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Swiss Agency for Development  
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E+E

Economy and Education

PSE @ SDC – How are we doing?

# Summary of the 2023 PSE data



## How does SDC define Private Sector Engagement (PSE)?

Private Sector Engagement (PSE) is an inherently different modality to achieve development objectives compared to traditional international cooperation approaches. SDC defines PSE in its PSE Handbook as **a partnership where the SDC and one or several private sector partners join forces on equal footing for an impact-driven development intervention**. Only when the three criteria of co-initiation, co-steering and co-funding are met, do we talk about a PSE. In other words, PSE means achieving a development goal pooling public and private resources (financial and other) in a partnership on equal footing. This is not only different from “traditional” development assistance whereby official development assistance (ODA) is provided solely by a public entity (and often implemented by a partner government, NGO or international organization); PSE is also distinctive from other forms of working with the private sector, notably SDC’s work in Private Sector Development (PSD), which is a thematic domain in which local companies are beneficiaries of SDC funded projects.

## Why and how are we measuring PSE data?

As every PSE is inherently based on a mutual partnership with private sector actors, SDC must systematically collect additional financial data both to get relevant data for monitoring ongoing PSEs and to respond to frequently asked questions by the public, media or parliament such as: what private sector partners are we working with?; or how much does the private sector contribute to the SDGs? The PSE data is also an important tool for steering SDC’s overall PSE portfolio. Since the financing needs to achieve the SDGs can only be met when we are joining forces with all actors, including the private sector (PS), SDC aims to be more strategic in its PSE approach. Having access to accurate and up-to date data about our PSE portfolio is an important pre-requisite for scaling up our PSEs based on evidence. Finally, the data is also used to provide a full picture of financing available to achieve the SDGs by international organizations, including in the OECD’s reporting on mobilizing private finance for sustainable development.

The SDC uses the annual report process to gather financial information about our PSE portfolio through a digital tool. The summary of each operational unit’s PSE portfolio is an integral part of each unit’s annual report, the so-called Annex 2. The full data described in this brief is available to an internal audience on [SDC’s shareweb](#).

## How big is SDC’s PSE portfolio?

- **SDC had 124 projects with at least one PSE partnership at the end of 2023.** This number is slightly smaller compared to 134 at the end of 2022 and 141 at the end of 2021. The majority of SDC’s PSEs are projects of the Thematic Cooperation domain (48) followed by the Sub-Saharan Africa (36) and the MENA-EU (20) domains.
- **Almost two thirds (66.1%) of SDC’s PSEs are multi-stakeholder partnerships.** These partnerships typically involve more than one private sector partner and follow a relatively traditional project set-up, with standardized governance mechanisms, a legal arrangement based on a Memorandum of Understanding (MoU), and a relatively narrowly defined development goal. Examples of a multi-stakeholder PSE include the [UN Global Compact](#) or [Gavi](#).
- **The most important sector when looking at it in terms of financing volume is health**, accounting for 43.1% of SDC’s PSE portfolio, followed by employment and income (29.4%) and migration (3.9%). In terms of numbers of projects, most (53) projects are in the employment and income thematic domain, followed by health (23) and food security and nutrition (16).

## Who are our main private sector partners?

- **In 2023, SDC had 761 private sector partners.** Half (49.4%) of those are SMEs, mostly based in our partner countries. 17.9% of our PS partners are large corporations and 14.5% are foundations.
- When looking at the financial contributions by PS partners, the picture changes: **foundations account for 64% of the financial contribution by private sector partners in SDC’s PSE portfolio**, followed by large corporations (15%). SMEs contribute 6% of total private sector contributions.

Are foundations even part of the private sector? This is an important question as it changes the picture quite a bit. In the [PSE Handbook](#), SDC defines grant-making foundation as private sector actors if they are charitable foundations which dispose of their own capital and do not rely on donations to finance their activities. **SDC therefore considers grant-making foundations as private sector actors if their core capital funding comes from private sources.** They therefore constitute private contributions to sustainable development (in the form of philanthropic private funding) even if they are not acting like private businesses in the market, i.e. seeking financial returns for their investments.

## How much does the private sector contribute to PSEs with SDC?

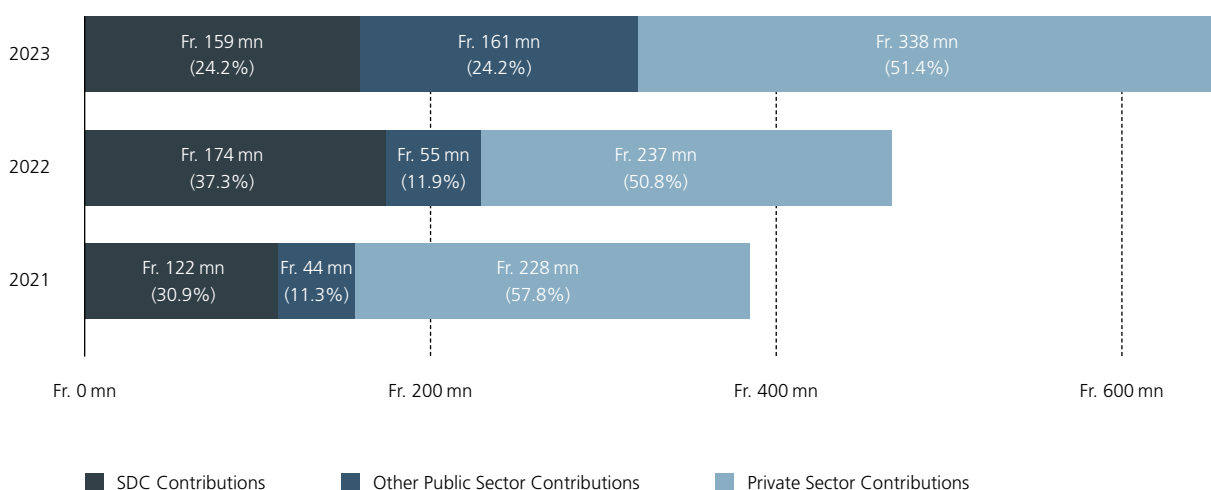
One needs to distinguish between on the one hand **co-financing by the private sector**, for example in a multi-stakeholder partnership where private actors provide funding to the same partner or activities as SDC. SDC refers to this type of PSEs as **development-oriented PSEs**. On the other hand, there are PSEs aimed at the **mobilization of private investment**, which are investments by private actors that were enabled by the SDC using de-risking mechanisms. These mechanisms can be direct, such as when SDC provides first loss investment for a structured fund, for example in [N3F](#), which invests in agri-SMEs in Africa. They can also be indirect, by using mechanisms such as [impact-linked finance](#) that reward enterprises for achieving social or environmental development outcomes and therefore make investments in these companies more attractive to investors. **SDC refers to projects that aim at mobilizing private sector investment as financial-market oriented projects.**

► **Overall, SDC spent CHF 123 mio. in PSEs in 2023. This is slightly more than in 2022 (118 mio.).** In terms of co-financing, private sector actors contributed CHF 213 mio. to these projects. However, as the vast majority of SDC's PSEs are multi-stakeholder partnerships, there is also a significant co-financing from other public sector partners amounting to CHF 3.8 bn.

When looking at private sector investment, we focus on the 25 financial-market oriented projects in our PSE portfolio. As investments usually follow (or are captured) with a time-lag, we also look at the entire active portfolio and not only at payments in one year.

► **In terms of private sector mobilization, Figure 1 shows that for SDC's investments of CHF 159 mio. (representing 24.2%), there is a co-financing from public sector partners of CHF 161 mio. (24.5%) and private sector investments of CHF 338 mio. (51.4%).** This corresponds to a leverage ratio of roughly 1:2 if only SDC funds are used; and just over 1:1 when also including other public funders. This leverage ratio aligns with comparable international data on blended finance. It reflects what can be expected given SDC's focus on very difficult markets, including its geographic focus on Africa and LDCs, as well as its sectoral focus on Social and Impact Enterprises. Moreover, to be truly catalytic, SDC only supports Blended Finance transactions of first-time funds and where other actors, such as development finance institutions, are not investing due to the high-risk environment.

**Figure 1** Public and Private Sector Investments in SDC's financial-market oriented projects





## Future of PSE @ SDC: Where do we go from here?

As shown in Figure 1, SDC's PSE portfolio which aimed at mobilizing private sector investment has been steadily increasing over the past few years. **This is in line with SDC's strategic objective to scale PSE with a particular focus on those models that have proven to be very effective in increasing resources for those countries and SDGs that are lagging behind the most**, such as highly innovative impact funds, social and impact enterprises, as well as impact-linked finance. As SDC's set of instruments to support highly impactful private sector actors in our partner countries is growing, we can increase the reach, quality and sustainability of our interventions, leading to more impact for our target beneficiaries. We therefore aim at increasing our investment in financial-market oriented projects by using instruments like the SDC Investment Credit, innovative finance tools such as [impact-linked finance](#), platforms like the [SDG Impact Finance Initiative](#) and a closer collaboration with the Swiss DFI [SIFEM](#).

SDC also wants to move towards bigger and more strategic partnerships with the private sector when it comes to co-financing PSEs in partner countries. The E+E section's advisory services are available to all SDC units that plan new PSEs. In 2023, exciting and innovative PSEs have been developed, among others, in the SME sector in Serbia; in support of digitalization in Nepal; and in the coffee sector in Burundi. Finally, in 2023, SDC also approved a new global program in support of social and impact enterprises with a particular focus on migration and gender; as well as an initiative aimed at scaling and standardizing the approach of impact-linked finance globally.

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