Promoting Vietnam's Innovation Activities

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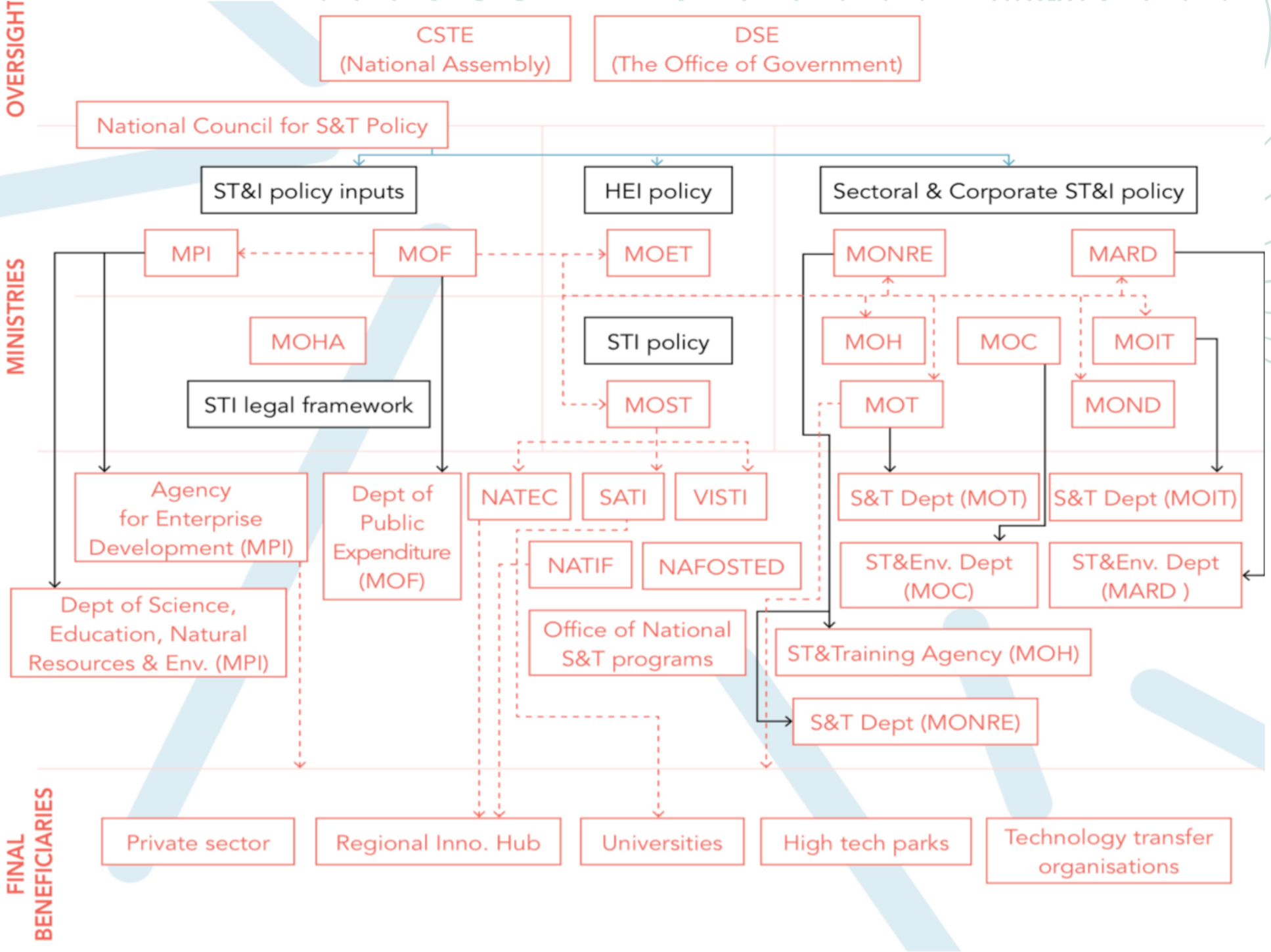
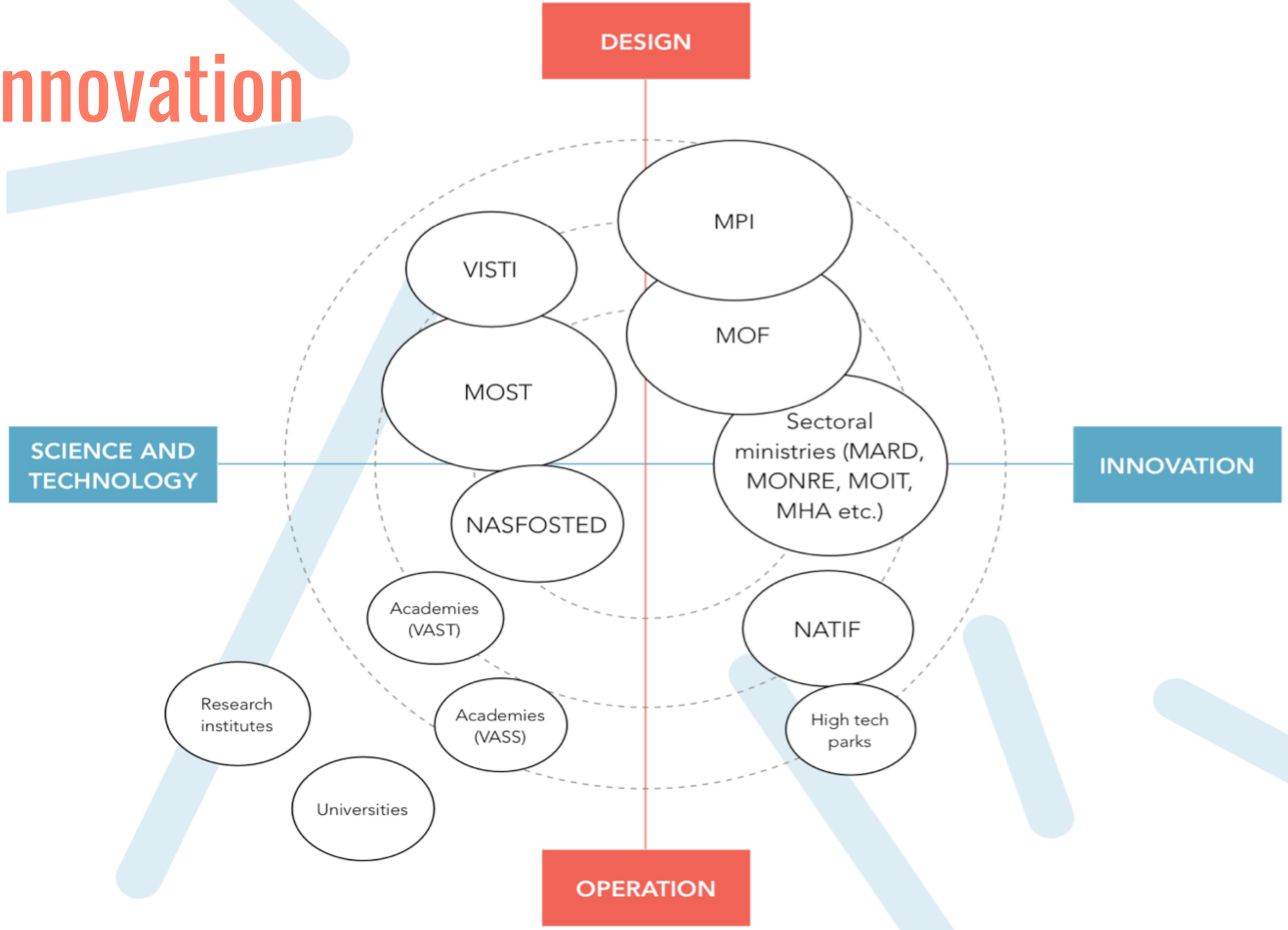
Vietnam National Innovation System



Impact of Innovation



Top ten innovative economies

#GlobalInnovationIndex

2021

1. Switzerland
2. Sweden
3. United States of America
4. United Kingdom
5. Republic of Korea
6. Netherlands
7. Finland
8. Singapore
9. Denmark
10. Germany

Source: WIPO, 2021

Vietnam Global Innovation Index (GII) 2021

Rankings for Viet Nam (2019–2021)

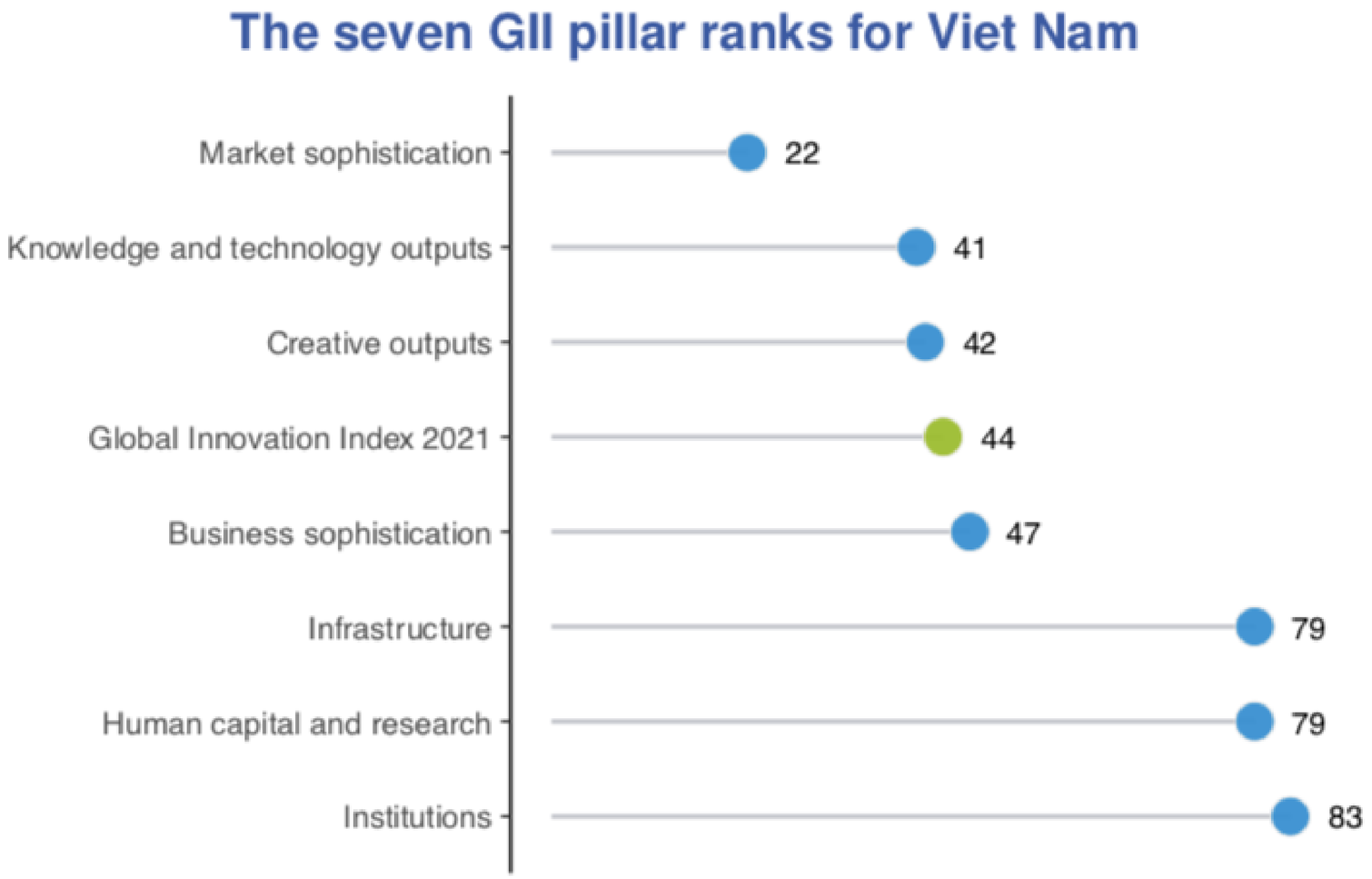
	GII	Innovation inputs	Innovation outputs
2021	44	60	38
2020	42	62	38
2019	42	63	37

- Viet Nam performs better in innovation outputs than innovation inputs in 2021.
- This year Viet Nam ranks 60th in innovation inputs, higher than both 2020 and 2019.
- As for innovation outputs, Viet Nam ranks 38th. This position is the same as last year but lower than 2019.

1st Viet Nam ranks 1st among the 34 lower middle-income group economies.

10th Viet Nam ranks 10th among the 17 economies in South East Asia, East Asia, and Oceania.

Vietnam Global Innovation Index (GII) 2021



Note: The highest possible ranking in each pillar is one.

Strengths and weaknesses for Viet Nam

Strengths			Weaknesses		
Code	**Indicator name**	**Rank**	**Code**	**Indicator name**	**Rank**
4.1	Credit	9	1.3.2	Ease of resolving insolvency	106
4.1.2	Domestic credit to private sector, % GDP	12	2.2.3	Tertiary inbound mobility, %	102
4.1.3	Microfinance gross loans, % GDP	11	2.3.3	Global corporate R&D investors, top 3, mn US$	41
4.3	Trade, diversification, and market scale	15	3.3.2	Environmental performance	110
4.3.2	Domestic industry diversification	9	4.2	Investment	111
5.1.4	GERD financed by business, %	8	5.1.1	Knowledge-intensive employment, %	100
5.3.2	High-tech imports, % total trade	3	5.3.3	ICT services imports, % total trade	129
5.3.4	FDI net inflows, % GDP	16	6.3.1	Intellectual property receipts, % total trade	106
6.2.1	Labor productivity growth, %	3	6.3.4	ICT services exports, % total trade	115
6.3.3	High-tech exports, % total trade	1	7.2.1	Cultural and creative services exports, % total trade	91
7.2.5	Creative goods exports, % total trade	11	7.2.3	Entertainment and media market/th pop. 15–69	52
7.3.4	Mobile app creation/bn PPP$ GDP	10			

The challenges of Innovation Ecosystem

- Ability to access to finance
- Talent and entrepreneur skills
- Fragmented ecosystem
- R & D capabilities
- Intellectual Property (IP) issues

Priority in Development - apply Digital Transformation

E-Commerce

Fintech

Car/ food order

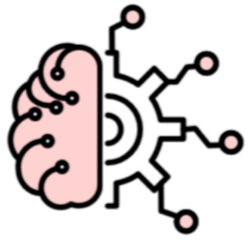
Software outsourcing

Digital content, online media

Online travelling

Transportation

Business Process Outsourcing (BPO)



High-tech (AI/ML, IoT, Blockchain...)

Business service (SAAS,...)

Edtech

Healthcare

National Strategies toward 2025

- Maintaining the rank of the three leading ASEAN countries in the Global Innovation ranking (GII) of the World Intellectual Property Organization (WIPO);
- Being listed in the group of 40 leading countries in the Global Network Safety and Security Index of the International Telecommunication Union (ITU);
- Being listed in the group of four leading ASEAN countries in the United Nations E-Government Index;
- Digital economy accounting for about 20% of GDP; labor productivity increasing 7%/year on average;
- Broadband network infrastructure covering over 80% households, 100% villages; popularizing 4G/5G mobile network service and smart phones; 80% of the population using the internet; providing 80% of level 4 online public services on different means of access, including mobile devices; over 50% of the population using electronic payment accounts;
- Developing at least 3 smart cities in 3 key economic regions (North, Central, and South) and deploying 5G networks in these cities.

Priority in Development

- The Vietnamese Government has identified four key priority industries for Vietnam by 2050, including:
  - Emerging technologies (AI, robotics and smart system)
  - Education and training
  - High-tech agriculture and food processing
  - Green energy, environment, health & tourism.
- In all four industries, emerging technologies are the most important. They support the growth of other sectors, and set the tone for Vietnam‘s ecosystem development.
- Among the emerging technologies, interest in blockchain is growing rapidly and potential to become Southeast Asia’s blockchain innovation hub.
- Fintech has become an increasingly attractive sector.
- Payment systems still account for the largest pool of fintech startup

Vietnam Fintech Market Highlights

TRANSACTION VALUE OF DIGITAL PAYMENTS IN VIETNAM

8.6bn USD

FORECASTED NUMBER OF REGISTERED MOBILE WALLETS IN VIETNAM

6.5m

SHARE OF INTERNET USERS USING MOBILE PAYMENTS MONTHLY IN VIETNAM

30%

Workforces

35%

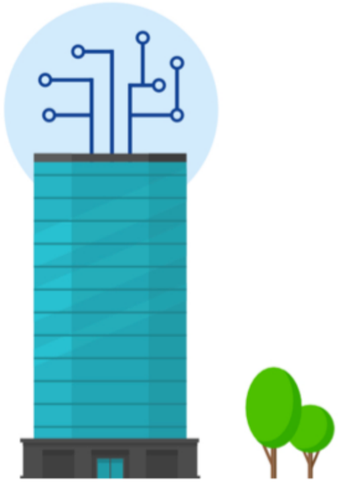
of respondents feel they have **no freedom at all to have a break during work hours**

1 in 3

claims they have **no flexibility to work outside their office**

81%

of Vietnamese professionals feel their **COMPANY IS BEHIND IN DIGITAL TRANSFORMATION**



OBJECTIVES FOR A LEADERSHIP TEAM

MOST IMPORTANT

51% Having a **CLEAR DIRECTION AND VISION**

LEAST IMPORTANT

91% **PROFIT AND REVENUE**

PROFESSIONAL DEVELOPMENT

28%

of the Vietnam workforce say their **company neglected their professional coaching and development**

47%

of respondents feel their potential was **not maximised**

Top 5 Important Skills

MOST IMPORTANT SOFT SKILLS

1. Conflict management
2. Change management
3. Mentorship
4. Stress management
5. Communication

86% of respondents feel they were

FAIRLY APPRAISED

and were **given opportunities to voice** their opinions at work

23%

of repondents say their **management team do not take the effort to get to know them on a personal level**

Funding for Innovation & Tech Activities (from Do & NIC)

Government support is critical to the growth of a startup ecosystem. The Covid-19 has put us to the test while also fueling the Vietnamese government's innovation ambitions. We are pleased to collaborate with the Vietnam National Innovation Center (NIC) on this report, which focuses on current government incentives and legal frameworks for both local and foreign investors. The report's key findings for 2020 investment activities are as follows:

$451M in 2020

The landscape in Vietnam was not an exception to the global tech investment turbulence in 2020. The amount invested fell by 48% to $451M, owing to the absence of large deals closed by later-stage companies last year. Despite this, the total number of deals fell only 17% to 60 in H2/2020, almost matching the same period in 2019. After a slow start in the first quarter, venture capital investment picked up in the second.

Rounds shrunk in size

After a sharp drop at the start of the pandemic, early financings began to recover. An equal number of pre-A and A deals were closed in 2020. Later-stage investment fell sharply in terms of deal value and number, partly due to travel restrictions preventing in-person due diligence for large checks.

Sector Diversification

Payments and retail continued to receive large amounts of funding due to their central roles in the Internet economy. Education (EdTech), healthcare (MedTech), and business automation (SaaS) have slowly gained favor as drastic changes in consumer and business behavior.

Funding for Innovation Activities (cont.)

Foreign investor interest persists
The number of investors entering Vietnam in 2020 is expected to be similar to last year's. The most active investors were from Vietnam, Korea, and Singapore, while Japanese investors fell dramatically.

Local funds are vital
The longevity of early-stage investments is vital to the broader venture capital ecosystem. Local capital availability in the Vietnam market has proven to be one of the most crucial supports for early-stage entrepreneurs to keep thriving in uncertain times.

Exit decline
The lack of major exits over $20M contributed to a 66% drop in realized proceeds in 2020. Trade exit and secondary sales continued to be important sources of liquidity. IPO liquidity remained limited.

Towards 2021
Despite the global crisis' inevitable impact on Vietnam's tech investment landscape, Vietnamese entrepreneurs have done their best with limited resources. We believe challenges are always opportunities for new disruptive business models to emerge. Moreover, the Government's increasing efforts to promote the Internet economy and attract foreign investors will benefit Vietnamese startups when investment activities gradually resume.

Government Support Programs for Startups

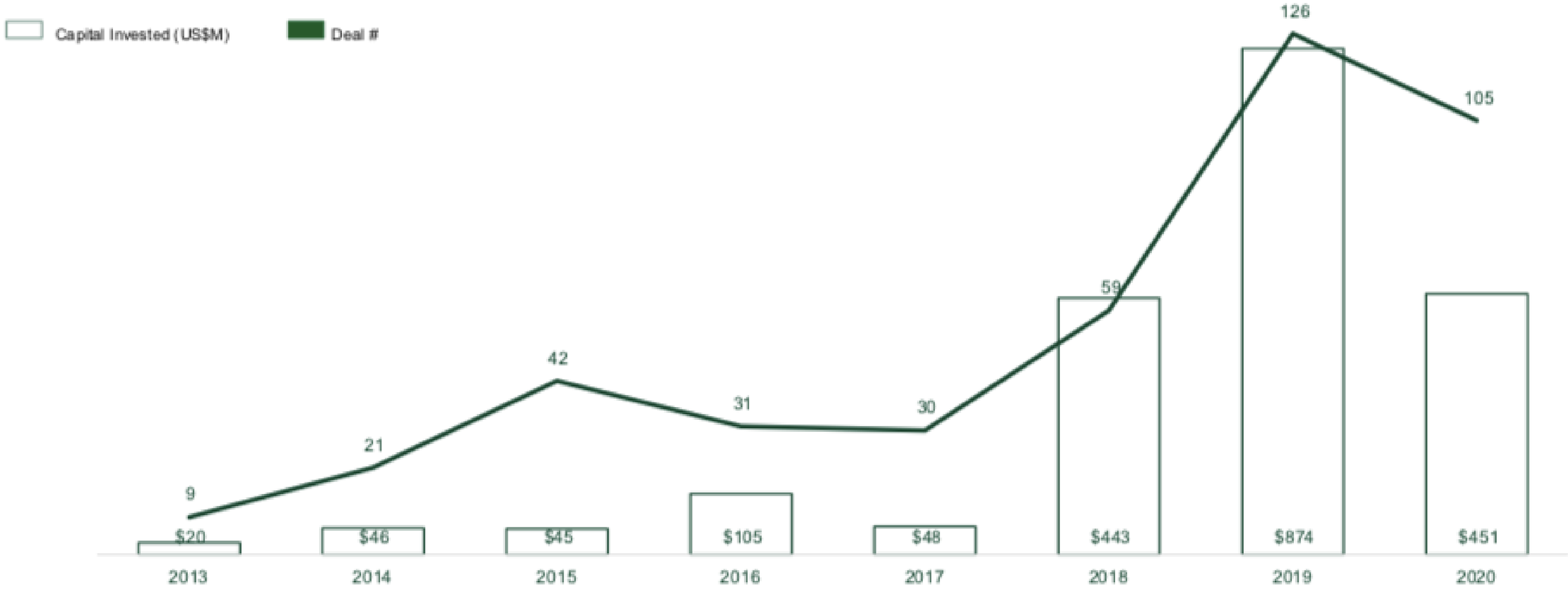
Organization	Program	Scope	Key event
MINISTRY OF PLANNING & INVESTMENT	NIC	○ Build a complete innovation ecosystem at scale to enable technology transfer, development, and commercialization. ○ Pilot an encouraging regulatory environment for innovative activities. ○ Provide utility services including offices, co-working space, laboratories, event spaces, and a technology showcase center. ○ Connect startups with various funding channels. ○ Serve as a launchpad for startups through incubation and accelerator activities.	VIETNAM VENTURE SUMMIT
MINISTRY OF SCIENCE & TECHNOLOGY	ISEV, NSSC	○ Provide financial support for players within the startup ecosystem such as incubators, accelerators, universities, etc. ○ Create a favorable environment to support the formation and development of fast-growing enterprises based on the exploitation of intellectual property, technology, and disruptive business models. ○ Contribute to the improvement of the legal framework for supporting startups. ○ Enhance networking and connect Vietnam's startup ecosystem with the world's.	TECHFEST
VIETNAM CHAMBER OF COMMERCE AND INDUSTRY	KHỞI NGHIỆP QUỐC GIA	○ Nurture the entrepreneurship spirit among college students and young people by providing early training on startup education. ○ Create a network of universities, research institutes, and businesses for mentorship and seed funding for promising startup projects by students.	FESTIVAL KHỞI NGHIỆP

Note: NIC - Vietnam National Innovation Center; ISEV - National Program 844; NSSC - National Startup Support Center

The Global Pandemic is expected to slow venture capital activity

The Covid-19 pandemic and the prospect of an economic downturn caused an anticipated drop in Vietnam's tech investment in 2020. The total capital invested decreased by 48% compared to 2019 while deal counts sank only slightly by 17%. The value of mega deals (Series C+) dropped sharply by almost three times amid an increase in the size and number of early-stage deals.

Capital invested, $M and deals done, #



Source – Cento Ventures and Do Ventures Research
Note: The numbers also include various events that while count as investments in technology companies, are considered non-VC, e.g. ICO, project financing, corporate spin-off.

Most funded sectors in Vietnam

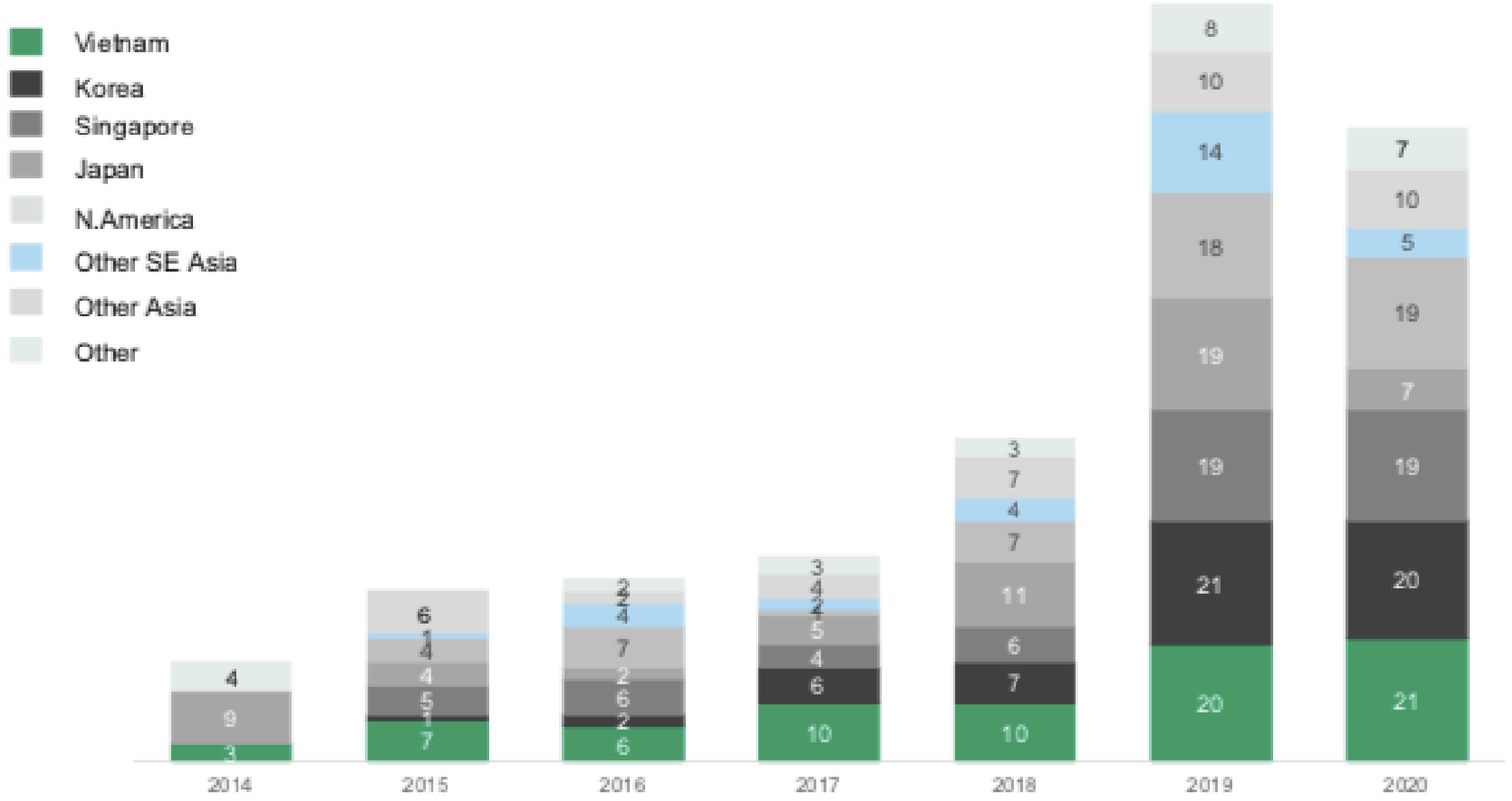
Capital Invested by sectors, $M

Proceed (US$M)	2013	2014	2015	2016	2017	2018	2019	2020	Total
Payment	$12	$10	$1	$29	$10	$100	$300	$101	$564
Retail	$1	$15	$1	$18	$15	$105	$196	$83	$434
Education	$0.2	$3	$6	$1	$5	$53	$32	$8	$109
Financial Services	-	$0.1	$1	$2	$1	$3	$40	$25	$71
Advertising and Marketing Technology	$6	$7	$30	$1	$6	$3	$15	$2	$70
Logistics	-	-	$0.3	$1	-	$5	$58	$4	$67
Business Automation	-	-	$0.1	-	$0.1	$1	$60	$18	$78
Real Estate and Infrastructure	$1	-	$0.1	-	$7	$6	$16	$26	$56
Employment	-	$0.1	$0.2	$0.1	$0.1	$1	$3	$36	$41
Travel and Hospitality	-	$1	$0.4	$4	$1	$4	$23	$9	$42
Multi-vertical	-	-	-	-	-	-	$29	-	$29
Local services	$0.2	$0.1	$4	$2	$0.2	$4	$5	$10	$25
Entertainment/Gaming	-	-	-	-	-	$0.3	$9	$6	$15
Healthcare	-	-	$0.1	-	$0.1	$0.1	$10	$3	$15
Entertainment/Non-gaming	-	-	$0.1	-	-	-	$1	$2	$3
Communications and Communities	-	$0.2	-	-	-	$0.1	-	$1	$1
Other	-	-	$0.2	-	-	-	-	-	$0.2

Source – Cento Ventures and Do Ventures Research

Most funded sectors in Vietnam

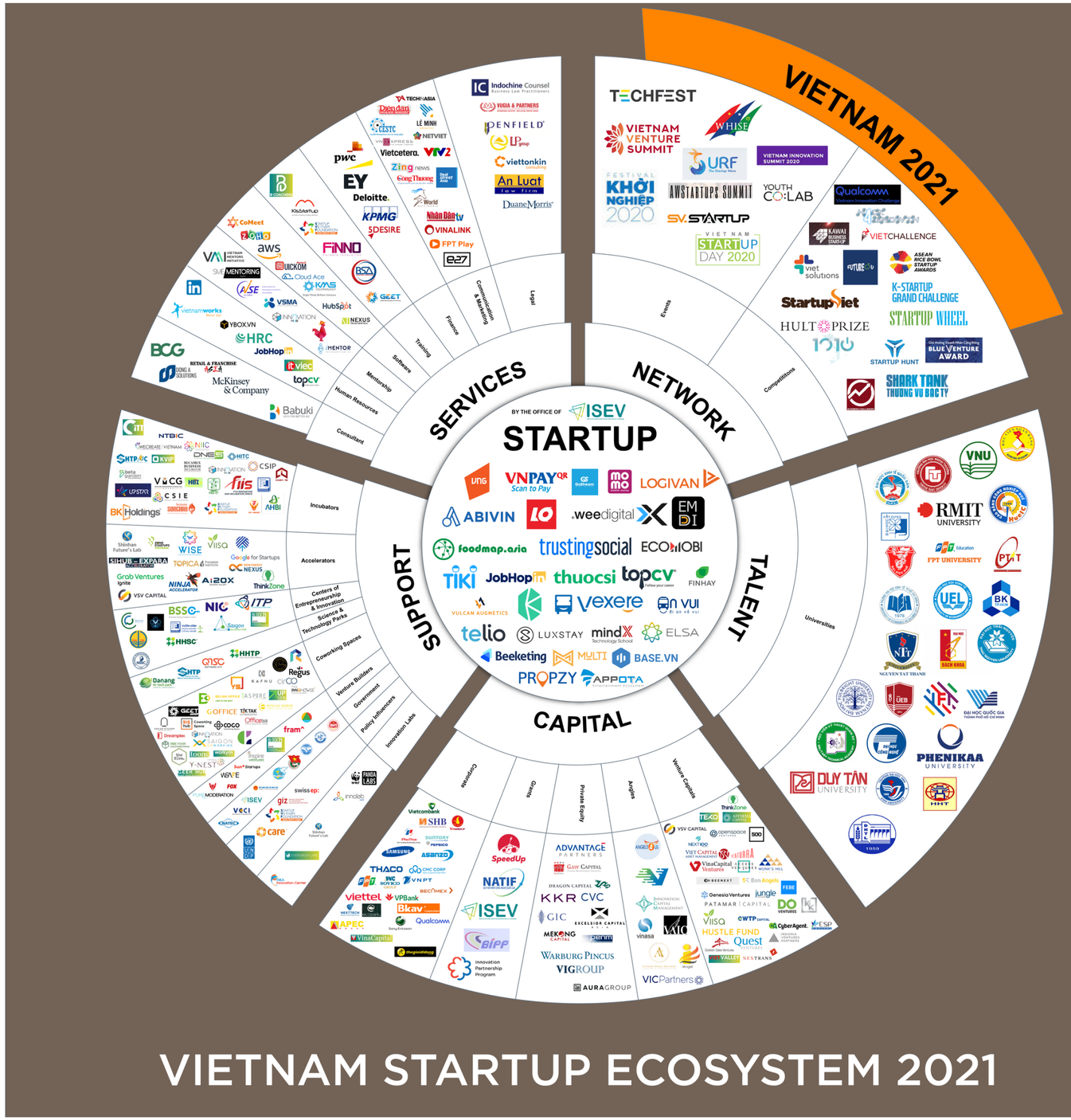
Investors with investment in Vietnam, # of funds



Top active investors in 2020, by # of deals

Top 5

Other Active Investors



VIETNAM STARTUP ECOSYSTEM 2021

Promote Innovation Activities

1. Improving the institutional quality and policy making capacity

a) Developing new institutions for new technologies, new business models and practices; implementing the digital Government and network safety

b) Implementing strong measures to improve the business environment and encourage innovation in the private sector

2. Developing infrastructure, building and exploiting database

3. Human resource development

4. Building an e-Government towards digital Government

5. Developing and enhancing the national innovation capacity

6.Investing, researching and developing a number of prioritized technologies to actively participate in the Fourth Industrial Revolution such as robot technology, advanced materials, renewable energy, artificial intelligence, healthcare technology, internet of things, big data, block-chain...

7. Expanding international cooperation and integration in science and technology, especially in priority technologies in order to actively participate in the Fourth Industrial Revolution.

Promote Innovation Activities

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