

# Some Solutions to Help Vietnam's Economic Recovery after the COVID-19 Pandemic

Pham Thi Vinh

Ly Tu Trong College Ho Chi Minh City, Vietnam

Email: [phamthivinh1980@yahoo.com.vn](mailto:phamthivinh1980@yahoo.com.vn)

**Abstract:** *The Covid-19 epidemic has complicated developments, disrupting socio-economic activities of countries around the world. And it has had a negative effect on the Vietnamese economy, especially on the results of economic growth (GDP) of the whole country. The prolonged epidemics have caused major provinces and cities such as Hanoi, Ho Chi Minh, Binh Duong,...which are densely populated, industrial parks, export processing zones and large enterprises in the global value chain., contributing a lot to economic development and budget revenue must implement social distancing under Directive 16 for a long time. This causes GDP in the third quarter of 2021 to decrease by 6.17% compared to the same period in 2020.*

**Keywords:** *socio-economic, economic growth, Covid-19, Vietnam.*

## Introduction

When the pandemic broke out, prolonged social distancing led to a disruption in circulation, and stalled production and business. Many businesses that want to maintain production have had to choose the "3 on-site" production option to prevent the spread of the disease, otherwise they will have to suspend operations until there is a new notice from the central government or province or city. Even with such operations, businesses also have to bear huge operating costs, shortage of labor force due to layoffs, and disruption of raw material supply, so many exporting enterprises have not been able to complete the work. order on time, have to extend or cancel the contract. Many businesses went bankrupt or dissolved due to exhaustion and lack of strength to endure the epidemic for a long time. Some enterprises have to suspend business or do business in moderation, delay production due to inefficiencies or losses in very difficult conditions. That fact requires the Party and State to come up with appropriate solutions to remove difficulties, promote production and business development and recover the economy.

To remove difficulties, promote production and business development and economic recovery, the Politburo, National Assembly, National Assembly Standing Committee, Government, Prime Minister, ministries and branches have issued many guidelines, policies and overall solutions to promptly respond to the epidemic such as reducing interest rates; debt restructuring; reduction, extension of tax payment, social insurance; exemption or reduction of fees for some public services; reduced, delayed payment of land rent, etc., and especially launched an unprecedented 62 trillion dong social security package. However, in addition to the effectiveness and positivity of the issued policies and solutions, in the implementation process, there are also some limitations and obstacles such as: (i) The regulation of expenses The details and guidelines for the implementation of a number of measures promulgated by the

National Assembly and the National Assembly's Standing Committee are not timely, the implementation of a number of mechanisms and policies is still slow, the organization and implementation of a number of policies are still slow. policy is not high; (ii) Disbursement rate of public investment is low because the initial stage of applying conditions and standards is too high, processes and procedures are cumbersome and inflexible; (iii) Information and guidance are not timely to enterprises, especially small and micro enterprises and cooperatives that are difficult to access, not suitable to the needs of enterprises; (iv) Many difficulties accumulated up to now are not only problems of enterprises but have become common problems of industries and fields.

### **Research Content and Results**

#### **Situation of Vietnam's economy after the COVID-19 pandemic**

The COVID-19 epidemic in Vietnam has been controlled, production and business activities and people's lives are gradually returning to normal. Economic support packages are deployed and gradually come to life. Although the economy has shown signs of improvement, it still faces many difficulties. The COVID-19 epidemic has had a huge impact on the economy. According to data from the Vietnam Academy of Social Sciences, the economic growth rate in the first quarter was only 3.82% over the same period in 2019, the lowest increase in the past 10 years. In which, the agriculture, forestry and fishery sector grew negative (-1.17%); the industry and construction sector grew at only 5.28%; and the service sector also grew very low. These figures reflect the gloomy economic picture under the shock of the epidemic (General Statistics Office, 2021).

#### **The economy shows signs of recovery.**

With the participation of the whole political system, at present, the COVID-19 epidemic situation is basically under control; Along with that, many solutions to support businesses, individual business households and people are gradually coming to life, so production and business development activities are gradually returning to the normal pace. Therefore, by May 2020, many economic sectors have gradually recovered (Nguyen Thanh Huyen, 2022)

Specifically, according to the General Statistics Office, the index of industrial production (IIP) in May 2020 was estimated to increase by 11.2% compared to the previous month; the number of employees working in industrial enterprises as of May 1, 2020 increased by 0.9% compared to the same period last month. The business registration situation has also improved, in May, the whole country had 10.7 thousand newly established enterprises, up 36.1% compared to the previous month. In the context that the situation of the COVID-19 epidemic across the country has been well controlled, construction investment activities in the provinces and centrally-run cities have basically returned to normal. Projects and works are being focused on speeding up implementation. The growth rate of realized investment capital from the State budget in May reached 31,101 billion VND and in the first 5 months of 2020 reached 116,258 billion VND, reaching the highest level in the 2016-2020 period (Nguyen Dinh Cung, 2021)

Retail sales of consumer goods and services also increased sharply. May is the first month that life returns to normal after social distancing, along with the holiday of April 30 and May 1, so people's

shopping and consumption activities show signs of increasing again. Trade and service activities in May increased sharply (26.9%) compared to the previous month. The import and export situation also showed positive signs. Merchandise export turnover in May was estimated at 18.5 billion USD, up 5.2% over the previous month; goods import turnover in May was estimated at 19.4 billion USD, up 4.7% over the previous month.

However, agricultural, forestry and fishery production in May still faced many difficulties, due to drought and saltwater intrusion affecting cultivation and aquaculture; African swine fever is under control but the re-herd rate is slow; The COVID-19 epidemic has been basically controlled in Vietnam, but there are still complicated developments in the world, especially in countries with large trade relations with our country, which directly affects production and export activities. agricultural imports. Forestry and fishery production in the month showed signs of recovery but was still slow.

### **GDP growth rate remained positive, but there was a significant decrease.**

With drastic and effective solutions in realizing the dual goal of "epidemic prevention and socio-economic development", Vietnam's economy still achieved positive results with maintaining GDP growth. year 2021, but reached the lowest level in the period 2011-2021. GDP in 2021 is estimated to increase by 2.58% compared to the previous year because the COVID-19 epidemic has seriously affected all sectors of the economy. In particular, the fourth outbreak, which started on April 27, 2021, has seriously affected all aspects of socio-economic life, production and business activities of businesses and people in most areas. most provinces and cities, especially in big provinces and cities like Ho Chi Minh City. Ho Chi Minh City, Hanoi, Bac Giang, Bac Ninh, Binh Duong, Dong Nai ..., where densely populated areas, industrial parks, export processing zones and large enterprises in the global value chain, make great contributions to economic development and budget revenue (Tran Ngoc Chau, 2022)

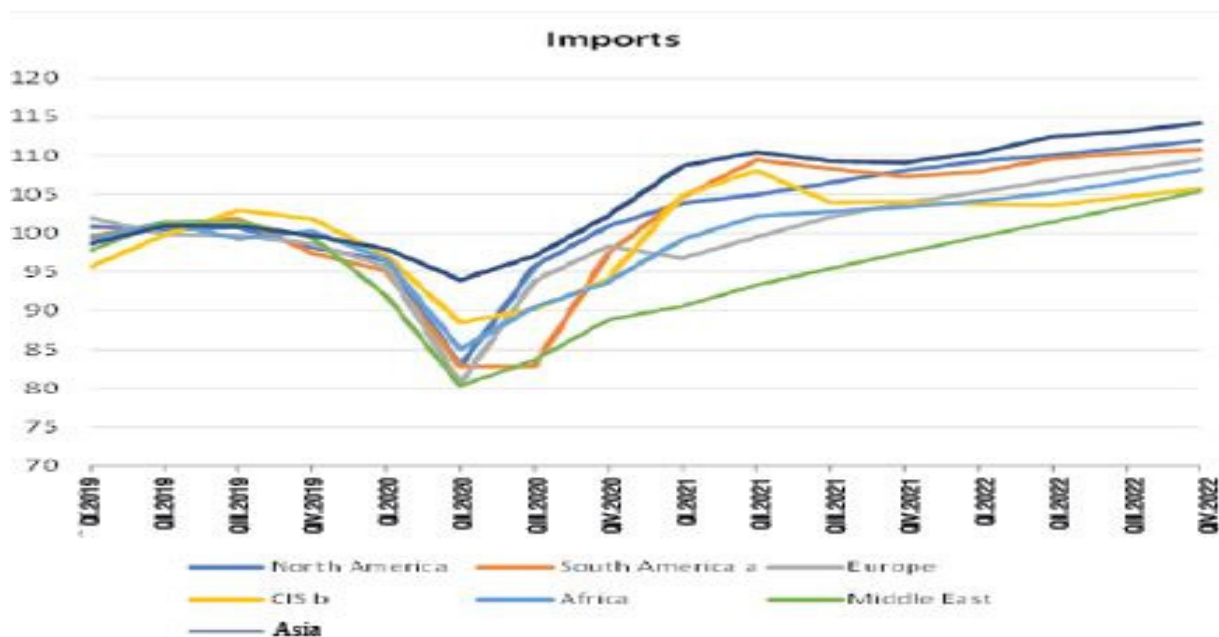
GDP in the third quarter of 2021 decreased by 6.17% compared to the same period last year, in which, except for the agriculture, forestry and fishery sector, which achieved a positive growth of 1.04% but still very low in the past 10 years (only higher than growth rate of 0.97% in 9 months of 2016). Industrial and construction sector; The service sector decreased GDP by 5.02% and 9.28%, respectively. In the fourth quarter, the economy showed signs of improvement, the gross domestic product (GDP) in the fourth quarter of 2021 was estimated to increase by 5.22% over the same period last year, although higher than the growth rate of 4.61% of the previous year. 2020 but lower than the growth rate of the fourth quarter of 2011-2019.

In which, the agriculture, forestry and fishery sector increased by 3.16%; industry and construction increased by 5.61%; service sector increased by 5.42%. Regarding GDPk usage, in the fourth quarter of 2021, final consumption increased by 3.86% over the same period last year; accumulated assets increased by 3.37%; exports of goods and services increased by 14.28%; imports of goods and services increased by 11.36%.

### Attracting development investment capital of the non-state sector and the low foreign direct investment (FDI) sector.

With competitive advantages, open investment environment, stable political environment, stable macroeconomic environment, abundant human resources at low cost, especially after participating in the With bilateral and multilateral free trade agreements (FTAs), Vietnam is one of the most attractive countries for foreign investors. During the period from 2011 to 2019, the total registered FDI capital into Vietnam had a strong and continuous increase. In 2020, due to the impact of the COVID-19 pandemic, the global economy was severely affected, so foreign investment registered in Vietnam decreased, reaching only 28.53 billion USD, down 25 % compared to 2019 (Quynh Anh, 2021)

In 2021, the total foreign investment capital (FDI) registered in Vietnam as of December 20, 2021 includes newly registered capital, adjusted registered capital and value of capital contribution and share purchase by investors. Foreign investment reached 31.15 billion USD, up 9.2% compared to 2020, but foreign direct investment capital realized in Vietnam in 2021 is estimated at 19.74 billion USD, down 1.2% compared to 2020 with the previous year.

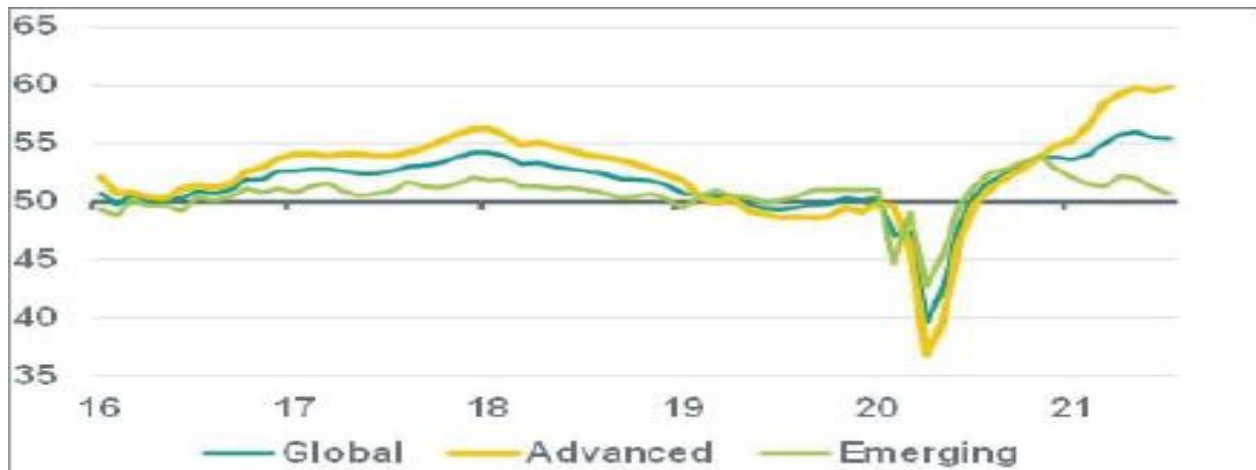


Source: WTO

The operation of enterprises and cooperatives faces many difficulties, causing unemployment and underemployment rates to increase. The outbreak of the COVID-19 pandemic has caused many difficulties in production and business activities of enterprises, especially small and micro enterprises. when the number of enterprises suspending or dissolving their business tends to increase. Specifically, in 2020, the number of newly registered enterprises decreased by 2.3% compared to 2019; the number of enterprises suspending business for a definite time, stopping operations waiting for dissolution procedures and completing dissolution procedures increased by 13.9%. Most of the enterprises had to

suspend their business and have dissolved their activities in the field of commerce and services; Larger firms withdraw from the market more.

In 2021, there are 116,800 newly registered enterprises with a total registered capital of more than 1.6 million billion VND and a total number of registered employees of nearly 854,000 employees, a decrease of 13.4% in the number of enterprises, a decrease of 27.9% in registered capital and down 18.1% in number of employees compared to the previous year.



Source: AMRO Group Economics

In addition, 43,100 enterprises returned to operation, bringing the total number of newly established enterprises and enterprises returning to operation in 2021 to nearly 160,000 enterprises, down 10.7% compared to the previous year. The number of enterprises suspending business for a definite term was nearly 55,000 enterprises, an increase of 18% compared to the previous year; 48,100 enterprises stopped operating and waited for dissolution procedures, an increase of 27.8%; 16,700 enterprises completed dissolution procedures, down 4.1%. Business is affected across the board, most notably with micro and small businesses. Besides, production and business activities of cooperatives, unions of cooperatives, groups of cooperatives (hereinafter referred to as cooperatives for short) were also seriously affected, more than 90% of cooperatives were affected. decrease in revenue and profit.

The inevitable consequence of many businesses having to suspend operations or being dissolved due to the epidemic is that many employees have been cut, the number of employees who have to take unpaid leave accounts for more than 50% of the total number of employees. Data from the General Statistics Office has shown that the unemployment rate of working age in 2020 and 2021, especially in 2021, accounts for the highest in the past 10 years.

### **General assessment of mechanisms and policies that have been issued to respond to the socio-economic impacts of the COVID-19 pandemic.**



To remove difficulties, promote production and business development and economic recovery, the Politburo, National Assembly, National Assembly Standing Committee, Government, Prime Minister, ministries and branches have issued many guidelines, policies and solutions with a total of measures to promptly respond to the epidemic, such as reducing interest rates; debt restructuring; reduction, extension of tax payment, social insurance; exemption or reduction of fees for some public services; reduced, extended payment of land rent, ... and especially launched an unprecedented 62,000 billion VND welfare package.



**Source: IMF - World Economic Outlook (October 2021)**

In general, the issued policies and solutions have a combination of fiscal policy, monetary policy and other industry support or social security policies. In which, it includes a group of short-term solutions, mechanisms and policies in a number of specific industries and fields, a group of fundamental and long-term solutions to remove difficulties for economic growth, support people, enterprise; basically consistent with the evolution and impact of the epidemic, similar to the new approach of many countries around the world, highly appreciated by the people and business community.

The policies are implemented at a low cost, so they do not affect the major balances of the economy, and at the same time, they reserve room to continue developing and implementing solutions in the next period. As a result, it has made an important contribution to stabilizing the macro economy, ensuring social security, helping Vietnam achieve positive economic growth in 2020 and 2021, maintaining a positive economic outlook. of the country in the medium and long term, strengthening people's and businesses' confidence in the guidelines and policies of the Party and State.

However, in addition to the effectiveness and positivity of the policies and solutions that have been issued, in the implementation process, there are also some limitations and obstacles, such as:

- The detailed regulations and guidelines for the implementation of a number of measures promulgated by the National Assembly and the National Assembly Standing Committee are not timely, the implementation of a number of mechanisms and policies is still slow and effective. implementation of some policies is not high;

- Disbursement rate of public investment is low because the initial stage of applying conditions and standards is too high, processes and procedures are cumbersome and inflexible;
- Information and instructions are not timely to enterprises, especially small and micro enterprises and cooperatives, which are difficult to access, not suitable to the needs of enterprises.
- Many difficulties accumulated up to now are not only problems of enterprises but become common problems of industries and fields. Many current policies are still of immediate response, have limited application duration, do not have large-scale, long-term policies focused on specific industries and fields.

### **Some solutions to recover Vietnam's economy after the COVID-19 pandemic**

Firstly, continue to review, perfect and improve the feasibility of legal documents. The improvement of the effectiveness of the inspection and review of legal documents to detect conflicting, overlapping and inadequate contents that are no longer consistent with reality, thereby expeditiously handling according to their competence. or propose competent agencies to handle according to the provisions of law, meet the requirements of clearing bottlenecks, support and promote investment, production and business activities.

Second, improving the business environment promotes economic recovery and increases resilience after the Covid-19 pandemic. A favorable business environment is important for the long-term resilience of the economy and for a rapid recovery from the crisis. In the context of the current Covid-19 pandemic, creating a healthy business environment is important to ensure economic recovery and restore investor confidence. Over the medium and long term, the business environment will affect how businesses weather the pandemic and how well they take advantage of opportunities as they begin the recovery process. The quality of the business environment is also important for foreign investment and the connection of domestic enterprises with global supply chains. In fact, improving the efficiency of commodity market regulations and facilitating business will strongly support economic recovery after the crisis.

Third, be proactive and flexible in managing and operating budget revenue and expenditure. It is necessary to regularly review budget revenues, especially tax, fee, mineral extraction, current and land use levy for unpaid projects. Thoroughly implement savings in recurrent expenditures to prioritize spending sources for development investment, saving administrative expenses, meetings, business trips; at the same time, ensure resources for epidemic prevention and control and increase spending on social security.

Fourth, speed up the completion of investment procedures, implementation and disbursement of public investment capital. Synchronously implementing measures to speed up the disbursement of public investment capital is the most important measure to promote economic growth, especially key projects and new construction projects. Therefore, it is necessary to urgently allocate and assign details of state budget investment plans to tasks and projects in accordance with regulations, in accordance with

the implementation schedule and disbursement capacity, ensuring the focus, focus, not spread, fragmented, prolonged. In the implementation, it is necessary to proactively have specific plans and solutions to remove difficulties and obstacles, speed up the construction progress; capital payment for the project as soon as the volume of test and acceptance as prescribed; proactively transfer capital plans from projects that are slow to be disbursed to projects with good disbursement progress and still lacking capital.

Fifth, increase spending on social security and job support for workers. It is necessary to review and have appropriate support policies for people in difficult circumstances due to the impact of the epidemic, especially to strengthen direct support for vulnerable groups such as informal workers and the unemployed. Karma; Support for housing rental costs for employees working in enterprises in economic zones, industrial parks and export processing zones; Providing preferential loans to employees through the Bank for Social Policies;... The implementation of support needs to be more flexible to ensure that the support money is transferred quickly and promptly to the beneficiary groups. Besides, it is also necessary to have policies to support training and retraining of employees; Improve the efficiency of labor supply and demand connection; Improve the capacity of employment service centers, high-quality vocational schools, etc. to contribute to supporting job creation for workers.

Sixth, support to restore production and business activities of enterprises, cooperatives and business households. Support the recovery of production and business activities of enterprises (especially small and micro enterprises), cooperatives and business households by continuing to implement tax exemption, tax reduction and family policies. tax deadlines, fees, charges, debt restructuring policies; Manage appropriate credit growth, continue to restructure debt, keep the debt group unchanged; Continue to reduce operating costs of commercial banks to have room to reduce lending interest rates, especially in priority sectors and fields; Having appropriate support policies for a number of priority industries and fields such as production and processing of agriculture, forestry, fishery, processing industry, manufacturing, transport services, tourism, promoting the establishment of start-up, creative enterprises, develop industrial parks, high-tech parks, and export sustainably.

## **Conclusion**

The COVID-19 epidemic has complicated developments, disrupting socio-economic activities of countries around the world. The world economy is forecasted to have the most severe recession in the history of all countries, including major economies, and the growth rate will decrease deeply due to the negative impact of the COVID-19 epidemic. In Vietnam, the fourth outbreak from the end of April 2021 is putting heavy pressure on all aspects of socio-economic life. In fact, the Government and State have promptly proposed appropriate solutions to remove difficulties, promote production and business development and economic recovery.



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