Aus4Reform Program

AUSTRALIA SUPPORTS ECONOMIC REFORM IN VIETNAM (AUS4REFORM)

MAKING ECONOMIC RECOVERY AND INSTITUTIONAL REFORMS INTERTWINED AFTER COVID-19:

WAY FORWARD FOR VIETNAM

Hanoi, 2021

ACKNOWLEDGEMENT

The COVID-19 pandemic since early 2020 has had adverse, severe, and both direct and indirect impacts on the global economy. By March 2021, the pandemic remains complicated and unpredictable, even though many countries have begun rollout of COVID-19 vaccines. Concerns about economic downturn, job losses, etc., due to the COVID-19 pandemic induced various countries to ease monetary policies and introduce unprecedented fiscal support packages. In addition to exacerbating the risk of increased global debts and uneven recovery across economies, these support measures raise concerns about the lack of focus on economic institutional reform in some countries.

Viet Nam is entering the period 2021-2030 with new socio-economic development goals. While considering different scenarios related to COVID-19 pandemic, Viet Nam needs a multi-year plan to promote economic recovery after the pandemic. It should be noted that, economic reform measures identified and implemented until 2019 remain relevant to Viet Nam in the coming time. Excessive focus on monetary and financial measures to spur economic growth without appropriate retreat/"normalization" could drastically reduce the macroeconomic policy space, increase inflationary pressures, and weaken momentum for economic institutional reforms. However, if the economy recovers slowly, economic institutional reform will fail to acquire necessary consensus and momentum and/or fail to make drastic changes to meet the requirements of the economy. In this regard, ensuring the intertwining and harmonization of economic recovery policies and institutional reforms is of essence, albeit challenging.

From that perspective, the Central Institute for Economic Management (CIEM) prepares the report "Making economic recovery and institutional reforms intertwined after COVID-19: Way forward for Viet Nam". The Report aims to identify requirements and a roadmap for Viet Nam to promote economic recovery and institutional reforms in the post COVID-19 era. The report focuses on key requirements to boost post-pandemic economic recovery and institutional reforms.

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On this occasion, the CIEM would like to thank Australia Supports Economic Reform in Viet Nam Program (Aus4Reform) for supporting the preparation of this Report.

The authors also dedicate special thanks to Dr. Le Dang Doanh, Dr. Vo Tri Thanh and Dr. Tran Nam Binh for valuable and insightful comments for finalizing

the Report. Last but not least, the Report would not be completed without active participation, information, survey feedbacks, and constructive comments of various representatives of government agencies, private sector, and academia.

All remaining errors, views and opinions presented in the Report are solely of the authors and may not necessary reflect those of Aus4Reform Program and/or CIEM.

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ABBREVIATION

ADB	Asian Development Bank
AFF	The agriculture-forestry and fishery
AIPA-41	The 41st of ASEAN Inter-Parliamentary Assembly
ASEAN	Association of Southeast Asian Nations
BCI	Business Climate Index
BEA	Bureau of Economic Analysis
BOJ	Bank of Japan
CDC	Center for Disease Control and Prevention
CIEM	Central Institute for Economic Management
Co-Bot	Collaborative Robot
COVID-19	Disease caused by virus corona 2019
CPI	Consumer Price Index
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EIA	Energy Information Administration
EU	European Union
EVFTA	EU - Viet Nam Free Trade Agreement
EVIPA	EU - Viet Nam Investment Protection Agreement
FDI	Foreign Direct Investment
FED	U.S. Federal Reserve
FTA	Free Trade Agreement
G20	Group of 20
GDP	Gross Domestic Product
GII	Global Innovation Index
GoV	Government of Viet Nam
GSO	General Statistic Office
HCMC	Ho Chi Minh City
HDI	Human Development Index
HHS	United States Department of Health and Human Services
HSBC	Hong Kong and Shanghai Banking Cooperation
ICOR	Effective use of investment capital
IIP	Index of Industrial Production
ILO	International Labor Organization
IMF	International Monetary Fund
IR 4.0	Robust Industrial Revolution 4.0
KS	National Bureau of Statistics of Korea
M&A	Mergers and acquisitions
MERCOSUR	Southern Common Market

MERS	Middle East Respiratory Syndrome
MOF	Ministry of Finance
MOIT	Ministry of Industry and Trade
MPI	Ministry of Planning and Investment
NPL	Non-performing Loans
OECD	Organization for Economic Cooperation and Development
OPEC	The Organization of the Petroleum Exporting Countries
OxCGRT	Oxford Government Response Stringency Index
PBoC	People's Bank of China
PMI	Purchasing Manager’s Index
QoQ	Quarter-on-quarter
RCEP	Regional Comprehensive Economic Partnership
S&P	Standard & Poor’s
SARS	Severe acute respiratory syndrome-related virus
SBV	State Bank of Viet Nam
SME	Small and Medium enterprise
SOE	State-owned enterprise
UKVFTA	UK – Viet Nam Free Trade Agreement
UNCTAD	United Nations Development and Trade Organization
UNWTO	World Tourism Organization
US	United States
USD	U.S. Dollar
VAT	Value Added Tax
VCCI	Viet Nam Chamber of Commerce and Industry
VITA	Viet Nam Tourism Association
VND	Viet Nam dong
WB	World Bank
WEF	World Economic Forum
WIPO	The World Intellectual Property Organization
WTI	West Texas Intermediate
WTO	World Trade Organization
WTTC	World Travel and Tourism Council
YoY	Year-on-year

EXCUTIVE SUMMARY

1. Prior to the COVID-19 pandemic, the global GDP already witnessed a slowdown, reaching only 2.9% in 2019, the lowest level since the 2008 global financial crisis. Major economies faced numerous difficulties. Global production, investment and trade had also been affected by uncertainties due to increased tensions between major economies, heightened geopolitical risks, and drops in commodity prices, etc. Various international organizations lowered forecasts of global economic growth.
2. The COVID-19 pandemic broke out from early 2020 with rapid, complicated and unpredictable developments. To prevent its spread, many countries implemented a series of swift, drastic, even unprecedented measures such as border closure, social distancing, lockdown, etc. This resulted in serious consequences for many economic sectors and activities (such as tourism, transportation, trade, import-export, investment, finance, etc.). In the second half of 2020, various countries still implemented social distancing/isolation or lockdown measures but only on a limited scope, rather than on a large scale or at national level as in the first half of 2020. Along with the progress in developing COVID-19 vaccines, there emerged concern about the possibility of vaccine diplomacy, rather than promoting access to vaccines in a timely and equal manner at the global scale.
3. The world economic outlook in 2021 is considered more optimistic though still entails material inherent risks due to the COVID-19 pandemic. These risks do not alter the major issues and trends before the pandemic such as geopolitical competition among major economies - not confined to traditional economic and security spheres, but also in "exit" strategies out of the pandemic related to health, digital transformation, etc., and strategic competition to gain influence and restrain each other.
4. Prior to the COVID-19 pandemic, the GoV had been determined to make breakthroughs and prioritize macroeconomic stabilization, control inflation, and enhance resilience of the economy. The policymaking mindset had changed towards respecting freedom of doing business, moving from "positive list" to "negative list", with concrete contents being stipulated in many legal documents. Viet Nam had also deepened efforts to search for new drivers of economic growth. International economic integration also exhibited progress, notably with the signings of CPTPP, EVFTA and EVIPA in 2019. Yet the reforms and conduct of policies still had some shortcomings, including: (i) microeconomic foundation reforms only focusing on market entry; (ii) enforcement less than effective; and (iii) slow translation of international economic integration into domestic policies and regulations.

5. Viet Nam faced two waves of COVID-19 outbreaks in 2020. Acting swiftly at the fairly early stage of the pandemic, Viet Nam was considered relatively successful in controlling the COVID-19 pandemic. The GoV implemented appropriate, flexible, but consistent measures toward the “dual goals”, seeking to effectively control the pandemic while stimulating economic recovery and domestic production. The second half of 2020 witnessed a shift in the GoV's policy conducts towards proactive management of uncertainty, whilst considering supporting packages with a sufficiently strong magnitude to serve multiple objectives.

6. The year 2020 continued to witness Viet Nam's vibrant efforts in international economic integration and imprints in foreign affairs, including the roles of 2020 ASEAN Chairmanship, AIPA-41 Chairman, and the non-standing member of the United Nations Security Council. The GoV in 2020 had good conduct of policies, reflected by (i) retaining calmness, engagement and consensus of the business community and the people; (ii) compliance with good practices of policymaking, associated with the update and assessment of growth scenarios, paying special attention to the COVID-19 pandemic evolvement; and (iii) broadening space for new economic modalities.

7. Viet Nam still needs to pay attention to a number of policy issues for future improvement, specifically: (i) public investment disbursement has been less than effectively exploited; and keeping the disbursement pace in the 2021-2025 socio-economic development plan is not easy; (ii) information sharing among government agencies has not changed much, despite additional online platforms; (iii) Viet Nam lacks material progress in improving industrial/sectoral policies towards stronger focus; (iv) the perception of Viet Nam's international economic integration process associated with enhancing economic independence and autonomy has exhibited some differences, while there is a lack of thorough study to support policymaking process on this subject; and (v) monitoring and evaluation of evolvement and impacts of foreign investment flows at both macro and micro levels still expose various shortcomings.

8. Viet Nam's GDP growth rate reached 2.91% in 2020. International organizations had positive assessment of Viet Nam's economic growth. Albeit significantly lower than pre-pandemic level, Viet Nam still outperformed most economies in the world, including those in East Asia.

9. The COVID-19 pandemic affected all three economic sectors. The growth rate of AFF sector reached 2.68% in 2020, with significant improvement in the last 6 months of the year. The industry-construction sector increased by 3.98%, much lower than the average figure for 2015-2019. The service sector was hit the hardest with a growth rate of 2.34% in 2020.

10. The business sector faces numerous difficulties in 2020 due to direct impacts of the COVID-19 pandemic. Although the number of newly established enterprises in 2020 decreased by 2.3%, total registered capital increased by 29.2%, showing larger size of enterprises entering market. Though relatively few firms laid off workers, many had to reduce wages and working hours. The COVID-19 pandemic also forced Vietnamese businesses and agencies to seriously consider and engage in digital transformation more rapidly and thoroughly.

11. Gross investment at current prices reached VND 2,164.5 trillion in 2020, up by 5.7%, 4.5 percentage points lower than 2019. The investment/GDP ratio reached 34.4% in 2020. The investment efficiency decreased sharply with the ICOR coefficient skyrocketing to 14.3. The FDI registered capital reached USD 28.5 billion, down by 25%. The FDI implemented capital was USD 19.98 billion, down by 1.96%. Some of the most critical challenges facing Viet Nam include the following: (i) addressing bottlenecks in infrastructure and human resources; and (ii) promoting cooperation within ASEAN to jointly attract investment instead of "racing to the bottom".

12. The SBV has firmly pursued the objective of conducting prudent monetary policy to control inflation. The conduct of exchange rate policy towards macroeconomic stability has improved during the timings of drastic volatilities in the world market. In 2020, the central rate adjustment remained reasonable. However, Viet Nam still needs to further enhance its macroeconomic fundamentals, including foreign exchange reserves.

13. Credit growth of the economy tended to decrease gradually since 2015, but credit quality improved with credit flows concentrated in priority business and manufacturing areas. In 2020, the credit growth rate reached 12.13%, which was in line with the direction of the GoV and SBV to lower lending interest rates, and focus credit on business and export sectors amid the COVID-19 pandemic.

14. Viet Nam's import-export performance showed improved resilience in the 2018-2020 period. In addition to better adaptability of the business sector, particularly domestic enterprises, the improved resilience of the economy comes in part from the steadfast implementation of measures to improve business environment and enhance competitiveness. Viet Nam's trade openness kept uptrend. Trade activity in 2020 witnessed increased exports to EU markets after the EVFTA entered into force. E-commerce was seen as the bright spot in 2020, with sales increasing by 25%.

15. The COVID-19 pandemic has adverse impacts on many sectors, particularly tourism. Nevertheless, the year 2020 also witnessed remarkable growth in some manufacturing industries such as manufacture of drugs,

pharmaceutical chemistry and pharmaceuticals (up by 27.1%). Some new occupations developed rapidly, such as those relating to digital services, e-commerce, manufacture of medical masks and medical protective goods.

16. The COVID-19 crisis has also affected many social aspects. The labor force participation rate in the first half of 2020 dropped to a record low level, and the unemployment rate and underemployment rate soared. Many workers suffered from cuts in working hours and wages, and thus lower income.

17. In 2020, the GoV issued, implemented and adjusted monetary and fiscal policy measures to alleviate difficulties for businesses and people during the pandemic and promote recovery after COVID-19. Such measures comprise of: (i) tax, fee, fee and social security support measures; and (ii) monetary policy measures through reduction of lower policy interest rates and credit support packages. Although the effectiveness of these policies remain to be assessed, to a certain extent, the policy responses during the pandemic have helped alleviate difficulties for businesses. At the same time, it retains the policy space to respond to future scenarios.

18. The COVID-19 pandemic is projected to continue evolving complicatedly and unpredictably at global level; so, its serious impacts on all socio-economic aspects still persist and cannot be fully assessed. The Report elaborates on some considerations for economic recovery and economic institutional reforms in 2021-2023. These include balance of macroeconomic stabilization and economic recovery, highlighting lessons learned from the implemented stimulus packages and economic stimulus measures, macroeconomic stabilization, social welfare and security, and supports to those most affected by the crisis. The Report also looks into the interplay between domestic economic institutional reforms and international economic integration, affirming proactive implementation of integration commitments, including those related to sustainable development, as a prerequisite. The role of the State and economic space for the private sector; and the timing of reform are also thoroughly analyzed for economic growth recovery after the pandemic.

19. Viet Nam’s economic prospects for the period 2021-2023 are assessed via three scenarios. Accordingly, under the "business-as-usual" scenario with effective control of the pandemics, the GDP growth rate is projected to reach 5.98% in 2021 and 6.61% in 2023. With quality breakthroughs in institutional reforms leading to improved growth quality and faster recovery, the average GDP growth rate would reach 6.76% p.a. in the period 2021-2023.

20. The Report proposes directions for economic recovery and economic institutional reforms after the COVID-19 pandemic, reaffirming macroeconomic stabilization, keeping policy space for macroeconomic

policies, conducting flexible macroeconomic policies in line with scenarios to cope with adverse developments in the world and regional economies. The Report elaborates on key directions and measures related to economic recovery; institutional reforms; openness to new economic modalities; international economic integration; and gender development. Together with these key contents, the Report also develops a corresponding policy roadmap for the period of 2021-2023, with steps to: (i) continue to effectively control the COVID-19 pandemic, alleviate difficulties for the business community and the people, in combination with implementing economic institutional reforms; (ii) implement parallel measures for economic recovery and economic institutional reforms; and (iii) phase out measures to support economic growth recovery, and focus on economic institutional reforms.

CHAPTER I: INTRODUCTION

1. Rationale

The COVID-19 pandemic has been producing drastic impacts on the world economy in 2020, 2021 and possibly beyond 2021. While it is still too early to fully assess impacts of the pandemic, documented ones so far have included the decline of several industries (e.g. tourism), bankruptcy of various small businesses, disruption in supply chains, and increase in unemployment and job losses, etc., Given its unprecedented magnitude and impacts, controlling the COVID-19 pandemic is considered the highest, if not the only one, priority of all economies. Concerns about economic slowdown, job losses, etc., due to direct and indirect effects of the COVID-19 pandemic have induced many countries to ease monetary policies and deploy unprecedented fiscal support packages in 2020 and Q1 of 2021.

Unlike 2020, the global economy witnessed more positive developments in the first 3 months of 2021. The global economic outlook looks more promising as the epidemic has been better controlled, and COVID-19 vaccination programs have been widely deployed in many countries. In the mid-term report in March 2021, the Organization for Economic Cooperation and Development (OECD) projects that the global economy would grow by 5.6% in 2021 (1.4% higher than the projection in December 2020) and slow down to 4% in 2022 (0.3% higher than the projection in December 2020). Support packages can bring about larger impacts on economic growth and investment, etc. However, the projections show that the world economy in 2021 may still be subject to the complicated developments of the pandemic, including the modest possibility of widespread rollout of COVID-19 vaccines, and the risk of uneven recovery across economies.

Viet Nam has focused more on shifting the growth paradigm, restructuring the economy, aiming to improve quality of growth and socio-economic development policies, particularly since 2012. Various important laws (Enterprise Law, Investment Law, Bidding Law, etc.) have been amended, implemented and under further review for revision. The series of Resolutions 19 in the period 2014-2018 and Resolutions 02 in the years 2019-2020 introduced a new approach to economic reform in Viet Nam, which exhibits consistency, comprehensiveness and adoption of international benchmarks (Business Environment Index, Global Competitiveness Index, etc.). During this period, maintaining and consolidating macroeconomic stability have proved to be necessary requirements. Furthermore, shifting the growth paradigm towards enhancing quality and efficiency has also created more policy space needed to cope with major shocks to the economy. Together with other economic institutional reforms, these efforts have contributed to bolstering economic growth, improving economic resilience, and deepening effective integration. At the same time, concrete socio-economic achievements until 2019 had also helped strengthen confidence and consensus in the economy, thereby maintaining the momentum of reform - which is no easy task - for the next period.

Both domestic and international economic hardships in 2020 compelled Viet Nam to shift policy priorities to COVID-19 pandemic containment. Although Viet Nam always emphasized "dual goals" including economic ones during different pandemic response phases, consequences to the economy remain serious. In 2021, it is projected that Viet Nam's economy continues to face many difficulties and challenges. The COVID-19 pandemic has been evolving complicatedly and unpredictably, which can expose economies - including Viet Nam and its key partners - to major socio-economic challenges. With the habit of referring to international experiences, in light of economic changes in many countries resulting from fiscal and/or monetary stimulus packages, many experts and representatives of the business community proposed the government of Viet Nam (GoV) to consider similar economic assistance packages. However, these proposals were not accompanied by due attention to sustaining economic institutional reforms - which the GoV and authorities fostered even in the context of COVID-19 pandemic in 2020. In this regard, despite relative successes in epidemic containment and an opportunity to recover economically, Viet Nam still needs caution in assessing the situation, whilst implementing appropriate solutions to promote economic recovery, sustain economic institutional reforms, and ensure social security.

In this context, Viet Nam needs to consider a comprehensive and long-term plan to promote economic recovery in the post-COVID-19 era. When the term "new normal" becomes more and more familiar during the pandemic, economic reform measures identified and implemented until 2019 remain relevant to Viet Nam. It is not an easy task to fulfill both of these requirements. Excessive focus on monetary and financial measures to spur economic growth appropriate retreat/"normalization" could drastically reduce the macroeconomic policy space, increase inflationary pressures, and weaken motivation for economic institutional reforms. However, if the economy fails to recover, economic institutional reforms will also fail to acquire necessary consensus and motivation and/or fail to make drastic changes to meet the requirements of the economy.

This Report focuses on requirements and a roadmap for Viet Nam to promote economic recovery and institutional reforms after COVID-19 pandemic.

2. Objective

Overall objective: The report aims to analyze and evaluate qualitative impacts of the COVID-19 pandemic on Viet Nam's socio-economic situation and identify requirements for institutional reforms in the coming time.

Specific objectives:

+ Analyze and assess qualitative impacts of COVID-19 on Viet Nam's socio-economic performance;

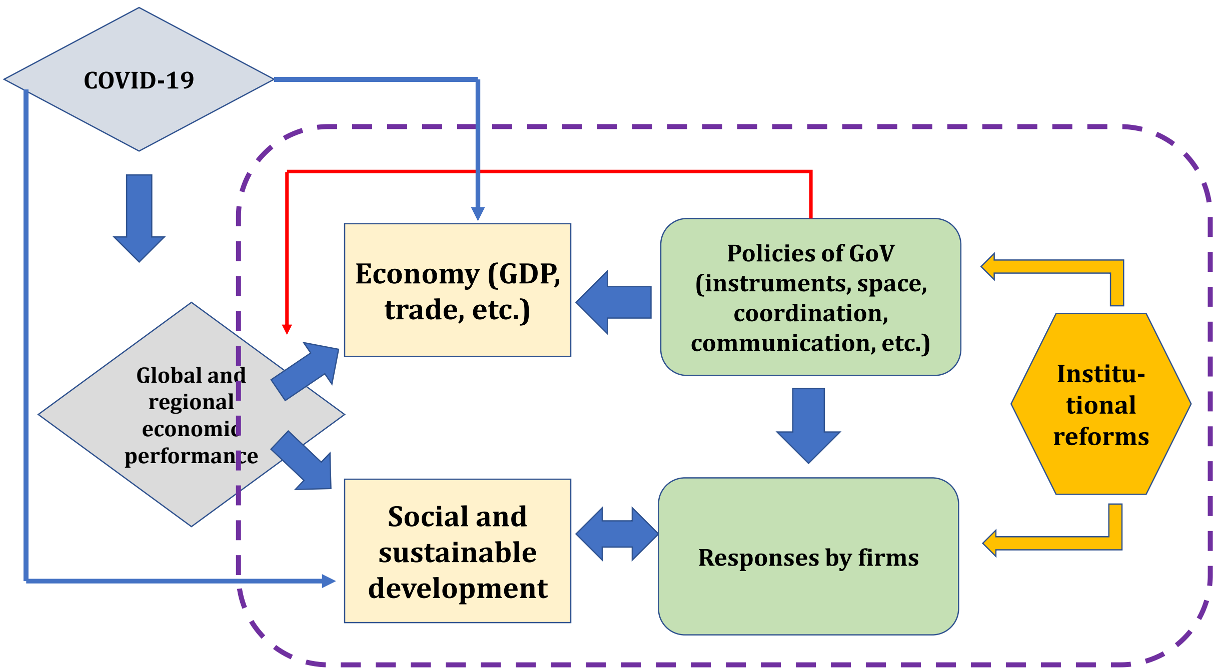
+ Analyze some requirements for upcoming institutional reforms to reset and promote socio-economic development; *and*

+ Identify policy directions and a roadmap for development in the 2021-2030 period.

Approach, method and scope of research

Figure 1 depicts the analytical framework in the Report. The authors utilize a qualitative approach, examining and identifying some economic impacts of the COVID-19 pandemic, thereby proposing some necessary institutional reforms to accompany and promote economic recovery of Viet Nam.

Figure 1: Analytical framework of impacts of the COVID-19 pandemic and institutional reform requirements to promote economic development



Source: Authors' compilations.

The report employs the following methods:

+ Qualitative analysis: collect data on Viet Nam's national accounts, development indicators, trade, financial market, institutional capacity; calculate indices (overall economy and industries/sectors) to assess the resilience of Viet Nam's economy and sectors prior to the COVID-19 pandemic; analyse policy responses and requirements of the institutional environment to take advantage of opportunities and mitigate risks induced by the COVID-19 pandemic; and analyse impacts on the business community and workers (particularly female workers).

+ Field survey: the authors conducted direct and in-depth interviews with a number of enterprises about their potential benefits and other impacts to assess opportunities and challenges; analyse the adaptability and resilience of the business community. This method helped deepen understanding and make appropriate policy recommendations to boost economic recovery and institutional reforms after the COVID-19 pandemic and at the same time collected firms' viewpoints on these recommendations.

+ Expert consultation: The research team conducted direct interview with experts about Viet Nam's weaknesses and challenges in the post-pandemic period, necessary policy adjustments for economic recovery and institutional reforms, as well as associated implementation roadmap.

3. Structure of the Report

Apart from the Introduction, the remainder of the Report consists of three chapters as follows:

Chapter II: International and domestic context associated with the COVID-19 pandemic;

Chapter III: Viet Nam's economy till 2020 and requirements of economic recovery and economic institution reform in the post-COVID-19 era; and

Chapter IV: Orientations and roadmap for economic recovery and economic institution reforms after COVID-19

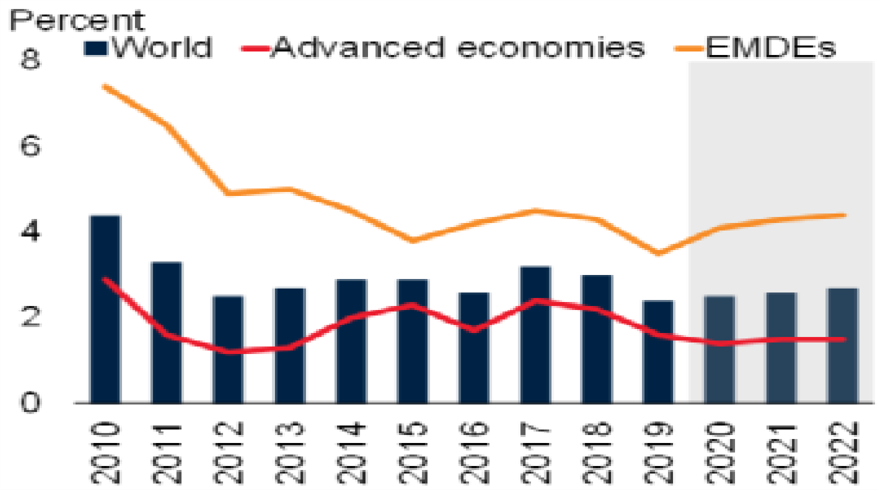
CHAPTER II: GLOBAL AND DOMESTIC ECONOMIC CONTEXT IN THE PRE-PANDEMIC PERIOD

1. Global economic context before and after COVID-19

1.1. Global economic context before COVID-19

In 2019, global economic growth was slowing down, only attained 2.9%,[1] the weakest pace since the global financial crisis in 2008. The major economies faced many obstacles. Global production, investment, and trade were subject to uncertainties due to tensions among major economies, geopolitical risks, and lower commodity prices, etc. In late 2019 and early 2020, international organizations updated their global economic outlooks with lower growth rates compared to previous forecasts. According to projection by the World Bank (WB, January 2020), the world GDP growth rate would reach 2.5% in 2020 (0.2% less than the forecast in June 2019); the International Monetary Fund (IMF, January 2020) forecasted the growth rate of 3.3% (compared with 3.4% released in October 2019); the Organization for Economic Co-operation and Development (OECD, November 2020) estimated that world GDP would increase by 2.9%, equal to the growth rate of 2019.

Figure 2: Global economic growth, 2010-2022



Source: WB (January 2020).

The economic growth of major economies slowed down. GDP growth rate was 2.1% in Q4/2019; and 2.3% in 2019 (compared to the increase by 2.9% in 2018). With the inflation below target figures and uncertainties from the US-China trade war, the US Federal Reserve (FED) cut the interest rate three times to support the economy, whilst signalling no further cut in 2020, unless the economy deteriorated further.

[1] In this Report, growth rate are on year-on-year basis, unless otherwise specified.

Table 1: Global economic prospects before COVID-19

	2017	2018	2019	2020	2021	2022	Difference*		
							2019	*2020*	*2021*
World GDP (growth rate, %)	3.2	3.0	2.4	2.5	2.6	2.7	-0.2	-0.2	-0.2
Advanced economies	2.4	2.2	1.6	1.4	1.5	1.5	-0.1	-0.1	0.0
US	2.4	2.9	2.3	1.8	1.7	1.7	-0.2	0.1	0.1
Japan	2.5	1.9	1.1	1.0	1.3	1.3	-0.1	-0.4	0.0
Eurozone	1.9	0.8	1.1	0.7	0.6	0.4	0.3	0.0	0.0
Emerging and developing economies	4.5	4.3	3.5	4.1	4.3	4.4	-0.5	-0.5	-0.3
Asia – Pacific	6.5	6.3	5.8	5.7	5.6	5.6	-0.1	-0.2	-0.2
China	6.8	6.6	6.1	5.9	5.8	5.7	-0.1	-0.2	-0.2
World trade (growth rate, %)	5.9	4.0	1.4	1.9	2.5	2.8	-1.2	-1.3	-0.7
Non-fuel commodity price in USD (growth, %)	5.5	1.7	-4.7	0.1	1.7	1.7	-2.6	0.2	0.3

Source: WB (January 2020).

*Note**: Difference between the forecasts for 2020 and 2021 with those released in June 2019.

GDP growth was low even in major economies. According to the European Statistical Office (Eurostat), GDP of the Eurozone went up by 1.0% in Q4/2019, and by 1.2% in 2019. In Q4/2019, GDP growth rates of Germany, France, and Italy reached 0.4%, 0.8%, and 0.1%, respectively. Production witnessed downward trend; manufacturing PMI plummeted continuously below 50 (reaching 45.9 in December 2019); industrial production in 2019 experienced negative growth. Meanwhile, increasing labor costs put pressure on production and business. Inflation increased but remained slow (1.0% in November 2019), much lower than the target.

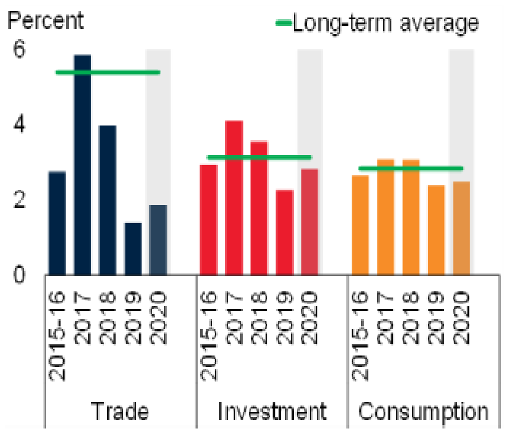
Japan faced difficulties due to the adverse impacts of the US-China trade war. Slow global economic growth and the impact of natural disasters weakened exports, production, and business confidence. In addition, the increase of consumption tax rate to 10% (from 8%) had negative impacts on growth: GDP of Q4/2019 decreased by 0.7%. Manufacturing PMI dropped below 50 since April 2019. Both imports and exports contracted, especially exports to Korea. The Bank of Japan maintained the short-term rates at -0.1%, and signalled relaxation of interest rates to support economic growth.

Economic growth of China slowed down, reaching only 6.0% in Q3 and Q4 of 2019 (the 7th consecutive quarterly decline). China’s economy faced increasing risks and challenges: exports went down consecutively, by 1.3% in

December 2019; high public debt (302% of GDP[2]) put Chinese, regional as well as global economy under greater risk of default. However, the Chinese economy was "better than expected" as industrial output maintained upward trend, by 6.9% in December 2019 (the highest growth rate in the last 6 months); employment was still relatively stable; manufacturing PMI remained at relatively high level (over 51 since September 2019), attaining 51.5 in December, etc.

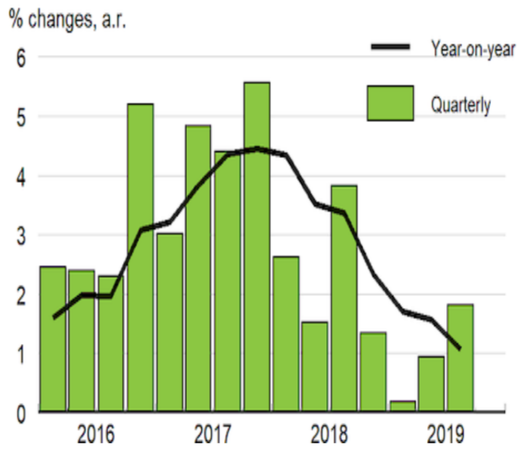
In 2019, trade tensions and conflicts among major economies were complicated. The US and China agreed on phase 1 of the trade deal, taking effect since February 14, 2020, which included commitments to enhance trade and remove applied/planned additional tariffs on goods. However, possibility of further adjustments was modest as there remained some fundamental disagreements and continuous escalation of trade tensions between the two parties. Since July 2019, trade conflicts between Japan and Korea have escalated; trade negotiations were obstructive. In addition, tensions between the US and EU also increased, mostly attributed to the subsidy for aircraft manufactures, and the US raised tariffs on some EU products. By the end of 2019, the WTO's World Trade Outlook Indicator improved, however, it was still below medium trend of growth, even decreased from 96.6 in November 2019 to 95.5 in February 2020.

Figure 3: Global trade, investment, and consumption growth



Source: WB (January 2020).

Figure 4: Global industrial production growth (%)



Source: OECD (November 2019).

In addition, the demand and prices of oil were affected, with high oil price volatility during April - September 2019.[3] Since October, oil prices kept an upward trend and attained a record high by end of 2019 (since 2016; WTI and Brent oil prices rose respectively 33.4% and 20.3% compared to the beginning of

[2] https://www.iif.com/Portals/0/Files/content/Research/Global%20Debt%20Monitor_July2020.pdf (accessed on 15/8/2020)

[3] According to IEA, OPEC's total oil supply for the first nine months of 2019 decreased 4.6% (YoY).

the year), reflecting OPEC+'s efforts to cut output to boost prices[4]; the expectations of increasing demand due to positive changes on US-China trade tensions, supply concerns due to rising tensions in the Middle East, and fluctuations in US production and inventories; etc. According to the Energy Information Administration (EIA, December 2019), average oil price in 2020 could be lower than 2019 due to increasing global oil inventories in 2020[5]. However, this forecast excluded the possibility of declining demand in the context of pandemic outbreak.

Trade tensions not only reduced the volume of trade but also increased pressure on production and reduced investment motivation. According to the United Nations Conference on Trade and Development (UNCTAD, October 2019), global FDI continued its downward trend, by 23% in the first half of 2019 compared to the second half of 2018. Developing economies were still attractive investment destinations (accounting for 54% of total global FDI). FDI into developed economies nearly doubled (reaching USD 269 billion in the first half of 2019), while FDI inflows to developing economies were relatively stable (reaching about USD 342 billion, down by 2%). Cross-border merger and acquisitions (M&As) remained adequate, above average figure of last ten years, but decreased 19% in 2019. In 2019, global FDI was forecasted to increase slowly, by about 5-10%. Proactive efforts to encourage investment and to improve investment attraction policies have been promoted.[6] National security was increasingly adopted in various countries to screen FDI projects.[7]

In another aspect, global and regional economic integration process exhibited some movement by 2019, despite facing challenges from increasing trade tensions/conflicts between major economies. The Informal WTO Ministerial Meeting reaffirmed its commitment to support the multilateral trading system and promote the reform of the WTO. Korea ratified Free Trade Agreement (FTA) with UK and actively implemented New Southern Policy. China enhanced negotiations of China-EU, China-Japan-South Korea FTAs and upgraded China-New Zealand FTA, etc. EU actively ratified the EU-Mercosur FTA. India explored the possibility of promoting trade agreements with the US and EU, etc. However, some countries showed signs of concessions to the US in WTO reform;

[4] To support oil prices, at the December meeting, OPEC + pledged to cut production by 500,000 barrels/day from a decrease of 1.2 million barrels/day; Saudi Arabia would reduce by 400,000 barrels/day. Accordingly, the total output reduction in the Q1/2020 amounted to 2.1 million barrels/day.

[5] According to the EIA forecast, the spot Brent crude oil price would be around 61 USD/barrel in 2020 (compared with 64 USD/barrel in 2019); WTI crude oil price might be about 5.5 USD/barrel lower.

[6] According to UNCTAD (December 2019), in the period of May-October/2019, 30 countries issued policies to improve the investment environment, at least 07 international investment agreements were signed (accordingly, there were 3,285 signed international investment agreements, of which 2,651 agreements were in force.

[7] According to UNCTAD (November 2019), in the period of January 2011 - September 2019, at least 13 countries introduced new regulatory frameworks for dedicated national security-related screening mechanisms for foreign investment with many significant and fundamental amendments. In 2018, FDI projects with a value of about USD 150.6 billion were blocked or withdrawn for national security reasons.

Korea (and Singapore before) relinquished its developing country status under WTO. Although negotiations were finalized, the Regional Comprehensive Economic Partnership (RCEP) encountered new challenges as India announced its withdrawal from the agreement in November 2019.

Science and technology developed rapidly and profoundly have changed production and human life. Industrial Revolution 4.0 (IR 4.0) gained achievements in many fields. IR 4.0 has been increasingly applied in many fields such as 3D printing, the Internet of Things, artificial intelligence, etc. Policy discussions on IR 4.0 were also intensified. Many economies hasty set up innovation centers. However, competition in accessing new technologies has gradually approached sensitive threshold, which may lead to confrontation among economies. Consensus on the digital economy, for example, is more difficult than e-commerce, because of the difference in mindset towards permitting cross-border flows of data. The Declaration of the G20 Trade Ministers and Digital Economy Ministers in June 2019 emphasized the message "Free Data Flow with Trust", which means, first and foremost, giving priority to free data flows, and improved trust as a complementary condition. Similarly, 5G network became more popular, but the risk of division and confrontation among major economies in accessing 5G network became increasingly evident. Thus, the opportunities, pressure of participation, and risks for economies, especially developing economies, were intertwined and quite complex. Emerging economies with more unskilled and inflexible labors would be adversely affected, even marginalized because of the rapid development of machines, automation, and smart technology.

By the end of 2019, in the context of high policy uncertainties and weak trade and investment, almost all international organizations projected that GDP growth of major economies would be slower in 2020. OECD (November 2019) forecasted that GDP growth of major countries would be slower during 2020-2021, specifically: the US economy might grow by 2%; the Eurozone could decrease by 1-1.2%; Japan would grow by about 0.6-0.7%; GDP growth of China might drop to around 5.7% in 2020 and 5.5% in 2021. WB (January 2020) also had similar assessments (Table 1). Notably, the assessment was relatively less optimistic even before the COVID-19 was recognized and incorporated in the scenarios under consideration.

1.2. COVID-19 pandemic and its impacts on some economies

COVID-19 infection was first detected in China in November 2019. COVID-19 pandemic, then, spread out and exhibited rapid, complicated and unpredictable movements. By the end of 2020, there has been more than 83.2 million infected cases of COVID-19 worldwide, spreading out to 218 countries and territories.[8] To prevent the spread of the epidemic, countries have rapidly implemented a series of drastic and even unprecedented measures such as border closures, social distancing, and so on. In contrast, some countries took a controversial approach such as implementing "community immunity" in Sweden (in 2020). Still, the COVID-19 pandemic has caused serious direct and indirect impacts on the world economy. The World Travel and Tourism Council (WTTC) in March 2021 estimated that the travel and tourism sector lost USD 4.5 trillion in 2020. The epidemic disrupted supply chains that leave many economies in trouble, even in recession. International organizations continuously lowered their GDP growth forecast for 2020. By January 2021, the WB estimated that world GDP decreased by 4.3% in 2020.

Despite projected recovery of the world economy in 2021, the COVID-19 pandemic would still arguably entail some obvious risks including the modest possibility of widespread rollout of COVID-19 vaccines, and uneven recovery across economies during and after COVID-19. Therefore, it is important to review responses to the COVID-19 epidemic from countries and to take suitable measures to promote economic growth and/or economic institutional reforms.

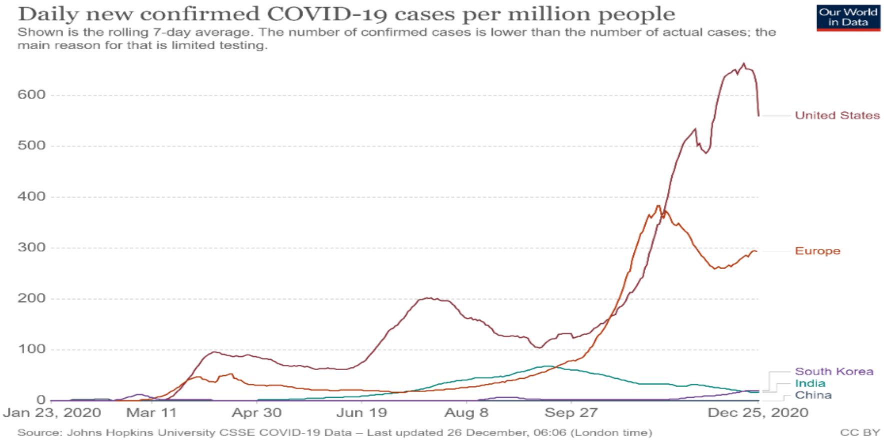
China

As the place where the first COVID-19 infection was reported, China has taken drastic response to the spread of the disease. Cities with infection cases were completely blocked; people in these areas were not allowed to leave their homes[9]. This helped curb the epidemic, making China the country with the lowest figures of COVID-19 infections and deaths, as percentage of population (Figure 5 and Figure 6). The aggressiveness in epidemic control in early stages allowed China to reopen its domestic economy earlier than other countries.

Along with the focus on disease control, China has also invested heavily in vaccine development. By November 2020, Chinese companies - including Sinovac, Sinopharm and CanSino Biologics - had conducted phase-3 trials in at least 15 countries. As of March 2021, China had about 12 different vaccines, and allowed five of them to be administered under an emergency approval process.[10] By the end of 2020, China had a number of advantages in the development and dissemination of COVID-19 vaccines, including: (i) up to 4/10 vaccines were included in phase-3 trials as of November 2020; (ii) the ability to accelerate large-scale production of vaccines; and (iii) the control of the domestic epidemic made China more conducive to vaccine export, instead of giving priority to the domestic citizens only (Tan and Maulia 2020). This was the basis for China to accelerate the supply of vaccines to many developing and poor countries in the world.

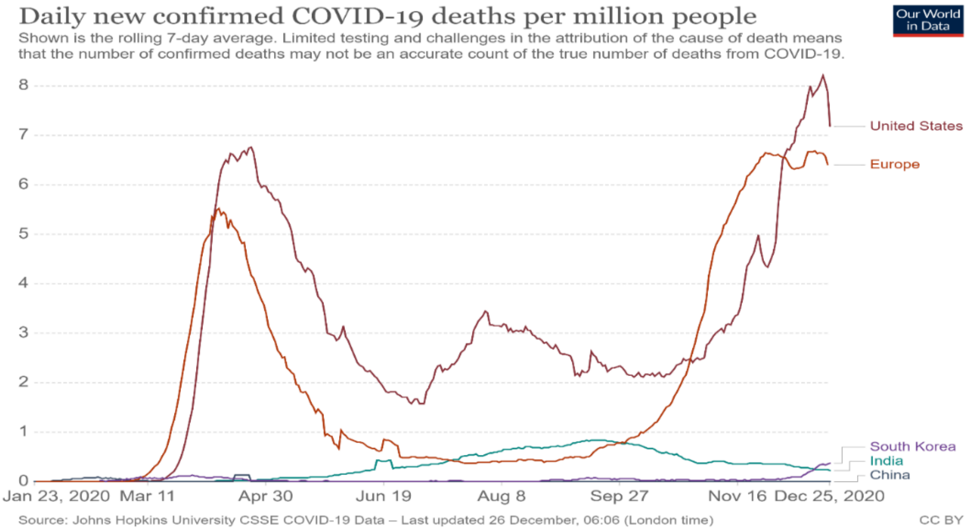
[8] https://ehealth.gov.vn/Index.aspx?action=News&newsId=53558 (Access on 01/01/2021)
[9] China's original approach to the pandemic was a 76-day blockade in Wuhan. But other parts of the country were not so severely restricted during the pandemic.
[10] https://www.bmj.com/content/373/bmj.n912 (Access on 09/04/2021).

Figure 5: Daily new confirmed COVID-19 cases per million people in some countries



Source: Our world data.[11]

Figure 6: Daily new confirmed COVID-19 deaths per million people, in some countries



Source: Our world data.

By the end of 2020, when most European countries were still in a blockade, China was slowly regaining its pre-pandemic development momentum. The country saw economic growth for the second straight quarter, especially the domestic tourism boomed again during Golden Week - China's biggest holiday of the year. Given that key economies were projected not to recover at the same pace, due to different exit from COVID-19 pandemic, China was arguably the first among major economies to recover. The recovery of small and open economies will therefore be hardly detachable from China.

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[11] https://ourworldindata.org/coronavirus (Access on 26/12/2021).

China's success also came from how people were allowed to return to work. In particular, the ability to track and trace suspected cases allowed the government to quickly control each local outbreak[12]. Even when the situation had stabilized, the people still wore masks and abided by the hygiene regulations in the public places, which are closely monitored by the Chinese government. As a note, regulators had access to personal data, thereby helping to track cases more effectively through digital technology.

In addition, China took advantage of the COVID conditions to further promote e-commerce. Similarly, in the past, e-commerce in China was identified and developed after the severe acute respiratory syndrome-related virus (SARS) epidemic in 2003[13]. Before the COVID pandemic, China's e-commerce market had already exploded and risen to the top of the world. The development of e-commerce in China before the pandemic was a premise for this country to manage and respond to the economic downturn caused by COVID-19.

During the COVID-19 epidemic, China's e-commerce activities showed signs of a slight decrease in the first quarter of 2020, by about 0.8% compared to the end of 2019, as people focused more on essential goods. However, e-commerce activities for many goods exhibited significant growth during the pandemic. For example, compared to the end of 2019, total sales of commodities such as: agricultural products increased by 31%; fresh food by 70%, household goods by 40%, sportswear, medicine, online education products, etc. all witnessed sharp increases. The online shopping market in China was estimated to grow by 27.5% in 2020[14]. Previously, this market grew by 29% in 2019.

The change in consumer behavior during the pandemic will likely continue to make online shopping even more popular after the pandemic ends. Although the e-commerce market in China is not as young as in 2003, but with a very fast growth rate, especially when the COVID epidemic compelled further adaptation, e-commerce will continue to explode in this country and over the world.

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[12] China had a color-based "health code" system that is maximized to track people's activities. QR codes were automatically generated, assigned to each citizen to indicate health status. Healthy people with a green code. Those who have been in contact with a COVID-19 patient had red or yellow codes. Many businesses needed a green code certificate for all employees to continue operating. This made it easier to trace people contact.

Source: http://www.medinet.hochiminhcity.gov.vn/tin-tuc-su-kien/bai-hoc-chong-dich-tu-trung-quoc-cmobile1780-34233.aspx

[13] The SARS 2003 outbreak of acute respiratory infections also first broke in China, with a similar hazard of COVID. (Access on 01st January, 2021)

In 2003, the SARS pandemic triggered the e-commerce industry in China. Companies like Alibaba and JD.com had radically transformed their business models in the wake of the epidemic shutdown in China. These companies closed most of their physical stores and started selling mainly products over the Internet.

Alibaba had even benefited during the SARS epidemic, when Chinese cross-border business had to be carried out through Alibaba's online commerce platform to control the disease.

Source: https://www.1421.consulting/2020/07/impact-covid-19-e-commerce-in-china/ (Access on 01st January, 2021)

[14] https://www.emarketer.com/content/global-historic-first-ecommerce-china-will-account-more-than-50-of-retail-sales (Accessed on 1st March, 2021)

China has also actively built new strategic directions for sustainable economic development after COVID-19. As an important content, China has formulated a "dual circulation" strategy, which emphasizes both domestic market development and further international opening (instead of just emphasizing domestic market development during trade war with the US). China emphasizes that the "dual circulation" orientation is self-induced.

The US

On February 29, 2020, the US recorded the first death in the country due to COVID-19. Soon thereafter, the death rate from COVID 19 in the country skyrocketed and became home to the highest mortality from COVID 19 in the world (Figure 6). The 2nd and 3rd COVID outbreaks and waves in this country created disagreements among the people on how the government had dealt with the pandemic.

The main cause of the serious pandemic in the US comes from its superficial approach to social distancing. In addition, the high population density in big cities caused the pandemic to spread faster. The US also applied a different and more complex testing method than the one approved by WHO[15], which created a slow response, missing the good chance to curb the pandemic.

As the pandemic worsened, President Donald Trump urged rapid testing of the SARS-CoV-2 virus vaccines. The US became the biggest investor in vaccine development. The country's goal was to become the first to have COVID 19 vaccines. Notably, the US also had agreements with pharmaceutical companies to give free vaccinations to all Americans when vaccines were tested successfully.[16]

Since the beginning of the COVID-19 pandemic, the US government had spent USD 10 billion to ensure 300 million doses of vaccine for the people before January 2021. As of December 23, 2020, the US reached the milestone for COVID-19 vaccination for 1 million people, the highest number in the world.

In general, the US has made drastic investment in vaccine development. This seemed to compensate for a delay in countermeasures to COVID-19 in the early stages. However, with high rates of infection and death, popular disagreement over the government's disease response policies increased. This was argued to be among the reasons for the loss of Mr. Trump in the 2020 US Presidential election campaign. As an important lesson, overemphasis on

[15] More complex testing developed by the Centers for Disease Control and Prevention (CDC), directed by the US government, limited the number of people tested and delayed coordination with the private sector to increase testing capacity.

[16] According to HHS, if proven safe and effective during phase III of testing (final stage) and licensed for emergency circulation, Pfizer will begin distributing vaccines to locations designated by government throughout the US. These vaccines will be provided completely free to the American citizen. The US is willing to spend USD 2 billion to implement this plan.

economic development without due attention to the evolution of COVID-19 may increase the risk of outbreaks, weakening people's confidence in policies.

Besides, since the beginning of 2020, the US has implemented an unprecedented series of monetary and fiscal measures to support the economic recovery. The US Federal Reserve (FED) lowered the FED funds rate to 0-0.25%. The bill of an economic stimulus package worth USD 1.9 trillion was passed in early March 2021, which would directly support USD 1,400/person for the majority of Americans, after USD 600 in the previous package of nearly USD 900 billion under former Trump administration. However, beside the expected impacts on spending and recovery for the economy, there remained concerns that this stimulus package would increase pressure on US public debt (S&P assessed the public debt of the US was then at AA+). Importantly, still, these measures were arguably within the US macroeconomic policy space.

Europe

Similar to the US, a portions of European leaders and population were originally not wary of the pandemic, treating COVID-19 as a severe-seasonal flu. Like the US, European countries value privacy and personal freedom while Asian nations (especially East Asia, Southeast Asia) value more collectivism. This culture made it difficult for Europe to take decisive action in preventing the pandemic. In particular, the digital applications based on personal data to trace COVID-19 cases were less considered due to provisions of the General Data Protection Regulation in the EU.

Becoming among the most severely affected regions, the Europe stepped up its vaccine development activities. By the end of 2020, the EU had signed six contracts to pre-order the COVID-19 vaccine, equivalent to more than 1.5 billion doses, and the proportion of vaccine distribution would be determined by the proportion of the 27 member states population. In addition, the commercial licensing of Pfizer and BioNTech vaccines in the European market were among the efforts to curb the pandemic.

However, the European countries were divided due to the COVID-19 pandemic. When the disease broke out in Italy, the country had to fight on its own without any help from the EU member states. Accordingly, the Italian government bond rate soared, which made the country more and more difficult.

With Europe being weakened after Brexit, the COVID-19 pandemic seemed to portray the sluggishness and ineffectiveness of Eurozone's overall decisions. Specifically, 27 EU member states were dealing with COVID-19 using different individual schemes. Ignoring calls for coordination, member countries had not agreed on health measures and progress during the pandemic. For example: France and Germany decided to keep protective equipment that could have been used to assist Italy in preventing an outbreak. While Poland, the Czech

Republic, and Hungary actively implemented strict blockade measures to control the spread of the virus early, the Netherlands and Sweden pursued a community immunity policy. Unilateral decisions had shifted the crisis from health to freedom of movement and the common market - two of the foundations of European community-building. Controversy over the reopening of borders between countries had also undermined the image of a united EU.

It was difficult for EU member states to reach consensus and how to respond to COVID-19 during the early outbreak of the epidemic. For example, the construction of the post-COVID-19 economic recovery fund has faced many contradictions. While some countries (Italy, Spain and France, etc.) supported Eurozone members to issue a common bond called "corona bond", creating a loan between countries to alleviate the consequences of COVID-19, the Nordic countries (Germany, the Netherlands, Finland and Austria) disagreed, fearing that this debt scheme would cause them to share the total public debt, i.e. the taxpayers of these countries would have to pay for the wastefulness of Southern European countries. Only in July 2020 did the bloc have a general agreement on the post-COVID-19 recovery plan.[17]

In general, the COVID-19 pandemic exacerbated various adverse trends that have shaken Europe over the last decade, particularly the public debt crisis in Greece, Brexit, and etc. This would affect general European policies, as well as economic trends between Europe and its partners in the future.[18]

<u>India</u>

As of the end of December 2020, India ranked third in the world in terms of death caused by COVID-19. India was one of the first few countries to impose strict restrictions on international travel, even suspending all international flights and suspending visas to prevent the spread of the virus. However, the proactive government response had been unable to contain the soaring number of infections.

However, the strict closure policies did not take into account the social factor in India. About 95% of workers - out of 1.35 billion Indian - work in the informal sector. Most of these workers live on daily wages. Unable to find alternative sources of income when the economy stagnated, these workers were

[17] The recovery plan worth EUR 750 billion. In particular, Italy would be one of the countries benefiting the most from the COVID-19 post-recovery fund (equivalent to EUR 210 billion). The country would receive a subsidy of EUR 81 billion and a loan of EUR 127 billion. Spain, one of the hot spots of the COVID-19, would receive EUR 140 billion, of which more than EUR 72.7 billion would be the EU's subsidy, and EUR 70 billion would be a loan. EU would also support EUR 72 billion for Greece, but it was not clear how those money would be distributed. France would receive a grant worth EUR 40 billion. The French government said it would announce more specifically about the recovery plan on August 24.
Source: https://nhandan.com.vn/tin-tuc-the-gioi/cac-nha-lanh-dao-eu-hoan-nghenh-thoa-thuan-lich-su-cua-khoi-609498/ (Accessed on 01st January, 2021)

[18] http://tapchiqptd.vn/vi/quoc-phong-quan-su-nuoc-ngoai/covid19-%E2%80%93-phep-thu-tinh-doan-ket-cua-lien-minh-chau-au/15855.html (Accessed on 01st January, 2021)

badly affected. The Indian government released some short-term bailouts such as a two-month free cereal supply and special commuting assistance, or even a USD 273 billion stimulus package - equivalent to 1% of its GDP. However, it was administrative barrier that made these bailout packages too late and produce limited impact. Inadequate capacity of the public health system made it difficult to control the pandemic; and when India had to reopen the economy, the number of deaths soared.

The COVID-19 pandemic made India realize the need to substantially restructure healthcare and apply modern technology, although the country's healthcare industry has been considered one of the most powerful applications of IR 4.0. When the pandemic broke out, many AI technologies were deployed by this country in: (i) Analysis of the structure and nature of the virus.[19]; (ii) identification of new outbreaks; (iii) Quick detection of people with illness signs[20]; (iv) Supports for forecasting and building response scenarios; (v) Tracing the source of outbreaks; (vi) Ensuring segregation measures are followed; (vii) Assistance in treatment; etc. However, AI applications as above were not enough to meet the population size and social characteristics of India. Thus, the approach to AI adoption change from developing a pure technology into prioritizing practical issues.

Indian states had taken steps in the COVID-19 context to further popularize use of technology. Popular technologies included the government's Co-Bot in the eastern state of Jharkhand, drones for disinfectants, area survey and monitor, and making public announcements. Utilizing technology, Indian state governments were also stepping up the management of device demand and availability.

Strong government investment also spurred the entry of the private sector into the technology sector. According to a survey by Pricewaterhouse Coopers,[21] AI adoption rate in India's private sector rose from 62% to 70%, with many organizations making a change in the way they run their businesses and make decisions, to grow stronger after COVID-19 pandemic.

For business operations, the use of AI technology in market analysis became more essential, especially in volatile market conditions. The adoption of AI was becoming more common to predict market trends. Of the 30,000 new products hitting the market in 2019, especially in Western economies, 95% of them had failed, according to Clayton Christensen of Harvard Business School. These products were largely derived from qualitative research. Under the conditions of the COVID pandemic, it became even more difficult to perform

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[19] DeepMind – An AI technology from Google, which uses genetic data to predict the protein structure of the virus, has opened up treatment directions for patients.

[20] AI-enabled surveillance cameras located at airports can quickly identify people with high body temperature, or those with fever cough symptoms.

[21] https://indiaai.gov.in/article/how-covid-19-pandemic-is-driving-ai-adoption-in-india

accurate qualitative analyzes. This had prompted brands to use AI models for prediction and insight based on social data.

Korea

By the end of 2020, Korea was considered a relatively successful country in responding to COVID-19. It did not adopt broad blockade measures like China, but used a more flexible way. Korea did not restrict people from travelling. They focused on applying compulsory medical isolation to those already infected and in close contact. Korea also focused on quick handling. At the end of January 2020, just nine days after the first positive, the Korean Occupational Health and Safety Agency began to offer more than 700,000 masks in high-risk workplaces. The rapid response was thanks to the lessons from the 2015 Middle East Respiratory Syndrome (MERS) outbreak in this country. At that time, the slow government response, the lack of public information and the lack of testing tools were the main issues. To avoid repeating the above mistakes, the Korean government built emergency response systems, trained personnel to handle the next pandemic, as well as passed a law regulating the rapid approval of test system in case of a medical crisis. This policy enabled the rapid production of test kits during the COVID-19 outbreak.

Korea's countermeasures to deal with this epidemic were innovative. These included: (i) using high-tech applications and cameras to locate and tag patients to save lives and slow the spread of COVID- 19; using convenient mobile testing stations; and (iii) allowing driver to be tested without leaving their vehicles. There were already more than 600 test stations across South Korea, allowing thousands of people to be tested every day while ensuring social distance because they were safe in the car. Another very practical idea was that the government divided and assigned a system of health facilities to focus on dealing with COVID-19 infections and other common diseases. These locations were listed on government applications and were fitted with large signs. Medical personnel in protective clothing stood at the entrance of the hospital to direct patients to designated locations. This system isolated patients infected with COVID-19 from others and reduced cross-contamination. Combination of fast and effective measures and technology applications available in this country such as 5G technology[22], Korea could minimize the losses caused by COVID 19.

Given that outbreaks may re-emerge and/or new variants may arise, economies must arguably be ready for switching between "normal" and

[22] Korea had installed an airport passenger check-in system controlled by a 5G network. The system checks passengers who do not wear masks or have symptoms of COVID-19 such as high temperature through digital kiosks and video surveillance. The Korean Ministry of Science said a system incorporating 5G technology called MEC helped to minimize signal latency by transmitting data to small-scale data centers instead of arriving at a single hub.
Source: https://congnghe.tuoitre.vn/han-quoc-ung-dung-mang-5g-kiem-tra-covid-19-tai-san-bay-20201223171004561.htm (Accessed on 01/01/2021)

"distancing" to prevent epidemics. From that perspective, how to switch smoothly, with minimal adverse impact on economic and social activities will be of particular importance. Korea may arguably be the fastest and most efficient state in the world, because: (i) the application of Internet technology was high, thereby helping to trace and prevent epidemics; and (ii) the Korean people's habit of preparing for state of emergency over the years.

In addition, Korea lacked masks like the US, leading to speculation and hoarding. On March 5, 2020, the government acquired 80% of masks produced domestically, giving priority to hospitals and building a system to control prices and distribution. To avoid hoarding, people were only allowed to buy masks on designated days based on the last digit of their year of birth.

Similar to China, Korea also witnessed the explosion of online shopping. According to the report "Online shopping trends in August 2020" of the National Bureau of Statistics of Korea (KS) released on October 5, the value of online shopping transactions in Korea in August 2020 reached KRW 14,383.3 billion (about USD 12.37 billion), up 27.5% from a year ago[23]. By product type, the value of food service transactions reached KRW 1,673 billion (USD 1.44 billion), up 83%, the highest level since reported; household appliances rose by 59.3%; electronics, household and telecommunications equipment rose by 48.8%. In contrast, transactions of travel services and transport decreased by 51.4%; culture and entertainment services decreased by 56.7% due to the recurrence of the COVID-19 outbreak, which caused the people to reduce outside activities.

1.3. Global economic context: Developments and prospects in COVID-19 pandemic

While major economies already exhibited economic downturn since 2019, the COVID-19 pandemic (broke out in 2020) and unprecedented preventive measures (border closures, social distancing, etc.) resulted in the stagnation of economic activities and disruptions of supply chain. The global economy declined sharply, even greater than the global financial crisis. Governments launched unprecedented stimulus packages to promote economic recovery. Along with efforts to prevent the spread of the pandemic and the progressive development of vaccines against COVID-19, the global economy gradually recovered, with more optimistic assessment than those released in mid-2020. According to the WB (January 2021), world GDP decreased by 4.3% in 2020 (compared with the reduction by 5.2% as forecasted in June 2020), and would increase by 4.0% in 2021 (but still lower than 5% of the pre-pandemic growth forecast). However, this prospect is under high uncertainty due to the unpredictable development of the pandemic. Many countries faced the risk of new waves of COVID-19, spreads of

[23] http://idea.gov.vn/default.aspx?page=news&do=detail&category_id=5b40b58c-9d99-4679-acb4-8deae9436815&id=59c6c9e8-97cf-4020-8cf7-c1794568b341

new variants and mutations. Many EU countries imposed partially lock-down and disease prevention measures. The international organizations assessed that COVID-19 might affect growth prospects in 2022. The WB forecasts that world GDP growth may reach 3.8% in 2022. The growth prospects could be influenced by some factors, namely: severity of a new wave, vaccine production and rollout, debt management, post-pandemic policy adjustment and reform, etc.

Table 2: Global economic prospects in January 2021

	2019	2020	2021	2022	Difference*	
					2020	2021
World GDP (growth rate, %)	2.3	-4.3	4.0	3.8	0.9	-0.2
Advanced economies	1.6	-5.4	3.3	3.5	1.6	-0.6
US	*2.2*	*-3.6*	*3.5*	*3.3*	*2.5*	*-0.5*
Japan	*0.3*	*-5.3*	*2.5*	*2.3*	*0.8*	*0.0*
Eurozone	*1.3*	*-7.4*	*3.6*	*4.0*	*1.7*	*-0.9*
Emerging and developing economies	3.6	-2.6	5.0	4.2	-0.1	0.4
Asia – Pacific	5.8	0.9	7.4	5.2	0.4	0.8
China	*6.1*	*2.0*	*7.9*	*5.2*	*1.0*	*1.0*
World trade (growth rate, %)	1.1	-9.5	5.0	5.1	3.9	-0.3
Non-fuel commodity price in USD (growth, %)	-4.2	2.2	2.4	1.3	8.1	-0.6

Source: WB (January 2021).

*Note**: Difference between the forecasts for 2019, 2020 and 2021 with those released in June 2020.

The US was markedly affected by the COVID-19 pandemic in 2020. According to the Bureau of Economic Analysis (BEA, second estimate on February 25, 2021), in 2020, GDP decreased by 3.5%[24]; trade deficit increased by 17.7%. The first quarter of 2021 witnessed a gradual recovery of the US economy. Manufacturing PMI recovered from a record low of 36.1 in April 2020 to 58.6 in February 2021. Due to supply chain disruptions, production was adversely affected due to lack of suppliers and delays of shipping, leading to increased costs of inputs and commodity prices. The unemployment rate decreased gradually from the peak of 14.8% in April 2020 to 6.2% in February 2021, but still higher than the pre-pandemic level. According to OECD (2020), the instability, rising unemployment and local COVID-19 outbreaks would limit the recovery of the US economy, especially in the short term.

As the country where the first case was reported, China's GDP growth in Q1/2020 decreased by 6.8% (the first negative growth since 1992). Thanks to the drastic implementation of pandemic control measures, the Chinese economy recovered significantly, reaching a growth rate of 6.5% in Q4/2020, increasing by

[24] In 2019, US GDP increased by 2.2%.

2.3% in 2020. Trade surplus reached USD 103.25 billion in the first 2 months of 2021, dramatically recovering from a deficit of USD 7.21 billion in the corresponding months of 2020. Exports increased by 60.6%, imports increased by 22.2%. China's manufacturing PMI recovered from 37.5 in February 2020 (the lowest level since the global financial crisis) to 50.9 in February 2021. The international organizations forecasted that the Chinese economy may grow by 7.8-7.9% in 2021.

GDP of the Eurozone saw a record decrease by 14.6% in Q2/2020. GDP decreased by 6.6% in 2020 after increasing by 1.3% in 2019. The economies of major members also witnessed a serious decline, specifically: in Q2/2020, the GDP of Germany, France and Italy fell by record levels (11.3%, 18.9%, and 18.0%, respectively). In 2020, the respective GDP of Germany, France and Italy decreased by 4.9%; 8.1% and 8.9%. The unemployment rate dropped from the peak of 8.7% in July 2020 to 8.1% in January 2021. Manufacturing PMI was on a rebound, reaching 57.9 in February 2021 from a record low of 33.4 in April 2021, thanks to a rapid increase in volume and new orders. The trade surplus increased from EUR 221 billion in 2019 to EUR 234.5 billion in 2020, in which exports went down by 9.2% and imports down by 10.8%.

Because of the COVID-19 pandemic, Japan fell into a deeper recession. GDP in Q4/2020 decreased by 1.4%, the fifth consecutive quarter of negative growth (of which, GDP in Q2/2020 had a record fall of 10.2%). Japan's trade deficit narrowed from JPY 1,315 billion in January 2020 to JPY 323.9 billion in January 2021, in which exports increased by 6.4% and imports dropped by 9.5%. Manufacturing maintained an upward trend since February 2020, continuously below 50. However, the PMI index increased gradually and reached 51.4 in February 2021, showing a strong improvement in the manufacturing industry as the economy gradually recovered from the impact of the pandemic.

In the context of the pandemic, countries implemented unprecedented financial and fiscal measures to support the recovery. The FED cut the fed funds rate to 0-0.25%. The economic stimulus package worth USD 1.9 trillion was passed in March 2021, which will directly support USD 1,400 per person (in addition to the USD 600 per person according to USD-900-billion stimulus package of former President Trump). However, besides the expectation of stimulating spending and creating a recovery momentum for the economy, this stimulus package increased the concern about public debt (S&P affirms US debt rating at AA+).

The People's Bank of China loosened the monetary policy, lowered the compulsory reserves, the interest rates on the open market, and the loan prime rate. The European Central Bank kept the refinancing rate, lending rate and deposit rate at 0%, 0.25% and -0.5%, respectively. The Bank of Japan maintained short-term rate at -0.1%, long-term rate at 0%; and offering loans at a 0% interest rate without collateral for firms. At the same time, many stimulus programs were activated, for example, support businesses to access loans, buy corporate debt, corporate bonds and government debt instruments, and loan guarantees for businesses, initial loan support for businesses, etc.

The WTO's Goods Trade Barometer plummeted to 84.5 in August 2020 due to the global economic disruption by the COVID-19 pandemic. Along with the recovery of economies as the COVID-19 became under good control, the WTO's Goods Trade Barometer gradually recovered, reaching 103.9 in February 2021. However, this prospect remains uncertain due to the outbreaks and the new variants and mutations of COVID-19 were not included.

Many economic sectors have stagnated due to the outbreak of COVID-19, especially air transport, causing a sharp decrease in the oil prices in February-April 2020. With the efforts by OPEC+ in output cut and by economies in re-opening, oil prices recovered stably at a relatively low level. The EIA (February 2021) predicted that the average crude oil price in 2021 would be higher than in 2020. However, rebalancing the oil market is subject to various risks. The measures to prevent the spread of COVID-19 and new variants and mutations have been weakening the short-term recovery of global demand.

According to the World Tourism Organization (UNWTO), 2020 is the worst year in global tourism history. International arrivals dropped by 74%, causing an estimated loss of USD 1.3 trillion (11 times the loss recorded during the 2009 global economic crisis). The COVID-19 affected 120 million jobs in tourism, many of them in small and medium-sized enterprises.

According to UNCTAD (January 2021), global foreign direct investment (FDI) in 2020 decreased by 42%, from USD 1.5 trillion in 2019 to USD 859 billion, 330% below the trough after the global financial crisis. Of which, FDI inflows to developed economies plummeted drastically by 69% to USD 229 billion in 2020.[25] FDI into developing economies decreased by 12% to USD 616 billion. Contrary to previous assessments and forecasts, FDI inflows to China still grew by 4.0% in 2020. FDI flows into the ASEAN decreased by 31% to USD 107 billion. UNCTAD forecasts that FDI will decrease further in 2021. The unpredictable developments of the pandemic and the global investment policy environment will continuously affect FDI flows. Accordingly, investors should remain cautious in committing investment in new overseas projects.

Global prospects in 2021 could be influenced by several factors. *First*, the world economy is still under high uncertainties, subject to material risks and challenges. The US expected to continue its measures to contain China in terms of economic-trade-technology and may strengthen its alliance with some partner

[25] FDI flows into Europe plummeted. FDI inflows to North America fell by 56% to USD 68 billion.

countries to implement these measures. Trade conflicts among major economies induce international corporations and enterprises to relocate their production to avoid high tariffs. This is not only an opportunity but also a challenge for Viet Nam.

Second, the pandemic and its variants, mutations are still complicated and unpredictable, with high risk of future wave outbreak of COVID-19. Once the new wave is in place, the measures to tighten are required. Accordingly, the supply chain to major markets such as China, the US, the EU, etc. will be interrupted. Besides, despite the development and accessibility of vaccines, the risk of disruption of the vaccine supply chain cannot be excluded.

Third, IR 4.0 and digital transformation developed rapidly. Developing the contactless economy based on accelerating digital transformation become more progressive. Besides the great loss of humans and economy, the COVID-19 pandemic "pushed" countries to dramatically accelerate the digital transformation process, creating new era of digital economy development, in which sectors related to human health care will be especially focused.

Fourth, the trend of multi-polarity and multi-center became more evident in the world economy. Competition and cooperation between major countries became more complicated. Before ratifying the RCEP Agreement, member countries should consider carefully net economic benefits, risks of trade diversion, geopolitical implications, and ability to ensure autonomy of domestic economy.

Fifth, the requirements for sustainable development attracted more attention. The COVID-19 pandemic compelled countries and groups, including businesses, to recognize environmental protection and climate change more prudently and seriously. New generation FTAs with commitments to trade and sustainable development also required businesses to have an organized approach. However, competing for influence among superpowers on climate change initiatives could pose more challenges to small and open economies, even making them conservative.

2. Domestic economic context before and during COVID-19

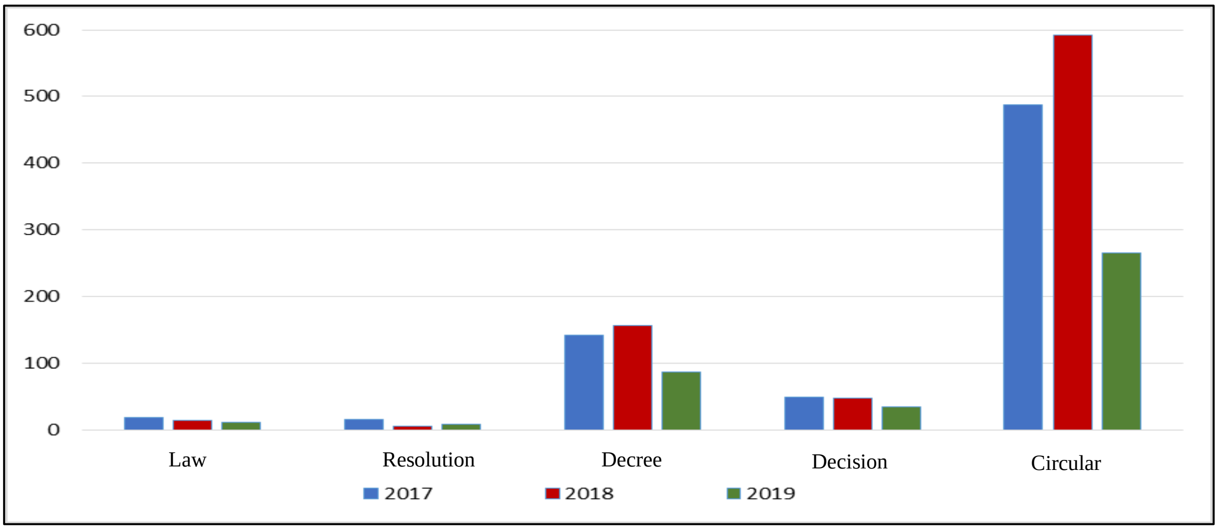
2.1. Domestic economic context before COVID-19

By 2019, the GoV had maintained its determination with requirements to make breakthroughs and prioritize macroeconomic stability, control inflation, and enhance the resilience of the economy. In particular, ministries and branches had actively monitored, assessed and forecasted developments from the outside world (the U.S.-China trade war; geopolitical conflict; FED's interest rate management, etc.) to implement appropriate and flexible solutions, creating a solid foundation to withstand external shocks. The need to regularly monitor and evaluate the situation at home and abroad to provide active and flexible responses were elaborated frequently. In 2019, Viet Nam started to officially formulate growth management scenarios in details and with frequent update. At the same time, government agencies stayed calm and ready to respond to difficulties of the external economic environment - which had been less evident in previous years.

In parallel with macroeconomic stabilization, micro-economic reforms were implemented more radically. Efforts to remove burden for businesses had been recognized through improved business environment ratings and competitiveness. Tasks and requirements to improve the business environment and national competitiveness were continuously updated in a series of Resolution 19/NQ-CP in the period of 2014-2018, and in Resolution 02/NQ-CP (as a replacement of previous Resolution 19/NQ-CP) right from early 2019. The message on private economic development has been reiterated in many important forums and policy dialogues, and concretized through various policy actions. Viet Nam has also constantly improved institutions for effective implementation of international economic integration, including amending laws for improved compatibility with the implementation of FTAs, improving and issuing orientations, institutions and policies, enhancing the quality and efficiency of foreign investment cooperation to 2030 (Resolution 50-NQ/TW of the Politburo dated August 20, 2019), etc.

The mindset of policymaking has changed in the direction of respecting the freedom of doing business, switching from "positive list" to "negative list", with concrete contents being stipulated in many legal documents. Accordingly, the promulgated legal documents only list activities that enterprises are banned from doing business, not those that enterprises are allowed to undertake. 2019 witnessed smaller number of legal documents issued than in previous years. By the end of 2019, over 400 legal documents were issued, of which the number of circulars and decrees were significantly lower than in 2018-2019 (Figure 7).

Figure 7: Number of legal documents, 2017-2019



Source: CIEM.

Consultation activities to formulate the socio-economic development strategy 2021-2030 and the socio-economic development plan 2021-2025 were carried out regularly. Assessments were generally straightforward, focusing on areas needing improvement, such as labor productivity, economic restructuring, shifting growth paradigm, growth quality, market economic institutions, etc. Opportunities and challenges of Viet Nam in implementing socio-economic development goals had been more or less identified.

Viet Nam also emphasized the search for new drivers of economic growth. Many policies and actions aimed to "catch up" with IR 4.0 were issued and materialized such as Resolution 52/NQ-TW on actively participating in IR 4.0; Decision 1269/QD-TTg on establishing the National Innovation Center; or the National Public Service Portal. The National Strategy for the Fourth Industrial Revolution was also developed in 2019.

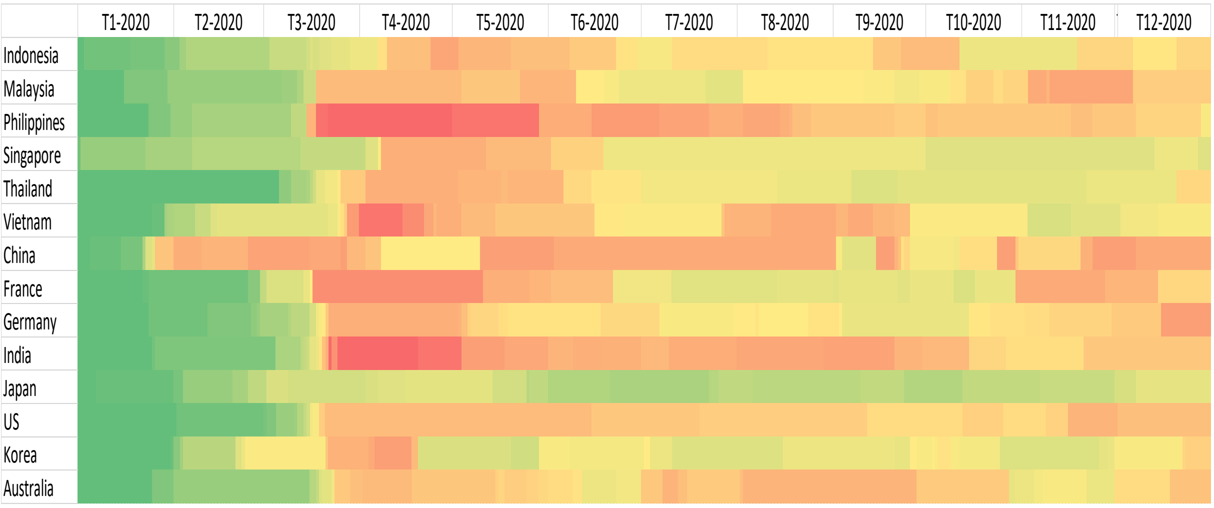
International economic integration witnessed more positive changes. Viet Nam implemented the CPTPP since January 2019. It signed the EU-Viet Nam Free Trade Agreement (EVFTA) and the EU-Viet Nam Investment Protection Agreement (EVIPA), and prepared for ratification of these two agreements. Viet Nam was also actively involved in negotiation of the Regional Comprehensive Economic Partnership (RCEP) in 2019, and could arguably play a key role in the signing of this Agreement. Viet Nam's international position had been significantly improved, via: (i) being elected as a non-permanent member of the United Nations Security Council for the term 2020-2021; (ii) further contribution to important for a such as APEC, ASEAN and G20; and (iii) sustaining attractiveness for foreign investment in the context of the US-China trade war.

The reforms and policy management by 2019 still revealed some limitations. *First*, reforms of microeconomic foundation only focused on market entry, while there were insignificant changes in the development of factor markets. *Second*, enforcement still needed further improvement. Attention to business environment reforms under Resolution 02/NQ-CP had more or less decreased. Labor productivity and quality were widely mentioned, but the novelty and specificity of policy proposals and enforcement mechanisms remained limited. Pilot management of new services, business models in the context of IR 4.0 and digital economy were widely mentioned, however, in shortage of concretization. *Third,* efforts of international economic integration had not been incorporated in full into domestic policies and regulations. Excitement with EVFTA and EVIPA (though pending approval) had been somewhat over-communicated, whilst being accompanied by inadequate preparations for required economic institutional reforms. Preparations for CPTPP had been slow, although this Agreement had already entered into force. *Fourth*, the information and statistics systems serving the management of some ministries had been slowly improved in terms of quality and timeliness. In the context that the efficiency of policy accountability remained slow to improve, this issue significantly affected the revision and adjustment of policies by some ministries and agencies. *Fifth*, the amendment of some labor regulations failed to reach a significant consensus, despite more extensive consultations.

2.2. Domestic economic context in 2020

Viet Nam reported the first two cases of COVID-19 infection in late January 2020. After that, the number of new cases increased at modest rate to only 16 by late February 2020. Since March 07, 2020, new cases soared up with community transmission. Viet Nam declared the pandemic nationwide and implemented stringent travel restrictions, social distancing since April 01, 2020. Since the second half of April 2020, the number of new cases gradually decreased with no community transmission. By June 2020, Viet Nam could control new infection cases from people returning from abroad, most patients were successfully treated, no death and more than 2 months without new cases from within the community.[26] When the second wave broke out at the end of July 2020, the GoV and provinces implemented social distancing measures only at a narrower scope, thereby minimizing adverse impacts on production and business activities. Thus, Viet Nam could contain the pandemic relatively rapidly and effectively, while retaining economic space for businesses and the people, even in difficult period in 2020.

Figure 8: COVID-19 Government Response Stringency Index, 01/01/2020-31/12/2020[27]



Source: Hale et al (2021).

Note: The closer the index is to 100, the redder the color.

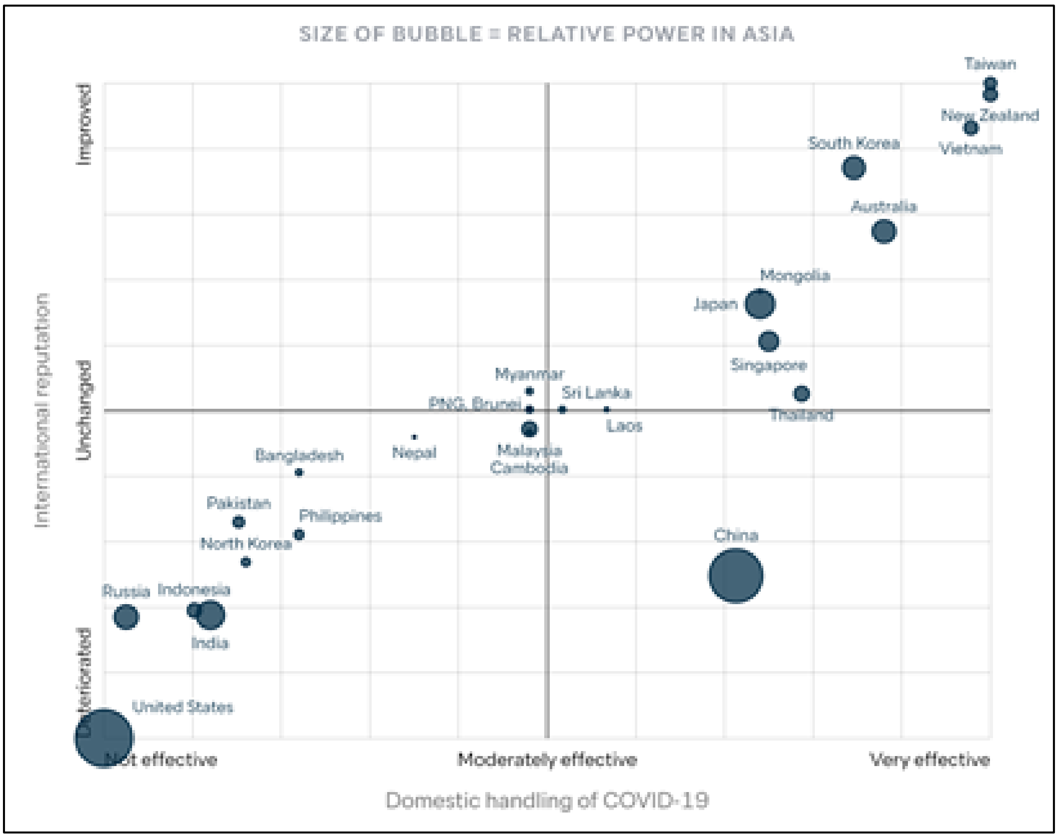
[26] As of June 17, 2020, Viet Nam had 335 cases of COVID-19 infection, including 325 recovered cases, no death.

[27] COVID-19 Oxford Government Response Stringency Index (OxCGRT) is a composite measure that traces governments' responses to the COVID-19 pandemic. The index collects available information on 17 indicators of government responses, including: 08 policy indicators of containment and closure policy such as school closures, movement restrictions and blockade, etc.; 04 indicators of economic policies such as income support to citizens or provision of foreign aid, etc.; 05 indicators of health system policies such as testing regime, emergency investments into healthcare services, tracing contacts, etc. The index takes the value from 0 to 100, of which 0 = the least strict, 100 = the strictest.

According to Oxford Government Response Stringency Index (OxCGRT) that traces governments' responses to the COVID-19 pandemic, Viet Nam responded rapidly compared to other ASEAN nations or other countries in the world (Figure 8). Since late April 2020, travel control and restrictions have been gradually relaxed in order to resume production and business and people's daily life, yet maintained the necessary prudence. Meanwhile, some countries like the U.S., Japan, etc., have loosened their prevention measures relatively faster than Viet Nam.

Viet Nam strengthened the confidence of people and businesses in the fight against the pandemic, in particular regarding policy responses to realize the "dual goals". Information on COVID-19 pandemic, scenarios and policy measures of the GoV was conveyed in a transparent, diversified and regular basis, which has been accompanied with mass policy consultation. Viet Nam arguably turned the tide of public distrust, from "*eroding confidence after the Formosa occurrence*"[28], to gaining strong belief thanks to *"transparently and smoothly handling the pandemic"*.[29] The positive results of COVID-19 epidemic containment have also significantly enhanced Viet Nam's reputation in the international arena (Figure 9).

Figure 9: Handling of COVID-19 pandemic and international reputation



Source: Lowy Institute (2020).

[28] 2016.
[29] Lowy Institute (2020).

In the context of COVID-19 pandemic with many complicated developments and serious consequences in 2020, the GoV implemented appropriate, flexible, but consistent measures toward the “dual goals”, seeking to effectively prevent the pandemic while stimulating economic recovery and domestic production. In the first half of 2020, the priority towards effective control of the COVID-19 pandemic was conveyed through a series of timely solutions such as Directive 11/CT-TTg[30], Resolution 84/NQ-CP [31], Resolution 42/NQ-CP [32] and Decision 15/2020/QD-TTg [33]; etc.

The second half of 2020 witnessed a shift in the GoV's policy conducts, towards managing uncertainty in light of the gradually controlled COVID-19 pandemic. The GoV also concretized supports to businesses and stimulus of economic recovery in the last months of 2020 to build growth momentum for 2021. Notably, the prudent fiscal policy in previous years helped maintain the space for Viet Nam to carry out response measures and to support vulnerable businesses and households. The SBV's measures to loosen monetary policy and temporarily reduce financial stress from the first 6 months of the year have also helped reduce liquidity pressure, lower capital costs and ensure continued credit expansion.

Considering the effects of second wave of COVID-19 and preliminary assessments on the progress and effectiveness of the support packages implemented since April 2020, the on-going policies were proposed to extend until the end of December 2020, even to the first half of 2021.[34] At the same time, the GoV adjusted various supporting packages (Resolution 154/NQ-CP dated 19/10/2020 amending and supplementing Resolution 42/NQ-CP dated 09/04/2020 on measures to support people facing difficulties caused by the COVID-19 pandemic; or Decision 32/QD-TTg dated 19/10/2020 amending and supplementing number of articles of Decision 15/2020/QD-TTg dated 24/04/2020 on implementing policies to support people facing difficulties caused by the COVID-19 pandemic). As a whole, the year 2020 witnessed the issuance of about 120 documents related to labor policy support and business support.[35]

[30] Directive 11/CT-TTg dated 04/03/2020 on urgent objectives and solutions for assisting businesses facing difficulties and assurance of social welfare amid COVID-19 pandemic.

[31] Resolution 84/NQ-CP dated 29/05/2020 on tasks and solutions for dealing with difficulties in business operations, promoting disbursement in public investment and ensuring public order and safety during COVID-19 epidemic, aiming to maintain economic development and strive to achieve socio-economic development objectives and tasks.

[32] The Government’s Resolution 42/NQ-CP dated April 09, 2020 on assistance for people affected by COVID-19 pandemic.

[33] Decision 15/2020/QD-TTg dated 24/4/2020 of the Prime Minister on implementation of policies on supporting people affected by the COVID-19 pandemic.

[34] Most recently, on December 29, the MOF issued Circular 112/2020/TT-BTC stipulating that 29 fees and charges shall continue to be reduced by 50-100% from January 1, 2021 to June 30, 2021.

[35] Compilation from COVID-19-related webpage at https://luatvietnam.vn/covid-19-33096.html

The GoV has also taken drastic directions in areas with tremendous sluggishness in recent years. The most prominent has been promotion of public investment disbursement through "clarifying" responsibilities of heads of public investment projects under their jurisdiction, so that they can be bolder and more confident in the effective use of available investment resources, improving the information system, and consulting experts to support investment decision-making in a professional manner. The GoV issued Resolution 84/NQ-CP dated May 29, 2020 regulating tasks and solutions to further alleviate difficulties in production and business, accelerating the disbursement of public investment and ensuring social safety during COVID-19 pandemic. Accordingly, measures to promote public investment disbursement focused on three aspects, including (i) reviewing and removing regulatory barriers on budget, investment and construction for boosting implementation and disbursement progress and enhancing effectiveness of public investment projects; (ii) speeding up the allocated plans of public investment projects; and (iii) promptly urging the implementation of approved projects. The GoV's direction on requesting ministries, agencies and provinces to drastically implement such mentioned resolution has contributed to substantial changes, accelerating the disbursement of public investment.

The proposal of a "second support package" has been considered and discussed, perceivably sufficiently large and strong to fulfill multiple objectives, not just economic stimulus. This package may serve not only to support labor-intensive SMEs to maintain production and business, resume of operations, avoid further laid-off of employees, but also to support large businesses that are struggling with cash flow shortages due to massive revenue shortfalls while fixed and operating costs are large. Drawing from the experience of implementing previous support measures, it is of particular importance to concretize the conditions and criteria to ensure that businesses can have easier access, while minimizing risks and enhancing the responsibility of implementation agencies.

The recovery of production and business activities, first and foremost, stemmed from the adaption by Vietnamese enterprises. According to the survey results by Hong Kong and Shanghai Banking (HSBC) Navigator published in early December 2020, up to 68% of Vietnamese enterprises made changes to cope with the pandemic. At the same time, these businesses invested further in sales channels, improving labor skills, customer experience, and cash/capital flow management; or invested in technology to improve market access capability, to search for new customers, and enhance automation and operational efficiency.

Figure 10: Selected results of supporting policies

Rescheduling and exemption of taxes and land rental fees

- Land rental fee deferral: VND 66,700 billion
- Extension of special sales tax for domestic cars: VND 10,000 billion
- Exemption and reduction of taxes and fees: VND 10,000 billion

Social security policy

- Disbursement: < VND 12,674 billion
- Support: > 12.7 million persons
- Support: > 26,000 business households

Direct support to employees

- Disbursement: < VND 900 billion
- < 889,000 workers; of which 44,000 employees with postponed contracts or unpaid leave; Nearly 760,000 workers without labor contracts lost their jobs; and 85,000 employees with terminated contracts but not eligible for unemployment benefits

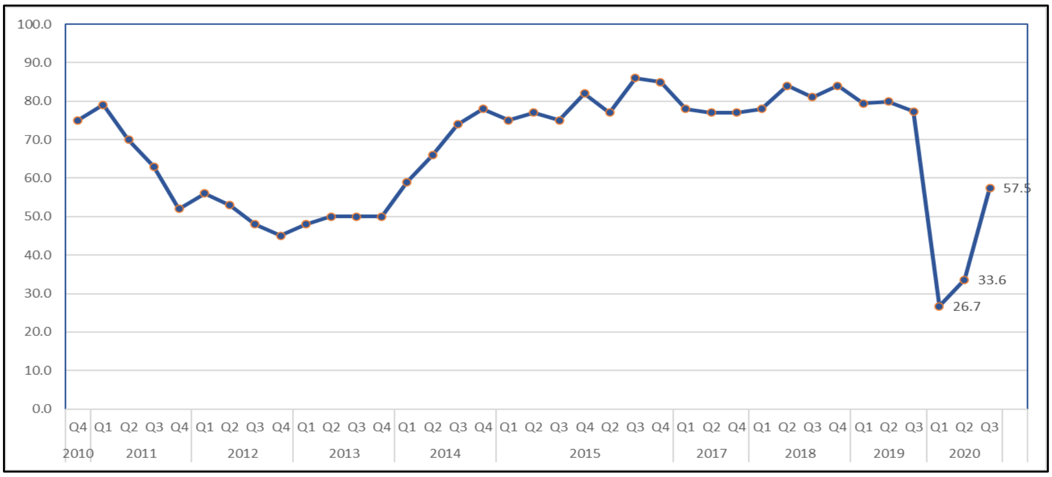
Source: VCCI, December 2020.

The COVID-19 pandemic altered the structure of global and regional markets, especially pushing businesses to promptly transform themselves digitally. The GoV also transformed towards a digital government, thereby matching business efforts. Through the issuance of Decision No. 749/QD-TTg (June 2020) approving the *"National Digital Transformation Program to 2025, with orientations toward 2030"*, Viet Nam built further upon progress in digital economy development, specifically: (i) being among the first countries to develop the 5G network; (ii) ranking second in ASEAN in terms of digital economic growth,[36] with the scale of the digital economy of about USD 14 billion; and (iii) ranking 42nd out of 131[37] countries and economies, holding the top position in the group of 29 countries with the same income level. The development of e-Government, including the connection of services to the National Public Service Portal and the National Single Window, continued to progress.[38] In addition, there are a variety of pilot services and mechanisms aimed to support digital businesses, such as online dispute resolution, etc.[39]

[36] The growth rate averaged 27% p.a. during the period 2015-2020 (Google, Temasek and Bain, 11/2020).
[37] Report of the World Intellectual Property Organization (WIPO).
[38] Viet Nam has operationalized the e-Government system; 7/12 ministries have completed the provision of online public services at level 3 and level 4; Over 99% of operating enterprises have made electronic tax declaration and payment.
[39] Most recently, the application of 'Digital Social Insurance' on mobile devices was announced on November 16, 2020; The Vietnam Free Trade Agreement (FTAP) portal was launched on December 23, 2020; the national

Improving business environment, enhancing competitiveness remained a cross-cutting task throughout 2020. Full evaluation of the results was hardly possible because international organizations (WB, WEF, etc.) have not yet published their updated assessment of indicators on business environment and competitiveness 4.0. However, the business community and people showed positive assessments. The Business Climate Index (BCI) by the EuroCham rose by 24 points to 57.5 points in Q3/2020 (Figure 11). International credit rating institutions such as Standard & Poor's (S&P), Moody's and Fitch Rating still keep Viet Nam's national credit ratings at BB with a stable outlook amid the context of a global economic downturn and many countries with downgraded credit ratings.

Figure 11: Business Climate Index (BCI)



Source: EuroCham, December 2020.

The Ministry of Planning and Investment (MPI) assessment of Viet Nam's economic restructuring in the 2016-2020 period shows that restructuring of state-owned enterprises (SOEs) remained limited and incomplete in several objectives, including (i) failure to meet international standards on SOE governance; (ii) failure to complete the plan for equitization and divestment of state capital; and (iii) failure to fulfil the goal of "improving the efficiency and competitiveness of SOEs" and the goal of "completely handling inefficient SOE projects with prolonged losses". According to Ministry of Finance (MOF) report, until the end of Q3 of 2020, only 37/128 SOEs were equitized and divested (equivalent to 28% of the 2020 plan). Some reasons for slow equitization include: (i) lengthy process for enterprises to take stock of assets, especially land-related legal documents; (ii) some large economic groups and corporations having complicated financial status, wide range of operations, owning a lot of land in many provinces and cities nationwide, thus leading to multiple difficulties and time-consuming dealing with financial issues, approving land use plans, identifying and auditing enterprises' values, selling shares for the first time, plus with a lack of seriousness and drastic

database warehouse has been formed to facilitate free trade and open market of Viet Nam through gathering and updating information related to import and export activities.

actions in directing and implementing of management bodies; (iii) some functional bodies being less active within their authority to advise and propose to address problems and shortcomings; and (iv) the COVID-19 pandemic caused adverse impacts on the implementation of the equitization plan.

The year 2020 witnessed material progress of Viet Nam in international economic integration. EVFTA entered into force on August 1, 2020. The GoV has promptly issued plans and guiding documents to implement the EVFTA (drawing lessons from the slow implementation of the CPTPP). On November 15, 2020, on the sidelines of the ASEAN Summit hosted by Viet Nam, the RCEP Agreement was officially signed after more than 7 years of negotiation. The FTA between Viet Nam and the United Kingdom of Great Britain and Northern Ireland (UKVFTA) was officially signed on December 29, 2020, and came into effect on December 31, 2020, thereby helping Vietnamese businesses sustain relatively favorable conditions when these partners leave the EU.

The year 2020 also witnessed Viet Nam's achievements in foreign affairs and international integration, such as promoting the roles of 2020 ASEAN Chairmanship, AIPA-41 Chairman, and the non-standing member of the United Nations Security Council. The 2020 ASEAN Chairmanship has helped Viet Nam to strengthen foreign relations with other countries, especially enhancing cooperation in epidemic prevention through high-level cooperation meetings, promoting United Nations-ASEAN cooperation, etc.

The GoV had various positive imprints of governance in 2020. *First*, the policy conduct remained calm, engaging extensive consultation and consensus from the business community and the people. In particular, communication efforts contributed significantly to stabilizing market sentiment, as well as helping to share good experiences of businesses in response to the COVID-19 pandemic. *Second*, the policy conduct followed basic principles associated with the update and evaluation of growth scenarios, paying special attention to the COVID-19 pandemic developments. Accordingly, the policies had appropriate adjustments, requiring social distancing (when necessary) only in a minimally required scope instead of universal application or at all times. The Prime Minister and Ministers had direct and straightforward exchanges with the spirit of cooperation and construction with foreign partners to remove difficulties related to exports, imports, and investment, etc.[40] *Third*, the GoV constantly broadened the space for economic activities. The GoV effectively directed the implementation of new FTAs such as CPTPP and EVFTA, signed RCEP, discussed with partners about opportunities of promoting exports of essential commodities in the pandemic context in order to generate opportunities for exports of Vietnamese enterprises.

[40] Including the exchanges, justifications when the US Department of Treasury labelled Viet Nam as a currency manipulator in its Report in December 2020

Fourth, the momentum of business environment reforms from the previous periods has been sustained and uninterrupted even when the GoV prioritized pandemic prevention, thereby enhancing Viet Nam's economic resilience. New economic models were also studied and translated into policies, most notably the project on night-time economy development in Viet Nam.

Box1: Project on night-time economy development

The Project on night-time economy development was approved on July 27, 2020 - while Viet Nam was closely monitoring the progress of the new outbreak of the COVID-19 epidemic. There may be concerns about the implementation of the proposal at that time, when tourism cities were doubtful about the containment of pandemic, and tourists tended to postpone or cancel their travel. However, the project had been testified right from the preparation since 2019 and finalization, particularly in March and April 2020, associated with peaking time of pandemic containment and social distancing of the country. In fact, the COVID-19 pandemic did not weaken and disrupt the interest in preparation and consultation on night-time economy development directions. The promulgation of the proposal further demonstrated the determination not to overlook any opportunities for economic growth, particularly in the difficult context due to COVID-19.

The project on night-time economy development has created open policy space for provinces to study and utilize. First, the concept of night-time economy is perceived in the broadest sense, including activities taking place from 6 pm to 6 am. There should be various economic activities at night time, however, the project mainly focuses on services, culture, entertainment (cultural and art activities, theater, music, entertainment programs, festivals, events, etc.), catering services (restaurants, bars, etc.), shopping services (markets, shopping malls, etc.) and tourism. Second, the project emphasizes a proactive approach to prioritize the development and facilitation of market-based activities, and, at the same time, to effectively handle risks and negative consequences arisen from night-time activities. Third, the project enables the extension of piloting night-time services in selected provinces of Ha Noi, Ho Chi Minh City, Da Nang, Hoi An, Quang Ninh, Hai Phong, Da Lat, Phu Quoc.

Source: Authors' compilation.

Nevertheless, Viet Nam still needs to pay attention to a number of policy issues for future improvement. *First*, despite improvements, public investment disbursement has not attained full effectiveness. For example, following the authors' consultation with experts and local authorities, it was suggested that if the procedures had been accelerated for timely repair of Noi Bai airport's runway during the first social distancing period (March-April 2020), the effect would probably have been more positive. Keeping the disbursement pace during the next 5-year socio-economic development plan (2021-2025) is essential but not easy.

Second, information sharing among government agencies has not changed much, despite addition of online platforms.[41] There is a lack of information and statistics related to gender, digital economy, etc., in the context of the COVID-19 pandemic in terms of both quantity and quality, thereby affecting related studies and policy recommendations during and after the pandemic. *Third*, Viet Nam has no material progress in improving industrial/sectoral policies towards a more focus. *Fourth*, the perception of Viet Nam's international economic integration process associated with enhancing economic independence and autonomy exhibited some differences, while there is a lack of thorough study to support policymaking process on this subject. *Finally*, the monitoring and evaluation of evolvement and impacts of foreign investment flows at both macro and micro levels, still expose various shortcomings that need to be improved, such as those in terms of information, criteria, and coordination among macro policies in managing capital flows, etc.

[41] E.g., open.data.gov.vn

CHAPTER III: VIET NAM’S ECONOMY: PERORMANCE AND REQUIREMENTS FOR MAKING ECONOMIC RECOVERY AND INSTITUTEIONAL REFORMS INTERTWITED AFTER COVID-19

1. Viet Nam’s social-economic performance in 2020

1.1. Economic growth

GDP grew by 2.91%, which was lower than the rates of 2011-2019 (Figure 12). The figure for the first 6 months of 2020 was only at 1.81%, of which the growth rate was 3.28% in Q1/2020 and only 0.36%.[42] Main reasons for sharp decrease of growth included reduction of domestic and international economic activities due to impacts of COVID-19. After the control of COVID-19, the economy has gradually recovered in the new normal, the growth for the last 6 months of 2020 has improved as compared to the first 6 months; of which, the figures for Q3 and Q4 of 2020 were 2.69% and 4.48%, respectively (Figure 13).

Figure 12: Annual GDP growth, 2015-2020

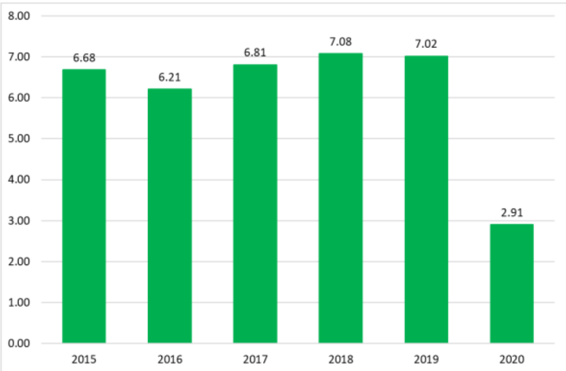
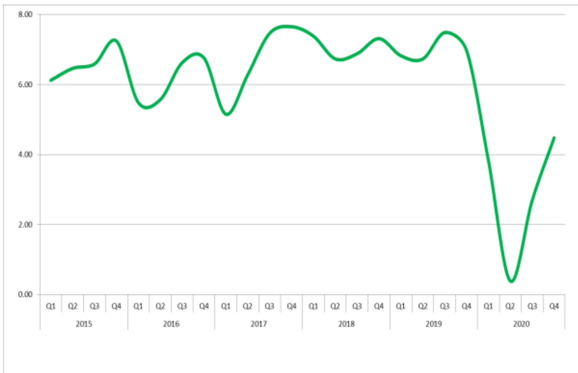


Figure 13: Quarterly GDP growth, 2015-2020



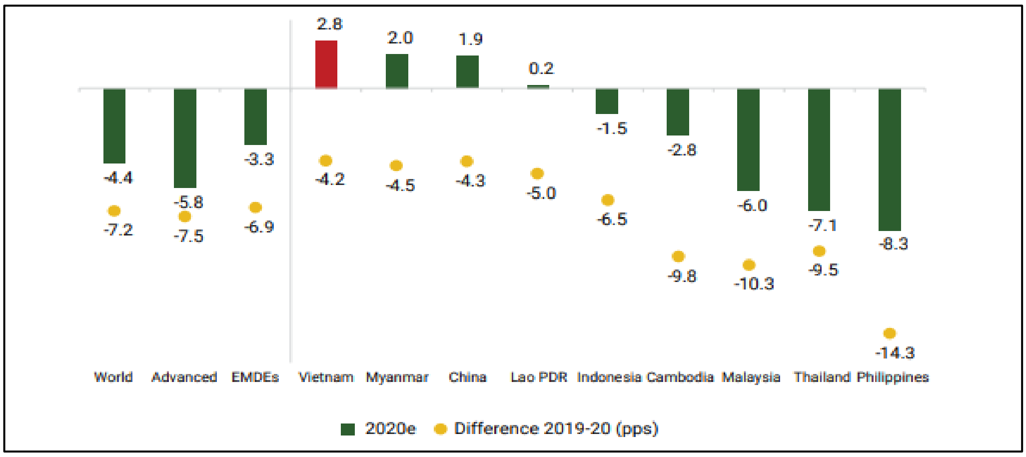
Source: GSO.

International organizations had positive assessment of Viet Nam. The IMF assessed that Viet Nam’s economic achievement in 2020 partly resulted from drastic measures for curbing COVID-19 pandemic. Simultaneously, prudential fiscal policies of previous years enabled Viet Nam to take measures to respond to and support vulnerable firms and households. The SBV’s measures to loosen monetary policy and reducing financial stress temporarily helped reduce liquidity pressure, lower cost of capital and ensure the circulation of credit in the economy.

Viet Nam’s positive growth rate in 2020 should be commendable, particularly in the context that global economy has been facing difficulties and negative growth were common. Viet Nam’s recovery was more positive in the last quarters of 2020. In spite of lower rates as compared to the pre-pandemic levels, Viet Nam’s growth was higher than reported figures of almost all economies in the world, including East Asia (Figure 14).

[42] In Chapter II, growth rate was year-on-year (YOY) basis, except otherwise stated.

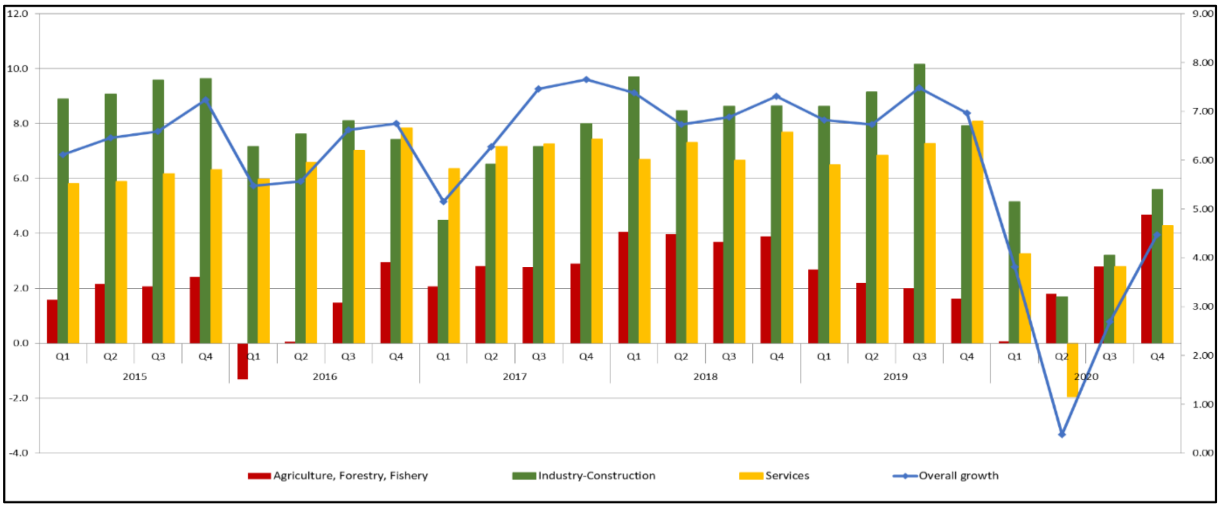
Figure 14: Economic growth in selected countries



Source: WB (2020).

All three economic sectors experienced adverse impacts from COVID-19. The agriculture-forestry and fishery (AFF) sector attained growth rate of 2.68% in 2020, with significant improvement in the last 6 months (Figure 15). Of which, agricultural exports constituted a major success, contributing to the improvement of overall AFF growth despite facing difficulties of natural disaster and pandemic. The agricultural sector clearly demonstrated adaptability and responsiveness, particularly when agricultural exports encountered difficulties in some market (especially China). The enhancement of trade promotion in major markets, promoting domestic consumption, and reorganizing the distribution system in linkage with producers were major highlights of AFF policy conducted in 2020. Viet Nam's enterprises themselves paid more attention and proactively studied and built capacity in response to the new context, in linkage with: (i) the implementation of new mega-FTAs (CPTPP, EVFTA); (ii) new requirements and regulations emerged in the COVID-19 context by importing markets; and (iii) the implementation of import-export via e-commerce transactions.

Figure 15: GDP growth by sector, 2015-2020



Source: GSO.

The industry-construction sector increased only by 2.98% in the first 6 months of 2020, but still faster than AFF and services. Industrial production exhibited downward trend since Q4/2019 and was severely affected in the first 6 months of 2020. For 2020 as a whole, value-added of industry-construction sector rose by 3.98%, much lower than 2015-2019 rates.[43] Despite modest growth, the manufacturing sub-sector continued to be driver of industry.

In the first 6 months of 2020, with the disruption of imported inputs[44] the Index of Industrial Production (IIP) was at the lowest, only increased by 2.80%. The second half of 2020 witnessed slight recover of industrial production with IIP was up to 6.31% in Q4. With the pandemic under control, the economy experienced recovery of domestic and export demand, increase of orders and quantity, which then required increase of labor.[45]

The COVID-19 pandemic seriously affected the services sector, with annual growth rate contracting to 0.57% in the first 6 months of 2020, being 3.26% for Q1 and -1.76% in Q2. There was remarkable decrease of major sub-sectors such as accommodation and catering services by 20.7%; transportation and storage by 3.0%. Such decrease mainly resulted from travel restrictions during COVID-19, particularly sharp reduction of international tourists (by up to 55.8% in the first half of 2020). Finance, banking and insurance maintained growth of 6.78%, of which insurance business witnessed relatively high growth (up by 11%) during the pandemic.

In the second half of 2020, particularly in Q4/2020, domestic retail sales of goods improved due to the seasonal increase of consumer demand. Thanks to control of the pandemic and stimulus programs to support enterprises, the growth rate was 2.34% for the whole year, and 4.29% for Q4. The sub-sectors of accommodation and catering services; and tourism industry witnessed sharp decrease[46] by up to 59.5%[47]. This was because Viet Nam continued to restrict international flights as the emerging complexity of COVID-19 in some other countries and difficulties of domestic tourism when both consumers and firms experienced reduction of income/revenues due to the pandemic.

In 2020, the business community experienced difficulties due to direct impacts of COVID-19. The number of newly registered enterprises was 134,941, down by 2.3%. However, total registered capital attained VND 2.235 trillion, up by 29.2%. Thus, average registered capital was amounted at VND 16.6 billion, up

[43] The value added growth rates of industry in 2015-2019 were 9.39%; 7.06%; 7.85%; 8.79%; and 8.86% respectively.

[44] For instance, the import of cloth reduced by 17.2%; and materials for textile and footwear by 14.2% in the first 5 months of 2020.

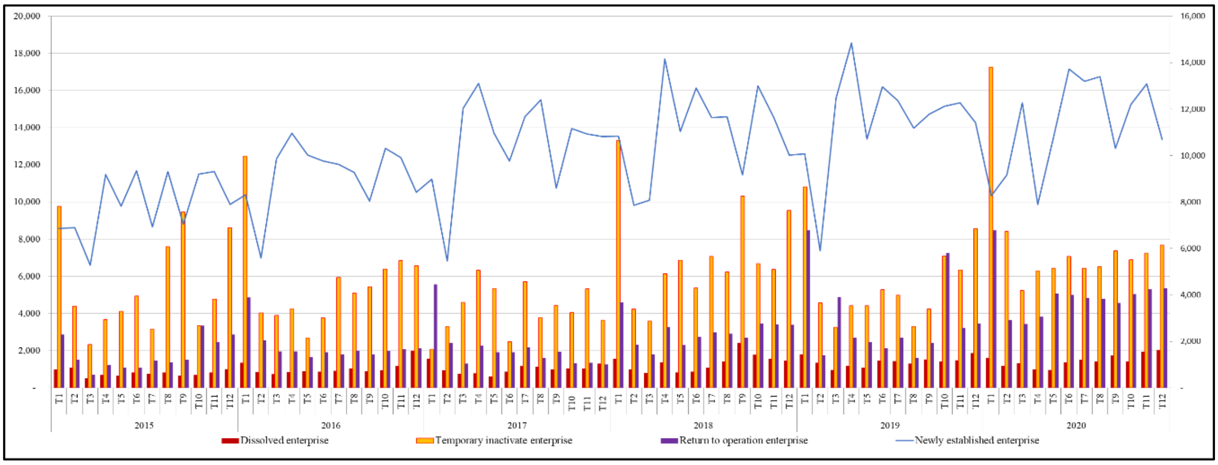
[45] Number of workers of manufacturing enterprises, as at 1 December 2020 increased by 1.4% (MoM), and decreased by 2.3% (YoY)

[46] Revenues of accommodation went down by 13% and travel down by 59.5%.

[47] These two ratios increased 9.6% and 99% respectively in 2019.

by 32.3%. Despite being significantly affected by the pandemic, there has been upward scaling up of entrants. Statistics of Business Registration Agency showed that 12/17 industries experienced reduction of newly registered enterprises, mostly attributed to those being affected by COVID-19. However, some industrial sub-sectors such as production, distribution of electricity, water, gas had the growth of newly established enterprises of up to 243%, agriculture, forestry and fishery of up to 30.1%, etc. The figures partly showed upward trend of essential sub-sectors in response to the pandemic, as well as clearer picture of selection and adaptation to new circumstance when transforming from more affected sub-sectors to less risky sub-sectors.

Figure 16: Selected indicators of enterprises' performance, 2016-2020



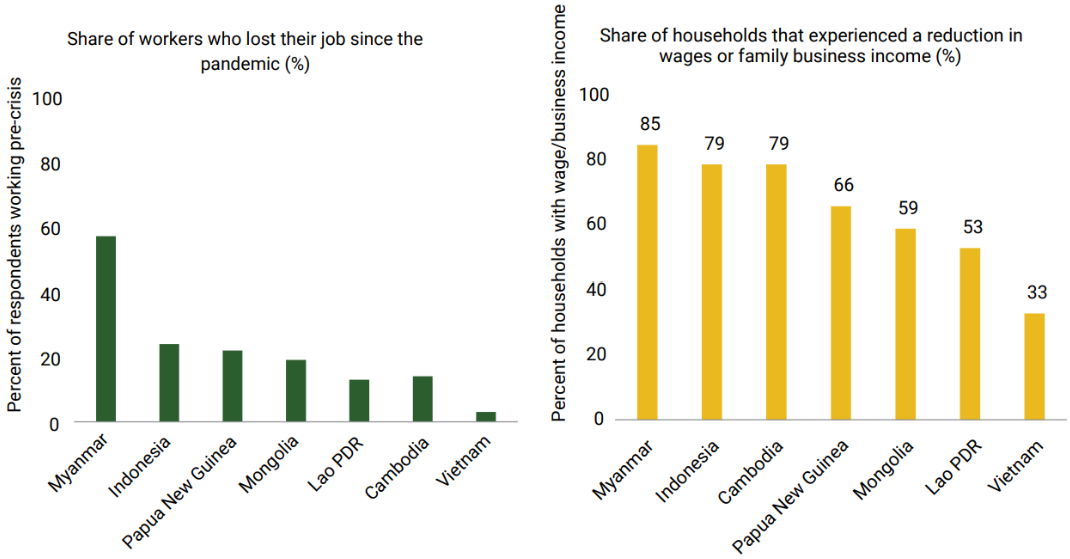
Source: Business Registration Agency.

Survey by the WB in Q3/2020 showed that, enterprises have generally recovered from the first lockdown through the reopening of more firms (94%), less disruption of inputs and fewer losses of sales. However, the recovery was uneven across firms, reflected by: (i) the decrease in average sales being more common among small firms than among large ones; (ii) weak domestic demand and different competitive pressures among enterprises; (iii) more vulnerability to supply chain disruptions for firms depending on external inputs; and (iv) improved liquidity, but firms were still subject to outstanding debts.

In general, supporting policies and incentives by the GoV showed positive effects, but not yet as expected. Among the 151 thousand enterprises surveyed in September 2020 (GSO, 2020), only 17.9% benefited from supporting policies of the GoV. The most accessible incentives were supporting of taxes, fees and charges, followed by the exemption, reduction of banks' interest rate/fees, and reforms of administrative procedures, reduction of business costs. Positive assessment of such policies was in the same order. However, average scale of positiveness of supporting measures was not much different, suggesting that no measure outperformed others.

While relatively few enterprises laid off workers, many reduced working hours and wages.[48] Internationally, the results from survey on households affected by COVID-19 in East Asia and Pacific conducted by WB showed that Viet Nam was the least affected economy (Figure 17).

Figure 17: Impacts of COVID-19 on Viet Nam's laborers and households



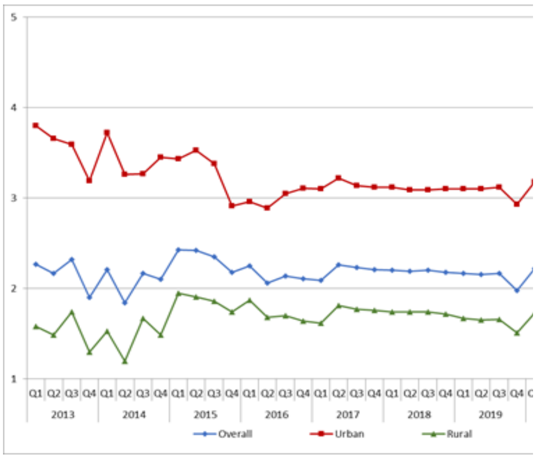
Source: WB, December 2020.

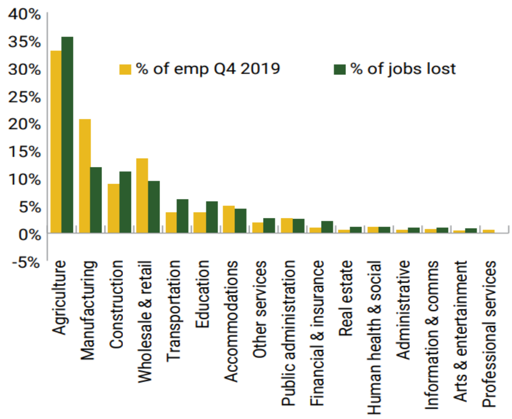
COVID-19 compelled Viet Nam's enterprises and agencies to consider and apply digital transformation more quickly and thoroughly. Various industries (such as healthcare, education, retail, etc.) made use of digital transformation initiatives and applications including distance learning platform, distance medical examination, online working, online shopping, etc. during the social distancing period. The advancement of digital application and transformation of the economy in the first months of 2020 was more remarkable than previous years, especially with the proactive dynamics of emerging industries such as information and communication technology; telecommunication; e-commerce; Fintech, Healthtech, Edtech, etc.

Impacts of COVID-19 outbreak on domestic labor-employment have been translated to increase in unemployment and to the exit of certain workers from the labor force. Overall unemployment rate slightly increased to 2.50% in Q3/2020 – returned close to its pre-pandemic levels, after attaining 2.73% in Q2/2020. Disaggregation of data by gender, female labors were more vulnerable, with female unemployment rate of 3.90% (Figure 18) and job loss exhibited in wholesale and retail trade, accommodations, financial services, education, transportation, and real estate.

[48] According to the latest survey of GSO, 5.9% of employees was laid-off; 2.4% was unpaid leave 5.0% was rotated leave and 7.8% experienced wage reduce.

Figure 18: Unemployment and job loss by sector during COVID-19





Source: GSO.

Source: WB, December 2020

1.2. Investment

Gross investment at current prices reached VND 2,164.5 trillion in 2020, up by 5.7%, 4.5 percentage points lower than the investment growth rate in 2019. Non-State investment only grew by 3.2%, or 14.1 percentage points lower than in 2019. The FDI sector with investment growth of 7.6% in 2019 had a negative growth (-1.3%) in 2020 (Table 3).

Table 3: Investment in 2020

Unit: VND billion, current prices

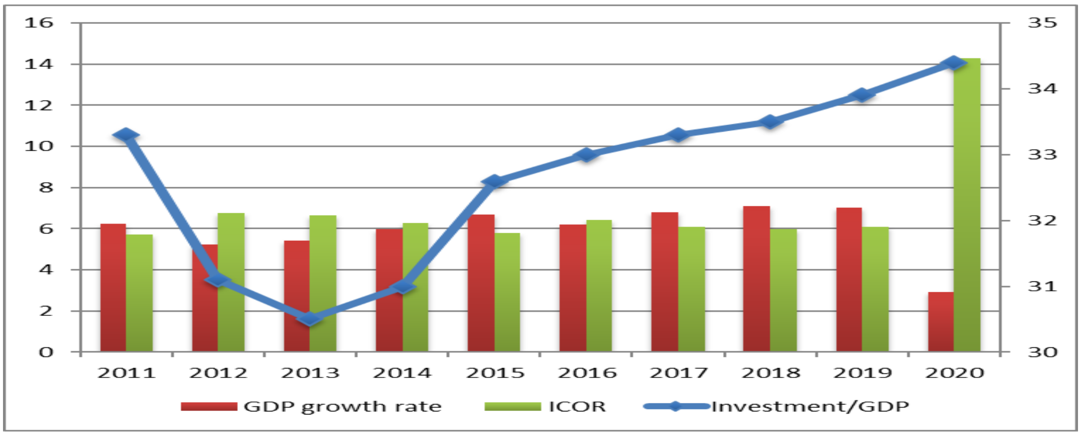
No.	*Category*	*Q I*	*Q II*	*Q III*	*Q IV*	*2020*	*Annual change (%)*
	Total	**366.9**	**478.0**	**595.6**	**718.9**	**2.159.5**	**5.5**
I	**State investment**	**111.0**	**160.4**	**208.1**	**244.5**	**724.0**	**14.0**
1	State budget investment	60.5	96.9	144.5	164.7	466.6	36.1
2	Government bonds	5.2	9.6	10.3	11.8	36.8	8.0
3	State credit	8.1	8.8	7.7	8.9	33.4	-19.3
4	Borrowings from other sources (by the State sector)	17.5	22.5	22.9	31.6	94.4	-14.9
5	Investment by SOEs (Equity)	13.1	13.8	11.6	13.3	51.7	-19.9
6	Other sources	6.7	8.9	11.2	14.3	41.1	0.0
II	**Non-state investment**	**166.6**	**206.1**	**269.4**	**330.3**	**972.2**	**3.2**
7	Investment by individuals and private sector	166.6	206.1	269.4	330.3	972.2	3.2
III	**FDI**	**89.3**	**111.6**	**118.2**	**144.2**	**463.3**	**-1.3**

Source: GSO.

The investment to GDP ratio in 2020 reached 34.4%, 0.5 percentage point higher than 2019. The investment to GDP ratio was 30.9% in Q1, and increased rapidly in Q2, Q3, and Q4 of 2020, to 34.6%; 37.4% and 33.9% respectively. Accordingly, the investment growth rates at current prices increased rapidly in the last two quarters of 2020, reaching 7.4%. As analyzed in Chapter II, accelerating public investment disbursement and mobilizing investment resources via state sector have been important parts of policies in response to economic downturn amid COVID-19 pandemic. Accordingly, investment by State sector achieved robust growth rate of 14.8%, 12.2 percentage points higher than in 2020.

In the period 2016-2020, the investment to GDP ratio increased to an average of 33.6%, higher than that of 2011-2015 (31.7%). However, investment efficiency reflected no substantial improvement (Figure 19). Even prior to COVID-19, investment efficiency was enhanced slightly, reflected by modest decrease of ICOR from the average of 6.25 in 2011-2015 to 6.15 in 2016-2019.

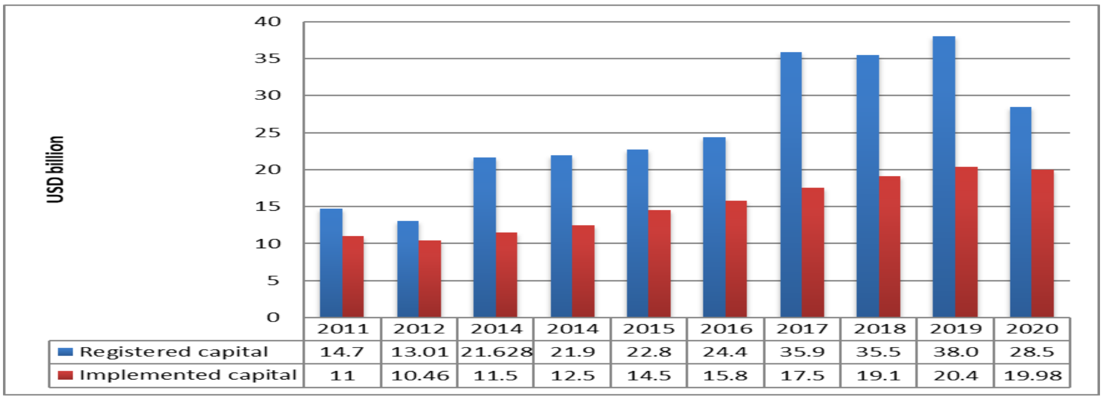
Figure 19: ICOR-based investment efficiency



Source: Authors' calculation from GSO data.

The complicated developments of COVID-19 had material impacts on economic growth. Investment efficiency for the whole economy also decreased significantly in 2020. As illustrated in Figure 19, investment efficiency decreased sharply with the ICOR coefficient skyrocketing to 14.3, more than doubled the average of 2016-2019. Gross investment still increased on year-on-year basis, however, largely due to expanded investment from the State sector. Large amount of resource was devoted to contain the pandemic and partially help mitigate the pandemic-induced adverse impacts, while production and business activities encountered numerous difficulties in terms of both input for production and sale of outputs, particularly for export-related businesses.

Figure 20: Viet Nam's FDI attraction, 2011-2020

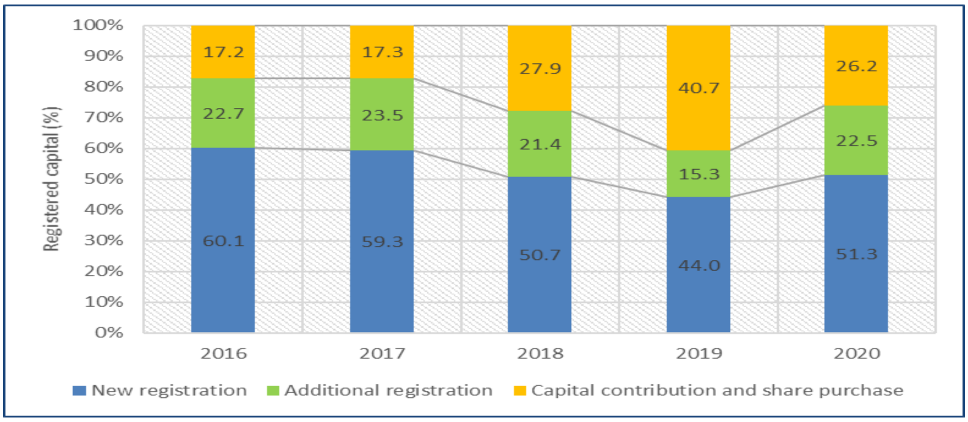


Source: Foreign Investment Agency (FIA-MPI).

Regarding foreign direct investment, the registered capital reached USD 28.5 billion in 2020, decreasing by 25%. The implemented FDI capital amounted to USD 19.98 billion (Figure 20). Despite declining in investment inflows amid COVID-19, Viet Nam has still been regarded as attractive destination of FDI.

Affected by the COVID-19 pandemic, the trend of capital contribution and share purchase increasing sharply in recent years has come to a halt. Capital contribution and share purchase growth of 56.4% in 2019 has reversed sharply, exhibiting negative growth rate (-51.7%) in 2020. Accordingly, the structure of registered FDI inflows shifted towards higher share of newly registered capital (from 44% in 2019 to 51.3% in 2020); while the share of additional registration increased by 7.2 percentage points. The share of capital contribution and share purchase decreased by 14.5 percentage points to 26.2% in 2020 (Figure 21).

Figure 21: Registered FDI structure

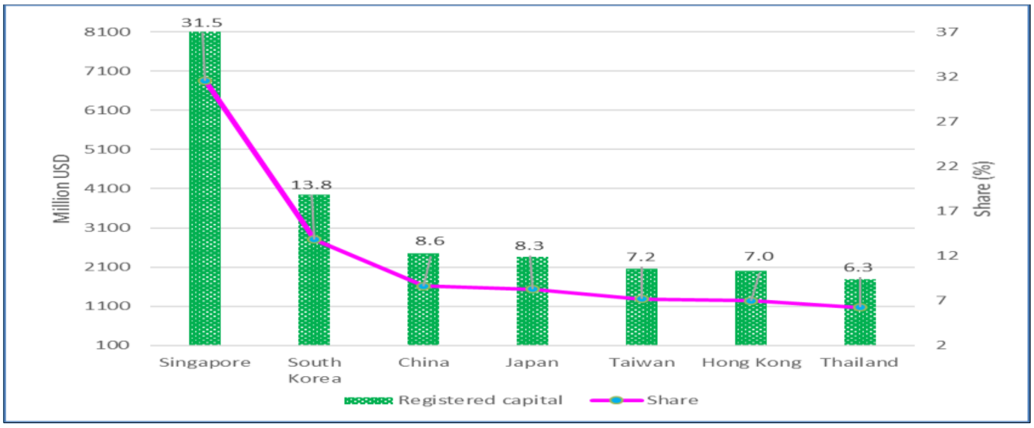


Source: Authors' calculation from FIA's data (MPI).

In terms of investment partner, Viet Nam attracted more FDI inflows from a small number of major investment partners. In 2020, investors in 7 countries and territories in Asia registered USD 23.6 billion, accounting for 82.8% of total registered capital. Of which, Singapore and South Korea altogether already accounted for 45.3% (Figure 22).

The US-China trade war and the COVID-19 pandemic were arguably key inducements to further investment shift towards Southeast Asian countries, aiming to diversify investment locations, minimize risks and adverse consequences of "interruptions" and “disruptions" in the supply chains. As a dynamically developing market, with a rapidly growing middle class, a dense network of FTAs, and an improved business and investment environment, Viet Nam further appeals to foreign investors. However, some critical challenges to Viet Nam include: (i) managing the macroeconomic impacts of increasing FDI inflows; (ii) addressing bottlenecks in infrastructure and human resources; and (iii) promoting cooperation within ASEAN to jointly attract investment instead of “racing to the bottom”.

Figure 22: FDI’s attraction from major partners



Source: Authors’ calculation from GSO’s data

1.3. Exchange rate and interest rates

In the period 2016-2020, the SBV firmly pursued the objective of prudent monetary policy with controlled inflation. From 2016 onwards, SBV has executed the central exchange rate (pursuant to Decision 2730/QD-SBV dated December 31, 2015), with reference to the cross exchange rate of VND with some other foreign currencies. Accordingly, instead of announcing a fixed rate for a long time as before, since early 2016, the SBV announced the daily central rate as basis for licensed credit institutions, foreign bank branches to determine the buying and selling of VND/USD exchange within prescribed range. The central rate can fluctuate daily, either up or down direction, determined with reference to the movements of weighted average exchange rate on interbank foreign currency market; the movements of international exchange rate of selected foreign currencies with major trading, borrowing, repayment and investment relations; and macroeconomic and monetary balances, and monetary policy goals.

The adjustment of exchange rate regime enabled SBV to pursue its target of de-dollarization, to enhance the position of the Vietnamese dong, and to stabilize exchange rate and foreign exchange market. In fact, in recent years, the VND/USD exchange rate has been relatively stable. The central rate was close to exchange rates of commercial banks and parallel market, thereby restricting speculation and arbitrage activities. In addition, exchange rate management has been facilitated by Viet Nam's efforts in improving export competitiveness and enhancing foreign investment inflows. Finally, capacity of SBV in exchange rate management towards macroeconomic stability has positively exhibited in the context of global market volatility. In this regard, the regular and reasonable information by SBV on direction of exchange rate management, especially the confirmation against manipulating exchange rate to support exports, has been of crucial importance to reinforce market confidence.

Figure 23: VND/USD exchange rate, 2016-2020

Source: CIEM.

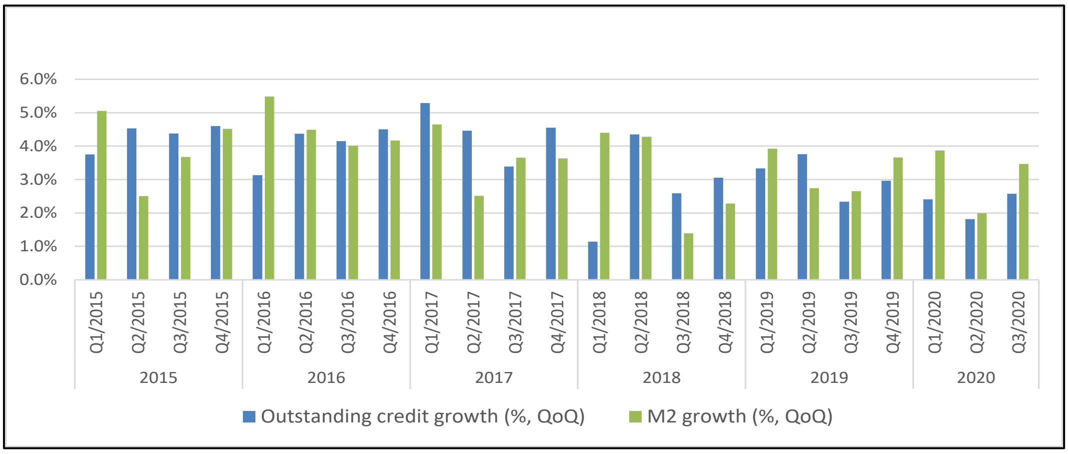
The year 2020 witnessed volatility for financial markets. Due to adverse effects of COVID-19 and movement of U.S presidential election, the USD and gold price exhibited strong volatilities. Exchange rate management also encountered certain difficulties. In mid-March 2020, the VND/USD exchange rate increased significantly, because USD was at the peak in the last three years. However, the central exchange rate was still adjusted within appropriate range. The SBV slightly adjusted central rate, which increased only by 0.32% as of 30 June compared to end of 2019 and decreased by 0.03% compared to end of Q1. Meanwhile, the exchange rates in parallel market and commercial banks increased by 0.13% and 0.26% respectively compared to end of 2019. From mid to late 2020, exchange rate was more stable, even slightly decreased. At the end of 2020, the central rate decreased by 0.1% (YoY) and by 0.42% from the end of June 2020. The commercial banks' buying and selling rates were not significantly different from the central exchange rate. The central rate was also close to the parallel exchange rate (Figure 23). As previously mentioned, Viet Nam still had positive performance of imports and exports (with large trade surplus) and FDI attraction amid COVID-19, thereby facilitating the conduct of exchange rate.

Nevertheless, Viet Nam still needs to further enhance its macroeconomic fundamentals, including foreign exchange reserves. In the context of substantial FDI inflows into Viet Nam and relatively low foreign exchange reserves, the acquisition of foreign currencies for increasing foreign reserves was appropriate, so as to ensure the ability of maintaining macroeconomic stability and facilitating investment in Viet Nam. In this respect, Viet Nam needed to further discuss and clarify with the U.S., particularly after the US Department of Treasury labelled Viet Nam as currency manipulator in December 2020.

Outstanding credit

Outstanding credit growth rates of the economy showed downward trend since 2015. The credit growth rate attained 17.29% in 2015. The corresponding figures for 2016, 2017, 2018 and 2019 were 18.71%, 18.17%, 14% and 13.5%. Despite declining of growth rate, credit quality exhibited improvement when credit lines were prioritized to business and manufacturing of rural agriculture, SME borrowings, exports, and supporting industries. Meanwhile, credit growth for potentially risky areas such as real estate and securities has been controlled.

Figure 24: Growth rate of outstanding credit and M2 (%)



Source: SBV.

Besides, controlling non-performing loans (NPL) was also one of the priorities of SBV in this period. The NPL ratio of commercial banks decreased from 2.46% in 2016 to 1.99% in 2017, and to 1.89% in 2018 and 2019.[49] The NPL ratio was lower than 2%, attaining the target set by SBV. From mid-August 2017 to end of 2019, it is estimated that nearly VND 306,000 billion of NPL was resolved in accordance with Resolution 42 (excluding the use of risk provision and the sale of debts to VAMC via issuing special bonds).

In 2020, credit growth decreased markedly compared to previous period. Outstanding credit growth only increased by 1.3% in Q1 and nearly 1.5% in Q2

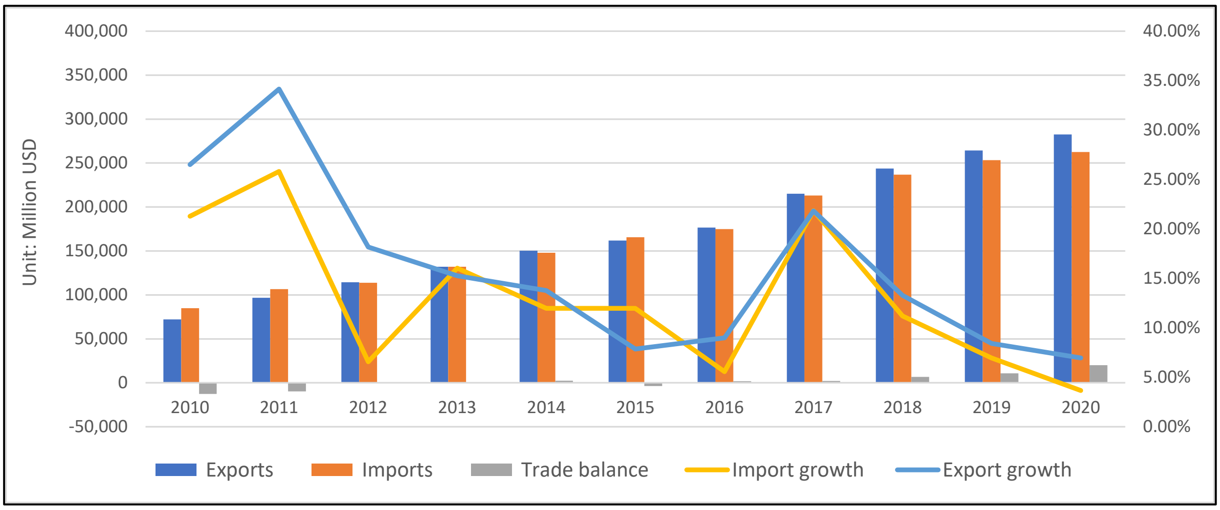
[49] https://tinnhanhchungkhoan.vn/tang-truong-tin-dung-2018-chi-14-ai-cung-thay-bat-ngo-post204061.html
https://vnexpress.net/tin-dung-2019-tang-thap-nhat-5-nam-4035387.html

(QoQ). At the end of June 2020, outstanding credit increased by 2.8% compared to end of 2019. Credit growth rates in Q1 and Q2 were both substantially lower than the same periods in 2016-2019. In Q3, the outstanding credit growth experienced improvement, up by 2.6% (QoQ) and 10.1% (YoY). Estimated credit growth was 12.13% in 2020. This was the lowest level since 2015. However, in the context of adverse impacts by COVID-19 on the economy in general and businesses in particular, credit growth in 2020 was in accordance with direction of government and SBV towards lowering lending rates and promoting credit for business and exports.

1.4. Trade

Viet Nam's exports and imports have expanded during 2010–2019 in terms of scope, trading partner and commodities. In the period of 2010-2015, in line with both domestically and internationally economic recovery after 2008-2009 financial crises, growth of trade was relatively rapid. Exports increased from USD 72.2 billion in 2010 to USD 162.0 billion in 2015 with average rate of 19.3% per annum. Imports experienced slower rate, averaging at 15.6% per annum, up from USD 84.8 billion to USD 165.6 billion during 2010-2015. In the period of 2016-2019, both exports and imports maintained upward trend, but with more modest rates. Specifically, exports went up by an average of 17.0% per annum and import of 11.5% per annum. In general, during 2010-2019, imports increased by an average of 11.4% per annum, slower than the average growth of 14.7% of export, thus trade balance was shifted from deficit to surplus expansion.

Figure 25: Exports, imports and trade balance, 2010-2020



Source: Authors' calculation based on data of General Department of Customs.

Viet Nam's imports and exports, to some extent, exhibited stronger resilience in the 2018-2020 period. In the period, Viet Nam's economy suffered from adverse impacts of the US-China trade war (from mid-2018), and the impact of COVID-19 pandemic and response measures in some markets (from the beginning of 2020). Accordingly, Viet Nam still retained momentum of export and import growth during 2018-2019. Even in the first 10 months of 2020, Viet Nam experienced positive export growth rate (of 5%), while import growth attained 0.3%. In addition to adaptive efforts of the business community, particularly domestic firms, improved resilience of the economy partly derived from consistent measures for improving business environment and enhancing competitiveness, especially trade facilitation measures, and e-commerce development.

Table 4: Viet Nam's trade/GDP ratio in 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Merchandise exports/GDP (%)	62.3	71.5	73.5	77.1	80.7	83.8	86.0	96.1	99.4	101.0
Merchandise imports/GDP (%)	73.2	78.8	73.0	77.1	79.4	85.8	85.2	95.3	96.6	96.8
Export of goods and services/GDP (%)	72.0	79.4	80.0	83.6	86.4	89.8	93.6	101.6	105.8	106.8
Import of goods and services/GDP (%)	80.2	83.5	76.5	81.5	83.1	89.0	91.1	98.8	102.5	103.6

Source: CIEM (2021).

Viet Nam's trade openness kept an upward trend (Table 4). The ratio of merchandise exports to GDP increased from 62.3% in 2010 to 101.0% in 2019. Total exports of goods and services over GDP also went up from 72.0% to 106.8%, respectively. Thus, Viet Nam can still utilize its export potential even in volatile environment. Both the ratios of imports to GDP, and of imported goods and services to GDP went down in 2012 but went up again after that, amounting to 96.8% and 103.6%, respectively.

Implementation of new-generation FTAs (CPTPP and EVFTA)

According to the Ministry of Industry and Trade (MOIT), in 2019, exports of Viet Nam to CPTPP members attained USD 39.5 billion, up by 7.2%; imports reached USD 37.9 billion, up by 0.7% as compared to that of 2018.[50] Thus, Viet Nam experienced trade surplus of USD 1.6 billion with CPTPP in 2019, up from USD 0.6 billion in 2018. A total of 21,163 C/O forms under CPTPP was granted for Viet Nam's merchandise exports to its member in 2019, with total value of nearly USD 600 million. Of which, C/O forms to Canada and Mexico accounted for the highest share (CPTPP being first FTA of these countries with Viet Nam).

With regard to investment, in 2019, FDI attraction from CPTPP member into Viet Nam decreased. Specifically, inflow of FDI from CPTPP to Viet Nam only amounted to USD 5.9 billion, down by 38.8% compared to that of 2018. Of which, newly registered capital was only at USD 4.1 billion, decreasing by 52%.[51]

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[50] https://tapchicongthuong.vn/bai-viet/viet-nam-xuat-sieu-sang-cac-nuoc-cptpp-16-ty-usd-trong-nam-2019-75197.htm

[51] https://vietnamnet.vn/vn/kinh-doanh/dau-tu/1-nam-thuc-hien-cptpp-xuat-khau-tang-kha-dau-tu-giam-manh-617150.html

Japan, Australia and Malaysia exhibited significant reduction of investment. Japan's FDI into Viet Nam only attained USD 4 billion in 2019, down by 53% as compared to the figure of 2018. Despite remarkable growth of FDI from Canada and Mexico (up by 95% and 1,100% respectively), the figures only amounted to USD 178 million and USD 120 thousand, respectively.

In spite of complicated movement of pandemic in EU and other countries, Viet Nam's exports to EU increased. According to the General Department of Customs, exports to EU-28 reached USD 3.78 billion, USD 3.52 billion, and USD 3.78 billion and USD 3.19 billion in August, September, October and November 2020 respectively. Total export turnover attained USD 36.41 billion, with the value of USD 14.27 billion during 4 months after the entry into force of EVFTA, accounting for 39.19% of exports in the first 11 months. Meanwhile, total merchandise imports from EU amounted at USD 13.76 billion, up by 2.7%.

According to MOIT's figures, by 18th December 2020 (4.5 months after the enforcement of EVFTA), about 62,500 EUR1 C/Os were issued with total turnover of USD 2.35 billion to 28 trading markets, including EU-27 and UK.[52]

Domestic trade

In 2020, total domestic retail sales of goods and services attained VND 5,059.8 trillion, increasing by 2.6%. If excluding impacts of price increase, the figure decreased by 1.2% (an increase of 9.5% in 2019). By sub-sector, retail sales of goods were amounted at VND 3,996.9 trillion in 2020, accounting for 79% and up by 6.8%. Revenue of accommodation and catering services was estimated at VND 510.4 trillion for 2020 as a whole, accounting for 10.1% and down by 13% (up by 9.8% in 2019). Tourism revenue attained VND 17.9 trillion, equivalent to 0.3% and decreasing by 59.5%.

In the context of COVID-19 pandemic, e-commerce emerged with larger scale, reflecting adaptive responses of Viet Nam's enterprises and consumers. According to the Socio-Economic Report in 2016-2020 of the GoV, e-commerce exhibited rapid growth of up to 25% and became important distribution channel of the economy in the context of pandemic. According to Google, Temasek, Bain & Co (2020), Viet Nam ranked 2nd in ASEAN in terms of digital economy development, with average growth of 27% per annum during 2015-2020.

2. Impacts of COVID-19 on socio-economic performance

Similar to other countries, the COVID-19 pandemic had adverse impacts on Viet Nam's socio-economic performance. In 2020, more than 101.7 thousand enterprise became temporarily inactive or ceased operations to wait for dissolutions or dissolved due to COVID-19. Most of them were SMEs.

[52] https://baodautu.vn/nhung-mat-hang-khai-thac-hieu-qua-tu-evfta-d135670.html

Unemployment rate skyrocketed as a consequence, especially for low-skilled labors who were unable to switch to other high-skill industries.

2.1. Sectoral impacts

Service and tourism

As an important economic sector of Viet Nam prior to 2020, tourism was most severely affected from COVID-19. The decline of tourism led to the contraction of related industries such as aviation, accommodation and catering services. In 2020, revenues from accommodation and catering services were estimated at VND 510.4 trillion, decreasing by 13%, accounting for 3.1% of GDP. It reflected significant fall from 10% of GDP in 2018. According to the Viet Nam Tourism Association (VITA), revenues of tourism dropped by 61% in 2020 due to COVID-19. GSO statistics showed that of international visitors to Viet Nam decreased by 78.7% in 2020. According to WB, international tourists fell sharply from 1.9 million in January 2020 to more than 400 thousand in March 2020 as the pandemic was complicated both domestically and globally. In addition, with the suspension of visa grant for foreign tourists, only foreign experts and technical expatriates could enter Viet Nam in this period.

Since 1st June, 2020, the Ministry of Culture, Sports and Tourism has promulgated Plan 1749 launching the program on "Vietnamese people travel in Viet Nam". Besides, though aviation and accommodation suppliers continuously implemented promotions, tourism faced lots of challenges. Domestic tourists in 2020 attained at 73 million only.[53] Accordingly, accommodation facilities had to cut down their operation and staffs. Operating capacity in 2020 of accommodation facilities was about 20 to 30% of that in 2019. Revenues from accommodation and catering services of major tourist-attracting provinces went down significantly in 2020, such as Khanh Hoa (-56.4%), Da Nang (-35.8%), Ho Chi Minh City (-33.8%). Revenues from traveling services were estimated at VND 17.9 trillion in 2020, down by 59.5%. Passenger transportation attained 3561.9 million in 2020, down by 29.6%, of which, domestic transport attracted 3,559.1 million passengers, declining by 29.4%, and international transport was 2.8 million passengers, down by 82.9%. All means of transport were affected by COVID-19 in 2020, of which road transportation attained 3,291.2 million passengers, down by 30.8%; inland waterways reached 227 million passengers, down by 1.3%; aviation attained 32.3 million, down by 41.3%; maritime transport attained 7.7 million, down by 19.4%; railways reached 3.7 million, down by 54%.

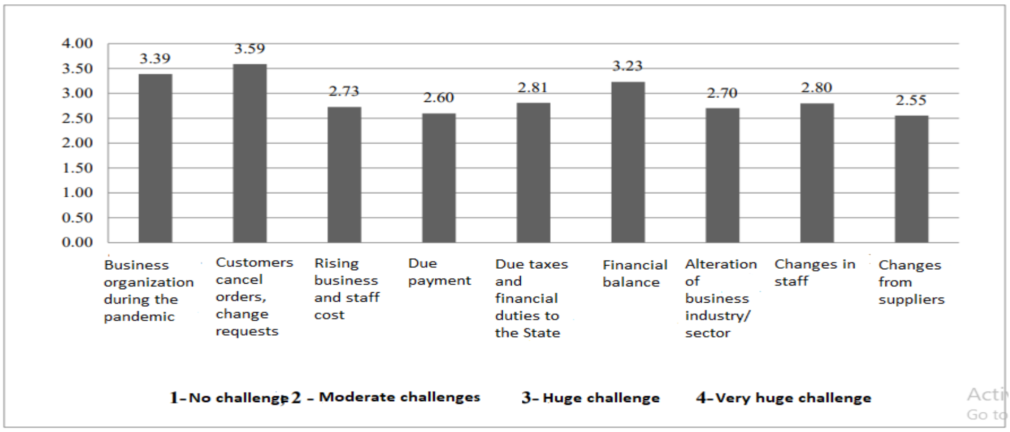
The survey by Pham Truong Hoang et al (2020) in March 2020 over 95 domestic tourist facilities figured out challenges to tourism in coping with COVID-19. The most common challenges included (i) cancellation and change of request from customers (90.5% of respondents); (ii) business organization

[53] Viet Nam Tourism Association.

during the pandemic (80% of respondents); (iii) financial balance (45.3% of respondents); (iv) taxes and financial duties (78.7% of respondents); and (v) fluctuation of staffs (94.7% of respondents).

Although tourism establishments have implemented temporary measures such as cutting down on cost, staff and restructuring debts, etc., for maintaining its operations and coping with difficult time, the recovery of tourism to the pre-pandemic level is subject to uncertainty within the widespread rollout of COVID-19 vaccines. According to forecast by the UNWTO, international tourists can only recover from Q3/2021 onwards,[54] however, it might take from 2.5 to 4 years for attaining the same figures as in 2019, depending on the pandemic containment. In that context, Viet Nam's tourism also requires a lot of time to recover.

Figure 26: Challenges faced by Vietnamese tourism facilities during COVID-19 pandemic`



Source: Pham Truong Hoang et al. (2020).

In the future, the tourism sector needs to prioritize: (i) development of domestic tourism. Revenues from domestic tourism can compensate for the reduction in revenues from international tourism; (ii) reserve fund for the tourism industry; and (iii) IR 4.0 technology in tourism such as virtual reality tourism. These important orientations for the tourism sector can help the tourism sector develop more sustainably in the future, irrespective of COVID-19.

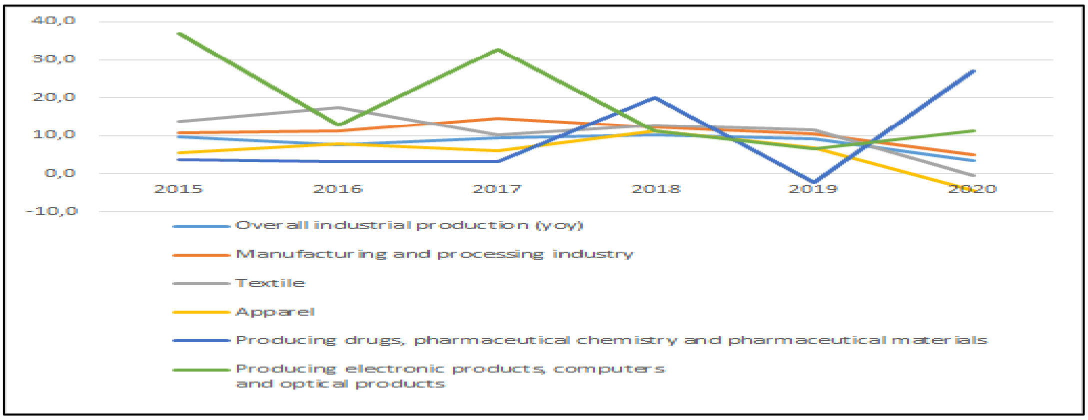
Manufacturing

In 2020, the Index of Industrial Production (IIP) went up by 3.4%. The growth of manufacturing sub-sector was 4.9%; of which, selected industries with increases of IIP were pharmaceuticals and pharmaceutical chemistry production (27.1%), electronic products, computer and optic production (11.3%). Other industries mostly witnessed sharp contraction such as motor vehicle production (-6.7%), apparel (-4.2%), production of means of transportation (-9.7%), other

[54] http://baochinhphu.vn/Du-lich/Du-lich-Viet-Nam-2021-Chuan-bi-that-tot-cho-viec-don-co-hoi-phuc-hoi/418490.vgp

manufacturing industries (-33.5%).[55] The movement was consistent with the weakened consumer demand in the context of COVID-19 pandemic. The manufacturing of electronic equipment, computers and telephones mainly served export purpose rather than domestic consumption.

Figure 27: Production growth of selected sub-sectors, 2015-2020 (%)



Source: GSO.

Development/emergence of selected sectors during COVID-19

Digital services took advantage of the new opportunities. Targeting 68.17 million internet users and 145.8 million mobile subscriptions in Viet Nam (as of January 2020), community-based supporting services were implemented efficiently using information technology. During the COVID-19 pandemic, technologies supporting working from home, online education, delivery service, electronic payment (such as Zoom, Google online, etc.) have been significantly developed. The pandemic shifted consumption habit from traditional shopping channels to e-commerce platforms. Thus, the orders on e-commerce platforms and online sales of dominant retailers (such as Tiki, Lazada, Shopee, etc.) soared.

Certain sectors emerged during the pandemic. Increasing demand for medical equipment and protective facilities in many countries during the COVID-19 outbreak induced the restructuring and adjustment of Vietnamese manufacturers to production of such equipment. Orders of face masks and medical equipment emerged from European and American countries. Provided that the catching-up continues, Viet Nam can develop this segment in the near future. Additionally, the COVID-19 pandemic induced the development of digital service by exploiting relatively good digital infrastructure in Viet Nam. This trend can accelerate digital transformation in the future. However, digital economy still require a long-term approach which also due to the in-depth adjustment in the relationship of consumers and producers with regards to legal framework, skills and structure of the economy.

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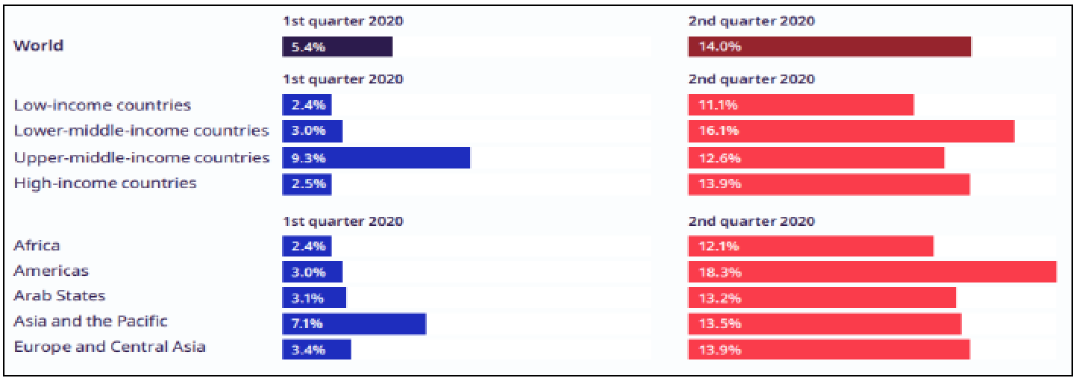
[55] Report on socio-economic performance in 2020 of GSO.

2.2. *Social aspects*

Almost all countries in the world have been hit severely by the COVID-19 outbreak. The pandemic caused health crisis in many countries including developed ones. To date[56], the number of COVID-19 infected cases worldwide has reached 83.3 million, of which 1.8 million died. The countries with most severe incidences are the US, India and Brazil. The pandemic has not subsided as many countries are witnessing the second and third waves of the epidemic. In the UK, the new variant of COVID-19 has appeared and is expected to spread faster and more strongly[57]. On 2 January 2021, the Ministry of Health discovered the SARS-CoV-2 variant in Viet Nam on the commercial flight No. VN50 from the UK to Viet Nam. The latest development of COVID-19 implies the continuous instability in the social performance.

Figure 28: Losses in global and country groups' working hours in 2020



Source: CIEM (2020).

To evaluate the impacts of COVID-19 pandemic on labor, CIEM (2020) cited a forecast of ILO in June 2020[58]. Accordingly, ILO warned that the loss of working hours worldwide in the first half of 2020 would be much worse than forecasts. In QII/2020, the total global working hours dropped 14% (equivalent to 400 million full-time employment), i.e. larger than the forecast in May (10.7% of total working hours, equivalent to 305 million full-time employment) and larger than the fall in Q1/2020 (5.4% of total working hours). OECD (July 2020) projected that the impact of COVID-19 on labor market of the biggest economies in the world could be 10 times greater than that of the global financial crisis in the first three months of 2008. Accordingly, the unemployment rate in 2020 of 37 OECD member countries was projected to rise by 9.4% if the pandemic was under control. In case the second wave of COVID-19 emerges, the ratio would be 12.6%.

[56] https://covid19.who.int/table
[57] https://www.bbc.com/news/health-55388846
[58] Study "Restructuring Viet Nam's economy in the post-COVID-19 in the context of 2021-2025 and vision to 2030", CIEM, December 2020

ILO projected that the impacts of pandemic would continue to spread, making million labors unemployed, underemployed and fall below the poverty line. The number of unemployed people could increase by 5.3 million to 24.7 million on top of the existing 188 million unemployed people in 2019 (Nguyen Thi Minh Hang, 2020)

In Viet Nam, the COVID-19 pandemic massively reduced the labor force participation rate in the first 6 months of 2020. The unemployment and underemployment rates went up. By age group, gender and urban/rural residence, the unemployment rate of the 15-24 age group attained 7.01% in Q1/2020, decreased to 6.98% (Q2/2020) and rose back to 7.27% (Q3/2020). The corresponding figures of labor of at least 25 years old were 1.42%, 2.12% and 1.88% (Table 5). Apparently, the COVID-19 pandemic caused more unemployment in the younger age group than for those of at least 25 years old who already have skills and certain years of working experience.

Table 5: Unemployment by gender, urban/rural and age group

	Q4/2019	Q1/2020	Q2/2020	Q3/2020
Number (Thousand people)				
Total	1,060.0	1,086.0	1,278.9	1,215.9
Male	588.2	527.5	559.1	493.9
Female	471.8	558.5	609.9	722.1
Urban	512.9	523.6	731.8	661.3
Rural	547.1	562.5	547.1	554.6
Youth (15-24)	459.1	492.9	410.3	408.8
Adult (≥ 25)	600.9	593.1	868.6	807.1
Rate (%)				
Total	2.15	2.22	2.73	2.50
Male	2.17	1.96	2.59	1.87
Female	2.13	2.54	2.91	3.27
Urban	3.10	3.18	4.46	4.00
Rural	1.67	1.73	1.80	1.73
Youth (15-24)	6.50	7.01	6.98	7.24
Adult (≥ 25)	1.47	1.42	2.12	1.88

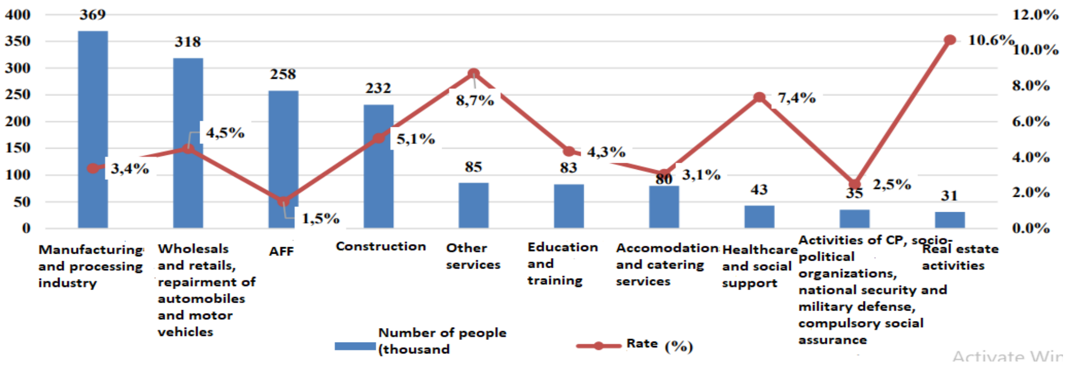
Source: Ministry of Labor, Invalids and Social Affairs (2020).

The COVID-19 pandemic affected female workers more than male counterparts. Table 5 shows that 3.27% female employees lost their jobs compared to 1.87% male employees in Q3/2020, when the unemployment rate showed decreasing sign. This was because women often do less technical and expertise jobs. They also face more difficulties in approaching career development opportunities compared to their male counterparts.[59] As a result, female workers are more vulnerable than male workers.

Low- and un-skilled labors are the most affected by COVID-19. Specifically, the number of unskilled workers who lost their jobs in Q2/2020 was 1.5 million people (equivalent to a decrease of 8%); the group of craftsmen lost 515 thousand jobs (equivalent to a decrease of 6.6%); the number of unemployed workers in the intermediate professional group fell 322 thousand people (equivalent to a decrease of 16.5%). In Q2/2020, the underemployment rate of unskilled workers was 3.2%; primary professional level: 2.54%; intermediate professional level: 1.71%, college level: 1.59%; tertiary and postgraduate: 1.15%.

Despite recovery, the unemployment rate remained high. The number of employed labors from 15 years old and older in Q3/2020 was 53.3 million people, increasing by 1.5% (quarter-on-quarter basis). Yet the number of employed workers was 1.3 million less than that of Q3/2019.

Figure 29: Employment growth by sub-sector, Q3/2020



Source: GSO.

By business sector, the small and micro enterprises were most severely affected by the pandemic with respective 13.3% and 12.6% of employees unpaid leave; 12.7% and 11.4% of employees reduced wages. The medium enterprises experienced 10.9% of workers unpaid leave and 12.3% of workers reduced wages. The corresponding figures for large enterprises were only 5.7% and 7.8%[60], respectively. By type of business, the non-state sector experienced the highest share of lay-offs (28.7%), followed by SOEs (25.9%) and FDI (23.3%).

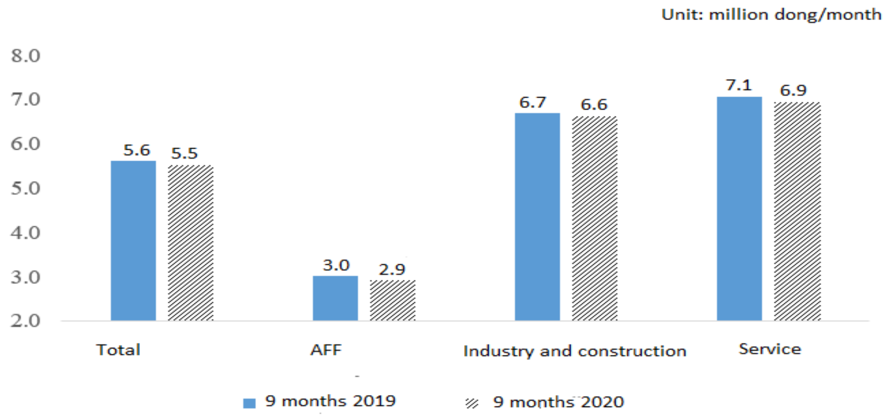
By industries, the COVID-19 pandemic affected employees of almost all industries, with particularly high share of labors affected in arts, entertainment and creation (88.6%), accommodation and catering services (81.7%), logistics (79.7%), administrative and supporting services (72.7%), manufacturing (70.1%),

[59] Research "Digital economic development in Vietnam post-COVID-19: Requirements and roadmaps for institutional reform", Central Institute for Economic Management, November 2020, p. 67 - 70.
[60] Bui Thi Hong (2020).

wholesale and retail, automobiles and motor repair (68.5%), education (68.5%), real estate (67.8%)

In addition to laid-off, workers were subject to cuts in working hours and wages. According to GSO, the average labor income was VND 5.2 million in Q2/2020, VND 525 thousand lower than that of Q1/2020 and VND 279 thousand lower than Q2/2019, equivalent to 5.1%. This has been the first year with wage reduction in Q2 in the last 5 years. In Q3/2020, average wage went up to VND 5.5 million, VND 282 thousand higher than that of Q2/2020, yet still VND 115 thousand lower than Q3/2019. The average monthly wage of male labor was 1.4 times higher than female labor (VND 6.3 million and VND 4.6 million, respectively). The average income of urban workers were 1.5 times higher than that of rural workers (VND 7.0 million and VND 4.8 million, respectively). For the first 9 months of 2020, the average income of labor decreased by 1.5%. Labour income went down in most industries; of which, the largest reduction was in administrative and supporting services (-6.5%), accommodation and catering services (-5.9%), logistics and warehouse (-4.9%). In contrast, some industries witnessed income improvement such as information and communication (1.7%), healthcare and social supporting services (3.3%).

Figure 30: Average monthly income of labor by economic sector



Source: GSO.

In general, income of Vietnamese labors was reduced yet not substantially, in the first 9 months of 2020. Lots of employees faced difficulties, especially migrant workers, young workers, female works and informal and unskilled workers, etc. Such mentioned pressure on labor market contains inherent risks that may lead to other social problems.

3. Some fiscal and monetary measures for alleviating socio-economic difficulties during COVID-19 in 2020

This Section analyses fiscal and monetary measures for alleviating socio-economic difficulties, supporting enterprises and individuals to recover during and post-pandemic, focusing on (i) taxes, fees, and charges measures and social security package; and (ii) monetary policy measures via lowering interest rates and credit support packages. Other measures, which have already mentioned in Chapter II - such as accelerating the disbursement of public investment, attracting foreign investment, improving business environment, developing new economic models, etc. are not referred to in this Section.

3.1. Fiscal measures

Support in terms of tax and fee

Tax incentives were issued under Decree 41/2020/ND-CP on the deferral of tax payment and land-use fees for those impacted by COVID-19 on 8 April 2020 and took effect since the beginning of April 2020. The Decree applied to certain beneficiaries, including:

- Enterprises, organizations, households and individuals of following economic sectors: agriculture, forestry, and fisheries; industrial production, and manufacturing; construction; transportation, storage, accommodation and catering services; art, entertainment;
- Enterprises, organizations, households and individuals engaged in prioritized supporting industries and key mechanical products;
- Micro and small enterprises identified under the Law on Supporting SMEs;
- Credit institutions, foreign bank branches providing supporting measures for firms, individuals affected by COVID-19 pandemic in accordance with regulations of the SBV.

According to this Decree, beneficiaries are entitled to the deferral of tax payments, including value added tax and corporate income tax, and land-use rental for 5 months. About 98%, equivalent to approximately of 740,000 active enterprises and most temporarily idle household businesses are subjected to the measures with total expected amount of VND 180,000 billion.

In addition to support policies regulated under Decree 41, the MOF issued documents governing support in terms of fees and charges for industries, sectors affected by COVID-19 (Table 6). At the same time, some provinces were active in issuing supporting documents[61] to promptly alleviate difficulties and problems faced by firms. Timely issuance of supporting polices had certain impacts, including financially resourcing enterprises, to overcome difficulties.

Statistic figures[62] showed that a total of 19 Circulars to reduce 30 types of fees and 14 types of charges, which often engage lots of paperwork, for recovery of the sectors severely affected by COVID-19, including: trade in goods and

[61] Statistics of VCCI showed that by end of October 2020, about 49 provincial documents regulating supporting measures of various fields such as price of services, land rental, fees, charges, etc..
[62] https://luatvietnam.vn/covid-19.html

services, aviation, tourism, construction, banking, securities, healthcare, etc. The reduction is by at least 50%, specifically: (i) reduction of 70% of fee for business registration; (ii) reduction of 67% of fee for corporate information disclosure; and (iii) reduction of 50-70% of fee for appraisal of amendments and supplements of postal business license. Notably, these measures aimed at reducing costs for enterprises during difficulties, whilst also targeting institutional reforms for facilitating market entry and business operations. The estimated support was amounted at VND 500 billion.

Table 6: Some MOF regulations to reduce fees and charges

Documents	Date of issuance	Level of support
Circular 33/2020/TT-BTC on the level of payment for business licenses of banks, non-bank credit institutions	5 May 2020	Reduction of 50% of payment from 5 May 2020 to 31 December 2020
Circular 34/2020/TT-BTC on the level of payment for fees and charges in construction		
Circular 35/2020/TT-BTC on the payment of fees for appraisal of granting international travel service licenses, domestic travel service license; fees for appraisal of granting tourist guide cards	5 May 2020	Reduction of 50% of payment from 5 May 2020 to 31 December 2020
Circular 37/2020/TT-BTC on the payment of fees and charges in securities	7 May 2020	Reduction of 50% of payment from 7 May 2020 to end of 31 December 2020
Circular 46/2020/TT-BTC on the payment of fees and charges in aviation	27 May 2020	Reduction of 10-20% fees and charges for selected services from 27 May 2020 to end of 31st December 2020
Circular 56/2020/TT-BTC on the payment of fees and charges in plantation and forest seedling	12 June 2020	Reduction of 50% payment from 12 June 2020 to end of 31 December 2020
Circular 74/2020/TT-BTC on the payment of road toll rates	10 August 2020	Reduction of 10-30% of road toll rates applied for serviced enterprises, collectives and household businesses from 10 August 2020 to end of 31 December 2020
Circular 112/2020/TT-BTC on selected fees and charges for resolving difficulties of business and production, ensuring social security in response to COVID-19	29 December 2020	Continuing the extension of selected fees and charges from 1 January 2021 to 30 June 2021

Source: Authors' compilation.

The GoV issued Resolution 84/NQ-CP dated 29 May 2020 on tasks and solutions to further alleviate difficulties in production and business, enhancing disbursement of public investment and ensuring social safety in the COVID-19 context and Decision 22/2020/QD-TTg dated 10 August 2020 on the reduction of land-use rental in 2020 for those affected by the COVID-19 pandemic. Accordingly, the reduction by 15% was applied for land-use rental in 2020 for enterprises, organizations, households and individuals directly leased from the State. To the statistics of MOF, by the end of November 2020, total tax and budget revenues subject to extension, exemption and reduction amounted to VND 99.3 trillion, and another VND 110 trillion for 2020 (in which the extension of taxes, fees, charges and land rental was about VND 80 trillion; exemption, reduction: about VND 30 trillion)

Since March 2020, in response to the first outbreak, the business community and experts have proposed fiscal supporting measures, among other solutions. For example, the Ministry of Culture, Sports and Tourism has proposed exemption of VAT for tourism consumption and tourism enterprises for the three quarters of 2020; 50% reduction of VAT for tourism consumption and tourism enterprises in Q4/2020 and Q1/2021; reduction of environmental costs for tourism enterprises, reduction of lump sum taxes for tourism household businesses in 2020.[63] From firms' perspective, such proposals have been quite appropriate. However, at the macro level, the implementation of such proposals must be based on the two factors: (i) policy space; and (ii) timing of support. With the complex scenarios of pandemic (under the assessment in March 2020), it should be cautious and necessary for choosing the timing of support. Had these proposals been implemented in Q2/2020, the impacts on tourism enterprises would still have been limited, taking into account the second outbreak at the end of July 2020.

Supporting to service fees

Measures on reducing input costs have been proposed, including the reduction of electricity tariffs by the MOIT for alleviating difficulties in business and production and for two targeted groups of manufacturing and tourism customers. Specifically, under Official Letter 2698/BCT-DTĐL on supporting electricity tariff and bill reduction for customers affected by COVID-19 (phase 1), where 10% reduction of retail electricity tariff from level 1 to level 4 was applied for customers and for tourism accommodation, storage of goods in circulation; and direct reduction of electricity bills for facilities used for prevention and control of COVID-19. Statistics of the Viet Nam Electricity showed that more than VND 9,300 billion has been directly supported to customers for the billing periods from April to June 2020.

63 https://hcmcpv.org.vn/tin-tuc/de-xuat-nhieu-chinh-sach-lon-ho-tro-doanh-nghiep-du-lich-phuc-hoi-1491863380 (accessed on 1st April 2020)

The GoV issued Resolution 180/NQ-CP on 17 December 2020 and the Ministry of Industry and Trade issued Official Letter 9764/BCT-DTDL on 18 December 2020 on supporting plan for reduction of electricity tariff and electricity bill (phase 2) for users. The level of support for second phase was similar to that of the first phase and for the billing periods of October, November and December 2020. According to Viet Nam Electricity's assessment, all customers, about 26.6 million households, were entitled to 10% discount on the first four levels, the majority of which had electricity consumption of less than 300 kWh per month (22.8 million households, accounting for 85.7%). In addition, more than 2 million facilities received 10% discount on retail electricity price. Tourism accommodation facilities were able to shift from business tariff to production tariff. Estimated amount in the second phase was VND 3,000 billion.

Although the support to service fees, particularly the reduction of electricity tariff, has been highly appreciated by business community and individuals, some experts raised the concern about the target groups, the suffering of loss and pressure or accumulated loss in the future.

<u>Social security measures</u>

Social security package was regulated under Resolution 42/2020/NQ-CP dated 9 April 2020 on measures for supporting people facing difficulties in the context of COVID-19 and Decision 15/2020/QD- TTg dated 24 April 2020 on the implementation of supporting policies for people facing difficulties by COVID-19. The mentioned package aimed at those being affected by COVID-19, which then resulted in significant reduction of income, job lost, under-employment, facing difficulty, and not ensuring the minimum standard of living. At the same time, the package also targeted those currently enjoying preferential policies and social protection during the pandemic. Specifically, targeted groups have been specified in Table 7.

In addition, enterprises were entitled to temporary suspension of payment to superannuation and death gratuity for no more than 12 months if they were affected by COVID-19 that resulted in reduction of 50% of employees participating in social insurance scheme (including employees temporarily stopped working, suspended labor contract, and with unpaid leave agreement). Production and business enterprises affected by COVID-19 (with from 50% of employees participating in compulsory social insurance scheme temporarily stopped working) have been entitled to delaying the payment of union fee.

The scale of mentioned package, arguably unprecedented, was estimated at over VND 62 trillion for 7 target groups (equivalent to about 20 million people) including employees and people affected by COVID-19 with income reduction, job lost, and not ensuring the minimum standard of living. However, the enforcement of this package had some shortcomings related to the identification of beneficiaries, criteria/conditions for beneficiaries, and the number of beneficiaries of target groups was less than initial expectation, which only focused on three target groups: employees whose labor contracts were temporarily suspended or who were laid off without pay; employer borrowing from Viet Nam Bank for Social Policy to settle wage for employee without jobs; household business with taxable revenue of less than VND 100 million/year.

Table 7: Target groups of social security support

Beneficiary	Criterion	Level of support
Labor under contract	Temporarily suspended labor contract, without payment from 1 month and more	VND 1,800,000/person/month and not exceeding 3 months
Employer facing financial difficulty	Advanced payment of at least 50% of salary for the suspension of labor during April to June 2020	Borrowing without collateral of maximum of 50% of regional minimum wage for labor under current contract scheme and not exceeding 3 months with 0% interest rate and maximum loan term of 12 months
Household business	Revenues of less than VND 100 million/year and temporarily suspended business since 1st April 2020	VND 1,000,000/household/month, and not exceeding 3 months
Employee whose labor contract is terminated	Not qualified for unemployment benefit; not entering labor contract scheme	VND 1,000,000/person/month, and not exceeding 3 months
Meritious people	Benefited from monthly subsidy	Additional support of VND 500,000/personn/month and for 3 months
Social protection people	Being benefited from monthly subsidy	Additional support of VND 500,000/personn/month and for 3 months
Poor and nearly poor household	In the poor list by 31st December 2019	VND 250,000/person/month and for 3 months

Source: Authors' compilation.

By September 2020, through reviewing, evaluating and consulting with enterprises and related stakeholders, the GoV recognized the need for amending and adjusting eligibility conditions to strengthen support for vulnerable groups. The GoV issued Resolution 154/NQ-CP on 19 October 2020 amending and supplementing Resolution 42/NQ-CP. Accordingly, the labor beneficiaries from supporting packages have been expanded to include other vulnerable group of labor at educational facilities whose labor contracts were temporarily suspended, those taking unpaid leave from 1 month and over due to COVID-19. The amendment of Resolution also adjusted the support regarding suspension of contribution to superannuation and death gratuity; and regulations on dossiers, and procedures to apply for support of people facing difficulties, as well as dossiers and procedures applied for borrowing, approval and disbursement. By the end of 2020, the social security package has disbursed VND 12.8 trillion (about 20.6% of total budget) to nearly 13 million people and 30,570 household businesses (BIDV Training and Research Institute, 2021).

3.2. Monetary policy

After Directive 11/CT-TTg dated 4 March 2020 on urgent tasks and solutions to alleviate difficulties in production and business, ensuring social security in response to COVID-19 and for supporting cost of fund for business, the SBV focused on measures to control inflation, maintain stability of monetary and foreign exchange markets, and stabilize the macro-economy; credit for prioritized sectors; promptly and adequately response to capital requirement of the economy, especially to recover and maintain production of industries affected by epidemics. SBV issued Directive 02/CT-NHNN dated 31st March 2020 on urgent solutions of the banking sector to strengthen prevention, control and overcome difficulties due to COVID-19. Accordingly, the banking system has promptly deployed measure such as: flexibly use of monetary policy instruments, exchange rates, rescheduling terms of debt repayment, interest exemption and reduction, maintain debt structure, reducing regulating rates to support production and business, exemption and reduction of payment fees (Table 8). Those measures have been drastically implemented, thereby alleviating some difficulties for borrowers.

SBV has proactively and continuously reduced regulating interest rates for three times in 2020.[64] These measures was seen as relevant to the needs of enterprises. It should be noted that lowering lending interest rates had already been considered necessary prior to 2020 to support production and business. Had the SBV sharply policy interest rates before 2020, the policy space for doing so would probably have been much narrower in the context of COVID-19. Thus, the lessons learnt for conducting monetary policy since 2009 in Viet Nam – i.e. maintaining policy space for future scenarios – remain relevant.

By the end of December 2020, credit institutions have rescheduled the repayment terms for about 270 thousand customers with outstanding loans of nearly VND 355 trillion; interest rate exemption and reduction for nearly 590,000

[64] Specifically, on 16 March 2020, the SBV decided to lower all interest rates, including: reducing the refinancing rate, re-discounted rate, and other regulating rates from 0.5% -1% p.a.; lowering the ceiling interest rate for term deposits from 0.25-0.3%. On 13 May 2020, the SBV continued to reduce interest rates by 0.3 - 0.5 percentage points. The ceiling interest rate for deposits with terms of under 6 months was only 4.25% p.a. Specifically, reducing the refinancing rate from 5.0% p.a. to 4.5% p.a.; rediscount interest rate from 3.5% p.a. to 3.0% p.a.; Overnight rate in interbank electronic payment and loans to offset the shortage of capital in clearing payment of the SBV from 6.0% p.a. to 5.5% p.a. The interest rate offered to buy valuable papers through the open market operation from 3.5% p.a. to 3.0% p.a.

customers with outstanding loans of over VND 1,000 trillion, particularly credit institutions that have provided new preferential interest rates (lower than the popular rates of 0.5-2.5% compared to pre-pandemic period) with accumulated outstanding loans of VND 2,300 trillion, and to over 390 thousand from 23 January to the end of 2020. [65]

Table 8: Selected credit support measures of SBV

13/03/2020	Issuance of Circular 01/2020/TT-NHNN regulating debt rescheduling, exemption or reduction of interest and fees, retention of debt category to support borrower affected by COVID-19.
16/03/2020	Issuance of Decision 418, 419, and 420 adjusting interest rates of (taking effect from 17 March 2020): - Reduction of 0.5% p.a. for open market interest rate (OMO) from 4% p.a. to 3.5% p.a. - Refinancing rate from 6% p.a. to 5% p.a. - Discounted rate from 4% p.a. to 3.5% p.a. - Overnight lending rate in interbank electronic payment and offset loans for the shortage of capital in clearing payment of the SBV from 7.0% p.a. to 6.0% p.a.
31/3/2020	Issuance of Directive 02/CT-NHNN on urgent solutions of banking industry for strengthening the prevention, control and overcoming difficulty due to COVID-19.
12/5/2020	Announcement of reducing various interest rates such as deposit rates, OMO rates, lending rates, refinancing rates, etc. by 0.5 percentage point.
06/8/2020	SBV announced Decision on reducing interest rates of compulsory deposit requirement of credit institutions, deposit rates of Vietnam Development Bank, Bank for Social Policy, People's Credit Fund, microfinance institutions, deposits of state treasury, Deposit Insurance of Viet Nam at SBV. The reduction was 0.2 – 0.5% p.a.

Source: Authors' compilation.

The monetary measures by the SBV has been appropriate, ensuring stability of monetary market, ensuring liquidity for banking system, and contributing to macroeconomic stability in the volatility of global financial market and negative movement of the pandemic. Recent survey by GSO revealed that enterprises had positive assessment of monetary measures, including reduction of interest rates, restructuring debts and repayment terms. The impact of COVID-19 on NPLs has been taken into account. Despite adjustment of monetary policy in the context of COVID-19, the SBV still retained necessary policy space for future scenarios.

Besides, in practice, the mentioned measure failed to suffice to stimulate enterprises borrowing for production and business. Reduction of interest rates only applied to new loans, yet there was low demand for new loans or enterprises

[65] According to BIDV Training and Research Institute (2021).

cannot meet loan requirements.[66] From business perspective, there has been huge demand of reducing interest rates of existing and maturing loans. In addition, interest rates went down most significantly for short term loans, while the medium and long-term deposit and lending rates remained high.

4. Some institutional considerations related to Viet Nam's economic growth recovery after COVID-19

With deep international economic integration, Viet Nam cannot escape from adverse impacts of the COVID-19 pandemic. Although Viet Nam has been relatively successful in controlling the pandemic and maintaining economic growth, its economy has suffered from the pandemic as analyzed previously. Some institutional considerations such as economic stability and recovery, balancing reforms and economic integration, role of the State and economic space for the private sector, etc., may be relevant in economic recovery after COVID-19. These considerations include the following:

4.1. Consideration of macroeconomic stability and economic recovery

The Politburo's Conclusion No. 77-KL/TW dated 29 May 2020 on the policy of overcoming the impact of the COVID-19 pandemic to restore and develop the economy stated: “Viet Nam's economy, with large openness and extensive international integration, has been significantly affected, seriously affecting all socio-economic fields, disrupting supply chains and trade flows, causing stagnancy in production, business and service activities; directly affecting manufacturing, import, aviation, tourism, accommodation, catering, health, education industries, and labor and employment; causing many businesses to go bankrupt, dissolve, suspend or reduce operations, etc.”.

Recognizing the situation and prospect of coping with the COVID-19 pandemic, the Politburo's Conclusion No. 77-KL/TW also pointed out: “The COVID-19 pandemic over the world remains complicated and unpredictable; negative impacts on all socio-economic aspects continue to persist and could not fully be evaluated yet. That situation requires us to focus on pandemic prevention and control; and at the same time to have immediate and long-term policies and solutions to mitigate the impact of the pandemic, overcome difficulties and challenges, and take advantage of opportunities for early recovery of and boosting production, business, and socio-economic development”.

Accordingly, the requirement to promote economic growth and remove difficulties for production and business activities has been shown via the Party and State's policies. Even so, the requirement to sustain macroeconomic stability - as emphasized throughout the period 2011-2020 - remains valid. It is thus crucial to balance between macroeconomic stability and recovery of economic growth.

[66] Having collateral or experiencing good financial status or business plan, etc.

Notably, lessons learned from the economic stimulus package in Viet Nam in 2009 show that stimulus packages should only be employed when really necessary, ensuring the right magnitude, the right beneficiaries and timely. The effectiveness of monetary policy relaxation may be limited due to the "liquidity trap" in association with the absorption capacity of the economy and the lending capacity of the banking system. Maintaining this policy for a long time could lead to inflationary risk and current account deficit if the efficiency of capital use of businesses and the risk management capacity of the banking system have not been improved. Therefore, stimulus packages (if applied): (i) should not be prolonged to avoid leading to a macro imbalance in the long term; (ii) must be designed with the right objectives (e.g. demand stimulus or supply stimulus); and (iii) must target clear beneficiaries, avoiding creating unhealthy and unequal competition among actors in the economy. Supervision should also be strengthened, ensuring transparency and publicity.

Besides, along with economic stimulus measures, special attention should be paid to maintain macroeconomic stability, sustain social welfare and security, and support the most vulnerable objects (the agricultural and rural sector, disadvantaged groups, etc.) to ensure social stability and cohesion.

From another perspective, once the right goals and solutions have been identified, the direction and management must be drastically and synchronously implemented, combined with well-deployed information and propaganda to create a high consensus in society, and reinforce the trust of people and businesses. During and after a period of major economic volatilities, the situation may change dramatically, so it needs to be regularly reviewed, updated and analyzed to adjust policies accordingly. Although lessons have been learnt from the adjustment of the economic stimulus program in 2009-2010 based on the assessment of inappropriate contents, mechanisms, and policies, the results of implementing fiscal support measures in 2020 show that there is still room for further review and improvement.

4.2. Consideration of domestic economic institutional reform and international economic integration

The year 2020 can be considered a milestone of extensive integration of Viet Nam with the signing of RCEP and UKVFTA, and the ratification and implementation of EVFTA. The CPTPP has entered into force since 2019. For Viet Nam, these integration achievements are not by chance, but resulted from relentless efforts over a long time period. The parallel negotiation of all three of the world's most high-quality and/or large-scale FTAs - including TPP/CPTPP, EVFTA and RCEP - required a lot of efforts, coordination and considerations of Viet Nam. On the contrary, if there had been no agreements such as TPP/CPTPP and EVFTA, Viet Nam's institutional preparations could be different and its considerations of contents and processes of Viet Nam's international economic integration might follow other scenarios. In fact, the most far-reaching implications for economic structure and economic institutions seem to be tied to TPP/CPTPP and EVFTA. CIEM (2021) shows that reaching the consensus on these agreements also increases the likelihood of approving RCEP - even though RCEP is more controversial than CPTPP and EVFTA.

It is worth noting that until 2016, Viet Nam's international economic integration arguably created a driving force for domestic institutional reforms. Prior to 2016, the most dramatic reform periods in Viet Nam (1989-1996, and 2000-2007) were also those with the fastest and most substantial efforts towards international economic integration. The consistency between domestic institutional reforms and openness to trade and investment broadened more economic opportunities for the people and businesses; thus gradually contributing to achievements in many other areas such as business development, gender equality, poverty reduction, gearing towards sustainable development.

Since 2017, the interplay between international economic integration and domestic institutional reform has somehow evolved, although they remain closely interconnected. The period of 2017-2020 witnessed adverse impacts on international economic integration, due to such factors as the trend of increasing trade protectionism, the US-China trade war, and supply chain disruptions due to the COVID-19 pandemic, etc. Nevertheless, domestic macro and micro-fundamental reforms aimed at improving market efficiency have received more attention, particularly institutional reforms on competition, SOEs, private enterprise development, business environment improvement, land, trade remedies, usage of technical barriers, innovation promotion, etc. These proactive economic institutional reforms have helped both the economy and businesses prepare better for high standard FTAs.

From another angle, the sustainable development requirement also shows the harmony between international economic integration and domestic reforms. The rush for post-pandemic economic recovery may easily make policymakers ignore environmental commitments and return to the former mindset of: "the economy comes first, then the environment".[67] New generation FTAs such as CPTPP and EVFTA have commitments related to sustainable development. For example, the Chapter on Trade and Sustainable Development in the EVFTA Agreement includes 17 articles with key contents such as: Climate Change, Sustainable Forest Management and Trade in Forest Products, Trade and Sustainable Management of Living Marine Resources and Aquaculture Products, Labor and Transparency. Commitments to Sustainable Development - in which the rights of workers and the environment are two main elements - help ensure equality of benefits and opportunities of participation for all parties as well as throughout the supply chains.

[67] COVID-19, the pandemic and issues for sustainable development, VASS, 2020 (in Vietnamese).

These aspects received attention even before EVFTA. In fact, Vietnamese enterprises exporting to the EU in previous years more or less knew and implemented these standards. Complying with the commitments and regulations on sustainable development in EVFTA in a passive manner will not help businesses when the context changes. For instance, EU member states may supplement/amend regulations related to sustainable development in the future.

Furthermore, recent international economic integration process is not only accompanied by improving opportunities to access markets and resources. Instead, proactively implementing deeper commitments to trade and investment liberalization - including those behind borders - towards a quality, consistent, and business-friendly common playground/rule will be a key driving force to promote fundamental market reforms in Viet Nam. These commitments also go together with various challenges and uncertainties; but the benefits from the reforms and meeting market access requirements of FTA partners are attractive enough to Viet Nam. The opportunities from economic integration and domestic reforms are enormous but cannot be realized automatically. The business community and the people may believe in Viet Nam's potential in the integration process, but this potential only becomes prospect and materializes in an appropriate policy environment. Such a policy environment must be associated with clear and consistent changes corresponding to Viet Nam's international commitments and development goals, and at the same time reflecting friendliness to, encouragement of, and incubation of creativity and development for the business community.

Therefore, opportunities from international integration still have to be based on the foundation of macroeconomic balance and modern market economic institutions. Viet Nam still needs to focus on improving the microeconomic foundations and renovating the economic institutional system towards more environmental friendliness, coupled with effective handling of risks - particularly those associated with COVID-19 - in the "new normal" context. These efforts can hardly be isolated, but are prerequisites in Viet Nam's economic recovery plan[68].

4.3. Role of the State and economic space for private sector

The COVID-19 pandemic broke out in 2020, causing numerous difficulties for Vietnamese businesses, especially the private economic sector. However, the year 2020 also saw the start-up and innovation ecosystem being gradually refined, creating a strong wave of start-ups. The quality of newly established enterprises has been enhanced. According to the Report on National Brands in 2020 announced by Brand Finance, the value of Viet Nam's national brand name in 2020 increased by 29% (the fastest in the world), reaching USD 319 billion, ranking 33rd (up 9 places from 42nd in 2019). The number of newly registered enterprises in 2020 was

[68] CIEM 2021, Vietnam's Economy in 2020 and Prospects for 2021: Innovation for Adaption.

134,941, decreasing by 2.3%, but the total registered capital was VND 2,235 trillion, up by 29.2%. For the whole year, the average registered capital for a business reached VND 16.6 billion, up by 32.3%. Thus, the businesses sector itself somewhat has evolved to adapt to the new conditions. The number of newly established enterprises in industries such as electricity, water, gas production and distribution increased by 243%; and that of the agriculture, forestry and fishery sector up by 30.1%, etc. Although the target of having at least 1 million enterprises has not been achieved by 2020, there remains room for businesses, particularly private ones, to be prioritized and facilitated.

In the context of the COVID-19 pandemic with on-going complicated developments, balancing the role of the State and economic space for private sector development continues to be relevant so as to mobilize all resources for development and economic recovery during and after the pandemic. The private sector has always been considered as the most dynamic and potential area for development. The question is how the State plays a role in creating the most adequate, fair and transparent development policy space for all economic actors, including the private sector.

During the pandemic so far, the Vietnamese private sector demonstrated firmness, resilience and adaptation to survive in difficulties. Opportunities for the private sector to develop nowadays are enormous. Coping with the pandemic, efforts to improve the business environment such as reducing complicated administrative procedures, and enhancing tax transparency, etc., continue to be made. These efforts will help maintain the trust and promote private sector investment. The State plays the role of macroeconomic management, not directly interfering in production and business activities of businesses. The State creates playgrounds, and develops programs to support businesses to develop through providing incentives that help businesses to get access to capital, science and technology, technical assistance, education and training, etc. These issues have been done quite well by the State in recent years via multiple programs, SME support funds, innovation playgrounds, notably the commencement of the National Innovation Center (NIC) in early 2021.

The development challenge during the COVID-19 pandemic is also a concern for the private sector. Notwithstanding consensus that the State does not interfere in business activities, how and to what extent to broaden economic space in the context of complicated and unpredictable pandemic need to be explored so as to induce private sector development whilst achieving the desired results.

Many policy discussions have been made, aiming to identify bottlenecks for development and the role of the State in the post-COVID-19 period, with special attention to: (i) institutional quality, reflected in the implementation of e-Government (towards digital government); (ii) effective coordination and utilization of public resources; (iii) inclusive and sustainable development, reflected in a larger scale of support and unprecedented support measures; and (iv) ways of dealing with investors. The GoV actively emphasized requirement for enhancing foreign investment cooperation and considered this crucial as foreign investors are considering diversifying investment locations and repositioning value chains to reduce dependence on China. These moves are positive, but not enough. An issue for more thorough consideration is how to promote the complement and leadership of the state sector and/or SOEs, and at the same time minimize "crowding-out” effect on the private sector.

4.4. Timing of reforms

Until now, the COVID-19 pandemic remains complicated with many new variants; phrases such as "post-pandemic", "waiting for the pandemic to pass" have become no longer suitable. “The new normal state" has been accepted in all aspects of social life. The COVID-19 pandemic created a disturbance in all dimensions, even forcing many social and development activities to change fundamentally. The pandemic also helps reveal many social, economic and cultural issues to be addressed. Under these conditions, the COVID-19 pandemic arguably acts as a catalyst to speed up renovation in Viet Nam, since renovation and reform requirements are not only present during the pandemic. The requirements of economic reform and economic institutional reforms have become evident for long but have not yet been resolved in a synchronous and comprehensive manner. During this pandemic, the problem is once again raised and thus scenarios may include: (i) reform during the pandemic; (ii) reform pending until the end of the pandemic; or (iii) waiting for economic recovery before reform is implemented. These critical issues are related to many socio-economic aspects, especially as Viet Nam enters the new period of socio-economic development in 2021-2030.

Theory and past practices of Viet Nam's economic policies show that the economic stimulus and/or administrative measures could help support growth and address social instability in the short term. However, this is likely to prolong the economic weaknesses which could/should have been handled under competitive and regulatory pressures of the market (e.g., corporate restructuring) on the basis of determined and radical reforms and restructuring. Therefore, the application and/or abuse of these measures over a long time period should be avoided. When the economy get past the difficult period, it is necessary to accelerate the reform process, restructure the economy, shift the growth paradigm, and enhance growth quality and competitiveness of both businesses and the economy so as to avoid a rebound of previous problems. Therefore, accelerating reforms together with measures to promote economic recovery is of particular importance.

Another example entails the gender policy in the context of the COVID-19 pandemic. Various reports look into the difficulties facing women in light of the COVID-19 pandemic, when women have to undertake multi-tasks such as: (i) doing housework; (ii) working from home; and (iii) educating children. So, there is a growing consensus on reforms towards women's economic empowerment (Box 2). The Global McKinsey Institute (2020) shows that if reforms towards employment equality for women are implemented now, global GDP in 2030 could go up by USD 13 trillion compared to the business-as-usual scenario. However, if the reforms are conducted after the end of the pandemic, the increase will only be about USD 8 trillion. Thus, gender development will make more sense when reforms are in parallel with measures to boost economic growth recovery.

Box 2: Coronavirus – The end of sexist economics?

As the COVID-19 pandemic spread, most analysis and discussions focused on economic impacts of policy measures with inappropriate attention to potential impacts on gender. However, if gender gap in safety nets is widened, women would be first to suffer. To ensure gender equality, policy measures should pay attention to the following aspects:

(i) Vulnerability of women: Women accounts for major share in major sectors that are vulnerable to crisis (administration, tourism, social and community services), and they are more likely be made redundant under labor market contraction. Women are among labor groups with lowest paid relative to men. Thus, women are more vulnerable, in particular under “austerity” measures and lavish government spending. Women also account for larger proportion than men in caring profession. In Wuhan, the start of COVID-19 pandemic, women accounted for 90% of nurses involved in healthcare while the corresponding figure of the health and social sectors globally was 70%. Consequently, to fully account the cost of COVID-19 pandemic, the stimulus packages should include social protection measures that seek to retain women’s productive participation in the labor force – for example compensatory payments for workers in temporary employment.

(ii) Long-term impacts of gendered labor division: The COVID-19 pandemic will have greater consequences for women than men in the labor market. Faced with unprecedented levels of unemployment, many labour in the working age need to prematurely access retirement savings. At retirement, superannuation balances of women are 30-40% lower than those of men, suggesting that the incidences of poverty and homelessness of women may be higher. Gender-responsive social security measures should be enacted, such as reducing fees and/or compensating contributions for women low-income.

(iii) Economic impact of the burden care: The COVID-19 pandemic aggravates existing gender inequalities because it enacts an uneven financial and psychological toll, originating from the stereotype that women are typically primary caregivers in the home. To avoid worsening this inequality, governments can support policies that protect women, while employers can “undo” unhelpful gender norms: the flexible work arrangements occurring worldwide should become a “new normal”. This would support family-friendly workplaces on a permanent basis, not just in an emergency.

In short, gender should be prioritized in response to the COVID-19 pandemic. Progressive fiscal reforms that address existing inequalities and treat the sexes as economic equals are vitals. Gender-responsive COVID-19 policies are critical, because how economies emerge from the crisis will be dependent on how inclusive their policy responses are.

Source: Compiled from Davda and Chattier (2020).

5. Macroeconomic forecasts under some scenarios

This section assesses Viet Nam's economic prospects for the period 2021-2023, with a focus on comparing scenarios of implementing solutions to stimulate economic growth recovery and/or economic institutional reforms with the baseline scenario, i.e., the "business-as-usual" scenario. Accordingly, there are three scenarios. *Scenario 1* - the business-as-usual scenario - is built on assumptions of ‘normal conditions’ of the economy, in which the COVID-19 pandemic is basically contained in 2021, and travel between countries could be resumed from 2022. *Scenario 2* retains most of the assumptions in *Scenario 1*, with a larger degree of loosening fiscal policy and monetary policy. *Scenario 3* is similar to *Scenario 2*, adding a breakthrough in economic reforms and policies (in such areas of investment-business environment, competition policy, innovation), thus leading to improved investment capital of the private sector, improved efficiency of SOEs, and enhanced positive spillover effects of FDI enterprises on domestic firms, etc.

Box 3: Structural macroeconometric model, version 2 of CIEM

The second version of the CIEM’s structural macroeconometric model is upgraded on the basis of the first version. This second version has been in use in the CIEM since 2008. This model has the following features:

- Using error correction model;

- Including 5 blocks: (1) GDP by economic sector; (2) GDP by final expenditure; (3) income distribution; (4) prices; and (5) state budget *(Noting that monetary variables are considered as exogenous - policy variables, with no separate monetary block).*

- Including 60 equations, in which, 28 are identity equations; 32 are behavioral equations;

- 99 variables, in which 60 are endogenous variables and 39 are exogenous variables.

- Data frequency: annual (from 1990 to 2020).

Source: CIEM.

Accordingly, details of the three scenarios are presented below:

Table 9: Details of assumptions for forecast scenarios

Unit: % change (year-on-year)

	Scenario 1			Scenario 2			Scenario 3		
	2021	*2022*	*2023*	*2021*	*2022*	*2023*	*2021*	*2022*	*2023*
World GDP	5.5[a]	4.2[a]	4.0[a]	5.5[a]	4.2[a]	4.0[a]	5.5[a]	4.2[a]	4.0[a]
U.S. Prices	2.3[b]	2.4[b]	2.5[b]	2.3[b]	2.4[b]	2.5[b]	2.3[b]	2.4[b]	2.5[b]
Exported agricultural commodity prices	24.1[c]	-0.6[c]	-0.3[c]	24.1[c]	-0.6[c]	-0.3[c]	24.1[c]	-0.6[c]	-0.3[c]
World crude oil prices	56.0[c]	7.6[c]	7.7[c]	56.0[c]	7.6[c]	7.7[c]	56.0[c]	7.6[c]	7.7[c]
VND/USD exchange rate	-0.3[d]	-0.3[d]	0.2[d]	-0.3[d]	-0.3[d]	0.2[d]	-0.3[d]	-0.3[d]	0.2[d]
M2 growth	13.0[d]	12.0[d]	11.5[d]	13.8[d]	12.7[d]	12.3[d]	13.2[d]	12.5[d]	12.1[d]
Outstanding credit	12.0[d]	11.5[d]	11.0[d]	13.0[d]	12.2[d]	12.0[d]	12.5[d]	11.9[d]	11.7[d]
Import price index	-0.5[d]	0.2[d]	0.3[d]	-0.3[d]	0.5[d]	0.4[d]	-0.4[d]	0.3[d]	0.3[d]
Population	1.05[d]	1.05[d]	1.05[d]	1.05[d]	1.05[d]	1.05[d]	1.05[d]	1.05[d]	1.05[d]
Employment	0.86[d]	0.86[d]	0.86[d]	0.90[d]	0.90[d]	0.90[d]	0.92[d]	0.92[d]	0.92[d]
Exported crude oil volume	0[d]	0[d]	0[d]	0[d]	0[d]	0[d]	0[d]	0[d]	0[d]
REER	-1.0[d]	-0.5[d]	0[d]	-0.8[d]	-0.4[d]	-0.3[d]	-0.9[d]	-0.4[d]	-0.1[d]
Government transfers (net), BoP	-5.0[d]	-5.0[d]	0[d]	-5.0[d]	-5.0[d]	0[d]	-5.0[d]	-5.0[d]	0[d]
Private current transfers (net), BoP	-5.0[d]	5.0[d]	5.0[d]	-2.0[d]	6.0[d]	5.5[d]	0.5[d]	7.0[d]	6.8[d]
State budget-induced investment	-4.5[d]	-2.5[d]	3.2[d]	-2.5[d]	8.5[d]	3.3[d]	-2.5[d]	8.5[d]	3.3[d]
Disbursed FDI	2.0[d]	5.0[d]	5.0[d]	2.5[d]	5.5[d]	5.2[d]	4.0[d]	6.2[d]	5.8[d]

Source: Authors' compilations.

Note: [a]: IMF (Jan. 2021).

[b]: IMF (Reproduced from Knoema[69]).

[c]: EIU (13/4/2021).

[d]: Authors' assumptions.

Due to constraints of data, the institutional reforms associated with productivity growth (labor productivity and total factor productivity) are not directly quantified into the model. Instead, institutional reforms are incorporated in the model through other variables (such as foreign investment, dummy variables representing major reform milestones, etc.).

[69] https://knoema.com/kyaewad/us-inflation-forecast-2021-2022-and-long-term-to-2030-data-and-charts (Accessed on 10th April, 2021)

Table 10 presents the forecast results for some of the main variables in Viet Nam under three scenarios. In Scenario 1, GDP growth averages 6.35% p.a. over the period 2021-2023. The contribution of TFP to GDP growth increases from 24.83% in 2021 to 33.17% in 2022. Inflation in all scenarios are below 4% p.a. Export growth is forecast to decline to 4.23% in 2021 and 5.22% in 2023. Trade balance is projected to remain in surplus, averaging 2.11% of GDP in the period 2021-2023. State budget deficit fluctuates, reaching a projected level of 3.47% of GDP in 2023. With an assumption of enhanced state budget discipline and government borrowing, public debt fluctuates in the range of 55.83-57.41% in the period 2021-2023.

In Scenario 2, GDP growth rate averages 6.69% p.a. in the period 2021-2023. TFP contributes more to GDP growth, accounting for 27.59% in 2021 and 33.73% in 2023. Export growth is more positive, averaging 5.76% per year in the period 2021-2023. Inflation is higher than Scenario 1 and exceeds 4% p.a. in the years 2022-2023. Trade balance returns to deficit in the period 2022-2023. State budget deficit increases compared to Scenario 1, particularly in 2022. Public debt increases and reaches 57.52% of GDP in 2023. *Under this Scenario, economic growth is higher, but accompanied by bigger inflationary pressures.*

In Scenario 3, breakthroughs in quality of institutional reforms leads to improved quality of growth, with faster recovery. GDP growth rate averages 6.76% p.a. in the period 2021-2023. TFP contributes more to GDP growth compared to Scenario 2, reaching 30.80% in 2021 and 36.62% in 2023. Export growth averages 6.15% p.a. in the period of 2021-2023. Inflation is more stable than Scenario 2, and is below 4% p.a. throughout the period 2021-2023. Trade surplus is maintained and is consistently higher than Scenario 1 (%GDP). State budget deficit is stable at less than 3.5% of GDP (except 2022). Public debt declines faster, reaching 55.0% of GDP in 2023. *Following this Scenario, economic growth is projected to be higher, plus with a significant improvement in productivity. This is considered the way to help the economy recover faster and more sustainably, even in the context that the world economy remains facing a lot of uncertainties.*

Table 10: Forecast results by scenario, 2021-2023

Unit: %

	2020	Scenario 1				Scenario 2				Scenario 3			
		2021	*2022*	*2023*	*Annual average 2021-2023*	*2021*	*2022*	*2023*	*Annual average 2021-2023*	*2021*	*2022*	*2023*	*Annual average 2021-2023*
GDP growth rate	2.91	5.98	6.45	6.61	6.35	6.43	6.80	6.83	6.69	6.47	6.88	6.92	6.76
Inflation (YoY)	3.23	3.51	3.12	3.28	3.30	3.78	4.21	4.13	4.04	3.56	3.74	3.60	3.63
Export growth rate	7.00	4.23	5.81	5.22	5.08	5.06	6.87	5.36	5.76	5.18	7.26	6.02	6.15
Trade balance/GDP	5.83	2.37	1.67	2.30	2.11	2.09	-0.41	0.15	0.61	2.12	2.04	1.72	1.96
State budget deficit/GDP	4.99	3.42	3.48	3.47	3.46	3.46	3.92	3.53	3.64	3.45	3.54	3.41	3.47
Public debt/GDP	56.80	55.83	57.01	57.41		55.93	56.93	57.52		55.48	55.13	54.98	
TFP's contribution (percentage points)	1.34	1.48	2.08	2.19		1.77	2.16	2.30		1.99	2.38	2.53	
TFP's contribution (%)	46.11	24.83	32.27	33.17		27.59	31.71	33.73		30.80	34.59	36.62	
Labor productivity growth rate	4.93	5.08	5.54	5.70	5.44	5.48	5.85	5.88	5.73	5.56	5.97	6.01	5.85
Investment/GDP	34.40	34.78	34.83	34.77	34.79	35.11	35.56	35.72	35.46	34.86	35.12	35.43	35.14

Source: Authors' calculation

CHAPTER IV: CONCLUSIONS AND PROPOSED DIRECTIONS AND ROADMAP FOR ECONOMIC RECOVERY AND ECONOMIC INSTITUTIONAL REFORM AFTER COVID-19

1. Proposed orientations for economic recovery and economic institutional reform in the post-COVID-19 era

In this section, all the requirements for post-COVID-19 pandemic economic recovery and institutional reforms are put in place assuming that the pandemic has been strictly contained as seen during 2020. Effective control of the pandemic is key and prerequisite for economic recovery and mitigating the pandemic-induced losses. As the pandemic remains complicated globally, controlling the pandemic, minimizing adverse impacts, protecting and supporting the economy should be given with top priority. In addition, the GoV should carefully consider timing, roadmap and measures to reopen the economy; speed up international cooperation in pandemic prevention, effectively exploiting supports of international organizations to have more resources to help enterprises overcome difficulties.

It is necessary to reaffirm the priority of macroeconomic stability, reserve space for conducting macroeconomic policies, and apply flexible macroeconomic policies based on scenarios to cope with adverse developments of the world and the regional economy (with special attention to the US-China strategic competition, COVID-19 pandemic evolvement, managing FDI flows, trade scenarios with the US, risks of global debt crisis, geopolitical conflicts, etc.).

Accordingly, assuming a stable macroeconomic environment, requirements for economic recovery and institutional reform are as follows:

Figure 31: Policy framework to ensure a parallel and effective implementation of economic recovery and economic institutional reforms

Source: Authors' compilations

1.1. Economic recovery

- Study and concretize economic stimulus packages to be implemented when the "timing" and the "exit" out of the COVID-19 pandemic become clearer.
- Regularly assess and update growth scenarios, taking into account world economic developments, economic and technological moves of major countries and COVID-19 pandemic developments.
- Conduct monetary policy in an active, flexible, prudent and synchronous manner to contribute to macroeconomic stability, control inflation, and alleviate difficulties in production and business activities in the context of the COVID-19 pandemic.
- Conduct exchange rate policy in accordance with market movements, macro balances and monetary policy goals. Actively communicate about the policy stance against devaluing VND to support export. Closely monitor exchange rate movements of the USD, Yuan, and Euro as well as movements of prices of some important commodities on the global market to manage the exchange rate flexibly and closely to mitigate impacts on inflation and macroeconomic environment of Viet Nam. Effectively justify Viet Nam's exchange rate regime to the US.
- Carefully consider the policy space to lower policy interest rates to promote growth. Study the possibility to further reduce lending rates for priority areas.
- Flexibly manage banks’ liquidity to support credit operations; issue government bonds; prevent and cope with fluctuations in capital flows of indirect investment and remittances.
- Simplify/streamline processes, procedures and conditions to facilitate access to credit, especially for priority areas (SMEs, women-owned or women-managed enterprises, labor-intensive businesses, etc.).
- Research on the possibility of adjusting corporate income tax rates, personal income tax for some suitable groups of taxpayers.
- Conduct quantitative assessment of the supporting policies for businesses and people in the context of COVID-19 to identify efficiency, issues on processes and scope, etc. to make suitable considerations and adjustments to meet social security requirements.
- Vietnamese diplomats and trade representatives abroad (particularly in key markets) need to be given suitable mechanisms and/or more proactive in activities of meeting and exploring partners' situations/moves as well as in some other necessary activities (instead of awaiting instructions from domestic authorities).

- Identify measures to diversify export products to the US, to ensure sustainable export growth. Strictly and regularly check the origin of Vietnamese goods exported to the US to avoid origin fraud. Update trade scenarios with the US.
- Enhance measures to alleviate difficulties for Vietnamese products exported to the Chinese market. Closely monitor imports from China to have timely response to the possibility that Chinese products may divert to non-US markets or take advantage of Vietnamese origin to circumvent US duties during the US-China trade war.
- Ensure harmonization of commitments and related technical requirements (with special attention to rules of origin, regulations related to agricultural products). Improve institutional requirements related to intellectual property, labor, environment, food safety and hygiene, etc., taking into account post-pandemic adjustment requirements.
- Seriously re-assess impacts of regional minimum wage adjustments on production and business; actively provide information in a transparent and timely manner to stabilize sentiment of employees and businesses.
- Study and consider the timing and magnitude of price adjustments for some goods items subject to price management by the State.
- Concretize the policies under Politburo's Resolution No, 50-NQ/TW dated 20/8/2019 and enhance communication on orientations to attract FDI in the new context. Encourage foreign investors with established presence in Viet Nam.

1.2. Institutional reforms

- Further concretize and implement resolutions of the Central Committee on shifting growth paradigm, effective implementation of international economic integration, private economic development, orientations for foreign investment attraction, and IR 4.0.
- Continue to guide and organize the effective implementation of basic laws of market economy institutions such as (amended) Enterprise Law; (amended) Investment Law; (amended) Bidding Law; (amended) Law on Public Debt Management; (amended) Public Investment Law; Law on amending some articles of Law on Insurance Business and Law on Intellectual Property; (amended) Competition Law; Cybersecurity Law; (amended) Labor Code, etc.
- Speed up research and implementation of appropriate public governance reforms to improve efficiency of GoV in general and measures to support the economy during and after the COVID-19 pandemic in particular.

- Prioritize business environment reforms towards creating favorable conditions for production and business activities.
- Effectively implement the National Strategy on the IR 4.0. Define and promulgate a policy framework and prepare necessary conditions to accelerate digital transformation in Viet Nam.
- Research, identify, and consult widely on development bottlenecks, and priority measures for post-COVID-19 development.
- Accelerate restructuring of the economy, and of sectors/areas towards diversification, strengthen domestic capacity of the economy, and enhance resilience of the economy to cope with volatilities of the global economy and trade.
- Accelerate SOE restructuring, equitization and divestment; publicly and transparently formulate and promulgate specific plans of using capital acquired from SOE divestment, with clear individual responsibility assignment for strict and effective implementation.
- Actively exchange and cooperate with partners to effectively implement CPTPP, EVFTA, and prepare conditions for RCEP implementation. Make effective use of provisions on Cooperation and Capacity Building in FTAs to improve capacity of Vietnamese enterprises, especially their ability to adapt to post-COVID-19 requirements. Continue to seek further supports and recognition of Viet Nam's full market economy status. Monitor and assess new moves of major economies to "non-market" ones to propose appropriate solutions.
- Improve legal documents to implement CPTPP and EVFTA. Review commitments in FTAs and international treaties that Viet Nam is negotiating, completed negotiation, and signed to appropriately adjust domestic laws and regulations. Review the implementation of FTAs to draw lessons and identify appropriate adjustments.
- State management bodies need to equip businesses (especially SMEs) information about the FTAs that Viet Nam has negotiated and signed; support and guide enterprises to participate in the integration process to ensure harmonized implementation of FTAs, especially strengthen businesses' responses to technical barriers by trading partners – particularly in the COVID-19 context.
- Strictly discipline state budget expenditure to fulfil the goals set for 2021 and reduce pressure on state budget revenues.
- Enhance capacity of competition management, anti-subsidy, anti-dumping, trade dispute resolution, and market regulation, and provide legal support to businesses, especially SMEs.

- Strengthen monitoring and evaluation of capital flows (particularly indirect investment via the securities market) to control risks of "hot money", high financial leverage and contagion effects.
- Study and promulgate strategies and measures to promote technology transfer from FDI enterprises, without violating international commitments and practices, and with foreign investors' consensus.
- Research and update international experiences on investor-state dispute settlement mechanism to draw lessons and requirements for Viet Nam to effectively implement EVIPA.

1.3. Openness for new economic models

- Study and concretize policies for developing new economic models such as sharing economy, circular economy, digital economy, night-time economy, etc.
- Promptly complete and issue systems of statistical indicators related to gender development, digital economy, and trade in services.
- Make use of technical assistance to enhance capacity of businesses to adapt and exploit opportunities from new economic activities.
- Promptly implement regulatory sandboxes for financial technology activities (Fintech), particularly regarding peer-to-peer lending activities.
- Study new trends in cryptocurrency, electronic/digital currency and their implications for Viet Nam.
- Study, diversify forms of funding for businesses participating in value chains.
- Pilot new mechanisms to facilitate business operations in new contexts, such as the online dispute resolution (ODR).

1.4. International economic integration

- Further reform import and export management mechanisms and policies, on the one hand to aim for best practices (especially in CPTPP and EVFTA), and on the other hand to retain necessary flexibility for state agencies and enterprises to work out a roadmap of adjustment when implementing FTAs.
- Develop synchronous standards for goods quality, food safety and hygiene, environmental standards in trade, non-tariff measures, safeguard measures, urgent measures, and imposition of anti-dumping duties and special consumption taxes, etc. in line with the implementation of FTAs.
- Study and implement long-term measures to improve coordination of exports and imports, both in terms of the national economy and with key

products for businesses to move to higher ladders of value chains. Formulate reasonable policies in attracting foreign investment, aiming to reduce dependence on a few trading partners.

- Identify the products with static and dynamic comparative advantages in the new context. Focus on building strong national brands.
- Closely monitor developments of the COVID-19 pandemic in countries to promptly adjust the orientation of coordination of trade policy with related policies (services, labor, education - training, etc.).
- Pay attention to firmly develop the domestic market. Some of the main focuses include the followings:
    - Improve consumers' awareness of Vietnamese goods;
    - Strengthen enterprises' awareness of improving quality of goods sold in the domestic market, avoiding the situation that “the best products are for export, the rest are consumed in the domestic market;
    - Develop business models, (directly and indirectly) serving modern consumption such as e-commerce, sharing economy, etc.;
    - Consolidate cooperation channels between retail supermarkets and domestic consumer goods producers; and
    - Develop an appropriate roadmap to harmonize quality standards of domestic goods with the best standards of partners in the world.
- Increase research, exchange, and coordination with partner countries to facilitate imports and exports of essential commodities (medical supplies, food, etc.) in light of complicated developments of the pandemic.
- Incentivize FDI enterprises to enhance linkages with domestic ones, thereby implementing technology transfer, together with applying preferential policies and providing supports to enterprises receiving technology transfer.
- Review and adjust FDI attraction policies in line with international commitments, screen for FDI projects using advanced and environmentally friendly technologies. Implement mechanisms and policies towards increasing the proportion of capital flows into manufacturing industries, associating FDI with production capacity, creating export advantages. Link the FDI strategy with improving monitoring and evaluation of implementation.
- Study and improve mechanisms to attract investment from all sources, including cooperation with foreign investors, so as to be used for development of infrastructure, key sectors and fields to address

bottlenecks and weaknesses of the economy, particularly regarding key industrial clusters, growth poles, and job-intensive projects.

- Strengthen investment promotion activities; formulate investment mobilization and attraction policies for multinational corporations with diversified mobilization forms. Research and exchange with ASEAN countries on investment cooperation directions, attracting large investors and linking SMEs in value chains in the post-COVID-19 context.

1.5. Gender development

- Enhance trainings in knowledge and skills for women to help them better adapt to the new contexts, including the use of STEM/STEAM models.
- Review, adjust and effectively enforce regulations to eliminate gender discrimination in the workplace.
- Conduct policy discussions, studies on benefits, motivating factors and necessary reforms to promote gender equality in future jobs, particularly to support women and girls to be equipped with basic skills for a digital economy.
- Research, advocate, and implement technical assistance projects for women-owned or women-managed businesses, focusing on issues such as agricultural transformation, joining global and regional supply chains, access to capital, access to science and technology, and adapting to standards of export markets, etc.

2. Proposed policy roadmap

From the above analysis, a policy roadmap is proposed as follows:

2021: Continue to effectively control the COVID-19 pandemic, alleviate difficulties for the business community and the people, in combination with implementing economic institutional reforms.

On the basis of regular and accurate assessment of COVID-19 epidemic scenarios, when the world succeeds in the production and rollout of the COVID-19 vaccines, Viet Nam needs to consider accessibility to vaccines and the ability to cope with the pandemic upon reopening the economy. Even so, the GoV still needs to continue measures to support economic and social security activities. Notably, macroeconomic stability and social stability are necessary conditions to promote economic institutional reforms even during the COVID-19 pandemic.

2022: Implement parallel measures for economic recovery and economic institutional reforms

As the timing and the way out of the COVID-19 pandemic become clearer for Viet Nam, measures to promote economic growth recovery should be considered in an urgent, focused and effective manner. There should be clear responsibilities for agencies and individuals to implement support solutions, avoiding excessive concerns about the loss and abuse from support packages which lead to too many regulations and eligibility conditions that the businesses and the people could not meet. Along with these solutions is the need to sustain momentum of economic institutional reforms.

From 2023: Phase out measures to support economic growth recovery, and focus on economic institutional reforms

Measures to support economic growth recovery should be gradually phased out from 2023 to avoid the over-reliance of the people and businesses on government assistance, whilst retaining policy space to conduct macroeconomic policies in line with scenarios after 2023. During this period, economic institutional reforms - moving towards a domestic market economy, economic integration, promoting new economic models, and gender development - should be implemented more radically, comprehensively and extensively.

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The Report looks into the difficulties facing the global economy even before the COVID-19 pandemic, including the risks of downturn, increasing uncertainty due to the tensions among major economies, geopolitical rivalry, drops of commodity prices, and etc. Those difficulties were further aggravated due to the complicated and unpredictable of the COVID-19 pandemic from the beginning of 2020. Even with positive progress in developing COVID-19 vaccine, the ability to use vaccine diplomacy, rather than promoting open, timely, and equitable access to vaccines at the global level, also cause concern in many countries.

The Report also recognizes the policy framework established and concretized in Viet Nam prior to the COVID-19 pandemic, which was associated with the requirements of macroeconomic stabilization, reforms of the microeconomic foundation, enhance resilience of the economy and effective international economic integration. Although Viet Nam faced two waves of COVID-19 outbreaks, the GoV implemented appropriate, flexible, but consistent measures toward the “dual goals”, seeking to effectively control the pandemic while stimulating economic recovery and domestic production. The GoV in 2020 had good conduct of policies, reflected by (i) retaining calmness, engagement and consensus of the business community and the people; (ii) compliance with good practices of policymaking, associated with the update and assessment of growth scenarios, paying special attention to the COVID-19 pandemic evolvement; and (iii) broadening space for new economic modalities.

The Report shows that COVID-19 crisis has adverse impacts on many sectors, particularly tourism. The COVID-19 pandemic also affected many social aspects. The labor force participation rate in the first half of 2020 dropped to a record low level, and the unemployment rate and underemployment rate soared. Many workers suffered from cuts in working hours and wages, and thus lower income. In this context, the business community and the people called for supporting policies of the GoV.

Indeed, the GoV issued, implemented and adjusted monetary and fiscal policy measures to alleviate difficulties for businesses and people during the pandemic and promote recovery after COVID-19. Such measures comprise of: (i) tax, fee, fee and social security support measures; and (ii) monetary policy measures through reduction of lower policy interest rates and credit support packages. Although the effectiveness of these policies remain to be assessed, to a certain extent, the policy responses during the pandemic have helped alleviate difficulties for businesses. At the same time, it retains the policy space to respond to future scenarios.

The Report elaborates on some considerations for economic recovery and economic institutional reforms in 2021-2023. Accordingly, economic recovery measures must pay attention to the impact on macroeconomic stability. Institutional reforms also need to be active, instead of being induced by pressure and norms from international economic integration commitments. Renewing the role of the State is essential, but Viet Nam should also consider more thoroughly directions and measures to promote the complementary role and leadership of the State economic sector and/or SOEs meanwhile minimizing “crowding-out” impact on the private sector. Finally, timing of reforms is also important: implementing reforms as soon as possible, especially sustaining the reforms up to 2020, will improve the quality of economic growth recovery after COVID-19.

Viet Nam’s economic prospects for the period 2021-2023 are assessed via three scenarios in the Report. As the main message, carrying out economic institutional reforms along with economic recovery measures will produce the highest economic efficiency. The quantitative assessments show that if the fiscal-monetary stimuluses are implemented with quality breakthroughs in institutional reforms leading to improved growth quality and faster recovery, the average GDP growth rate would reach 6.76% p.a. in the period 2021-2023. Accordingly, higher economic growth is associated with improved productivity, whilst retaining macroeconomic policy space and macroeconomic stability. The economy can recover faster and more sustainably, even under global economic uncertainty.

The Report proposes directions for economic recovery and economic institutional reforms after the COVID-19 pandemic, reaffirming macroeconomic stabilization, keeping policy space for macroeconomic policies, conducting flexible macroeconomic policies in line with scenarios to cope with adverse developments in the world and regional economies. The Report elaborates on key directions and measures related to economic recovery; institutional reforms;

openness to new economic modalities; international economic integration; and gender development. Together with these key contents, the Report also develops a corresponding policy roadmap for the period of 2021-2023, with steps to: (i) continue to effectively control the COVID-19 pandemic, alleviate difficulties for the business community and the people, in combination with implementing economic institutional reforms; (ii) implement parallel measures for economic recovery and economic institutional reforms; and (iii) phase out measures to support economic growth recovery, and focus on economic institutional reforms./.

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