

One project, many companies: the Swiss vehicles behind an African project

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Swiss companies appear in African business in two forms: as a trading company that carries price, credit and performance risk between an African producer and a buyer in Asia, and as a project or holding vehicle that holds, contracts, finances or licenses. The two types differ in purpose, cost and location, and a single large project regularly creates several companies of the second type over its life.

1 Type A: the trading desk

A trading company buys from an African producer, sells to a Chinese or other Asian buyer and finances the position in between. It takes the price risk, the credit risk of both counterparties and the risk that one side does not perform. To do this it needs its own traders, operations staff, trade finance lines and risk control.

This makes the trading desk expensive. On a model calculation for a Swiss trading company with seven full-time staff and the substance needed for treaty access and bankability, the company covers its costs only from an annual trading volume of about USD 250 million at a net margin of 1.5 per cent. The equity requirement lies at about USD 8 million plus a liquidity reserve, realistically CHF 8 to 12 million, and a cumulative start-up loss of CHF 2 to 3 million over two years should be expected. A single counterparty default on a position of USD 8 million would wipe out about two years of profit, which is why credit insurance, letters of credit and the assignment of proceeds belong to the model from the start.

2 Type B: the project and holding vehicle

The project vehicle holds a participation, enters into contracts, provides finance or grants licences. It employs no traders and earns its return from

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its contractual position, its shareholding, its licences or its financing. Its running costs stay in the five-figure range, and it therefore makes economic sense as soon as it holds a single contract.

Over its life cycle, one large project regularly creates the following vehicles:

- the development company, which bears the cost of feasibility studies, permits and negotiations before the investment decision;
- the consortium or bidding vehicle, which combines the bid of several partners and governs their internal relationship, liability and sharing of proceeds;
- the holding company, which holds the stake in the local project company and secures treaty protection;
- the supply company, which contracts the equipment separately from the construction works, making export credit cover and the export control assessment easier;
- the licence and technology vehicle, which holds process and engineering know-how and intellectual property and licenses it to the project company;
- the finance and treasury vehicle, which pools group loans, currency and interest hedging and payments;
- the local subsidiary in the host state, which meets local content requirements and gives access to the preferences of the African Continental Free Trade Area that remain closed to a Swiss company;
- after completion, the operating company, which runs the plant for years.

Each of these companies has its own needs for formation, administration, accounting, tax and advice over a project life of eight to twenty years.

3 Legal form and the resident director

The company limited by shares (AG) is the usual form, and for pure holding and licence vehicles the limited liability company (GmbH) is also suitable. Both are familiar to Chinese and African counterparties. Under Article 718 paragraph 4 of the Code of Obligations, the company must be able to be represented by a person resident in Switzerland who is a member of the board or a director; there is no nationality or majority requirement. A foreign sponsor that has no one resident in Switzerland cannot meet this requirement on its own. The article on [professional directorships](#) explains the options.

4 Substance

Swiss law contains no codified substance rule. For treaty entitlement, and to avoid the profit being attributed abroad, practice nevertheless expects premises, staff with decision-making authority, board meetings held in Switzerland and a cost structure of the company's own. The Federal Supreme Court recognises a contractual allocation of functions and risks where the Swiss entity actually controls the risks it has assumed.

For a project vehicle this means a more modest set-up than for a trading desk: a functioning board with documented decisions, its own accounts, its own payment flows and premises that go beyond a letterbox address.

5 Transfer pricing

Switzerland applies the OECD Transfer Pricing Guidelines but has no statutory transfer pricing rules and no obligation to prepare a master file and local file. Two decisions shape practice. In 2024 the Administrative Court of the Canton of Zug rejected the use of multi-year averages in the margin test and required a strict allocation to each period. For the cost plus method, the Federal Supreme Court requires a full-cost basis that includes income taxes and a notional return of 5 per cent on equity.

For licence and technology vehicles, the valuation of the know-how transferred to the Swiss company is the critical point, and it belongs before the transfer.

6 How Ressos Legal helps

I structure the vehicles of African projects from the first development company to the operating company: legal form and canton, articles and board, substance, the separation of supply, works, licence and financing, and the contracts between the group companies. [Contact me](#) for a first conversation.

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