

Mid-Term Review Report of the “Support to the Innovation and Development of Business Incubators Policy Project”

Executive Summary

The goal of the Mid-term Review is to analyse the outcomes generated by BIPP in Vietnam more than three years after its establishment and explain the drivers of success and failure. This includes the analysis of the economic and socioeconomic effects generated by BIPP, the impact on legislation and policy development, and the effects the S&T start-up ecosystem in the country. The assessment features four outputs of analysis based on the results framework of the project:

- An enhanced legal framework for supporting S&T SMEs and TBIs
- Incubator policy development enhanced through pilot testing with two one-stop shop TBIs to determine best practices and lessons learnt
- Incubator policy development enhanced through the pilot operation of a seed fund (Innofund), the purpose of which is to support the pre-incubation and incubation of potential S&T SMEs, to determine best practices and lessons learnt
- A monitoring and evaluation framework to be established and operated to ensure project results are captured and fed back into the policy development process.

The intervention logic is realistic and feasible for the project, which means that the connection between the specific objectives and the results and the connection between the results and the activities are coherent. However, the intervention logic underestimated the time and resources needed to make Technology Business Incubators (TBI) sustainable in the Vietnamese context. The time need for a fully operational and self-sufficient TBI is likely to be 8-10 years and well beyond the project duration.

The methodology follows a qualitative approach considering an important aspect of the assessment is to understand the nature of the outcomes and draw lessons from them. Qualitative methods (interviews, group discussions, direct observation) are well suited for this purpose because they produce in-depth information on the why and how outcomes are generated. Furthermore, quantitative data were collected on the following variables: number of start-ups created, revenue growth, external investment attracted, direct jobs created, etc.

The main limitations when conducting the assessment were associated to constraints in data availability and accuracy. Data availability was constrained by a lack of result orientated data produced by the M&E system and absence of data in many areas of analysis.

In 2015, the budget was cut from EUR 4,4 Mio. by 2,25 Mio. This drastically cut was undertaken without changing the intervention logic. This places considerable pressure on the project implementation especially considering the short duration until the end of the project. It should be noted that MoST maintained its budget commitment with ca. EUR 375,000 showing the strong commitment of the ministries support for the project.

In the beginning, the project faced considerable delays in most outputs due to difficulties in finding common ground in administrative procedures for BIPP and between BIPP and BTC. The setting up of the PMU, PSC and recruiting international consultants led to delays of about 12 to 15 months. The commitment of the partners made it possible to make up for this and the project performance and disbursement has considerably improved. Since May 2016 considerable progress has been made regarding incubator policy development (result 1), pilot testing of TBIs (result 2); and pilot operation of a seed fund (Innofund) with including the launch of a calls for proposals (result 3).

The policy component of the project is well on its way and increases understanding of incubation amongst policy makers in Ministry of Science and Technology (MoST) and other project beneficiaries. The activities under result 1 are supporting the development of policies and programs necessary for the growth of S&T incubators and their tenants like a road map for developing business incubation and the handbook on legal framework for S&T enterprises and technology incubation feeding into the revision of circular 16 for technology business incubation. The establishment of two pilot incubators provides a pilot test for policy reforms to get experience with the set up and running of TBIs. This in return will increase understanding amongst policy makers and practitioners. The feedback loop needs to be strengthened to achieve this result. The Innofund provides grants for a range of capacity building support for S&T enterprises and TBIs with results feeding into policy making and explore options for a longer term Innofund under MoST. The M&S system under result 4 has been neglected from the beginning of the project and recent improvements are still not sufficient to establish a feedback loop for policy making foreseen under this output. Even if the latest undertakings have improved the M&E system, it is questionable to which extent it will be useful to support planning and launching of concrete intervention activities by BIPP or MoST.

Relevance

It can be concluded that BIPP intervention is entirely consistent with partner country priorities and policies and geared towards the needs of the beneficiaries. BIPP includes three elements essential to ensuring relevance. It aims at developing policies to support an enabling environment for S&T SMEs that are fully in line with Vietnam's overall socio-economic development strategy and specifically with Science, Technology, and Innovation 2011-2020 strategy for Vietnam. Secondly, it works with partner country's mandated institutions in a way that the project activities are aligned with strategic goals of the partner institutions. In addition, the project is fully embedded into partner institution's structures and delivery is assured with the partner institution staff members. Thirdly, the intent of the MoST is to utilize the project as a testing and institutional building ground for the development of incubator policies and Innofund.

Efficiency

A reluctance by the PMU to implement certain activities coupled with insufficient clarity on the execution modalities for Innofund has significantly affected the implementation efficiency of the project in the first two years. The budget cut by 50% in 2016 had limited effects on the efficiency as the disbursement rate until 2016 was only 10% (based on 4 Mio. EUR). The low disbursement rate in the first two years is evidence of the low effectiveness and efficiency of BIPP. In mid-2016, awareness was gained by all parties on the need to reinforce efficiency for timely implementation of the project activities. The project operational efficiency has significantly increased after signing of the Grant Agreements in September 2016 with three key project stakeholders. This has enabled efficiency gains on major project activities and allowed achievement of a better rate of outputs that was not evident before. Decisions and subsequent actions required lesser time and therefore resulting in better use of resources. In the first two years, the efficiency ratio of BIPP was lower than average but has improved considerably. If for the rest of the project, outputs under component 2 and 3 are properly and timely implemented, these would offer significant efficiency gains to investment made by BIPP.

Effectiveness

The evaluation of effectiveness is hindered by the fact that many project indicators are not practically and measurable and therefore unable to communicate meaningful data. In most cases the project indicators are activity and not results indicators. The data for indicators for the overall objective cannot be collected by the project and are not available for the years 2015-2016. Out of the two indicators for the specific objective, one has already been attained and one is likely to be attained by the end of the project. Data for measuring the achievement of indicators at specific objective level are only measuring if the regulations or official document have been issued or not. For the four result areas most indicators will most likely be achieved at the end of the project but give little information about the quality of the outputs

achieved. The indicators of the result areas don't link up to the specific objective and give no information on whether they have any effect on the specific objective.

Impact

BIPP intervention is expected to make a contribution, though modest given its current budget, to the ambitious overall development objective. The available qualitative evidence suggests that BIPP will generate positive impacts in terms of policy development regarding technology business incubation and grant facilities under MoST. An impact assessment is not feasible at this point, as the project has only started to implement many activities, especially under result 2 and 3, about one year ago.

Sustainability

The analysis revealed factors promoting sustainability and risk factors. On the positive side, the immense interest for the government and private sector, the continued commitment of MoST, and increased demand for services provided by BIPP enhance the prospects for a continuity of the results. On the other hand, there are several risk factors. While progressing with the support of TBIs and Innofund the project might face new challenges, and it is unclear to which extent they will be able to deal with them. The functioning and organizational set up of the TBIs and Innofund raises some concerns as to what extent the partners will be able to operate adequately in future. It is still early to make a definitive assessment on sustainability since a number of actions to be completed in the pending period could change the perspective of sustainability. The sustainability is currently in question and serious efforts need to be undertaken to improve the likelihood of sustainability until the end of the project.

Conclusion

The project is highly aligned to national strategies, policies of the Government of Vietnam. Mutual responsibility is likewise high, though concerns on some of the administrative practices prevail. Ownership is likewise high, though attention dedicated to the project sometimes conflicts with other duties of MoST. The main challenges rest with management for results. However, discussions with the stakeholders conveyed the impression that they can be successfully addressed.

Our evaluation suggests that BIPP is on course to meeting most of its objectives. While the recent development of the project appears positive, this is not to say that there have not been severe issues, and also, that the project development will automatically continue as anticipated. Several challenges remain ahead – both in terms of clarifying the TBI and Innofund concept and in terms of results of the intervention. In terms of the latter, there is insufficient evidence at this stage to conclude that the observed dynamic of the intervention is sustainable.

Recommendations for the Steering Committee:

- Due to the budget cut the relevant activity 1.3 “Support to essential inter-ministerial and/or inter-agency cooperation with respect to technology business incubation” is not implemented. Currently inter-ministerial and inter-agency cooperation with respect to technology business incubation is limited and negatively effects drafting of further legal documents. Therefore BIPP would be well advised to re-activate activity 1.3 and assign a reasonable budget to implement the activity properly.
- With the development of the handbook on legal framework for science and technology business incubation and the roadmap for incubation, BIPP has produced important milestones for the policy making on incubation. BIPP would do well to re-activate activity 1.5 ‘Networking, awareness raising and information exchange’ to assure the sustainability of this component of the project. The quality of the dissemination and information exchange of the policy findings by BIPP in the remaining time of the project will decide on the sustainability of the policy component.

Recommendations for Project Management Unit:

- To improve the effectiveness and impact of BIPP's activities, it is recommended that BIPP undertakes impact assessments including a survey of final beneficiaries of the project. This approach will support BIPP in assessing the effectiveness of their policies recommendations and project interventions and can bring value and lessons learned for MoST and policy feedback loop current missing through the M&E system.
- The efficiency of TBIs needs to be proven for Vietnam as currently many incubators are being set up without knowing the clear benefits and economic viability. The project should pay strong emphasis on generating reliable data to show the economic viability of TBIs in Vietnam.
- The value added of incubator operations lies increasingly in the type and quality of business support services provided to clients and developing this aspect of operations for the two TBIs should be a key priority for the rest of the project life.
- In order to increase the likelihood of sustainability of the two TBIs after the support of BTC ends, the PMU should undertake a risk analysis and support the development of a survival and fund raising plan. If the TBIs are able to address the identified risks, this will help to reduce the probability of failure.

The effectiveness of the Innofund can be improved by simplifying the criteria for selection, monitoring and reporting.. Currently the focus is on monitoring the achievement of the milestones not on supporting them in achieving them.