

IDENTIFICATION FILE for proposed project

"SUPPORT TO THE INNOVATION AND DEVELOPMENT OF BUSINESS INCUBATORS POLICY PROJECT"

Line Agency: **Ministry of Science and Technology**
Project Proposing Agency: **Ministry of Science and Technology**

BASIC INFORMATION ABOUT THE PROJECT

1. Name of Project:

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

2. Sector Code of Project: 74

3. Name of Donor: Government of Belgium

4. Line Agency: Ministry of Science and Technology

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5. Expected Project Owner: Ministry of Science and Technology

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6. Project Duration: 60 months (5 years)

7. Project Location: Vietnam, Hanoi and HCMC

8. Total Project Budget: 4.4 million EUR

Two components:

- i) ODA fund: **4. 0 million** EUR (equivalent to **4. 8 million USD**).
- ii) Counterpart fund: **0. 4 million** EUR (equivalent to **0. 48 million USD**).

9. Type of ODA: ODA Grant

Acronyms

BIPP: Business Incubators Policy Project S&T: Science and technology
DOP: Department of Organization and Personnel
DPI: Department of Planning and Investment
HCMC: Ho Chi Minh City
MoST: Ministry of Science and Technology
R&D: Research and development
SEDP: Socio-economic Development Plan
SME: Small and medium enterprises
TBIs: Technology business incubators

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“SUPPORT TO THE INNOVATION AND DEVELOPMENT OF BUSINESS INCUBATORS POLICY PROJECT”

I. Subject

The proposed project has been designed to enhance the legal framework to promote the development of science and technology (S&T) enterprises, which play a pivotal role in the future development of the Vietnamese economy. In order to enhance the legal framework a two pronged parallel approach will be taken: a rigorous legal analysis to determine areas to enhance the regulatory and legal framework for the S&T sector combined with hands on direct practical lessons learned from piloting two technology business incubators (TBIs).¹ Additionally, an innovation fund will be developed to provide seed funding to start-up S&T small and medium enterprises (SMEs).

The piloting of TBIs over several years will highlight impediments and also well-functioning areas in the existing legal framework through direct experience with S&T SMEs. In turn, over a period of several years developing TBIs, quantitative and qualitative analysis along with lessons learned can be formulated into case studies. These case studies, in conjunction with workshops involving all relevant stakeholders in the development of the S&T SME sector can provide a strong foundation on which to formulate policy recommendations to improve the existing legal framework for the development of a robust S&T SME sector. Finally, these formulated policy recommendations will be presented to the appropriate policymakers.

This project is in line with Belgium’s support for governance, capacity building and institutional strengthening. Additionally, it is in line with the priority of the Vietnamese Socio-economic Development Plan (SEDP) and Vietnam’s government policy for the development of S&T enterprises, which aims to reach the target of 3,000 S&T enterprises by 2015.

The proposed intervention has three main results:

Result 1: The legal framework for promoting S&T SMEs and TBIs is enhanced.

Result 2: Pilot two one-stop shop TBIs successfully to determine best practices and lessons learned for policy development.

Result 3: High potential S&T SMEs that are part of the pilot TBIs are incubated and supported through a seed fund (Innofund).

¹ A technology business incubator (TBI) refers to an organization (the incubator) that provides services supporting organizations and individuals that join the incubator to complete their technology and turn it into successful commercial entities over a certain period of time. This usually involves services such as business development (marketing, finance, human resources etc.), production (technical infrastructure support), and legal support as well as assisting in finding funding and investment sources. Given the risky nature of start-up enterprises and the usually high levels of investment required for technology start-ups, these services are designed to reduce the risk of failure and ensure the start-up has the greatest chance of succeeding. Organizations wishing to join an incubator are screened for potential and if accepted are supported with the above services for a certain period of time. The objective is that the incubated enterprises graduate as successful profitable enterprises.

II. The Ministry:

The Ministry of Science and Technology (MoST) is a governmental agency which performs the function of state management of S&T. In particular, in the domains under its state management, the MoST takes responsibility to perform the following key tasks:

- To promulgate, disseminate, guide and examine the implementation of legal documents on S&T, and to submit to the government and the Prime Minister legal documents on S&T for approval.
- To provide professional guidance on the management of S&T activities to ministries, branches and localities.
- To guide the establishment and development of S&T enterprises and TBIs.
- To organize the implementation of approved bilateral and multilateral cooperation programs in S&T.
- To coordinate with the Ministry of Finance in elaborating financial mechanisms for S&T development, and to examine and supervise the use of S&T funds.

More specifically, under the SEDP, the MoST has been given the mandate to accomplish the target of 3000 S&T enterprises by 2015.² The MoST will be the Line Agency of the Support to the Innovation and Development of Business Incubators Policy Project (BIPP). The lead department at the MoST is the Department of Organization and Personnel (DOP) which is in charge of S&T institutions and personnel. Regarding TBIs as a tool for the training and development of S&T enterprises, according to Article 14 of Decree 56/2009/ND-CP, the MoST is the focal Ministry to lead and coordinate with concerned agencies in formulating policies that give a priority to SMEs to participate in the TBIs.

The DOP will be designated with the main responsibility for the preparation of and implementation of the BIPP project. Other relevant agencies at the MoST may also take part in the BIPP as coordinators to propose business incubating policies and carry out the implementation of pilot business incubators (i.e. the National Center for Technology Progress – NACENTECH, The State Agency for Technology Innovation...etc.).

III. Overall and specific objectives of the project/program

1. Problem analysis

SMEs, one of the fastest growing sectors in the Vietnamese economy, play a vital role in contributing to new job creation and poverty reduction.³ As an integral backbone of the economy, the support and development of SMEs has become one of the key tasks in Vietnam's social-economic development strategy. However, many SMEs rely currently on the comparative advantage of cheap labor costs rather than gaining their advantages from technology. The SEDP has recognized this required shift towards technology to achieve the next levels of economic growth and implemented a target of 3,000 S&T certified enterprises by 2015.

Despite this target, there are currently very few registered S&T SMEs; approximately 300 currently, equivalent to 10 percent of the target.⁴ This, in conjunction with the minimal

² Decision No. 1244/QĐ-TTg of Prime Minister of July 25, 2011, approving major scientific and technological orientations, objectives and tasks during 2011-2015.

³ SMEs play an increasingly important role accounting for approximately 96.5% of total enterprises countrywide, contributing around 30 percent of GDP, 7 percent of export contributions, and from 2006-2010 created 2.7 million jobs (Ministry of Planning and Investment Report, 2011).

⁴ Conference on the Implementation of S&T Strategy 2001 – 2010, MoST November 2010. Also see Vietnam Government newspaper article: <http://www.baomoi.com/Home/KHCN/baodientu.chinhphu.vn/Phat-trien-nhan-luc-khoa-hoc-cong-nghe-la-yeu-cau-buc-thiet/5176200.epi>

amount of domestic technology products on the domestic market demonstrates a weak S&T SME sector. To meet this target, there are several barriers that must be overcome. However, political will is not one of them. This is because S&T SMEs can contribute significantly to improve the competitiveness of Vietnamese enterprises in the global market (e.g. reducing technology based input costs) whilst creating new levers for social and economic development through the creation of new products, technologies, and jobs.

Recently S&T enterprises from incubators have been able to contribute towards the implementation of business environment reform, strength business development services, and promote mechanisms of public – private partnerships in constructing and managing incubators for long-term sustainable development. In the context of weak legal framework on S&T SMEs, incubation activities are still in early stages due to the lack of legal framework.

Table 1: SWOT analysis for TBIs in Vietnam

Key factors to be considered: government policies, demand, financial sustainability

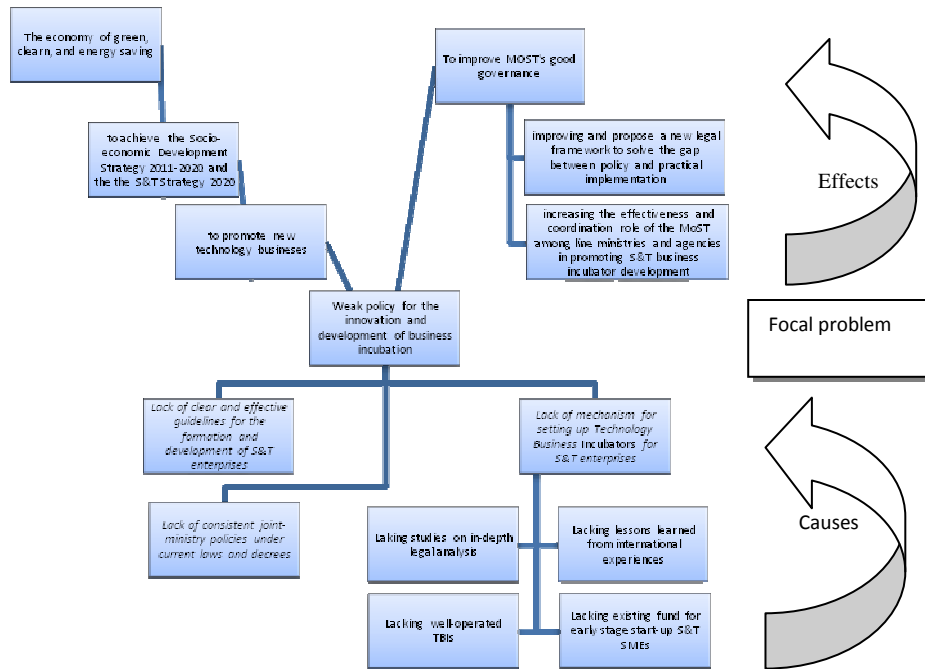
Strength	Weakness
<ul style="list-style-type: none"> • Entrepreneurial spirit of young Vietnamese engineers and researchers. 	<ul style="list-style-type: none"> • Lack of diversity. Many incubators are public and rely heavily on public subsidies. It is worth noting the important role of the Department of S&T in HCMC supporting three out of the five TBIs in HCMC. • Lack of experience. All operating TBIs were set up during 2006-2009. Many business incubators are still in a pilot phase. Two business incubators set up in 2004 have already ceased to operate. • Low awareness of government incentive policies and practices. • Lack of sufficient initial investment and financial support in the establishment phase. • Lack of a professional management team for university TBIs. Managers still have their main jobs in research or teaching.
Threat	Opportunities
<ul style="list-style-type: none"> • Lack of common trust in the effectiveness and potential of TBIs. • High price of real estate may hinder the development of office space for TBIs. 	<ul style="list-style-type: none"> • There is demand from universities, researchers and students for TBIs. • Government and some cities are starting to realize the important role of TBIs. • TBIs can play an important role in nurturing S&T enterprises, in line with government strategy to promote this type of enterprise in Vietnam. • TBIs located in hi-tech parks or software parks can receive leverage from these parks as well as hi-tech incentive policies.

Additionally, the promotion of S&T enterprises is one of the key policy measures to facilitate the development of the market for S&T, which has been emphasized in many government documents, such as the S&T Strategy 2020 and the Socio-economic Development Strategy 2011-2020.

Based on the above mentioned situation regarding the innovation and development of business incubation in Vietnam, the core interventions from the Vietnamese Government

aim at providing policies to facilitate the growth of SMEs, especially S&T enterprises, through the development of TBIs.

Table 2: Problem tree on weak policy for the innovation and development of business incubation



The main causes to have obtained only 10 percent of the target of 3,000 S&T certified enterprises by 2015 are the following:

Weak legal framework, lack of clear and effective guidelines for the formation and development of S&T enterprises, and lack of consistent joint-ministry policies under current laws and decrees

To date, the government’s policy to support S&T SMEs centers around two main Decrees, i.e. Decree 56/2009/ND-CP on assistance to SMEs dated 30 June, 2009 and Decree 80/2007ND-CP on S&T enterprises dated 19 May, 2007. Decree 56 mainly regulates incentives for SMEs whereas Decree 80 regulates the procedural process of incentives and creation of S&T enterprises. Despite having decrees specifically aimed at promoting the S&T SME sector, they still face difficulties due to some ambiguities and lack of further guidance:

First, is the problem of applying for S&T enterprise certification due to insufficiently clear stipulation on “science and technology results.” This difficulty in registration has resulted in very few S&T enterprises obtaining the certification which without they are unable to access

the incentives offered by the law (reduced taxes, skills training, and other economic incentives).

Furthermore, there are ambiguities in the ownership of S&T results; a critical barrier given the additional domestic challenge of weak intellectual property rights and a copy-cat culture. The setting up of S&T enterprises requires legal rights to own or to use S&T results. In general, the price is determined by negotiation with the sellers. In many cases, scientists (entrepreneurs) in Vietnam lack knowledge and experience to value and determine the right price of S&T results that they want to acquire from external sources (abroad or other local R&D organizations). Meanwhile, there are currently no clear guidelines for this. Therefore, the MoST should develop a manual with detailed guidelines as this would be a useful reference for both policy implementers and entrepreneurs.

Lack of a clear mechanism for setting up TBIs for S&T enterprises

With regards to incentives for S&T SMEs, Decree 56 has stipulated necessary mechanisms to support these enterprises, including setting up TBIs in which the MoST has been assigned to be in charge of.

TBIs, as a specific type of business incubators have been mentioned in a number of legal documents. The main legal documents relating to TBIs are as follows:

- Law on Technology Transfer, approved on November 29, 2006. TBIs are considered a measure to promote the development of the technology market, and receive a number of tax incentives.
- Law on High Technology, approved on November 13, 2008. Hi-technology business incubators are one of the important measures to promote the establishment of hi-tech enterprises, and will receive the highest incentive treatments in land and taxes. Part of the operational costs can be supported by a government fund. The MoST will define the requirement and criteria for the establishment of hi-tech business incubators.
- Decree 56/2009/ND-CP, 30 June 2009. The MoST is the focal organization to coordinate and determine the incentive policies to encourage SMEs to participate in TBIs.

Although laws and decrees for supporting TBIs and S&T enterprises are available, the following gaps can still be found:

- A common legal status for TBIs is still not defined. Presently, TBIs are registered under different types of organizations and different decrees, such as Decree 115, Decree 43, or as limited-liability companies. If a common type of organization for TBIs can be suggested, an incentive policy for TBIs can also be focused more effectively.
- The experience from Ho Chi Minh City (HCMC) demonstrates how the local province can play a key role in the development of TBIs with their support and involvement in all five TBIs in the city. Thus, legal framework at the local level can be worked out to guide TBIs to associate effectively with the socio-economic development strategy of the concerned province. The central government's strategies and policies for TBIs should therefore give a certain level of autonomy for local provinces. The MoST in turn will assist the provincial government to develop their plan in association with national policies.

This confirms the need to develop further detailed guidance on how to setup and how to operate TBIs effectively which will be addressed within the scope of this project.

Lack of well-operated TBIs which can effectively support scientists and researchers to test their innovative products and turn them into marketable commodities

To date, there are very few Technology Business Incubators (TBIs) in Vietnam with only eight of them currently operating. They are mainly located in the two big cities in Vietnam, i.e. Hanoi and HCMC, where there are high economic growth rates. However, most of them are newly setup (in the period 2006-2009) and struggling for survival due to lack of practical experience. Additionally, most of these TBIs are associated with universities and/or technology parks except only one (Hanoi TBI, food and packaging), a stand-alone model under the SME support center of the Hanoi DPI.

The lack of effective incubators contributes to an underdeveloped S&T sector and underdeveloped potential and skills of S&T entrepreneurs. Engineers and scientists often need significant assistance with business skills. Without this support, it increases the risk of a business failure. Currently, scientists and engineers are facing significant challenges in accessing high-quality consulting and business development services as well as reliable facilities for R&D testing and completion despite it being an existing legal incentive for S&T enterprises. Reducing risk through support services (finance, legal, technical assistance, R&D infrastructure, etc.), especially in S&T enterprises with large investments, is essential in a currently turbulent economic environment where in the first four months of 2012 almost 200,000 enterprises went out of business.⁵

In this case, TBIs can provide much needed support to improve the capacity of S&T entrepreneurs and enterprises in the form of business development services (financial, legal, technical, etc.) and physical incubation space. However, there are currently only seven existing TBIs in Vietnam with five of them located in HCMC. The key challenges for the sustainability of TBIs fall into several categories:

- i) TBIs often lack a strong independent legal foundation making university based TBIs especially vulnerable
- ii) Financial sustainability is very hard to accomplish. Critical need for initial subsidies as seen internationally and in Vietnam. A key reason for TBIs in Vietnam not being sustained is simply due to a lack of funding. As seen in the example of China's business incubators, they are often subsidized by the government far beyond the sustainable target of three years.⁶
- iii) Lack of strong TBI management staff coupled with a lack of countrywide experience with TBIs makes achieving financial sustainability more challenging.

No existing fund for early stage start-up S&T SMEs

The lack of funds providing access to credit for early stage start-up S&T SMEs is a key barrier to the formation of robust S&T enterprises.⁷ Without key financial input incentives for S&T start-ups, it stifles innovation and ideas, reduces the formation of S&T SMEs, and pushes highly talented engineers and scientists to pursue other opportunities in more conducive environments with greater access to credit, often in other countries; thereby, contributing to a brain drain. Given there are so few technology products of domestic origin on the domestic market, there is great economic potential in remedying this. Given the

⁵ VN Media online, retrieved May 15th 2012 from: http://www.vnmedia.vn/VN/kinh-te/tin-tuc/26_292576/gan_30_doanh_nghiep_pha_san_do_thieu_von.html

⁶ Aruna Chandra, "Approaches to Business Incubation: A Comparative Study of the United States, China and Brazil", Infodev' iDisk working paper no 9, November 2007.

⁷ The National Fund for Science and Technology Development aims to support basic research, with a small portion to support technology innovation of existing companies until the National Technology Innovation Fund is available. The National Technology Innovation Fund was approved by Decision 1342/QĐ-TTg of the Prime Minister dated August 5, 2011. The objective of the National Technology Innovation Fund is to promote technology innovation in existing companies. However, the Technology Innovation Fund is still in a preparation period, which will take at least two to three years before being operational.

challenge for S&T SMEs to obtain access to funding, there is a significant need to implement a seed fund (tentatively named the "Innofund") in the TBIs to incubate high-potential S&T SMEs. The Innofund would provide seed funding to high-potential S&T SMEs part of the pilot TBIs to enable the entrepreneurs to work full-time on developing their enterprises with experts in the TBIs to reach a level of attractive investment for traditional investment funds.

From this analysis, the MoST proposes this project, comprising three core components to specifically address each of these above problems identified: (i) To enhance the legal framework and improve current ambiguities in policies, enhance the implementation of incentives, clarify guidelines on the registration and certification process and to enhance joint-ministry legal documents; (ii) to pilot two one-stop shop model TBIs, and (iii) to develop the Innofund.

3.2. Objectives

To address the problems identified as described and analysed in part 3.1, the proposed project will have the following objectives:

3.2.1 The overall objective:

The Overall Objective of this project aims to contribute to the social-economic development strategy of Vietnam and assist Vietnam to continue its economic growth to become an industrialized nation by the year 2020 through a strong force of S&T enterprises.

3.2.2 The specific objective

The Specific Objective of the project is to support the MoST in developing an enabling environment for S&T SMEs based on an improved legal framework and a set of coherent mechanisms for starting and operating S&T incubators to enhance the S&T SME sector.

3.2.3. Project design

To obtain the global and specific objectives above, this proposed project is designed with three main Results as follows:

Result 1: *To enhance the legal framework for supporting S&T SMEs and TBIs.*

To achieve Result 1, the project will focus on improving current ambiguities in policies, enhancing the implementation of incentives, clarifying guidelines on the registration and certification process and enhancing joint-ministry legal documents to promote the development of S&T SMEs. Enhancing the governance and public administration capacity at the provincial level will lead to greater S&T SME certification contributing towards the SEDP target. This will increase the size of the S&T SME sector and community and strengthen it through enabling S&T SMEs to obtain their incentives under law. Through this result, a well-developed mechanism for setting up and operating TBIs is also expected to be achieved.

Under this component, an in-depth legal and practical analysis will be conducted identifying precise legal blockages preventing S&T SMEs from registering, obtaining certification, obtaining incentives etc.. This will be followed by actionable steps to remove the identified legal blockages. It is also expected to have enhanced legal framework policies leading to increased public administration and governance capacity enabling a significant increase in the certification of S&T SMEs. After five years of project implementation, a circular (or joint circular with other Ministries), ministerial decision, detailed guidelines for improving the effective implementation of Decree 80 and related policies shall be issued with a particular focus on the clarification of S&T results, approval and certification of S&T enterprises, coordination among stakeholders, and implementation of tax incentives.

Result 2: *Pilot two one-stop shop TBIs to determine best practices and lessons learned for policy development.*

Piloting TBIs in this context refers to experimenting with developing innovative TBI models that build on previous Vietnamese TBI models that succeeded and failed. As the tool to obtain direct lessons learned from understanding the existing barriers for S&T SMEs, it is proposed to set up and operate pilot incubators. Given the north and south have vastly different cultures and economic conditions it is crucial to examine lessons learned in both environments.

Currently, TBIs in Vietnam are only operating in Hanoi and HCMC; cities that best meet the requirements for TBIs, namely a high demand for technology-based business incubation services.⁸ Successfully piloting TBIs in these two cities can also have positive diffusion effects for other provinces to follow. Policy making experiences in Vietnam demonstrate that Hanoi and HCMC have distinctive features representing the difference between the north and south of Vietnam. Hanoi, as the capital, is considered the center of culture, S&T and educational institutions, and the location of central government organizations. HCMC is considered a thriving business center with a more developed market and strong business communities. The fact that five out of seven operating TBIs are located in HCMC proves an enabling environment for TBIs in this city. Based on previous experience, to formulate effective national policies lessons need to be drawn from both Hanoi and HCMC.

Piloting TBIs will provide S&T entrepreneurs the opportunity to develop their ideas in a one-stop shop with a physical location, R&D facilities, expert advice and business development services that can greatly increase the chance of the success of their venture. Furthermore, by enhancing the efficiency of the public administration of the S&T enterprises (such as the certification process) in the one-stop shop, it will greatly enhance efficiency and enable the entrepreneurs to focus on the challenges of the R&D and business. If the piloted TBI models are successful, they can be replicated throughout the country that in turn will enable greater opportunities for more S&T entrepreneurs (potentially individuals, university students, professors or science researchers) to join TBIs and build the skills and capabilities needed to develop successful S&T SMEs. The Innofund will assist in providing the needed seed funding to high-potential S&T SMEs in the pilot TBIs.

Reference is made to the Identification report (in annex of this identification) for analysis of issues encountered by existing TBIs as well as some options for piloting TBIs in this project.

Specific location, viability, and budgeting of pilot incubators will be further worked out at the formulation stage. Particular attention needs to be paid to the sustainability of the pilot TBIs in the formulation stage. If a successful model can be developed, the pilot TBIs can serve as a one-stop shop model replicated around the country.

Result 3: *Potential S&T SMEs are incubated and supported through a seed fund (Innofund)*
Given the challenge for S&T SMEs to obtain access to funding, there is a significant need to implement a seed fund (tentatively named the "Innofund"). The aim of this Innofund is to provide the entrepreneurs with seed funding to enable them to focus full-time on their enterprises with experts in the TBIs funded by this project to develop their capacity,

⁸ These two cities have the highest levels of international cooperation and subsequently high levels of awareness about TBIs. Furthermore, they are also leading cities in terms of economic development, contain more advanced levels of enterprises, and R&D in universities and research institutions.

conduct basic R&D, develop prototypes, test requirements for technical specifications, test market viability and commercialization at scale, and other business development components. This Innofund will be specifically available *only* for S&T technical business incubatees' proposals admitted to TBIs funded by this project.

This fund can also be used as a tool to promote the development of green technology in Vietnam as well as to promote the co-operation between Vietnamese technology business incubatees and Belgian partners. It will be a proposed priority of the Innofund.

IV. Beneficiaries and localization of the project:

The beneficiaries of the BIPP include direct and indirect beneficiaries.

Direct beneficiaries:

- i) MoST as the government body to issue policies for the formation and development of S&T enterprises and TBIs
- ii) One existing TBI supported in HCMC, one new TBI in Hanoi
 - a. Approximately 20-35 incubated S&T SMEs
- iii) Approximately 35 S&T enterprises supported by the Innofund

Indirect beneficiaries:

- i) The business community, entrepreneurs, existing businesses, and especially the estimated 2,000 SMEs eligible for incentives following S&T certification
- ii) The S&T community, which consists of 1,500 S&T organizations (R&D institutes, universities, S&T centers, etc.) with a total S&T staff of 60,000 people (researchers, professors, technicians, etc.).⁹
- iii) Individuals, university students

V. Relevance:

The proposed project is highly relevant to both Vietnamese socio-development strategies and Belgian Development Cooperation objectives.

In particular, it is relevant with the SEDP Strategic Objectives. The emergence of a robust S&T SME sector is an important element in the SEDP and calls for accomplishing 3,000 certified S&T enterprises by 2015. Direct strategic objectives falling under the MoST SEDP for this intervention are: (i) economic growth and (ii) job creation. Indirect strategic objectives are: (i) poverty reduction and (ii) enhanced Millennium Development Goal indicators via job creation.

The proposed project also fits within the Indicative Cooperation Programme between Belgium and Vietnam during the period 2011-2015 focusing mainly on: (i) strengthening institutions within a market-economy framework; (ii) strengthening human capacity; (iii) developing modern infrastructure; (iv) supporting the development of some types of production to create new jobs and increase income, contributing to poverty reduction.¹⁰

Synergies between Belgium and the MoST

The main focus and synergy between the SEDP and Belgium lies on governance; to improve ambiguities in existing policies and enhance the existing legal frameworks for S&T SMEs.

⁹ Conference on the implementation of S&T strategy 2001 – 2010, MoST November 2010. See also online Vietnamese Government newspaper: <http://www.baomoi.com/Home/KHCN/baodientu.chinhphu.vn/Phat-trien-nhan-luc-khoa-hoc-cong-nghe-la-yeu-cau-buc-thiet/5176200.epi>

¹⁰ Indicative Cooperation Programme between Belgium and Vietnam 2011-2015: http://diplomatie.belgium.be/en/binaries/icp_vietnam_2011-2015_tcm312-158641.pdf

Additional synergies lie on enhancing capacity, institutional strengthening and public administration at the provincial levels to enhance the registration and certification of S&T SMEs. This will lead to a more conducive legal environment to promote the development of S&T SMEs. Furthermore, there are additional peripheral synergies: gender, climate change, and green growth that align with both the SEDP and Belgian priorities.

Commercialization of green related technology for climate change adaptation

It is crucial to tap into existing R&D resources and capitalize on these commercial opportunities; these technologies can have significant financial and social impact on society. Key synergies between existing Belgian projects in Vietnam could be developed focusing on solutions for green growth and climate change impact. To promote this, the pilot TBIs can focus on green energy and biotechnology. By commercializing technologies via S&T SMEs, there is scope to create financial and climate change synergies by playing a pivotal role in domestic climate change adaptation as well as risk mitigation.

Encouraging women and minority entrepreneurship

Given the Belgian strategic focus on gender, a potential synergy could be reserving a percentage of spaces in the TBIs for organizations headed by women and those belonging to minorities.

Additional areas of value that Belgium can add:

Knowledge transfer of developing technology business incubators

Belgium and the E.U. have had tremendous success with the development of the European Business Innovation Network. Since establishing the business innovation center (BIC) in Liege (Belgium) in 1984, the BICs have implemented more than 450,000 start-up projects directly contributing to the establishment of 27,000 SMEs and creating 132,000 new jobs. As a result of this, there is tremendous scope for knowledge transfer, sharing of experiences and lessons learned in the European context and assisting in the development of Vietnamese TBIs in the Vietnamese context.

Sharing of experiences in developing mentor network and angel mentoring

Due to particular elements of Vietnamese culture, an angel mentoring and investing network has not yet taken off. However, there are many successful high net-worth individuals who could play a critical role in providing access to capital, but more importantly, using their knowledge and experience to increase the likelihood of S&T SMEs succeeding. Given almost 200,000 enterprises went out of business in Vietnam in the last four months it is of the utmost importance that TBIs provide their incubatees with all the tools and foundations to graduate the incubated enterprises with successful S&T SMEs. Cooperation with Belgian organizations through the two pilot TBIs could play a role in connecting Belgian angel mentoring and investing networks to develop a strong Vietnamese mentor network based on Belgian experiences. This could lead to a robust angel mentoring network and perhaps even the beginning stages of angel investing.

VI. Coherence:

6.1 This project is part of the overall governance component of Belgium. With the focus on piloting TBIs, synergies can be honed through the development of green technology and biotechnology. The development of these technologies can potentially further be aligned with climate change and green growth strategies.

6.2 To date there have been several projects focusing on developing business incubators with a focus on technology.

- The project ASIE/2003/005-885 received a budget of approximately 1,970,000 EUR from the European Commission (EC), implemented during 2004-2012 to foster SME development through the establishment of two replicable TBIs in selected industry sectors: a food processing incubator in Hanoi and an ICT incubator in Quang Trung software park in HCMC (see *Project 1* in Figure 2 below).
- Infodev (World Bank) just supported a Mobile Lab project in the Saigon Hi-tech incubator to promote mobile application businesses for the period 2012-2014 (see *Project 2* in Figure 2 below). The amount of support for this project is 380,000 USD. A new concept of virtual incubation will also be piloted in Vietnam by Infodev.
- The IPP program funded by the Finnish Government also supports private sector development through innovation based activities and capacity building in business management. The first phase of the IPP will end by August 2012.
- The Swiss State Secretariat for Economic Affairs established a Trust Fund associated with the Green Credit Line, which grants incentives (guarantees and reimbursements). The Green Credit Line aims to increase investments in cleaner technologies. This is achieved by a reduction of the demand on collateral (50% guaranteed) and a partial reimbursement (up to 25 %) of the invested capital, based on the environmental impact resulting from the investment. This could play a synergistic role in providing access to capital for S&T SMEs in the pilot TBIs.

The BIPP will complement the existing TBIs by focusing on a different specialization: green technology and biotechnology. Most importantly, it will also draw upon existing and defunct TBIs to develop comprehensive lessons learned that can enhance existing national level S&T SME sector legal frameworks. In turn, this can enhance the national development of TBIs enabling the development of more S&T SMEs.

Table 3: Overview of existing TBI donor funded projects

Project	Donor	Focus	Current Status
1) ASIE	European Commission (2004-2012)	Develop two replicable TBI models in select sectors: i) food processing ii) ICT	Two TBI models have been running but the budget will end in 2012.
2) Mobile Lab	Infodev (World Bank) (2012-2014)	Focus on mobile application business located in Saigon hi-tech park	Two year project only funded with \$380,000 USD

To date donor interventions in the TBI space have focused solely on capacity building, developing specific sectors and developing replicable TBI models. Thus, a focus on the legal framework and policies, as proposed in this project, is much needed and does not overlap with other donor interventions in this area.

VII. Budget and duration of project
Budgeted Expenditures for the BIPP

No.	Description	Proposed cost (EUR)
A	Project capital funded by Belgium	4,000,000
	RESULT 1	250,000
1.1	In-depth legal and practical analysis of precise legal blockages preventing S&T SMEs developing to enhance the legal framework	
	RESULT 2	2,350,000
2.1	Feasibility study for establishing 02 pilot TBIs	
2.2	Investigation and reporting on current business incubators in Vietnam	
2.3	Conducting report on international experiences in business incubation in Europe (especially Belgium) and regionally (China and Thailand)	
2.4	Establishing one group to study experiences of successful countries and take part in short-term training in building, managing and developing business incubators	
2.5	Establishing 02 business incubators as pilot models in Hanoi and HCMC	
2.6	Awareness raising of TBIs for S&T enterprises	
2.7	Building an information network among business incubators and an organized database of operating business incubators	
2.8	Workshops, case studies of lessons learned from all Results, drafting documents of government policies and guidelines for effective implementation of current decrees for supporting S&T SMEs, for the renovation and development of TBIs and policies for S&T SMEs to participate in TBIs	
	RESULT 3	1,400,000
3.1	Founding the Innovation Fund for incubating S&T SMEs (Innofund) -Support for innovative product/service development and commercialization -Average 40,000 Euros/project/1-2 years -35 projects	
B	Counterpart project capital funding	400,000
	- Salaries for MOST's staffs who participate in the work with consultants and Belgium's experts; - Facilities (office, meeting rooms, etc.) - Facilities in TBIs (computers, printers, copiers, telephones, etc.)	

	<ul style="list-style-type: none"> - Costs for review, appraisal and approval of project; - Costs of project management board and other relevant costs incurred for implementation. 	
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The above budget is tentative and will need to be further examined and determined by the formulation team. The Government of Belgium will be funding **4.0 million** EUR (equivalent to **4.8 million** USD). The anticipated period of implementing the BIPP, contingent upon donor approval, is five years. The counterpart funding will be **0.4 million** EUR (equivalent to **0.48 million** USD).

VIII. Sustainability:

The proposed project will be implemented by the MoST. The government and Prime Minister have placed a high priority on the MoST to develop the S&T SME sector in accordance with the SEDP. There is currently considerable political will and a vital need to accelerate the formulation of mechanisms and policies to create favorable conditions for restructuring the economy with a strong focus on the S&T SME sector providing a strong foundation for the sustainability of the BIPP. Furthermore, this demonstrates a productive environment to implement the lessons learned and formulate them into enhancing and enacting policy changes to spur the development of further TBIs and the S&T SME sector.

Based on the results and evaluations of the pilot TBIs, there could be scope for the extrapolation, replication, and integration of successful models throughout the country. Positive TBI pilot results will culminate with an increased institutional capability and knowledge to develop TBIs to enhance the S&T SME sector. From a financial funding perspective, a cost-benefit analysis would likely demonstrate the potential financial gains to encourage public, private and public private partnership funding structures.