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Who Will Finance Vietnam's Next Growth?

Capital Providers, Revenue Sources and Risk



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Capital Providers, Revenue Sources and Risk

Vietnam's next stage of growth requires infrastructure, stronger enterprises and new skills. Raising capital gets investment started. Over time, customers, users or taxpayers must pay for the service and the obligations it creates.

This Executive Insight follows that payment obligation through public budgets, private finance and project delivery. It shows what owners, boards and investors should establish before they commit capital. The companion analysis of industrial upgrading examines which capabilities companies should build.

Prepared with AI assistance. Editorial responsibility: VIET TA.

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Executive lead

Roads, power systems and skills require spending before they generate income. The commercial and fiscal benefits arrive later and often accrue to different parties. A project can serve a national priority and still lack the cash flow it needs to secure financing.

BIDV Economic Research Institute scenarios, presented by chief economist Can Van Luc and reported by the Government Newspaper on 22 October 2026, estimate total investment needs of about US$1.47 trillion for 2026–2030 if annual GDP is to grow by 9 –10 per cent. The estimate covers investment across the economy, including investment by the state sector. That category extends beyond the state budget. [9]

Before committing capital, sponsors need answers to three questions. Who will pay over the life of the investment? Who can bear the losses if assumptions fail? What must happen before spending produces a usable asset or capability? The answers determine whether to proceed, redesign the investment or wait.

Start with who pays

Equity, loans and bond proceeds can finance construction before an asset earns revenue. In the World Bank's PPP Reference Guide, funding means the money that pays for the service and covers the cost of financing over time. Private investors can provide the finance while users or taxpayers ultimately pay for the service. [2]

For an enterprise, the comparable test is whether customers generate enough cash to sustain operations, investment and capital providers. For a publicly supported asset, it also includes the durability of budget payments. Grants, asset recycling and concessional capital can help meet upfront costs, but each has a finite amount, conditions or an opportunity cost. They do not by themselves establish a recurring revenue stream.

A large list of willing investors cannot resolve an undefined payment mechanism. Equally, a valuable public service need not charge its users the full cost if an affordable, explicitly funded public contribution is the better policy choice. The task is to make that choice and its obligations visible before finance is arranged.

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A stronger tax base must outlast the investment cycle

Public infrastructure and skills can benefit many firms without generating dedicated project revenue. Taxes and other budget resources must then cover part of the cost. Sponsors should identify which receipts can sustain maintenance, staffing and debt service for the life of the commitment.

The World Bank's May 2026 Economic Update estimates that Vietnam's tax-to-GDP ratio fell to 11.9 per cent in 2025, while capital revenue, including revenue from assigning land-use rights, reached 3.6 per cent of GDP. The figures show why higher total receipts can coexist with a weaker tax base. [3]

Land-related receipts and asset disposals can help finance new assets. They exchange or monetise an existing economic resource, however, and cannot be assumed to recur at the same scale indefinitely. Financing an asset once is different from paying to operate it for decades. A prudent appraisal separates recurring revenue, cyclical receipts and one-off proceeds, then tests each against the expenditure it is expected to support.

In its 2025 assessment, the IMF found room for prudent fiscal support. Sponsors still need to establish which recurring commitments the budget can sustain. [5]

Tax incentives can attract investment, support learning and expand the tax base. If an investment would proceed anyway, the incentive reduces near-term revenue without inducing it. Compare the additional economic and fiscal benefits with the revenue forgone, administrative costs and public commitments.

A stronger domestic business base matters through several channels: viable profits, employment, wages, consumption and demand for local services can broaden future public revenue. Gross exports or the nationality of an investor do not directly measure that contribution. Nor should project proponents count all growth in the surrounding tax base as caused by their investment.

For an owner or board relying on a new public connection, training programme or support arrangement, the implication is practical. Distinguish approved appropriations and enforceable commitments from general development ambitions. Model the consequence if public funding is delayed. A company should not make an irreversible capacity decision on the assumption that every announced enabling investment will arrive on schedule.

Private capital changes the contract, not the need for payment

A public-private partnership can combine construction, operations and finance in one contract. It can also commit the public sector to future payments or expose it to losses under guarantees. The World Bank advises sponsors to establish an adequate funding source and allocate each material risk to the party best able to manage or bear it. [2][4]

The contractual design has to follow the service. Where users pay, demand and affordable tariffs constrain revenue. Where government pays for availability or performance, the reliability of the payment undertaking and the public budget become central. A guarantee may improve the lender's position by placing part of the downside elsewhere. That changes the risk bearer; it does not remove the underlying loss.

In the illustration, the project has secured construction finance. In the base case, recurring revenue just covers operating costs, reserves and debt service. A modest revenue shortfall is enough to leave a cash deficit.

Annual cash test after construction is financed

	BASE CASE	LOWER REVENUE
Collected receipts	+14	+12
Operating costs	-4	-4
Maintenance reserve	-2	-2
Debt service	-8	-8
Cash headroom	0	-2

Hypothetical units/year. Cash headroom is before equity distributions.

Figure 1. A financed asset can still have a funding problem. Hypothetical units per year; VIET TA illustration, not Vietnamese project data.

The example measures one year's cash headroom. A project can still earn an acceptable lifetime return after a year without distributions because debt amortisation and residual value also matter. Before committing, test whether changes to price, scope, efficiency, risk sharing or the public contribution would close the cash shortfall.

Banks and capital markets must carry different parts of the task

Banks finance working capital, construction and investment. As projects grow in scale or duration, lenders must manage concentration and refinancing risk. The IMF's 2025 Article IV report puts Vietnam's credit to the economy at about 136 per cent of GDP in 2024. That figure shows the scale of existing credit relative to the economy. [5]

The financing structure should reflect the cash cycle and the stage of risk. Trade, receivables and supply-chain finance can support verifiable transactions when the underlying customer, documentation and recourse are credible. They do not automatically finance long-lived assets or make a loss-making contract viable. A supplier that pledges receivables must understand who bears non-payment, dispute and dilution risk, including deductions that reduce the invoice collected.

Long-lived infrastructure needs financing that remains available throughout its development and operating cycle. Repeatedly refinancing short maturities may leave an otherwise productive asset exposed to a market closure at the wrong moment. Long-term debt can reduce that mismatch; it does not guarantee affordable terms. Construction, ramp-up and stable operations can justify different capital providers, provided the transition does not depend on an uncommitted refinancing assumption.

Bond and equity markets can bring more investors into the financing of Vietnamese firms and projects. The World Bank's work on Vietnam's Sustainable Finance Facility identifies institutional investors, sound regulation and demonstration transactions as important to that development. [6] Investors also need reliable disclosure, credible ratings where appropriate, enforceable rights and workable restructuring procedures.

An exchange listing, international financial centre or improved market classification can make access easier. None supplies an automatic claim on cheap capital. Lenders and investors still assess the borrower, currency, security, cash flows and restrictions. An instrument labelled green or sustainable must satisfy its relevant use-of-proceeds or performance conditions; the label does not itself demonstrate repayment capacity.

Boards should therefore compare proposals by usable finance over the required horizon, not headline interest alone. Include fees, hedging, reserves, covenants, security, dilution and refinancing exposure. Two offers with the same initial proceeds may leave very different freedom to operate when demand weakens.

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Foreign capital and domestic capabilities

Foreign investment can finance productive assets, connect firms to customers and bring technical knowledge. Some spending can go to imported equipment and services, and some returns accrue to investors abroad. To judge what an investment can contribute locally, follow the cash flows and identify where the activity takes place.

Vietnam's National Statistics Office estimates realised foreign direct investment of US$24.08 billion in January–October 2026. Registered foreign investment reached US$54.85 billion over the same period, including new registrations, adjustments and equity transactions. The two measures cover different activities. Dividing realised by registered investment would not show how many of the registered projects went ahead. [1]

Trace where the money goes: equipment, wages, supplier orders, taxes, debt payments and distributions. Imported equipment can raise local productivity. Local suppliers can gain orders from a foreign-owned plant. Ownership, local spending, domestic value added and public revenue measure different effects.

The OECD's 2026 review finds that local firms need the capacity to absorb knowledge and meet the standards of multinational supply chains. [7] A supplier may have to pay for qualification, testing and process improvements before it earns repeat orders. Invoice finance usually requires an eligible receivable. Customer commitments, shared development costs, equity with a longer investment horizon or appropriately structured loans can help finance the earlier stage.

The same discipline applies to skills. Training can create benefits shared by workers, employers and the wider economy. The funding arrangement should reflect who gains, who can pay and what happens if staff move. Public co-funding or employer collaboration may be justified where spillovers are material; neither is a universal substitute for a credible commercial use of the skill. A training certificate alone does not establish a bankable revenue stream.

Foreign-currency debt creates exposure when project receipts are in local currency. Identify cash flows that genuinely match the currency and timing of the debt, or assess the cost, tenor and availability of a suitable hedge.

Development finance can offer longer maturities or risk protection. Sponsors should check procurement conditions, access to technology and dependence on future refinancing.

Execution determines how much finance becomes productive capital

The World Bank's 2025 institutions report links effective public investment to project selection and implementation. [8] Sponsors need to establish that the project is worth doing and that the team can deliver it.

Land, permits, connections, procurement, technical design and operating readiness can determine the earliest possible completion date. Delays defer receipts while interest, staffing and supplier costs continue. A financing offer can expire before the project meets its conditions. Give each critical dependency an owner and require evidence that it can be resolved on time.

Capital already committed also deserves a place in the financing decision. Can Van Luc's proposals include resolving stalled projects and putting unused resources into productive use. [9] For a company, management should review delayed projects, collectible receivables, excess inventory and tax refunds that are legally due. Resolve recoverable delays, release resources where appropriate and stop adding money to projects whose economics no longer work. Count only cash that can actually be collected or redeployed, net of liabilities and release costs. Faster turnover can reduce financing needs; recognising an impairment does not itself release cash.

Before choosing the financing route, a sponsor should distinguish four situations. The matrix below is a proposed appraisal aid. It does not determine legal eligibility, procurement treatment or the allocation that Vietnamese law permits in an individual transaction.

Identify the constraint before choosing the instrument

Situation	Evidence to establish	Next decision
Viable cash flows Ready to execute	Payer and approvals are evidenced	Choose capital structure and risk allocation
Valuable public service Insufficient user receipts	Affordable public support and wider economic benefit	Test public funding and value for money
Credible demand Project not ready	Land, permits, design and operating dependencies	Fund preparation first then reassess commitment
Weak underlying value No credible payment case	Demand and benefit case remain unsupported	Redesign or stop do not hide the gap

VIET TA appraisal aid. Not a legal classification or automatic financing entitlement.

Figure 2. Identify the constraint before choosing the instrument. VIET TA synthesis; project-specific legal and fiscal review remains necessary.

A socially valuable project with insufficient commercial receipts may deserve transparent public funding. A project with weak social value should not be rescued merely by a guarantee. Where the economics are sound but evidence is incomplete, the next investment may be in preparation rather than construction. Legal, engineering and fiscal reviews must then validate the proposed solution before anyone treats it as executable.

A commitment sequence for owners, boards and investors

Before committing funds, sponsors, finance teams and boards should take the following steps together.

First, the sponsor and finance lead identify the payer and the payment mechanism. Separate customer or user receipts, binding public payments, grants and one-off proceeds. Assign someone to verify each material assumption. Test ability and willingness to pay, collection, enforceability and the cost of providing the service. Before seeking new finance, assess how much cash the business can release from existing commitments.

Next, finance and technical teams build one integrated lifecycle model. Include development, construction, ramp-up, maintenance, taxes, working capital and the financing terms. Stress delayed completion, lower demand, higher costs, currency movements and unavailable refinancing together where they may coincide. Avoid adding a contingency twice under different headings, or using the same revenue to support two obligations.

The board then chooses the risk allocation and investment sequence. Specify which exposures the sponsor can absorb, which counterparties can control and which commitments require public authorisation. Compare the proposed structure with a smaller scope, staged construction and alternative procurement or financing. Test value for money across the whole arrangement, not only the amount of private capital mobilised.

Before approving irreversible spending, management should document the critical approvals, committed equity and outstanding financing conditions. Pause if the downside case shows a funding gap with no credible backstop, if an approval will arrive after a financing offer expires or if a material payment commitment still lacks authorisation. The board can then decide whether to redesign or resequence the project.

During delivery, one accountable sponsor reports to the board on cost to complete, milestone slippage, cash headroom, covenant room and the readiness of the operating system. Review aggregate exposure across projects: several individually manageable guarantees, customers or refinancing dates can create a concentrated portfolio risk. Update the model when assumptions change; additional reporting without a decision does not restore control.

What boards should establish before committing

Vietnam's next growth will draw on public budgets, retained earnings, domestic savings and foreign capital. The mix will vary by project. Before committing, owners and boards should identify who will pay, determine who bears a shortfall and verify that the investment can be delivered and put to use.

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The two figures and the management sequence are VIET TA synthesis and hypothetical analysis, not externally validated project models.

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