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Economy and Education

PSE @ SDC – How are we doing?

Summary of the 2024 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: with what private sector partners are we working?; or how much

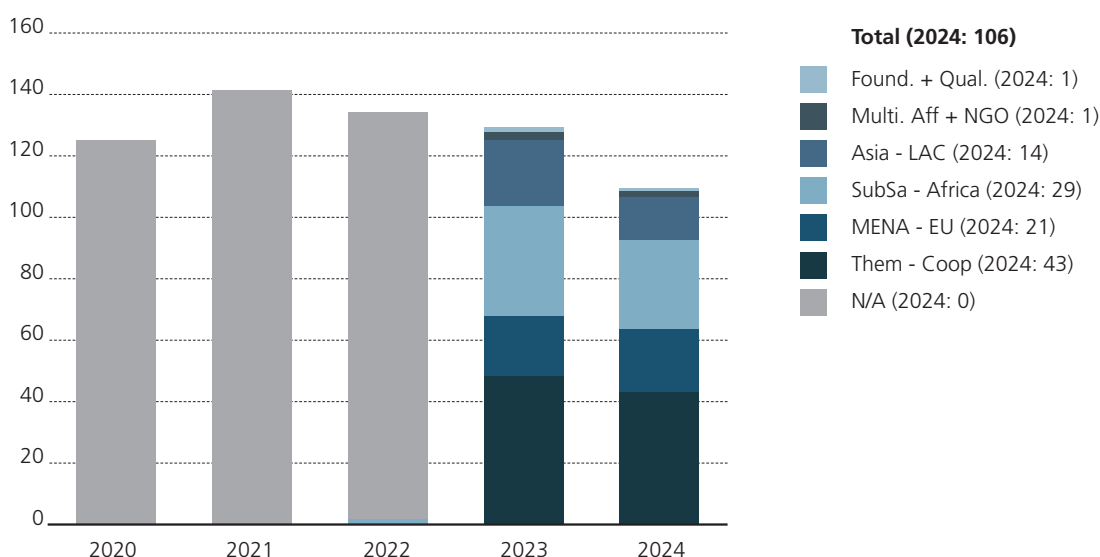
does the private sector contribute to the SDGs? The PSE data is also an important tool for steering SDC’s overall PSE portfolio. Since the financing needs to achieve the SDGs can only be met when we are joining forces with all actors, including the private sector (PS), SDC aims to be more strategic in 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 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 106 projects with at least one PSE partnership at the end of 2024.** This number is smaller compared to 124 at the end of 2023 and 134 at the end of 2022, respectively. The majority of SDC’s PSEs are projects of the Thematic Cooperation division (43) followed by the Africa (29) and the MENA-EU (21) divisions.
- **The vast majority (72.5%) 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

Figure 1 SDC Projects with PSE Partnership by Domain



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 in terms of financing is employment and income accounting for 38.6% of SDC's PSE portfolio**, followed by health (32.7%) and food and nutrition (9.9%). In terms of numbers of projects, the ranking remains the same: the employment and income thematic domain, with 57 projects, has the most PSEs, followed by health (13) and food security and nutrition (12). In previous years, health accounted for the highest financial volume, due to large multi-stakeholder partnerships during the COVID pandemic.

Who are our main private sector partners?

- **In 2024, SDC had 853 private sector partners**, 92 more than in 2023. Almost half (46.1%) of those are Small and Medium Enterprises (SMEs), mostly based in our partner countries. 18.4% of our PS partners are large corporations and 15.8% are social enterprises.
- When looking at the financial contributions by PS partners, the picture changes: **foundations account for 49% of the financial contribution by private sector partners in SDC's PSE portfolio**, followed by impact investors (19.8%) and social enterprises (17.3%). The share of impact investors and social enterprises increased significantly compared to 2023, where impact investors only accounted for 4.4% and social enterprises for 3.2%, respectively.

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 funding comes from private sources**. They therefore constitute private contributions to sustainable development 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?

When looking at the volume of finance from the private sector in SDC's PSE portfolio, 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 additional resources for sustainable development**, which refers to co-financing and / or investments that were enabled by the SDC using de-risking mechanisms. **Total funds invested and mobilized in the context of PSEs include private sector contributions/investments and investments from DFIs.**

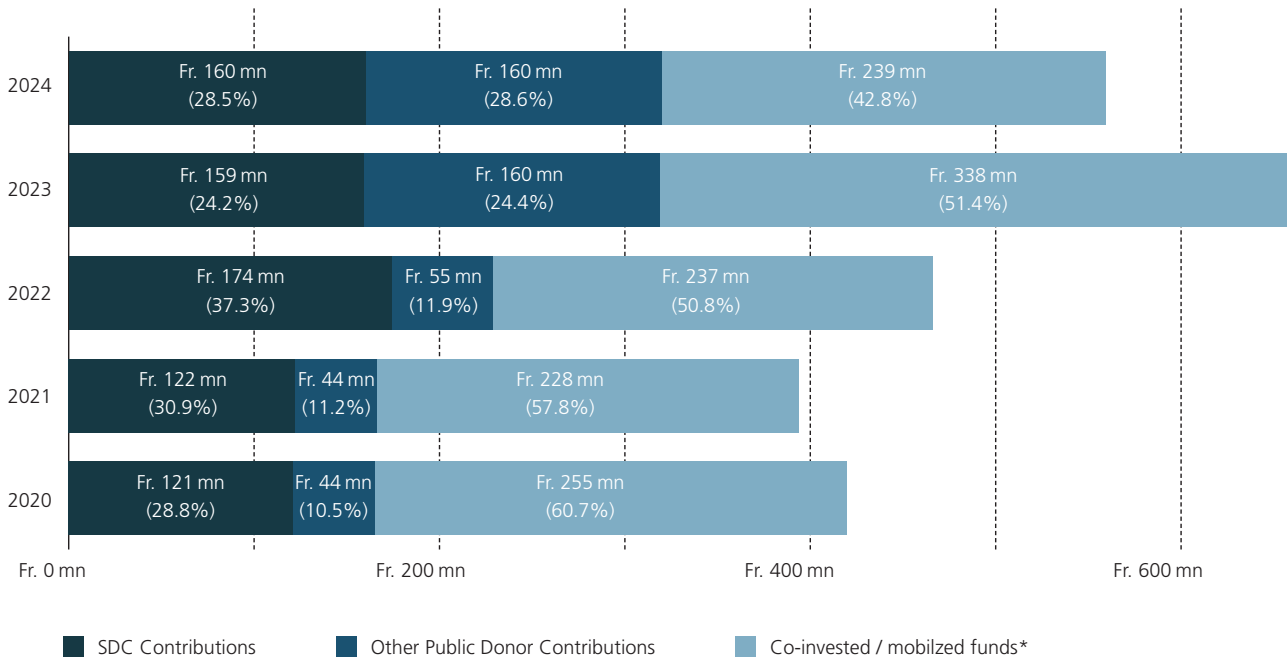
SDC's financial-market oriented PSEs include direct mechanisms, such as when SDC provides a first loss investment for a structured fund, for example the [Water Access Acceleration Fund](#), which invests in social water enterprises in Africa and Asia. Or they can be indirect, by using mechanisms such 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 resources for the SDGs as financial-market oriented projects.**

- Overall, SDC spent CHF 107 mio. in its PSEs in 2024. This is less than in 2023 (123 mio.). **In terms of co-financing, total funds mobilized amount to CHF 163 mio. for these projects.** However, as the vast majority of SDC's PSEs are multi-stakeholder partnerships, there is also a big co-financing from other public sector partners amounting to CHF 3.65 bn.
- In terms of mobilization of funds in SDC's financial-market oriented PSEs, we look at all active projects, as often mobilized funds are not invested in the same year as SDC's contribution is made. **Figure 2 shows that for SDC's investments of CHF 160 mio. in financial-market oriented PSEs (representing 28.5%), there is a co-financing from public sector partners of CHF 160 mio. (28.6%) and mobilized funds of CHF 239 mio. (42.8%).** This corresponds to a leverage ratio of roughly 1:1.5. if only SDC funds are used; and just over 1:0.7 when also including other public funders. This ratio 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. In these high-risk structures, mobilization includes both private (impact) investors, as well as Development Finance Institutions (DFIs), who often cannot invest without

de-risking mechanism due to the high-risk environment. Finally, it is important to note that private investments are often reported with a time lag.

Figure 2 Total Mobilization of third party resources in Financial-market oriented PSEs



*Co-invested / mobilized funds include private sector cash or in-kind contributions; private sector investments; as well as commercial investments from DFIs.

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

Overall, SDC’s PSE portfolio has been declining somewhat in 2024, due to the overall reduction of SDC’s portfolio in light of budget cuts. The financial-market oriented PSE portfolio has remained stable and new initiatives have been launched. 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](#), or platforms like the [SDG Impact Finance Initiative](#).

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