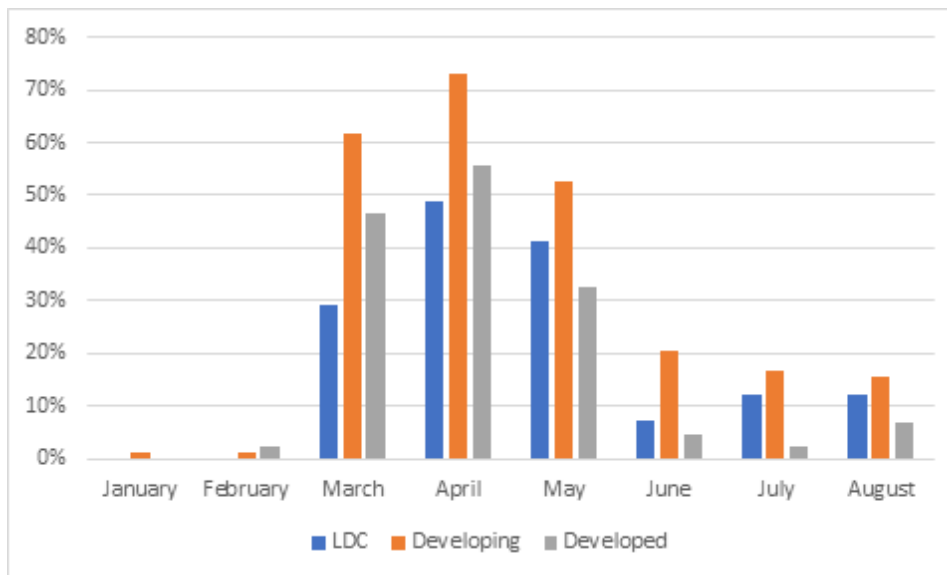


Figure 4. Workplace closure orders: Percentage of countries in each category requiring work for home for all but essential activities

(Source: Calculated from Oxford COVID-19 Government Response Tracker using United Nations country classifications, <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>).

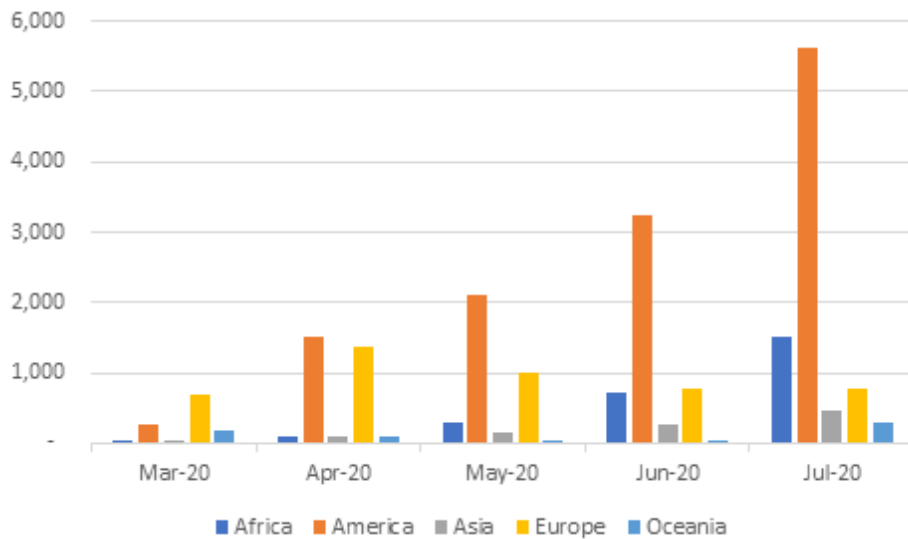


Figure 5. New cases per million population per month
(Source: Calculated from WHO, <https://COVID19.who.int/>)

Markets stabilized in April with the introduction of large-scale fiscal and monetary stimulus programs in the advanced countries and easing of lockdowns and other restrictions in China. Manufacturing supply chains recovered as China brought the virus under control and re-opened transport links. However, global output continued to contract at an alarming rate. Service industries were particularly hard hit, with hospitality and non-essential retail outlets closed and travel severely restricted. White collar workers with access to broadband could work from home at nearly normal levels of productivity and compensation. Health workers, essential workers in shipping and logistics, manual laborers and casual and informal-sector workers, including the self-employed, faced a difficult choice between working, often in an unprotected environment, or sheltering at home and sacrificing income and earnings. Millions of migrants were left stranded in their host countries and localities without access to employment but unable to return home.

We do not yet know enough about the scale, intensity, and duration of the pandemic to make confident predictions about its impact on economic growth. Forecasts are useful to estimate the magnitude of the challenge, but we can expect frequent adjustments as more information becomes available. The United Nations Department for Social and Economic Affairs (UNDESA) predicted in May 2020 that the global economy will contract by more than three percent in 2020, with negative growth in the developed countries of five percent (Figure 6). UNDESA expected a robust recovery in the developing world in 2021 of 5.3 percent, led by growth in Asia of more than six percent. However, by the end of July the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) had published a more pessimistic outlook for the region, predicting a contraction of nearly two percent developing countries in Asia and the Pacific, and more than three percent for Southeast Asia (Figure 7).

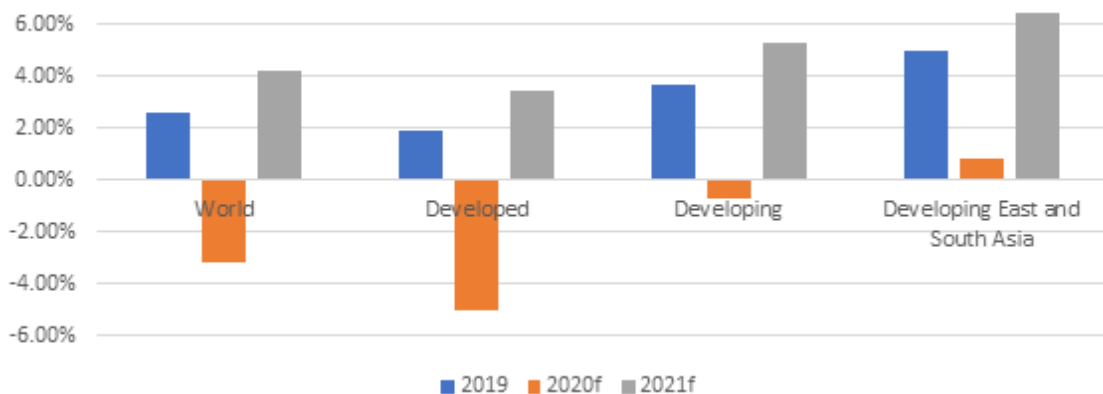


Figure 6. GDP growth in 2019 and growth projections for 2020 and 2021
(Source: UN DESA, "World Economic Situation and Prospects," May 13, 2020)

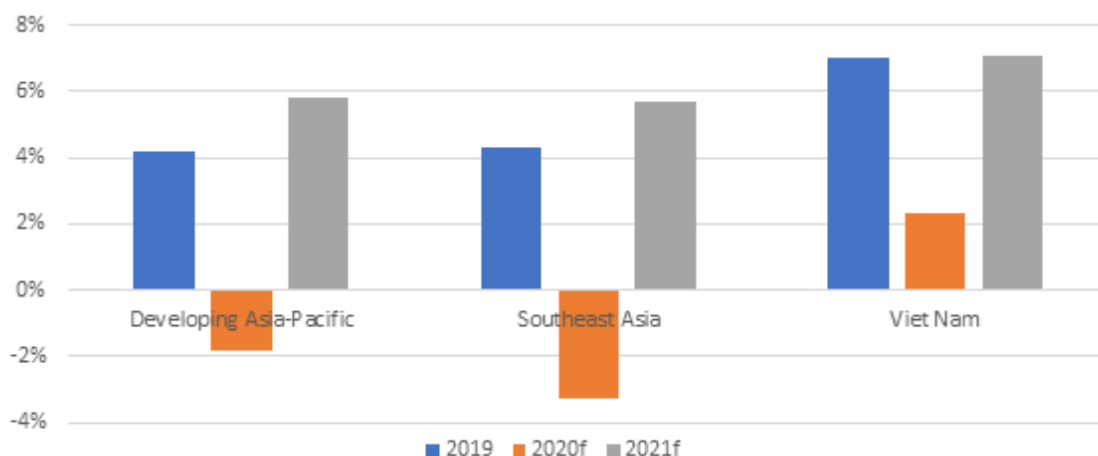


Figure 7. GDP growth in 2019 and growth projections for 2020 and 2021
(Source: UNESCAP 2020)

Developed and developing countries will suffer a recession more severe than even the global financial crisis of 2008/2009. Moreover, aggregate growth projections conceal tremendous variation among countries. Countries that rely heavily on commodity exports, remittances from overseas workers and international tourism, and those with weak systems of health care and social protection, are likely to suffer larger contractions in 2020 and a slower recovery next year.

Latin America has emerged as an epicenter of the pandemic owing to high levels of economic inequality and labor market informality and weak public health systems. The region's heavy dependence on natural resource exports will deepen the recession this year and slow recovery in 2021. The UN Economic Commission for Latin America and the Caribbean (ECLAC) predicts exports to China will decline by 24 percent in 2020 (ECLAC, 2020). The hardest-hit Latin

American countries do not have the fiscal space needed to respond proactively to the crisis. High levels of unemployment have disproportionately affected women in the retail, hospitality, transportation and tourism sectors (Figure 8).

Iran was among the earliest affected countries, and in mid-August was still recording the highest infection rates in the Middle East and North Africa. Iraq, the Gulf States and Morocco have seen an acceleration of new confirmed cases. The region's relatively youthful demographic structure—sixty percent of the population in under thirty years of age—could increase survival rates from the disease, but war in Syria, Yemen and Libya, and high population densities in urban areas and the Gaza Strip, will hamper efforts to control the virus. The fall in energy prices resulting from the pandemic is catastrophic for a region that depends on oil exports to finance imports and government expenditures.

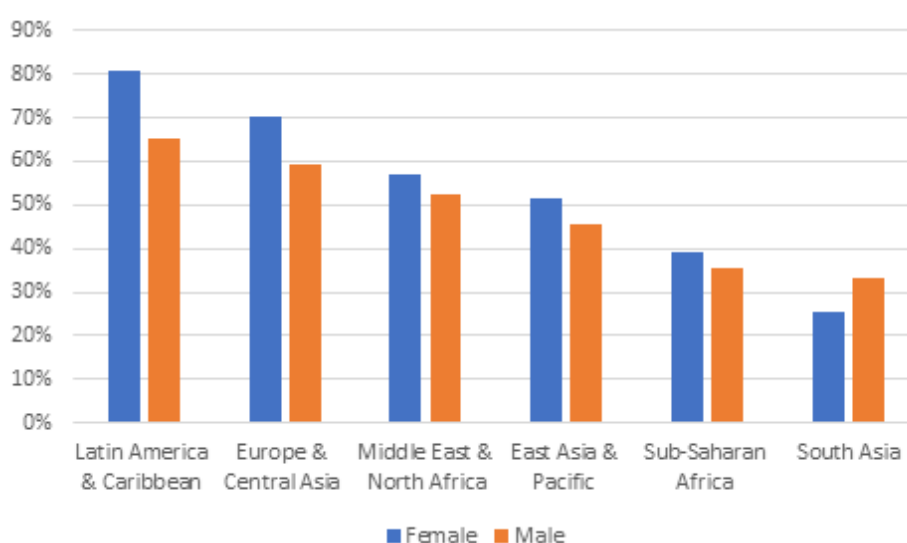


Figure 8. Services as Share of Total Employment, 2018
(Source: ILO)

African governments responded quickly to the pandemic, imposing lockdowns and social distancing measures when the number of confirmed cases was still small. However, restrictions have proved difficult to sustain. The International Monetary Fund (IMF, 2020a) has forecast a contraction in economic output in 2020 of 4.9 percent, but with large variations among countries and sub-regions. South Africa, which has recorded more than half of the region's confirmed cases, imposed a strict lockdown in March to control the spread of the virus. Although the government attempted to ease restrictions in June, the decision was quickly reversed as the infection rate climbed. The IMF expects the South African economy to contract by eight percent this year and to grow 3.5 percent in 2021. Aside from South Africa, the hardest hit countries are commodity exporters like Nigeria, Cameroon and the Republic of the Congo, and countries dependent on international tourism for foreign exchange like South Africa, but also Zimbabwe, Cote d'Ivoire and Kenya.

Asia was the first region to be hit by the pandemic, and countries that acted quickly and decisively to test, trace and quarantine—including China, Vietnam, Korea and Thailand—were able to contain its spread. Nevertheless, the economic impact on the region is immense, hitting oil producers and countries dependent on international tourism and remittances hardest. As in other regions, countries with weaker health systems and higher levels of economic inequality have shown less resilience. India, ranked third globally in terms of confirmed cases, is likely to suffer the largest economic reversal in the region despite a fiscal stimulus that according to the government is equivalent to ten percent of GDP. The government imposed a strict lockdown in March,

but this failed to bring the pandemic under control. Asian Development Bank (2020) predicts the Indian economy will contract by four percent in 2020. The two countries most directly affected in Southeast Asia are the Philippines and Indonesia, where the number of new cases was still rising in mid-August. However, the dependence of the Philippine economic on services, remittances and international tourism will result in a larger contraction, estimated at 3.8 percent, compared to marginally negative growth in Indonesia. Owing to its early success in containing the virus, and its diversified economy, Viet Nam is expected outperform other Southeast Asian countries in 2020 and 2021. (the World Bank 2020b, AMRO 2020).

Within this generally gloomy situation, some signs of encouragement can be found in the recovery of Asian manufacturing. Manufacturing output in China recovered quickly in May, recording year-on-year growth of 4.4 percent. China's Purchasing Managers Index, a forward-looking survey of supply chain managers, turned positive in March after a sharp dip in February (Figure 9).

Viet Nam's PMI reached a low point in April and recovered in May, although still indicating a contraction. The dip in Viet Nam's PMI in July is a cause of concern, as is the fact that the index is still indicating contraction in the sector. Purchasing intentions in Japan and Korea recovered in June and July but remain subdued. However, the fact that the contractions did not occur simultaneously have helped the East Asian region avert a deeper recession. The Global Manufacturing PMI has yet to reach the depths of the levels recorded during the Global Financial Crisis in 2008/09, and there were signs of improvement in June and July (Figure 10).

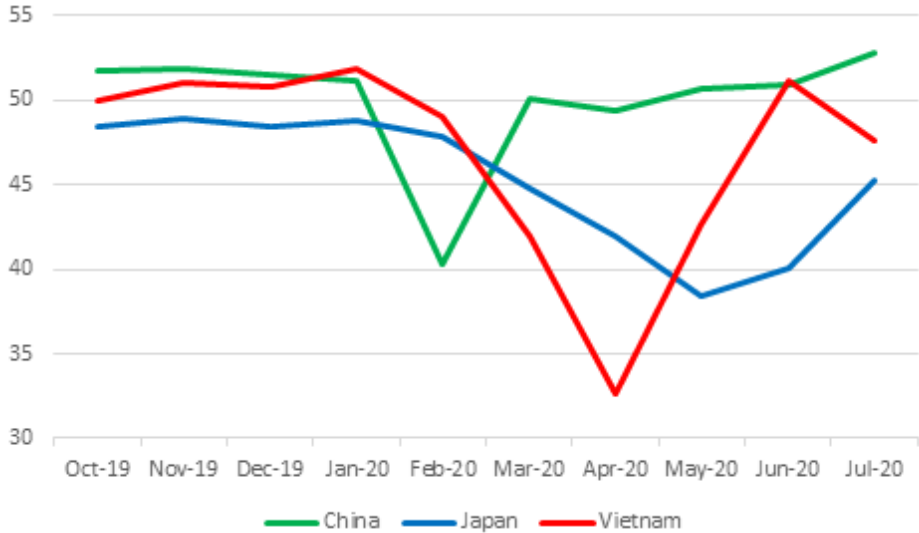


Figure 9. Manufacturing Purchasing Managers Index, China, Japan and Viet Nam (Source: IHS Markit)

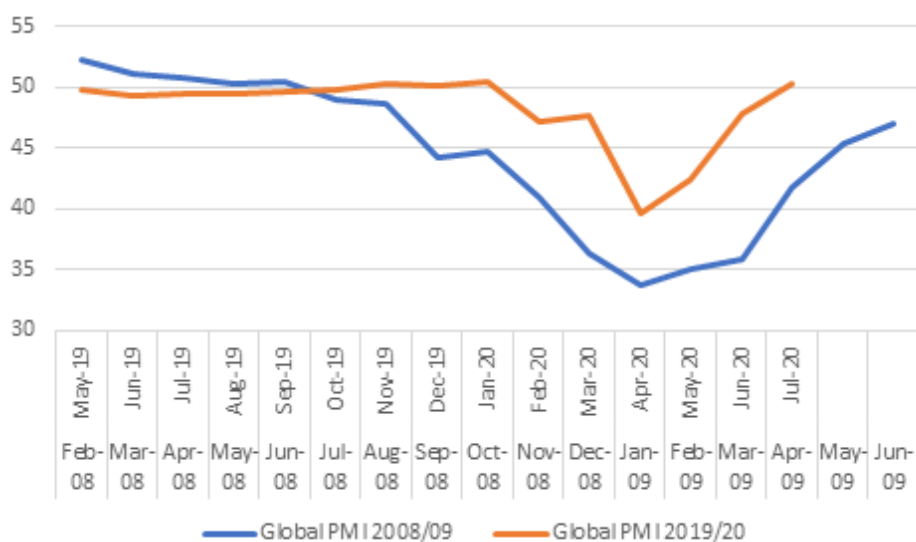


Figure 10. Global Manufacturing Purchasing Managers' Index, 2008 and 2019-2020 (Source: IHS Markit)

Agricultural production and trade have also proven resilient, with early concerns of a global food crisis failing to materialize. The IMF food price index, which includes prices for cereals, vegetable oils, meat, seafood, fruit, groundnuts, milk and vegetables, has held steady through July 2020 (Figure 11). Good grain harvests this year have increased stocks and food shipments have been largely unimpeded. With some exceptions, supply chains have adapted quickly. Rice prices rose sharply from March as drought in Thailand and heavy rains elsewhere in Asia reduced harvests

while importing countries placed large orders as a precaution against shortage. Uncertainty over the impact of the pandemic on rice production in India, currently the largest exporter, has also prompted buyers to advance orders. However, higher prices will generate a supply response from second-tier exporters, which should calm markets later in the year. Food security for millions of consumers is still under threat, but the problem is one of purchasing power due to loss of employment and income rather than food supplies.

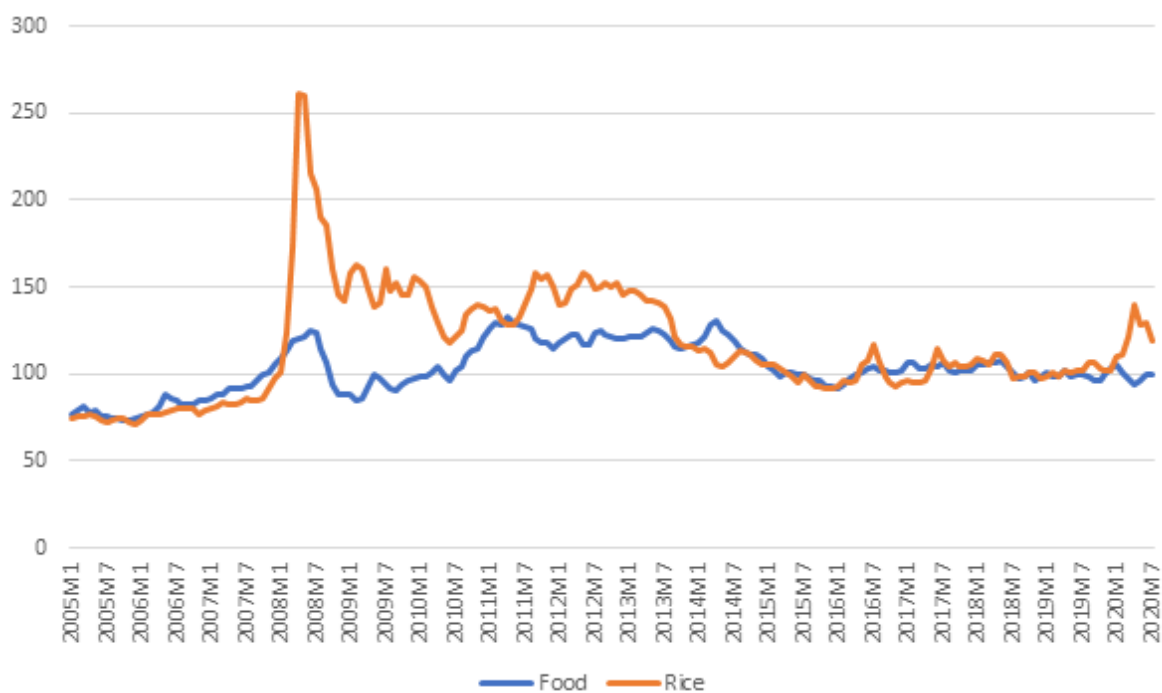


Figure 11. IMF Food price index and daily rice prices, 2016=100 (Source: IMF)

2.2. Impact on Poverty and Inequality

Even before the coronavirus pandemic, the world was not on track to eliminate extreme poverty and hunger by 2030. Having suffered slow growth or economic contraction and massive job loss in 2020, many countries around the world will lose ground this year in the struggle to achieve these and other SDGs. At the end of 2019, 8.2 percent of the world's population was living in extreme poverty (as defined by the \$1.90 per day international poverty line). According to United Nations projections, this figure will rise to 8.8 percent by the end of 2020, the first increase in the rate of extreme poverty since the 1990s. If this projection is correct, an additional 71 million people will be living in extreme poverty as a result of the COVID-19 pandemic (United Nations, 2020a). Half of the people forced into extreme poverty live in Sub-Saharan Africa and one-third in South Asia. At the higher \$3.20 per day poverty line, an additional 176 million people will fall into poverty this year.

Even these staggering projections are likely to be an underestimation of the real impact of the pandemic, as they assume that economic inequality does not increase. However, the evidence suggests that the cost of measures to reduce infection rates have fallen

disproportionately on the poor. The ILO (2020a) estimates that half of all working people could lose their jobs at the peak of the pandemic, while the World Food Programme (2020) has warned that 265 million people will face crisis levels of hunger in the absence of direct action. Health care costs will drive millions of people into poverty in countries that lack comprehensive systems of social protection. The World Bank cautions that a one-percent rise in measured inequality would increase the number of people falling into extreme poverty by one-quarter, and a two percent rise by nearly 50 percent. (World Bank 2020 c).

As noted above, workplace and school closures and social distancing measures were enacted by most affected countries, including LDCs and developing countries. However, countries differ radically in their capacity to finance social protection programs to replace lost wages and earnings. Support per person in the developed world was roughly eight times greater than in developing countries, and 117 times greater than in LDCs (Figure 12). By May, more than half of high-income countries had put in place programs to replace at least 50 percent of wages for employees and small business owners, as compared to a handful of developing countries and no LDCs.

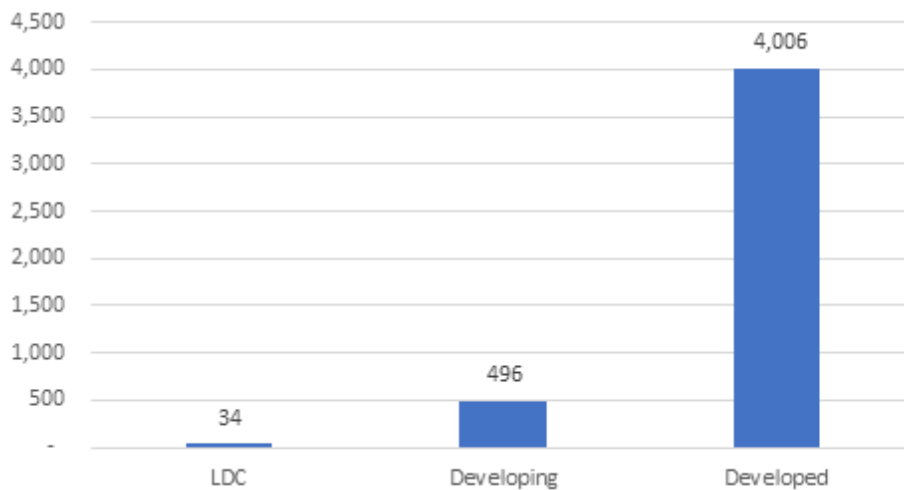


Figure 12. Fiscal support per capita, January-August 2020

(Source: Calculated from Oxford COVID-19 Government Response Tracker using United Nations country classifications, <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>).

Within countries, the coronavirus pandemic has ruthlessly exposed the human costs of widening economic disparities. Poor people are more likely to be infected by the virus and to suffer its worst effects. Inequality in access to health care is also associated with more rapid spread of the disease and higher mortality rates. Countries with weaker system of primary care responded more slowly to the pandemic and clinics were quickly overwhelmed by the rise in cases. When this occurred, morbidity and mortality from non-COVID related causes increased as access to treatment was curtailed. Obesity, diabetes, hypertension, heart

disease and lung disease, which are more prevalent in unequal societies, are risk factors for coronavirus. Aging societies that have underinvested in social care have suffered high mortality rates among the elderly.

Crowded slums, refugee camps and workers' dormitories are especially vulnerable to the spread of the disease. Nearly one million Rohingya refugees live in 34 camps around Cox's Bazar, Bangladesh, with densities rising to 90,000 people per square kilometer. The first COVID-related death in the camps was recorded in early June, and thousands of refugees

have been placed under quarantine. New cases in Singapore rose from 49 per day in early April to 1,426 by April 20, almost all of which were migrant workers living in 43 densely packed dormitories, often sleeping twelve men to a room. The United States, which has four percent of world population but 21 percent of incarcerated people, has experienced a massive—and still under-reported—outbreak in its prisons, resulting in 50,000 cases and more than five hundred deaths.

In all countries, salaried employees and workers covered by robust social protections systems have enjoyed significant advantages over casual employees, informal sector workers, international and domestic migrants and the self-employed. Casual workers lack the protections afforded by formal contracts and their work is often less safe. Manual work cannot be performed from the safety of home, and often entails direct contact with co-workers in crowded environments. The fact that they are informal—unenumerated is perhaps a more appropriate term—means that they are less visible to policymakers and more difficult to reach through emergency support programs. Thousands of transnational migrants are stranded in host countries, without work and unable to return home because of travel restrictions and because they lack the means to finance return journeys.

Can we hope for a robust recovery?

As noted earlier, global economic growth was already slowing when the scale of the coronavirus pandemic became apparent in early 2020. As lockdowns and social distancing came into force, governments took action to avert a financial crisis. Central banks injected liquidity into banks to ensure that creditors have the confidence to lend and borrowers can roll over credits during an extended period of revenue loss. Many countries subsidized borrowing by small and medium-sized enterprises to enable them to continue to pay their employees, even if they were working fewer hours or not at all. It is hoped that if these companies remain solvent during the lockdown, the economy will recover more quickly once restrictions are eased. Preventing bankruptcies would also prevent

large-scale depreciation of fixed capital, which would occur if thousands of businesses are liquidated at the same time.

These measures have helped to moderate the short-term impact of the pandemic. However, prospects for a robust recovery in 2021 and beyond are clouded by vulnerabilities that were present in the global economy before the pandemic struck. These include: i) underinvestment and slow productivity growth; ii) exceptionally high levels of public and private debt in both advanced and developing countries; iii) widening within-country inequality; and iv) rising protectionist sentiment, particularly in advanced countries, and a resulting decline in global trade volumes.

The origins of these macroeconomic vulnerabilities can be traced to the Global Financial Crisis of 2008. In response to that crisis, central banks flooded markets with liquidity to protect financial institutions and stimulate growth. To a large extent the strategy worked: global economic output contracted for only one year, after which growth returned to pre-crisis levels. However, the recovery was uneven: commodity exporters benefited from strong demand from China from 2008 to 2012, but deleveraging and fiscal austerity acted as a brake on growth in the advanced countries. Even a decade after the crisis, weak demand and the continuing risk of deflation have thwarted attempts to remove the monetary stimulus. In retrospect, heavy reliance on monetary policy addressed the short-term problem of illiquidity but did not deal with the deeper, and long-term problem of insolvency. Unlimited amounts of cheap credit could forestall financial collapse but could not address the underlying problem of excess leverage. Debtors could refinance borrowing at lower rates but could not achieve a sustained increase investment or consumption. Investment in the European Union contracted by 0.2 percent in real terms from 2007 to 2017 and grew by less than one percent in the US. Labor productivity growth was significantly slower in the decade after the crisis than the decade before it (Figure 13). Real median household income was also stagnant, growing at 0.3 and 0.6 percent in the US and EU, and falling by one percent per year in Italy over the same period.

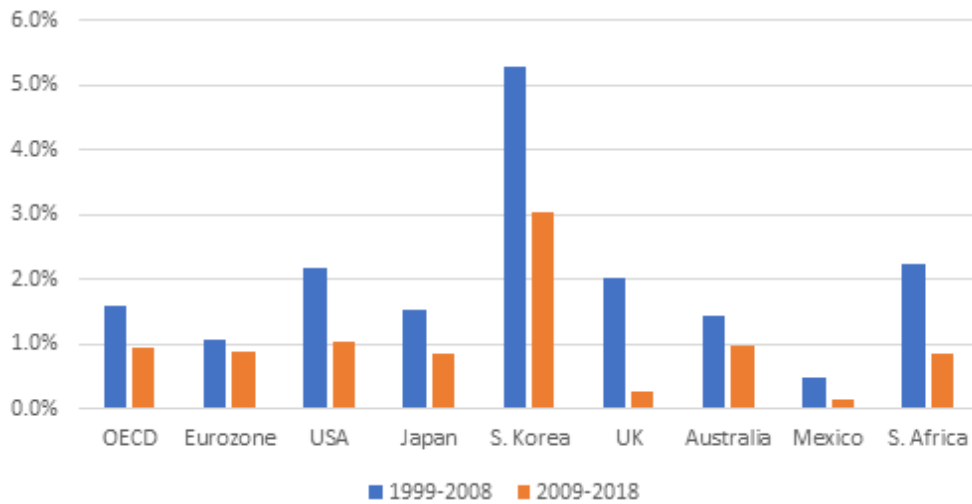


Figure 13. Labor productivity growth 1999-2018, average per annum (Source: OECD)

These structural factors were overwhelmed by the pandemic in the first half of 2020, but they will re-emerge and intensify as the recovery unfolds. China will not reprise its role as “buyer of last resort” from 2009 and 2010. In the years following the GFC, China’s fiscal stimulus was equivalent to 25 percent of GDP, and was concentrated heavily in physical infrastructure. The program had a dramatic impact on world commodity prices, sparking a boom that lasted until 2012 and that brought a swift end of the global recession for commodity exporters. Rising demand in China was also a boon to exporters of capital goods like the US, Germany, Korea and Japan. During the coronavirus pandemic China is taking a more measured approach. In May, the government unveiled a RMB3.6 trillion (USD 500 billion) package that is earmarked for job creation, livelihoods, food and energy security and infrastructure. This time infrastructure spending will be more selective, focusing on cold chain logistics, charging stations for electric vehicles and artificial intelligence (Shen, 2020). While some commodity producers are likely to benefit (notably copper

exporters), the size and breadth of the program will not support global demand.

Record levels of public and private debt are the main legacy of the GFC. Cheap credit flooded into asset markets and into increasingly risky credit markets. Price to earnings ratios in US and European equity markets rose to record levels as credit fueled stock purchases and corporate buybacks. The global market for high-yield bonds, leveraged loans and private debt reached USD 9 trillion by early 2020, and credit quality declined as volumes increased (Figure 14). Global investors also ventured into high-risk public sector debt in low income countries in their search for yield. Emerging market debt servicing costs rose to their highest levels as a share of GDP since 2005, and the IMF warned in October 2019 that 34 out of 70 so-called “frontier” economies were at risk of default (IMF, 2019). While households struggled to reduce debt, governments and corporations in the advanced and developing countries rapidly expanded borrowing (Figure 15).

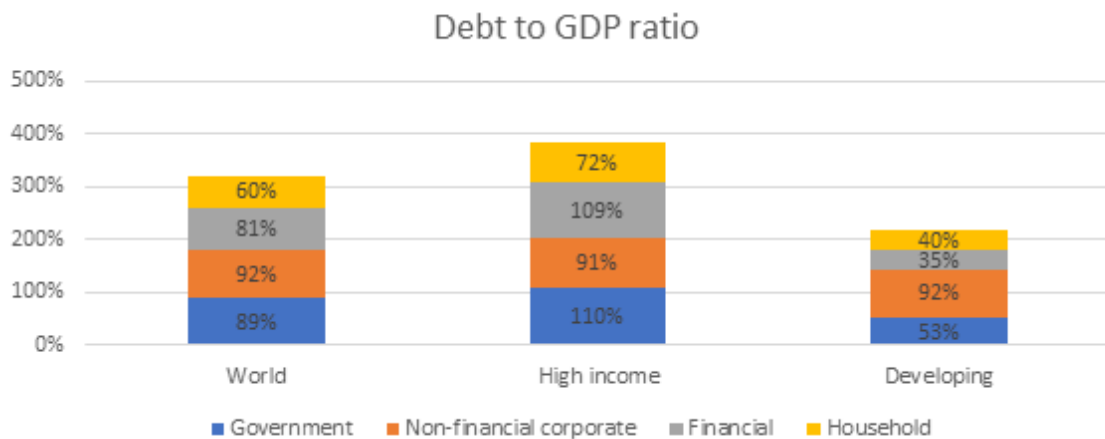


Figure 14. Debt to GDP ratio and distribution of debt, 2019 (Source: IMF)

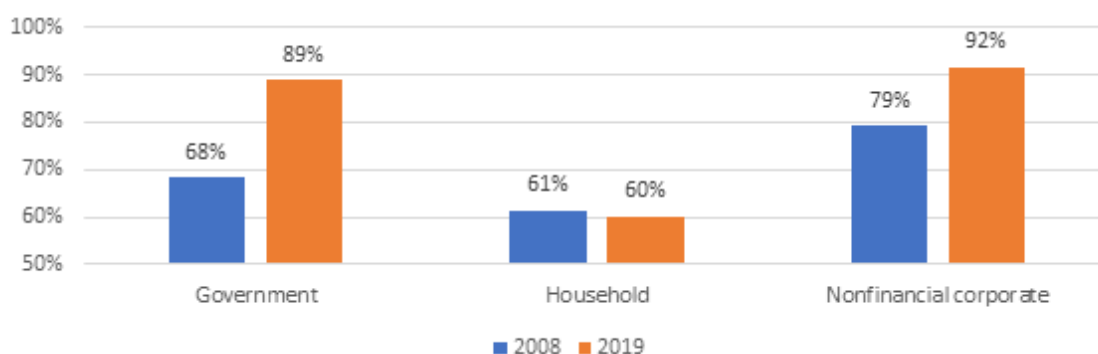


Figure 15. Public sector, household, and corporate debt, 2008 and 2019
(Source: IMF)

Thus, on the eve the pandemic the world economy was already highly leveraged. The IMF (2020b) predicts that average government debt in the advanced countries will exceed 120 percent of GDP by next year. It is likely to be over 130 percent in the United States and 150 percent in Italy. In developing countries, the level of government debt was more than 50 percent of GDP, and will rise by 9.1 percent of GDP in middle-income and 5.1 percent in low-income countries. Of even greater concern than the level of debt in the developing countries is its composition: bond financing increased from 30 percent of middle-income country public debt in 2000 to 50 percent in 2018. Among low-income countries the corresponding figure rose from two to 17 percent (UN/DESA, 2020). Heavier reliance on commercial credit increases refinancing costs and increases the likelihood of default during periods of global instability. Corporate borrowing in the developing world also increased sharply after the Global Financial as lenders sought higher returns in a

context of low domestic interest rates.

Economic inequality was both a cause and a consequence of the Global Financial Crisis. Slow wage growth in the high-income countries induced more consumer borrowing, as middle-class households attempted to sustain living standards in the face of static earnings and rising costs of healthcare, education, and housing. Loose lending practices in the mortgage market made it possible for households to acquire loans that they would not be able to service if property prices growth decelerated or reversed. In the aftermath of the crisis, rising asset prices and slow wage growth remained key factors in the increase in income and wealth inequality. While official statistics indicate that inequality in China moderated slightly after the Global Financial Crisis, they continued to widen in India, which now ranks among the most unequal countries in the world (Figure 16).

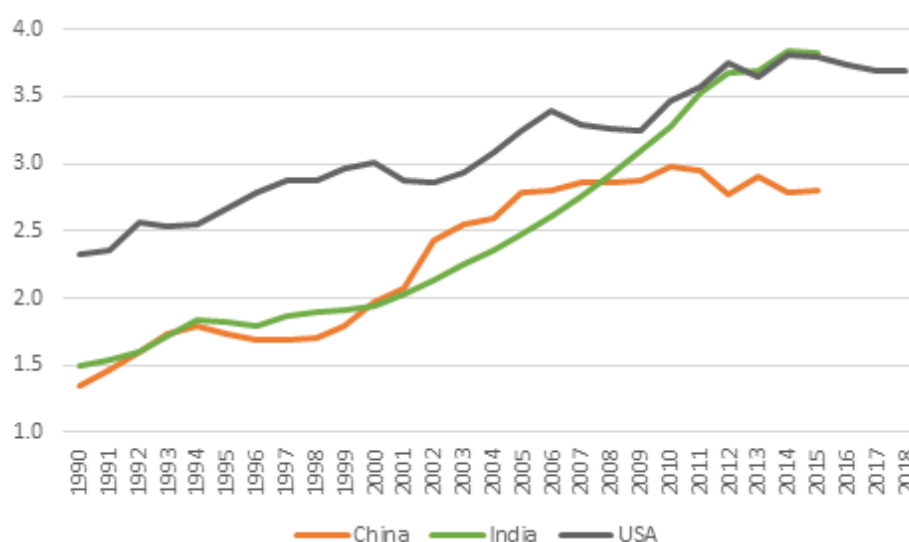


Figure 16. Palma Ratio of income share of richest 10% to poorest 50% of the population
(Source: World Development Indicators)

Anti-trade sentiment and xenophobia increased in the United States, Europe and elsewhere as populist political movements blamed real economic hardship on globalization and immigration. The loss of steady, productive employment in manufacturing, and the failure to provide a pathway for these workers to acquire skilled jobs in the service sector, meant that some groups in high-income countries were net losers from globalization, even if on aggregate the world was better off. Under fiscal austerity, too little was done in North America and Europe to create economic opportunities for globalization’s net losers.

Anti-globalization sentiment has led to an increase in restrictive trade practices, which, taken together represent a threat to the multilateral trading system anchored by the World Trade Organization. The growth of trade values associated with globalization went into reverse after the GFC (Figure 17). The US-China trade war was primarily responsible for the spike in new restrictions on trade announced in 2018, but the US also imposed restrictions on Canada and

Mexico and the European Union. The current US trade representative, Robert Lightizer, has branded the World Trade Organization “a mess” that has “failed America and failed the international trading system.” (Williams, 2020). The WTO’s dispute settlement process has fallen into disarray as the US has blocked the appointment of new judges to the organization’s appellate body.

Unless we learn the lessons from the GFC and its aftermath, the recovery from COVID-19 will disappoint. Governments will need to take a more proactive, forward-looking approach to address the causes of economic vulnerability, and not content themselves with treating symptoms. Global coordination and cooperation will need to be stepped up to discourage beggar-thy-neighbor policies like trade barriers and competitive devaluations that leave everyone poorer in the long run. Most importantly, economic policy needs to prioritize the least well-off people and communities so that the recovery leaves no one behind and we can get back on track toward achieving the Sustainable Development Goals.

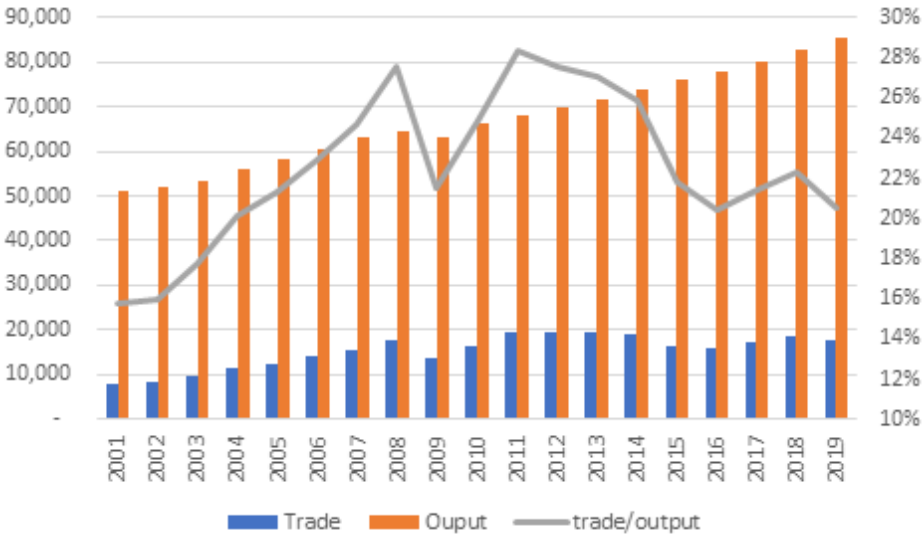


Figure 17. World economic output and trade, 2001-2019 (Source: IMF)

Low rates of investment and productivity growth, high levels of debt and economic inequality and growing obstacles to trade have serious implications for the post-COVID-19 economic recovery. Consumers and businesses that increased borrowing to survive the pandemic will begin the slow process of deleveraging as they did after the Global Financial Crisis. In the absence of a substantial and synchronized fiscal stimulus, demand will be insufficient to drive a robust recovery. Weak demand could have a dampening effect on the commodity prices that many developing countries rely on for growth, exports and government revenue. Global demand will also be held back by slow recovery in sectors hit particularly hard by the pandemic such as transportation, hospitality, food service, education and warehousing. Increasing competition in a context

of flagging demand could aggravate trade tensions leading to further destabilization of multilateral trading arrangement and international trade in goods and services.

Need for robust government action

An important lesson from the aftermath of the GFC is that private sector overborrowing cannot be resolved with more debt. Even when interest rates are held at low levels, overleveraged companies cannot invest in productivity-enhancing technologies, start new product lines and hire more workers. Moreover, banks and other lenders become increasingly risk averse to preserve capital to meet regulatory requirements and

reduce losses. Governments must tackle insolvency problems head on: some companies will not survive and must be wound down in an orderly fashion; governments can take an equity stake in companies that are illiquid but not insolvent; and in some cases debt can be written off or swapped for equity.

Normal fiscal rules and parameters will need to be suspended to sustain the recovery. The government is the only macroeconomic entity in a position to expand its balance sheet, as shown in Figure 18. Households and businesses have suffered a sharp fall in assets and income, and will be unable to attract new borrowing. Banks and other financial institutions' capacity to extend loans will be constrained by contraction on

the liability side, as savers withdraw funds to meet living expenses and businesses draw down working capital balances. It will be safer for banks to acquire government bonds than to extend risky loans to businesses and households. With domestic and foreign demand falling, foreign investors will delay plans for new projects and may be forced to suspend or even liquidate existing businesses. Only government can expand its balance sheet to support economic activity at a time of an unprecedented fall in economic output. Failure to do so would condemn millions of businesses and households to bankruptcy and severe deprivation.

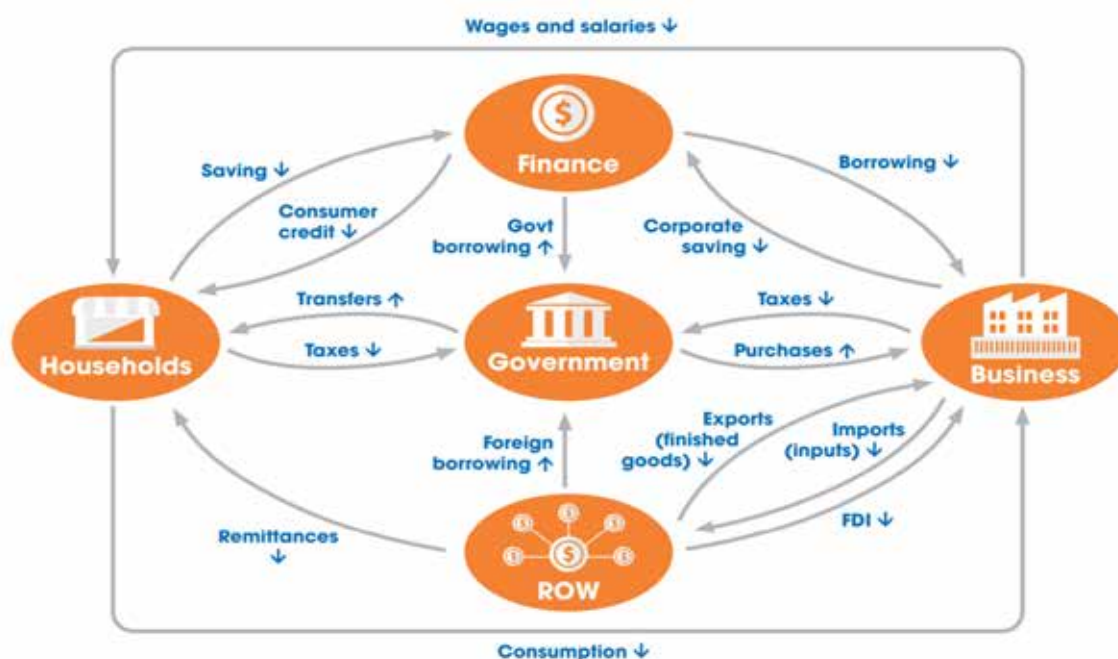


Figure 18. Macroeconomic flows as a result of the COVID-19 pandemic

In normal times, governments are wise to limit borrowing to avoid overheating, price inflation, balance of payments problems and potentially exchange rate volatility. But these are not normal times. With GDP falling in real terms in many countries, governments will need to increase borrowing. Most of this increment in debt will come from domestic institutions and in the national currency. The limiting factor is not the relationship between debt and GDP, but the impact of public borrowing on the balance of payments. Developing countries with a convertible currency and an open capital account could experience capital outflows and a sharp depreciation of the national currency if government support for businesses and households is used to acquire foreign assets. Viet Nam, with its partially closed capital account a non-convertible currency, has an advantage over countries with more liberalized financial systems.

Developing countries' access to international borrowing varies depending on their specific circumstances. Portfolio flows fell sharply at the onset of the pandemic but have recovered. Nevertheless, we can expect continued turbulence in international capital and foreign exchange markets as investors attempt to manage risk in an environment of extreme volatility. The top concern for developing country governments will be to ensure that the country has access to sufficient quantities of foreign exchange for essential imports at a time when exports, remittances and foreign direct investment are depressed by the crisis. Long-term official foreign borrowing at preferential rates is a first line of defense, with commercial borrowing withheld as a last resort. Taxes and temporary restraints on luxury imports and encouragement of domestically produced import substitutes are useful if a trade deficit emerges.

Governments will need to take a proactive stance to support domestic demand. However, they must take great care to use these resources and with an eye to their long-term impact. As already mentioned, spending should not take the form of untied grants that find their way into the foreign exchange markets. Priority should be given to investments that contribute to productivity growth and create employment, especially for less well-off groups society. Investing in climate change adaptation and sustainable energy are examples of using public funds to achieve long-term benefits. Energy prices are low now but will quickly rise as demand recovers. Investment in renewables creates domestic industries and reduces import requirements in the future. Developing communications and connectivity, and investing in education and training, will bring down the cost of doing business and facilitate technological change.

COVID-19 has demonstrated the importance of universal social protection systems. Countries in which social protection is the preserve of the rich, or that rely heavily on self-insurance, fell back on *ad hoc* relief programs to disburse funds quickly to poor and vulnerable individuals and households. Many of these extemporized programs did not reach the intended targets, did not provide enough help for the duration of the crisis or were subject to high operational costs. Health systems that require large out-of-pocket expenditures discouraged people with symptoms of COVID-19 from seeking medical attention. This not only endangered their own health and that of their families, but also made it difficult for public health officials to assess community transmission of the virus. Redesigning fragmented social protection systems to close gaps in coverage while deploying information technology to streamline administration is essential to the recovery effort and as preparation for future emergencies.

Revitalizing Multilateral Cooperation

The world economy now confronts a range of momentous challenges such as financing climate change mitigation, adaptation and investment in renewable energy, managing public and private debt, resisting threats to the multilateral trading system, rising inequality and achieving all of the 2030 Sustainable Development Goals. To these we must now add financing the response to COVID-19 and recovery. These challenges will not be met by individual countries in isolation or small groups of like-minded countries acting independently from the international community. As discussed earlier, vast inequalities separate governments in their ability to address the economic impact of the pandemic. Like climate change, the coronavirus pandemic has accentuated the essential interdependence of global economic and ecological systems and reinforces the

principle that the global community is only as strong as its weakest members.

An historical recommitment to international collective action is needed, including a reconfiguration of the multilateral financial architecture as set out in the landmark *Financing for Sustainable Development Report 2020* (United Nations, 2020b). Among the recommendations of the report is a call for mechanisms for sovereign debt restructuring to deal with the problem of public and private sector debt international in the developing world.

In April, G-20 finance minister declared a moratorium on debt payments, both public and private of the LDCs. The move will suspend \$12 billion in government debt and \$8 billion of private sector debt for an unspecified period. The IMF (2020c) has also allocated \$500 million to cancel six months of debt payments for the 25 poorest countries in the world, 19 of which are in Sub-Saharan Africa. But these sums are insignificant relative to the \$2.5 trillion that IMF (2020d) estimates will be needed by the developing world. The recovery from COVID-19 has increased the urgency of moving beyond ad-hoc, piecemeal solutions to create a new framework that incentivizes long-term, sustainable investment, discourages speculation, supports domestic resource mobilization in a digitized, globalized economy and promotes financial stability.

2.3. Socio - Economic Impact in Viet Nam

The COVID-19 pandemic has affected the Vietnamese economy through multiple channels

The COVID-19 pandemic is the largest reversal in global economic growth since the Great Depression in the 1930s. For Viet Nam, which has one of the world's most open economies, weak global demand, disruption to external trade in goods and services, and the imposition of social distancing measures—including nationwide and local lockdowns in April 2020—have been the main channels through which the pandemic has affected economic performance.

In the first half of 2020, the socio-economic impact of COVID-19 can be likened to a storm with frequent changes in the strength and direction of the prevailing winds. Manufacturing, particularly sub-sectors with a high degree of integration into global value chains such as textiles, garments and footwear, were hit hardest in the first four months because of disruptions to input supply chains. Then numerous contact-intensive services came to a near standstill during the nationwide lockdown in April 2020. Since May, domestic services have started to recover while export-oriented manufacturing has faced headwinds because of weak global demand. While many big

manufacturing firms weathered the storm better than small enterprises in the first quarter of 2020, they have recently had to scale down production and downsize the workforce as existing orders have run out and new ones are have not yet come in.

The Food and Agriculture Organization of the United Nations (FAO) has identified major impact channels in agriculture affecting commodity trade (Schmidhuber, Pound & Qiao, 2020). Viet Nam’s labor-intensive agriculture is vulnerable to labor shortages due to the pandemic and quarantine measures to reduce the transmission of the virus. While the impact on the sector as a whole is moderate to low, specific sub-sectors such as export-oriented aquaculture are vulnerable to demand shocks. COVID-19 related disruption has compounded problems associated with the African Swine Fever (ASF) epidemic, which ravaged Vietnam’s pig herd in 2019 and raised the prices of pork and other animal proteins for consumers and food processors (Vietnamnews, 2020).

The reduction in economic activity caused by the pandemic has significant implications for the labor force. The impact on employment has closely followed sectoral effects. As the latter are uneven, so are the former. According to ILO, job loss among informal workers is high as they are over-represented in contact-intensive sectors, which are heavily affected by containment measures. So are female workers because of their over-representation in several heavily affected sectors (ILO, 2020b).

The overall employment impact depends on the level of economic disruption and the size of the labor force in each sector. It also depends on the flexibility of the labor market. Greater occupational and geographic mobility of labor helps dampen the negative impact of the

pandemic on overall employment. The deterioration of labor market outcomes reduces aggregate demand, since private consumption closely follows movements in the disposable income of workers. This results in a vicious circle of weaker demand, reduced economic activity and incomes, leading to reduced consumption and even weaker demand.

The worst growth performance in three decades

The COVID-19 pandemic, through multiple channels as outlined above, has had a severe impact on economic growth in the first half of 2020. According to the General Statistical Office (GSO), GDP for the first six months of 2020 grew by only 1.81 percent compared to 6.77 percent in the same period last year. This is the slowest rate GDP growth rate since the mid-1980s, and far below the average for the 2011-2020 period of 5.44 percent. (Figure 19). Estimated GDP growth in the second quarter was only 0.36 percent over the same period last year. However, owing to country’s success in containing the virus, Viet Nam has outperformed nearly all other middle-income countries in the Asia-Pacific region and other regions.

Inflation was moderate in the first half of the year, with the Consumer Price Index (CPI) increasing by 4.19 percent compared to the same period in 2019. The rise in prices was mainly attributed to food and foodstuffs, while core inflation increased by only 2.81 percent. Lower global energy prices reduced domestic inflationary pressures, giving the Government latitude to ease monetary policy to address the aggregate demand shortfall.

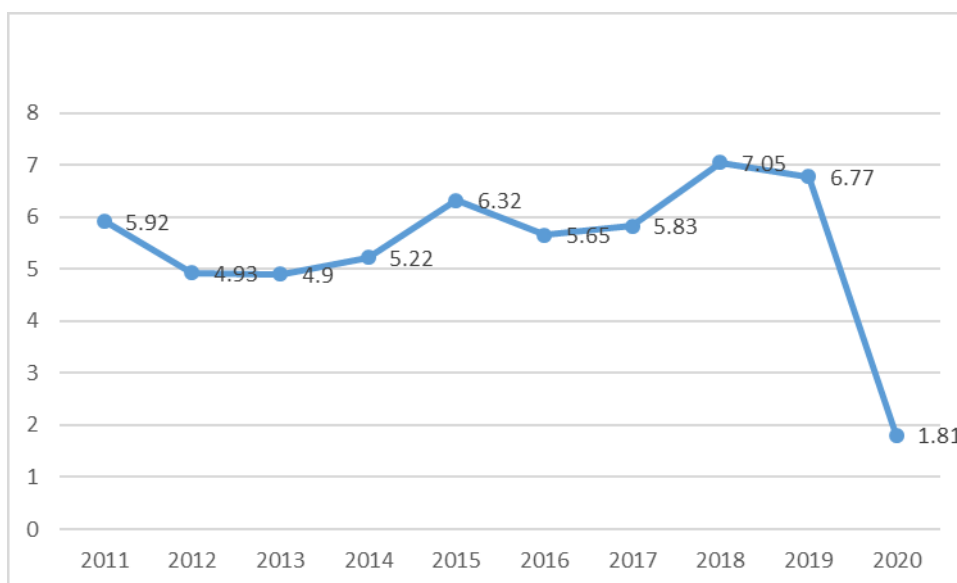


Figure 19. GDP growth rate for the first six months of the year (%) (2011-2020)
(Source: General Statistics Office)

Diverse outcomes across economic sectors

Growth rates declined in all sectors, but most sharply in services. The sector as a whole expanded by only 0.57 percent in the first six months of the year. Agriculture, forestry and fisheries managed 1.19 percent growth, while industry and construction grew by 2.98 percent.

However, these statistics conceal considerable variation within sectors, as shown in Figure 20. The hospitality industry (hotels, restaurants and catering) suffered the heaviest losses, contracting by more than 20 percent in the first six months of the year. In the second quarter of 2020, revenues in this sub-sector plummeted by 26.1 percent because of nationwide lockdown

implemented in April 2020. Revenues from tourism were down by more than half from the same period last year due to the suspension of inbound tourists to control the pandemic. As a consequence, in the first six months of 2020 international visitors to Vietnam decreased by 55.8 percent from the same period last year, with arrivals by air down 54.3 percent and by road down 66.8 percent. Transportation services also contracted in the first six months of 2020, with passenger carriage down by 27.3 percent and freight by 8.1 percent. However, there were signs of recovery in June, with domestic passenger numbers rising by 13.4 percent and the volume of goods up by 7.3 percent over May.

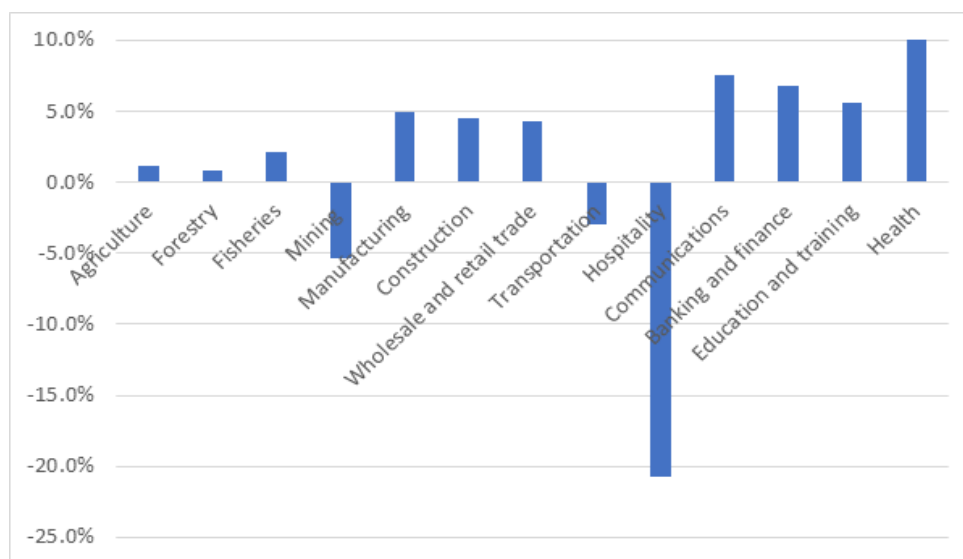


Figure 20. GDP growth by sector, January-June 2020
(Source: General Statistics Office)

Online trading helped internal wholesale and retail and trade record a positive growth rate for the first six months of 3.4 percent. Healthcare and communications were the two sub-sectors within services that expanded most rapidly at the peak of the pandemic. Banking and finance grew by nearly seven percent.

Agriculture managed to achieve a positive rate of growth over the first six months, but output was restrained by access to labor and declining export demand. Fisheries production was up 1.6 percent, with shrimp (four percent growth) outperforming fish (1.1 percent) and other products (2.5 percent). Foreign demand from China, the US and EU fell off sharply, with the export value of pangasius down by 24.5 percent over the same period last year. Total pangasius production fell by five percent compared to last year.

Manufacturing recorded growth of five percent, supported by growth of pharmaceuticals (27.9 percent), electronics and optical products (9.8 percent), paper products (9.8 percent) and garments and textiles (2.8

percent). Motor vehicle production fell most sharply (-16.4 percent), followed by oil and gas (-11.3 percent) and wood and wood processing (-2.7 percent).

Exports totaled USD 121.2 billion, down 1.1 percent from the first six months of 2019. The decline in exports from foreign invested firms, including crude oil, was greater at 6.7 percent. However, performance varied significantly among export goods as shown in Figure 21, which presents the top 15 export groups in order of value. While telephones and parts as the top export earner fell by eight percent in the first half of the year, other electronics and computers surged by 24 percent. Similarly, textiles and garments were down by 16 percent while machinery rose by 25 percent. The value of rice exports benefited from price rises as supply constraints emerged on global markets, but as mentioned above aquatic products fell. Imports were down three percent over the same period, mostly because of reduced imports of raw materials and intermediate goods by foreign invested firms. Thus, trade in goods was in surplus by USD 4 billion.

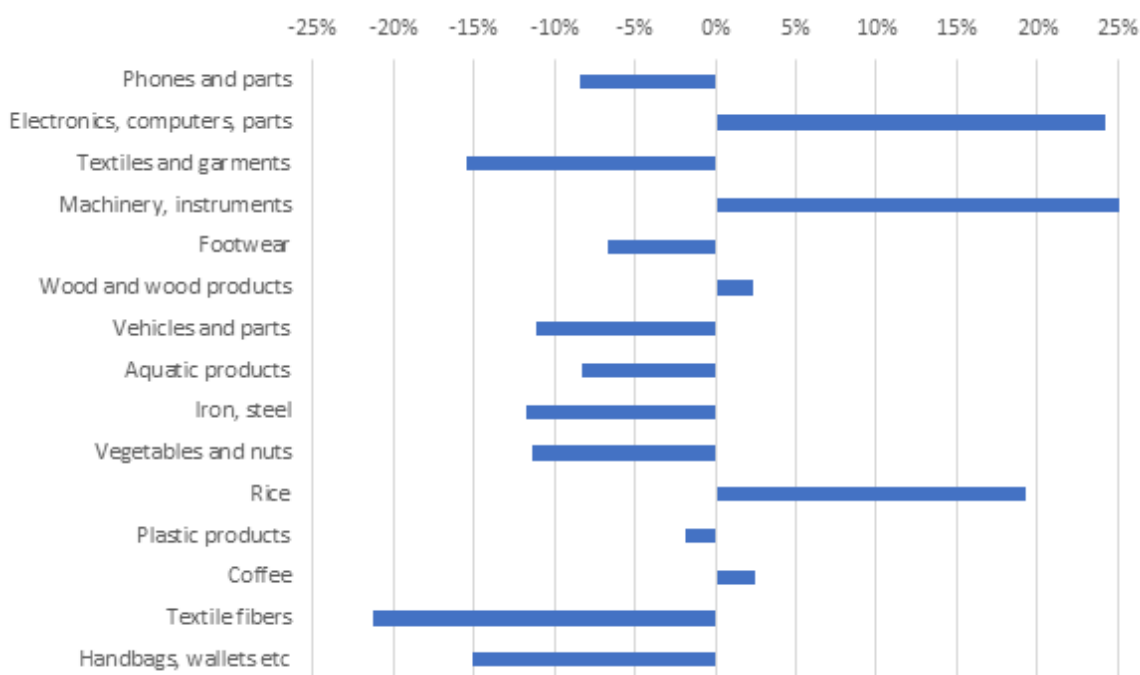


Figure 21. Change in export value January-June 2020 compared to same period 2019
(Source: General Statistics Office)

Meanwhile, exports of services in the first half of the year were estimated at USD 4.7 billion, down by 50.3 percent compared to last year. The largest fall was experienced by transportation services, which recorded a decrease of 71 percent due to the suspension of international routes. As a consequence, Viet Nam Airlines, the country's largest air carrier, turned to the Government for a bailout package worth VND 12,000 billion (USD 515 million) (Saigon Times, 2020). Other non-state carriers also considered requesting subsidized credit from the government to cover the cash shortfall resulting from the suspension of international flights. Experts estimate that the airlines together would need emergency support worth VND 25,000 billion (USD 1.1 billion). Tourism, which accounts for 52 percent of services export value, recorded a sharp drop of 56 percent compared to the same period last year. Trade in services in the first six months of 2020 ran a deficit of USD 4.2 billion, resulting in a small overall trade deficit of USD 0.2 billion.

The labor market was heavily affected

Slower economic growth has translated into a deterioration of labor market conditions. According to GSO (2020), in the first half of 2020 the COVID-19 pandemic has affected the employment of 30.8 million people aged 15 and older. The service sector has been hardest hit by the COVID-19, with 72 percent of workers affected, followed closely by the industry and construction sector at 68 percent. One fourth of workers were affected in the agriculture, forestry and fisheries sector.

The number of employed workers declined by more than two million people, the largest drop in ten years. Female workers were most severely affected. Already before the COVID-19 crisis, women were more likely than men to be classified as unpaid family workers and receive lower wages when employed outside of the home. The current economic shock has exacerbated these disparities. In addition, the impact of the economic crisis on women interacts with Viet Nam's social norms, which expect women to act as caregivers, while also expecting them to be active in the labor market. Childcare responsibilities during the long period of school closure fell disproportionately on women, forcing them to make decisions regarding their employment, and further reducing their incomes (ILO, 2020b).

The COVID-19 pandemic has also increased the rate of labor underutilization, defined as the ratio of workers needing but not obtaining employment to the total labor force. The rate of labor underutilization in Q2 2020 was 1.5 times higher than the same period last year. The largest group of job seekers were young people under 34 years of age. The unemployment rate among the urban, working age population was 4.46 percent, the highest figure in the last ten years, and 1.36 percentage points higher than in the same period last year.

Nearly half of underemployed, working age people in the second quarter of 2020 worked in the agriculture, forestry and fisheries sector. The underemployment rate in this sector was five percent or 2.2 times higher than in the industry and construction sector and 2.4 times higher than that in the service sector.

More than half of workers suffered a reduction in incomes. Incomes fell most sharply in the service sector, including arts, entertainment and recreation subsector (down 19.2 percent), accommodation and catering (down 18.3 percent), transportation and storage (down 12.8 percent), wholesale and retail trade (down 9.1 percent).

In comparison to the same period last year, average monthly incomes of employers were down 17.3 percent, while the incomes of the self-employed employees fell by 7.6 percent.

Workers with higher level qualifications were more likely to sustain their previous income levels. Compared to the same period last year, the average monthly income of employees with university degrees actually increased by 0.5 percent, while the incomes of employees with primary school qualifications fell by eight percent.

The immediate prospects for the Vietnamese economy are uncertain

Optimistic forecasts for the second half of 2020 have been thrown into doubt by the resurgence of community transmission detected on July 25, 2020. The pace of the recovery for the rest of the year depends on: (i) continued success in containing the spread of the virus, making possible a relaxation of restrictions on mobility and public gatherings; (ii) the rate of growth of aggregate demand.

Demand consists of four components: private consumption, private investment, government expenditure (recurrent and capital) and net exports (exports less imports). External demand is likely to recover slowly. In 2019, Viet Nam recorded a positive trade balance of USD 7.4 billion, but it will not be possible to repeat this performance this year as Europe and North America struggle to bring the pandemic under control. Furthermore, as discussed in the previous section, prospects for a robust recovery in 2021 are clouded by vulnerabilities that were present in the global economy before the pandemic struck. The future trajectory of external demand will depend on the ability of importing countries to achieve a rapid reduction in unemployment and steady growth in disposable incomes.

Exports of services will recover slowly even as restrictions on international travel are lifted. Many people will be wary of non-essential travel until a safe and effective vaccine is widely available. Even then, international tourism will not return to levels seen in 2019, as holiday makers reduce discretionary spending to pay down debts accumulated during the pandemic.

Some possibilities for import substitution may be identified to reduce imports and conserve foreign exchange, but this is unlikely to have a large impact on the balance of trade. Most of Viet Nam's imports

fall into three categories: inputs and intermediate goods for electronics, garments and footwear that are assembled in Vietnam and re-exported; fuel for vehicles and power generation; and agricultural products like cotton, wheat, corn, soybeans and beef that are cheaper to import than to produce locally. Increasing domestic supplies and improving the quality of domestically produced inputs like synthetic fibers, chemicals and steel is vitally important, but takes time.

Aside from inputs and intermediate goods, redirecting exports to the domestic demand is not a realistic option. Markets for mobile phones, computers, garments and footwear are competitive and rely on high volumes and economies of scale for profitability. Viet Nam's domestic market is too small and skewed to cheaper products to keep these companies in business. Switching from exports to the domestic market will only improve the trade balance if previously exported products substitute for imports or create new demand; otherwise sales will simply shift from one set of domestic producers to another.

Trends in private consumption depend largely on the growth of disposable incomes. According to the World Bank, domestic retail sales—a good proxy for household consumption—declined by 2.9 percent per month (year-on-year) in the second quarter of 2020, after growing by 7.9 percent per month in the first quarter. Average growth of retail sales was more than 12 percent in 2019 (World Bank, 2020b). Private consumption will not grow rapidly this year given weak labor market conditions. Private investment managed to record positive growth of 4.6 in the first half of 2020, down from 16.5 percent in the first half of 2019.

However, given high levels of uncertainty and weak domestic demand, private investment is unlikely to accelerate in the final months of the year.

Much of the burden of supporting aggregate demand through the crisis will therefore fall on Government. The Government has been actively looking for ways to increase public spending, in the first instance by accelerating the implementation of public investment projects in the pipeline. If quickly implemented, disbursements of a total of USD 30 billion allocated for planned public investment projects in 2020 would help compensate for slow growth or contraction of the other components of aggregate demand. However, implementation typically falls behind schedule for a number of reasons, including the “ask-give” mechanism (in other words, connections-based allocation of public funds resulting in non-optimal use of Government resources), a mismatch between allocation and the implementation capacity, slow land clearance, cumbersome procedures, poor planning and other factors. The crackdown on corruption is also

mentioned in the media as a cause of delays because it has resulted in more cautious behavior on the part of officials responsible for the implementation of public investment projects. This “chronic problem” has raised concern among Government leaders who are eager to boost aggregate demand to keep the economy growing. Leaders have organized a series of meetings with senior policy makers in ministries and provinces to attempt to resolve implementation problems and speed up disbursement.

The social protection support package of VND 62 trillion (USD 2.6 billion) targeting vulnerable workers and households is also expected to increase recurrent expenditures, thus assisting vulnerable people in challenging times, also boosting aggregate demand as beneficiaries tend to have high propensity to consume. However, while disbursements appear to have reached traditional beneficiaries of the social assistance system quickly, non-traditional beneficiaries or the “missing middle” have faced obstacles in accessing the package.

How effectively did the Government’s support package work?

According to MOLISA (2020a), by 29 June 2020, more than 11 million individuals from an approved list of 15.8 million vulnerable people and 6,196 household businesses had received VND11,267 billion of the VND17,500 billion available in this social assistance package. However, MOLISA reports indicated some key challenges in implementing this package, including complicated procedures leading to late delivery of cash and limited local matching funds (30-50 per cent of total local funds) among poor provinces, such as Binh Dinh, Hoa Binh, Nghe An and Thanh Hoa. A rapid assessment in May 2020 conducted by the Department of Social Protection (MOLISA) with all provinces on the COVID-19 social assistance package indicated that informal workers, small businesses and families with children faced difficulties accessing this package, due to complex registration and screening procedures (UNICEF Viet Nam, 2020). Therefore, innovative methods will need to be introduced to support consumer spending and reduce vulnerability among people who have lost employment and earnings during the pandemic

Source: MOLISA. Reports #70 & 89/BC-LDTBXH on the implementation of Resolution# 42/NQ-CP dated 09/4/2020 to support the vulnerable people by COVID-19. Published online 2020

In summary, there are signs that the economy is on the road to a partial recovery in the second half of 2020. Numerous international and Vietnamese organizations have published short-term economic projections for Viet Nam. Most recently, the World Bank has predicted that output growth will rebound in the second half of 2020 to achieve an annual rate of GDP growth of 2.8 percent. The baseline scenario forecasts growth of 6.8 percent in 2021. However, these predictions assume that conditions in the world economy will gradually improve. Under less favorable external conditions, the Vietnamese economy would expand by only 1.5 percent in 2020 and 4.5 percent in 2021 (World Bank, 2020b). Earlier, the IMF projected that Vietnam’s economy will grow at a similar rate of 2.7 percent in 2020 (Dabla-Norris, Gulde-Wolf & Painchaud, 2020).

However, these projections did not take into account the most recent developments, including new cases caused of community transmission reported from July 25th in Da Nang, a top-ranking tourist destination, followed by other related cases. As of 19 August 2020, Viet Nam reports has recorded 993 confirmed cases and 25 deaths. Da Nang was put under a 14-day lockdown and other large cities, including Ha Noi and Ho Chi Minh City, have reimposed social distancing measures, including lockdowns in specific locations where new cases have been reported.

Given high levels of uncertainty and limited information about the impact of the pandemic around the world, economic forecasts will need regular adjustment and should be treated with caution. More important than the projected rate of growth at any one time is the identification of constraints on Viet Nam’s socio-economic development and especially tracking conditions faced by the most vulnerable segments society. Policy makers will need recourse to unconventional methods and indicators to monitor specific risks faced by vulnerable groups and the impact of government policies on living standards and access to basic services. The following section presents results from one such exercise carried out in April and May of 2020 as the pandemic unfolded.

Part 3. Impact of the COVID-19 pandemic on vulnerable households and businesses

3.1. Rapid Impact Monitoring of the COVID-19 pandemic (RIM 2020) in brief

Recent studies have shed light on the economic impact of the pandemic, notably reports published by the General Statistical Office assessing the performance of the Vietnamese economy and labor market in the first half of 2020 (GSO, 2020). However, information on the socio-economic impacts of the pandemic on vulnerable households and businesses and their coping strategies is still limited. In response, **UNDP and UN Women commissioned a study entitled “COVID-19 Impact on Vulnerable Households and Enterprises in Viet Nam: A Gender-sensitive Assessment” (abbreviated as RIM 2020 hereafter)**. The aim of RIM 2020 was to collect and analyze information on the socio-economic impact of COVID-19 on households and enterprises vulnerable to a sudden loss or reduction of income to strengthen the Government of Viet Nam’s response to the pandemic, with a special focus on the livelihoods of low-income households, micro and small businesses and other vulnerable people.

RIM 2020 was implemented through a telephone survey of 930 vulnerable households and 935 businesses in 58 (out of 63) provinces across Viet Nam (see Figure 22). The survey adopted purposive sampling, focusing on:

- **Vulnerable households:** households of ethnic minority people, informal and migrant workers, households with small children, elderly and People with Disabilities (PWD), female-headed households, poor, near poor and transient poor households.
- **Vulnerable businesses:** informal household businesses (HBs), micro, small and medium enterprises (MSMEs), women-led enterprises in economic sectors that were severely affected, because of their heavy reliance on external markets, or high level of person-to-person contact. Many of these sectors are labor-intensive in which most workers are female (Table 2).

Purposive sampling enabled RIM 2020 to adopt a gender perspective to understand the experiences, challenges and opportunities of female-headed households and women-led MSMEs in comparison to other households and businesses.



Figure 22. Map of RIM survey locations and sectors

Twenty-four percent of HBs and MSMEs surveyed were drawn from tourism and related services, including hotels and restaurants. Retail, transportation and other services accounted for 35 percent. Manufacturing and food processing represented twelve and ten percent of respondents, respectively. Thirteen percent of those surveyed work in agriculture and aquaculture, and only six percent in construction. One-third of surveyed firms were women-led, and 18 percent of households were female-led. Other key characteristics of enterprises and households are presented in Figures 23 to 25.

The RIM 2020 survey was conducted in **April and May 2020** to enable collection of quantitative and qualitative information on both the COVID-19 impact at the peak of the pandemic in April 2020 and in the early stage of recovery in May 2020. As such, RIM 2020 documents the degree of resilience and coping strategies of affected households and enterprises. This timing also allowed the study team to collect feedback on the design and implementation of the Government’s support package to mitigate COVID-19 impact.

Table 2. Employment by sector in RIM survey

		Share (%)		The number of workers	
		Q1/2020		Q1/2020	
		Female	Total	Female	Total
1	Electronics	58.27	100	661,394	1,135,033
2	Garment and textile	75.19	100	2,226,937	2,961,698
3	Footwear	68.22	100	1,087,249	1,593,818
4	Wood	50.67	100	200,947	396,583
5	Food Processing except Aquaculture/seafood	49.45	100	412,682	834,598
6	Aquaculture/seafood processing	66.76	100	187,571	280,950
7	Construction	9.89	100	448,355	4,535,599
8	Agriculture product except Aquaculture	49.77	100	7,504,214	15,076,913
9	Aquaculture product	22.2	100	316,355	1,425,153
10	Warehouse transportation	9.82	100	198,739	2,022,867
11	General Education	77.37	100	1,325,512	1,713,223
12	Tourism	43.65	100	34,335	78,663
13	Hotel/Hostel	52.34	100	141,465	270,296
14	Bar/Restaurant	65.94	100	1,643,122	2,491,980
15	Entertainment/sports/others	49.9	100	625,387	1,253,349
16	Retail	62.31	100	3,254,036	5,222,575
	Total	49.08	100	20,268,300	41,293,298

Source: Our calculation based on data from the GSO Labor Force Survey.

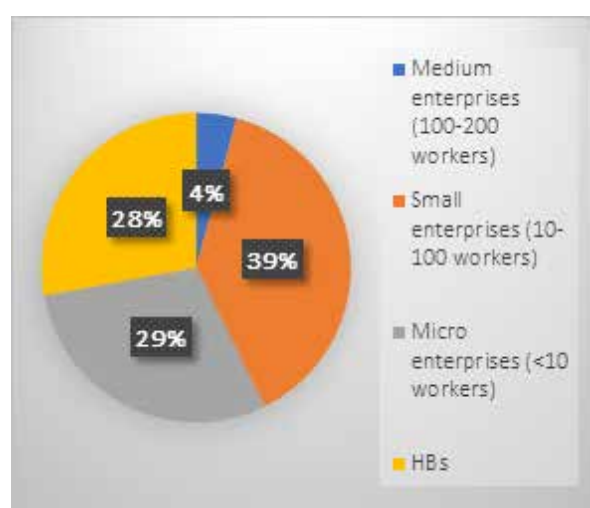


Figure 23. Sample enterprises by size (%)

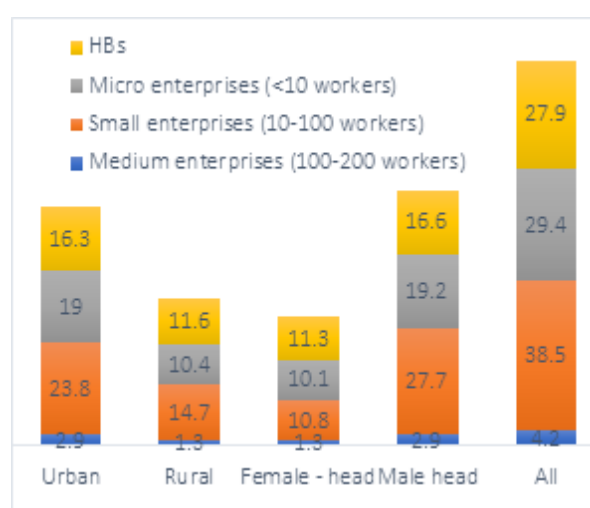


Figure 24. Sample enterprises by location and gender of managers (%)

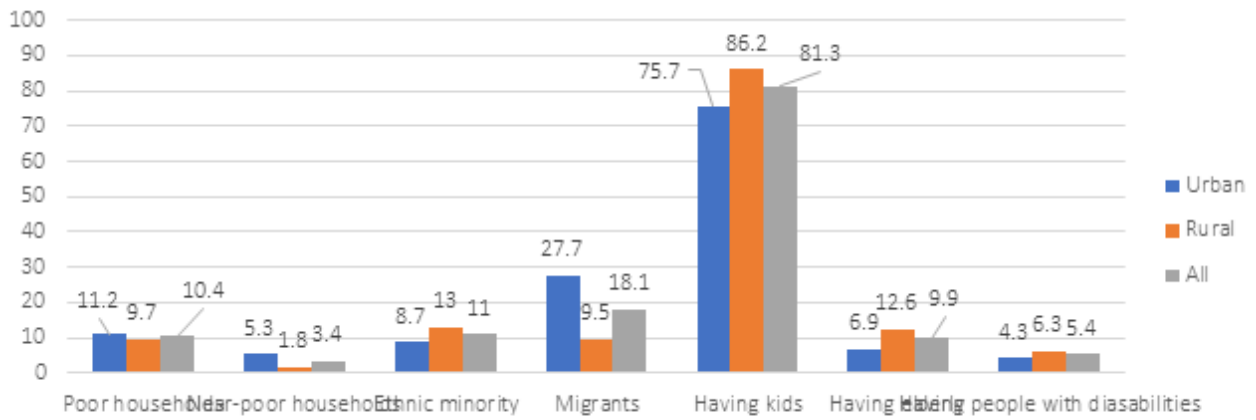


Figure 25. Sample households by group (%)

The following section presents key findings of RIM 2020 on the impact of the COVID-19 on vulnerable households and enterprises. It also includes supplementary information derived from related studies and data sources.

3.2. The Impact of COVID-19 on Households

COVID-19 caused incomes to decline sharply across vulnerable households and workers, resulting in a surge in transient income poverty and an increase in poverty depth.

In contrast to chronic poverty or per capita income persistently below the poverty line, transient poverty is associated with a fluctuation of income around the poverty line, resulting in people falling into and moving out of poverty over shorter periods of time. While not easily observed during good times, transient poverty causes great concern in crises such as that caused by COVID-19. Without proper and timely intervention, transient poverty may change structural characteristics of a household or individual, increase the risk of chronic poverty.

The largest decline in household income due to COVID-19 was recorded in April 2020, when the average income of surveyed households was 29.7 percent of December 2019 levels, rising to 51.1 percent in May 2020 (Figure 26). In other words, average income declined by over 70 percent in April and 49 percent in May 2020 compared to December of the previous year.

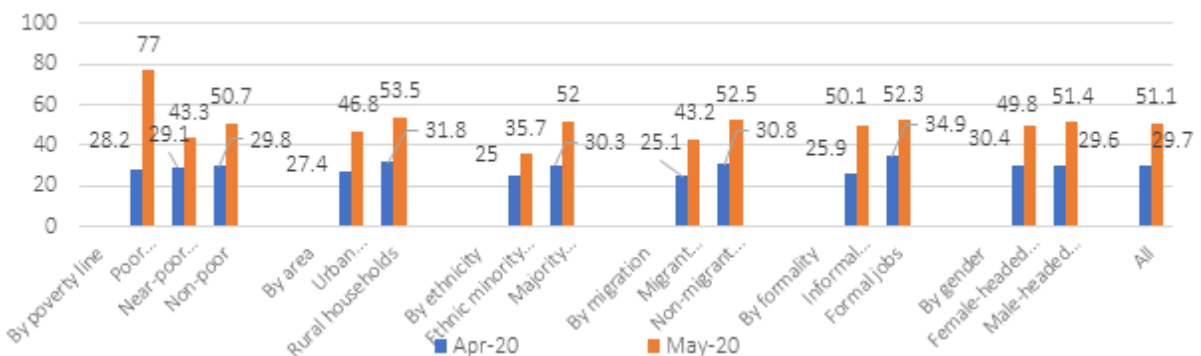


Figure 26. Average household incomes as a percentage of December 2019 levels (%)

Impact of the COVID-19 pandemic on the incomes of rural households: Evidence from an IPSARD-IFAD-ADB survey

A survey of 1,300 rural households was conducted by the Institute of Policy and Strategy for Agriculture and Rural Development (IPSARD) with support from IFAD and ADB from May to June 2020 in twelve provinces implementing IFAD and ADB development projects. The survey found that 64.7 percent of rural households with non-farm activities experienced a decline in income compared to 53.3 percent of farming households. The former also suffered larger income reductions, estimated at 46.8 percent on average compared to 38.3 percent for the latter. This is explained by a larger drop of non-farm income of 46.8 percent versus 29.4 percent for agricultural income. The income impact also varied across locations, particularly between rural households in provinces with international borders and those without, estimated at 41.4 percent and 33.4 percent respectively.

Source: IPSARD-IFAD-ADB. 2020. "Assessment of impact of COVID-19 pandemic on livelihoods of rural households". Hanoi, July 2020.

While the pandemic caused incomes to fall and thus an increase in transient income poverty across all surveyed household groups, ethnic minority households and households of informal and migrant workers were disproportionately affected.

COVID-19 disproportionately affected the ethnic minority households and households of informal and migrant workers, resulting in sharp reductions in

income compared to pre-pandemic levels (Figure 26):

- i. The average income of ethnic minority households in April and May 2020 was only 25 and 35.7 percent of the December 2019 level, respectively, compared to 30.3 and 52 percent for the Kinh-Hoa majority.⁴
- ii. Migrant households' average incomes in April and May 2020 were equivalent to 25.1 and 43.2 percent of the December 2019 level, while the corresponding figures for non-migrant households was 30.8 and 52.5 percent. Among migrant households, the COVID-19 income impact recorded in April 2020 was statistically identical for female-headed and male-headed households (25.6 and 24.9 percent of the December 2019 level). However, female-headed migrant households on average recovered more quickly than their male-headed counterparts: May 2020 income of female-headed migrant households rose to 58.6 percent, versus 37.9 percent for male-headed households.

Falling incomes caused a surge in the proportion of income poor and near poor households among the surveyed households. In December 2019, the proportion of income poor was 10.4 percent on average, rising to approximately 50 percent in April 2020. The proportion of near poor households rose from 3.4 percent in December 2019 to 6.5 percent in April 2020 (Figure 27). In April 2020, the proportion of income poverty among the surveyed EM households was 61.3 compared to 46.7 percent among Kinh-Hoa households. For migrant households the rate was 56.1 percent versus 48.5 percent among non-migrants; and 59.1 percent among informal worker households compared to 37.7 percent for formal sector workers. There was no difference recorded between female and male-headed households (Figures 27 and 28).

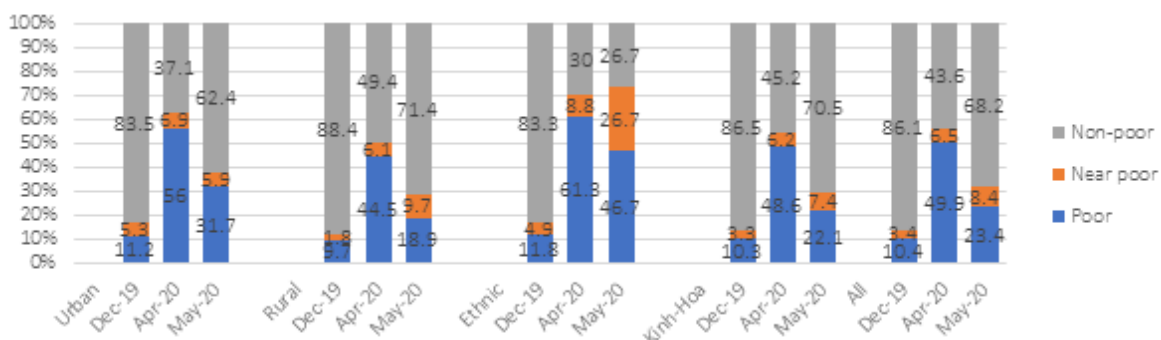


Figure 27. Proportion of income poor, near poor and non-poor households by location and ethnicity (%)

⁴ The size of the survey sample was too small to test the significance of differences between female- and male-headed HHs within the EM group.

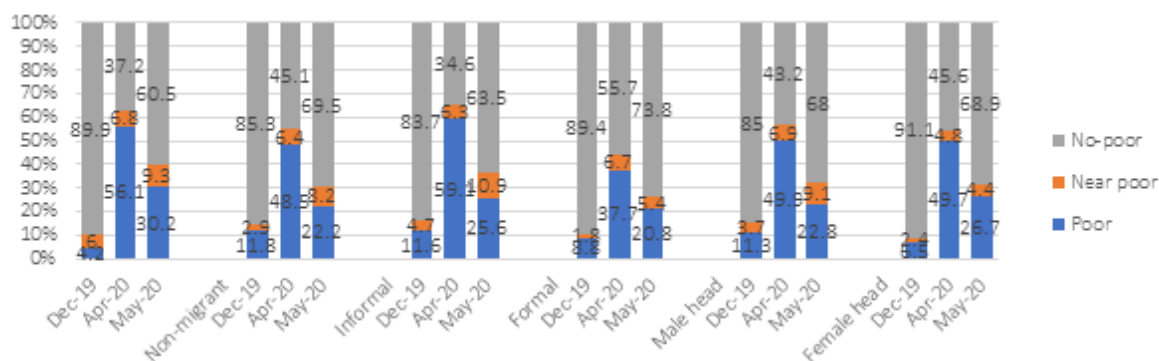


Figure 28. Proportion of income poor, near poor and non-poor among surveyed households by migration, formality and gender of household head (%)

The decline in income temporarily pushed 47.8 percent of the surveyed non-poor households (as of December 2019) below the income poverty line (VND 700 thousand per month for rural and VND 900 thousand for urban areas). Among the surveyed groups: (i) 60.3 percent of non-poor EM households fell into income poverty in April 2020 versus 46.4 percent of non-poor Kinh-Hoa households; (ii) 56.7 percent of informal workers compared to 36.4 percent of formal sector workers; (iii) 56.1 percent of migrant workers compared to

45.8 percent of non-migrant workers; (iv) 48.3 percent of female-headed households compared to 47.7 percent of male-headed households. Among migrant workers, the poverty impact of the pandemic was smaller for female-led households than their male-led counterparts (46.7 and 60.2 percent). There was no difference between female-headed and male-headed households among informal sector workers (Figure 29).

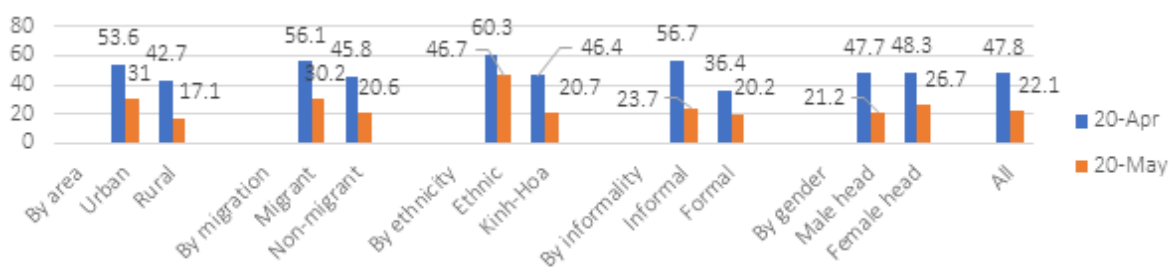


Figure 29. Share of December 2019 non-poor households falling into income poverty in April and May 2020 (%)

Simulation of COVID-19 impact on poverty.

RIM 2020 conducted a simulation of the COVID-19 impact on income poverty at the national level to complement the findings of the survey. Using the income poverty line of \$3.2 commonly applied to lower middle-income countries, the simulation modeled the impact of the estimated income reduction from the RIM survey using data from the Viet Nam Household Living Standard Survey (GSO, 2018).⁵ The results of this exercise indicate that the pre-pandemic national poverty rate of 4.6 may have jumped to 26.7 percent in April 2020, falling back to 15.8 percent in May 2020.

In urban areas, 15.7 percent of households fell below the poverty line in April 2020 compared to less than one percent in 2018. By May, however, the poverty rate had fallen to just 4.2 percent. Most strikingly, the pre-pandemic poverty rate of 22.1 percent among EM households could have jumped to 76.3 percent in April 2020, dropping slightly to 70.3 percent in May 2020 (Figure 30).

5 The \$3.2 per day poverty line is estimated in constant purchasing power parity US dollars.

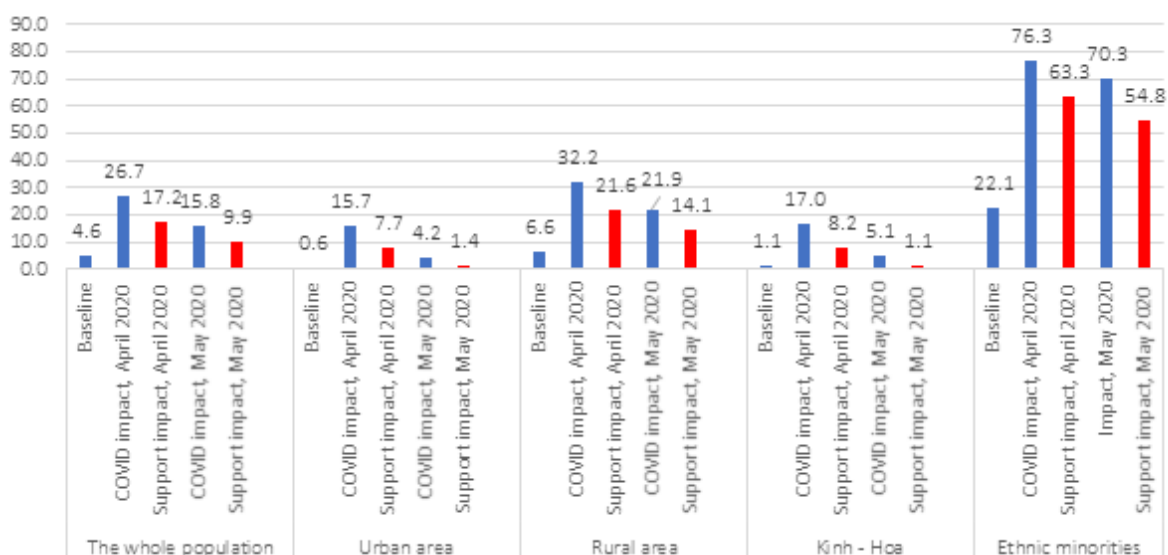


Figure 30. Simulated income poverty at the \$3.2 per day poverty line due to the impact of COVID-19 and with government support (%)

Signs of Early Recovery

Incomes of surveyed households rose significantly after the lifting of social distancing restrictions in May 2020. For all surveyed households, average incomes in May 2020 recovered to 51 percent of the December 2019 level versus 30 percent in April 2020 (Figure 26). The proportion of income poor among all surveyed household groups fell substantially in May 2020. However, income improvements varied across survey groups. As shown in Figures 27 and 28, the poverty rate fell faster among rural households (44.5 to 18.9 percent) than urban households (56 to 31.7 percent). The smallest improvements were observed among EM households. The share of income poor among female-headed households fell by 23 percentage points compared to a 27 percentage points among the male-headed households. The high representation of female workers in trade, agriculture, garment, footwear, tourism and restaurants, all sectors that recovered slowly in May 2020, accounts for this difference.⁶

While transient income poverty fell in May 2020, the smallest improvements were observed among Ethnic Minorities, informal workers and women-headed households

Although all groups benefited from the recovery in May 2020, the rate of recovery was slower among several groups (Figure 29): (i) urban households recovered more slowly than rural households; ii) households

with informal compared to households with formal workers, (iii) female-headed compared to male-headed households; iv) EM compared to Kinh-Hoa households; and v) migrant households compared to non-migrant households. Among households with informal workers, female-headed households recovered more slowly than male-headed ones. However, the opposite was observed among migrant households, with female-headed households recovering faster than male-headed households. There are various reasons for these differences. First, contact-intensive, urban-based services, in which female workers are over-represented, bounced back quickly in May 2020 after the lockdown was eased. Second, anecdotal evidence suggests that female workers were more proactive in searching for additional income opportunities. Beneficiaries of UN Women's livelihood model in Lao Cai report that after the COVID-19 outbreak in Wuhan, many returned male migrant workers stayed at home, spending their time drinking and waiting to return to China. The burden of filling the income gaps fell to the women.⁷ Other factors may include the shape of the income curve near the poverty line, but we are unable to reach firm conclusions based on available data. Overall, the picture on gendered poverty impact is mixed. The simulation of the COVID-19 impact on poverty at the national level reaffirms these trends (see Figure 30).

⁶ However, the sample size was not large enough to test for statistical significance between female and male-headed households.

⁷ UN Women's livelihood model provides support for H'Mong ethnic minority women in Coc Ly commune, Bac Ha district, Lao Cai province to grow and enhance the market for native groundnuts to improve livelihood resilience and earning capacity.

Vulnerable households and workers are struggling to sustain their livelihoods with workers in agriculture, aquaculture and construction sectors less able to change jobs.

The higher level and expected longer duration of income loss among workers in tourism and related activities explains the large number of workers from these occupations moving to other jobs compared to workers in agriculture, aquaculture, and construction. The incidence of workers changing occupation due to pandemic was generally low:

only 2.1 percent in agriculture and aquaculture, 2.2 percent in construction, and 2.7 percent in trade and services. In tourism and related activities, however, the corresponding figure was 10.8 percent.⁸ Older workers were less likely to change jobs. Moving between jobs during a pandemic may also imply higher health risks and lower income, especially in the city where there is a higher risk of infection due to frequent contact with customers, for example drivers, cashiers and petty trade. Vulnerable workers faced tremendous hardship but were compelled to take on riskier jobs (Table 3).

Table 3. Percentage of workers able to find new jobs by sector

	Ability to take other jobs (% observations)	An example of taking a temporary job with higher risk of infection
Manufacture garment and footwear	5.3	<p>At my temporary job, I work in a small, enclosed space so the customers stand in clusters. At first, the owner did not employ any safety measures, but then we asked the owner to provide facemasks and hand-sanitizer. For a group of 20-30 people with the air conditioner running continuously, the risk of infection is very high. Although the disease is still present, I need to work, so I wear a mask, wash hands, disinfect hands, spray clothes, spray all furniture even before going to work or returning home from work. I am always very careful before entering my house. I had to accept a high-risk job because I didn't have any money left. It was difficult to find another job because I don't have any professional qualifications.</p> <p><i>Waitress in a diner of 12 employees, Ho Chi Minh City</i></p>
Manufacture agricultural processing	6.3	
Construction	2.2	
Agriculture	0.0	
Aquaculture	2.1	
Tourism, hotel, restaurant	10.8	
Trade, other services	2.7	

Most households used their savings and cut expenses to cope with lost income. Approximately 74 percent of households used savings and 70 percent reported that they had to cut household expenses. Forty-four percent of all households (and 48 percent of female-headed households) reduced household expenses by more than 30 percent (Figure 31). Notably, female-headed households were more likely to use savings and cut expenditures than male-headed households.

Few households sold valuable assets, which suggests that they either did not have much to sell or had other ways to cope. Female-headed households were more likely to cut food and electricity spending, but less likely to reduce education spending than male-headed households (Figure 32). Cutting essential expenses such as on food and education could have a lasting negative impact on the well-being of children and the living standards of the household.

Note: spending cuts in April and May 2020 are compared to the December 2019 level

⁸ As relatively few workers changed jobs, it was not possible to disaggregate by sex.

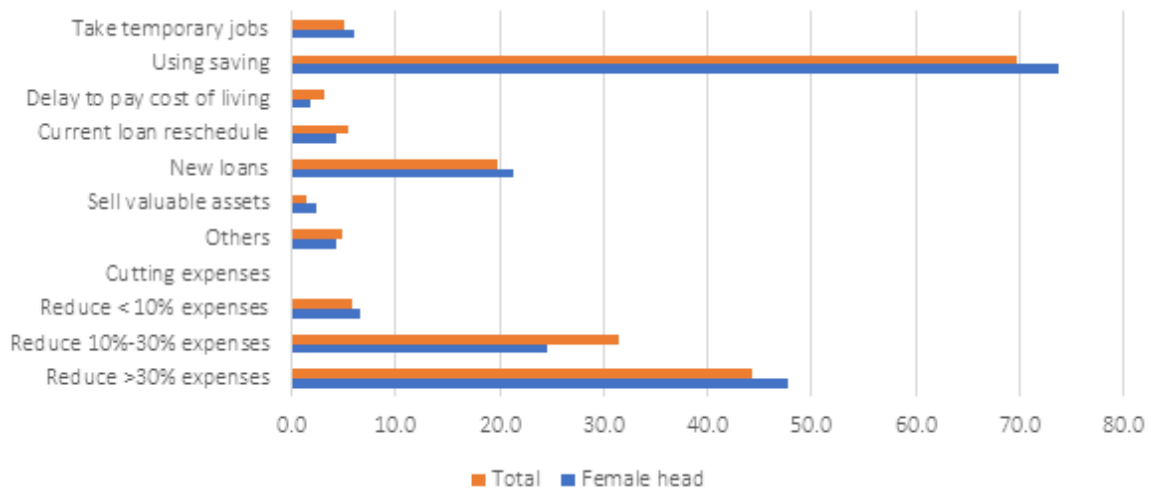


Figure 31. Share of households reporting the use of coping measure (%)

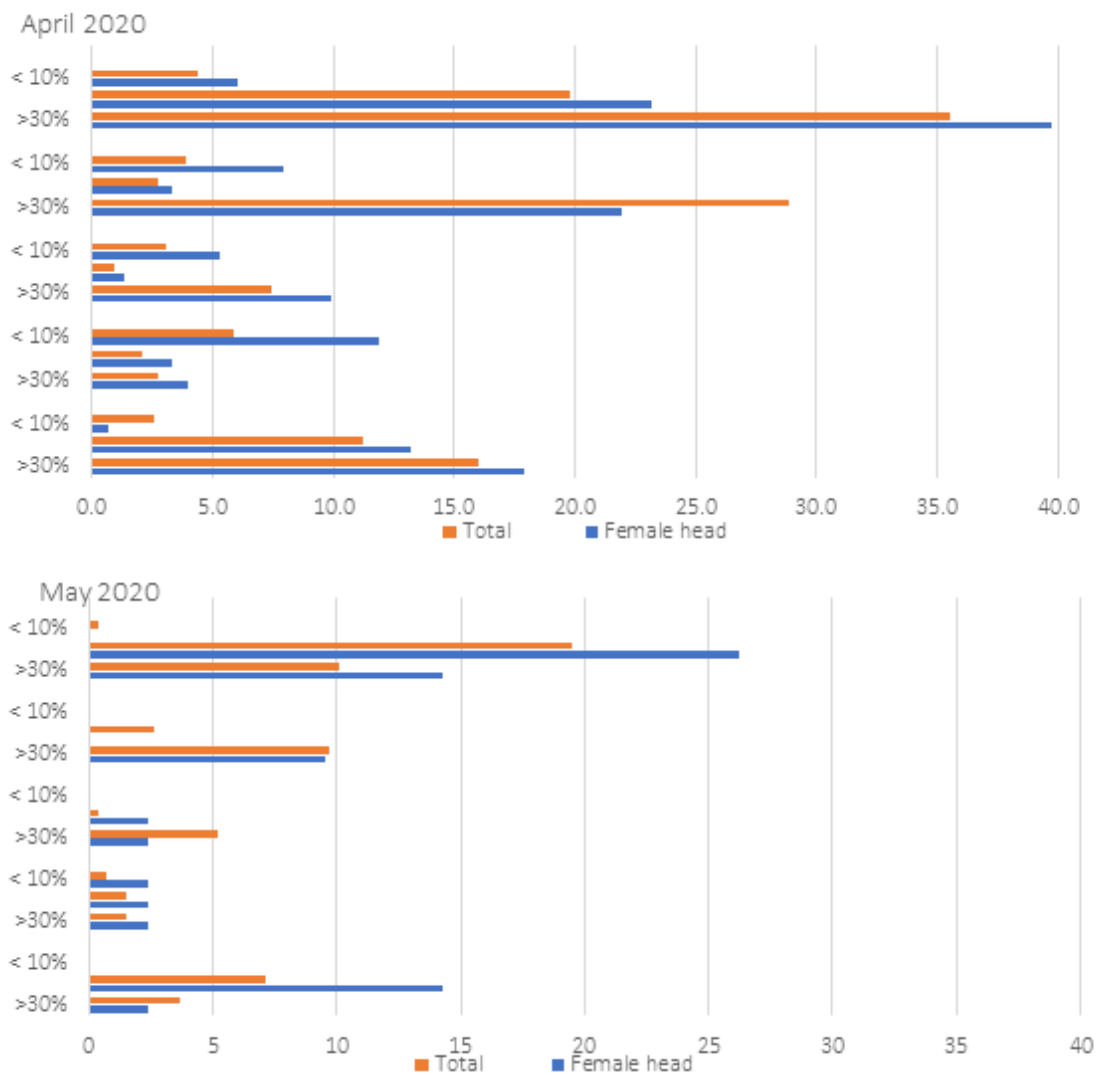


Figure 32. Expenditure reduction in April and May 2020 (Percent of households)

How rural households responded to the COVID-19 pandemic shock

The IPSARD-IFAD-ADB study reported that 53 percent of rural households used savings and 95 percent cut expenditures. The survey also found that 28 percent of households received support from relatives and friends, which traditionally forms an important part of informal safety nets in rural Vietnam. None of the households surveyed sold land or other assets. Approximately 20 percent of respondents sought Government assistance. While approximately 12 percent of surveyed households sought additional income earning opportunities or switched to other jobs, few farming households without non-farm income sources did so. Fifteen percent of respondents said that they had no coping measures because they did not know what to do to mitigate the shock of the pandemic.

Looking ahead, 18 percent of surveyed households report that they want to increase agricultural production while ten percent plan to do the opposite. These figures do not differ between households with and without non-farm sources of income. A third of the former and a fourth of the latter will look for additional non-farm income earning opportunities.

Source: IPSARD-IFAD-ADB. 2020. "Assessment of impact of COVID-19 pandemic on livelihoods of rural households". Hanoi, July 2020.

A study by UNICEF in Hanoi, Vinh Phuc and Ho Chi Minh City found that informal workers were among the most vulnerable groups in the labor market during the COVID-19 crisis due to the lack of basic social protection schemes regarding income security, sick leave and health insurance compared to formal jobs. Almost all parents in the qualitative study were freelance-workers (such as motorbike-taxi drivers, street vendors or lottery ticket sellers) with highly impacted jobs, which led to 50-70 percent reductions or no incomes at all. In response, 30.4 percent of participants prematurely withdrew money from savings accounts to cover living costs (electricity, water bills, house rental fees) as well as groceries. Some 51.4 percent of study participants reported borrowing money from relatives and/or from banks to cover living costs during the social distancing period (UNICEF Viet Nam, 2020).

COVID-19 also intensified the burden on women of childcare because of school closures, and care of family members with serious illnesses, especially those in need of special in-patient hospital care treatment. In more than 70 percent of surveyed households, women

are responsible for purchasing daily necessities, which also increases the risk of infection. Men took on this responsibility in only eleven percent of households, while the task was shared in 18 percent of households. Among households reporting non-economic problems, several experienced increases in stress and domestic violence. According to external sources, there was an increase in domestic violence during the social distancing and lockdowns in April 2020. The Call Center for responding to gender-based violence received around 350 calls from women who needed support, a seven-fold increase compared to the same period in 2019 (State Audit, 2020). The Peace House Shelter project data shows an increase of (i) 48 percent of women receiving face-to-face counselling related to domestic violence, and (ii) 80 percent of children and women made use of temporary shelter services as compared to the pre-COVID-19 period. The project also suggested that restrictions on movement and fear of infection discouraged some women in need of counselling and temporary shelter related to domestic violence from seeking help.

Furthermore, according to the UNICEF study, 82.4 percent of interviewed parents reported spending more time with children as the new normal during the social distancing period (UNICEF Viet Nam, 2020). However, parents were forced to take time off work, leave without pay or even quit jobs to take care of children. Some parents asked grandparents, relatives or older children to care for children at home or even sent children to rural hometowns to reduce childcare costs. Parents with no relatives nearby also sent children to neighbors.

Poor, migrant and ethnic minority households reported difficulties in enabling their children to participate in online learning and therefore were concerned that their children would fall behind in school. The UNICEF study finds that all distance learning modalities (online, TV, radio and paper-based) posed unique challenges with respect to ensuring inclusive and quality learning. For example, online learning compounded inequality in education for the most disadvantaged groups, especially children from ethnic minority groups and poor families due to the digital divide and literacy. Teachers, especially in disadvantaged areas, were not well prepared to facilitate online learning, with 93 percent of teachers in remote provinces reporting not having used modern technologies in class prior to the COVID-19 crisis. This compromised the quality of online teaching. Furthermore, ethnic minority students could not benefit from mother tongue-based online learning due to a lack of online materials in ethnic minority languages (UNICEF Viet Nam, 2020).

Examples of additional caring responsibilities on women

During two weeks of lockdown, my company arranged work from home for all staff. The company's workload was two times higher than the pre-COVID-19 period. I have two children three and five years of age who had to stay home as their kindergartens were closed. As our kids don't play with my husband and my mother-in-law was not much help, I was torn between taking care of them, housework and work for the company. I could not go to bed before 2 a.m. If this lasts for another month, I could go crazy.

Female, 32 year of age, white collar worker, Ha Noi.

My father has a spinal cord injury, so my mother and I had to take turns going to the hospital to take care of him. When Bach Mai hospital was quarantined, we were literally isolated by our neighbors. There was a rumor that I was infected, many people phoned and cursed us. Despite being identified not posing an infection risk, my mother and I had to ask the local authority for a COVID-19 test. We could not go out. Luckily, some close relatives helped us to purchase food and delivered it to our door.

Female 28 year of age, white collar worker, Ha Noi.

Surveyed households received more support from local government and mass organizations than other sources.

Among the low percentage of households receiving support, 5.4 percent received it from local authorities and mass organizations. A higher percentage of female-headed households (8.9 percent), informal sector workers (7.1 percent) and migrants (6.0 percent) received this type of support than other households. The proportion of households receiving support from commercial banks, business organizations, informal personal networks and charity was small. Local people expressed appreciation for support from local government and mass organizations, which, although of limited monetary value, was good for morale and helped build relationships between vulnerable groups, local authorities and mass organizations.

How does the GoV social protection support package help protect the livelihoods of workers and households affected by COVID-19 pandemic?

The social protection package under Resolution No. 42 and Decision 15 (MOLISA, 2020b) is an important and unprecedented – as recognized by the GoV - vehicle to support workers and households affected by the COVID-19 pandemic.

Table 3: GoV policy supporting affected people and enterprises to respond to COVID19 impact

Support policy	Budget (VND)	Type of support and eligible groups
Fiscal package to support enterprises	180,000 billion	Tax deferral and delayed payment of land use tax and rent, etc. Affected enterprises in more than 30 manufacturing and service subsectors
Loans with zero interest rate to pay workers' salary	236-1,000 billion	Loans with zero interest rate; <ul style="list-style-type: none"> Enterprises with more than 100 workers, at least 30% workers take staggered work arrangement with the accumulated of 30 days off. Dissolved and bankrupt enterprises needing loans to pay workers' salaries Enterprises, with more than 50 workers and have already laid off at least 10% of workers or without financial resources to pay salaries for workers and will have to lay off workers
Social protection package	61,580 billion	Cash transfer for 3 months (April, May and June 2020); People with merit, poor and near poor HHs, formal workers who have lost jobs but are not eligible for social insurance, informal sector workers who have lost jobs (of several types of non-agricultural employment); Household businesses with annual revenue of less than VND100million, stopped operating, etc.
Electricity price reduction	11,000 billion	10% reduction of electricity price (April – June 2020); All HHs and businesses, health facilities and quarantine sites: free
Banks reduce interest rates	NA	Banks reduced interest rates and exempted or reduced fees for making transactions. Enterprises that provide essential goods and services are eligible for loan with an interest rate of 4.5-5%/year (lower than mobilization rates)
Credit package of Commercial banks	285,000 billion	Loans; less/least affected enterprises but need investment capital after COVID-19, including in sectors: agriculture aquaculture, healthcare services and electricity, etc. Heavily affected enterprises also can borrow if ability to repay can be proven.

The GoV social protection (SP) support package recognizes the negative impact on the poor and near-poor, as well as vulnerable workers, including laid off formal sector workers that are not eligible for unemployment insurance benefits, and informal sector workers who have lost their jobs and incomes but are not covered by the current social assistance system.

Rapid, timely social protection payments could have significantly reduced the impact on poverty.

The report, based on a simulation exercise, concludes that if the GoV SP package had been delivered in a timely manner (i.e. monthly cash transfers made in April and May 2020) and had reached all originally intended groups, the national income poverty rate would have been reduced to 17.2 percent in April and 9.9 percent in May 2020 (Figure 30). While the GoV SP package support would have had a large impact on May 2020 income poverty rates in urban areas and among Kinh-Hoa households, the simulated impact of the program on rural and EM households appears to be less: the simulated “with GoV SP support” income poverty rates among rural and EM households in May 2020 were, 14.1 and 54.8 percent, respectively compared to “without GoV SP support” rates of 21.6 and 70.3 percent.

Despite the intended result of preventing vulnerable people from falling into poverty and protecting those already poor from descending deeper into poverty, the GoV social protection support policy faced several issues in its design and implementation.

Transient poverty was a challenge for poverty-targeting. Because the social protection support package was based on lists of the poor and near-poor approved in December 2019, many newly poor households and people that lost income during the pandemic did not receive support. This was the main factor in explaining the results of the simulation of the impact on income poverty of the GoV SP support package.

Vulnerable groups missed or under-served by GoV social protection packages.

The design and implementation of the GoV social protection support package omitted or under-served several specific groups, including: (i) families of young workers, especially those with children, single mothers and/or single bread-winners, without savings and those living in rented accommodation; (ii) families with members suffering from serious illnesses and those not receiving adequate treatment in specialized hospitals, including PWDs and elderly; and (iii) informal

workers in urban areas, households in rural areas (especially at a lower middle income level) engaged in both agricultural and non-agricultural activities such as handicrafts and other tourism related services in EM areas and families of cross-border migrant-workers. These families were not eligible for GoV SP support even though many had lost jobs and income and became as a result of the pandemic.

Complicated rules and procedures identifying and verifying eligibility prevented targeted groups from accessing the GoV SP package.

These groups include (i) formal workers who had lost jobs or reduced work hours/income but were not eligible for unemployment insurance benefits, (ii) informal sector workers who had lost jobs/experienced income reductions; and (iii) affected enterprises that had insufficient resources to pay workers’ salaries. These groups were not targeted under the existing SP system and thus mechanisms for targeting/delivering cash transfers were not developed and tested before the pandemic. GoV has acknowledged that the SP package supporting COVID-19 affected groups was unprecedented in Viet Nam.

Other factors contributed to mistargeting. Applications for support for laid-off workers were submitted by the enterprises, not employees, which added a layer of bureaucracy between government and recipients of support. For migrants, applications required certification at both the sending and receiving locations, significantly increasing the cost of requesting assistance. As local governments were required to use their own budget to cover the costs of the Decision 15, implementation was sporadic and actual coverage of targeted groups did not meet expectations.

A report issued by MOLISA (MOLISA 2020a) claims that short-term cash transfers have been made to 99 percent of regular social assistance beneficiaries, 110 percent of people in the merit categories and 72 percent of poor and near poor households. However, the proportion of other intended target groups receiving transfers is low. Very few targeted recipients in the following categories have received support: i) workers with temporarily suspended labor contracts; ii) workers with terminated labor contracts but not eligible for unemployment insurance benefits; iii) workers without labor contracts and social insurance that have lost jobs; and iv) household businesses with revenues of less than 100 million VND that had suspended business as the result of COVID-19 (see Figure 33).

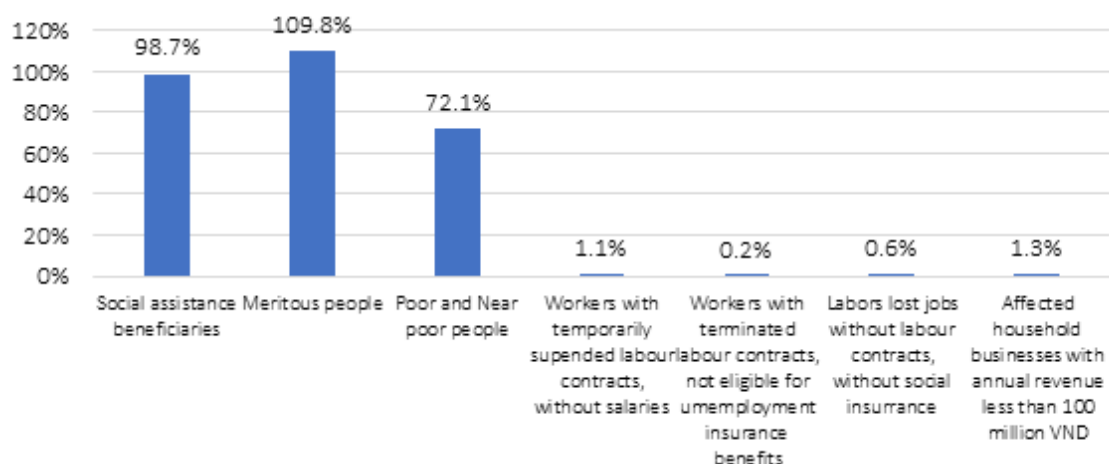


Figure 33. Proportion of targeted groups receiving GoV social protection support as of 18 June (%)

An example of a targeted household not given access to GoV SP Support

In April, I called and asked the Chairman of the Commune Women’s Union but they said they had not seen any support, had not seen any policy announcements, and a few people who were cooperative owners said that no one had supported them yet. Now, the village head said that the application procedure was clear, and we cannot apply because we are farmers, despite the fact that we face income loss.

36-year-old female farmer, Ha Giang

People with disabilities amongst the hardest hit by COVID-19

“I have been blind since I was born. I have a weak immune system and I am in poor health. I have been chronically ill since I was a child. I am on unpaid leave during the COVID-19 outbreak, so I have no money for medicine and treatment.” The type of difficulties described here were found to be common in the *Rapid Assessment of the Socio-Economic Impact of COVID-19 on persons with disabilities in Viet Nam*.

The Rapid Assessment revealed that 82 percent of respondents expressed concerns about protecting their health in the pandemic in Viet Nam. In particular, 70 percent had problems accessing medical care, including check-ups, medicines and medical apparatus and rehabilitation services. Thirty percent of respondents became unemployed due to COVID-19 and 49 percent saw their working hours reduced. Among those still in work, 59 percent were subject to pay cuts. As a result, almost all respondents expressed concern for their financial security. Alarming, 72 percent of surveyed PWDs had to subsist on an income less than one million VND in March 2020, which is a 21 increase in this income range compared to the previous period (February 2019 to February 2020). Twenty-eight percent of respondents relied on savings for subsistence. However, 71 percent of respondents worked in the informal sector, and therefore face difficulties in establishing their eligibility for Government social protection support.

Source: Rapid Assessment of the Socio-Economic Impact of COVID-19 on persons with disabilities in Viet Nam (UNDP Viet Nam, May 2020)

3.3. COVID-19 IMPACT ON ENTERPRISES

COVID-19 has had a substantial impact on vulnerable enterprises, with significant variation between enterprises depending on enterprise characteristics and sub-sectors.

Surveyed HBs and MSMEs suffered a sharp reduction

of revenues due to COVID-19. Loss of revenue was uneven across different types of enterprises. On average, revenue in April 2020 of MSMEs and HBs as a proportion of December 2019 was 22 and 17 percent, respectively. Thus, in comparison to December 2019, MSMEs suffered a 78 percent reduction in revenue, while HBs faced a steeper decrease of 83 percent. Enterprise revenue in April 2020 as a proportion of December 2019 income was the lowest (13 percent) among MSMEs in the tourism and related services such as hotels and restaurants, and among HBs in garment

manufacturing and footwear. HBs in the tourism sector and related services, in which female workers are

over-represented, recorded April 2020 revenue of 16 percent of December levels (Figure 34).

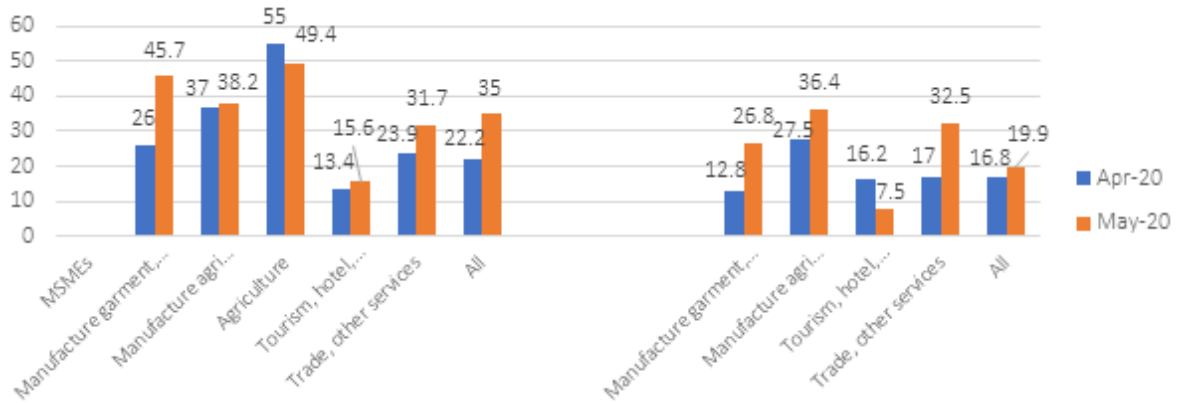


Figure 34. Average firm revenue as a percentage of December 2019 levels

At the peak of the pandemic in April, SMEs and HBs operating in ethnic minority areas suffered an 87 and 89 percent decline in income, respectively. Urban MSMEs experience a more severe revenue drop than their rural-based counterparts because high-contact, trade intensive activities are overwhelmingly concentrated in urban and Kinh-Hoa areas. The average April 2020

revenue of surveyed SMEs and HBs remained low (13 and 11 percent, respectively of December 2019 levels). During the peak period, the revenue of women-led MSMEs was as 17 percent of December levels, which is lower than the rate (24 percent) of men-led units. Female and male-led HBs suffered a similar level of revenue reduction (Figure 35).

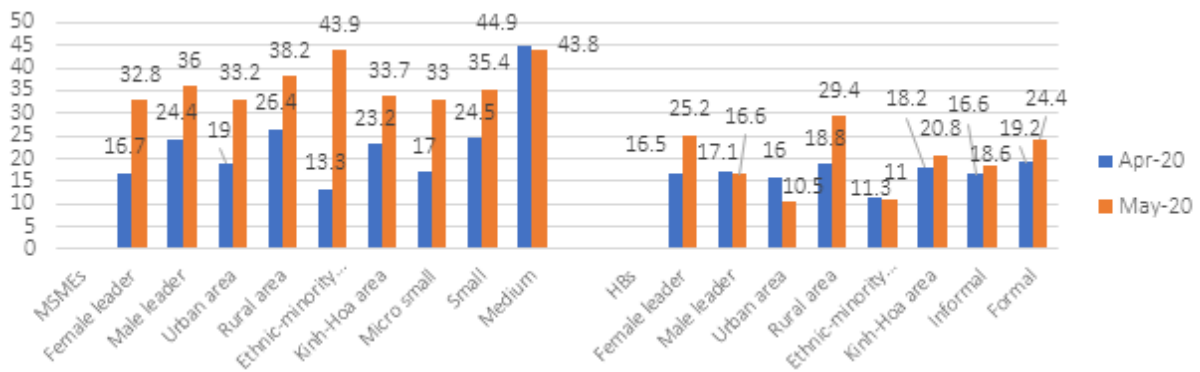


Figure 35. Average firm revenue as a percentage of December 2019 levels - by characteristics of firms

Most MSMEs reduced the numbers of workers employed in response to the reduction in demand. One-quarter of MSMEs reported that they had cut the workforce in April and May 2020 by more half of the December 2019 levels. At the peak of the pandemic in April 2020, the workforce employed by MSMEs was down by two-thirds compared to December 2019. It is notable that

female-led MSMEs maintained a higher proportion of the workforce in employment in April compared to male-led MSMEs. Firms operating in ethnic minority areas, and smaller firms, suffered the greatest impact. Larger businesses were able to maintain a larger share of the workforce in jobs (Figure 36).

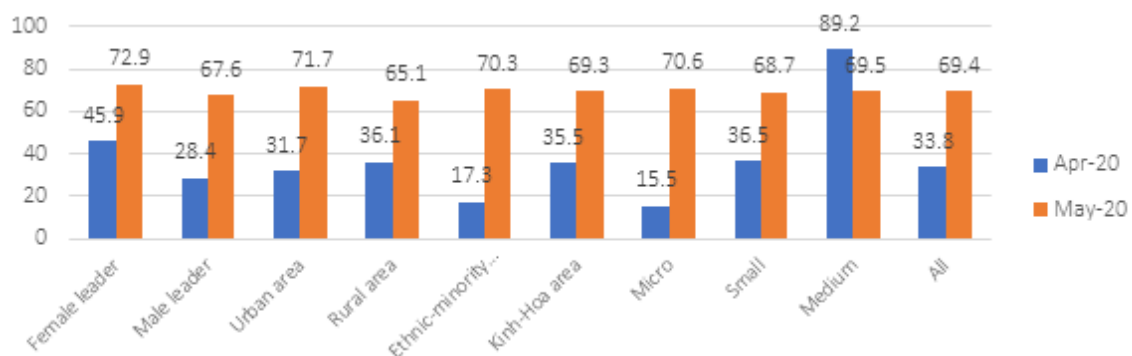


Figure 36. Average size of workforce compared to December 2019 (%)

Gender differences are modest with respect to the proportion of the work force still employed in April and May 2020 compared to Dec 2019 (Figure 37). One exception is medium-sized firms, which retained fewer women in April (78 percent of December levels) than men (93 percent). However, by May the share of

the male and female workforce still employed had leveled out at 70 percent of December levels. Large gaps in employment were also noted between MSMEs operating in the ethnic minority and Kinh-Hoa living areas.

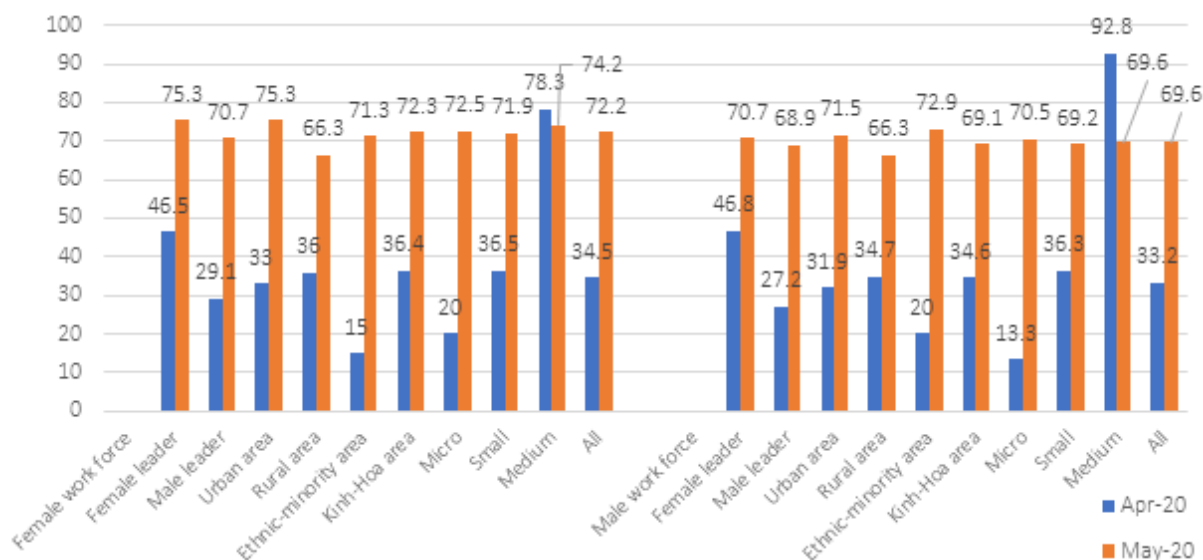


Figure 37. Average workforce by gender compared to December 2019 (%)

Interviews revealed a sense of social responsibility and solidarity on the part of business owners, mainly among women-led businesses. Owners of MSMEs made an effort to keep their workers employed, especially female employees, during challenging times.

Example of using a contingency fund to ensure female workers have enough income to support their children

Since February, all activities and events have been canceled or postponed until June or the end of the year. Revenue is zero. Seventy percent of our workers are married women with children. Therefore, the company is trying to manage using a contingency fund, mobilizing more money from shareholders to pay pre-pandemic levels of salaries and benefits for employees. The company sees this policy as part of its responsibility to its employees. To make the most of this period, the company has focused on improving its organization, developing processes, and training to improve the capacity of employees, accepting that difficulties will remain for three to four months to come.

Female business event organizer, 15 employees, Hanoi

Early signs of recovery varied across enterprises depending on characteristics and subsectors.

The revenue decline of surveyed enterprises eased in

May 2020. A partial recovery was recorded for all types of firms, as shown by the smaller revenue reduction in May compared to April. In May 2020 MSMEs reported higher levels of revenue compared to April, though still much lower than December 2019. However, the recovery was uneven: in May 2020, some enterprise groups suffered further reductions in income. HBs in the tourism and related services, for instance, recorded further revenue losses to eight percent of December 2019 levels. MSMEs in the agricultural sector also experienced a further decrease in revenue. While in May 2020, average revenue of MSMEs in EM areas increased substantially to 44 percent of their December 2019 levels, the HBs in the same areas suffered a slight revenue reduction. In May 2020, women-led HBs recovered more quickly than men-led businesses. The average May 2020 revenue of women-led HBs was 25 percent of the December 2019 level as compared to a small reduction among men-led businesses. Most firms still saw the situation as difficult, and no firms reported a full recovery back to pre-epidemic levels of income.

Coping strategies of enterprises

The pandemic is primarily a health shock with economic consequences. In managing the health impact, most firms complied with requirements on social distancing and other safety measures. The use of masks and hand sanitizers was common in more than 80 percent of SMEs and HBs. Few firms employed more costly measures, such as shifting to e-commerce, online operations and restructuring production lines/areas to meet social distancing requirements. In response to the economic shock, 29 percent of MSMEs explored niches

in the domestic market, while one-quarter engaged in cost cutting (Figure 38). A quarter of surveyed MSMEs

did not report any coping measures.

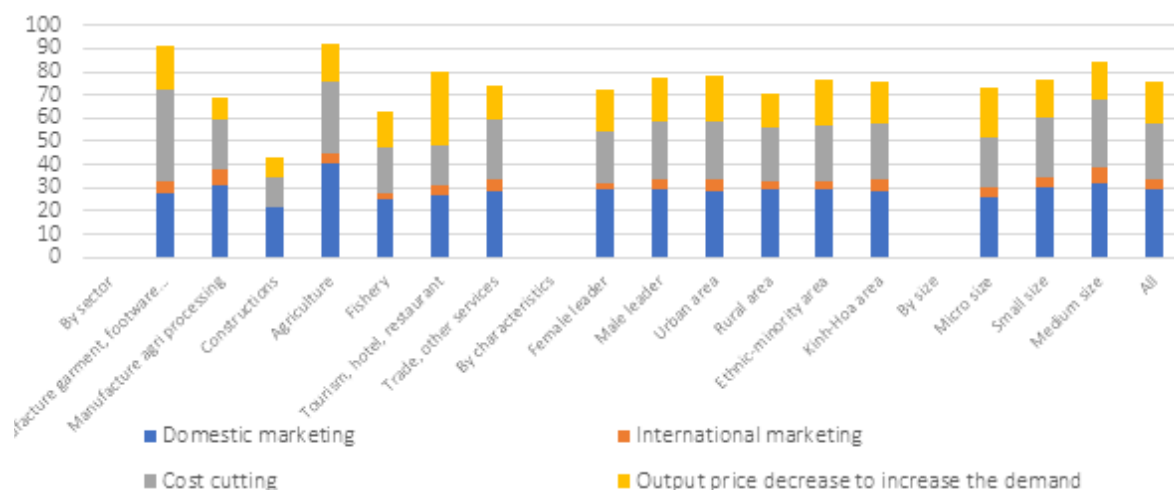


Figure 38. Business coping strategies (% of MSMEs)

Most MSMEs did not report difficulties meeting credit obligations, probably because of their limited access to formal loans. Few firms were able to access Government support packages due to the design of

the programs, which gave preference to the existing clients of commercial banks, generally excluding MSMEs.

Good connectivity via e-commerce platforms and online marketing tools help the recovery of SMEs and HBs in mountainous areas:

Ethnic Minority enterprises have their own strengths in business development of indigenous specialties. Good connections to the market, including transportation and infrastructure, as well as e-commerce platforms and online marketing tools such as Facebook and Zalo, have provided good conditions for SMEs in the mountainous area to link to markets. The survey showed that:

- (1) At the peak of the pandemic in April 2020, transportation services were interrupted due to social distancing requirements affecting a majority of EM women-led HBs and cooperatives; however, by May transportation services improved as business recovered.
- (2) Cooperatives and HBs in mountainous areas providing tourism services and goods such as handicrafts or special foods/goods for tourists experienced a weaker recovery due to fall off in demand; for those providing agricultural and specialized products serving the domestic market, the recovery was better thanks to the return of transportation services and the relative stability/recovery of domestic demand;
- (3) Cooperatives and HBs that use e-commerce platforms and online tools for marketing tended to suffer less revenue reduction in April and recovered faster in May thanks more diversified markets and better experience in responding to changes in demand.

Source: This survey and UNDP's survey among 49 women-led cooperatives in Bac Can and Dak Nong provinces

Firms' feedback on GoV support

Both men and women-led enterprises identified three main difficulties in accessing government support:

- **Difficulties in accessing specific information about application procedures.** The government should provide concrete guidelines and requirements for beneficiaries and permit firms to apply using digital technologies. This would enable firms to readily assess eligibility and accelerate the application process.
- **Difficulties in completing applications for support.** Application procedures and requirements for certification are cumbersome and time-consuming. The use of digital technology in this process would reduce the amount of paperwork required. The authorities already possess most of the information requested in the applications, and this could be imported directly from the authorities' database systems to reduce the need for verification and certification.

- **Difficulty in the verification process for approval.** Some firms reported that waiting times for approval were not specified by the authorities.

Technology could help keep applicants informed and would facilitate scheduling interviews as required.

Vietnamese firms during the pandemic: Evidence from a UNIDO firm survey

UNIDO recently conducted a survey of firms in a number of countries to gather information on the impact of COVID-19 and the responses of enterprises. The Viet Nam sample consisted of 154 firms, 29 percent of which target the domestic market, the rest exporting at least ten percent of production. Over half of the latter, or 37 percent of all surveyed firms, participate in global value chains. The sample was also stratified by size and the degree of technological sophistication (low tech and medium tech).

Regarding the employment impact of the pandemic, the survey found medium-sized firms were the most heavily affected along with non-GVC export firms. Payment of wages was listed as the main financial concern across all firms.

Almost 80 percent of firms experienced a reduction in demand and about one-third of firms faced supply chain disruptions. Thirty percent of businesses surveyed suffered financial difficulties.

Looking to the future, most firms (92 percent) expected a drop in profits. Medium and high-tech firms were the most pessimistic by a narrow margin. A third of surveyed firms expected a decline in revenue of over 50 percent, while nearly half of firms said that revenue would fall from 20 to 50 percent. Small and medium-sized firms, and high-tech companies expected the largest drop in revenue. Nearly one-third of firms reported that they would cut employment, with small firms (41 percent) more likely to do so than medium (33 percent) and large (19 percent) companies.

To deal with cashflow issues, approximately 70 percent of respondents took loans, and a similar percentage cut operating costs. To overcome input shortages, responses varied by firm size. Over 60 percent of big firms reported that they would increase their procurement channels versus 40 percent of small firms. Half of small firms reduced production, while only 30 percent of big firms did so.

In answering the question "What policies work best for them in the pandemic times," 54 percent of respondents mentioned a reduction and deferment of taxes, while 39 percent asked for a temporary reduction of social security contributions. Forty-one percent requested a reduction of rent and utility costs.

Source: UNIDO, 2020. Coronavirus: the economic impact – 10 July 2020. <https://www.unido.org/stories/coronavirus-economic-impact-10-july-2020>

Gender differences are apparent in the economic impact of COVID-19 and in the distribution of caring and domestic work responsibilities.

- While EM households, migrant households, and informal sector households are among the groups most adversely affected by COVID-19, female-headed households of informal sector workers, together with EM households, posted the slowest rates of recovery. It is noteworthy that female-headed migrant households recovered more quickly than their male-headed counterparts: May 2020 incomes of the former rose to 59 percent of the pre-pandemic level versus 38 percent for men. Their willingness to take any job, including lower-paid or riskier work, and their ability to take the initiative to respond to income gaps, help explain the difference.
- While women-led MSMEs suffered a slightly larger reduction in terms of revenue compared to men-led units, women-led and men-led HBs suffered the same level of revenue reduction. Thanks to a

strong sense of social responsibility and solidarity, women led MSMEs tended to keep their workers, especially female employees, during challenging times.

- The most notable gender-differentiated impact of COVID-19 recorded in the study is the effect of gender roles and gender stereotypes on the onus of caring responsibilities and domestic work and the risk of increasing gender-based violence during the pandemic.

Recommendations: Towards a robust and sustainable recovery

The COVID-19 pandemic is a health crisis with economic consequences, not an economic crisis. It is easy to lose sight of this basic fact because of the tremendous suffering caused by the loss of incomes and jobs associated with the pandemic. As we have

seen in other countries, failure to contain the virus is the greatest risk to economic recovery. As the risk of a resurgence will remain high until a safe and effective vaccine and/or treatments are widely available, the government must prioritize public health and safety, including strict adherence to Ministry of Health guidelines on social distancing and other preventative measures and rigorous testing, tracing and quarantine of new cases as they appear. The government must also have contingency plans in place in the case of a second wave of infections, including measures to ensure the continued functioning of markets for essential goods, including food, medicine and protective equipment.

Beyond containing the virus and remaining vigilant to the continued risk of a resurgence of the pandemic, the government has taken important measures to sustain economic output and employment during the crisis. As described in this report, these measures have made a material difference to many affected businesses and households. The following recommendations, based on the assessment presented in previous sections, fall into two categories: i) policies to assist the most vulnerable people and communities as they attempt to overcome the impact of the pandemic; and, ii) policies to secure a robust, sustainable and resilient recovery through support for businesses and households.

Leaving No One Behind

The top priority must be to assist people and communities vulnerable to extreme poverty. The burden of lost employment and earnings falls most heavily on the poor. Government action should help those people who have the smallest margin of safety, for whom loss of income for a few months or even days can be catastrophic. Many of these people are migrant wage workers, work in the informal sector or run their own micro-enterprises. Closure of small and micro businesses can create long-term problems as owners lay off workers, sell-off equipment and possessions or migrate in search of income, and this in turn delay or slow the recovery. Key policy actions include:

- **Public work programs** provide immediate employment and income to the most vulnerable because they are self-targeting. Programs can be organized by local government agencies that have a backlog of maintenance or small infrastructure work as well as environment restoration that could be started and completed quickly. Such programs need to be designed and implemented in a gender-sensitive manner to meet the differentiated needs of female and male workers. India's National Rural Employment Guarantee Scheme (MGNREGA) has helped reduce rural unemployment and sustain livelihoods despite the rapid spread of the disease in recent months. Forty million Indians relied on the program in June for subsistence, the largest ever enrolment in the program (DowntoEarth, 2020).

- **Cash transfers to protect livelihoods of vulnerable people and boost domestic demand.** The 'GoV Social Protection Support to the Affected by COVID-19' was designed with this in mind but reached a limited number of formal and informal sector workers. The experience of the pandemic has reinforced the need to revisit the design of cash transfer programs (as recommended in the UNDP NHDR2015), including: (i) accelerating the implementation of the Master Plan for Social Assistance Reform and Development (MPSARD) approved in 2017, and expanding *regular social assistance (cash transfer) targeting categories such as PWDs and their carers (most of them are women), young (under 3 or 6-year-old) children and elderly (60-79 years of age), pregnant women or considering the expansion to single-parents working in the informal sector*; (ii) developing contingency plans for cash transfer programs to respond quickly to large-scale shocks such as natural disasters, economic crisis and health emergencies like the COVID-19 pandemic; and (iii) transforming *existing emergency cash transfer schemes based on idiosyncratic risks into programs that address risks affecting large numbers of people, for example natural disasters, pandemics and economic crises.*
- **Move from a residence-based system of social protection, which excludes Vietnamese migrant workers, to one based on national citizenship,** for example through digitalization of registration and verification of eligibility to application of digital payment tools. Migrants have been unable to access assistance because they need to return to their location of origin, which adds time and expense but does not guarantee success. The COVID-19 pandemic has demonstrated that these gaps in provision are a danger to the entire community, as unprotected individuals may experience problems obtaining medical treatment. Action will need to be taken quickly in line with the GoV plan to abolish the resident registration (Ho Khau) in 2021;
- **Consider central government matching grants to provinces with limited financial resources to increase coverage and accelerate implementation.** Equal access to social protection programs regardless of where one lives is desirable on grounds of fairness, and ensures that recipients do not face incentives to relocate based on the type and value of social assistance and protection programs available.
- **Government should increase investment in protection services and counselling to detect and protect children and women at risk of domestic violence and abuse.** The lockdown period saw an increase in calls to hotlines seeking help for women and children subjected to domestic violence. Teachers, front-line health workers and

local officials need training to recognize domestic violence and resources to protect vulnerable women and children.

- **Expand access to credit critical for household businesses, micro and small enterprises working in the informal sector** that provide jobs for vulnerable people and that have been hit hard by the pandemic. Innovative solutions, such as supporting financial service providers that serve these enterprises and accelerating the issuance of SBV banking agent regulations to enable intermediaries to bring digital financial services to underserved groups, especially in rural and ethnic minority area, are needed. These solutions should be designed and implemented in a gender-sensitive manner to address the chronic issue of women-led enterprises having less access to credit.
- **Expand agricultural credit** - Government credits can help some agricultural and industrial producers remain solvent during a prolonged period of contracting global demand. This could take the form of purchasing/storing unsold production or extended working capital credits to enable them to continue to function during the downturn.

Investing in a robust, sustainable recovery

GoV must be prepared to design and implement bold policies to achieve a robust, sustainable, recovery in the context of a weak global economy and substantial sector-specific challenges that could act as a drag on growth for several years to come. Due to GoV's success in containing the spread of the virus, the Vietnamese economy is expected to outperform its ASEAN neighbors and most of the developing world. Nevertheless, growth is likely to be slower in 2020 than in any year since the *đổi mới* reforms in the mid-1980s. Moreover, the economic headwinds will not disappear with the COVID-19 virus. Some important sectors, like international tourism, hospitality, food service and warehousing, could take years to regain output levels recorded in 2019. Demand for manufactured exports could recover slowly as international consumers cope with lower incomes and higher debts. Tariff wars could disrupt supply chains and normal trade patterns. GoV would be ill advised to expect a quick return to business as usual following a crisis of this magnitude.

Viewed from another angle, the recovery from COVID-19 is an opportunity to refocus economic policy on productivity growth, sustainability and building an economy that delivers benefits for everyone. Public investment will play a pivotal role in accelerating the recovery and creating the conditions for greener, more efficient and more equitable growth. Only the government will be able to expand its balance sheet as the pandemic subsidies, as the private, foreign and

financial sectors are already overstretched. Simply accelerating public investment plans already in place will be neither sufficient nor necessarily desirable. Focusing on sustainability, especially renewable energy, and productivity-enhancing public investment, will deliver benefits during the recovery and for many years into the future.

Policies for a robust and sustainable recovery would include:

- **Acceleration of renewable energy production by investing in national installation capacity for solar and wind generation and streamlining approvals and tariff structures.** Greater use of renewables, especially if development is carried out by national firms, would create thousands of high productivity jobs and save billions in foreign exchange now used to import fuel. GoV should build out the infrastructure for charging stations for electric vehicles, which would reduce fuel imports and improve the quality of the air in major cities, and invest in the domestic electric scooter industry, which would eventually increase the scope to impose green taxes on gasoline and diesel.
- **Focus public investment on infrastructure to support productivity and high value-added production.** Public investment will need to be more forward-looking, concentrating on providing infrastructure for new and emerging industries that have the potential to create productive jobs. In the rural sector, building out the cold chain, improving logistics capacity and investment in public-private collaborations in agricultural research will lower costs and raise productivity on farms and for wholesalers, exporters and domestic retailers. Investing in ICT infrastructure will improve access to fast broadband and lower costs for millions of businesses and households and would also facilitate more rapid digitization of government services. Infrastructure investment needs to be focused on growth and forward-looking; distributing public investment geographically rather than based on economic impact will slow the recovery and reduce the rate of job creation and income growth.
- **Strategic support for enterprises to drive the recovery** - Some industries require direct support. Airlines, tourism, hospitality and food-service enterprises will experience a slow and partial recovery even as the pandemic subsides. But allowing these businesses to fail would result in a loss of viable companies, important sectoral knowledge and experience and would reduce the value of trillions of VND in assets. Female employment is also heavily concentrated in some of these industries. Among the industries affected, travel and tourism may suffer longer

than most. Manufacturing, for example footwear and garments, will also suffer from weak demand. GoV's policy of reducing and deferring taxes and social protection contributions, especially for MSMEs, will help some firms, but procedures need simplification and implementation should be accelerated. Deferment of social and health insurance premiums should not result in workers' loss of health insurance and reductions in their future pensions.

- Monetary policy should **focus on helping otherwise healthy companies survive the pandemic**. The government does not have full information on which companies are in good condition, but the banks do have this information. Therefore, SBV can work closely with commercial banks to enable them to extend existing credit lines for several months to enable good companies to survive during the prolonged pandemic. SBV can show some lenience in loan classifications to prevent a situation in which banks are penalized for rolling over loans for their valued clients. But the government must be careful to avoid a situation in which saving companies means undermining the financial stability of the commercial banks. New lending should be carefully targeted (prioritizing women-led enterprises which, as noted above, have less access to credit) and tied to employment guarantees for workers. SBV must also ensure that the credit market remains liquid so that normal transactions are not impeded.
- **Identify opportunities to develop domestic markets**. As it will take time for global demand to recover, Vietnamese firms in general, and MSMEs in particular, should explore niches in the domestic market of over 96 million people. **MSMEs also need to explore transition and fast track e-commerce opportunities, including online platforms and digital transactions** to participate in the "contactless economy" that is expected to grow fast in the new normal. The Government should raise awareness and proactively provide MSMEs with low cost technical support for online trading, bearing in mind the risk of "digital divide" between men and women. This is critical for expanding reach in both domestic and international markets.
- **Strengthen domestic supply chains**. Better linkages of MSMEs to domestic supply chains could help limit the impact of international supply chain disruptions and help MSMEs recover faster. Recent experience of UNDP-supported EM women-led cooperatives and household businesses shows

that expanding to new markets in other provinces and big cities through e-commerce platforms and online marketing tools, using more diverse supply sources and logistics services, and better experience in meeting the changes of domestic demands, were key for the businesses to suffer less revenue reduction in April and recover faster in May 2020.

- **Help Vietnamese firms attain international standards to improve access to global markets**. A key challenge is for the Vietnamese firms to enhance their productivity and quality to be able to provide goods and services at international standards and at competitive prices. At the first step, targeted support is needed to build capacity of Vietnamese firms with potential to become reliable suppliers to FDI firms that are based in or will be moving to Viet Nam and that lead the global value chains in several specific sectors. The challenges, however, are significant. For example, Vietnamese firms were engaged in production of protective gowns and masks, but few could obtain international certification required to penetrate export markets. Aligning Viet Nam's standards internationally and enhancing the ability of firms to get their products tested in Viet Nam and obtain the necessary certifications would improve protection for Viet Nam's frontline workers and also initiate a *race to the top* among Vietnamese PPE producing firms. The "race to the top" will not only help the enterprises become reliable suppliers in the global supply chains but also maintain more employment for female workers.
- **Enhance labor mobility through reskilling and job matching services to smooth employment across unevenly recovering sectors**. As firms working in different sectors will recover at different rates (with sectors employing more female workers such as tourism and related services, garment and footwear are recovering more slowly) adjustment across firms and sectors is inevitable. GoV can facilitate labor mobility through reskilling, labor market information and job matching services, simplification of procedures including ensuring the continuity social and unemployment insurance and eligibility for benefits (including cash transfers based on the citizenship rather than residence). Special attention will be necessary to address the barriers to mobility that female workers face such as child/elderly care responsibility and lower retirement age.



CONCLUSION

The Government of Viet Nam's early and proactive response to the coronavirus pandemic in January 2020 saved thousands of lives and reduced the impact of the crisis on the national economy. The Vietnamese economy is expected to record a positive rate of GDP growth in 2020 and recover strongly in 2021. Even so, COVID-19 represents a momentous economic challenge. Some industries, for example transportation and hospitality, have been hit hard by measures to contain the spread of the virus. Others, like export manufacturing, have faced the double blow of disruption to supply chains and weaker international demand for output. Other industries have suffered to varying degrees depending on their capacity to adjust to the "new normal" of social distancing and limited direct contact with the world outside of Viet Nam.

The costs of the pandemic have not been distributed equally in Viet Nam or in other countries. This was inevitable given the differential impact on sectors, industries and occupations. The Government responded with a variety of fiscal and monetary policies to support affected industries and people. Interest rates were reduced, taxes and social security payments deferred, and direct assistance was provided to specific vulnerable groups. These policies helped to cushion the blow of the pandemic, but the Government realizes that more will have to be done as the global crisis deepens.

This report has focused on the impact of the COVID-19 pandemic on vulnerable enterprises and households including results from a UNDP and UN Women-commissioned rapid impact assessment conducted in April and May of this year. The survey found that certain groups of vulnerable households such as ethnic minorities, migrants and informal sector

workers, suffered the largest income loss relative to normal times and therefore higher poverty rates. The Government's emergency social protection measures had a positive impact on living standards, but because social assistance was based on established categories of beneficiaries many of the newly poor did not get help when they needed it. Household, micro and small businesses reported difficulties in obtaining government support because of lack of information, complicated application procedures and long waiting times.

The coronavirus pandemic is first and foremost a health crisis, which means that the priority for Government, businesses and the community remains containment of the virus and protecting the health and safety of everyone, but especially vulnerable people such as the elderly and people with pre-existing health conditions. Although prospects for economic recovery are good, especially over the medium to long-term, there is no room for complacency. Global demand is still weak and is held back not only by the pandemic but also the lingering effects of the Global Financial Crisis of 2008.

To address this situation, the Government will need to take a leading role in supporting domestic demand through strategic public investment concentrating on projects that contribute to rapid productivity growth, environmental sustainability, and achievement of the SDGs. Reform of the social protection system, including learning lessons from the pandemic, will close gaps in coverage and protect and eliminate extreme poverty, even during difficult times. Some sectors, for example the transportation and hospitality industries, will require direct government support to ensure that they are position to restart growth when conditions allow.



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