



SUMMARY OF THE EVALUATION OF THE CANADA SMALL BUSINESS FINANCING PROGRAM (CSBFP) OCTOBER 2019

ABOUT THE EVALUATION

- The evaluation examined the relevance, performance, and efficiency of the Canada Small Business Financing Program (CSBFP).
- It covers the period from April 1, 2014 to October 31, 2018.

WHAT THE EVALUATION FOUND

- The CSBFP continues to address a demonstrable need to facilitate small- and medium-sized enterprise (SME) access to financing. However, the program may not be addressing some of the evolving needs of SMEs in the current environment, such as maximum loan amounts which reflect the present cost of products.
- The CSBFP enables financial institutions to provide loans to SMEs that would not otherwise be made available or would be available only under less favourable terms. It is estimated that about two-thirds of all CSBFP loans may not have been made in the absence of the program and that, overall, over 80% of CSBFP borrowers likely benefitted from the existence of the program. It was suggested that access to loans could improve if more types of lenders were eligible to become registered lenders (e.g., Indigenous financial institutions).
- CSBFP participation has a positive impact on SME revenues and employment levels.
- Awareness of the CSBFP remains low among borrowers and non-borrowers (29% and 10%, respectively), but high for lenders (98%). Although lenders' knowledge of the CSBFP has increased, their knowledge of the program's terms and conditions remains low.
- Net social benefits generated by the CSBFP were estimated to have been positive in every year since 2003, totalling almost \$4 billion over the 2008 to 2017 period. Program estimates indicate that the CSBFP is expected to be almost fully cost recoverable for the 2014-15 to 2018-19 period.

RECOMMENDATIONS (as agreed upon by management)

1. ISED should consider further program modifications to better meet the evolving needs of SMEs, such as increasing the maximum loan amount for leasehold and equipment expenses, introducing operating lines of credit, expanding loan classes (including intangible assets and working capital), and continuing to lessen the administrative burden for both borrowers and lenders.
2. ISED should focus on increasing awareness and knowledge of the CSBFP among both borrowers and lenders.
3. ISED should consider expanding the list of registered CSBFP lenders to help increase access to the program.

Program Description

- *The CSBFP is a government loan loss sharing program that helps businesses with their financing needs by helping fill gaps in the lending market for certain types of SMEs with \$10 million or less in annual revenues and, in particular, higher-risk SMEs.*
- *CSBFP loans through qualified lenders can finance the purchase or improvement of land or buildings used for commercial purposes, new or used equipment, and new or existing leasehold improvements.*
- *Since its inception in 1999 through October 31, 2018, the program has registered 172,820 loans worth \$19.7 billion.*