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Industry Canada

**Evaluation Framework for the
Small Business Loans Program**

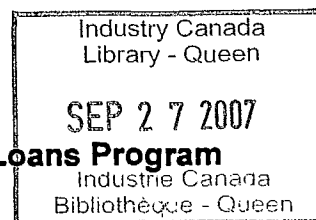
June 5, 1998



Industry Canada

Evaluation Framework for the Small Business Loans Program

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Executive Summary

The overall purpose of the Small Business Loans (SBL) Program is to increase the availability of loans to small businesses for the establishment, expansion, modernization and improvement of small business enterprises by providing loan guarantees to private sector lending institutions. The SBL Program evaluation framework identifies evaluation issues, performance indicators, data collection requirements and potential methodologies and options for the future evaluation of the Program. In addition, the framework identifies performance indicators and data collection requirements needed for ongoing reporting of Program results to senior management in the federal government and to Parliamentarians. Data gaps and anticipated data and evaluation challenges are also identified for consideration by federal government representatives. Furthermore, the evaluation framework presents a composite program profile which highlights the Program's current objective, activities, outputs and impacts. A logic model is also provided to identify the key Program activities, outputs, reach, direct outcomes and ultimate impacts.

This document provides an initial framework for evaluating the Program and for reporting Program results on a regular basis. This framework for the future evaluation of the Program was developed in consultation with representatives from the federal government, lending institutions, SBL Program borrowers, and other relevant associations and organizations.

It should be mentioned that the framework is a broad plan for the future evaluation of the SBL Program and that it is flexible enough to incorporate any program changes that may take place, as well as the input from representatives from the federal government, lending institutions, SBL Program borrowers, and other relevant associations and organizations.

The future evaluation of the SBL Program should focus on five main evaluation issues:

1. **Rationale** - Is there an ongoing need for the Small Business Loans Program?
2. **Results** - To what extent is the Small Business Loans Program objective being achieved? What expected and unexpected impacts have resulted from the Small Business Loans Program? How have small businesses benefitted from the Program?



3. Program Structure and Activities - How effective and efficient is the Small Business Loans Program?
4. Alternatives - Are there alternatives ways of achieving the Program's objective?
5. Other - What have been the effects of program changes on the performance of the Small Business Loan Program?

A series of evaluation questions have been identified in the framework for each of these evaluation issues.

In order to ensure the successful completion of the future evaluation of the SBL Program and the ongoing reporting of Program results in key areas, the following anticipated issues and challenges and recommendations should be considered by Industry Canada.

Anticipated Issues and Challenges

Awareness on the part of SBL borrowers that their loan is an SBL loan - It is expected that a number of small businesses who have obtained a loan under the SBL Program are not aware that this loan is an SBL loan. It will be essential to ensure that SBL borrowers participating in a survey for evaluation purposes know which loan the survey is referring to in order to obtain valid answers from them. It will also be essential for small businesses examined under a case study research to be aware that the loan for which the research is conducted is an SBL loan.

Assessing the incrementality of the SBL Program - The question of incrementality comes down to determining whether an SBL loan would still have been made in the absence of the Program or to what extent another loan would have been granted under the same conditions (e.g., value of loan, maturity term, interest rate and loan fees). This will be a challenging evaluation question to answer since the only individuals to truly know are the ones making a decision on the loan application. Since some lending institutions may be using the Program to reduce their risk on loans that they would have made otherwise, it can be expected that these institutions might be more or less forthcoming in their assessment of the incrementality of the loans made under the Program.



Attribution of impacts and effects to the SBL Program -Attributing impacts in areas such as job creation/maintenance/displacement within the organization which has received an SBL loan, or performance of small businesses to the loans these businesses obtained under the Program, will be a challenge. To a great extent, these attributions will have to rely on the perception and reports of the small businesses that obtained SBL loans. While the issue of job creation/maintenance/displacement outside of the organization that actually received the loan has been identified as a potential evaluation issues, it must be recognized that impacts in this area would be extremely difficult to assess. It would be possible to ask SBL borrowers the extent to which they feel that obtaining an SBL loan had an impact on job creation/maintenance/displacement in other firms (e.g., competitors, suppliers). However, this information would likely be very difficult to provide on the part of SBL borrowers and estimates may be highly unreliable.

Assessing the extent of the impacts of firms getting an SBL loan on firms that have not received an SBL loan (without going through SBL borrowers) would require the development of a special model and access to accurate data.

Assessing the extent to which the Program is progressing towards cost recovery - Assessing the extent to which the Program is progressing towards cost recovery is highly dependent on the use of a reliable forecasting model. It is important to keep this issue at the forefront so that the current model keep being tested in order to provide reliable information at the time of the evaluation. Other considerations for the assessment of progress towards cost recovery include the fact that cost recovery cannot be assessed at one point in time during a given fiscal year since costs are recovered over a period of 10 years. The assessment of cost recovery that will be performed at the time of the evaluation therefore has to account for the fact that information on the claim cost of a loan registered at a given point in time may not be available before many years.

Relying on perceptions to address some of the evaluation issues - Because of the difficulty or impossibility of getting factual information, some of the evaluation issues will have to be addressed by relying on perceptions. While relying on perceptions is not ideal to answer some very specific evaluation questions, the absence of other sources of information will make it



necessary to do so. This issue will be particularly evident when addressing questions for performance indicators that concern both SBL borrowers and non-SBL borrowers. For example, the evaluators will have to rely on the perceptions of lenders and other interviewees to determine whether lenders exercise the same level of due diligence when reviewing SBL loan applications as they do with other loans. Access to non-SBL loan files would be needed in order to make definitive statements on this issue but it would not be realistic to expect to have access to these files at the time of the evaluation. It will therefore be important to acknowledge some of the limitations of the evaluation when reporting on the results.

Obtaining information from lending institutions - Lending institutions are very private about the information they have on clients and obtaining this information can be very challenging, as the Auditor General experienced in the preparation of his 1997 report on the SBL Program. While obtaining information on SBL clients in the context of an evaluation would likely be possible, much planning will need to go into obtaining this information and making arrangements to have access to the files. There are, however, limitations to the availability of data on SBL Program loans and other loans made to small businesses at lending institutions. Data at lending institutions are currently either stored in paper format or electronically and are, for the most part, available on a loan-by-loan basis rather than at an aggregate level. In addition, reviewing files of non-SBL borrowers (for comparison purposes) would be nearly impossible. This is why the evaluation framework does not include performance indicators, research methods or sources of information that would rely on the review of non-SBL borrowers files. Lending institutions would also have concerns about providing Industry Canada with information in addition to what they are currently providing on SBL loan registration and claim request forms. Their concerns stem from their commitment to their fiduciary responsibility for confidentiality and to maintaining the confidentiality of their customer's personal information under their privacy model code. Furthermore, access to additional SBL information could be particularly challenging at certain lending institutions where each branch is recognized as an autonomous and independent entity.

Lack of readily available SBL borrower telephone numbers - Access to SBL borrower telephone numbers is not readily available. While researching SBL borrowers' business telephone numbers or purchasing databases on small businesses would be possible, this approach could be costly and time consuming. Lenders consulted stated that they would



consider providing this information on the loan registration forms, as long as the forms included a borrower consent agreement that borrowers would be required to sign for disclosure of this information. SBL borrowers consulted also stated that they would have no problem providing their business telephone number on their loan application form.

Limitations of current business activity data - At present, the level of information related to SBL borrower business activities is based on eighteen Standard Industrial Classification codes at the two digit level. At this level, gaps are particularly evident in the category of "Other Service Industries" which does not clearly identify the business activity in which the majority of SBL borrowers are found. In order to better identify the type of borrowers receiving SBL loans and to provide sufficient information to address some performance indicators, this code should be broken down into more identifiable business activities. In addition, loan registration forms should also provide more detailed information on growth sectors such as knowledge-based sectors

Burden on Program Administration and Small Businesses - The additional monitoring and reporting requirements identified in the document, as well as the evaluation itself, will likely place an extra burden on the Program Administration as well as on those from whom data need to be collected (e.g., SBL borrowers and other small businesses, interviewees). It will therefore be important to consult with SBL Administration representatives to discuss the new requirements and assess the impact that collecting and reporting on additional information will have on resources and workload. The collection of data from SBL borrowers and other small businesses will also place a response burden on them, which must be acknowledged. However, there are steps that can be taken to reduce this burden. These steps are described in the document.

Recommendations

- It is recommended that the evaluation of the SBL Program take place in the year 2003. A mid-term evaluation conducted in the year 2000-2001 would allow interim monitoring of, and potential adjustments to, the Program.
- It is recommended that Industry Canada consider reporting on the performance indicators in key areas of performance on an annual basis through, for example, the SBLA Annual Report.



- It is recommended that Industry Canada consult key stakeholders on the timing and frequency of their participation in the gathering of information on the Program's performance. Furthermore, it is recommended that key stakeholders are consulted on the issue of response burden.
- It is recommended that a telephone survey (rather than a mail survey) be conducted with SBL Program borrowers to alleviate the challenges associated with conducting a survey on a loan of which borrowers may not be aware.
- It is recommended that numerous indicators and multiple lines of evidence be used to address the question of Program incrementality, as presented in the evaluation framework.
- It is recommended that SBL Program data required for reporting on key areas of performance be collected on an annual basis and that data on non-SBL loans made to small businesses be collected every two years for comparison purposes.
- It is recommended that a comprehensive plan be prepared ahead of time to ascertain that SBL loan information can be obtained from lending institutions for evaluation purposes.
- It is recommended that Industry Canada consult lending institutions on their data warehouse and credit-scoring initiatives to determine the possibility for any potentially feasible partnership arrangements whereby these data sources could be used to report on the SBL Program's performance in the future.
- It is recommended that Industry Canada consider requesting that lending institutions provide borrower telephone numbers on the SBL loan registration forms.
- In order to better identify the type of borrowers receiving SBL loans and to provide sufficient information to address some performance indicators, it is recommended that the "Other Service Industries" code be broken down into more identifiable business activities. It is also recommended that Industry Canada consider the knowledge-based Standard Industrial Classification codes used by the Thompson and Lightstone annual survey to report on the knowledge-based activities of SBL Program borrowers.



1.0 Introduction

The purpose of this evaluation framework is to present the approach that should be used to evaluate the Small Business Loans Program in the future including evaluation issues, performance indicators, data collection requirements and potential methodologies and options. In addition, the framework identifies performance indicators and data collection requirements needed for ongoing reporting of Program results to senior management in the federal government and to Parliamentarians. Data gaps and anticipated data and evaluation challenges are also identified. Furthermore, the evaluation framework presents a composite program profile which highlights the Program's current objective, activities, outputs and impacts. A logic model is also provided to identify the key Program activities, outputs, reach, direct outcomes and ultimate impacts.

This document provides an initial framework for evaluating the Program and for reporting Program results on an ongoing basis. It should be considered a plan that is flexible enough to include future refinements based on program changes, and the input and feedback from representatives from the federal government, lending institutions, SBL Program borrowers, and other relevant key informants.

1.1 Structure of the Document

The document is divided into six main sections. The remainder of this section presents the objectives and scope of the framework, and the methodologies that were used to prepare it. Section 2 summarizes the SBL Program's current environment, its objective and element activities, a logic model, Program resources, and operational outputs and impacts. The evaluation issues are presented in Section 3. The performance indicators for ongoing monitoring of the Program in key areas and for evaluation purposes are outlined in Section 4. The data collection requirements needed for ongoing monitoring of the Program and for evaluation purposes are identified in Section 5. Section 5 also presents data gaps and anticipated data challenges. The proposed approach for the future evaluation of the SBL



Program is discussed in Section 6 including timing, methodology options, anticipated evaluation issues and challenges, critical path to the evaluation and expected costs.

1.2 Objectives and Scope of the Framework

The objective of the evaluation framework is to ensure that the ensuing evaluation of the Small Business Loans Program uses an appropriate approach, and provides useful and credible results. The development of the framework also helps to ensure that any information requirements which are not currently in place can be developed and established prior to the evaluation. The framework focuses on all elements of the Program and has been prepared in accordance with Treasury Board requirements.

The framework includes the following elements:

- composite program profile;
- potential evaluation issues;
- performance indicators for use in tracking program performance in the key results areas and for evaluation purposes;
- data collection requirements (on an ongoing basis and for evaluation purposes), data gaps and challenges;
- possible evaluation options;
- anticipated evaluation challenges; and
- estimated costs per option of conducting the future evaluation of the Small Business Loans Program.

1.3 Methodology for the Framework

The methodology used to develop this framework included a comprehensive review of the literature, past reviews, evaluation studies, files and data banks on the SBL Program. The list of documents and studies reviewed are presented in **Appendix B**.



A total of thirty-four interviews were also conducted with representatives from the federal government, associations, lending institutions delivering the Small Business Loans Program and SBL Program borrowers. The majority of interviews (26) were done in-person in Ottawa, Montreal and Toronto. Exhibit 1, below, provides an overview of the number of interviews conducted by group and location. The complete list of organizations represented by the interviewees is presented in Appendix C.

Exhibit 1 - Interview Breakdown

Interview Group	Location	Number of Interviews
Industry Canada, SBL Administration (6 representatives)	Ottawa/in-person	5
Industry Canada, Entrepreneurship and Small Business Office (3 representatives)	Ottawa/in-person	2
Industry Canada, Industry Portfolio (6 representatives)	Ottawa/in-person & telephone conference	1
Industry Canada, Controller Branch (3 representatives)	Ottawa/in-person	1
Office of the Auditor General's Office (2 representatives)	Ottawa/in-person	1
Treasury Board Secretariat/Department of Finance (4 representatives)	Ottawa/in-person	1
House of Commons Standing Committee on Industry (2 representatives)	Ottawa/in-person	1
Senate Committee Standing Committee on Banking, Trade and Commerce	Ottawa/in-person	1
Lending Institutions delivering SBLs	Ottawa/in-person, Montreal/in-person, Toronto/in-person, Edmonton/telephone	11
Associations	Toronto/in-person	2
Academic	Ottawa/in-person	1
SBL Program Borrowers	B.C., Ontario, Quebec, N.S./telephone	7
Total		34



Interviewees were asked to identify the main evaluation questions that should be examined during a future evaluation of the SBL Program and to identify potential performance indicators for each of them, as well as associated data sources. Representatives were also asked to identify the key performance indicators needed to monitor the activities of the Small Business Loans Program on an ongoing basis. Representatives from the Small Business Loans Administration and lending institutions delivering SBLs were specifically asked about the type, frequency and method by which they collect information on the SBL Program. SBL borrowers were asked to identify potential evaluation issues, and about their willingness to participate in a future evaluation and to provide additional information at the time of their application for an SBL loan. The interview guides used for the interviews are presented in **Appendix D**.



2.0 Program Profile - Small Business Loans Program

This section provides a description of the context in which the Small Business Loans (SBL) Program was developed and has evolved over its 37-year history. The purpose of the program profile is to provide a common understanding of the SBL Program as a basis for the evaluation framework. A general description of the environment in which the SBL Program exists is provided. As well, a detailed description of the current program and its various elements, objective, resources, outputs, and impacts is included.

2.1 Program Environment

Launched in 1961, the Small Business Loans Program was designed to assist small- and medium-sized enterprises (SMEs) in gaining access to business credit. Thirty-seven years later, the primary objective of the program remains unchanged: *to increase the availability of loans for the establishment, expansion, modernization and improvement of small business enterprises by providing loan guarantees to private sector lending institutions.* Over almost four decades, the environment in which the program exists has witnessed significant changes. Nevertheless, the importance of the small business sector, in terms of the total number of businesses and in terms of employment generated, has remained crucial to the Canadian economy.

Small business is recognized as one of the fastest growing segments of Canada's economy. In 1997, approximately 75% of all businesses in Canada employed fewer than five people, and 97% of these had fewer than 50 employees (the upper limit most often used to define small businesses). In 1996-97, small businesses created 81% of the new jobs in Canada, up from 70% the year before.¹ In 1979, small businesses accounted for 30% of total private sector employment, by 1993, they accounted for 36%. During the same period, large firms (with 500 or

¹ Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February 1998.



more employees) dropped from a 45% share to 41% share of total employment². According to the Auditor General's December 1997 report, by 1996, one out of every two Canadians was employed in a small business.³ It should be cautioned, however, that small businesses also account for the majority of job displacements. Employment stability in SMEs is thus very volatile.

According to a January 1998 survey by the Canadian Federation of Independent Business (CFIB), small business owners are increasingly concerned with the availability of credit.⁴ Despite a positive upturn in the economy, lending worries have not eased over the last decade. In fact, 29% of business owners surveyed in 1997 indicated that access to capital is among their most serious business concerns (see Exhibit 2, on the following page). However, Thompson Lightstone and Company Limited have argued that based on 1996 and 1997 surveys, SMEs are not as concerned with access to financing as is often hypothesized. In fact, they report that "most small- and medium-sized businesses believe that they don't require any financial institution funding and, as such, do not approach financial institutions for financing."⁵ These seeming contradictions in the findings likely arise from the different approach used to identify concerns (i.e., the CFIB survey uses close-ended answers whereas Thompson Lightstone and Company Limited uses open-ended answers).

² Canadian Federation of Independent Business, *Small Business Primer - The Majority of Canada's Businesses are Very Small*, April 1997.

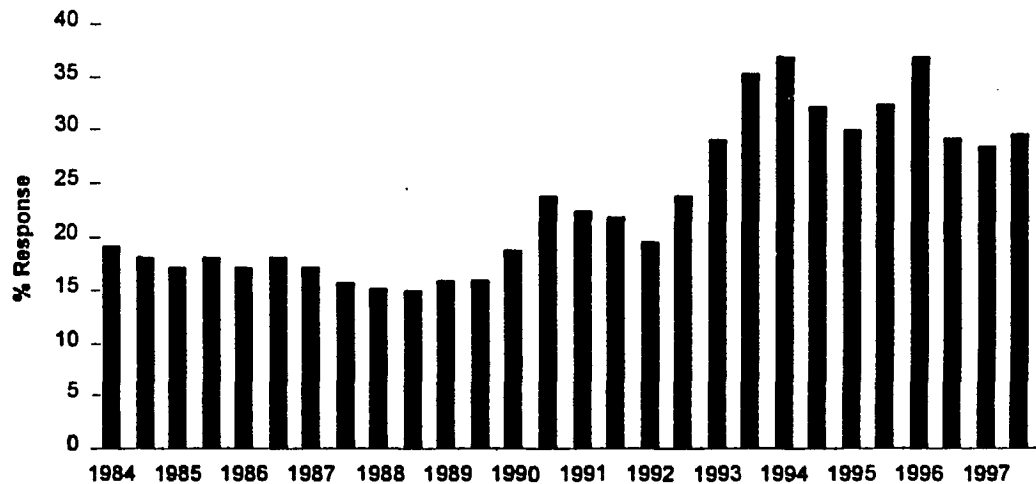
³ Report of the Auditor General of Canada to the House of Commons, *Chapter 29 - Industry Canada - Management of the Small Business Loans Program*, December 1997.

⁴ Canadian Federation of Independent Business, *Credit Where Credit is Due: Results of CFIB Survey on Credit Conditions in the Small and Medium-sized Business Sector*, January 1998.

⁵ Thompson Lightstone & Company Ltd., *Small and Medium Sized Businesses in Canada: An Ongoing Perspective of Their Needs, Expectations and Satisfaction With Financial Institutions*, 1997.



Exhibit 2 - SMEs Citing Concerns about Availability of Credit, 1984 to 1997

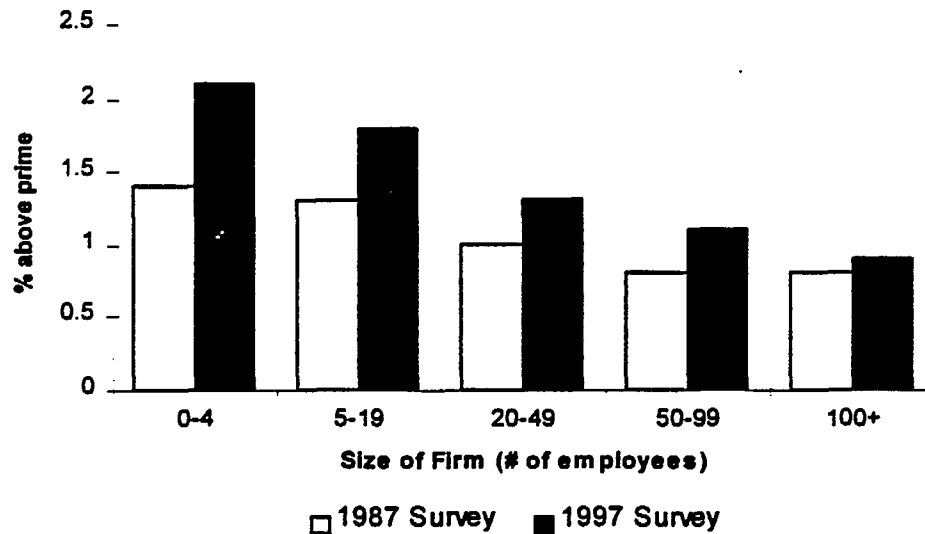


Source: Canadian Federation of Independent Business, *Credit Where Credit is Due: Results of CFIB Survey on Credit Conditions in the Small and Medium-sized Business Sector*, January 1998.

As interest rates are indicators of perceived risk, it is of no surprise that small businesses must assume a much higher rate of interest than their larger counterparts. As Exhibit 3, on the following page, highlights, it should also be noted that this gap has been widening over the last decade. Higher interest rates for smaller firms make access to affordable capital problematic. It is in this environment that the role of the federal government in supporting small business access to financial credit is deemed important. The Small Business Loans Program is one of several federal programs aimed at providing assistance to small businesses. For example, the Business Development Bank of Canada also provides direct financing to small businesses and provincial governments fund similar programs.



Exhibit 3 - Average Loan Interest Rate Points above Prime, by Size of Firm



Source: Canadian Federation of Independent Business, *Credit Where Credit is Due: Results of CFIB Survey on Credit Conditions in the Small and Medium-sized Business Sector*, January 1998.

The rate of rejection on loan requests from small businesses is another significant indicator of the difficulty that these businesses have in obtaining financing. According to the CFIB, over 11% of formal loan requests by small businesses were turned down by financial institutions in 1997, nearly 2% higher than the 9.3% rejection rate measured in 1987. Furthermore, according to this organization, formal loan rejections represent only part of the total number of firms who need or informally seek financing. Many receive insufficient funds and others, anticipating rejection by the bank, do not even apply. As a result, it has been estimated that close to 30% of the SME sector is under-financed. The CFIB believes that "part of the problem lies in the lack of any real alternatives to the traditional banking sector for small business financing." It believes that even with the current SBL Program support, small businesses remain significantly under-funded.⁶ On the other hand surveys conducted by Thompson Lightstone and Company indicate that a stated lack of need (by 80% of respondents) as opposed to a fear of turndown (by a mere six percent

⁶Canadian Federation of Independent Business, *Credit Where Credit is Due: Results of CFIB Survey on Credit Conditions in the Small and Medium-sized Business Sector*, January 1998.



of respondents) is the primary reason for not approaching a financial institution for financing. Furthermore, "Canada's seven major banks approve 87% of the loan requests they receive from small- and medium-sized businesses... Moreover, most of these (91%) are approved in full as opposed to in part."⁷

2.2 Program Objective

The objective of the SBL Program stems from the Small Business Loans Act and has remained essentially the same from the beginning: *to increase the availability of loans for the establishment, expansion, modernization and improvement of small business enterprises by providing loan guarantees to private sector lending institutions.*

Aside from the objective of increasing small business access to financing, expected impacts of the program are the following:

- to minimize the negative effects of business cycle troughs;
- to encourage lenders to provide loans on reasonable terms to establish, expand, modernize and improve SMEs by claiming part of the net losses of borrowers who default on repayment of guaranteed loans; and
- to encourage an increase in efficiency and productivity of small businesses.

In 1995, Industry Canada introduced a condition of cost recovery to the SBL Program. A number of policies have been developed to accomplish this goal. In 1993, the registration fee was increased to two percent. In 1995, a one-and-a-quarter percent (1.25%) annual administration fee on loans made after March 31, 1995 was imposed and the maximum interest rate that lenders were permitted to charge on SBL Program loans was increased to prime plus three percent. The Department's loss sharing ratio was also reduced from 90% to 85%. While the Auditor General has noted that the Program's objective of increasing access to financing for small business may be incompatible with achieving cost recovery, it has been asserted that the

⁷Thompson Lightstone & Company Ltd., *Small and Medium Sized Businesses in Canada: An Ongoing Perspective of Their Needs, Expectations and Satisfaction With Financial Institutions*, 1997.



main concern to small businesses is access to credit,⁸ not price. Thus, while there are limits to the fees and the interest rate the SBL Program can institute, credit-worthy firms have been prepared to pay for loans. According to Industry Canada, achieving cost recovery over a period of 10 years is a realistic goal.⁹

2.3 Description of the Program and Element Activities

In 1997, the SBL Program underwrote loans totalling some 20% of all loans under \$250,000 made by commercial banks to small businesses in Canada. The average SBL Program loan size was approximately \$65,000. In fiscal 1996-97, loan insurance was provided to over 30,000 small businesses, representing business investments of \$2 billion across Canada. These figures are anticipated to remain stable in 1998-99.¹⁰

2.3.1 Program Administration Elements

Via the Industry and Senate Committees, Parliament is currently responsible for approving the design of the Program, while the Small Business Loans Administration at Industry Canada is responsible for ensuring compliance by the lenders and borrowers to the Act and the Regulations. The Program is administered by over 1,500 third-party lenders (financial institutions) who are responsible for granting the loans based on the commercial viability of the proposal, the ability of the borrower to repay, and the legislated criteria of the program. Small- and medium-sized enterprises are the borrowers and thus, beneficiaries of the program. The Entrepreneurship and Small Business Office (ESBO) of Industry Canada participates in advising and recommending to Parliament appropriate changes to the Act and the Regulations in order to

⁸The Small Business Working Committee, *Breaking through Barriers*, November 1994.

⁹ Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February, 1998.

¹⁰ Speaking notes for Kevin Lynch, Deputy Minister, Industry Canada, to the House of Commons Public Accounts Committee, Ottawa, February 19, 1998.



ensure that the objective of the program and the needs of SMEs are met. Finally, Industry Canada and the Regional Agencies are required to report their program spending to Parliament.

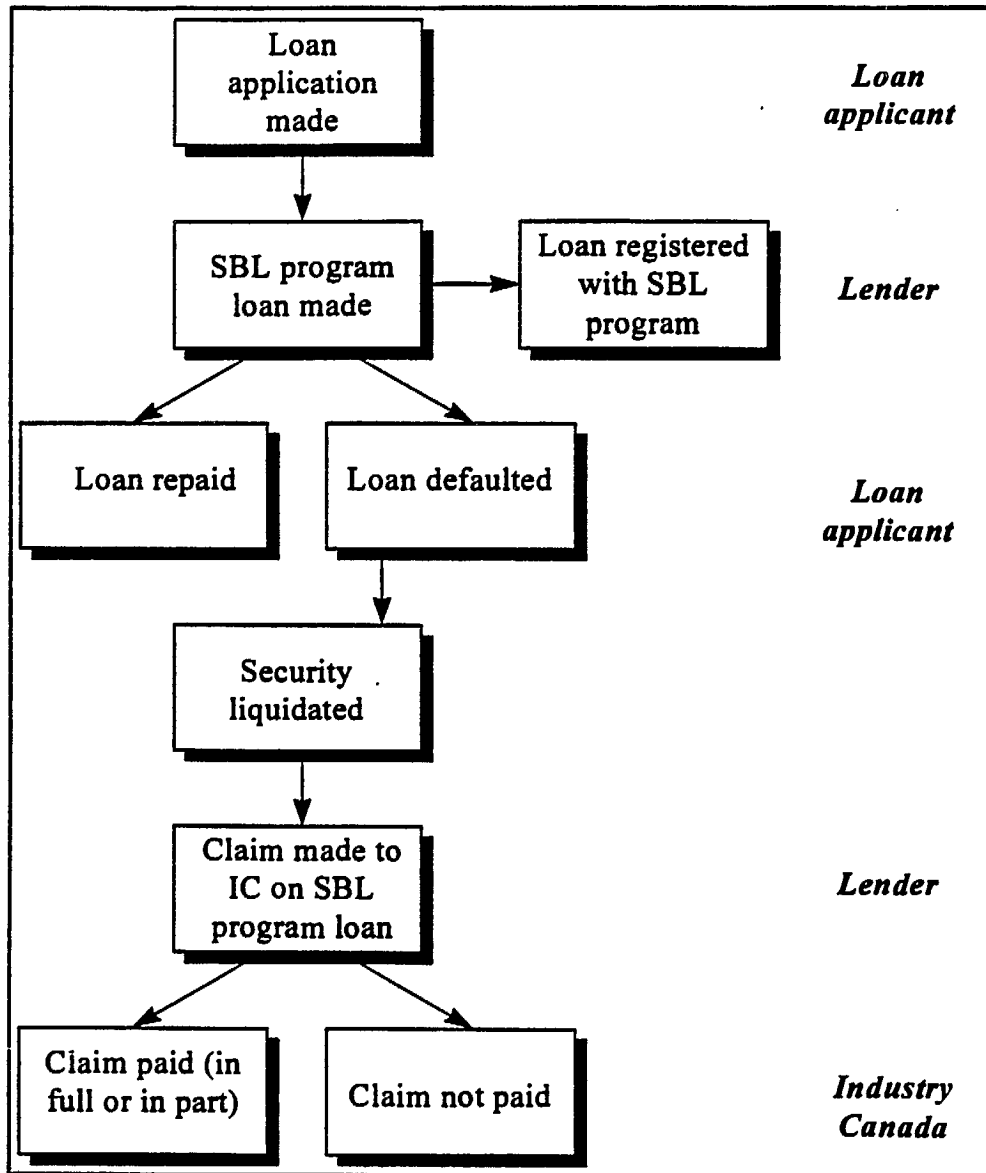
As Exhibit 4, on the following page, illustrates, Industry Canada's role is virtually invisible from the viewpoint of the small business owner seeking a loan. Businesses wishing to make purchases of, and/or improvements to, the premises and equipment or to purchase land must apply directly to any of the 13,000 branches of authorized private-sector financial institutions. The private sector lender must evaluate the credit-worthiness of the customer according to its own criteria, with the same diligence applied to any other loan application. If and when the credit is extended, the lender must then submit the loan for registration with the SBL Program administration at Industry Canada. Provided the application meets the eligibility requirements and regulations of the SBL Program, the loan is registered.

If for any reason the loan is not repaid, the lender must take the usual steps to mitigate the loss. Once the lender has taken all reasonable steps to do so, it submits a claim for the loan loss to the SBL Program administration. The administration then audits the claim to ensure all proper procedures were followed, and that the provisions and regulations of the SBL Program were complied with. For claims that are approved, the government currently absorbs 85% of the cost. Approximately 40% of all cases have been reduced or rejected.¹¹ Claims have been declined for a variety of reasons, including, but not limited to, factors such as missing or inadequate information, claim was not submitted within the time frame, total loans outstanding exceeded the prescribed maximum, and loan was not registered/fee was not paid.

¹¹ Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February, 1998.



Exhibit 4 - SBL Program Flowchart



2.3.2 Program Activities

There are seven distinct parameters, or levers, which Parliament has established which affect the costs and performance of the SBL Program. Each of these levers are interrelated and even slight changes to one or more of them can have a dramatic impact on the uptake of the program. They are:

- the loan-loss sharing ratio;
- a cap on claims;
- the percentage of the cost of eligible capital assets accepted for financing;
- registration and administration fees;
- the interest rate ceiling;
- the maximum loan size; and
- the eligibility of firms determined by maximum annual sales.

The history of the SBL Program can be segmented into three separate phases which are marked by changes to one or more of these levers. Before 1993, the Program was remarkably stable and relatively modest. From 1993 to 1995, dramatic changes in the Program's parameters led to exponential growth in loans. In 1995, the SBL Program administration tightened the reins of the Program in order to bring it under control and implement a cost recovery policy.

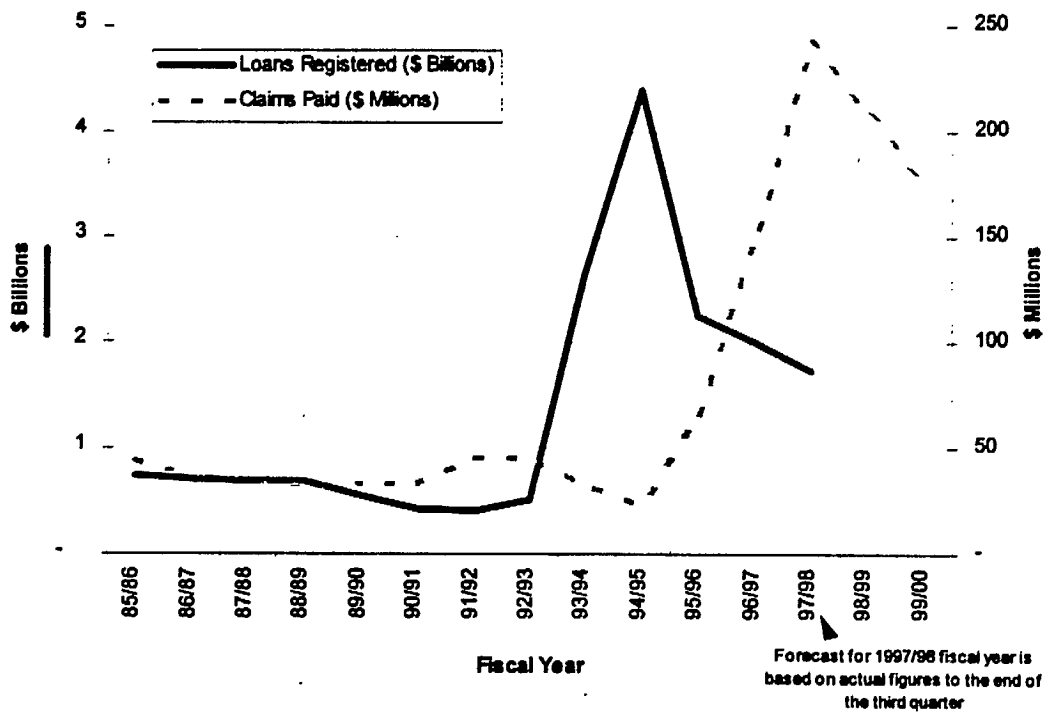
From 1961 to 1993, the government registered approximately \$500 million worth of loans annually. In the five years before 1993, average annual claims cost about \$36 million. However, a number of fundamental changes were made to the Program in 1993 which broadened the eligibility criteria, increased the amount of financing made available and reduced personal guarantee requirements. These changes led to an explosion in both the number of loans and the total dollar value of those loans. The subsequent default rate and cost ballooned proportionately. By 1995, the Program had grown eight-and-a-half fold in just two years. Substantial re-engineering to restore the Program's stability was deemed necessary. The



introduction of a one-time, two percent registration fee was implemented and the maximum allowable interest rate was increased to prime plus three percent so that lenders could pass on the costs to borrowers. A total of 78,000 firms have used the SBL Program to access financing since the cost to borrowers was increased in 1995. Exhibit 5, below, graphically presents the results of the 1993 and 1995 changes. Exhibit 6, on the following pages, highlights the major changes to the Program since its inception.

On March 31, 1998 Bill C-21, an Act to amend the SBL Program received Royal Assent. This act extends the current lending period to March 31, 1999 and increases the aggregate lending ceiling to \$15 billion.

Exhibit 5 - Program Activities



Source: Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February, 1998.



Exhibit 6 - Changes to the Small Business Loans Program and Resulting Outputs

Changes		Outputs	
1961	<ul style="list-style-type: none"> • Creation of the Program • Program delivered by Department of Finance • Chartered banks only eligible lenders • Maximum loan amount was \$25,000 	1961-85	<ul style="list-style-type: none"> • Program relatively modest and stable
1970	<ul style="list-style-type: none"> • Credit unions, caisses populaires and other co-operative societies, trust, loan and insurance companies became eligible to lend 		
1971	<ul style="list-style-type: none"> • Eligible small businesses defined as generating less than 1 million in revenues • Maximum loan amount increased to \$50,000 		
1974	<ul style="list-style-type: none"> • The Province of Alberta Treasury branches were added as eligible lenders 		
1977	<ul style="list-style-type: none"> • Eligible small businesses defined as generating less than \$1.5 million in revenues • Maximum loan amount increased to \$75,000 		
1978	<ul style="list-style-type: none"> • Department of Industry, Trade and Commerce becomes responsible for the program 		
1980	<ul style="list-style-type: none"> • Maximum loan amount increased to \$100,000 		
1985	<ul style="list-style-type: none"> • Eligible small businesses defined as generating less than \$2 million in revenues • Introduction of a 1% registration fee 	1985-93	<ul style="list-style-type: none"> • Approximately \$500 million in loans per year • Average annual claims cost about \$36 million
1993	<ul style="list-style-type: none"> • Eligible small businesses defined as generating less than \$5 million in revenues, firms in particular sectors (including the professions) become newly eligible • Maximum loan amount increased to \$250,000 • The percentage of financing permitted increased to 100% from 80% on equipment and 90% on land and buildings • Maximum rate of interest increased to prime plus 1.75% from prime plus 1% • Government guarantee increased to 90% from 85% • Registration fee increased to 2% 	1993-95	<ul style="list-style-type: none"> • Fundamental changes result in approximate lending of 2.5 billion per year in 1993-94 • \$4.4 billion in annual lending in 1994-95 • One-third of value of all loans made under program's 37 years made in two years • Instability and unpredictability ensues • High default rate occurs on much larger loans



Changes		Outputs	
1995	<ul style="list-style-type: none"> The percentage of financing permitted was reduced to 90% for loans made after December 31, 1995 Maximum interest rate increased to prime plus 3% Annual administration fee of 1.25% of the outstanding balance on a loan was introduced Government guarantee for lenders reduced to 85% for loans made after December 31, 1995 Cost recovery strategy implemented 	1995-97	<ul style="list-style-type: none"> Total lending cut in half to \$2.2 billion in 1995-96 Lending approximately \$2 billion annually thereafter
1996	<ul style="list-style-type: none"> Administrative changes focus on efficiency of delivery Lenders Guidelines introduced to provide explicit directions to lenders New loans forecasting techniques developed 	1996-98	<ul style="list-style-type: none"> Loan processing time cut from 90 to 30 days, interest costs cut accordingly Program continued to March 1999
1997	<ul style="list-style-type: none"> Aggregate lending ceiling increased from \$12 to \$14 billion Comprehensive program review launched 		
1998	<ul style="list-style-type: none"> Bill C-21 passed - extends lending period to March 31, 1999 Aggregate lending ceiling increased to \$15 billion 		

Source: Report of the Auditor General of Canada to the House of Commons, *Chapter 29 - Industry Canada - Management of the Small Business Loans Program*, December 1997. Outcomes from the Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February 1998.

2.4 Program Logic Model

A program logic model has been developed and is graphically presented in Exhibit 7 on the following page. The logic model is designed to communicate the main characteristics of the program and to provide the context in which it is administered. The visual presentation of the logic model enables the evaluator to better understand the program and the linkages between the various elements. Program elements have been separated into those relating to Industry Canada and those relating to lending institutions.



Exhibit 7 - Program Logic Model

Resources		Reach	Results	
Activities (How?)	Outputs (How?)	Users/Clients/Lenders/Beneficiaries (Who? Where?)	Direct Outcomes (What do we want?)	Ultimate Impacts (Why?)
<p>Industry Canada</p> <ul style="list-style-type: none"> • Program management • Registration of loans • Claims auditing <p>Lender</p> <ul style="list-style-type: none"> • Client management • Financial evaluations • SBL Program loan applications • Business loans administration • Claims to IC on SBL Program loans • Security liquidations 	<p>Industry Canada</p> <ul style="list-style-type: none"> • Number of loans registered • Value of claims paid out <p>Lender</p> <ul style="list-style-type: none"> • Value of loans provided • Value of loans repaid 	<p>Primary Targets (clients)</p> <ul style="list-style-type: none"> • Borrowers - SMEs with revenue up to \$5 million annually <p>Delivery Agents</p> <ul style="list-style-type: none"> • Authorized financial Institutions <p>Other Stakeholders</p> <ul style="list-style-type: none"> • CFIB • CBA • Other stakeholders 	<p>Borrower</p> <ul style="list-style-type: none"> • Increase in access to credit • Loan meets SME needs for access to term/debt financing • Increase in expenditures on premises, equipment & land • Increased awareness and understanding of SBL Program • Increased knowledge regarding obtaining a loan and developing relations with lenders • Service satisfaction with lending institutions <p>Lender</p> <ul style="list-style-type: none"> • Increase in lending activity • Increased awareness and understanding of SBL Program • Increased knowledge regarding lending to SMEs and SME profiles • Service satisfaction with SBL Program management 	<p>Extent to which SBL Program is perceived to contribute to SME performance factors such as:</p> <ul style="list-style-type: none"> • net increase in employment • net increase in productivity • net increase in small businesses created • net increase in business investment • net increase in sales and profits • net increase in product conception • net increase in exports • net increase in production costs • increase in net loan activity • improved relations between lenders and borrowers



2.5 Program Resources

Before 1993, the SBL Program cost taxpayers approximately \$36 million per year, not including program revenues and the additional tax revenue generated by newly created jobs. As Exhibits 5 and 6 on pages 14 to 16, respectively, indicate, from 1993 to 1995, significant changes in the program's regulations resulted in a drastic increase in the value of lending from \$500 million annually to \$2.5 billion in 1993-94 and \$4.4 billion in 1994-95. With the sheer volume of defaults which followed, commencing some two years later, coupled with the increase in the average loan size, gross program costs have risen drastically, to about \$241.8 million in 1997-98.¹² The total amount of guaranteed loans outstanding at March 31, 1997 was \$6 billion. Of this, the government's contingent liability was \$1.4 billion.¹³

In fiscal year 1996-97, the SBL Program employed 35 FTE's with a \$2.3 million administrative budget.¹⁴ While the program is moving towards fulfilling its objective of cost recovery, it is uncertain whether this will be achieved under the present fee structure and loss-sharing ratio. Exhibit 8, on the following page, details the claims paid as well as the loan recoveries and registration fees received since 1961.

¹² Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February, 1998.

¹³ Report of the Auditor General of Canada to the House of Commons, *Chapter 29 - Industry Canada - Management of the Small Business Loans Program*, December 1997.

¹⁴ Report of the Auditor General of Canada to the House of Commons, *Chapter 29 - Industry Canada - Management of the Small Business Loans Program*, December 1997.



**Exhibit 8 - SBL Program Record of Claim Payments,
 Recoveries and Receipt of Fees, 1961-1997**

Period	Claims Paid			Prior Year Recoveries \$	Loan Registration Fee Income \$	Total of Claims less Recoveries less Fees \$
	Claims	Gross \$	Recoveries \$			
1961-84	3,246	61,142,409	-	(590,366)	-	60,552,043
1985	1,533	29,079,005	-	(670,000)	-	28,409,005
1986	1,884	44,454,693	(21,453)	(592,178)	(7,101,331)	36,739,731
1987	1,524	37,331,898	(265,133)	(507,944)	(7,172,167)	29,386,654
1988	1,457	35,379,304	(327,051)	(1,102,547)	(6,639,065)	27,310,641
1989	1,436	32,675,582	(439,108)	(1,004,661)	(6,887,911)	24,343,902
1990	1,224	33,562,975	(611,442)	(1,364,747)	(5,545,077)	26,041,709
1991	1,556	33,653,689	(366,713)	(1,728,699)	(4,179,079)	27,379,198
1992	1,927	46,424,478	(500,101)	(1,662,939)	(3,931,874)	40,329,564
1993	1,826	45,942,577	(757,335)	(1,733,171)	(4,755,773)	38,696,298
1994	1,376	32,916,740	(437,618)	(1,939,182)	(47,081,663)	(16,541,723)
1995	1,015	24,092,391	(129,728)	(1,498,922)	(78,307,287)	(55,843,546)
1996	2,003	65,984,760	(116,132)	(1,257,146)	(53,598,465)	11,013,017
1997	3,822	151,238,855	(79,632)	(818,618)	(40,086,617)	96,489,656*
Total	25,829	673,879,356	(4,051,446)	(16,471,120)	(265,286,309)	374,306,149

* The 1997 total includes a new \$13,764,332 in loan administration fee income.

Source: Industry Canada, *Small Business Loans Act Annual Report on Operations for the 12-month period ended March 31, 1997*.

A steady increase in claims on defaulted loans has followed the exponential growth in loans since the program was altered in 1993. Claims are expected to peak in Fiscal Year 1997-98, after which are expected to decline in line with the falling post-1994 lending levels. From 1993 to 1997, a total of 8,217 claims were paid, amounting to a cost of \$274 million, which was partially off-set by \$233 million in fees collected during the period. One-half of the claims were from loans made in 1996-97 and one-third from 1993-94, with nearly 75% of the value of claims being for loans made to new businesses.¹⁵

¹⁵ Industry Canada, *Small Business Loans Act Consultation Paper*, prepared for the Entrepreneurship and Small Business Office, December 1997.



2.6 Program Operational Outputs

Exhibit 6, on pages 15 and 16, highlighted a number of outputs that were generated as a result of program changes. Since 1961, more than 493,000 SBL Program loans totalling \$20.2 billion have been made. In 1997-98 over 30,000 SMEs were expected to access \$2 billion through the Program. Exhibit 9, below, below indicates the total lending made under the SBL Program from April to December, 1997 and the total 1997 figures.

Exhibit 9 - SBL Program Lending Classified by Category and by Province on the Basis of the Loan Made Date for Nine Months Ending December 1, 1997

Province	SBL Program Lending April to December, 1997	
	Number	Amount \$
British Columbia	1,769	\$125,650,395
Alberta	2,086	\$150,354,113
Saskatchewan	1,024	\$57,371,509
Manitoba	515	\$32,756,316
Northwest Territories	22	\$1,824,382
Yukon	28	\$1,981,113
Ontario	5,437	\$412,693,165
Quebec	7,018	\$413,898,202
New Brunswick	567	\$36,244,981
Nova Scotia	622	\$36,920,898
Prince Edward Island	133	\$6,842,390
Newfoundland	361	\$21,711,355
Total (9 months)	19,582	\$1,298,248,819
Annual Total	30,765	\$1,999,607,516

Source: Industry Canada, Small Business Loans Administration: Information, February 16, 1998.

Note: The Small Business Loans Act provides a lender up to one full year after the Loan Made Date to submit a business improvement loan for registration



2.7 Program Impacts

SBL Program loans have largely been targeted towards new and early-stage small businesses. From 1988 to 1997, fully 38% of new loans were issued to these businesses through the SBL Program. A further 20% were made to businesses that had been in existence for less than three years.¹⁶ A total of 177,000 new SBL Program loans were extended in the last four years for small businesses with an average of 37 jobs created for every million dollars of lending, or about 2.4 jobs created per loan. This figure represents nearly 35% of all SBL Program loans made since the existence of the Program. The figure is derived from estimates made directly by borrowers when submitting their application for an SBL Program loan. It is important to stress that this figure is only an estimate provided by borrowers. The Auditor General estimated the figure to be closer to seven jobs per million dollars of lending. However the econometric study from which this number is derived provides a wide range of job estimates. Industry Canada also commissioned a survey of 700 borrowers in 1996 and found that 3.9 jobs were reported to have been created per loan, or about 59 jobs per million dollars of lending.¹⁷

It should be noted that calculating the impacts on jobs is extremely problematic. First of all, the figures generated come from historical estimates provided by the borrowers at the time of the loan application, not from an independent third party. These are inherently rough estimates because they represent incremental jobs borrowers anticipate to generate as a result of the loan, not what did occur as a result. Secondly, the econometric models used to support the estimates are based on assumptions regarding the number of loans which may have been made in the absence of the SBL Program and are thus necessarily subjective.

¹⁶ Industry Canada, *Small Business Loans Act Consultation Paper*, prepared for the Entrepreneurship and Small Business Office, December 1997.

¹⁷ Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February 1998. Auditor General job figures derived from *Informetrica, SBLA - Economic Impacts*, 1994.



3.0 Evaluation Issues

This section describes the five main issues to be examined at the time of the evaluation and lists the specific evaluation questions to be addressed under each issue. The main evaluation issues are as follows:

- rationale - is there an ongoing need for the Small Business Loans Program?
- results - to what extent is the SBL Program objective being achieved? What expected and unexpected impacts have resulted from the Program? How have small businesses benefitted from the Program?
- program structure and activities - how effective and efficient is the Small Business Loans Program?
- alternatives - are there alternative ways of achieving the Program's objective?
- other - what have been the effects of program changes on the performance of the Small Business Loans Program?

Each of the above issues is discussed briefly in the remainder of this section and is accompanied by a list of relevant evaluation questions. The reader is referred to the Glossary of terms, found in **Appendix A**, for a definition of some of the terms presented in this section.

3.1 Rationale

In a broad sense, the issue of rationale examines whether there is an ongoing need for the SBL Program, given the financing needs of small businesses and the evolving Canadian economic context. The specific evaluation questions related to the issue of rationale are the following:

- 1.1 *Is the objective of increasing the availability of loans to small businesses still relevant today?*
- 1.2 *To what extent is the SBL Program meeting the actual financing needs of small businesses?*



3.2 Results

The results issue examines the extent to which the Program's objective is being achieved and the extent to which it is accessible, and assesses the impacts and results of the Program (expected and unexpected). In addition, its progress towards cost recovery is assessed. The specific evaluation questions to be examined under this issue are the following:

- 2.1 *To what extent are loans made under the SBL Program incremental?*
- 2.2 *To what extent is financing under the SBL Program accessible?*
- 2.3 *To what extent has the SBL Program had an impact on financial institutions' lending practices?*
- 2.4 *What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?¹⁸ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?*
- 2.5 *What impacts, if any, does the SBL Program have on the performance of small businesses?*
- 2.6 *To what extent is the SBL Program progressing towards cost recovery?*

3.3 Program Structure and Activities

The purpose of this evaluation issue is to assess the effectiveness and efficiency of the Program in a number of areas (e.g., management, visibility, clarity, duplication and complementarity with other similar programs). The specific evaluation questions to be examined include the following:

- 3.1 *To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?*

¹⁸ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



- 3.2 *To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?*
- 3.3 *To what extent are the SBL Act and Regulations clearly understood by lenders? To what extent are the Act and Regulations applied by lenders?*
- 3.4 *To what extent does the SBL Program duplicate or complement other programs (e.g., other programs offered by the federal government/agencies, the private sector, provincial governments)?*

3.4 Alternatives

This evaluation issue examines whether there would be alternative, more effective ways of achieving the Program's objectives. The relevant evaluation questions are the following:

- 4.1 *Is there still a need for the federal government to be involved in the SBL Program? Should another entity play a role in the management of the Program?*
- 4.2 *Are there alternative ways of delivering the SBL Program to better meet its objective?*

3.5 Other Issues

The effects and impacts of any program changes would be examined under other issues. The specific evaluation questions to be answered are the following:

- 5.1 *To what extent have program changes impacted SBL Program uptake?*
- 5.2 *What have been the other impacts of the changes made to the Program?*



4.0 Program Performance Indicators

Performance indicators can be defined as quantifiable expressions of those program elements that are to be subject to measurement.¹⁹ Accordingly, performance indicators for the SBL Program should provide relevant and sufficient information on the key performance aspects of the Program to address Parliamentary accountability requirements, and support Industry Canada in the day-to-day management of the Program and lending institutions in their day-to-day delivery of the Program. The identification of performance indicators would also address some of the Auditor General's concerns as expressed in its December 1997 report. Section 4.1 presents the key performance indicators that are required for regular reporting on the performance of the Program.

Additional performance indicators on the SBL Program should provide information to answer the evaluation questions identified in Section 3 related to the Program's rationale, its expected and unexpected impacts and results, its structure and activities, and alternative delivery options. Section 4.2 presents the additional performance indicators that are required for the future evaluation of the Program. Data collection requirements associated to the performance indicators are presented in Section 5.

4.1 Performance Indicators for Regular Monitoring of the Program in Key Areas

Exhibit 10, on the following page, presents the performance indicators that have been identified as the key sources for regular reporting on the performance of the SBL Program in key areas. We consulted with the interviewees when developing these indicators, including the Office of the Auditor General and Treasury Board, to ensure they met their needs. *It is recommended that Industry Canada consider reporting on these performance indicators on an annual basis through, for example, the SBLA Annual Report.* This will assist in ensuring that Parliamentarians, lending institutions, senior program and department managers,

¹⁹Hudson, Mayne, Thomlison, *Action-Oriented Evaluation in Organizations*, P: 131, 1992.



Exhibit 10²⁰ - Performance Indicators for Regular Monitoring of the Program in Key areas

Key Areas	Performance Indicators
Issue 2: Results - To what extent is the Small Business Loans Program objective being achieved? What expected and unexpected impacts have resulted from the Program? How have small businesses benefitted from the Program?	
2.1 To what extent are loans made under the SBL Program incremental?	<ul style="list-style-type: none"> • value and maturity term of SBL loans made compared to non-SBL loans • average price (interest rate & fees) of SBL loans relative to non-SBL loans • extent to which SBL loans are made to certain types of small businesses (e.g., specific sectors, professions, age of business) compared to non-SBL loans
2.2 To what extent is financing under the SBL Program accessible?	<ul style="list-style-type: none"> • level of loan activity
2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?²¹ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?	<ul style="list-style-type: none"> • extent to which SBL borrowers create, maintain or displace jobs in their own firms as a result of obtaining an SBL loan • extent to which SBL borrowers create, maintain or displace jobs in other firms (e.g., suppliers, competitors) as a result of obtaining an SBL loan • SBL claim costs per job created
2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?	<ul style="list-style-type: none"> • extent to which the loans made under the SBL Program are perceived to contribute to SBL borrower performance as indicated by factors such as: <ul style="list-style-type: none"> • net increase in productivity • net reduction in production costs • net increase in exports • net increase in business investment • net increase in sales and profits • net increase in research & development • net increase in product conception • rate of business failures by SBL borrowers compared to small businesses in general
2.6 To what extent is the SBL Program progressing towards cost recovery?	<ul style="list-style-type: none"> • extent to which actual SBL Program revenues cover claim costs over ten years

²⁰ The information in this table is drawn from the Small Business Loans Program Evaluation Framework presented in Appendix E.

²¹ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



Key Areas	Performance Indicators
Issue 3: Program Structure and Activities - How effective and efficient is the Small Business Loans Program?	
3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?	<ul style="list-style-type: none"> • extent to which SBL claim costs are decreased by timely payment of claims by the SBL Administration • extent to which decisions on claims are made in a timely, effective and consistent manner by the SBL Administration (e.g., decisions based on minor technical issues, such as lender's signature missing versus significant due diligence issues, such as purpose of loan not eligible) • extent to which loan and claim registrations are presented in a timely manner by lenders • extent to which loan activities are monitored (e.g., review of bad loans, sample audits of lender loan portfolio)
5.1 To what extent have program changes impacted SBL Program uptake?	<ul style="list-style-type: none"> • extent to which the number of Program loans have increased/decreased following any changes made to the Program



and other relevant associations receive sufficient information on the performance of the Program on a regular basis. For consistency, these performance indicators have been grouped according to the evaluation presented in Section 3.

4.2 Performance Indicators for Evaluation Purposes

Exhibit 11, on the following pages, presents the additional performance indicators that have been identified as the other key measures that need to be examined at the time of a future evaluation of the SBL Program. Apart from reporting on the performance indicators identified in Section 4.1 on an ongoing basis, the following performance indicators will need to be reported upon approximately every three to five years.

Different methods and data sources will be required to report on the performance indicators for Program results in key areas as identified in Exhibit 10, on the previous page, and those required for evaluation purposes as presented in Exhibit 11 on the following pages. Depending on the nature of the performance indicators, qualitative and/or quantitative methods will need to be used. Section 6.0 discusses in detail the different methodologies and options for reporting on the performance indicators.



Exhibit 11²² - Additional Performance Indicators for Evaluation Purposes

Key Evaluation Issue	Performance Indicators
Issue 1: Rationale - Is there an ongoing need for the Small Business Loans Program?	
1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?	<ul style="list-style-type: none"> • extent to which small businesses identify financing as an issue of concern • extent to which the SBL Program meets any small business financing gaps
1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?	<ul style="list-style-type: none"> • extent to which the SBL Program provides the level of financing needed by small businesses • extent of gap between the types of loans needed by small businesses and those eligible under the SBL Program
Issue 2: Results - To what extent is the Small Business Loans Program objective being achieved? What expected and unexpected impacts have resulted from the Program? How have small businesses benefitted from the Program?	
2.1 To what extent are loans made under the SBL Program incremental?	<ul style="list-style-type: none"> • proportion of SBL loans that are fully incremental (loans that would not have been made in the absence of the Program), partially incremental (loans that would have taken place but not under the same conditions (e.g., loan price, loan value, maturity term)), and not at all incremental (loans that would have been made in the absence of the Program) • expected impacts of abandoning the SBL Program on the ability of small businesses to obtain loans • extent to which lenders are perceived to be delivering the SBL Program to reduce their risks on loans that they would have provided regardless of federal government guarantees • extent to which SBL borrowers are perceived to be higher risk than non-SBL borrowers • extent to which small businesses with profiles similar to SBL Program borrowers obtain non-SBL loans • extent to which SBL borrowers perceive that they would not have received a loan if the SBL Program did not exist • extent to which firms at risk of business failure receive SBL loans
2.2 To what extent is financing under the SBL Program accessible?	<ul style="list-style-type: none"> • extent to which Program eligibility, conditions and price (i.e., interest rate & fees) are perceived to have an impact on access to loans • extent to which small businesses have access to the SBL Program

²² The information in the table is drawn from the Small Business Loans Program Evaluation Framework presented in Appendix E.



Key Evaluation Issue	Performance Indicators
<p>2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?</p>	<ul style="list-style-type: none"> • extent to which lenders are perceived to be practicing the same level of due diligence when reviewing SBL loan applications as they are for non-SBL loans • extent to which lenders are perceived to maximize realizations for SBL loans relative to non-SBL loans • extent to which legislated fee and interest rate levels are perceived to impact lenders' decision to make loans under the SBL Program • extent to which the SBL claim process is perceived to impact lenders' decisions to make loans under the SBL Program • extent to which the rate at which SBL claims are reduced or declined is perceived to impact lenders' decisions to make loans under the SBL Program
<p>2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?</p>	<ul style="list-style-type: none"> • rate of business failures by SBL borrowers compared to small businesses in general
<p>2.6 To what extent is the SBL Program progressing towards cost recovery?</p>	<ul style="list-style-type: none"> • extent to which lenders maximize Program loan realizations
<p>Issue 3: Program Structure and Activities - How effective and efficient is the Small Business Loans Program?</p>	
<p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	<ul style="list-style-type: none"> • extent to which SBL loans are registered and claims are processed in an efficient and cost-effective manner by the SBL Administration (e.g., use of paper forms, duplication of information requested on more than one form, time taken to submit and process requests) • extent to which the SBL Program is set-up to collect relevant information and use it in a timely manner • extent to which performance measures are used for ongoing monitoring of the SBL Program and for reporting results to senior management • SBL Program management costs (FTEs, operations and maintenance) relative to management costs for other similar programs
<p>3.2 To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?</p>	<ul style="list-style-type: none"> • level of awareness by SBL borrowers that their loan is a SBL loan • extent to which SBL borrowers are aware that the Government of Canada is the guarantor of their loans • level of awareness of Program among small businesses • extent to which lenders promote the SBL Program • extent to which the federal government and agencies promote the SBL Program
<p>3.3 To what extent are the SBL Act and Regulations clearly understood by lenders? To what extent are the Act and Regulations applied by lenders?</p>	<ul style="list-style-type: none"> • perceptions regarding lenders' understanding of the SBL Act and Regulations
<p>3.4 To what extent does the SBL Program duplicate or complement other programs (e.g., other programs offered by the federal government/agencies, the private sector, provincial governments)?</p>	<ul style="list-style-type: none"> • number of programs with similar objectives • extent to which other loan programs target the same users as the SBL Program • number of programs with similar eligibility criteria • extent to which the SBL Program meets any financing gaps



Key Evaluation Issue	Performance Indicators
Issue 4: Alternatives - Are there alternative ways of achieving the Program's objective?	
4.1 Is there still a need for the federal government to be involved in the SBL Program? Should another entity play a role in the management of the Program?	<ul style="list-style-type: none"> • extent to which the SBL Program is expected to be viable in the absence of federal government involvement in the management of the Program
4.2 Are there alternative ways of delivering the SBL Program to better meet the Program's objective?	<ul style="list-style-type: none"> • feasibility of SBL Program delivery options
Issue 5: Other - What have been the effects of program changes on the performance of the Small Business Loan Program?	
5.1 To what extent have program changes impacted SBL Program uptake?	<ul style="list-style-type: none"> • extent to which the number of Program loans have increased/decreased following any changes made to the Program
5.2 What have been the other impacts of the changes made to the Program?	<ul style="list-style-type: none"> • perceived impacts of Program changes



5.0 Program Data Collection Requirements

The previous section identified the performance indicators that should be implemented to meet the information needs of the various SBL Program stakeholders. An important element of success to reporting on the performance indicators is the data that contain information about the performance indicators. A number of different methods (e.g., surveys, interviews with federal government representatives and lenders, and information compiled in the Small Business Loans Administration databases) can be used as data sources to report on the performance indicators. However, the frequency and the source of data will vary depending on the type of data readily available and whether the data is required for regular monitoring of the Program or to answer questions for evaluation purposes. Data required for regular reporting on Program key areas of performance will need to be collected and documented on a regular basis. Data required to answer additional evaluation questions will only need to be collected at the time of the evaluation. Section 5.1 presents the data that should be collected on a regular basis and at the time of the evaluation. To successfully collect the data required, certain data gaps and challenges will need to be addressed by Industry Canada. Section 5.2 discusses these gaps and challenges.

5.1 Data Collection for Reporting on Key Areas of Performance and for Program Evaluation Purposes

Exhibit 12, on the following pages, presents the data on the SBL Program's performance that should be collected on a regular basis and/or at the time of the evaluation. The table identifies the corresponding data sources, whether they are required for the purpose of ongoing reporting on key areas of performance and/or for a program evaluation, and at what frequency they need to be compiled. ***It is recommended that SBL Program data required for reporting on key areas of performance be collected on an annual basis and that data on non-SBL loans made to small businesses be collected every two years for comparison purposes.*** This will ensure that sufficient data is available on SBL loan activities and that data on non-SBL loans is available without imposing a significant burden on the part of Industry Canada, in terms of



Exhibit 12 - Data Collection Requirements ²³

Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> Level of demand for financing from small businesses (SBL borrowers and non-SBL small businesses) by: purpose of loan (e.g., premise alterations, land, equipment, working capital), sector (e.g., traditional, knowledge-based), business profile (e.g., business age, revenues, owner's age) and region 	<ul style="list-style-type: none"> Document and literature review (e.g., CBA/Thompson and Lightstone annual survey & Business Credit Statistics, CFIB Survey conducted every three years, Statistics Canada Micro-economic analysis) Survey of SBL borrowers and non-SBL small businesses 	<p>Program Evaluation</p> <p>Issue 1: Rationale</p> <p>1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?</p> <p>1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?</p>	<p>At the time of the evaluation</p>
<ul style="list-style-type: none"> Number and value of SBL and other loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, owner's age, profession) and region <p><i>Note: For Issue 3.4, this data needs to be collected for other loan programs at the time of the evaluation</i></p>	<ul style="list-style-type: none"> Document and literature review (e.g., CBA/Thompson and Lightstone annual survey & Business Credit Statistics, CFIB Survey conducted every three years, Statistics Canada Micro-economic analysis) SBLA databases Survey of SBL borrowers and non-SBL small businesses 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.1 To what extent are loans made under the SBL Program incremental?</p>	<p>Annually for SBL loans</p> <p>Every two years for non-SBL loans made to small businesses</p>
		<p>Program Evaluation</p> <p>Issue 3: Program Structure and Activities</p> <p>3.4 To what extent does the SBL Program duplicate or complement other programs (e.g., programs offered by the federal government/agencies, the private sector, provincial governments)?</p>	<p>At the time of the evaluation</p>
		<p>Program Evaluation</p> <p>Issue 5: Other</p> <p>5.1 To what extent have program changes impacted SBL Program uptake?</p>	<p>Prior to Program changes and on an annual basis for SBL loans</p>

²³The Information in this table is based on the Small Business Loans Program Evaluation Framework presented in Appendix E.



Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> Average term of maturity of SBL and non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, profession) and region 	<ul style="list-style-type: none"> SBLA databases Survey of SBL borrowers and non-SBL small businesses Longitudinal database of SBL borrowers and sample of benchmark small businesses 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.1 To what extent are loans made under the SBL Program incremental? (e.g., proportion that are fully incremental - loans that would not have been made in the absence of the Program, proportion that are partially incremental - loans that would have taken place but not under the same conditions [loan price, loan value, maturity term])</p>	<p>Annually for SBL loans</p> <p>Every two years for non-SBL loans made to small businesses</p>
<ul style="list-style-type: none"> Average price (interest rate & fees) of SBL and non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, profession, owner's age) and region, rural/urban 	<ul style="list-style-type: none"> SBLA databases Interviews with federal government/agency representatives, lenders and associations Case studies on SBL borrowers and non-SBL small businesses Survey of SBL borrowers and non-SBL small businesses Longitudinal database of SBL borrowers and sample of benchmark small businesses SBLA databases 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.1 To what extent are loans made under the SBL Program incremental?</p> <p>2.2 To what extent is financing under the SBL Program accessible?</p> <p>Program Evaluation</p> <p>Issue 2: Results</p> <p>2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?</p>	<p>Annually for SBL loans</p> <p>Every two years for non-SBL loans made to small businesses</p> <p>At the time of the evaluation</p>
<ul style="list-style-type: none"> Proportion of SBL claims reduced or declined 	<ul style="list-style-type: none"> SBLA databases 	<p>Program Evaluation</p> <p>Issue 2: Results</p> <p>2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?</p>	<p>At the time of the evaluation</p>
<ul style="list-style-type: none"> Estimated number of jobs created by SBL borrowers by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), region and business age 	<ul style="list-style-type: none"> Survey of SBL borrowers Longitudinal database Case studies of SBL borrowers 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually and at the of the evaluation</p>



Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> SBL claim costs per job created 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually</p>
<ul style="list-style-type: none"> Estimated number of spin-off jobs attributed to SBL borrowers 	<ul style="list-style-type: none"> Survey of SBL borrowers Case studies of SBL borrowers 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually and at the time of the evaluation</p>
<ul style="list-style-type: none"> Estimated number of jobs displaced by SBL borrower technology within their own organization 	<ul style="list-style-type: none"> Survey of SBL borrowers Case studies of SBL borrowers 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually and at the time of the evaluation</p>
<ul style="list-style-type: none"> Estimated number of jobs maintained by SBL borrowers within their own organization 	<ul style="list-style-type: none"> Survey of SBL borrowers Case studies of SBL borrowers 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually and at the time of the evaluation</p>
<ul style="list-style-type: none"> Estimated number of jobs maintained in non-SBL borrower organizations as a result of a loan obtained by a SBL borrower 	<ul style="list-style-type: none"> Survey of SBL borrowers Economic model 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	<p>Annually</p>



Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> Estimated number of jobs displaced in non-SBL borrower organizations as a result of a loan obtained by a SBL borrower 	<ul style="list-style-type: none"> Survey of SBL borrowers Economic model 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.4 What impacts, if any, does the SBL Program have on job creation and maintenance and job displacement by SBL borrower technology? What are the related costs and benefits?</p>	Annually
<ul style="list-style-type: none"> Estimated net value of production costs, exports, business investment, sales, profits, research & development and product conception for SBL borrowers and other small businesses 	<ul style="list-style-type: none"> Survey of SBL borrowers Case studies of SBL borrowers Longitudinal database 	<p>Program Evaluation</p> <p>Issue 2: Results</p> <p>2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?</p>	At the time of the evaluation
<ul style="list-style-type: none"> Number of SBL business failures by SBL borrowers 	<ul style="list-style-type: none"> Survey of SBL borrowers Case studies of SBL borrowers Longitudinal database 	<p>Program Evaluation</p> <p>Issue 2: Results</p> <p>2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?</p>	Every two years and at the time of the evaluation
<ul style="list-style-type: none"> Number of business failures by other small businesses 	<ul style="list-style-type: none"> Document and literature review Longitudinal database 	<p>Program Evaluation</p> <p>Issue 2: Results</p> <p>2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?</p>	Every two years and at the time of the evaluation
<ul style="list-style-type: none"> Forecasted SBL Program revenues and claim costs 	<ul style="list-style-type: none"> SBLA databases SBL forecasting model 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.6 To what extent is the SBL Program progressing towards cost recovery?</p>	Every two years and at the time of the evaluation
<ul style="list-style-type: none"> Cumulative SBL Program revenues over ten years: loan repayments, registration fees and administration fees 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.6 To what extent is the SBL Program progressing towards cost recovery?</p>	Annually



Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> Cumulative SBL Program costs over ten years: claim costs 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 2: Results</p> <p>2.6 To what extent is the SBL Program progressing towards cost recovery?</p>	<p>Annually</p>
<ul style="list-style-type: none"> Average number of days between loan registration and submission of claims by lenders 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	<p>Annually</p>
<ul style="list-style-type: none"> Average number of days to process SBL claims by the SBL Program Administration 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	<p>Annually</p>
<ul style="list-style-type: none"> SBL Program management costs (FTEs, operations and maintenance) 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	<p>Annually</p>
<ul style="list-style-type: none"> Average management cost (FTEs, operations and maintenance) per claim processed in a given year 	<ul style="list-style-type: none"> SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	<p>Annually</p>



Data	Potential Data Sources/Methods	Purpose	Frequency
<ul style="list-style-type: none"> • Number of claims declined and reduced by reason 	<ul style="list-style-type: none"> • SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	Annually
<ul style="list-style-type: none"> • Value of declines and reductions in claims 	<ul style="list-style-type: none"> • SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	Annually
<ul style="list-style-type: none"> • Average value of claim payments 	<ul style="list-style-type: none"> • SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	Annually
<ul style="list-style-type: none"> • Average time between loan defaults and presentation of claims by lenders 	<ul style="list-style-type: none"> • SBLA databases 	<p>Key Area of Performance</p> <p>Issue 3: Program Structure and Activities</p> <p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p>	Annually
<ul style="list-style-type: none"> • Level of SBL Program promotional activities by federal government and lenders 	<ul style="list-style-type: none"> • Interviews with federal government/agency representatives, associations and lenders • Document review 	<p>Program Evaluation</p> <p>Issue 3: Program Structure and Activities</p> <p>3.2 To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?</p>	At the time of the evaluation



data collection, and on the part of small businesses, in terms of response. In order to evaluate the impact of Program changes, such as whether changes have led to an increase or decrease in Program uptake, it will be important to collect baseline data prior to the Program changes and on a regular basis after that.

The majority of the data identified in Exhibit 12 are quantitative in nature, such as the number and value of Program loans and other loans made to small businesses, the forecasted Program revenues and claim costs, and the number of jobs created by SBL borrowers. However, information of a more qualitative nature will also need to be collected and this may require the development of tools to assist in the gathering of this information. For example, the level of SBL Program promotional activities by federal government and lenders may require the development of categories of promotional activities from which information could be gathered.

For the most part, data collection requirements will require the participation of a number of different stakeholders. The SBL Program Administration at Industry Canada will need to collect and report on data currently stored in the unit's database as well as on additional data not currently in the database. In order to collect and report on the additional data, the SBL Program Administration may need to add additional data fields in its Loan Registration and Claims databases and may need to develop additional query tools to report on data on an aggregate level. For example, data fields may need to be added to capture SBL borrowers' knowledge-based activities and query tools may need to be developed to calculate the average price (interest rate & fees) of SBL loans and the number of loans by: purpose of loan (e.g., premise alterations, land, equipment), business revenues, ownership structure, knowledge-based sector, owner's age and owner's profession. For the most part, the data required to report on key Program result areas is currently collected by the SBL Program Administration. However, additional data will need to be aggregated and reported on an annual basis.

Lending institutions will need to provide data through their participation in interviews or through the completion of additional information on loan registration forms. For example, to obtain data on the average price (interest rate & fees) of SBL and non-SBL loans made to small businesses, lenders will need to be interviewed, since they are the key informants for information on loan prices for non-SBL loans made to small businesses. To conduct regular surveys with SBL



borrowers in order to report on the Program's key areas as identified in Section 4.1, lenders may also need to provide additional information on the loan registration form, such as the borrower's telephone number, as further discussed in Section 5.2. Small businesses who have received a Program loan will need to participate in annual surveys to answer questions related to key areas of performance such as the number of jobs they have created, maintained or displaced as a result of receiving a Program loan. SBL borrowers consulted stated that they would be willing to participate in telephone or mail surveys for the purpose of evaluating Program results. They also indicated that they would be willing to share information such as their business revenues and the impacts that the SBL loan had on employment in their business as long as they were confident that this information remained confidential. ***It is recommended that Industry Canada consult key stakeholders on the timing and frequency of their participation in the gathering of information on the Program's performance. Furthermore, it is recommended that key stakeholders are consulted on the issue of response burden.***

Exhibit 13, on the following pages, presents the data that are currently collected and reported, as well as the additional data that will need to be collected and reported in order to provide information on the performance indicators in key areas of performance and for evaluation purposes.



Exhibit 13 - Data Collection by Source for Regular Reporting on Program in Key Result Areas²⁴

Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
Number of SBL loans	Yes, through SBLA Databases	Yes, through Annual Report, Management Reports and Public Information Reports Number of loans by: lending period, fiscal year, lender, lender category, top lenders, sector, business age, region	Yes, through annual survey of SBL borrowers Number of loans by: knowledge-based sector, owner's age, owner's profession	Yes, through Annual Report Number of loans by: purpose of loan (e.g., premise alterations, land, equipment), business revenues, ownership structure, knowledge-based sector, owner's age, owner's profession
Number of non-SBL loans made to small businesses	Yes, through CBA/Thompson and Lightstone annual survey	No	No	Yes, every two years through Annual Report Number of non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (traditional, knowledge-based), business revenues, business age, ownership structure, owner's age, owner's profession, region

²⁴Information on data currently collected and reported is based on the following information that was provided by the SBL Administration: Industry Canada, *Small Business Loans Act: Annual Report on Operations for the 12-month period ended March 31, 1997*; Industry Canada, *Small Business Loans Act Lending Statistics*, Small Business Loans Administration, July 30, 1997; November 24, 1997 and February 16, 1998; Industry Canada, *Loans Registration Form and Claims for Loss Request Form*, July 26, 1996; Industry Canada, *SBLA Loan Registration Database*; *SBLA Claims Processing Database*; *SBLA Public Information Reports, Management Reports and Query Tools*; March 1998.



Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
Value of SBL loans	Yes, through SBLA Databases	Yes, through Annual Report, Management Reports and Public Information Reports Value of loans by: lending period, fiscal year, lender, lender category, top lenders, sector, region	Yes, through annual survey of SBL borrowers Value of loans by: knowledge-based sector, owner's age, owner's profession	Yes, through Annual Report Value of loans by: purpose of loan (e.g., premise alterations, land, equipment), business revenues, business age, ownership structure, knowledge-based sector, owner's age, owner's profession
Value of non-SBL loans made to small businesses	Yes, through CBA/Thompson and Lightstone annual survey, and quarterly Business Credit Statistics	No	No	Yes, every two years through Annual Report Value of non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (traditional, knowledge-based), business revenues, business age, ownership structure, owner's age, owner's profession, region
Term of maturity of SBL loans	Yes, through SBLA Databases	No	Yes, through annual survey of SBL borrowers Average term of maturity of SBL loans by: knowledge-based sector, owner's profession	Yes, through Annual Report Average term of maturity of SBL loans by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), business age, business revenues, ownership structure, owner's profession, region



Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
Term of maturity of non-SBL loans made to small businesses	No	No	Yes, through survey of non-SBL borrowers every two years	<p>Yes, every two years through Annual Report</p> <p>Average term of maturity of non-SBL loans by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), business age, business revenues, ownership structure, owner's profession, region</p>
Price of SBL loans (interest rate & fees)	Yes, through SBLA Databases	No	<p>Yes, through annual survey of SBL borrowers</p> <p>Average price of SBL loans (interest rate & fees) by: knowledge-based sector, owner's age, owner's profession</p>	<p>Yes, through Annual Report</p> <p>Average price of SBL loans (interest rate & fees) by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), business age, business revenues, ownership structure, owner's profession, region, rural/urban</p>
Price of non-SBL loans (interest rate & fees)	No	No	Yes, through survey of non-SBL borrowers every two years	<p>Yes, every two years through Annual Report</p> <p>Average price of non-SBL loans (interest rate & fees) by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), business age, business revenues, ownership structure, owner's profession, region, rural/urban</p>



Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
Estimated number of jobs created by SBL borrowers	Yes, through SBL Databases (anticipated number)	Yes, through Annual Report (anticipated number)	Yes, through annual survey of SBL borrowers (actual number) Estimated number of jobs created by SBL borrowers by: knowledge-based sector	Yes, through Annual Report (actual report) Estimated number of jobs created by SBL borrowers by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), business age, region
SBL claim costs	Yes, through SBLA Databases	Yes, through Annual Report, Management Reports and Public Information Reports SBL claim costs by: lending period, fiscal year, lender category, lender, region, SBL Program officer Cumulative and annual SBL Program revenues over ten years: loan repayments, registration fees and administration fees	No	Yes, through Annual Report SBL claim costs per job created
Number of spin-off jobs attributed to SBL borrowers	No	No	Yes, through annual survey of SBL borrowers (perception)	Yes, through Annual Report Number of spin-off jobs attributed to SBL borrowers
Number of jobs displaced by SBL borrower technology	No	No	Yes, through annual survey of SBL borrowers	Yes, through Annual Report Number of jobs displaced by SBL borrower technology
Number of jobs maintained by SBL borrowers	No	No	Yes, through annual survey of SBL borrowers	Yes, through Annual Report Number of jobs maintained by SBL borrowers



Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
Number of jobs displaced by SBL borrowers outside their organization	No	No	Yes, through annual survey of SBL borrowers (perception) Potentially through economic model	Yes, through Annual Report Number of jobs displaced outside borrower's organization
Number of jobs maintained by SBL borrowers outside their organization	No	No	Yes, through annual survey of SBL borrowers (perception) Potentially through economic model	Yes, through Annual Report Number of jobs maintained outside borrower's organization
Forecasted SBL Program revenues and claim costs	Yes, through SBLA Databases	No	No	Yes, through Annual Report Forecasted SBL Program revenues and claim costs
Cumulative SBL Program revenues over ten years: loan repayments, registration fees and administration fees	Yes, through SBLA Databases	Yes, through Annual Report Cumulative SBL Program revenues over ten years: loan repayments, registration fees and administration fees	No	No
Number of days between loan registration and submission of claims by lenders	Yes, through SBLA Databases	No	No	Yes, through Annual Report Average number of days between loan registration and submission of claims by lenders
Number of days to process SBL claims by the SBL Program Administration	Yes, through SBLA Databases	Yes, through Management Reports Number of days to process SBL claims by the SBL Program Administration by: SBL Program officer, SBL loan	No	Yes, through Annual Report Average number of days to process SBL claims by the SBL Program Administration



Data Collection Requirements	Currently Collected	Currently Reported	Additional Data to be Collected/ Analyzed	Additional Data to be Reported
SBL Program management costs (FTEs, operations and maintenance)	Yes, through SBLA Databases	No	No	Yes, through Annual Report SBL Program management costs (FTEs, operations and maintenance) Average management cost (FTEs, operations and maintenance) per claim processed in a given year
Value of claim payments	Yes, through SBLA Databases	Yes, through Annual Report, Management Reports and Public Information Reports Value of claim payments by: lending period, fiscal year, lender, lender category, region	No	Yes, through Annual Report Average value of claim payments
Time between loan defaults and presentation of claims by lenders	Yes, through SBLA Databases	No	No	Yes, through Annual Report Average time between loan defaults and presentation of claims by lenders



5.2 Data Gaps and Anticipated Data Challenges

Two main data gaps currently exist that both limit and increase the data sources and methods required to support the Program's performance indicators: the challenge of accessing lenders' data on SBL Program loans and other loans made to small businesses, and the lack of readily available access to SBL borrower telephone numbers. Due to the challenge of accessing information on lenders' loans, the number of data sources and methods required to report on the Program's performance indicators will be greater than would be the case if lenders' data were accessible. For example, to answer the question of whether loans made under the SBL Program are fully or partially incremental, lenders' data on the number, value, term maturity and price of other loans made to small businesses could have been used to determine whether small businesses with similar profiles as SBL borrowers are able to obtain loans other than through the SBL Program, and whether they are able to do so under similar conditions. Because this data is not readily available, other data sources will need to be used, such as surveys of SBL borrowers, and non-SBL borrowers and interviews with federal government representatives and lenders.

The inability to have ready access to SBL borrower telephone numbers is a data gap that also presents potential resource challenges. For example, conducting a survey with SBL borrowers on a regular basis (e.g., annually) will require the collection of SBL borrowers' names and telephone numbers. Without readily available access to telephone numbers, evaluators will need to purchase databases on small businesses from organizations such as the Canadian Business Information Inc. and Dun & Bradstreet or they will need to research telephone numbers themselves based on SBL borrower business names and addresses obtained from the SBLA database. Doing this on a regular basis will be costly and very time consuming. Below is a more in-depth discussion of the key data gaps and challenges, and the opportunities for minimizing them in the future.

Limitations of lenders' data on SBL Program loans and other loans made to small businesses

Data at lending institutions are currently either stored in paper format or electronically and are, for the most part, available on a loan-by-loan basis rather than at an aggregate level. For



example, most lending institutions consulted appear to have the following information on commercial loans in electronic form on a case-by-case basis:

- loan's outstanding balance;
- interest rate (e.g., fixed rate or spread over prime);
- payment terms;
- loan default information (e.g., non-accrual loans upon which lenders are no longer accruing interest); and
- business contact information (telephone number, complete address) at the time of application.

However, lenders only appear to have the following information on commercial loans in paper format across their branches in Canada:

- loan's original balance;
- loan's purpose (e.g., equipment, premise alterations, land/building purchase);
- loan's amortization period;
- borrower's collateral;
- rank of borrower's asset security;
- borrower's credit score (e.g., probability of payment default or account write-off); and
- borrower's business profile (e.g., business activity, business age, business revenues).

While some of this information exists for SBL loans and other loans made to small businesses on a case-by-case basis in some computerized form, access to it would be challenging due to lenders' concerns about the reliability of the information. In most cases, lending institutions store loan information in more than one loan accounting system and appropriate linkage indicators to identify which loans are included in multiple systems do not exist. Thus, even if the lending institutions did the programming necessary to find SBL loans and other loans made to small businesses in all their systems, they would be unable to produce a file without duplicates or gaps and would therefore be reluctant to release unreconcilable data. In addition, while lenders may flag SBL loans as "SBL loans" in their systems, they do not flag loans made to other small



businesses in any identifiable way, other than potentially using a query tool to search for loans by the value of the loan or by size of business (e.g., business revenues).

Although other information on SBL borrowers and other non-SBL small businesses may be more reliable, access to it would also be challenging due to the fact that it is in paper format and that it is stored across lenders' branches. Access to this information would be onerous, requiring potentially hundreds of person days to collect information from a sufficient sample of borrower files.²⁵ If done on a regular basis, this approach would not be considered viable.

In addition, lending institutions would have concerns about providing Industry Canada with information in addition to what they are currently providing on SBL loan registration and claim request forms. Their concerns stem from their commitment to their fiduciary responsibility for confidentiality and to maintaining the confidentiality of their customer's personal information under their privacy model code. Under their privacy model code, lending institutions have the responsibility to protect their customers' personal information which can include, but is not limited to, their customers' name, address, age, gender, identification numbers, income, employment, assets, liabilities, source of funds, payment records, personal references and health records.²⁶ Furthermore, access to additional SBL information could be particularly challenging at certain lending institutions where each branch is recognized as an autonomous and independent entity. For example, branches of the Credit Union Central of Canada and of La Confédération des caisses populaires Desjardins du Québec are legally recognized as separate entities. These independent institutions would each need to be separately consulted for the provision of additional data on SBL loans. However, the lending institutions that were consulted did mention that they would consider sharing additional SBL borrower information with Industry Canada if an SBL borrower disclosure agreement was included with the SBL loan registration form which borrowers could have the option to sign. If the agreement were signed, lending institutions would be more open to providing the information requested. The majority of SBL borrowers consulted also stated that they would be open to signing a disclosure agreement at

²⁵Data collection for Allan Riding and George Haines 1994 study: *Recent Experience with the SBLA: Economic Impacts, Incrementality and Risk Profile Analysis*, required 116 person days for a sample of 1,393 borrower files (p.2).

²⁶Canadian Bankers Association, *Privacy Model Code: Protecting individual bank customers' personal information*, November 1996.



the time they apply for a SBL loan that authorized the lending institutions to provide evaluators with information that could be used to develop a composite profile of SBL borrowers, as long as they were assured that confidentiality would be maintained by the evaluators.

Although accessing lenders' data on SBL Program loans and other loans made to small businesses is currently a challenge, lending institutions appear to be in the process of developing data warehouses within the next two to five years, upon completion of their Year 2000 initiatives. As part of the implementation process for these initiatives, they plan to do the required data scrubbing to eliminate multiple system file duplications and gaps. As a result, lenders may potentially have reconcilable commercial loan information (including SBL loan data) in the future. Furthermore, they are also moving towards being able to capture information such as operational costs for lending activities, up-to-date borrower business profiles (e.g., business activity, business age, business revenues) and demographics of borrowers (e.g., age, gender) in these data warehouses. Upon lenders' consent, these data warehouses could provide potentially valuable information for reporting on the SBL Program's performance in the future, such as reporting on accessibility to financing under the SBL Program and on the extent to which the Program is incremental.

In addition to data warehouse initiatives, lending institutions are increasingly using a credit scoring system as an adjudication tool in commercial lending. Credit scoring is the process of assigning a numerical value (the credit score) to a credit applicant that indicates the probability that the applicant will or will not exhibit the behaviour at risk. The behaviour at risk is commonly a measurement of payment default or account write-off. Credit scores predict a behaviour by matching the characteristics of an applicant to other applicants for which there is behaviour experience. The numerical credit score is determined by assigning points to a small number of factors that have shown, through analysis, to predict the risk of the behaviour occurring. The higher the score, the lower the risk.²⁷ As a by-product of the credit-scoring initiative, some lending institutions plan to create and maintain a credit scoring database of key credit-related business and borrower demographic indicators which would provide very useful data for analyzing loan performance rates. ***It is recommended that Industry Canada consult lending***

²⁷Price Waterhouse, *Overview of Credit Scoring for Commercial Banking*, August 1997.



institutions on their data warehouse and credit-scoring initiatives to determine the possibility for any potentially feasible partnership arrangements whereby these data sources could be used to report on the SBL Program's performance in the future.

The lending institutions consulted identified specific data gaps they consider to be important to be filled by Industry Canada in order to assist them in improving their delivery and management of SBL loans. These include providing each lending institution with more regular updates on the following information:

- the number and rate of the lender's claims declined by reason, region and sector relative to other participating lenders;
- the number of claims paid to lenders on a comparative basis;
- the number of the lender's loans registered by sector relative to other participating lenders;
- the lender's level of SBL loan reserves on a quarterly basis;
- the number and value of the lender's claims submitted; and
- the number and value of the lender's claim payments.

Lack of readily available SBL borrower telephone numbers

As previously mentioned, access to SBL borrower telephone numbers is not readily available. While researching SBL borrowers' business telephone numbers or purchasing databases on small businesses would be possible, this approach could be costly and time consuming. ***One option that Industry Canada should consider is requesting that lending institutions provide borrower telephone numbers on the SBL loan registration forms.*** Telephone numbers could then be entered in the SBLA databases and would be readily available for recruiting borrowers for the surveys needed to report on the Program's performance measurements. Lenders consulted stated that they would consider providing this information on the loan registration forms, as long as the forms included a borrower consent agreement that borrowers would be required to sign for disclosure of this information. SBL borrowers consulted also stated that they would not object to providing their business telephone number on their loan application form.



Limitations of current business activity data

At present, the level of information related to SBL borrower business activities is based on eighteen Standard Industrial Classification codes at the two digit level. At this level, gaps are particularly evident in the category of "Other Service Industries" which does not clearly identify the business activity in which the majority of SBL borrowers are found.²⁸ For example, during fiscal year 1996-97, the value of loans categorized within this sector was \$418,046,830.²⁹ *In order to better identify the type of borrowers receiving SBL loans and to provide sufficient information to address some performance indicators, it is recommended that this code be broken down into more identifiable business activities.* In addition, loan registration forms should also provide more detailed information on growth sectors such as knowledge-based sectors. *It is recommended that Industry Canada consider the knowledge-based Standard Industrial Classification codes used by the Thompson and Lightstone annual survey, Small and Medium Sized Businesses in Canada: An Ongoing Perspective of their Needs, Expectations and Satisfaction with Financial Institutions sponsored by the Canadian Bankers Association.* This survey includes knowledge-based activities at the four digit level such as Electronic Parts and Components, Telecommunications and Equipment and Computer Services.³⁰ In addition, Industry Canada may want to consider requesting information on the loan registration forms related to SBL borrowers' professions. This will also help to ensure that a more complete profile on borrowers' business activities is being captured.

Burden on Program Administration and Small Businesses

The additional monitoring and reporting requirements identified in Exhibit 13 will likely place an extra burden on the Program Administration as well as on those from whom data need to be collected (i.e. SBL borrowers and other small businesses). It will therefore be important to consult with SBL Administration representatives to discuss the new requirements and assess the impact that collecting and reporting on additional information will have on resources and

²⁸Industry Canada's Small Business Loan Registration Form, July 26, 1996.

²⁹Industry Canada, *Small Business Loans Act: Annual Report on Operations for the 12-month period ended March 31, 1997*, p. 11.

³⁰Thompson Lightstone & Company Ltd., *Small and Medium Sized Businesses in Canada: An Ongoing Perspective of Their Needs, Expectations and Satisfaction with Financial Institutions*, 1997.



workload. The collection of data from SBL borrowers and other small businesses will also place a response burden on them, which must be acknowledged. Ideally, data collection with SBL borrowers would take place every year to meet annual reporting requirements and every two years with other small businesses. It should be mentioned that the response burden will not be as high if a longitudinal database is not developed, since the surveys would be conducted using a different sample of respondents every time. However, if the decision is made to develop a longitudinal database, the surveys would have to be conducted with the same sample of respondents over a given time period so as to make the database truly longitudinal. This would obviously place a response burden on respondents which should be addressed in order to limit the attrition effect. One way to do this is to keep the survey questionnaire as short and easy to answer as possible. It will therefore be extremely important to pre-test the survey instrument to ensure that it does not place an undue burden on respondents. SBL borrowers and other small businesses who agree to participate in a longitudinal survey could also be provided with an incentive, such as an overview report on the survey results. Conducting a survey of SBL borrowers every two years (as opposed to annually) for the purpose of updating the longitudinal database would be another way to reduce the burden placed on respondents.



6.0 Evaluation Approach

This section of the report presents the proposed timing for the future evaluation of the Small Business Loans Program, discusses various methodological options that could be used to conduct the evaluation as well as anticipated challenges, presents the critical path to the evaluation, and outlines the estimated level of effort required to conduct the evaluation.

6.1 Timing of the Evaluation

The Small Business Loans Program was renewed for another year starting in April 1998. Assuming that the Program would be renewed again after 1998, ***it is recommended that the final, or summative, evaluation of the SBL Program take place in the year 2003.*** This timing would give enough time for the evaluation to provide input into the decision to renew the Program and allow the impacts of the potential changes made to the Program to be observed. It would also be valuable to conduct a mid-term evaluation once program changes have been implemented to assess how the Program is doing in important areas such as accessibility, progression towards cost-recovery, impacts on job creation/maintenance/displacement, and efficiency and effectiveness. ***A mid-term, or formative, evaluation conducted in the year 2000-2001 would allow interim monitoring of, and potential adjustments to, the Program.***

6.2 Methodology

This section describes the various research methods and sources of information that could potentially be used to conduct the future evaluation of the Small Business Loans Program. This section of the report has been divided into sub-sections that each present an option (basic, enhanced or fully enhanced) for the conduct of the evaluation. The strengths or benefits of each option, as well as its associated disadvantages are presented under each, together with the most appropriate use of each option (i.e. for the mid-term or final evaluation). The last two sub-sections of this section on methodology describe two potential sources of information that could be used at the time of the evaluations.



An overview of the research methods that fall under each option is presented in Exhibit 14, below. The research methods and sources of information to be used to answer each of the evaluation questions are presented in Exhibit 15, on the following page, as a reference.

Exhibit 14 - Overview of Approach Options

Research Method	Option 1 Basic Approach	Option 2 Enhanced Approach	Option 3 Fully Enhanced Approach
Document and Literature Review	✓	✓	✓
SBL Databases	✓	✓	✓
Interviews	✓ 25 interviews	✓ 35 interviews	✓ 45 interviews
Survey of SBL Borrowers	✓ 380 completes non-stratified	✓ 380 completes non-stratified	✓ 1,900 completes stratified by region*
Review of Similar Programs		✓	✓
Survey of Small Businesses		✓ 380 completes non-stratified	✓ 1,900 completes stratified by region*
Case Studies			✓ 10 case studies
Longitudinal Database	ongoing - to be used as a source of information		
SBL Forecasting Model	ongoing - to be used as a source of information		

*Assumes 5 regions (5 regions X 380 per region = 1,900)



Exhibit 15 - Evaluation Issue by Research Methods and Sources of Information

Potential Evaluation Issues and Questions	Document and Literature Review	SBLA Databases	Interviews	Survey of SBL Borrowers	Review of Other Loan Programs	Survey of Small Businesses	Case Studies	SBL Forecasting Model	Longitudinal Databases
1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?	✓		✓			✓			
1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?	✓	✓	✓	✓		✓	✓		
2.1 To what extent are loans made under the SBL Program incremental? (e.g., proportion that are fully incremental - loans that would not have been made in the absence of the Program, proportion that are partially incremental - loans that would have taken place but not under the same conditions (loan price, loan value, maturity term))	✓	✓	✓	✓		✓	✓		✓
2.2 To what extent is financing under the SBL Program accessible?		✓	✓	✓			✓		
2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?		✓	✓						



Potential Evaluation Issues and Questions	Document and Literature Review	SBLA Databases	Interviews	Survey of SBL Borrowers	Review of Other Loan Programs	Survey of Small Businesses	Case Studies	SBL Forecasting Model	Longitudinal Databases
2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm? ³¹ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation /maintenance/ displacement outside of the borrowing firm?	✓	✓		✓			✓		✓
2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?	✓			✓			✓		✓
2.6 To what extent is the SBL Program progressing towards cost recovery?	✓	✓	✓					✓	
3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?		✓	✓		✓				
3.2 To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?			✓	✓		✓			

³¹ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



Potential Evaluation Issues and Questions	Document and Literature Review	SBLA Databases	Interviews	Survey of SBL Borrowers	Review of Other Loan Programs	Survey of Small Businesses	Case Studies	SBL Forecasting Model	Longitudinal Databases
3.3 To what extent are the SBL Act and Regulations clearly understood by lenders? To what extent are the Act and Regulations applied by lenders?	✓		✓						
3.4 To what extent does the SBL Program duplicate or complement other programs (e.g., other programs offered by the federal government/ agencies, the private sector, provincial governments)?	✓		✓		✓				
4.1 Is there still a need for the federal government to be involved in the SBL Program? Should another entity play a role in the management of the Program?	✓		✓		✓				
4.2 Are there alternative ways of delivering the SBL Program to better meet its objective?	✓		✓		✓				
5.1 To what extent have program changes impacted SBL Program uptake?		✓							
5.2 What have been the other impacts of the changes made to the Program?			✓						



6.2.1 Option 1 - Basic Approach

The basic evaluation approach includes the following research methods:

- document and literature review;
- review of SBLA databases;
- interviews with stakeholders and key informants; and
- survey of SBL borrowers.

The basic approach, while simple, provides the advantage of covering all of the evaluation issues while keeping costs down. This approach also combines qualitative and quantitative research methods, allowing for a mix of hard and soft evidence for the evaluation. The obvious disadvantage or weakness is that because of its simplicity, this approach would not provide the opportunity of examining the issues in as much depth and from as many angles as the more enhanced approaches presented below. Because of this disadvantage, it would be best to use the basic approach at the time of the mid-term evaluation, when the purpose is to identify potential adjustments to be made to the program as opposed to addressing the full evaluation scope.

The remainder of this sub-section describes each of the proposed research method to use under the basic approach.

6.2.1.1 Document and Literature Review

Documents on the SBL Program (e.g., annual reports, past studies, program profile) should be reviewed at the outset of the evaluation to ensure that the consultant possesses a thorough understanding of the Program, including its history and recent changes, prior to refining the approach proposed in this document and developing the research instruments.

In addition to this basic review, secondary sources of information should also be reviewed to address the following evaluation questions:

- 1.1 **Is the objective of increasing the availability of loans to small businesses still relevant today?** This evaluation question will attempt to address two basic sub-questions: is obtaining financing an issue of concern for small businesses and are the



financing gaps experienced by small businesses which the Program fills. There are a number of sources of information that could be used to determine whether small businesses report financing as an issue and the type of financing which they need. For example, the Canadian Bankers Association, in collaboration with Thompson and Lightstone, conducts an annual survey of small businesses in which questions such as issues affecting business today are asked. In addition, the Canadian Bankers Association's quarterly *Business Credit Statistics* provides a picture of the level of debt financing made to small businesses. Other examples of the secondary sources of information that could be used to address this question include the Canadian Federation of Independent Business Survey conducted every three years, the micro-analyses conducted by Statistics Canada and a Conference Board of Canada study currently underway, which is examining issues related to rationale of the Program. Library databases could also be scanned to identify relevant articles published in the recent past.

- 1.2 To what extent is the SBL Program addressing the actual financing needs of small businesses?** This question builds on the previous question since although the SBL Program's main objective of increasing the availability of loans to small businesses may still be relevant, it would be important to determine whether the type of loans provided to small businesses under the Program are those actually needed by them. For example, the Program only allows for the financing of capital assets.³² It could be that in today's economy, where the service sector and knowledge and information sectors, are becoming more important, the financing of capital assets may not meet the actual needs of small businesses. It will therefore be important to review secondary documents to identify the important and growing sectors of the Canadian economy at the time of the evaluation, identify the type of financing needed by the small businesses in those sectors and determine whether the loans provided under Program meet the needs of these small businesses.
- 2.1 To what extent are loans made under the SBL Program incremental?** Past studies that have examined the incrementality of the Program, such as the 1996 Allan Riding study, should be reviewed to provide contextual information for this evaluation question.
- 2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?³³ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?** Information obtained from secondary sources could be used to put the answers to this evaluation question in context. For example, while it is important to know the estimated number of jobs that have been created as a result of loans made under the SBL Program, the usefulness of this information is, in and of itself, limited. It would also be important to put the information in context by comparing it to the average number of jobs created by other small businesses over a given period of time.
- 2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?** Similarly to the previous question, information obtained from secondary

³²At the time of the creation of the Program, in 1961, the Canadian economy was based much more on manufacturing.

³³ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



sources of information on the small business sector in Canada should be used as a basis to compare the results achieved by the small businesses that have obtained a loan under the SBL Program and other small businesses in Canada.

- 2.6 **To what extent is the SBL Program progressing towards cost recovery?** Studies conducted in the past, such as studies conducted by Allan Riding, KPMG and Informetrica, should be reviewed to provide contextual information for this question.
- 3.3 **To what extent are the SBL Act and Regulations clearly understood by lenders?** Relevant documents, specifically the SBL Acts and Regulations and Lenders' Guide, should be reviewed by the evaluators to ensure their familiarity and own understanding of the Act and Regulations and lending guidelines before conducting any interviews.
- 3.4 **To what extent does the SBL Program duplicate or complement other programs?** The literature should be reviewed to identify any past studies that have been conducted on the complementarity or duplication of the SBL Program with other similar loan programs (e.g., May 1998 Conference Board of Canada study).
- 4.1 **Is there still a need for the federal government to be involved in the SBL Program? Should another entity play a role in the management of the Program?** The Norton Report, published in 1996, examined in a very extensive way various alternatives for the SBL Program. This report, as well as any other relevant studies that may be conducted between now and the time of the evaluation (e.g., the Conference Board of Canada study currently in the field), should be reviewed.
- 4.2 **Are there alternative ways of delivering the SBL Program to better meet its objectives?** Past studies (e.g., March 1996 Norton Report) should be reviewed to identify potential alternatives to delivering the SBL Program.

In addition to using the document and literature review to address specific evaluation questions, some secondary information should also be used to provide contextual information, such as the state of the Canadian economy and role played by small businesses within it, for the evaluation.

6.2.1.2 Review of SBLA Databases

The SBLA databases are a source of information that can be used to feed into the performance indicators for given evaluation questions and to develop a profile of SBL borrowers. The evaluation questions for which the SBLA databases could serve as a source of information are the following:

- 1.2 **To what extent is the SBL Program meeting the actual financing needs of small businesses?**
- 2.1 **To what extent are loans made under the SBL Program incremental?**



- 2.2 To what extent is financing under the SBL Program accessible?
- 2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?
- 2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?³⁴ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?
- 2.6 To what extent is the SBL Program progressing towards cost recovery?
- 3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?
- 5.1 To what extent have program changes impacted SBL Program uptake?

It should be mentioned that the SBL databases would not only be used to answer evaluation questions but also as a source for the identification of borrowers for the survey and case studies.

6.2.1.3 Interviews with Stakeholders and Key Informants

Interviews are a qualitative research method. The information gathered through the interview process would therefore be based on opinions and perceptions as opposed to hard facts. Because of its "softer" nature, qualitative information would not be enough in and of itself to answer a number of evaluation issues. However, qualitative information might be the only information available to address some issues. In addition, qualitative information can complement figures and statistics by adding context to, and augmenting, more qualitative information. For example, while anecdotal information is not enough to develop conclusions on any given issue, such information can be used to illustrate facts and figures.

In the context of the evaluation of the SBL Program, interviews could be conducted with the following stakeholders and key informants:

- federal government/agency representatives;

³⁴ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



- SBL Program representatives;
- associations (e.g., Canadian Bankers Association, Canadian Federation of Independent Business);
- lending institutions that participate in the Program;
- academics/experts;
- informal investors;
- representatives from other loan programs;
- provincial government representatives; and
- private sector representatives.

The purpose of the interviews with these groups of individuals would be to obtain their views and opinions on, and perceptions about, the evaluation issues presented below. The groups to be interviewed on specific evaluation questions are identified in the table in Appendix E. It is proposed that approximately 25 interviews, distributed among the groups presented above, be conducted under the basic approach.

- 1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?**
- 1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?**
- 2.1 To what extent are loans made under the SBL Program incremental?**
- 2.2 To what extent is financing under the SBL Program accessible?**
- 2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?**
- 2.6 To what extent is the SBL Program progressing towards cost recovery?**
- 3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?**
- 3.2 To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?**



- 3.3 To what extent are the SBL Act and Regulations clearly understood by lenders?
To what extent are the Act and Regulations applied by lenders?
- 3.4 To what extent does the SBL Program duplicate or complement other programs (e.g., programs offered by the federal government, the private sector, provincial governments)?
- 4.1 Is there still a need for the federal government to be involved in the SBL Program?
Should another entity play a role in the management of the Program?
- 4.2 Are there alternative ways of delivering the SBL Program to meet its objective?
- 5.2 What have been the impacts of the changes made to the Program?

The above evaluation questions are the broad areas that should be investigated at the time of the evaluation. These broad questions should be developed into additional and more specific research questions to be included in the interview guide(s).

6.2.1.4 Survey of SBL Program Borrowers

Defined very broadly, a survey is a means of gathering information, typically of a quantitative nature, on specific issues from a population of interest. Typically, only a sample of the population of interest is surveyed, unless the number of its representatives is low enough to warrant a census. A survey can be representative or not. Contrary to a non-representative survey, the results of a representative survey can be extrapolated to the whole of the population of interest. The results of a survey can be made to be representative at a number of levels (e.g., at the provincial level, at the sectoral level). However, the greater the number of elements by which a survey is expected to be representative, the greater the sample that must be selected.

Surveys are generally conducted in-person, by telephone or by mail (the Internet is a relatively new method that can be used to administer survey questionnaires). The costs associated with conducting an in-person survey are more often than not prohibitive (depending on the sample size required) and therefore make this option impractical for many surveys. Mail or telephone surveys are generally the two preferred options. While mail surveys are generally less expensive to administer than telephone surveys, their response rate are typically much lower. Mail surveys provide respondents with the opportunity to think about their answers and conduct some research in case figures (e.g., sales and profit figures for a given year) are requested. On the other hand, the presence of an interviewer at the other end of the line provides telephone survey respondents with an opportunity to obtain clarification on some questions if need be. The



method to use to conduct the survey of small businesses at the time of the evaluation should take these factors into consideration.

There were 30,765 SBL Program borrowers in FY 1996-97³⁵. Given this number, a sample size of approximately 380 would yield results at a 95% confidence level with a margin of error of plus or minus 5%. This assumes that there would not be any stratification (e.g., by province, sector or size of business). A non-stratified survey is suggested under the basic approach since this would be the less expensive approach.

The purpose of the survey of SBL Program borrowers would be to obtain information directly from borrowers on issues such as impacts on job creation and performance, and level of awareness, but also to complete the information available from the SBL databases and contribute to the development of the longitudinal database. Specifically, the survey of SBL Program Borrowers would be used to address the following evaluation issues:

- 1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?** Given that information is likely to be available from secondary sources on this issue at the time of the evaluation, a survey of SBL borrowers would be used to complement the information obtained from these sources.
- 1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?** The conduct of a survey of SBL Program borrowers would allow to determine, based on respondents' feedback, the extent to which the financing received under the Program met their needs or whether non-capital assets financing would have been more useful for them.
- 2.1 To what extent are loans made under the SBL Program incremental?** The survey of small businesses will allow the evaluators to determine whether survey respondents feel they would have obtained a loan in the absence of the Program. In some cases, this issue might be a matter of perception (especially for those borrowers who are not aware that their loan is an SBL loan). However, asking respondents to identify the rate at which their loan requests were rejected using other financing vehicles prior to being accepted for an SBL loan will provide an indication of the incrementality of the Program.
- 2.2 To what extent is financing under the SBL Program accessible?** In the case of this evaluation question, the survey would be used to complete the information available from the SBL database and build a profile of SBL borrowers. This profile would then be used to determine whether there are significant differences in access to the Program based on factors such as sector in which the business operates, where it is located (region, urban versus rural), business age, business revenues, ownership structure and

³⁵Small Business Loans Act: Annual Report on Operations for the 12-month period ended March 31, 1997.



owner's age.

- 2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?³⁶ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?** The survey of SBL borrowers would be used to ask respondents the extent to which, based on their own estimates, the loan they obtained under the Program allowed them to create or maintain jobs, and the extent to which this loan led to the displacement of workers within their own organization (for example, by replacing some workers with equipment). Asking this question of borrowers some time after they have obtained their loans will contribute to compensating for the potential unreliability of the estimates provided at the time of the application. The survey of borrowers could also be used to ask respondents the extent to which they feel jobs were created, maintained or displaced in other organizations (e.g., suppliers, competitors) as a result of them receiving an SBL loan.
- 2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?** The survey would be used to obtain estimates from Program borrowers on the extent to which they feel their SBL loan allowed them to improve their performance in areas such as productivity, production costs, exports, business investment, sales and profit, research and development, and product conception.
- 3.2 To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are Program Borrowers aware that their loans are guaranteed by the federal government?** The survey will ask respondents whether they know that they have a SBL loan and that their SBL loan is guaranteed by the federal government. Given that respondents may have more than one loan with more than one financial institution, it will be essential to be very specific in the wording of the question to avoid confusion regarding the loan to which the question refers. The results of the survey will help determine whether the Program's visibility needs to be increased in any way.

6.2.2 Option 2 - Enhanced Approach

The enhanced approach would include all of the research methods presented under the basic approach, plus a review of similar programs and a survey of small businesses. It is also suggested that the number of interviews under this approach be increased from 25 to 35. The advantage of this approach is that the review of similar programs and survey of small businesses would add depth to the evaluation by complementing or enhancing the information collected from other sources.

The weakness of the enhanced approach is that the cost of conducting the evaluation would be increased to add value to a limited number of evaluation issues which can be addressed using

³⁶ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



other sources of information.

While it is recommended that the full spectrum of research methods be used at the time of the final evaluation (see Section 6.2.3 on Fully Enhanced Approach), the enhanced approach could be used to conduct either the mid-term or final evaluation.

6.2.2.1 Review of Other Loan Programs

A review of the other loan programs meant to address the needs of small businesses should be conducted in order to assess the cost-effectiveness and efficiency of the SBL Program compared to similar programs and the extent to which the SBL Program duplicates or complements other existing programs, and determine whether there would be alternative ways to manage and deliver the Program. Specifically, the evaluation questions to be examined through the review of other loan programs are the following:

- 3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?**
- 3.4 To what extent does the SBL Program duplicate or complement other programs?**
- 4.1 Is there still a need for the federal government to be involved in the SBL Program/ Should another entity play a role in the management of the Program?**
- 4.2 Are there alternative ways of delivering the SBL Program to meet the Program's objective?**

The scope of this review should include programs delivered at both the federal and provincial government levels and by the private sector as well as similar programs available in other countries.

6.2.2.2 Survey of Small Businesses

Given an approximate number of 904,800 small businesses in Canada (firms with fewer than 50 employees, 1996 figure³⁷), a survey conducted with approximately 380 firms would yield results at a 95% confidence level with a margin of error of plus or minus 5%. This assumes that there

³⁷Statistics Canada, Business Register



would not be any stratification (e.g., by province).

Generally, the purpose of the survey of small businesses will be to complement the information obtained from the document and literature review or to make comparisons between SBL Program borrowers and the broader population of small businesses. This survey, conducted every two years, could also contribute to populating the longitudinal database if it were created (see Section 6.2.4.2). Specifically, the survey of small businesses could be used to address the following evaluation issues:

- 1.1 **Is the objective of increasing the availability of loans to small businesses still relevant today?** Given that information is likely to be available from secondary sources on this issue at the time of the evaluation, a survey of small businesses would be used to complement the information obtained from these sources on the extent to which businesses identify financing as an issue of concern. As such, the survey would be an optional component that would add value to this specific question.
- 1.2 **To what extent is the SBL Program meeting the actual financing needs of small businesses?** Similarly to the previous evaluation question, for which information would be available from secondary sources, the findings from a survey of small businesses would be used to complement the information gathered from the review of documents and literature in terms of the type of financing needed by them.
- 2.1 **To what extent are loans made under the SBL Program incremental?** The results of a survey of small businesses could be compared to the information available on, or to be collected from, SBL borrowers. If, for example, the survey results indicated that businesses with a profile similar to that of SBL borrowers had been able to obtain loans using financing vehicles other than the SBL Program, the incrementality of the Program might be questioned.
- 3.2 **To what extent are small businesses aware of the SBL Program?** One or more questions on the level of awareness of the program among small businesses should be asked to assess whether there is a need to increase or improve promotional efforts. It will be particularly useful to assess levels of awareness based on such factors as size and age of business, location, and sector in which the businesses surveyed operate.

6.2.3 Option 3 - Fully Enhanced Approach

The fully enhanced approach includes the research methods presented under Option 2 as well as case studies of SBL borrowers (10 suggested). It is also suggested that under this approach, the number of interviews be increased to 45 and that the surveys be stratified at the regional level. Stratifying the surveys at the regional level would have an impact on the number of completed questionnaires required, increasing it from 380 to 1,900 completes per survey.



The advantage of this option is that the case studies would allow the consulting team to gather detailed information on some of the evaluation issues which would be possible but difficult to cover using a survey approach (e.g., impacts on job creation/maintenance/displacement, impacts on the performance of borrowers). The stratification of the surveys would also provide statistically significant information at the regional level, which the basic and enhanced approaches would not do. Other than the associated additional cost, the disadvantage of this option is that the time frame required to conduct that extensive an evaluation would be slightly longer than would be required for either the basic or enhanced approach.

Because of its completeness, it is recommended that the fully enhanced approach be used at the time of the final evaluation of the SBL Program.

6.2.3.1 Case Studies of SBL Borrowers

Case studies are an in-depth examination of a limited number of cases of interest. By examining a small number of projects and or activities in detail and gathering both hard evidence and qualitative information from multiple lines of evidence, case studies have the potential to make a unique contribution to many program evaluations. In the case of the evaluation of the SBL Program, the units of study for the case study research would be a sample of SBL borrowers.

The case studies researched for the SBL Program evaluation would include, as a minimum, a review of administrative files and Interviews with key informants (e.g., lending institutions, borrowers).

The case study research would be conducted to provide input into the following evaluation questions:

- 1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?** A case study approach would allow an in-depth examination of the financing needs of small businesses which have received a loan under the Program, an assessment of the extent to which these needs were met through the Program and whether these needs could have been better met under a modified Program structure.
- 2.1 To what extent are loans made under the SBL Program incremental?** The case studies will allow a detailed examination of the difficulties encountered by a sample of businesses, if any, in obtaining financing and the extent to which the SBL loan they obtained alleviated these difficulties.



- 2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?³⁸ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm? Given the expected difficulties and complexities involved in addressing this evaluation issue, a case study approach would provide an opportunity to examine a few borrowers in a greater level of detail than the survey of borrowers would.**
- 2.5 What impacts, if any, does the SBL Program have on the performance of small businesses? Again because of the complexity involved in answering this evaluation question, an in-depth examination of a few of the businesses financed through the Program would provide value to the information collected through the survey of borrowers.**

6.2.4 Sources of Information

It would prove very valuable to use two very specific sources of information at the time of the evaluation, whether mid-term or final. They have not been included in the options because they are sources of information that should be accessed regardless of the option selected. These sources of information and how they would contribute to the evaluation are discussed below.

6.2.4.1 SBL Forecasting Model

A reliable forecasting model would be needed to address one important evaluation question, namely evaluation question 2.6, **To what extent is the SBL Program moving towards cost recovery.** In order to know whether the Program is moving towards cost recovery, it is essential to know what are the costs associated with the Program. Since these costs are essentially driven by the value of the claims made as a result of loan defaults, it would be important to be able to reliably forecast the default rate on loans. While a forecasting model had been developed for the Program, it was acknowledged to be an inaccurate and inadequate tool to predict default rates. The model has been developed further by SBL Program staff but it is still too early to make claims about its reliability since there are insufficient data available to test it. It is recommended that the reliability of this model be monitored and tested on an ongoing basis so that it can be used with confidence at the time of the evaluation.

³⁸ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



6.2.4.2 Longitudinal Database of SBL and Non-SBL borrowers

A longitudinal database that would include information on SBL borrowers and small businesses that have not borrowed under the Program would be extremely useful to make comparisons over time between Program users and non-users. For example, a longitudinal database on SBL and non-SBL borrowers could be used to address the following evaluation questions:

- 2.1 **To what extent are loans made under the SBL Program incremental?** By comparing the ability of small businesses with a similar profile to access financing over time, the level of incrementality of the Program could be assessed.
- 2.2 **To what extent is financing under the SBL Program accessible?** Through the case study research, SBL borrowers will be asked for their detailed impression of the extent to which they feel the SBL Program is accessible as well as suggestions concerning how it could be made more accessible, if needed.
- 2.4 **What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?³⁹ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation/maintenance/displacement outside of the borrowing firm?** The specific impacts of the Program on these issues would be assessed, to some extent, by comparing the impacts between small businesses that have accessed the Program and those which have accessed other sources of financing.
- 2.5 **What impacts, if any, does the SBL Program have on the performance of small businesses?** Again, the longitudinal database could be used as a source of comparison between firms that have accessed SBL financing and those that have not.

Creating such a database would obviously involve financial and human resources. Before discussing the potential cost of developing and maintaining such a database, it is important to note that Statistics Canada has developed some databases that could be used as a source of information in the eventuality that an SBL Program-specific database is not developed. These Statistics Canada databases are described below. It should be specified that none of these databases could be accessed by Industry Canada or the evaluators since they are micro-data files that contain confidential information. Rather, a special request would have to be made to Statistics Canada, who would then perform the analysis on the databases. Such requests come with a cost but it was difficult for the Statistics Canada representatives contacted to provide estimates of what these costs would be without being given very precise parameters on which to base the costing.

³⁹ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.



Small Business and Special Surveys Division. Two relevant files developed by the Small Business and Special Surveys Division could be used at the time of the evaluation. This Division has developed what is referred to as the leap file. This longitudinal file contains limited information (payroll, estimate of employment, industry and province) on all businesses, regardless of size, with a minimum of one employee and that have a payroll deduction account with Revenue Canada. The data contained in this database goes back to 1983. The database is currently updated to 1995. It is expected that 1996 data will be incorporated into the file in September of 1998. One way this file could be used at the time of the evaluation would be to provide Statistics Canada with a record of SBL borrowers. Statistics Canada could then link these clients to the leap file and provide some analyses on these borrowers specifically and use the larger small business population contained in that database as a comparison group. However, record linkage is very expensive (a potential range of \$20,000 to \$30,000 was provided) and may be too prohibitive for an SBL evaluation. One option would therefore be to augment the current database on SBL borrowers with information such as employment on an annual basis. The information from the SBL database could then be analyzed and compared to the information on small businesses contained in the leap file (without segregating SBL borrowers) since a simple analysis performed on the database population would be much less expensive than linking records. The obvious disadvantage of this approach is that the analysis performed on the leap file records would include records of SBL borrowers. The comparison group would therefore not be a "pure" comparison group.

Another file, developed from a sample of tax returns from Revenue Canada, contains information on small businesses mostly. Unlike the leap file, this database is not longitudinal and contains an annual sample of businesses. The information contained in this database is essentially related to revenue (e.g., gross operating revenue, profits). The same kind of record linkage or straight analysis that could be performed on the leap file could also be performed on this database.

Micro-economic Studies and Analysis Division. This division has developed a number of administrative databases, some of which are longitudinal and others which are occasional, each containing a small number of variables. The Division does not have one universal database but rather different ones have been created for different purposes. For example, one database contains information based on employment, industry and location. Another, which is still in the experimental stage, contains information on sales, payroll and financial structure. Another experimental database is more comprehensive in terms of the variables it contains but the accuracy of the information is less reliable because it has to be put together by linking information coming from a number of different sources. All of these databases are also highly confidential and not released to anyone. The way one would proceed to obtain information would be to provide the Division with a list of firms and associated characteristics. The Division would then create a comparison group based on the characteristics, conduct some analysis and provide Industry Canada or the evaluator with a report.

While using Statistics Canada databases presents the advantage of having access to available information, it also presents disadvantages in the sense that the information available from these databases is limited, that the data cannot be manipulated by anyone outside Statistics Canada and that there is a cost attached to obtaining analyses, the full scope of which is unknown at this point. Relying on the availability of external databases also makes the Program dependent upon an external organization for information that would be useful to have on an



ongoing basis. Given the lack of control over the information available externally and the cost associated with obtaining this information, SBL Program managers may find it worthwhile to allocate resources to the development and maintenance of a program-specific database.

The development and maintenance of this database would first involve augmenting the current SBL borrowers database to incorporate values for which comparisons between a control and experimental group would be valuable (e.g., number of jobs created over a period of time, level of sales and exports, production costs). The second step would be populating the database with the additional information needed for SBL borrowers and that needed for the control group of small businesses. Benchmark data could be collected through the conduct of a baseline survey. The data would then be updated on a periodic basis (e.g., annually for SBL borrowers and every two years for other small businesses) through the conduct of additional surveys.

As a point of reference, we have presented the estimated level of efforts required to develop and maintain the database in Section 6.5.2.

6.3 Anticipated Evaluation Issues and Challenges

There are a number of issues and challenges that can be anticipated for the future evaluation of the SBL Program. Some of these issues and challenges are related to the methodologies to be used for the conduct of the evaluation while others are related to the evaluation questions themselves. This section identifies these anticipated issues and challenges and provides suggestions for addressing them.

Awareness on the part of SBL borrowers that their loan is an SBL loan

It is expected that a number of small businesses who have obtained a loan under the SBL Program are not aware that this loan is an SBL loan. The survey of SBL borrowers would assess the specific level of awareness of this population on this issue. However, it will be essential to ensure that SBL borrowers know which loan the survey is referring to in order to obtain valid answers from them (for example, on the impacts of the SBL Program on job creation/maintenance/displacement). It will also be essential for the businesses examined under the case study research to be aware that the loan for which the research is conducted is an SBL loan.



In order to alleviate the challenges associated with conducting a survey on a loan of which borrowers may not be aware, it is recommended that a telephone (rather than a mail survey) be conducted. This would allow interviewers to provide explanations to respondents and ensure that both share the same understanding of the program to be examined. *It is also recommended that the level of awareness of respondents be assessed at the beginning of the survey questionnaire.* While those who are aware that their loan is an SBL loan would go on to respond to the remainder of the questionnaire, others would be explained that the loan to which the survey refers is an SBL loan and be provided with a brief overview of the Program. *In the absence of awareness, it will be important for the interviewers to have information such as lender and value of loan to ensure that the respondent knows which of their loans, if they have many, the survey is referring to.*

Assessing the incrementality of the SBL Program

The question of incrementality comes down to determining whether an SBL loan would still have been made in the absence of the Program or to what extent another loan would have been granted under the same conditions (e.g., value of loan, maturity term, interest rate and loan fees). This will be a challenging evaluation question to answer since the only individuals to truly know are the ones making a decision on the loan application. Since some lending institutions may be using the Program to reduce their risk on loans that they would have made otherwise, it can be expected that these institutions might be more or less forthcoming in their assessment of the incrementality of the loans made under the Program. *Therefore, it is recommended that numerous indicators and multiple lines of evidence are used to address this question, as shown in the table in Appendix E.*

Obtaining information from lending institutions

Lending institutions are very private about the information they have on clients and obtaining this information can be very challenging, as the Auditor General experienced in the preparation of his 1997 report on the SBL Program. While obtaining information on SBL clients in the context of an evaluation would likely be possible, much planning will need to go into obtaining this information and making arrangements to have access to the files. Much time must also be planned to review the files themselves (e.g., in the context of the case study research or to complement the information available from the databases) since most information is kept in



paper files and not centralized electronically. Planning will also be important because lending institutions might have to contact the businesses whose files the evaluators will need to review to obtain permission to examine their files. *It is recommended that a comprehensive plan be prepared to ascertain that SBL loan information can be obtained from lending institutions for evaluation purposes.*

Reviewing files of non-SBL borrowers (for comparison purposes) would be nearly impossible. This is why the evaluation framework does not include performance indicators, research methods or sources of information that would rely on the review of non-SBL borrowers files at lending institutions. While access to this information would be extremely useful (e.g., to assess the incrementality of the Program, to compare the due diligence exercised on SBL files compared to non-SBL files), expecting to have such access at the time of the evaluation would be highly unrealistic.

Attribution of impacts and effects to the SBL Program

Attributing impacts in areas such as job creation/maintenance/displacement within the organization which has received an SBL loan, or performance of small businesses to the loans these businesses obtained under the Program, will be a challenge. To a great extent, these attributions will have to rely on the perception and reports of the small businesses that obtained SBL loans. While the issue of job creation/maintenance/displacement outside of the organization that actually received the loan has been identified as a potential evaluation issues, it must be recognized that impacts in this area would be extremely difficult to assess. It would be possible to ask SBL borrowers the extent to which they feel that obtaining an SBL loan had an impact on job creation/maintenance/displacement in other firms (e.g., competitors, suppliers). However, this information would likely be very difficult to provide on the part of SBL borrowers and estimates may be highly unreliable.

Assessing the extent of the impacts of firms getting an SBL loan on firms that have not received an SBL loan (without going through SBL borrowers) would require the development of a special model and access to accurate data. The data would need to be collected periodically (e.g., quarterly) and over a number of years so as to provide a large number of observations. The data collected should also be detailed enough to allow for an analysis on the reasons for the birth and death of businesses, for example. The model would also need to control for factors other than the access to an SBL loan which may have an influence on firm behaviour. For



example, there are many reasons why one restaurant may close its doors, with a competing restaurant obtaining an SBL loan being just one potential reason.

Assessing the extent to which the Program is progressing towards cost recovery

Assessing the extent to which the Program is progressing towards cost recovery is highly dependent on the use of a reliable forecasting model. It is important to keep this issue at the forefront so that the current model keep being tested in order to provide reliable information at the time of the evaluation. Other considerations for the assessment of progress towards cost recovery include the fact that cost recovery cannot be assessed at one point in time during a given fiscal year since costs are recovered over a period of 10 years. The assessment of cost recovery that will be performed at the time of the evaluation therefore has to account for the fact that information on the claim cost of a loan registered at a given point in time may not be available before many years.

Response burden on participants in the evaluation

As with any evaluation, the future evaluation of the Small Business Loans Program will impose a burden on the participants since they will be asked to contribute their time to the evaluation, whether it be through an interview, survey or case study research. Representatives from the SBL administration who are not direct participants will also need to contribute some of their time to the evaluation since they will be asked to meet requests made by the evaluators (e.g., providing documents, running reports using the SBLA databases, providing a list of SBL borrowers for the purposes of the survey).

Based on past experience, obtaining the participation of stakeholders and key informants in the interview process is typically not a problem if the purpose of the interview is clear to the persons contacted and if they see the relevance of their participation in an interview and how they can contribute to the evaluation. When first contacted, the individual must therefore be clearly explained the context in which the interview will be conducted (i.e. for evaluating the SBL Program) and the importance and value of their participation. Limiting the amount of time to conduct the interview will take also contribute to making individuals more willing to participate. It is also preferable to schedule interviews ahead of time and to conduct them in person since this facilitates the development of a rapport between the interviewer and the interviewee.



The issue of time is a particularly important issue for small business operators since they often perform multiple roles and handle various responsibilities simultaneously. This should therefore be kept in mind when requesting their participation in the evaluation, whether through a survey or case study research. In terms of the survey, keeping the length of the survey to a minimum (15 to 20 minutes is ideal) increases the likelihood that potential respondents will agree to participate. The questions developed for the survey must also be clear and easy to answer to avoid respondent frustration. Question clarity and "user-friendliness" are usually assessed through a survey pre-test.

As far as the case study research is concerned, the time involvement of both lenders and borrowers can be minimized by researching, as much as possible, the information about the case prior to conducting the interviews or while on-site. For example, background information on the company could be collected ahead of time through SBLA databases. This would reduce the burden on the business representative to provide information that is readily available from documents or literature. Similarly, information such as sales and profit could be obtained from a review of documents provided by the company as opposed to asking the question during the interview. In addition, it will be important to develop the case study research instruments so that information obtained in the interviews with borrowers and lenders do not overly duplicate each other. This will allow the time spent with each interviewee to be maximized. As a reference, a potential case study outline is presented in **Appendix F**.

Relying on perceptions to address some of the evaluation issues

Because of the difficulty or impossibility of getting factual information, some of the evaluation issues will have to be addressed by relying on perceptions. While relying on perceptions is not ideal to answer some very specific evaluation questions, the absence of other sources of information will make it necessary to do so. This issue will be particularly evident when addressing questions for performance indicators that concern both SBL borrowers and non-SBL borrowers. For example, the evaluators will have to rely on the perceptions of lenders and other interviewees to determine whether lenders exercise the same level of due diligence when reviewing SBL loan applications as they do with other loans. Access to non-SBL loan files would



be needed in order to make definitive statements on this issue but as previously discussed in Section 5.2, it would not be realistic to expect to have access to these files at the time of the evaluation. It will therefore be important to acknowledge some of the limitations of the evaluation when reporting on the results.

Assessing the cost associated with job creation

Estimating the cost associated with the jobs which are believed to have been created as a result of an SBL borrower getting a loan under the Program has been identified as an important issue by representatives of the Office of the Auditor General in the interview conducted for the development of the evaluation framework. The framework identifies claim costs per job created as the indicator to use to assess performance in this area. Because of the lack of a direct relationship between costs incurred in a given year and jobs created in a given year (e.g., claim costs may be associated with businesses which have not created jobs), using this indicator is not ideal. However, we believe that it is the best proxy that could be used at this time. In his 1997 report, the Auditor General reported on the amount of loans guaranteed to determine the cost per job created. Using such an indicator would be even less reflective of the costs associated with job creation since a proportion of these loans would be reimbursed. It must also be remembered that the framework presented in this document is flexible and can be modified to reflect future changes. For example, if the Program were to operate on a cost recovery basis by the time of the evaluation, then the indicator should be modified to reflect the new situation.

6.4 Critical Path to the Evaluation

In order for the evaluation to be successful in the future, a series of actions need to be taken now so that the information needed at the time of the evaluation is readily available. This section presents the actions that need to be taken to ensure the success of the evaluation of the SBL Program and that the ongoing monitoring of Program performance take place.

- 1.2 Collect baseline program information before Program changes.** Baseline information on the program should be collected and archived before any changes are made to the Program so that the impacts of these potential changes can be assessed sometime in the future by comparing future data to baseline data. The baseline information to be collected should include any that could be impacted by changes made



to the Program.

- 1.3 Collect baseline data on SBL borrowers and other small businesses and update on periodic basis.** If the decision is made to develop a longitudinal database of SBL borrowers and other small businesses, the current SBLA databases will need to be augmented with the required additional variables (see Exhibit 13) and the databases populated (with missing information for SBL borrowers and all information for a comparison group of small businesses) through the conduct of a survey. This information should be updated on a periodic basis (annually for SBL borrowers and every two years for other small businesses) for monitoring purposes as well as to meet the needs of the future evaluation. If a longitudinal database is not developed, the SBLA databases should, at a minimum, be augmented to include the information needed for regular monitoring and reporting but that is not currently being collected (see Exhibit 13).
- 1.4 Consult key stakeholders.** Key stakeholders, namely lenders and representatives from the SBL administration, should be consulted regarding the nature and extent of their involvement in ongoing Program monitoring and in the future evaluation of the Program. For example, lenders will need to be asked about the impact on form completion of changing the industry code currently used on the registration form to better reflect borrower activities, (e.g., using the codes used by Thompson and Lightstone in their survey). Lenders who are considering or planning the implementation of data warehouse initiatives and the use of a credit scoring system should also be consulted on the extent to which Industry Canada could eventually have access to the information available from these systems. At some point before the evaluation, lenders should also be consulted on the extent to which their files on SBL borrowers can be accessed for evaluation purposes and how much time should be planned to access and review these files.⁴⁰
- 1.5 Develop new forms.** A new registration form that includes the telephone number of SBL borrowers; possibly a new list of industrial codes and a disclosure of information consent form to be signed by SBL borrowers should be developed and distributed to participating lenders.
- 1.6 Provide additional information to lenders.** In the interviews, lenders indicated that they would like to receive more information on the Program that could help them improve the way they manage and deliver the Program (see p. 51). Providing lenders with this information may contribute to ensuring greater collaboration on their part at the time of the evaluation.
- 1.7 Monitor and test the reliability of the forecasting model.** It is important that the reliability of the forecasting model be monitored and tested on a regular basis as data becomes available so that it can be modified as needed and be ready for use at the time of the future evaluation.

⁴⁰It took two months for the Auditor General to negotiate access to these files in view of the preparation of his 1997 report.



6.5 Estimated Level of Effort

This section provides a breakdown of the estimated level of effort of conducting the future evaluation of the SBL Program, depending on the option selected. The section also provides information on the estimated level of effort of developing and maintaining a longitudinal database of SBL borrowers and non-borrowers. The level of effort has been provided in consulting days as opposed to dollar value to account for the fact that rates vary from consulting firm to consulting firm, that consulting rates will change between now and the time when the evaluation is conducted and that the cost of conducting an evaluation internally would be much different than one conducted externally.

The reader should keep in mind that the number of consulting days required to carry each aspect of the evaluation and which are presented below are approximate and that these numbers will have to be revisited at the time of the evaluation. It should also be noted that the consulting days listed below refer only to the costs associated with carrying out the research methods identified in Section 6.2 and not to the costs of any components integral to the conduct of any evaluation, such as project management, meetings, and analysis and reporting. It also does not include anticipated expenses such as travel or survey-related expenses.

6.5.1 Evaluation Purposes

The estimated level of effort required to undertake each evaluation option is presented in Exhibit 16, on the following page.



**Exhibit 16 - Estimated Level of Effort per Option,
 in Number of Consulting Days**

Research Method	Option 1 Basic Approach	Option 2 Enhanced Approach	Option 3 Fully Enhanced Approach
Document and Literature Review	8	8	8
Review of SBL Databases	2.5	2.5	2.5
Interviews (assumes 2 hours per interview)	6.5	9	12
Survey of SBL Borrowers	51	51	230
Review of Similar Programs	--	10	10
Survey of Small Businesses	--	35	200
Case Studies	--	--	35
Total	68	115.5	497.5

*Assumes 5 regions (5 regions X 380 per region = 1,900)

6.5.2 Development and Maintenance of a Longitudinal Database

The estimated level of efforts involved in developing and maintaining a longitudinal database of SBL borrowers and other small businesses is presented in Exhibit 17, **on the following page**. It must be stressed that this level of effort is an estimate and will vary based on factor such as the number of cases to be incorporated in the database and the extent to which the current databases can be modified to accommodate an expansion. SBLA staff familiar with the current databases should be consulted on these issues.



Exhibit 17 - Longitudinal Database, Estimated Level of Efforts

Task	Estimated Level of Efforts
Modify current database to incorporate new variables	5 days
Populate database (baseline survey of 500 SBL borrowers)	65 days
Populate database (baseline survey of 700 small businesses)	85 days
Update database (follow up survey of SBL borrowers)	55
Update database (follow up survey of small businesses)	75



Appendix A
Glossary of Terms



Appendix A - Glossary of Terms¹

The following are definitions for the terms used to identify the performance indicators for the SBL Program.

business investment - refers to a business's expenditure on the production of goods not for present consumption, such as capital goods and inventories.

business profile - refers to the characteristics of borrowers, specifically the age, revenues and ownership structure of the borrower's business.

cost-effectiveness - refers to using the appropriate quality and quantity of resources at the lowest cost to meet intended results.

cost recovery - when a program's costs are equal to or greater than its revenues on an annually basis. For the SBL Program specifically, this refers to the extent to which the Program's costs (i.e., claim payments and Program management costs), over a given lending period are equal to or greater than the Program's revenues (i.e., loan repayments, loan registration fees and administration fees).

due diligence - refers to the expectation that lenders will make SBL loans with the same care as they practice for their other loans.

efficiency - refers to producing the maximum output for any given set of resource inputs, or having minimum resource inputs for any given quantity and quality of output provided.

incrementality - refers to loans made under the SBL Program that would not have been made in the absence of the Program.

job creation - refers to the jobs created as result of borrowers' having received an SBL loan. This measures specifically, the number of employees that have been hired: on a full-time basis (e.g., working a minimum of 30 hours per week), on a part-time basis (e.g., working a minimum of 15 hours per week), and on a casual basis (e.g., working on call). Also refers to the jobs created in another firm (e.g., supplier) as a result of one firm getting an SBL loan.

job displacement - refers to the jobs that have been replaced by other resource inputs as a result of an SBL loan, such as technology. This measures, specifically, the number of employees that have been laid-off or the number of employee hours that have been reduced as a result of the introduction of other resource inputs by a SBL borrower. Also refers to the jobs displaced in another firm (e.g., competitor) as a result of one firm getting an SBL loan.

job maintenance - refers to the jobs that have continued to exist as a result of borrowers' having received a SBL loan. This measures, specifically, the number of employees that have remained working for a SBL borrower, or the number of employee hours that have continued to exist as a result of a SBL loan. Also refers to the jobs maintained in another firm (e.g., supplier) as a result of one firm getting an SBL loan.

¹Richard Lipsey, Douglas Purvis and Peter Steiner, *Economics*, 7th edition, 1991.



lending practices - refers to the approach, criteria and conditions lending institutions adopt to make loans available to businesses.

loan activity - refers to the number of loans lenders make.

net (e.g., net exports, net business investments) - refers to the aggregate value of a business's activities. For example, net exports refers to total exports minus total imports and net business investment refers to gross investment minus replacement investment.

performance of small businesses - refers specifically to the success of a SBL borrower's business in regard to its ability to: increase productivity, decrease production costs, increase exports and business investments, increase sales and profits, increase research and development and increase product conception as a result of a SBL loan.

price of loans - refers to the interest rate and fees borrowers are charged for receiving a loan from a lending institution. For SBL loans specifically, the interest rate refers to the prime rate plus the floating rate or fixed mortgage rate, and the fees refer to the loan registration fee and the administration fee charged by Industry Canada.

productivity - refers to the output produced per unit of some input, for example, labour productivity refers to the total output divided by the amount of labour used.

purpose of loan - refers to how the loan is used. For the SBL Program, this specifically refers to loans used by borrowers to purchase land, equipment or a building, or for premise alterations and building construction.

realizations - refers to the actions undertaken by lenders to seize, to take possession of, to sell or to engage a third party to sell secured assets and guarantees.

risks on loans - refers to the extent to which borrowers may default on their loan payments based on the value of their loan and their business profile (e.g., business revenues, business experience, history of bad debt, business sector).

sector - refers to the borrower's industry or business activity, such as communications and utilities or logging and forestry.

spin-off jobs - refers to the jobs that have been indirectly created as a result of a SBL loan, for example the number of jobs or employee hours that have been generated at a supplier's facility as a result of the purchase of equipment by a SBL borrower.



Appendix B

Documents and Studies Reviewed



Appendix B - Documents and Studies Reviewed

Allan L. Riding, Equinox Management Consultants Ltd., *Impact of SBLA Lending: An Evaluation of the Economic Impacts of the SBLA Program*, December 13, 1996.

Allan L. Riding, Equinox Management Consultants Ltd., *Cost-Benefit Scenarios for Loan Guarantees*, May 15, 1998.

Allan L. Riding, George Haines, R. Thomas, Equinox Management Consultants Ltd., *Estimation of Models for Forecasting SBLA Defaults: Final Report*, March 27, 1997.

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Canadian Federation of Independent Business, *Small Business Primer - The Majority of Canada's Businesses are Very Small*, April 1997.

Canadian Bankers Association, *Privacy Model Code: Protecting individual customers' personal information*, November 1996.

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Federal Office of Regional Development-Quebec; *Performance Report, Period Ending March 31, 1997*.

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Industry Canada, *Small Business Loans Act: A Presentation to the House of Commons Standing Committee on Public Accounts*, February 1998.

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Joe Hudson, John Mayne and Ray Thomlison, *Action-Oriented Evaluation in Organizations*, 1992.

KPMG, *A Review of Issues Surrounding Benefit-Cost Analyses of the Small Business Loans Program*, Draft Final Report, May 21, 1998.

Richard Lipsey, Douglas Purvis and Peter Steiner, *Economics*, 7th edition, 1991.

Report of the Auditor General of Canada to the House of Commons, Chapter 29 - *Industry Canada - Management of the Small Business Loans Program*, December 1997.

Roy B. Norton, *A Future for the Small Business Loans Act: Stakeholder Perspectives*, 1996, March 1996.

Roy B. Norton, *The Current Market for Small Business Financing*, April 1998.

Speaking notes for Kevin Lynch, Deputy Minister, Industry Canada, to the House of Commons Public Accounts Committee, Ottawa, February 19, 1998.

The Small Business Working Committee, *Breaking through Barriers*, November 1994.

Thompson Lightstone & Company Ltd., *Small and Medium Sized Businesses in Canada: An Ongoing Perspective of Their Needs, Expectations and Satisfaction with Financial Institutions*, 1997.



Appendix C

List of Organizations Consulted



Appendix C - List of Organizations Consulted

Alberta Treasury Branch	Department of Finance
Atlantic Canada Opportunities Agency	Hongkong Bank of Canada
Bank of Montreal	House of Commons Standing Committee on Industry
Banque Nationale du Canada	Industry Canada
Canada Trust	Office of the Auditor General's
Canadian Bankers Association	Royal Bank of Canada
Canadian Economic Development	Scotia Bank
Canadian Federation of Independent Business	Senate Standing Committee on Banking, Trade and Commerce
Canadian Imperial Bank of Commerce	Toronto-Dominion Bank
Carleton University	Treasury Board Secretariat
Confédération des caisses populaires et d'économie Desjardins du Québec	Western Economic Diversification
Credit Union Central of Canada	



Appendix D
Interview Guides



Appendix D - Interview Guides

Interview Guide - Federal government representatives Development of an Evaluation Framework for the Small Business Loans Program

Price Waterhouse is currently undertaking the development of an evaluation framework for the Small Business Loans Program. As part of this work, we are conducting interviews with a sample of federal government representatives, financial institutions delivering the Small Business Loans Program, and other associations and organizations. These interviews are being sponsored by the Audit and Evaluation Branch of Industry Canada. The purpose of our interview today is to identify and discuss the key evaluation issues and performance indicators that should be considered for the future evaluation of the Small Business Loans Program, as well as obtain information in order to develop a composite program profile. *I would like to emphasize that the objective is not to evaluate the program, but to discuss with you the key evaluation issues and performance indicators that should be considered for a future evaluation of the program.*

Your participation is voluntary. I will be taking notes during the interview but would like to assure you that your name will not be uniquely identified in any reports for this study. Do you have any questions before we start?

1. Could you start by putting me in context and describe any Small Business Loans Program activities in which you are involved, personally and/or as an organization?

Note to interviewer: only ask question 2 and 3 of relevant interviewees.

2. One of the things we are working on as part of the evaluation framework for the Small Business Loans Program is the development of a program profile. Accordingly, we are interested in collecting information on what the program entails.
 - What are the program's objectives?
 - In what main areas is the program expected to have impacts?
 - How would you describe the program (e.g., program procedures, administration, delivery)?
3. A comprehensive review of the Small Business Loans Program is currently underway. It is therefore important that any potential program changes be taken into consideration for the development of the program's profile. Do you have any comments about the program in light of any potential changes that may take place?
 - In what way, if any, do you feel these potential changes could have an impact on the future evaluation of the program, if implemented?
- 4a. Generally speaking, the purpose of an evaluation can be to determine the efficiency and effectiveness of a program or to measure and account for the results of a program. What would be the main questions that you would want an evaluation of the Small Business Loans Program to answer?



4b. What would be the evaluation issues that should be examined under each of the broad evaluation headings:

- Rationale
- Results (e.g., achievement of objectives, impacts, success)
- Structure and activities (e.g., administration, responsibilities and accountability, communication)
- Alternatives
- Others

Note to interviewer: for each evaluation issue mentioned, ask 4c and 4d.

4c. What would be the main indicators that would be associated with this evaluation issue?

4d. What would be the best source of information that should be used to answer this evaluation issue?

5. What are the key areas in which the program is expected to achieve results? What are the associated indicators that are/should be used to assess the performance of the program:

- On an ongoing basis?
- At the time of the evaluation?
- Which of these performance indicators are needed to report program results to senior management?

6. Can you identify the information that is currently collected on the program? How is this information used to assess the performance of the Small Business Loans Program?

- How frequently is this information collected?
- Who collects this information?
- Who uses this information? For what purposes? ASK FOR EXAMPLES (E.G., REPORTS) IF RELEVANT
- How is the information collected (e.g., application forms, surveys of borrowing businesses)?
- How is this information kept (e.g., paper files, electronic databases)?
- Is access to this information limited in any way?
- Is the information that is currently being collected sufficient to address the ongoing needs for information of the various stakeholders? If not, what additional information should be collected? Is there any information that is not being collected that should be?

7. Do you have any other comments to make about the Program?

Thank you very much for your time.



**Interview Guide - Lending Institutions and Associations
Development of an Evaluation Framework
for the Small Business Loans Program**

Price Waterhouse is currently undertaking the development of an evaluation framework for the Small Business Loans Program. As part of this work, we are conducting interviews with a sample of federal government representatives, financial institutions delivering the Small Business Loans Program, and other relevant associations and organizations. These interviews are being sponsored by the Audit and Evaluation Branch of Industry Canada. The purpose of our interview today is to identify and discuss the key evaluation issues and performance indicators that should be considered for the future evaluation of the Small Business Loans Program. *I would like to emphasize that the objective is not to evaluate the program, but to discuss with you the key evaluation issues and performance indicators that should be considered for a future evaluation of the program.*

Your participation is voluntary. I will be taking notes during the interview but would like to assure you that you will not be identified in any reports for this study. Do you have any questions before we start?

Note to interviewer: ASK QUESTIONS 1 TO 2e TO BOTH LENDING INSTITUTIONS AND ASSOCIATIONS

1. Could you start by putting me in context and describe any Small Business Loans Program activities in which you are involved, personally and/or as an organization?
- 2a. Generally speaking, the purpose of an evaluation can be to determine the efficiency and effectiveness of a program, or to measure and account for the results of a program. What would be the main questions that you would want an evaluation of the Small Business Loans Program to answer?
- 2b. What would be the evaluation issues that should be examined under each of the following broad evaluation headings:
 - Rationale (e.g., continued relevance of program)
 - Results (e.g., achievement of objective, expected or unexpected program impacts)
 - Structure and activities (e.g., delivery, administration, responsibilities and accountability, communication)
 - Alternatives (e.g., alternative program policy or delivery options)
 - Others (e.g., impact of legislative changes on program performance)

Note to interviewer: FOR EACH EVALUATION ISSUE MENTIONED, ASK 2c AND 2d.

- 2c. What would be the main indicators that would be associated with this evaluation issue?
- 2d. What would be the best source of information that should be used to answer this evaluation issue?
- 2e. What would be the best way to assess the incrementality of the Small Business Loans Program (i.e., whether lending institutions would have made loans in the absence of the Program)?



Note to Interviewer: ASK QUESTIONS 3a TO 5b ONLY TO LENDING INSTITUTIONS

3a. We would now like to discuss with you, the type of information you collect on loans you provide to small businesses. Specifically, we would like to discuss the data collection table that was sent to you on (date) for your review and completion.

Note to interviewer: REFER TO INFORMATION PROVIDED ON TABLE TO ANSWER QUESTIONS 3b, 4a, 4b, 4c AND 4d.

3b. Is access to information related to the Small Business Loans Program (e.g., client files, statistics) limited in any way? What about information on your organization's other small business lending activities (e.g., client files, statistics)?

4a. If this type of information was needed for a future evaluation of the Small Business Loans Program, would your organization make this information available on:

- a case by case basis (SBL Program information and information on other small business lending activities)? on an aggregate basis (SBL Program information and information on other small business lending activities)?
- What about for reporting program results on an ongoing basis to the federal government?

4b. What level of effort would be required for you to provide this information?

Note to interviewer: IF NO TO 4a, GO TO 4c AND 4d.

4c. If no, can you explain why this information would not be available?

- Would there be an issue/concern about client confidentiality?
- Would there be an issue/concern about the cost of making it available?
- Would there be an issue/concern about additional paper/administrative burden?
- Other issues and concerns?

4d. What could be done to alleviate these issues/concerns? In what ways could program evaluators address these issues/concerns?

5. How would you feel if the Small Business Loan Program registration form or the claims form were redesigned to provide additional information on Small Business Loans Program borrowers (e.g., borrower phone number, gender, age)?

Note to interviewer: ASK QUESTIONS 6a AND 6b ONLY TO ASSOCIATIONS

6a. If information was needed on small business access to loans for the purpose of a future evaluation of the Small Business Loans Program, would you have any documents or data available? For the purpose of reporting program results on an ongoing basis to the federal government?

6b. Would access to this information be limited in any way?



Note to interviewer: ASK QUESTIONS 7 AND 8 TO BOTH LENDING INSTITUTIONS AND ASSOCIATIONS

7. What kind of information do you currently receive on the Small Business Loans Program? Are you satisfied with the kind of information you receive? If not, what additional information would you need? For what purpose?
8. Do you have any other comments to make about the Program?

Thank you very much for your time.



Information on Loans made to Small Businesses

As a follow-up to the attached information sheet on the purpose of our interview to be confirmed on **(date/time)**, we would appreciate it if you could complete the attached table which will be used for discussion purposes during our interview with you in regard to evaluation issues, performance indicators, data sources and data availability for future evaluation of the Small Business Loans Program and for ongoing measurement of the program. By completing this table, you will help us reduce the time needed to conduct our interview with you. Should you have any questions, please contact Christine Jodoin at (613) 238-8200, ext. 607.

For each type of information identified in the first left hand column of the attached table, please indicate:

1. In the first left hand column, whether the information is collected for Small Business Loans Program borrowers and/or for other small business borrowers not participating in the Small Business Loans Program by circling A and/or B; if the information is not collected for either group, please circle C;
2. In the second column from the left, how frequently the information is collected by circling A, B, C or D (to specify another type of frequency);
3. In the third column from the left, how the information is collected by circling A, B or C (to specify another way it is collected); and
4. In the last column on the right, how the information is stored by circling A, B or C (to specify another way it is stored).



Information on Loans made to Small Businesses

1. Type of Information collected on: A=Small Business Loans Program borrowers B=other small business borrowers C=not collected	2. Frequency Collected: A=once, at time of loan application B=quarterly C=annually D=other (please specify)	3. Method Collected: A=application form B=survey C=other (please specify)	4. Method Stored: A=paper files B=electronic database C=other (please specify)
Type of credit application: (please specify type of credit by circling 1 or 2) 1=equipment, premise alterations, land/building purchase 2=working capital and other non asset loans A (1 and/or 2) B (1 and/or 2) C (1 and/or 2)	A B C D (please specify): <hr/>	A B C (please specify): <hr/>	A B C (please specify): <hr/>
Value of loans made: A B C	A B C D (please specify): <hr/>	A B C (please specify): <hr/>	A B C (please specify): <hr/>
Interest rate for loan term: A B C	A B C D (please specify): <hr/>	A B C (please specify): <hr/>	A B C (please specify): <hr/>
Loan repayment term: A B C	A B C D (please specify): <hr/>	A B C (please specify): <hr/>	A B C (please specify): <hr/>



1. Type of information collected on: A=Small Business Loans Program borrowers B=other small business borrowers C=not collected	2. Frequency Collected: A=once, at time of loan application B=quarterly C=annually D=other (please specify)	3. Method Collected: A=application form B=survey C=other (please specify)	4. Method Stored: A=paper files B=electronic database C=other (please specify)
Reason why loan request was rejected: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Reason why applicant declined loan package offered: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Borrower collateral: (i. e., personal assets, corporate assets) A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Rank of asset security obtained from borrower: (i.e., registered first charge, pari passu, other) A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Number of loan defaults: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Number of business failures: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____



1. Type of information collected on: A=Small Business Loans Program borrowers B=other small business borrowers C=not collected	2. Frequency Collected: A=once, at time of loan application B=quarterly C=annually D=other (please specify)	3. Method Collected: A=application form B=survey C=other (please specify)	4. Method Stored: A=paper files B=electronic database C=other (please specify)
Operational costs for lending activities: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Record of promotional activities for loan packages: A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Borrower business profile: (e.g., business activity, business age, business revenues) A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Demographics of borrowers: (e.g., age, gender, visble minority, persons with disabilities) A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____
Borrower contact information: (e.g., borrower phone number, complete address) A B C	A B C D (please specify): _____	A B C (please specify): _____	A B C (please specify): _____



Appendix E

**Evaluation Issues and
Performance Indicators**



Appendix E - Evaluation Issues and Performance Indicators

Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
Issue 1: Rationale - Is there an ongoing need for the Small Business Loans Program?			
<p>1.1 Is the objective of increasing the availability of loans to small businesses still relevant today?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • extent to which small businesses identify financing as an issue of concern • extent to which the SBL Program meets any small business financing gaps 	<ul style="list-style-type: none"> • Document and literature review (e.g., Conference Board of Canada studies, CBA/Thompson and Lightstone annual survey & Business Credit Statistics, CFIB Survey conducted every three years, Statistics Canada Micro-economic analysis) • Survey of small businesses • Interviews with federal government/agency representatives, associations and lenders 	<ul style="list-style-type: none"> • level of demand for financing from small business by: purpose of loan (e.g., premise alterations, land, equipment, working capital), sector (e.g., traditional, knowledge-based), business profile (e.g., business age, revenues, owner's age) and region
<p>1.2 To what extent is the SBL Program meeting the actual financing needs of small businesses?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • extent to which the SBL Program provides the level of financing needed by small businesses • extent of gap between the types of loans needed by small businesses and those eligible under the SBL Program 	<ul style="list-style-type: none"> • Document and literature review (e.g., CBA/Thompson and Lightstone annual survey & Business Credit Statistics, CFIB Survey conducted every three years, Statistics Canada Micro-economic analysis) • Survey of SBL borrowers and other small businesses • Interviews with lenders, informal investors, federal government/agency representatives and associations • Case studies on SBL borrowers • SBLA Databases 	<ul style="list-style-type: none"> • level of demand for financing from SBL borrowers and other small businesses by: value of loan, purpose of loan (e.g., premise alterations, land, equipment, working capital), sector (e.g., traditional, knowledge-based), business profile (e.g., business age, revenues, owner's age) and region <p>Gaps</p> <ul style="list-style-type: none"> • <i>telephone numbers of SBL borrowers are not readily available from SBLA databases</i>



Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
Issue 2: Results - To what extent is the Small Business Loans Program objective being achieved? What expected and unexpected impacts have resulted from the Program? How have small business benefitted from the Program?			
<p>2.1 To what extent are loans made under the SBL Program incremental?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • proportion of SBL loans that are fully incremental (loans that would not have been made in the absence of the Program), partially incremental (loans that would have taken place but not under the same conditions (e.g., loan price, loan value, maturity term)), and not at all incremental (loans that would have been made in the absence of the Program) • expected impacts of abandoning the SBL Program on the ability of small businesses to obtain loans • value and maturity term of SBL loans made compared to non-SBL loans • extent to which lenders are perceived to be delivering the SBL Program to reduce their risks on loans that they would have provided regardless of federal government guarantees • extent to which SBL borrowers are perceived to be higher risk than non-SBL borrowers • average price (interest rate & fees) of SBL loans relative to non-SBL loans • extent to which small businesses with profiles similar to SBL Program borrowers obtain non-SBL loans • extent to which SBL borrowers perceive that they would not have received a loan if the SBL Program did not exist • extent to which firms at risk of business failure receive SBL loans • extent to which SBL loans are made to certain types of small businesses (e.g., specific sectors, professions, age of business) compared to non-SBL loans 	<ul style="list-style-type: none"> • Document and literature review (e.g., Allan Riding 1996 incrementality study) • SBLA databases • Interviews with federal government/agency representatives, lenders and associations • Case studies on SBL borrowers • Survey of SBL borrowers and other small businesses • Longitudinal database 	<ul style="list-style-type: none"> • number of SBL and other loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, owner's age, profession) and region • average value and term of maturity of SBL and non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, profession) and region • average price (interest rate & fees) of SBL and non-SBL loans made to small businesses by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, ownership structure, profession) and region <p>Gaps</p> <ul style="list-style-type: none"> • <i>telephone numbers of small business borrowers are not readily available from SBLA databases</i>

Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
<p>2.2 To what extent is financing under the SBL Program accessible?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • extent to which Program eligibility, conditions and price (i.e. interest rate & fees) are perceived to have an impact on access to loans • extent to which small businesses have access to the SBL Program • level of loan activity 	<ul style="list-style-type: none"> • SBLA databases • Survey of SBL borrowers • Interviews with lenders, federal government/agency representatives and associations • Case studies of SBL borrowers 	<ul style="list-style-type: none"> • SBL borrower profile (e.g., sector, region, rural/urban, business age, revenues, ownership structure, owner's age) • average price (interest rate & fees) of SBL loans by: purpose of loan, business age, revenues, sector, region, rural/urban, ownership structure, owner's age • number of loans by lender type <p><i>Gaps</i></p> <ul style="list-style-type: none"> • <i>telephone numbers of SBL borrowers are not readily available from SBLA databases</i>
<p>2.3 To what extent has the SBL Program had an impact on financial institutions' lending practices?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • extent to which lenders are perceived to be practicing the same level of due diligence when reviewing SBL loan applications as they are for non-SBL loans • extent to which lenders are perceived to maximize realizations for SBL loans relative to non-SBL loans • extent to which legislated fee and interest rate levels are perceived to impact lenders' decision to make loans under the SBL Program • extent to which the SBL claim process is perceived to impact lenders' decisions to make loans under the SBL Program • extent to which the rate at which SBL claims are reduced or declined is perceived to impact lenders' decisions to make loans under the SBL Program 	<ul style="list-style-type: none"> • Interviews with lenders, federal government/agency representatives and associations • SBLA databases 	<ul style="list-style-type: none"> • proportion of SBL claims reduced or declined • average price (interest rate & fees) for SBL loans and non-SBL loans



Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
<p>2.4 What impacts, if any, does the SBL Program have on job creation/maintenance/displacement within the borrowing firm?¹ What are the related costs and benefits? What impacts, if any, does the SBL Program have on job creation /maintenance/ displacement outside of the borrowing firm?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • extent to which SBL borrowers create, maintain or displace jobs in their own firms as a result of obtaining an SBL loan • extent to which SBL borrowers create, maintain or displace jobs in other firms (e.g., suppliers, competitors) as a result of obtaining an SBL loan • SBL claim costs per job created 	<ul style="list-style-type: none"> • Survey of SBL borrowers • Economic model • SBLA databases • Document and literature review (e.g., Statistics Canada's Survey of Employment, Earnings, Hours, Micro-economic analysis) • Case studies of SBL borrowers • Longitudinal database <p>Challenges</p> <ul style="list-style-type: none"> • <i>Attribution of job creation, maintenance and displacement to SBL loans</i> 	<ul style="list-style-type: none"> • estimated number of jobs created by SBL borrowers by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), region and business age • SBL claim costs per job created • number of jobs displaced by SBL borrower technology within their own organization • number of jobs maintained by SBL borrowers within their own organization • number of spin-off jobs attributed to SBL borrowers as a result of getting an SBL loan • number of jobs maintained in non-SBL borrower organizations as a result of a loan obtained by an SBL borrower • number of jobs displaced in non-SBL borrower organizations as a result of a loan obtained by an SBL borrower <p>Gaps</p> <ul style="list-style-type: none"> • <i>telephone numbers of SBL borrowers are not readily available from SBLA databases</i>

¹ Please refer to Appendix A, Glossary of Terms, for definitions of job creation/maintenance/displacement.

Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
<p>2.5 What impacts, if any, does the SBL Program have on the performance of small businesses?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • extent to which the loans made under the SBL Program are perceived to contribute to SBL borrower performance as indicated by factors such as: <ul style="list-style-type: none"> • net increase in productivity • net reduction in production costs • net increase in exports • net increase in business investment • net increase in sales and profits • net increase in research & development • net increase in product conception • rate of business failures by SBL borrowers compared to small businesses in general 	<ul style="list-style-type: none"> • Survey of SBL borrowers • Case studies of SBL borrowers • Longitudinal database • Document and literature review <p>Challenges</p> <ul style="list-style-type: none"> • <i>SBL borrower attribution of SBL loans to business performance</i> 	<ul style="list-style-type: none"> • estimated net value of production costs, exports, business investment, sales, profits, research & development and product conception for SBL borrowers and other small businesses • number of business failures by SBL borrowers • number of business failures by other small businesses <p>Gaps</p> <ul style="list-style-type: none"> • <i>telephone numbers of SBL borrowers are not readily available from SBLA databases</i>
<p>2.6 To what extent is the SBL Program progressing towards cost recovery?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • extent to which actual SBL Program revenues cover claim costs over ten years • extent to which lenders maximize Program loan realizations 	<ul style="list-style-type: none"> • SBLA databases • SBL forecasting model • Document and literature review (e.g., Allan Riding, KPMG and Informetrica studies) • Interviews with SBL Program representatives, academics/experts and lenders <p>Challenges</p> <ul style="list-style-type: none"> • <i>need to test reliability of current SBL forecasting model</i> • <i>time lag in data (i.e. between applications for SBL loans, registrations of SBL loans, SBL defaults and claim for loss requests)</i> 	<ul style="list-style-type: none"> • cumulative SBL Program revenues over ten years: loan repayments, registration fees and administration fees • cumulative SBL claim costs over ten years • forecasted SBL Program revenues and claim costs



Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
Issue 3: Program Structures and Activities - How effective and efficient is the Small Business Loans Program?			
<p>3.1 To what extent is the Program managed in an efficient and cost-effective manner by the SBL Program Administration and lenders? Can the Program be modified to increase the efficiency and effectiveness of its management?</p> <p>Priority: High</p>	<ul style="list-style-type: none"> • extent to which SBL claim costs are decreased by timely payment of claims by the SBL Administration • extent to which SBL loans are registered and claims are processed in an efficient and cost-effective manner by the SBL Administration (e.g., use of paper forms, duplication of information requested on more than one form, time taken to submit and process requests) • extent to which decisions on claims are made in a timely, effective and consistent manner by the SBL Administration (e.g., decisions based on minor technical issues, such as lender's signatures missing versus significant due diligence issues, such as purpose of loan not eligible) • extent to which loan and claim registrations are submitted for registration in a timely manner by lenders • extent to which loan activities are monitored (e.g., review of bad loans, sample audits of lender loan portfolio) • extent to which the SBL Program is set-up to collect relevant information and use it in a timely manner • extent to which performance measures are used for ongoing monitoring of the SBL Program and for reporting results to senior management • SBL Program management costs (FTEs, operations and maintenance) relative to management costs for other similar programs 	<ul style="list-style-type: none"> • SBLA databases • Interviews with SBL Program representatives, lenders and representatives from other loan programs • Review of management costs (FTEs, operations and maintenance) for similar loan programs 	<ul style="list-style-type: none"> • average number of days between loan registration and submission of claims by lenders • average number of days to process SBL claims by the SBL Program Administration • SBL Program management costs (FTEs, operations and maintenance) • average management costs per claim processed in given year • average value of loans made under the SBL Program • number of claims declined and reduced by reason • average value of claim payments • value of declines and reductions in claims • average time between loan defaults and presentation of claims by lenders



Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
<p>3.2 To what extent are small businesses aware of the SBL Program? To what extent are SBL Program borrowers aware that they are participating in the SBL Program? To what extent are SBL Program borrowers aware that their loans are guaranteed by the federal government?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • level of awareness by SBL borrowers that their loan is an SBL loan • extent to which SBL borrowers are aware that the Government of Canada is the guarantor of their loans • level of awareness of Program among small businesses • extent to which lenders promote the SBL Program • extent to which the federal government and agencies promote the SBL Program 	<ul style="list-style-type: none"> • Survey of small businesses and SBL borrowers • Interviews with federal government/agency representatives, associations and lenders 	<ul style="list-style-type: none"> • level of SBL Program promotional activities by federal government and lenders
<p>3.3 To what extent are the SBL Act and Regulations clearly understood by lenders? To what extent are the Act and Regulations applied by lenders?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • perceptions regarding lenders' understanding and application of the SBL Act and Regulations 	<ul style="list-style-type: none"> • Document review (e.g., Act and Regulations, Lenders' Guide) • Interviews with federal government/agency representatives and lenders 	
<p>3.4 To what extent does the SBL Program duplicate or complement other programs (e.g., other programs offered by the federal government/agencies, the private sector, provincial governments)?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • number of programs with similar objectives • extent to which other loan programs target the same users as the SBL Program • number of programs with similar eligibility criteria • extent to which the SBL Program meets any financing gaps 	<ul style="list-style-type: none"> • Literature and document review (e.g., May 1998 Conference Board of Canada study) • Interviews with federal government, provincial and private sector representatives, and associations • Review of other loan programs 	<ul style="list-style-type: none"> • number and value of SBL loans and other loans made to small businesses under other programs by: purpose of loan (e.g., premise alterations, land, equipment), sector (e.g., traditional, knowledge-based), borrower profile (e.g., business age, revenues, owner's age) and region <p>Gaps</p> <ul style="list-style-type: none"> • data on other loan programs



Potential Evaluation Issues and Questions	Performance Indicators	Research Methods and Sources of Information/Challenges	Data Collection Requirements/Gaps
Issue 4: Alternatives - Are there alternative ways of achieving the Program's objective?			
<p>4.1 Is there still a need for the federal government to be involved in the SBL Program? Should another entity play a role in the management of the Program?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • extent to which the SBL Program is expected to be viable in the absence of federal government involvement in the management of the Program 	<ul style="list-style-type: none"> • Interviews with federal government representatives, associations and lenders • Document and literature review (e.g., March 1996 Norton Report) • Review of other loan programs 	
<p>4.2 Are there alternative ways of delivering the SBL Program to better meet its objective?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • feasibility of SBL Program delivery options 	<ul style="list-style-type: none"> • Interviews with federal government representatives, associations and lenders • Document and literature review (e.g., March 1996 Norton Report) • Review of other loan programs 	
Issue 5: Other - What have been the effects of program changes on the performance of the Small Business Loan Program?			
<p>5.1 To what extent have program changes impacted SBL Program uptake?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • extent to which the number of Program loans have increased/decreased following any changes made to the Program 	<ul style="list-style-type: none"> • SBLA databases 	<ul style="list-style-type: none"> • number and value of SBL loans
<p>5.2 What have been the other impacts of the changes made to the Program?</p> <p>Priority: Medium</p>	<ul style="list-style-type: none"> • perceived impacts of Program changes 	<ul style="list-style-type: none"> • Interviews with federal government representatives, associations and lenders 	



Appendix F

Case Study - Draft Outline



Appendix F - Case Study - Draft Outline

Background/Company Profile

- industry
- number of years in business
- markets
- etc.

Financing Needs

- where are activities concentrated
- need for capital versus non-capital assets
- how could needs have been better met
- etc.

Financing History

- sources of financing used in the past
- rejections before obtaining SBL loan
- etc.

Employment Information

- number of employees
- estimated number of jobs created which can be attributed to getting an SBL loan
- estimated number of jobs maintained which can be attributed to getting an SBL loan
- estimated number of jobs displaced which can be attributed to getting an SBL loan
- etc.

Business Performance Information

- estimated impacts of SBL loans on factors such as: productivity, production costs, exports, sales and profits, etc.

Conclusions

- any conclusions regarding the extent to which SBL Loans met the actual needs of the business, the extent to which the loan may have been incremental, and the impacts of the loan on job creation/maintenance/displacement and business performance
- etc.



