



## Executive summary

“Support to the Innovation and Development of Business Incubators Policy Project” (BIPP)

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Vietnam

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## 1 Presentation of the evaluation

The goal of this End-term Review is to analyse the outcomes generated by the “Support to the Innovation and Development of Business Incubators Policy Project” (BIPP) in Vietnam at the time of its completion and to explain the drivers of success or failure. This includes the analysis of the economic and socioeconomic effects generated by BIPP, including its impact on legislation and policy development. The assessment is based on the results framework of the project:

- Result 1: An enhanced legal framework for supporting S&T SMEs and TBIs
- Result 2: Incubator policy development enhanced through pilot testing with two one-stop shop TBIs to determine best practices and lessons learnt
- Result 3: 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
- Result 4: 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 main limitations when conducting the assessment were associated to constraints in data availability and accuracy. Although the project has developed a Result Management Framework, it does not permit to fully assess the medium term impact of the project, especially as regards the future of supported TBIs and startups.

## 2 Results and conclusions

### 2.1 Performance criteria

**Relevance:** The BIPP is an integral part of the government’s start-up support scheme under Project 844, which lays out the strategy for “Supporting the National Innovation Start-up Ecosystem by 2025”. The project aims to set up an encouraging legal system including regulations for investments into start-ups by 2020. By 2025, the government hopes to have about 2,000 start-ups covered, of which at least 100 companies are likely to receive venture capital funding or get involved in M&A deals with an expected total transaction value of VND 2 trillion (\$89.7 million).

BIPP includes three elements essential to ensuring relevance. Firstly, it aims at developing policies to support an enabling environment for S&T SMEs; these policies are fully in line with Vietnam’s overall socio-economic development strategy and specifically with the “Science, Technology, and Innovation 2011-2020 strategy for Vietnam”. Secondly, it works with mandated institutions in a way that ensures that the project’s activities are aligned with the strategic goals of the partner institutions, particularly the MoST. Also, the project is fully embedded into partner institution’s structures. Delivery is assured by 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 the Innofund plays a significant role in this respect.

In the light of the analysis, it can be concluded that the BIPP intervention is entirely consistent with the partner country priorities and policies and geared towards the needs of the beneficiaries.

**Efficiency:** As regards the implementation modalities of the BIPP, for Result 2 NACENTECH and HCM UT TBI were selected during the preparation phase. For Result 3, the SATI-TECH was selected later on, as indicated below.

The low disbursement in the first two years of implementation suggests a low efficiency of BIPP during this period. In mid-2016, awareness was gained by all parties on the need to reinforce efficiency. The appointment of an International Technical Advisor enabled the project to speed up many activities and make up for delays in some areas. The project operational efficiency has significantly increased after signing the Grant Agreements in September 2016 with the three above-mentioned key project stakeholders. 82% of the budget was spent over the last three years of implementation. Decisions and subsequent actions required lesser time, resulting in better use of

resources. As per end of 2018, the project spent approximately 1,9 M € from ENABEL and 0,36 M € from the MoST. Compared with the list of outputs delivered and outcomes achieved since the signing of the grant agreements in September 2016 the project can be considered as efficient.

### **Effectiveness:**

As regards Result 1, the focus of our assessment is the report “Development of a Road Map for the Development of all Aspects of Pre- Incubation and Incubation in Vietnam for the period 2015-2025”. This report presents an overview of the current legal framework for incubation activities in Vietnam, through surveys conducted with incubators and their potential clients (organizations and individuals). One section provides a set of goals to be achieved in 2025 with attached indicators. Although it provides many useful information about the issues related to incubation, it does not fit with the usual definition of a road map, and appears to be a preparatory document. At the time of this evaluation mission, neither the report itself, nor the proposed objectives had been officially endorsed by the MoST. In that sense, the effectiveness of this activity/result is extremely limited. The Vietnam road map for incubation and R&D has still to be produced by the relevant authorities.

As regards the support provided to clients, both NACENTECH and the HCM UT-TBI have exceeded their objective in terms of number of supported start-ups, number and percentage of tenants graduated, and number and percentage of clients who have received additional external investment. These two TBIs have been able to support 50 tenants.

The InnoFund has launched two calls for proposals. Twenty financing agreements were signed with either startups or business incubators. From that perspective, most of the targeted results of InnoFund were achieved.

**Impact:** Over the last decade, the Vietnamese government had issued several regulation and decrees to support technology incubation, in particular the Circular 16/2014/TT-BKHCHN (establishment and performance of incubators). It was a goal of the BIPP that the experiences and lessons learned throughout the implementation of the project would contribute to the revision of this circular and, more generally, to an updating of the regulation in this area. This revision was scheduled to take place in 2018 but, during this evaluation mission, it was indicated that it has been postponed until 2019. It is therefore not possible to assess the specific contribution of BIPP to this revision, and, more generally, to the improvement of the innovation/incubation system of Vietnam.

As regards the Result 2, and its “training and sensitization” component, NACENTECH and the HCM UT -TBI have registered a significant success with a total number of 5337 participants over the duration of the project. It is the component of the project which had the higher and most visible impact, but it is a short-term impact, and it is not possible to assess the outcomes of these conferences. However, as regards the support provided to tenants, the long-term impact of the two supported TBIs on the overall ecosystem can only be limited, unless a specific mechanism ensuring the communication of their experience is designed and implemented by the MoST, which is not the case at present.

There is little evidence of a systemic impact of the Innofund beyond the micro level. While the targets of this fund have been achieved, its impact is limited due to the rather small size of the grants and to the fact that only two calls took place during the project intervention. The Innofund can only be seen as a test pilot for supporting MoST in getting experience in managing a grant fund. The Innofund Operational Manual should be used by MoST to design a seed fund as a permanent instrument supporting the S&T community.

For these reasons, our assessment is that, for the time being, the medium-term impact of the BIPP is limited. It is hoped that the MoST will issue an updated regulation for the innovation and incubation system in Vietnam, taking into account the lessons learned from the BIPP.

**Sustainability:** With the development of the “Roadmap for Incubation” document and the Handbook on Legal Framework for Technology Business Incubation, BIPP has produced important milestones for the policy making in this area. However, the sustainability of the results for this component depend on how its findings will be incorporated in the future activities of the MoST.

NACENTECH and the HCM UT-TBI have clearly benefited from the support of BIPP. More staff could be recruited, and appropriate equipment (computers, etc.) were provided. The issue at this point of time is the capacity of these organizations to become sustainable, financially, and in terms of management in the future.

As an institution, the Innofund is not sustainable since the MoST has indicated that it did not intend to provide additional funding to it. The only option left is to assess the sustainability of its results, e.g. how the procedures, organization, selection process etc. could be analyzed and integrated in the launching of other funds, whether they are managed by the MoST or by another institution. At this stage, such assessment is not possible. MoST officials indicated their willingness to do so.

For the above-mentioned reasons our assessment of the sustainability of the results of the BIPP is rather negative.

**Gender:** Gender considerations were not an integral part of the project; limited activities such as monitoring and recording of female and male beneficiaries have taken place, but not in a systematic manner. On the other hand, there are activities that BIPP has financed and implemented which have a direct effect on gender issues. These include special consideration of female applications for Innofund and TBIs. These activities should have a positive effect on strengthening female participation in incubation and economic activities.

**Environment:** The project has no significant environmental impacts, and therefore the PMU found that it was not necessary to set up an environmental framework with specific principles for its activities. Therefore, no specific criteria have been integrated into the M&E system to monitor the proper implementation of environmental impacts.

NACENTECH has organized several workshops related to green agriculture and wastewater treatment. Also, out of the 29 start-ups/SMEs incubated by NACENTECH, several companies developed projects aiming at a positive environmental impact. For instance, one company, V-Seven, develops technologies that have a direct and positive environmental impact: they aim at improving solar efficiency and extending batteries life.

## **2.2 Specific questions**

When BIPP was officially launched at the end of April 2014, business incubation was still a relatively new concept in Vietnam. However, today it is in limelight of policy and political dialogue and perceived as a valuable tool that can play a role in supporting entrepreneurship in the country. This resulted in a considerable boost for incubators in terms of funds available and quality of start-ups willing to join incubators. Today more than 30 incubators are active in the country and the number is growing steadily.

### ***Result 1 Enhanced legal framework for supporting S&T SMEs and TBIs***

- The targets included in the “Roadmap report” are not endorsed by the MoST, therefore the effectiveness of the report is limited.
- The Roadmap report did not address the issue of the legal status of the TBIs nor the issue of their funding.
- At present, the complexity of the Vietnamese system supporting research and innovation is still very high. There are too many organizations involved in this sector, each of them with too limited human and financial resources, and insufficiently used by innovators or researchers.

### ***Result 2 Incubator policy development enhanced through the pilot testing with two one-stop shop TBIs to determine best practices and lessons learnt***

- The BIPP project has contributed to strengthen the capacities of both NACENTECH and HCM UT TBI, and of the other supported TBIs.
- A large number of training sessions were organized, dealing with various issues related to science and technology, with a large number of participants. This has contributed to sensitize various groups and individuals to innovation issues.

- Overall, NACENTECH and HCMUT-TBI have been able to support 50 tenants.
- The implemented activities have allowed to establish a network of start-ups or projects.
- The financial sustainability of the TBIs, including NACENTECH and HCMUT-TBI is still an issue.

***Result 3 Incubator policy development enhanced through the pilot operation of a seed fund (Innofund) to support the pre-incubation and incubation of potential S&T SMEs to determine best practices and lessons learnt***

- The INNOFUND was innovative and has anticipated the development of start-ups in Vietnam. It has provided useful supports to ten incubators and ten start-ups.
- The fund's procedures are considered to be too cumbersome and could have been simplified. However, almost 100% of the Innofund has been disbursed.
- Due to the MoST regulation that allows start-ups to apply for a grant under the condition that they registered their company before awarding the grant, the selection criteria of the Innofund encouraged applications from established start-ups (registered) and enterprises. This choice is understandable, and it seems difficult to operate in a different manner, e.g. granting funds to individuals.
- In the second Call for Proposals (2017), the InnoFund narrowed down the range of applicants only allowing start-up companies established for less than five years. This was a relevant adjustment, as it focuses the intervention on "real" start-ups, and a similar principle could be applied elsewhere.
- SATI-TECH's capacity in managing a research fund has been strengthened but there is a concern about its role as a seed fund manager, given that the Innofund will be closed in 2019. As of December 2018, the MoST indicated that it does not foresee a continuation of the Innofund based on the government's budget.

***Result 4 A monitoring and evaluation framework is established and operated to ensure project results are captured and feedback into the policy development process***

- A monitoring framework has been built by the BIPP, but it focused mainly on activity and implementation, which are indeed necessary, but not so much on results.
- A recommendation of the mid-term review, that took place in 2016, was the following "To improve the effectiveness and impact of BIPP's activities, BIPP should undertake 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". Although an external assessment has been done (EPRO Consulting report) for the InnoFund, it does not provide an assessment of the project's impact.

### **3 Recommendations**

***Result 1 Enhanced legal framework for supporting S&T SMEs and TBIs to the Vietnamese government/ MoST***

- Revise /update/ the following legislations Decree No 39/2018/ND-CP (supporting SMEs, including start-up and innovation); Circular No 01/2007/TT-BKHCHN (Intellectual Properties); Circular 16/2014/TT-BKHCHN (establishment and performance of incubators) with a view to support start up and innovation.
- Draft a roadmap on incubation for research and innovation; this should include indicators, determine how they will be monitored and provide an appropriate budget for this activity.
- Re-organize the Vietnamese system supporting research and innovation by reducing the number of organizations and programs, and providing more resources to the selected ones.
- Better evaluate the value added of the existing incubators (resources versus number of tenants, survival rate, etc.)
- Clarify the possibility for incubators to enter into Public-Private Partnerships.

#### **To ENABEL**

- If a support to the improvement of the legal/regulatory framework of the beneficiary country is needed, there should be a clear agreement with the beneficiary (authorities) on the nature of this support.

### ***Result 2 Incubator policy development enhanced through the pilot testing with two one-stop shop TBIs to determine best practices and lessons learnt***

#### **To the Vietnamese government/ MoST**

- A central data base incorporating all the results of the BIPP beneficiaries should be built (company name, sector, employment, capital, etc.).
- A follow-up of the start-ups/SMEs that have benefited from the BIPP should be undertaken at least one year after the completion of this project, in order to measure the “survival rate” of these start-ups/SMEs.

#### **To ENABEL**

- An ex-post monitoring/evaluation should be carried out at least one year after the completion of the project to assess its impact, particularly on the start-ups/SMEs that have benefited from the support of the project.

### ***Result 3 Incubator policy development enhanced through the pilot operation of a seed fund (Innofund) to support the pre-incubation and incubation of potential S&T SMEs to determine best practices and lessons learnt***

#### **To the Vietnamese government/ MoST**

- The lessons learned through the implementation of the Innofund should be carefully analysed and used if a similar fund is launched in the future. In particular, special attention should be paid to the formulation of regulations on procurement and financial disbursements according to applicable thresholds. Administrative procedures should be simplified as much as possible to save resources for technical activities.
- An appropriate level of funding for this fund should be defined, and its sources (government budget or others) should be determined.
- The status of the implementing organization of a seed fund should be defined, taking into account its capacity to run it. A call for applications could be launched, and it could include banks or financial companies.
- A database including all the project's documents should be created and maintained over a rather long period of time, to ensure a proper follow-up of the start-ups that have benefitted from the fund.
- An appropriate communication should be foreseen before the launching of a new fund; it should not limit itself to the government agencies websites, but should also use other media (newspapers, television, etc.). An efficient website should be designed prior to the implementation of the fund.
- The implementation of the fund should be monitored by independent evaluators; it should be done on a regular basis to allow for adjustments, if necessary. The monitoring/evaluation should focus on the results, not only on the procurement and other administrative aspects.

#### **To ENABEL**

- The Innofund operational manual could be used for reference for other projects, with appropriate adjustments. More generally, the experience gained through this activity should be transferred to other similar projects.
- The selection of an implementing partner should be done during the preparatory phase of a project, or during the inception phase, in order to avoid unnecessary delays.
- ENABEL should ensure that the implementation of the fund is monitored by independent evaluators, and provide an appropriate budget for this activity.



This project resulted with a number of lessons that should be respected in designing future similar projects.

- It is not easy to assess the willingness or the capacity of the partner country's authorities to actually implement the recommendations of a project concerning changes in the regulatory framework. This often involves various institutions/ministries while some of them may not participate to the project. Coordination between ministries is thus an issue.
- The appropriate time frame is very often an issue when designing projects that aim to establish new and innovative organizations such as the TBIs. Depending on their situation prior to the launching of a project, accomplishing this aim requires at least eight to ten years, which is usually longer than the average duration of donors funded projects.
- At the formulation stage, the partner financial capacity to properly maintain the selected TBIs must be taken into account. Financial sustainability of TBIs is achievable but is also likely to take several years. TBIs should only be supported if they are able to produce a medium-term forecast indicating how they plan to become financially self-sustainable, unless the Government accepts ongoing financial responsibility.
- If the TBIs' sustainability is the project objective, the project should be designed in a way that includes a comprehensive analysis of all relevant factors (particularly current and future income and costs). Capacity building activities might be necessary, and should be implemented from the beginning of the project.
- An exit strategy should be defined well before the end of the project.
- The monitoring of the project should focus on results, not only on processes although these are important.

The same comments go for a seed fund like the Innofund. Depending on the situation and performance of the banking sector in the targeted country, it may make sense to involve this sector in the provision of grants and credits.