



Catalyzing Women's Entrepreneurship Creating a Gender-Responsive Entrepreneurial Ecosystem



Assessment of the Impact of COVID-19 on MSMEs, and especially women-led MSMEs in Viet Nam

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Le Thi Nha Trang, Ninh Thuan province [Left], Trieu Thi Lan, Member of Nhung Luy Cooperative, Bac Kan [Right], Nguyen Thi Hong Hoa, Nguyen Thi Hong Hoa, Minh Nhi Vegetable Cooperative, Tra Vinh province, at Phiên Chợ Xanh Tủi tế - BSA Green Fair [Below]

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List of abbreviations and acronyms

ASEAN	Association of Southeast Asian Nations
AED-MPI	Agency for Enterprise Development, Ministry of Planning and Investment
BDS	Business development services
BSA	Business Studies and Assistance Center
CSIP	Centre for Social Initiatives Promotion
COVID-19	Coronavirus 2019
CWE	Catalyzing Women's Entrepreneurship Programme
ESCAP	United Nations Economic and Social Commission for Asia and the Pacific
FDI	Foreign direct investment
GDP	Gross domestic product
MSMEs	Micro, small and medium sized enterprise
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
PMI	Purchasing managers' index
SMEs	Small and medium sized enterprises
UNCDF	United Nations Capital Development Fund
SOE	State-owned enterprise
VAVE	Viet Nam Association for Women Entrepreneurs
VBSP	Viet Nam Bank for Social Policies
VINASME	Viet Nam Association of Small and Medium Enterprises
Vietrade	Viet Nam Trade Promotion Agency
VWEC	Viet Nam Women Entrepreneurs Council
WISE	Women's Initiative for Start-ups and Entrepreneurship
1H2020	First half of 2020
1Q2020	First quarter of 2020

Note: Conversions from Vietnamese Dong (VND) to USD in the text are for illustrative purposes only. They are based on the approximate currency exchange rate of VND 23,250 = USD 1.00.

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Executive summary

This report assesses the impact of COVID-19 on micro, small and medium sized enterprises (MSMEs) in Viet Nam, with particular emphasis on women-led MSMEs.

The report is broadly divided into three main parts. The first part provides the wider context for the study and covers: i) a brief profile of the MSME sector in Viet Nam, including the Government's policies towards their development prior to COVID-19; ii) an overview of the impact on COVID-19 on Viet Nam's economy at the time of writing (late July 2020), and the Government's policy response pertaining to MSMEs.

The second part analyses the results emanating from an empirical survey that was conducted in June 2020, focusing on: i) the depth of impact of COVID-19 on MSMEs in Viet Nam; ii) MSMEs' awareness of and access to the Government's policies aimed at assisting enterprises facing difficulties caused by COVID-19; and iii) the business sector's perceptions of the Government's policies for assisting enterprises facing COVID-19.

Building on the analysis, the third part provides specific recommendations on additional support policies to help MSMEs in Viet Nam, and especially women-led MSMEs, both in terms of: i) immediate mitigation measures; and ii) positioning for the post-COVID-19 "new normal".

There is a growing recognition that COVID-19 has caused more than just a sudden hiccup in the global economy. Rather, COVID-19 has generated a "new normal" that businesses will need to adjust to. Thus, the pandemic has and continues to be a global stress test for all enterprises. It illustrates that businesses need to have resilience and be able to ensure continuity through times of crisis.

The principal findings from this empirical study are:

- In the first half of 2020 (1H2020), roughly 62,000 new enterprise registrations were recorded; a decline of 7.3 per cent on the same period in 2019. Crucially, approximately, 29,200 enterprises sought to suspend their operations in 1H2020; an increase of 38.2 per cent on the year previously. The increase was 41 per cent in the trade and services sector, 32.1 per cent in the industry and construction sector, and 23.9 per cent in the agriculture, forestry and fisheries sector.
- More than 80 per cent of surveyed MSMEs reported that the impact of COVID-19 on their businesses was either bad or very bad; a response seen across all major sectors. Nearly all, at ninety-six per cent of the MSMEs surveyed, reported a fall in profits. Just over a quarter (28 per cent) of surveyed MSMEs reported they had been obliged to partially halt or scale back their business operations, and an additional fifth (18 per cent) had to temporarily suspend all business operations. Moreover, to date, the impact of COVID-19 on women-led MSMEs' revenues have been more severe than that experienced by men-led MSMEs – although the reasons for this gender-difference is unclear. Women-led MSMEs have also had slightly higher perception of a negative impact of COVID-19 on their business compared to their male counterparts.
- MSMEs were concerned about the negative impact on expected revenues for the whole of 2020, with every MSME surveyed expecting a contraction compared with 2019. Over a third (36.1 per cent) of firms expect a decline in revenues of at least 50 per cent, while 40.4 per cent of those surveyed said that they were forecasting a reduction of 20-50 per cent in revenues for 2020, compared with 2019. However, women-led enterprises were more optimistic than men-led enterprises about their business' financial prospects.
- The crisis has largely taken the form of a demand-side shock for Viet Nam's MSMEs. Highly dependent on cash flows, the lack of demand and revenue has left many MSMEs struggling with a shortage of working capital. Only a relatively small proportion of firms cited difficulties with input supplies.

- As a coping mechanism, nearly 50 per cent of MSMEs participated in this survey have had to cut wages and/or hours worked by employees. Simultaneously, clients and customers have been re-negotiating prices down, deferring payments and cancelling orders. Notably, women-led MSMEs were twice as likely to have suspended some or all of their normal business activities (29.9 per cent) as compared to men-led MSMEs (15.1 per cent).
- On the whole, the general perception among MSMEs is that the Government's emergency support measures are useful, rating 4.2 out of a maximum of 5, yet women-led MSMEs provided a lower rating than men-led MSMEs on all the parameters assessed. However, detailed information on how to apply for various forms of support, as well as the actual implementation of various measures has been sub-optimal. This may explain in large part why so many MSMEs have hesitated or failed to make use of this support.
- The fiscal support measures have probably been the most appreciated by enterprises and have had the largest uptake, along with temporary reductions in interest rate payments for loans.
- COVID-19 has also served to heighten the importance of ensuring that MSMEs can navigate their way through severe and sudden economic downturns, and have the right systems in place to: i) lessen their vulnerability to such downside risks; and ii) be able to respond effectively and decisively to those risks when they occur.

In-depth interviews uncovered some specific initiatives, such as trainings, to support women entrepreneurs mitigate the heightened losses and risks posed by COVID-19, and provided insights on gender differences in coping mechanisms and behaviour between women and men-led MSMEs.

- Women-led MSMEs display greater flexibility in times of crisis. The survey results suggest that women-led MSMEs are more adept at contingency planning, and/or more likely to adopt conservative business strategies, thereby increasing their resilience in times of crisis.
- Women-led businesses are more likely to opt for business continuity mechanisms that entail operational adjustments, such as cutting costs, and re-negotiating payment terms.
- Women-led business have been more likely to reduce or suspend business activities during COVID-19. This may be explained by gender-differences in caring responsibilities for young children during school shutdowns.
- More women-led enterprises have undertaken philanthropic activities during the crisis period. This suggests that women-led firms are more predisposed to help their local community, such as through distributing their products for free to people impacted by COVID-19.

Encouragingly both the survey respondents and interviewees noted that the pandemic has generated some positive outcomes for MSMEs, due to difficulties in market and input resources. This includes: i) forcing businesses to consider changing their business and production models, and to start to embrace a greater use of ICT; ii) increasing awareness of the need for contingency planning, and cognisant of risk; iii) highlighting the need to diversify both their sources of inputs and their revenue streams where feasible; and iv) reminding enterprises that they do not operate in a vacuum, but are intimately connected to a range of wider stakeholders: their employees, their suppliers, their customers or clients, their investors, and the communities in which they operate.

Among the various policy-oriented recommendations emanating from this study, the following near-term options are emphasized for consideration:

- Improvements can be made in the implementation of emergency support measures provided by the Government to support enterprises during the COVID-19 crisis, most notably around information transparency and application procedures. The relevant Government

agencies are encouraged to work with and through relevant business associations chambers and other business networks, including those that focus on women-led MSMEs. The provision of online seminars and other outreach activities, preferably tailored to be relevant to MSMEs in different sectors, with very specific instructions on how to apply, Q&A sessions, FAQ chatrooms would also be useful.

- Methods to support MSMEs “self-evaluate” their eligibility for support would be helpful, increase efficiency, and potentially save time. A set of clear criteria is needed for enterprises to be able to “self-evaluate”, and thereby determine: i) which eligibility group they belong to; ii) which policies they are entitled to access; iii) who precisely to approach; and iv) which documents to provide and forms to submit. One option might be to establish a dedicated COVID-19 internet portal where all relevant information, forms and contact details are easily accessible and downloadable. Ideally, this portal would also span across the relevant state agencies, as a one stop shop platform.
- Creating dedicated departments within the relevant State agencies and commercial banks to handle applications relating to COVID-19 support measure would also be valuable, notably in providing a clear “point of entry” for MSMEs.

Looking beyond the immediate need for emergency support measures, there is a need for more long-term initiatives to address structural constraints and support the MSME sector development in Viet Nam. These measures might include:

- Supporting digital transformation of MSMEs to support them to leverage the benefits of ICT. Doing so, will increase their competitiveness by reducing various transaction and fixed costs, and unlocking significant efficiency gains. Any such initiative will need to acknowledge gender-differences in access and usage of technology.
- Offering technical assistance and capacity support to help MSMEs develop strategic plans to “pivot” their pre-COVID-19 business models for 2021 and beyond. In doing so, they need to ensure the commercial viability of their value proposition to ensure long term sustainability. Moreover, support provided needs to be tailored to the gender- differential needs and risks facing women entrepreneurs.
- Developing a user-friendly analytical tool to allow MSMEs to conduct a systematic self-diagnosis of their relative strengths and weaknesses, and preparedness for the post-COVID-19 business ecosystem. This tool would help MSMEs to identify priorities to make the “step change” improvements needed to be competitive.
- Implementing interventions to improve the connectivity between MSMEs in Viet Nam and encourage consumers to buy from local producers and suppliers. This is in a context where COVID-19 has served to emphasize the importance of building up a strong domestic market for products and services, and not becoming unduly reliant on overseas markets for future economic growth.
- Stimulating innovation among MSMEs in Viet Nam. It is a country that “stands out as one of the few lower middle-income economies that [is] getting much more innovation results for [its] innovation investments”¹. Making further advances in business innovation could prove to be a “game changer” for Viet Nam and its MSMEs.

Finally, there is a need to ensure that the COVID-19 crisis does not dislocate the steady progress that Viet Nam has made in developing its MSME sector. The task of steadily improving the business

¹ Cornell University, INSEAD and WIPO, 2020.

environment for MSMEs remains a work in progress that will extend beyond the current crisis. This pertains to MSMEs in general, and women-led enterprises in particular.

1. Introduction

In Asia and the Pacific, entrepreneurship is one of the main pathways to achieve gender equality and women's economic empowerment- as set out in Sustainable Development Goal (SDG) 5², which can in turn have a multiplier effect on family well-being, poverty reduction and sustainable economic growth. Creating an enabling entrepreneurial ecosystem where women can freely participate to their full capacity, can yield expansive socio-economic gains stretching from households to communities and economies. Indeed it has been estimated that the advancement of women's equality in the region, could potentially add an USD 4.5 trillion to the collective gross domestic product (GDP) annually by 2025; a 12 per cent increase over the business-as-usual GDP trajectory.³

In the context of Viet Nam's economic growth story, the contribution of small and medium enterprises (SMEs) is vital, estimated in 2015 to account for more than 98 per cent of all business, 40 per cent of GDP, and 50 per cent of total employment.⁴ Within the SME sector in Viet Nam, it is estimated that women-owned SMEs comprise 21 per cent of formal enterprises.⁵ The majority of women-owned enterprises are micro-enterprises at 57 per cent; 42 per cent are SMEs; and just 1 per cent are large enterprises.⁶ Data also highlights that women-owned businesses in Viet Nam have similar average annual revenues when compared to their male counterparts.⁷ Yet despite this, women can face greater vulnerability to shared barriers as well as additional barriers to start up and/or expand their businesses. These barriers include access to finance and technology, low levels of financial and digital literacy, lack of opportunities for capacity development and discriminatory socio-cultural norms. The barriers faced by women-led micro, small, medium sized enterprises (MSMEs) are further exacerbated in times of economic uncertainty and downturn, such as that currently being experienced as a result of the global COVID-19 pandemic. The unprecedented impact of the COVID-19 pandemic has been felt across Viet Nam and the business community since the Lunar New Year.

In response to the initial spread of COVID-19 across Asia and the Pacific, the Government of Viet Nam quickly deployed quarantine measures, and put in place a number of fiscal and monetary policies to support businesses that include: delays in the collection of taxes and land rent; reduced fee and charges; lower interest rates; and expanded credit. However, it is also important to understand the assistance needed to support vulnerable MSMEs, especially those led by women entrepreneurs, as well as how to deliver that support effectively, and in a targeted fashion. The Government's success in isolating infected areas, and the high recovery rate for those testing positive, has offered some stabilization to the situation. In addition, unemployment insurance, acts of charity by civil society, and various aid efforts have all served to provide those who are vulnerable with a social and economic buffer.

However, given the uncertainty surrounding the timeline and full impacts of COVID-19, the strain on all businesses are increasingly being felt. In response, enterprise founders and entrepreneurs have been gradually looking for adaptive and innovative solutions to protect and pivot their business operations including setting up new ventures targeting changing market patterns and consumer

² Sustainable development goal (SDG 5).

³ McKinsey & Company, 2018.

⁴ Swiss Program for Research on Global Issues for Development, 2015.

⁵ GSO, 2014.

⁶ GSO, 2014.

⁷ GSO, 2015. "Average annual revenue of USD 548,000 for small women-owned enterprises against USD 543,000 for men; average annual revenue of USD 5.69 million for medium women-owned enterprises versus USD 5.76 million for men."

behavior. As the initial catatonic-like shock of COVID-19's impact starts to lessen, enterprises are in search of business solutions that can equip and support them in the post-COVID-19 "new normal".

This empirical study to assess the impact of COVID-19 on MSMEs in Viet Nam, with particular emphasis on women-led MSMEs, was commissioned by the Agency of Enterprise Development, Ministry of Investment and Planning (AED-MPI), Government of Viet Nam and the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) as part of a five year (2018-2023) regional project, Catalyzing Women's Entrepreneurship - Creating a Gender-Responsive Entrepreneurial Ecosystem (CWE). The CWE project aims to strengthen entrepreneurial ecosystems that foster women's entrepreneurship, enhance women entrepreneurs' access to capital through innovative financing mechanisms, and increase women entrepreneurs' use of ICT through relevant training and tools.

The study is intended to not only provide empirical data and analysis on the depth and extent of COVID-19's impact, but also inform a series of pertinent policy recommendations on how Viet Nam can best address the adverse effects on MSMEs of the economic and other measures taken to control the spread of the virus. Looking beyond the immediate crisis, this study also seeks to identify clear and actionable policy recommendations to further build a robust gender-responsive policy environment for MSMEs, and address specific constraints facing women-led MSMEs, in Viet Nam's post-COVID-19 "new normal".

2. Brief profile of the MSME sector in Viet Nam

“SMEs are central—not only in promoting inclusive and sustainable economic growth, employment, and decent work for all; SMEs also promote sustainable industrialization and foster innovation and can help reduce income inequalities if they receive support to provide good quality jobs. Finally, they can support achieving gender equality and women’s empowerment through female entrepreneurship.”⁸

Ever since Viet Nam embarked on its economic reform drive, “doi moi”, in 1986, developing the SME sector has consistently been regarded by policymakers as a critical component of that process. The consensus view in Viet Nam’s policymaking circles is that SMEs are an important source of economic growth, job creation and income generation. To that end, Viet Nam has pro-actively sought to design and enact policies intended to support the development of a vibrant SME sector, and where necessary, enacting supportive legal and regulatory measures, and various economic stimuli.

The rise in SME numbers in Viet Nam have been both organic⁹ and as a result of informal businesses shifting to “legalize” their activities through formal registration, aided in part by various iterations of the Enterprise Law and a host of regulatory and fiscal reforms over the last three decades. Job creation has been an important driver of SME development in a country with a large, growing and relatively young labour force entering Viet Nam’s employment market each year. Viet Nam’s population was estimated to be 96.5 million in 2016, of which 35 per cent now reside in urban areas and 65 per cent in rural areas. The country’s labour force is estimated to be 55.8 million, of which 47.3 per cent are women and 52.7 per cent are men – a gender gap of approximately 5 per cent, which is lower than other countries within the Asia Pacific region. Of the 54.7 million employed in 2019, 35.3 per cent worked in services, 34.5 per cent worked in agriculture, forestry and fisheries, and 30.2 per cent worked in industry and construction.¹⁰

Between 2005 and 2015, the number of non-state manufacturing enterprises grew from 2.7 million to 5.1 million. During that decade, the number of non-state enterprises also increased almost five-fold to pass the 400,000 mark, and the number of household enterprises rose by 78 per cent. The number of non-state enterprises has continued to grow, reaching 591,500 in 2018, of which 16,878 (2.8 per cent) were foreign-invested enterprises. A significant state-owned enterprise (SOE) sector continues to operate in Viet Nam and dominates in a range of strategic and semi-strategic sectors, including commercial banking, communications and transport, and utilities. As of July 2019, there were approximately 5.4 million non-farm enterprises operating in Viet Nam, of which 82.1 per cent were in trade and services, and 17.9 per cent were in industry and construction.

The character of the MSME sector is typically a mix of relatively conservative and risk-averse business endeavors, often built around a traditional family ownership structure, through to more dynamic and innovative enterprises, with more ambitious growth aspirations and a greater appetite for informed risk. As with the MSME sector in all economies, there tends to be a high turnover of companies, particularly for start-ups, with around 10 per cent or more businesses expected to close each year. However, MSMEs all share a business enabling environment that, while improving, remains challenging, as evidenced and measured by the World Bank’s annual Doing Business survey.¹¹ Moreover, there are legal gender differences with persist and influence the gender-responsiveness of the business environment for women’s entrepreneurship, as well as employment.

⁸ Rand, J. and Tarp, F., 2020.

⁹ A function of new enterprises being established.

¹⁰ All data cited here is from GSO 2019.

¹¹ World Bank, 2020. Viet Nam’s ranking in the latest iteration of the Doing Business survey is 70th.

These are set out in the World Bank's Women, Business and the Law 2020 index which ranks Viet Nam at 78.8.¹²

In the context of this specific study, a 2017 survey of MSMEs in Viet Nam¹³ found that:

- MSMEs founded by female entrepreneurs, similar to younger entrepreneurs, are more likely to be innovative and use technology, be aware of impacts on environmental sustainability, and hire employees with post-secondary education and international experience.
- MSMEs do not take sufficient advantage of innovation and technology. Policy efforts should focus on helping MSMEs leverage these tools. The most used technologies in MSMEs are the internet, mobile applications, and design, processing, and manufacturing technology.
- Although not currently a high priority among MSMEs, efforts to improve environmental sustainability may also improve access to foreign markets, heighten innovation, and foster a group of youth and gender-balanced entrepreneurs.
- The largest barrier to growth is access to finance.
- MSMEs use of support services is limited. Increased access to support services can mitigate the most prominent barriers to growth.
- Most MSMEs identify their companies as traditional and are not seeking to innovate or have yet to innovate.

While no business is wholly immune from the impact of COVID-19, MSMEs in developing countries are particularly vulnerable to its adverse effects. They typically have thin balance sheets on which to survive during lean periods, and therefore are highly reliant on maintaining cash flows. Even a fairly brief interruption in cash flows can cause business failure. MSMEs also tend to be more reliant on cash as a means of payment, and so cannot easily shift to remote or online service provision.

To conclude this section, the development of a conducive enabling environment for MSMEs remains a work in progress in Viet Nam and will continue to be the case after the COVID-19 crisis has abated. While significant progress has been made in recent decades to support the development of a more robust and vibrant private MSME sector, there is still much that can be done to empower these enterprises to realize their full potential, and thereby play an important role in Viet Nam's economic growth story. While the urgency of the COVID-19 crisis has served to distract us from the long-term vision for MSMEs in Viet Nam, the relevance of that long-term vision has not dissipated.

¹² World Bank, 2020.

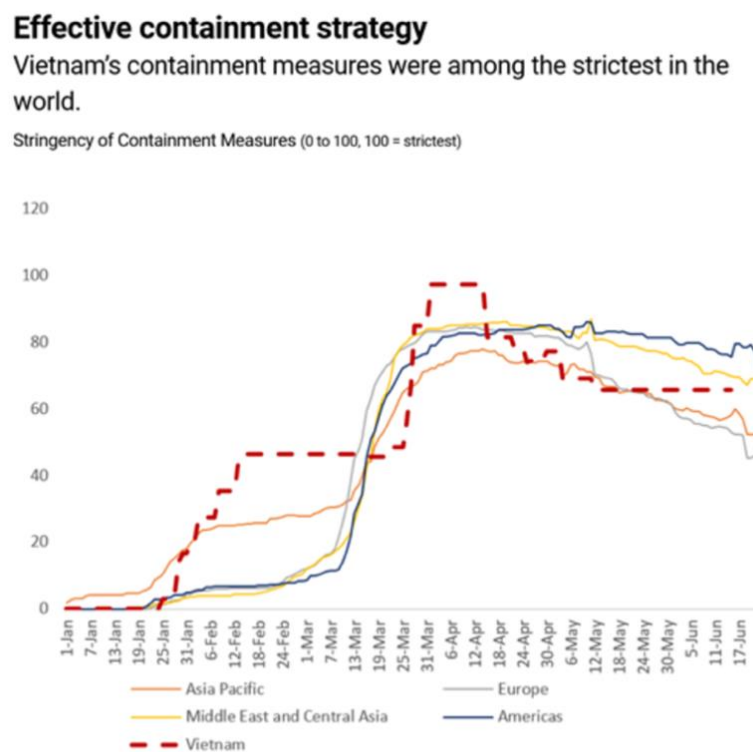
¹³ Asia Pacific Foundation of Canada, 2017.

3. Overview of the impact on COVID-19 on Viet Nam's economy, and the Government's policy response

3.1. Impact

Viet Nam has garnered international plaudits for its handling of the COVID-19 health crisis, most notably around the speedy and strident containment measures taken to try and contain its spread.¹⁴ As of 22 August 2020, the number of confirmed cases of COVID-19 in the country was reported to be 1,014, with 26 fatalities.¹⁵ As figure 1 shows, Viet Nam's approach to containment was one of the most stringent globally. However, that degree of stringency comes with an economic cost, as the containment measures tend to have adverse consequences for business. Social distancing, travels bans, and other protocols all add to the difficulty of conducting business, and the transaction costs entailed in pursuing economic activities. Therefore, the overall impact of COVID-19 on Viet Nam's economy and corporate community has been substantial. But this was a deliberate, and commendable, decision by the Government to put the need of thwarting the health threat posed by COVID-19 ahead of the potential economic side effects.

Figure 1: Stringency of Viet Nam's COVID-19 containment measures compared



Sources: Oxford COVID-19 Government Response Tracker Stringency Index and IMF staff calculations.

Source: IMF, 2020.

¹⁴ IMF, 2020. "Viet Nam's successful strategy was informed by its experience with previous outbreaks, like the Severe Acute Respiratory Syndrome, or SARS, in 2003. Early on, the Prime Minister prioritized health above economic concerns. The strategy was swiftly deployed with the help of the military, public security services, and grass-root organizations, which speaks to some features unique to Viet Nam. Effective and transparent communications won the population's buy-in and contains broader lessons for developing countries."

¹⁵ John Hopkins University and Medicine, 2020. "With an estimated population of just over 97 million in 2020, Viet Nam is the 15th most populous country in the world, accounting for about 1.25 per cent of the global population. The country's proportion of global COVID-19 positive cases is 0.0044 per cent, and its proportion of global COVID-19 related deaths is 0.0032 per cent."

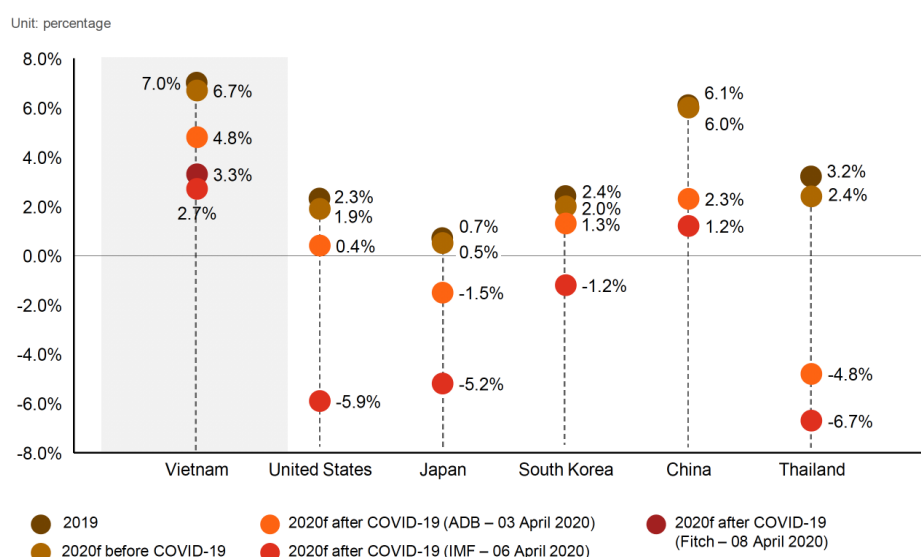
GDP impact

Prior to 2020, Viet Nam's economy had been displaying robust growth.¹⁶ In 2019, the country's GDP growth was estimated to be 7.0 per cent, and the industrial production index grew by around 9.1 per cent. Total investment grew by 10.2 per cent, with the non-state sector's investment up by 17.3 per cent. FDI inflow pledges in 2019 were USD 17.4bn, with a 28 per cent increase in the number of FDI projects licensed that year. The number of newly established enterprises in 2019 was over 138,000; a rise of 5.2 per cent on the previous year. Seventy-two per cent of these were in the services sector including trading, 26.5 per cent were in industry and construction, and 1.5 per cent were in agriculture, forestry and fisheries. Between 2016 and 2019, the average number of new enterprise registrations had been just shy of 126,600 each year, with a rising trend across all three main sectors. Turning to company cessations and dissolutions in 2019, roughly 72,400 enterprises suspended operations, of which 28,700 were temporary halts and 43,700 were looking to permanently dissolve. Around 16,800 enterprises completed their dissolution procedures.

Initial macro-economic statistics for the first half of 2020¹⁷ (1H2020) suggest that Viet Nam's GDP increased by just 1.8 per cent.¹⁸ The agriculture, forestry and fisheries sector grew by 1.2 per cent, the industry and construction sector grew by 3.0 per cent, and the trade and services sector grew by 0.6 per cent. The industrial production index grew just 2.7 per cent in 1H2020, with declines in the extractives sub-sector in particular.

While these headline macro-economic figures are undoubtedly dramatic, they are less extreme than those encountered in many other countries. As figure 2 shows, recently revised GDP growth forecasts for Viet Nam and some other countries suggests that, in relative terms at least, Viet Nam will be less impacted than many other economies, and may be able to achieve a modest but positive GDP growth figure for 2020.¹⁹

Figure 2: Revision of GDP growth forecasts for Viet Nam compared



Source: PwC, 2020.

¹⁶ Unless otherwise stated, all data cited here is from GSO, 2019.

¹⁷ January to July inclusion.

¹⁸ GSO, 2020.

¹⁹ PwC, 2020.

Business impact

The impact of COVID-19 has varied across different sectors of the economy and business community. For example, in relative terms, large parts of the agricultural sector have been less impacted by policy measures intended to help contain the virus. In contrast, parts of the services sector, such as hospitality, travel and tourism have been hugely impacted. In the manufacturing sector, dislocations in supply chains and a sharp drop in demand, particularly from overseas markets, have forced companies to scale down or even temporarily halt operations. In particular, the garment sector, which is a major employer of semi-skilled workers, including a large number of women, has been badly affected.

It is widely accepted that there has been a gendered impact on businesses of COVID-19 with greater negative consequences for women employees and entrepreneurs. Women tend to have high levels of economic participation in the sectors most impacted by the crisis, including the garment sector, tourism and hospitality, healthcare. Additionally, social norms mean women are more often the primary care givers in many household settings, and therefore face additional burdens when family members become unwell, schools close and other social services and support mechanisms start to falter.

The value of total exports in 1H2020 dropped by 1.1 per cent compared to the same period in 2019, with export-oriented foreign invested companies more markedly impacted than locally owned exporters, experiencing a decline in export revenues of 6.7 per cent. Some of the biggest declines in export revenues during 1H2020, relative to the same period in 2019, were crude oil, rubber and garments, among others. Imports also contracted by 3 per cent. Viet Nam, therefore, managed to maintain a trade surplus of USD 4 billion in 1H2020.

While the majority of MSMEs in Viet Nam are not directly part of international supply chains or cross-border production networks, they are indirectly affected by what happens in those networks. A large part of Viet Nam's macro-economic growth trajectory of recent decades has largely been a function of export-oriented manufacturing, much of which has been enacted by foreign-owned firms that have chosen Viet Nam as an attractive host country location. MSMEs current and future success is therefore dependent on overseas market demand for their products. Thus, if the economic impact of COVID-19 continues to reduce global demand for the kinds of products that Viet Nam produces for export²⁰, then Viet Nam's wider economy will be adversely impacted, which then has a knock-on effect for its MSMEs.

In 1H2020, roughly 62,000 new enterprise registrations were recorded; a decline of 7.3 per cent on the same period in 2019. Crucially, approximately, 29,200 enterprises sought to suspend their operations in 1H2020; an increase of 38.2 per cent on the year previously. The increase was 41 per cent in the trade and services sector, 32.1 per cent in the industry and construction sector, and 23.9 per cent in the agriculture, forestry and fisheries sector. Some of the largest increases in company closures were in real estate, arts and entertainment, education and training, and accommodation and catering. Of these closures, 19,600 enterprises were looking to permanently dissolve. A further 7,400 enterprises completed their dissolution procedures in 1H2020.

Consumption impact

Initial estimates suggest that retail sales in Viet Nam contracted by 5.3 per cent in 1H2020, compared with the same period a year previously, if one allows for inflation. Inflation rose by 4.2 per cent in the 1H2020, with a rate of 0.7 per cent alone for June. Unsurprisingly, the single largest drop in retail

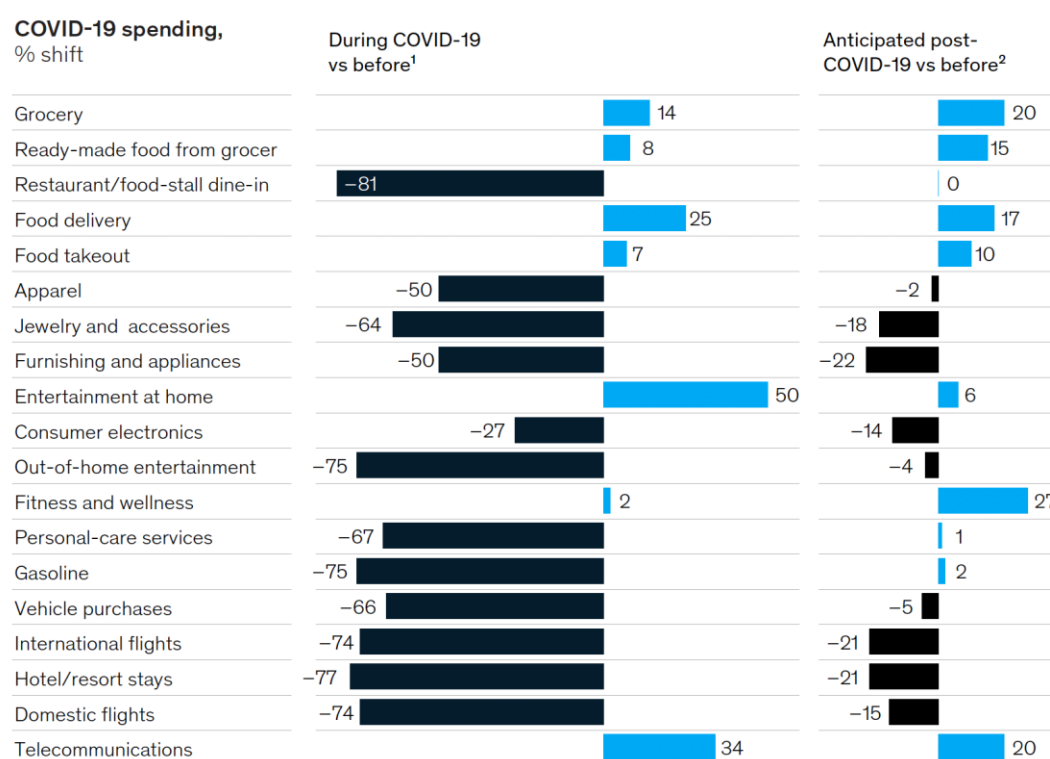
²⁰ Garments and smartphones.

sales was for travel-related services. Passenger transport numbers dipped by 27.3 per cent year-on-year in 1H2020, freight traffic contracted by 8.1 per cent, and international visitor arrivals also fell by 55.8 per cent.

A recent report by the consulting firm, McKinsey & Company, noted that in Viet Nam “spending on essential goods and services accounts for 42 per cent of national GDP, compared with just 26 per cent for discretionary spending. Spending cutbacks [as a result of COVID-19] are mostly being felt in the discretionary spending category, so a significant slice of the country’s economy could be relatively well insulated.”²¹ Figure 3 below shows discretionary spending on home-based entertainment rising by 50 per cent during the COVID-19 period, while most other forms of non-essential spending contracted. Looking to anticipated spending after the crisis, it is interesting to note the expected rise in retail spending around fitness and wellness, but spending around travel and tourism, jewellery and accessories, and furnishing and appliances are all expected to contract further, even after the major contractions during the COVID-19 period.

This in turn might suggest that MSMEs that have businesses oriented towards the production and provision of essential products and services, such as food and communications as well as fitness and wellness offerings, have and will continue to encounter a lower level of impact from COVID-19 than those with offerings relating to discretionary spending. Indeed, some changes in consumer spending behaviour could actually have a net positive impact for MSMEs in some sectors of the economy.

Figure 3: Consumer spending shifts in Viet Nam during and after COVID-19



¹Question: “How has your spending per month changed during the COVID-19 outbreak compared with before the COVID-19 outbreak for each of the below items?” Figures may not sum to 100%, because of rounding. Net behavior (ie, how much people consume) and net intent are calculated by subtracting the % of respondents stating they expect to decrease spend from the % of respondents stating they expect to increase spend.

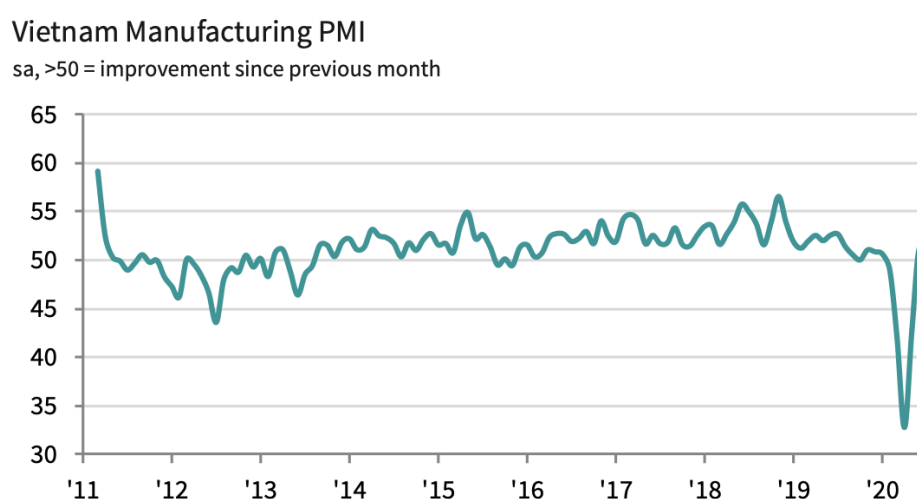
²Question: “For each of the following product/service options, how do you expect your spending per month to change after the COVID-19 outbreak compared with before the COVID-19 outbreak?” Figures may not sum to 100%, because of rounding.

Source: McKinsey & Company, 2020.

²¹ McKinsey & Company, 2020.

Looking ahead, one of the most insightful performance indices in this context is the purchasing managers' index (PMI), which serves to provide a leading indicator of what manufacturing companies anticipate will be business conditions in the months ahead. Reporting on 3 August 2020, the PMI was at 47.6 for July, up from a record low of 32.7 in April and 42.7 in May, but down from 51.1 in June (see Figure 4 below).²² "After returning to growth in June, the Vietnamese manufacturing sector took a step back in July, seeing declines in output and new orders as COVID-19 continued to impact business conditions. Employment decreased again, while purchasing activity was reduced. Employment fell at a solid pace, with declines registered across all three broad sectors. As well as seeing staffing levels decrease, manufacturers scaled back their purchasing activity, stocks of inputs and finished goods inventories at the start of the third quarter."²³ This is the wider economic and business context in which MSMEs in Viet Nam find themselves, as of mid-2020.

Figure 4: Viet Nam Manufacturing PMI



Source: IHS Markit, 2020.

3.2. Government response

Since the outbreak of COVID-19, the Government of Viet Nam has issued a series of policy documents intended to support the business activities of enterprises adversely impacted by the virus. They are profiled in Box 1 below.

Box 1: COVID-19 measures introduced

Directive	No.	The directive assigns relevant ministries to implement action plans on:
11/CT-TTg (4 March 2020) on urgent tasks and solutions to help address difficulties for		<ul style="list-style-type: none"> - Access to capital, credit, finance, tax, trade, electronic payment; - Reviewing, cutting administrative procedures and costs for enterprises; - Facilitation of production and business; export and import production; - Recovery and development of tourism and air transport; - Speeding up progress, disbursement of capital and improvement of business conditions;

²²IHS Markit, 2020. A number of 50 suggests a deteriorating situation, and above 50 indicates an improving situation, as perceived by purchasing managers working in Viet Nam's manufacturing sector. The PMI index is derived from responses to monthly questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The PMI is a weighted average of the following five indices: New Orders (30 per cent), Output (25 per cent), Employment (20 per cent), Suppliers' Delivery Times (15 per cent) and Stocks of Purchases (10 per cent). The indices are seasonally adjusted.

²³ HIS Market, 2020. For further details on the July report see:

<https://www.markiteconomics.com/Public/Home/PressRelease/393aa61c02224de4a1fddc43fba36626>

production and business, and ensure social security in response to COVID-19 ²⁴	<ul style="list-style-type: none"> - Resolving labour-related difficulties; and - Promotion of communication.
Resolution 42/NQ-CP (9 April 2020) on measures to support people facing difficulties due to COVID-19 ²⁵	<p>Employee incentives</p> <ul style="list-style-type: none"> - Financial assistance of USD 77 (VND 1.8 million) per month: Employees whose labour contract is temporarily suspended or have to take unpaid leave for a month or above will be eligible. This can be applicable for a maximum period of up to three months starting from April 1. - Financial assistance of USD 43 (VND 1 million) per month: Employees who lose jobs but are not eligible for unemployment allowance or that work without a labour contract and have lost their jobs are eligible. <p>Incentives for employers</p> <ul style="list-style-type: none"> - Employers facing financial difficulties that have paid at least 50 per cent of salaries in advance to their employees during their suspension of work for the period from April to June 2020 will be given collateral-free, zero-interest loans by the Viet Nam Bank for Social Policies (VBSP). The loans will be equivalent to a maximum of 50 per cent of the minimum regional wages applicable to each employee based on the actual time of salary payment, but not exceeding three months. The maximum term of the loans is 12 months. - Employers affected by the pandemic may also apply for a suspension of their contribution to the retirement and survivorship funds of the social insurance program for a maximum of 12 months if the number of employees' subject to social insurance contribution has been reduced by at least 50 per cent. - Individual business households having a tax return revenue under VND 100 million per year temporarily suspend business from 1 April 2020 are supported with VND 1,000,000 per household per month for a maximum of 3 months.
Resolution 84/NQ-CP (29 May 2020) on tasks and solutions for dealing with difficulties in business operations, promoting	<ul style="list-style-type: none"> - Reduce land rents by 15 per cent in 2020 for enterprises, organizations, households and individuals renting land directly from the Government according to decisions and contracts of competent authorities in the form of annual rents that have suspended business operations due to the COVID-19. - Exempt guarantee fees arising in 2020 for loans guaranteed by the Government granted to aviation enterprises that have outstanding loans until 31 December 2019.

²⁴ For further details see: <https://vanbanphapluat.co/directive-11-ct-ttg-2020-solutions-for-assisting-businesses-facing-difficulties-amid-covid-19-pandemic>

²⁵ For further details see: <https://vanbanphapluat.co/resolution-42-nq-cp-2020-assistance-for-people-affected-by-covid-19-pandemic>

disbursement in public investment and ensuring public order and safety during COVID-19 epidemic ²⁶	<ul style="list-style-type: none"> - Reduce 50 per cent of fees for taking off and landing aircrafts and flight management services for incoming and leaving domestic flights from March to September 2020 inclusively; apply minimum price of VND 0 for aviation services under schedule of price range specified by the Government from March to September 2020 inclusively. - Reduce 2 per cent of interest rate of direct and indirect lending for SMEs taken from medium and small enterprise development fund. - Reduce 50 per cent of registration fee for domestically manufactured or assembled automobiles until the end of 2020 inclusively to promote domestic consumption. - Extend deadlines for submission of excise tax applied to domestically manufactured or assembled automobiles with respect to payables arising from March 2020; the extended deadline shall not exceed 31 December 2020. Conduct research on amendments to excise tax to assist domestic manufacturing and development. - Approve pilot implementation of using telecommunication accounts to pay for small-value goods and services (mobile money) according to decisions of Prime Minister. - Permit foreign experts, enterprise managers, investors and highly skilled workers who work in investment projects in Vietnam to enter Vietnam to maintain business operations of enterprises while ensuring compliance with regulations and law on epidemic management. Prohibit discrimination against foreigners living and working in Vietnam. - Extend work permits for foreign experts, enterprise managers, investors and highly skilled workers working in enterprises; issue new work permits for foreign experts, enterprise managers, investors and highly skilled workers to replace those who cannot enter or do not enter Vietnam.
Fiscal policy package	<p>Resolution No. 116/2020/QH14 (19 June 2020) on reduction in corporate income tax payable in 2020 by enterprises, cooperatives, public service providers and other organizations</p> <p>Corporate income tax payable in 2020 by an enterprise whose total revenue in 2020 does not exceed 200 billion VND shall be reduced by 30 per cent.</p> <p>Enterprises shall calculate the reduction themselves when paying quarterly corporate income tax and preparing the 2020's annual statement of corporate income tax.²⁷</p>
Fiscal policy package	<p>Decree No. 41/2020/ND-CP (8 April 2020) on deferral of payment of taxes and land rents.²⁸</p> <p>The decree shall be applicable to enterprises, organizations, households, and individuals operating in agro-forestry-fisheries sector; food processing and</p>

²⁶ For further detail see <https://vanbanphapluat.co/resolution-84-nq-cp-2020-dealing-with-difficulties-in-business-operations-during-covid-19-epidemic>

²⁷ For further detail see <https://vanbanphapluat.co/resolution-116-2020-qh14-reduction-in-corporate-income-tax-payable-in-2020-by-enterprises>

²⁸ For further details see: <http://news.chinhphu.vn/Home/Govt-delays-tax-payments-to-dampen-COVID19-impacts/20204/39611.vgp>

	<p>manufacturing, garment and textile; straw and plastic products; metallurgy, mechanical engineering; and construction.</p> <p>Other beneficiaries include enterprises, organizations, households, and individuals producing auxiliary and key mechanical products; micro and small-sized enterprises, credit organizations, and branches of foreign banks which support their COVID-19 affected customers.</p> <p>The decree specifies duration of extension for payment of value added tax, corporate income tax, and land-use fees.</p> <p>Specifically, a five-month extension shall be given to value added tax of the assessment periods of March, April, May, June, the first quarter and the second quarter.</p> <p>For corporate income tax (CIT), the amount of CIT as finalized in the 2019 annual statement and CIT declared in the first and second quarters of 2020 will be deferred for five months.</p> <p>For household and individual businesses, the deadlines for paying value added tax and corporate income tax was extended to 31st December.</p> <p>Payment of land use fees extended by five months, from 31st May.</p>
Credit policy package	<p>State Bank Circular 01/2020/TT-NHNN (13 March 2020) providing for credit institutions and branches of foreign banks to restructure loan repayments, exemptions and reductions, in support of customers affected by COVID-19.</p> <p>The State Bank also issued Directive No. 02/CT-NHNN (31 March 2020) on urgent solutions of the banking industry to address the impact of the COVID-19 pandemic.²⁹</p>
Labour-related policy package	<p>Official Letter No. 797/LĐTBXH-BHXH (9 March 2020) of the Ministry of Labour, War Invalids and Social Affairs guiding the suspension of contributions to the retirement fund, for enterprises facing difficulties caused by COVID-19.³⁰</p> <p>Official Letter No. 860/BHXH-BT (17 March 2020) of Viet Nam Social Insurance, regarding suspension of contribution to the retirement fund for individuals affected by COVID-19.³¹</p> <p>Official Letter 245/TLĐ (18 March 2020) of the Viet Nam General Confederation of Labour on postponing payment of trade union fees for those affected by COVID-19.³²</p>

²⁹ For further details see: <https://www.moodyanalytics.com/regulatory-news/may-08-20-sbv-releases-measures-to-address-impact-of-covid-19-pandemic>

³⁰ For further details see: <https://vanbanphapluat.co/official-dispatch-797-ldtbxh-bhxx-2020-suspension-of-contributions-pension-fund-due-to-covid-19>

³¹ For further details see: <https://vanbanphapluat.co/official-dispatch-860-bhxx-bt-2020-suspension-of-contribution-to-the-pension-fund-affected-by-covid-19>

³² For further details see: <https://www.bakermckenzie.com/en/insight/publications/2020/03/temp-suspension-statutory-contributions-vn-covid19>

The majority of these COVID-19 related measures were enacted quickly, and with a focus on the need for immediate “triage” of wounds incurred by the country’s business sector as a result of the crisis. With policymakers taking a deliberate decision to effectively shut down large parts of the country’s economy in order to focus on combating the health crisis, there was a recognition of the need for extensive Government support focused on general business continuity and survival. However, the costs of implementing these measures are considerable, and not sustainable beyond the short term, without incurring substantial debt obligations for the public purse. Therefore, the measures are time-bound and will need to be phased out before too long. They are also pretty broad and macroeconomic in nature, given the need for urgency and what remains a fast-moving situation.

As 2020 progresses, and hopefully prospects for the near-term future become clearer, Viet Nam’s policymakers will need to decide whether or not to continue these interventions, halt them, revise or adjust them, and/or supplement them with additional measures.

Box 2: Current policy support for MSME development in Viet Nam: a few key documents

Law on Enterprises No 68/2014/QH13

Law on Enterprises No 59/2020/QH14 dated 17 June 2020 (effective from 1 January 2021)

Law 04/2017/QH14 dated 12 June 2017 on assistance for small and medium sized enterprises

Resolution 35 / NQ-CP dated 16 May 2016 by the Government on supporting and developing businesses until 2020

Decree No. 39/2018/ND-CP dated 11 March 2018 on guidelines for Law on support for small and medium-sized enterprises

Decree No. 38/2018/ND-CP dated 11 March 2018 on investments in small and medium-sized start-up companies

Decree No. 39/2019/ND-CP dated 10 May 2019 Organization and Operation of Small and Medium Enterprise Development Fund

Decree No. 55/2019/ND-CP dated 24 June 2019 providing legal assistance for small and medium-sized enterprises

Circular No. 05/2019/TT-BKHĐT of the Ministry of Planning and Investment dated 12 May 2019 on support for the human resources development of small and medium-sized enterprises

Circular No. 06/2019/TT-BKHDT dated 29 March 2019 on guidelines for organization and operation of consultant network, consultancy support for small and medium-sized enterprises through consultant network

Joint Circular No. 04/2014/TTLT-BKHDT-BTC dated 13 August 2014, guidance on assistance to cultivation of human resources for small and medium enterprises

Decree No. 34/2018/ND-CP dated 8 March 2018 on establishment, organization and operation of credit guarantee funds for small and medium enterprises

4. Research objectives and methodology

4.1. Objectives

The specific objectives of this study are to:

- assess the impact of COVID-19 on MSMEs and women-led MSMEs across a range of business sectors and functions³³ and better understand both the challenges and opportunities currently being faced;
- shed light on the various actions and efforts of MSMEs, and particularly women-led MSMEs, as well as women entrepreneurs, to respond and adapt their business models and practices in a bid to navigate the impacts of COVID-19;
- survey MSMEs, and particularly women-led MSMEs, views on, and access to, the Government's current policy measures under "Viet Nam Support Policies for Businesses Under COVID-19";
- gather and collate MSMEs', and particularly women-led MSMEs', opinions and suggestions on further policy measures and support that would be of utility in addressing the unprecedented impact of COVID-19; and
- provide clear and actionable policy-related recommendations to address the impact of, and challenges caused by, COVID-19 on MSMEs, and especially women-led MSMEs in Viet Nam.

Definition of an MSME

According to Law No. 04/2017/QH14 of June 2017, on assistance for small and medium-sized enterprises³⁴: a woman-owned SME is a company where one or more women own at least 51 per cent of an enterprise's chartered capital, and a woman is an executive director of this enterprise.

Further, according to Decree No. 39/2018/ND-CP of March 2018 on guidelines for support of small and medium-sized enterprises, the classification of an MSME is determined based on employee size, revenue, capital and sectors as outlined in table 1.

Table 1. Formal definition of an MSME in Viet Nam

Size of enterprises	Indicators	Agriculture, forestry and fisheries Manufacturing and construction	Trade and services
Micro enterprise	Employees	<=10 employees	<=10
	Revenues	< 3 Bil. VND	< 10 Bil. VND
	Capital		< 3 Bil. VND
Small enterprise	Employees	11-100 employees	11- 50 employees
	Revenues	3-50 Bil. VND	10-100 Bil. VND
	Capital	3-20 Bil. VND	3-50 Bil. VND
Medium enterprise	Employees	101-200 employees	51-100 employees
	Revenues	50-200 Bil. VND	100-300 Bil. VND
	Capital	20-100 Bil. VND	50-100 Bil. VND

³³ Production and operations, labour, finance, input, materials and market.

³⁴ For further details see: <https://vanbanphapluat.co/law-04-2017-qh14-on-assistance-for-small-and-medium-sized-enterprises>

4.2. Methodology

An online questionnaire was developed to collect primary information about the impact of COVID-19 on MSMEs in Viet Nam. It focused on the following:

- The depth of impact of COVID-19 on MSMEs in Viet Nam;
- MSMEs' awareness of and access to the Government's policies aimed at assisting enterprises facing difficulties caused by COVID-19, such as Directive 11/CT-TTg of the Prime Minister and other documents;
- Perceptions of the Government's policies for assisting enterprises facing COVID-19; and
- Specific recommendations on additional support policies to help MSMEs in Viet Nam, and especially women-led MSMEs, both in terms of: i) immediate mitigation; and ii) positioning for the post COVID-19 "new normal".

The survey was conducted during the period from 27 May 2020 to 15 June 2020. In addition to the questionnaire survey, over the same time period ten in-depth interviews were conducted with representatives of relevant State agencies, business associations and support organizations, and women-owned businesses.³⁵

4.3. Profile of businesses surveyed

There were 220 businesses that participated in the online survey. Of these, 34 per cent were located in the north of Viet Nam, 46 per cent in the central region, and 20 per cent in the south of the country. Sixty-two per cent of surveyed firms were in the trade and services sector, 30 per cent in the industry and construction sector, and 8 per cent in the agriculture, forestry and fisheries sector. Table 2 provides a breakdown of the survey respondents.

Table 2. Breakdown of the survey sample, by legal type, sector and size (in per cent)

		All MSMEs	Woman-led MSMEs	Men-led MSMEs
Form of enterprise	State-owned enterprises	1.4	1.5	1.2
	Private sector	95.5	94.8	96.5
	FDI	3.2	3.7	2.3
Sector	Manufacturing and construction	30.5	19.4	47.7
	Trade and services	61.8	71.6	46.5
	Agriculture, forestry and fisheries	7.7	9.0	5.8
Size	Micro	57.3	61.2	51.2
	Small	35.0	33.6	37.2
	Medium	7.7	5.2	11.6

The majority of the enterprise in the survey at sixty-one per cent (134 enterprises) were women-led enterprises. There were notable gender differences in MSME size and sector profile of the respondents, which may be indicative of the gender diverse profile of women and men-led enterprises within the country. In terms of enterprise size, the majority of respondents at 57 per cent of firms were micro-enterprises, 35 per cent were small, and 8 per cent were medium-sized. Notably, 61 per cent of women-led MSMEs were micro enterprises, and 34 per cent were small enterprises, with only 5 per cent of medium enterprises. By comparison, proportionally there were more men-led enterprises represented among small and medium sized enterprises, and fewer

³⁵ Please see Appendix for full list of interviewees.

at the micro-level. Ninety-six per cent of firms were domestic private sector firms, just 1 per cent were state-owned, and 3 per cent were foreign-invested enterprises.

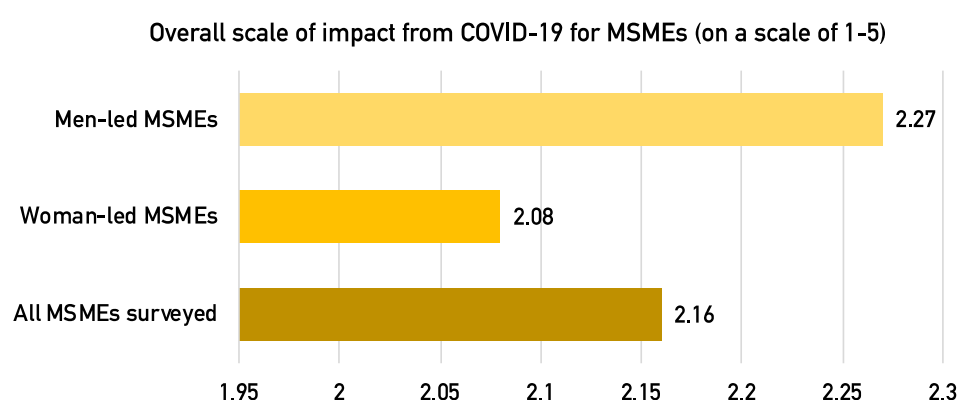
In terms of sector, 72 per cent of the women-led enterprises were in the trade and services sector. Notably significantly fewer men-led MSME respondents were operating in this sector at 46.5 per cent – a gender difference of 25 per cent. Moreover, significantly more men-led MSME respondents were operating in the manufacturing and construction sector at 47.7 per cent, representing a gender difference of 28 per cent. While there were more similar numbers of women and men-led enterprises from the agriculture, forestry and fisheries sector there was still a slighter greater sector representation of women business owners among respondents - a gender difference of over 3 per cent.

5. Main survey findings

5.1. Impact of COVID-19 on MSMEs and women-led MSMEs: challenges and opportunities

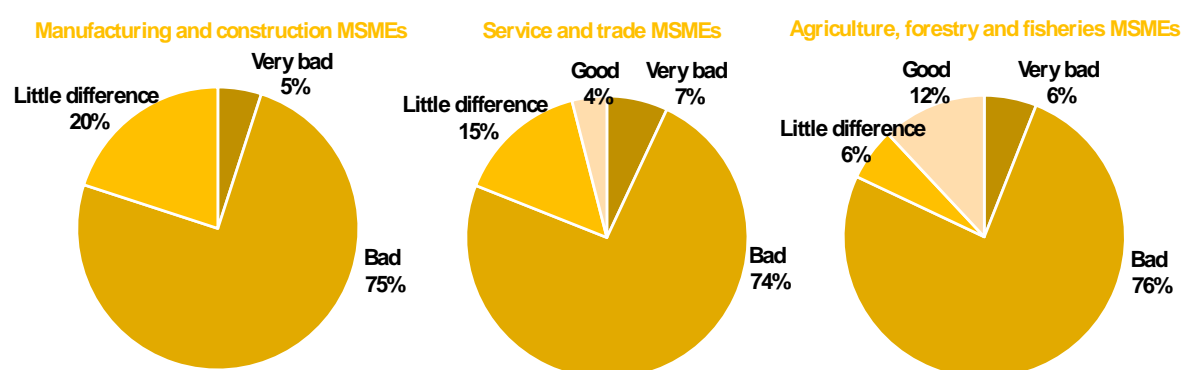
The impact of COVID-19 on businesses has been wide-ranging, dependent on a large variety of factors, such as, but not limited to: i) the business sector in which they operate; ii) the financial strength of the firm; iii) the degree of reliance on steady cash flows; and iv) cost structure. While most firms have been adversely affected, there are some enterprises that have actually benefited from changes in consumer and client behaviour, dislocations in demand, and other COVID-19 related factors. The survey respondents rated their perception of COVID-19's impact, on a scale from 1 (very bad) to 5 (very good). Across the full sample, the average degree of impact was 2.16 points, denoting 'bad'. Within the sub-sample of women-led MSMEs, the result was broadly the same, although a slightly higher perception of a negative impact at 2.08 points.

Figure 5. General scale of impact of COVID-19 on MSMEs



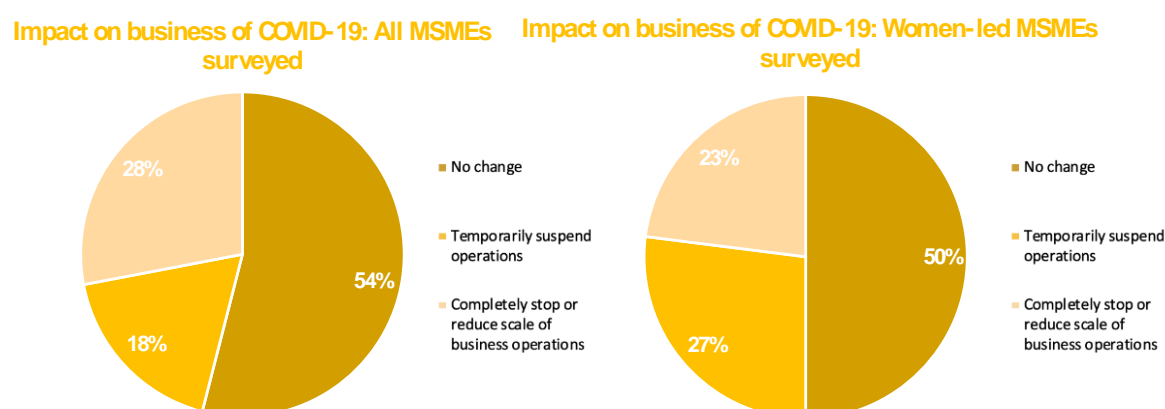
More than 80 per cent of surveyed MSMEs reported that the impact of COVID-19 on their businesses was either bad or very bad. On a sectoral basis, the perceived impact of COVID-19 has been surprisingly uniform, as indicated in the figures immediately below. The only slight differentiation that can be discerned across the three sectors is that MSMEs surveyed in the agriculture, forestry and fisheries had fewer enterprises reporting a neutral impact, and more enterprises reporting a net positive impact, compared with no enterprises in manufacturing and construction seeing a net positive impact. This is likely to be a consequence of increases in demand, and therefore prices, for staple goods, such as food items. Nonetheless, it remains the case that across all three main sectors, roughly four out of five MSMEs deemed the net impact of COVID-19 to have been adverse: COVID-19 has generally been a “sector agnostic” crisis for MSMEs in Viet Nam.

Figure 6. Impact of COVID-19 for MSMEs



Due to the impact of COVID-19, just over a quarter (28 per cent) of surveyed MSMEs reported they had been obliged to partially halt or scale back their business operations, and an additional fifth (18 per cent) had to temporarily suspend all business operations. Within the sub-sample of women-led MSMEs, 27 per cent had partially halted or scaled back their business operations, and 23 per cent had temporarily suspended all business operations.

Figure 7. MSMEs' operating status due to COVID-19



The COVID-19 pandemic has caused numerous difficulties for MSMEs, many of which are inter-related. Overall, COVID-19 has caused three broad difficulties for Vietnamese enterprises:

Firstly, business activities have decreased, along with aggregate demand. No less than 96 per cent of respondents reported that they had seen a contraction in their profit margins. A further 50 per cent or more reported: i) disruptions to their business activities stemming from the virus, and various policy measures such as travel restrictions, social distancing rules and other protocols enacted to try and arrest the spread of the virus; and ii) delays in payments and declines in revenues, as clients and customers sought to defer payment, and/or negotiate a drop in prices. Just over a third (36 per cent) of MSMEs surveyed reported that clients and customers were cancelling contracts or bookings, over half (51 per cent) of enterprises were experiencing late payments from customers and clients, and a further 31 per cent reported that customers were seeking to re-negotiate down prices.

Secondly, shortages of working capital for production and business. Forty-two per cent of enterprises reported being short of working capital and facing difficulties in covering their operational costs. MSMEs in particular tend to be highly reliant on cash flows to meet their expenditure needs, as they lack the depth of balance sheets, and ready access to external capital, to help finance their operations. Thus, when demand for their offerings declines, and revenues contract as a result, this rapidly becomes a cash flow crisis. It therefore comes as little surprise that the single most common impact has been on “the bottom line”, as profit margins have been hollowed out.

Thirdly, firms have been facing labour shortages, due in part to the need to furlough non-essential staff, in a bid to reduce costs. Roughly a third (33 per cent) of MSMEs surveyed said that they had been forced to cut the number of employees, and a similar proportion (34 per cent) of enterprises said they were experiencing labour shortages. The picture here seems to be that many companies have been obliged to cut back their staff to skeleton staffing levels, in a bid to get the aggregate wage bill down. But as a result, MSMEs are struggling to maintain business operations, and it also means that they could be poorly positioned to ramp up activities again as-and-when market demand improves, and orders resume.

Interestingly, only a relatively small proportion of firms cited difficulties with input supplies, whether from domestic or overseas sources (14 per cent of enterprises reported a shortage of domestic inputs, and 7 per cent reported a shortage of imported inputs). This is likely to reflect the fact that

most MSMEs do not have extended or complex supply chains, unlike larger firms, and therefore are less vulnerable to supply chain disruptions, such as those caused by COVID-19, including the closure of borders and various transport restrictions interrupting cargo traffic and logistics. As such, one can largely view COVID-19's impact on MSMEs in Viet Nam as being primarily a demand-side shock, rather than a supply-side shock, with the resulting consequence for their cash flows, revenue streams and diminished profit margins.

Figure 8. Challenges of COVID-19 for MSMEs

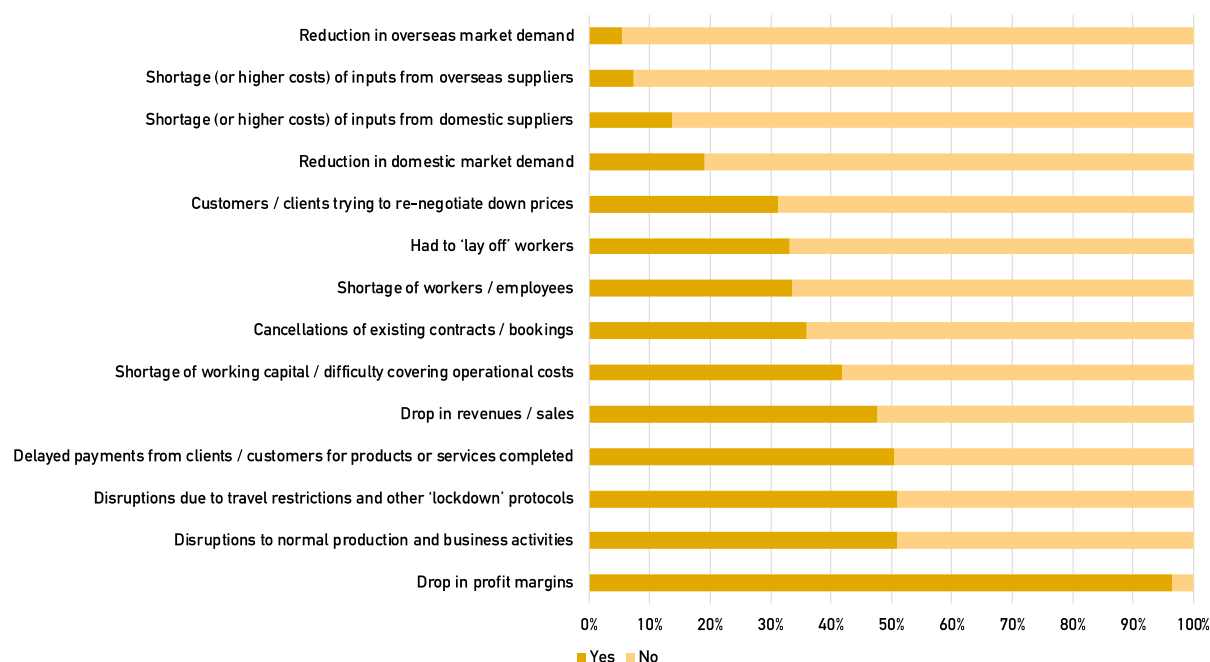


Table 3: Impact of COVID-19 on business: kind of impact (in per cent)

	All MSMEs surveyed	Sub-sample of women-led MSMEs
Drop in profit margins	96.4	96.3
Disruptions to normal production and business activities	50.9	56.0
Disruptions due to travel restrictions and other 'lockdown' protocols	50.9	56.0
Delayed payments from clients / customers for products or services completed	50.5	48.5
Drop in revenues / sales	47.7	46.3
Shortage of working capital / difficulty covering operational costs	41.8	38.8
Cancellations of existing contracts / bookings	35.9	39.6
Shortage of workers / employees	33.6	29.9
Had to 'lay off' workers	33.2	31.3
Customers / clients trying to re-negotiate down prices	31.4	32.1
Reduction in domestic market demand	19.1	14.2
Shortage (or higher costs) of inputs from domestic suppliers	13.6	11.2
Shortage (or higher costs) of inputs from overseas suppliers	7.3	4.5
Reduction in overseas market demand	5.5	4.5

In general, the impact of COVID-19 on women-led MSMEs was not significantly different than for the sample as a whole. That said, a larger proportion of women-led firms surveyed said that they had been adversely affected by business disruptions of various kinds, including order cancellations, when compared with all MSMEs. Yet, a smaller proportion of women-led firms surveyed said they had experienced delayed payments, shortages in working capital, been obliged to lay-off staff, and seen

reductions in domestic demand when compared with all MSMEs. This might suggest that women-led MSMEs tend to be more robust and/or tend to adopt more conservative business strategies, thereby making them more resilient in times of crisis. While this finding is somewhat anecdotal in terms of this study, it chimes with a study conducted across 11,000 public companies around the world in 2017, that found women-led firms tended to out-perform men-led firms, and was attributed in part to the fact that “women tend to be more conservative in their [business] predictions, leaving more room for positive surprises”.³⁶ If so, that might suggest they are also better equipped to manage a crisis like COVID-19.

There is also some anecdotal evidence to suggest that women-led MSMEs show greater flexibility in times of crisis, although this may be due in part to the kinds of business that these enterprises pursue. As seen over recent months, the ability for companies to pivot their business models is dependent in large part on the kinds of business activities they engage in. While a garment factory can shift to making PPE and other gear needed during a pandemic, a tourist resort is confronted with far fewer strategic options if nearly all travel is restricted.

Further anecdotal evidence from the Viet Nam Women Entrepreneurs Council and other sources suggest that the proportion of businesses undertaking philanthropic activities during the crisis period has been higher for women-led enterprises. This suggests that despite their current economic difficulties, women-led firms are more predisposed to help their local community, such as through distributing their products for free to people impacted by COVID-19.

Box 1: Businesswomen share their experiences during COVID-19: snapshots from interviewees

“Hoa Lan Joint Stock Company is a social enterprise that primarily produces hand washing products. The company donates some of its products to charity centres, schools and hospitals. It also donates other related products, such as dish-washing liquid and shampoo and nearly 10 tons of herbal hand washing water. It has not halted activities during the COVID-19 crisis. The company employs a considerable number of disabled workers, for whom job opportunities are typically scarce.” Ms. Nguyen Thi Dong - Hoa Lan Joint Stock Company

“Business Studies and Assistance Center (BSA) distributed 35,000 meals in three weeks during April 2020, and 3,500 gifts of high-quality Vietnamese goods including sugar, rice, instant noodles, salt, fish sauce and cooking oil, mainly to vulnerable people, such as lottery ticket sellers and workers who lost their jobs because of COVID-19.” Ms. Vu Kim Anh - Business Studies & Assistance Center

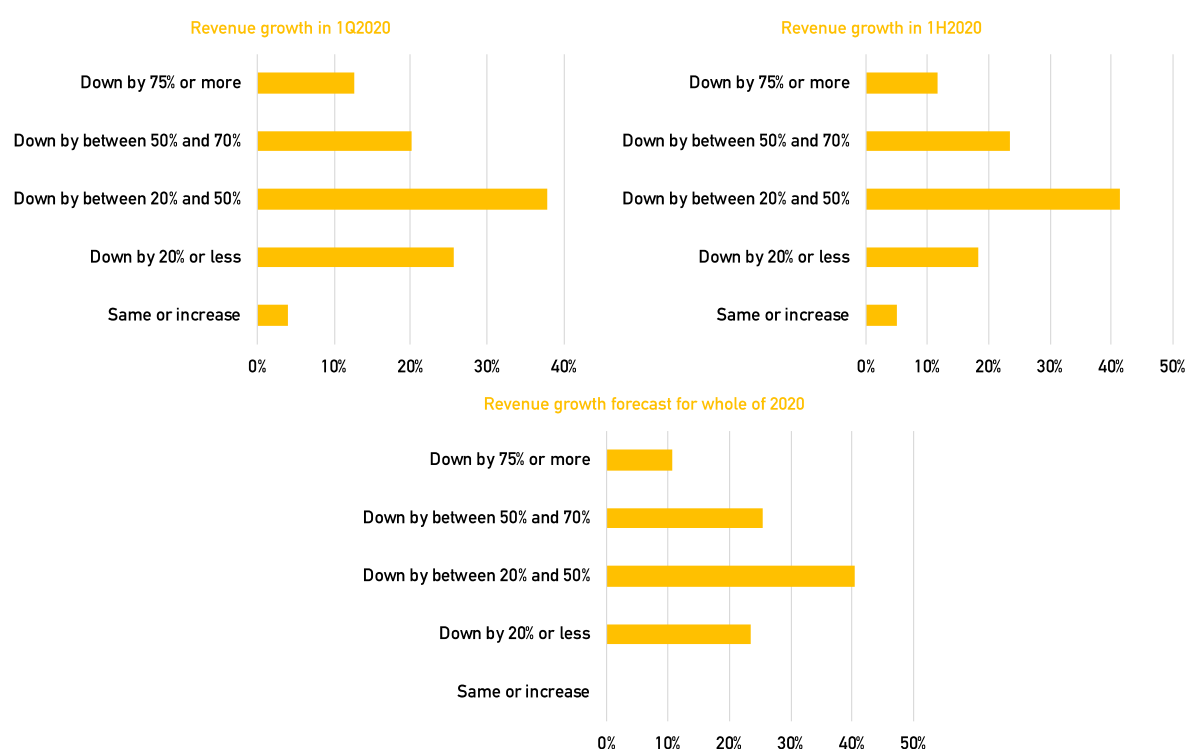
“The charitable movement of the business community of women is very strong. Many businesswomen shared experiences and guided other businesses (relationship coach, mentor – mentee).” Ms. Nguyen Thi Phuong Thao - Council of Women Entrepreneurs

Business performance indicators for the first quarter of 2020³⁷ (1Q2020) suggest a gloomy picture. Only four per cent of MSMEs surveyed said that their revenues were constant or increased; 96 per cent of firms reported a decline in revenues. Of the latter, 13 per cent claimed their revenues decreased by 75 per cent or more, 20 per cent of enterprises reported a contraction of 50-75 per cent, 38 per cent reported a decrease of 20-50 per cent, and just 26 per cent of enterprises claimed that their revenues dropped by 20 per cent or less, compared to the same period in 2019.

³⁶ Bloomberg, 2017.

³⁷ January to March 2020 inclusive.

Figure 9. MSMEs forecast on revenue growth



Initial estimates for business results in the 1H2020 suggest that revenue figures may be very gradually improving. While 94.9 per cent of enterprises still envisaged reduced revenues, compared with the first half of 2019, only 11.7 per cent of MSMEs expected the reduction to be 75 per cent or over. Nonetheless, MSMEs surveyed were pessimistic about expected revenues for the whole of 2020, with every single MSME surveyed expecting a contraction compared with 2019. Over a third (36.1 per cent) of firms expect a decline in revenues of at least 50 per cent, while 40.4 per cent of those surveyed said that they were forecasting a reduction of 20-50 per cent in revenues for 2020, compared with 2019.

Table 4: Impact of COVID-19 on business revenues (in per cent)

		All MSMEs	Woman-led MSMEs	Men-led MSMEs
Revenue growth in 1Q2020	Same or increase	4.0	4.1	3.8
	Down by 20% or less	25.6	26.4	24.4
	Down by between 20% and 50%	37.7	36.4	39.7
	Down by between 50% and 75%	20.1	17.4	24.4
	Down by 75% or more	12.6	15.7	7.7
Revenue growth in 1H2020	Same or increase	5.1	5.0	5.3
	Down by 20% or less	18.4	20.0	15.8
	Down by between 20% and 50%	41.3	39.2	44.7
	Down by between 50 and 75%	23.5	21.7	26.3
	Down by 75% or more	11.7	14.2	7.9
Revenue growth forecast for whole of 2020	Same or increase	0.0	0.0	0.0
	Down by 20% or less	23.4	25.9	20.0
	Down by between 20% and 50%	40.4	44.4	35.0
	Down by between 50 and 75%	25.5	18.5	35.0
	Down by 75% or more	10.6	11.1	10.0

The survey results suggest that the impact of COVID-19 on women-led MSMEs' revenues have been more severe than that experienced by men-led MSMEs to date, with 15.7 per cent of women-led MSMEs reporting a 75 per cent or more decline in revenues in 1Q2020 compared with the same period in 2019. This is almost double that of their male counterparts, at 7.7 per cent. Moreover, 14.2 per cent of women-led MSMEs estimate a 75 per cent or more decline in revenues for 1H2020, while only 7.9 per cent of men-led business estimate the same level of revenue decline. Looking ahead, to the revenue forecasts for all of 2020, gender disparities are less pronounced with 11 per cent of women-led MSMEs anticipating a 75 per cent or more decrease in revenues and 10 per cent of men-led MSMEs.

Box 2: Difficulties caused by COVID-19 for MSMEs: some snapshots from interviewees

"In Hung Yen province, there are many women-owned enterprises, from micro and small scale through to medium and large enterprises. From Tet (Lunar New Year holiday) until now, there are no positive updates. Most of the enterprises in Hung Yen operated in the trade and service sectors, and they are affected by COVID-19 extensively. Hoa Lan Joint Stock Company produces various herbal products, mainly for export to South Korea, and operations ran moderately normal in January and February. However, enterprises exporting to China have stopped their operations completely since January." *Dr. Nguyen Thi Dong - Hoa Lan Joint Stock Company.*

"Speaking of COVID-19, no one is happy, especially related to export orders and foreign partners. Both large and small businesses are affected. When BSA ran a charity programme in April, BSA met with several companies and workers. For example, a footwear company told its employees to go on leave until July or August, but in June the company went bankrupt, and at least 2,000 staff are now unemployed. Employees have been left stranded, with accommodation rents of around VND 1 million per month, they cannot return home to their home villages because of difficulties with transportation. Many enterprises have changed direction quickly, such as switching to making face masks. In numerous garment enterprises, the company pays the salary through the product: for every 10 face masks made, the employee receives three free face-masks." *Ms. Vu Kim Anh - Business Studies and Assistance Center.*

5.2. MSMEs worry about the future

Although MSMEs have taken action to cope with the negative effects of COVID-19 thus far, if the pandemic persists the risks to business continuity will increase over time. According to MSMEs participating in the survey, the longer the pandemic goes on, the greater the likelihood of insolvency. The survey suggests that 1.8 per cent of MSMEs believe they will go bankrupt and/or have to close if COVID-19 lasts beyond 30 June 2020, and the equivalent number rises to 3.2 per cent if COVID-19 lasts beyond September 2020, and 7.8 per cent if COVID-19 lasts beyond December 2020. For the sub-sample of women-led MSMEs, the figures are slightly more optimistic, with 0.7 per cent saying they will go bankrupt and/or have to close if COVID-19 lasts beyond 30 June 2020, rising to 1.5 per cent if COVID-19 lasts beyond September 2020, and 6.0 per cent if COVID-19 lasts beyond December 2020. Conversely, men-led MSMEs cite figures of 3.5 per cent, 6.1 per cent and 10.5 per cent, respectively. While these are only perceptions, and therefore subjective, this may suggest that women-led companies are better prepared to survive the current economic storm.

Figure 10. Increasing risk of insolvency if the COVID-19 crisis lasts

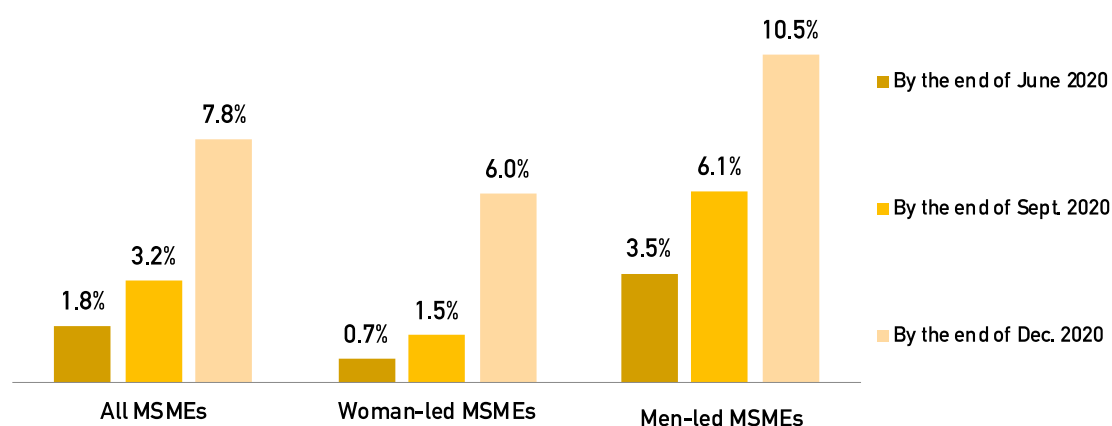


Table 5. Business continuity forecast of MSMEs in 2020 (in per cent)

		MSMEs	Woman-led MSMEs	Men-led MSMEs
COVID-19 lasts beyond June 2020	Continuing to maintain broadly stable operations	41.8	41.8	41.9
	Reducing or changing business operations	30.0	23.9	39.5
	Temporarily suspending business activities	26.4	33.6	15.1
	Company will be permanently closed / insolvent	1.8	0.7	3.5
COVID-19 lasts beyond September 2020	Continuing to maintain broadly stable operations	40.7	38.8	43.9
	Reducing or changing business operations	23.6	21.6	26.8
	Temporarily suspending business activities	32.4	38.1	23.2
	Company will be permanently closed / insolvent	3.2	1.5	6.1
COVID-19 lasts beyond the end of 2020	Continuing to maintain broadly stable operations	42.5	42.1	43.0
	Reducing or changing business operations	21.5	19.5	24.4
	Temporarily suspending business activities	28.3	32.3	22.1
	Company will be permanently closed / insolvent	7.8	6.0	10.5

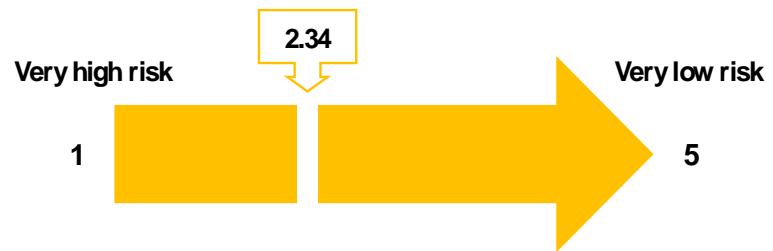
Box 5: What if COVID-19 persists?

“Since June, the cases of COVID-19 in Viet Nam have decreased, but so too has market demand. Business activities remain very difficult. In fact, enterprises are operating without taking profits, as the priority is just to survive at this stage. Normally, our company revenue is more than VND 10 billion per month, but current revenues are only VND 3 to 4 billion. Our company has 120 employees, and we have tried to maintain the same wages for the workers, not cut wages or working hours. During this period, the greatest difficulty is maintaining output, with market demand dropping as people tighten spending. But our company does not face difficulties with input materials, especially using domestic materials.” *Dr. Nguyen Thi Dong - Hoa Lan Joint Stock Company.*

“Women-led enterprises are facing extreme difficulties because the market is closed. They do not have any income, particularly for companies operating through imports and exports, as

international partners have cancelled orders, leaving no revenue to pay salaries. Many businesses have to change their business model, and/or forced to cut costs.” Ms. Nguyen Thi Phuong Thao - Council of Women Entrepreneurs – VCCI.

On the perceived degree of risk posed by COVID-19 to the business integrity of enterprises in the near future, 57 per cent of MSMEs surveyed said that the risks were either high or very high, 15 per cent of businesses rated the risk as being broadly normal, and 28 per cent thought that risks were low. The average score that businesses rated was 2.34 points / 5 (in the scale of 1 = very high risk and 5 = very low risk). This risk perception was gender neutral across men- and women-led companies.



5.3. Some silver linings from the impact of COVID-19

The in-depth interviewees agreed that in addition to the difficulties that COVID-19 has caused to businesses, the pandemic has, in a few ways at least, also brought some positive outcomes for MSMEs. They comprise:

Firstly, COVID-19 has forced businesses to consider changing their business and production models, and start to embrace a greater use of ICT. Representatives of the Women Entrepreneurs Council and the Viet Nam Association of Small and Medium Enterprises noted that enterprises which were more flexible and pivoted their business and production models when COVID-19 occurred, were better able to maintain and stabilize production. For example, Ho Guom Joint Stock Company switched its focus to sewing masks, and returned to the domestic market, when COVID-19 struck and adversely impacted its normal export markets. Enterprises have had to explore new markets and new products, as well as new ways of operating, in a bid to overcome – or at least mitigate – the difficulties caused by COVID-19. When businesses change their way of working, a range of efficiencies and other gains can be unlocked, thereby benefiting them and their customers. The hope is that enterprises which survive COVID-19 will be more efficient and competitive, as an indirect result of the emergency measures they instituted to navigate a path through the crisis. **Ms. Nguyen Mai Hoa, Women’s Union and Ms. Nguyen Thi Phuong Thao – Viet Nam Women Entrepreneurs Council.**

Secondly, as a result of the COVID-19 experience, enterprises are now more aware of the need for contingency planning, and cognisant of risk. “In fact, COVID-19 is a warning for businesses about risk, and that enterprises of all sizes need to be better prepared for abnormal risks. Our company is very fortunate to always allocate 5 per cent of profits to a reserve fund, which has helped us cover employees’ salaries during the current downturn.” **Ms. Pham Thi Thanh Ha - Megalink Joint Stock Company.** In a country where strong economic growth has been a constant for over 20 years, there is a tendency to assume that this will continue infinitely, and not to plan adequately for crises and other exogenous shocks. The pandemic has reminded enterprise managers of the need for strategic planning. When the pandemic struck, production slowed or even stopped completely for some enterprises, forcing them to analyze how best to move forward³⁸. After the sudden shock and confusion of COVID-19, enterprises have started to think about how to position themselves for the “new normal”. This may include diversifying their sources of critical supplies, as well as sources of

³⁸ How to “snap forward, not snap back”.

revenues. The hope is that enterprises will come out of COVID-19 more mindful of risk, and more robust in their business planning. **Ms. Nguyen Thi Bich Huong, Viet Nam SME Association.**

Thirdly, difficulties in market and input resources have made enterprises diversify their sources of input supplies and revenue streams. Many enterprises which have previously only exported, now have to pay more attention to the domestic market and look for new markets outside their traditional markets. Enterprises mainly working with foreign partners will have to be aware of domestic partners. "Previously our farm used imported organic fertilizer but now we have switched to domestic fertilizer." **Ms. Pham Thi Thanh Ha - Megalink Joint Stock Company.**

Finally, COVID-19 has also served to remind enterprises that they do not operate in a vacuum, but are intimately connected to a range of wider stakeholders: their employees, their suppliers, their customers or clients, and the communities in which they operate. The need for strict hygiene and health measures, social distancing and other protocols, have all had the effect of making enterprise owners and managers examine the ways in which they interact with individuals and organisations outside the immediate business. The hope is that enterprises will emerge from the crisis with a stronger sense of the importance of the wider community in which they operate, and hopefully thrive.

5.4. Measures implemented by enterprises to cope with the impact of COVID-19

In a bid to mitigate the impact of COVID-19, most MSMEs in the survey have adopted traditional solutions, such as: i) cutting wages and/or hours worked by employees (49.5 per cent of enterprises); ii) cutting back discretionary costs (44.5 per cent of enterprises); iii) re-negotiating payment terms for input costs and other expenses (38.6 per cent of enterprises); and iv) reducing the scale of production and business activities (37.3 per cent of enterprises). Only approximately a quarter of businesses have chosen more strident measures, such as suspending production and business activities (24.1 per cent of enterprises), and/or reducing the price of goods and services (24.5 per cent).

Figure 11. MSMEs' responses to COVID-19



Until now at least, the proportion of enterprises pursuing more innovative solutions has been relatively small: i) 4.5 per cent of businesses have sought new or alternative input materials; ii) 11.4 per cent of businesses have sought out new markets; iii) 2.3 per cent of enterprises have converted their main products; iv) 10 per cent of businesses have changed their methods of sales and marketing, including pivoting to e-commerce and new distribution platforms; and v) 4.1 per cent

of enterprises have made changes to the way they internally conduct business, such as having some or all employees working from home. But these are early days, and it is possible that a greater number of MSMEs will explore these solutions in the future, if the impact of COVID-19 persists, some of the more traditional coping mechanisms may prove to be unsustainable in the long-run. It is also likely that a lot of MSMEs remain in a state of shock at the impact of COVID-19, and it will take more time for them to generate more long-term strategies for survival and future growth.

In general, women-led businesses have tended to opt for more traditional coping mechanisms, such as reducing or suspending business activities, cutting costs, and re-negotiating payment terms. In comparison, men-led enterprises tended to choose measures that focus more on labour, such as reducing salaries and/or working hours. Specifically, it is notable that the percentage of those women-led MSMEs that suspended some or all of their normal business activities (29.9 per cent) was twice that of men-led MSMEs (15.1 per cent). This may be explained by gender-differences in caring responsibilities for young children during school shutdowns. There may also be gender differences in approaches to dealing with staff and layoffs as significantly fewer women cut the salaries and working hours of staff – a difference of approximately 10 per cent.

Table 6. Response to COVID-19 of MSMEs (in per cent)

	All MSMEs surveyed	Sub-sample of women-led MSMEs	Sub-sample of men-led MSMEs
By suspending some or all of your normal business activities	24.1	29.9	15.1
By narrowing down some or all of your normal business activities	37.3	37.3	37.2
By cutting down non-essential costs and expenses	44.5	40.3	51.2
By cutting salaries and/or working hours of staff	49.5	45.5	55.8
By renegotiating payment terms for inputs and other costs	38.6	41.0	34.9
By reducing prices of your products or services	24.5	26.9	20.9
By finding new sources of inputs	4.5	3.7	5.8
By finding new markets / customers	11.4	9.7	14.0
By offering new products or services	2.3	0.0	5.8
By making changes to sales and marketing	10.0	10.4	9.3
By making changes to normal business operations	4.1	4.5	3.5

5.5. Measures to support enterprises adversely impacted by COVID-19

The assessment of the utility of Government measures to support enterprises impacted by COVID-19 was indicated on a scale from 1 (not at all useful) to 5 (very useful). In general, the MSMEs surveyed rated the Government's mitigating measures quite highly, with an average score of 4.21. See table 7 and figure 12. Businesses especially valued: i) the exemption, extension and/or reduction of bank loan interest rates and fees, with a score of 4.51 out of 5; and ii) no increase in prices in the 1H2020 for production inputs and utilities controlled by the State³⁹ with a score of 4.49 out of 5. MSMEs surveyed also valued the following mitigation measures: i) the extension of tax payment and land rental (4.38 points); ii) the restructuring of repayment terms on debts (4.35 points); iii) reform of some administrative procedures, such as shortening the time to review loan applications (4.28 points); and iv) exemption or reductions in the fees for electronic payment services (4.02 points). However, despite the high rating of the Government's mitigating measure by respondent MSMEs, it is worth flagging that women-led MSMEs provided a lower rating than men-led MSMEs on all the parameters assessed. This raises the question as to the level of gender-responsiveness of such measures.

³⁹ Electricity, water, gasoline, etc.

Figure 12. Perceived utility of policy measures

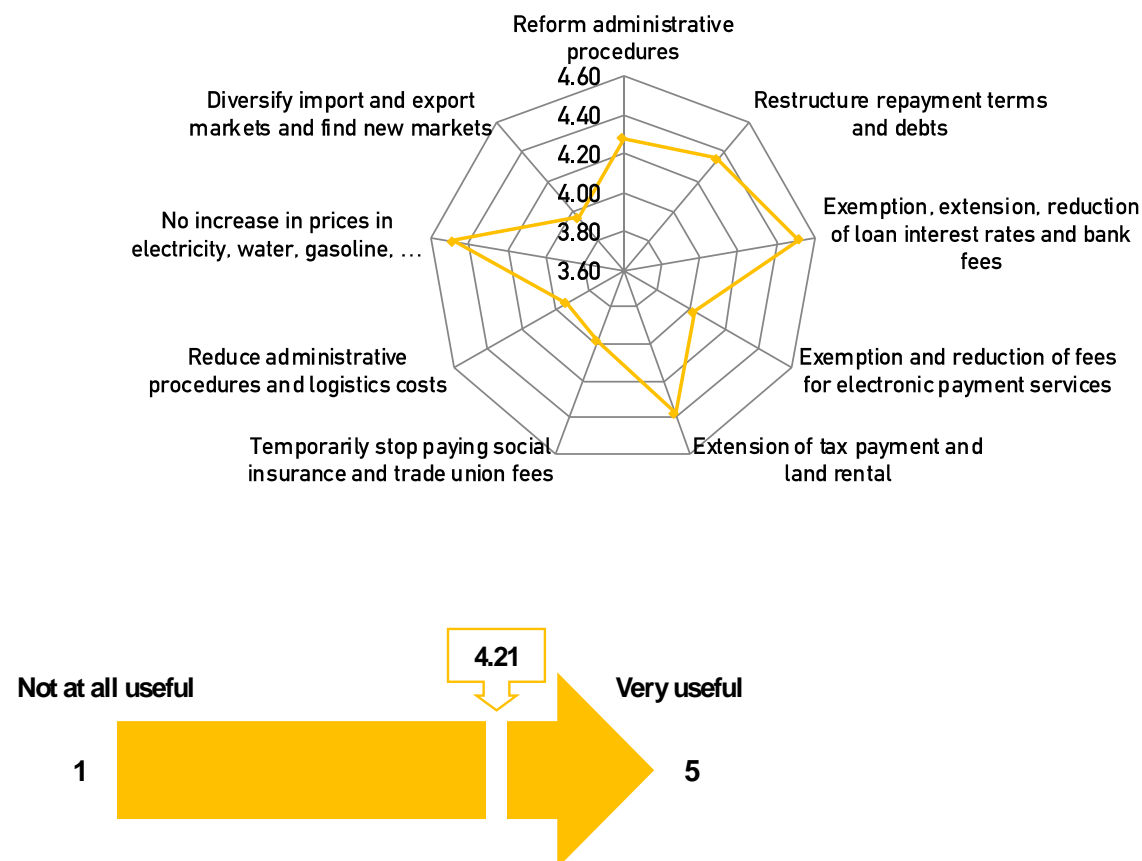


Table 7. MSMEs' perceptions of the Government's COVID-19 policy measures

	All MSMEs	Women-led MSMEs	Men-led MSMEs
Exemption, extension, reduction of loan interest rates and bank fees	4.51	4.46	4.59
No increase in prices in electricity, water, gasoline, etc.	4.49	4.48	4.50
Extension of tax payment and land rental	4.38	4.32	4.47
Restructure repayment terms and debts	4.35	4.25	4.50
Reforms to administrative procedures	4.28	4.17	4.44
Exemption and reduction of fees for electronic payment services	4.02	3.92	4.19
Temporarily stop paying social insurance and trade union fees	3.98	3.84	4.20
Diversify import and export markets and find new markets	3.95	3.88	4.07
Reduce administrative procedures and logistics costs	3.94	3.85	4.07

5.6. Enterprises' access to COVID-19 policies remains low

Status of access to state support policy

Eighty-four per cent of the 220 MSMEs surveyed claimed to know something about the Government's support policies for businesses impacted by COVID-19, but only 2 per cent of enterprises had actually accessed this support. See table 8. More precisely, up to 63 per cent of enterprises stated that while they were familiar with the relevant information, they did not know who to approach in order to apply for support, and while 19 per cent of enterprises have been given

instructions, they have yet to proceed. These survey results tend to suggest that actual implementation of state support policies such as Directive 11/CT-TTg have shortcomings around outreach and implementation “on the ground”. The responses for this issue were broadly gender neutral.

Table 8. Businesses knowledge about State support policies by region (in per cent)

	Northern	Central	Southern
Do not know anything	5.3	16.7	22.2
Heard some things, but do not know the details	65.8	65.0	55.6
Aware, but have not yet accessed	26.3	16.7	22.2
Have applied, but yet to benefit	.0	.0	.0
Benefiting from this assistance	2.6	1.7	.0

Box 6: MSMEs’ awareness of Government support policies

“There are more than 60,000 enterprises in Bac Ninh province, but only one company has filed for support, relating to just 11 employees. Many businesses do not apply because a quarter of all businesses in Bac Ninh are foreign companies, with good financial resources, and the rest found that the procedures are too complicated. The VBSP has not received many applications from enterprises applying to borrow capital to help pay salaries, as enterprises are disinterested in taking loans. With many companies not making profits at present, they are understandably reluctant to take out loans.” *Ms. Nguyen Mai Hoa – Viet Nam Women's Union.*

“Enterprises are happy to see policies aimed at supporting businesses through the crisis, with fast and timely orientation. However, the policies are not effective and realistic. For example, on exemptions for excise tax, enterprises usually do not pay until the end of the year. And as for corporate income tax exemptions, from the beginning of the year until now, businesses have achieved very little profit, and so an exemption does not mean anything. With regard to debt rescheduling and interest rate reductions on loans, commercial banks are also facing challenges, so it is not easy for them to comply with the policies. Finally, regarding the Government’s VND 62,000 billion support package, disbursement of the funds is proving to be difficult. The eligibility and other requirements mean that many businesses cannot apply.” *Ms. Nguyen Thi Bich Huong – Viet Nam Association of Small and Medium Enterprises.*

Credit policy package

The Viet Nam Government implemented a VND 250 trillion credit package to support enterprises, which was subsequently increased by a further VND 600 trillion. But it appears that numerous enterprises have not been able to access this credit support package due to a number of reasons, including:

Firstly, cumbersome procedures and a lack of clear instructions. Under State Bank of Viet Nam Circular 01/2020/TT-NHNN, on the restructuring of credit institutions and foreign bank branches, by rescheduling and exempting, reducing interest rates and fees, in order to support enterprises affected by COVID-19, the conditions for preferential loans are onerous. While the appraisal procedure, notably around establishing that the enterprise has been adversely impacted by the pandemic, are reported to be unduly complicated and cumbersome. Furthermore, MSMEs claim to be unsure how to access this support, with complaints that there is a lack of clear and specific guidelines and procedures to follow. It appears that different banks are implementing this policy in different ways, further adding to the degree of confusion and uncertainty for enterprises. Also, depending on the group into which an enterprise is classified, the treatment varies for debt relief.

There are also some anecdotal references that women-led MSMEs find it harder to access the funding support, due to issues around documentation and networking.

Secondly, insufficient capacity of many MSMEs. Observers also point to shortcomings by MSMEs, notably weak financial capacity, a lack of financial transparency, insufficient collateral, and an absence of clear growth plans, all of which makes it difficult for banks to make loans, even during more normal times, without endangering their own asset quality and loan portfolios. With many firms not expecting to increase sales or production, and with marked demand for their offerings currently contracting, the desire to take on additional debt at this time, even when it is being offered at discounted rates, is often not appealing and/or perceived as being too reckless.

Thirdly, worries around the credit integrity of commercial banks. As of early May 2020, total credit levels for the whole banking sector had increased by just 1.2 per cent, but for the SME sector it had decreased by 0.8 per cent. Despite the objectives support package, commercial banks still approve loans according to their own established regulations, review processes and other credit procedures. As a result, enterprises must still submit themselves to a series of documentation requests and other requirements, including evidence of sufficient assets to pledge as collateral. As with normal lending by banks, this is problematic for a lot of MSMEs at the best of times, in particularly women-led MSMEs, let alone during an economic crisis. From the commercial banks' point of view, they have a fiduciary responsibility to ensure that lending is conducted professionally and does not expose them to high non-performing loan levels in their portfolios. Thus, while the intention is that the emergency credit package will inject additional capacity into the enterprise sector, using the commercial banks as delivery mechanisms, the latter have not been instructed to relax the procedures by which this emergency liquidity is disseminated. This may mean that women-led MSMEs have lower levels of access to this credit given the existing context where they face greater constraints to access business credit due to a range of factors underpinned by social-norms.

Fourthly, net demand for loans has decreased. During this crisis period, most MSMEs have no appetite for longer-term loans to fund investments or expand production, as opposed to shorter term credit for working capital needs. With business performance radically down, most enterprises have put on hold any plans for investment, or to develop their business activities, until there is greater clarity on what the future holds.

Fiscal policy package

In early April 2020, the Government issued Decree No. 41/2020/ND-CP on extending the deadline for paying taxes and land rents for businesses, organizations, households and individuals impacted by COVID-19. And in mid-May 2020, the Ministry of Finance issued Official Letter No. 5977/BTC-TCT on implementation Decree of No. 41/2020/ND-CP, intended to guide ministries, ministerial-level agencies, Government agencies, provinces and cities' People's Committees.

Although announced later than the credit package, more clarity and detailed instructions around the fiscal package has meant that the response rate appears to have been higher.⁴⁰ According to the General Department of Taxation's own analysis into the implementation of Decree No. 41/2020/ND-CP, as of 4 June 2020, a total of 132,189 tax extension requests and land rents were submitted to the tax authorities nationwide. The number of enterprises and organizations requesting extensions was 102,816, and the number of individuals was 29,373. The total accumulated tax and land rent extension amounted to VND 37.07 trillion, comprising:

- Value added tax extended amounting to VND 13.1 trillion;

⁴⁰For further details see: <https://vanbanphapluat.co/official-dispatch-5977-btc-tct-2020-implementation-of-the-decree-41-2020-nd-cp>

- Enterprise income tax extended amounting to VND 20.37 trillion;
- Land rent extended was valued at VND 3.31 trillion; and
- Value added tax and personal income tax (for both households and individuals doing business in 1Q2020) extended was valued at VND 286 billion.

To implement Resolution No. 42/NQ-CP and Decision No. 15/2020/QĐ-TTg, the General Department of Taxation issued Official Letter No. 1700/TCT-DNNCN on 29 April 2020, directing taxation departments nationwide on outreach and implementation. As of early June 2020, tax authorities across the country had received 17,068 applications from business households requesting assistance. Of these, 12,051 eligible business households were supported, while 3,203 applications were deemed ineligible for support under Resolution 42/NQ-CP. A further 1,814 business household records were being actively appraised and processed by the relevant tax authorities.

Labour policy package

The Government's Resolution No. 42/NQ-CP, 9 April 2020, on measures to support people meeting with difficulties caused by COVID-19, and Prime Minister's Decision No. 15/2020/QĐ-TTg, 24 April 2020, on its implementation, stated that employers with financial difficulties were entitled to loans from the VBSP with a zero interest rate, intended to pay the salaries of employees that have had to stop working. The General Director of VBSP issued Document No. 2129 / HD-NHCS in late April 2020, and VBSP organized a national online training conference for its staff on how to go about implementing these policies.

According to a representative of the Viet Nam Women's Union: "an employer will be eligible to take a loan to pay wages for employees if: i) at least 20 per cent of the workers or at least 30 workers who have social insurance are suspended for at least one month, and at least 50 per cent of the suspension pay has been provided for these workers during the period from 1 April to 30 June 2020; and ii) the employer is facing financial hardship, and thus does not have sufficient funds to provide the suspension pay after expending the back-up wage fund."⁴¹ Experts and enterprises participating in the survey cautioned that enterprises are generally uneasy to take advantage of this policy, as MSMEs with these elevated levels of employee lay-offs are legitimately concerned as to whether or not they will survive in order to continue paying the requisite insurance obligations.

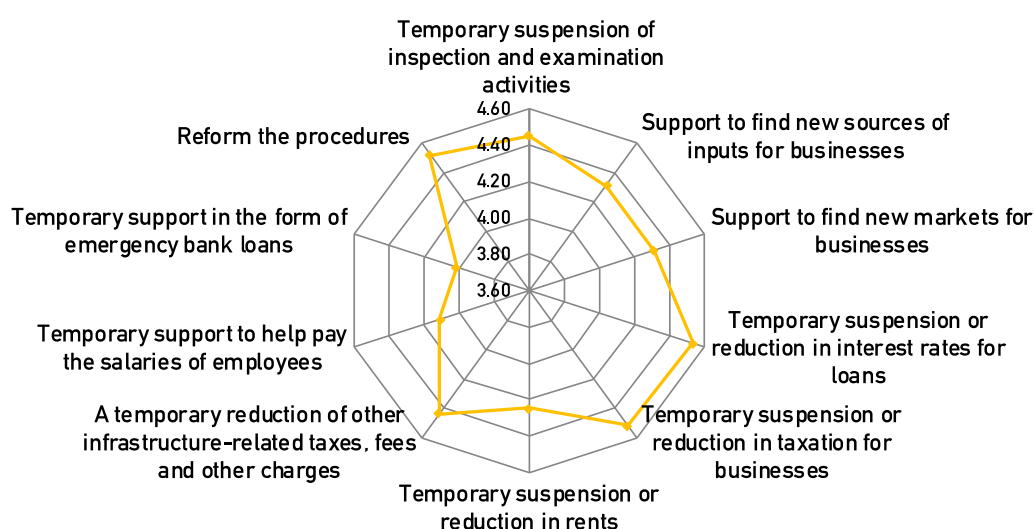
In conclusion, the general perception of these emergency policy measures is that their effectiveness remains unclear, as they have only recently been implemented, and, regardless of the commendable intentions that lie behind their introduction, both MSMEs expected to benefit from them, and state agencies expected to implement them, everyone is still learning how they should operate in practice, and what refinements need to be made.

5.7. MSMEs looking to the Government for support and solutions

MSMEs that participated in the survey were asked to rate, from 1 to 5 (where 1 = very unnecessary and 5 = very necessary), which of the Government's support measures were most important to them. The results are provided in figure 13 and table 9.

⁴¹ For further details see: <http://english.molisa.gov.vn/Pages/Document/Detail.aspx?Id=39403> and <https://vanbanphapluat.co/official-dispatch-860-bhxh-bt-2020-suspension-of-contribution-to-the-pension-fund-affected-by-covid-19>

Figure 13. MSMEs' views on the utility of support solutions



The highest-rated solutions (i.e. above 4.5 points) were: i) a temporary suspension or reduction in interest rates for loans (4.54 points); ii) reforming the procedures for businesses to apply easily and conveniently for Government support (4.52 points); and iii) a temporary suspension or reduction in taxation for businesses (4.51 points).

The group of measures that got the next level of recognition (i.e. from 4.3 - 4.5 points) from MSMEs surveyed were: i) a temporary suspension of inspection and examination activities (4.45 points); ii) a temporary reduction of other infrastructure-related taxes, fees and other charges (e.g. traffic tolls and parking fees) (4.44 points); iii) support to find new sources of inputs for businesses (4.31 points); iv) and support to find new markets for businesses (4.31 points).

Table 9. MSMEs' general assessment of support policies

	All MSMEs	Women-led MSMEs
Temporary suspension or reduction in interest rates for loans	4.54	4.47
Reform the procedures for businesses to apply easily and conveniently for government support	4.52	4.55
Temporary suspension or reduction in taxation for businesses	4.51	4.47
Temporary suspension of inspection and examination activities	4.45	4.38
A temporary reduction of other infrastructure-related taxes, fees and other charges	4.44	4.40
Support to find new sources of inputs for businesses	4.31	4.24
Support to find new markets for businesses	4.31	4.24
Temporary suspension or reduction in rents	4.25	4.22
Temporary support to help pay the salaries of employees	4.11	4.01
Temporary support in the form of emergency bank loans	4.02	3.94

5.8. Innovations to support women MSMEs' response to COVID-19

The in-depth interviews highlighted interesting stories and initiatives of women entrepreneurs and women entrepreneurs/business support organizations, to support women entrepreneurs mitigate the loss and risks, responses to COVID-19. There were some interesting nuances to note:

- The survey results suggest that women-led MSMEs tend to be more adept at developing long-term contingency plans, and/or tend to adopt more conservative business strategies, thereby making them more resilient in times of crisis. Women-led MSMEs also appear to display greater flexibility in times of crisis.

- In general, women-led businesses have tended to opt for business continuity mechanisms that entail operational adjustments, such as reducing or suspending business activities, cutting costs, and re-negotiating payment terms. With women-led businesses resorting less to cost-cutting measures related to labour, such as: reducing salaries and/or working hours, furloughing or laying off staff.
- The proportion of businesses undertaking COVID-19 related philanthropic activities during the crisis period is higher for women-led enterprises. Despite current economic difficulties, women-led firms were more predisposed to help their local community, such as through distributing their products for free to people impacted by COVID-19. It might be argued that women entrepreneurs are often more cognisant that they do not operate in a vacuum, but are intimately connected to a range of wider stakeholders: their employees, their suppliers, their customers or clients, their investors, and the ecosystem in which they operate.
- Women entrepreneurs associations have established platforms for women entrepreneurs to provide pro bono mentoring and coaching for young women entrepreneurs. They have also conducted training around transforming business models, digitalization, online marketing and e-commerce. These associations are also actively collaborating with financial institutions to have better access to debt finance, and with Government agencies in disseminating information and matching support policies to women entrepreneurs.
- Survey results suggest that COVID-19 has prompted women entrepreneurs to begin embracing greater use of ICT, and examine ways of adjusting their business models in various ways to be more robust, and thereby ensure better business continuity.

Put another way, women entrepreneurs in Viet Nam as well as elsewhere in the world have demonstrated valuable leadership skills during the COVID-19 crisis:

“Typically, many characteristics that are sought after in leaders tend to be seen as ‘masculine’. But behavioural analysis suggests that, while women are very capable of exhibiting these traits too, doing so is unhelpful in times of financial and social crisis. The key takeaway here is not that only women can cope during times of crisis, but that without the inclusion of women across the board, there is less likely to be success. One of the main differences cited by studies is that female leaders, on average, are more democratic and participative than their male counterparts. While men are more likely to make decisions on their own and have confidence in their own abilities, female leaders tend to surround themselves with advisers – seeking input from others and listening to a wider pool of experts. These processes are not only more likely to encourage participation from all levels of a company, but also boost morale. On top of this, research by the International Finance Corporation found that companies with female-dominant staff established safer working conditions – with female leaders curating a culture of safety first among their employees. Although some women struggle more than their male counterparts to discuss issues such as their own salaries and career advancement, they are excellent at negotiating welfare and development for others. [One] study showed that mental health was more likely to be a focus for female-owned family businesses – and in lockdown and self-isolation, the mental health of employees is definitely a priority.”⁴²

⁴² IG, 2020.

6. Policy-oriented recommendations

Building on the analysis, the final section of the report seeks to provide some policy-oriented recommendations. It is hoped that these suggestions may prove useful in: i) further refinements to the COVID-19 emergency measures, should the current economic crisis persist well into the second half of 2020, and potentially beyond; and ii) preparations for Viet Nam's own wider corporate sector "pivot" in the post-COVID-19 environment. They stem from comments and observations received while conducting the empirical data collection, as well as follow-on analytical work.

These recommendations are divided into three broad sections: i) the current emergency policy support measures and their enactment; ii) preparing for the post-COVID-19 business ecosystem; and iii) the on-going long-term agenda of having a conducive enabling environment for MSME development in Viet Nam.

6.1. Implementation of COVID-19 emergency support measures

Improved dissemination of support policy information

Most MSMEs are generally aware of the Government's COVID-19 support policies, but they are less clear on the specifics, including the application process and information requirements. To be more effective, these policies need improved outreach and dissemination, notably around the provision of specific guidance, processes and eligibility criteria. It would therefore be valuable to provide online seminars and other outreach activities, preferably tailored to MSMEs in different sectors, with very specific instructions on how to apply, Q&A sessions and FAQ chatrooms. Government agencies are encouraged to work with and through relevant business associations, chambers and other business networks, including those that focus on women-led MSMEs.

Improved mechanisms for applications

It would be desirable to implement ways of fast-tracking, categorizing and filtering, evaluating and scoring applications made for emergency funding support and other COVID-19 relief measures, as well as automating aspects of the submission process, in order to make procedures more user-friendly, efficient, and less subjective, for enterprises as well as Government agencies and commercial banks. For the support measures to be helpful in supporting MSMEs during the current crisis period, it is necessary that they are implemented quickly, and that this is done and is widely seen to be done as transparently, consistently and equitably as possible.

Further, methods by which MSMEs could "self-evaluate", and thereby pre-determine what support measures they might be eligible for, and what they need to provide in order to access this support, would be helpful, and potentially save a lot of time. A set of clear criteria is needed for enterprises to be able to "self-evaluate", and thereby determine: i) which eligibility group they belong to; ii) which policies they are entitled to access; iii) who precisely to approach; and iv) which documents to provide and forms to submit. One option might be to establish a dedicated COVID-19 internet portal where all relevant information, forms and contact details are easily accessible and downloadable. Ideally, this portal should span across the relevant state agencies, as a "one stop shop" platform.

Going one step further, Government agencies could also explore ways in which likely eligible MSME recipients of emergency support could be pro-actively identified, alerted to the prospect of submitting an application, and even encouraged to do so.

Creating dedicated departments within the relevant State agencies and commercial banks to handle applications relating to COVID-19 support measure applications would also be of utility, notably in providing a clear "point of entry" for MSMEs. This would allow the demarcation of specific staff to be in-house experts on these measures and focus exclusively on the enactment of the emergency support measures, without the need to educate and train a much larger cadre of individuals. Where

feasible and appropriate, the use of a sanctions system could be instituted to deter the staff of relevant agencies and banks from deliberately causing gratuitous delays or other obstructions to eligible firms applying for support measures.

Potential additional support measures

Thus far, the Government's emergency support measures for MSMEs have largely revolved around fiscal measures, social assistance measures to mitigate unemployment, and monetary support. But there are other policy measures that are worth exploring, including reviewing the expenditure of public funds; how can the Government budget become a greater source of demand for products and services provided by the country's MSME sector? Increasing Government spending and directing public procurement to suitably qualified domestic firms, where feasible, could be a vehicle to mitigate the stark drop in demand that many enterprises have been facing in 2020. It could also provide an avenue by which some MSMEs could try to pivot their business plans more towards Government-funded projects. Efforts by the Government to make public procurement more MSME-friendly, such as by adjusting the bidding eligibility requirements, refining the contracting and payment terms, the tendering process, and so on, would almost certainly be welcomed by domestic enterprises that have until now been effectively shut-out from bidding on publicly funded projects of various kinds.

In summary, the consensus view is that most of the policy measures introduced thus far are of utility for MSMEs operating in Viet Nam, and depending on the specific circumstances of each business, the relevance of each policy measure will vary. However, it is critical that MSMEs and other eligible applicants have the ability to access these support measures, which necessitates adequate information flow and consistent enactment. Looking beyond the immediate need for emergency support measures, there will be a need for more structural initiatives to support the MSME sector in Viet Nam, which will be turned to next.

6.2. Preparing for the “new normal” post-COVID-19 business ecosystem

As noted earlier, the COVID-19 crisis has served to accelerate various business trends. In some areas of business, changing consumer and client behaviour and priorities that might have normally been expected to develop over five or more years have accelerated and taken place over a five month period, due in part to the impact of COVID-19. For example, in the field of e-commerce and e-payments. For MSMEs to remain competitive, there is now a need to understand and embrace these trends, where this is feasible. While considerable attention is being placed on simply surviving the current pandemic right now, there will be an increasing need to look to the business horizon that lies beyond, and the structural reforms needed to position Viet Nam's MSMEs well for this.

Advancing the digital economy in Viet Nam will be a critical element in this, for which MSMEs are often poorly equipped and/or prepared, relative to foreign investors and larger local companies. Women entrepreneurs in particular may perceive this to be a daunting prospect, as it is often perceived to be outside their areas of core competence, for various socio-cultural reasons. But with access to the right training and other inputs, MSMEs including women-led MSMEs, could leverage ICT to great competitive effect, such as reducing various transaction and fixed costs, and unlocking significant efficiency gains.

In this context, there is value in developing a user-friendly analytical tool that could allow MSMEs to conduct a systematic self-diagnosis of their relative strengths and weaknesses, notably in terms of their preparedness for the post-COVID-19 business ecosystem that is likely to develop. This tool would then help them identify and prioritize what they might wish to focus on in terms of “step change” improvements needed to remain competitive, and even become more competitive. Ideally, such a diagnostic tool would then be linked to an online resource that would provide suggestions on where to access the inputs needed to make those “step change” improvements, including commercial business development service (BDS) providers, as well as relevant state agencies,

business associations and other sources of support, such as finance providers. Technical assistance in developing strategic plans to “pivot” pre-COVID-19 business models, and devise and implement post-COVID-19 growth plans, would be of merit for many MSMEs in Viet Nam.

In addition to information on COVID-19 related Government support policies, MSMEs always have appetite for up-to-date and accurate information on developments and trends in the markets and industries in which they operate, to better inform strategic decisions they need to make, and particularly when navigating their way through a crisis period, when the downside risks of making a poorly informed error are greatest. The extent to which this kind of information can be provided, and how it could be disseminated in a commercially viable and sustainable but affordable manner, merits exploration. This issue is a fairly perennial one in MSME development, along with access to finance, but the anticipated changes in markets and industries as a result of COVID-19’s impact make this even more pertinent.

New market opportunities and other business opportunities are opening up, but they need to be identified, and strategies need to be devised to enter them. While COVID-19 has been attracting all the media headlines in the first half of 2020, it is often forgotten that Viet Nam also ratified a path-breaking bilateral free trade agreement with the EU that has the potential to make the same kind of impact that the US bilateral trade agreement and WTO accession did in 2001 and 2007 respectively. But if Viet Nam’s MSMEs are to take advantage of this moment, they will need to position themselves to meet the requirements of the EU market. It is important that the degree to which COVID-19 distracts from this imperative is kept to a minimum.

This development will also be a stimulus for export oriented FDI inflows, which were already growing in response to increasing trade relations between China and the US. MSMEs should see this as an opportunity to establish linkages with foreign investors, as an additional segment of the domestic market for their products and service offerings. As noted earlier, COVID-19 has served to show how cross-border supply chains are vulnerable to dislocations, and one might reasonably expect foreign investors to react by raising their appetite for alternative, host country input providers, including from MSMEs that can meet their requirements, notably around quality and consistency.

The kinds of capacity support and training that were proposed by interviewees and survey respondents to better equip MSMEs for a post-COVID-19 world include the following:

- Business processes, corporate governance, financial management, business strategy planning, and adaptive management.
- Greater application of information and technology in MSMEs to leverage the significant ICT-driven strides being made across a range of sectors and business practices, including advances in distribution, logistics, payments, inventory and sourcing, etc.
- Improved marketing and sales skills in an environment shifting towards online commerce, the use of social media, new advertising platforms and mixed marketing. A lot of MSMEs are behind in those fields undergoing dramatic change, and thereby risk becoming highly uncompetitive and losing market share to larger and more sophisticated rivals.
- Training to improve the competitiveness of MSMEs’ products, particularly around attaining price premia through advances in image and brand identity, certifications and standards.
- Tailored training and capacity-building for women entrepreneurs across a range of technical skills that will help to address remaining gender imbalances that exist and collectively serve to constrain the development of a more dynamic women-led MSME sector in Viet Nam.

COVID-19 has served to emphasize the importance of building up a strong domestic market for products and services, and not becoming unduly reliant on overseas markets for future economic growth. Similarly, the fragility of cross-border production networks and supply chains in recent months, resulting in major disruptions and input dislocations, has also helped underline the need to develop alternative domestic sources of inputs, where feasible and viable. Interventions around improving connectivity between MSMEs in Viet Nam would be beneficial, alongside promotional efforts to encourage consumers to elect to buy from local producers and suppliers.

While MSMEs often aspire to become exporters of their offerings, it is important not to discount or neglect the considerable spending power of a rising urban middle class in Viet Nam; a substantial market that does not require navigating a host of trade-related hurdles to reach, and shares the same socio-cultural points of reference, including that of language. In this context, there is often a disconnect between the standards and requirements that domestic retailers and distributors expect and local MSMEs can provide, resulting in the former being obliged to import, often more expensive, alternatives. Initiatives that can bridge that divide, and potentially serve as a mezzanine step for MSMEs to later service typically more demanding overseas markets, could reap significant rewards. E-commerce could play an important role for MSMEs seeking to expand their presence in the domestic market, given the speed with which it is growing in Viet Nam, and has been used even more intensely during the COVID-19 crisis period as a means to surmount travel restrictions, social distancing regulations and other protocols around in-person activity.

Finally, much can be done to advance the level of innovation among MSMEs in Viet Nam, and that interventions oriented towards improving the level of innovation would be able to harness some of the considerable, but often latent, skills and proclivities of the country's private sector. One good place to start would be WIPO's latest (2019) iteration of the bi-annual Global Innovation Index (GII), where Viet Nam's ranking has been steadily progressing in recent years.⁴³ The GI measures the innovation capabilities of economies using approximately 80 different data points, thereby providing a multi-dimensional snap-shot, from which recommendations for policymakers and enterprises can be gleaned. The picture one gets from the GI is that Viet Nam already displays considerable strengths in the field of innovation, and "stands out as one of the few lower middle-income economies that are getting much more innovation results for their innovation investments". To put it another way, Viet Nam is performing better on innovation metrics than its overall level of economic development would normally suggest.

If so, these attributes and investments around innovation need to be leveraged further for optimal effect, and parts of the MSME community could lead that effort, given the right enabling environment to do so. With a post-COVID-19 ecosystem that will probably look different from the one we knew before 2020 and based on business trends that were already in train before COVID-19 struck, making advances in business innovation could prove to be a "game changer" for Viet Nam and its MSMEs.

The first test of that innovation will be in responding to COVID-19 itself, and its aftermath. Innovation will be key in enterprises' efforts to find business solutions, harnessing their core competencies and industry expertise, as well as exploring new business models, including social enterprise and inclusive business. While it is often easier for larger firms to consider ways of "pivoting" their business models, MSMEs often struggle to do so likewise, for a variety of reasons. It is, therefore, critical that if a major post-COVID-19 pivot is indeed about to transpire, that MSMEs are not left behind, and particularly women-led MSMEs.

⁴³ Cornell University, INSEAD and WIPO, 2020.

6.3. Long-term business enabling environment reform agenda

There is a need to ensure that the COVID-19 crisis does not dislocate the steady progress that Viet Nam has already made in developing its MSME sector. The task of steadily improving the business enabling environment for MSMEs remains a work in progress that will extend well beyond the current crisis. In this context, the Viet Nam Government's emergency COVID-19 support measures to help enterprises survive the current crisis are not designed to be an alternative, long-term or sustainable strategy. They serve an important, time-bound purpose, that will need to be phased out as soon as practicable, as providing a conducive, equitable and gender-responsive environment for MSMEs, including women-led MSMEs, to grow and prosper remains the long-term objective. Inevitably, the current emergency measures would bring unwelcome distortionary side effects, as well as heightened levels of moral hazard, if they are allowed to continue for too long.⁴⁴

Therefore, first and foremost, there is a need to continue with the long-term agenda for MSME development, reducing where feasible and appropriate gratuitous regulatory and administrative measures, and their enforcement, which bring about unwelcome "friction" for MSMEs seeking to thrive. Creating a conducive environment for MSMEs to grow in a sustainable and robust fashion remains the priority for policymakers working in this space. Policymakers should continue to explore ways of catalyzing and facilitating the development of a healthy environment and delivery platforms for commercial and sustainable business development services that meet the needs of MSMEs, and addresses any gender-specific constraints that face women-led MSMEs.

Secondly, COVID-19 has served to heighten the importance of ensuring that companies can navigate their way through severe and sudden economic downturns, and have the right systems in place to: i) lessen their vulnerability to such downside risks; and ii) be able to respond effectively and decisively to those risks when they occur. Business survival and continuity is something that has become a higher priority in recent months. While Governments can enact emergency policy measures to help mitigate some of the consequences of a sharp economic downturn, these are inevitably blunt policy instruments that do not always reach their intended targets in adequate fashion. A better option would be to encourage enterprises to embrace various risk and control systems that can help them become more robust, some of which are already available in the BDS market. These offerings often come with internationally accredited standards and certifications that have an added advantage of being a competitive asset when seeking to enter new and overseas markets.⁴⁵ Therefore, one option would be for the Government to provide fiscal or other incentives to encourage MSMEs in Viet Nam to undergo such capacity-building measures, and attain the relevant certifications.

Thirdly, in judging a country's progress in improving the enabling environment for business, the World Bank's "Doing Business"⁴⁶ annual survey is often used as a convenient measure of: i) how a particular economy is improving over time; and ii) how that economy compares with others, and particularly its neighbours and competitors. The Doing Business ranking comprises of 10 metrics of a country's enabling environment, from company start-up to dissolution, as well as access to various inputs, such as credit. Inevitably, there tends to be greater policy emphasis placed on issues around ease of start-up, particularly during times of economic growth, as the onus tends to be on growing the number of MSMEs in operation. Company dissolution, however, tends to get much less attention. Viet Nam's ranking for "resolving insolvency" is 122nd (out of 190 economies). The

⁴⁴ Moral hazard is when enterprises come to expect that the government will bail them out from trouble, and therefore pursue highly risky strategies, thereby making the likelihood of collapse even more likely than before.

⁴⁵ ISO, 2019. "Floods, cyber-attacks, IT breakdowns, supply chain issues or loss of skilled staff are just some of the possible threats to the smooth running of an organization. If not addressed effectively, they can cause disruption or even business failure. Consistent planning for what to do when disaster strikes means a more effective response and a quicker recovery. ISO 22301 is applicable to all organizations, regardless of size, industry or nature of business."

⁴⁶ World Bank, 2020.

average recovery rate for insolvencies is estimated to be just 21.3 cents on the dollar in Viet Nam, compared with an average in East Asia and the Pacific of 35.5 cents on the dollar. The average time to resolve an insolvency in Viet Nam is estimated to be five years, compared with 2.6 years in East Asia and the Pacific. Moreover, most business insolvencies in Viet Nam entail an ad hoc sale of the assets, and not as a going concern.⁴⁷ Given the economic damage done to “Viet Nam Inc.” by COVID-19, it is clear that not all businesses will survive the current crisis, and some will go into insolvency. This will be a reality for the next few months, and potentially years, to come. It would, therefore, make sense for policymakers mandated to improve the business enabling environment in Viet Nam to shift their focus to resolving insolvency issues. The objective would be to try and ensure that business assets that have become dormant because of company collapses can be recycled and put back to productive use, and that insolvent companies can look at ways to be sold as going concerns, which tend to command higher valuations, thereby increasing the recovery rate.

Finally, in this section, as with a lot of business activity during the COVID-19 crisis, an increasing amount of the more technology-oriented BDS provision for MSMEs is being provided virtually, using online delivery platforms. For Viet Nam’s MSMEs, it is important that they operate in a business ecosystem that has the infrastructure to support greater online activity, whether it be for BDS provision, other e-services, or general e-commerce and the shift towards online payment mechanisms. Such infrastructure extends not only to having robust ICT systems and hardware in place, but also the legal and regulatory framework necessary for such activities to operate reliably and with confidence. Whether as clients themselves of online products and services or seeking to provide online products and services to their own customers, MSMEs will increasingly depend on having the right ICT ecosystem in which to thrive.

6.4. Innovations to support women MSMEs beyond COVID-19

Despite the severe disruption caused by COVID-19, including its economic impact, and the emergency policy measures intended to mitigate its worst effects, it will be important for Viet Nam to persist with, and further extend, long-term efforts to address the kinds of barriers that women-led MSMEs encounter. Based on previous studies, these barriers include, but are not limited to:

- Capacity-building and other support around the use of technology and data-driven business innovation;
- The creation of more inclusive enterprise associations and networks that can provide support and mentorship to women-led enterprises;
- The development of BDS and BDS providers that can meet the specific needs and capacity constraints of women-led MSMEs, and serve enterprises in sectors where women-led businesses tend to be most common; and
- Ensure more equitable access to financial products and services and specifically address credit access constraints.

As such, the draft action plan for the CWE programme in Viet Nam remains valid and of relevance, even though it was conceptualized prior to the COVID-19 pandemic. Nonetheless, COVID-19 is prompting some changes and accelerations in various business practices, and so this moment affords an opportunity to ensure that this includes positive gendered changes around business culture and practice. One of the seven drivers identified by the UN Secretary-General’s High-Level Panel on Women’s Economic Empowerment.

The survey results and analysis suggest that women-led MSMEs tend to be a little less pro-active in submitting requests for Government support measures than their male counterparts and were

⁴⁷ For further details on resolving insolvency in Viet Nam see:
https://www.doingbusiness.org/en/data/exploreconomies/vietnam#DB_ri

overall perceived less favourably the support measures. It could be that, having experienced greater constraints in the past in attaining support, such as access to bank credit, women entrepreneurs have become more hesitant in applying for external assistance. If that is the case, there are measures that the relevant Government agencies, and other organizations involved in implementing support measures, can pursue to ensure that women-led MSMEs are encouraged to submit applications, and offset any perception, real or imagined, that they will not be deemed eligible or ignored. This will go some way towards creating a more gender-sensitive and ideally gender-responsive business environment.

Taking that one step further, there are interventions that commercial banks in particular could pursue to encourage women-led MSMEs to access financial products and services, modelled in part on the concept of setting up departments dedicated to work on lower interest loans and other support offered to mitigate the impact of COVID-19. In neighbouring Laos, for example, one commercial bank operates a “Banking on Women” programme that exclusively focuses on serving the needs of women-led SMEs, providing a full package of value-added services that extends beyond just bank products.⁴⁸ But access to finance for women-led MSMEs should not be limited to debt financing provided by banks⁴⁹, but also extend to grant, convertible debt and equity financing; often more appropriate for start-up ventures and high-growth businesses. Women-led angel investors and networks, venture capital and private equity firms would also be welcome additions to the ecosystem in Viet Nam.⁵⁰

Indeed, while the immediate and short-term environment for women-led MSMEs in Viet Nam has been radically impacted by COVID-19, the long-term reform agenda remains largely unchanged. At the time of writing, it is not yet clear what the full ramifications of the pandemic will have on business endeavours around the world, including in Viet Nam, for MSMEs globally, and for women-led enterprises also. Some established features of business may well “snap back”, but it is almost certain that some other features will “snap forward”. The behaviour patterns of retail consumers, wholesalers, trade buyers and suppliers have all been affected by the pandemic. Not only has there been an adjustment in the demand for various products and services, but the modalities by which business is conducted has also undergone change. Probably most of these changes were already in motion before anyone coined the term COVID-19, but the pandemic has sought to accelerate their use. What once might have normally taken five to 10 years to become a widely accepted way of doing things has been fast-tracked into less than a year. As a result, some companies are finding themselves at a point, today, that they probably anticipated would not come before 2025.

So, what does that mean for MSMEs, and women-led MSMEs in particular in a post-COVID-19 business environment? If the advances made in recent years to try and “level up” the playing field for enterprises owned and led by women are not to be imperilled by COVID-19’s impact, it will be essential to ensure that the changes triggered and accelerated by the pandemic do not exacerbate current or even create new constraints for women-led enterprises. One area where this may be particularly pertinent is around the use of ICT and technology by businesses; a field where smaller women-led enterprises sometimes feel to be at a disadvantage. If that is the case, it will be important to develop demand-driven programmes and initiatives that empower women entrepreneurs to leverage the kinds of ICT-driven innovations that are unlocking new business opportunities, efficiencies and competitive advantages. Combining those tech-driven business tools

⁴⁸ For further details see: <https://www.bfl-bred.com/banking-on-women>

⁴⁹ Loans or rolling overdrafts.

⁵⁰ IFC, 2019. Like the tech sector, men tend to dominate the venture capital and private equity ‘space’. “Women are significantly under-represented among the investment decision-makers at private equity and venture capital firms, as well as in the leadership of companies that receive this investment capital. Women hold only 10 percent of all senior positions in private equity and venture capital firms globally, and women-led enterprises collected less than 3 percent of global venture capital in 2017.”

with the managerial acumen and other assets commonly seen in women-led enterprises could result in some exciting propositions, which in turn will help inspire more women to pursue innovative business models. One example of this would be the Women MSME FinTech Innovation Fund, being implemented by ESCAP and the United Nations Capital Development Fund (UNCDF) and funded by the Government of Canada.⁵¹

If pursued creatively, ICT can be a platform that raises the agency of businesswomen. And if that is one of the legacies of the COVID-19 pandemic, then it will serve to discount at least some of the terrible economic distress felt by MSMEs in Viet Nam, both men- and women-led alike.

⁵¹ For further details see: <https://www.unescap.org/news/10-digital-solutions-women-entrepreneurs-win-support-united-nations-fintech-innovation-fund>

Appendix

List of in-depth interviewees

Name	Organization
Ms. Vu Kim Anh	Business Studies & Assistance Center
Ms. Nguyen Thi Dong	Hoa Lan Joint Stock Company
Ms. Pham Thi Thanh Ha	Megalink Agri Company
Ms. Tu Thu Hien	Women's Initiative for Start-ups and Entrepreneurship
Ms. Nguyen Thi Bich Huong	Viet Nam Association of Small and Medium Enterprises
Ms. Nguyen Thu Huyen	Viet Nam Trade Promotion Agency, Ministry of Industry and Trade
Ms. Nguyen Mai Hoa	Viet Nam Women's Union
Ms. Pham Kieu Oanh	Centre for Social Initiatives Promotion
Ms. Nguyen Thi Phuong Thao Mr. Dinh Manh Hung Ms. Pham Hoai Giang	Viet Nam Women Entrepreneurs Council
Ms. Nguyen Thi Thu	Tam An Company
Ms. Cao Thi Hong Van	Viet Nam Association for Women Entrepreneurs

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