



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



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

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

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Contents

Acknowledgements	ii
List of abbreviations and acronyms	iv
List of figures, tables and boxes	iv
Executive summary	vi
1. Introduction	1
2. Brief profile of the MSME sector in Viet Nam	3
3. Overview of the impact on COVID-19 on Viet Nam's economy, and the Government's policy response	5
3.1. <i>Impact</i>	5
3.2. <i>Government response</i>	9
4. Research objectives and methodology	14
4.1. <i>Objectives</i>	14
4.2. <i>Methodology</i>	15
4.3. <i>Profile of businesses surveyed</i>	15
5. Main survey findings	17
5.1. <i>Impact of COVID-19 on MSMEs and women-led MSMEs: negatives and positives</i>	17
5.2. <i>MSMEs worry about the future</i>	22
5.3. <i>Some silver linings from the impact of COVID-19</i>	24
5.4. <i>Measures implemented by enterprises to cope with the impact of COVID-19</i>	25
5.5. <i>Measures to support enterprises adversely impacted by COVID-19</i>	26
5.6. <i>Enterprises' access to COVID-19 policies remains low</i>	27
5.7. <i>MSMEs looking to the Government for support and solutions</i>	30
5.8. <i>Innovations to support women MSMEs' response to COVID-19</i>	31
6. Policy-oriented recommendations	33
6.1. <i>Implementation of COVID-19 emergency support measures</i>	33
6.2. <i>Preparing for the "new normal" post-COVID-19 business ecosystem</i>	34
6.3. <i>Long-term business enabling environment reform agenda</i>	37
6.4. <i>Innovations to support women MSMEs beyond COVID-19</i>	38
Appendix	41
Resource and references	42

List of abbreviations and acronyms

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

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

List of figures, tables and boxes

Figure 1	Stringency of Viet Nam's COVID-19 containment measures compared
Figure 2	Revision of GDP growth forecasts for Viet Nam compared
Figure 3	Consumer spending shifts in Viet Nam during and after COVID-19
Figure 4	Viet Nam manufacturing PMI
Figure 5	General scale of impact of COVID-19 on MSMEs
Figure 6	Impact of COVID-19 for MSMEs
Figure 7	MSMEs' operating status due to COVID-19
Figure 8	Challenges of COVID-19 for MSMEs
Figure 9	MSMEs forecast on revenue growth
Figure 10	Increasing risk of insolvency if the COVID-19 crisis lasts
Figure 11	MSMEs' responses to COVID-19
Figure 12	Perceived utility of policy measures
Figure 13	MSMEs' views on the utility of support solutions
Table 1	Formal definition of an MSME in Viet Nam
Table 2	Breakdown of the survey sample, by legal type, sector and size (in per cent)
Table 3	Impact of COVID-19 on business: kind of impact (in per cent)
Table 4	Impact of COVID-19 on business revenues (in per cent)

Table 5	Business continuity forecast of MSMEs in 2020 (in per cent)
Table 6	Responses to COVID-19 of MSMEs (in per cent)
Table 7	MSMEs' perceptions of the Government's COVID-19 policy measures
Table 8	Businesses knowledge about State support policies by region (in per cent)
Table 9	MSMEs' general assessment of support policies
Box 1	COVID-19 measures introduced
Box 2	Current policy support for MSME development in Viet Nam: some key documents
Box 3	Businesswomen share their experiences during COVID-19: snapshots from interviewees
Box 4	Difficulties caused by COVID-19 for MSMEs: some snapshots from interviewees
Box 5	What if COVID-19 persists?
Box 6	MSMEs' awareness of Government support policies

Executive summary

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

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

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

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

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

The principal findings from this empirical study are:

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

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

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

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

Encouragingly both the survey respondents and interviewees noted that the pandemic has

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