

# **Research on startup innovation policies in Vietnamese enterprises**

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**ABSTRACT:** The startup ecosystem policies create a favorable environment for innovative entrepreneurial activities, with the expectation of rapidly increasing the number and scale of businesses. This type of enterprise has the potential for rapid growth based on the exploitation of intellectual assets, technology, and new business models, providing practical results, maintaining the dynamism of the economy, promoting growth, and enhancing national competitiveness. The 12th National Party Congress affirmed: "Improve mechanisms and policies to encourage and create favorable conditions for the strong development of private economy in most sectors and economic fields, becoming an important driving force for the economy. Improve policies to support the development of small and medium-sized enterprises, startups" (2). Some important laws related to the development of the private economy continue to be improved to fit the new context, with core values: Maximize the freedom of business for individuals and businesses in sectors and professions that the law does not prohibit, minimize administrative procedures towards openness, transparency, consistency, and responsibility for explanation.

**Keywords:** Entrepreneurship, innovation, Vietnam

## **Introduction**

Innovative startup businesses can either succeed or fail and are not immune to risks during the startup process. Innovative startups often face legal risks, business operation challenges, the ability to execute initial goals, and plans, among others. Therefore, it requires policies that attract investment from angel investors and venture capitalists to create opportunities and support innovative startup businesses.

Currently, our country has policies and legal documents to support innovative startup businesses, including Project 844 on "Supporting the National Innovation Startup Ecosystem until 2025," the Small and Medium-sized Enterprises Support Law of 2017, Decree 38/2018/ND-CP detailing investment for innovative startup businesses, which includes provisions on support mechanisms and policies for innovative startup businesses. Government Resolution No. 35/NQ-CP of May 16, 2016, on "Supporting and Developing Enterprises until 2020," and Circular No. However, there are still legal barriers, especially unclear tax incentives, creating difficulties for angel investors and venture capitalists investing in startup projects, and innovative startup businesses encountering obstacles in expanding their production and attracting domestic and foreign investment. One of the challenges is the need to develop and improve the legal framework and effectively implement policies to support innovative startup businesses, creating conditions for them to thrive and deeply integrate into the global market.

## **1. SOLUTIONS TO COMPLETE THE LAW, IMPROVE THE EFFICIENCY OF POLICY APPLICATION ON SUPPORTING INNOVATIVE START-UP ENTERPRISES**

### **1.1. Practical application of policies on supporting innovative start-ups in Vietnam**

*The results achieved in the process of applying policies on supporting innovative start-up enterprises.*

#### **International experience in corporate innovation**

*High rate of investment in research and development (R&D) and the leading role of enterprises in R&D activities*

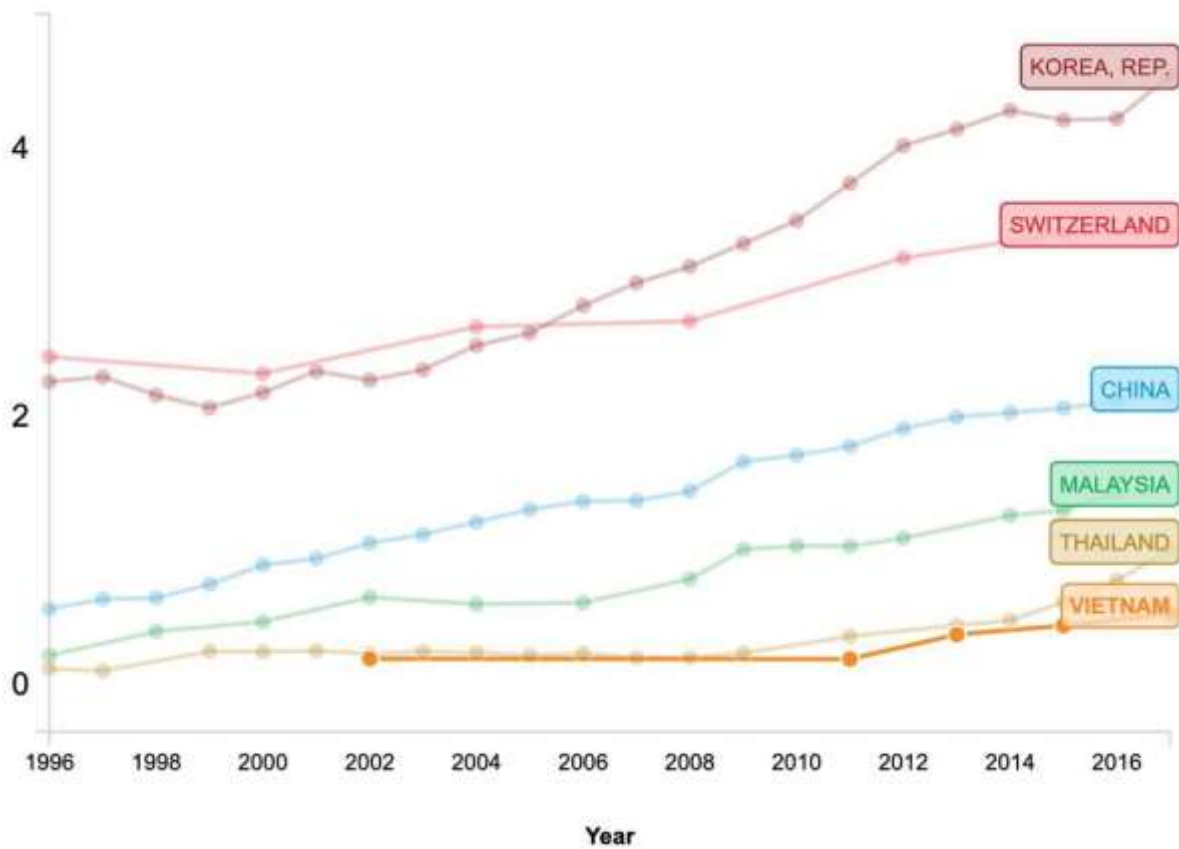
A key characteristic of leading countries in global innovation and those catching up rapidly in innovation is a high investment in research and development (R&D) and the dominant role of businesses in R&D activities.

One important common feature of countries at the forefront of innovation worldwide, as well as those rapidly catching up in innovation, is a high ratio of R&D investment to GDP. According to the latest data from the Organization for Economic Cooperation and Development (OECD) in 2021, Israel leads the world with an R&D investment ratio to GDP of 5.4%, significantly ahead of other nations. In terms of the rate of increase in R&D expenditure, South Korea is the fastest-growing country in the world.

In 2000, South Korea's R&D expenditure ratio was approximately 2% of GDP, close to the OECD group average. However, by 2021, South Korea's R&D expenditure ratio had reached 4.8%, ranking second in the world. As a result, during this period, the number of technology and science publications in the country increased by more than 4 times, trademark registrations increased by over 2 times, contributing to making South Korea one of the most innovative countries in the world today.

In the region, successful countries in innovation have all seen their R&D expenditure ratios as a percentage of total GDP increase over the years and are now significantly higher than that of Vietnam. In 2017, Vietnam's R&D expenditure ratio as a percentage of total GDP was only 0.53%, while China, Malaysia, and Thailand had ratios of 2.15%, 1.44%, and 1%, respectively. In 2019, China ranked second in the world (after the United States) in absolute R&D investment, with \$515 billion USD, equivalent to 2.2% of GDP (OECD. Data on Total R&D Expenditure in 2021).

**Figure 1. R&D expenditure as a percentage of GDP of some countries in the world in 1996 - 2016**



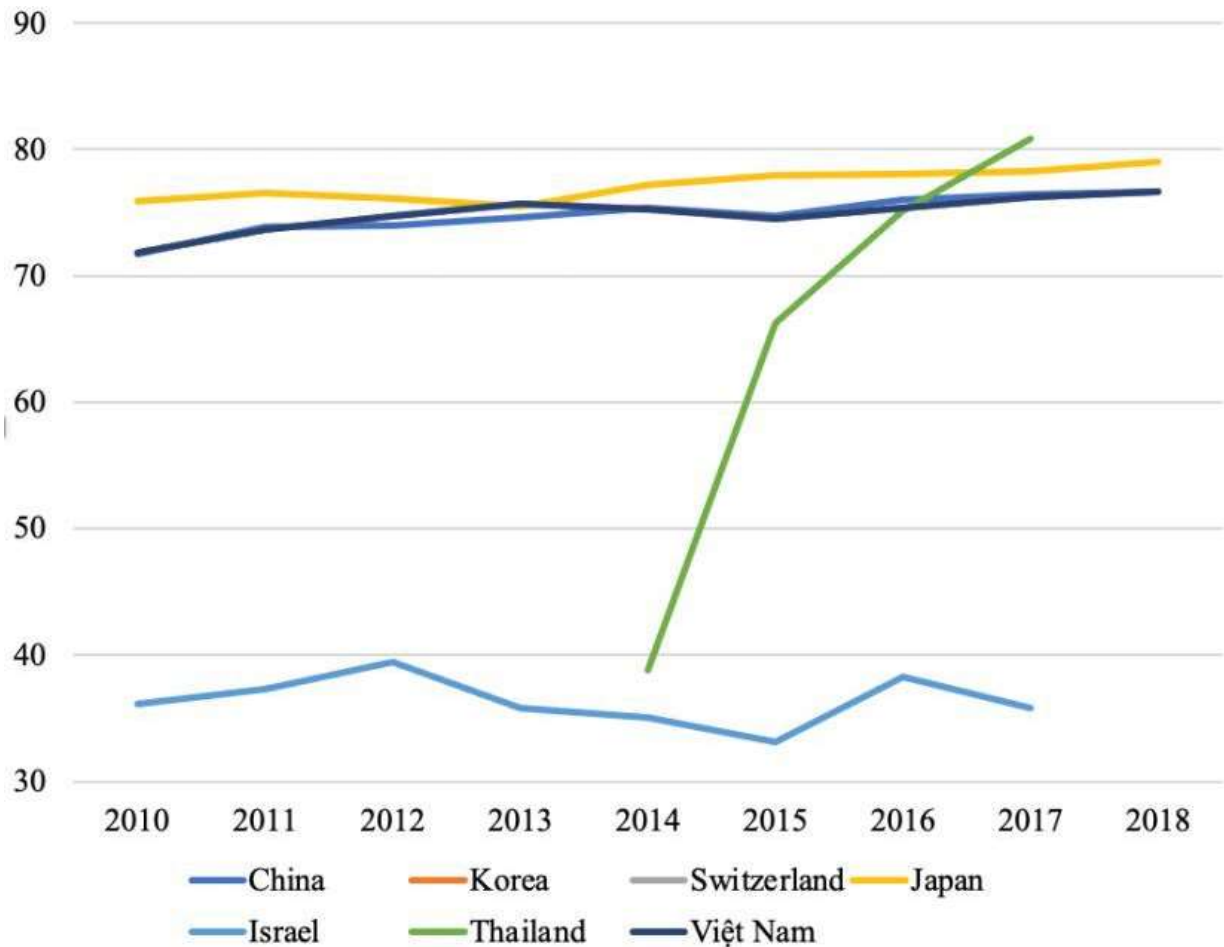
*Source: UNESCO Institute for Statistics*

Besides, investment in R&D and innovation in the private sector and enterprise is an important source of technological progress (Romer, 1986). In highly innovative countries, corporate spending plays a dominant role in the country's total R&D spending. The contribution to net R&D expenditure of enterprises in these countries is between 70 and 80%, except in the special case of Israel when R&D spending mainly comes from the foreign sector.

The contribution of enterprises to the country's total R&D expenditure in developing countries in the region has also increased rapidly in the recent period. Typically, Thailand with the proportion of investment capital for R&D from enterprise sources increased sharply to less than 40% in 2014 to over 80% in 2017.

The contribution to R&D spending from Vietnam's corporate sector is also as high as that of developed countries and still tends to increase slightly in the period 2010-2018. This is considered a strength in Vietnam's innovation according to the Global Innovation Index 2021 (GII 2021).

**Figure 2. The contribution to R&D spending from Vietnam's**



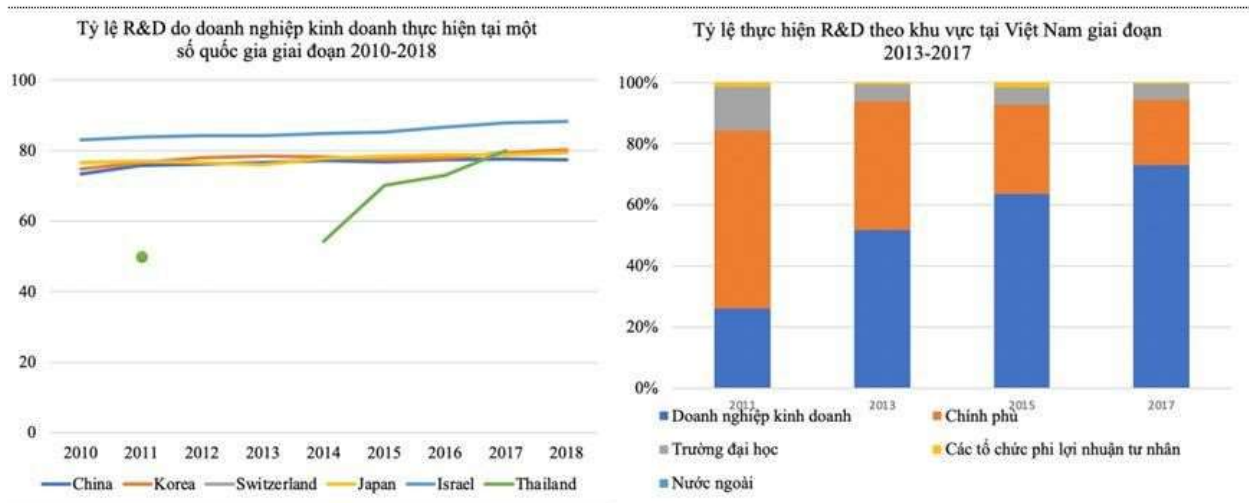
*Source: UNESCO Institute for Statistics*

Despite the fact that business R&D spending in Vietnam increased 8 times during the period from 2011 to 2017, the ratio of business R&D expenditure to GDP remained at only 0.4%, lower than other ASEAN countries such as Malaysia and Thailand (the OECD average is 1.6%) (OECD, 2021, page 11). Along with limited R&D spending, innovation among business groups in Vietnam is mostly "frugal innovation," for example, making small modifications to existing products to make them more accessible to customers with lower incomes (OECD, 2021, page 5).

In addition to high R&D investment ratios, in countries successful in innovation, businesses are the main entities responsible for conducting R&D, as opposed to the government, universities, private non-profit organizations, and foreign entities. The proportion of R&D expenditure carried out by the business sector in countries leading the world in innovation is consistently between 70% and 90%, with Israel consistently having the highest ratio in the world since 2010.

In Vietnam, the ratio of R&D expenditure conducted by businesses has also increased significantly in recent years, from under 30% in 2011 to over 70% in 2017. Conversely, the government is increasingly less directly involved in R&D activities, with the proportion of government R&D activities decreasing from nearly 60% in 2011 to around 10% in 2017 (Chart 3).

**Figure 3. The proportion of R&D expenditures made by enterprises**

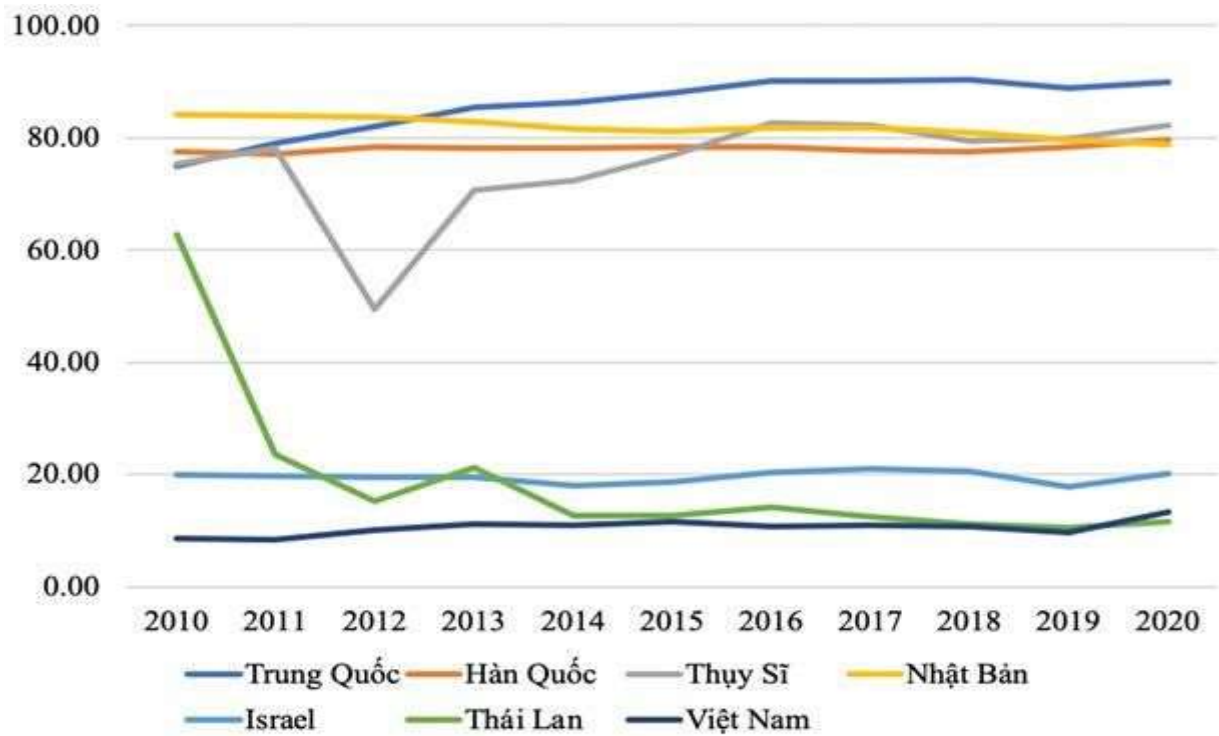


Source: UNESCO Institute for Statistics

Although the proportion of R&D expenditure from the corporate sector and the proportion of R&D expenditure by enterprises in Vietnam are both high, it seems that the source of expenditure and R&D activities mainly comes from foreign enterprises when looking at the achieved innovation results.

The rate of patent applications by domestic individuals and organizations in Vietnam increased insignificantly in the period of 2010 - 2020 and only reached 13% in 2020. This rate is very low compared to leading innovative countries such as Switzerland, China, South Korea (from 70-90%).

**Figure 4. The proportion of patent applications made by domestic individuals and organizations in some countries**



Source: World Intellectual Property Organization (WIPO)

## High-quality human resource training

### *Higher education*

Theoretical perspectives on endogenous growth highlight the role of human capital as a driver of innovation (e.g., Romer, 1990; Aghion and Howitt, 1992; Acemoglu, 1996; Aghion and Howitt, 1998). However, low-skilled and secondary-educated labor is often seen as facilitating the adoption of existing technologies, whereas higher-educated labor, especially with university degrees, can promote the adoption of new technologies and lead to more sustainable economic growth (Vandenbussche et al., 2006; Aghion et al., 2009; Hunt and Gauthier-Loiselle, 2010; Castello-Climent and Mukhopadhyay, 2013). According to Vandenbussche and colleagues (2006), a higher-educated workforce not only facilitates the creation of new technologies but also enhances a country's capacity to apply technologies developed elsewhere. These skills require expert thinking and complex communication, which are acquired through higher education (Levy and Murnane 2005).

Furthermore, some studies have shown the positive impact of expanding higher education and the quality of higher education on business innovation (Dongmin Kong et al., 2022; Pan, Xia et al., 2020). Using data from 1,268 Chinese publicly traded companies from 1999 to 2009, research by Dongmin Kong and colleagues indicates that expanding higher education increases the pool of innovative human resources within companies, such as the number of educated employees and inventors.

Research also assesses technology innovation as a mechanism through which higher education affects productivity growth and consequently influences the economy (Dongmin Kong et al., 2022). The results of various studies and international experiences show that public policies play a significant role in improving the output and quality of higher education.

According to Cecile Hoareau, Jo Ritzen, and Gabriele Marconi, there is a close correlation between two policy factors: investment and autonomy, with the quality of university education, especially concerning economic innovation. Based on data from 32 European countries, the authors propose the following formula for the relationship between factors:

University Education Score = 0.26 \* investment + 0.02 \* policy autonomy + 0.10 \* self-management autonomy (Hoareau, C., Ritzen, J. & Marconi, G. (2013), page 18).

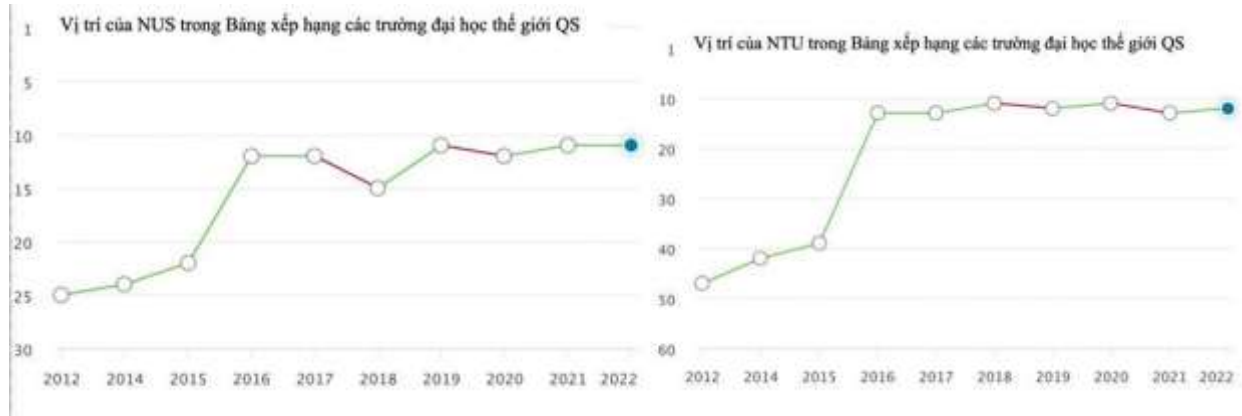
A prominent example of successful education policy autonomy can be seen in Singapore. From 2004 to 2006, Singapore conducted two consecutive assessments with the aim of transforming Singapore's public universities into autonomous and research-intensive institutions that would respond to the increasingly competitive global academic context and achieve world-class status. The assessment results led to a significant increase in academic research funding along with the establishment of the Academic Research Council and Centers of Excellence (RCEs).

RCEs were established in Singapore's two largest universities, the National University of Singapore (NUS) and Nanyang Technological University (NTU), to attract world-class academic researchers, train high-quality research talents, and generate new knowledge in specific fields for each center. During this process, the international standing of Singapore's universities increased significantly (Lim Chuan Poh (2016), page 135).

Over the 10-year period from 2012 to 2022, NTU rose from 25th to 11th place, and NUS climbed from 47th to 12th place in the QS World University Rankings. From 2013 onwards, Singapore's higher education has consistently ranked first or second in the world in the Global

Innovation Index (GII), a global measure of innovation.

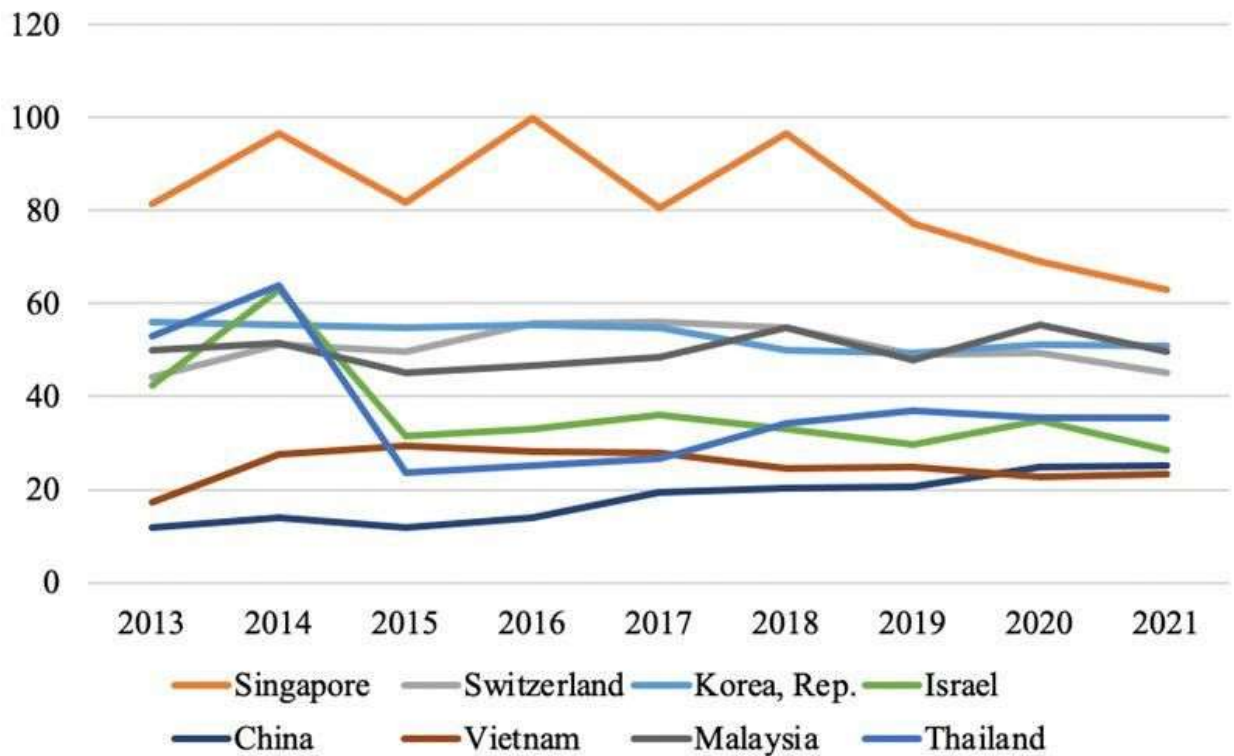
**Figure 5. Position of some of Singapore's top universities in the QS World University Rankings**



Source: QS World University Rankings

Meanwhile, Vietnam's higher education is still undervalued and has tended to decline slightly in recent years. In 2021, Vietnam's higher education ranked 90th out of 132 countries in the Global Innovation Index, down 3 places compared to 2020 and the lowest in 8 years since 2014. The proportion of graduates in Vietnam's science and engineering majors is also low and decreased from 24% in 2014 to 22.7% in 2021. As of 2022, Vietnam has only 4 universities ranked in the QS Rankings, of which, 2 universities are in the group of 1,000 best universities in the world. (Figure 6)

**Figure 6. Higher Education assessment scores in some countries' GII Global Innovation Index**



Source: GII Global Innovation Index (WIPO)

***Entrepreneurship education***

An education in entrepreneurship prepares individuals with the innovative business skills to acquire opportunities as well as set the pace of the new economy through the formation of new business activity. Education in entrepreneurship, which at its core is educating people about skill building in areas such as negotiation, leadership, new product development, creative thinking, and innovation, as well as awareness of entrepreneurship as a career choice (McMullen & Long, 1987; Vesper & McMullen, 1988; Hill, 1988; Donckels, 1991 cited by Kuratko, 2003). In Malaysia, since 2011, entrepreneurship education has become a compulsory subject and must be taught by all primary school teachers (Munirah Abd Hamid (2013), p. 4). Entrepreneurship courses are also compulsory for all students of various disciplines at public universities across the country (Yusoff, Zainol, & Ibrahim, 2014).

**Driving demand-side innovation through public procurement**

Over the past 20 years, innovative policy reforms from the demand side, specifically encouraging innovation through public procurement, have gained increasing attention. Since the early 2000s, a series of reports and policy documents have emphasized the need to use demand-side instruments alongside supply-side tools to achieve economic, social, and R&D objectives (European Commission, 2003; Kok, 2004; Edler et al., 2005; Aho et al., 2006; Edler and Georghiou 2007).

The concept of using public spending as a policy tool for innovation is not new, as many studies from the 1970s recommended the potential of demand-driven innovation (Mowery and Rosenberg 1979; Rothwell and Zegveld 1981; Geroski 1990). In fact, Geroski (1990) concluded that public procurement could be a much more effective tool for stimulating innovation than R&D subsidies.

Today, public procurement has become a common policy tool for promoting innovation in general and business innovation in particular. In Europe, public procurement and related regulations and standards are a key focus of innovation policy (European Commission 2010a, 2010b; OECD 2011; Directive 2014/24/EU 2014). In the OECD's 2015 study on strategic procurement for innovation development, nearly 80% of participating countries recognized the importance of public procurement for innovation, and 50% had developed an action plan for procurement in innovation (OECD, 2017).

Specific examples of success in using public procurement as a tool to promote business innovation can be found in most European countries. Countries employ various measures to support innovation procurement, primarily through policy instruments, regulations, or legal tools that directly or indirectly influence the selection and procurement process. For example, Brazil has set higher pricing ratios of up to 25% for locally innovative products, while in South Korea, 10% of procurement costs for products from small and medium-sized enterprises (SMEs) by public organizations are allocated to new technology products (Lember et al., 2014, page 6).

These innovation procurement programs are not limited to the OECD region but are applied in various countries with different levels of development and income. These programs are designed to meet government needs directly (e.g., the New Technology Product Program in South Korea), address socially desired technologies (e.g., market transformation programs in energy in Sweden and the United States), or promote certain strategic industrial sectors for competitive reasons (e.g., pharmaceutical industry development in Brazil and priority industry capability programs in defense in Australia).



A notable example of successful innovation support policies through public procurement is the U.S. government's support for pioneering companies in the space age. According to a 2019 report by Space Capital, a leading private aerospace company in the United States, SpaceX, operated with approximately \$1 billion in funding in its first 10 years, with about half of that coming from government contract payments (Space Capital, 2019, page 2).

With support and cooperation from the National Aeronautics and Space Administration (NASA), SpaceX achieved its first success by delivering its Dragon capsule to the International Space Station in 2012. In 2021, SpaceX continued its success with government projects, securing a \$2.9 billion contract from NASA to build a lunar lander. Another example from a neighboring country in the region is Malaysia. Government policies in Malaysia have had a significant impact on creating incentives and opportunities for Malaysian companies to innovate through public procurement.

One successful project to highlight is the electronic passport. Malaysia was the world's first country to implement electronic passports in 1998 (Mohd Jamal Kamdi, 2004). A pioneering company, Malaysia's IRIS Group, became a global provider of electronic passport solutions for more than 12 countries (Khairul Naim Adham, 2014). In Vietnam, current policies promoting innovation still primarily focus on the supply side.

The OECD's 2021 report on Small and Medium-sized Enterprises (SMEs) and entrepreneurship policies in Vietnam notes, "Overall, innovation support policies mainly concentrate on supply-side measures, with less emphasis on building innovation capabilities at the enterprise level to enhance the capacity of SMEs in absorbing external technology (demand side)" (OECD, 2021, page 14). On the other hand, some domestic studies show that the major barriers to innovation in Vietnamese businesses today are market and demand-related issues, rather than capital or capacity constraints.

Research by Cirera in 2021 found that the biggest obstacle to adopting and using technology for Vietnamese SMEs is the lack of demand and uncertainty about its effectiveness, as 75% of surveyed SMEs cited this as a reason, higher than capacity issues (nearly 60%) and financial constraints (almost 50%) (Cirera et al., 2021, pages 25-26). Most recently, in the Provincial Competitiveness Index (PCI) 2021 report, 69% of surveyed businesses in Vietnam stated that finding customers was the most significant challenge they faced, surpassing access to capital (47%) or market volatility (32%).

In summary, international experience shows that public procurement is a widely used and successful policy tool for promoting business innovation worldwide. Demand and regulations stemming from public procurement encourage businesses to actively innovate, develop products in areas that benefit the country, and have significant commercial potential.

In recent times, the government has been actively promoting support for businesses nationwide, including innovative startups. The issuance of legal documents such as the Small and Medium-sized Enterprise Support Law in 2017, Project 844: Supporting the National Startup Ecosystem by 2025, Decree 39/2018/ND-CP detailing some provisions of the Small and Medium-sized Enterprise Support Law, and Decree 38/2018/ND-CP detailing investment for startup enterprises has provided a common legal framework to support innovative startups across the country. Additionally, local authorities have also issued decisions to support innovative startups tailored to the economic conditions of their respective regions. This has

created favorable conditions for startup businesses during their establishment and operations, both nationally and specifically in Thua Thien Hue province.

Firstly, let's discuss the implementation of policies to support innovative startups in Vietnam in general and Thua Thien Hue province in particular. During the formation and operation of startups, support measures are provided through policies enacted by provinces and municipalities throughout the country. These measures primarily focus on the following areas:

- Development and support for physical and technical infrastructure to serve startup businesses, including concentrated startup areas, incubators, co-working spaces, and experimental facilities.
- Financial support for startup businesses, including funding for renting spaces and infrastructure, equipment installation, and internet usage.
- Establishment of a support network connecting relevant entities to assist startups, including advisors and partner connections.
- Capacity building through training and development programs, including entrepreneurship training, management skills, statistics, tax reporting, business planning, project management, legal procedures, financial management, and human resources.
- Capital support through the creation and operation of science and technology development funds and other funding sources for lending, investment, and access to low-interest loans.
- Tax incentives for startup enterprises.
- Support for intellectual property, technology, and product quality, including funding for project registration, geographical indications, and compliance with international and national standards.
- Administrative procedure support, simplification, and guidance in areas such as business registration, project proposal writing, waiver or reduction of business registration fees, and administrative procedures related to market entry (land, environment, construction, fire prevention, etc.).
- Promotion, marketing, consultation, and information provision, including free information dissemination, partner introductions for startups, partial consultation fees, and the establishment of support centers and advisory councils for startups.
- Information and encouragement of the startup movement through various channels, including information on support programs, startup news, reports, specialized sections, seminars, clubs, competitions, festivals, and startup weeks.

Currently, according to statistics from the National Business Registration Portal of the Ministry of Planning and Investment, there are approximately 32,501,715 registered businesses in Vietnam. This number has grown rapidly compared to the estimated 1,800 businesses surveyed in 2015 by Echelon, Singapore magazine. It is evident that the number of businesses has increased rapidly in a short period. Initially, most startups were concentrated in major economic centers of the country, such as Hanoi, Danang, and Ho Chi Minh City. However, at present, startups are active in various provinces and cities across the nation.

According to Topica Founder Institute 17, in 2016, Vietnamese startups received a total investment of \$205 million, primarily from foreign investors. In 2017, there were 92 investment deals with a total value of over \$291 million, nearly doubling the number of deals compared to 2016. The fintech sector attracted the largest investment, with \$129 million, followed by e-commerce with \$34.7 million, and edtech with \$20.2 million.

In 2018, according to Topica Founder Institute, there were 92 investment deals in the startup sector, totaling \$889 million, a threefold increase compared to the previous year. Ten of

the top deals accounted for \$734 million, representing 83% of the total deal value. These deals included investments in Yeah1, Sendo, Topica, and seven undisclosed transactions. Investors have been particularly interested in technology, e-commerce, education technology, logistics, and technological education startups.

Regarding investment funds, there are currently around 40 venture capital funds operating in Vietnam. Local investment funds have accumulated significant capital, with six funds having a total capital of approximately \$500 million. Domestic investors, such as Vingroup Ventures, Viet Capital Ventures, and Viet Partners, are willing to invest in startup enterprises.

Currently, in Thua Thien Hue province, there are approximately 993,721 businesses operating, of which only 22 are innovative startups. There are several ongoing startup projects in the province. However, the number of startup businesses in Thua Thien Hue is small compared to the total number of businesses, accounting for about 0.22%. Most of the startup businesses in the province are engaged in manufacturing and tourism, with a small portion operating in technology and e-commerce. These businesses have received support primarily in administrative procedures, business registration, intellectual property, establishment of new businesses, as well as incentives related to capital, tax, technology innovation, shared working spaces, human resources, finance, and credit.

Supporting innovative startups is a top priority in Thua Thien Hue province. After the issuance of government resolutions and legal documents regarding startup support, the People's Committee of Thua Thien Hue province has issued specific documents to support innovative startups, including Decision No. 39/2018/QD-UBND, Decision No. 1540/2017/QD-UBND, and other plans and resolutions aimed at fostering the startup ecosystem in the province. These efforts are focused on the period from 2017 to 2020, with a vision for 2025.

First of all, the results achieved in disseminating and enhancing businesses' understanding of policies supporting innovative startups.

In order to help businesses access and understand policies supporting innovative startups, Decision No. 1540/2017/QD-UBND on the issuance of the Plan to support the ecosystem of innovative startups in Thua Thien Hue province for the period 2017-2020, with a vision towards 2025, clearly stipulates the methods for disseminating information about innovative startup to businesses.

Firstly, for innovative startups to access and learn about this information, the Department of Science and Technology has established the provincial Innovation Startup Information Portal and connected it to the national Innovation Startup Information Portal. The aim is to provide information on technology, innovation, standards, measurement, quality, intellectual property, policies, laws, human resources, investment sources, investment transactions, partners, customers, products, services, new business models, organizations, individuals providing support, news, domestic and international events, and other activities supporting innovative startups.

Currently, about 20% of innovative startup businesses access information about support for businesses through the provincial Innovation Startup Information Portal, the government's electronic portal, and the People's Committees of provinces.

Furthermore, to disseminate knowledge about the innovative startup ecosystem, information about domestic innovative startup activities, knowledge about the innovative startup

ecosystem and related components, policy mechanisms, startup communities, information on events related to innovative startups, and social media communication to innovative startup businesses, the Department of Science and Technology collaborates with other departments in the province to build a communication program about startup activities, startup support, investment support for startups, and promote and disseminate successful startup examples within and outside the province.

Regarding promotion and dissemination of mechanisms and policies to support innovative startups within the province, the Radio and Television Station and Thua Thien Hue Newspaper are responsible, with 14% of innovative startup businesses accessing information about business support from the news and media.

In addition to accessing information from the aforementioned sources, approximately 14% of information accessed by innovative startup businesses comes from company members, innovative startup businesses, investors, and investment funds. Furthermore, about 15% of information is accessed by businesses from startup communities and incubators. Approximately 39% of businesses access information from other sources such as the internet, startup competitions, seminars, etc. Therefore, the dissemination and promotion of mechanisms and policies to businesses have been effective, and businesses have accessed information and policies supporting innovative startups.

To help innovative startup businesses access provincial support documents, the province regularly organizes conferences, seminars, roundtable discussions, and startup events: Applying information technology in innovative startups, Connecting trade - Specialties and crafts of Hue; Chairman's Companion Program for Businesses in 2019; Reviewing the first year of implementing the Law on Support for Small and Medium-sized Enterprises and Promoting the Support Plan for Businesses in 2019; Collecting opinions on policies supporting newly established businesses in the area.

Among these events, there is the Thua Thien Hue Startup and Innovation Day (TECHFEST Thua Thien Hue), which supports the introduction of potential innovative startup businesses in the province to participate in the national TECHFEST. Organizing startup innovation competitions in the province: Innovative startup, to select potential startup ideas and projects to support their development.

In addition, the Department of Planning and Investment has developed and completed handbooks for conditional business sectors; Produced brochures on free assistance in completing business registration documents.

Secondly, in terms of administrative procedure support at administrative agencies, this helps innovative startup businesses understand legal regulations on administrative procedures, expedite the necessary procedures, and avoid errors in administrative procedures.

Free advice and guidance on administrative procedures are provided in the province.

Free assistance in completing documents for administrative procedures: business establishment registration, business qualification certification, and professional practice certificate registration.

Innovative startup businesses are entitled to choose to perform 03 procedures: business establishment registration, bank account opening registration, and seal engraving registration at a single location, the department receiving and returning business registration results at the provincial Administrative Center (instead of having to go to 03 agencies or units).

They are entitled to choose to perform 02 procedures: investment registration and business registration at a single location, the department receiving and returning investment registration results at the provincial Administrative Center (instead of having to go to 02 agencies or units).

Businesses are issued an electronic business card for free. When carrying out administrative procedures in the province, businesses do not have to submit documents that contain data in the electronic business card. Businesses have the right to inquire about their information at the province's Business Information System at the address <https://dkkdcaphuyen.thuathienhue.gov.vn>.

Currently, at the Department of Planning and Investment, the Management Board of Economic and Industrial Zones of the province, the Department of Industry and Trade, and the People's Committee of Phong Dien district have implemented and announced the components in the business's documents. Up to 22% of innovative startup businesses have been assisted with administrative procedures in business establishment registration, helping businesses save time and costs in business establishment. Innovative startup businesses understand the legal regulations on administrative procedure sequence and implementation process, thereby avoiding mistakes in the process.

On Tuesday, for financial support, the Thua Thien Hue Provincial Small and Medium Enterprise Development and Credit Guarantee Fund (hereinafter referred to as the Small and Medium Enterprise Credit Guarantee Fund) assists businesses in the province. Commercial banks, agricultural and rural development banks, and development banks in the province support the construction of projects, feasible production plans, and business strategies to help businesses improve their access to credit. Start-up and innovative entrepreneurial businesses that achieve at least third place in provincial-level innovation start-up competitions are supported with initial investment capital to implement their start-up projects in the early stages. The level and form of support are as follows:

**Support Level:** Supported with initial investment capital not exceeding 25 million Vietnamese Dong per business. Providing 25 million Dong per business is a limited support level for start-up and innovative entrepreneurial businesses. In practice, it is very difficult to disburse this support to such businesses because it is a new and risky business model. Therefore, implementing this support level in practice is very challenging and almost impossible.

**Support Form:** The investment amount will be converted into capital contribution or shares of the business. Businesses will repay the initial investment capital by repurchasing the contributed capital or shares within 05 years from the date of receiving the initial capital.

**Interest rate support** is provided for loans to commercialize products, but not exceeding 50 million Vietnamese Dong per business. The supported interest rate is calculated as the difference between the medium-term loan interest rate announced by the provincial state-owned bank for each period and the minimum lending rate of the Small and Medium Enterprise Credit Guarantee Fund issued by the Provincial People's Committee according to each period.

About 10% of start-up and innovative entrepreneurial businesses are supported in terms of financial procedures in the administrative field. Streamlining loan procedures helps supported businesses access capital promptly for their business operations, alleviating difficulties related to capital turnover. Moreover, this preferential loan reduces the burden of interest payments for businesses.

Furthermore, a recent cooperation agreement was signed to connect investors and establish the Thua Thien Hue Province Creative Start-up Investment Fund between the Department of Planning and Investment and the Vietnam Creative Start-up Investment Management Joint Stock Company (ICM). This provides additional financial support for start-up and innovative entrepreneurial businesses.

On Wednesday, to assist start-up and innovative entrepreneurial businesses in terms of infrastructure, shared working spaces, common areas such as Hug Building – Hue Group, Box Co-Working Space, CoPLUS - Working Space, the Provincial People's Committee has implemented policies to support start-up and innovative entrepreneurial businesses, as specified in Article 14 of Decision No. 39/2018/QD-UBND regarding standards for shared spaces and funding support for start-up and innovative entrepreneurial businesses.

Regarding shared working space costs:

- Private sector shared working space: 50% of the office rental cost for up to 6 months, but not exceeding 2 million Vietnamese Dong per month per business. The support funding is directly transferred to the shared working space provider with whom the business signs a contract.
- State-owned shared working space: A 70% reduction in the office rental cost for up to 6 months, but not exceeding 2 million Vietnamese Dong per month per business.

The disbursement of support funding is carried out once at the end of the specified support period.

Start-up and innovative entrepreneurial businesses established by individuals or groups that participate in and win awards at provincial-level innovation start-up competitions continue to receive support if they meet the conditions specified in Article 13 of Decision No. 39/QD-UBND.

Start-up and innovative entrepreneurial businesses investing in the construction, repair, and operation of shared working space projects receive support as follows:

- 25% of the investment cost for construction and repair to put the shared working space project into operation is supported. This support is provided through the use of the provincial budget to cover land use fees and land rent on behalf of businesses, but the support amount does not exceed the land use fees and land rent required by the state. If small and medium-sized enterprises do not use state-owned land for rent, they are still eligible for a maximum of 25% of the construction and repair costs to put the shared working space project into operation if they meet the support conditions set by the provincial People's Committee. The support funding is disbursed gradually each year, calculated based on the annual land rent amount according to state-set prices in the proposed support area. The total support amount does not exceed the land rent amount according to state-set prices during the project's operation as determined by the competent authority.
- 25% of the investment cost for repairing government-owned buildings to put them into operation as shared working spaces is supported. The support funding is deducted from the rent of state-owned assets, but the deducted amount does not exceed the required rent.

Shared working space projects supported under the provisions of Points a and b of Clause 4, Article 14 of Decision No. 39/2018/QD-UBND must be approved by the provincial People's Committee before implementation. The support level specified in Points a and b of Clause 4, Article 14 does not exceed 2 million Vietnamese Dong per square meter of floor space and 2 billion Vietnamese Dong per project.

On Thursday, regarding training and development for entrepreneurial businesses, detailed regulations are provided in Article 15 of Decision No. 39 of the Thua Thien Hue Provincial People's Committee. Specifically:

Eligible Participants: Small and medium-sized enterprises, individuals, and groups of individuals with innovative start-up projects are exempted from participation fees in training and start-up courses organized by functional agencies in the province. Small and medium-sized enterprises established by individuals or groups of individuals that participate in and win awards at provincial-level innovation start-up competitions are also eligible for support.

Start-up and innovative entrepreneurial businesses are supported by the province in terms of participation fees for training and start-up courses organized by small and medium-sized enterprise incubators. The content, level of support, and form of support are as follows:

Training Content and Support Level: Business start-up, business management, and specialized business management. The content and duration of training are in accordance with current legal regulations.

Support level: Support according to the following 03 topics:

+ Starting a business: Maximum not exceeding VND 1.0 million/person/course and VND 3.0 million/enterprise/course.

+ Corporate governance: Maximum not exceeding VND 1.5 million/person/course and VND 3.0 million/enterprise/course.

+ In-depth corporate governance: Maximum not exceeding VND 2.0 million/person/course and VND 4.0 million/enterprise/course.

Form of support: Transfer directly to the small and medium-sized business incubator that the enterprise contracts.

Comply with Decision No. 39/2018/ QĐ – People's Committee has implemented and implemented the training and business support program Topic: "05 ways to increase effective profits for businesses"; Business training and support program with the topic "Fostering on business start-up, corporate governance skills for enterprises in the province"; Workshop "Dissemination of programs, policies and plans to support businesses in Thua Thien Hue province"

Sixth, on market expansion support, in order to help and create conditions for expanding the market for innovative startup businesses, the Department of Industry and Trade has contacted and created conditions for 3 businesses to participate in the Vietnam-Laos Trade Fair. 1 business participated in the Thai-Vietnam International Trade Promotion Conference; Organized 6 markets bringing Vietnamese products to rural areas with a total support cost of 765 million dong; In addition, it also organized for 11 businesses to participate in the supply and demand fair, expanding the market with a implementation cost of 225 million dong. Supporting the cost of renting a booth, the cost of transporting products, display equipment, and the cost of direct visual decoration for 18 businesses participating in 8 fairs and exhibitions in all provinces and cities in the country.

Seventh, support for technology transfer with a maximum support of 50% of the contract value for buying technology, technical solutions, technological processes, technical designs, and technological secrets.

Technology transfer with accompanying technological equipment: will support up to 30% of the cost of purchasing technological equipment to serve the maintenance and

development of the strengths of traditional industries and handicraft villages (excluding the city of Hue and Huong Thuy town); With technological equipment for implementing technology improvement projects in the fields of post-harvest technology and processing of agricultural products; improving crop varieties, livestock with high productivity, quality and competitive with imported varieties, then will be supported up to 30% of the implementation cost.

Support up to 30% of the cost of implementing a project to improve advanced management technology (ISO 14000, ISO 22000, ISO 9001, ISO 27000, GMP, HACCP,...., other system management standards).

Support cost: not more than 100 million VND/contract, not more than one contract/year and the total value of support is not more than 300 million VND/enterprise during the entire operating process.

This support will help businesses access and use advanced, modern technologies in production, improve machinery. This boosts the process of business operation. Currently, about 10% of businesses are supported in the technology transfer procedure. This helps to accelerate and speed up the transfer.

Eighth, on intellectual property support according to regulation No. 13/2018/QĐ-UBND dated February 9, 2018 of the Provincial People's Committee promulgating Regulations on some support policies for implementing the Provincial Intellectual Property Asset Development Program for the period 2017-2020. Currently, 3 businesses and individuals have been supported to create and register trademark protection with a budget of 10 million VND/1 enterprise.

Ninth, currently, the Thua Thien Hue province has established the Startup Club to support innovative startup businesses, find investment funds, and investors to help innovative startup businesses.

Currently, the Club has connected with startup clubs inside and outside the province: Hue Craft Club, etc. The Club has established the AIO startup support fund. Cooperating with the Commercial Bank for Industry and Trade of Vietnam, Nam TT Hue branch, Tan Nguyen Joint Stock Company, and the Thua Thien Hue Research and Development Institute to help and support innovative startup businesses in the province of Thua Thien Hue.

Tenth, the province has also formed startup incubators in the province:

- Center for Entrepreneurship and Innovation supporting innovative startups at universities;
- Hue Innovation Hub
- Thua Thien Hue Creative Center - Incubation Center, Business Support and Development of Thua Thien Hue Development Policies;
- CoPLUS - Working Space.

In order to promote the development of innovative startup businesses in the province of Thua Thien Hue, the Provincial People's Committee has issued many support policies for businesses in all fields in order to support businesses in the most optimal way to operate and develop.

### ***Shortcomings and obstacles in the process of applying policies on supporting innovative startup enterprises***

With the achieved results, innovative startup businesses can thrive sustainably, as well as have the motivation and confidence to fully utilize their creative innovation thinking, proactively engage in business activities, create high-quality products, and increasingly assert their position in the domestic and international markets. However, during the process of



implementing innovative startup initiatives, these businesses have faced many difficulties and obstacles because the entrepreneurial ecosystem environment has not been truly favorable and effective. Specifically, innovative startup businesses are facing several challenges in accessing information about the incentives available to them, implementing these incentive policies, and encountering limitations in accessing, researching, and understanding relevant legal documents related to supporting innovative startup businesses.

Firstly, regarding access to information about the incentives available to innovative startup businesses: Innovative startup businesses need effective support from the government and relevant agencies to increase labor productivity, create employment opportunities for workers, and contribute to promoting and improving the quality and sustainability of economic growth. To achieve their goals, innovative startup businesses must have access to comprehensive information about the incentives provided by the government and relevant authorities. However, the majority of innovative startup businesses access information about business support through the National Innovative Startup Portal, both at the national and Thua Thien Hue province levels. This portal provides up-to-date and accurate information within the framework of the Startup Program. It offers information on technology, innovation, standards, measurements, quality, intellectual property ownership, policies, laws, human resources, investment sources, investment transactions, new business models, organizations, individuals providing support, domestic and international news, and other activities supporting innovative startup initiatives. Among all these sources of information, the National Innovative Startup Portal is considered the most important and widely accessible source known to innovative startup businesses. Statistics show that only a very small percentage of innovative startup businesses access information on business support from the National Innovative Startup Portal, accounting for about 20% of all sources of access. Besides, other sources such as current affairs, media, and communications; members of the company, innovative startup businesses, investors, investment funds; startup communities, incubators, accelerators, are also considered effective sources to help innovative startup businesses access information on business support from the government and relevant agencies. However, most innovative startup businesses have not been able to access information from these sources. Statistical data shows that access through current affairs, media, and communications accounts for 12%, access through company members, innovative startup businesses, investors, and investment funds accounts for 14%, access through startup communities and incubators accounts for 15%, and 39% is from other sources. It can be said that innovative startup businesses face difficulties in accessing information on support from the government and relevant agencies. This has a significant impact on the current stage of development of innovative startup businesses.

Secondly, concerning the implementation of incentive policies in practice: The wave of innovative startup initiatives has spread significantly within businesses. In 2018, there were 131,275 newly registered businesses nationwide, with a total registered capital of 1,478.1 trillion VND, increasing by 3.5% in the number of businesses and 14.1% in registered capital compared to 2017. By the end of the first 9 months of 2019, there were 11,787 newly established businesses nationwide with registered capital of 140,152 billion VND, increasing by 28.6% in the number of businesses and 65.3% in registered capital compared to the same period in 2018. This reflects the development of businesses with an increasing trend in the number and registered capital of newly established businesses. To promote and support innovative startup

businesses, the government has issued several financial policies, such as capital mobilization policies, tax policies, bank credit policies, and financial support policies indirectly through the business incubation model, among others. However, up to now, most innovative startup businesses have not been able to effectively access these financial policies. Since their establishment, the business lifecycle of an innovative startup company goes through 5 stages: startup, construction, development, maturity, and post-maturity. Each stage of business development requires different capital needs and capital mobilization models. Particularly, for innovative startup businesses, capital is considered an urgent issue and a prerequisite for maintaining and developing their business activities, especially in the phases of formation, construction, and breakthrough development. Innovative startup businesses can mobilize capital from venture capital funds, startup programs, business incubators, angel investors, crowdfunding, etc. Among these, venture capital funds are considered one of the essential capital sources for innovative startup businesses today. In our country, although many investment funds are active, funds with a focus on venture capital account for a very small proportion (4 out of 57 funds). It is clear that we have not yet channeled venture capital investment into innovative startup businesses to fully utilize their capital potential. In addition, innovative startup businesses find it difficult to access bank credit. According to statistics from the Vietnam Chamber of Commerce and Industry (VCCI), up to 70% of small and medium-sized enterprises have not been able to access credit sources. Among them, more than 30% of businesses "cannot access" bank funding, and 30% of other businesses find it very "difficult to access" this funding. Therefore, innovative startup businesses are indeed facing many challenges and obstacles in terms of capital mobilization for investment, promoting production and business activities, and creating high-quality products to meet the domestic and international market demand. In reality, in Thua Thien Hue province, innovative startup businesses face many difficulties in capital mobilization, accounting for 25% of the challenges in the establishment and operation processes. Venture capital funds are not heavily involved in investing in innovative startup businesses in Thua Thien Hue, which limits the expansion of production and business activities, seeking maximum profit, and achieving expected growth rates. Many investors are still hesitant to invest in the technology innovation process, which often carries high risks and low success rates. Moreover, the lack of entirely supportive measures related to tax incentives for venture investment makes investors concerned and unwilling to invest in business investment. Therefore, there is a need for tax incentives for the income generated when venture investors conclude support services, and incentives for the income generated by investors contributing capital to funds to attract funding from individuals and organized investors in venture capital investment activities as stipulated in the 2017 Law on Support for Small and Medium-sized Enterprises.

Not only are there difficulties in accessing financial policies, but innovative startup businesses also face challenges in accessing administrative procedures. With the development of technology infrastructure, economic integration, government support, and the entrepreneurial mindset of young people, innovative startup businesses are rapidly growing. Alongside the advantages, innovative startup businesses are also facing obstacles due to cumbersome administrative procedures and a lack of accessibility to certain policy mechanisms. According to a survey conducted by the Private Economic Development Research Group (under the Advisory Council for Administrative Procedure Reform of the Prime Minister), 73% of businesses believe

that barriers related to policy mechanisms arise from time-consuming and complex procedures. Meanwhile, 46% attribute this to the overlap of state agencies, and 36% to sudden and uncertain administrative decisions. Specifically, in the field of tax, the time required to declare and pay taxes is quite long, as it takes about 174 hours per year (ranking 124 out of 190 countries and territories). The number of tax payments required per year is 27 times (ranking 154 out of 190 countries and territories). In addition, the rate of corporate income tax is quite high compared to the average rate in the Asia-Pacific region. Although the current tax incentive policies for innovative startup businesses are very supportive, many businesses have not been able to access them effectively.

Lastly, regarding limitations in accessing, researching, and understanding relevant legal documents related to supporting innovative startup businesses: The legal system related to innovative startup businesses has developed rapidly, showing the determination of the government and relevant authorities to promote this model of business. Currently, legal documents related to innovative startup businesses are quite comprehensive, but in practice, many innovative startup businesses still face difficulties related to legal documents because they have not been able to access, research, and understand the documents. This has led to challenges related to the formation, operation, and development of innovative startup businesses. According to a survey by the Vietnam Chamber of Commerce and Industry (VCCI), 85% of small and medium-sized enterprises (SMEs) have difficulties with the laws and regulations in our country, mainly due to complicated legal procedures (57%), the emergence of new laws (18%), ambiguous legal provisions (11%), and overlapping legal regulations (11%). This situation is similar to innovative startup businesses in Thua Thien Hue province. According to a survey by the Provincial Business Association, about 25% of businesses participating in the survey expressed difficulties in dealing with legal documents, among them are documents related to innovative startup businesses. Up to now, the majority of innovative startup businesses have not been able to access legal documents related to innovative startup businesses effectively. Specifically, about 26% of innovative startup businesses express difficulties in access, research, and understanding the legal documents; 19% are related to laws and regulations on intellectual property and copyrights, 15% are related to laws and regulations on tax, 13% are related to laws and regulations on business investment, 11% are related to laws and regulations on corporate governance, 10% are related to laws and regulations on technology transfer, and 16% are related to other laws and regulations. Although the State has adopted legal regulations to support innovative startup businesses, such as Decree No. 38/2018/ND-CP dated March 11, 2018, of the Government on the organization and operation of the National Innovation Center and Decree No. 13/2019/ND-CP dated February 1, 2019, of the Government on incentive policies for the development of innovative startup businesses, these legal regulations have not been effectively accessed and implemented by innovative startup businesses, especially those located in Thua Thien Hue province.

In conclusion, innovative startup businesses play a vital role in promoting economic development, creating jobs, and fostering technological innovation. However, they face various challenges in accessing information about incentives, implementing incentive policies, accessing capital, and dealing with administrative procedures. Additionally, they often struggle to understand and navigate the legal documents related to their operations. Addressing these challenges requires continued efforts from the government, private sector, and support

organizations to create a more conducive environment for innovative startups to thrive.

*1. Types of supported technologies:*

*High technology, advanced technology, new technology and clean technology on the list of technologies encouraged for transfer according to the Government's regulations.*

*Technology has important significance for the development of fields and sectors, scientific and technological development, and socio-economic development of the province shall be decided by the Chairman of the provincial People's Committee.*

*2. Supported conditions:*

*To innovate and improve technologies of the types of technologies specified in Clause 1 of this Article that have been implemented at enterprises and brought about efficiency”.*

Thus, enterprises must have feasible and effective improvement projects to receive project support to improve advanced management technology. With the constraints of the above conditions, it will be difficult for innovative startups to access support on technological innovation today.

*Third, in accessing, understanding and grasping legal documents related to supporting innovative start-up enterprises*

**Firstly**, although there are many current legal documents to support innovative startups, businesses have not paid attention to understanding legal documents as well as support policies for innovative startups. This leads to businesses that have not yet exploited and fully utilized the support policy of the House water in general and the People's Committee of Thua Thien Hue province in particular.

Most innovative startups still have very little experience in carrying out related administrative procedures such as business establishment procedures, product protection, finance,... When it is necessary to carry out administrative procedures, enterprises will start to learn about the procedures. Usually, businesses will look to legal offices, legal advice pages of law offices; However, very few businesses learn documents and information on the Government portal, the provincial People's Committee portal, or the provincial innovation startup portal that has been connected to the National Innovation Startup Portal. According to the survey data, only about 20% of innovative startups access supporting information on the Government portal, the People's Committee portal, the startup portal, the remaining 39% of businesses learn legal documents, policy support from other sources.

Furthermore, currently, there is free consultation and guidance support for administrative procedures within the administrative units in the province. However, very few businesses contact these agencies to understand and carry out these procedures. In the spirit of support and creating favorable conditions for innovative startup businesses, businesses will be provided with a free Electronic Business Card. When conducting administrative procedures within the province, businesses are not required to submit documents that already exist in the Business Information System of the province, accessible at this address: [link]. This is one of the supports provided by the Provincial People's Committee to help innovative startup businesses streamline administrative procedures. Nevertheless, very few businesses actually use the business data card to carry out procedures or to monitor information in the Business Information System of the province.

In addition, businesses are currently facing persistent challenges mentioned in Decision 1540/2017/QD-UBND and Decision 39/2018/QD-UBND of the province, which specify

support for training and coaching for innovative startups, expanding markets, information, and consulting. These are preliminary supports aimed at helping businesses develop specific, tailored solutions to overcome the challenges that most innovative startup businesses face. However, the lack of understanding and utilization of these supports has resulted in various consequences in addressing the existing challenges of businesses. One of the many challenges that businesses are currently facing is expanding their market during their operations, which leads to difficulties in bringing product information to the market, affecting sales and profits.

Furthermore, another issue that businesses are struggling with is the availability of skilled human resources. Currently, although human resources have undergone training and have expertise in specific fields, there is still a lack of specialized expertise, especially in the field of innovative startups, as it is a relatively new market. Therefore, training human resources and enhancing their specialized skills are of utmost importance. Most innovative startup businesses are equipped with knowledge specific to their field, but they lack knowledge in business management, entrepreneurial skills, and in-depth business administration for effective management and personnel utilization. This leads to difficulties and confusion in managing and overseeing personnel, resulting in an inability to fully harness the potential of office personnel. Even though there are support documents and training programs at incubation centers aimed at helping businesses develop suitable solutions for their human resources challenges, the participation of businesses in these training sessions is still limited. This is primarily because businesses are not actively involved with incubation centers, despite being aware of their existence. Innovative startup businesses are not enthusiastic about participating in these incubation centers.

Additionally, providing information and consulting support for innovative startup businesses is continuously updated to help them access the benefits and address the challenges they face. This is specifically outlined in the mechanisms and policies of the Provincial People's Committee to create conditions and provide continuous support for businesses. However, innovative startup businesses have not paid attention to studying legal documents, leading to a delayed access to provincial support and advice. Businesses may not timely grasp the information and support they need. Furthermore, the application of these supports in practice may not achieve optimal results due to the lack of understanding of legal documents and policies.

In summary, it can be said that innovative startup businesses have not placed enough emphasis on studying legal documents or adhering to legal procedures, resulting in incomplete application of legal documents in practice. The support provided to businesses in addressing their challenges has been limited and has not fully resolved the issues they face. This not only hampers business operations but also prevents the effective implementation of legal documents. Secondly, businesses have not kept up to date with current legal documents. Nowadays, legal documents are constantly updated to make timely adjustments and provide support for businesses in their operations and problem-solving. However, businesses have not consistently kept up with these current legal documents. Most businesses have not paid attention to understanding the law during their operations, which may lead to the use of outdated or partially amended legal documents, causing difficulties and unintended consequences when implementing the law. Moreover, most businesses do not have specialized legal departments responsible for continuously updating legal documents and managing

business-related paperwork. This results in wasted time when dealing with legal documents, as well as a lack of efficient and timely updates to legal documents.

*Secondly*, businesses have not continuously updated current legal documents. Currently, legal documents are constantly updated to promptly adjust as well as support businesses in the process of operation and solve difficulties that businesses are facing<sup>29</sup>. However, businesses have not continuously updated current documents. Most enterprises still do not pay attention to understanding the law in the process of operation, when participating in signing transactions, or the implementation of the law inevitably enterprises use and implement expired documents or partially edited documents, The consequences lead to difficulties in the implementation of the law, arising unintended consequences. Moreover, most businesses still do not have dedicated legal departments in terms of updating legal documents continuously, implementing legal papers of enterprises, leading to loss of time to implement legal papers, as well as updating documents is not done quickly and effectively.

*Thirdly*, legal documents stipulate strict support conditions for innovative start-up enterprises, affecting in the process of implementing support for innovative start-up enterprises. Specifically, in Clause 3, Article 13 of Decision No. 39/2018/QĐ-UBND dated June 28, 6 of the Provincial People's Committee stipulating a number of policies to support small and medium enterprises in Thua Thien Hue province, in addition to the criteria for meeting basic conditions, innovative start-up enterprises must also meet one of the following criteria:

- Having innovative products and ideas to enter the final round of innovative startup contests held in the province or other localities nationwide (including competitions from business incubators, startup clubs).
- Having innovative products, ideas that have passed the selection and incubation process at small and medium-sized business incubators (having incubation contracts or certificates that have passed the selection and incubation process).
- There are innovative products and ideas approved by members at the interdisciplinary appraisal meeting including: Department of Planning and Investment, Department of Science and Technology, Department of related majors.
- Having products registered and certified by competent units on confirmation of intellectual property registration in the following forms: patents (patent monopoly or utility solution exclusivity); industrial design; layout design.
- There are products on the list of supporting industry products prioritized for development according to the Government's regulations.

Thus, in addition to the necessary conditions, innovative startups also need to meet one of the above conditions to be supported. However, this is very difficult, because each product, each idea is based on many different factors, at competitions the selection of finalists will be based on certain criteria, which will lead to some projects that do not meet those criteria will not receive support from the home agency Water and projects easily fall into "dead ends" because of the lack of a part of support to complete ideas and products to be put into the market. Or at incubators, the selection of innovative products and ideas is still tight, so this is also one of the criteria mentioned above that is difficult to meet. Not to mention that the other three criteria take quite a long time, how to achieve to meet one of the above sufficient

conditions. Therefore, the above regulation will cause a lot of difficulties for innovative startups to receive support from state agencies.

## **2. The reasons leading to the existence and problems in the application of policies on supporting innovative start-up enterprises**

From the achieved results as well as the shortcomings and obstacles in the process of applying the policy on supporting innovative startups, it can be seen that some causes leading to the existence and obstacles in the application of policies on supporting innovative startups are as follows:

### ***Causes from the legal system***

Firstly, there has not been ensured consistency in regulations regarding support for innovative startup businesses among legal documents. Specifically, while the 2017 Law on Support for Small and Medium-sized Enterprises stipulates tax incentives for innovative startup businesses, Decree No. 38/2018/ND-CP, which provides detailed regulations on investment for small and medium-sized enterprises in startup innovation, does not specify this issue. Furthermore, tax-related legal documents also lack specific guidance. It can be said that there is no unity in regulating tax incentives for startup businesses in general and innovative startup businesses in particular, leading to unclear and ineffective implementation of tax incentives.

Secondly, the policies and regulations supporting innovative startup businesses are 'specific' but not truly 'detailed.' For example, support in terms of production space, business operations, participation in procurement, provision of public services, and training support is mentioned, but the specific implementation details are lacking.

Thirdly, most of this support applies broadly to small and medium-sized enterprises in general, without specific orientation for special target groups, particularly innovative startup businesses.

Fourthly, legal regulations on the conditions for supporting startup businesses are still quite stringent, which many innovative startup businesses fail to meet. For instance, Decision No. 39/2018/QĐ-UBND dated June 28, 2018, by the People's Committee of Thua Thien Hue Province, contains many strict provisions, especially regarding support in the fields of science and technology, intellectual property, and technology transfer. Therefore, businesses must have a feasible and effective improvement project to receive support for advanced technology management improvement projects. However, newly established innovative startup businesses often cannot meet the requirements for technology innovation, advanced technology, new technology, or clean technology listed in the encouraged technology transfer category under Decree No. 76/2018/ND-CP dated May 15, 2018, issued by the Government, which details and guides the implementation of certain provisions of the Technology Transfer Law. These legal regulations pose challenges for startup businesses. Consequently, with the conditions mentioned above, innovative startup businesses find it challenging to access technology innovation support. For instance, in Thua Thien Hue Province, in 2019, no startup business received technology innovation support. It can be said that policies supporting innovative startup businesses need to create more favorable conditions to help these businesses receive initial support to start production and business activities, laying a crucial foundation for their development.

### ***Reasons from the business side***

Firstly, the current situation of innovative startups has not learned, not understood the legal regulations in general and regulations on supporting start-up businesses in particular is still happening popularly in businesses in the area. From there, businesses do not know the types of support that businesses should be entitled to.

*Second*, innovative startups have not actively accessed information on business support policies from information channels. Therefore, enterprises have suffered many disadvantages when they do not know the information, do not carry out the necessary procedures as prescribed to receive support. This has more or less affected the production and business activities and development of enterprises.

*Third*, many innovative startups still have limited human resources and capacity in the legal field, or in other words, there is no corporate legal department in the corporate organizational structure. Therefore, enterprises also face difficulties in necessary legal activities and procedures to receive support from business support policies

#### ***Reasons from state agencies***

Firstly, policies and legal regulations regarding support for startup businesses have been issued and are in effect; however, the dissemination and promotion of these provisions to relevant entities of the state have not been effectively implemented, and they have not reached the beneficiaries of the support.

Secondly, the National Startup Portal has officially been established, but the content, information, and connections to related portals are still limited. There is still a lack of relevant information to connect startup support organizations and entrepreneurs. Innovative startup businesses still do not have timely access to quality information from the portal.

Thirdly, although state agencies have established partnerships and cooperation to provide support to innovative startup businesses, the implementation is not yet synchronized and uniform. Some agencies have carried out the implementation, while others have not, leading to businesses not being able to access information or support consistently.

Fourthly, startup incubators have not fully utilized their support for businesses. Most incubators are concentrated in major cities such as Ho Chi Minh City, Hanoi, and Danang, while smaller cities have not experienced significant development. This has resulted in support programs not realizing their full potential and not effectively supporting businesses across all regions.

### **3. Solutions to complete the law and improve the efficiency of policy application on supporting innovative start-up enterprises**

In order for support policies for innovative startups to be implemented effectively and flexibly, creating a strong legal corridor for innovative startups as well as solving existence, problems and causes leading to existence, Problems in applying policies on supporting innovative startups, the author proposes solutions to complete the law and improve the efficiency of applying policies on supporting innovative startups as follows:

#### ***Solutions to Improve Policy Regulations for Supporting Innovative Startup Businesses***

In the current legal system of our country, policies to support innovative startup businesses are established through regulations in the Law on Support for Small and Medium-sized Enterprises and related guiding documents. Therefore, the legal provisions regarding support for innovative startup businesses are still relatively new, unclear, and not specific. To ensure the effective, fair, transparent, and transparent implementation of policies to support



innovative startup businesses in our country, the state needs to continue improving the legal framework for supporting innovative startup businesses by abolishing inappropriate regulations, addressing discrepancies, and inconsistencies between the Law on Support for Small and Medium-sized Enterprises and related legal documents. Furthermore, the state also needs to provide guidance on new issues that have not been specifically and comprehensively regulated.

Firstly, specify the conditions that innovative startup businesses must meet to receive support.

As the author explained in the section on limitations of policy regulations for supporting innovative startup businesses in Vietnam, the current conditions for receiving support, as stipulated in the 2017 Law on Support for Small and Medium-sized Enterprises, are general conditions. If these general conditions are met, businesses can receive all types of support. However, this approach may not be entirely effective, as it could lead to resource wastage, where businesses receive support for areas that they do not necessarily need. Therefore, the Law on Support for Small and Medium-sized Enterprises and related implementing documents should be adjusted to specify conditions for support based on the specific support categories. This will allow for more targeted and efficient support, tailored to the needs of individual innovative startup businesses.

Secondly, change the method of supporting innovative startup businesses.

As mentioned earlier, the Law on Support for Small and Medium-sized Enterprises and Decree No. 39/2018/ND-CP primarily emphasize financial support, such as covering costs related to contracts for intellectual property consulting, standards and technical standards development, and expenses for technology transfer contracts. The question arises: "How long will this cost support last? Will it provide long-term benefits?" It is important to acknowledge that financial support is meant to provide leverage and facilitate innovative startup businesses in entering the market during their initial stages. However, it should be understood that this is a temporary solution, not a long-term and sustainable one.

Therefore, instead of focusing on financially-based support measures, the state should allocate resources towards providing in-depth training in areas such as product development, market expansion, networking, attracting investment, and enhancing the management and leadership capabilities of business leaders. This will help businesses gain confidence in entering the market with the necessary knowledge and skills, while reducing the financial burden on the state by minimizing financially-based support.

Thirdly, establish clear regulations regarding support for indirectly-benefiting entities in policies for supporting innovative startup businesses.

According to the provisions in Article 3 of the Law on Support for Small and Medium-sized Enterprises, "Investors in small and medium-sized startup innovative enterprises as mentioned in Clause 1 of this Article shall be exempted from or subject to a reduced corporate income tax rate for income generated from their investment in small and medium-sized startup innovative enterprises, as prescribed by tax laws." This is seen as a way to attract investors to invest in innovative startup businesses through tax incentives.

However, determining tax incentives for investors in innovative startup businesses is currently subject to tax laws, and the Law on Support for Small and Medium-sized Enterprises came into effect after the Corporate Income Tax Law. Consequently, there are many aspects

that the Corporate Income Tax Law has not yet caught up with to adjust. One of the aspects not yet updated and adjusted is "corporate income tax incentives for income generated from investment in innovative startup businesses." Therefore, the content related to tax incentives remains at the level of slogans and forms, lacking specific regulations and mechanisms for practical implementation.

Hence, relevant state authorities should consider issuing legal documents to specify the conditions for enjoying corporate income tax incentives, types of tax incentives, tax reduction rates, and the duration of tax incentives for investors who invest in innovative startup businesses.

***Solutions to improve the efficiency of policy application on supporting startups to innovate  
On the business side***

**Firstly, Accessing Relevant Information Sources for Business Support**

Any activity that needs to be carried out requires access to information related to that activity, and support for innovative startup businesses is no exception. To enhance the effectiveness of implementing policies to support innovative startup businesses, the prerequisite is that businesses must have access to information related to business support. To achieve this, businesses should:

Diversify information channels to stay updated on policies supporting innovative startup businesses nationwide and within the Thua Thien Hue province specifically. Some information channels that businesses can use to access information include the National Portal for Innovative Startup Support, the Thua Thien Hue provincial government's official website, the internet, and media outlets. However, accessing information is not enough; businesses also need to process and select relevant information. Subsequently, businesses should determine whether they meet the conditions to receive support and complete the necessary procedures to access the support.

Participate in conferences and workshops related to innovative startup businesses organized within the province and in other localities. Joining startup incubators and co-working spaces is another effective way for businesses to gather information about support policies, expand their network with other innovative startup businesses, and engage in exchanges to enhance the effectiveness of their operations.

**Secondly, Understanding Incentive Policies, Support, and Relevant Legal Provisions for Innovative Startup Businesses**

As mentioned in the legal provisions regarding support for startup businesses that innovate and create new products, the Vietnamese government has issued many legal documents on supporting innovative startup businesses. This demonstrates the government's deep concern for these businesses. However, in practice, many businesses have not fully understood the relevant regulations and are not aware of the incentives provided by the government for innovative startups. To address this, businesses should:

Establish a legal department within their organization. This department will provide advice and recommendations to the company's leadership regarding the incentives available to innovative startup businesses. Additionally, this department will be responsible for preparing documents and handling administrative procedures related to accessing support. With a team of competent legal professionals with years of practical experience, businesses can minimize losses and risks during their initial stages of development.

In cases where businesses do not have an internal legal department, they can enter into contracts with law firms or legal consulting firms within Thua Thien Hue province to serve as their legal advisors. These firms can assist businesses in regular legal consultations, help them complete the necessary procedures for accessing support, and improve their compliance with regulations to benefit from support policies.

For small and medium-sized enterprises that do not have an internal legal department or contracts with legal advisors, the company's leadership and accounting department can seek to understand legal policies related to support for innovative startup businesses through various channels: the National Portal for Innovative Startup Support, the Thua Thien Hue provincial government's official website, the internet, and media outlets.

By taking these actions, businesses can better access and utilize government support policies, ultimately fostering their growth and development as innovative startup enterprises.

*On the part of State agencies*

First, enhance the promotion and support for innovative startup businesses:

To improve the effectiveness of supporting innovative startup businesses, in addition to the efforts made by businesses to access support policies, the coordination and support of relevant government agencies also play a crucial role. Here are some activities that relevant government agencies can undertake to enhance promotion and support for innovative startup businesses:

Organize regular meetings with innovative startup businesses within the Thua Thien Hue province at least once per quarter to quickly address their difficulties, issues, and suggestions.

Develop programs and segments with content related to support policies for innovative startup businesses, and broadcast these segments on the provincial radio and television stations, as well as on the electronic portals of relevant government agencies and units.

Promote support policies for innovative startup businesses through social media platforms like Facebook, the website of the Provincial Business Association, and the Young Entrepreneurs Association of the province.

Organize training sessions and discussions with industry experts tailored to the specific needs of startup businesses to enhance their leadership capabilities in management and strategic planning.

Conduct a review and compile a list of innovative startup businesses that meet the eligibility criteria for support.

Second, take strict actions against behaviors that hinder businesses:

Government departments and agencies in Thua Thien Hue province should strengthen their internal monitoring and inspection systems for their officials, civil servants, and employees to prevent and quickly identify any individuals engaging in disruptive behavior that hinders businesses during the process of obtaining support and incentives for innovative startup businesses. Timely measures should be taken against such officials to ensure integrity in the implementation of policies supporting innovative startup businesses. Inspection and monitoring activities can take the following forms:

Officials within government agencies should monitor and inspect each other's conduct. They should report and criticize colleagues who engage in behavior that deviates from the standards when dealing with businesses and creates difficulties for them.

Establish a feedback mechanism for businesses to provide input on the behavior of government officials and civil servants. Allow them to contribute suggestions for improving the evaluation of the performance of government officials and civil servants.

Third, increase both the quantity and quality of innovative startup businesses in the region:

As mentioned earlier, the number of innovative startup businesses in Thua Thien Hue province is currently relatively low. Therefore, in addition to supporting existing innovative startup businesses, local government leadership and relevant departments should implement practical measures to increase the number of innovative startup businesses in the province. Specifically:

The provincial People's Committee should encourage and support specialized agencies under the provincial People's Committee to organize conferences and workshops on innovative startup entrepreneurship. Mobilize individuals and organizations in the province to participate in these events to increase their understanding of innovative startup entrepreneurship and the incentive policies available to them. This will stimulate the formation and development of innovative startup businesses in the province.

The Department of Science and Technology should collaborate with relevant departments to organize startup competitions for individuals and organizations within the province. Based on the competition results, select winning ideas for practical implementation.

The Department of Planning and Investment should take the lead in coordinating efforts with relevant agencies to establish connections with angel investors and funds to organize investment programs for startup ideas within the province. This will facilitate the establishment of innovative startup businesses to implement these ideas.

Various government departments and major economic organizations within the province should collaborate to support innovative startup businesses. This can include providing mentorship for startups, helping them build their brands, register trademarks and patents, and assisting them in becoming technology-based businesses to access support and incentives in business planning, and more.

#### *Other solutions*

First, establish and enhance the activities of innovation and startup investment funds:

One of the sources of support for capital and finances for innovative startup businesses is innovation and startup investment funds. These funds are formed from investments made by angel investors (individuals or economic organizations investing capital in the fund to support innovative startup businesses). Currently, Thua Thien Hue province has initiated workshops and conferences to establish the Thua Thien Hue Innovation and Startup Investment Fund and has received support from investors within the province. The establishment of this fund is expected to provide a foundation for supporting innovative startup businesses in the region.

However, this fund has not yet been officially announced or activated. Therefore, local authorities in the province need to intensify efforts to ensure the fund is established and operational. They should work diligently to ensure that the Thua Thien Hue Innovation and Startup Investment Fund operates effectively and provides support to startup businesses in the area.

Second, provide office space for innovative startup businesses:

This solution is implemented through the coordination of state agencies in the province,

with primary responsibility assigned to the following agencies:

The Department of Planning and Investment proposes and identifies suitable locations for investors to research and establish shared workspace facilities. The goal is to introduce at least two locations per year for startup businesses in the region. Additionally, support should be provided for office rental expenses in shared workspace areas for startup businesses.

The Department of Finance supports the investment, construction, renovation, and operation costs of shared workspace projects for innovative startup businesses.

Third, support training and education for innovative startups:

Relevant government agencies can provide financial support for innovative startup businesses to participate in training, workshops, and entrepreneurial training programs organized by incubators and startup support organizations.

Organize startup competitions and provide financial support for individuals, teams, or groups with innovative startup ideas and projects. This support aims to nurture these ideas and facilitate the development of startup concepts.

Support the establishment and operation of incubators and innovation centers that provide training, mentorship, and resources to innovative startup businesses.

Collaborate with educational institutions to offer specialized courses and programs in entrepreneurship and innovation to equip aspiring entrepreneurs with the skills and knowledge needed to succeed in their startup endeavors.

## **CONCLUSION**

An innovative start-up is a new business model, formed and developed from creative ideas, making a difference from a better value from existing things, using intellectual property, applying technology to implement as well as linking ecosystems together or derived from a model new business. Developing in disruptive new market segments creates something new that is not yet available in the market. The growth and development rate is very rapid compared to the old models. As a driving force for the development of the economy. Currently, countries in the world always promote and develop policies on supporting innovative startups to form a strict legal corridor to promote and support innovative startups in particular and the startup community in general. This will help promote the strong economic development along with solving some current social problems in terms of employment and income,... In addition, creating a driving force for socio-economic development, economic growth, promoting and spreading entrepreneurship among young people today.

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