



PSE process management and internal processes @ SDC

2025

- **Engaging with the private sector in the context of specific projects and programs essentially follows the same “project cycle management” (PCM) as other SDC projects and programs.**
- However, given the type of partners involved and the type of instruments potentially used (especially investments), the structuring of PSE arrangements needs to follow a specific sequencing in which several critical aspects must be assessed in a systematic manner. **This “logical sequencing” is particularly important to build up well balanced governance arrangements and contractual relationships with private partners in the context of partnership structures.**
- The 6 typical stages of PSE structuring are depicted below in a standard PCM fashion.



- The specific features of PSEs are reflected in the content of stages 1 through 4, while stages 5 and 6 follow the same project monitoring logic as other SDC projects. These specific features are as follows:
1. **PSE Exploration:** In this stage, the objective is to assess three different areas: 1) *the compliance of the potential PSE idea with the mandatory elements as defined in the PSE Handbook (Why is a PSE needed? How does the PSE idea align with SDC’s strategic objectives and priorities? Is there an opportunity for private sector partners to co-finance the idea and co-steer the implementation?); 2) the potential role and *additionality* of SDC; 3) the basic nature of PSE arrangement (direct/indirect arrangement, potential PSE format, potential contribution of the private partners).*

The CEP¹ is expected to provide operational advice to the operational unit in charge of the development of the PSE idea, and a recommendation on whether or not to pursue the PSE idea. At the end of this stage, the operational unit would take a decision to make additional efforts towards the drafting of an entry proposal.
 2. **Entry Proposal:** In this stage, the objective is to complement the assessment made and define the content of the PSE so as to present an entry proposal. This will concern in particular 1) PSE development objectives and Theory of Change; 2) SDC’s specific role and additionality; 3) Intervention strategy; 4) Parties involved; 5) Direct versus indirect nature of the PSE from a contractual perspective; 6) Possible PSE governance structure.

The OU (operational unit) will be responsible to conduct all the necessary analysis pertaining to the PSE. Linked to the analysis of parties involved, a critical element is to contact the CEP to decide which PSE risk assessment is needed. The CEP will be responsible for carrying out the standard PSE risk assessment in close coordination with the OU, and will also provide specific advice on the PSE structuring. At the end of this stage, the operational unit would submit an entry proposal to the OpCom², which would take a decision on the PSE proposal and next steps.
 3. **Credit Proposal:** In this stage, the objective is to deepen the analysis of the PSE structure, confirm the PSE format and instruments to be used, finalize the PSE risk assessment (simple

¹ CEP: “Competence Center for Private Sector Engagement”, i.e. an internal team of the E+E division within SDC. Depending on the region, the first point of contact for PSE advice should be the RTA (*Regional Thematic Advisor*), who will then coordinate with the CEP.

² OpCom : SDC’s internal Operations Committee.

due diligence or third-party due diligence if applicable), fine-tune the analysis of the contribution of the private partners in line with the requirements of the relevant legal framework (e.g. Swiss Subsidy law, Public procurement law etc..) and anticipate specific requirements in the contractual arrangements, so as to draft a credit proposal.

The operational unit will be responsible to conduct all the necessary analysis pertaining to the PSE, and to reflect the main points and conclusions in the credit proposal. The CEP is expected to provide operational advice on this process (including on the next steps of PSE risk assessment) and to review the assessment made on the private partners' personal contribution (and profits). At the end of this stage, the operational unit would submit credit proposal to the OpCom, which would take a decision on the PSE proposal.

4. **Partnership Agreement / Contract:** In this stage, the objective is to finalize the drafting of the contractual agreements/arrangements, in case of non-standard contracts and clauses with the support of CPC³ and/or backstopping of external lawyers (e.g. for direct investments).

After successful negotiations, the contractual agreements are expected to be signed according to the same signature rules as for any other SDC projects.

Which are the main roles and responsibilities across the organization regarding PSEs?

SDC Unit	Main roles and responsibilities
Operational Unit (OU)	<ul style="list-style-type: none"> Develops the PSE, submits entry and credit proposals, provides financing, negotiates and signs the contracts, and assumes the overall responsibility of the management of the PSE. Consults and coordinates with the CEP and CPC at the different stages of the PSE structuring processes. Takes care of internal PSE reporting. <p><i>NB: in case of direct financial-sector oriented PSEs, <u>only CEP can act as operational unit.</u></i></p>
CEP/RTAs (as advisors)⁴	<ul style="list-style-type: none"> Provides operational advice and backstopping in the structuring of all PSEs, as well as comments/opinions on the PSE projects in OpComs. Mobilizes SDC's backstopping services for the standard PSE risk assessment, and provides guidance on the complementary PSE risk assessment (third-party due diligence if applicable) to be carried out.
CPC (as contract advisor)	<ul style="list-style-type: none"> Provides legal advice to operational units on non-standard contracts and clauses, and decides on the need to involve external legal advice Provides support to operational units on the content and in the negotiation of contracts, as needed.

- Annex 1 contains a **snapshot of the specific tasks to be carried out by the operational unit at each stage of the PSE process**, as well as on the role of the CEP (and/or RTAs) and CPC along this process. Please note that there are also additional tasks mentioned for “complex PSE structures”, such as financial-market oriented PSEs and development-oriented PSEs involving multiple stakeholders with complex governance arrangements.
- The PSE process as described mainly reflects the “standard case” involving an entry proposal and a credit proposal. However, the same process applies to all other cases** (example: single phase), noting that all the elements listed under “prior to entry proposals” and “prior to credit proposals” would have to be carried out before submitting a formal credit proposal.

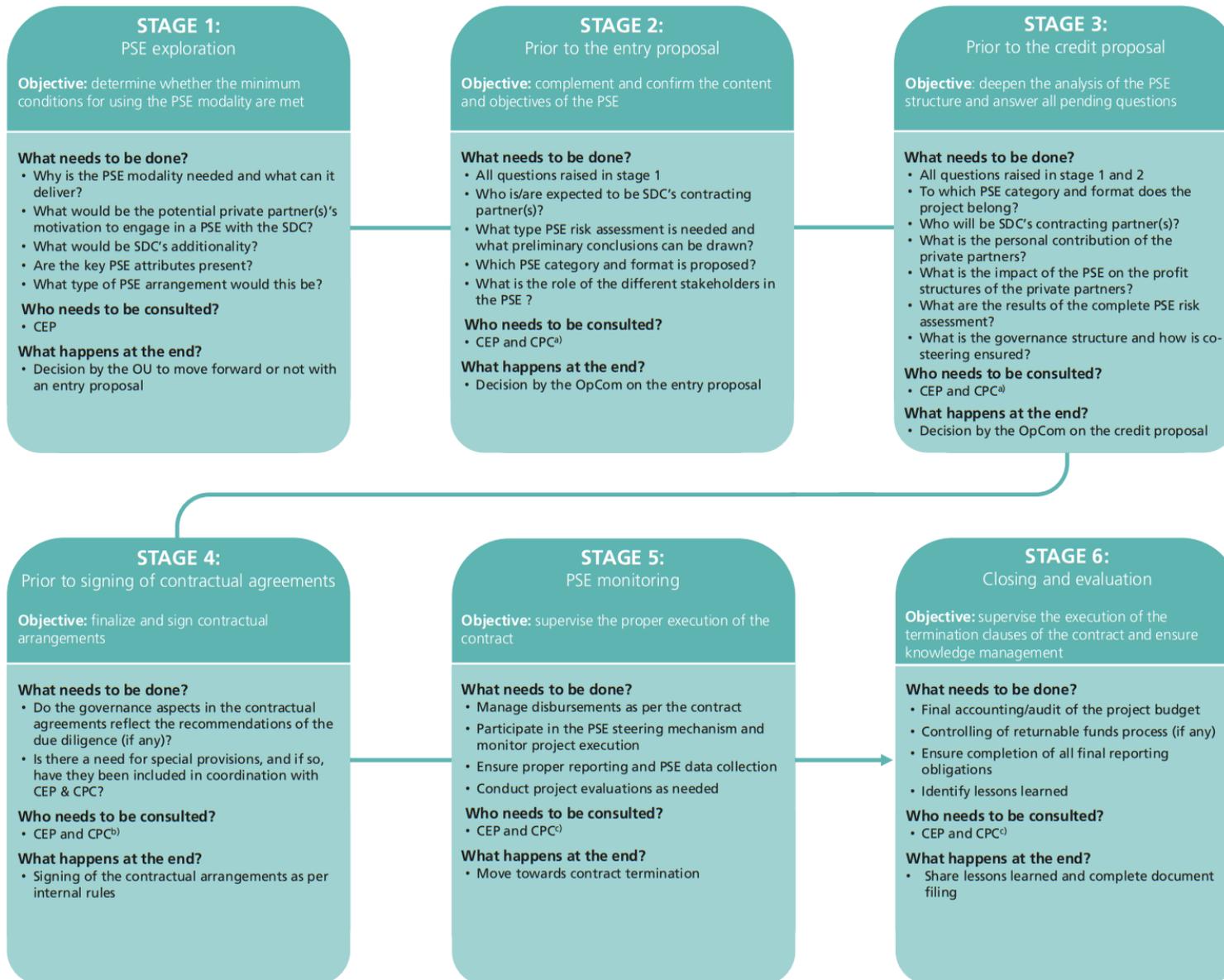
³ CPC: “Contracts, Procurement, Compliance Division” of FDFA. CPC's functions include support services for managing contracts, for carrying out procurement processes and for managing cases of non-compliance.

⁴ Depending on the region, the first point of contact for PSE advice should be the RTA (*Regional Thematic Advisor*), who will then coordinate with the CEP.

- **The logical sequencing will have to be adapted to specific situations and cases, where some of the features of the project may not be necessarily clear at the very beginning.** For instance, in the case of a “call for contributions” where the identity of the private partners will only become clear at the end of the process, it is obvious that the PSE risk assessment will have to be conducted later than the “entry proposal” stage. In any case, four ground rules must be kept in mind:
 - (1) *Address the critical PSE questions as early as possible in the process, focusing on potential “red flags”.*
 - (2) *Address all the PSE questions pertaining to stages 1 through 3 before the submission of a credit proposal. The less you know at the entry proposal stage, the more work you will have to invest before being able to submit a credit proposal.*
 - (3) *Do not engage further with a potential private partner without having addressed the key questions and conducted the mandatory PSE risk assessment.*
 - (4) *Be mindful of the time necessary to assess/structure complex PSE arrangements, including the time necessary to carry out PSE risk assessments and third-party due diligences, and last but not least, to draft sometimes non-standard legal agreements.*
 - (5) *Use the “guiding questions” as an analytical framework containing all the critical questions which will have to be tackled in the project documentation and agreements (credit proposal, project document, contracts etc.), one way or another.*

*** 2025 E+E/BUT

Annex 1. The 6 stages of PSE development @ SDC



a) For non-standard cases or procurement questions, b) For non-standard cases involving special provisions, c) As needed