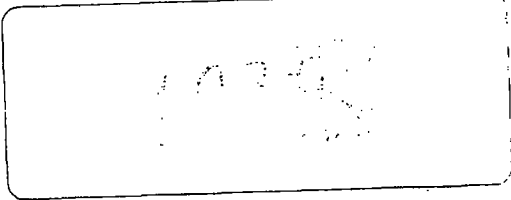


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Core Program
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(CSBFA)

Prepared by
Industry Canada

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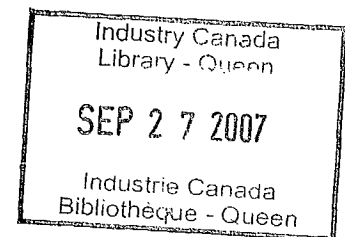
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Introduction

Background

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

Unlike other government programs, most delivery and credit decisions are made by private sector participants. The CSBF program is delivered by a network of around 1 700 private sector lenders. During its first three years in operation, the CSBFA has provided 42 583 loans worth approximately \$3.4 billion.

In 1998, a comprehensive review of the SBLA was conducted and the results led to the new CSBFA, which introduced changes to ensure that the program remains relevant to the needs of small businesses and can be financially self-sustaining with an improved administrative accountability framework.

The CSBFA also provides for the establishment and operation of a five-year pilot project to test the feasibility of extending the CSBF program to capital leasing. A separate evaluation framework was designed and has been implemented for this pilot project.

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

An RMAF has been developed to:

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

This RMAF will:

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

Section 1. Profile of the CSBFA Core Program

1.1 Origin and Rationale

The CSBF program is a statutory, loan loss-sharing program between the government and participating lenders that facilitates access to financing for SMEs. It is the product of the 1998 Comprehensive Review of the SBLA that was undertaken to ensure the program: 1) continued to meet real SME needs; 2) was operating on a cost recovery basis (see 1.2 for a definition of cost-recovery) within the context of a risk-sharing model; and 3) had an appropriate evaluation and reporting framework. Other issues, including the expansion of the program to cover capital leasing, were also examined.

1.2 Objectives and Outcomes

There are two key objectives set out for the CSBF program.

The program objective is:

- **Incrementality** - i.e. that the loans made under the core program would not have been made in the absence of it or would have been made under less favourable terms (relating to maturity, interest rate and repayment conditions) for the SME; and

The financial objective is:

- **Cost recovery** - i.e. that the program be self-sustaining (revenue neutral). User fees (registration and annual administration fees paid by borrowers) will cover claims payments (made to lenders on loan defaults) over the life of the loans. Although there are significant time lags between the receipt of revenues and the payment of claims, they are expected to be in balance over a period of roughly 10 years. Cost-recovery does not include administrative costs (e.g. operational costs of the Small Business Loans Administration) which are absorbed by Industry Canada.

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

- **strengthening of partnership with lenders;**
- **increased awareness among lenders** of the existence of the program as an additional financing product they can offer to SME clients;

- **take-up by lenders;**
- **increased awareness among SMEs** of the existence of the program as one of the financing tools available to them; and
- **effective and transparent administration** of the program.

Given the preceding objectives, the program's final outcome is to **increase opportunities for investments by SMEs through improved access to asset-based debt financing**. This will contribute to Industry Canada's strategic objective to improve Canada's position as a preferred location for domestic and foreign investment.

1.3 Roles and Responsibilities

1.3.1 Context

The CSBF loan loss-sharing program, is a statutory program and, as such, has very few equivalents in government. Whereas most government programs see credit decisions being made by program managers who, thereby, manage the risk and the size of the program, this is not the case with the CSBF program. It is delivered by third parties - the lenders, who make all the credit decisions and register loans with Industry Canada. Industry Canada does not directly control the size (except inasmuch as it has an overall cap on the size of the program - maximum contingent liability¹ of \$1.5 billion for each five-year period) or the risk of the loan portfolio.

As such, it is important to clarify the roles and responsibilities of Industry Canada and of the participating lenders, as agents delivering the program.

1.3.2 Roles and Responsibilities of Key Players

Industry Canada

Industry Canada is responsible for:

- the design of the program, including conducting research and consultations with stakeholders, determining the parameters and establishing regulations;

¹ The government's contingent liability under the program is the maximum amount of money that the government may be called upon to pay lenders if all CSBF loans were to default simultaneously without repayments, recoveries from guarantees or sales of assets.

- the implementation of the program, including developing the guidelines for the interpretation of the regulations, self-learning tools for lenders, as well as awareness building campaigns and marketing products for lenders and SMEs;
- the administration of the program, including:
 - development of the lenders' designation policy including approving and designating organizations as lenders under the program;
 - developing and providing all the necessary information and training materials to approved and designated lenders;
 - receiving and administering loan registrations, as well as collecting fee revenues that will be deposited in the Consolidated Revenue Fund (CRF);
 - evaluating lenders' claims for losses on defaulted loans, including desk-audits of each claim submitted;
 - ensuring lenders' compliance with the Act and regulations, including possibly conducting an audit or examination of any lenders' documents, records and books of account; and
 - paying/adjusting or rejecting claims for losses; and
- the monitoring and evaluation of the program, including collecting and analysing data, implementing surveys and research and refining the forecasting model and, making any recommendations for changes (The purpose of the forecasting model is to capture the actual claims paid in each fiscal year, relative to the fiscal year in which the original loan was made, to establish historical claim percentages. Future claim percentages are determined by using the trend of the historical data.)

Participating Lenders

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

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

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

1.3.3 Accountability

Given the context and these roles and responsibilities, Industry Canada, through the Small Business Policy Branch and Small Business Loans Administration, is accountable for the following elements of the development, implementation and administration of the CSBF program. Although these activities are presented below with one or the other responsibility centre as lead, a high level of collaboration and consultation exists between the two groups to ensure consistency and effectiveness.

Small Business Policy Branch (SBPB) is accountable for:

- conducting research and surveys;
- program design (including pilot projects) and regulations;
- conducting consultations with stakeholders;
- communication with SMEs and business associations;
- development of the lenders' designation policy
- providing analysis and policy recommendations to the Minister related to the on-going performance of the program, based on data collected by the SBLA;
- evaluating the performance of the program every five years (summative evaluation) and making recommendations for any changes;
- reporting to Parliament on the evaluation activities; and
- recommending any necessary changes to the Act or regulations

Small Business Loans Administration (SBLA) is accountable for:

- developing the systems required for the administration of the program;
- approving and designating organizations as lenders under the program;
- implementing the program, including developing the guidelines and training materials for lenders;
- communication with the lending industry and participating lenders;
- registering loans;
- collecting fees;
- auditing and paying claims for losses;
- collecting and analysing data on loans, lenders and borrowers;

- developing and refining the cost-recovery forecasting model;
- providing data for and participating in the evaluations of the program;
- reporting on program activities and results through:
 - internal reports and information reports to lenders;
 - Reports on Plans and Priorities (RPP);
 - Departmental Performance Reports (DPR);
 - Main and Supplementary Estimates;
 - Annual Reports;
 - Public Accounts; and
- participating in reporting to Parliament on evaluation activities.

1.4 Beneficiaries, Agents and Stakeholders

1.4.1 Beneficiaries

The beneficiaries of the CSBF program are for-profit small businesses operating in Canada with less than \$5 million in annual gross revenue. Not-for profit, charitable or religious organizations and farming businesses are excluded from the program. The beneficiaries have not altered from the SBL program.

Profile of CSBF beneficiaries

The current profile of CSBF borrowers according to the 2001/2002 Annual Report is:

- *young* — small businesses just starting up received approximately half of the number and value of loans made;
- *small* — a significant majority of all CSBF borrowers receiving loans had annual revenues of less than \$1,000,000;
- *seeking small amounts* — average overall loan size was \$82,134;
- *key sectors (by value of loans)* — accommodation, food services and drinking places, retail trade, manufacturing, transportation and warehousing.

1.4.2 Agents

The lenders approved or designated under the program, are Industry Canada's direct agents for this program.

1.4.3 Stakeholders

Stakeholders are key in the continuing development and implementation of the program.

Stakeholders with a direct interest in the program include:

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

1.6 Program Design

This section summarizes the key parameters of the program and how it operates. The key requirements of the program are provided in detail in Appendix A. These are also defined in the regulations.

The CSBF program operates under the following major parameters:

- Purpose of loan: CSBF loans are made to finance the purchase or improvement of equipment and real property, leasehold improvements, software and registration fees.
- Percentage financed: The maximum amount eligible for CSBF financing is 90 percent of the cost of the assets.
- Maximum loan size: The total value of amounts outstanding (including those amounts under the capital leasing pilot project) at any time is \$250 000 per borrower.
- Length of term: The maximum term of any loan is 10 years from the date the first principal payment is scheduled.

- Loan loss sharing ratio: The government is responsible for 85 percent of eligible losses on loans in default (after recoveries on security and guarantees), and lenders are responsible for the remaining 15 percent.
- Maximum government liability: For each five-year period, the Minister's liability in favour of all lenders accumulates up to a maximum aggregate of \$1.5 billion. For each lender the aggregate liability of the Minister is calculated as follows:
 - (a) 90% of the first \$250,000 of the total loans registered in that period;
 - (b) 50% of an additional \$250,000 of the total loans registered in that period; and
 - (c) 10% of the total amount of loans registered in excess of \$500,000 indicated in (a) and (b) above.

The Minister's liability in favour of a lender represents the "funds" from which the Administration reimburses the lender 85% of the eligible loss of each loan for which a claim is paid.

- Fees: A one-time up-front fee of 2 percent of the value of the loan is required to be paid (to the Government) by the borrower at the time of loan registration. This fee may be financed under the program. In addition, an annual administration fee of 1.25 percent of the end-of-month outstanding balance of the loans is paid by the lender (to the Government) on a quarterly basis. The lender may include this cost in the interest rate charged on the loan.
- Maximum interest rate: Lenders may not charge interest in excess of 3 percent above the prime lending rate for floating rate loans, or the appropriate residential mortgage rate for fixed rate loans.

See Appendix B for a detailed chart providing a comparison of the major program differences between the CSBF and SBL programs.

While the CSBF program's major parameters closely parallel those of the SBL program, a number of improvements were made to streamline the program, consolidate the Act, and assist the program's ability to achieve its objective of cost recovery. In April 1995, the program was given the mandate to achieve cost recovery. This objective would be achieved if the revenues collected from registration and administration fees offset the claim payments on loans made over the life of the portfolio. This means that peaks in revenues and claims may be out of balance in any particular year, but would be roughly in balance over 10 years (the maximum repayment term). Significant changes included a number of provisions to

references or conducting a credit check on the borrower; and completing an assessment of the repayment ability of the borrower, taking into account all other financial obligations of the borrower. Due diligence must also continue throughout the administration and collection of the CSBF loan. The new Act also contains a provision for auditing a lender's loan files to assist in the monitoring of program compliance. Also, beginning in 2001, lenders are required to report individually on the status of each loan (including its outstanding balance) made under the CSBFA, to help Industry Canada better monitor the portfolio of CSBF loans.

1.7 Resources

1.7.1 Cost-Recovery

In 1995 (under the SBL program), Industry Canada was given a mandate to achieve cost recovery on loans made. This goal continues for the CSBF program which is intended to recover, through the user fee revenues (2 percent registration fee and the annual 1.25 percent administration fee), its claims costs over the life of the loans. Determining if the program is on track to meet its goal of cost recovery requires a method of forecasting the value of claims against flow of fees from existing and future loans - this is what is referred to as the "forecasting model".

In 1994, Goss Gilroy Inc., under contract to Industry Canada, presented a model that featured a forecast of future claims activity based on historical data. This model forecast was unstable because of the volatility of the base data used and changing program parameters. Furthermore, it became limited in its applicability with the introduction of administration fees in 1995/96. In response to recommendations by the Auditor General in 1997, further attempts have been made to develop a more accurate forecasting model. Independent consultants (Riding, Doran) refined the model. The conclusion from their work was that more data is needed, on a stable program base, to establish a forecasting model that can accurately predict current program performance. This new program will provide this stability.

1.7.2 Administrative Costs

It should be noted that administrative costs to Industry Canada (e.g. staff employed by SBLA) related to the operation of the program are not included in the cost-recovery model. These costs also include those related to ongoing data collection, additional research and the evaluation strategy which continue to be funded through Industry Canada's budget.

1.8 Planned Results and Final Outcome

Through the CSBF program, small businesses should be able to make better use of their limited capital to invest, innovate, enhance their businesses and grow. Through increased opportunities for investments by SMEs, the program will contribute to Industry Canada's strategic objective to **improve Canada's position as a preferred location for domestic and foreign investment.**

Section 2. Logic Model

2.1 Key Elements

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

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

A more detailed description of the elements follows.

2.1.1 Activities / Outputs

Activities are what program staff carry out in order to achieve objectives. Activities can include planning, communication, and service delivery. Activities typically result in costs due to use of staff or financial resources. These costs need to be broadly described as well as the activities performed.

Outputs are the deliverables, including products and services, resulting from activities, and are controlled by activities. They provide evidence that the activity did occur and can include presentations and advice produced without paper records, as well as documented reports, or other physical evidence that is preserved over time. Outputs are considered to flow from a program function to clients (borrowers), recipients and/or partners/stakeholders.

Activities and outputs should be placed into context when determining key priorities, which may be accomplished by examining both the needs/opportunities and the desired outcomes or results. This exercise may aid in determining which activities and outputs must occur to lay a foundation for results.

2.1.2 Immediate and Intermediate Outcomes

Immediate outcomes occur in the partners, beneficiaries (borrowers), and stakeholders and others directly reached and influenced by the CSBF program. Normally, immediate outcomes include the short-term effects on those who are directly affected by the program or policy such as changes in awareness. The intermediate outcomes follow logically and sequentially from the immediate outcomes. In many cases, they are second stage effects which result from the beneficiaries' or partner group's early behaviour change. They can include changes to those beneficiaries directly reached by the program or policy, as well as those influenced by the behaviour of program beneficiaries.

2.1.3 Final Outcomes

Finally, as the program or policy continues to make its influence felt over time, on a larger and larger group, the intermediate outcomes described above lead to final (end) outcomes. These outcomes, of a program or policy, occur at the far end of the results chain, following direct and intermediate outcomes after many years. These results are subject to many influences and factors and are at best only indirectly influenced by the activities and outputs of the program. Final outcomes are directly linked to the mandate or objectives set for the program. Final outcomes should also be conditioned by existing needs, opportunities or gaps. Existing conditions can include social, economic, political, technological and environmental conditions or states summarized as problems, gaps or opportunities.

2.2 Interpretation

It is important to note that, although the activities and outputs presented in the logic model are closely related to each other, the attribution of outputs and outcomes - immediate, intermediate and final, is more difficult to establish. As such, attribution has not been identified between intermediate and final outcomes presented in the logic model. There is, however, a chronological order (from top to bottom) under which the immediate and intermediate outcomes should normally occur. Section 3 deals with performance measurements of the outputs and outcomes presented in the logic model.

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

- ***Demand-Driven, Third-Party Delivered Program*** - Given that the program is delivered by the lenders, Industry Canada does not control the lenders' decision to participate in the program, nor the number of loans that they will register. As well, a downturn on the demand for loans by SMEs and/or behaviour changes from lenders with respect to SME financing could also impact on the effectiveness of the program to achieve its outcomes.
- ***Market Forces*** - Significant market forces and industry changes may have an impact on both the demand and supply of debt financing. As a result, and in addition to monitoring the performance of the program, Industry Canada will monitor the evolution of the debt financing market to evaluate its impacts on SME financing products and services and the ongoing need for the CSBF program. This will be done using the information that will be provided by the SME Financing Data Initiative, which is a comprehensive data collection and analysis initiative (partnered by Industry Canada, Statistics Canada and the Department of Finance) on the state of financing for all SMEs.
- ***Economic Factors*** - Industry Canada has little control over the impacts that any fluctuation of the economic growth may have on the program activities - a slowdown (i.e. recession) or increase in the economic growth may increase or decrease the program's activities and effectiveness and, as a result, impact on its outcomes. These will also be subject to monitoring and analysis.

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

Table 1: Logic Model for the CSBFA core program

OPERATIONS (HOW?)		BEHAVIOURAL CHANGE (WHAT?)		STATE (WHY?)
ACTIVITIES	OUTPUTS	IMMEDIATE OUTCOMES	INTERMEDIATE OUTCOMES	FINAL OUTCOMES
Establishment of 360 feedback mechanisms	Working groups, meeting reports, stakeholder correspondence, bulletins/notices to lenders	Increased knowledge of the program by lenders and SMEs, and of the lending industry by IC	Strengthening of Partnership with Lenders	Increased opportunities for investments by SMEs through improved access to debt-financing for SMEs
Program Design and Regulations	Act, Regulations, Guidelines, How-to-Guide, Systems			
Development and implementation of Awareness campaign and products	Marketing plans, Pamphlet for SMEs and lenders			
Development and implementation of Lender Designation Policy	Lender Designation Policy, Letter to lenders to inform them of Ministerial approval or designation decision	Lenders approved or designated	Awareness of Lenders and SMEs	
Evaluation of lenders' applications	Analysis and recommendations			
Receive, review registration documents and register loans	Loans registered and number sent to lenders	Program administered	Take-up by Lenders	
	Registration form data captured in database			
Collect, monitor and report on fees	Fee revenues deposited in CRF and published in Main Estimates	Increased information to lenders, SMEs, administrators, Parliamentarians and central agencies (from data capture)	Incrementality	
	Fees data captured in database			
Receive, evaluate & audit claims	Claim summary forms	Lenders claims evaluated and paid out	Effective & Transparent Administration	
Pay, adjust or reject claims	Claim payments & adjustments, Letter for claim rejections/ reductions and published in Main Estimates			
		Claims data captured in database		
Portfolio monitoring, collecting, analysing data, on-site audits, implementing surveys and refining forecasting model	Analysis & recommendations for changes	Implemented necessary changes to design and administration of program and forecasting model		
Development of reports, appearances before Committees	RPP, Main Estimates, DPR, Annual Reports, Public Accounts, other internal administrative reports and information reports to lenders	Increased information to administrators, lenders, SMEs and Parliamentarians		

Section 3. Performance Measurement Strategy

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

To develop a performance measurement strategy, the first step was to clearly identify the key pieces of information that need to be collected (i.e. the performance indicators) in order to determine the progress of the program toward the achievement of its final outcome as described in the logic model. More specifically, performance indicators needed to be identified which would show whether an output was produced or a specific outcome was achieved.

It is important to realise that ongoing performance measurement does not address the issues of how an outcome was achieved or why a strategic outcome was or was not realised. Explanations of how or why outcomes were achieved comes from evaluation which is discussed in greater detail in a later section of this report.

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

- if an output was a type of document, one indicator that would demonstrate that the output had been produced would simply be the number of documents produced (since some may consider this more a quantitative activity measure as opposed to a true performance indicator, it is indicated accordingly on the table that follows).
- if an immediate outcome was increased knowledge of the program within a target group (SMEs), an indicator would be the actual level of knowledge among members of this target group.

Two types of indicators can also be differentiated:

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

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

Furthermore, performance indicators can be quantitative or qualitative. Quantitative indicators are statistical measures such as number and percentile. Qualitative indicators are judgement and perception measures. It is a myth that information collected on quantitative indicators is inherently more objective than that collected on qualitative indicators. Both can be either more or less objective or subjective depending on whether or not the principles of research have been rigorously applied in the data collection and analysis process.

Further criteria needs to be considered in selecting each indicator. These are:

Validity - Does it measure the result?

Reliability - Is it a consistent measure over time?

Sensitivity - When the result changes will it be sensitive to those changes?

Simplicity - Will it be easy to collect and analyse the information?

Utility - Will the information be useful for decision-making and learning?

Affordability - Can the program afford to collect the information? At what frequency?

Table 2 on the following pages outlines Industry Canada's plan for the ongoing, formative and summative measurement of performance, including the identification of:

- activity measures for the outputs presented in the logic model (Table 1);
- performance indicators (quantitative and qualitative) for the outcomes presented in the logic model; and
- a measurement strategy describing how these activities and indicators will be collected, how often and who is responsible for the collection.

As outlined in the logic model, the outputs are the deliverables, including products and services, resulting from activities and leading to the achievement of the expected outcomes (immediate, intermediate and final). As such, performance measurement for these outputs are mostly quantitative activity measures, as opposed to qualitative and quantitative performance indicators. However, some qualitative measures have been identified to collect early feedback from stakeholders on the effectiveness of some of these outputs. As we move to immediate, intermediate and final outcomes, the performance measurement strategy clearly identifies and focuses on qualitative performance indicators.

Table 2: Performance Measurement Strategy

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
	OUTPUTS					
1	Working groups, meeting reports, stakeholder correspondence, bulletin/notice to lenders (See #12)	• number and frequency of meetings	• minutes and correspondence (lender bulletin database)	SBPB/SBLA	✓	
		• level of working groups	• stakeholder feedback (informal discussions)	SBPB/SBLA	✓	✓
		• number of documents produced	• internal tracking	SBPB/SBLA	✓	
		• opinion/views re effectiveness and usefulness of meetings and reports	• stakeholder feedback (informal discussions)	SBPB/SBLA		✓
2	Regulations, Guidelines, How-to-Guide, Systems (See #12)	• number of documents distributed/requested	• internal tracking of documents distributed/calls to info-line and visits to website	SBLA	✓	
		• quality of information provided on registration and claim forms • number of registrations/claims rejected or returned for more information	• internal tracking	SBLA	✓	
		• clarifications of guidelines through information bulletins	• internal tracking • lenders feedback (informal discussions)	SBLA	✓	✓
		• number of proposed modifications to regulations	• internal tracking • lenders feedback (informal discussions)	SBPB/SBLA	✓	✓

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
		<ul style="list-style-type: none"> number of modifications to system 	<ul style="list-style-type: none"> internal tracking lenders feedback (informal discussions) 	SBLA	✓	✓
		<ul style="list-style-type: none"> opinion/views of users re quality of regulations and guidelines 	<ul style="list-style-type: none"> lenders feedback (informal discussions and/or mini-survey) 	SBPB/SBLA		✓
3	Marketing plans, pamphlet for SMEs,(See #12)	<ul style="list-style-type: none"> number, type, firm-size of SME reached (info distributed/requested) 	<ul style="list-style-type: none"> SME distribution list 	SBPB	✓	
		<ul style="list-style-type: none"> level of awareness of SMEs and lenders 	<ul style="list-style-type: none"> stakeholders feedback (informal discussions and/or mini-survey) SME awareness survey (e.g. survey of CSBF and non-CSBF borrowers) 	SBPB/SBLA		✓
4	Lender Designation Policy, letter to lenders to inform them of Ministerial approval or designation decision (See #14)	<ul style="list-style-type: none"> number of requests for additional information 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> number, type, size of lender approved or designated 	<ul style="list-style-type: none"> CSBF database 	SBLA		✓
		<ul style="list-style-type: none"> level of satisfaction with decisions and process (e.g. extent to which applicant lenders (approved and rejected) are satisfied with process, processing time, decisions, etc.) 	<ul style="list-style-type: none"> lenders feedback (informal discussions) 	SBLA		✓
5	Framework and recommendations	<ul style="list-style-type: none"> processing time of approval or designation (e.g. no. days between reception of applications and letter sent to lenders) 	<ul style="list-style-type: none"> internal tracking 	SBLA		✓

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
		<ul style="list-style-type: none"> number of recommendations for designation (compared to applications received) 	<ul style="list-style-type: none"> internal tracking 	SBLA	✓	
		<ul style="list-style-type: none"> level of satisfaction within IC and by lenders 	<ul style="list-style-type: none"> lenders feedback informal discussions 	SBLA		✓
6	Registered loans and registration number sent to lenders (See #14)	<ul style="list-style-type: none"> number of registrations received: (by lender and by borrowers by firm size, age, sector and amount of loan) 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> processing time (e.g. no. days between the reception of the registration form and the mailing of the registration number) 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> level of satisfaction with process (e.g. extent to which lenders are satisfied with registration forms, processing time, etc.) 	<ul style="list-style-type: none"> lenders feedback (informal discussions and/or mini-survey) 	SBLA		✓
7	Fee revenues deposited in consolidated revenue fund and published in Main Estimates (See #14)	<ul style="list-style-type: none"> aggregate revenues firm-level revenues (by sector) 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> accuracy of forecasts (e.g. extent to which the forecasts are comparable with actual results) 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
8	Claim summary forms (See #12)	<ul style="list-style-type: none"> number of claims processed (by lender, by borrower by: firm size, age, sector and loan size) reason for default time to default processing time 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> level of satisfaction with process (e.g. extent to which lenders are satisfied with claim forms, processing time, etc.) 	<ul style="list-style-type: none"> lenders feedback (informal discussions and survey) 	SBLA		✓
9	Claim payments and adjustments, letter for claim rejections/reductions, and published in Main Estimates (See #12)	<ul style="list-style-type: none"> aggregate claims expenditures (by lender and by borrower by: firm size, age, sector and loan size) data on borrower by: firm size, age, sector and loan size) processing time accuracy of forecasts errors on claims forms 	<ul style="list-style-type: none"> CSBF database 	SBLA	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ 	
		<ul style="list-style-type: none"> level of satisfaction with process (e.g. extent to which lenders are satisfied with claim forms, processing time, payments, etc.) 	<ul style="list-style-type: none"> stakeholders feedback (informal discussions and survey) 	SBLA/SBPB		✓

	Element	Activity Measure	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
1 0	Analysis and recommendat ions for changes (See #15)	• (refining)accuracy of forecasting model	• table of actual vs. forecasted (claims)	SBLA	✓	✓
		• degree to which analysis & recommendations solved problems	• track issues raised, responses and impact	SBLA/SBPB	✓	✓
		• level of satisfaction of loans and claims (administrative) processes and responses to queries and complaints	• internal and stakeholders feedback (informal discussions and/or mini-survey and/or survey)	SBLA/SBPB		✓
1 1	RPP, Main Estimates, Dept. Perf. Report, Public Accounts, Annual Reports, Other reports (See #15)	• frequency of reporting	• SBLA database	SBLA		✓
		• quality of input into departmental reports	• stakeholder discussions	SBLA/SBPB		✓
		• level of satisfaction of stakeholders re quality and usefulness of internal and annual reports	• stakeholders feedback/mini- survey on internal and annual report • analysis of ongoing use of internal and annual reports	SBLA/SBPB		✓ ✓

	Element	Performance Indicator	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
	IMMEDIATE OUTCOMES					
12	Increased knowledge of the program by lenders and SMEs, and the debt financing industry by IC (See #1,2,3,8)	<ul style="list-style-type: none"> level of awareness of stakeholders (e.g. nb. of SMEs and lenders aware of the CSBF program) level of satisfaction with and effective use of guidelines, how-to-guide level of awareness of debt financing industry by IC 	<ul style="list-style-type: none"> survey of lenders and SMEs discussion/ correspondence/ consultation with lenders and internally departmental reports/research 	SBPB/SBLA		<ul style="list-style-type: none"> ✓ ✓
13	Lenders approved or designated (See #4,5)	<ul style="list-style-type: none"> number of lenders approved or designated 	<ul style="list-style-type: none"> CSBF database 	SBLA	✓	
		<ul style="list-style-type: none"> level of awareness of lenders of the requirements for designation (e.g. nb. of lenders aware of the requirements and quality of documents received) 	<ul style="list-style-type: none"> internal tracking 	SBLA		✓
		<ul style="list-style-type: none"> level of satisfaction of stakeholders with the process (e.g. extent to which lenders are satisfied with application process, requirements, processing time, etc.) 	<ul style="list-style-type: none"> internal tracking 	SBLA		✓
14	Increased information to lenders, SMEs, administrators, Parliamentarians and central agencies (See #6,7)	<ul style="list-style-type: none"> number of documents produced/ distributed number of calls to info-line number of e-mails number of website visits 	<ul style="list-style-type: none"> internal tracking of documents/docket statistics CBSC/info-line statistics e-mail statistics website statistics 	SBLA	<ul style="list-style-type: none"> ✓ ✓ ✓ ✓ 	

	Element	Performance Indicator	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
		<ul style="list-style-type: none"> level of awareness of stakeholders (e.g. nb. of stakeholders, SMEs and lessors aware of the CSBF program) 	<ul style="list-style-type: none"> survey of lenders survey of SMEs 	SBPB/SBLA SBPB		<ul style="list-style-type: none"> ✓ ✓
15	Implemented necessary changes to design and administration of program and forecasting model (See #10)	<ul style="list-style-type: none"> the extent to which information collected is effectively being used for modifying the design, administration and forecasting model 	<ul style="list-style-type: none"> internal tracking of changes to design and administration 	SBLA		<ul style="list-style-type: none"> ✓
	INTERMEDIATE OUTCOMES					
16	Strengthening of Partnership with Lenders	<ul style="list-style-type: none"> opinion and level of satisfaction of lenders 	<ul style="list-style-type: none"> survey of lenders 	SBPB/SBLA		<ul style="list-style-type: none"> ✓
17	Awareness of Lenders and SMEs	<ul style="list-style-type: none"> level of awareness of SMEs and lenders (e.g. nb. of SMEs and lenders aware of the program) 	<ul style="list-style-type: none"> survey of lenders survey of SMEs 	SBPB/SBLA SBPB		<ul style="list-style-type: none"> ✓ ✓
18	Take-up by Lenders	<ul style="list-style-type: none"> number of lenders approved or designated number of CSBF loans registered 	<ul style="list-style-type: none"> lender database CSBF database 	SBLA	<ul style="list-style-type: none"> ✓ ✓ 	
19	Incrementality	<ul style="list-style-type: none"> proportion of CSBF loans that are fully, partially and not incremental 	<ul style="list-style-type: none"> research report 	SBPB		<ul style="list-style-type: none"> ✓
20	Cost-Recovery	<ul style="list-style-type: none"> revenues to costs/forecasting model 	<ul style="list-style-type: none"> CSBF database 	SBLA	<ul style="list-style-type: none"> ✓ 	<ul style="list-style-type: none"> ✓
21	Effective and Transparent Administration	<ul style="list-style-type: none"> level of satisfaction of stakeholders level of awareness (e.g. nb. of lenders aware of guidelines) 	<ul style="list-style-type: none"> survey of lenders (those using program) mini-survey of lenders* 	SBPB/SBLA SBPB/SBLA		<ul style="list-style-type: none"> ✓

	Element	Performance Indicator	Data Source/ Collection method	Responsibility	Timing & Frequency of Measurement	
					Ongoing (Annual)	Summative (Final)
	FINAL OUTCOMES					
22	Improved Access to Debt Financing by SMEs	<ul style="list-style-type: none"> • number of loans registered to SMEs • profile of SMEs that benefited from the program 	<ul style="list-style-type: none"> • CSBF database • research report 	SBLA SBPB	✓	✓

* A mini-survey is conducted when the intention is to use a limited number of participants to obtain detailed qualitative feedback (opinions) which is not usually obtainable on a more large scale survey due to cost restrictions and response burden to participants.

Section 4. Evaluation Strategy

A key component in a results-based framework which is to meet current Treasury Board requirements is the development of an evaluation strategy for the program. This first step in developing such a strategy involves identifying the issues and associated questions that need to be addressed during periodic evaluations.

A key benefit to the identification of issues at this stage is that these are then used to elaborate a set of data requirements and data collection strategies, which on implementation, helps to ensure that information necessary for evaluation is available when it is needed. As such, the evaluation strategy needs to be linked to the ongoing performance measurement strategy as some evaluation data requirements will be met through ongoing performance measurement activities.

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

4.1 Evaluation Items

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

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

Relevance then, looks at the rationale and ongoing need of an initiative. Success or progress concerns the extent to which the outcomes presented in the logic model have been achieved. Cost-effectiveness (not to be confused with cost recovery) is tied to relating resources expended to performance in terms of outputs and results.

The key items that should be considered in evaluating the CSBF program are identified below according to TBS's issue typology.

4.1.1 Rationale - *Is there an ongoing need to facilitate access to asset-based debt financing to the target group?*

- Is there a need for the CSBF program among SMEs?
- To what extent is the CSBF program meeting the actual financing needs of SMEs?
- Is there a continuing need for the federal government to be involved in a loan loss-sharing program for SMEs? Are there other similar programs (federal and/or provincial) that target the same users? Does the program continue to be consistent with departmental and government-wide priorities?

4.1.2 Objectives Achievement / Impacts and Effects - *to what extent has the CSBF program achieved its intended objectives? What have been the impacts, both intended and unintended, of the CSBF program?*

- To what extent were the loans made under the program incremental?²
- To what extent is the program cost-recoverable? Given activities and evidence of claims, does the forecasting model suggest that cost recovery can be achieved?
- Has the program strengthened the partnership with lenders?
- To what extent are lenders aware of the program? To what extent have lenders participated in the program?
- To what extent are SMEs (borrowers and non-borrowers) aware of the CSBF program?
- To what extent are CSBF borrowers aware that their loans are part of a loan loss-sharing program with the federal government?
- Are the guidelines, How to Guide, Act and regulations understood by lenders?

² Incrementality has been defined under the CSBFA as follows:

- Provides credit where otherwise credit might not be granted;
- Provides for a loan on more favourable terms (maturity, interest rate, governance) than would otherwise have been granted;
- Provides for credit on a more timely basis than otherwise;
- Facilitated or initiated the working relationship between a business borrower and a lending institution; or
- Provided for a broader financing package than would otherwise have been available.

- Has the CSBF program had an impact on participating lenders' loan practices?
- What impact has the CSBF program had on job creation? Job displacement? Job upgrading? Job maintenance?
- What has been the impact of the program on sustainable development and on the environment? For example, have the loans been used to purchase equipment that is more environmentally friendly or have they been used to purchase/recycle used equipment?

4.1.3 Cost Effectiveness/ Alternatives - *Is the CSBF program well designed and implemented, or are there significant modifications which need to be made to increase its efficiency and effectiveness?*

- Are there alternative ways of delivering the CSBF program to better meet its objectives?
- Are the human, system and financial resources used to deliver the CSBF program being used effectively to deliver the initiatives and to achieve its objectives? (Are there major resource gaps or redundancies?)

4.2 Data Requirements

In accordance with best practices, the proposed evaluation strategy for the future summative evaluation of the CSBF program involves the use of multiple lines of evidence and complementary research methods. The suggested methods make use of the on-going monitoring and evaluation system as well as a number of additional methodologies. The three primary sources of data requirements are administrative, primary and secondary data.

4.2.1 Administrative Data

At the time of an evaluation, the data collected in the context of on-going performance measurement would be reviewed and analyzed as it relates to various evaluation questions or items. This would include:

- internal databases (e.g., SBLA database, lenders database);
- documents (e.g., planning documents, reports of special studies, etc.); and
- project files.

4.2.2 Primary Data Collection

Primary data will need to be collected to obtain information not available through existing sources. These could include:

- interviews with program staff and managers;
- interviews with other Industry Canada staff and managers
- interviews with stakeholders;
- survey of SMEs/borrowers; and
- survey of lenders.

4.2.3 Secondary Data Collection

For some of the evaluation items identified in the previous section, secondary data may be available to provide credible information on trends, points of comparison, etc. This will include data from the Financing Data Initiative but may also include other data from Statistics Canada, information available through industry associations, or others.

4.2.4 Linkage of Evaluation Items to Data Requirements

The table 3 below summarizes the proposed data collection methods by evaluation item or question. Also indicated in the table is the proposed timing for each evaluation item (e.g., covered in the ongoing monitoring and/or summative evaluation).

Table 3: Evaluation Strategy

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
Rationale	Is there a need for the CSBF program?	<ul style="list-style-type: none"> extent to which SMEs identify financing as an issue of concern extent to which the CSBF program meets any financing gaps of SMEs 	FDI Surveys (demand and supply-side, gap analysis study) CSBF database (profile of borrowers) Survey of SMEs/ borrowers	SBPB SBLA SBPB	Final Evaluation
	To what extent is the CSBF program meeting the actual financing needs of SMEs?	<ul style="list-style-type: none"> extent to which the CSBF program provides the level of financing needed by SMEs (potential participants vs. actual participants) extent of gap between the types of loans needed by SMEs and the loan parameters under the CSBF program 	FDI Surveys (demand and supply-side, gap analysis study) CSBF database (profile of borrowers) Survey of SMEs/ borrowers	SBPB SBLA SBPB	Final Evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
	Is there a continuing need for the federal government to be involved in a loan loss-sharing program for SMEs?	<ul style="list-style-type: none"> • extent to which the CSBF program is expected to be viable in the absence of federal government involvement in the management of the program • extent to which program is consistent with government-wide and departmental priorities • extent to which other loan programs target the same users as the CSBF program 	<p>Interviews with federal government and provincial government representatives/research report</p> <p>Interviews with federal government and provincial government representatives/research report</p> <p>Document and literature review</p>	<p>SBPB</p> <p>SBPB</p> <p>SBPB</p>	Final Evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
Objectives achievement/Impacts & Effects	To what extent were the loans made under the program incremental?	<ul style="list-style-type: none"> proportion of CSBF loans that are fully, partially or not incremental 	<ul style="list-style-type: none"> research report on incrementality/ survey of borrowers CSBF database FDI surveys 	SBPB SBLA SBPB	Final Evaluation
	To what extent is the CSBF program cost-recoverable?	<ul style="list-style-type: none"> revenues to costs/forecasting model 	CBSF database	SBLA	Ongoing and Final Evaluation
	Has the CSBF program strengthened the partnership with lenders?	<ul style="list-style-type: none"> opinion and level of satisfaction of lenders 	survey of lenders	SBLA	Final Evaluation
	To what extent are lenders aware of the CSBF program?	<ul style="list-style-type: none"> level of awareness of lenders 	survey of lenders	SBLA	Ongoing and Final Evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
	Are the guidelines, How to Guide, Act and regulations understood by lenders?	<ul style="list-style-type: none"> level of related calls to info-line level of claims rejected due to misapplication perceptions regarding level of lenders' understanding 	<p>internal tracking</p> <p>CSBF data base (#claims rejected by reason)</p> <p>Interviews with IC representatives</p>	SBLA	Ongoing and final evaluation
	Has the CSBF program had an impact on participating lenders' loan practices?	<ul style="list-style-type: none"> perceived impact on participating lenders loan practices 	survey of lenders	SBLA	Final Evaluation
	What impact has the CSBF program had on job creation? Job displacement? Job improvement? Job maintenance?	<ul style="list-style-type: none"> extent to which CSBF borrowers create, maintain, displace or improve jobs 	<p>registration form</p> <p>survey of borrowers</p>	SBLA SBPB	Ongoing and Final Evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
	What has been the impact of the program on sustainable development and on the environment?	<ul style="list-style-type: none"> ■ extent to which CSBF borrowers enhance sustainability through their use of the loan proceeds 	Survey of borrowers	SBPB	Final evaluation
Cost effectiveness/ Alternatives	Are there alternative ways of delivering the CSBF program to better meet its objectives (i.e. cost recovery and incrementality)?	<ul style="list-style-type: none"> ■ feasibility of other CSBF program delivery options 	research report/document and literature review Interviews with federal government representatives	SBPB SBPB	Final evaluation

Evaluation Issues	Evaluation Questions	Indicator	Data Source/Collection Method	Responsibility for Collection	Timing/Frequency of Measurement
	<p>Are the human, system and financial resources used to deliver the CSBF program being used effectively to achieve its objectives?</p>	<ul style="list-style-type: none"> ■ extent to which CSBF loans are registered and claims are processed in an efficient and cost-effective manner by the SBL Administration ■ comparison of program management costs for other similar programs 	<p>CSBF database</p> <p>Research report Interviews with government representatives</p>	<p>SBLA</p> <p>SBPB</p>	<p>Ongoing and Final evaluation</p>

4.3 Data Collection Strategy

4.3.1 Costing

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

Table 4: Evaluation Costs (outstanding)

Evaluation Costs by Methodology	
Methodology	Estimated Cost per Evaluation Study
Administrative Data	
Analysis of data available through internal databases**	\$10,000 to \$20,000
Review of documents**	\$5,000
Primary Data Collection	
Interviews with OGD staff**	\$5,000
Interviews with other IC staff**	\$5,000
Interviews with stakeholders**	\$10,000
Incrementality study (including document and literature review if required)**	\$55,000
Survey of SMEs/borrowers (follow-up Awareness Study, needs study, follow-up employment impact study)**	\$40,000 to \$60,000
Survey of lenders (impact on loan practices, awareness, strengthening of partnership, understanding of guidelines, level of satisfaction with administration)**	\$20,000 to \$40,000
Document and literature reviews (need for government involvement, program delivery alternatives)**	\$20,000 to \$40,000
Secondary Data Collection	
Obtain and review secondary data **	\$10,000 to \$20,000
Project Management/Reporting	
Project management/Steering Committee Meetings	\$5,000 to \$10,000
Analysis/report writing/presentation of results **	\$20,000 to \$40,000
Total	
Total cost of evaluation *	\$205,000 to \$315,00

* The 2002 CSBFA Loans Decline Study, 1995-1998 Loan Defaults and Cost of Claims Study, 2002 CSBFA Employment Impacts Study and CSBFA Success Stories ("Lending a Hand") have been completed and are not included in this figure.

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

These are approximate costs at time of writing this framework.

4.3.2 Timing

A summative (final) evaluation is planned for the CSBF program in 2004-2005 as per legislative requirements. In addition, this will coincide with the formative evaluation of the capital leasing pilot project and will examine early impact and outcome data.

Section 5. Reporting Strategy

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

- The Small Business Policy Branch (SBPB) will report annually on progress achieved during the previous year according to the measurement strategy identified in this document for inclusion in the Departmental Performance Report. Performance information will also be provided in the form of a progress report to other agencies participating in this program.
- A mid-term progress report, to be available in 2002-2003 will be submitted to the Assistant Deputy Ministers of the Operations and Policy Sectors, and the Department's Audit and Evaluation Committee.
- The summative evaluation report, to be available in 2004-2005 (within twelve months of March 31, 2004), will be submitted to the Department's Audit and Evaluation Committee. The full evaluation report will be a public document and, as such, also available to anyone upon request.

Table 5: Performance Reporting Strategy

Performance Reporting Strategy							
Measurement Activity	Products	1999-2000	2000-01	2001-02	2002-03	2e+05	2004-05
Ongoing Performance Measurement	CSBFA Annual Report						
	Main Estimates	✓	✓	✓	✓	✓	✓
	DPR						
	RPP						
Mid-term Progress Report	Progress Report				✓		
	Executive Summary						
Summative Evaluation	Evaluation Report						✓
	Executive Summary						

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

Section 6. Implementation and Review

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

Table 6: Implementation and Review Strategy

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

The results of these periodic reviews and reports will provide an opportunity to answer whether the RMAF is proceeding as intended and whether it is producing useful information and will be used by managers to make the necessary adjustments to the framework. These adjustments, if any, will be incorporated into the reporting strategy outlined in Section 5.

Appendix A. Summary Table of CSBFA Core Program Parameters

Parameter	Description
Eligible Small Businesses	For-profit enterprises carried on or about to be carried on in Canada with annual gross revenues of \$5 million or less. Excludes agricultural businesses and charitable and religious organizations.
Cap on Claims	The Minister's liability is limited to the aggregate of: <ul style="list-style-type: none"> • 90% of first \$250 000 of loans in a lender's account; • 50% of next \$250 000; • 10% of all remaining loans
Loss Sharing Ratio	<ul style="list-style-type: none"> • 85% government; and • 15% lender
Eligible Lenders	Lender means: <p>(a) a member of the Canadian Payments Association established by subsection 3(1) of the Canadian Payments Association Act and fulfilling certain prescribed conditions of the CSBF legislation;</p> <p>(b) a local cooperative credit society, within the meaning of subsection 2(1) of the Canadian Payments Association Act, that is a member of a central cooperative credit society, within the meaning of that subsection, if that central cooperative credit society is a member of the Canadian Payments Association and fulfills certain prescribed conditions of the CSBF legislation ; or</p> <p>(c) any other organization designated by the Minister as a lender for the purposes of this Act.</p>
Eligible Purposes	To finance the purchase of equipment, real property and leasehold improvements, and the improvement of real property and equipment; and the financing of program registration fees.
Maximum Loan Amount	Maximum of \$250,000; includes all loans made under the CSBFA and SBLA.
Financing Rate	Maximum of 90% of eligible cost of the assets.
Payment Terms	Maximum of 10 years.
Registration Fee	2% applied to the financed cost of assets, paid up-front with registration or may be financed.
Administration Fee	1.25% applied on the end-of-month loan balances and paid quarterly.

Parameter	Description
Maximum Imputed Rate of Interest	<p>a) in the case of a floating rate loan, the aggregate of 3% and the prime lending rate that is in effect at that lender on each day of the loan term, beginning on the day on which the loan is made; and</p> <p>(b) in the case of a fixed rate loan, the aggregate of 3% and</p> <p>(i) the residential mortgage rate in effect at that lender for the loan term, or</p> <p>(ii) in the case of a loan term of more than five years where there is no residential mortgage rate for that loan term, the five-year residential mortgage rate.</p>
Due Diligence	<p>Lenders must apply the same due diligence procedures for a CSBF loan as those that would be applied in respect of a conventional loan of similar amounts, including:</p> <p>a) obtaining credit references or conducting a credit check on the borrower;</p> <p>b) completing an assessment of the repayment ability of the borrower;</p>
Security	<p>When the CSBF loan is made to finance the purchase of real property or immovables or equipment, the security will consist of a first charge on the assets financed. If the CSBF loan is financing leasehold improvements or computer software, the lender can either take a first-ranking security on the assets financed or take security on other business assets even if these other assets are already subject to prior charges.</p>
Personal Guarantee	<p>Maximum of 25% of the total financing amount of the CSBF loan.</p>
Eligible losses	<p>The aggregate of the following amounts:</p> <p>a) the amount of principal outstanding on the loan;</p> <p>b) the amount of interest due and not paid pursuant to the loan;</p> <p>c) uncollected taxed costs for, or incidental to, any legal proceedings in respect of the loan;</p> <p>d) legal fees and disbursements;</p> <p>minus the proceeds realised from the taking of any measures that will maximize the amount recovered or minimize the loss.</p>
Payment of interest	<p>The calculation of the loss includes interest on the outstanding balance at the annual imputed rate of interest for the first 12 months computed from the expiration of the period specified in the notice of default and thereafter interest on the outstanding balance at one half of the imputed rate.</p>
Audit and examination	<p>The Minister has the authority to conduct an audit or examination of the lender's documents, records and books of account to verify that the regulations are being complied with.</p>
Offence and Punishment	<p>Offence and punishment provisions may only be enacted by Statute. Section 16 of the Act deals strictly with fraud in respect of loans and borrowers.</p>

Appendix B: Comparison of Canada Small Business Financing Act and Small Business Loans Act Major Program Differences

Item	Canada Small Business Financing Program	Small Business Loans Program
Due diligence and care	Lenders are required to apply same due diligence procedures to CSBF loans as they do to non-CSBF loans.	Not specifically addressed.
Appraisals	Appraisals are required in four different situations, including when a going-concern business is being purchased.	Appraisals were required only in one situation: non-arm's length transactions
Eligible assets	Decontamination costs can be financed in certain circumstances. The 50 percent minimum space requirement applies only to purchase of premises and the 100 percent rule applies for improvements.	Decontamination costs were not specifically addressed. The 50/50 rule applied to purchase and improvement of premises loans.
Related borrowers	Related borrowers are limited to a maximum loan limit of \$250 000 combined, unless they are proven to be independent.	Each borrower's maximum loan amount was limited to \$250 000. No restrictions for related borrowers.
Security	Security ranking requirements are defined for a comprehensive array of situations. A distinction is made between primary and additional security. Rules for substitution and release of assets are extended to cover more situations.	Security ranking requirements were defined for a limited number of situations. No distinction was made between primary and additional security. Rules for substitution and release of assets covered a limited number of situations.

Item	Canada Small Business Financing Program	Small Business Loans Program
Revision of repayment terms	Repayment terms may be altered at any time as long as the changes do not compromise the borrower's ability to repay the loan.	Changes were permitted only in the case of actual or impending default.
Claims for loss	<p>An interim claim for loss can be made before realizing on personal guarantees and/or finalizing compromise settlements. Submission deadline of 36 months can be extended with no limitations.</p> <p>Interest on claims is accumulated for 12 months at the full rate and for 12 months at one half of the full rate.</p>	<p>All realization had to be completed before submitting a claim for loss. Submission deadline of 36 months could be extended by only six months. Interest on claims was accumulated for 12 months at the full rate and for 24 months at the one half the full rate.</p>
Administration fee: 1.25 percent	Beginning in 2000-2001, annual administration fees of 1.25 percent are payable quarterly.	Annual administration fees of 1.25 percent were payable annually.
Remedies for non-compliance	Specific remedies are set out for several categories of non-compliance.	Remedies for non-compliance were limited. Correction periods were more restrictive.
On-site audits	Legislation permits the Minister to conduct on-site audits of lenders' documents and records to verify that the program is being complied with according to the Act and its regulations.	The Minister had no authority to conduct on-site audits of lenders' documents and records to verify that the program was being complied with according to the Act and its regulations.



January 7, 2003

MEMORANDUM TO: Andrei Sulzenko
Senior Assistant Deputy Minister
Policy Sector

AND: John McBride
Assistant Deputy Minister
Operations Sector

FROM: Sherril Minns
Director General
Audit and Evaluation Branch

AND: Lucien Bradet
Chair, Evaluation Steering Committee
Director General, Service Industries Branch
Industry Sector

SUBJECT: Results-based Management and Accountability
Framework (RMAF) for the Core Program
under the Canada Small Business Financing
Act (CSBFA)

Please find attached an RMAF for the Core Loans Program. The RMAF is an update of the evaluation framework prepared for the Loans Program in 1998. You may recall that a parallel RMAF was prepared for the Capital Leasing Pilot under the CSBFA. These parallel documents will facilitate the overall evaluation of the CSBFA.


The Steering Committee that guided the preparation of this RMAF supports the report's contents. Steering Committee membership is attached.

The report identifies performance information that should be gathered on an ongoing basis, in part to facilitate future evaluation of the Core Loans Program, but also to provide ongoing feedback for program management.

Acceptance of this document is your commitment to implement the requirements of the RMAF. Upon acceptance, the report will be transmitted to the Treasury Board Secretariat.



Sherril Minns



Lucien Bradet

I accept this RMAF, _____
Andrei Sulzenko

I accept this RMAF, _____
John McBride

Attachments: 2

c.c. Robert Dunlop
Laura Morin
Jean Clark
Louise Bélanger-Mahoney

Steering Committee
Results-Based Management and Accountability Framework

Core Loans Program
Canada Small Business Financing Act

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