FMO Annual Evaluation Review 2009/10

Dealing with changing conditions in FMO's markets

Jeroen Horsten and
Stan Stavenuiter
Evaluation Unit
Investment & Mission Review
May 2010

NOTE TO THE READER:

FMO's 2009/10 Annual Evaluation Review, the eight of its kind, is a concise presentation of the findings from project evaluations carried out by FMO's internal Evaluation Unit in the course of 2009.

Any opinions and conclusions contained in this report are those of FMO's Evaluation Unit, and are based on evaluation findings. They do not necessarily coincide with the views of FMO's Management Board. Management's position on the Review's findings and conclusions is expressed in the Management Response, which is reproduced on page 15.

Interested readers may obtain further background information and documentation from FMO's Evaluation Unit:
evaluation@fmo.nl

TABLE OF CONTENTS

HIGHLIGHTS

- *The global economic crisis has, so far, hardly had an effect on our project evaluation outcomes. As projects were evaluated over the course of 2009 (and quite some evaluated projects were prepaid before then, as a result of highly liquid markets before the onset of the crisis), the crisis had not yet made itself felt in most clients' financial and development outcomes. Where it did, this rarely negated the outcomes generated since FMO committed to those projects in 2004.*

- *Outcome patterns as reported in previous years did not show major changes. Among FMO-A financed projects evaluated in the past three years, 81% were rated as developmentally successful, while 92% produced satisfactory or better financial results for FMO. Development outcome and FMO investment outcome keep showing a strong correlation.*

- *From 2004, commercial flows to our markets much improved, liquidity increased, margins came under pressure and local financial markets markedly deepened. These market conditions favored our clients, not just enabling them to meet their financial obligations towards FMO, but frequently also to refinance their FMO-funding from commercial sources and to prepay, enabling FMO to reinvest in other projects.*

- *Projects signed in 2004 and evaluated in 2009 less frequently generated good development outcomes than in the foregoing years. In 2004, FMO financed significantly more clients outside the focus sectors adopted in 2000. Besides the financial sector and infrastructure sectors, FMO also opted to work more with second tier corporate clients that were seen to have limited access to long term investment finance from commercial banks, even in relatively more advanced markets.*

- *Evaluations of projects financed out of Government Funds managed by FMO show that these funds really add value to what FMO can offer to clients. Allowing FMO to support activities with a high development impact potential through clients that are otherwise too risky, success rates are lower than for FMO-A, but clients whose business turns out to be financially successful typically produce good to excellent development outcomes.*

- *For the Government Funds, we also note that Funds that are most closely aligned with FMO's sector focus produce the best results. The predecessor funds of what is now MASSIF (aimed at MSME development through financial sector intermediaries) and the LDC Infrastructure Fund showed good success rates, while those of funds without a sector focus (the meanwhile discontinued Netherlands Investment Matching Facility, NIMF, and the (Investment) Facility Emerging Markets, (I)FOM), much less frequently produced good outcomes.*

- *In the second part of this report, we provide an update on development effectiveness measurement (assessment, monitoring and evaluation) at FMO, and indicate that we are considering to, as of next year, adapt our internal project evaluation approach to FMO's current sector-based organization, aiming for increased depth and relevance.*

1. MAIN PROJECT EVALUATION FINDINGS

FMO's investments are typically evaluated after five years (or upon exit). Our most recent evaluations thus concern projects for which we made commitments in 2004. The global economy, by then, had clearly recovered from the recession that set in at the start of the decade, and capital flows to FMO's market were rapidly picking up. With interest margins in developed countries starting to come under pressure as a result of increased liquidity, investors were seeking higher returns in emerging markets – also creating pressure on margins there. In 2004, FMO continued to implement the strategy it had formulated in 2000, based on country focus and on a focus on the financial sector and infrastructure. A focus on second tier (preferably exporting) corporate clients was added at the time. Clients financed in 2004 generally experienced good economic growth in their respective markets, at least until the global economic crisis hit.

Our ex-post evaluations focus on three components: (1) projects' development outcome, assessed on the basis of their business success, their contribution to economic growth and private sector development and their environmental and social performance, (2) project's investment outcome, or their contribution to FMO's financial sustainability, and (3) FMO's work quality, assessed separately for front-end work, for monitoring and supervision, and on how well FMO played its role as a Development Finance Institution.

In 2009, we evaluated a 50% stratified random sample of all projects for which new investments were contracted in 2004. In the following sections, we analyze these separately for projects financed for FMO's own account (FMO-A) and for projects financed out of FMO-managed Government Funds. For purposes of cross-sectional analysis, we combine the 2009 evaluations with those of the two preceding years.

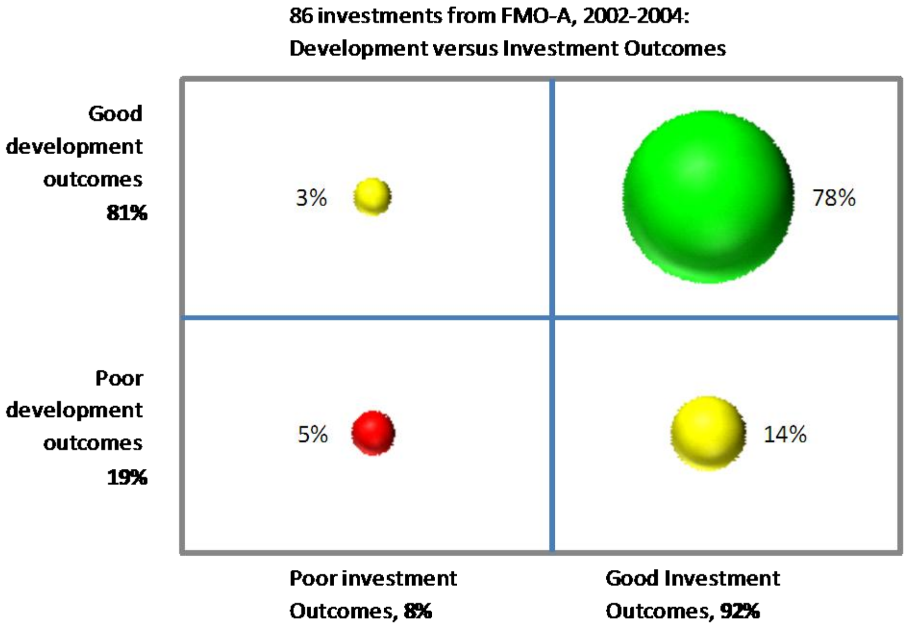
1.1 OUTCOME TRENDS AND PATTERNS FOR FMO-A FINANCED PROJECTS

Evaluation outcome patterns still remain stable, despite the crisis

In this section, we first look at the outcomes of projects financed for FMO's own account, referred to as FMO-A[1]. When looking at the combined outcomes of the projects that we evaluated during the last three years, it can be noted – as illustrated in the graph below – that the outcome patterns that we observed in the past have continued to hold. A high proportion of evaluated projects was seen to have made a good contribution to development (81%), and the vast majority produced good investment results for FMO (92%).

Good investment results and good development outcomes remain closely associated, with 83% of the evaluated projects either producing win-win (good development outcomes and good returns for FMO) or lose-lose outcomes. Good performance of client companies – if selected for their potential to contribute to development – enables them to both make good contributions to development and to service their obligations vis-à-vis FMO. The very high proportion of projects producing both good development and investment outcomes may be ascribed to a combination of favorable economic conditions in our markets in the years following our 2002-2004 investments on the one hand, and generally professional work from FMO's part (in project selection, structuring and risk mitigation) on the other.

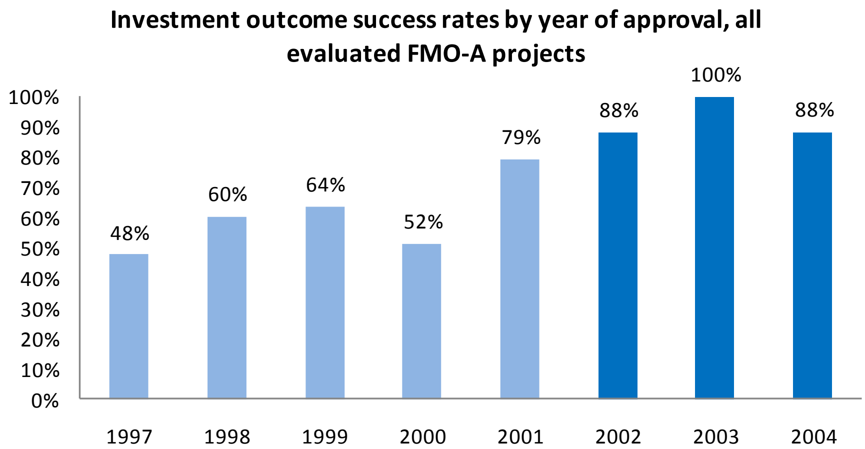
[1] Until 2007, we evaluated <u>all</u> projects approved five years earlier, where approvals led to subsequent disbursements; in 2008, we evaluated a 50% sample of five year old approvals; since 2009, for reasons of system changes, we take our 50% sample from investment commitments (realized contracts), rather than from the project approvals.



Apart from the 78% of evaluated projects that produced win-win outcomes, a further 14% managed to adequately serve their FMO financing, although their business success and contribution to economic growth was below expectations.

The vast majority of FMO's clients generated good returns for FMO

Given the good financial results achieved by FMO in recent years, it may not come as a surprise that, in recent years, most clients generated good investment outcomes for FMO. The trend is depicted in the graph below[2]:



[2] Figures for 2002 and later are not comparable to those for earlier years, and those for 2002 and 2003 differ from what we reported in earlier reports. In the past – following IFC's evaluation rating methodology – we assigned a 'partly unsatisfactory' rating to prepaid loans, where significant amounts of margin income were forgone without being compensated by prepayment fees. Following a change also made by IFC, we now rate such investments as 'satisfactory', recognizing that they produce a good return on capital and make a positive contribution to FMO's profitability, also by enabling profitable and developmentally relevant re-investment.

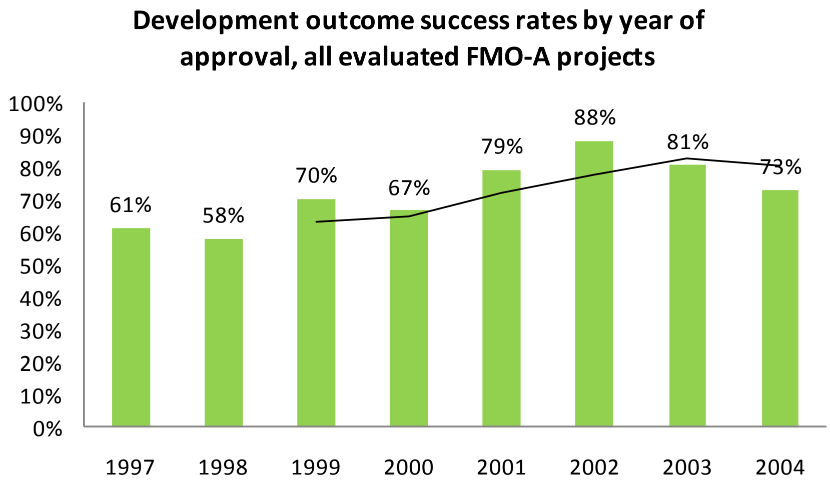
Increased attention to professional banking practices and improved risk management clearly paid off, with loans provided in the last three evaluation years generating good returns in all but two cases (97%), and much more risky equity and near-equity investments generating good to excellent investment returns in 57% of all cases. Among the latter, projects with excellent investment outcome more than compensated low returns or losses for the other investments.

The fact that investment outcomes, even among projects evaluated in 2009, were hardly affected by the global economic crisis is partly explained by high liquidity in our markets in the years leading up to the crisis.

First, a large part of the 2004 commitments actually was no longer in FMO's books when the crisis really hit. No less than 38% of the evaluated projects had been repaid early, mostly in 2006 and 2007. Prior to the onset of the crisis, liquidity in our markets further improved from year to year, while commercial financiers showed increased risk appetite. Prepayments typically occurred as a result of clients being able to refinance their loans at lower rates. In other cases, FMO acceded to requests for interest margin reductions where a continued involvement with the client was seen to be warranted and desirable. Of the remaining investments, only a handful of projects was affected by the crisis; in those cases, projects that would, without the crisis, have achieved an 'excellent'-rating on business success (determining their ability to service their FMO funding), were now rated 'satisfactory', so this did not have an effect on the overall success rate as such. For the 2010 evaluations, the full effects of the crisis on FMO's investments and their contributions to development may become more evident.

But, for the last evaluation year, fewer clients generated good development outcomes

Given the strong correlation between investment returns to FMO and development outcomes, it is remarkable that, while the investment outcome success rate held up for the projects evaluated in the last two years, their development outcome success rate shows a decline (although the three year moving average depicted by the line in the graph is still stable):



As discussed above, this is not the result of the economic crisis affecting their business results and their contributions to economic growth, employment creation, etcetera. We have, however, been able to establish that the decline in developmentally successful investments is related to the increase in investments outside our sectors of expertise. Declining margins, especially for financial sector clients, inspired a relaxation of the focus on the financial sector and infrastructure that FMO had pursued since the year 2000, and thus to engaging with clients (second tier corporate) and sectors whose business (and risks) we less well understood. Improved banking professionalism meant that, even where these clients performed below expectations, we were in most cases still able to assure our return, but business and development outcomes were more often poor. This was not generally mitigated by working alongside knowledgeable partners – a concept that was, in any case, loosely defined at the time.

Environmental and Social Outcome: FMO's Financial Sector Clients

Next to business success and a project's contribution to economic growth, environmental and social (E&S) outcomes are the third element of our evaluation of development outcome. Having noted that many of FMO's financial sector clients did not succeed in meeting all our requirements in this area, last year we conducted a special evaluative study (including a portfolio review and interviews with all parties involved: investment staff, credit staff, E&S specialists and FMO clients) of the effectiveness of FMO's past and present efforts to have our financial sector clients deal adequately with environmental and social issues.

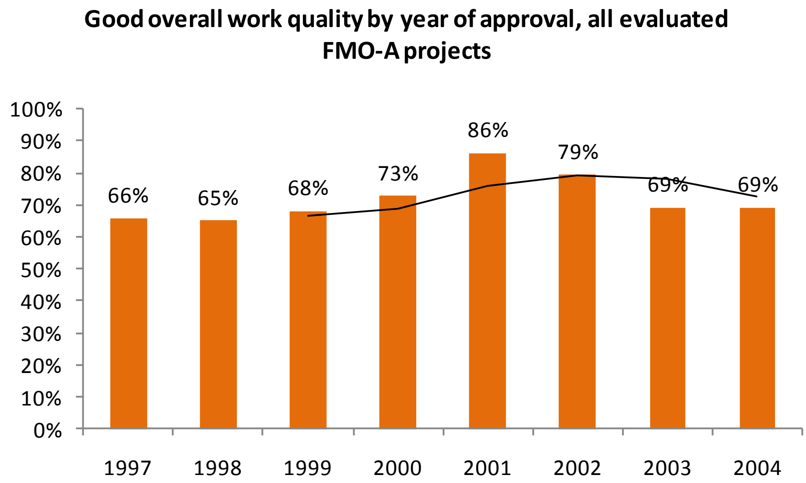
Financial sector clients are required to develop an E&S policy, to apply an exclusion list of undesirable activities, and to implement an Environmental and Social Management System, ESMS, to screen all their clients on environmental and social compliance and to ensure corrective action by clients where appropriate.

We observed that the full implementation of an ESMS was lacking with most of our financial sector clients. Several factors were seen to have played a role, including the fact that clients insufficiently realized what our requirements implied, too much of a 'one-size-fits-all' approach (failing to sufficiently differentiate between financial sector clients by the extent of environmental and social risks in their portfolio), and insufficient attention to our clients' management capacities and priorities.

The study's findings served as the basis for a review of our approach and policies. Clients have now been categorized according to real portfolio risk and their preparedness to improve their environmental and social portfolio management. Priority is now given to achieving progress particularly with high risk clients. And our financial sector clients are being dealt with in a more constructive (rather than purely prescriptive) manner, with more recognition on FMO's part of their priorities and capabilities.

There remains room for improvement in FMO's work quality

The investment and development outcomes discussed above are the result of (1) FMO's work quality (project selection and structuring, monitoring and supervision and how we play our role as a Development Finance Institution) and (2) external factors, such as the market and economic conditions faced by our clients during the course of FMO's involvement. As we have seen, clients evaluated in recent years generally benefitted from favorable economic developments until the global economic crisis made itself felt. Outcomes, particularly investment outcomes, also benefitted from FMO's increased professionalism, particularly in terms of applying good banking practices. However, the proportion of evaluated projects where FMO's overall work quality was judged to have been good decreased the last few years, but more or less stabilized in 2004 at 69%:



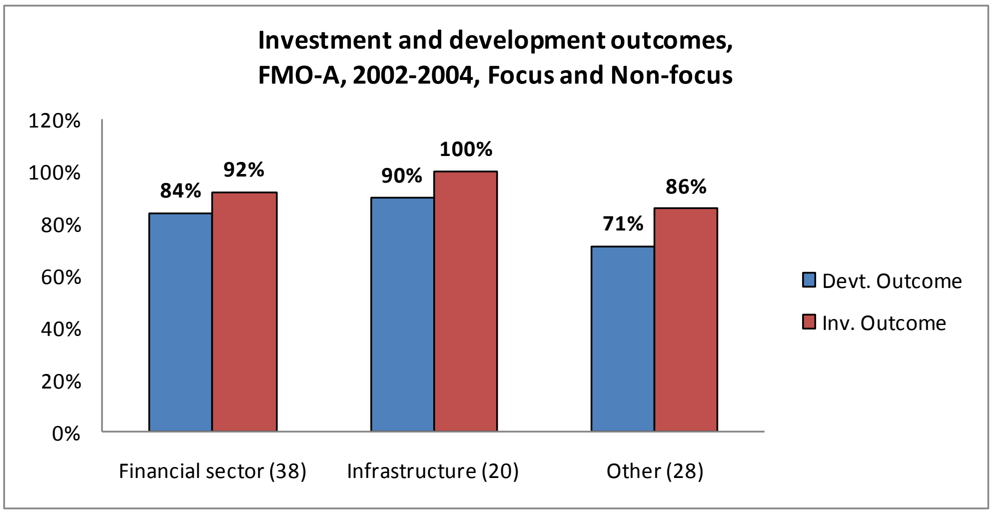
Shortcomings were – for various projects - observed in all three work quality indicators. Front-end work quality was at times poor, particularly in non-focus sector investments, where lack of sector-expertise translated into inadequate understanding and mitigation of risks. Shortcomings were also observed in monitoring and supervision, especially where too much reliance was placed on investment partners, and FMO (as a result) kept itself poorly informed of developments at the client. And FMO's role was at times considered (partly) inadequate when we did not deliver on anticipated contributions to improvements in environmental, social and/or governance performance, or when additionality was limited or poorly justified.

As work quality – besides external factors, beyond FMO's control – is a major determinant of our projects' development and investment outcome, there thus remains scope for further improvement of results by continuing to pay close attention to all three aspects of FMO's work quality: front-end work, supervision and properly fulfilling our role as a DFI.

Focus remains a key success factor

In 2004, the financial sector and infrastructure were FMO's focus sectors. In the strategy for 2009-2012, 'Moving Frontiers', the financial sector was retained as one of the primary focus sectors, while the infrastructure focus was narrowed to energy and housing, so sector focus has continued relevance.

Evaluation findings for the 2002-2004 period show that FMO's clients in focus sectors generate significantly higher development and investment outcome success rates than in non-focus-sectors, as illustrated (for FMO-A financed projects) in the graph below. Poor development outcomes occurred much more frequently in non-focus sector projects, and FMO only experiences significant losses ('unsatisfactory' rather than 'partly unsatisfactory' investment outcome) in non-focus sector investments as well.

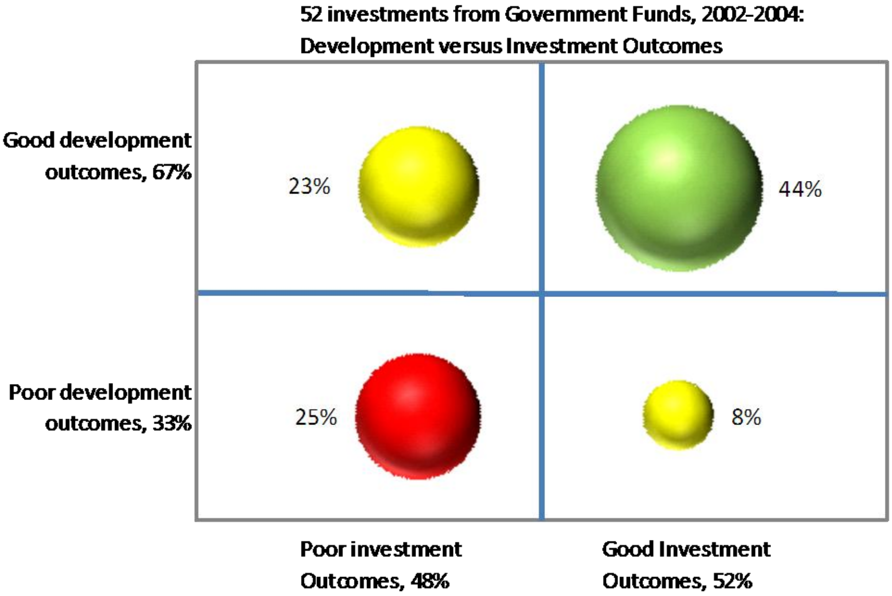


Over the last three years, as earlier mentioned, FMO-A's overall development outcome success rate has been slipping from 88% in 2002 to 73% in 2004. Not coincidentally, the percentage of evaluated non-focus investment increased during these years from 26% in 2002 to 42% in 2004 (with a similar percentage in the 2004 commitments population).

The renewed emphasis on sector focus in FMO's strategy for 2009-2012 should thus be welcomed. Investments outside our focus sectors are now to be undertaken only when we co-finance (and are properly aligned) with partners that have strong knowledge and experience in the respective sectors. In the past, especially non-focus investments suffered from a number of weaknesses in work quality.

1.2 OUTCOMES OF PROJECTS FINANCED OUT OF GOVERNMENT FUNDS

FMO is entrusted with managing a number of government funds[3], so that we may support investments that have a high development potential, but that would otherwise be too risky to take on for FMO's own account. Compared to the outcome pattern observed for investments out of FMO-A, projects financed out of FMO-managed government funds show a significantly different picture, as shown in the graph below:



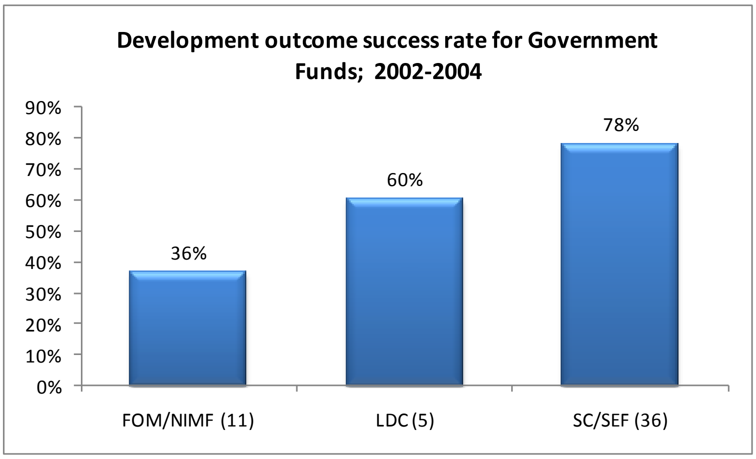
The higher risk is evident from the lower proportion of government fund projects that resulted in good investment outcomes[4]: 52 %, as compared with 92 % for FMO-A. Fortunately, disappointing investment outcomes from some clients are, thanks to the funds' risk diversification, generally made up for by others who generate (at times very) good returns. As a result, in most cases and over longer periods of time, the revolving character of the funds can normally be safeguarded. In local currency financing, for example, currency losses on some loans are made up for by currency gains on others, as long as interest reference rates are carefully chosen. Also, investment outcome success rates over the evaluation period were depressed by the poor returns on investments out of the Seed Capital Fund, whose investment criteria implied the clustering of several high risk factors, and which made investments in start-ups that might require more time than the five year evaluation period to bear fruit.

Given the high risk involved, it is remarkable that 67 % of the government fund financed projects still generated good development outcomes. As we have seen that business success is needed for clients to both produce good investment outcomes and good development results, it is remarkable that (despite higher risk, and thus a higher chance of failing as a business) two-thirds of government fund financed projects succeeded in producing good – and often excellent - development results on the ground.

[3] During 2002-2004, FMO made investments out of the Seed Capital Fund and the Small Enterprise Fund (predecessors of what now is MASSIF), the LDC Infrastructure Fund, the Netherlands Investment Matching Fund (NIMF) and the Investment Facility Emerging Markets ((I)FOM).

[4] In the case of government funds, investments with a positive investment outcome are defined as investments that provide a positive return to the fund in Euro terms, after taking account of FMO's management fees. Such investments thus help to preserve the revolving character of the funds, making up for losses in other projects.

When looking at the performance of clients served with different funds, we can see that funds that were aligned with FMO's sector focus and expertise have generated better development outcome success rates:



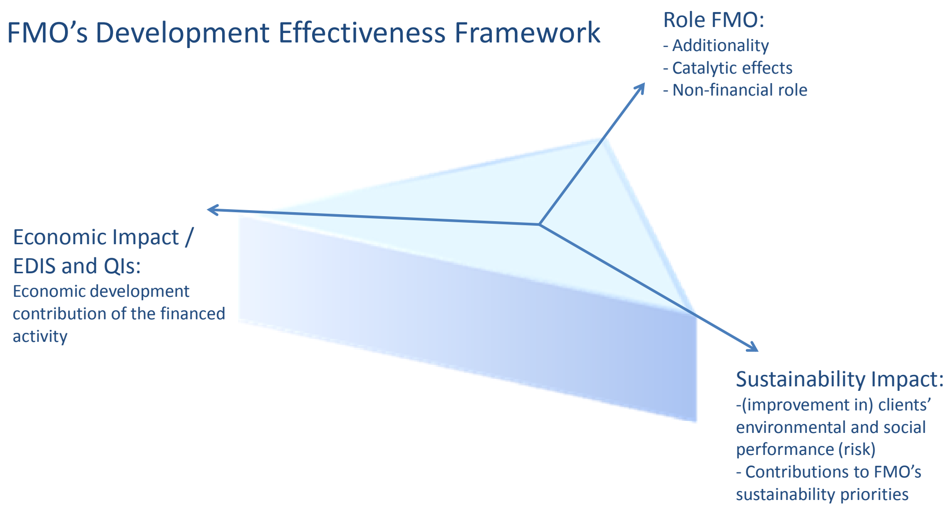
The financial sector funds combined show a development outcome success rate of 78%. This is especially remarkable since one third of these funds' investments relate to the seed capital fund, which was at the time fully focused on equity investments in start-up financial institutions and financial services companies (that – over the evaluation period – did not generate a good return on investment yet). Investments from the Small Enterprise Fund (SEF) alone were developmentally successful in 92% of the evaluated cases, and 75% made positive contributions to (growth of) the fund. Examples of developmentally highly successful clients evaluated last year include a South Asian transport equipment leasing company and a South-East Asian microfinance institution that developed into its country's leading micro- and small enterprise bank. Both have meanwhile graduated to FMO-A and/or commercial bank finance. Of the limited number of evaluated government fund financed projects in infrastructure (LDC Infrastructure Fund), also a majority produced good and, in the case of a gas-fired power plant in Bangladesh and a telecom venture in Africa - excellent development outcomes.

NIMF was mainly used to match equity investments outside our focus sectors, and only one of the four evaluated investments (a financial sector oriented investment banking and fund management operation in Africa, so within our financial sector focus!) was found to have been developmentally successful. FOM, with a low overall development outcome success rate of 50%, is a fund that FMO manages on behalf of the Ministry of Economic Affairs. It provides finance to Dutch companies (mainly SMEs) investing in emerging markets, either in local subsidiaries or in joint ventures. FOM projects are generally characterized by the presence of (a combination of) many critical risk factors, leading to a rather low development outcome success rate. Investment outcome is still good in the majority of cases, partly because the mother company guarantees the loans. In a 2007 FOM evaluative review, several lessons were drawn and subsequently applied to new investments, hopefully contributing to improved outcomes going forward.

A typical example of a – in the end – reasonably successful FOM investment is the financing of the startup of a Bulgarian subsidiary of a Dutch producer and trader of oak furniture. At the time of contracting, the mother company had three years of low profitability behind it, but it expected to improve by focusing on modern furniture. The Bulgarian subsidiary was technically and financially healthy, but remained fully dependent on the performance of the mother company as off-taker. Poor management at the Dutch company had led to extremely high and largely obsolete inventories. Furthermore the new product launch failed. Fortunately, the operating company was acquired by a financially strong strategic partner. The relationship with our Bulgarian client has since then been continued, with all of FMO's conditions being met, and the facility continues to be serviced.

2. DEVELOPMENTS IN MONITORING AND EVALUATION AT FMO

In last year's evaluation review, we described how the new FMO strategy for 2009-2012 has led to the elaboration of an improved conceptual framework for assessing our development effectiveness. FMO, as shown in the figure below, can be optimally effective if it (1) supports investments that strongly contribute to economic growth, (2) assures that its projects are socially and environmentally sustainable, and (3) properly plays its role as a DFI, and is additional to commercially available finance, mobilizes other investors and supports its clients where it can:



At the start of 2009, we introduced a revised scorecard, with indicators on all of the above dimensions.

- On economic development impact, average EDIS (rather than DII, the product of EDIS and investment volume) was adopted as a target for investment departments. This has much helped discussion on – and documentation of – individual projects' economic development rationale. Optimizing FMO's overall development footprint continues to be aimed for by production targets to seek to properly leverage FMO's available capital.
- Baselines and expectations on (economic) development outcomes are, starting in 2009, being captured by recording a number of quantitative development outcome and outreach indicators for new approvals (including employment, government revenues and net export revenues, but also – for example – the number of electricity connections served by our power sector clients). These indicators have since been further aligned with EDFI and IFC. In line with early experience, and after discussions with the sector departments, we have further adjusted them. As of 2010, we have introduced full annual monitoring of these indicators for all clients in our portfolio. Apart from enabling clearer reporting on results, this should very much strengthen the basis for future project evaluations.
- On environmental and social outcomes, we constructed an Environmental and Social Development Impact Score, ESDIS, which derived impact from a combination of (improvements in) compliance with the E&S Performance standards on the one hand, and from the financed activity's intrinsic E&S impact (emission reductions through renewable energy, social development through microfinance, for example) on the other. The combined indicator proved hard to interpret and could not be used for target setting. Sustainability impact is, meanwhile,

targeted instead by tracking the realization of agreed (through E&S action plans) improvements in clients' compliance and performance.

- The 'Role FMO' indicators, finally, capture valuable information on (the sources of) our financial additionality, on the extent to which we catalyze commercial financiers, and on our non-financial contributions to clients' (operational, environmental, social and governance performance). Although the combined score is admittedly of little value, this part of the scorecard helps investment staff and the Investment committee to make our role explicit.

To support the implementation of the 2009-2012 strategy, FMO reorganized its investment departments at the start of 2009. Regional investment departments were transformed into sector departments. In 2009, this somewhat complicated our annual program of project evaluations. Many clients had changed hands, which made it more difficult to obtain a good insight in projects' supervision history and development outcomes. Some other weaknesses in the present evaluation approach also made themselves increasingly felt. For example, the evaluation of a cross-section of all types of activities complicates systematic verification of results on the ground: with our limited capacity, such on-site evaluations would at best cover an a-select sample of projects. The present approach also means that we cover large numbers of projects in the financial sector (where project evaluations tend to become repetitive and provide few new insights), while in some other sectors we see just a few projects per year. Doing a large number of project evaluations spread over a broad range of sectors and types of intervention limits the possibilities to explore relevant issues in greater depth.

We will therefore, in the coming time, explore different options for FMO's future approach to internal evaluation, and are considering bringing our evaluation work more in line with – and at the service of - FMO's new, sector based organization. Proposals will be developed, aimed at (1) increased depth, likely to generate more directly relevant lessons of experience, and to engender more of a learning attitude among department staff[5], and (2) better insight in policy and strategy choices that affect the effectiveness of the sector departments concerned.

Meanwhile, in 2010, we continue to carry out evaluations of a representative sample of projects committed in 2005, but we will also prepare for the future by gaining more experience with on-site evaluations, and by organizing those, as much as possible, around themes of special strategic interest.

[5] We have seen similar effects from the evaluative review of FMO's E&S approach to financial institutions carried out in 2009, and from an exercise on emerging lessons in housing development undertaken in early 2010.

MANAGEMENT RESPONSE

We herewith present you with the report “Dealing with Changing Conditions in FMO’s Markets” – the Annual Evaluation Review 2009/10 – from our Evaluation Unit. The report presents the evaluation findings of the 2004 vintage of investments financed by FMO. We, as Management Board, welcome most of the main conclusions and findings of the report. It is particularly gratifying to see that outcome patterns in terms of development outcome and FMO investment outcome as reported in previous years, did not show major changes despite the deep global economic crisis. For projects financed for FMO’s own account and evaluated over the past three years, a high proportion was seen to have made a good contribution to development (81%) and the vast majority produced good investment results for FMO (92%). Also, as in the past, good investment results and good development outcomes remain closely associated, with 83% of the evaluated projects either producing win-win or lose-lose outcomes.

When looking solely at projects committed in 2004 and evaluated in 2009, the conclusion of the report is that these generated less frequently good development outcomes than in the years before. This is among others attributed to the fact that due to more liquid markets FMO moved to some extent to second tier company financing outside the traditional focus sectors while at the same time FMO’s quality of work was seen to have become less good than in prior years. We as Management Board, believe that these identified shortcomings have meanwhile been sufficiently addressed with our renewed emphasis on sector focus in FMO’s strategy Moving Frontiers for the period 2009 – 2012.

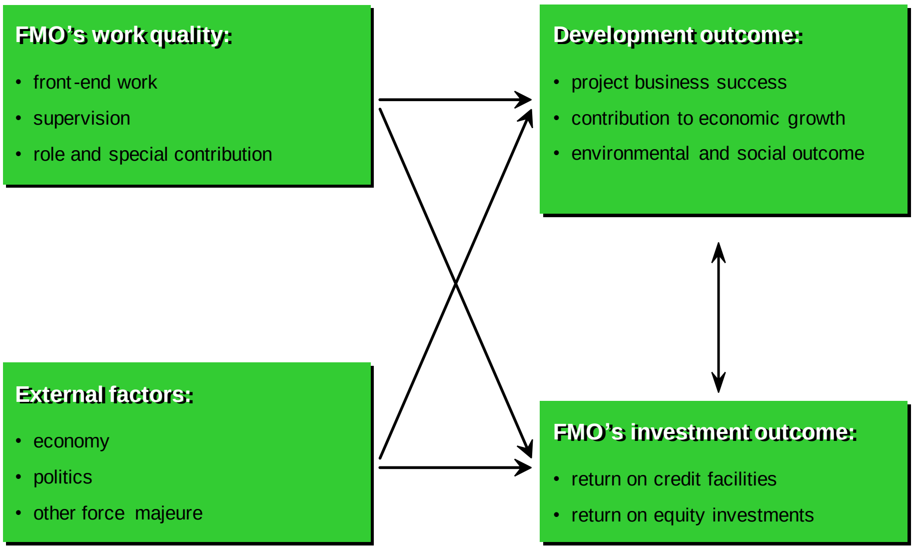
In addition to its normal annual evaluation work, the Evaluation Unit carried out a very worthwhile special review of the effectiveness of FMO’s efforts thus far to have our financial sector clients deal adequately with environmental and social (E&S) issues. This evaluative review brought to light major shortcomings in our work and has meanwhile led to the adoption of a more pragmatic E&S approach and policies.

Finally, we welcome the intention of the Evaluation Unit to explore various options in 2010 with a view to investigate how to make the work of the Evaluation Unit still more valuable for FMO. One of the options to be looked at is to bring the evaluation work more in line with FMO’s new, sector based organization.

ANNEX 1: FMO'S EVALUATION FRAMEWORK AND APPROACH

Project evaluations are essential to FMO's being able to account for its development achievements. While expected outcomes receive increased attention in the project selection and approval process, ex-ante assessments need to be supplemented by ex-post evaluations. Projects are evaluated five years after approval (or earlier when terminated before then). In 2009, we evaluated a 50% representative stratified sample of projects for which financing was contracted in 2004.

FMO's evaluations follow – to the extent feasible for an institution of FMO's size - the methodology prescribed by the Good-Practice Standards for Evaluation of Private Sector Investment Operations (developed by the Multilateral Development Banks' Evaluation Cooperation Group – MDB-ECG). As illustrated below, FMO's project evaluations assess (1) projects' development outcome, (2) FMO's investment outcome and (3) the quality of FMO's work in relation to the project.



Under development outcome, we separately assess the financed activity's business success (direct value added generated), its contribution to economic growth (and to broader private sector development) and its sustainability outcomes. Under investment outcome, the project's contribution to FMO's (or a government fund's) financial continuity is assessed. Finally, we evaluate the quality of FMO's work in relation to the project, in terms of front-end work (was the project well conceived and structured), monitoring and supervision, and in terms of FMO's role (additionality, catalytic effects and contributions to the client's performance). For all three dimensions, sub-elements are scored on a four-point scale (from unsatisfactory to excellent). The overall development outcome is rated on a six-point scale (from highly unsuccessful to highly successful).

Draft project evaluations are prepared by investment staff who best know the client and the project. The draft evaluations are assessed critically and independently by staff of the evaluation unit, who finalize the evaluations after discussing them with relevant investment staff members.

Objectivity is strengthened by the use of evaluation guidelines, indicating when to apply which evaluation scores. These guidelines may be obtained from the evaluation unit (evaluation@fmo.nl). The evaluation unit assesses draft evaluations after studying the project and its history. In most cases, this involves desk research of the project file (approval and monitoring documents, etc.) and consultation of secondary sources (internet search, sector studies, etc.). In some instances, on-site evaluations are carried out.