Innovation, Sciences et Développement économique Canada

Innovation, Science and Economic Development Canada

Canada

Evaluation of the Canada Small Business Financing Program

Audit and Evaluation Branch

Evaluation Report

June 2024

This Publication is available online at https://ised-isde.canada.ca/site/audits-evaluations/en/evaluation

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Cat. No. Iu4-273/2024E-PDF

ISBN 978-0-660-72395-2

Aussi offert en français sous le titre *Évaluation du Programme de financement des petites entreprises du Canada*

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Program Context

Program Description

The **Canada Small Business Financing Program (CSBFP)** was launched in 1999 to replace its predecessor, the *Small Business Loans Act*, which was in existence since 1961. The CSBFP increases the availability of financing for establishing, expanding, modernizing and improving small businesses, by sharing the risk with lenders.

The CSBFP is designed to help businesses with their financing needs by helping to fill gaps in the lending market for certain types of small- and medium-sized enterprises (SMEs) – particularly higher-risk SMEs (e.g., younger, smaller, etc.). The main objectives of the CSBFP are to:

- Help new businesses get started and established firms make improvements and expand;
- Improve access to loans that would not otherwise be available to small businesses; and
- Stimulate economic growth and create jobs for Canadians.

Who is eligible?

Most start-ups and existing for-profit, not-for-profit and charitable **small businesses in Canada with gross annual revenues of $10 million or less** are eligible to apply for loans under this program. Such businesses can be corporations, sole proprietors, partnerships or cooperatives.

The following businesses are not eligible:

- Farming businesses (eligible under Canadian Agricultural Loans Act); organizations not operating a business (e.g., private club); holding corporations; personal, private or social trusts; and individuals or corporations that purchase real property for the sole purpose of rental.

What can be financed?

Term loans can be used to finance the following costs:

- purchase or improvement of land or buildings used for commercial purposes;
- purchase or improvement of new or used equipment;
- purchase of new or existing leasehold improvements, i.e., renovations to a leased property by a tenant; and
- intangible assets and working capital costs.

Lines of credit can be used to pay for working capital costs, that is, day-to-day operating expenses of the business.

How much financing is available?

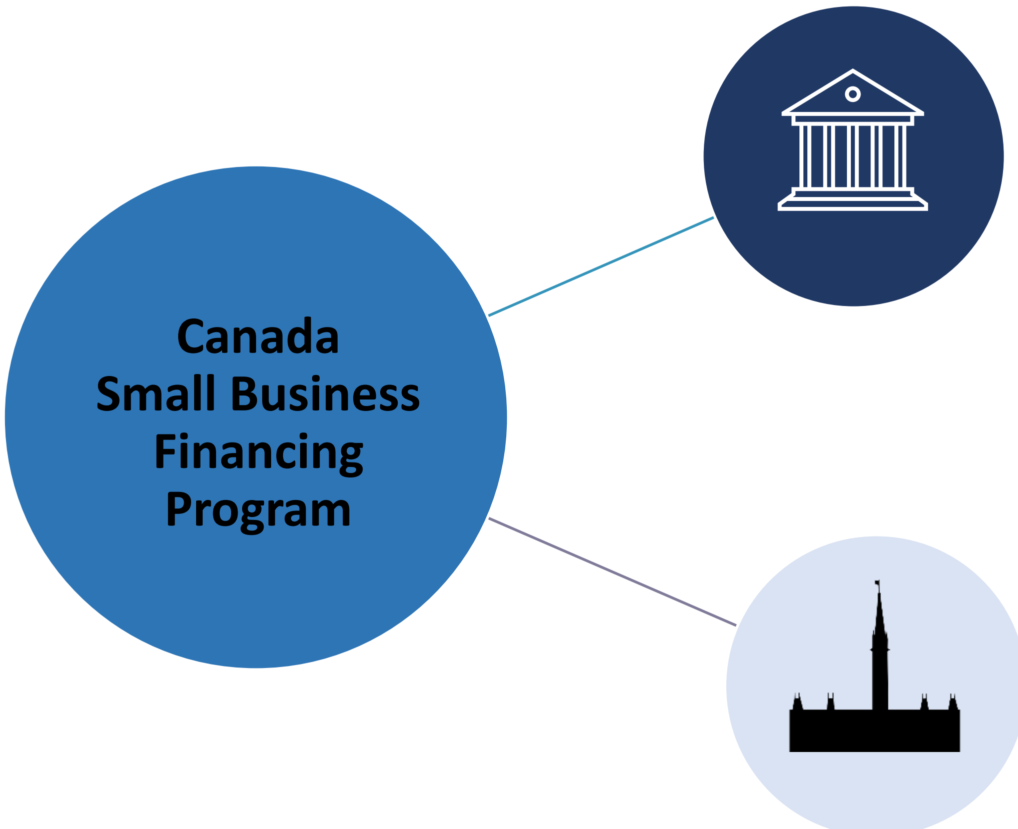
The maximum loan amount for a borrower is **$1.15 million.**

Up to a maximum **of $1 million for term loans** for any one borrower, of which no more than $500,000 can be used for purchasing leasehold improvements or improving leased property and purchasing or improving new or used equipment and, of that amount, a maximum of $150,000 for intangible assets and working capital costs.

Up to a maximum of **$150,000 for lines of credit.**

Program Context

Program Delivery



Private Sector Lenders

The CSBFP is delivered by private sector lenders, which includes chartered banks, credit unions and caisses populaires. Lenders provide service to Canadians in all provinces and territories and are responsible for all credit decisions, loan approvals, and in the event of default, realizing on security and guarantees. Each lender establishes its own lending criteria subject to the parameters of the CSBFP. Once the loan is approved, the funds advanced to the borrower are from the lender and not the Government. However, the Government maintains control of some of the key parameters including fees, maximum interest rates, maximum loan size and class of loan (i.e., real property, leasehold improvements, equipment, intangible assets, working capital).

ISED

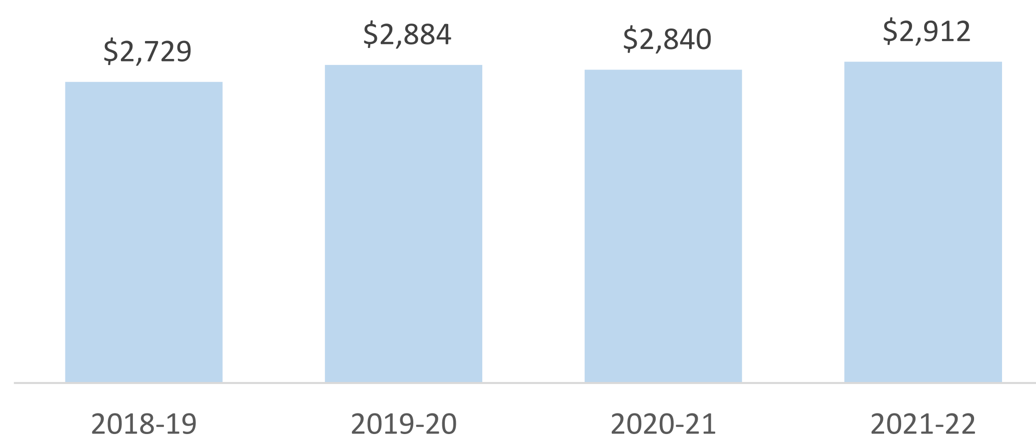
Innovation, Science and Economic Development Canada (ISED) administers the CSBFP by registering loans, collecting fees and paying lenders the eligible portions of losses on defaulted loans. The CSBFP does not approve the borrower loan applications and is not involved in the administration of the loans. By registering loans with ISED, lenders are entitled to submit claims to ISED in the event of default. The CSBFP limits the Government of Canada's exposure to liability to a $1.5 billion ceiling for each 5-year lending period. Claim payments on defaulted loans are also capped for each lender at approximately 12% of their overall lending portfolio for each 5-year period. The Government of Canada's obligation to an individual lender is to pay 85% of eligible claims on defaulted loans.

Program Funding

The program's operating costs are not cost-recoverable and are funded by ISED's operating budget. For fiscal years 2018-19 to 2021-22, these costs were approximately $2.8 million annually for a staff of 22 and included costs related to policy development, research and analyses, IT, registration and claims processing, and outreach activities.

As the CSBFP is a statutory program, the cost of claims for loan losses is sourced directly from the Consolidated Revenue Fund. The program collects revenues from the registration fee (2% of the loan amount authorized) and the annual administration fee (1.25% based on the lender's outstanding loan balances). These fees are submitted to ISED by lenders and are used to offset a portion of the program's expenses related to claim payments for loan defaults.

CSBFP Operating Costs (1000s)



Source: 2023 CSBFP Cost-Benefit Analysis

Evaluation Context

An evaluation of the CSBFP is required to support the Comprehensive Review Report required under the *Canada Small Business Financing Act*.

The **objective** of this evaluation was to assess the relevance, performance and efficiency of the CSBFP.

The **scope** of the evaluation included all activities of the CSBFP. The evaluation covered the period from April 1, 2018, to September 30, 2023.

The evaluation was conducted by the Audit and Evaluation Branch at ISED. A results-based approach was used to examine the achievement of expected outcomes for the CSBFP, as identified in the logic model (Appendix B).

Evaluation Methodology

The following lines of evidence were used (details in Appendix C):

- Document and Literature Review
- Program Administrative and Performance Data Review
- Financial Analysis
- Lender Awareness and Satisfaction Study
- Virtual Interviews

Evaluation Questions

Relevance

- To what extent does the CSBFP continue to address a demonstrable need?

Performance

- To what extent has awareness and knowledge of the program increased since the previous evaluation?
- To what extent has the list of active CSBFP lenders been expanded?
- To what extent have program modifications been made since 2019 to better meet the evolving needs of SMEs?
- To what extent are small businesses obtaining financing from lenders with government support that would have otherwise been unavailable or available under less favourable terms?
- To what extent are CSBFP loan recipients competitive, innovative, and achieving high growth?
- To what extent do loan default rates vary by firm, sector, market or other factors?

Efficiency

- To what extent have the administrative requirements of the program changed for borrowers and lenders since 2019?
- To what extent does the program demonstrate efficiency?

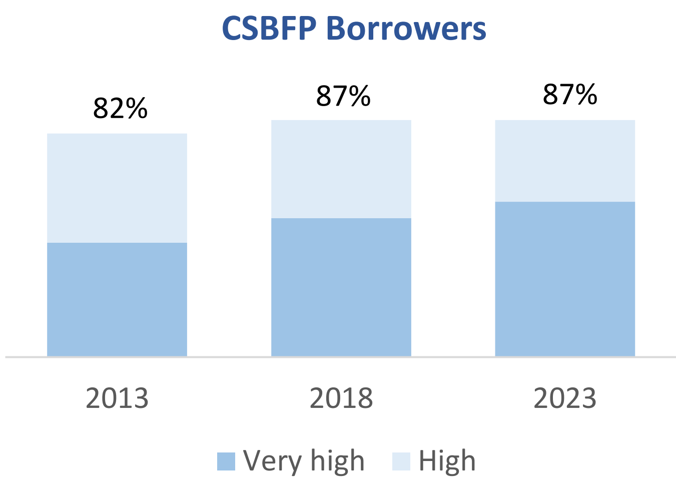
The evaluation produced 10 findings, supported by multiple lines of evidence, and led to 4 recommendations.

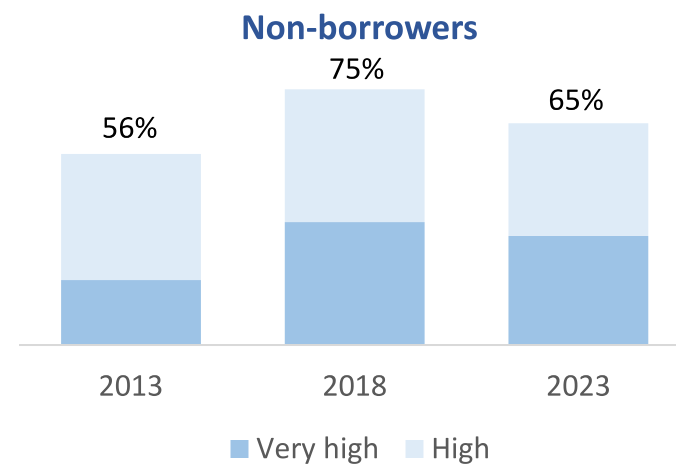
Findings

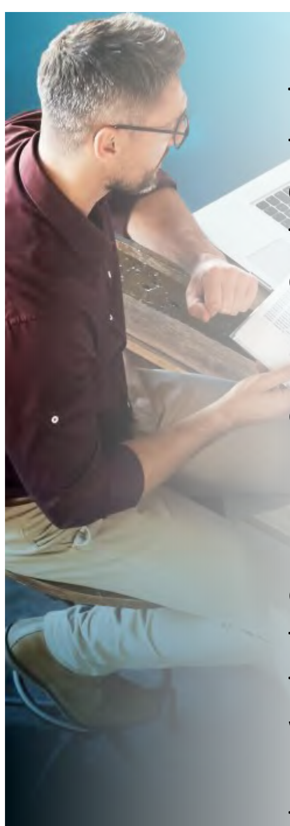
Finding 1: The CSBFP continues to address a demonstrable need for financing among SMEs, including SMEs from underrepresented groups, who experience significant challenges in accessing financing. By sharing the risk of lending to higher-risk SMEs, the program plays an important role in enabling businesses to secure capital.

Need for the CSBFP

The 2024 Borrower Awareness and Satisfaction Study showed that program borrowers and the broader SME community agree that **there is a continued need for the program**. A majority of CSBFP borrowers and non-borrowers (i.e. the broader small business community who are eligible for a CSBFP loan but have not received one) indicated a high or very high need for a loan program like the CSBFP in 2023 (87% and 65% respectively). For borrowers, the perceived need was about the same as in 2018, while for non-borrowers the perceived need was lower than in 2018 (75%).







Rationale for the CSBFP

The literature review showed that a common rationale among Credit Guarantee Schemes, whereby governments provide credit risk mitigation to private sector lenders, is to expand small businesses' access to capital. The literature review showed that **one of the most significant determinants of an SME's commercial success is having access to sufficient and appropriate financing**. SMEs have greater difficulty accessing financing because of insufficient sales or cash-flow, as well as higher loan default risk, shorter credit histories and track records, inadequate collateral, and greater year-to-year fluctuations in sales and earnings. As such, financial institutions are less willing to extend financing, which may lead many potentially profitable SMEs to be inadequately funded. The literature review and interviews found that the **CSBFP is the only national loan guarantee program focused specifically on improving the ability of Canadian small businesses to access financing**, regardless of age of business, geographic location and industry sector. Other programs target specific businesses, industries or provinces.

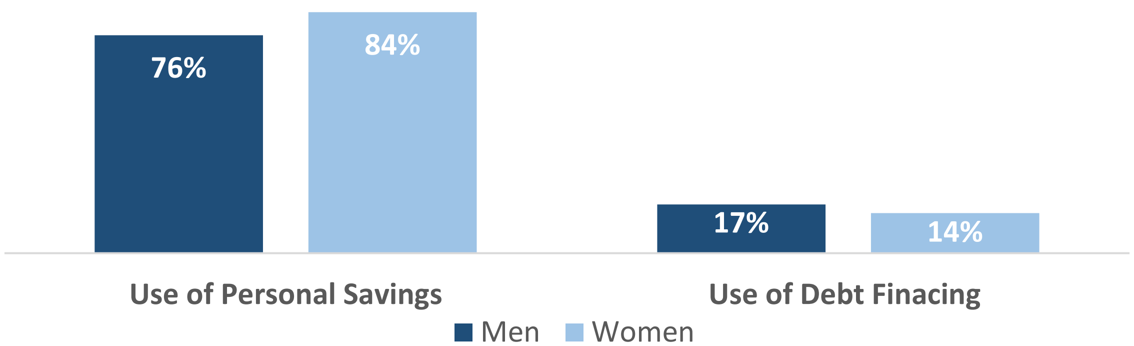
Literature indicated that the **SME need for financing is particularly pronounced during economic crises**, where the risks for lenders increases, leading to credit rationing.[1] The COVID-19 pandemic caused a major shock to SMEs, as it was more difficult for them to cut operating expenses and they had limited cash reserves, fewer financing alternatives, and were overrepresented in affected sectors. As a result, SMEs faced a significantly increased risk of insolvency.[2] During the COVID-19 pandemic, there were several temporary loan programs introduced by the federal government to support businesses, including interest-free government loans through the Canada Emergency Business Account, as well as several temporary government loan programs for SMEs, such as the Business Development Bank of Canada's (BDC) Co-Lending Program and Highly Affected Sectors Credit Availability Program. Consequently, the CSBFP was not modified to specifically address the financing needs stemming from the COVID-19 pandemic.

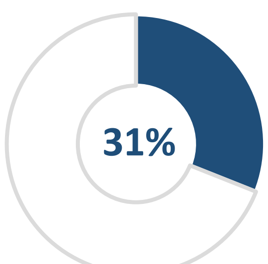
Findings

Finding 1

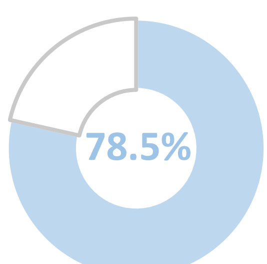
Need for Small Business Financing Among Underrepresented Groups

By expanding access to capital among SMEs, the CSBFP also helps to address the financing needs of underrepresented groups. International research indicates that **access to financing is the most significant challenge faced by women entrepreneurs**. An Organisation for Economic Co-operation and Development (OECD) study showed that start-ups with female founders were less likely to get funding and, when funding was received, it was about 30% less.[3] In Canada, research indicates that women launch businesses with half as much capital as men, are more likely to use personal savings to cover start-up costs and are less likely to request debt financing.[4]





of respondents to the 2016 Canadian Council for Aboriginal Business (CCAB) Survey found that **access to financing was a major obstacle for Indigenous businesses**,[5] and 51% of respondents to the 2020 CCAB Survey of Ontario Aboriginal Businesses found it was a barrier for band-owned businesses.[6] Another 2020 CCAB survey found that only 16% of Indigenous men and 7% of Indigenous women accessed business loans/credit from a bank. While 7% and 8% of men and women respectively accessed funding from an Indigenous Financial Institution, the demand for funding reportedly exceeded the supply available from these institutions.[7]



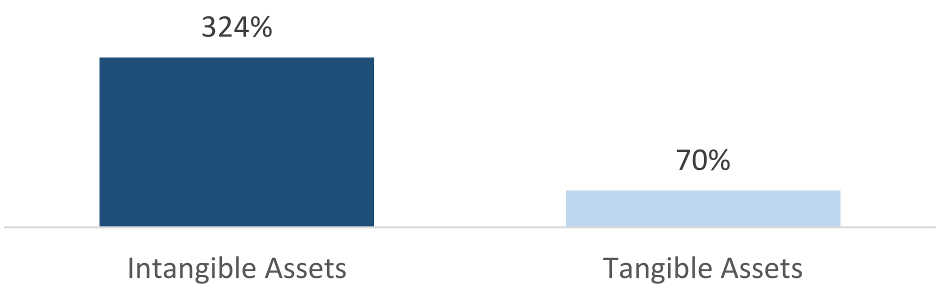
of black female entrepreneurs surveyed by the Black Business and Professional Association found that **access to financing was a major obstacle for Black-owned businesses**, with personal savings being the main source of start-up funding (about 80%).[8] A 2023 Statistics Canada study found that physical capital held, is also lower on average for businesses owned by Black people ($190,800) than for White people ($617,600) or other racialized groups ($274,400).[9]

Appendix G highlights some of the other support measures available to businesses and entrepreneurs.

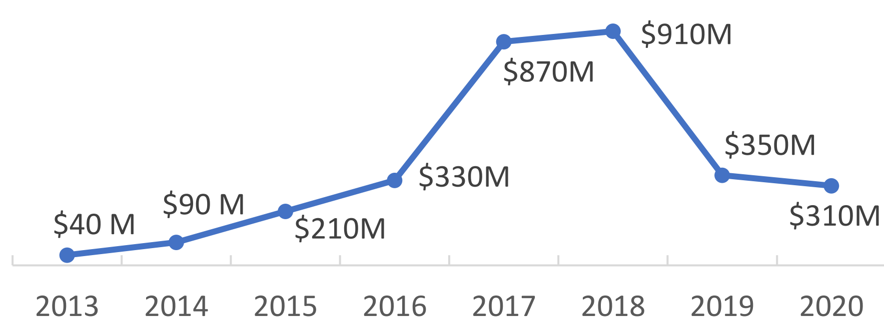
Evolving needs of SMEs

The **demand for financing has increased among SMEs**. Between 2011 and 2020, CSBFP borrowers and all other SMEs requesting financing increased from 81% to 93% and 36% to 82%, respectively.

Interviews and literature indicated that there is a **continued shift among businesses from tangible to intangible assets** (an identifiable non-monetary asset without physical substance (e.g., intellectual property, franchise fees, etc.)) due to the growing digitization of industry. Between 1979 and 2016, intangible assets grew by 324% while tangible assets grew by 70%.[10] Further, the BDC's 2021 Outlook report found that while businesses expected their investments in tangible assets to decrease due to economic uncertainties, investments in intangible assets were expected to increase.[11]



Interviewees explained that there is an increased availability and awareness of alternative financing options among SMEs (e.g., Fintech, point of sale, trade credits, and lease financing). However, the 2021 Global Alternative Finance Market Benchmarking survey found that the **volume of alternative business financing in Canada declined by 66% between 2018 and 2020**.[12]

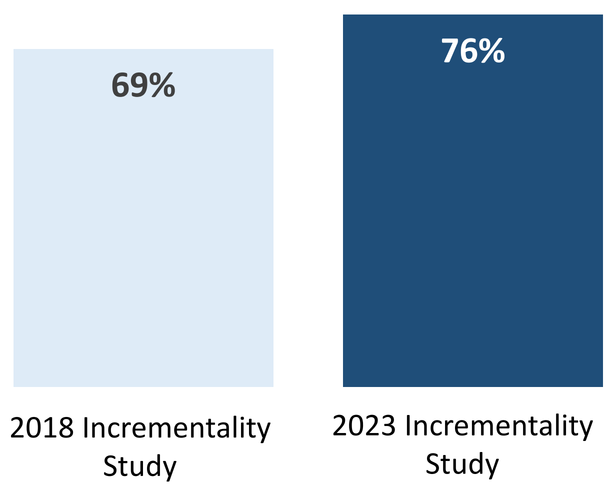


Finding 2: The CSBFP enables financial institutions to provide loans to SMEs that would not otherwise be made available or would be available only under less favourable terms. Although some SMEs would still be able to access financing, it is estimated that about three-quarters of all CSBFP loans may not have been made in the absence of the program and some approved loans would have been made, however, with less favorable conditions.

Incrementality of CSBFP loans

As noted under Finding 1, the CSBFP is designed to help businesses with their financing needs by helping to fill gaps in the lending market for certain types of SMEs – particularly higher-risk SMEs. This is accomplished by incentivizing financial institutions to provide financing to SMEs that would otherwise be unavailable, or would be available only under less favourable terms, via the provision of the federal government's 85% loan guarantee.

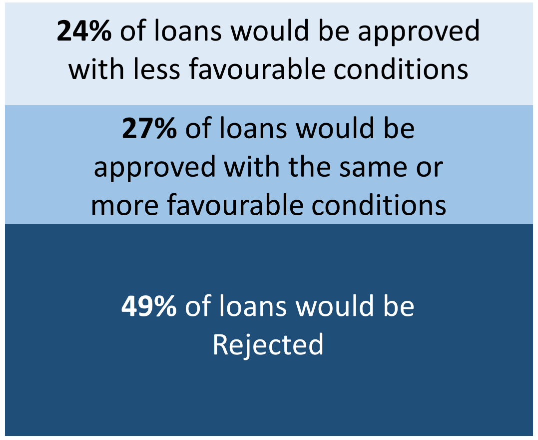
The 2023 Incrementality Study confirms these results as it found that 76% of CSBFP borrowers would likely not have been able to access financing in the absence of the program, which represents a moderate increase in incrementality compared to the 2018 study (69%).



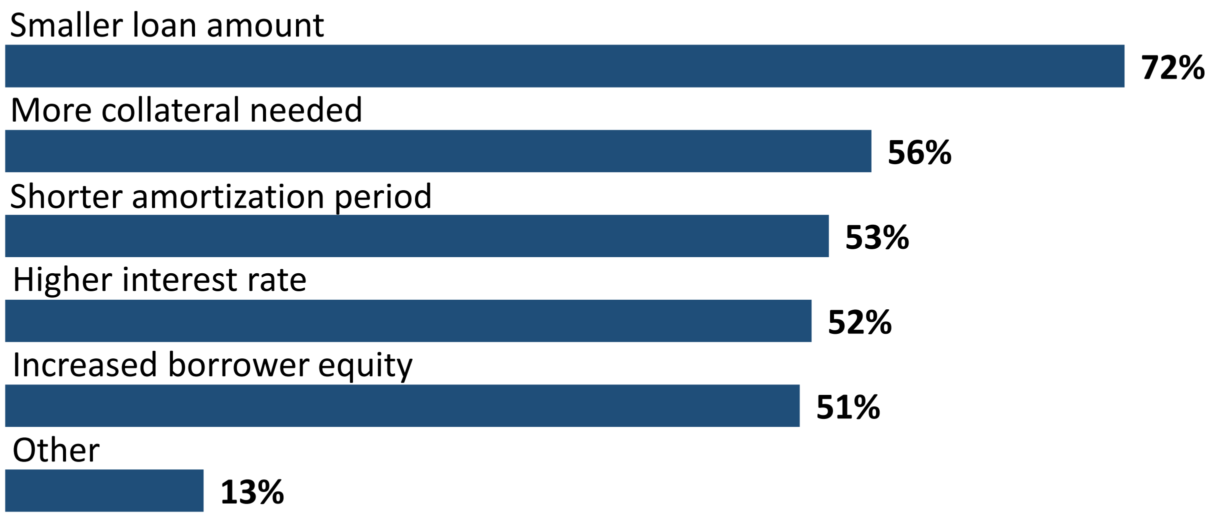
The Incrementality studies, however, did not provide estimates of the share of CSBFP borrowers that would have been able to access financing under less favourable terms (due to data limitations). As such, the Lender Awareness and Satisfaction study solicited the views of lenders on the potential impact on loan terms and conditions.

Potential impact on SME loans if the CSBFP did not exist

Interviewees, the literature review, and the Lender Awareness and Satisfaction Study confirmed that many SMEs do not have access to financing because they are higher risk or do not meet certain lender criteria for a conventional loan (e.g., a lack collateral or equity, a lack of credit history, etc.). Specifically, the 2024 Lender Awareness and Satisfaction Study found that in the absence of the program:



The Lender Awareness and Satisfaction study found that there would be the following less favorable conditions for loans in the absence of the CSBFP:



Findings

Finding 3: While credit guarantee programs can be an effective means of addressing financing needs during an economic crisis, it was generally agreed that the temporary, non-CSBFP measures worked well during the COVID-19 pandemic and, without legislative and regulatory changes, it would be difficult for the CSBFP to quickly respond to future adverse economic events.

COVID-19 and Credit Guarantee Schemes

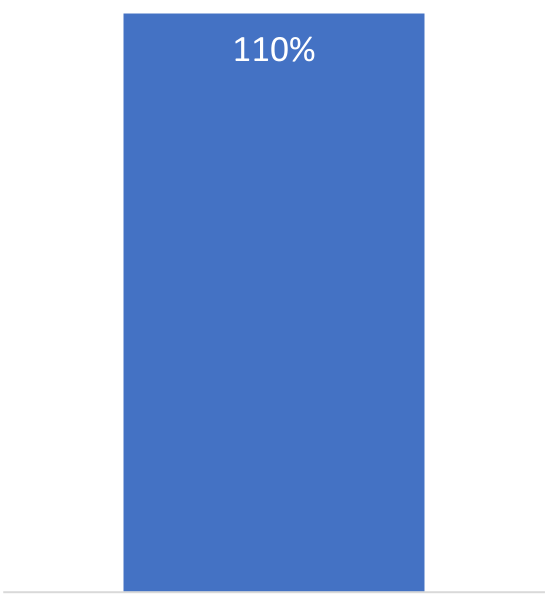
The literature review found that internationally, many governments addressed financing needs stemming from the COVID-19 pandemic through credit guarantee schemes (CGS), especially for SMEs. According to data from the World Bank, 41 countries launched 57 credit guarantee schemes for SMEs in 2020.[13] Among OECD countries, credit guarantees were the dominant form of support for SMEs, with loan guarantees rising in all 27 economies.[14]

10% of Gross Domestic Product (GDP), on average, was authorized for credit support in advanced economies in response to the COVID-19 pandemic, according to the International Monetary Fund. For example, Italy, Germany, Spain, and the UK used existing CGS programs as a main support for SMEs (e.g., authorized credit support was 30% of GDP in Italy and Germany).[15]

In response to the pandemic, many countries, via new programs, increased the coverage ratios of their schemes, with some ratios going as high as 100%, and also increased their budget/funding envelopes, loosened eligibility criteria, and increased funding duration and maximum loan size.[16] The literature review found that the take-up of guaranteed loans was significantly higher for SMEs than for large firms, particularly for SMEs in the sectors most affected by the crisis.[17] The literature review also found that these schemes were an effective approach because they provided liquidity support to viable enterprises impacted by the crisis, while limiting support for unproductive firms.[18]

As noted earlier, Canada launched temporary loan programs to address the economic crisis, with the main program providing interest free loans from the government, and two additional BDC programs offering loans directly from BDC as well as loans from financial institutions in which the federal government provided a 100% loan guarantee (delivered via the BDC).

Median Increase in OECD CGS Loan Values, 2019 to 2020



Source: Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard.

Approaches to increase program flexibility

In terms of approaches to respond to adverse economic events, interviewees mentioned that the CSBFP could help by:

- ✓ Increasing loan amounts.
- ✓ Adjusting flexibility of repayment terms (e.g. eliminating fees, lowering interest rates, longer repayment terms, deferring repayments).
- ✓ Adjusting the loan-loss sharing ratio.
- ✓ Extending the claim period.
- ✓ Expediting the loan approval time.
- ✓ Adjusting equity/collateral allowances.

Many interviewees noted that the Government of Canada did a good job in responding to COVID-19 without using the CSBFP, and so temporary, non-CSBFP measures may be the most prudent approach to addressing financial needs during an economic crisis. Interviewees agreed given its current legislative and regulatory framework, it would be difficult for the CSBFP to respond to adverse economic events by making any of the changes to program parameters noted above in a timely manner, as any changes would require amendments, which can be a lengthy process.

Findings

Finding 4: Awareness of the CSBFP remains low among borrowers and non-borrowers, particularly among Francophones, but remains high for lenders. Some opportunities were identified to further promote awareness of the CSBFP.

Awareness of the CSBFP

97% of CSBFP lenders in the 2023 Lender Awareness and Satisfaction Study recognized the program by its name (compared to 98% in the 2018 study), demonstrating that awareness of the program continues to be high.

The 2023 Borrower Awareness and Satisfaction Study reported a moderate increase in awareness among borrowers and non-borrowers. Compared to 2018, a slightly smaller portion of borrowers were aware that the federal government was the guarantor. However, among borrowers aware that the federal government was the guarantor, more were likely to identify the CSBFP as the guarantor (compared to 2018).

1. Awareness of CSBFP (CSBFP Borrowers)

29% In 2018 → 34% In 2023

2. Awareness of CSBFP (Non-borrowers)

10% In 2018 → 16% In 2023

3. Recognition of Federal Government as Guarantor (CSBFP Borrowers)

67% In 2018 → 64% In 2023

4. Recognition of CSBFP as Guarantor (CSBFP Borrowers)

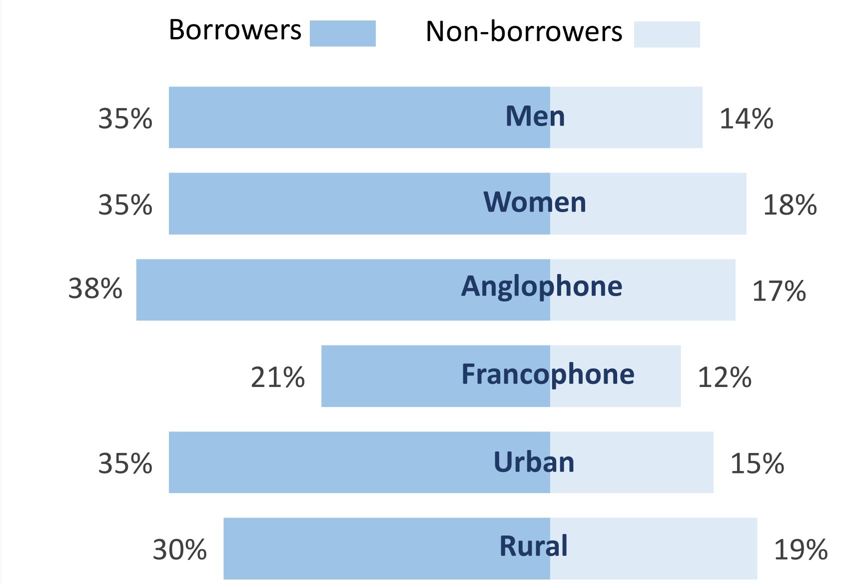
73% In 2018 → 82% In 2023

Some interviewees reported that banks show reluctance in promoting the CSBFP and its recent changes due to its administrative complexity and a mismatch between CSBFP and bank rules for the line of credit offering (e.g., having to renew a CSBFP line of credit every 5 years instead of a bank's typical 10 years). Interviewees highlighted a need for:

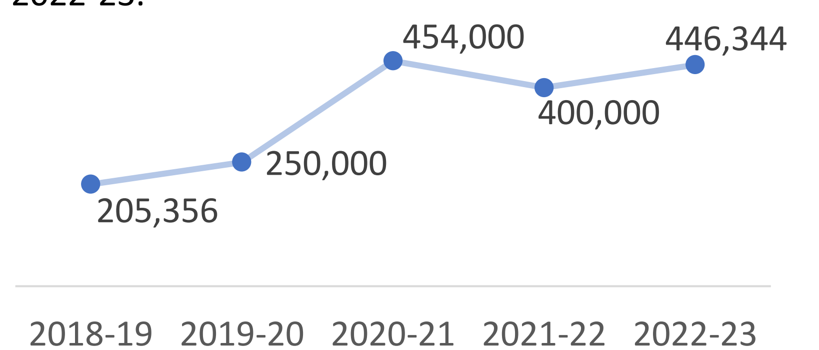
- Increased marketing of the program by banks (e.g., advertising billboards in banks).
- More guidance, particularly to frontline staff at financial institutions and to SMEs.
- Marketing at Chambers of Commerce, regional business associations, & trade events.
- Enhanced social media presence.

51% of CSBFP borrowers first heard of the program from a financial institution official (64% in 2018), while non-borrowers learned about the CSBFP from a wide variety of sources, with Internet searches being the most prominent at 21% (16% in 2018).

Awareness of the CSBFP was consistent across gender for borrowers. Among non-borrowers, women were somewhat more likely than men to be aware of the program (18% vs. 14%). Among borrowers and non-borrowers, Anglophones were more likely than Francophones to indicate awareness of the CSBFP. Among borrowers, awareness was higher among those in urban areas than in rural areas (35% vs. 30%).



The number of visits to the CSBFP website more than doubled from 205K to 446K between 2018-19 and 2022-23.

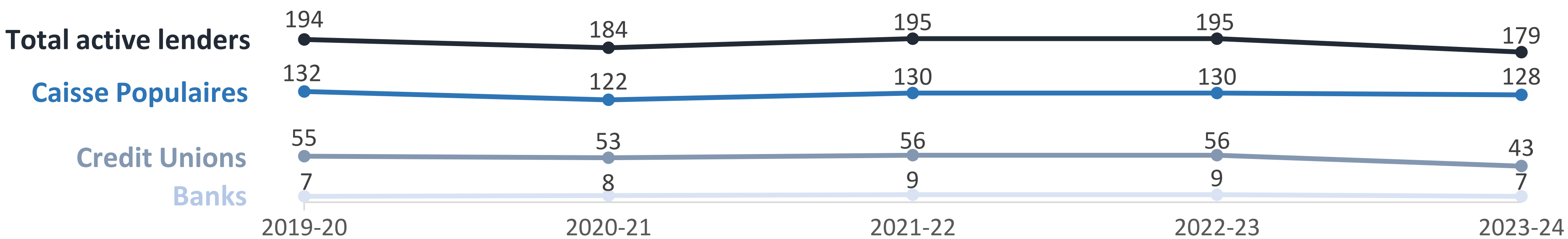


Findings

Finding 5: The number of active lenders has declined since 2019-20 due to mergers/acquisitions and centralization of loan processing, while the number of active branches has increased. There are still no Indigenous Financial Institutions designated as CSBFP lenders, as none have applied, although two lenders service Indigenous businesses. While adding FinTech platforms as designated lenders could facilitate more loans, none have applied, potentially due to unattractive program parameters (e.g., interest rate cap).

Active CSBFP Lenders

As a result of mergers/acquisitions, the number of active lenders decreased slightly over the evaluation period by 8%, from 194 in 2019-20 to 179 in 2023-24. The number of active branches issuing CSBFP loans increased slightly over this period, with 1,225 active branches in 2019-20 and 1,260 in 2023-24.



Indigenous Financial Institutions


Source: Indigenous Services Canada

Currently, no Indigenous Financial Institutions (IFIs) have been designated as CSBFP lenders. To be a lender, you need to be a member of the Canadian Payments Association or the Central Cooperative Credit Society. Since IFIs are not members, they need to apply with the CSBFP. The CSBFP is reviewing the issue of designating IFIs under the CSBFP's *Lender Designation Policy*. Interviewees noted that although some IFIs have expressed interest in becoming lenders, and the CSBFP has engaged in frequent discussions with them to provide guidance and help facilitate the process, none have submitted the required documentation to apply. Without any applications, it is difficult for the CSBFP to identify what specific criteria, if any, need to be revised under the *Lender Designation Policy.* Further, the CSBFP did not receive any feedback on potential barriers faced by IFIs in becoming designated lenders. Nonetheless, there are two CSBFP lenders that are not considered IFIs by the National Aboriginal Association of Canada, but are servicing Indigenous businesses:

- Peace Hills Trust, one of the largest First Nations owned federally regulated financial institutions.
- Me-Dian Credit Union, which is an Indigenous-based credit union.

Alternative Lenders

Literature indicated a continued trend in the diversification of SME financing, recognizing FinTech's (i.e., companies that offer financial services or applications that rely heavily on technology), growth and potential in offering efficient solutions, but with a need for regulatory development. As previously noted in the report, the volume of alternative financing in Canada decreased in 2019 and 2020 (in contrast to a reported increase in the U.S.). While one reason for the decline could be due to lenders being excluded from government-backed business support schemes, some firms also declined to participate in recent surveys.[19] While interviewees said that participation of FinTech lenders in the CSBFP could facilitate additional loans, it was also noted that FinTech platforms are regulated and assess risks differently and do not consider 'soft' information when assessing borrowers. Lastly, it was noted that FinTech firms have not applied to the program, potentially due to unattractive program parameters (e.g., the interest rate cap).

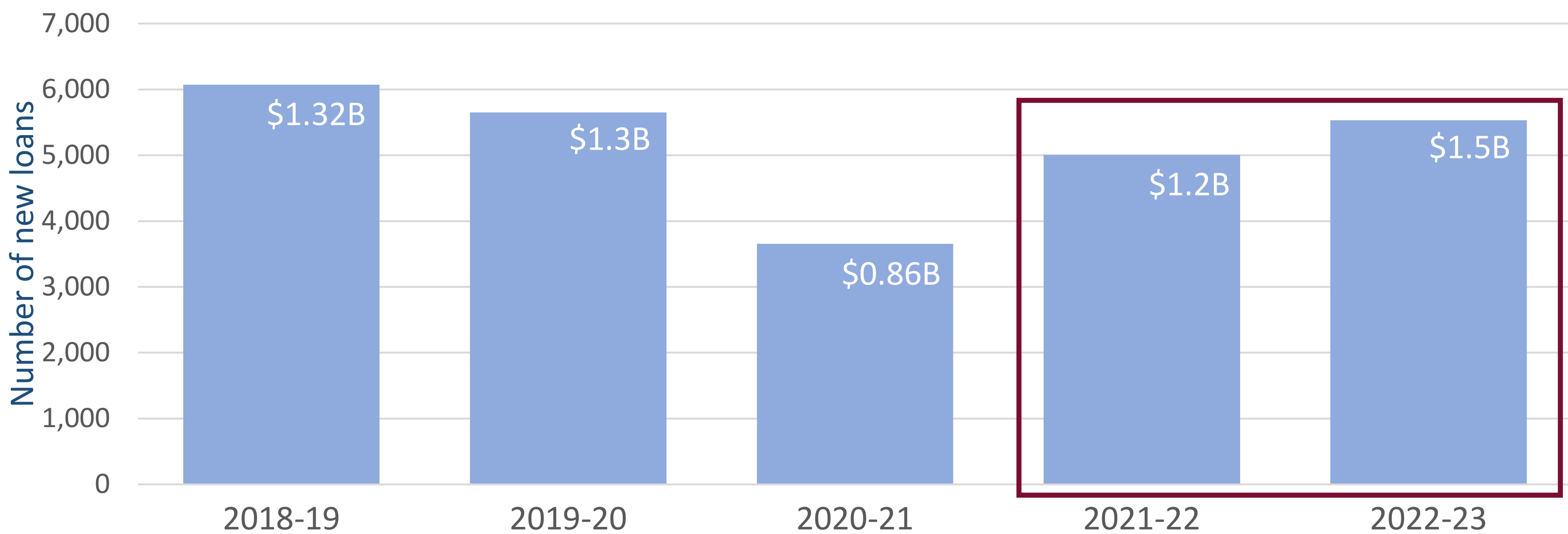
Recommendation 2

Findings

Finding 6: Loan volume decreased due to the pandemic but had increased to pre-pandemic levels by 2022-23, and a relatively higher share of loans were disbursed to underrepresented groups. There was a continuation of longer-term trends towards more loans in the accommodation and food services sector and more loans for leasehold improvements. The adoption of lines of credit, working capital, and intangible assets was low. Some financial institutions were not yet offering lines of credit due to operational challenges which required more time to implement.

Number and value of CSBFP loans issued

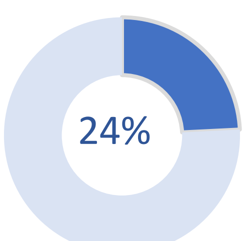
As the program modifications were completed recently, in 2021 and 2022, it was difficult to identify the impact of these changes to the number and value of loans, particularly given the impact of the COVID-19 pandemic. Interviewees and program data found that the COVID-19 pandemic resulted in fewer loans issued, with a 35% decrease in 2020-21. This was due to the ensuing economic slowdown, banks tightening their lending, and the emergency financing options that were made available to small businesses (e.g., Canada Emergency Business Account, BDC's Co-Lending Program and Highly Affected Sectors Credit Availability Program). In subsequent years, loans increased, however, the number of loans in 2022-23 (5,533) was still below the volume in 2018-19 (6,071). The overall loan value reached its highest level in 2022-23 (and the CSBFP met its target in all five years), resulting in an increase in the average value of loans (see bottom right).



22% and 16% of loans were made per year to businesses majority-owned by women and racialized people, respectively.

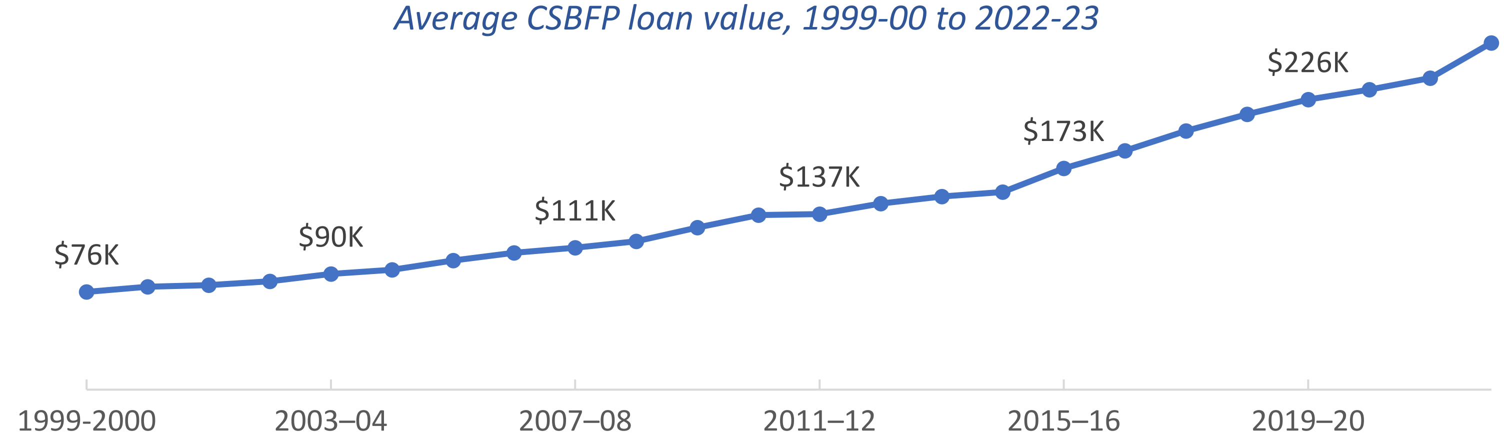
This is higher than for all SMEs in Canada, where 17% were majority-owned by women and 9% were majority-owned by a racialized person.

For Indigenous SMEs, the proportions were the same, as they constituted 1% of CSBFP borrowers and 1% of all SMEs in Canada.[20]



increase in the average size of new CSBFP loans provided between 2018-19 and 2022-23. Over the past five years, the average loan size increased at a rate of approximately 6.1% per year. Historically, the average loan size has increased at a rate of approximately 5.6% per year since 1999–2000.

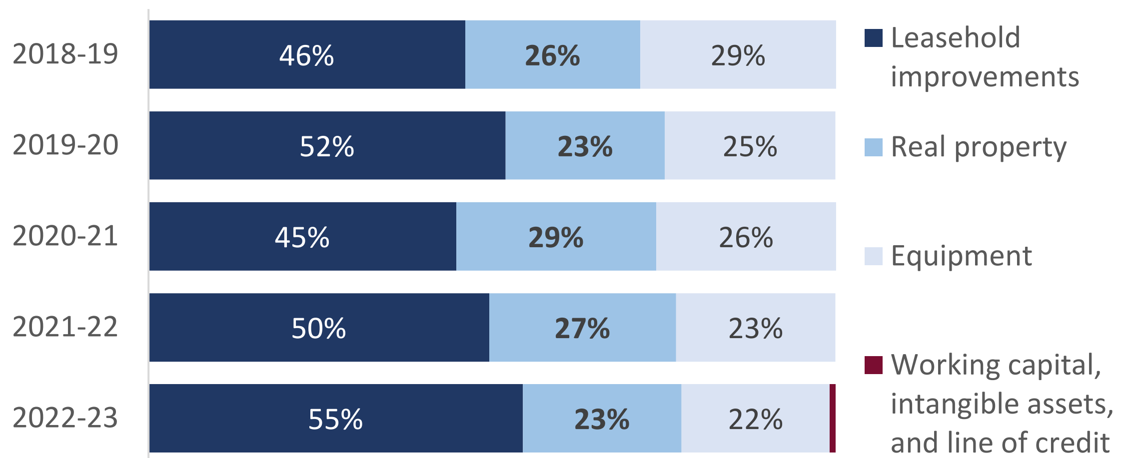
Average CSBFP loan value, 1999-00 to 2022-23



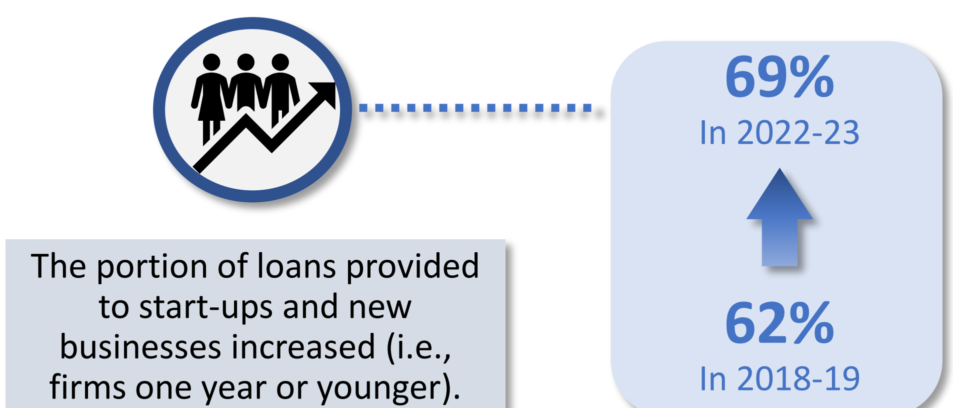
Finding 6

Change in loan composition over time

There was an increase in the number of loans for leasehold improvements and a decrease in real property and equipment loans between 2020-21 and 2022-23. This resurgence in demand for leasehold improvement loans may be due to accommodation and food service operations coming back online after the pandemic shut many of them down.

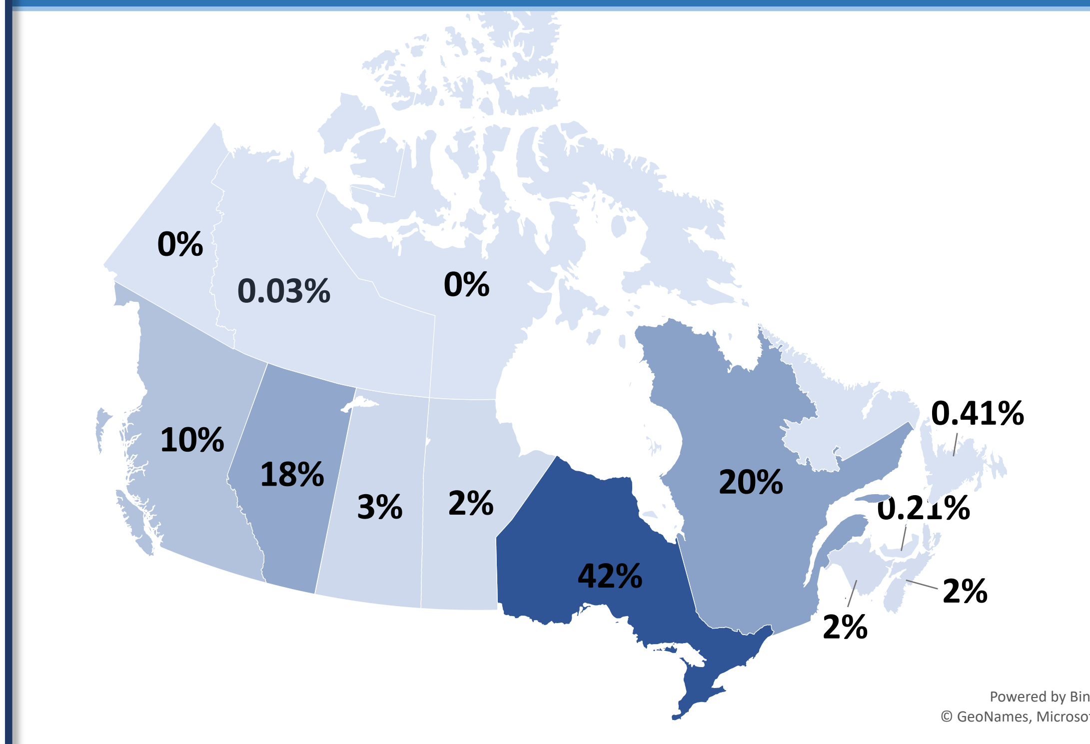


During the first year in which lines of credit, working capital and intangible assets were included as allowable expenses, there was only a modest uptake in program use (0.8% in total). Interviewees explained that the line of credit was not yet being offered by some financial institutions due to operational challenges requiring more time to implement. Some SME financing experts also said there was a risk of businesses using the line of credit to finance their cash flow issues caused by poor financial management.

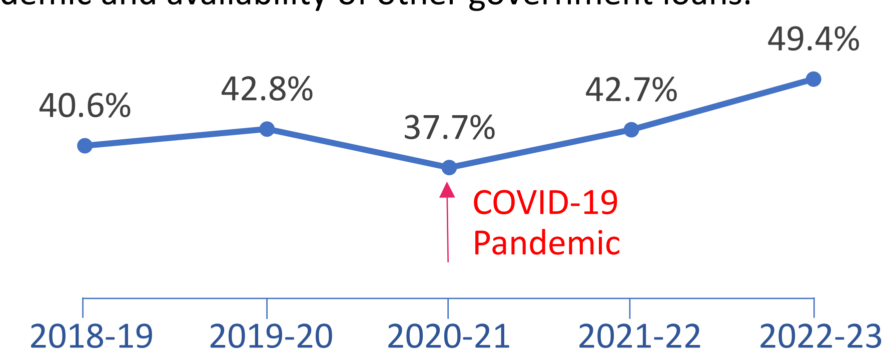


In terms of provincial distribution, there was a small increase in the share of loans in Western Canada (from 31.6% to 35.4%) and decrease in loans in Quebec (from 22.7% to 20.4%) between 2018-19 and 2022-23, likely due to availability of other credit guarantee programs. This roughly corresponds to the distribution of SMEs in Canada in 2021 (e.g., 37% are in Ontario, 21% in Quebec, and 20% in Western Canada).

Loan value by province/territory, 2022-23



Loans in the accommodation and foods sector increased, from 40% in 2018-19 to 49.4% in 2022-23. In 2020-21, there was a temporary decrease in loans to this sector (37.8%), reflecting the impact of the pandemic and availability of other government loans.



Findings

Finding 7: The CSBFP amended the program to better meet the diverse financing needs of SMEs. Stakeholders were generally satisfied with these changes, with a few key suggestions for further modifications, including increasing the Minister's liability, maximum loan amounts, and broadening borrower eligibility.

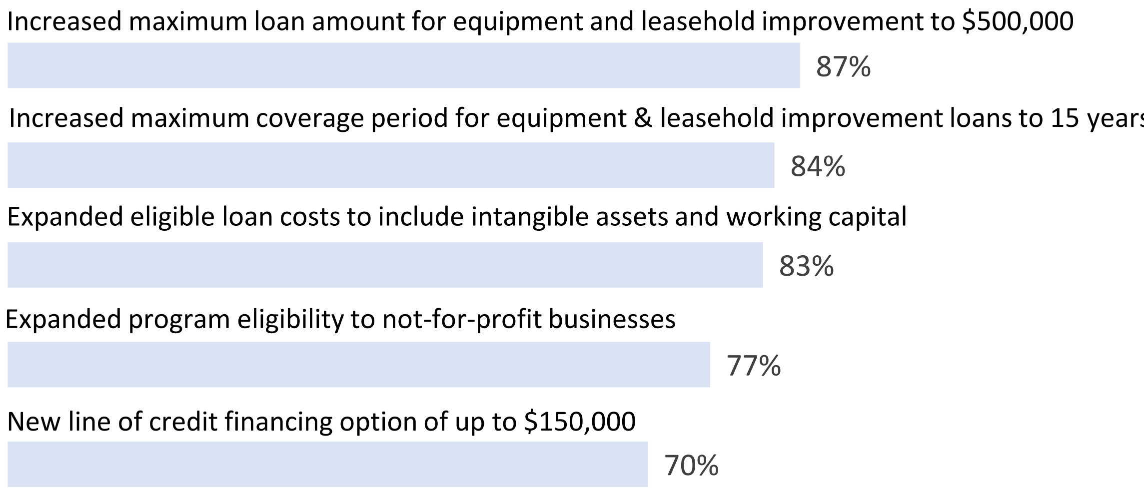
CSBFP Program Modifications

CSBFP amendments, which came into effect in June 2021 and July 2022, reflect a concerted effort to broaden the scope of financial support available to SMEs.

Key modifications to the CSBFP included:

- Increased the maximum financing amount per SME (from $1 to $1.15 million);
- Added new financing classes (intangible assets and working capital costs);
- Introduced a line of credit option (up to $150,000);
- For equipment and leasehold improvements, increased the maximum loan amount ($350,000 to $500,000) and term (from 10 years to 15 years);
- Removed the restriction excluding not-for-profit, charitable, and religious enterprises; and
- Improved loan conditions/requirements (e.g., increased time to complete appraisals and register term loans and reduced proof of purchase/payment requirements).

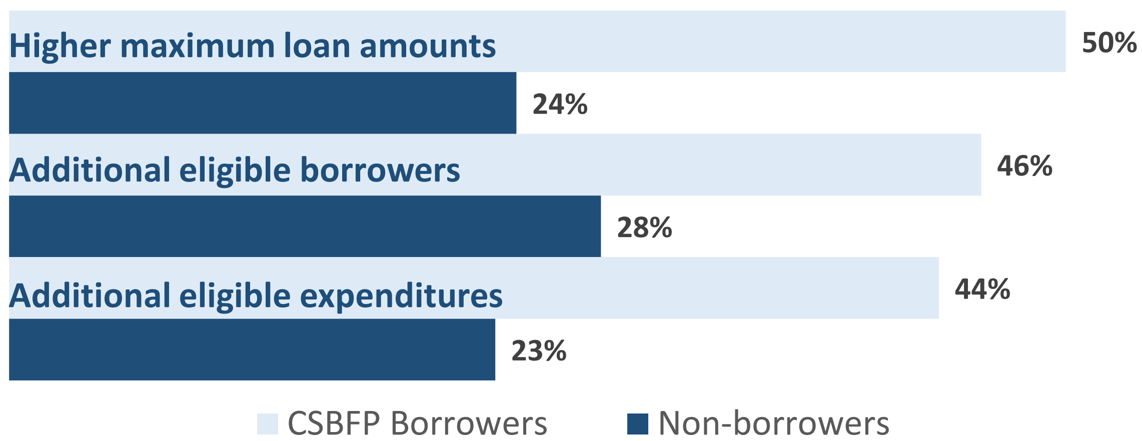
Lender Study: Satisfaction with Program Modifications



Satisfaction with program modifications

Most interviewees and lenders (as per the chart above) were satisfied with the program changes. ISED and FI interviewees agreed that the risk-sharing provisions of the CSBFP were appropriate and help ensure that FIs undertake sufficient due diligence. The literature review and 2024 International Comparison found that the CSBFP is on the higher end compared to other jurisdictions, with the risk-sharing ratios for G7 countries ranging from 40% to 85%. The only situations where higher portions were guaranteed was when the CGS programs were used to respond to the COVID-19 economic crisis. This is in line with FI interviewees who suggested that the 85-15 loss sharing ratio could be revised during an economic crisis. In terms of the loan amount, lending amounts in other G7 countries were generally higher than in Canada (around $2.2M to $3.7M).

Borrower Study: Recommended Modifications to Program Parameters



Potential changes to program parameters were identified by interviewees as well as borrower and lender study respondents:

Minister's Liability	With increases in loan amounts, Minister's liability of $1.5B over each five-year lending period may need to be adjusted.
Maximum Loan Amount	Further increases in maximum loan amounts, particularly for real property, due to higher real estate prices and inflation.
Liability Cap	A single liability cap for term loans and lines of credit (currently 12% for term loans and 15% for lines of credit).
Information Sharing	ISED should share data with lenders on liability and potential improprieties (e.g., statistics in quarterly reports sent to FIs).
Eligible Borrowers	Adding holding companies as eligible borrowers.

Recommendation 3

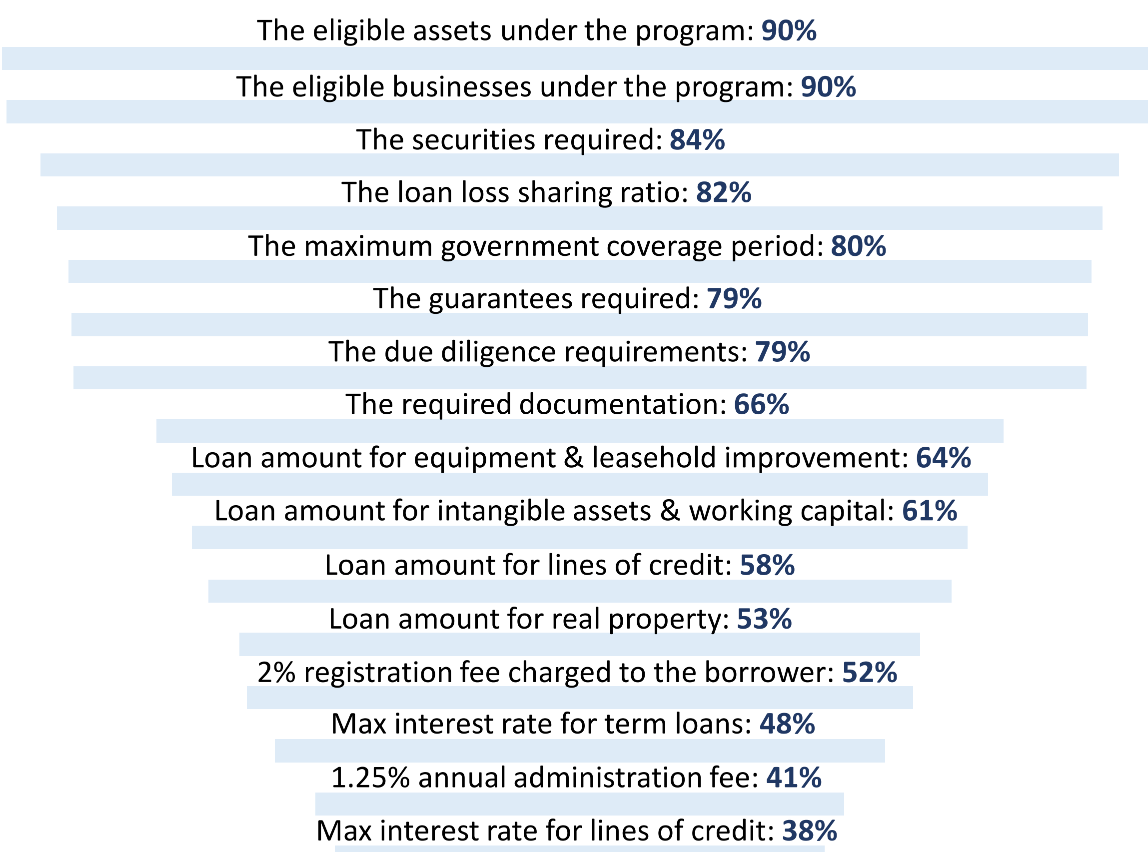
Findings

Finding 7

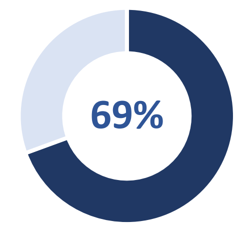
Lender satisfaction with program parameters

Perceptions of the CSBFP among lenders was largely positive. Many lenders found the program's terms and conditions to be reasonable, particularly the eligible assets and eligible businesses under the program (both 90%), with increased satisfaction compared to 2018 (81% and 82% respectively). The satisfaction with loan size for equipment and leasehold improvements was the same as 2018 (64%), while satisfaction with the real property loan size was somewhat lower (53%) compared to other parameters assessed. There was also a substantial increase in satisfaction with documentation requirements (from 50% in 2018 to 66% in 2024).

Compared to 2018, the 2024 study found similarly low levels of agreement that the registration and administration fees were reasonable. However, there was a substantial decrease in satisfaction with the interest rate charged (from 64% in 2018 to 48% in 2024). The maximum interest rate for the newly introduced lines of credit had the lowest satisfaction level.

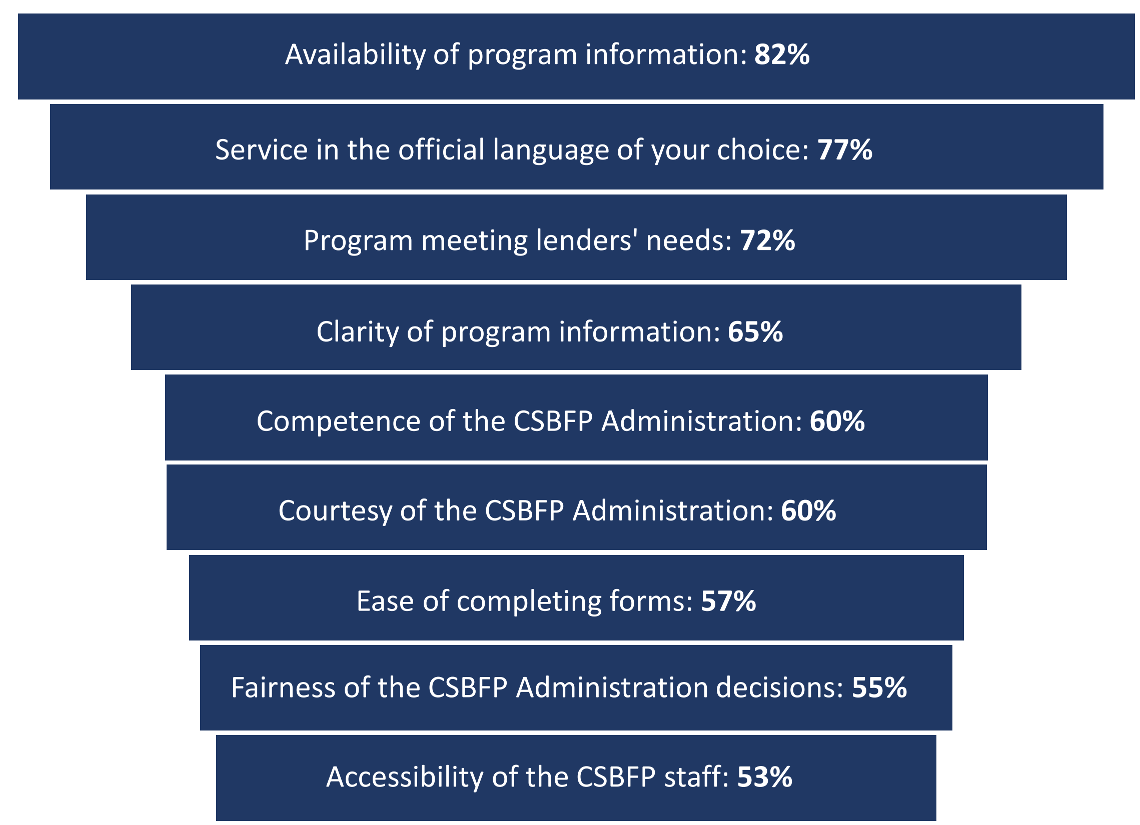


Lender satisfaction with service aspects



of respondents were satisfied or very satisfied with the overall services provided, which is a slight decrease compared to 2018 (73%). Satisfaction with specific aspects of service provided under the CSBFP were generally in line with results from 2018, with satisfaction highest for the availability of program information (82% in 2023 compared to 75% in 2018).

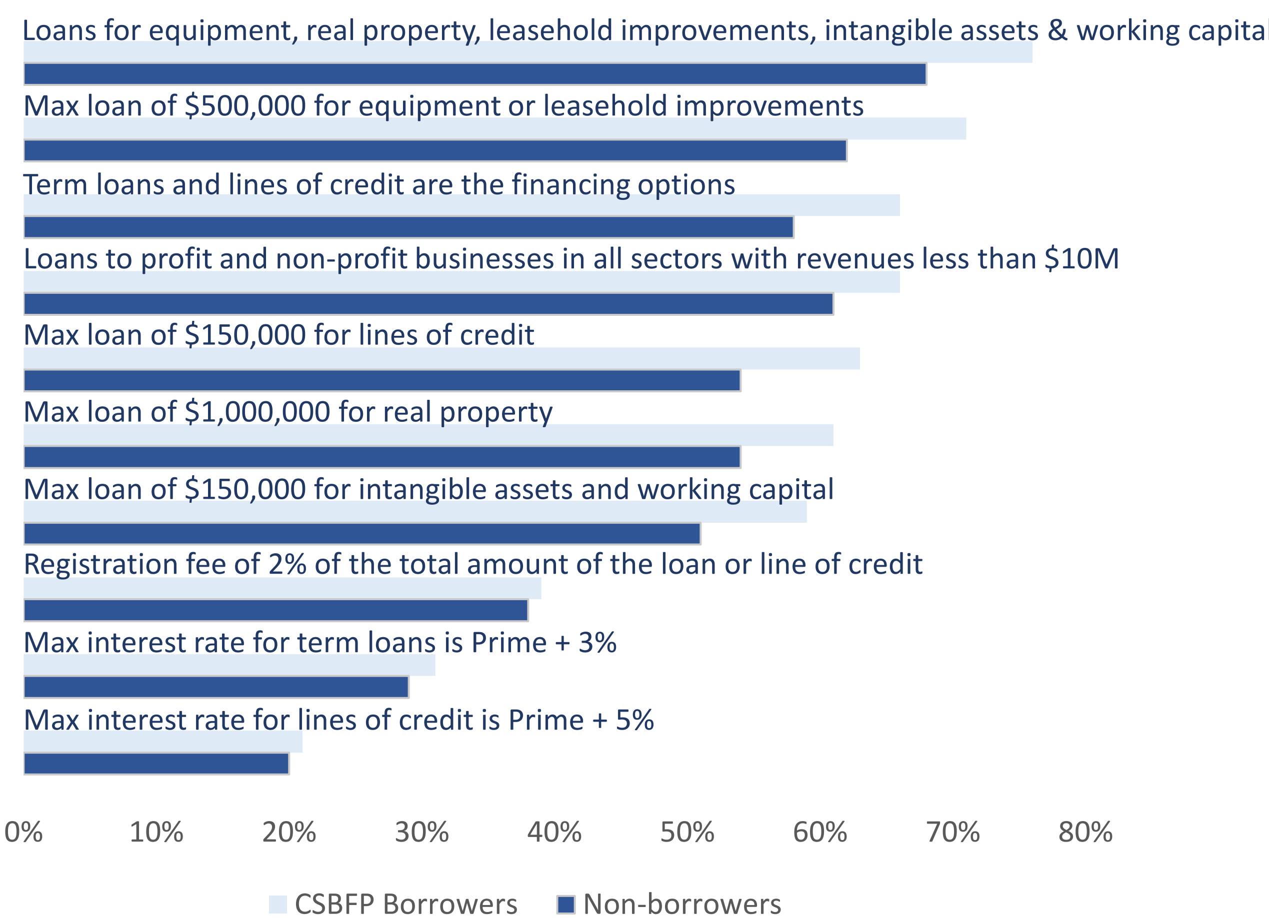
Satisfaction with the ease of completing forms continues to be lower (57%), which is in line with the other findings under Efficiency regarding the burden of program administrative requirements. However, there has been a moderate increase in satisfaction with the ease of completing forms since 2018 (up 8%). The most notable increase in satisfaction with service aspects was in the accessibility of CSBFP staff (53% in 2023 compared to 35% in 2018).



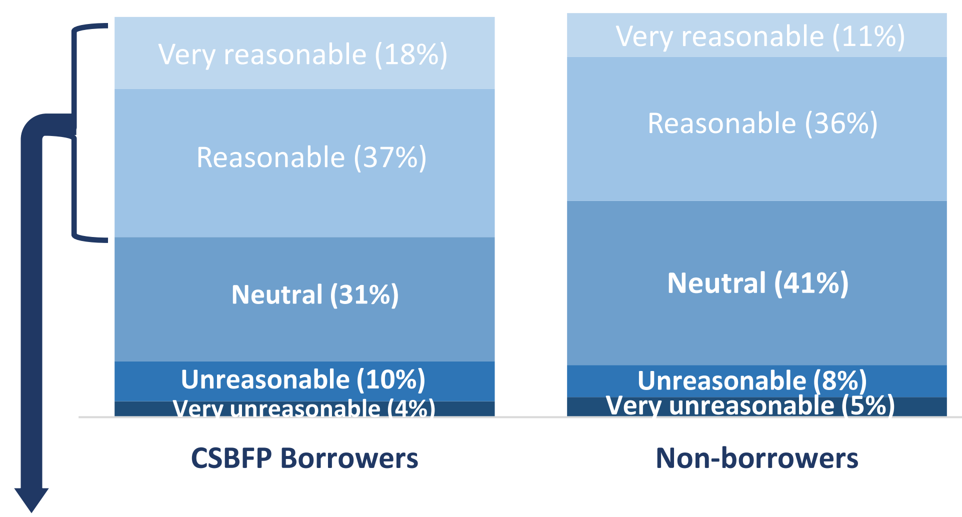
Finding 7

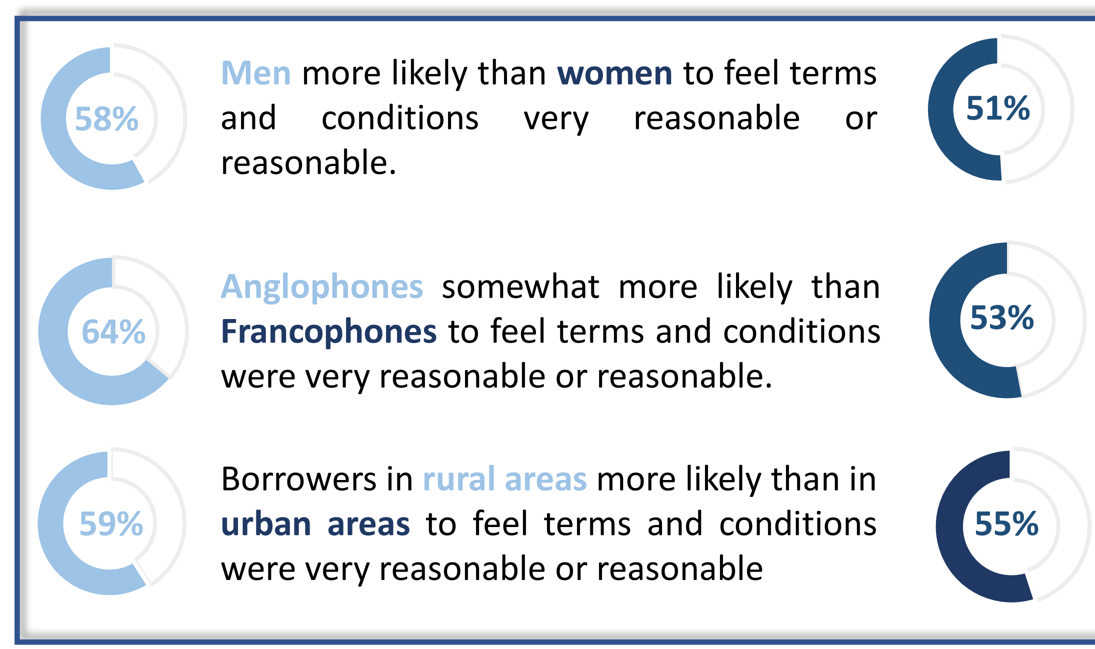
Borrower satisfaction with program parameters

Perceptions of the CSBFP among both borrowers and non-borrowers were largely positive. Many borrowers found the program's terms and conditions to be reasonable, particularly that the loans could be used for the financing of equipment, real property, leasehold improvements, intangible assets, and working capital (76%); and the maximum loan size of $500,000 for equipment or leasehold improvements (71%). However, there were lower levels of agreement that the registration fee (39%) and the maximum interest rate charged for term loans (31%) and lines of credit (21%) were reasonable. In comparison to the 2018 study, there was an increase in perceived reasonableness with the maximum loan size of $500,000 for equipment or leasehold improvements (up 10%), and a decrease in terms of the maximum loan size of $1,000,000 for real property (down 9%). There was also a substantial decrease in satisfaction with the interest rate charged (down 16%), which was likely caused by the significant increase in the prime interest rate that occurred in 2022-23.



Overall, CSBFP borrowers were somewhat more likely to express a positive opinion of the program, with over half of borrowers (55%) rating the terms and conditions as reasonable or very reasonable, compared to 47% of non-borrowers. Only 14% of borrowers and 13% of non-borrowers considered the terms and conditions to be unreasonable or very unreasonable. However, since 2018 there was a decline in agreement among borrowers that the terms and conditions are reasonable (from 66% in 2018 to 55% in 2024).



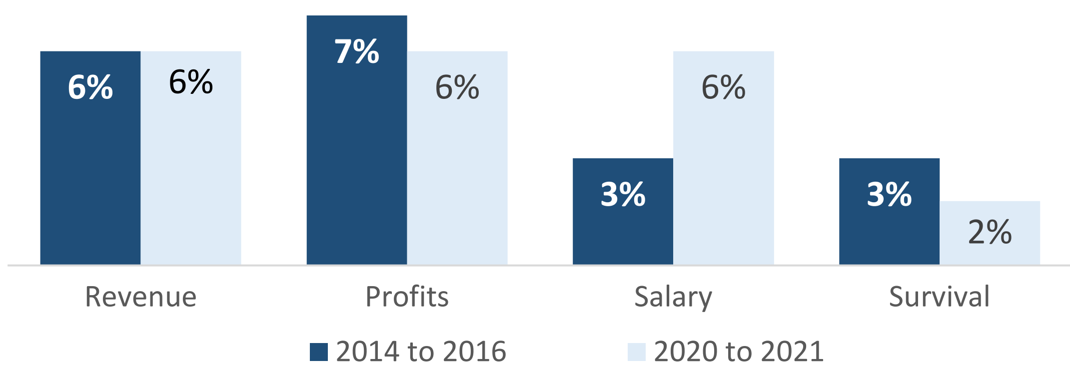


Findings

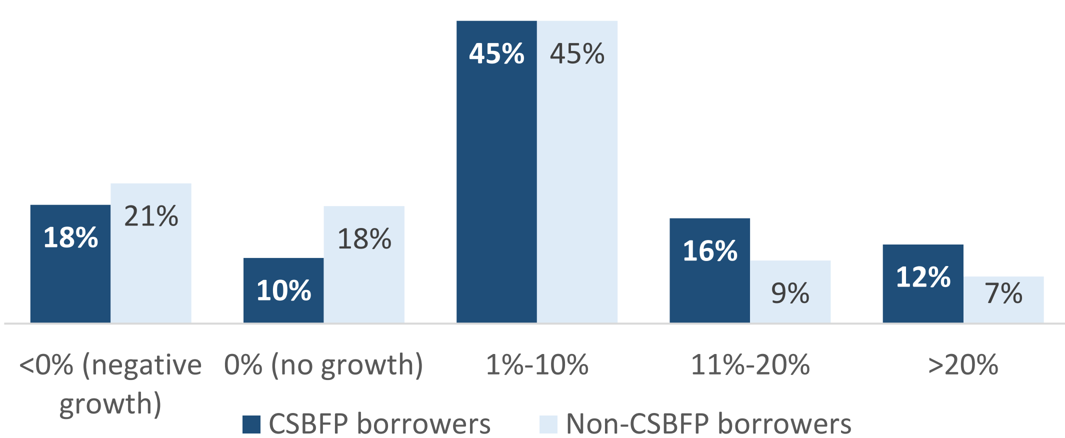
Finding 8: CSBFP loans contributed to an enhanced economic performance of borrowers, although perceptions of the impact of the CSBFP may have been influenced by economic conditions, including COVID-19, which had a significant impact on borrowers. CSBFP borrowers, when excluding franchises, also tended to be more innovative than other SMEs.

Impact of the CSBFP on SME Economic Indicators

The 2023 Economic Impact Analysis reported that CSBFP participation led to an average of $69,098 in increased revenues per SME between 2020 and 2021 and a 5.7% higher average annual revenue growth rate compared to non-CSBFP borrowers. The study also found that CSBFP borrowers had 6% higher profit and salary growth rates and were 2% more likely to survive than non-CSBFP borrowers. Results were similar to the 2018 study, with the largest variance being a significant increase in the impact of CSBFP loans on salary growth (up from 3% to 6%). In terms of employment, productivity, and asset growth, there were no statistically significant differences between borrowers and non-borrowers.



Additionally, the *Survey on Financing and Growth of Small and Medium Enterprises* (SFGSME), found that CSBFP borrowers were more likely to have experienced high sales growth, with 28% of respondents indicating that their businesses experienced annual growth in sales greater than 10% for the period 2017 to 2020, compared to 16% for non-CSBFP borrowers.



The Borrower Awareness and Satisfaction Study also found positive economic impacts. Most CSBFP borrowers reported their loan had a positive impact on their ability to start-up their business (82%), grow their business (70%), and stay in business (69%).

However, since 2018, the perceived impact of the CSBFP was down somewhat, particularly for the perceived impact of CSBFP loans on the ability to increase sales or profits (from 60% to 49%), which could be reflective of the economic climate.

Borrower Awareness and Satisfaction Study, 2018 & 2024

1. Ability to start-up businesses

81% In 2018 → **82%** In 2023

2. Ability to grow business

75% In 2018 → **70%** In 2023

3. Business' ability to stay in business

72% In 2018 → **69%** In 2023

4. Business' productivity or efficiency

64% In 2018 → **60%** In 2023

5. Business' employment levels

53% In 2018 → **51%** In 2023

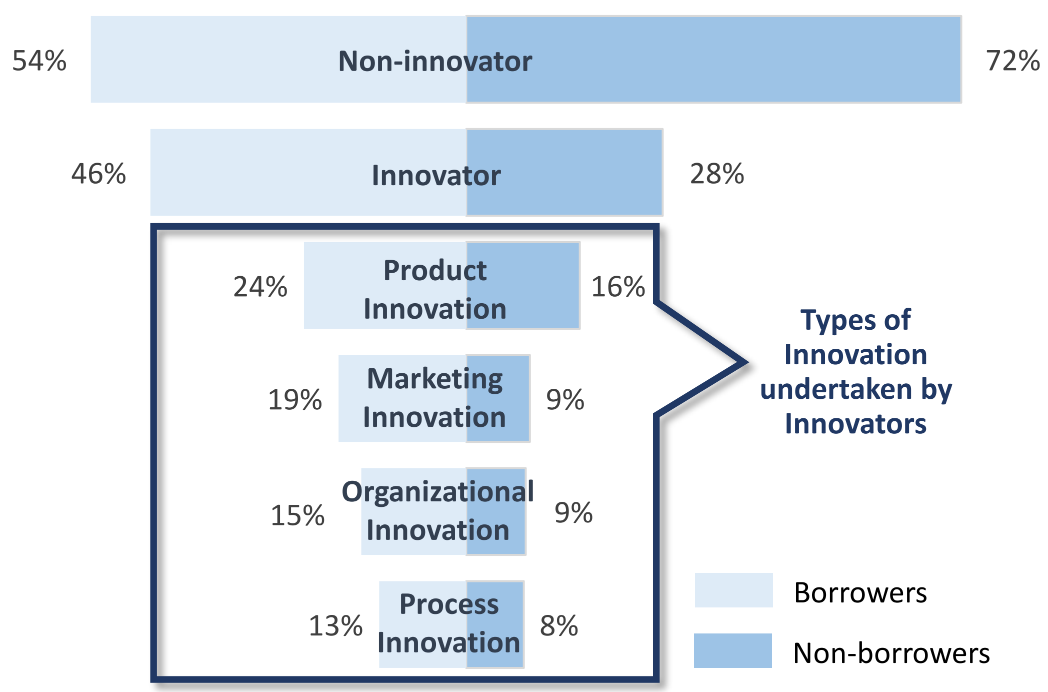
6. Ability to increase sales or profits

60% In 2018 → **49%** In 2023

Finding 8

Innovativeness of CSBFP borrowers

According to the SFGSME, 46% of CSBFP borrowers self-identified as innovators, having taken steps to innovate in at least one area of their business between 2017 and 2020, compared with 28% of all SMEs. Product and marketing innovations were the most common forms of innovation among CSBFP borrowers.



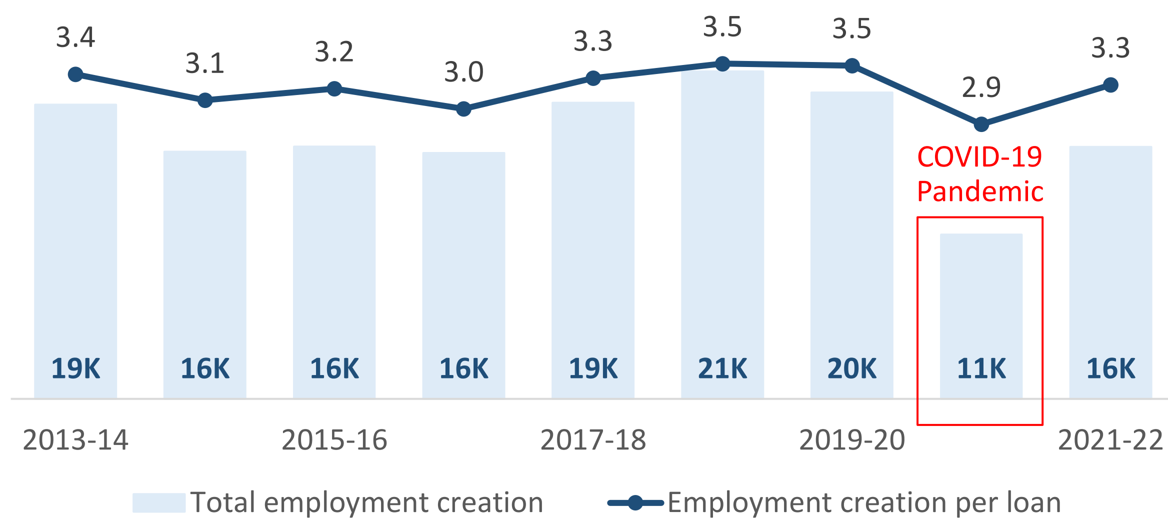
The SFGSME also found that CSBFP borrowers were more likely to own intellectual property (IP). In 2020, 22% of CSBFP borrowers held at least one type of intellectual property, compared with 16% for non-borrowers. The most common form of IP was registered trademarks for CSBFP borrowers (16%) and non-disclosure agreements for all SMEs (10%).

However, 41% of CSBFP loan recipients are franchises. The SFGSME does not collect information on franchises' innovation activities, as they are not deemed to be involved in innovation activities due to the nature of their business. When taking into consideration franchises, the Economic Impact Analysis found that only 26% of CSBFP borrowers are considered innovative, compared to 31% for all SMEs.

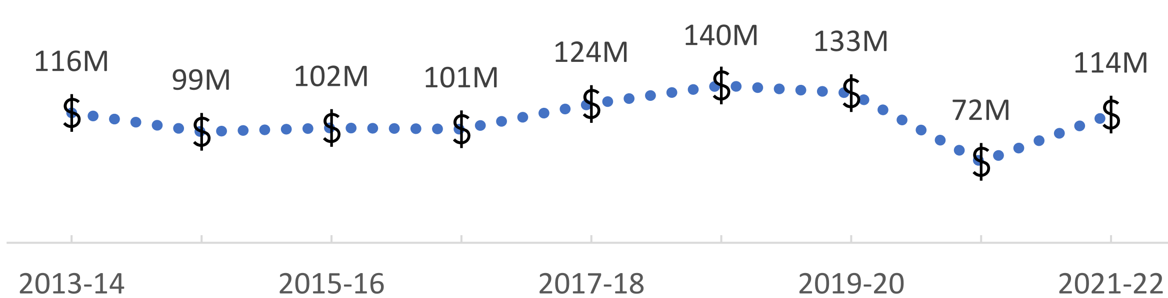
Impact of COVID-19 on economic performance of CSBFP borrowers

The Economic Impact Analysis found that more CSBFP borrowers requested COVID-19 financing support in 2020 compared to non-CSBFP borrowers (87% versus 78%). Further, approximately 44% of CSBFP borrowers were temporarily closed in 2020 due to the pandemic compared to 29% of non-CSBFP borrowers.

The 2023 Cost-Benefit Analysis found that from 2013-14 to 2021-22, CSBFP borrowers reported that their loans were expected to contribute to an additional 155,000 full-time employees. In terms of annual employment expectations, in 2020-21, the pandemic resulted in a decline of 46% in the expected contribution of the CSBFP loans to employment compared to the previous year (decreasing from 20K to 11K). Employment creation per loan decreased less, by 18%, from 3.46 in 2019-20 to 2.85 in 2020-21, as there was a large decrease in loans (35%).



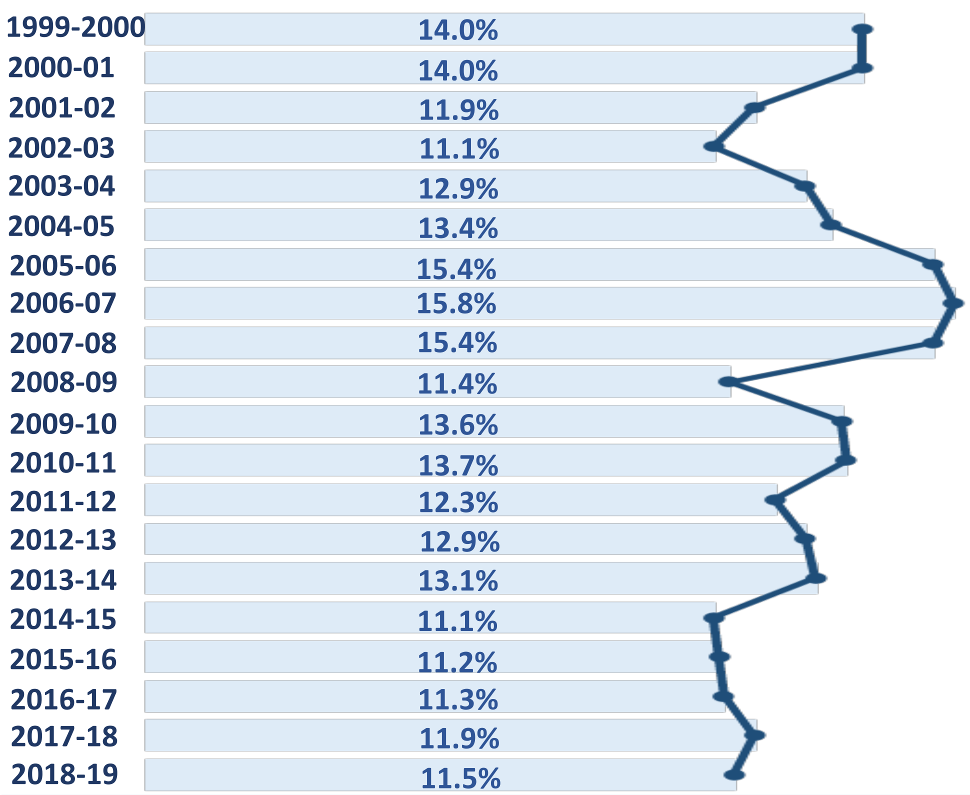
Similarly, the total salaries and wages for employees hired as a result of CSBFP loans exhibited a gradual upward trajectory from 2013-14 until 2020-21. This period, significantly influenced by the pandemic, saw a significant decline in job creation expectations, followed by a subsequent recovery in 2021—2022.



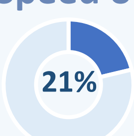
Finding 9: Default rates are influenced by factors such as firm age, size, and type of loan. Claims and loan loss estimates increased due to the pandemic, particularly for accommodation and food and personal care sectors.

CSBFP loan default rates

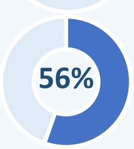
The calculation of CSBFP loan default rates excluded the period from 2018-19 to 2022-23, as an adequate amount of time is needed to observe default. Analysis indicated that between 1999-2000 and 2018-19, CSBFP loan default rates were as low as 11.1% and as high as 15.8%.



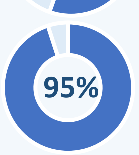
Speed of Loan Default (Loans issued 2014-15 to 2018-19)



of all loan defaults occur within one year.



of all loan defaults occur within two years.



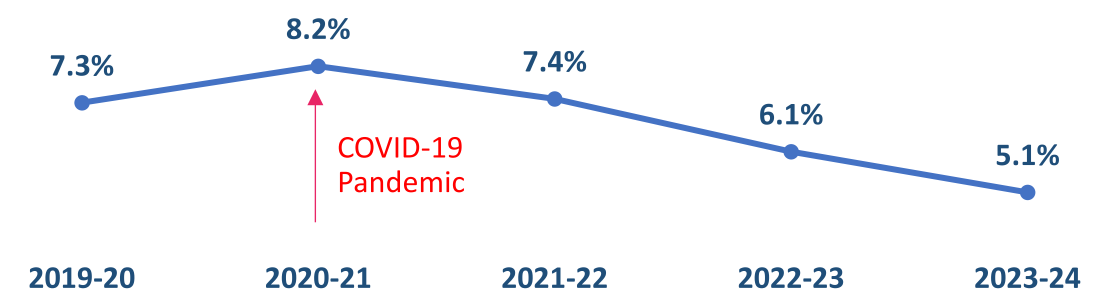
of all loan defaults occur within five years.

Impact of COVID-19 on claims and loan loss rates

The number of claims for defaulted loans increased in 2020-21 due to the COVID-19 pandemic. Since 2020-21, claims have gone down but remain higher than prior to the pandemic, in terms of both the number of defaults and the average claim size.

CSBFP estimates (based on actual and estimated revenues and expenses) for its loan loss rate indicate that losses are expected to be around 8.2% for 2020-21, followed by decreases over the following three years.

CSBFP Loan Loss Rate Projections



Factors Influencing the Probability of Default

Overall, the age of a business, number of employees, sector, region, type of loan, loan source, and CSBFP loan amount were key predictors of loan default.

Firm Age	Younger firms were more likely to default on a loan.
Employees	Firms with more employees had a lower probability of defaulting.
Sector	Accommodation and food services, retail, and manufacturing had the highest default rates.
Region	Default rates were lower in the Atlantic region and British Columbia.
Type of Loan	Loans with leasehold funding had much higher default rates.
Loan Size	Borrowers with larger loans were much more likely to default.
Loan Source	Default rates lowest among credit unions.

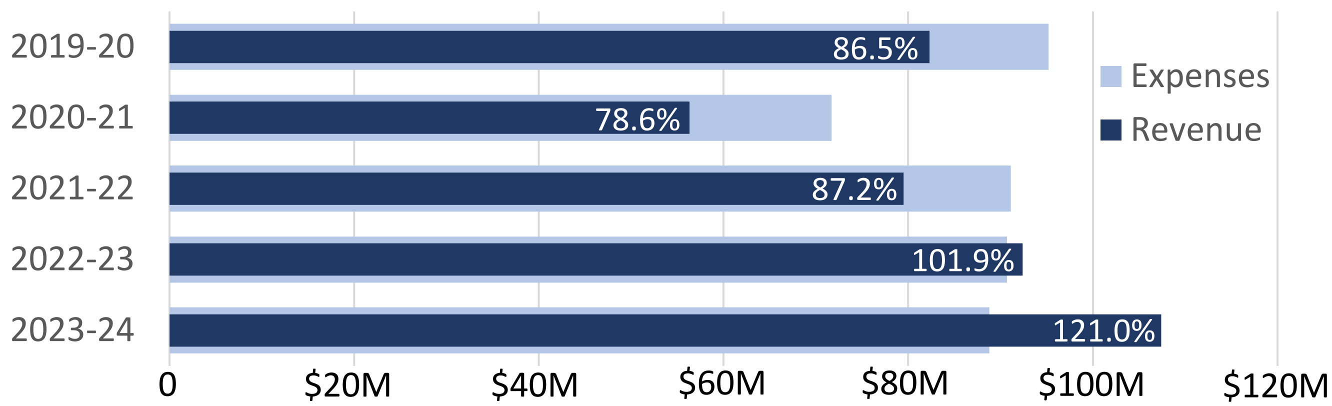
Notable increases in claims during the pandemic were observed in accommodation and food services and personal care services, with claims increasing from 5% and 7% in 2019-20 to 14% and 17% in 2020-21, respectively.

Findings

Finding 10: In terms of efficiency, the social benefits generated by the CSBFP have been positive in every year since 2013-14, totalling almost $5 billion. Further, the CSBFP is expected to be largely cost recoverable for the 2019-20 to 2023-24 period. That said, the pandemic, high interest rates, and sunsetting of COVID-19 supports may negatively affect cost recovery. Additionally, there continues to be a perception among stakeholders that the administrative requirements of the CSBFP need to be streamlined.

Cost recovery of the program

The methodology used to determine the level of cost recovery (based on actual and estimated revenues and expenses) was developed by the Program in conjunction with university professors and was approved by the Office of the Auditor General. For the 2019-20 to 2023-24 lending period, it was estimated that total revenues ($418.0 million) divided by total expenses ($437.6 million) will result in 95.5% cost recovery. The lower cost recovery estimate than in the previous evaluation period (99.8%) can be attributed to the economic crises experienced during the evaluation period. For example, in 2020-21, the estimated cost recovery was 78.6% and in 2021-22, the estimated cost recovery was 87.2%.



Efficiency of program administrative requirements

Even though almost all registrations, fees and claims (95%+) are processed electronically, interviewees said program procedures should be further streamlined and clearer guidance and/or advisory services provided. Many suggestions in the lender study were to reduce the complexity and administrative burden of documentation requirements (e.g., invoices and proof of payment).

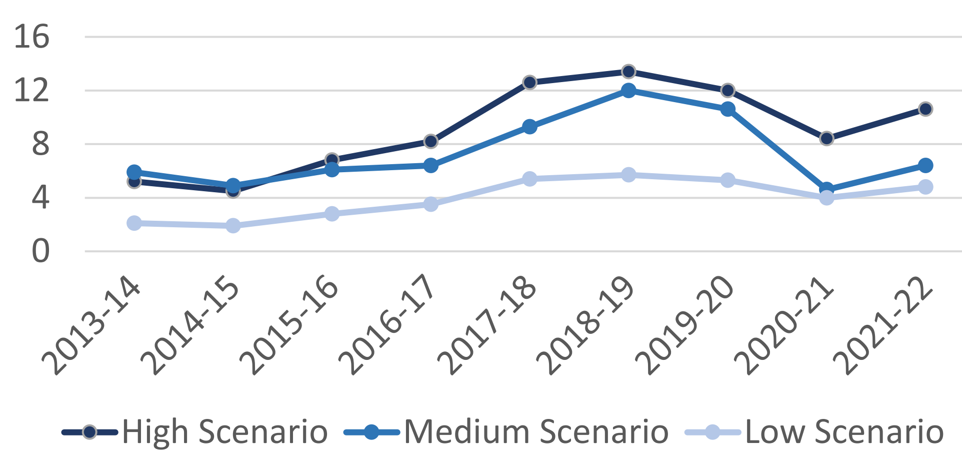
The 2019 Evaluation similarly noted that "efforts need to continue to reduce the administrative burden…as the level of documentation required is leading some lenders to avoid using the program."[21] Since then, in 2022 the requirement to provide documentation that substantiates costs and proof of payment was reduced from 100% to 75% of the principal amount outstanding on the loan as of the date of the last payment of principal and/or interest and applies to initial, interim and additional claims. Further, in 2022, the CSBFP introduced a line of credit loan option which does not require lenders to substantiate the cost and proof of payment for expenditures.

Cost of the program relative to the associated benefits

Interviewee groups agreed that the benefits of the program outweighed the costs. ISED's 2023 Cost-Benefit Analysis (CBA) provided estimates based on three different scenarios, each of which assumed different discount and incrementality rates (based on assumptions of incrementality), and common employment displacement rates and employment creation. Costs predominantly stemmed from claims and lender default costs, while the primary drivers of program benefits were direct and indirect GDP impacts.

Under the medium scenario, the CBA study found that between 2013-14 and 2021-22, the total benefits (direct/indirect GDP impacts, wages paid to new employees, fees collected, interest collected on loans) exceeded the total costs by over $4.89 billion. For every dollar allocated to program administration or addressing claims on defaults, the CSBFP yielded a substantial return of 6.9 dollars in benefits. Even under the low scenario, benefits outweighed costs by a ratio of 3.6 to 1.

Benefit-Cost Ratio — Low, Medium and High Scenarios



Recommendation 4

Summary

Conclusion: The CSBFP continues to address a need to facilitate SME access to financing. Awareness of the CSBFP remains low among borrowers, but high for lenders. The COVID-19 pandemic resulted in a decrease in loans and an increase in claims and estimated loan loss rates. CSBFP amended the Program to better meet needs and stakeholders were mostly satisfied with them. With significant changes since program inception in types of loans, sectoral composition, and provincial distribution, the CSBFP should continue to assess whether its program parameters meet lender and borrower needs. While CSBFP increased the scope of eligible borrowers through these amendments, in terms of lenders, there were no IFI's or FinTech lenders designated under the Program. Consequently, a more proactive approach may be needed to expand access to alternative lenders. Take-up for newly added lines of credit and working capital and intangible assets was low, with only a portion of FIs offering lines of credit, indicating that further adjustments may be required. CSBFP loans contributed to enhanced economic performance of borrowers, net social benefits generated by the CSBFP were positive, and the CSBFP is expected to be largely cost recoverable, however, there was a continued need to reduce the administrative burden of the program.

Finding 1: The CSBFP continues to address a demonstrable need for financing among SMEs, including SMEs from underrepresented groups, who experience significant challenges in accessing financing. By sharing the risk of lending to higher-risk SMEs, the program plays an important role in enabling businesses to secure capital.

Finding 2: 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. Although some SMEs would still be able to access financing, it is estimated that about three-quarters of all CSBFP loans may not have been made in the absence of the program and some approved loans would have been made, however, with less favorable conditions.

Finding 3: While credit guarantee programs can be an effective means of addressing financing needs during an economic crisis, it was generally agreed that temporary, non-CSBFP measures worked well during the COVID-19 pandemic and, without legislative and regulatory changes, it would be difficult for CSBFP to quickly respond to future adverse economic events.

Finding 4: Awareness of the CSBFP remains low among borrowers and non-borrowers, particularly among Francophones, but remains high for lenders. Some opportunities were identified to further promote awareness of the CSBFP.

Finding 5: The number of active lenders has declined since 2019-20 due to mergers/acquisitions and centralization of loan processing, while the number of active branches has increased. There are still no Indigenous Financial Institutions designated as CSBFP lenders, as none have applied, although two lenders service Indigenous businesses. While adding FinTech platforms as designated lenders could facilitate more loans, none have applied, potentially due to unattractive program parameters (e.g., interest rate cap).

Finding 6: Loan volume decreased due to the pandemic but had increased to pre-pandemic levels by 2022-23, and a relatively higher share of loans were disbursed to underrepresented groups. There was a continuation of longer-term trends towards more loans in the accommodation and food services sector and more loans for leasehold improvements. The adoption of lines of credit, working capital, and intangible assets was low. Some financial institutions were not yet offering lines of credit due to operational challenges which required more time to implement.

Summary

Finding 7: The CSBFP amended the program to better meet the diverse financing needs of SMEs. Stakeholders were generally satisfied with these changes, with a few key suggestions for further modifications, including increasing the Minister’s liability, maximum loan amounts, and broadening borrower eligibility.

Finding 8: CSBFP loans contributed to an enhanced economic performance of borrowers, although perceptions of the impact of the CSBFP may have been influenced by economic conditions, including COVID-19, which had a significant impact on borrowers. CSBFP borrowers, when excluding franchises, also tended to be more innovative than other SMEs.

Finding 9: Default rates are influenced by factors such as firm age, size, and type of loan. Claims and loan loss estimates increased due to the pandemic, particularly for accommodation and food and personal care sectors.

Finding 10: In terms of efficiency, the social benefits generated by the CSBFP have been positive in every year since 2013-14, totalling almost $5 billion. Further, the CSBFP is expected to be largely cost recoverable for the 2019-20 to 2023-24 period. That said, the pandemic, high interest rates, and sunsetting of COVID-19 supports may negatively affect cost recovery. Additionally, there continues to be a perception among stakeholders that the administrative requirements of the CSBFP need to be streamlined.

Recommendations

Recommendations:

Recommendation 1: ISED's Small Business, Tourism and Marketplace Services Sector should focus on developing approaches to increase awareness and knowledge of the CSBFP among SMEs.

Recommendation 2: ISED's Small Business, Tourism and Marketplace Services Sector should continue efforts to expand the list of registered CSBFP lenders, particularly for Indigenous financial institutions, to help increase access to the program.

Recommendation 3: ISED's Small Business, Tourism and Marketplace Services Sector should consider further program modifications to better meet the evolving needs of SMEs.

Recommendation 4: ISED's Small Business, Tourism and Marketplace Services Sector should explore approaches to further lessen the administrative burden for both borrowers and lenders, while not compromising program oversight.

Appendices

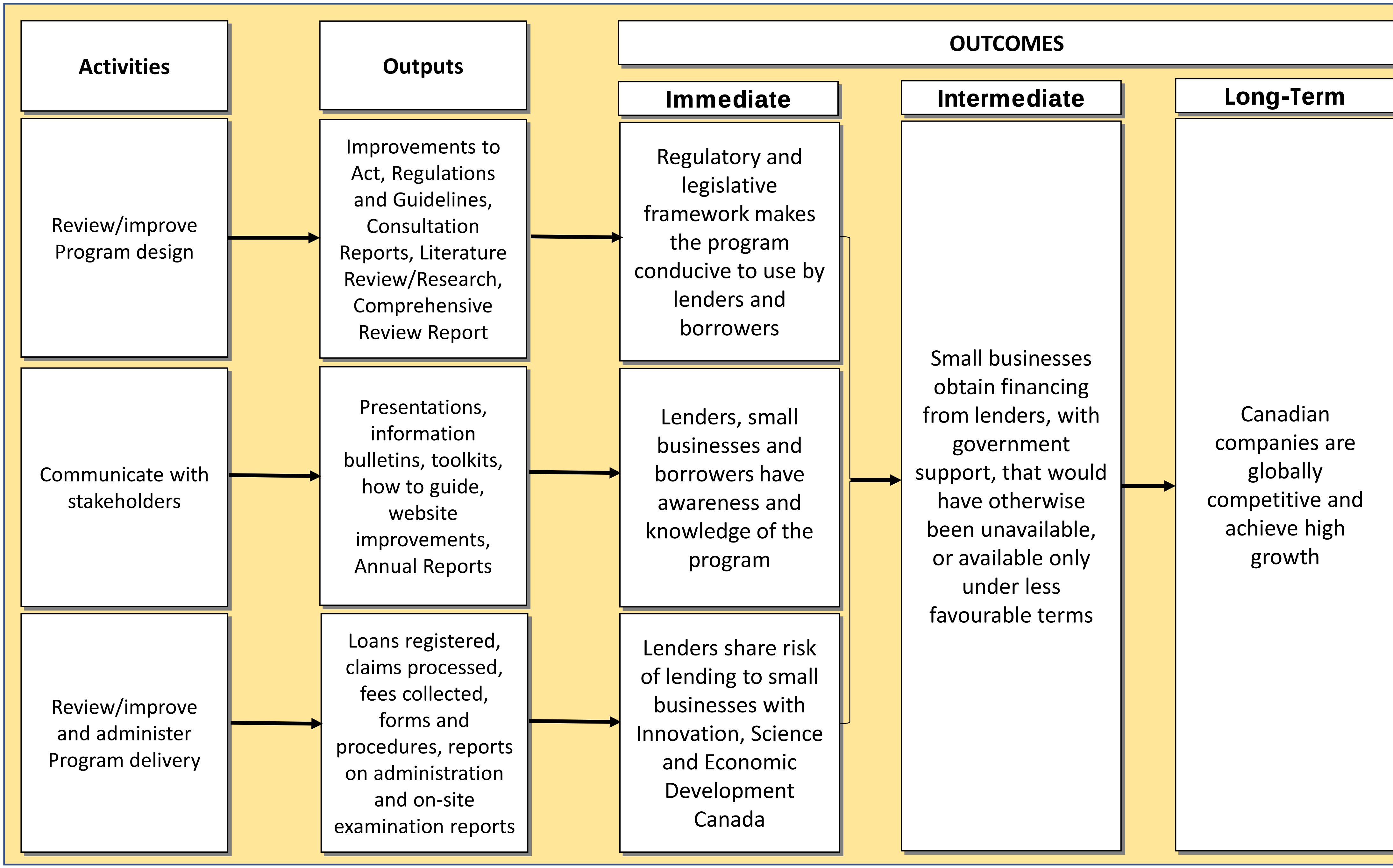
- Appendix A: Acronyms
- Appendix B: Logic Model
- Appendix C: Methodology
- Appendix D: Challenges and Mitigations
- Appendix E: Bibliographic Notes

Appendix A: Acronyms

BDC	Business Development Bank of Canada
CBA	Cost-Benefit Analysis
CCAB	Canadian Council for Aboriginal Business
CSBFP	Canada Small Business Financing Program
CGS	Credit Guarantee Schemes
FI	Financial Institution
GDP	Gross Domestic Product
IFI	Indigenous Financial Institutions
ISED	Innovation, Science and Economic Development Canada
OECD	Organization for Economic Cooperation and Development
SBB	Small Business Branch
SFGSME	Survey on Financing and Growth of Small and Medium Enterprises
SME	Small and Medium-Sized Enterprise

Appendix B: Logic Model

The logic model provided below serves as the CSBFP's roadmap. It outlines the activities of the program, its corresponding outputs, the immediate outcomes of these outputs, the intermediate or medium-term outcomes, and the final outcomes.



Appendix C: Methodology

The evaluation was based on five data collection methods, including qualitative and quantitative sources.

To address the evaluation questions, information from multiple lines of evidence was collected and triangulated.

Document and Literature Review

The review was conducted to gain an understanding of the CSBFP, assess the program delivery model, and explore the continued need for the program, specifically the need to support small businesses in attaining debt financing, the role of the federal government to provide loan guarantees, as well as an examination of comparable programs in other jurisdictions.

Program Administrative and Performance Data Review

This evaluation component included the analysis of data collected by ISED, specifically a database of all borrowers, including their key characteristics, as well as detailed information on trends among lenders and borrowers. Included in the data analysis was a series of recent quantitative reports commissioned or prepared by SBB as part of their performance measurement (Incrementality Study, Cost-Benefit Analysis Study, Economic Impact Study, Profile of CSBFP Borrowers, Credit Conditions Trend Analysis, Borrower Awareness and Satisfaction Study).

Lender Awareness and Satisfaction Study

AEB undertook a modified version of this study which was previously commissioned by SBB. The study examined lenders' awareness, perceptions and use of the program. 220 financial institution representatives (of 551) responded to the request for information, resulting in a response rate of 40%.

Financial Analysis

The financial analysis included analysis of the revenues, administrative expenses of the program relative to the value of the loans, and a comparison between the costs of the program relative to the economic benefits achieved.

Virtual Interviews

A total of 29 interviews were conducted using MS-Teams across the following stakeholder groups to gather diverse perspectives on the relevance, performance and efficiency of the CSBFP:

- ISED management and staff (5)
- Financial institution representatives (13)
- Professional association representatives (6)
- SME financing experts (5)

Appendix D: Challenges and Mitigations

The evaluation encountered 2 limitations and evaluators applied related mitigation strategies.

Response Bias

Challenge:

Lender study responses for FIs were not proportional to the lender population (e.g., some larger institutions had very few respondents).

Mitigation:

The responses were weighted according to the number of branches each FI has that is offering CSBFP loans.

Interviewee Respondent Bias

Challenge:

Certain interview participants may have been involved with program delivery or direct beneficiaries, and as a result, responses may have been positively biased.

Mitigation:

The purpose of the interview and its strict confidentiality was communicated to participants to encourage open communication.

Responses were validated across stakeholder groups and other lines of evidence.

Appendix E: Bibliographic Notes

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17. Rancoita *et* al. 2020. European Central Bank. Public Loan Guarantees and Bank Lending in the COVID-19 Period, p. 1, 4.
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19. Ziegler *et al*. 2021. Cambridge Centre for Alternative Finance. The 2nd Global Alternative Finance Market Benchmarking Report, p. 126, 128.
20. Statistics Canada. 2020. Summary of the Survey on Financing and Growth of Small and Medium Enterprises.
21. 2019. ISED. Canada Small Business Financing Program Evaluation Report.

Appendix F: CSBFP Parameters

Eligibility

- Small businesses or start-ups operating in Canada, with gross annual revenues of $10 million or less.
- Not eligible under this program: farming businesses (for a similar program for the farming industry, visit the Canadian Agricultural Loans Act Program).

Available Financing

- The maximum loan amount for a borrower is $1.15 million.
- Up to a maximum of $1,000,000 for term loans for any one borrower, of which no more than $500,000 can be used for purchasing leasehold improvements or improving leased property and purchasing or improving new or used equipment and of that amount, a maximum of $150,000 could be used for intangible assets and working capital costs.
- Up to a maximum of $150,000 for lines of credit.

Eligible Expenditures

- Term loans can be used to finance the following costs:
  - purchase or improvement of land or buildings used for commercial purposes;
  - purchase or improvement of new or used equipment; purchase of new or existing leasehold improvements, i.e., renovations to a leased property by a tenant; and
  - intangible assets and working capital costs

Ineligible Expenditures

- Borrower's labor, pre-existing term loan, shares, vendor take back financing, and exchange or barter.

Financing terms

- Lenders have the option to take an unsecured personal guarantee. For real property and equipment, security must be taken on the assets financed.
- For leasehold improvements, intangible assets, working capital costs and when financing a line of credit, the lender must take security on other business assets.

Appendix F: CSBFP Parameters (continued)

Interest Rate for Term Loan

- The interest rate charged to borrowers is determined by lenders and may be fixed or variable, within the parameters of the regulations:
- Variable rate: the maximum chargeable is the lender's prime lending rate plus 3% (including a 1.25% annual administrative fee).
- Fixed rate: the maximum chargeable is the lender's single family residential mortgage rate for the term of the loan plus 3% (including a 1.25% annual administrative fee).

Interest Rate for the CSBF Line of Credit

- The maximum floating rate is the lender's prime rate in effect on each day the line of credit is open plus 5%. (including the 1.25% annual administration fee).

Maximum Loan Term

- The maximum term (length of government coverage) applicable to a CSBF term loan is 15 years for all loan classes.

Registration fee

- For **term loans**, the 2% registration fee is based on the total amount loaned under the program.
- For **lines of credit**, the 2% registration fee is based on the total amount authorized.
- Registration fees must be paid by the borrower to the lender and they may be financed.

Loan Payments:

- Payments may be adapted to a borrower's needs (i.e., blended, seasonal or escalating).
- For a CSBF term loan, at least one payment of interest and one payment of principal must be scheduled to be made each year.

Appendix G: Key Federal Government Loan Programs

Program Name	Department/Agency /Organization	Description
Export Guarantee Program	Export Development Canada	The program provides a guarantee on up to 75% of domestic assets that businesses borrow from financial institutions. The program supports international businesses seeking to grow their international investments and the value of the loan guarantee depends on the type and size of the loan. Key Program parameters include: • EGP provides guarantees of up to US $25 million. • The maximum guaranteed percentage depends on the type of assets being financed and the size of the facility. • Fees are determined based on credit rating, duration of coverage and the amount of financing needed.
Canadian Agriculture Loans Act Program	Department of Agriculture and Agri-food Canada	The *Canadian Agricultural Loans Act* (CALA) Program is a loan guarantee program designed to increase the availability of loans to farmers and agricultural co-operatives. Farmers can use these loans to establish, improve, and develop farms, while agricultural co-operatives may also access loans to process, distribute, or market the products of farming. Key program parameters include: • Federal government guarantee to the lender of 95% • Individual farmers can receive up to 80% financing (new farmers up to 90% financing) of the asset's • Maximum aggregate loan limit for any one farm operation is $500,000 and $3 million for agricultural co-operatives • $500,000 maximum for the purchase of land and the construction or improvement of buildings. • $350,000 maximum for all other loan purposes, including consolidation/refinancing
Advanced Payments Program	Department of Agriculture and Agri-food Canada	This program is a federal loan guarantee program that provides agricultural producers with easy access to low-interest cash advances. Under the program, producers can access up to $1,000,000 per program year in advances based on the value of their agricultural product, with the Government of Canada paying the interest on the first $100,000 advanced to a producer. Advances are repaid as the producer sells their agricultural product, with up to 18 months to fully repay the advance for most commodities (up to 24 months for cattle and bison). In 2022, the interest free limit was temporarily increased to $250,000 and in 2023 it was temporarily increased to $350,000.
Community Futures Program	Innovation Science and Economic Development Canada	The Community Futures Program provides repayable financing of $150,000 or more through loans, loan guarantees or equity investments when financing from other sources is insufficient. This financing supports businesses in rural areas. FedNor administers the Community Futures Program in Northern Ontario.

Appendix G: Key Federal Government Loan Programs (continued)

Program Name	Department/Agency/Organization	Description
Black Entrepreneurship Loan Fund	Innovation, Science and Economic Development Canada	The Black Entrepreneurship Loan Fund is a partnership between the Government of Canada, Black-led business organizations and the BDC. The fund provides loans of up to $250,000 to support Black business owners and entrepreneurs across Canada and lays a foundation for future success and long-term change. The Loan Fund also includes a pilot microloan program for Black entrepreneurs and business owners seeking microloans between $10,000 and $25,000 through a collaboration between FACE, Vancity and Alterna Savings. To be eligible for a loan, an applicant must: • self-identify as Black or Black-led (majority ownership of >51% by Black Canadians); • be a legal resident of Canada, or a legal entity owned and controlled by a Canadian citizen or citizens; and • be a minimum of 18 years. Eligible businesses may include start-ups and existing for-profit small businesses in Canada. Not-for-profit organizations are not eligible for loans.
Women Entrepreneurship Strategy Loan Fund	Innovation, Science and Economic Development Canada	This WES Loan Fund provides loans of up to $50,000 to women entrepreneurs, particularly for start-ups, underrepresented groups or sole proprietorships which may experience more difficulty in accessing financing. The loans are provided by the Government of Canada and administered by third-party delivery organizations. The maximum interest rate is prime +4% and there is a 1% administration fee calculated on the total loan amount.
Futurpreneur	Innovation, Science and Economic Development Canada	Young entrepreneurs receive business planning support**,** up to $60,000 in collateral-free loans, including 2:1 co-lend from the Business Development Bank of Canada (BDC), two years of mentorship and access to additional support, such as networking, and business training. Loans are collateral free and offered at lower interest rates than traditional lenders. The maximum interest rate for Futurpreneur funds is prime rate + 3.00% and a one-time loan management fee of 1% of the total loan amount is charged at the time of disbursement. For the BDC portion of the loan, interest is charged at BDC's Floating Base Rate + 1.65%.