

**Results-Based Management and  
Accountability Framework  
for the  
Core Program  
Under the  
*Canada Small Business Financing Act*  
(CSBFA)**

Revised by  
Industry Canada

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# Table of Contents

Introduction .....	3
Section 1. Profile of the CSBF Program .....	5
1.1 Context .....	5
1.2 Objectives .....	7
1.3 Stakeholders and Beneficiaries .....	7
1.4 Resources .....	9
Section 2. Expected Results .....	10
2.1 Planned Results .....	10
2.2 Logic Model .....	10
2.3 Accountabilities .....	14
Section 3. Monitoring and Evaluation .....	18
3.1 Performance Measurement Plan .....	18
3.2 Evaluation Plan .....	24
Section 4 Reporting Strategy .....	33
Section 5 Implementation and Review .....	34
Appendix A Summary Table of CSBF Program Parameters ..	35

# Introduction

## **Purpose of the Results-Based Management and Accountability Framework (RMAF)**

In 2002, Industry Canada established a results-based management and accountability framework (RMAF)<sup>1</sup> to provide structure to the program evaluation and data gathering processes. In 2005, the Treasury Board guide on developing RMAFs was streamlined, based on lessons learned from the past several years. This document is an update of the 2002 RMAF and has been revised according to existing Treasury Board policy requirements.

The CSBF Program has a legislated review every five years and this framework has been developed to:

- monitor and evaluate the performance of the core program (the term loan portion of the CSBF Program);
- assess its success in addressing the identified financing gaps during and at the end of the 5 years; and
- inform the decision, at the end of the 5-year period, whether any program changes are required.

This RMAF will:

- describe the core program profile, including its origin, rationale, operation, the roles and responsibilities of the main partners involved in delivering the program and a description of the direct beneficiaries, agents and key stakeholders;
- identify and determine appropriate activity and performance measures, data sources and data collection methodologies used to track progress, measure outcomes and support subsequent evaluation activities;
- outline the evaluation items and questions (and their relative importance) related to achievement of strategic outcomes;
- recommend on-going monitoring and evaluation activities and the approach for the five-year evaluation;

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<sup>1</sup> It should be noted that a separate evaluation framework was designed and has been implemented for the Capital Leasing Pilot Project.

- describe the reporting strategy on outcomes during and at the end of the five-year period; and
- outline the implementation and review process which is to be used in the implementation of the RMAF.

# Section 1. Program Profile - CSBF Core Program

## 1.1 Context

Small businesses are the growth engine of the Canadian economy. To realize their full potential, they need a supportive environment in which to grow and prosper. The Canadian government, like governments in many other countries, including all of Canada's major trading partners, has long recognized the importance of small business to economic well-being and that access to financing can be a critical issue for small businesses, particularly during their early years. Research has indicated that small businesses have more difficulty obtaining financing than large firms and that there are many small businesses in Canada whose financing needs are not being satisfied by private sector providers. This is primarily because loans to SMEs are riskier. Lenders respond to this higher degree of risk in a variety of ways that have the effect of limiting the availability of financing for SMEs. The financing challenges faced by SME start-ups are particularly acute. Work by Industry Canada contains the following findings<sup>2</sup>:

- Loan application rejection rates for start-ups are greater than 40 percent. The degree of risk associated with start-ups is simply too high for most financial institutions.
- Only 29 percent of start-up SMEs are financed through commercial loans or lines of credit from financial institutions, compared with 49 percent of established SMEs.
- Start-ups rely much more than established SMEs on informal sources of external financing and tend to rely more on the personal credit and savings of the business owners.

This provides strong evidence that there remains a public policy rationale for government to help fill marketplace gaps. Therefore, the government, through the Canada Small Business Financing Program (and its predecessor the Small Business Loans Program) has sought to help small businesses in accessing the financing which is crucial to their start-up, growth and survival.

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<sup>2</sup>*SME Financing in Canada, 2002*, Industry Canada, 2003.

The *Canada Small Business Financing Act* (CSBFA), which replaced the *Small Business Loans Act* (SBLA), came into force on April 1, 1999. The objective of the Canada Small Business Financing (CSBF) Program is to facilitate access to asset-based debt financing for the establishment, expansion, modernization and improvement of small and medium-sized enterprises (SMEs). It does this by sharing the financial risk of lending to small businesses among the borrowers, lenders and tax payers. It is the federal government's single most important program to assist small businesses.

Industry Canada administers the CSBF Program, however, the department is not involved in assessing the loan applications. The credit decisions are made by private sector participants who make the loans and disburse the loans from their own funds. The CSBF Program is delivered by a network of around 1 400 private sector lenders. The Government of Canada shares the cost of losses with lenders by reimbursing 85 percent of eligible losses on defaulted loans.

The CSBF loan loss-sharing program, is a statutory program and, as such, has very few equivalents in government. Whereas most government programs see credit decisions being made by program managers who manage the risk and the size of the program, this is not the case with the CSBF Program. It is delivered by third parties - the lenders, who make all the credit decisions and register loans with Industry Canada. Industry Canada does not directly control the size (except inasmuch as it has an overall cap on the size of the program - maximum contingent liability<sup>3</sup> of \$1.5 billion for each five-year period) or the risk of the loan portfolio.

The key parameters of the program are provided in detail in Appendix A. These are also defined in the Act and Regulations.

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<sup>3</sup> The government's contingent liability under the program is the maximum amount of money that the government may be called upon to pay lenders if all CSBF loans were to default simultaneously without repayments, recoveries from guarantees or sales of assets.

## 1.2 Objectives

There are two key objectives set out for the CSBF Program:

- **Incrementality** - i.e. that the loans made under the core program would not have been made in the absence of it or would have been made under less favourable terms (relating to maturity, interest rate and repayment conditions) for the SME; and
- **Cost recovery** - i.e. that the program be self-sustaining (revenue neutral). User fees (registration and annual administration fees paid by borrowers) will cover claims payments (made to lenders on loan defaults) over the life of the loans.

*Note on program objectives: Cost-recovery was established as an objective for the program in 1995. However, the Auditor General pointed out in 1997 and again in 2002 that cost recovery is at odds with program incrementality (i.e. the more incremental the lending, the greater the possibility of cost through loan default).*

*The independent evaluation completed in 2005 under the 2002 RMAF concurred, and concluded the program cannot be restructured in a way that would make it cost-recoverable if any sort of “reasonable” degree of loan incrementality is maintained. Evaluators recommended that Industry Canada should give explicit recognition to the fact that cost recovery and incrementality are inversely related, and complete an economic benefits study to assess the balance between costs and benefits.*

*In response, Industry Canada has added an economic benefits study to the RMAF work that complements the research and analysis on cost recovery and incrementality.*

In addition to these two objectives, a number of other outcomes related to the program’s design will determine its level of success, including:

- **economic benefits;**
- **strengthening of partnership with lenders;**
- **increased awareness among lenders** of the existence of the program as an additional financing product they can offer to SME clients;
- **take-up by lenders;**
- **increased awareness among SMEs** of the existence of the program as one of the financing tools available to them; and

- **effective and transparent administration** of the program.

Given the preceding objectives, the program's final outcome is to **increase opportunities for investments by SMEs through improved access to asset-based debt financing**. This will contribute to Industry Canada's strategic objective of a **competitive industry and sustainable communities**.

### **1.3 Stakeholders and Beneficiaries**

#### *Stakeholders*

Stakeholders are key in the continuing development and implementation of the program. Stakeholders with a direct interest in the program include:

- The lenders eligible under the program;
- Canadian Bankers Association (CBA), representing the major banks and financial institutions;
- Credit Union Central of Canada (CUCC), representing most credit unions in Canada;
- Fédération des Caisses Populaires Desjardins, representing the caisses populaires in Quebec;
- Business associations, such as the Canadian Federation of Independent Business, (CFIB), Canadian Chamber of Commerce and the Information Technology Association of Canada (ITAC), which represent Canadian SMEs;
- other government departments, such as Finance, Treasury Board and the Privy Council Office, and other organizations, such as the Canadian Business Services Centres (CBSCs), regional agencies, such as ACOA, FedNor, Canada Economic Development for Quebec; and
- Parliamentarians.

## ***Beneficiaries***

The beneficiaries of the CSBF Program are for-profit small businesses operating in Canada with up to \$5 million in annual gross revenues. Not-for profit, charitable or religious organizations and farming businesses are excluded from the program.

The profile of CSBF borrowers for the period 1999 to 2004 was:

- ***young*** — small businesses just starting up (less than one year old) received approximately half of the number and value of loans made;
- ***small*** — a significant majority of all CSBF borrowers receiving loans had annual revenues of less than \$1,000,000;
- ***seeking small amounts*** — average overall loan size was \$82,000;
- ***key sectors (by value of loans)*** — accommodation, food and beverage services, retail trade, manufacturing, and transportation and warehousing.

## **1.4 Resources**

In 1995 (under the SBL Program), Industry Canada was given a mandate to achieve cost recovery on loans made. This cost recovery objective continues for the CSBF Program which is intended to recover, through user fee revenues (2 percent registration fee and the annual 1.25 percent administration fee), its claims costs over the life of the loans. Determining if the program is on track to meet its goal of cost recovery requires a complex method of forecasting the value of claims against flow of fees from existing and future loans - this is estimated by means of a “forecasting model” developed by an independent third party.

It should be noted that administrative costs to Industry Canada (e.g. approximately \$3M for staff employed by the Canada Small Business Financing Program Directorate ) related to the operation of the program are not included in the cost-recovery definition. There are also costs related to ongoing data collection, additional research and the evaluation plan which continue to be funded through Industry Canada’s budget.

## Section 2. Expected Results

### 2.1 Planned Results

Through the CSBF Program, small businesses should be able to make better use of their limited capital to invest, innovate, enhance their businesses and grow. Through increased opportunities for investments by SMEs, the program will contribute to Industry Canada's strategic objective of a **competitive industry and sustainable communities**.

### 2.2 Logic Model

The logic model provided in Table 1 describes the linkages between the following elements:

- activities which are developed and carried out by the program;
- outputs which are the direct result of these activities;
- immediate and intermediate outcomes which are results experienced by the targeted beneficiaries created through collaboration with agents (partners); and
- final outcomes which are longer term impacts or results (related to strategic/departmental objectives).

A more detailed description of the elements follows.

#### **Activities / Outputs**

Activities are what program staff carry out in order to achieve objectives. CSBF-related activities cover a wide range including research, communication, and service delivery.

Outputs are the deliverables, including products and services, resulting from activities (and controlled by activities). They provide evidence that the activity did occur including such things as study reports. Outputs are considered to flow from a program function to clients (borrowers), recipients and/or partners/stakeholders. The activities and outputs lay the foundation for the key priorities - the desired outcomes or results.

## **Immediate and Intermediate Outcomes**

Immediate outcomes occur in the partners, beneficiaries (borrowers), and stakeholders and others directly reached and influenced by the CSBF Program. Immediate outcomes include the short-term effects on those who are directly affected by the program or policy such as changes in awareness. The intermediate outcomes follow logically and sequentially from the immediate outcomes. They include changes to those beneficiaries (borrowers) directly reached by the program or policy, as well as those influenced by the behaviour of program beneficiaries.

## **Final Outcomes**

Finally, as the program or policy continues to make its influence felt over time, on a larger and larger group, the intermediate outcomes described above lead to final (end) outcomes. These outcomes, of a program or policy, occur at the far end of the results chain, following direct and intermediate outcomes after many years. These results are subject to many influences and factors and are at best only indirectly influenced by the activities and outputs of the program. Final outcomes are directly linked to the mandate or objectives set for the program.

## **Interpretation**

It is important to note that, although the activities and outputs presented in the logic model are closely related to each other, the attribution of outputs and outcomes - immediate, intermediate and final, is more difficult to establish. As such, attribution has not been identified between intermediate and final outcomes presented in the logic model.

As indicated earlier, Industry Canada is responsible for developing the CSBF Program design and regulations and to implement and administer it to ensure that it will achieve its objectives and outcomes. However, there also exist factors which are outside Industry Canada's control or influence which may impact on the extent to which the program will achieve its final outcome or which may need to be monitored in the overall context of the program environment and impacts. These factors are outlined below:

- ***Demand-Driven, Third-Party Delivered Program*** - Given that the program is delivered by lenders, Industry Canada does not control the lenders' decision to participate in the program, nor the number of loans that they will register. As well, a downturn on the demand for loans by SMEs and/or behaviour changes from lenders with respect to SME financing could also impact on the effectiveness of the program to achieve its outcomes.

- **Market Forces** - Significant market forces and industry changes may have an impact on both the demand and supply of debt financing. As a result, and in addition to monitoring the performance of the program, Industry Canada will monitor the evolution of the debt financing market to evaluate its impacts on SME financing products and services and the ongoing need for the CSBF Program. This will be done using the information that will be provided by the SME Financing Data Initiative, which is a comprehensive data collection and analysis initiative (partnered by Industry Canada, Statistics Canada and the Department of Finance) on the state of financing for all SMEs.
- **Economic Factors** - Industry Canada has little control over the impacts that any fluctuation of the economic growth may have on the program activities - a slowdown (i.e. recession) or increase in the economic growth may increase or decrease the program's activities and effectiveness and, as a result, impact on its outcomes. These will also be subject to monitoring and analysis.
- **Political influence** - The political climate may have an impact on whether any recommended program changes are accepted. Political forces may also come forward with recommended areas for further research, program expansion or program change.

The logic model on the following page outlines only those activities under Industry Canada's control and which can be used to influence the lenders' decision to participate in the program and to modify their behaviour with respect to small business clients so that the program can achieve its final outcome **to increase opportunities for investments by SMEs through improved access to debt financing.**

The next section, Section 3 deals with performance measurements of the outputs and outcomes presented in the logic model.

**Table 1: Logic Model for the CSBF core program**

ACTIVITIES	OUTPUTS	IMMEDIATE OUTCOMES	INTERMEDIATE OUTCOMES	FINAL OUTCOMES
Review/Improve Program Design	recommend/undertake improvements to Act, Regulations, Guidelines, How-to-Guide, Forms, etc.			
Consult with lenders/SMEs/borrowers to assess program design	develop consultation reports on changes recommended to the program	Changes to Program parameters/operations		
Develop/implement/improve communications activities with lenders/SMEs/borrowers/stakeholders	Workshops, presentations, information bulletins, toolkits, statistical reports, web site improvements		Program modernization/maintaining program relevance in a dynamic financial marketplace	
	RPP/DPR/ Program Activity Architecture /Annual Reports/Comprehensive Review Report	Increased knowledge by Industry Canada of SME financing		
Program monitoring and evaluation: collect and analyze data, conduct surveys and studies	Incrementality study		Incrementality and Cost-recovery (for more information on program objectives see <i>Note on program objectives</i> in section 1.2)	Increased opportunities for investments by SMEs through improved access to debt-financing for SMEs, and benefits to the Canadian economy
	Literature review/research (data and intelligence on SME financing)	Increased satisfaction/awareness and information/knowledge of the program by SMEs, borrowers, lenders and stakeholders		
	Comprehensive Review Report/formative and summative evaluations			
	Lender/SME/Borrower awareness and satisfaction surveys			
	On-site audits/compliance review reports			
	Economic performance evaluation (including expense and revenue forecasts from forecasting model)	Efficient and Effective administration		
Receive, review and register loans / receive, register and process claims for loss	report on loan registration and claim turnaround times		Strengthened partnership with lenders	
	Claims processed (approvals, rejections and adjustments)			
	Loans registered (and registration form data captured) and confirmed with lenders			

## 2.3 Accountabilities

### *Industry Canada*

Industry Canada, through the Small Business Policy Branch and the Canada Small Business Financing Program Directorate, is accountable for the development, implementation and administration of the CSBF Program. Although these activities are presented below with one or the other responsibility centre as lead, a high level of collaboration and consultation exists between the two groups to ensure consistency and effectiveness.

#### ***Small Business Policy Branch (SBPB) is accountable for:***

- conducting and commissioning research and surveys;
- program design (including pilot projects) and regulations;
- conducting consultations with stakeholders on policy issues;
- communication with SMEs and business associations;
- development of the lenders' designation policy;
- providing analysis and policy recommendations to the Minister related to the on-going performance of the program;
- evaluating the performance of the program (formative and summative evaluations) and making recommendations for any changes;
- reporting to Parliament on the evaluation activities; and
- recommending any necessary changes to the Act or regulations

#### ***Canada Small Business Financing Program Directorate (CSBFPD) is accountable for:***

- registering loans;
- collecting fees which are deposited into the Consolidated Revenue Fund;
- developing the systems required for the administration of the program;
- approving and designating lenders under the program;
- implementing the program, including developing the guidelines and training materials for lenders;
- communication with the lending industry representatives and participating lenders;
- conducting consultations with lenders on operational issues
- reviewing (desk-audits) and paying claims for losses;
- paying/adjusting or rejecting claims for losses;

- ensuring lenders' compliance with the Act and regulations, including possibly conducting an audit or examination of any lenders' documents, records and books of account;
- collecting and analysing data on loans, lenders and borrowers;
- developing, refining and making any recommendations for changes to the cost-recovery forecasting model (The purpose of the forecasting model is to capture the actual claims paid in each fiscal year, relative to the fiscal year in which the original loan was made, to establish historical claim percentages. Future claim percentages are determined by using the trend of the historical data.);
- providing data for and participating in the evaluations of the program;
- reporting on program activities and results through:
  - internal reports and information reports to lenders;
  - Reports on Plans and Priorities (RPP);
  - Departmental Performance Reports (DPR);
  - Main and Supplementary Estimates;
  - Annual Reports;
  - Public Accounts; and
- participating in reporting to Parliament on evaluation activities.

***Participating Lenders (financial institutions)***

Small businesses apply directly to approved or designated lenders (e.g. banks and credit unions) to access financing under the program, and not to the government. In this context, the lenders are accountable for:

- training their credit managers and sales staff, as well as adjusting their systems to accommodate higher risk clients;
- informing their SME clients of the existence of the program, when applicable;
- applying the same due diligence procedures (e.g. standard credit check) for CSBF loans as for any other loans of the same amount while applying adjusted risk criteria;
- registering and administering the loans based on prescribed eligibility criteria and conditions set out in regulations;
- taking first-ranking and additional security in the assets of the small business whose purchase or improvement is to be financed by the loan;
- remitting the fees collected from the borrowers;
- reporting on outstanding loans;
- maintaining records/books in compliance with the regulations;

- realizing on registered security interests or rights, security and personal guarantees to minimize the losses, in the event of default; and
- submitting a claim (interim or final) for loss to Industry Canada.

## Section 3. Monitoring and Evaluation

### 3.1 Performance Measurement Plan

Performance measurement is the regular collection of information for monitoring how a program is doing at any point in time and on performance trends over time. It can provide reassurance that outcomes are unfolding as expected, or can serve as an early warning that the planned results are not occurring (which could lead to a decision for additional research to determine why).

The process to identify potential performance indicators involved going through each column of the logic model, except the activity column, and determining what specific piece of information or particular data would be required to assess whether each output had been produced or outcome achieved.

Two types of indicators can also be differentiated:

**Ongoing performance indicators (for key areas):** These indicators provide a day-to-day measurement of the operation of a program - what is done, how it is done and what it costs. Ongoing performance measures serve managers' need for continuous data about program activities, outputs and outcomes and form a management information base that program managers use for decision-making.

**Additional performance indicators (for evaluation purposes):** These indicators provide results on the impact of a program and provide longer term information about program rationale, objectives, impacts, best practices and alternative ways of delivering the program. They are intended to complement ongoing performance measures for the purpose of a final evaluation.

Table 2 on the following pages outlines Industry Canada's plan for the ongoing and summative measurement of performance.

**Table 2: Performance Measurement Plan**

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement		
					Ongoing (Annual)	Ongoing (Every 2 or 3 yrs)	Summative (Final)
	<b>OUTPUTS</b>						
1	Recommend/undertake improvements to Act, regulations, guidelines, How-to-Guide, forms, etc.	Report on satisfaction with overall program design and suggestions for change	- consultations	SBPB/CSBFPD	✓		
2	Develop consultation reports on changes recommended to the program	Report on satisfaction with overall program design and suggestions for change	- consultations	SBPB/CSBFPD			✓
3	Workshops, presentations, information bulletins, toolkits, statistical reports and website improvements	- (increased) level of SME/borrower/lender/stakeholder awareness - produce various quality communication tools	- SME/borrower/lender/stakeholder feedback/ consultations/ surveys	SBPB/CSBFPD	✓		
4	RPP/DPR/PAA/ Annual Reports/ Comprehensive Review Report	- level of satisfaction of stakeholders re quality and usefulness of reports	- stakeholder feedback/survey	CSBFPD			✓
5	Incrementality study	- completed report on levels of financial incrementality (fully, partially and not incremental) and loan quality incrementality of CSBF loans	- research report/survey	SBPB			✓

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement		
					Ongoing (Annual)	Ongoing (Every 2 or 3 yrs)	Summative (Final)
6	Literature review/research (data and intelligence on SME financing)	-completed report(s) on existence of financing gap(s) for SMEs	- secondary research reports - SME FDI reports/data and or gap analysis study	SBPB SBPB			✓ ✓
7	Comprehensive Review Report	- third party (RMAF-based) evaluation report of the program - summative (internal) RMAF-based evaluation report of the program Reports to include: - program alternatives - level of overlap and duplication - level of consistency with government-wide and departmental priorities	- research reports - surveys and consultations	SBPB SBPB/CSBFPD			✓ ✓
8	Lender/SME/borrower awareness and satisfaction survey	completed report on: - perception of the strategic and operational partners re the program (percentages of lenders satisfied/very satisfied) - level of awareness of lenders completed report on: - perception/level of satisfaction by SMEs/borrowers with the program - level of awareness of SMEs/borrowers	- survey of lenders  - survey of lenders  - survey of SMEs/borrowers  - survey of SMEs/borrowers	CSBFPD  CSBFPD  SBPB  SBPB		✓  ✓	✓  ✓
9	On-site compliance review report	report on: - level of lender compliance/ understanding of program operational/legislative/regulatory requirements	- financial institutions' data	CSBFPD		✓	

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement		
					Ongoing (Annual)	Ongoing (Every 2 or 3 yrs)	Summative (Final)
10	Economic performance evaluation (including expense and revenue forecasts from forecasting model)	<ul style="list-style-type: none"> <li>- completed report may include: level of impact on employment, business sales, profits, GST remittances, business survival rates, etc.</li> <li>-jobs created (estimates from registration form)</li> <li>- expense and revenue forecasting models</li> </ul>	<ul style="list-style-type: none"> <li>- StatsCan data</li> <li>-CSBF database</li> <li>- actual vs. forecasting expenses (claims) and actual vs. forecasted fee revenues</li> </ul>	<ul style="list-style-type: none"> <li>SBPB</li> <li>CSBFDP</li> <li>CSBFDP</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> <li>✓</li> </ul>		<ul style="list-style-type: none"> <li>✓</li> </ul>
11	Report on loan registration and claims turnaround times	<ul style="list-style-type: none"> <li>- registration and claims turnaround times (within acceptable levels of service)</li> <li>-level of satisfaction of lenders re registration and claims processes</li> </ul>	<ul style="list-style-type: none"> <li>- CSBFDP database</li> <li>- stakeholder feedback/survey</li> </ul>	<ul style="list-style-type: none"> <li>CSBFDP</li> <li>CSBFDP</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>	
12	Claims processed	<ul style="list-style-type: none"> <li>- number of claims approved and number of claims rejected or adjusted due to non-compliance of the Act and Regulations</li> <li>- proportion of claims approved/rejected</li> </ul>	<ul style="list-style-type: none"> <li>CSBF database</li> <li>CSBF database</li> </ul>	<ul style="list-style-type: none"> <li>CSBFDP</li> <li>CSBF database</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> <li>✓</li> </ul>		
13	Loans registered (and registration form data captured, data captured) and confirmed with lenders	<ul style="list-style-type: none"> <li>- number of loans registered and confirmed with lenders</li> </ul>	<ul style="list-style-type: none"> <li>CSBF database</li> </ul>	<ul style="list-style-type: none"> <li>CSBFDP</li> </ul>	<ul style="list-style-type: none"> <li>✓</li> </ul>		

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement		
					Ongoing (Annual)	Ongoing (Every 2 or 3 yrs)	Summative (Final)
	<b>IMMEDIATE OUTCOMES</b>						
14	Changes to Program parameters/operations	- findings from evaluation and comprehensive review reports integrated into program policy/program changes	- consultations, discussion documents, research studies	SBPB/CSBFPD	✓		✓
15	Increased knowledge by IC of SME financing	- information from research	- survey of lenders and SMEs; interviews/ correspondence/ consultation with lenders and internally; departmental reports/research; SME FDI data, CSBF database	SBPB/CSBFPD			✓
16	Increased satisfaction, awareness and knowledge of the program by SMEs, borrowers, lenders and stakeholders	completed report on: - level of satisfaction and awareness of SMEs, borrowers  completed report on: - perception by the strategic and operational partners of the program (percentages of lenders/stakeholders satisfied/very satisfied)  completed report on: - level of awareness of lenders	- survey of SMEs/borrowers  - survey of lenders/stakeholders (those using the program)  - survey of (all) lenders	SBPB  CSBFPD  CSBFPD		✓  ✓	✓
17	Efficient and Effective administration	- findings from evaluation and comprehensive review reports integrated into program policy/program changes and in operations/administration	- operational documents and changes	- CSBFPD/ SBPB			✓

	Element	Performance Indicator	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement		
					Ongoing (Annual)	Ongoing (Every 2 or 3 yrs)	Summative (Final)
	<b>INTERMEDIATE OUTCOMES</b>						
18	Program modernization/ maintaining program relevance in a dynamic financial marketplace	- extent to which information collected is effectively being used for modifying the design and administration of the program	- stakeholder feedback	CSBFPD/SBPB	✓		
19	Incrementality and Cost Recovery	- proportion of CSBF loans that are fully, partially and not incremental  - economic performance evaluation of the program  - cost forecasts	- research report  - research report from StatsCan data  - CSBFPD data	SBPB  SBPB  CSBFPD		✓	✓  ✓
20	Strengthened Partnership with Lenders	- opinion and level of satisfaction of lenders	- survey of lenders  - outreach/marketing activities	CSBFPD  CSBFPD/SBPB		✓	✓
	<b>FINAL OUTCOMES</b>						
21	Increased opportunities for investments by SMEs through improved access to debt-financing for SMEs, and benefits to the Canadian economy	- profile of SMEs that benefited from the program  - incremental business sales, profits, GST, employment, corporate taxes, etc.	- SME FDI/CSBF data linkage research report  - report/study	SBPB  SBPB			✓  ✓

## 3.2 Evaluation Plan

Evaluation issues are the broad areas which need to be explored with an evaluation while evaluation questions are the more specific research questions that need to be answered in order to be able to address each evaluation issue.

The Treasury Board Secretariat's Evaluation Policy (2001) notes that the following types of questions or items should be addressed in an evaluation:

- Does the policy, program or initiative continue to be consistent with departmental and government-wide priorities, and does it realistically address an actual need? (relevance)
- Is the policy, program, or initiative effective in meeting its objectives within budget and without unwanted outcomes? (success)
- Are the most appropriate and efficient means being used to achieve objectives relative to alternative design and delivery approaches? (cost-effectiveness)

Table 3 on the following pages provides the evaluation plan for the CSBF Program.

**Table 3: Evaluation Plan**

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/ Frequency of Measurement
Rationale	Is there a need for the CSBF Program?	<ul style="list-style-type: none"> <li>level of financing gap for SMEs</li> </ul>	Document and literature review (including SME FDI Surveys)  Consultations with stakeholders	SBPB/CSBFPD  SBPB/CSBFPD	Final evaluation
	To what extent is the CSBF Program meeting the actual financing needs of SMEs?	<ul style="list-style-type: none"> <li>extent to which the CSBF Program provides the level of financing needed by SMEs (potential participants vs. actual participants)</li> <li>extent of gap between the types of loans needed by SMEs and the loan parameters under the CSBF Program</li> </ul>	FDI Surveys (demand and supply-side, gap analysis study)  CSBF database (profile of borrowers)  Survey of SMEs/ borrowers  SME FDI/CSBF data linkage	SBPB  CSBFPD  SBPB  SBPB/CSBFPD	Final evaluation

<b>Evaluation Issues</b>	<b>Evaluation Questions</b>	<b>Indicator</b>	<b>Data Source/Collection Method</b>	<b>Responsibility for Collection</b>	<b>Timing/ Frequency of Measurement</b>
	Is there a continuing need for the federal government to be involved in a loan loss- sharing program for SMEs?	<ul style="list-style-type: none"> <li>alternatives to federal loan-loss sharing program for SMEs</li> <li>level of overlap and duplication between the CSBF Program and other public sector loan programs</li> <li>extent to which program is consistent with government-wide and departmental priorities</li> </ul>	Interviews with federal government representatives/research report and document and literature review/ SME FDI public sector survey	SBPB	Final evaluation
Objectives achievement/ Impacts & Effects	To what extent were the loans made under the program incremental?	<ul style="list-style-type: none"> <li>levels of financial incrementality (fully, partially and not incremental) and loan quality incrementality of CSBF loans</li> </ul>	Research report on incrementality/ survey of borrowers	SBPB	Final evaluation
	To what extent is the CSBF Program cost-recoverable?	<ul style="list-style-type: none"> <li>revenues to costs /forecasting model</li> </ul>	Research reports/studies	CSBFPD	Ongoing and Final evaluation
	Has the CSBF Program strengthened the partnership with lenders?	<ul style="list-style-type: none"> <li>opinion and level of satisfaction of lenders</li> </ul>	Survey of lenders and outreach activities  Consultations/feedback from lenders	CSBFPD  CSBFPD/SBPB	Ongoing and Final evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/ Frequency of Measurement
	Are the guidelines, How to Guide, Act and regulations understood by lenders?	<ul style="list-style-type: none"> <li>• (low) level of claims rejected or adjusted due to non-compliance of the Act and Regulations</li> <li>• ‘fully satisfactory and above’ rating of satisfaction of lenders re quality and usefulness of tools/documents</li> <li>• perceptions regarding level of lenders’ understanding</li> </ul>	<p>CSBF data base</p> <p>Survey of lenders</p> <p>Interviews with IC representatives and survey of lenders</p>	<p>CSBFDP</p> <p>CSBFDP</p> <p>CSBFDP</p>	<p>Ongoing and Final evaluation</p> <p>Ongoing and Final evaluation</p> <p>Ongoing and Final evaluation</p>
	To what extent are lenders aware of the CSBF Program?	<ul style="list-style-type: none"> <li>• level of awareness of lenders</li> </ul>	Survey of lenders, outreach/marketing of activities, and on-site compliance review with lenders	CSBFDP	Ongoing and Final evaluation

<b>Evaluation Issues</b>	<b>Evaluation Questions</b>	<b>Indicator</b>	<b>Data Source/Collection Method</b>	<b>Responsibility for Collection</b>	<b>Timing/ Frequency of Measurement</b>
	To what extent are SMEs (borrowers and non-borrowers) aware of the CSBF Program? To what extent are CSBF borrowers aware that their loans are part of a loan loss-sharing program with the federal government?	<ul style="list-style-type: none"> <li>level of awareness of CSBF Program among SMEs and CSBF borrowers</li> </ul>	<p>Survey of SMEs/borrowers</p> <p>SME FDI data</p>	<p>SBPB</p> <p>SBPB</p>	Ongoing and Final evaluation

<b>Evaluation Issues</b>	<b>Evaluation Questions</b>	<b>Indicator</b>	<b>Data Source/Collection Method</b>	<b>Responsibility for Collection</b>	<b>Timing/ Frequency of Measurement</b>
	What has been the economic performance of the CSBF Program?	<ul style="list-style-type: none"> <li>impacts on some of the following: employment, business sales, profits, GST remittances, business survival rates)</li> </ul>	Economic performance evaluation	SBPB	Final evaluation
Cost effectiveness/ Alternatives	Are there alternative ways of delivering the CSBF Program to better meet its objectives (i.e. cost recovery and incrementality)?	<ul style="list-style-type: none"> <li>feasibility of other CSBF Program delivery options (e.g. change fees)</li> </ul>	<p>Document and literature review</p> <p>Interviews with federal government representatives</p>	<p>SBPB</p> <p>SBPB</p>	Final evaluation

## Costing

The estimated costs associated with the proposed evaluation approaches are as identified in the table below. It is important to note that all methodologies may not be selected at the time of the evaluation, depending on the budget available, the evaluation items or questions to be included, and other factors at the time of the evaluation. The cost range is based on the difference in scope (e.g., sample sizes, in-person versus telephone, etc.) and depth (e.g., length of interviews, amount of analysis performed, etc.) that could be considered for each approach. The costs shown below are per evaluation study. The costs of studies and documents include translation and any associated printing costs.

**Table 4: Evaluation Costs**

<b>Evaluation Costs by Methodology</b>	
<b>Methodology</b>	<b>Estimated Cost per Evaluation Study</b>
<b>Administrative Data</b>	
Analysis of data available through internal databases*	\$0 to \$20,000
Review of documents*	\$0 to \$5,000
<b>Primary Data Collection</b>	
Consultations with stakeholders	\$20,000
Forecasting models	\$40,000
Incrementality Study	\$85,000
Surveys of SMEs/borrowers	
• Awareness and satisfaction Study	\$70,000
Survey of lenders	
• Awareness and Satisfaction	\$80,000
Employment Impacts Study	\$60,000

<b>Evaluation Costs by Methodology</b>	
<b>Methodology</b>	<b>Estimated Cost per Evaluation Study</b>
Economic Impacts Study	\$100,000
Document and literature reviews (need for government involvement, program delivery alternatives)	\$0 to \$20,000
<b>Secondary Data Collection</b>	
Obtain and review secondary data (including StatsCan data)	\$20,000
<b>Project Management/Reporting</b>	
Project management/Steering Committee Meetings	\$5,000 to \$10,000
Evaluations/Analysis/report writing/presentation of results by third party	\$125,000
<b>Total</b>	
Total cost of evaluation **	\$605,000 to \$655,000

\* Commissioned to consulting firm who will be preparing final evaluation report

\*\* These are approximate costs at time of writing this framework.

## **Timing**

A progress/status report similar to that developed in 2003 will be completed in 2007. This will not be a true formative evaluation with a reporting of results. This will be a report on the status of the data collection and indicating where there are any existing data gaps. A summative (final) evaluation is planned for the CSBF Program in 2009-2010 as per legislative requirements.

## Section 4. Reporting Strategy

The CSBF core program will rely on the following reporting strategy (summarized in Table 5):

**Table 5: Performance Reporting Strategy**

Performance Reporting Strategy							
Measurement Activity	Products	2004-05	2005-06	2006-07	2007-08	2008-09	2009-2010
Ongoing Performance Measurement	CSBFA Annual Report Main Estimates DPR RPP	✓	✓	✓	✓	✓	
Mid-term Progress Report	Progress Report				✓		
Summative Evaluation	Final Evaluation Report (third party)						✓
Comprehensive Review	Comprehensive Review Report						✓

The Canada Small Business Financing Program Directorate (CSBFPD) will report annually on progress achieved during the previous year according to the measurement strategy identified in this document for inclusion in the Annual Report, Departmental Performance Report, Main estimates and Report on Plans and Priorities.

The Small Business Policy Branch (SBPB) will have the responsibility for the following:

- A mid-term progress report, to be available in 2007 will be submitted to the Assistant Deputy Ministers of the Operations and Science and Innovation Sector, and the Department’s Audit and Evaluation Committee. This report will focus on the status of the data collection and evaluation activities necessary to having the required information to feed into the summative review.
- The summative evaluation report (Comprehensive Review Report), to be available in 2009-2010 (within twelve months of March 31, 2009), will be submitted to the Department’s Audit and Evaluation Committee and tabled in both Houses of Parliament. The report will be a public document and, as such, available on the Department’s web site and in hard copy to anyone upon request. Copies of the report will also be distributed to key program stakeholders.

The results of ongoing performance measurement will be used to make any necessary adjustments to the initiative. The performance measurement strategy will be reviewed and adjustments will be made, as required, to ensure that the performance information is appropriate and useful for ongoing management requirements.

## Section 5. Implementation and Review

The RMAF presented in the previous sections will be reviewed on a periodic basis with the view to maintaining a flexible approach and adapting the RMAF, if necessary, to ensure that the performance information is appropriate and useful for ongoing management requirements. The following defines the elements to be reviewed, questions and time frame for the implementation and periodic review of the RMAF:

**Table 6: Implementation and Review Strategy**

Element reviewed	Question	Timing		
		Periodic	Mid-term	Summative
Implementation	Is the RMAF being implemented as intended?	✓	✓	✓
Expected outputs and outcomes	Are the expected outputs and outcomes still relevant?		✓	✓
Activity Measures/ Performance Indicators	Are the performance indicators appropriate and complete?	✓	✓	✓
Data collection	What progress has been made with respect to data collection?	✓	✓	✓
Collection Methods	Are the collection methods effective and useful? Are they burdensome on stakeholders?	✓	✓	✓
Usefulness of information	Is the information collected useful and complete?	✓	✓	✓
Evaluation items and questions	Are the evaluation items and questions appropriate?		✓	✓
Reporting	Is the reporting strategy being implemented as intended?	✓	✓	✓
Resources	Are the resources available sufficient to implement the RMAF? Are the estimated evaluation costs accurate?	✓	✓	✓
Timing	Is the implementation of the RMAF on schedule?	✓	✓	✓

The results of these periodic reviews and reports will provide an opportunity to answer whether the RMAF is proceeding as intended and whether it is producing useful information and will be used by managers to make the necessary adjustments to the framework. These adjustments, if any, will be incorporated into the reporting strategy outlined in Section 4.

## Appendix A. Summary Table of CSBF Core Program Parameters

Parameter	Description
Eligible Small Businesses	For-profit enterprises carried on or about to be carried on in Canada with annual gross revenues of \$5 million or less. Excludes agricultural businesses and charitable and religious organizations.
Cap on Claims	The Minister's liability is limited to the aggregate of: <ul style="list-style-type: none"> <li>• 90% of first \$250 000 of loans in a lender's account;</li> <li>• 50% of next \$250 000;</li> <li>• 10% of all remaining loans</li> </ul>
Loss Sharing Ratio	<ul style="list-style-type: none"> <li>• 85% government; and</li> <li>• 15% lender</li> </ul>
Eligible Lenders	Lender means: <p>(a) a member of the Canadian Payments Association established by subsection 3(1) of the Canadian Payments Act (i) referred to in paragraph 4(1)(b) or (c) or any of paragraphs 4(2)(a) to (c) of that Act, or (ii) referred to in any of paragraphs 4(2) (d) to (h) of that Act if the member meets the prescribed conditions;</p> <p>(b) a local cooperative credit society, within the meaning of subsection 2(1) of the Canadian Payments Act, that is a member of a central cooperative credit society, within the meaning of that subsection, if that central cooperative credit society is a member of the Canadian Payments Association; or</p> <p>(c) any other organization designated by the Minister as a lender for the purposes of this Act.</p>
Eligible Purposes	To finance the purchase of equipment, real property and leasehold improvements, and the improvement of real property and equipment; and the financing of program registration fees.
Maximum Loan Amount	Maximum of \$250,000; includes all loans made under the CSBFA and SBLA.
Financing Rate	Maximum of 90% of eligible cost of the assets.
Payment Terms	Maximum of 10 years.
Registration Fee	2% applied to the financed cost of assets, paid up-front with registration or may be financed.
Administration Fee	1.25% applied on the end-of-month loan balances and paid quarterly.
Maximum Imputed Rate of Interest	<p>a) in the case of a floating rate loan, the aggregate of 3% and the prime lending rate that is in effect at that lender on each day of the loan term, beginning on the day on which the loan is made; and</p> <p>(b) in the case of a fixed rate loan, the aggregate of 3% and</p> <p>(i) the residential mortgage rate in effect at that lender for the loan term, or</p> <p>(ii) in the case of a loan term of more than five years where there is no residential mortgage rate for that loan term, the five-year residential mortgage rate.</p>

Parameter	Description
Due Diligence	<p>Lenders must apply the same due diligence procedures for a CSBF loan as those that would be applied in respect of a conventional loan of similar amounts, including:</p> <ul style="list-style-type: none"> <li>a) obtaining credit references or conducting a credit check on the borrower;</li> <li>b) completing an assessment of the repayment ability of the borrower;</li> </ul>
Security	<p>When the CSBF loan is made to finance the purchase of real property or immovables or equipment, the security will consist of a first charge on the assets financed. If the CSBF loan is financing leasehold improvements or computer software, the lender can either take a first-ranking security on the assets financed or take security on other business assets even if these other assets are already subject to prior charges.</p>
Personal Guarantee	<p>Maximum of 25% of the total financing amount of the CSBF loan.</p>
Eligible losses	<p>The aggregate of the following amounts:</p> <ul style="list-style-type: none"> <li>a) the amount of principal outstanding on the loan;</li> <li>b) the amount of interest due and not paid pursuant to the loan;</li> <li>c) uncollected taxed costs for, or incidental to, any legal proceedings in respect of the loan;</li> <li>d) legal fees and disbursements;</li> </ul> <p>minus the proceeds realised from the taking of any measures that will maximize the amount recovered or minimize the loss.</p>
Payment of interest	<p>The calculation of the loss includes interest on the outstanding balance at the annual imputed rate of interest for the first 12 months computed from the expiration of the period specified in the notice of default and thereafter interest on the outstanding balance at one half of the imputed rate.</p>
Audit and examination	<p>The Minister has the authority to conduct an audit or examination of the lender's documents, records and books of account to verify that the regulations are being complied with.</p>
Offence and Punishment	<p>Offence and punishment provisions may only be enacted by Statute. Section 16 of the Act deals strictly with fraud in respect of loans and borrowers.</p>