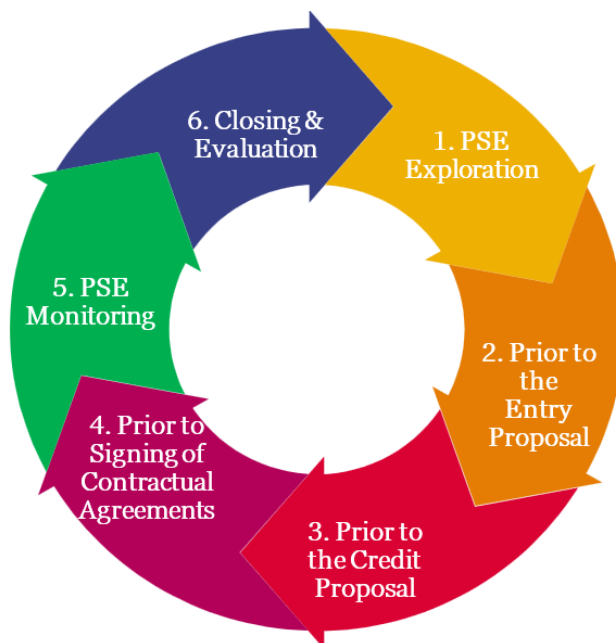




PSE cycle management and internal processes @ SDC

December 2024

- Engaging with the private sector in the context of specific projects and programs essentially follows the same “project cycle management” (PCM) than 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 where several critical aspects have to be assessed in a systematic manner. **This “logical sequencing” is particularly important in order 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 phases 1 through 4, while phases 5 and 6 will follow the same project monitoring logic as other SDC projects. These specific features are as follows:
1. **PSE Exploration**: In this phase, 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 phase, the operational unit would take a decision to make additional efforts towards the drafting of an entry proposal.

¹ CEP: “Competence Center for Private Sector Engagement”, i.e. an internal team of the E+E division within SDC.

2. **Entry Proposal:** In this phase, 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 phase, 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 phase, 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 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 phase, the operational unit would submit credit proposal to the OpCom, which would take a decision on the PSE proposal.

Partnership Agreement / Contract: In this phase, 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 (as advisor)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. • Mobilize 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.

² OpCom : SDC's internal Operations Committee.

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.

- Annex 1.A contains **the list of 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 RTAs⁵) 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.
- In order to provide some structured guidance on the type of information to be collected and assessed to carry out these specific tasks, **a collection of “guiding questions” has been developed for each stage of the process (stage 1 through 4) and is featured in Annex 1.B.** The answers to the different questions will be useful to 1) *draft the entry proposal/credit proposal* 2) *draft the project document linked to the PSE*; 3) *Draft the special provisions or legal clauses of the contractual 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.
- **The logical sequencing of elements 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 have to be kept in mind:
 - (1) *Address the PSE questions as early as possible in the process.*
 - (2) *Address all the PSE questions pertaining to phases 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 in a position to submit a credit proposal.*
 - (3) *Do not engage further with a 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 time requested to carry out PSE risk assessments and third-party due diligences, and last but not least, to draft complex 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. Build your personal “process” around it, focusing on potential “red flags”.*
- Specific internal “guiding documents” have also been elaborated to assist operational units in answering some of the critical questions, namely:
 - “Guidance Note” on Co-financing arrangements involving private sector actors and PSEs
 - “Guidance Note” on the Direct versus indirect PSEs and on the associated PSE risk management implications
 - “Guidance Note” on the “Principle of the « personal contribution” (Eigenleistung) of private partners in PSE collaborations”
 - “Guidance Note” on How to assess the risk of “excessive” or “unexpected profits” situations at the level of private partners in the context of PSE projects.

*** 18.12.2024 E+E/BUT

⁵ RTA: *Regional Thematic Advisors* at SDC, who are usually field-based and act as the first point of contact in their respective regions for PSE-related questions (depending on their terms of reference).

Annex 1.A. Main tasks to be carried out in the context of the PSE structuration process, organized by phase and by role

Phase (up to...)	Responsibilities of the SDC operational unit (OU) in charge of the project	Role of CEP/RTAs (as advisors)	Role of CPC (as contract advisor)	Decision at the end of the phase
1. PSE Exploration	<ul style="list-style-type: none"> Identify the objectives of the PSE, in line with SDC's strategic priorities. Analyze SDC's role and additionality (e.g. as a traditional donor or as an investor with financial instruments). Analyze the role and contribution of the private partner(s) in the planned PSE structure. Analyze whether SDC will directly or indirectly engage with private partners (direct / indirect PSE). Make an initial assessment of possible PSE format and instruments (development-oriented, financial-market oriented?) Touch base with the CEP/RTAs asap. 	<ul style="list-style-type: none"> Provide selected advice on the key PSE issues, implications of PSE structures, and next steps. Provide informal opinion/recommendation on whether or not to pursue the PSE idea (bring in what should be taken into account in phase 2). 	<ul style="list-style-type: none"> None at this stage, except if some special elements can already be brought to the attention of the CPC. 	<ul style="list-style-type: none"> WHO? Operational Unit WHAT? Whether or not to pursue a PSE idea
2. Entry Proposal	<p>ALL PSE CASES</p> <ul style="list-style-type: none"> Identify the main PSE components: <i>-PSE objectives</i> <i>-SDC's additionality in the PSE</i> <i>-Impact / Theory of Change</i> <i>-Intervention strategy</i> <i>-Parties incl. end-beneficiaries</i> <i>-Direct/indirect PSE structure</i> <i>-Possible governance structure</i> <i>-Roadmap (next steps)</i> Contact CEP to decide on the type of PSE risk assessment needed. Inform CPC/CEP about the potential contractual framework envisaged. 	<p>ALL PSE CASES</p> <ul style="list-style-type: none"> Provide selected advice on the key PSE issues, implications of PSE structures, and next steps. Conduct the appropriate PSE Risk Assessment needed (PSE risk assessment 1.1 or eligibility check) and formulate recommendations to the OU. Peer-review of the main elements of the PSE analysis prepared by the OU. Participate in the OpCom with opinion/recommendation on the proposed PSE. 	<p>ALL PSE CASES</p> <ul style="list-style-type: none"> Identify and provide advice on the relevant legal and contractual aspects not yet addressed or still unclear. 	<ul style="list-style-type: none"> WHO? OpCom WHAT? Approve/reject Entry proposal
		<p>COMPLEX PSE CASES</p> <ul style="list-style-type: none"> Coordinate the discussion with CPC and OU on potential contractual implications or procurement issues linked to the potential PSE structure (Lead: PSE-Architect) 	<p>COMPLEX PSE CASES</p> <ul style="list-style-type: none"> Provide advice on questions the OU/CEP may have about potential contractual implications or procurement issues linked to the potential PSE structure. 	

3. Credit Proposal	ALL PSE CASES		ALL PSE CASES	ALL PSE CASES	<ul style="list-style-type: none">• WHO? OpCom• WHAT? Approve/reject Credit proposal including PSE elements
	<ul style="list-style-type: none">• Clarify all the elements of the PSE structure and format:<ul style="list-style-type: none">✓ <i>Final choice of PSE format</i>✓ <i>Identification of the contractual partner(s)</i>✓ <i>Clarification of the contractual structure and PSE governance.</i>✓ <i>Calculation of the “personal contribution” of the private partner(s) in the PSE and assessment of private profits issue</i>✓ <i>Identification of KPIs and targets</i>✓ <i>Cost-efficiency and cost-benefit analysis of the PSE structure</i>• Contact CEP to engage the <i>PSE RA 1.3/DD</i>. Mandate third-party for operational “Due Diligence” if needed.• Contact CPC/CEP to discuss potential issues to clarify from a legal perspective		ALL PSE CASES	<ul style="list-style-type: none">• Identify and provide advice on legal and contractual aspects not yet addressed or still unclear	
	COMPLEX PSE CASES		COMPLEX PSE CASES	COMPLEX PSE CASES	
	<ul style="list-style-type: none">• Identify the main contractual & financial risks• Clarify the main financial terms and financial flows (including exit), and identify monitoring / reporting requirements, in close coordination with CEP and CPC.		<ul style="list-style-type: none">• Coordinate the discussion with CPC and OU on potential contractual implications linked to the final PSE structure, including financial terms, financial flows, monitoring/reporting requirements, governance (Lead: PSE-Architect).	<ul style="list-style-type: none">• Review Credit proposal• Analysis of the need to reflect specific elements in non-standard clauses, in discussion with the CEP and the OU.• Decision to use external legal services, depending on the complexity/specificity of the final PSE structure.	

4. Partnership Agreement	ALLPSE CASES <ul style="list-style-type: none"> Complete legal agreements (contracts, MoU, etc), in consultation with CBC Sign standard legal agreements (after consultation with CPC) 	ALL PSE CASES <ul style="list-style-type: none"> Provide ad-hoc advice, in coordination with CPC, if needed 	ALL PSE CASES <ul style="list-style-type: none"> Provide selected contractual advice, as needed. 	<ul style="list-style-type: none"> WHO? Operational unit WHAT? Signing of legal agreements, based on recommendations/instructions from CEP/CPC <p><i>Potential deviations from CEP/CPC recommendations/instructions to be escalated to line management for decision</i></p>
	COMPLEX PSE CASES <ul style="list-style-type: none"> Draft legal agreements (contracts, MoU, etc.) in coordination with CEP, CPC and/or external legal advisors. Negotiate legal agreements, in coordination with CEP, CPC and/or external legal advisors. Sign legal agreements (after consultation with CEP, CPC and/or external legal advisors). 	COMPLEX PSE CASES <ul style="list-style-type: none"> Review legal agreements and provide advice on the mandatory key PSE-related legal clauses, in close coordination with CPC and potential external legal advisors (Lead: PSE-Architect). 	COMPLEX PSE CASES <ul style="list-style-type: none"> Review of contractual agreements, in coordination with potential external legal advisors. Provide guidance on contract definition and negotiations. 	
5. Controlling Contract	ALL PSE CASES <ul style="list-style-type: none"> Monitor/control contract during its term. Conduct evaluations 	ALL PSE CASES <ul style="list-style-type: none"> Provide ad-hoc advice, if requested 	ALL PSE CASES <ul style="list-style-type: none"> Provide ad-hoc contractual management advice, if requested 	<ul style="list-style-type: none"> WHO? Operational Unit WHAT? Authorize and execute disbursements as per the contract
	COMPLEX PSE CASES <ul style="list-style-type: none"> Seek regular advice from CEP 	COMPLEX PSE CASES <ul style="list-style-type: none"> Provide advice to operational units as needed. Monitor financial data / financial statements. Oversee the collection of PSE data for internal reporting. 		
6. Termination Contract	ALL PSE CASES <ul style="list-style-type: none"> Check final report. Terminate contract Evaluation und knowledge management (Lessons Learned). 	ALL PSE CASES <ul style="list-style-type: none"> Knowledge management (lessons learned) together with OU. 	ALL PSE CASES <ul style="list-style-type: none"> Provide contractual management advice, if requested 	<ul style="list-style-type: none"> WHO? Operational Unit WHAT? Terminate contract, close project
	COMPLEX PSE CASES <ul style="list-style-type: none"> Assess the presence of residual/unused funds or reflows and organize the corresponding financial transfer back to the Treasury, if needed 	COMPLEX PSE CASES <ul style="list-style-type: none"> Provide selected advice on the handling of residual/unused funds or reflows. Close financial data/financial statement 		

Annex 1.B “Guiding questions” for each phase of the PSE structuration process

PSE structuring elements & tasks	Phase 1: PSE Exploration - Guiding Questions
Analyze the role and contribution of the private partner(s) in the planned PSE structure.	<p>1.1 Why is a PSE needed from SDC's point of view and is it compatible with SDC strategic objectives and priorities? <i>In answering question 1.1., you should focus on clarifying why a PSE is needed in the first place in order to reach certain development challenges or objectives. In other words, why is PSE believed to be more effective than a more traditional project for SDC?</i></p>
	<p>1.2 Why couldn't the potential private market partner(s) finance and implement the expected development objectives on its own without SDC? <i>In answering question 1.2, you should explain or clarify why a SDC co-financing is even needed, and why couldn't the private partner finance the foreseen activities alone, in relation to the expected development objectives. In principle, SDC should not substitute for the funding or responsibilities of other parties. In the context of PSE, this refers to SDC not taking over roles and responsibilities of the private sector.</i></p>
	<p><u>Additional sub-questions to help clarify 1.2:</u></p> <p>1.2.1 Is there a market failure and why is the involvement of SDC required? (Examples: high transaction costs in the market segment; high operational/financial risks; unproven business case or untested market/business proposal)</p>
	<p>1.2.2 In the absence of clear market failure, is there any other justification behind the PSE? (Examples: acceleration potential ("making it happen more quickly"); scalability ("making it happen on a bigger scale"); combining know-how ("making it happen more successfully") etc.)</p>
	<p>1.3 What would be the potential private partner(s)'s motivation to engage in a PSE with SDC, it is aligned with SDC's, and what would be his/her/their specific role in the partnership? <i>In answering question 1.3, you should clarify what would be the private partner(s) specific role(s) in the partnership, and whether there is a shared vision about the objectives of the partnership and the associated division of roles.</i></p>
	<p>1.4 Is/are the potential private partner(s) in a position to provide a substantial financial (or in-kind) contribution in the context of the PSE? <i>In answering question 1.4, you should keep in mind of the pre-conditions to be met for a PSE is that the private partner(s) should co-finance the PSE project with their own resources, either cash or in-kind, and in relation to their economic capacities. Depending on the cases, the personal contribution of the private partner(s) is expected to be >50% of the total PSE budget, but there could be situations where a smaller contribution may be acceptable. See the Guidance Note on how to calculate the personal contributions of private partners.</i></p>
Analyze SDC's role and additionality (e.g. as a traditional donor or as an investor with financial instruments).	<p><u>Additional sub-questions to help clarify 1.4</u></p> <p>1.4.1 What is the first estimate of the private partner's contribution to the PSE (in CHF and percentage of the PSE's budget)?</p>
	<p>1.5 What would be SDC's specific role and value-add in the PSE? <i>In answering question 1.5, you should explain or clarify what would be the expected role of SDC mobilizing additional private resources for development. As defined in the PSE Handbook, SDC wants to trigger engagements or investments that the private sector would otherwise not make, or make them happen more quickly, on a larger scale, or more successfully in terms of development outcomes. In short: it has to be clarified why the SDC's contribution is needed and what makes you think that SDC is the right partner in the PSE in terms of resources or expertise.</i></p>
Make an initial assessment of possible PSE format and instruments (development-oriented, financial-market oriented), and analyze whether SDC will directly or indirectly engage with private partners (direct or indirect PSEs).	<p>1.6 How the "co-steering" element will look like in the governance arrangements of the PSE? <i>In answering question 1.6, you should keep in mind that "co-steering" implies that, typically, both SDC and the private sector partner(s) actively participate in the governing body of a PSE collaboration. In other words, you should describe would/could the co-steering work in the governance arrangements of the PSE.</i></p>
	<p>1.7 Is the envisaged PSE likely to be a “development-project-oriented PSE” or is likely to involve investment instruments typically found in “financial-market-oriented PSEs”? <i>In answering question 1.7, please refer to the different PSE format highlighted in the PSE handbook, distinguishing between "development project-oriented PSEs (single or multiple partnerships) and "financial-sector oriented PSEs" (structured funds, concessional debt instruments etc.)</i></p>
	<p>1.8 Is the envisaged PSE likely to involve any intermediary or implementation partner between SDC and the potential private partner(s)? <i>In answering question 1.6, you should keep in mind that "co-steering" implies that, typically, both SDC and the private sector partner(s) actively participate in the governing body of a PSE collaboration. In other words, you should describe would/could the co-steering work in the governance arrangements of the PSE.</i></p>
	<p>1.9 Is the envisaged PSE likely to involve any intermediary or implementation partner between SDC and the direct and indirect beneficiaries? <i>In answering question 1.9, you should explain or clarify whether the SDC financing is expected to be directly disbursed to the direct/indirect beneficiaries, or whether SDC will disburse its funds to an intermediary partner or organization which will then use the funds to target the beneficiaries.</i></p>
	<p>1.10 Who initiated the partnership? Did the private partner(s) submit a proposal to SDC, did SDC try to find a private partner, or is it a “joint undertaking”? <i>In answering question 1.10, you should clarify whether the envisaged structure of the PSE would involve a potential procurement situation, for instance, to organize a tender for selecting an implementation partner (mandate situation).</i></p>

PSE structuring elements & tasks	Phase 2: Prior to and up to an Entry Proposal - Guiding Questions
Define the impact thesis of the PSE, including SDC's role, and identify direct and indirect beneficiaries	<p>2.1 What are the intended development outcomes of the PSE and who are the direct and indirect beneficiaries of the PSE?</p> <p><i>In answering question 2.1, you should explain or clarify what you are trying to achieve with the PSE in terms of development outcomes and who is expected to benefit. Answering this question is a critical step for the cost-benefit analysis, and for dealing with question 3.6 on the assessment of profits of the private partner(s).</i></p>
	<p>2.2 What is the specific role of SDC's financial contribution in the achievement of such development outcomes through a PSE arrangement?</p> <p><i>In answering question 2.2, you should explain or clarify what would the SDC's funding specifically finance within the PSE, in terms of activities or expenditure category, and how this would be related to the intended development outcomes.</i></p>
Identify the PSE format and the corresponding type of SDC financing	<p>2.3 What type of SDC financing instrument is being considered?</p> <p><i>In answering question 2.3, you should confirm, clarify or update the answer provided earlier to question 1.7, keeping in mind the direct/indirect nature of the PSE as per questions 1.8 and 1.9.</i></p>
	<p><u>Additional sub-question to help clarify question 2.3:</u></p> <p>2.3.1 Select the likely PSE format to be used, using the drop-down menus available on the right-end side line when clicking on either line below. Please keep in mind that the PSE structure can either be a Development-project oriented PSE or a Financial-sector oriented PSE, not both.</p>
Clarify the main elements of the PSE structure, the likely contractual relationship(s) and the main implications for the governance structure of the PSE	<p>2.4 Who is/are expected to be SDC's contracting partner(s)?</p> <p><i>In answering question 2.4, you should confirm, clarify or update the answer provided earlier to questions 1.6, 1.7, 1.8 and 1.9. The answer to this question will be crucial to determine some important next steps, i.e. partner risk assessment (PRA), PSE risk assessment, potential third-party due diligence, even in cases where there will be no direct contract or MoU with the private partner(s).</i></p>
	<p><u>Additional sub-questions to clarify question 2.4:</u></p> <p>2.4.1 Are the expected contractual partner(s) likely to be the same as the direct and indirect beneficiaries of the PSE in relation to the intended development outcomes? If not, consider the implications for the structure and governance of the PSE.</p> <p>2.4.2 In case of several contracting partners or other parties involved in the project structure, what are the expected roles of these partners/parties and how will they be linked to each other?</p>

PSE structuring elements & tasks	Phase 3: Prior to and up to a Credit Proposal - Guiding Questions
Decision on PSE format/ choice of instrument / contractual partner / PSE structure	<p>3.1 Please confirm whether the PSE project belongs to the category of development-oriented PSEs or Financial-sector oriented PSEs (final choice)</p> <p><i>Question 3.1 seeks to get final confirmation of the selected PSE, based on the clarifications made since the end of Phase 2 (if needed). Please select the formal category using the drop-menu, available on the right-hand side of the line below while clicking on it.</i></p>
	<p><u>Additional sub-questions to clarify question 3.1:</u></p> <p>3.1.1 Overview of formats, to be ticked</p> <p>3.1.2 In case of Financial-market-oriented PSE: What is the intended term / duration of the engagement?</p>
	<p>3.2 Who will be SDC's direct contracting partner(s)?</p> <p><i>Question 3.2 seeks to get final confirmation of the contractual partners, based on the clarifications made since the end of Phase 2 (if needed). Bear in mind that a Partner Risk Assessment, and potentially a PSE Risk Assessment and a third-party Due Diligence, may be are needed. This should be discussed with the CEP.</i></p>
	<p>3.4 Are there more than one partner in the envisaged PSE setup? (example: consortium, different private partners)? (YES/NO, use the drop menu on the right-hand side)</p>
	<p>3.3 In the case of other parties involved (e.g. sub-fonds, fund manager / several contracting partners, e.g. consortium etc.): what is their relationship and how are the cash flows structured among those partners?</p> <p><i>Question 3.3 seeks to get final confirmation of the private contractual partners, based on the clarifications made since the end of Phase 2 (if needed). Bear in mind that a Partner Risk Assessment, a PSE Risk Assessment and, potentially a third-party Due Diligence, may be are needed. This should be discussed with the CEP.</i></p>
	<p>3.5 Does the envisaged PSE involve any intermediary or implementation partner between SDC and the private partner(s) or beneficiaries? (YES/NO)</p> <p><i>Question 3.5 seeks to get final confirmation of the PSE setup (direct or indirect), based on the clarifications made since the end of Phase 2 (if needed), based on your initial assessment as per question 1.8.</i></p> <p>3.6. If you answered "YES" to question 3.5, who is the intermediary/implementation partner?</p>
PSE risk assessment	<p>3.7 Has the PSE risk assessment (step 1.1/internal preparation or eligibility check) been conducted on the PSE partner(s) involved?</p> <p><i>Please bear in mind that the CEP should be consulted as soon as possible (i.e. Phase 1) to discuss the PSE setup and format, to determine the type of PSE risk assessment needed. Failure to involve the CEP early enough in the process may involve further operational delays in finalizing the PSE setup.</i></p>
	<p>3.8 If applicable (all Financial-market-oriented PSEs, development-oriented PSE with SDC budget > CHF 5 million or SDC budget > CHF 3 million and SDC shares > 50%), has the external operational and financial Due Diligence process been conducted?</p> <p><i>Please bear in mind that the CEP should be consulted as soon as possible (i.e. Phase 1) to discuss the PSE setup and format, to determine the type of PSE risk assessment needed, and to provide guidance on the TORs of the potential external third-party due diligence needed. Bear in mind that it is the responsibility of the Operational Unit to procure for and manage the due diligence process.</i></p>
Analysis of governance structure of the PSE, financial flows management, and main implications for contractual agreements	<p>3.9 Have the recommendations from the Due Diligence (direct PSE) or Eligibility Check (indirect PSE) been included in the project structuring / governance?</p>
	<p>3.10 Is the PSE structured with a clear project organization and governance that identifies the roles and responsibilities of the different parties in a precise manner?</p> <p><i>Please bear in mind that project organization and associated governance elements will have to be reflected in the contractual agreements, typically with special provisions. Make sure to involve the CEP and CPC early enough to assess what should be reflected in the contractual agreements.</i></p>
	<p>3.11 Is the structure of the envisaged PSE cost-efficient in proportion to the expected development outcomes, compared to what could be achieved without a PSE?</p> <p><i>Question 3.11 hints at the cost-benefit analysis (CBA) which has to be carried out and seeks to make sure that the costs of the PSE arrangement can be justified.</i></p>
	<p>3.12 What is the total amount of SDC's financing in the PSE?</p>
	<p>3.13 What is the envisaged sequencing of disbursements including conditions?</p>
	<p><u>Additional sub-questions in case of Financial-market-oriented PSE linked to question 3.13:</u></p> <p>3.13.1 Is the PSE structure allowing for the potential reimbursement of any "unused funds"/"remaining funds" at the end of the expected duration of the project to SDC ?</p> <p><i>Bear in mind that this principle will have to be part of the contractual agreements for both direct PSEs (investments) and indirect PSEs (contributions to Financial Intermediary Partners), and the contractual agreements will have to be discussed with CEP.</i></p>

Analysis of "personal contribution" and analysis of profits of the private partner(s)	<p>3.13.2 Has the financial classification of SDC's financing instrument been defined and clarified internally and discussed with CEP? <i>Bear in mind that when investment instruments (first-loss equity, equity, loans) are being used through direct PSEs, they need to be reflected as such SDC's internal accounts. When investment instruments are being used through indirect PSE structures (via contributions to Financial Intermediary Partners), they do not need to be accounted for separately, but are still subject to annual reporting requirements.</i></p> <p>3.13.3 Have the details of the financial reporting obligations (vis-à-vis EDA Finance team) been discussed with the future contractual partners, so to make sure that SDC can report annually on the status of its funds? <i>Bear in mind that when investment instruments (first-loss equity, equity, loans) are being used through direct PSEs, they need to be reflected as such SDC's internal accounts with annual reporting requirements. When investment instruments are being used through indirect PSE structures (via contributions to Financial Intermediary Partners), they are also subject to annual reporting requirements.</i></p>
	<p>3.14 Except in the special case of mandates, what is the "personal contribution" of the private partner(s) in the PSE? <i>Question 3.14 seeks to get final confirmation of the actual or expected "personal contribution" of the private partner in the PSE, based on the clarifications made since the end of Phase 1 (if needed). It is essentially a validation of confirmation of the estimated amounts previously identified in questions 1.4 and 1.4.1.</i></p>
	<p>3.15 What is the proportion between the "personal contribution" of the private partners and the expected development outcomes? Is the proportion plausible and deemed adequate?</p>
	<p>3.16 How is the "personal contribution" calculated? <i>Please refer the "Guidance Note" on the subject matter to seek guidance on what type of "personal contribution" is acceptable.</i></p>
	<p>3.17a In Case of Development-project-oriented PSE: To what extent is the PSE directly influencing the business activity and profits of the private partner(s)? <i>Please refer the "Guidance Note" on the issue to seek guidance on how to analyze the situation of profits at the level of the private partner(s). Bear in mind that this question is only relevant when the private partner(s) are registered as for-profit organizations. Charities or non-profit organizations such as foundations are not concerned by this question.</i></p>
	<p>3.17b In Case of Development-project-oriented PSE: are the profits made possible by the PSE the results of expected growth in business volume or profit margins?</p>
	<p>3.18a In case of Financial-sector oriented PSE: Does the PSE enable private sector partners to earn a profit? <i>Please refer the "Guidance Note" on the subject matter to seek guidance on how to analyze the situation of profits at the level of the private partner(s). Please bear in mind that this question is relevant for all financial-sector oriented PSEs involving investment instruments with financial returns, where the private partner(s) are investors.</i></p> <p>3.18b In the case of Financial-sector oriented PSE: How do the expected profits of private sector partners compare to market alternatives in risk-comparable assets?</p> <p>3.19 Are the expected profits of the private partners linked to the PSE justifiable from a public interest perspective?</p>

PSE structuring elements & tasks	Phase 4: Prior to the signing of legal agreements - Guiding Questions
Finalization of main contractual elements including special provisions (format-specific, role, governance, recommendations from PSE risk assessment, payment schedule, termination options, EDA standard provisions etc.)	4.1. Are the governance aspects in the contractual agreements reflecting the recommendations of the "dure diligence", if applicable? (YES/NO)
	4.2. Is SDC's role in the PSE structure clearly defined and reflected in the contractual agreements? (YES/NO)
	<p><u>Additional sub-depth questions linked to question 4.2:</u></p> <p>4.2.1. <u>In case of Development-project-oriented PSE:</u> Is the co-steering role of SDC clearly reflected in the governance structure? (YES/NO)</p> <p>4.2.2. <u>In case of a Financial-market-oriented PSE:</u> Does the contract include SDC's entitlements in the governance structure (for instance: member of the advisory committee)? (YES/NO)</p>
	4.3. In case of contribution, are the "personal contributions" of the contractual partner(s) and the beneficiaries mentioned in the contractual agreements, including how this contribution is calculated? If not, what is the justification?
	<p>4.4. Will the SDC's contribution be booked as a "grant" or as an "investment contribution" ?</p> <p><i>Bear in mind that that only CEP can use the "investment contribution" category, as per question 3.1.</i></p>
	4.5. Are the required SDC funds paid out in tranches and if not, what is the justification? Have appropriate milestones and conditions (e.g. achievement of certain KPIs before the next tranche is paid out) and processes been defined?
	4.6. In case of disbursements in several tranches, does the contract include a specific clause on the need for future budget appropriation by the Swiss Parliament/Government? (YES/NO)
	4.7. Is the applicable law/dispute resolution mechanism acceptable for SDC? (YES/NO)
	4.8. Have the necessary confidentiality obligations including data protection been appropriately included in the contractual agreements? (YES/NO)
	<p>4.9. <u>In case of Financial-market-oriented PSE (first loss investment):</u> How is the first loss coverage defined, i.e. what are the types of losses and expenses which the first loss can absorb?</p> <p><i>Question 4.10 refers to the fact that whenever investment instruments (first-loss equity, concessional loans, guarantees) are involved, the "divestment" aspect (what happens at the end of the investment period, including potential reflows/reimbursements) should be assessed and the process should be described in the contractual agreements. Bear in mind that the CEP should be involved in the discussion, in coordination with CPC.</i></p>
	<p>4.10 <u>In case of a Financial-market-oriented PSE:</u> Does the contract include a specific clause on reflows and reimbursement of unused funds? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>
	<p>4.11. <u>In case of a Financial-market-oriented PSE:</u> Does the contract include regular & specific financial reporting clauses regarding the use of SDC's contribution during the reporting period and the remaining amount at the end of the reporting period? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>
	<p>4.12. <u>In case of a Financial-market-oriented PSE:</u> Is the Jurisdiction where financial instruments are regulated deemed appropriate in the light of potential risks (rule of law, quality of regulation/supervision) ? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>
	<p>4.13. <u>In case of a Financial-market-oriented PSE:</u> Have standard EDA/SDC clauses been included in the contractual agreements (anti-corruption, anti-discrimination, code of conduct, archiving obligations, evaluation)? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>
	<p>4.14. <u>In case of a Financial-market-oriented PSE:</u> Have standard EFK audit rights been included in the contractual agreements? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>
	4.15. <u>In case of a Financial-market-oriented PSE:</u> Are there specific clauses dealing with material breaches and potential remedy for SDC in the contractual agreements? (YES/NO)

	<i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i>
	<p>4.16. <u>In case of a Financial-market-oriented PSE</u>: Have the appropriate references to E&S requirements (including SDC's exclusion list) and responsible taxation been included with the applicable annexes in the contractual agreements? (YES/NO)</p> <p><i>Bear in mind that the CEP should be involved in the preparation and discussion of the contractual agreements, in coordination with CPC.</i></p>