



A global forum for micro, small and
medium-sized enterprise development

Key topic Group: KPI

Annual Meeting, Brazil, April 2014

Leader: Anne Howland (BDC)

Key Performance Indicators (KPIs)

- > Key performance indicators are quantifiable measures that help an organization define and assess progress toward organizational goals.
- > KPI are typically “output” measures, for example, the number of loans authorized.
- > “Outcome” measures try to assess the impact of an intervention on the client or on the economy – these KPI are more difficult to manage.
- > Each organization usually has very unique KPI.

Key Performance Indicators (KPIs)

- > We asked members of the KPI Working Group to present information about a KPI that works well for their organization.
- > **Purpose:**
 - Share, compare and learn from each other
 - Add to our understanding of each other's KPI so that we may build on it in Brazil
 - At our annual meeting, we will discuss KPI that we find difficult to implement and ask for input from the other members

KPI Working Group Members

KEY TOPIC KPI MEMBERS



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KPI: Number of small loans authorized

PRESENTED BY: ANNE HOWLAND, Director, Corporate Planning, BDC

BDC – Number of small loans

> **What does this KPI measure?**

- This KPI measures the number of small loans (less than \$500,000) authorized by BDC to clients in one year.

> **How is it measured?**

- It is measured by simply totalling the number of authorizations for less than \$500,000 authorized in the time period.
- The total commitment to the client must be less than \$750,000.

BDC - Number of small loans

- > **How long has your organization used this measure?**
 - BDC has used this measure for the past few years, particularly as it places renewed importance on small loans.
- > **Where do you get the data for this KPI?**
 - Since BDC deals directly with clients, this data is readily available in our database.

BDC - Number of small loans

> **What does this KPI tell you? Why is it helpful?**

- This KPI not only tells us how many small loans we have done in one year, but it is also an indicator of our support to small business, since we assume (analysis has proven our assumption correct) that most small loans go to small businesses; rarely does a large firm require a small loan.

> **How is this KPI used in your organization?**

- This KPI is used as a performance measure for many employees contributing to variable pay at BDC, helping to keep our focus on small loans and small business.
- It is also regularly reported to the Government of Canada.

BDC - Number of small loans

> **What about this KPI works well?**

- This KPI is easily measured, is easy to use as a performance measure for many employees, and is a strong indication of BDC's support to small business, which is an essential part of its mandate.

> **What are its drawbacks?**

- It assumes that small loans go mainly to small business.
- It does not differentiate between loan type or purpose.
- It is a simple output measure and does not reflect impact or outcome.



KPI: Number of MSMEs supported

PRESENTED BY: LEONARDO DE OLIVEIRA SANTOS, BNDES

BNDES – Number of MSMEs supported

> What does this KPI measure?

- This KPI measures the number of companies with gross annual operational revenue lower than R\$ 90 M (\$39 M) supported by all credit lines and equity, directly and indirectly, in one year.

> How is it measured?

- It is measured by counting different client identification numbers (ID given to a company in its creation) in the time period.
- Considers companies classified by BNDES as MSMEs (threshold varies over time).
- A company may have been supported more than one time during the period of analysis, but it is counted only once.

BNDES – Number of MSMEs supported

> How long has your organization used this measure?

- BNDES has used this measure since 2009, when a new Strategic Corporate Planning was put into practice.

> Where do you get the data for this KPI?

- Data is readily available in our database.
- Although most of the MSMEs are supported indirectly (through accredited financial institutions which assess of the possibility of granting the credit), all operations are recorded in BNDES systems.

BNDES – Number of MSMEs supported

> What does this KPI tell you? Why is it helpful?

- The indicator tells how many small businesses that probably face credit constraints could get a financial support to improve their activities.
- It is helpful because it complements the more traditional “output” indicators “Disbursements to MSMEs” and “Number of Operations with MSMEs”.
- It is through the support to MSMEs that BNDES manages to reach all Brazilian regions.

> How is this KPI used in your organization?

- The KPI reflects one effort to achieve the strategic objective “Contribute to Social and Productive Inclusion”. Along with innovation and sustainability, small businesses are one of our top priorities.
- All corporate indicators (including the MSME KPI presented) are examined by the Planning Committee every three months.

BNDES – Number of MSMEs supported

> **What about this KPI works well?**

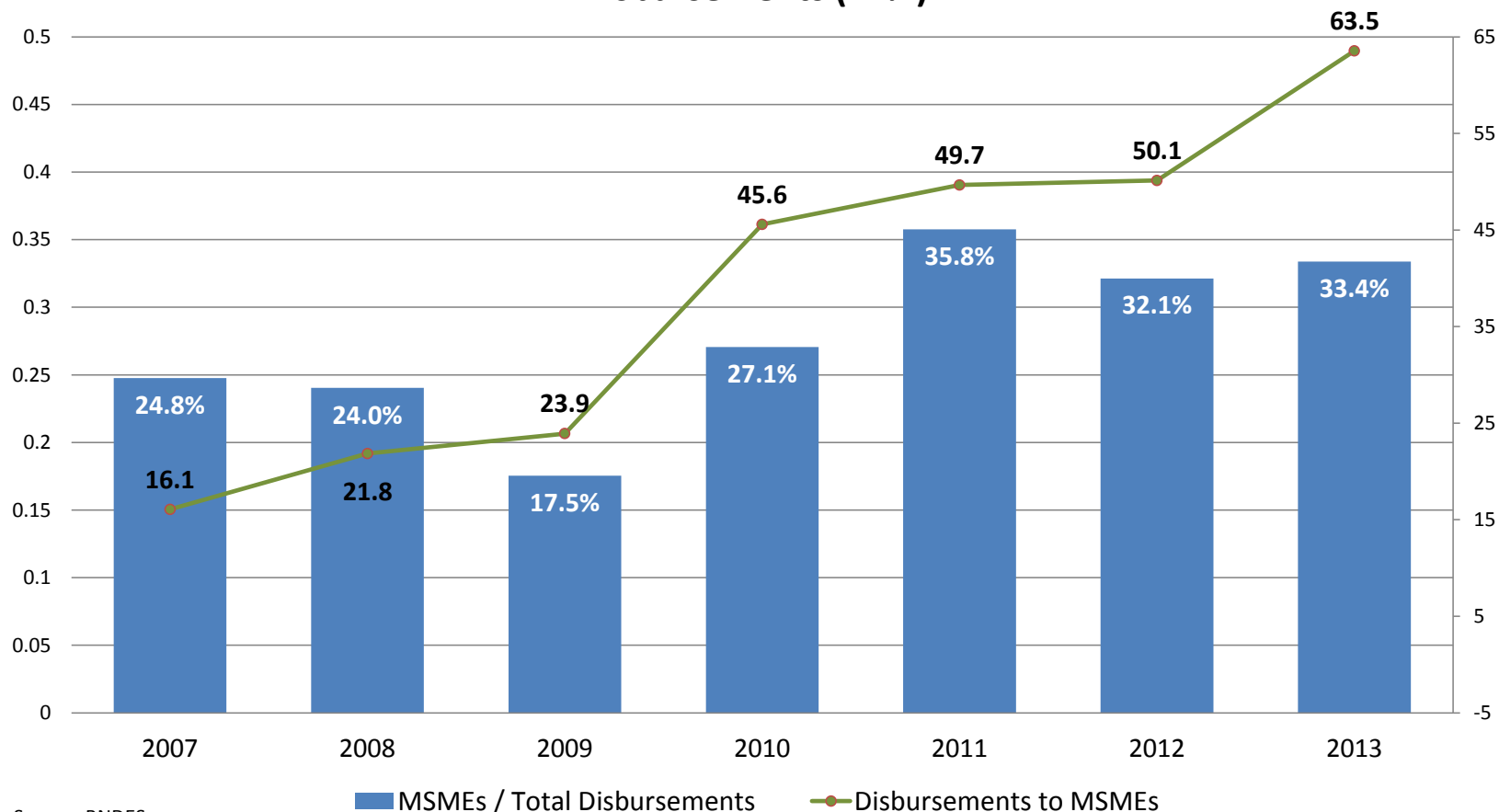
- The KPI is related to an objective, it is clear what is being measured, it shows desirable changes (when the support to MSME increases, the KPI increases) and it is easy to obtain (structured information in a database).
- Easy to communicate internally and externally.

> **What are its drawbacks?**

- It is not sufficient to assess the related objective.
- It must be analyzed along with a benchmark or comparison indicator.
- Does not reflect the relevance of the support to the companies' growth (contribution model). It is a simple output measure and does not reflect impact or outcome.

BNDES – Results

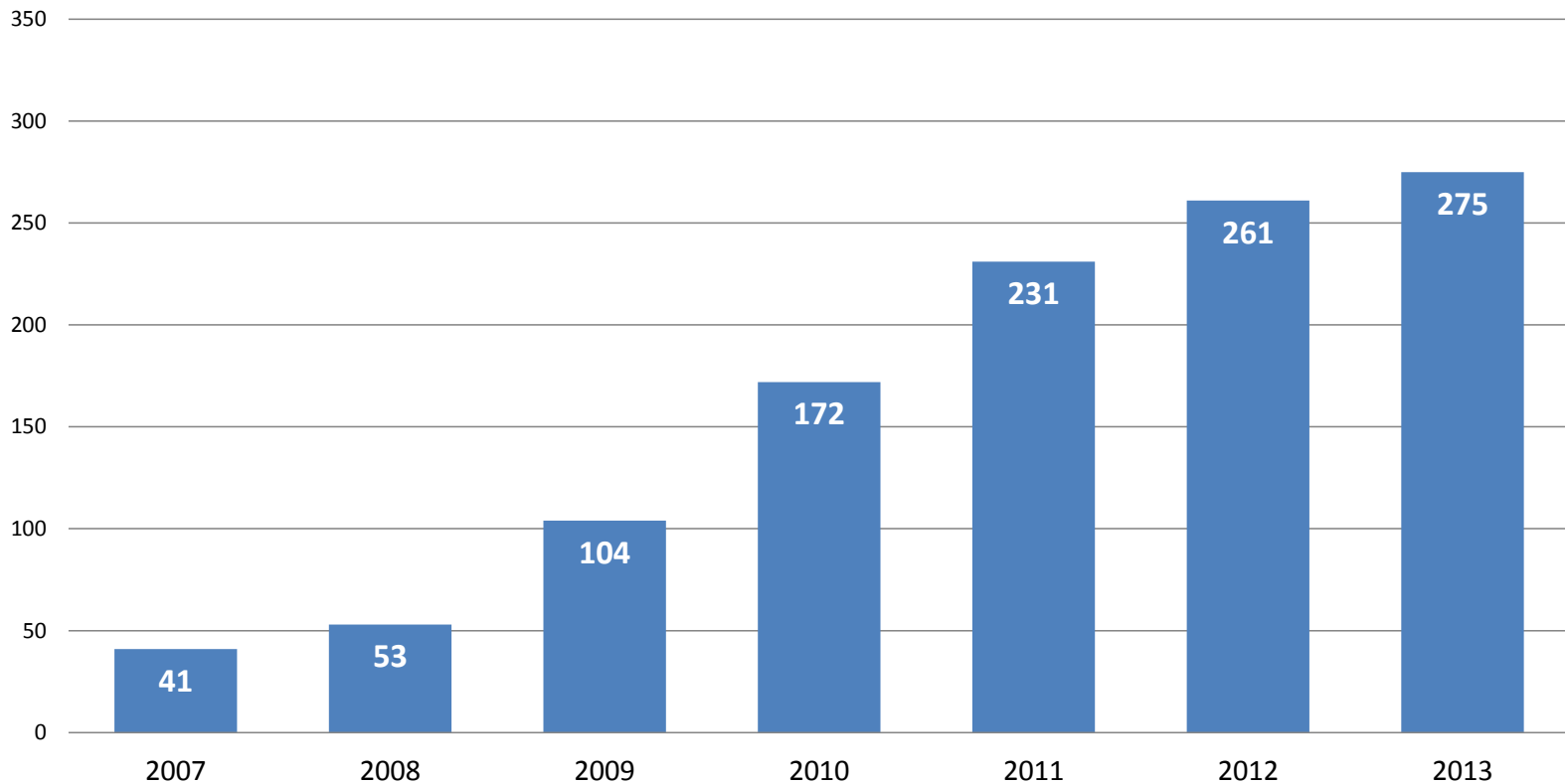
Disbursements to MSMEs (in R\$ billions) and Share in Total BNDES Disbursements (in %)



Source: BNDES

BNDES – Results

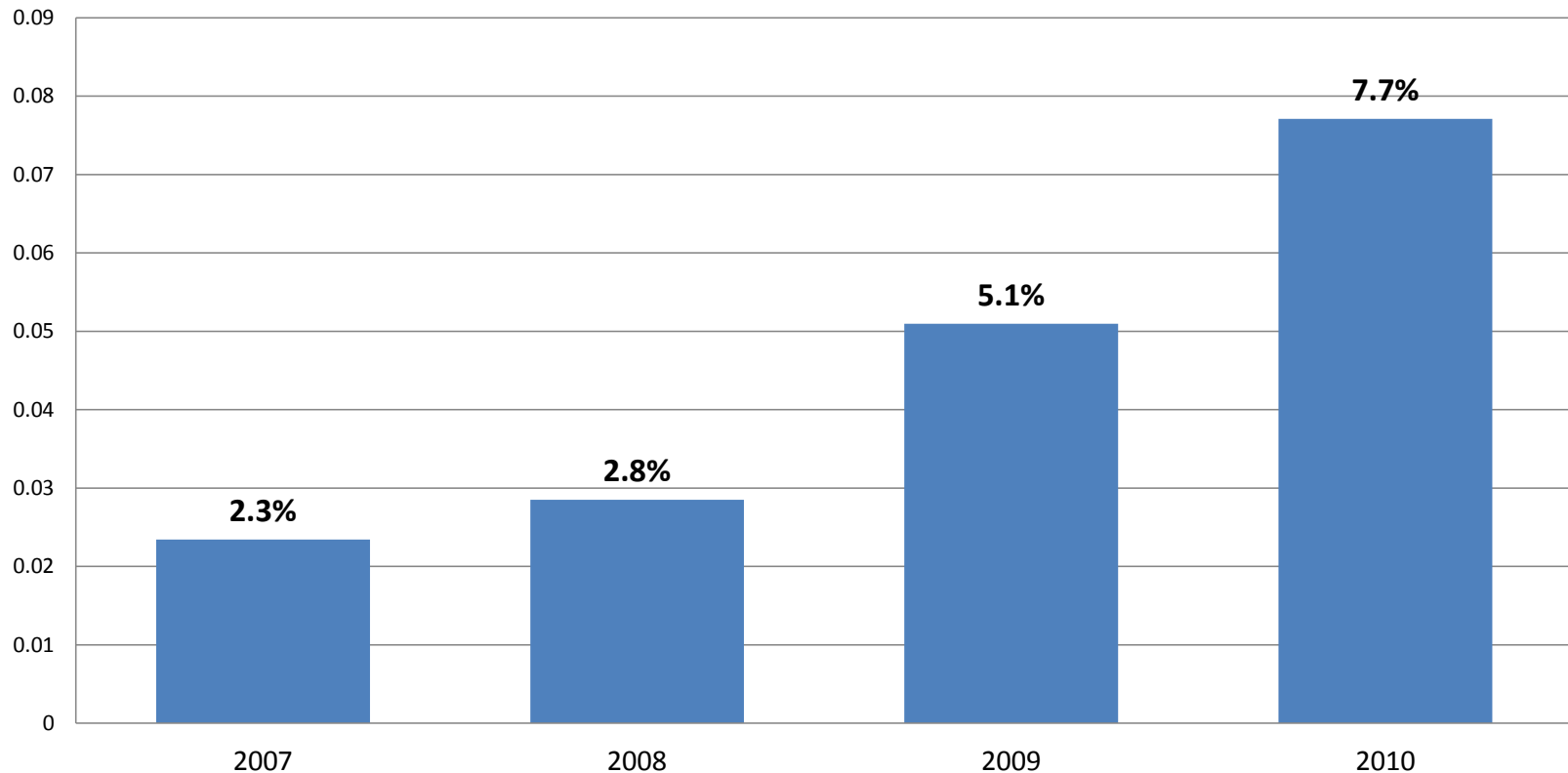
Micro, Small and Medium Size Companies Supported by BNDES (in thousands of companies)



Source: BNDES

BNDES – Results

MSMEs Supported by BNDES Compared to all Brazilian Formal Companies of Same Size (in %)



Source: BNDES and Brazilian Ministry of Labor and Employment.

Note: firm size classification according to number of employees (OECD e Brazilian Geography Institute): between 2 and 249 employees.



nacional financiera
Banca de Desarrollo

KPI: Credit to the private sector as a % of GDP

PRESENTED BY: MARIO VERGARA, Director, Corporate Planning, NAFINSA

NAFINSA – Credit to the private sector as a % of GDP

> What does this KPI measure?

Credit to the private sector refers to financial resources provided to the private sector, such as loans registered in Balance Sheet and induced loans disbursed by commercial banks thanks to our guarantees and other accounts receivable, that establish a claim for repayment.

How is it measured?

- (Direct Credit to the private sector + Induced credit via guarantees to the private sector) / GDP x 100

NAFINSA – Credit to the private sector as a % of GDP

> How long has your organization used this measure?

- The institution has started using this KPI at the beginning of 2014 in compliance with government economic development programs, such the National Financial Programme for Economic Development (PRONAFIDE) as well as with the recently proclaimed financial reform.

> Where do you get the data for this KPI?

- Internal Data Warehouse as well as the national accounts provided by the Statistical National Institute (INEGI).

NAFINSA – Credit to the private sector as a % of GDP

> What does this KPI tell you? Why is it helpful?

- It allows us to know if Nafinsas' loans are increasing, meaning that access to financing is also growing, encouraging greater coverage through the private sector's participation.
- Also, it allows the institution to align its activities and goals with those pursued by the federal government in terms of financing deepening.

> How is this KPI used in your organization?

- The different business divisions use this KPI in order to measure the contributions of their programs and products in achieving the increase of loans done by the organization.

NAFINSA – Credit to the private sector as a % of GDP

> What about this KPI works well?

- This KPI can be easily measured, and determines performance in a very efficient and practical manner.
- It indicates if a designated line of actions is encouraging higher credit penetration levels.

> What are its drawbacks?

- This KPI does not measure further outcomes such as impact on productivity, job creation and production capacity.



FINNVERA

Finnvera KPI: 50% of new financing annually directed to companies growing and going global

PRESENTED BY: Eeva-Maija Pietikainen

Finnvera – 50% of new financing to growing companies

> **What does this KPI measure?**

It measures whether 50% of new financing offered by Finnvera annually is going to companies that wish to grow and go global. It is related to a new strategy being deployed by Finnvera. The objective was given to Finnvera by the Ministry of Employment and Economy.

How is it measured?

- **Info is available in database at Finnvera.**

Finnvera – 50% of new financing to growing companies

- > **How long has your organization used this measure?**
 - Been in use since 2013.
- > **Where do you get the data for this KPI?**
 - In Finnvera's basic database as Finnvera deals directly with its clients

Finnvera – 50% of new financing to growing companies

- > **What does this KPI tell you? Why is it helpful?**
 - It measures whether Finnvera is able to reach its strategic target to focus its support on these specific types of companies.
- > **How is this KPI used in your organization?**
 - Its tracked monthly internally as a performance measures and reported annually to the Ministry.

Finnvera – 50% of new financing to growing companies

> **What about this KPI works well?**

- It is easily measured, easily understood and a simple way of seeing whether Finnvera is meeting its target.

> **What are its drawbacks?**

- This KPI doesn't measure the impact – whether the company really grew and went global.



VNESHECONOMBANK

KPI: Amount of financial support provided for SME

PRESENTED BY: ALEXANDR BURYA

VEB – Amount of financial support provided for SME

> What does this KPI measure?

- It is a total amount of funds disbursed to SMEs through all forms of support

> How is it measured?

- It equals to sum of:
 - outstanding amount of loans granted to SMEs by partner lending institutions (PLIs)
 - outstanding amount of direct loans to SMEs
 - amount of issued guarantees for loans to SMEs
 - amount of equity instruments

VEB – Amount of financial support provided for SME

- > **How long has your organization used this measure?**
 - For six years
- > **Where do you get the data for this KPI?**
 - The data is collected from our databases and from PLIs

VEB – Amount of financial support provided for SME

> What does this KPI tell you? Why is it helpful?

- The KPIs shows the total amount of SME support via all programs
- The change is a good indicator of success of our efforts to support SME

> How is this KPI used in your organization?

- It is reported to government authorities
- The bonus of senior managers depends on it

VEB – Amount of financial support provided for SME

> What about this KPI works well?

- It can be easily measured and easy to understand, doesn't need many assumptions.
- It can be used as a basis for market share computation
- It summarise the effectiveness of all programs for SME's support

> What are its drawbacks?

- It doesn't measure whether we really improved access to credit for SME or not because it isn't a market-related indicator



KPI: MSMEs annual loan disbursement

INFORMATION PROVIDED BY: Wang Fei

CDB- MSMEs annual loan disbursement

- > CDB MSMEs loan KPIs including: annual loan disbursement, loan outstanding, NPL ratio, number of clients, loan growth rate, expected job creation, etc.
- > MSMEs annual loan disbursement is one of the most important key performance indicators.

CDB – MSMEs annual loan disbursement

> What does this KPI measure?

- It's an indicator to measure the accumulative amount of loan CDB disburses to MSME directly and indirectly in one year.

> How is it measured?

- The borrowers need to meet CDB MSME client criteria, incl. number of staff and sales turnover or asset .
- The loan size for individual MSME is capped at less than RMB 30 million
- The indicator is the sum of loan disbursement of MSMEs meeting above standard

CDB – MSMEs annual loan disbursement

- > **How long has your organization used this measure?**
 - CDB has used this indicator for 10 years

- > **Where do you get the data for this KPI?**
 - The raw data to calculate the indicator is available at MSMEs loan database.

CDB – MSMEs annual loan disbursement

> Why is it helpful?

- The indicator clearly shows the support CDB has provide to domestic MSMEs by loans

> How is this KPI used in your organization?

- To assess the achievement of branches
- To provide data to regulatory authorities

CDB – MSMEs annual loan disbursement

> What about this KPI works well?

- It presents the performance of CDB MSMEs loan accurately and objectively

> What are its drawbacks?

- Though it indicates the loan amount well, it cannot meanwhile measure the quality and efficiency of our loan services, which needs to be indicated by other index.



KPI: Various measures

PRESENTED BY: VINCENT DI BETTA

Bpifrance = business model

- > Bpifrance uses its own capital as well as state, regional and European funds, with a goal of maximum drive on private initiative .
- > A long history of partnership with those actors and the risk management tools adapted to the management of public funds render this action possible.
- > The leverage effect of its action on private funding is based on 3 distinct and often complementary mechanisms :
 - **guarantee schemes** : by covering part of the risk of default, Bpifrance increases the response capacity of financial partners and facilitates access to private financing
 - **Co-financing** : sharing funding and targeting particular intangible expenditure, that is to say the riskiest and least covered most by banks, Bpifrance enhances the overall financial contribution allocated to the project, giving it the means of its ambitions.
 - **Conditionality of interventions** : subordinating its intervention to the company's obtaining a loan and / or capital raising , Bpifrance requires a secured funding plan, thus reducing plan the final risk for the entrepreneur, promoting both the launch and sustainability of the project.

Bpifrance = business model

- > **The action of Bpifrance does not replace that of private financial, it operates on market failures , whether structural or cyclical .**
 - Bpifrance’s intervention compensates the deficit of private operators on niche markets deemed too risky or insufficiently profitable by the latter, like the financing of entrepreneurship or innovative projects.
 - Bpifrance’s countercyclical intervention helps to support the national economy during a crisis, and thus limits the business failures

- > **Conclusion**
 - Key performance indicators must respond to the objectives (see next page)
 - the ability to assess the attainability of the goals is to becoming an important business issue, even before the funds can be released by the shareholder

Bpifrance

> **What do these KPI measure?**

- support to sustainable growth
- support to employment
- support to the economic competitiveness
- Participating on the development of the promising sectors
- encouraging bank co-financing
- directing our actions towards Very Small Companies - SME's & Mid caps

> **How are they measured?**

- See next page

Bpifrance

support to sustainable growth	<ul style="list-style-type: none"> • Evolution of the growth of companies financed (in our portfolio) (% of sales growth) • Evolution of the sustainability of funded companies (% of enterprises in business after funding / investment)
support to employment	<ul style="list-style-type: none"> • Evolution of employment in financed companies (% of employment growth 3 years after funding / investment) • Net job creation in portfolio companies (equity)
support to the economic competitiveness	<ul style="list-style-type: none"> • Evolution of the export situation of companies financed / in our portfolio (% of turnover and exporting firms) • Success rate of technological innovation projects
Participating on the development of the promising sectors	<ul style="list-style-type: none"> • Evolution of the importance of the share of promising sectors in the overall benefiting sectors
encouraging bank co-financing	<ul style="list-style-type: none"> • Leverage effect of public funds on financing / investment
directing our actions towards Very Small Companies - SME's & Mid caps	<ul style="list-style-type: none"> • Evolution of the distribution of activity by business category : Very small companies -SME-mid caps • Evolution of the distribution of activity depending on the status of the company (old / new client) • Evolution of companies from one category to a other one : very small companies - SME – mid caps

Bpifrance

> How long has your organization been using these measure?

- Since 2010, we have communicated indicators that evolve based on depending analyzes

> Where do you get the data for these KPI?

- We create databases that will be enriched month after month
- We have sufficient historical depth to analyze the result of our action
- We draw information
 - 1 – from the internal computer system, including information entered by business managers
 - 2 – from external databases with paid information

Bpifrance

- > **What do these KPI tell you? Why is it helpful?**
- > The Bpifrance's key performance indicators are characterized by:
 - The ambition to measure or assess as objectively as possible the effects impact of a policy or a device and / or to better understand how it works / its functioning
 - The aim of helping the sponsor to make a value judgment on the policy or device evaluated
 - Guided by the concern for improving in practice the policy or device evaluated
- > In other words, it is helpful :
 - To account for our actions
 - To allow Bpifrance to negotiate its strategic objectives with our shareholders
 - To elaborate the commercial action plan for the commercial network
 - To perform our knowledge about risks of SMEs

Bpifrance

> **How are these KPI used in your organization?**

- We always adjust our action to our results
- We compare the performance of companies not having benefited from Bpifrance's action even though they would have been eligible, to the one of companies having benefited from a loan or investment by Bpifrance

> **What about these KPI works well?**

- It is well perceived because it takes into account the reality of the market

> **What are its drawbacks?**

- there are no real disadvantages
- the system is constantly adapting and it is well understood

Summary table of all KPIs

Name of development bank	Key performance indicator
Business Development Bank of Canada (BDC)	# of small loans
BNDES (Brazil)	# of MSMEs supported
BpiFrance	Various measures
CDB (China)	Annual loan disbursements to MSMEs
NAFINSA (Mexico)	Credit to the private sector as a % of GDP
Finnvera	50% of new financing to growing companies that are going global
VEB (Russia)	Amount of financial support provided to SMEs

Impact measures

Objectives

- > Include MSMEs in the formal economy
- > Improve access to credit
- > Strengthen MSMEs by providing appropriate financing and non-financing products

Potential impact measures

Probability of companies becoming formal (through surveys, interviews)
of clients accessing credit for the first time
Job creation and formalization by clients
Survival rate of clients
Revenue growth of clients
of companies that grow from micro to small

Impact measures

Objectives

- > Improve SME competitiveness through productivity, innovation, growth (including globalization)
- > Play a complementary role – fill market gaps

Potential impact measures

Revenue growth of clients - Growth in employment for clients

Client export revenue growth or \$ investment abroad

Revenues / # of employees = productivity

of companies that grow from small to medium

R&D expenditures as % of revenues

Next steps

- > Focus on a specific aspect of performance measurement
- > Survey for all TMG members to conduct with their clients related to impact – compare results and present to TMG group
- > Identify a common measure(s) for all TMG members and compare for international results (e.g., job creation, revenue growth)

THE MONTREAL GROUP

A global forum for micro, small and
medium-sized enterprise development

Thank you!