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EXECUTIVE INSIGHT
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Vietnam's Construction Paradox: When More Backlog Means More Exposure

Govern the commitments behind the work you win.



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EXECUTIVE PREMISE

Construction backlog records work won, not the full economic burden of delivery. Test expected final economics, cash timing, contractual risk, execution demands and shared portfolio headroom before accepting another material project.

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EXECUTIVE LEAD | WHY NOW

Vietnam Is Building Fast. That Does Not Make Every Builder Stronger.

Vietnam's construction value added rose 12.22% year-on-year in the first nine months of 2026. The National Statistics Office noted that faster public investment supported activity in construction. [1]

The sector's growth figures tell only part of the story for contractors.

In the National Statistics Office's Q3 survey, 28.5% of construction firms reported more new contracts than in Q2, while 19.5% reported fewer. Over the same period, 53.3% reported higher costs per unit of output and 13.6% reported lower costs. [2]

WHY NOW | SECTOR AND COMPANY

Looking ahead to Q4, 29.0% expected more new contracts and 17.2% expected fewer. Half of the firms surveyed (50.1%) expected costs per unit of output to rise further. [2]

Orders and costs can rise at the same time. For a contractor, the terms and timing of new work determine whether it can turn that demand into profitable growth.

Every additional project creates an opportunity. It also creates commitments. Whether those commitments strengthen or weaken the company depends on their economics, contractual allocation, cash profile, execution requirements and interaction with the existing portfolio.

Backlog is not a risk in itself. It is an inventory of future economic commitments.

MANAGEMENT IMPLICATION

Put material new projects and major variations through one commitment decision that connects project economics, contractual exposure, cash, execution resources and remaining corporate headroom.

01 | PROJECT-BUSINESS DIFFERENCE

An Order Is Also a Commitment

Backlog is an important measure in construction and project business. It provides visibility on future workload and demonstrates commercial traction.

But contract value records work won. It does not measure the complete economic burden of delivering that work.

A substantial project can require mobilisation, procurement, subcontractors, people, equipment, guarantees, liquidity and sustained management attention. Some commitments arise well before the corresponding customer cash arrives.

Contract terms can ease the funding burden. Advances, milestone payments, clear risk allocation and adequate margins can strengthen liquidity and earnings. Vietnam's construction-contract regime recognises several contract and pricing structures. [3]

Two contracts with similar revenue and stated bid margin can therefore have very different effects on the company.

Before accepting a project, establish what the company must commit to earn the expected revenue and which risks it will carry if assumptions change.

That is the difference between measuring backlog and understanding backlog quality.

02 | COMMITMENT-TO-REALISATION

The Contract Allocates More Than Revenue

The economics of a project continue to change after award. At bid stage, management works with assumptions about cost, productivity, timing, procurement, scope and required resources. The contract then converts parts of those assumptions into obligations and allocates economic risk between the parties.

Execution tests the assumptions. Material costs can change. Scope can move. Design and customer decisions can affect progress. Additional work can arise. Performance can deviate from plan. Payments may depend on contractually defined milestones, documentation, acceptance or other conditions.

Vietnam's current framework reflects that complexity. Decree 210/2026 recognises different contract and price forms and provides mechanisms for modifying, among other things, scope, quantities, schedule, prices, payment terms and price-adjustment arrangements. [3][4]

But there is no single payment mechanism that can be assumed for every Vietnamese project. More specific rules apply to certain public-investment and PPP contracts, while existing contracts may remain subject to transitional arrangements. [3][4]

The managerial conclusion is broader than any one legal rule: the contract shapes when risk is transferred, when obligations arise and when economic performance becomes collectible cash.

FROM CONTRACT COMMITMENT TO REALISATION

1 | Project opportunity	Bid assumptions
2 | Contract allocation	Price | scope | risk
3 | Mobilise & execute	Resources | procurement
4 | Prove performance	Documentation | acceptance | contractual entitlement
5 | Realise value	Collectible cash | settlement | released capacity

Distinguish assumed, contracted, deployed and unresolved commitments from collectible cash. This is a conceptual sequence, not a measured exposure curve. Payment, advances, price adjustment, acceptance and settlement vary by contract type, project regime and contract date.

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Figure 1. Contract value becomes economic value only through contract-specific and execution-specific gates.

03 | PORTFOLIO EXPOSURE

Acceptable Projects Can Create an Unacceptable Portfolio

A single project may have manageable economics, cash requirements and contractual exposure. The company, however, executes a portfolio.

Projects can compete for common resources: liquidity, facilities, guarantee capacity, suppliers, specialist personnel, project leadership and executive attention. Several projects can also enter their most demanding phases simultaneously.

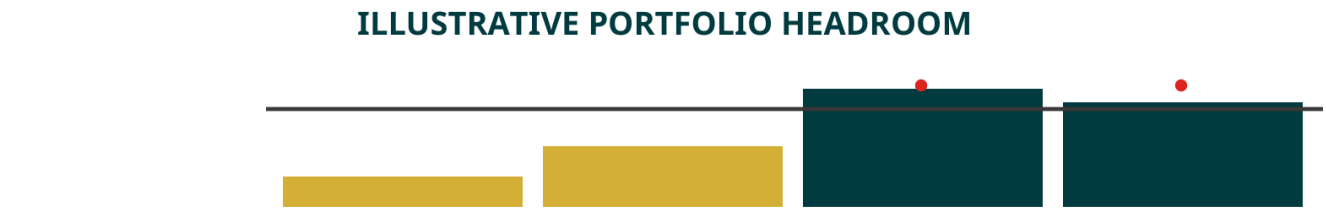
Global construction-risk practice treats surety and risk capacity as finite resources whose deployment on one commitment can constrain future flexibility. [5] In the management framework developed here, project size, complexity and concurrency are therefore tested together when deciding how much capacity to commit.

The exact financing and guarantee architecture differs from company to company. The principle does not require every Vietnamese contractor to have the same bank facilities. It requires management to recognise that corporate headroom is finite.

Portfolio Exposure: Concurrency Changes the Answer

Projects that are manageable in isolation can strain shared corporate headroom when demanding phases overlap.

	Q1	Q2	Q3	Q4
Project A	normal	high	peak	high
Project B		normal	high	peak
Project C	normal	high	high	normal
Project D			high	high



Illustrative exposure profile - not to scale.

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AI-generated diagram for explanatory purposes.

Figure 2. Illustrative concurrency effect: project-level acceptability does not guarantee portfolio-level capacity.

The second approval question must always be: What does this project do to the portfolio we already have?

04 | FORWARD ECONOMIC VIEW

Reported Performance Is Necessary - But Not Sufficient

Revenue, margin, receivables and other accounting measures remain essential. They answer important questions. They do not answer every management question.

Vietnam's current enterprise accounting regime itself illustrates the distinction. Circular 99/2025, applicable to financial years beginning on or after 1 January 2026, permits construction revenue under certain planned-progress contracts to be recognised according to completed work when performance can be estimated reliably, without making the progress invoice itself the determinant of revenue recognition. Different rules apply where payment is based on customer-confirmed completed volume. [6]

Revenue recognition, billing, contractual entitlement and cash collection are related but distinct.

Management therefore needs a forward-looking view: What economic and operational commitment remains before the project is completed, substantially settled and no longer consumes material financial or management capacity?

For each material project, that requires an updated view of expected final economics, remaining cost to complete, remaining funding requirement, unresolved commercial positions, expected collection profile, guarantees and facilities still committed, and resources needed through completion.

Cost to complete in this context is a management forecast and control instrument. It is not presented as a substitute for statutory accounting.

Reconcile performance to date with the expected outcome and the commitments still outstanding.

Coteccons: Large Backlog and Positive Earnings

Coteccons reported VND 77.1 trillion in backlog at 30 September 2026. In Q1 FY2027, revenue rose 51% year-on-year to VND 11.27 trillion and profit after tax reached VND 305 billion. This shows how a large backlog can coexist with revenue growth and positive earnings. [7]

At its June 2026 Shareholders' Day, management also reported, in its own assessment, improving cash-flow quality and explicitly described a shift from rapid growth toward quality growth and greater project-selection and financial discipline. [8]

The test for management is whether the company can deliver its backlog profitably and fund the work through collection.

05 | DECISION FRAMEWORK

The Project Commitment Test

The commercial organisation asks whether a project can be won. Senior management must also ask whether it should be accepted on the proposed terms.

The VIET TA Project Commitment Test brings five established management dimensions into one project-business decision: economic quality, cash commitment, contract exposure, execution commitment and portfolio capacity.

VIET TA PROJECT COMMITMENT TEST

Economic quality	Does the expected return justify realistic downside and complexity?
Cash commitment	How much funding is required, when, and for how long?
Contract exposure	Which material risks remain with the company?
Execution commitment	Which operational and management resources must be committed?
Portfolio capacity	What headroom remains after the project is added?

Decision confidence: known | contracted | estimated | contingent | unknown. Perfect information is unnecessary; uncertainty must be visible, priced and assigned. Possible outputs: accept, reprice, renegotiate, rescope, resequence, partner, defer or decline, where legally and commercially available. Synthesis/application, not a claim of invention.

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Figure 3. VIET TA Project Commitment Test - synthesis/application, not a claim of invention of the underlying principles.

A project does not need perfect information before a decision is made. It needs uncertainty to be visible, priced and assigned. The resulting decision is broader than GO/NO-GO and can include repricing, renegotiation, rescoping, resequencing, partnering, deferral or decline where legally and commercially available.

06 | GOVERNANCE

From Project Control to Portfolio Control

Most established construction companies already control individual projects. The weakness appears when the company does not control the portfolio through one economic view.

Commercial teams assess bids. Operations plans delivery. Procurement tracks supplier commitments. Contract specialists assess contractual positions. Finance tracks liquidity and facilities. Management needs all five views to assess the portfolio.

For material projects and bids, management needs one decision chain: project economics > remaining commitment > contract exposure > project cash profile > portfolio impact > remaining corporate headroom.

This does not require every small contract to go to the CEO. Governance should be materiality-based.

Routine projects that remain inside defined economic, contractual and capacity boundaries can stay decentralised. Projects or variations that materially affect cash, guarantees, risk concentration, resource capacity or portfolio headroom require escalation. Project and commercial leaders own project-level economics and contractual facts; Finance owns portfolio aggregation and headroom; the CEO or designated bid/portfolio committee owns material commitment decisions.

That makes the system faster, not more bureaucratic. It puts senior attention where the company is actually making an enterprise-level commitment.

07 | MANAGEMENT ACTION

Control the Commitments Before They Control the Company

Expose. Establish the remaining economic commitment of every material project.

Revalue. Update project economics where bid assumptions no longer reflect current execution and contractual reality.

Aggregate. Combine material projects into one portfolio view and identify overlapping cash, guarantee, procurement, resource and management demands.

Decide. Determine which projects need normal execution, commercial recovery, operational intervention, renegotiation, additional funding, containment or another legally and commercially available response.

Govern. Put material new projects and major project changes through an integrated commitment decision.

Measure. Track expected final margin, remaining funding requirement, guarantee utilisation, unresolved commercial exposure and remaining portfolio headroom alongside revenue, margin and backlog.

The objective is not less growth. It is growth that preserves strategic choice.

Vietnam’s construction and infrastructure development creates substantial opportunities for capable companies. Strong contractors can convert those opportunities into growth, improved profitability and greater market position.

But they do not become stronger simply by maximising the amount of work they win. They become stronger by selecting, contracting and governing work whose economics, risks and commitments remain within the organisation’s capacity to carry them.

The final management question is not: How much backlog can we win? It is: How much contractual, financial and execution commitment can we carry without surrendering control of the company?

SOURCES & EVIDENCE NOTES

Selected Evidence

[1] National Statistics Office of Vietnam, socio-economic performance in Q3 and the first nine months of 2026. Construction value added.

[2] National Statistics Office of Vietnam, Q3 2026 business trends and Q4 outlook. Construction contracts and production costs.

[3] Decree 210/2026/ND-CP guiding the Construction Law on construction contracts - contract types, price forms, amendments and selected payment/advance rules.

[4] Construction Law 135/2025/QH15 and relevant transitional treatment in the 2026 contract regime.

[5] Aon, Managing Construction Risk Capacity as Strategic Capital, 19 August 2026. Finite surety and risk capacity; allocation, concentration and future flexibility. Global practice perspective, not Vietnamese law. Original source

[6] Ministry of Finance, Circular 99/2025/TT-BTC, 27 October 2025. Article 31(1); Appendix II, Account 511, construction-contract revenue paragraph (b); Official Gazette 1573 + 1574, page 19. Original source

[7] Coteccons, Q1 FY2027 business results, 30 October 2026. Backlog, revenue and profit.

[8] Coteccons, Shareholders' Day 2026 - project selection, collection period and quality-growth discipline.

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