

# Perfecting Vietnam's Current Policies To Support Startups And Innovation

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## **Abstract:**

*Startups and innovation have emerged as key drivers of economic development in the contemporary context, contributing to the formation of a dynamic and resilient economic foundation. In recent years, Vietnam has made notable progress in implementing policies aimed at supporting startup activities, yielding several positive outcomes. Nonetheless, for the startup ecosystem to thrive and for innovation to become a substantial force in national development, existing support policies require further enhancement and refinement. This paper analyzes the current state of startup and innovation support policies in Vietnam, identifies existing limitations, and proposes a number of policy recommendations to strengthen the institutional framework and promote the sustainable development of startups and innovation in the upcoming period.*

**Keywords:** Support, startups, innovation, policy, businesses...

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## **I. Introduction**

Startups and innovation have emerged as key drivers of economic development in the contemporary context, contributing to the formation of a dynamic and resilient economic foundation. In recent years, Vietnam has made notable progress in implementing policies aimed at supporting startup activities, yielding several positive outcomes. Nonetheless, for the startup ecosystem to thrive and for innovation to become a substantial force in national development, existing support policies require further enhancement and refinement. This paper analyzes the current state of startup and innovation support policies in Vietnam, identifies existing limitations, and proposes a number of policy recommendations to strengthen the institutional framework and promote the sustainable development of startups and innovation in the upcoming period.

## **II. Research Overview**

Numerous studies, both domestic and international, have examined startup activities, innovation, and policies supporting startup ecosystems. For example, Nguyen Hong Thu (2023), in “Vietnam's Innovative Start-up Ecosystem: Current Situation and Solutions,” provided a comprehensive analysis of the ecosystem's key components, identified existing difficulties and limitations, and proposed solutions for further development. Similarly, the study by Hoang Xuan Hoa and Pham Thi Hong Yen (2016) highlighted existing support policies for startups and innovation, focusing on financial and credit instruments, and the establishment of startup incubators.

Pham Thi Quynh Nga (2023), in her work titled “Current Situation and Solutions to Support Startups in Vietnam,” addressed theoretical foundations for promoting startup activities, while offering a broad and in-depth analysis of the policy environment in Vietnam. In addition, Nguyen Ngoc Thuc (2023) investigated the impact of startup support policies on startup opportunities. The study developed research hypotheses and analytical models to evaluate policy impacts, emphasizing the role of “institutional” and “cultural” factors in shaping startup opportunities.

On the international front, Xu and Chen (2015) conducted a study involving 315 startups, utilizing the Structural Equation Modeling (SEM) approach to assess the influence of various policy factors. Their findings suggested that promotional policies have a significantly positive effect on startup development. They proposed several key policy measures, including capital support, tax incentives, and market facilitation. Yang (2016) also applied the SEM method through surveys with 1,231 participants across 31 provinces and cities, and concluded that startup support policies play a pivotal role in fostering a favorable environment for entrepreneurial activity, especially among university students.

Furthermore, Verheul et al. (2015) carried out a cross-national study covering the period from 1972 to 1998 across 23 countries, with a focus on financial support mechanisms such as startup support funds, venture capital initiatives, and interest rate subsidies provided by banks.

While these studies have made valuable contributions to the understanding of startup promotion and policy development, there remains a noticeable gap in the literature. Specifically, there is a lack of specialized research that focuses on the comprehensive refinement of Vietnam's startup and innovation support policies. This study aims to address that gap.

### III. Research methods

To conduct this study, the author employs the following primary research methods:

(i) **Analytical-comparative method:** This method is used to review and synthesize previous research works, both domestic and international, that are relevant to the topic. It involves collecting and analyzing documents related to theoretical and practical aspects of startup and innovation support policies, thereby enabling comparison across different policy environments and development contexts.

(ii) **Synthetic analysis method:** The author applies synthetic analysis to interpret collected data and link them with real-world factors influencing the implementation and effectiveness of startup and innovation support policies. This approach helps in identifying key patterns, correlations, and causal relationships.

(iii) **Secondary data collection method:** Secondary data are gathered from a variety of reliable sources, including academic books and journals, statistical yearbooks, specialized magazines, proceedings from scientific conferences, research organization reports, graduate theses, and official websites of relevant ministries, agencies, and domestic as well as international media. These sources provide comprehensive and up-to-date information on the policy landscape for supporting startups and innovation.

### IV. Research Results And Discussion

The Government of Vietnam has affirmed that, in pursuing the national development goals—becoming a developing country with modern industry and upper-middle income status by 2030, and achieving the status of a developed, high-income nation by 2045 in alignment with socialist orientation—startups and innovation are regarded as one of the key strategic breakthrough solutions. In recognition of this, the Vietnamese government has made considerable efforts to establish a comprehensive legal framework and supportive policy environment for startup development.

A notable milestone in this effort is the promulgation of the *Law on Support for Small and Medium Enterprises* in 2017 by the National Assembly, which laid the legal foundation for promoting startup activities. Following this, the Government issued Decree No. 39/2018/ND-CP dated March 11, 2018, providing detailed regulations on the implementation of certain provisions of the aforementioned law. These legal instruments serve as important tools in institutionalizing support mechanisms for startups and promoting innovation within the small and medium enterprise (SME) sector.

**Table 1: Policy system to support startups and innovation in Vietnam**

Year	Policy name
2015	Decision No. 1193/QĐ-TTg on piloting several specific policies and mechanisms for developing Vietnam-Korea industrial technology incubators in Can Tho city.
2015	Circular No. 214/2015/TT-BTC on guiding the mechanism and policies on state budget support, tax, and state investment and development credit as prescribed in Decision No. 1193/QĐ-TTg on piloting some specific mechanisms and policies for the development of Vietnam-Korea industrial technology incubators in Can Tho city.
2016	Decision 844/QĐ-TTg on approving the project "Supporting the innovation startup ecosystem" national innovation by 2025".
2016	Resolution No. 35/NQ-CP on supporting and developing enterprises until 2020.
2017	Law No. 04/2017/QH14 on support for small and medium enterprises
2017	Decision 39/QĐ-TTg approving the project to support women in starting businesses for the period 2017 - 2025.
2017	Decision 1665/QĐ-TTg approving the project to support students in starting businesses until 2025.
2018	Circular 126/2018/TT-BTC guiding the management and use of career funds to implement the Project "Supporting students to start businesses until 2025", issued by the Minister of Finance
2018	Decree No. 38/2018/ND-CP detailing investment for small and medium-sized innovative startups.
2018	Decree 39/2018/ND-CP detailing a number of laws supporting small and medium enterprises.
2018	Circular 126/2018/TT-BTC guiding the management and use of funds to implement the project "Supporting students to start businesses until 2025".
2019	Circular No. 45/2019/TT-BTC Regulating financial management for implementing the project "Supporting the national innovation and startup ecosystem until 2025".
2020	Directive No. 09/CT-TTg on creating conditions for innovative start-up businesses.
2022	Circular No. 06/2022/TT-BKHĐT guiding a number of articles of Decree No. 80/2021/ND-CP of the Government detailing and guiding the implementation of many articles of the Law on Support for SMEs

Source: Author's synthesis

This legal framework plays a pivotal role in the formulation and implementation of policies supporting enterprises, particularly startups and innovation-driven businesses in Vietnam. In parallel with the legal foundation, the Government has launched a series of national programs and initiatives aimed at fostering the development of the startup and innovation ecosystem.

One notable initiative is the Project on Supporting the National Innovation and Startup Ecosystem until 2025 (issued under Decision No. 844/QĐ-TTg dated May 18, 2016, by the Prime Minister). This project provides detailed provisions on eligible beneficiaries—including individuals, groups with startup projects, enterprises, and service organizations—and focuses on institutional improvement and comprehensive development of policies supporting startups and innovation.

Another important initiative is the Project on Supporting Students to Start a Business until 2025 (issued under Decision No. 1665/QĐ-TTg dated October 30, 2017), which specifically targets young people and students, encouraging entrepreneurial thinking and startup initiatives within educational institutions. In addition, several other legal documents have contributed to shaping a more favorable environment for startups and innovation in Vietnam. Decree No. 13/2019/NĐ-CP (dated February 1, 2019) on science and technology enterprises provides legal support and incentives for enterprises operating in the science and technology sectors. Decree No. 94/2020/NĐ-CP (dated August 21, 2020) stipulates preferential mechanisms and policies for the National Innovation Center (NIC), and defines innovative startups as enterprises established under the law to realize ideas based on the exploitation of intellectual property, technology, or novel business models, with high growth potential. Directive No. 09/CT-TTg (dated February 18, 2020) emphasizes the need to create enabling conditions for the development of startups and innovative enterprises. Decision No. 897/QĐ-TTg (dated July 26, 2022) approves the Youth Startup Support Program for the period 2022–2030, focusing on nurturing entrepreneurial spirit and facilitating startup projects led by young people.

Together, these policies and programs reflect the Vietnamese government's commitment to fostering an enabling and comprehensive ecosystem for startups and innovation, aiming to enhance national competitiveness and contribute to sustainable economic development.

**Table 2: Some programs to support startups and innovation**

STT	Programme	Implementing agency	Goal(s)	Beneficiaries	Support Type	Number of projects supported	Capital size, 2018 - 2022
1	Project 844 (2016 – 2022)	Project 844 Office, Ministry of Science and Technology	Developing the startup ecosystem	Intermediary organizations, universities, colleges, and local governments	Capital funding	About 2,000	85 million USD
2	National product development program to 2020	Ministry of Science and Technology	Product Development	Business	Capital funding	13	24.7 million USD
3	National program for high technology development to 2020	Ministry of Science and Technology	Research and application development	Research organizations, researchers, and businesses	Capital funding	49	18.8 million USD
4	Science and Technology Market Development Program to 2020	Ministry of Science and Technology/ NATEC	Commercialization and product development	Research organizations, intermediaries and businesses	Capital funding	63	8.2 million USD
	Small and Medium Enterprise Development Fund (SMEDF) 2014 - 2022	SMEDF Fund Ministry of Planning and Investment	Improving the competitiveness of SMEs	SMEs innovate and participate in global clusters and value chains.	Indirect preferential loans	25	7.6 million USD
	LinkSME uses USAID funding (2018 - 2023)	Department of Enterprise Development under the Ministry of Planning and Investment	Connecting SMEs, improving capacity	Intermediary organizations and SMEs	Technical Support	1,050 businesses were supported, of which 79 received in-depth support. 40 business support organizations received support.	About 12 million USD

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Supporting the development of the innovative startup ecosystem in Ho Chi Minh City in the period 2021-2025	Department of Science and Technology of Ho Chi Minh City	Ecosystem Support	Intermediary organizations and businesses	Training, events	3,500 innovation projects, 1,500 startups, 40 incubators, 80 investors, 3,887 businesses	55.3 million USD for the period 2021 - 2025 (11 million USD per year)
Program for scientific research, technology development, and enhancement of science and technology potential in Ho Chi Minh City for the period 2021-2025	Department of Science and Technology of Ho Chi Minh City	Technology Development	Enterprises, universities, and research institutes	Capital funding		

*Source: Aridi et al. (2023)*

Decree No. 38/2018/ND-CP provides specific regulations on the establishment and operation of startup investment funds aimed at offering initial seed capital to support small and medium-sized enterprises (SMEs) in launching and developing innovative ventures. Although this Decree has been in effect for over six years, its implementation has yielded limited results. As of now, only 33 startup investment funds have been established nationwide, with a total contributed capital of approximately VND 413 billion (equivalent to over USD 16 million), accounting for less than 5% of Vietnam's venture capital market share.

Article 5 of Decree 38/2018/ND-CP restricts these funds to a narrow set of operations, including equity investment in the charter capital of SMEs and depositing capital in savings accounts. Critically, it does not allow investors to acquire options or rights to purchase shares in these enterprises. This restriction significantly reduces the flexibility of investment strategies, limiting funds from accessing a startup's growth potential without committing substantial capital at the outset. In contrast, international practices often allow investment funds to allocate resources to instruments such as certificates of deposit, thereby enhancing the efficiency of capital utilization.

Vietnam's relatively small economic scale and low ratio of science and technology expenditure to GDP contribute to the country's limited overall investment in research and innovation. This condition places Vietnam at a disadvantage in catching up with developed economies, where R&D expenditures commonly reach 3–4% of GDP.

In response, the Vietnamese government has established multiple organizations to support the development of startups and innovation, such as the Department of Market Development and Science and Technology Enterprises (Ministry of Science and Technology), the National Center for Supporting Creative Startups (Ministry of Science and Technology), and the National Innovation Center (Ministry of Planning and Investment). These institutions have collaborated with relevant ministries and agencies to launch various initiatives aimed at fostering an entrepreneurial culture. These include awareness campaigns, educational programs targeting youth—particularly members of youth unions, university students, and postgraduates—as well as the promotion of startup-related policies, incubators, co-working spaces, and domestic and international support funds through media publications, educational content, and training activities.

Despite these efforts, current policies supporting startups and innovation exhibit significant shortcomings. They have not succeeded in attracting sufficient investor interest, especially in an increasingly competitive global environment. Notably, Vietnam lacks a comprehensive legal framework for emerging financial models relevant to startups. Among these is crowdfunding, a popular method of raising seed capital through online platforms. While platforms such as Fundstart, Tima, and Betado have begun to emerge in Vietnam, the absence of clear legal guidelines has resulted in cautious operation and minimal influence on the overall innovation investment landscape. More importantly, equity-based crowdfunding—where contributors receive shares in return for investment—is not yet legally recognized in Vietnam.

Furthermore, Vietnam's foreign investment procedures remain geared toward large-scale foreign direct investment (FDI) projects, typically involving millions of USD. These procedures are not well suited for early-stage startup investments, which usually range from tens to hundreds of thousands of USD. International experience shows that the state often plays a pivotal role during the initial stages of a startup's development by providing non-repayable financial support for activities such as research and development, technology refinement, market exploration, hiring experts, and product prototyping. In Vietnam, however, the current level and structure of public funding for such activities remain modest and fragmented, failing to generate a transformative impact.

Support mechanisms for the commercialization phase—when startups transition from development to market expansion—are included in various legislative instruments, such as the Law on Technology Transfer and the Law on SME Support, along with their accompanying decrees. Nevertheless, these legal documents have yet to establish a coherent and actionable legal framework for practical implementation. Most policy initiatives

remain focused on capacity-building measures, such as networking, training, and mentoring, rather than on substantive support in science, technology, and financing.

Moreover, access to these resources is uneven, with a pronounced gap between urban and rural areas. The regulatory framework for startup and innovation support is fragmented, lacking a dedicated, unified law. Instead, it is dispersed across various legal documents managed by multiple agencies and administrative levels, complicating accessibility, implementation, and compliance. Financially, current capital support funds remain limited in scale and are characterized by inflexible lending conditions and cumbersome procedures, thereby failing to meet the financing needs of startups and innovative enterprises.

## **5. Proposed Solutions for Enhancing Vietnam's Startup and Innovation Support Policies**

The global economy is undergoing a profound transformation, presenting Vietnam with a critical opportunity to position itself as a regional hub for startups and innovation. In order to foster innovation, drive digital economic transformation, and support the success of entrepreneurial ventures, it is imperative that the Vietnamese government strengthens its policy framework. The following recommendations are proposed to improve policies supporting startups and innovation in Vietnam:

### **Firstly, strengthening Legal and Policy Frameworks**

The government should continue to refine, supplement, and enact new policies and mechanisms aimed at promoting a dynamic startup environment. These should facilitate the mobilization of resources necessary for startup survival and growth. Priority should be given to the application of tailored financial mechanisms and tax incentives for individuals and organizations engaged in innovative and entrepreneurial activities, including those investing in eligible science and technology enterprises. Furthermore, a timely revision of the *Law on Science and Technology* is necessary to ensure legal consistency, harmonization, and systematization. This revision should address critical areas such as the use of public funds for innovation, the establishment of a national fund model for startups, preferential tax treatments, and the use of public assets in the startup sector. Additionally, the government should explore the implementation of regulatory sandboxes to allow controlled experimentation in high-potential areas that currently lack an appropriate legal framework.

### **Secondly, developing a Comprehensive and Inclusive Support Policy**

A distinct and comprehensive policy for supporting startups and innovation should be developed, with the active participation of all relevant stakeholders within the entrepreneurial ecosystem. This policy should be aligned with international best practices and supported by an institutional system for implementation, monitoring, and evaluation. In parallel, startup-related projects should be designed with clear objectives, implementation plans, and accountability mechanisms to ensure efficiency and effectiveness. National strategies, both short- and long-term, should be complemented by localized policies that leverage regional strengths and resources. Effective coordination between central and local authorities is critical, with local governments expected to develop flexible, context-specific initiatives to enhance their regional startup ecosystems.

### **Thirdly, enhancing Financial Support Mechanisms**

Financial policies for startups and innovative enterprises should be significantly strengthened. A key focus should be on providing tax incentives, such as temporary tax exemptions (1–3 years post-establishment) and tax reductions for venture capital and angel investors. Additionally, the government should introduce blended finance mechanisms combining non-repayable grants, concessional loans, and equity investments. Public funding schemes such as subsidies, co-financing programs, and direct government investments must be expanded. Simplifying access to finance through streamlined procedures and alternative funding models is also essential. Moreover, developing targeted monetary policies to facilitate private and foreign sector participation, simplifying application conditions, and establishing structured and transparent financial oversight mechanisms will enhance startups' access to capital. The creation of specialized financial instruments, including non-refundable startup innovation funds, should be considered to support experimental and high-impact innovation initiatives.

### **Fourthly, reforming Administrative Procedures and Promoting Transparency**

Further administrative reforms are necessary to reduce bureaucratic burden and transaction costs for startups. This includes the expansion of the “one-stop shop” mechanism, supported by digital transformation tools to ensure responsiveness, efficiency, and transparency. Simultaneously, stringent enforcement mechanisms should be introduced to deter administrative misconduct or negligence in addressing the needs of startups and innovative enterprises. The government should also enhance transparency by publicizing development plans, mechanisms, and sector-specific policies—particularly in industries prioritized for innovation and export—thereby empowering enterprises and investors with better information and greater autonomy.



### **Fifthly, developing the Innovation Ecosystem**

Efforts should be made to holistically develop the components of Vietnam's innovation ecosystem. This includes the expansion of incubators, co-working spaces, startup training initiatives, and investor networks. Simultaneously, it is vital to strengthen intermediary organizations that support research, development, and commercialization of technologies, such as high-tech parks, innovation hubs, technology incubators, and regional and national technology exchange centers. The establishment of dedicated R&D centers, research institutes, and innovation-driven enterprises should be prioritized. Furthermore, regulations governing the management and operation of science and technology development funds and enterprise innovation funds should be amended to ensure openness and accessibility.

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