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Expanding Venture Capital Markets to Support Startups and High-Growth Enterprises in Ho Chi Minh City, Vietnam: A comparative analysis with Sydney, Australia

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Abstract

This study examines the expansion of venture capital (VC) markets to support startups and high-growth enterprises in Ho Chi Minh City (HCMC), Vietnam, through a comparative analysis with Sydney, Australia. While Vietnam's entrepreneurial ecosystem has grown rapidly, particularly in consumer-driven digital sectors, it remains constrained by limited deal size, narrow sectoral concentration, and weak exit pathways. Drawing on S&P Capital IQ data (2010–2021) and official sources (2010–2024), the study evaluates market structure, investment activity, and policy frameworks to highlight structural gaps between HCMC and Sydney. The analysis shows that Sydney benefits from diversified VC flows, robust IPO and M&A markets, and deep institutional capital anchored by superannuation funds, while HCMC relies heavily on foreign investors and underdeveloped exit mechanisms. Using a mixed-methods approach, the paper integrates insights from finance and entrepreneurship literature with descriptive statistics to address four guiding questions: the role of VC in economic development, Vietnam's current market position, comparative policy lessons, and effective reforms. Policy recommendations include strengthening tax incentives, modernising fund structures, mobilising domestic institutional capital, diversifying sectoral investment, and expanding exit pathways. The findings contribute to academic debates on VC and economic growth while offering actionable insights for policymakers and investors seeking to build a more sustainable and globally competitive startup ecosystem in Vietnam.

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The authors are listed in alphabetical order. The views and opinions expressed in this report are solely those of the authors and do not necessarily reflect those of their affiliated institutions. All errors and omissions remain the responsibility of the authors.

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1. Introduction

Vietnam has emerged as one of Southeast Asia's most dynamic economies, driven by rapid industrialisation, digital transformation, and an increasingly vibrant entrepreneurial landscape. Ho Chi Minh City (HCMC) has positioned itself at the centre of this transformation, serving as the country's primary economic engine and innovation hub. Accounting for over one-fifth of national GDP, HCMC concentrates most of the startup activity, venture financing, and ecosystem support initiatives. In recent years, the city has become a focal point for fintech, e-commerce, and digital platform ventures that are reshaping consumer markets and attracting growing investor interest.

Despite these positive developments, Vietnam's venture capital (VC) market remains at a relatively early stage of maturity compared to regional peers such Australia. Investment volumes, deal activity, and sectoral diversification are expanding, but overall scale is still limited and exit mechanisms remain underdeveloped. The reliance on foreign investors, concentration in consumer-facing sectors, and weak initial public offering (IPO) and mergers and acquisitions (M&A) pathways constrain the ability of startups to secure long-term funding and achieve successful scale-up trajectories. As a result, while Vietnam demonstrates high growth potential, it faces persistent structural and institutional barriers that limit the depth and sustainability of its venture ecosystem.

This paper examines how Vietnam, particularly HCMC, can expand its venture capital markets to better support startups and high-growth enterprises. Four guiding research questions frame the analysis.

1. What does the existing academic and policy literature reveal about the role of venture capital in fostering economic growth, and through which channels has this relationship been most evident across different contexts?
2. What is the current structure and market size of Vietnam's VC markets, and how do they compare with a more mature ecosystem such as Australia's?
3. What do comparative trends in policy frameworks, and ecosystem maturity reveal about Vietnam's relative position in the region and globally?
4. What policy and institutional reforms would be most effective in attracting greater capital inflows, diversifying investment, and strengthening the long-term sustainability of Vietnam's startup ecosystem?

To address these questions, the study adopts a mixed-methods approach that integrates theoretical and empirical literature, cross-country comparative analysis, and descriptive statistics derived from Pitchbook and country's official websites during 2005-2025. By combining insights from leading finance, economics, and entrepreneurship research with real-world investment trends, the report aims to generate both evidence-based findings and policy-relevant recommendations. In doing so, the report contributes to academic debates on venture capital in economic development while providing a practical roadmap for policymakers and investors in Vietnam.

2. Literature review

2.1 Definition of Venture Capital

Venture capital (VC) refers to equity investments in early-stage, high-growth startups that often lack access to traditional financing due to high uncertainty and limited collateral (Gompers & Lerner, 2001). VC investors provide not only funding but also strategic guidance, industry expertise, and governance oversight to help startups commercialise innovations and scale rapidly. Collectively, VC represents critical sources of "smart capital" that combine financing with managerial and strategic support to foster firm development across different stages of the corporate life cycle.

2.2 Venture Capital and Economic Development

Theoretical and empirical research highlights VC as a critical enabler of innovation, firm growth, and productivity. For instance, Kortum and Lerner (2000) find that venture capital activity has a disproportionately positive impact on patenting and technological innovation – a dollar of VC investment appears to generate several times more patents than a dollar of traditional corporate R&D. Likewise, Chemmanur, Krishnan, and Nandy (2011) document that firms backed by venture capital exhibit significantly higher total factor productivity (i.e., greater efficiency) than non-VC-backed firms, both before and after receiving VC funding. In other words, VC funding not only selects more efficient firms to begin with but also helps boost their productivity growth post-investment through active involvement and monitoring by the investors.

VC primarily fosters early-stage innovation by financing risky, high-potential projects that conventional lenders often avoid. By providing equity financing and mentorship to startups, VCs enable the development of new technologies and accelerate commercialisation. Hellmann and Puri (2000) show that venture-backed startups bring products to market faster than their peers. In their sample, VC backing increases the likelihood of a startup's first product sale by nearly 80%, indicating a dramatic acceleration in time-to-market. Beyond funding, venture capitalists add value through strategic guidance and professionalisation of young firms. Gorman and Sahlman (1989) observe that VCs frequently assist portfolio companies with mentoring management, recruiting key executives, and refining business strategies – in addition to providing capital.

These non-financial contributions help startups grow more robustly. Consistent with this, Samila and Sorenson (2011) find that regions with greater venture capital activity experience higher rates of new firm formation, job creation, and aggregate income growth, suggesting that VC has positive spillover effects on the broader economy.

2.3 VC in Emerging Markets

Emerging economies have seen significant growth in VC activities in recent decades, though with considerable regional variation. Asia (especially China, India, and Southeast Asia) now attracts a substantial share of global VC investment, whereas Latin America and Africa - while growing rapidly from a low base - still account for a smaller portion of worldwide venture funding (Bruton, Ahlstrom, & Puky, 2009; Groh & Wallmeroth, 2016). The Lauder Institute's review of Latin America underscores both the strong upward trend and the gap with Asia, Europe, and the United States. For instance, VC investment in Latin America reached about US$11.5 billion across 400 deals in the first three quarters of 2021, exceeding the totals for 2019 and 2020 combined (Lauder Institute, 2022). This surge reflects a boom in fintech and digital startups, enabled by rising internet penetration and a growing middle class (Lauder Institute, 2022). By contrast, Asia's emerging markets - led by China's large VC sector - still outstrip Latin America in volume; as the Lauder report notes, the region "has ways to go before it reaches the level of Asia, Europe, and the United States".

In Eastern Europe, VC markets have also expanded. Poland's development of an active public equity market (notably the Warsaw Stock Exchange, WSE) has supported venture exits and investor liquidity. In 2012, 105 IPOs in Warsaw accounted for roughly 40% of all European IPOs, highlighting the role of the WSE in the region's exit environment.

This activity has been reinforced by domestic institutional investors (including pension funds) participating in offerings and secondary markets, alongside an investor tax regime featuring a flat 19% captal-gains rate on investment profits. Nonetheless, challenges remain. Liquidity has often been thin due to many small-cap listings, which limits the benefits of a high IPO count without sufficient secondary-market depth. Other Central and Eastern European markets (e.g., Hungary and the Baltics) have grown their VC industries too - frequently supported by EU fund-of-funds and reforms improving fund structures and exits (Lerner & Tåg, 2013).

Africa's VC market remains nascent but is evolving quickly, with activity concentrated in a few hubs - Nigeria, Kenya, South Africa, and Egypt - that capture the bulk of deal flow. A distinguishing feature is the outsized role of foreign capital: the International Finance Corporation (IFC) reports in 2025 that roughly 80% of African startups' equity funding comes from abroad (mostly Europe and North America), much higher than in other emerging regions; this reliance heightens volatility during global downturns (Field, et al., 2025). According to the IFC report, when global VC contracted post-2021, Africa's deal count fell by 52% between 2022 and 2024, the steepest regional decline in PitchBook's data (Field, et al., 2025). These dynamics underscore the importance of cultivating local LP capital and broadening regional diversification (Cumming & Johan, 2017). Overall, these studies collectively confirm a rising trend of VC/PE flows into emerging economies, but also stark disparities in scale and investor composition across regions.

3. Current Structure and Market Size of HCMC's and Sydney's Markets

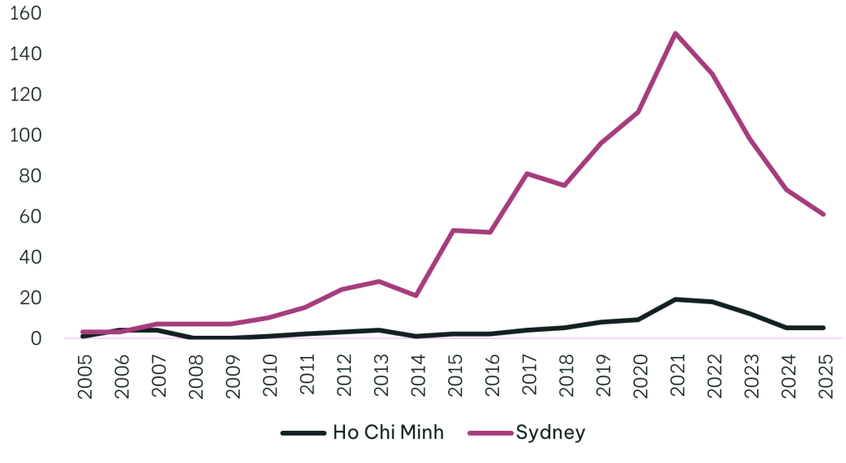
Drawing on Pitchbook data (2005–2025), several trends can be observed in VC markets, deal value, deal count, sectoral allocation, and exit pathways.

3.1 Numbers of startups, VC investors and VC investment, Deal Size and Numbers of Deals

Assessing the scale of venture capital activity involves looking at the number of startups, active investors, total VC investment, and deal characteristics. These indicators provide insight into the maturity of a country's startup ecosystem and its ability to channel capital into innovation. This section will compare these statistics in Vietnam with Australia, highlighting structural gaps and growth opportunities.

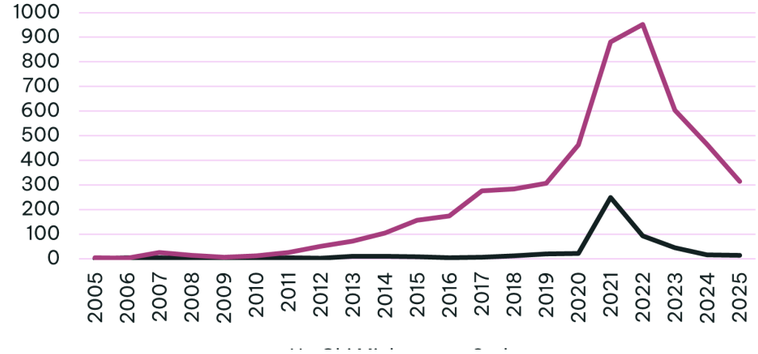
Figure 1 illustrates the evolution of VC-backed companies in Sydney and HCMC between 2005 and 2025. Overall, Sydney demonstrates a far more developed and consistent growth trajectory compared to HCMC. Beginning with around 15–20 VC-backed firms in 2005, Sydney experienced moderate fluctuations in the late 2000s, likely reflecting the impact of the global financial crisis, before accelerating significantly after 2014. By 2015, the number of VC-backed firms in Sydney had risen sharply to nearly 53, and this upward momentum continued, peaking at over 150 by 2021. The numbers of VC-backed firms have steadily declined after 2021, reflecting partial impact of Covid-19 pandemic. In contrast, HCMC's ecosystem remained almost flat at a very low base through the mid-2000s, with fewer than five VC-backed firms until around 2010. Gradual increases began after 2015, and more noticeable growth occurred from 2018 onwards, highlighted by a sharp jump to around 19 firms in 2019. Although HCMC's numbers dipped slightly in 2020, they recovered to just above 5 firms in 2025.

Figure 1: Numbers of VC-backed companies in Ho Chi Minh and Sydney



Source: Pitchbook (2025)

Figure 2: Numbers of VC Investors in Ho Chi Minh and Sydney



Source: Pitchbook (2025)

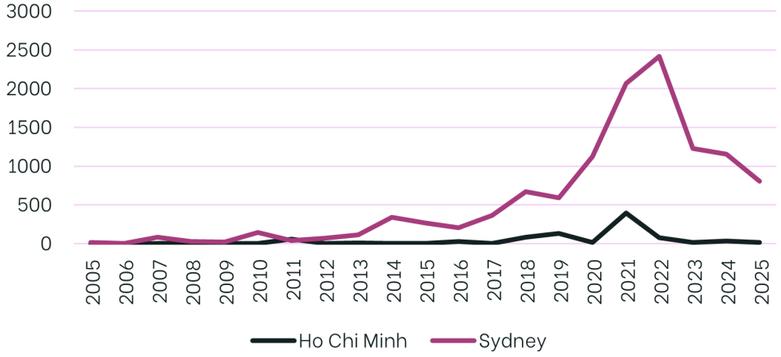
Figure 2 presents the evolution in the number of VC investors in Sydney and HCMC from 2005 to 2025, revealing substantial differences in scale, timing, and volatility between the two ecosystems. Sydney began with negligible VC presence in the mid-2000s and experienced gradual growth through the early 2010s, reaching approximately 150 investors by 2015 and around 300 by 2019. This expansion accelerated sharply during the global VC boom, with investor numbers rising to about 450 in 2020 and surging to nearly 900 in 2021, before peaking at approximately 950 in 2022. However, this was followed by a notable correction, with numbers declining to around 600 in 2023 and further to approximately 300 by 2025, reflecting broader global VC market normalisation.

In contrast, HCMC's VC ecosystem remained small for most of the sample period, with minimal activity until the late 2010s. Investor numbers began to increase modestly after 2018, followed by a sharp but temporary spike to around 250 investors in 2021. This surge proved short-lived, with a rapid decline thereafter to fewer than 50 investors by 2023 and near pre-boom levels by 2025. Overall, while both cities experienced a pronounced VC cycle around 2020–2022, Sydney exhibits a deeper and more resilient ecosystem, whereas HCMC's trajectory reflects a nascent but more volatile stage of development.

Figure 3 compares the annual VC deal size in Sydney and HCMC from 2005 to 2025, highlighting substantial differences in both scale and volatility. Sydney's VC market remained relatively modest through the late 2000s and early 2010s, with annual deal sizes generally below US$200 million. Growth accelerated after 2017, reaching approximately US$650 million in 2018 and surpassing US$1 billion in 2020. The market then experienced an exceptional surge, peaking at around US$2.1 billion in 2021 and approximately US$2.4 billion in 2022, before declining sharply to about US$1.2 billion in 2023 and further to roughly US$800 million by 2025. This pattern reflects both the rapid expansion and subsequent normalisation of VC activity following the global investment boom.

In contrast, HCMC's VC deal size remained minimal for much of the sample period, with only modest increases beginning after 2017. Deal size rose to around US$100–150 million in 2019, before surging sharply to approximately US$400 million in 2021, marking the city's peak. However, this increase was not sustained, with deal size falling back to below US$100 million by 2023 and remaining low thereafter. Overall, while HCMC has experienced episodic growth consistent with the emergence of its startup ecosystem, Sydney maintains a significantly larger and more resilient VC market, reflecting its more mature financial infrastructure and stronger integration into global capital markets.

Figure 3: Annual Deal Size (USD $m)

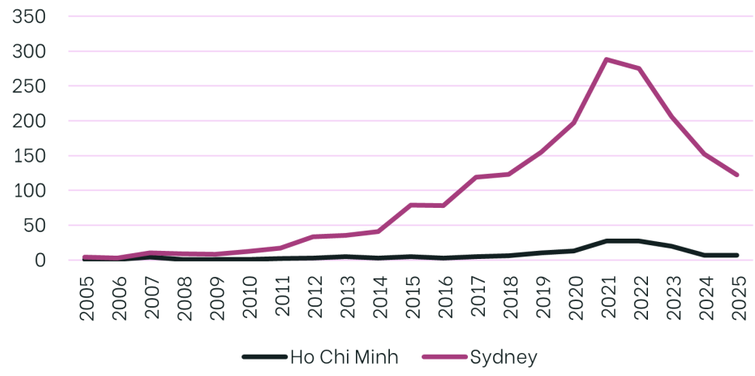


Source: Pitchbook (2025)

When examining the number of deals per year (Figure 4), the divergence in market maturity and scale between Sydney and HCMC becomes more pronounced. Sydney's deal activity remained modest in the mid-2000s, with fewer than 10 deals annually, but increased steadily throughout the 2010s, reaching around 120 deals by 2017 and rising sharply to a peak of approximately 290 deals in 2021. This surge reflects the rapid expansion of Australia's startup ecosystem and increased availability of venture capital. However, deal activity declined thereafter, falling to about 200 deals in 2023 and further to around 120 deals by 2025, consistent with broader global VC market normalisation.

In contrast, HCMC recorded minimal deal activity throughout the early and mid-2000s, with only a few transactions annually. Growth became more noticeable after 2017, with deals increasing to around 10–15 per year by 2019–2020 and peaking at approximately 25 deals in both 2021 and 2022. Similar to Sydney, this increase was followed by a decline, with deal counts falling to below 10 annually by 2024–2025. Overall, while HCMC has demonstrated clear signs of ecosystem development, Sydney's consistently higher deal volume underscores its more mature, deeper, and more resilient venture capital market.

Figure 4: Numbers of Deals per year



Source: Pitchbook (2025)

Taken together, the four figures reveal a pattern of scale versus growth: Sydney commands a much larger and more liquid venture ecosystem, supported by institutional investors and mature exit markets, whereas HCMC demonstrates strong relative growth but from a much lower base, heavily reliant on foreign investors and concentrated in a few high-growth sectors. These differences reinforce the need for HCMC to strengthen its institutional frameworks, broaden its domestic investor base, and expand exit pathways to sustain its momentum and move closer to the maturity of ecosystems such as Australia's.

3.2 Industry allocation of VC Investment

Complementing the VC markets, deal size and deal count data, industry-level allocation of venture capital reveals further contrasts between Sydney and HCMC. Table 1 shows that in Sydney, VC investment is relatively diversified across multiple industries. Software dominates with nearly 30% of total VC deal value, underscoring the country's strong SaaS and enterprise software ecosystem. This is followed by commercial transportation (15.0%), reflecting Sydney's geographic size and logistics innovation needs, and other business products and services (8.4%). Other major categories include commercial services (6.0%), restaurants, hotels and leisure (5.9%), and communications and networking (5.8%). Traditional resource-linked sectors such as metals, minerals, and mining (4.6%) also appear among the top industries, consistent with Australia's resource-oriented economy. Notably, while software leads by a wide margin, the investment distribution indicates a broad-based VC market, with meaningful representation across technology, services, resources, and infrastructure.

Table 1: Top 11 Industries that receive highest deal amounts by VC investment in Sydney		
	Industry Group	**VC investment (%)**
1	Software	29.38%
2	Commercial Transportation	15.03%
3	Other Business Products and Services	8.39%
4	Commercial Services	6.00%
5	Restaurants, Hotels and Leisure	5.85%
6	Communications and Networking	5.80%
7	Metals, Minerals and Mining	4.59%
8	Other Financial Services	3.39%
9	Energy Services	3.33%
10	Utilities	2.79%
11	Other	15.44%

Source: Pitchbook (2025)

By contrast, Table 2 highlights that HCMC's VC market is highly concentrated, with retail alone accounting for more than half of all venture funding (56.1%). This reflects the country's rapid growth in e-commerce, digital marketplaces, and consumer platforms targeting its young, tech-savvy population. Software ranks second at 23.7%, while the remaining sectors receive relatively small shares - services (non-financial) 6.1%, pharmaceuticals and biotechnology 4.9%, and commercial services 2.6%. Other industries such as media, healthcare services, and financial services each account for less than 2% of VC funding, and traditional industries like transportation and commercial products barely feature at all. This pattern underscores Vietnam's dependence on consumer-driven digital sectors, with limited diversification into areas like healthcare, advanced manufacturing, or energy, which remain central to more mature ecosystems.

Table 2: Top 11 Industries that receive highest deal amounts by VC investment in HCMC		
	Industry Group	**VC investment (%)**
1	Retail	56.07%
2	Software	23.72%
3	Services (Non-Financial)	6.14%
4	Pharmaceuticals and Biotechnology	4.87%
5	Commercial Services	2.64%
6	Media	2.49%
7	Other Financial Services	1.81%
8	Healthcare Services	1.55%
9	Commercial Products	0.58%
10	Transportation	0.08%
11	Other	0.04%

Source: Pitchbook (2025)

The tables highlight another structural difference: Sydney's VC ecosystem supports a wide variety of industries, balancing between technology, services, and traditional sectors, whereas HCMC's ecosystem is narrowly concentrated in consumer-facing industries. While this concentration has fuelled rapid growth in Vietnam's digital economy, it also exposes the market to sector-specific risks and underscores the importance of policies that encourage a more diversified innovation pipeline. For HCMC to progress toward ecosystem maturity, broadening VC investment beyond retail and software into high-value-added sectors such as biotech, cleantech, and healthcare will be critical.

3.3 Exit via Mergers and Acquisitions and IPOs

Exit pathways represent another critical dimension differentiating the maturity of venture ecosystems in Sydney and HCMC. Figure 5 (exits via mergers and acquisitions) shows that Sydney consistently records a far greater number of M&A exits than HCMC. From 2005 to 2021, Sydney averaged between 10 and 80 exits annually, with peaks above 75 in 2021, before declining modestly in the late 2010s. HCMC, by contrast, has had only a handful of M&A exits each year, typically fewer than 5, underscoring the limited depth of its secondary market and the scarcity of large acquirers within the domestic economy. This reinforces the reliance of Vietnamese startups on foreign buyers, often regional corporates from Singapore or South Korea, to achieve liquidity events.

Figure 5: Numbers of Exit via Mergers and Acquisitions

Source: Pitchbook (2025)

Figure 6 (exits via IPOs) highlights an even starker contrast. Sydney demonstrates a relatively consistent upward trend in IPO exits, rising from low single digits in the early 2000s to **over 30 IPOs in 2020,** before moderating slightly in subsequent years. This growth reflects the role of the Australian Securities Exchange (ASX) as a well-functioning platform for startup listings, including a dedicated small-cap board that provides viable exit routes for early-stage firms. HCMC, in comparison, shows very limited IPO activity: while there was a modest uptick after 2015, IPO exits rarely exceeded 2 annually, and many years recorded only one or none. This lack of IPO activity is indicative of HCMC's underdeveloped capital markets, where listing requirements, market liquidity, and investor sophistication remain barriers to venture-backed firms seeking public offerings.

Figure 6: Numbers of Exit via IPOs

Source: Pitchbook (2025)

In conclusion, the exit data reinforces the earlier findings: **Australia's ecosystem benefits from robust and diversified exit mechanisms,** encompassing both M&A and IPOs, which in turn encourage steady inflows of venture capital. **Vietnam's ecosystem, however, continues to face severe exit constraints,** with M&A exits occurring only sporadically and IPOs virtually absent. This structural weakness not only limits investor confidence but also constrains the scale-up potential of domestic startups, underscoring the need for regulatory reforms and capital market development to support a sustainable venture capital ecosystem.

4. Comparative Analysis of Vietnam's Startup Ecosystem Policy Frameworks

4.1 Tax Incentives for VC Investors and Startups

The National Assembly in Vietnam on May 17, 2025 passed Resolution 198/2025/QH15 outlining special mechanisms and policies for private economic development. Under a 2025 policy, startups enjoy corporate income tax (CIT) exemptions for 2 years and a 50% reduction for the next 4 years.[1] Small and medium enterprises also get a 3-year CIT holiday. Notably, individual investors in innovative startups are now exempt from personal income tax on gains, and experts or scientists working with startups receive tax reductions. These measures aim to address a historical gap: previously, VC investors in Vietnam had no dedicated tax breaks (no capital-gains tax relief), which often drove startups and VCs to structure investments offshore.[2] Vietnam also allows firms to deduct up to 200% of R&D expenditures from taxable income to spur innovation.

Australia offers robust tax incentives to encourage venture investment. Through the Early-Stage Venture Capital Limited Partnership (ESVCLP) program, investors in qualifying VC funds are exempt from tax on income and capital gains from early-stage startup investments.[3] Additionally, ESVCLP limited partners receive a 10% tax offset on funds invested. For direct startup investments, Australia's Early-Stage Innovation Company (ESIC) scheme grants angel investors a 20% tax offset (up to A$200k per year) and a 10-year capital gains tax exemption on investments held at least one year.[4] These incentives, along with a generous R&D tax credit regime, significantly lower the effective tax burden on startup investors and founders, fostering a strong funding culture.

4.2 Fund Structures and Regulatory Flexibility for Venture Funds

Vietnam's legal framework for venture funds is still developing, which has led many startups to incorporate holding companies abroad. Unlike jurisdictions with limited partnership (LP) structures, Vietnam has not historically offered a flexible *pass-through limited partnership* vehicle tailored for private funds. VC funds investing in Vietnam often register as foreign-incorporated entities to avoid local regulatory frictions (NSSC, 2025). Domestic fund options exist (e.g. as investment joint stock companies or LLCs), but these lack the flexibility of LPs – profits are taxed and distributed as corporate dividends rather than pass-through gains. Foreign VC firms face the same licensing as any FDIs, and navigating investment approvals and capital controls can be time-consuming (NSSC, 2025). Rigidities in Vietnam's company law (e.g. caps on foreign ownership in certain sectors, lack of drag-along/tag-along enforceability) make standard VC term sheets harder to implement. In practice, many foreign VCs require Vietnamese startups to set up a foreign holding company to enable smoother capital injection and future exits (NSSC, 2025). This indicates Vietnam's regulatory framework has room to improve in order to retain startups onshore.

1 https://kpmg.com/us/en/taxnewsflash/news/2025/05/vietnam-tax-incentives-promote-economic-development.html#:~:text=,R%26D%29%20expenses

2 https://nssc.gov.vn/startup-stories/insights/challenges-faced-by-foreign-venture-capital-investors-in-vietnam/#:~:text=,policies%2C%20particularly%20concerning%20capital%20gains

3 https://business.gov.au/grants-and-programs/early-stage-venture-capital-limited-partnerships#:~:text=Investors%20benefit%20from%20an%20ESVCLP%27s,This%20avoids%20double%20taxation

4 https://www.superannuation.asn.au/media-release/superannuation-investment-is-a-key-booster-of-australias-productivity-and-it-can-do-more/#:~:text=institutional%20superannuation%20must%20be%20deployed,digital%20transformation%2C%20and%20infrastrcture%20renewal

5 https://business.gov.au/grants-and-programs/early-stage-venture-capital-limited-partnerships#:~:text=Investors%20benefit%20from%20an%20ESVCLP%27s,This%20avoids%20double%20taxation

The promulgation of Resolution 57-NQ/TW (2024) by the Politburo articulates the strategic objective of establishing Vietnam as an innovation-oriented economy through institutional reform and financial system modernisation. It authorises the pilot establishment of venture capital funds utilising state budgetary resources and introduces a framework that combines public oversight with private-sector efficiency. The policy recognises that innovation finance requires a degree of risk tolerance inconsistent with traditional public investment norms. HCMC's action plan under Resolution 57 integrates venture capital development with the city's broader innovation agenda. Central initiatives include attracting VCs to co-invest in startups and high-tech enterprises, and expanding PPPs in R&D infrastructure. These measures aim to strengthen early-stage financing, attract foreign venture funds, and align innovation investment with the forthcoming IFC in HCMC.

Australia offers well-established fund structures for venture capital. Limited Partnership is a common legal form for VC and private equity funds, supported by the Venture Capital Act. Australia's Venture Capital Limited Partnership (VCLP) and Early Stage VCLP structures provide flow-through tax treatment and liability protections similar to Delaware LPs. Fund managers can easily register an LP with Australian authorities, and foreign investors are welcomed under clearly defined rules. Regulatory capital requirements are moderate, and foreign investors in registered VC funds benefit from exemptions from Australian capital gains tax on qualified assets.[5] Australia also allows incorporated limited partnerships, giving flexibility in fund governance. Overall, the legal system (common law) upholds typical VC contract provisions (e.g. preferred shares, anti-dilution) reliably. The combination of clear LP structures and supportive regulation has made it straightforward to domicile funds in Australia or raise local VC funds, which in turn has helped grow the domestic VC industry.

4.3 Innovation and Entrepreneurial Ecosystem Maturity

4.3.1 Global Innovation Index and Business Climate

In terms of innovation capacity, Australia ranks highly globally, while Vietnam lags behind but is improving. According to the World Intellectual Property Organization's Global Innovation Index 2024 (see Table 3 below), Australia is ranked 23rd. Vietnam, by contrast, is ranked 44th – a respectable position for a lower-middle income country, but clearly behind the others in this comparison. Vietnam's GII ranking has been climbing in recent years due to improvements in R&D investment and business sophistication, yet it still trails in indicators like infrastructure and knowledge technology outputs. On the World Bank Ease of Doing Business index (2020), a proxy for business-friendly regulation, the gap is stark: Australia #14, whereas Vietnam was ranked #70 out of 190 economies. Vietnam's business environment has many lingering issues – for example, starting a business and obtaining permits is more cumbersome than in other advance economies and investor protections/legal enforcement are comparatively weaker.

Table 3: Business Environment

	Vietnam	Australia
Global Innovation Index 2024	4	23
Ease of Doing Business index 2020	70	14

Source: World Bank (2025)

6 https://en.vneconomy.vn/for-sustained-success-of-vietnams-startup-ecosystem.htm
7 https://www.startupblink.com/startup-ecosystem/australia?page=1
8 https://www.chiefscientist.gov.au/sites/default/files/Boosting-High-Impact-Entrepreneurship.pdf

4.3.2 Startup Ecosystem Size and Support Infrastructure

Vietnam and Australia both host significant startup communities, but their levels of maturity and support infrastructure differ substantially. Vietnam had about 4,000 startups as of 2024, supported by 79 incubators and 35 accelerators officially recorded.6 While this is large in absolute terms, many of Vietnam's support institutions remain small and early-stage, with mentorship networks less developed compared to more mature ecosystems. The shortage of experienced serial entrepreneurs and structured mentorship programs constrains startup quality and survival rates.

Australia's startup ecosystem, by contrast, is more distributed across major cities such as Sydney, Melbourne, and Brisbane, and is backed by a deeper support infrastructure.7 Well-established accelerators like Startmate, Stone & Chalk, and Cicada Innovations, as well as university-based incubators and the CSIRO's innovation programs, create strong links between research, commercialisation, and entrepreneurial activity. Importantly, Australia benefits from a culture of university-led entrepreneurship and a growing number of venture-backed scale-ups. 8 The presence of experienced accelerators, investor networks, and seasoned founders provides Australian startups with greater access to resources and guidance compared to their Vietnamese counterparts.

4.3.3 Funding Availability and Institutional Depth

Funding availability highlights another contrast between Vietnam and Australia. Vietnam recorded over 140 startup investment deals in 2024 totalling USD 2.3 billion (including VC and non-VC funding).9 However, these deals are heavily driven by foreign investors, particularly from Singapore, Japan, and Korea. Domestic venture capital remains nascent, with only a handful of local VC firms and virtually no participation from institutional limited partners (LPs) (NSSC, 2025). Vietnam's largest pension vehicle, the Social Insurance Fund, is legally prohibited from allocating assets into high-risk classes like venture capital.10 This structural gap limits late-stage financing (Series C and beyond), making it harder for Vietnamese startups to scale to unicorn status - indeed, Vietnam has produced only two unicorns to date

Australia, on the other hand, benefits from a deep pool of institutional capital, most notably through its superannuation funds. These pension funds, among the largest globally relative to GDP, have historically been central to financing domestic venture capital.11 Insurance firms and other institutional investors also play a role, creating a steady flow of capital across early, growth, and late stages. This institutional depth not only ensures resilience during downturns but also helps Australian startups scale into global players. As a result, Australia has produced several unicorns, supported by a robust funding and support pipeline.

9 https://vietnamnews.vn/economy/1716319/viet-nam-emerges-as-a-hotspot-for-next-generation-tech-investment.html
10 https://nssc.gov.vn/startup-stories/insights/challenges-faced-by-foreign-venture-capital-investors-in-vietnam/#:~:text=The%20largest%20pension%20fund%20in%20Vietnam%2C%20the,in%20high%2Drisk%20assets%2C%20including%20venture%20capital%20funds.
11 https://www.superannuation.asn.au/media-release/superannuation-investment-is-a-key-booster-of-australias-productivity-and-it-can-do-more/#:~:text=institutional%20superannuation%20must%20be%20deployed,digital%20transformation%2C%20and%20infrastructure%20renewal
12 https://nssc.gov.vn/startup-stories/insights/project-844-driving-the-national-startup-ecosystem/
13 https://nssc.gov.vn/services/techedge/government-grants-for-startups/
14 https://www.vpca.vn/insights/vietnam-innovation-private-capital-report-2025

4.3.4 Public-Private Partnerships (PPP) and Co-investment Programs

Vietnam's government has begun implementing programs to support startups through public-private collaboration, though these are relatively modest compared to others. The Ministry of Science & Technology launched the National Innovation Center (NIC) and related initiatives (e.g. Project 844) to fund incubators, accelerators, and provide matching grants.12 There is also a government-run National Technology Innovation Fund that offers grants or loans for R&D commercialisation.13 However, Vietnam does not yet have a large, dedicated co-investment fund that directly matches venture capital in startups at significant scale. One emerging effort is that the NIC, in partnership with the Vietnam Venture Capital Association, has been exploring a fund-of-funds model to mobilise capital alongside private VCs.14 Additionally, provincial governments (e.g. HCMC) have set up small venture funds or investment facilitation programs. For example, HCMC had announced a Startup Investment Fund to co-invest in local ventures, though its deployment has been limited (Pham and Hampel-Milagrosa, 2022). In summary, Vietnam's PPP support is still in an early phase – the government mainly provides enabling policies, some tax incentives, and ecosystem building grants, rather than large-scale direct investment in startups.

Australia's federal and state governments have utilised a variety of co-investment and public-private fund models over the past two decades. Federally, the earlier Innovation Investment Fund (IIF) program (now concluded) saw the government allocate capital to venture fund managers on a matching basis – essentially a fund-of-funds that seeded VC firms in the 2000s (Australian National Audit Office, 2002). More recent is the Biomedical Translation Fund (BTF) (launched 2016), a A$500 million fund where the government contributed A$250M, matched with private capital, to invest in biotech and medtech startups.15 The BTF structure was notable in that government's share is structured to achieve policy goals (commercialise research) while still expecting a financial return, aligning interests with private VCs. At the state level, several co-investment initiatives have emerged: the Queensland Business Development Fund (A$80M) provides between A$125k and A$2.5M in funding to Queensland-based startups, requiring at least a 1:1 match from private co-investors and even allowing those investors an option to buy out the government's stake later.16 South Australia's Venture Capital Fund (SAVCF) (A$50M) and Victoria's Startup Capital Fund (VSCF) similarly invest alongside private firms to spur local innovation. In 2020, Victoria also created a A$250M Business Growth Fund in partnership with private banks, targeting scale-ups with the government and banks co-investing for minority equity stakes (Australian Investment Council, 2020). Another form of PPP is Australia's Accelerating Commercialisation grants17, where government grants (up to A$1M) must be matched by industry funding to help startups bring products to market. The presence of these programs underscores that while Australia has a strong private venture sector, the public sector plays a key role in areas perceived as market gaps – such as early-stage biotech (via BTF) or geographically-focused capital gaps (via state funds). The impact is a more distributed flow of capital into startups that aligns with public interest (job creation, regional development) while leveraging the expertise and capital of private investors.

15 https://treasury.gov.au/sites/default/files/2020-09/115786_AUSTRALIAN_INVESTMENT_COUNCIL_-_SUBMISSION_2_-_SUPPORTING_DOCUMENT.pdf#:~:text=and%20management%20constraints,run%20by%20the%20Queensland%20Investment

16 https://treasury.gov.au/sites/default/files/2020-09/115786_AUSTRALIAN_INVESTMENT_COUNCIL_-_SUBMISSION_2_-_SUPPORTING_DOCUMENT.pdf#:~:text=Queensland,investment%20at%20a%20future%20date

17 https://business.gov.au/grants-and-programs/accelerating-commercialisation/accelerating-commercialisation-funding-offers

5. Policy and Institutional Reforms for Vietnam

The statistical patterns outlined above show why reforms are necessary to attract more capital and deepen Vietnam's startup ecosystem. Vietnam's VC deal count remains modest compared to Australia, and deal values are smaller and more volatile, underscoring the importance of policies that expand the pool of early-stage investors and reduce transaction friction. Strengthening tax incentives is a natural starting point. Vietnam has recently introduced a personal income tax exemption on gains from startup equity investments, which aligns with practices in advanced markets, but more can be done. Australia's *Early-Stage Innovation Company* scheme offers a tax credit and a 10-year exemption on capital gains. Expanding Vietnam's new incentives into a broader "Angel Tax Credit" and providing pass-through tax treatment for certified VC funds would help to widen the funnel of local angel and seed investors, raising annual deal counts beyond the 150 - 180 observed in recent years.

Equally important is the modernisation of fund structures. Until recently, legal restrictions pushed investors and startups to rely on offshore vehicles, often in Singapore, to access flexible fund arrangements. With Decree 210/2025, Vietnam has introduced non-entity "startup investment funds" resembling limited partnerships and has formally recognised convertible instruments and investor pre-emptive rights. This is a strong step forward, but it should be reinforced with a clear Limited Partnership law that codifies pass-through taxation and GP-LP structures, similar to Australia's ESVCLP. Providing legal clarity and tax neutrality would encourage more funds to domicile in Vietnam, anchoring capital and fund management expertise onshore rather than abroad.

Exits remain the weakest link in Vietnam's ecosystem, as evidenced by the exit charts. While Australia supports both a vibrant IPO pipeline and robust M&A activity, Vietnam records only a handful of exits annually. Reform here is critical. A dedicated innovation or growth board under Ho Chi Minh Stock Exchange (HOSE) could allow pre-profit but high-growth startups to list under a sponsor regime, broadening IPO options. In parallel, M&A should be facilitated through streamlined approvals, clearer takeover codes, and tax incentives that reduce the cost of acquiring innovative SMEs. Secondary share platforms could also be established to provide liquidity for founders and early investors prior to IPO. These measures would give investors more confidence that successful exits are possible in Vietnam, closing the loop and stimulating further inflows of capital.

Mobilising domestic institutional capital is another key priority. The statistics show that Australia's superannuation funds underpin deal value stability and scale, while Vietnam remains dependent on foreign inflows. Current rules bar Vietnam's social insurance fund from investing in VC, but a carefully designed framework allowing a small allocation, alongside voluntary private pensions and insurance companies, could change this. Public entities such as a sovereign-backed fund-of-funds can act as anchor investors (i.e., Hong Kong's Growth Portfolio or Singapore's NRF Early-Stage Venture Fund is a good example for this type of fund) which successfully leverag government commitments to catalyse private capital. Even a one to two percent institutional allocation would significantly increase Vietnam's deal value and reduce reliance on volatile foreign inflows.

Public-private co-investment programs can also help diversify sectoral allocation. Vietnam's heavy concentration in retail and software, compared with Australia's balanced portfolio, suggests the need for targeted support to sectors such as health, cleantech, and deep tech. Programs modelled on Hong Kong's Innovation and Technology Venture Fund, which matches private investments with government capital at a capped ratio, would encourage VCs to venture into riskier or longer-gestation sectors. By partnering with private investors and offering upside incentives, Vietnam can spread capital across industries, reducing concentration risk and supporting national priorities.

The IFC in HCMC offers a strategic platform for expanding Vietnam's VC market internationally. The Government should simplify licensing processes for foreign fund registration, ease capital control regulations, and provide sandbox privileges for cross-border fintech and digital asset investments within IFC. By integrating the national venture ecosystem into the IFC framework, HCMC can establish itself as a regional hub for innovation finance, attracting global limited partners and multinational accelerators.

Finally, streamlining regulations would directly improve deal flow. Foreign investors often cite cumbersome licensing, foreign ownership caps, and currency repatriation rules as barriers. Simplifying incorporation, digitising investment approvals, and adopting a notify-and-invest approach for minority foreign stakes would reduce friction. Expanding sandboxes in fintech, healthtech, and AI, and providing enforceable templates for shareholder agreements, would further lower uncertainty and transaction costs. These reforms would shorten deal timelines and make Vietnam a more predictable destination for venture investment.

5. Conclusion

The statistical evidence paints a clear picture: Vietnam's venture market is growing rapidly but is still small in scale, concentrated in a few industries, and constrained by weak exit pathways and reliance on foreign capital. Australia's comparative advantage lies in its diversified investment base, robust IPO and M&A markets, and the role of domestic institutional investors in underpinning scale. For Vietnam to close the gap, reforms must address the full cycle of venture investing: incentivising early capital, modernising fund structures, enabling credible exits, mobilising domestic institutions, diversifying sectoral flows, and cutting red tape. By implementing these measures, Vietnam can increase annual deal counts beyond 300, double or triple deal values relative to 2021, diversify investment beyond retail and software, and raise exits from single digits to dozens annually. This would not only attract more foreign capital but also build a resilient domestic ecosystem where investors, entrepreneurs, and institutions all have a stake in the country's innovation-driven growth.

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