MAINSTREAMING SCALING INITIATIVE CASE STUDIES

Agence Française de Développement (AFD)

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March 2025

SCALING
COMMUNITY OF PRACTICE

MAINSTREAMING SCALING

A Case Study of the Agence Française de Développement (AFD)

by

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March 2025

A Case Study for the Initiative on
Mainstreaming Scaling in Funder Organizations

For the Scaling Community of Practice
www.scalingcommunityofpractice.com

Preface

The Scaling Community of Practice (CoP) launched an action research initiative on mainstreaming scaling in funder organizations in January 2023. This initiative has three purposes: to inform the CoP members and the wider development community of the current state of support for and operationalization of scaling in a broad range of development funding agencies; to draw lessons for future efforts to mainstream the scaling agenda in the development funding community; and to promote more effective funder support for scaling by stakeholders in developing countries. (For further details about the Mainstreaming Initiative, see the Concept Note on the COP website).

The Mainstreaming Initiative is jointly supported by Agence Française de Développement (AFD) and the Scaling Community of Practice (SCoP). The study team consists of the co-leaders, Larry Cooley (Co-Chair of the SCoP), Richard Kohl (Lead Consultant) and Johannes Linn (Co-Chair of the SCoP), and of Charlotte Coogan (Program Manager of the SCoP) and Ezgi Yilmaz (Junior Consultant). MSI staff provide administrative and communications support, in particular Leah Sly and Gaby Montalvo.

The principal component of this research is a set of case studies of the efforts to mainstream scaling by selected funder organizations. These studies explore the extent and manner in which scaling has been mainstreamed, and the major drivers and obstacles. The case studies also aim to derive lessons to be learned from each donor's experience, and, where they exist, their plans and/or recommendations for further strengthening the scaling focus.

The present case study focuses on the Agence Française de Développement (AFD). It was prepared by Eric Beugnot, responsible for innovation projects in the AFD Innovation Unit, with the assistance of Richard Kohl as a learning exercise in support of the development of its own strategic directions and as a contribution to the Mainstreaming Initiative of the Scaling Community of Practice.

Acknowledgements

This author gratefully acknowledges the comments and feedback were received from Richard Kohl, Johannes Linn, François Pacquement, Bruno Bosle and Rima le Coguic. Nonetheless, the findings, interpretations and conclusions expressed in this publication remain those of the author alone and do not necessarily reflect the views or opinions of these individuals, the Agence Française de Développement, nor the Scaling Community of Practice.

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List of Acronyms

AECID	Agencia Española de Cooperación Internacional para el Desarrollo
AFD	Agence Française de Développement
BGK	Bank Gospodarstwa Krajowego
CDP	Cassa Depositi e Prestiti
CIF	Country Intervention Frameworks
DAC	Development Assistance Committee
EDFI	European Development Finance Institutions
ExCom	AFD's Executive Committee
FICS	Finance In Common Summit
FID	Fund for Innovation in Development
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IDFC	International Development Finance Club
IFAD	International Fund for Agricultural Development
INN	AFD's INNovation unit
IRR	Internal Rate of Return
JEFIC	Joint European Financiers for International Cooperation
KFW	Kreditanstalt für Wiederaufbau
MPC	Mobilization Partnership and Communication
NGO	Non-Governmental Organization
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PPL	Public Policy Loan
SDG	Sustainable Development Goal
SME	Small and Medium Entreprise
SOP	Strategic Orientation Plans
SCoP	Scaling Community of Practice

A story that naturally leads to scaling

The formal process of mainstreaming scaling in the Agence Française de Développment (AFD), which is still underway, began several years ago. However, to understand the recent process it is necessary to contextualize it in the AFD's 80 year history, explore what is involved in scaling, and recall that mainstreaming of scaling does not happen by chance.

Since its creation in 1941 by General de Gaulle in London (Caisse Centrale de la France Libre – CCFL), the AFD has steadily expanded the number of countries in which it works[1] and the diversity of financial instruments and other tools it uses in its investments. This increase in global coverage and financial instruments and approaches was a holistic response to growing and changing global development needs and to the need to deploy resources more effectively, which can be seen as the first steps of mainstreaming scaling.

For a long time, sovereign loans to States or to state-guaranteed public enterprises were AFD's primary financing tool. These loans were used to finance projects; the project approach has been and remains AFD's preferred approach to implementation. In 1977 a subsidiary dedicated to private sector financing, Proparco, was created, following the example of the World Bank's International Finance Corporation.[2]

Starting in the early 2000s, under the leadership of Jean-Michel Sévérino, AFD continued to expand its portfolio of financial instruments. This began with grant making, which had previously been under the French Ministry of Cooperation. Grants were primarily used to finance technical assistance activities[3]. AFD also began doing research and publications to support its activities and to influence thinking in the development sector in general. To provide additional technical support and assistance, in 2022, AFD added a new subsidiary, Expertise France. Today it assists 115 countries and has an annual commitment level of approximately 12 billion Euros.

Finally, there has been an international awakening—since the Addis Ababa Finance for Development Conference in 2015, which launched an action plan to "leave no one behind"—to the urgent need to transform development finance and to shift from billions to trillions by mobilizing private capital. The Seville Conference, following the Paris Conference in 2023, continues this momentum toward a profound reform of the aid architecture, in order to achieve the goals of the 2030 Agenda.

Taken together, these elements provided a foundation for the mainstreaming of scaling.

[1] AFD initially intervened mainly in francophone Africa, France's former colonies and protectorates. It expanded its scope to neighboring countries, both English and Portuguese-speaking, between the 1980s and 2000. The second major expansion of geography occurred in the early 2000s, when its mission was broadened by adding to the fight against poverty and economic development, support for the common goods of humanity: climate, biodiversity and emerging diseases. It was therefore necessary to engage in the major emerging countries, China, India, Indonesia, Brazil, Turkey, etc., as they were future large emitters of greenhouse gases, holders of large biodiversity reserves and a potential source of outbreaks of emerging diseases. The enlargement continued in the years 2010 by expanding the Mediterranean perimeter towards countries in the Balkans and Eurasia.

[2] AFD had been financing private sector development since its creation, so the creation of Proparco was more a recognition that a different approach was needed, not a change in who AFD was lending to or for what purposes.

[3] The funding of technical assistance complements support and programs provided by for the Centre for Financial, Economic and Banking Studies, which offers training and capacity building programs to public sector administrations and private companies.

Scaling elements that require consolidation

In 2020, AFD launched an intrapreneurship program focused on achieving impact. In response, a multi-disciplinary team developed and submitted a proposal that stated the need to support scaling up with an adapted methodology. The proposal noted that there are multiple forms of scaling found in the literature,[4] and that for AFD's purposes different forms of scaling might be appropriate in different situations and context. To simplify matters, the proposal chose to adopt IFAD's definition, as it seemed sufficiently general. *IFAD defines scaling as: "*It is about amplifying, adapting and supporting successful policies, programs and knowledge to mobilize resources and partners that will deliver results on a larger scale for the benefit of more people in a sustainable way."[5] Then, starting with projects, scaling can adopt different forms (scaling up, out, deep), it can be simply seen as replication, or it can be combined with adaptation to different contexts and support for policy reform.

The IFAD definition and the scaling framework AFD developed identify seven fundamental principles of scaling up:

i. Start with pilot local initiatives and analyze the results in order to understand the role political, legislative, and institutional conditions and systems played at pilot scale;

ii. Adopt a "broad vision" of what the long term goal of impact is, in terms of scaling up;

iii. Create a scaling strategy and implementation process. Organize and structure the process step by step using a test-and-learn approach, emblematic of agile project cycles, based on pilot practice, rapid evaluation and deployment to refine and modify the strategy as needed. Foster innovation in scaling strategy and tactics, as well as modifications to the intervention itself, even if it is not a prerequisite;

iv. Mobilize the ecosystem of actors: to benefit from complementarities and synergies and to capture additional funding and resources;

v. Provide for a strong organizational component, the objective being to optimize the efficiency and effectiveness of organizations for growth and better viability of projects, and thereby strengthen the leadership of project management;

vi. Evaluate and communicate results and impacts;

vii. Systematically adapt the project to the different contexts that exist at scale, noting that adaptation is not a one and done exercise.

The intrapreneurship proposal suggested that a scaling pilot that implemented these principles would allow AFD to evaluate whether they would achieve the desired results – impact at scale, identify what works, what doesn't and what is missing. It also aimed to achieve actual impact at scale in the initial experience, albeit with a limited number of projects.

[4] 1. Deepening ("scale deep"), doing better what is already being done, i.e., improving impact, at existing scale; 2. Diversification ("scale out") or doing something other than what is already being done; 3. Replication by duplication or wider geographical deployment ("scale up"), i.e., do more than what is already being done; 4. Diffusion by making available, or fertilization ("scale across"), or make others do what we already do; 5. Cooperation ("scale together"), or do together to do more and better; 6. Fusion («scale by mixing»), or join together to strengthen the project.

[5] IFAD, "IFAD's operational framework for scaling up results." Rome. 2015. https://www.ifad.org/documents/48415603/49705749/IFAD%27s+operational+framework+for+scaling+up+results.pdf/1605c38e-7c41-0e53-9406-4409f4623958?t=1726613398635

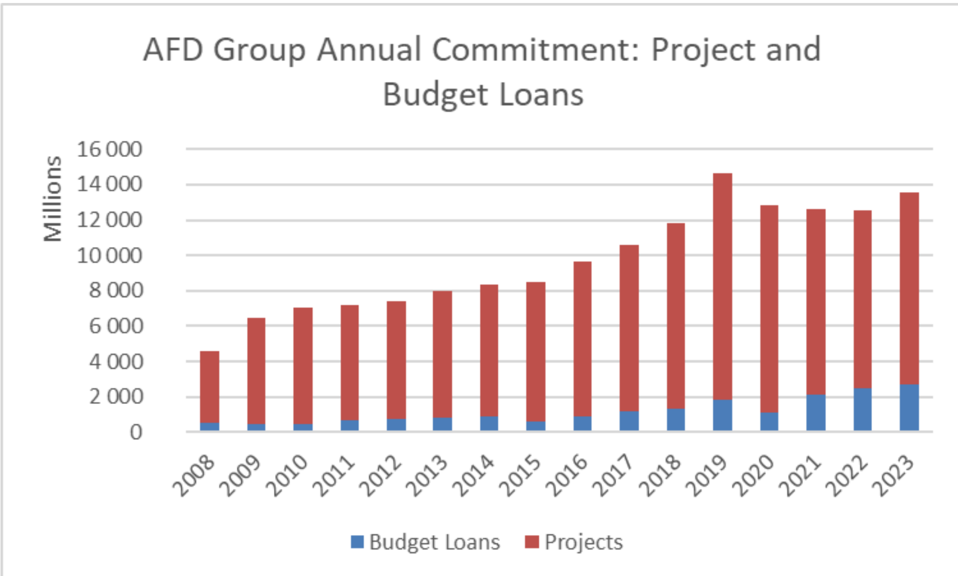
A major orientation towards project assistance from the outset of AFD

The search for broad impact was embedded in AFD from its origin: first, before the independence, the aim of cooperation was sharing prosperity between Inland France (Metropole) and colonies; then, there was an important debate about whether to pursue an investment project approach or a budget support approach, with the latter gaining in importance over time. The budget support approach means financing the State through a contribution to the budget. In the minds of many, the budget approach is akin to the pursuit of a large-scale vision.

In the early sixties, the allocation of aid to specific projects was the only way to ensure that appropriations were used rationally. The profitability doctrine established that AFD would only finance revenue-generating projects, excluding operations with indirect profitability (roads, education and training, health), reserved for other tools of French cooperation. Since AFD's organization only allowed financing large-scale projects, plantations, infrastructure and industrial equipment, a wider dissemination of financing to the economy was achieved through the creation of development banks or company banks, to which AFD contributed.

In the 1980s, structural adjustment loans (SAL) appeared. They consist of budget support loans with a matrix of conditionalities to accompany macroeconomic and sectoral adjustments. Despite their larger size and macroeconomic approach, they do not necessarily support longer-term scaling pathways. Figure 1 shows the growth in AFD's commitments since 2008, with budget support loans in 2023 accounting for around 10% of the total until 2020, a proportion that has doubled over the last three years (2021-23).

Figure 1. AFD Project and Budget Loans 2008-2023



This budget and policy support activity was given special attention at the end of 2010 with a major retrospective evaluation presented to AFD's Board of Directors in September 2019. Acknowledgement that interventions supported relevant and credible policies with a high degree of ownership was accompanied by some criticisms of their effectiveness, in particular the clarity of funding objectives and their influence on the formulation and implementation of these policies. Furthermore, while institutional changes provided a more conducive environment for investment, they did not necessarily mean that such investments actually took place. An internal note, dedicated to the consequences of this approach two years later recommended: "A more integrated approach to PPLs with other AFD operations (and other donors) in particular to link up with civil society and research and create an intellectual fabric that will take its place in the debate on supported public policies."

Projects often display a pilot or demonstration character but are rarely accompanied by a long-term perspective

As noted above, project aid represents 80 to 90% of the AFD's interventions with most loans falling in the range of €40 to 50 million. These levels are small compared to the needs of any particular sector in the recipient country; the proposals to decision-making bodies accompanying project proposals often explicitly characterize these efforts as being a pilot or demonstration project. There are exceptions, of course, notably when AFD has partnered with other official development lenders, such as the *Scaling solar* initiative with KFW and World Bank which aimed at a more systematic approach to covering electricity needs.[6] Most often, however, project financing remains limited in its scaling ambition. When scaling does occur it is most often done sequentially, through repeated deals, rather than in a thoughtful long-term approach to achieving national scaling (or whatever optimal scale might be) involving consultation and broad mobilization of national actors and development partners. Given that AFD projects tend to be around four years in length of time, this requires repeated rounds of proposal design, review, and approval which can take many months, often leading to a loss in momentum or even missing a policy window.

In this context, a *Scale up team* of interested staff came together in 2020 to explore the idea of AFD taking a more systematic approach to scaling. The team carried out a high-level inventory of a large number of projects funded in 2019 across sectors to assess whether they had scaling potential or had actually made progress in advancing on a scaling pathway. This exercise showed that three out of four projects had scaling potential but very few – almost none – had given much thought to how they could be scaled. To the extent that scaling was integrated at all, and this in only a few cases, it was limited to a small budget for a dissemination conference near project end.

The scaling literature[7] recommends that scaling be integrated as early as possible in projects, preferably at the conception and design phase. Moreover, also based on the experience with scaling found in the literature, AFD's operational approach to projects was missing four elements. These are:

A vision of the overall need or potential market size

The appraisal documents of projects presented to AFD's Boards always include an initial chapter on the "sector and its challenges". The documents then describe the project, its objectives and components, which will usually include the geographic area(s) covered and the target number of beneficiaries or recipients. However, no mention is made of how these targets compare with the overall need for this kind of intervention in the country, let alone how this project is part of a pathway towards ultimately achieving impact at that scale. Thus, there is no way to know what proportion of the need the project addresses compared to the size of the problem. This information is the first element allowing the mobilization of other actors, in particular funders, for scaling.

A viable, sustainable business model

Having a viable, sustainable business model is a fundamental element that determines the real potential for scaling. In cases where a private sector scaling pathway makes the most sense for an intervention, implementers and funders will need to know the expected profitability to decide whether to scale it. Because many development projects produce goods and services generating private benefits and hence potentially profitability, as well as goods and services with public

[6] See "Scaling solar" at https://www.scalingsolar.org. KFW, AFD and the World Bank (WB) worked on this together. KFW and AFD developed technical guidelines for the construction of solar farms and the WB studied the contextual conditions – institutional, technical and economic – necessary for their implementation in each country.

[7] See, for example, Scaling Community of Practice, "Scaling Principles and Lessons". 2022. https://scalingcommunityofpractice.com/wp-content/uploads/2022/03/Scaling-Principles-and-Lessons_v3.pdf

benefits,[8] often a public-private partnership is necessary. These two kinds of benefits need to be made explicit for such a partnership to come together to scale an intervention.

In the scaling inventory undertaken of AFD's 2019 projects, profitability was often neither built in nor anticipated, neither at the start nor at the finish.[9] Most projects had no indicators for the expected increase in income or wealth for target sector in general or even the people or companies expected to be supported by the program. The lack of some measure of this sort makes it difficult to approach local financial institutions for financing of subsequent scaling efforts. Moreover, because there is no baseline of income or wealth, assessing economic or financial impact *ex post* is difficult[10] if not impossible. This problem is often compounded by the fact that it can take three or four years to prepare, approve and initiate implementation of a project; if a baseline is conducted early in the project it is likely to be outdated by the time implementation starts; yet in terms of deciding whether to go forward with a project, this is preferably done early on. The ultimate goal, if scaling is to be mainstream, is to integrate this type of measure from the start.

The share of co-financing

For a donor like AFD, with its limited financial resources in comparison to the financial requirements of scaling, co-financing is essential. It allows the volume of funding to be increased even before seeking a more systematic scale-up at national or regional level. Its importance is demonstrated by the recent initiative launched by the World Bank, which has set up a dedicated platform to promote co-financing.[11] However, co-financing faces challenges that have limited its use (Box 1).

Box 1. Challenges of Co-Financing

It is important to note that while co-financing is important, it faces its own challenges even if economic or financial estimates are included in project development. Harmonization of approaches, strategies and policy agendas between institutions can be difficult, time consuming and staff resource intensive, and even when that is achieved aligning procedures like criteria and process for disbursements can be at least equally challenging. In fact, national contracting authorities often do not wish to engage with co-financed projects because of the management difficulties this can cause. It also can put them in a weak position in negotiations on the terms and objectives, i.e., many donors versus one borrower. Solutions do exist. One that has had some success is bringing together donors two or three years in advance of when co-financing of an intervention will be needed (such as in second stage financing) which gives plenty of time for aligning agendas and approaches. In terms of procedures, AFD has been working with co-financing partners to create a common approach to mechanisms for approving, financing, disbursing and monitoring interventions. One such effort is the Joint Programming Initiative that AFD participates in within the European Union.

Despite the importance of co-financing for scaling, the share of AFD's portfolio that is co-financed is low: data covering the last ten years shows a stable level of around 25%, whether measured in

[8] Public or social benefits are not only found in projects working in social sectors like education and health. Many infrastructure projects or projects de facto contribute to a supportive enabling environment, market ecosystem or value chain institutions for private sector whose benefits cannot be fully captured by commercial actors.

[9] In the past, project proposals financed by a loan were required to include a calculation of the project's *ex ante* Internal Rate of Return (IRR). It was used to check the adequacy of project profitabiity. Since AFD has decided to incorporate many other cross-cutting goals into its projects (carbon impact, gender, equity, etc.), IRR calculations have been eliminated since they can't account for this multiplicity of objectives. For projects on grant, which therefore do not require reimbursement, IRR calculations were considered even more superfluous.

[10] The income and benefits can be measured by comparison with a control group but that requires identifying an economic, demographic and geographic group that is sufficiently similar to be methodologically valid, and that then necessary date exists. Again, doing this ex post is inherently problematic.

[11] See [Scaling Up Co-Financing for Greater Development Impact (worldbank.org)]

number or financial value. The proportion of new regions is slightly higher (37% in Asia and 28% in Latin America) and for very large projects (over 60% for those above €300 million); this distorts the calculation of a simple average. However, a majority of projects are under €100 million (83%) and have average co-financing of around 10%, i.e., co-financing of most AFD projects exists but is minimal in amount.

Finally, it is important to note that the vast majority of co-financing is carried out between northern donors whereas from multiple scaling perspectives such as financial sustainability and local ownership, participation of local funders is essential. Within the AFD projects reviewed, co-financing from any actors in the local financial system, whether public or private, is almost non-existent.

AFD's Country Intervention Frameworks leave little room for coordinated sectoral interventions.

As with many donors, AFD's interventions are organized by Country Intervention Frameworks (CIF). CIFs lay out a medium-term, strategic vision of the country's needs both retrospectively and prospectively and identify which sectors AFD is going to concentrate on given its comparative advantage. They create a framework to ensure that individual interventions are coherent with the bigger picture, and with regard to the specific added value of AFD in the context. However, harmonization of aid receives minimal attention in most CIFs, and these limited discussions are not oriented towards a transition to scale let alone contain a coherent longer-term vision of scaling for the country.

AFD has recently adopted a new strategy that focuses on increased mobilization of funding

Since the early 2000s, AFD's overall activity has been guided by a sequence of Strategic Orientation Plans (SOPs), each one covering 4 to 5 years. The fifth SOP, which is currently in force (2024-29), highlights four commitments. The most important for scaling is that AFD should become a "platform for mobilization". Mobilization has three dimensions: (i) aligning financing, between external and domestic funders (ii) engaging and building awareness on the part of civil society in recipient countries, i.e., localization; and finally (iii) creating mutual coherence and understanding between the expertise and knowledge of technical experts and academics and the political economy considerations of policy makers. In all three dimensions AFD's commitment to mobilization seeks to amplify its impact, i.e., achieve scale, by building coalitions and communities of actors.

AFD's strategic vision of financial mobilization

AFD's strategic vision of financial mobilization contains the ingredients for a scaling approach. It can be broken down into three components:

- **Increase co-financing through multi-donor funds**. AFD has contributed to the emergence of a joint European financing mechanism, within the three major European development finance networks: the Joint European Financiers for International Cooperation (JEFIC), the Practitioner's Network for European Development Cooperation, and the Association of European Development Finance Institutions (EDFI)[12]. AFD will also seek to join forces with other actors, around themes of common interest.
- **Expand mobilization of the private sector for sustainable development.** AFD has a fully-owned subsidiary, Proparco, which provides financial support specifically to the private sector – business and financial institutions – in the Global South. As part of AFD's

[12] JEFIC is a network of European bilateral banks and financial institutions, which work with public sector partners in developing countries and emerging economies. The current members are AECID (Spain), AFD (France), BGK (Poland), CDP (Italy) and KfW (Germany). They decided to pool their resources and mobilize public and private capital for increased, effective investments towards the Sustainable Development Goals (SDGs).
The Practitioner's Network is a leading network of European Development Cooperation experts, composed of 25 Members from 19 countries spanning across the continent. It's work focuses on building knowledge through exchanges, coordination and harmonization and by providing feedback on policies from a practitioners' perspective.
EDFI was founded in 1992 and currently has 15 member institutions. EDFI member institutions are focused on the development of private sector enterprises and operate in emerging and frontier economies.

mobilization strategy, Proparco has an "active mobilization" strategy which includes specific modalities to increase private flows in support of the SDGs. At the same time, the rest of the AFD Group will work to create a business environment conducive to the mobilization of the private sector, both for profit and not-for-profit in its target countries. This includes working on upstream parts of value chains, improving the regulatory framework (both norms and institutional capacity), and deployment of international technical expertise through Expertise France.

- **Target financial flows and investments towards the SDGs.** This includes addressing constraints that prevent initiatives from achieving their potential impact and helping country financial systems adapt to climate risks and developing transition plans among non-sovereign actors. It also includes greater mobilization of other domestic financial resources. This means strengthening of savings and credit networks, increasing fiscal capacity (tax collection) and greater support for public development banks.

It is important to remember that a process of transition to a regional or national scale from an initial pilot project cannot be conceived with the sole resources of investment and external assistance. Annual investments by developing countries are more than $10 trillion while the total amount of ODA is US$200 billion, fifty times less. The latter can ultimately only be successful and sustainable if it catalyzes and crowds in local resources.

The mobilization of local resources, beyond the intentions of the strategy, can be based on the experience with the Finance in Common Coalition (FICS), a coalition of 530 public development banks. The *International Development Finance Club* (IDFC),[13] under the presidency and the impetus of AFD (2018 to 2023), created FICS.[14] FICS highlights the role of public development banks in financing economies and their potential to redirect finance towards sustainable development issues. The scaling approach can build on this network and relationships with some of the banks to initiate engagement with the local financial system.

Having considered the way to go for project aid to extend its impacts in a broad and favorable strategic framework, it now remains to be seen how this scaling approach can be institutionalized and operationalized.

The current experience with mainstreaming scaling

Efforts to mainstream scaling into the work of AFD started in 2020 with an intrapreneurship project.[15] After a few years organizing internal support and funding, piloting and testing of a systematic approach began in 2024 and is ongoing. Though it is early days, this experience nevertheless offers interesting lessons through its successive stages, punctuated by successes and failures.

The main steps of the process: the implementation of an operational test

Step 1: The development of a methodology

Between 2020 and 2021, a group of AFD staff self-organized into a Scale Up Team in response to a call for proposals for an intrapreneurship competition focused on increasing AFD's impact. The four team members shared the view that AFD was not systematically scaling many promising and proven interventions; many projects were defined as pilots or demonstrators but did not lead to the desired training effect and follow up. This conclusion, while initially based on anecdotal and personal

[13] The International Development Finance Club (IDFC) is a network of 27 national, regional and bilateral development banks from the North and South.

[14] See [Home | Finance in common]

[15] Process of supporting innovation in project mode in organizations. Time and resources are allocated to teams to move from an idea to its implementation.

experience, was validated by an inventory that the team conducted (as discussed above) and showed that three out of four AFD projects in 2019 had potential for scaling but almost none were actually scaled. (Scaling potential was defined simply as addressing a problem or need that was shared broadly among a country's population). The team developed a methodology to support scaling of projects funded by AFD that was submitted to the intrapreneurship contest and was selected as a winner.

Based on the intrapreneurship entry, the scaling team developed a program of a test approach, piloting design and deliverables which was presented to AFD's Executive Committee (ExCom) in summer 2021, which approved them. The program included:

i. a questionnaire to discern whether a project falls within the scope of scaling;

ii. a methodology that described the issues and the different steps in the process. These steps were: (a) create a vision of a reasonable scaling target; (b) develop an implementation strategy; (c) identify potential drivers, obstacles and constraints and a plan to address them; and (d) identify sources of co-funding for scale, both local and from international donors;

iii. update the sustainable development review[16] to incorporate scaling considerations.[17]

Upon receipt of the program proposal, AFD's ExCom expressed its interest, particularly the potential of the process to multiply the impact of AFD's investments by a factor of five or more. [18]

Step 2: Failure of an operational application.

The scaling team's proposed approach was presented in January 2022 at the annual conference of AFD's network of country offices. Five country offices expressed interest and were offered support by the scaling team. Unfortunately, this agreement in principle was not, during 2022, implemented in practice, despite several efforts by the scaling team to relaunch the process. The project teams, both their members at headquarters in Paris and in country offices lacked the capacity and incentive to deal with the subject, even with this support. The question then arose as to whether the approach was appropriate.

Step 3: Relaunch with a mobilization-oriented strategy

The preparation of AFD's 5th strategic plan during 2022 included the theme of mobilization as a fundamental component. Initially, the idea was relatively vague but there was a clear awareness that AFD's efforts should be multiplied through the mobilization of other financial partners. In particular, alignment of the strategies of public development banks was necessary after the observation that their financing was not always oriented towards the 17 SDGs[19]. The work carried out in a working group on "financial mobilization" also recommended that AFD should look beyond financial ODA (according to the DAC principles) in terms of accounting for impacts. This was an important change in thinking, because until now only the objective of contributing to the national effort to reach 0.7%

[16] The sustainable development review (l'avis de développement durable) is an independent review of all AFD projects conducted during the project development and included in all project appraisals before they are submitted to AFD decision-making bodies for approval. The sustainability criterion contained in the review was updated to incorporate a scaling perspective.

[17] These documents were developed using IFAD and GIZ's online methodologies and with the support of the Scaling Community of Practice.

[18] The multiplier effect was based on an assumption that AFD could attract or mobilize five or more times its own investment from international donors and domestic sources. The case of implementation of municipal waste sludge incineration plant in Turkey was cited as an example; a market study shows that at least 5 other municipalities are interested to replicate this program.

[19] An artificial intelligence tool was developed to analyze the annual activity reports of 530 banks worldwide.

of GDP in ODA prevailed. This change of course was an important incentive to continue efforts to scale.

Step 4: The need for a new approach and operationalization

The failure of the approach of working through project teams suggested that a different internal institutional arrangement was needed. Given the centrality of financial mobilization to both AFD's overall strategy and to the proposed scaling approach – its primary emphasis on multiplying impact through co-financing – and the fact that financial mobilization work was to be carried out under the leadership of a newly created Mobilization Partnership and Communication (MPC) directorate,[20] it made sense to locate the scaling team or unit within that directorate.[21]

At the same time, the failure of the earlier effort to operationalize scaling through project teams (see Step 2) suggested trying a different approach, to move the scaling unit out of the two operational divisions, in charge of the project and of the country strategies. There was a concern about a possible confusion between project development work and scaling work, as well as the risk that the additional workload would not be matched by corresponding resources.

Indeed, even if the scaling approach is similar in its components to that of the project (market study to establish the vision and the strategy of implementation, search for co-financing, etc.), the scope is larger, the problems to solve are different and it is more akin to a facilitator job, that is to say, linking new beneficiaries who could reproduce the original project with other financiers than AFD. There was therefore an advantage in separating the functions, even if they remain synergistic, in order to properly recognize and value the contributions of each party.

Step 5: Moving towards an operational test

By early 2023 the scaling team was now located in AFD's innovation unit (INN) to develop a proof of concept of this new job. It remained convinced of the merits of the scaling approach and continued to advocate for an internal experiment with scaling, through the newly created MPC structure. The scaling team submitted a multi-year proposal in early 2023 to create a dedicated scaling unit composed of four professionals. This was accompanied by a proposed budget of €2million annually to allow for more detailed reviews of AFD candidate projects and field visits to assess projects and relevant systems, as well as developing co-funding partnerships with local actors. The goal was to review 10-20 projects and develop pilots for the most promising of that sample, hopefully at least half. This was expected to take place in September 2023.

Unfortunately, the inclusion of scaling into the work and structure of the new MPC directorate did not result in approval of the proposed unit, budget and therefore piloting and testing plan. In the midst of negotiations over the AFD budget in general and an ongoing reorganization of AFD the message was clear: AFD has no resources in 2023, but the ExCom has adopted the goal. Once the resources are available, conditionally in 2024, the pilot may proceed. The process eventually started in February 2024, beginning with the creation of a two-person team.

The implementation of an operational test

While the pilot begun in 2024 is still in its early days, the experience to date validates the utility for AFD of support the scaling of projects. This section describes the process and approach used by the scaling unit in 2024.

[20] As the name implies, MPC is responsible for relations with other financial players (donors, public banks, foundations, etc.), primarily arranging for co-financing.

[21] The need for a unit dedicated to mobilizing financing is corroborated by the experience of the World Bank, which once had a team dedicated to co-financing. In a subsequent reorganization, the function was eliminated and the volume of co-financing fell immediately, suggesting that such an independent unit is needed for that purpose.

Step 6: Selection of a sample of projects

The initial test period was February-July 2024. The scaling unit started by looking at the relative costs and benefits of scaling selected individual projects. An important consideration for AFD was whether there was a viable business model both for scaling itself and for covering AFD's own costs in scaling. While the scaling unit had its own small budget, this did not cover the costs of mobilizing the co-financing for scaling itself. Thus, part of the test was to assess whether the team could develop some sort of arrangement or origination fees to be paid by other funders who would participate and invest in the scale-up to cover AFD's costs (similar in principle to fees for creating and syndicating a loan).

The scaling unit's initial efforts led to the selection of around twenty projects, representative of different types of projects, countries and sectors. The targeted projects were those recently completed or nearing completion in the 2024 test year, from among projects approved between 2019 and 2021 and giving promising results in mid-term or final review. The results of the initial intrapreneurship inventory of 2019 projects – that three out of four projects have scaling potential – did not mean they all had the same degree of ease to scale up; so the unit selected the projects that were easiest to scale up. To choose projects that are "easier," the scaling unit developed a set of criteria that it applied to projects that were candidates for scaling (see Figure 1 below). Since no project fills them all, this grid has remained a selection tool, with different weightings depending on the type of project (between those who have an economic return and those who are more socially oriented).

Figure 1. Criteria for scaling project selection

Significant unmet needs	Sensitivity to context	Technical ability and difficulty	Providing a significant impact	Rigorous public policy
• there is still a need for the expansion of the project	• Assess the adaptability of the project to context for scaling	• Assess the ability of project leaders to effectively manage the project on a large scale, emphasizing their technical simplicity	• the ability of the project to significantly increase its impact when scaled up	• The project's compliance with existing public policies and its potential to be replicated nationally .

These criteria are not exclusive, there are others: economic model facilitating replication, capitalisation studies, presence of a financial system able to finance the project, consensus of external donors on the priority of the sector… Not all of them can be satisfied simultaneously, the choice of a project is the result of the best compromise.

To apply these criteria, the scaling unit had to collect additional information to supplement what was available in existing project documentation. Research and data collection was primarily and preferably done via interviews of the relevant technical or geographical divisions (agencies and country officials at headquarters). Unfortunately, such interviews were not always possible, and so project documentation was sometimes the primary or even sole source. The reliance on documentation carried with it the risk that the project with promising proposals was less so after implementation. On the positive side, when disappointing implementation proved to be the case, technical or geographic divisions would often offer an alternative project to be considered.

Step 7: Scaling

Developing a viable scaling approach with implementing partners

Once a project had been selected, the scaling unit organized a meeting with the project owner, operator or provider of technical assistance, who has the knowledge of the field. The goal was to get more qualitative information as to whether the initial project could be scaled and under what conditions and to determine whether or not they were willing to join in a scaling effort. If the project owners or operators was agreeable to joining a scaling effort, which happened most of the time, they and the team jointly developed a concept note on what scaling would look like. It contained a vision, strategy, and estimate of financial needs. It also identified the future studies needed. The goal was to create a short summary that could be used to conduct a preliminary search for funding while simultaneously conducting a more in-depth feasibility analysis.

Initial lessons and encouraging results

One of the lessons of this effort has been that in the process of moving forward with scaling there can be a tension between the expansion desired through the scaling and what the operator is capable of achieving, especially when working with NGOs. Rather than scuttling all scaling efforts, this tends to result in additional discussions as to at what scale of replication is viable; rather than the hoped for 5-times replication, expanding from one to two, or even three times the initial scope was found to be more realistic. This suggests caution about expectations of multiplying by 5, 10, or more times. Such expansions potentially require organizational or role change – shifting operators or adding technical advisors who can help build capacity -- or involving additional implementers in new locations. An organization in France, Scalechanger.org, which provides capacity building to organizations pursuing scaling, helped identify and provide what support implementing partners need to adapt for scaling. This has proven beneficial, and often critical, to addressing and overcoming challenges from local capacity limitations.

Furthermore, the AFD experience with this scaling experience confirms findings from the international scaling literature: scaling is a long process and even getting going is time consuming. It can take several months between the initial exchange with the operator and the delivery of a concept note, after often considerable back and forth. This is particularly the case because the multiple partners involved often have little understanding or a reference point for negotiating a scaling deal; it represents a significant departure from the usual project and loan framework. For example, the instinctive tendency of the implementing partner is to imagine a scale that does not go beyond the replication of the initial project, such as a *repeat deal,* rather than what is maximum scale potential in a scenario where resources are unlimited. Another reason for delay is that the input work required from the implementing partner, even if they are interested and committed, has to compete with the demands of implementing the current project. This confirm the findings of other studies that preparing for and affecting scaling itself can take as much time as an existing project; teams that try to do both simultaneously find themselves lacking the necessary human resources and capacity. In that regard, this also confirms the finding that many of the tasks required – (re)design, a vision of scale, a viable economic or business model – would require less time and effort had they been planned for and done from the start of a project and not *ex post*.

Ten months after the start of the experiment (February-December 2024), nine out of twenty-three projects had a concept note or elements deserving future consideration and additional investigation, four are currently being analyzed. (The future of the remaining ten projects is uncertain). Based on this experience, better identification of key success factors and analysis and selection of future projects is expected to be faster.

Meanwhile, the three most advanced projects have yielded encouraging results and are rich in lessons, even if actual scaling is in its early days. These are presented in Box 2 below.

Box 2. Three Cases Selected for Scaling in the Initial Pilot

Farming in Guinea

AFD has been successfully conducting a fish farming experiment in Guinea for twenty years. Combined with traditional rice cultivation, the experiment was conceived with the objectives of fighting malnutrition and poverty. After a series of small pilots, the last project (€10 million) was implemented from 2020 to 2024 and can be seen as a first step in scaling. It both strengthened the fish farming value chain and financed 3,000 subsidized efforts in rural areas. A challenge facing scaling is that to be financially feasible subsidies would need to be reduced.

The AFD scaling unit conducted a joint mission with the project evaluation team in late August 2024 including field visits and participation in a knowledge sharing seminar in Conakry based on an external report and carried out field visits. The visit identified strong potential for scaling to an additional four regions covering 30,000 farmers, 10 times more than the previous project. Economic analysis showed that the previous project's investments had generated an annual added value (value of fisheries at market price) allowing a return on investment (profitability) sufficient to repay the loan in six years. At the farm level, the investment in infrastructure (dikes) and technical support demonstrated that a loan at commercial rates could be repaid in five years. The lack of bank financing for fish farmers was identified as a major obstacle to the development of the sector. Based on these observations and analyses, meetings with a number of domestic private banks, and in particular the public development bank dedicated to rural credit, donors and a foundation showed interest in co-financing the proposed scaling to 30,000 farmers. As of this writing, the scaling team and potential partners are continuing to work together to make this investment a reality.

Success factors/lessons learned: the combination of an existing evaluation with field visits and consultations with stakeholders and potential funders, both domestic and international, is a viable approach to assessing potential scalability, identifying a scaling vision, and generating initial interest in co-financing from multiple sources. Indeed, a field visit and all that it entailed and produced was necessary in this case, these results could not have been produced from staying in headquarters in Paris.

Cancer treatment in East Africa

Cancer is becoming one of the leading causes of death in Africa and a source of gender inequality; at the same time this disease poorly understood by the health authorities. The AFD health department had a positive assessment of an initial investment in Tanzania to address this and recommended it be considered for scaling. As a result, the first condition, having the support of the relevant AFD technical directorate and project team, was in place. Discussions with the operator and project team resulted in a more ambitious scope than simply scaling in Tanzania, taking on a regional dimension (with Kenya). The broader scope attracted interest from a wider array of funders. The new project is far from covering national needs, however, and the next step, after current funding has been provided, is to advocate with Tanzanian and Kenyan governments to expand to national scale. Terms of reference for an impact assessment study were written to show the economic gains from avoided mortality, in a population generally of working age. Initial rough calculations show a very favorable ROI when one relates the cost of prevention and early treatment to the GDP saved on the simple basis of GDP per capita of the treated persons. Of course, it will not be a definitive argument to convince governments, it is at least an advocacy element to start discussion…

Success factors/lesson learned: mobilizing ambition of a broader scope created a move toward regional extension, from one country to another. An impact study seems necessary to go beyond a first scaling.

Technological support for SMEs in the Sahel

A project in four Sahelian countries provided improved technology for small and very small agricultural processing companies in areas like sanitary processing, packaging and other processing issues. However, the project benefits identified only covered the qualitative return of the enterprises and their number, compared to the initial forecasts. There was no information about the wealth generated. To assess whether scaling was viable in one of the countries, Senegal, an economist was contracted to estimate the added value generated by the project. While no baseline statistics were available, a comparison to national statistics for other parts of the country showed that the additional value added over a 10 year period was ten times that of comparable investments, including investments in the value chain itself. The number of companies supported by the project's resources was 250; the country-level needs are estimated at more than 2000. These findings create the pre-conditions for scaling. The results should logically lead to mobilizing local financial resources in the first place, especially public, with the government showing strong ambitions for entrepreneurial development.

Success factor/lesson learned: While this case has not advanced very far, it illustrates the centrality of conducting evaluations that create the type of evidence necessary to decide whether and at what level scaling makes sense and that can be used to advocate with funders and other stakeholders.

These three projects are the first to be studied. In these three cases, the results are promising. No threshold of success has been set for this experiment. The immediate challenge is rather to demonstrate that with reasonable efforts, a multiplication of impact is possible by mobilizing actors based on impact results and the explanation of expected benefits. The finer determination of an economic model of the arranger function will come later.

Box 3 summarized the main lessons learnt from these projects where scaling was initiated without a real initial intention.

Box 3. How to Facilitate Scaling from the Start of a Project

When to Focus on Scaling – Consider scaling from the beginning of a project, whether pilot or not.

Vision – Assess the overall needs at the national or regional level. This helps to build early momentum and encourages thinking ahead toward future scaling opportunities. The scaling approach will later refine the realistic target to be achieved. Often, there is no clear understanding of what proportion of overall needs the project is actually covering.

Business Environment – Identify all the factors that will enable scaling, without necessarily studying them if they are not part of the project's initial scope. This includes the stakeholders who will need to be mobilized, the strengths and weaknesses of the sector, the existence of public policies—along with their strengths and limitations, etc.

Economic Model – Highlight the project's economic model, regardless of how the funder finances the initial project. Scaling cannot rely solely on external resources such as grants or subsidies. It will be necessary to convince public and private financiers—especially domestic ones—of the value of investing in the concept developed in the initial project. They will need to understand the profitable and non-profitable components of the investment, as well as its positive and negative externalities.

Impact Measurement – In addition to the above, build a framework for measuring the project's impacts—not only those required for donor accountability, but also those needed to convince future partners and investors, added value for productive projects for example. If a solid baseline is not established from the outset, it will be more difficult to reconstruct it later.

Budget – If possible, add in the initial budget funds to conduct at the end, when success is confirmed, dissemination and handoff efforts, complementary studies, etc. that help ensure subsequent scaling.

Next Actions to be expected

Early development of the facilitator's role

One of the postulates of the scaling pilot is that the result of scaling can only be obtained by devoting special resources to it. As AFD is currently organized, project teams do not have sufficient time and resources to both support and track current projects and to scale them up. The hypothesis being tested is that funding of a unit that functions as scaling facilitator (or catalyst or intermediary) is necessary to take advantage of scaling opportunities that could multiply the impact of AFD's investments. In the business world, the facilitator is the one who identifies funders and carries out contractual due diligence for them. In what is envisaged for scaling within AFD, the facilitator role would not go as far as these contractual aspects but on the other hand would go further upstream of the search for funders, in defining a project/program with broader impacts. Based on this analysis, the facilitator would have the following functions:

- Works with the project teams to develop the scaling methodology from successful projects and their follow-up. Experience shows that it is necessary to collaborate with project teams which gives more visibility to «their» project while recognizing that they have limited capacity to actually do the analyses and activities necessary to advance scaling.
- Identifies and undertakes (or commissions) the necessary analyses and investigations: market studies, impact studies, economic analyses (drafting of terms of reference, procurement, monitoring).
- In partnership with the members from the financial mobilization directorate, conducts networking and advocacy with potential funders until the necessary co-financing and terms are in place.
- It organizes the measurement of impacts and reports on them.

These functions can be summarized in Figure 2 below.

Figure 2. Steps in scaling through mobilization of co-financing

If a scaling unit in AFD is to perform the activities shown above, this function should be created within the Mobilization directorate, ideally by the end of 2025. In the meantime, the scaling pilot will conduct two other investigations.

Two complementary tasks to be carried out

A sustainable financial model must be developed

As AFD is a financial institution that must balance its accounts, an additional role of the facilitator is to ensure that any proposed scaling effort includes necessary cost recovery. The following postulates support financial sustainability of the approach:

- Postulate 1: the unit cost of scaling is lower than that of the original project while achieving impact at a multiple of the original project.

- Postulate 2: the facilitator, by developing scaling projects (acting as a catalyst), can take credit for the resulting impact without bearing all investment costs.

- Postulate 3: once the facilitator role (or scaling unit) has generated sufficient proof of concept, it should be possible to create ways of recovering the costs of playing this role (e.g., arrangement or origination fees), given that these costs are lower than that of an original project or originating a project especially when measured as compared to (much greater) impact.

In regard to this last point, financing for arrangement function, this paper anticipates two potential sources of funding:

- Commissions collected from funders participating in the deal. The much greater size of these deals should reduce their unit costs. A calculation made in a simple case of infrastructure replication shows that the facilitating commission would be 0.15% of the investment cost, amortized in the rate of financing

- A contribution to the budget from impact investors, i.e., funds seeking impact. Based on the experience of the tool, this contribution can be quantified in relation to the volume of impact promised, allowing the fund to assess the comparative advantage of the tool.

A rigorous monitoring and evaluation approach must be established and a methodology appropriate to scaling through co-financing

Whether or not there is a complete cost recovery of facilitator costs, facilitator performance and impact needs to be monitored and evaluated. Achieving impact cost-effectively is even more important in times of budgetary contraction. But authorities need to be sure there is no exaggeration in the impact report. Measuring the impacts of scaling is a complex challenge, since they may occur and can be verified only years after a project is completed. Some of the issues that need to be resolved in terms of monitoring, evaluation and impact measurement include:

- **What are the stages of impact?** Possible milestones to be monitored include commitment of third party funds, disbursement, and ex-post assessment of impacts. Monitoring and evaluation is possible at each stage.

- **What is the basis of the measure?** Possible indicators include the number of actors who are mobilized and the value of their commitments, and the participation of other actors who as a result of momentum have become involved. In the latter case, especially if they are participants but not funders, how would an evaluator identify and measure them?

- **When and how frequently to measure impacts?** Intermediate progress and ultimate outcomes will need to be measured at regular intervals and after scale has been achieved. Should this be a standard measure – 5 years – or on a case-by-case basis? When should be the starting point?

- **Who measures these impacts?** The approach should be a multi-stakeholder one, ensure an agreed evaluation approach and metric for all actors and the establishment of common rules

Ongoing experiments, associated with the work of the donor community, will undoubtedly make it possible to specify these parameters more precisely.

Conclusions: The importance of mainstreaming

The experiment underway at AFD is not a coincidence. It is part of a general movement that began long before it. It was mentioned that the approach within AFD was inspired by the experiences of other funder organizations and the groundbreaking work of the Scaling Community of Practice (SCoP). AFD signed a partnership agreement with the SCoP in 2022 which was instrumental in the launch of the SCoP's mainstreaming initiative; the initiative's purpose is to study how scaling is integrated into funders of international development, develop good practices and lessons learned, and disseminate and advocate for those lessons through the development community. The SCoP has developed thirteen case studies to date which serve as an important knowledge base; this case of the AFD's scaling pilot will add to that is integrated into it.

The SCoP effort has played an important role in supporting the AFD pilot in several ways and has contributed to its progress and success to date. These include:

- The SCoP has legitimated the scaling pilot internally. It is important to show that the innovation unit of AFD which has led this effort is not alone in exploring this issue, but part of a large group of international donors and funders addressing similar if identical challenges – how to multiply impact through scaling during a period of tremendous need and without commensurate resources. The recent agreement and issuance of scaling guidance by OECD DAC in November 2024[22] – which was also facilitated by support from the SCoP -- was a welcome recognition.

- Given the complexities and multiple alternative ways in which a donor can integrate scaling, it is difficult to explore all of these possibilities within the resources of one institution. Developing a high-quality institutional approach to scaling requires resources that go beyond those of one organization. Similarly, such an approach will eventually need to be implemented by partners who may lack the both experience in these types of scaling deals, the necessary technical and financial capacity, and or the incentives required. In effect, it means establishing a new, and common, way of doing business and business environment. This is a collective action problem and can only be resolved by the joint actions of multiple funders. This means building on past efforts to harmonize aid and going further.

- Finally, the complexity and the wide range of new challenges to be dealt with (measuring impacts, for example) deserve a pooling of experience and reflections.

The experimentation that is conducted within AFD will be more effective if it is carried out for selected certain projects with other donors. This option is now under exploration. A sharing of experience is also expected with the Fund for Innovation in Development (FID), created in 2021 and hosted by AFD. The aim of FID, as defined by Nobel Prize winner Esther Duflo, is to apply rigorous scientific impact assessment as a precondition to going to scale. Among the financial support options offered by FID, is preparation for scaling and some governments have begun to request FID support for national scaling experiment.

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In conclusion, scaling is part of the evolution of the concept of development. It goes beyond a simple diversification of AFD modes of intervention. While not discussed up to this point, it is important to note that it is very much part of the localization agenda that is reversing decades of development assistance primarily supply-driven by donors in the Global North; this approach to scaling, by involving stakeholders and co-funders within countries in the scaling process, of necessity is transforming the pre-existing power dynamic as well as contributing to greater sustainability.

While the term of "Development" has the advantage of being concise and understood by all, AFD is beginning to prefer the expression of Sustainable Solidarity Investment (SSI). The scaling approach responds well to each term in this phrase by demonstrating its fundamental benefits:

- **Sustainable** ￼ a project has greater sustainability if it is part of a portfolio and no longer remains isolated.

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[22] OECD. "DAC Guidance on Scaling Development Outcomes." 2024
https://www.oecd.org/en/publications/dac-guidance-on-scaling-development-outcomes_621810cc-en.html

- **Solidarity** ▯ the implementation of a scaling mobilizes as many financial actors as possible, favoring local resources and subsidiarity of external funds.

- **Investment** ▯ the deepening of economic analysis is part of an approach that highlights the return on investment of financial mobilization effort, including for social projects.