KPMG

Economic and outcomes evaluation of 2020 NSW Government COVID-19 Small Business Grants

Report prepared for NSW Treasury

August 2022

This report has been prepared as outlined with NSW Treasury in the Scope Section of the contract 18 June 2021. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance or other standards issued by the Australian Auditing and Assurance Standards Board and, consequently no opinions or conclusions intended to convey assurance have been expressed.

Some of the findings in this report are based in part on a qualitative study and a number of the reported results reflect a perception of NSW small businesses that participated in the survey, i.e. but only to the extent of the sample surveyed. Any projection to the wider population is subject to the level of bias in the method of sample selection. Other findings are based on a quantitative study of a commercially available dataset. Results based on these analyses reflect the sampling limitations of this dataset. A full list of limitations is included for the evaluation methods used in this report.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, NSW small businesses consulted as part of the process.

No reliance should be placed by NSW Treasury on additional oral remarks provided during any presentation of this report, unless these are confirmed in writing by KPMG.

KPMG have indicated within this report, the sources of the information provided. We have not sought to independently verify those sources unless otherwise noted within this report.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Glossary

Term/Acronym	Definition
ABN	Australian Business Number
ABS	Australian Bureau of Statistics
AICD	Australian Institute of Company Directors
BCR	Benefit-to-Cost Ratio
Belief scarring	Belief scarring describes the situation where a highly improbable event, such as a global pandemic, causes a persistent, long-lived change in the perceived probability of such a event in the future and the effect this can have on business decision making and risk calculations.
CBA	Cost Benefit Analysis: A systematic approach to analysing the economic and social costs and benefits associated with a program. CBA uses discounted cash flow analysis to compare the marginal costs and benefits of different options relative to a 'do nothing' base case scenario.
CDSU	Customer Delivery Support Unit
DAC	NSW Data Analytics Centre
DID	Difference-in-differences: A quasi-experimental analytical approach that compares the outcomes in changes over time between a population group accessing a program or intervention (the intervention group) and a population that is not (the comparison group).
FRS, Failure Risk Score	A forward looking and predictive indicator of potential business failure. Illion is a private company that provides data and analytics products and services in Australia.
FY	Financial Year
GST	Goods and Services Tax

Glossary

Term/Acronym	Definition
Grants	Generally 'Grants' refers to the 2020 COVID-19 Small Business Grants. However, when not capitalised, 'grants' is defined as a transfer between government and a recipient.
JobKeeper	A wage subsidy paid by the Australian Government to businesses significantly impacted by COVID-19 that allowed employers to continue paying their employees whether or not they were able to work.
KEQs	Key Evaluations Questions
LGA	Local Government Area
NPV	Net Present Value
NSW	New South Wales
PAYG	Pay As You Go
Quasi-experiment	A quasi-experiment is a research method used to estimate the causal impact of an intervention or target population without random assignment.
Real Discount Rate	The discount rate adjusts for people's preference to consume goods and services today, rather than in the future. Discounting allows for decisions to be made today about initiatives that have costs and benefits in the future. This discounting is separate from adjustments made for inflation, which should be done before discounting cash flows.
SMEs	Small and Medium Enterprises
Survival	Survival is whether businesses were able to continue operating throughout a nominated period of analysis. In this report we measure survival and resilience in the same way. Note, specific and technical definitions are contained in Appendix C.
VfM	Value for Money

Executive Summary

In 2020, the NSW Government provided three grants to NSW small businesses in response to the public health restrictions introduced to manage the 2020 outbreak of COVID-19.

Background

In 2020, COVID-19 reached Australia and the New South Wales (NSW) Government implemented public health restrictions to limit movement of people in an effort to avoid the spread of the virus.

In addition to the Commonwealth Government's closure of Australia's national borders, the NSW Government introduced a number of public health restrictions which included:

- closure of non-essential businesses;
- density limits and social distancing requirements; and
- closure of the border between NSW and Victoria.

The NSW Government provided three COVID-19 Small Business Grants to businesses in NSW in response to the various challenges posed to businesses and the NSW economy as a result of pandemic-related restrictions.

The grants

The grants scheme was designed by NSW Treasury and implemented by Service NSW. The three grants outlined below were intended to enable small business' survival and recovery in NSW:

- The $10,000 Small Business COVID-19 Support Grants (the "Support Grant"), to support the ongoing operations of small businesses highly impacted by the public health orders;
- The $3,000 Small Business COVID-19 Recovery Grants (the "Recovery Grant"), to help small businesses meet the costs of safely reopening or upscaling operations following the lifting of restrictions in July 2020; and
- The $5,000 and $10,000 Southern Border Small Business Support Grants (the "Southern Border Grant"), to help businesses impacted by the NSW-Victorian border closure.

In 2021, the NSW Audit Office examined whether NSW Treasury and Service NSW effectively administered and implemented grants programs under the $750 million Small Business Support Fund, including the Support and Recovery Grants. The Audit Office found *"NSW Treasury met urgent timeframes to design the grants and Service NSW made timely payments in line with the grants' objectives and eligibility criteria."*

The NSW Audit Office did not assess the impact of the funding on applicants or the future prospects of small businesses that received supports. It recommended NSW Treasury finalise an evaluation of the Support and Recovery Grants programs, including obtaining feedback from businesses.

Purpose

This Report provides an outcomes and economic evaluation of the three COVID-19 grants. Specifically, this Evaluation Report includes:

- An outcomes evaluation that aims to establish a causal link between NSW COVID-19 Small Business Grants and outcomes; and
- An economic evaluation which identifies and where possible, quantifies the grants' whole of society costs and benefits.

This Evaluation Report is designed to inform design of other grants and supports provided by the NSW Government in future.

Executive Summary

This evaluation answers 12 key evaluation questions - 10 in relation to outcomes generally and 2 in relation to economic outcomes.

Scope

The evaluation's scope includes an economic and outcomes evaluation, including consideration of the whole of society benefits attributable to the Support Grant, Recovery Grant and Southern Border Grant.

Key evaluation questions (KEQs)

Outcome evaluation KEQs

The following KEQs were developed by the NSW Government and helped to guide the evaluation. These KEQs informed data collection and the methodologies used for quantitative and qualitative analysis, as well as guided the interpretation of results.

There are two KEQs that are applicable to all three grants with respect to the outcomes evaluation, specifically:

1. Did the grant schemes produce the intended outcomes in the short and medium-term?
2. What, if any, were the unintended outcomes (positive and negative)?

For the **Support Grant**, the KEQs are:

3. To what extent did the grant assist participating businesses to cover the costs of their fixed expenses?
4. What were the impacts for unviable, uncertain and viable businesses?
5. Did participating businesses maintain important networks (e.g. with employees, suppliers or lessors)?

For the **Recovery Grant**, the KEQs are:

6. To what extent did the grant support participating businesses to safely re-open or scale up operations?
7. Were participating businesses more resilient and innovative in the medium-term?

For the **Southern Border Grant**, the KEQs are:

8. To what extent did the grant assist participating businesses to cover the costs of their fixed expenses/adapt to border restrictions?
9. Did participating businesses maintain staffing levels in the medium-term?
10. Were participating businesses more resilient in the medium-term?

Economic evaluation KEQs

There are two KEQs that are applicable to all three grants with respect to the economic evaluation. They are as follows:

11. Has the intervention been cost-effective (compared to alternatives)?
12. Did the grant schemes provide value for money, and did the grants result in net benefits?

In the Method section, the KEQs are mapped against each method of analysis and data source for clarity.

Executive Summary

The evaluation of the 2020 COVID-19 Small Business Grants analysed new data collected via a survey of businesses and data contained in a commercially available dataset to understand the outcomes and impacts of the grants.

Method

This evaluation was undertaken by triangulating the results from a number of data sources and analyses to determine the likely impact of the grants in achieving a range of outcomes, including :

- Comparing indicators for performance of grant recipients with a comparison group of businesses not receiving a grant (using illion data);
- Comparing indictors of performance of grants recipients with a comparison group of firms not receiving a grant, using responses to a survey conducted for this evaluation; and
- Responses of grant recipients to survey questions about the use of, and impact of, the grants.

Data sources

- *Survey* - Service NSW records show that 65,103 eligible businesses received one of the three small business grants. Service NSW contacted just under 58,600 businesses to participate in the survey and, of those contacted, 2.2 per cent completed the survey.
- *Illion dataset* - Illion is an objective, commercial dataset that contains information on 623,739 businesses in NSW. Around 45,112 or 69 per cent of the businesses that received a grant from Service NSW's records appear in the illion dataset, which is a reasonable overlap and in line with expectations.

There are limitations in the application of these two data sources to the evaluation. A range of alternative data sources were also assessed, having regard to the frequency and timeframe over which the data is reported and whether data is reported at the individual business level needed for the evaluation. On balance, we concluded that a survey and the illion dataset were most suitable for the purposes of this evaluation.

Analysis approach - overview

The outcomes evaluation drew on a difference-in-differences (DID) analysis. This is a quasi-experimental approach comparing outcomes for grant recipients over time with outcomes for a similar cohort of business that did not receive a grant (a comparison group). The economic evaluation is based on a cost benefit analysis (CBA); taking into account broader whole-of-society considerations.

Both evaluations were supplemented with qualitative and quantitative data drawn from the survey amongst NSW businesses that received a grant.

The evaluation approach sought to isolate the impacts of the NSW Government Small Business Grants from other financial and non-financial supports provided to NSW small businesses, such as the Commonwealth's JobKeeper payment. The grants were just one of a number of financial and non-financial supports available to businesses from State and Commonwealth governments and banks.

Executive Summary

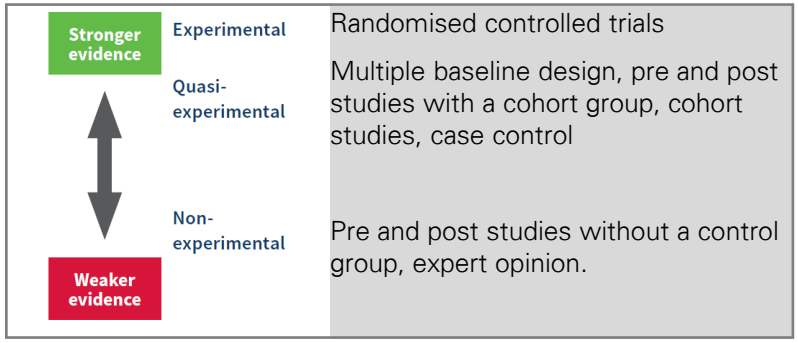
This evaluation used mixed methods: quantitative and qualitative techniques to identify, and where possible quantify, outcomes that were directly a result of the grants.

Analysis approach – outcome evaluation

The outcomes evaluation required a method that could isolate any economic and social impacts of the grants whilst controlling for all other supports. A DID method was adopted as it allowed a causal link to be established between outcomes and the grants.

In line with the NSW Government's Program Evaluation Guidelines (2016) the DID method is a quasi-experimental approach that allows for "… stronger evidence of program effectiveness" (see Figure 1).

Figure 1: Strength of evidence to support outcome evaluation



Source: NSW Government Program Evaluation Guidelines (2016), page 8.

The DID method allowed the inclusion of controls for the impacts of time, policy change and other government programs and supports. By including a comparison of changes over time for businesses that received grants compared to a group that did not receive grants, the DID method controlled for the rapidly evolving nature of the pandemic, the shutdown and the other supports available to businesses. As described in the NSW Government Guide to Cost Benefit Analysis (2016), this approach is considered a non-random experiment with baseline data

DID analyses were undertaken on both illion and survey data. Some analyses were found to result in statistically significant findings: i.e. a statistical inference can be drawn that the finding is real, reliable and due to the grants rather than some other cause (e.g. other government supports) or chance.

Where statistically significant findings emerged, this formed strong evidence for a causal link between the grants and the outcomes (in line with the descriptions for strength of evidence as per the NSW Government Program Evaluation Guidelines (2016)).

Analysis approach – economic evaluation

The NSW Government recommends a CBA as an evidence-based and comprehensive approach that can ascertain the whole-of-society impacts of government decisions. The economic evaluation uses a CBA to estimate net benefits quantitatively. This evaluation explores value for money (VfM) by considering both net quantifiable benefits and qualitative benefits (or non-quantifiable benefits). Although a full cost effectiveness evaluation was not possible as part of this evaluation, an informal assessment of grant outcomes relative to costs was undertaken. Section 2 Method (page 29) details the reasons for and limitations of this approach.

Link between the DID analyses and the CBA

Causal links between the grants and the outcomes were important for the economic evaluation, where causal links were established, benefits could be quantified. As the CBA takes an incremental approach, these benefits are net of any impacts that may have occurred in the absence of the grants (as measured by the comparison group in the DID analyses).

Executive Summary

This evaluation found that the Support and Recovery Grants likely led to increased survival among viable businesses. Despite this finding, the evaluation was unable to quantify the extent of the benefits. This evaluation was unable to determine whether the Southern Border Grant achieved its intended outcomes.

Results

Summary

The evaluation of the 2020 COVID-19 Small Business Grants found small, but consistent, causal links between Support and Recovery Grants and business survival. This drives the results and the majority of quantifiable benefits within the economic evaluation.

It is likely that non-quantifiable (qualitative) benefits are significant, in particular, the impacts of the grants in improving business confidence and avoiding "economic long-COVID". Despite the above mentioned outcomes/benefits, there is insufficient evidence to draw conclusions about whether the grants represented value for money.

Key evaluation findings are outlined below and a summary of results against each KEQ is presented in Table 1.

Key finding 1: Receiving a Support Grant resulted in greater survival for viable small businesses in NSW

The DID analyses of the illion dataset showed that receiving a Support Grant resulted in greater resilience and survival for viable businesses across the short and medium-term, relative to those who did not receive a grant.

Survey responses were consistent with the quantitative analysis, with 28 per cent of Support Grant recipients reporting they would have closed permanently if not for the grant and 81 per cent reporting that the grant was very important and they would not have survived without it.

Key finding 2: Receiving a Recovery Grant resulted in increased likelihood of survival for viable small businesses in NSW

The DID analyses of the illion dataset showed evidence to suggest that the Recovery Grant allowed businesses to be more resilient in the short-term and increased the likelihood of a viable business's survival in the short term and in the medium term.

Survey responses supported the above findings, with 45 per cent of Recovery Grant recipients reporting that the grant was very important to supporting the business resume normal trading and that the business would not have survived without it.

Key finding 3: The grants had mixed results in terms of avoiding unintended outcomes.

The evaluation explored whether grants resulted in unviable firms continuing to operate, when they would have otherwise failed even in the absence of the pandemic.

The evaluation did not find that this was the case. Unviable small businesses that received a grant were just as likely to exit the market as those in the comparison group.

Executive Summary

While quantifiable benefits do not exceed costs for any of the three grants, the scale and long-term impacts of the qualitative benefits (such as reducing uncertainty and the long-term costs associated with belief scarring) are material to understanding the full picture of the impacts of the grants.

The evaluation also tested whether similar unintended outcomes were avoided for businesses with an uncertain future. Statistically significant results emerged to suggest the grants propped up uncertain businesses into the short and medium term.

Key findings 4: The grants did not result in net benefits, based on the benefits that could be quantified with the data available for the evaluation.

As part of the economic evaluation, the CBA identified an array of costs and benefits associated with the grants that could be monetised (or quantified), but also identified benefits that could not be quantified.

The key costs of the grants included the grants themselves, which totalled $651.3 million, staffing costs for NSW Government for administration of the grants, and costs associated with businesses preparing grants applications.

The key benefits were identified as the avoided cost of businesses exiting the economy, employees that were retained as a result of additional businesses surviving due to the grants, and the benefits to other secondary businesses (such as eligible payments to suppliers for implementation of safety measures, marketing and communications activities, and advice for their businesses to survive through the implementation of public health restrictions).

The CBA is reliant on the outcome evaluation results that were statistically significant (that is, the benefits that could be causally linked to the grants themselves).

The analysis was particularly driven by the benefits attributable to the increased likelihood of survival for both Support and Recovery Grant recipients. Survival underpinned the majority of quantifiable benefits within the CBA. The CBA identified a number of qualitative impacts that are likely to be material, but could not be quantified through evidence collated through this evaluation.

This evaluation found that the quantifiable benefits do not exceed costs for any of the three grants.

Key finding 5: This evaluation did not provide sufficient evidence to draw conclusions about whether the grants represented value for money.

Key finding 4 outlined that, based on the benefits that could be quantified, the grants did not result in net quantifiable benefits. However, it is highly likely that the scale and long-term impacts of *qualitative* benefits are material to understanding the full picture of economic and social impacts of the grants.

A common theme throughout the evaluation among survey respondents was that the grants provided some reassurance from government at a time of unprecedented uncertainty (i.e. the grants increased business confidence). This is important as it may help to avoid future costs associated with "belief scarring".

Executive Summary

This evaluation could not establish a sufficient evidence base to assess whether the grants were value for money.

Belief scarring describes the situation where a highly improbable event, such as a global pandemic, causes a persistent, long-lived change in the perceived probability of such an event occurring in the future and the effect this can have on business decision making and risk calculations. Emerging research shows that the long-term costs of this systemic shift in business owners' risk calculations (i.e. reduced investment and more risk-averse decision-making) will be far greater than the short-term, macroeconomic output loss directly attributable to the pandemic: a type of economic long-COVID.

It follows from this analysis, that an overriding benefit of the grants into the long term, may be that the grants helped to moderate business owners' risk perceptions and future risk calculations and avoid, to some degree, the long-term cost implications of belief scarring.

These long-term impacts cannot be determined through this evaluation, although it is noted that "reducing uncertainty" was an overriding theme in qualitative evidence gathered. This underscores the lack of evidence to demonstrate that the grants were value for money – not due to any shortcomings in design or economic drivers, but due to a lack of data to inform a more complete picture of the likely benefits (particularly in the longer term).

Executive Summary

Results are summarised against each KEQ below. Detailed findings are presented in Results.

Table 1: Summary findings against each KEQ

	Key evaluation question – outcome evaluation	Summary findings
1	All grants: Did the grant schemes produce the intended outcomes in the short and medium-term?	Overall, this evaluation finds evidence that the Support and Recovery Grants resulted in an increase in the likelihood of business survival in the short and medium-term. Due to small sample sizes, this evaluation could not establish evidence that the Southern Border Grant achieved its intended outcomes.
2	All grants: What, if any, were the unintended outcomes (positive and negative)?	There was no evidence to suggest that receiving a grant delayed exits from the market for unviable businesses. There is quantitative evidence that suggests the Support Grant may have delayed exits from the market in the immediate and short term for businesses with an uncertain future.
3	Support Grant: To what extent did the grant assist participating businesses to cover the costs of their fixed expenses?	Support Grant recipients reported using the grants to cover eligible fixed expenses, in line with unavoidable costs outlined in the NSW Government eligible expenses list. However, there is no specific quantitative evidence to suggest that the grants contributed to businesses being able to make timely payments, or an increase in their likelihood of being able to pay rent. Additionally, businesses reported that the grants allowed them to avoid using their own cash reserves (e.g. retained earnings or personal savings) which may not have been an intended outcome.
4	Support Grant: What were the impacts for unviable, uncertain and viable businesses?	Quantitative and qualitative evidence suggests that the Support Grant resulted in a greater likelihood of survival for viable businesses that received a grant. There is quantitative evidence that suggests the Support Grant may have delayed exits from the market in the immediate and short term for businesses with an uncertain future. There is no evidence the Support Grant delayed exits from the market for unviable businesses.
5	Support Grant: Did participating businesses maintain important networks (e.g. with employees, suppliers or lessors)?	Support Grant recipients were more likely to report changed relationships with suppliers compared to their pre-pandemic relationships. There is also a correlation between receiving the grant and reporting improved relationships with landlords and lessors. Qualitative results suggest that relative to the comparison group, Support Grant recipients were more likely report changes to employee relationships.
6	Recovery Grant: To what extent did the grant support participating businesses to safely re-open or scale up operations?	There is some correlational evidence to suggest the Recovery Grant enabled businesses to re-open and scale up operations following the easing of COVID-19 restrictions. Although three-quarters of recipients surveyed reported using the grant to implement safety measures, there is no evidence to suggest they were more likely to have done so than the comparison group.

Executive Summary

Results are summarised against each KEQ below. Detailed findings are presented in Results.

7	Recovery Grant: Were participating businesses more resilient and innovative in the medium-term?	Receiving the Recovery Grant resulted in more resilient businesses, and improved the likelihood of survival in the medium term. Businesses reported making more changes to their operating model relative to the comparison group, suggesting that potentially grant recipients were innovative, but this was not tested for the medium term.
8	Southern Border Grant: To what extent did the grant assist participating businesses to cover the costs of their fixed expenses/adapt to border restrictions?	The Southern Border Grant was considered very important to 62 per cent of those who received the grants, who reported their businesses would not have survived without the grants. Among this cohort, qualitative evidence suggests grants were perceived to have relieved some of the stress and anxiety experienced by businesses at this time.
9	Southern Border Grant: Did participating businesses maintain staffing levels in the medium-term?	There is little causal or objective evidence to support the premise that businesses that received the Southern Border Grants were able to maintain staffing levels in the medium term, however 41 per cent of survey respondents who received a grant reported they would have reduced employee numbers if not for the grants.
10	Southern Border Grant: Were participating businesses more resilient in the medium-term?	There is no causal or objective evidence to suggest businesses that received the Southern Border Grant were more resilient. Although, 62 per cent of survey respondents reported that their businesses would not have survived without the grants.

	Key evaluation question – economic evaluation	**Summary findings**
12	All grants: Has the intervention been cost-effective (compared to alternatives)?	Given the scope of the evaluation and information availability, a formal cost effectiveness analysis was not undertaken. However, an informal assessment suggests that the Support Grant was the most efficient of the grants when measured in terms of administration costs as a proportion of the total value of the grants.
13	All grants: Did the grant schemes provide value for money, and did the grants result in net benefits?	Quantifiable benefits do not exceed quantifiable costs of the grants. However, it is likely that non-quantifiable benefits are significant, in particular, the impacts of the grants in improving business confidence and avoiding "economic long-COVID". The grants are likely to have acted as a signal to businesses that government was willing to support them through an unprecedented exogenous shock. This may have impacts over time on how businesses approach decision-making and risk.

Executive Summary

As recommended by the Audit Office, lessons learned from this outcomes evaluation could be used to inform design and implementation of similar grant schemes in the future. Key findings have informed a set of recommendations that include aligning evaluation timing with data availability and developing a generic evaluation framework for disaster relief payments.

Conclusion

The results from the outcomes and economic evaluation demonstrate that the NSW Government has had some success in achieving its aims to support NSW small businesses through a complex and uncertain period.

The NSW Government was able to provide timely cash injections to help NSW small businesses survive the unprecedented situation, and partially avoided unintended consequences such as propping up businesses that were likely to have otherwise failed, even if the pandemic had not occurred. The grants, therefore, could be considered an instrument that helped small business to navigate an unprecedented shock to the NSW economy.

The outcomes evaluation found small, but consistent, causal links between Support and Recovery Grants and business survival rates. This drives the results and the quantifiable benefits within the economic evaluation.

While quantifiable benefits do not exceed costs for any of the three grants, the scale and long-term impacts of the qualitative benefits (such as reducing uncertainty and the long-term costs associated with belief scarring) are material to understanding the full picture of the impacts of the grants.

As such, due to a lack of data to substantiate the full picture of economic and social benefits, particularly in terms of understanding the scale and materiality of qualitative benefits, there is insufficient evidence to demonstrate value for money.

Recommendations

The following recommendations have been developed, based on the key findings of this evaluation, to inform design and implementation of similar grant schemes in the future.

1. Develop a 'theory of change' (a comprehensive description of how and why a desired change is expected to happen due to a particular intervention) for disaster support payments to business to show the conceptual links between such payments and intended outcomes. This should take into account recommendation 6 below on data availability.
2. Design a generic evaluation framework for disaster payments to businesses to help meet urgent timeframes for future disaster payment grant design.
3. Within the generic evaluation framework, align timeframes for outcome and economic evaluations with data availability.
4. Retain the data source assessment developed as part of the evaluation framework for this evaluation to help understand timeframes for data availability.
5. Service NSW to retain data provided by businesses during the applications process for grants for the purposes of evaluation.
6. Ensure multiple sources of data are available for determining business survival or the achievement of other priority objectives of future disaster payments to business.
7. The 2021 Delta grants evaluation should explore whether receiving a 2020 COVID-19 Business Grant impacted outcomes for both 2021 grant recipients and non-grant recipients.

Content

1. Background and introduction

1.1 Background

COVID-19 related restrictions and impacts on business

This evaluation focuses on the 2020 COVID-19 Small Business Grants designed to help NSW businesses survive, adapt to, and recover from pandemic-related public health restrictions. The rapidly evolving COVID-19 situation was unprecedented and there was little evidence from overseas on how to best manage a public policy response to support local economies. It is in this context of uncertainty and urgency that the grants were designed and delivered to NSW.

In 2020, COVID-19 reached Australia and the NSW Government implemented public health restrictions to limit movement of people, in an effort to avoid the spread of the virus.

One of the earliest restrictions was the closure of Australia's border which came into effect on 20 March 2020. The NSW Government announced additional restrictions to further limit the movement of people and spread of the virus, including:

- The closure of particular high-risk business settings, such as pubs and nightclubs;
- The closure of recreation and leisure facilities; and
- The closure of non-essential businesses.

As the pandemic progressed, other types of restrictions were introduced and/or replaced initial public health restrictions, including:

- Limits on the density of patrons per square metre following the end of business closures; and
- The establishment of social distancing requirements.

Differences in case numbers emerged between NSW and Victoria, prompting the closure of the border between NSW and Victoria.

The impact of restrictions on NSW small businesses was immediate, with the Australian Bureau of Statistics (ABS) undertaking a survey of businesses within days that demonstrated the following:

- Two in three businesses across all sectors reported a decline in revenue, decreased demand or cash flow impacts;
- 10 per cent of businesses paused operations and trading completely; and
- Half of all businesses that were still trading were changing their workforce through temporary reductions in work hours, remote work or enforced staff leave (for example) [1].

The NSW Business Chamber described business sentiment at the time as follows:

> *"Uncertainty about the health crisis and future of business support programs such as JobKeeper, is having a massive chilling effect on the appetite of business owners to hire staff and invest for the future."* [2]

An initial grants scheme was announced by the NSW Government on 3 April 2020[3] to support businesses impacted by the COVID-19 shutdown. It was based on the NSW Government's earlier success with similar support grants following the 2019-20 NSW bushfires. Subsequent announcements followed, as detailed on the following page and illustrated in Figure 2.

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[1] ABS. 2020. *Business indicators, Business impacts of COVID-19*. Business Conditions and Sentiments Series, 7 April 2020.

[2] NSW Business Chamber. 2020. *Getting business back on track*. Media release, April 2020.

[3] NSW Government. 2020. *$10,000 grants to provide fast relief for NSW small businesses battling COVID-19*. Media release, 3 April 2020.

The NSW Government COVID-19 Small Business Grants

Three grants were designed and delivered during the 2020 lockdown period and as a result of border closures between NSW and Victoria. The grants were designed to help businesses to survive, adapt and recover from the impacts to their business as a result of public health restrictions.

The NSW Government provided three COVID-19 Small Business Grants to businesses in NSW in response to challenges associated with pandemic-related restrictions. Many small businesses in NSW faced mounting costs and reduced revenue due to:

- Public health restrictions on movement and business operations between March and July 2020, and the NSW temporary shutdown announced on 23 March 2020; and
- The closure of the NSW and Victorian border on 8 July 2020.

Restrictions gradually eased in NSW between May and July 2020. The NSW/Victorian border re-opened on 23 November 2020. A timeline of restrictions and responses appears on the following page.

The grants that are the focus of this evaluation are:

- The $10,000 Small Business COVID-19 Support Grant (the "Support Grant");
- The $3,000 Small Business COVID-19 Recovery Grant (the "Recovery Grant"); and
- The $5,000 and $10,000 Southern Border Small Business Support Grant (the "Southern Border Grant").

Each of the three grants served differing needs of small businesses during the pandemic and had different criteria for eligibility.

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Other Government supports

Other State and Commonwealth COVID-19 assistance was also provided. A full list of other government support available to NSW businesses from Commonwealth and State governments has been documented by the Australian Parliamentary Library[4].

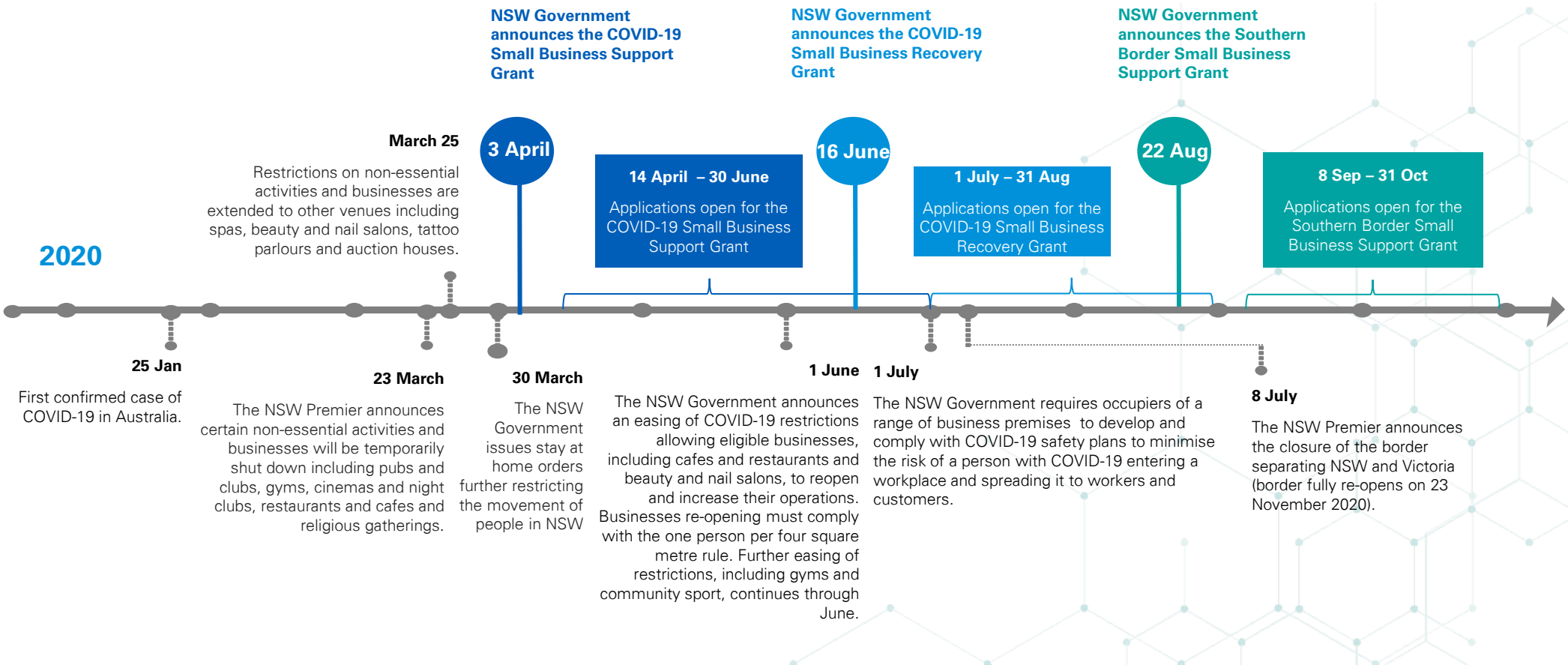
[4] Australian Parliament House (2020), *COVID-19: a Chronology of state and territory government announcements (up until 30 June 2020)*. Available from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp2021/Chronologies/COVID-19StateTerritoryGovernmentAnnouncements

Timeline of NSW Government responses to the 2020 COVID-19 outbreak

Public health restrictions were introduced in rapid succession as the pandemic evolved in NSW during 2020. The three grants were designed, announced and open for applications at different times throughout 2020.

Due to the evolving and uncertain nature of the pandemic and associated restrictions, government supports were progressively adjusted throughout the period of March to November 2020. A timeline of the NSW Government's responses during 2020 is shown below. This timeline is critical as it demonstrates the different dates for when the three grants in scope for the evaluation were announced and open for applications. This is tied to the program logic (included in Appendix A) underlying this evaluation approach as specified for each grant, and will inform the analysis.

Figure 2: NSW 2020 COVID-19 response timeline



Purpose and eligibility criteria of the COVID-19 Small Business Grants

All grants were targeted at businesses with fewer than 20 employees and an annual turnover greater than $75,000. The purpose of each grant responded to prevailing circumstances. The Support Grant focussed on business survival during lockdowns, the Recovery Grant on recovery as restrictions eased and the Southern Border Grant on adaptation to the NSW/Victorian border closure.

Table 2: Purpose and eligibility criteria of the grants

Grant name	Support Grant	Recovery Grant	Southern Border Grant
Purpose	To meet fixed costs while experiencing revenue downturn to ensure survival	To meet costs of safely re-opening or scaling up of operations	To adapt to NSW/Victorian border closures and cushion the impact on the revenue of businesses
Eligibility criteria			
Annual turnover	> $75,000	> $75,000	> $75,000
Employees	0.5-19 employees	0-19 employees	Tier one: 0-19 employees Tier two: 0.5-19 employees
Payroll	< $900,000	< $900,000	< $900,000
Decline in revenue	> 75%	> 30%	Tier one: > 30% Tier two: > 75%
Other	• Be highly impacted by the Public Health Order 2020 issued on 30 March 2020 • The business has unavoidable business costs not covered by Commonwealth Government supports	• Be in a highly impacted industry • Have costs associated with safely reopening or scaling up a business	• Be in an eligible Local Government Area (LGA) • Have costs associated with surviving or adapting to the new environment not covered by other government supports

Facts and figures for the COVID-19 Small Business grants

Across the grants between 86 and 97 per cent of applications were approved. The Support Grant was paid to the largest number of businesses (over 52,000) while the Southern Border Grant had a much smaller cohort of recipients (just under 3,000).

Table 3: COVID-19 grants facts and figures

	Support Grant	Recovery Grant	Southern Border Grant
Total value of funding	~$520.9 million	~$109.1 million	~$15.3 million
Grant value	Up to $10,000	$3,000	Tier one: $5,000 Tier two: $10,000
Total number of businesses receiving grants	52,610	36,694	2,973
Percentage of applicants that received the grants	92% of applicants	97% of applicants	86% of applicants

Source: NSW Treasury; available from Closed COVID-19 support programs – statistics | Service NSW and accessed in January 2022.
Note: The exact figures have fluctuated throughout June 2021 to February 2022, as per updates from Service NSW. Businesses could receive more than one type of COVID-19 small business grant.

1.2 Introduction

Purpose and scope of the evaluation

This evaluation assesses the outcomes of the Support, Recovery and Southern Border Grants. It seeks to understand how the provision of cash payments to small business supported recipients during and after the first pandemic-related shutdown in 2020 and if the grants offered value for money.

Purpose

The purpose of this evaluation is to assess the extent to which the grants provided by the NSW Government to small businesses through the 2020 COVID-19 outbreak, and subsequent public health restrictions, achieved their intended objectives, and whether economic benefits exceeded costs.

The evaluation seeks to assess these objectives through consideration of qualitative and quantitative data and information, in response to the KEQs outlined on the following page. The evaluation may inform decisions about the nature and design of any future small business support programs in NSW.

In its audit of the NSW Government's disaster management grants programs, including the COVID-19 Support and Recovery Grants, the NSW Audit Office states:

> *"NSW Treasury and Service NSW implemented two grants within required timeframes…. To deliver urgent financial support to small businesses impacted by the COVID-19 pandemic in 2020… NSW Treasury met urgent timeframes to design the grants."*[5]

The NSW Audit Office recommended that an evaluation of the grants programs be undertaken by NSW Treasury, including feedback from businesses.

Scope

The scope of the evaluation considers the economic benefits of the Support, Recovery and Southern Border Grants, and the extent to which each of the grants achieved the intended objectives in accordance with the program design documents, including the program logic of each of the grants (included at Appendix A).

Information sources included:

- a limited number of exploratory semi-structured interviews with business
- a survey of small businesses who received the grants and those who did not receive the grants, and
- a commercially available business dataset, the illion dataset.

These information sources were analysed to compare outcomes for grant recipient and non-grant recipient small businesses. As described in the Method section, the comparison was controlled for factors such as the impacts of time and other financial and policy support. Finally, a CBA was undertaken as part of the economic evaluation.

[5] NSW Audit Office. 2021. *Grants administration for disaster relief, 24 June 2020. Accessed from:* Grants administration for disaster relief | Audit Office of New South Wales (nsw.gov.au) on 1 September 2021.

Key evaluation questions

This outcome and economic evaluation seeks to understand the 12 key evaluation questions relating to business, economic and social impact of the grants.

The following KEQs were developed by the NSW Government and helped to guide the evaluation. These KEQs informed data collection and the methodologies used for data analysis, as well as guiding the interpretation of results.

Outcome evaluation KEQs

There are two key evaluation questions that are applicable to all three grants with respect to the outcomes evaluation, namely:

1. Did the grant schemes produce the intended outcomes in the short and medium-term?
2. What, if any, were the unintended outcomes (positive and negative)?

For the **Support Grant**, the KEQs are as follows:

3. To what extent did the grant assist participating businesses to cover the costs of their fixed expenses?
4. What were the impacts for unviable, uncertain and viable businesses?
5. Did participating businesses maintain important networks (e.g. with employees, suppliers or lessors)?

For the **Recovery Grant**, the KEQs are as follows:

6. To what extent did the grant support participating businesses to safely re-open or scale up operations?
7. Were participating businesses more resilient and innovative in the medium term?

For the **Southern Border Grant**, the KEQs are as follows:

8. To what extent did the grant assist participating businesses to cover the costs of their fixed expenses/ adapt to border restrictions?
9. Did participating businesses maintain staffing levels in the medium-term?
10. Were participating businesses more resilient in the medium term?

Economic evaluation KEQs

There are two KEQs that are applicable to all three grants with respect to the economic evaluation, namely:

11. Has the intervention been cost-effective (compared to alternatives)?
12. Did the grant schemes provide value for money, and did the grants result in net benefits?

In section 2 (Method), the KEQs are mapped against each method of analysis and data source for clarity.

Structure of the report

The Evaluation Report is designed to contextualise the evaluation and its methods and report key findings against the KEQs. It includes recommendations for designing and implementing future grants programs for small businesses

This Report is structured into 4 sections:

1. **Background and Introduction (pages 16-26):** This section describes the purpose of the evaluation, as well as the scope. This section also provides a detailed background of the NSW Government pandemic response context and further information about the grants made available to small businesses during the 2020 shutdown.

2. **Method (pages 27-41):** This section describes the approach and methods used for answering the KEQs, including:
    - Summary of approach;
    - Link between outcomes evaluation and economic evaluation;
    - Survey: method, data, and limitations; and
    - illion dataset: method, data and limitations.

3. **Results (pages 42-66):** This section details the key findings and results against each of the 13 KEQs. This section includes an:
    - Outcomes evaluation; and
    - Economic evaluation.

    Noting that the NSW Audit Office has completed a process evaluation that assesses the effectiveness of the design and implementation of the grants, this section does not review governance and implementation arrangements or grant design.

4. **Conclusion (pages 67-71)**: This section details the key findings and results of each of the analyses undertaken for the outcomes and economic evaluations for the three grants. This section includes:
    - Conclusion; and
    - Recommendations.

5. **Appendices (pages 72 to 121):** Appendices provide supporting information, specifically:
    - Appendix A: Grant program logics
    - Appendix B: Survey questions
    - Appendix C: illion data dictionary
    - Appendix D: Cost identification and quantification
    - Appendix E: Benefit identification and quantification
    - Appendix F: CBA parameters and assumptions
    - Appendix G: Sensitivity analysis

2. Method

Overview of evaluation approach

The recommendation by NSW Government that a CBA approach be used for the economic evaluation drove the need for a highly robust, empirical method of analysing outcomes such that outcomes could be causally linked to the grants.

Context for the approach

A CBA was recommended by the NSW Government as the preferred method for the economic evaluation. This is in line with the NSW Government's recognition of CBAs as good practice for evaluations[6]. A CBA must be underpinned by robust data that can identify, attribute and isolate the benefits that result from a particular government intervention (i.e. the grants). This drove the choice of an outcomes evaluation method that could enable a causal link to be established between the grants and any impacts. Accordingly, a Difference-in-Differences (DID) approach was adopted (outlined further in the following pages).

Data sources

Analyses were based on survey data compiled for the purposes of this evaluation, and a commercial dataset, the illion dataset, compiled through credit rating activities of businesses, both described further below:

- ***Survey*** - A survey was developed to be sent to grant recipients and non-grant recipients. Survey respondents were drawn from a Service NSW database of grant recipients, and included Support, Recovery and Southern Border grant recipients (the Intervention Group) and 2021 Business Grant recipients (the comparison Group).
- ***Illion dataset*** - Illion is an objective, commercial dataset that contains information on 623,739 businesses in NSW. Around 69 per cent of the businesses that received a grant from Service NSW's records appear in the illion dataset, which is a reasonable overlap and in line with expectations.

Both data sources have limitations in terms of their usefulness for this evaluation. However, a range of alternative data sources were assessed for their usefulness in terms of the frequency and timeframe over which the data is reported, the extent to which the data would help answer the KEQs and whether the data is at the individual business level needed for the evaluation. This process identified the survey and the illion dataset as the most useful.

Outcomes evaluation

The two data sources (the survey, and illion dataset) were analysed as part of the outcomes evaluation to ascertain whether the 2020 NSW Government COVID-19 Small Business Grants had met their objectives (outcomes) as specified in respective program logics.

The outcomes evaluation is focussed on establishing whether there were causal links between the grants and the intended outcomes. That is, whether the grants led to statistically significant differences in outcomes across a range of measures, between businesses that received a grant, and businesses that did not receive a grant.

The outcomes evaluation drew on a quasi-experimental approach, known as a Difference-in-Differences analysis (DID), that compares grant recipients with a similar cohort of non-grant recipients (a comparison group) over time. This method is described in further detail in the following pages. The method recognises, and controls for fact that there were other supports provided to NSW small businesses, such as the Commonwealth Government JobKeeper payment.

[6] NSW Treasury (2016), *NSW Government Guide to Cost Benefit Analysis.*

Overview of evaluation approach *(continued 1)*

The outcomes and economic evaluation are linked through the identification of benefits based on the outcomes evaluation results, and any qualitative insights from the outcomes evaluation that could have whole of society impacts.

The grants were just one of a number of financial and non-financial supports available to businesses from State and Commonwealth governments and private sector organisations. A DID method also enabled other factors such as time, policy changes and other factors such as industry and location to be controlled or held constant.

Where statistically significant findings are found, this formed strong evidence for a causal link between the grants and the outcomes (in line with the descriptions for strength of evidence as per the NSW Government Program Evaluation Guidelines (2016) [7]).

Link between outcome and economic evaluations

Findings from the outcomes evaluation helped to quantify the identified benefits for a CBA. Where significant differences were found between the comparison group and the grant-recipient group, these impacts form a "Volume" which is multiplied by "Price" (the economic value of the grants, as per Figure 3 overleaf) to quantify the benefits included in the CBA.

Economic evaluation

***CBA*:** The economic evaluation employed CBA to inform the findings. In line with the NSW Government Guide to Cost Benefit Analysis (2016)[8] the CBA provided an assessment of the net impacts of a government intervention or project on social welfare and includes economic, social, environmental and cultural impacts. This includes benefits that could not be quantified.

Cost effectiveness assessment (CEA): As per the NSW Program Evaluation Guidelines (2016), a CEA compares the monetised relative costs and outcomes of two or more intervention alternatives. Potential alternative interventions that could have been considered include whether financial institutions' support to businesses during this time (e.g. through loan repayment adjustments), or JobKeeper could have achieved the same survival outcomes, and at what relative cost. As mentioned previously, data was unavailable for these alternative interventions and a formal CEA was not able to be undertaken. Accordingly, the evaluation is limited to informal assessment of the relative costs between the three grants. This analysis does not provide the rigour of a formal CEA but enables some informal comparison.

Net benefits: The CBA determines whether there were positive net quantifiable benefits attributable to the grants. Specifically, all quantifiable costs are subtracted from all quantifiable benefits. If quantifiable benefits exceed quantifiable costs, this results in a benefit-to-cost ratio (BCR) above 1.

Value for money: Value for Money (VfM) is defined in the NSW Government Program Evaluation Guidelines[7] as *"when the maximum benefit is obtained from the program provided within the resources to the available to the department or agency".* A VfM assessment would typically include a cost efficiency or cost effectiveness measure, but data regarding other supports such as JobKeeper was unavailable at the time of this evaluation. As such, for this Evaluation, the VfM assessment is differentiated from the net benefits assessment only on the basis of inclusion of qualitative benefits. This is made with reference to the need for intervention, the expected theory of change as demonstrated through the program logic, and qualitative benefits included in the CBA.

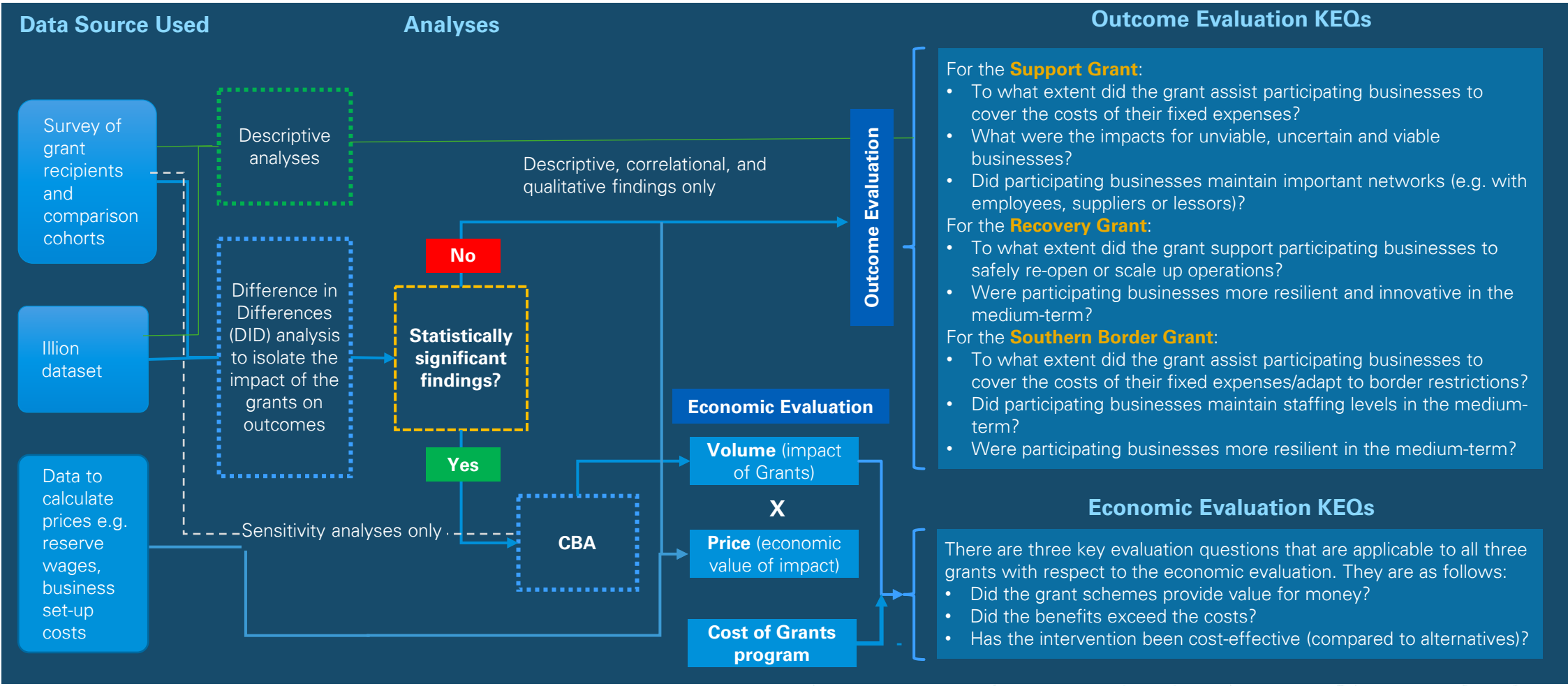
[7]NSW Government (2016), *Program Evaluation Guidelines.*
[8]NSW Treasury (2016), NSW Government Guide to Cost Benefit Analysis.

Overview of evaluation approach *(continued 2)*

Multiple data sources and forms of analysis were undertaken for the outcomes and economic evaluations.

Due to the need for an empirical CBA, the outcomes evaluation requires a method that can establish causality. The DID analysis was chosen given the availability of a comparison group over a number of time periods relevant to the program logic of the grants (outlined in Appendix A). However, survey respondents' own views on the impact of the grants were also used for qualitative insights and to inform a sensitivity analysis in the economic evaluation. The evaluation approach is summarised in Figure 3 below.

Figure 3: Evaluation approach



Analyses involved in the outcome evaluation

Data was first analysed for descriptive purposes to understand more about the respective datasets and how representative they were of NSW small businesses in general, and how well they overlapped with the business data drawn from Service NSW.

Descriptive statistics and representativeness of data sources

An analysis was undertaken of survey and illion datasets to understand the representativeness and nature of survey respondents and businesses included in the illion dataset. Considerations included business size, the distribution of grants by LGA and industry, and how the survey respondents compared to the broader Service NSW sample of all grant recipients and to the illion dataset.

For the illion dataset, analysis to obtain descriptive statistics was run to:

- Help compare the illion dataset and its coverage of grant recipients versus non-grant recipients;
- Understand the degree of overlap between the Service NSW database and the illion database; and
- Define categories of interest such as businesses that were viable or unviable and businesses with an uncertain future.

The analysis also helped to understand the comparison groups, as per Table 4. For the survey, the comparison cohort was another grant recipient group drawn from Service NSW's database, which received 2021 Business Grants. Bushfire Grant recipients were part of the Service NSW database and could have been used as a comparison group, however, for the purposes of this evaluation, the 2021 Business Grant recipients were considered to be a better match for comparison to the 2020 COVID-19 Small Business Grant recipients because they included greater geographical representation than the Bushfire Grant recipients. For the comparison group used across illion analyses, the parameters changed in line with the different DID models that were analysed. For example, the comparison group for Support Grant recipients was defined so as to comprise cohorts similar to those that received a grant in terms of business size, employee headcount and industry.

Table 4: Description of cohort

	Intervention Group	Comparison Group
Survey cohorts	NSW Government 2020 COVID-19 Small Business Grant recipients (Support, Recovery and Southern Border grants); drawn from Service NSW records	2021 COVID-19 Business Grant recipients; drawn from Service NSW records
illion cohorts	NSW Government 2020 COVID-19 Small Business Grant recipients (Support, Recovery and Southern Border grants), matched on ABN	Comparison groups were defined for each DID and were comprised of similar cohort groups. Similarities were established where data was available. Businesses were excluded that did not have ABNs matching Service NSW ABNs of businesses that had received the three grants. For example, viable businesses were compared with only other viable businesses that had not received a grant. Unviable businesses that received a grant were compared with unviable businesses that were not matched on ABN as having received a grant.

DID method and analysis

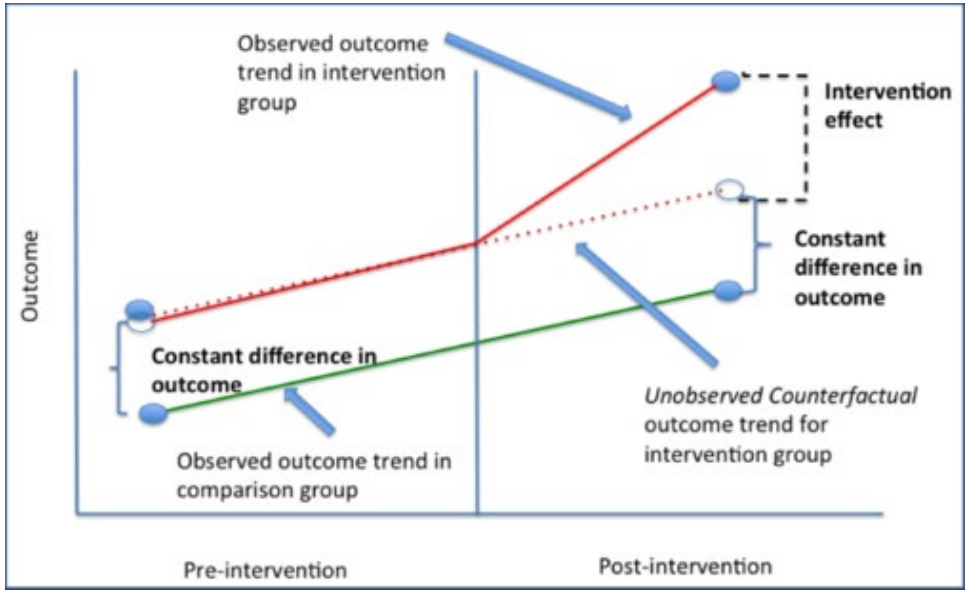
The outcomes evaluation approach uses a DID method that allows the isolation of grant impacts and makes it possible to establish if there are causal links between the grants and business outcomes.

Difference-in-difference analysis

An analysis was undertaken of survey and illion datasets to understand the impact of the grants and the implications for small business if the grants were not available.

A DID method was chosen to enable establishment of attribution, which is required to conduct a CBA approach for the economic evaluation. The DID compares grant recipients and non-grant recipients over time (before and after the grants were received). This approach is illustrated in Figure 4. The DID method was selected to establish whether the outcomes observed among grant recipients are due to the receipt of grants, or if unobserved factors (e.g. time, other financial supports or policies) had greater influence.

Figure 4: DID approach



Source: Columbia University, 2019

DID models were defined per outcome measure. Analysis of each model was undertaken in the R statistical programming language to preserve the integrity of datasets, and to have documentation of the analyses that were run. Analyses were run on R Studio (for the survey data) and within the Data Analytics Centre (DAC) platform via Databricks. Descriptive statistics for the survey data were analysed using Excel and using R within Databricks on the DAC platform for the illion dataset.

Survey data

Survey responses broadly reflected the distribution of grants on a geographic and industry basis. Response rates were low compared to similar surveys among NSW small businesses conducted around this time.

Data sources

Survey dataset

A survey was developed (survey questions are contained in Appendix B) that enabled comparisons between grant recipients and the comparison group across a range of outcome measures aligned to the grants' program logics. Questions explored businesses' expectations for performance prior to the 2020 pandemic, actual impacts that the pandemic had on the business (e.g. whether they closed temporarily, reduced hours, or changed in some other way), unavoidable expenses and, grant uses. Questions were asked over the immediate, short and mid-term (see timeframes for each grant at Appendix C).

An invitation to complete the survey was sent to a randomised sample drawn from a Service NSW database of grant recipients, and included Support, Recovery and Southern Border Grant recipients (the Treatment Group) and 2021 Business Grant recipients (the Comparison Group). Table 5 details the number of completed surveys from this sample. Of particular interest is the survey response rate of 2.2 per cent which is less than half survey completion rates found in similar surveys among a similar NSW small business cohort (5 per cent)[9]. It should be noted that although the number of completed survey responses are not equal between grant recipients and comparison groups, this is treated statistically and does not impact overall findings or add to methodological limitations in any way.

Survey responses were representative of the geographic distribution of businesses who received a grant, with the majority of grant recipients who responded to the survey located in Sydney City LGA, inner city and metropolitan areas. The distribution of survey respondents who received a grant by industry is broadly representative of the distribution of the total population of businesses who received a grant. Industries with the largest number of grant recipients, e.g. accommodation and food services and retail trade, likely reflect the industries highly impacted by the COVID-19 restrictions.

Table 5: Survey sample sizes and response rates

Grant type	Potential sample size	Singular grant received only, Randomised sample contacted	Surveys started	Surveys completed	Survey responses following data clean	Comparison group survey responses following data clean	Survey response rate
Support Grant	79,360	45,492	4,635	2,003	956	777	2.1%
Recovery Grant	38,314	11,759	1,872	8,78	279	347	2.4%
Southern Border Grant	2,614	1,344	212	108	36	54	2.7%
Totals	120,288	58,595	6,719	2,111	1,271	1,178	2.2%

[9] As advised by the Customer Service Delivery Unit (CSDU), 2021.

Survey data limitations

With the 2021 COVID-19 Business Grants recipients used as a comparison group, there could be a bias towards inclusion of businesses that survived the 2020 shutdown ('survivorship bias'). The voluntary nature of the survey also introduces selection bias, with businesses with a negative experience of the 2020 COVID-19 Small Business Grants potentially more likely to participate.

Survivorship bias in the comparison group

The information available to target businesses for participation in the survey was limited to ABN and contact details. Therefore, the choices and ability to understand and inform a comparison group for the survey was limited. As explained on the previous page, two viable comparison groups were the 2020 Bushfire Grant recipients or the 2021 Business Grant recipients. The 2020 Bushfire Grant recipients were assessed as too dissimilar to the grant recipient group, with a far greater proportion of bushfire grant recipients based in non-metropolitan locations. As such, this cohort was not chosen as the comparison group and the 2021 Business Grant recipient group was selected as the most appropriate comparison group for the survey analysis. However, this introduces a survivorship bias into the analysis, as the 2021 Business Grant recipient group included only businesses that had survived the 2020 public health restrictions. The effect of the survivorship bias may have been to make it more difficult to detect a difference in survival rates between intervention and comparison groups; and may have meant much smaller magnitudes for any survival impacts that were found.

Voluntary survey participation

Several observations were noted in relation to the voluntary nature of the survey:

- The survey may have been subject to selection bias, with small businesses with a negative experience of the 2020 COVID-19 Small Business Grants potentially more likely to respond to the survey than those that had a positive experience.
- Selection bias may also operate in a different way, potentially businesses that had closed permanently were less likely to respond to the survey than businesses that were still operating. At the time of this evaluation, there was no way to test for this potential bias.
- Small business owners from culturally and linguistically diverse backgrounds may be under-represented in the survey sample. This cohort may not have been aware of the grants in scope or may not have completed their application due to a language barrier. Other than this, the survey group was relatively representative of LGAs, business size, and industries that received the grants as demonstrated through comparison with the Service NSW database of grant recipients.
- The survey required up to 25 minutes to complete the responses, with length potentially contributing to the drop out rate of around 50 per cent. Fatigue and keyboard "mashing" (nonsensical inputs) of responses was not measured in the survey due to a lack of available tools to validate survey response quality.
- There were insufficient survey responses to enable businesses to be categorised into three groups in line with the program logic (i.e. viable, unviable or businesses with an uncertain future). Because of this, businesses were classed as either viable or uncertain (i.e. the business owner reported at least some feelings of uncertainty in relation to their business's future in response to survey questions). Analysis therefore grouped unviable and uncertain businesses together. This likely means the reporting of any impacts of the grants may be diluted for this group.

Illion data

Despite the robust methods used, some outcome measures of interest could not be analysed, for example, key variables such as revenue and employee headcount data were unavailable in the dataset for the period prior to August 2020.

Illion dataset

The illion dataset contains data from 2018 onwards and captures businesses that overlap with the majority of businesses that Service NSW has on record as receiving a COVID-19 small business grant (as demonstrated in Table 7). The dataset includes measures such as revenue, employee headcount, failure risk score (FRS), ABN, and ABN status. The businesses that are not likely to be captured are the businesses that have not applied for bank loans or other financial and non-financial services or products which require a credit rating, within approximately the last 2.5 years. This has implications for the type of businesses illion may not include, for example, businesses that have greater cash reserves (and less need for loans), less sophisticated businesses, or more established businesses. This also places limitations on the method, as detailed overleaf.

The illion dataset could not be used to analyse all outcome measures in the program logic. Among immediate outcomes, only "Suppliers received timely payments from participating businesses" could be measured, and that was through a proxy (i.e. through an indirect indicator in illion, see the Data Dictionary at Appendix C). For short-term measures, the following could be measured:

- Employer/employee relationships maintained;
- Businesses with an uncertain future were able to survive/hibernate during Public Health Restrictions; and
- Viable businesses were more resilient (partially measured).

Among medium-term outcomes, the illion data enabled analysis of outcome measures that centred around survival of viable businesses and businesses with an uncertain future, and minimal perverse incentives. Although supporting jobs could not be directly measured, this was analysed as an impact of businesses that survived.

The illion dataset contains a Failure Risk Score (FRS) for each business within its dataset, which is compiled through proprietary algorithms. The illion FRS was used to define whether businesses were viable (minimal, very low, or low FRS), unviable (high, very high, severe or closure-rated FRS), or businesses with an uncertain future (average or moderate FRS) in alignment with program logic description. Further data information can be found at Appendix C.

Table 6: Comparison of the illion dataset sample with Service NSW data	Grant recipients (included in SNSW dataset)	illion dataset	% captu re
Number (#) of businesses in the illion data set*	N/A	623,739	
# of businesses eligible that received a grant (all)	65,103	45,112	69%
# of businesses that received the Support Grant	52,264	36,694	70%
# of businesses that received the Recovery Grant	36,710	26,414	72%
# of businesses that received the Southern Border Grant	2,096	1,195	57%
# of businesses that received multiple grants	25,664	18,982	74%

*Counted by unique ABNs, removing duplicates and blank ABNs

Illion data - limitations

While the illion data is superior to the survey dataset, it does not contain all the data required to test all outcomes listed in the program logics. Despite this, the method, objectiveness of data, scale and coverage of the dataset allows greater confidence in the conclusions drawn from illion analysis, relative to results from the survey analysis.

Illion data limitations

- The illion dataset is a commercial dataset and includes only the businesses that have had transactions requiring a credit check (such as applying for loans, or new utility services) since 2018.
- The illion dataset does not contain all the data required to test all outcomes listed in the program logics (e.g. rental payments).
- The comparison groups in the illion data could not be matched perfectly to the grant recipients based on all eligibility criteria due to the unavailability of employee headcount data (i.e. business size).
- The illion data does not include all pre-COVID timeframes required as per the program logics. Illion data is only available from March 2019 to October 2021, which limits the pre-COVID comparison periods in 2019 and the corresponding post-COVID periods in some cases.
- For the Recovery Grant, the available illion data set covers both the immediate and short-term outcome timeframes in the program logic. As a result, the immediate and short term outcomes cannot be measured separately for the Recovery Grant.
- The total number of grant recipient and non-grant recipient businesses included in the DID model results will vary from analysis to analysis within the DID analyses, due to the different sample restrictions required to produce reliable estimates.
- The illion data has incomplete data on annual business revenue, with revenue only available following the onset of COVID-19 from July 2020 onwards. Because of this, revenue could not be included in the DID models, which likely creates noise within the results.
- The comparison groups for each of the three grants were identified in the illion data using the grant eligibility criteria that matched available illion data. While employee data is available in illion, it was only available for 4 per cent of businesses prior to July 2020. Therefore, in the data cleaning process, some businesses were omitted from the comparison groups because their employee data pre-COVID was missing.
- There is a potential limitation that there is a relatively high survival rate of businesses in the comparison group that did not apply for the grant, because these businesses were systematically less likely than the grant recipient group to have been negatively impacted by the 2020 COVID lockdown.
- ABN cancellation is used as a proxy measure to understand business survival. However, this is a lagging indicator as it relies on an action by the business owner to cancel an ABN associated with a business, which may happen months after the business has actually closed. As such, results may be impacted by businesses being assumed to remain open, when they have closed (but their ABN has not yet been cancelled). This is supported by a paper by ABS (2020)[10]. This likely made it harder to detect "survival" differences between grant recipient and comparison groups, suppressing the resulting effect size.

[10]ABS (2020). Quarterly Counts of Australian Businesses, Experimental estimates, 2019 - 2020 (abs.gov.au). Available from https://www.abs.gov.au/ausstats/abs@.nsf/7d12b0f6763c78caca257061001cc588/831bc2111a04ecbcca25860f001d5fcf!OpenDocument and accessed in January 2022

CBA method

A CBA underpinned the economic evaluation. A CBA aims to assess net impacts on social welfare and includes whole of society (economic, social, environmental and cultural) impacts. It is recommended by NSW Government as good practice for evaluations given its comprehensiveness and empirical evidence base.

Purpose

The evaluation considered the costs and benefits of the 2020 COVID-19 Small Business Grants provided by the NSW Government, with the view to understanding whether benefits exceeded costs, and whether the grants represented value for money for the NSW Government.

Approach

CBA is a systematic approach to analysing the whole-of-society costs and benefits associated with a program. CBA uses discounted cash flow analysis to compare the marginal costs and benefits of different options, such as the conducting of a program, relative to a 'do nothing' base case scenario. This evaluation estimates the total whole-of-society costs associated with each of the COVID-19 Small Business Grants and estimates the extent to which these benefits may outweigh the costs. The CBA involves the following steps:

- Step One: Articulating the base case (i.e. the comparison or counterfactual, or what would have otherwise happened) and the 'intervention case' (receiving a COVID-19 grant) for analysis.
- Step Two: Identifying relevant economic costs and benefits for the 'do-nothing' base case and the 'intervention case (with the grants being the intervention)'.
- Step Three: Quantification of the costs and benefits. For an evaluation CBA, quantification is only undertaken against benefits where the benefits can be causally attributed to the intervention.
- Step Four: Identification of qualitative benefits that accrue to beneficiaries but may not be able to be directly quantified in market-based monetary terms.
- Step Five: Comparing and contrasting the quantified costs against benefits over an appropriate timeframe.
- Step Six: Generating performance measures such as Net Present Value (NPV) and Benefit-to-Cost Ratio (BCR) to evaluate the relative economic impact of the COVID-19 grants.
- Step Seven: Sensitivity analysis to assess the impacts of changes in key variables on performance measures.

Articulating the intervention: A CBA was conducted on each of the three grants. For each CBA, the intervention case was articulated as the incremental costs and benefits associated with each of the grants, net of the base case scenario, that is, a scenario where there were no NSW Government 2020 COVID-19 Small Business Grants. This was possible due to the quasi-experimental design of the outcome evaluation, where the outcomes are causally linked, and isolated to, the intervention.

Articulating the base case: This is achieved through the inference that the comparison group for each grant, identified through the outcomes evaluation, is a reasonable assumption for the scenario in which grants were not provided.

CBA data

A high level view of the data included in the CBA is outlined below and on the following slide. A comprehensive consideration of costs and benefits (as well as qualitative costs and benefits) can be found in the Appendices.

Data

Benefits

Table 7 outlines the data sources for quantifiable economic benefits to small businesses, employees and the broader NSW community associated with each of the COVID-19 small business grants.

In addition to these quantifiable benefits, several qualitative benefits were identified and are fully detailed in Appendix E. These include:

- Avoided costs associated with business destruction (social);
- Non-income benefits to employees retained by surviving small businesses;
- Avoided cost of unemployment benefits to society associated with employee retention of surviving small businesses;
- Indirect benefits to the customers and staff of secondary businesses;
- State economy rebounds more quickly (economic and social);
- Continued access to goods and services for the NSW community (social);
- Increased sales for businesses upon re-opening when restrictions were eased (economic, Recovery Grant only);
- Avoided costs during scale up of operations when restrictions eased (economic, Recovery Grant only); and
- Avoided costs as a result of a reduction in uncertainty impacting on mitigated "belief scarring" which could be conceptualised as business confidence – see Results for a further discussion of this.

Table 7: Identified quantifiable benefits and data sources

Benefits	Data source
Avoided Cost: Avoided cost of business destruction	Data to estimate the start-up costs of a new business were drawn from a range of sources and covered: capital requirements (JB Hifi and Square, a major retailer of POS systems), registration of business name (ASIC), physical fit-out costs (a range of project quotes were obtained as well as home office costs), time required for compliance with legal requirements (Doing Business) and marketing (Officeworks).
Labour Surplus: Employee retention for surviving businesses	Employee retention is calculated using a range of data drawn from the NSW Government Economic Recovery Report, ABS, and Services Australia, as well as from the outcome evaluation findings, namely the number of total businesses that survived due to the grants, and the average number of staff employed (illion dataset). Weighted labour surplus by industry was also calculated using ABS data. Note, given the impacted sectors and extensive shutdowns, it is unlikely they would have gained employment elsewhere.
Producer Surplus: benefit for secondary businesses	Assumptions are used regarding the proportion of payments made using grant funding, and the value of the grants as sourced from Service NSW.

CBA - data *(continued)*

A high level view of the data included in the CBA is outlined below. A comprehensive consideration of costs and benefits (as well as qualitative costs and benefits) can be found in the Appendices.

Costs

Table 8 outlines the data sources and types of data used to identify and quantify costs associated with each of the COVID-19 Small Business Grants which were incurred by NSW taxpayers, the NSW Treasury and small business owners that received a grant.

There are two costs that are non-quantifiable relating to inefficiencies arising from grant funding dispersed to unviable firms, as defined by the illion FRS.

A full identification and quantification of these costs are included in Appendix D.

Table 8: Identified costs and data sources

Costs	Data source
Quantifiable costs	
Value of grants dispersed	Provided by NSW Treasury (Grant dashboard data)
NSW Treasury staffing costs	Cost estimates provided by NSW Treasury and exclude project time
Service NSW staffing costs	Costs included cover stand-up and delivery costs provided by Service NSW
Business costs associated with the application process	Data provided through insights from grant recipient survey responses for the average time spent in applying for the grants, and a median for accountant and business owner fees/time to understand the opportunity cost of that time.
Non-quantifiable costs	
Inefficiencies arising from grant funding dispersed to unviable firms (which would have failed anyway)	illion dataset, with unviable businesses defined as having a very high risk of failure – see the illion data dictionary in Appendix C. Costs are not quantified as this evaluation did not find any evidence to support the premise that grants provided to unviable firms delayed their exits.
Inefficiencies arising from grant funding dispersed to businesses with an uncertain future.	illion dataset, with businesses with an uncertain future rated as of average or moderate risk of failure – see the illion data dictionary in Appendix C. Costs are not quantified as the results are likely not material but this is explored further in the Cost Identification table in Appendix D.

CBA sensitivity tests

The CBA includes two sensitivity tests which assess alternates to the current approach. The first involves treatment of the grants as a social transfer rather than an economic cost. The second explores what would happen to net benefits if the key drivers of benefits (survival) are based on survey data, rather than objective but conservative illion data.

Sensitivity tests form a critical part of the CBA. Sensitivity tests attempt to ascertain and quantify how net benefits will change if specific assumptions or parameters deviate from the expected values included in the core CBA results.

Key sensitivity analyses included in this CBA are:

- Treatment of the value of grants as a social transfer (transfer payment) rather than as an economic cost; and
- Exploring what the impact would be, of having survival rates closer to that articulated by business grant recipients who responded to the survey, rather than through the evidence collated from the DID analysis of the illion dataset.

It is important to note that, from the survey data, there were two possible ways of defining the "survival" variable:

1. Measuring responses of what actually happened to businesses during 2020 as a result of either receiving the grants or not; and this was subject to a DID analysis comparing business survival between grant recipients and non-grant recipients. It found no significant differences; and

2. Through a question in the survey, "What would the impact have been on your business if you didn't get the NSW Government grant?". This question was not designed to be included in the DID analysis given subjectivity and hindsight bias, but does provide a qualitative insight into how businesses felt about the grants and their importance.

Accordingly, the following sensitivity tests were undertaken to explore modelling assumptions:

- Alternate discount rates;
- Treatment of the value of grants dispersed as a social transfer (rather than an economic cost);
- Alternate assumptions underpinning the avoided costs of business destruction, e.g. if start-up costs were 10 per cent more costly then the costs estimated in the CBA;
- Alternate assumptions underpinning the quantification of the indirect producer surplus benefit to secondary businesses, i.e. changing the proportion of the grant funding that was spent to pay other producers within the market;
- Alternate assumptions underpinning the quantification of employee retention by surviving businesses, e.g. the proportion of employees who lost their jobs that would have regained a new job in over nine months, 18 months, and to 2024 (the analysis timeframe); and
- Assuming business survival rates based on survey responses.

Further details on sensitivity tests are included at Appendix G.

CBA - limitations

Although CBA is a comprehensive and evidence-based methodology to underpin the economic evaluation, it is critically reliant on the statistically significant findings established through the outcomes evaluation. The CBA identifies a number of qualitative impacts that are likely to be material, but cannot be quantified through evidence collated through this evaluation. As such, the qualitative and quantitative findings of the CBA must be considered together, rather than a focus on net benefits or a BCR in isolation.

Data issues

- Any assumptions made through the quantification of benefits, such as the costs of starting a business, have used conservative estimates.
- Data and analysis based on the illion dataset has inherent conservatism in the "survival" rates due to calculations of survival being based on cancellation of ABN numbers (rather than another measure of business inactivity). This likely made it harder to detect "survival" differences between grant recipient and comparison groups, suppressing the resulting effect size. As such, the CBA is likely to be conservative.
- Data limitations/availability means that some benefits cannot be quantified although they could have had a substantial contribution. The qualitative benefits of the grants schemes are likely to have been significant and long-lasting; see the following Results section for further discussion.
- It was difficult to provide a robust estimate of the income tax leakages of employees retained by surviving businesses. Given this, the labour surplus associated with these grants was determined based on the before tax income of these employees.
- There may be some benefit accrued to NSW consumers stemming from the income taxation of employees ineligible for JobKeeper who were retained by surviving small businesses. However, estimating this benefit would be complex, particularly given that JobKeeper payments (the reservation wage) were also subject to income taxation. Therefore, it was not possible to analyse whether this benefit had accrued.

Method issues

- The CBA is critically dependent on statistically significant findings derived from the outcomes evaluation, however, outcomes are likely based on conservative estimates (see above). Accordingly, the CBA potentially understates the quantified benefits.
- Although the survey is useful in providing an understanding of some of the key economic questions of the outcomes evaluation, the assessment of differences between grant recipient (intervention) groups and comparison groups did not result in any statistically significant findings. As such, despite the broad array of information and results provided by the survey, as attribution to the grants cannot be established using survey data, any findings from the survey results are not translated or used in the CBA (except for the purpose of sensitivities as outlined on the previous page) .

3. Results

How the results are presented

The evaluation is multifaceted and complex, and as such a template for each KEQ describing the results in a consistent format is provided; with the most robust evidence presented first, and less robust evidence presented last.

The evaluation was highly complex, covering:

- 12 x key evaluation questions
- 3 x 2020 NSW Government COVID-19 Small Business Grants
- 3 x phases of analytical interest (immediate, short, and medium term
- 2 x data sources
    - Survey
    - Illion
- Two primary analysis approaches:
    - DID: up to 30 separate regressions per dataset analysing the outcome measures across cohorts and timeframes
    - CBA
        - Quantification calculations for costs and benefits
        - Sensitivity tests
- Multiple "other" analysis approaches:
    - Descriptive analyses and comparisons
    - Net benefit assessment
    - Cost effectiveness informal assessment
    - Value for money assessment

As such, a standardised template for presentation of results has been used in the following pages, deviating only for the economic evaluation. This is to provide a full picture of the types of results available, and to understand evidence across multiple data sources and analyses. The template is ranked in terms of methodological robustness of findings.

Figure 5: Evidence presented in the results, and its robustness

Strength of evidence	Evidence type and source	Description
	KEQ description	For each KEQ, the core hypothesis is described.
Greater strength of evidence / data ↑	**DID illion**	Results from a DID analysis of the illion dataset. This is a robust method, and an objective dataset
	Survey **DID causal**	Results from a DID analysis of the survey dataset
	Survey **Correlational**	Any associations between variables from survey data analyses
↓ Weaker evidence/ data	**Survey** **Qualitative survey**	Insights from survey respondents. A combination of free text responses, and the proportion responding to specific response options.
	Limitations associated with this analysis	Limitations of the data and analyses as relevant to each KEQ is described.

How to interpret statistical information

Three separate grants were analysed using two data sources and two analysis approaches. Results are presented to ensure all findings against each KEQ are articulated, including where this evaluation has been unable to establish evidence.

Results are conventionally presented in words followed by the following statistical expression:

> Businesses were more likely to survive to the short-term (0.1%, p = 0.001, N (grants) = 15,151, N (comparison) = 9,525))

The first number presented (the percentage) is the co-efficient, that is, receiving a grant resulted in an increase of 0.1% in the likelihood that a business survived. This describes a magnitude of effect.

In general, this would be considered a very small magnitude of impact. However, in considering the nature of the intervention (a $10,000, once-off grant), and the complexity of pandemic nature and array of other interventions, to find any impact at all is significant; particularly given the data limitations outlined earlier.

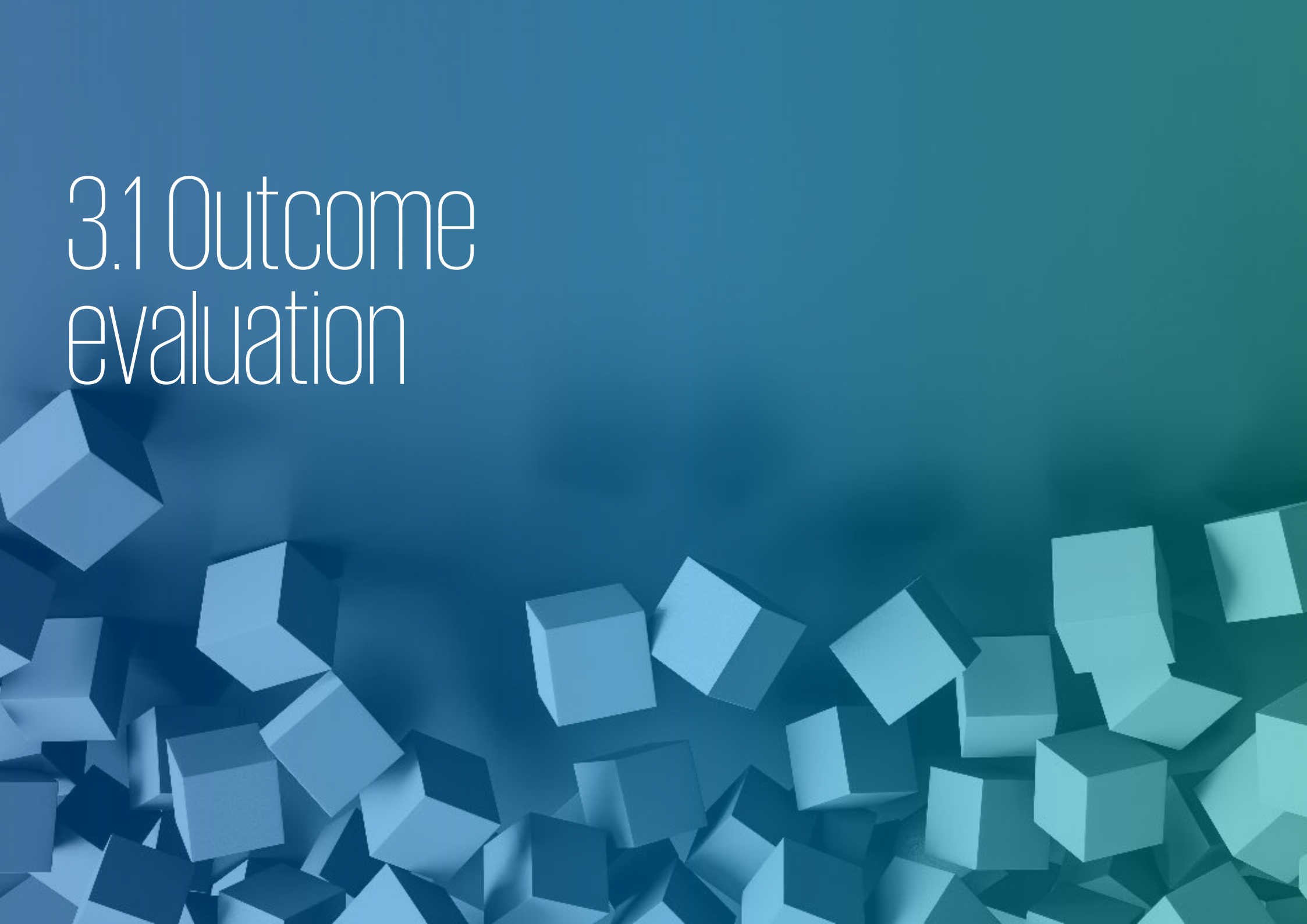
Due to the outcome measures being largely binary rather than continuous (e.g. ABNs cancelled versus ABNs active, or suppliers received timely payments versus suppliers did not receive timely payments), effect size taxonomies commonly used such as Cohen's d cannot be used to understand the magnitude of effect in common terms. However for findings such as the one above, the coefficient can be thought of as: **for every 1,000 Support Grants given, 1 business survived that otherwise would not have**.

p is the p-value which measures the probability that the results are due to random chance. So for the example with p=0.001, this means **there is a 1 in 1000 chance that the results are due to random chance** (and not due to the grants).

Generally, p needs to be less than a threshold level to be considered statistically significant. This evaluation adopted $\alpha = 0.05$, which meant for the analyses, a result was only considered to be statistically significant if it the p-value was less than 0.05, i.e. that there was a 5 per cent chance that the results were due to chance. This is a common threshold used in social sciences. Many of the results in this evaluation are found to be statistically significant at the $\alpha = 0.05$, 0.01 and 0.001 levels and the actual p-values are indicated to demonstrate the level of significance for each result.

The final figures describe N, which provides the sample size of the cohorts that were analysed within each regression model of the DID analysis. For the example provided, 15,151 businesses that received the Support Grant were compared with 9,525 businesses that were similar in terms of size, industry, etc but that did not receive a grant.

3.1 Outcome evaluation



KEQ1: Did the grants schemes produce the intended outcomes in the short and medium term?

Overall, this evaluation finds evidence that the Support and Recovery Grants resulted in an increase in the likelihood of business survival. Due to small sample sizes, this evaluation did not find evidence that the Southern Border Grant achieved its intended outcomes.

KEQ description: Each of the three COVID-19 grants was designed with specific end goals: for the Support Grant, it was to enable survival. For the Recovery Grant, it was to help businesses meet the costs of scaling up and re-opening. For the Southern Border Grant, it was to help adapt to NSW/VIC border closures. Note, short and medium term timeframes are defined in Appendix C.

DID illion: The key evidence arising from the outcomes evaluation was that there is statistically significant, causal evidence that the grants resulted in increased likelihood of businesses surviving through to six months following the end of lockdown, i.e. the Support and Recovery Grants recipients were more likely to survive over the short and medium term, relative to non-grant recipients. The effect size ranges from 0.02 per cent for Support Grant recipients to 0.26 per cent for Recovery Grant recipients into the medium term.

Survey

DID causal: There was no statistically significant evidence from the survey DID analyses relating to this KEQ.

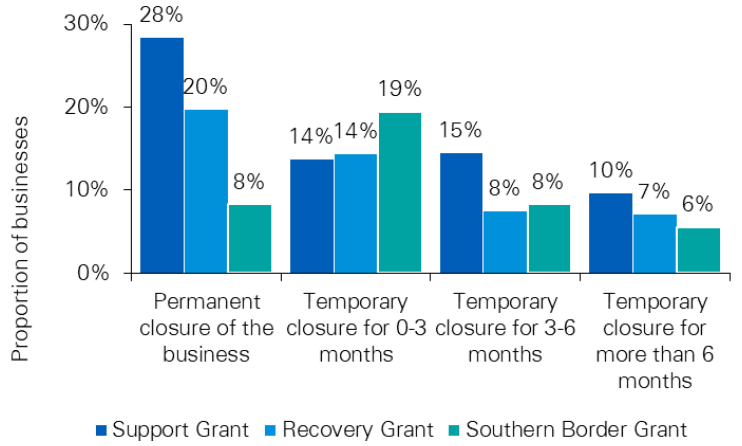
Correlational: There was no statistically significant evidence from quantitative survey analyses relating to this KEQ.

Qualitative survey: The DID illion results regarding survival are supported by qualitative evidence from survey data: businesses that received a grant and responded to the survey reported the grants were critical to their businesses' survival.

Of the Support and Recovery Grants 28 per cent and 20 per cent of respondents, respectively, reported that in the absence of the grants, their business would have permanently closed – as per Figure 6 below.

Limitations associated with this analysis: Due to small sample sizes of businesses that received a Southern Border Grant in both illion and survey datasets, this evaluation does not find evidence that the Southern Border Grant achieved its intended outcomes. Other intended outcomes are considered in KEQs 3-10 in detail for the Support Grant, Recovery Grant, and Southern Border Grant.

Figure 6: Qualitative: survey responses from grant recipients regarding what would have happened to their business in the absence of the grant



KEQ 2: What, if any, were the unintended outcomes (positive and negative)?

There was no evidence to suggest that receiving a grant delayed exits from the market for unviable businesses. There is quantitative evidence that suggests the Support Grant may have delayed exits from the market in the immediate and short term for businesses with an uncertain future.

KEQ description: This evaluation considers whether grants may have had unintended outcomes. There was particular interest in understanding whether grants introduced rigidities allowing unviable firms to continue operating, that would have otherwise failed in the absence of the pandemic and the grants. For example, the program logics for the grants include: *"Minimal perverse incentives for small businesses e.g. viable small businesses are not discouraged from adapting and innovating, unviable small businesses did not delay their exit from markets."* (NB viable, unviable and uncertain businesses are defined at Appendix C).

DID illion: There is no evidence to suggest unviable small businesses delayed their exit from markets as a result of the grant. Support Grant recipients that were unviable small businesses were just as likely to exit the market as those in the comparison group (-0.00, p=0.63, N (grants) = 2,896, N (comparison) = 220) and Recovery Grant recipients (-0.00, p=0.73, N (grants) = 1,963, N (comparison) = 81). These results are statistically significant. Note, the sample size was too small for Southern Border Grant recipients to be able to analyse this hypothesis.

Although the program logic focused on perverse incentives for unviable businesses, for comprehensiveness the same hypothesis was tested among businesses facing an uncertain future. The evaluation finds evidence Support Grant recipients with an uncertain future were more likely to cease in the medium term and survive through the immediate and short term (-0.02%, p=0.009, N(grants) = 17,061, N(comparison)=12,874, causal finding via illion). This is likely due to the grant helping businesses to continue operating beyond the immediate term (whereas in the comparison group, businesses may have already ceased operations prior to the short and medium periods of analysis). These results are statistically significant. However this was not found for Southern Border Group recipients (0.00, p=0.68, N (grants) = 597, N (comparison) = 7040) or Recovery Grant recipients (-0.00, p=0.10, N (grants) = 13,006, N (comparison) = 4265) (noting methodological limitations mean immediate and short term outcomes cannot be distinguished for the Recovery Grant).

Survey

DID causal: This evaluation finds evidence that businesses with an uncertain future/unviable future that received a Support Grant were more likely to cease in the short-term (-4.4%, p=0.05, N(grants)=201, N(comparison) = 247), and the medium term (-3.6%, p=0.002, N(grants)=755, N(comparison)=530). While these results are statistically significant, they are based on the survey data and are highly likely to be overstated as the survey analysis could not separate "unviable" businesses from "businesses with an uncertain future".

Correlational: There was no statistically significant evidence from quantitative survey analyses relating to this KEQ.

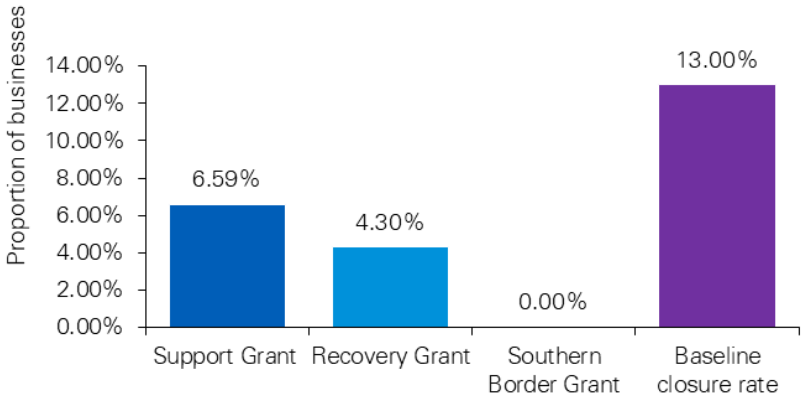
Qualitative: Qualitative survey data suggest that grants did not delay exits for businesses. Survey respondents had much lower rates of closures than baseline closure rates observed in 2018-19[11] as per Figure 7. Noting the results for "businesses with an uncertain future" only, it can be observed that there are higher reported closures compared to the whole dataset.

KEQ 2: What, if any, were the unintended outcomes (positive and negative)?

There was no evidence to suggest that receiving a grant delayed exits from the market for unviable businesses. There is quantitative evidence that suggests the Support Grant may have delayed exits from the market in the immediate and short term for businesses with an uncertain future.

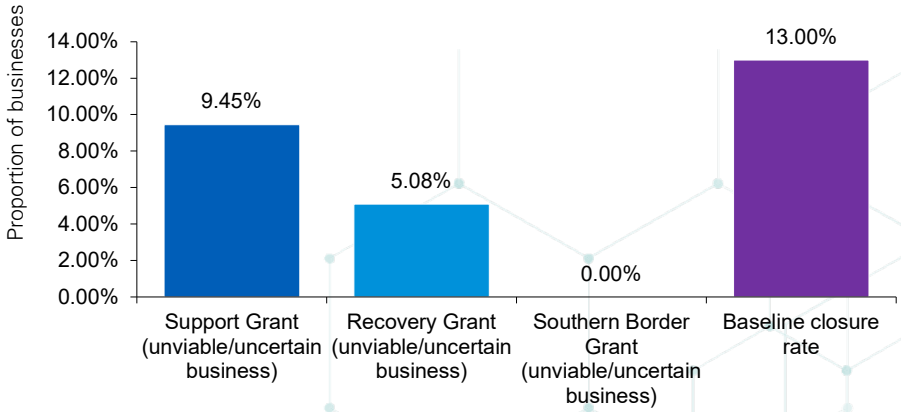
This applies across both grant recipient and comparison groups (i.e. there is no difference attributable to the grant, that can be seen through qualitative survey analysis). Figure 8 provides further detail.

Figure 7: Proportion of all surveyed COVID-19 grant recipients that closed in the six months following the grant rollout, compared to the typical small business closure rate in NSW



Limitations associated with this analysis: The program logic, analysis and the CBA are structured to assess the inefficiency of provision of grants to unviable businesses that would have likely failed anyway. For the illion dataset, these were defined as businesses with a high FRS. For the analysis of survey data, due to insufficient survey responses, it was not possible to separate "unviable" businesses from "businesses with an uncertain future".

Figure 8: Proportion of surveyed COVID-19 grant recipients with an unviable/uncertain future that closed in the six months following the grant rollout and the typical small business closure rate in NSW



[11]ABS (2021), *Counts of Australian Business, including Entries and Exits.* Accessed from <https://www.abs.gov.au/statistics/economy/business-indicators/counts-australian-businesses-including-entries-and-exits/latest-release>.

KEQ 3: To what extent did the Support Grant assist participating businesses to cover the costs of their fixed expenses?

Support Grant recipients reported using the grants to cover eligible fixed expenses, in line with unavoidable costs outlined in the NSW Government eligible expenses list. However, there is no quantitative evidence to suggest that the grants contributed to businesses being able to make timely payments, or an increase in their likelihood of being able to pay rent.

KEQ description: One of the outcomes for the Support Grant was that recipients used the grants to cover unavoidable, fixed expenses. In alignment with the program logic, the analysis tested whether grant recipients were more likely than the comparison group to make timely payments to suppliers and pay rent.

DID illion:. There was no evidence to suggest that grants recipients were more likely to make timely payments to their suppliers.

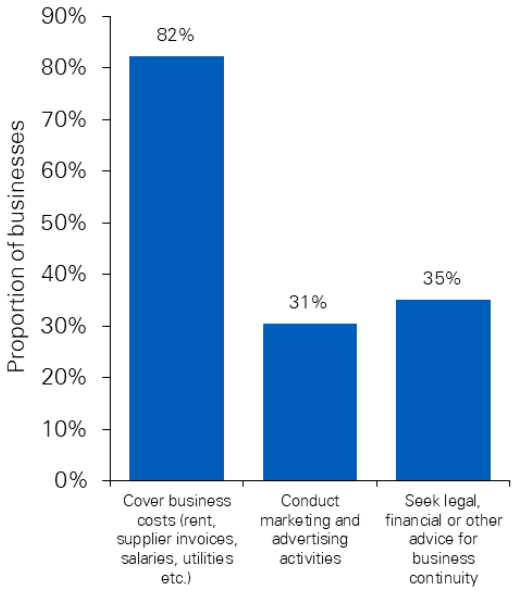
Survey

DID causal:. The DID analysis of survey data found causal evidence that Support Grant recipients were less likely to report making timely payments to suppliers in the immediate term (-0.10, p=0.01, N (grants) = 363, N (comparison) = 681, causal evidence from the survey analysis), compared to the comparison group. An explanation for this result could be that grant recipients were experiencing high levels of stress and revenue decline relative to the comparison group.

Correlational: There was no evidence to suggest correlation between receiving a grant and timely supplier payments or timely rental payments. This explanation is supported by the results discussed in KEQ5, that grant recipients were more likely to have been offered payment plans. Among businesses with an uncertain future, there were no differences in reported ability to meet unavoidable costs, such as rent and suppliers, across survey and illion datasets.

Qualitative: As can be seen in Figure 9, businesses that received the Support Grant reported using the grant to cover business costs, including rent, supplier invoices, salaries and utilities; marketing and advertising activities; and legal and financial advice for business continuity.

Figure 9: Support Grant recipients reported spending the grants on eligible expenses



KEQ 3: To what extent did the Support Grant assist participating businesses to cover the costs of their fixed expenses?

Additionally businesses reported that the grants allowed them to avoid using their own cash reserves (e.g. retained earnings or personal savings) which may not have been an intended outcome.

This is in line with the eligible uses of the COVID-19 Small Business Grant in the funding rules set out by the NSW Government. As per the program logic, helping businesses to cover their fixed expenses was one of the mechanisms identified by which grants could potentially help businesses to survive throughout the shutdown into the short to medium term.

Across qualitative findings, it appears that one of the most commonly reported impacts of the grants was that they helped recipients to avoid drawing on retained earnings or personal cash reserves and savings. This implies that the grant funds likely went towards secondary businesses (via supplier payments) as identified as an indirect producer surplus benefit in the CBA.

Limitations associated with this analysis: The illion dataset did not include indicators that could be used to assess whether or not grant recipients were more likely to be able to meet their rental payments. As such a proxy was used for this calculation, with a measure for late payments of debt (see Appendix C for more details).

KEQ 4: What were the impacts for unviable, uncertain and viable businesses?

Quantitative and qualitative evidence suggests that the Support Grant resulted in a greater likelihood of survival for viable businesses that received a grant.

KEQ description: Businesses were defined as viable, unviable or uncertain using the illion FRS score (as explained in the Evaluation Method section). This is distinguished from definitions used for DID analyses of the survey as uncertain and unviable businesses could not be differentiated. This KEQ explores the impacts of the grants for these three types of businesses in terms of survival and adaptation.

VIABLE BUSINESSES

DID illion: There is evidence that the Support Grant resulted in greater resilience and survival for viable businesses across the short and medium-term. Receiving a grant was associated with greater reported resilience in the short term (0.1%, p = 0.0010, N (grants) = 15,151, N (comparison) = 9,525) which is so small in magnitude of impact that it could be mistaken for an almost meaningless result, however this finding is consistent across survival of viable small businesses into the medium-term. Over a longer period of analysis, evidence suggests viable businesses that received the grant were more likely to be able to survive into the medium term (0.02%, p=0.0002, N (grants) = 14,586, N (comparison) = 9,515).

The illion dataset did not include indicators that would enable analysis to explore whether viable businesses invested in new projects and processes.

***Survey*:**
***DID causal*:** There is evidence that receiving a Support Grant resulted in viable businesses being more likely to cease in the medium term (-3.6%, p=0.002, N(grants)=755,N(comparison)=530). Although statistically significant, these results are in the opposite direction to the results of the DID analysis of the illion dataset, and are not supported by qualitative evidence as detailed below. It is likely that this result is due to survivorship bias in the comparison group (who were the recipients of the 2021 Business Grants).

There was no evidence from DID analysis of the survey dataset that viable businesses invested in new projects and processes and that they would not have done so without the Support Grant.

Correlational: There is no evidence of correlation between grants and survival or adaptation impacts for viable businesses.

Qualitative: The qualitative analysis is consistent with the DID illion results for the Support Grant, showing that 28 per cent of Support Grant recipients reported they would have closed permanently if not for the Support Grant, and 81 per cent reported that the Support Grant was "Very important, they would not have survived without it".

From the quantitative (non-DID) analysis of survey responses, grant recipients were twice as likely to report investing in new projects and processes, expansion of their products and services available to customers, or changing and pivoting the way customers accessed their products or services. A sample of the types of changes that grant recipients reported introducing are included in the call-out box overleaf.

KEQ 4: What were the impacts for unviable, uncertain and viable businesses?

Survey respondents that received the Support Grant reported the following investment or adaptations made during the immediate phase in 2020:

- "Invested in new gear so I could pivot from video to stills"
- "New equipment"
- "We offered our client base the ability to produce their music remotely via online services"
- "Increase and change in marketing and business planning for the future"
- "Improved the computer system"
- "Different shipping solutions"
- "We updated our website and added free local delivery"
- "Expanded online shop"
- "Offering online fitness classes"
- "Purchased new equipment to offer livestreaming services to clients"
- "We moved our business online"
- "We entered into new categories and products"
- "Expanded contactless sales strategies & methods & increased home-delivery options"
- "Takeaway marketing and signage"
- "Increased our online presence"

There is quantitative evidence that suggests the Support Grant may have delayed exits from the market in the immediate and short term for businesses with an uncertain future. There is no evidence the Support Grant delayed exits from the market for unviable businesses.

BUSINESSES WITH AN UNCERTAIN FUTURE

DID illion: There is causal evidence that the Support Grant influenced the timing of closures of businesses with an uncertain future. Those businesses with an uncertain future that received the Support Grant were more likely to cease in the medium-term (-0.02%, p=0.009, illion). This implies the grant sustained their survival and delayed their exit from the market in the immediate and short term. These results are statistically significant and suggest the Support Grants may have delayed exits from the market for this cohort. As explained below, this outcome is not supported by the DID analysis of the survey dataset.

UNVIABLE BUSINESSES

DID illion: There is no evidence to support the premise that the Support Grant delayed the closure of unviable small businesses, because they were just as likely to exit the market as those in the comparison group (-0.00, p=0.63, N (grants) = 2896, N (comparison) = 220. This is not consistent with survey DID analysis of uncertain and unviable businesses described below.

UNCERTAIN & UNVIABLE BUSINESSES

Survey:
DID causal: DID analysis of the survey dataset suggests that receiving a Support Grant resulted in businesses with an uncertain future/unviable businesses being more likely to cease in the short-term (-4.4%, p=0.05, N(grants)=201, N(comparison) = 247), and into the medium term (-3.6%, p=0.002, N(grants)=755, N(comparison)=530). While these results are statistically significant, they are based on the survey data and are highly likely to be overstated as the survey analysis could not separate unviable businesses from businesses with an uncertain future.

Correlational: There is no evidence of correlation between grants and survival or adaptation impacts for uncertain/unviable businesses.

KEQ 4: What were the impacts for unviable, uncertain and viable businesses?

The robustness of results drawing from DID analysis on survey data for uncertain and unviable businesses is questionable. It is recommended that any findings from KEQ4 focus on DID analysis of the illion dataset.

That is, the failure rate is likely artificially high due to this lack of disaggregation between the two categories of businesses.

Qualitative: Qualitative analysis on the survey dataset was not disaggregated by viable, unviable, and businesses with an uncertain future. General qualitative findings are provided on page 51.

Limitations for analyses relating to unviable, uncertain and viable businesses: There are a number of limitations in this analysis. First, the illion dataset did not include indicators that would enable analysis to explore whether viable businesses invested in new projects and processes. Second, the survey responses did not enable separation of unviable business from businesses that had an uncertain future. This limited the veracity of the findings, based on survey data, regarding the impact of the grants on the survival of uncertain/unviable businesses.

KEQ 5: Did participating businesses maintain important networks (e.g. with employees, suppliers, lessors)?

Support Grant recipients were more likely to report changed relationships with suppliers compared to pre-pandemic relationships. There is also a correlation between receiving the grant and reporting improved relationships with landlords and lessors.

KEQ description It was envisaged that supporting small business to maintain key networks with employees, suppliers and landlords/lessors would enable the economy to recover more quickly following the easing of the 2020 lockdown. The findings for the KEQ are all derived from survey data which analysed the responses of Support Grant recipients against those of the comparison group. illion data was not available for this analysis. Note that survivorship bias within the comparison group may mean it was harder for differences to be picked up between the grant recipient group and the comparison group.

DID illion: Data regarding relationship maintenance was not available in the illion dataset. A DID analyses was not conducted.

***Survey*:**

DID causal: Grant recipients were more likely to report improved supplier relationships compared to pre-pandemic relationships (5%, p=0.03, N(grant)=363, N(comparison)=681). They were also more likely to report worse supplier relationships compared to pre-pandemic relationships (-4.92%, p=0.04, N(grant)=363, N(comparison)=681) relative to the comparison group. An explanation for this result could be that grant recipients were under more pressure to communicate with suppliers to enable their survival, relative to the comparison group. As a result of these communications, relationships either improved (possibly as a result of positive negotiations around payment timeframes or terms) or worsened (possibly due to failed negotiations or requests to delay payments).

There were no statistically significant findings regarding maintenance of relationships with employees, nor that relationships with lessors/lessees had improved.

***Correlational*:** Support Grant recipients were 2 per cent more likely than the comparison group to report that relationships with landlords/lessors had improved, (p=0.03, N(grants)=256, N=(comparison)=437). This may also be due to provisions requiring rent relief negotiations between landlords and impacted lessees that applied between 29 March and 29 September 2020 under the *Retail and Other Commercial Leases (COVID-19) Regulation*.

There are no correlational findings regarding maintenance of relationships with suppliers or employees.

Qualitative: With reference to Figure 10 overleaf, businesses that received the Support Grant were more likely to report having maintained relationships with suppliers through regular communication (25 per cent versus 19 per cent), and more likely to have been offered payment plans or extensions to invoices (12 per cent versus 6 per cent).

Similar to the explanation provided for the causal findings, this enhanced communication may indicate grant recipients were more motivated to engage with their suppliers, as they were less likely to report having paid their suppliers on time, relative to the comparison group.

KEQ 5: Did participating businesses maintain important networks (e.g. with employees, suppliers, lessors etc)?

Qualitative results suggest that relative to the comparison group, Support Grant recipients were more likely to report changes to employee relationships.

Figure 10: Interactions between small business and suppliers during the 2020 lockdown (during the immediate phase)

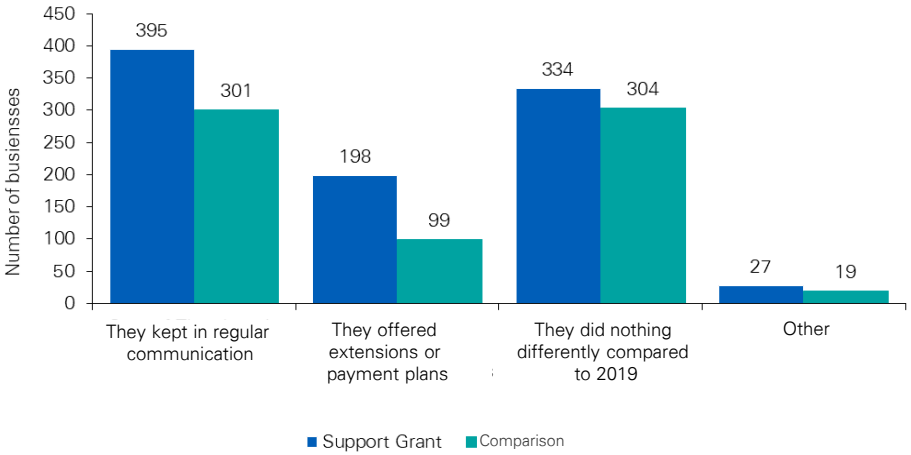
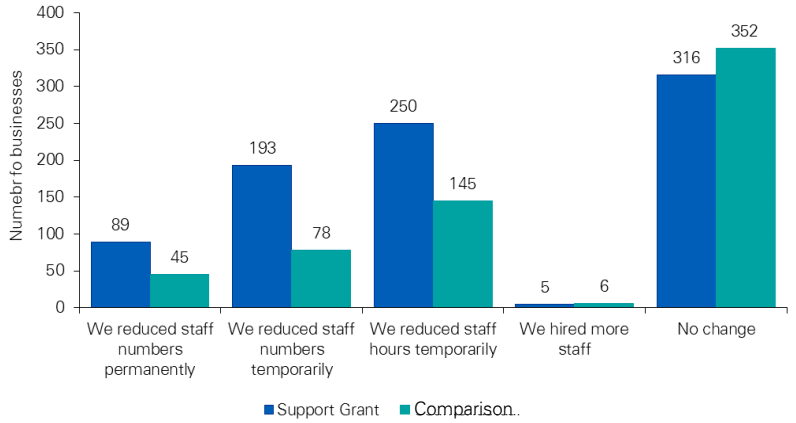


Figure 11: Support Grant recipients were more likely to report changes to employee relationships relative to the comparison group



There is no evidence from the illion dataset that small businesses that received the Support Grant were more likely to support jobs directly as a result of employee relationships being maintained. From survey data, Support Grant recipients were more likely to report adjustments to headcount permanently and temporarily to staff hours (62 per cent), than those in the comparison group (43 per cent, see Figure 11). This is due to the Support Grant being given to businesses more likely to have experienced at least 75 per cent reduction in turnover.

Limitations associated with this analysis: There is some evidence to suggest that Support Grant recipients were more likely to engage with or report changed relationships across all categories (suppliers, employees, landlords and lessors). The limitations of the survey dataset and inconsistent nature of the results limit the reliance that can be placed on the analysis. The most that can be gathered from these results is that Support Grant recipients could have been under more pressure to meet fixed payments (rent, suppliers) and potentially reduce staff and that they may have sought more communications and accommodation for their circumstances, and were more likely to be under pressure to reduce staff headcounts, relative to the comparison group.

KEQ 6: To what extent did the Recovery Grant support participating businesses to safely re-open or scale up operations?

There is some correlational evidence to suggest the Recovery Grant enabled businesses to re-open and scale up operations following the easing of COVID-19 restrictions. Although three-quarters of recipients surveyed reported using the grant to implement safety measures, there is no evidence to suggest they were more likely to have done so than the comparison group.

KEQ description: The Recovery Grant was provided to help small businesses meet the costs of safely reopening or upscaling operations following the lifting of restrictions in July 2020. This KEQ seeks to understand whether the grant enabled businesses to implement safety measures, COVID-19 safety plans and change their operations in order to enable increased sales and contribute to a more rapid rebounding of the economy. This program logic reflects consumer cautiousness around in-person shopping and focus on safety during the 2020 COVID-19 outbreak in Australia[11].

DID illion: Data on business' actions to adapt, innovate or comply with Public Health requirements were not available in the illion dataset. A DID analyses was not conducted.

Survey:

DID causal: There were no statistically significant results from DID analyses of the survey dataset that could be found for whether businesses implemented safety measures, made changes to their operating model, or implemented COVID-19 safety plans.

Correlational: A quantitative analysis of the survey data found that receiving a Recovery Grant was associated with having made changes to businesses' operating models, relative to the comparison group (14.8%, p=0.0008, N(grants)=153, N(comparison)=186).

Qualitative: Almost all survey respondents who received a Recovery Grant (93 per cent) stated it was important to help their business return to normal operations. Survey respondents reported using the grant as follows:

- 74 per cent reported using the grants to implement safety measures, e.g. changing fit-outs, plastic barriers at check-outs, and additional cleaning products;
- 58 per cent reported making changes to their operating model;
- 67 per cent reported using the grant to conduct marketing and advertising activities to inform the community that they had re-opened; and
- 48 per cent had sought business advice and continuity planning using the grant.

Limitations associated with this analysis: Lack of causality could be due to high rate of compliance with COVID-19 safety requirements (thus increasing the burden of proof) rather than the alternative finding that there was no impact of the grants on helping businesses to re-open or scale up.

KEQ 7: Were participating businesses more resilient and innovative in the medium term?

Receiving the Recovery Grant resulted in more resilient businesses, and improved the likelihood of survival in the medium term. Businesses reported making more changes to their operating model relative to the comparison group, suggesting that potentially grant recipients were innovative but this was not tested for the medium term.

KEQ description: The Recovery Grant was anticipated to contribute to increased resilience and innovation in the medium term, among businesses that received a grant; compared to businesses that did not receive a grant.

DID illion: There is some evidence to suggest that the Recovery Grant allowed businesses to be more resilient in the short-term and the grant increased the likelihood of a viable business's survival in the short term, by 0.05% (p=0004), and into the medium term by 0.26% (p=0.0009).

Survey:

DID causal: There were no statistically significant results from the DID analyses of the survey data.

Correlational: There were no statistically significant results from the quantitative analysis of the survey data.

Qualitative: In terms of survival, as per Figure 12, 48 per cent of survey respondents who had received the Recovery Grant reported that the grant was slightly important to supporting their business prepare for the easing of restrictions by implementing COVID-Safe practices. However, 45 per cent reported that the Recovery Grant was very important in supporting the business to resume normal trading and that the business would not have survived without it. Innovation was inferred on the basis of whether recipients had reported adaptations to their businesses.

As demonstrated in Figure 13, 58 per cent of respondents reported making changes to their operating model in the short term, that is, the 6 months following the lifting of restrictions on 1 July 2020.

Figure 12: Recovery Grant recipients expressed the grants were important to their businesses.

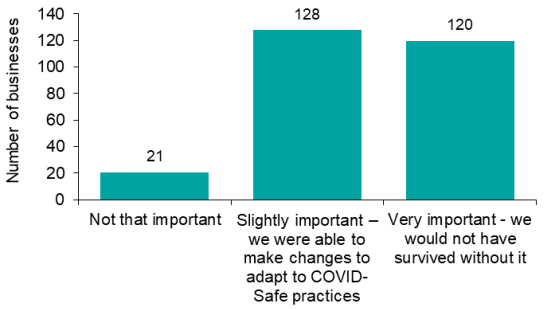
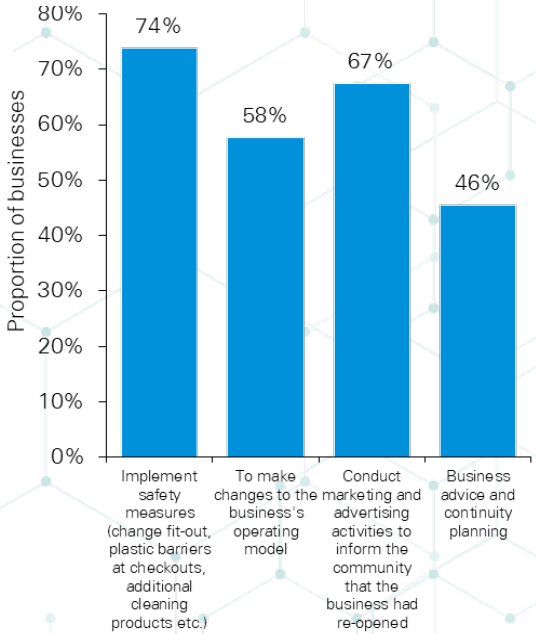


Figure 13: Recovery Grant recipients reported spending the grants to enable adaptation and operational changes.



Limitations associated with this analysis: Unfortunately whether innovations were carried through to the mid-term (6 months and beyond) was not aligned with program logic and not directly tested.

KEQ 8: To what extent did the Southern Border Grant assist participating businesses to cover the costs of their fixed expenses and adapt to border restrictions?

The Southern Border Grant was considered very important to 62 per cent of those who received the grants, who reported their businesses would not have survived without the grants. Among this cohort, qualitative evidence suggests grants were perceived to have relieved some of the stress and anxiety experienced by businesses at this time.

KEQ description: This KEQ is intended to establish whether the grants had achieved their purpose in terms of helping businesses in LGAs impacted by NSW/VIC border closures to meet their fixed costs and adapt to the closed borders.

DID illion: Data on business' actions to adapt, innovate or comply with border closures wase not available in the illion dataset. A DID analyses was not conducted.

Survey:

DID causal: There were no statistically significant differences in impacts between Southern Border grant recipients and the comparison group in terms of being able to cover their fixed expenses and adapt to border restrictions.

Correlational: There were no statistically significant correlations between Southern Border grant recipients and relevant outcomes such as supplier payments, employee headcount or adaptation.

***Qualitative*:** Survey respondents reported using the grant as follows:

- 54 per cent reported using the grant to cover business costs, such as rent, supplier invoices, salaries and utilities;
- 25 per cent conducted marketing and advertising with their grants;
- 41 per cent used the grants to obtain financial, legal, marketing or other types of advice to enable business continuity planning;
- 17 per cent upskilled management and staff; and
- 36 per cent reported adapting their business models.

For survey respondents who had received the Southern Border Grant, the most common reflection (41 per cent) was that their business would have likely had a reduction in employee numbers. Others reported that without the grants, there would have been "additional stress and hardship", entailing a "greater struggle to meet financial commitments", and that they may have had to borrow funds to keep the businesses afloat.

Limitations associated with this analysis: The sample size of survey respondents who had received a Southern Border Grant was small and any analyses conducted to test this KEQ lacked sufficient statistical power to pick up on any differences between grant recipients and the comparison group.

The analysis of illion data, which compared over 1,000 Southern Border Grant recipients to a like-for-like cohort, was also unable to uncover evidence for any differences attributable to the grant, likely due to the combination of a small magnitude of impacts (if any) and smaller sample size resulting in an a lower chance of being able to detect differences between intervention and comparison groups. As such, the results against this KEQ are largely limited to qualitative responses to the survey.

KEQ 9: Did participating businesses maintain staffing levels in the medium-term?

There is little causal or objective evidence to support the premise that businesses that received the Southern Border Grants were able to maintain staffing levels in the medium term, however 41 per cent of survey respondents who received the grant reported they would have reduced employee numbers if not for the grants.

KEQ description: It was hypothesised that the businesses that received a grant would be more likely to be able to maintain staffing levels into the medium term through meeting unavoidable costs such as salaries if not covered by other government supports (such as JobKeeper), and maintenance of relationships with employees.

DID illion: Only 13 Southern Border Grant recipients also had employee headcount data within the illion dataset for the baseline period. As such there was insufficient statistical power to test whether Southern Border Grant recipients:

- Were more able to maintain relationships with employees, relative to the comparison group; or
- Were more able to support jobs in the medium term, relative to the comparison group.

Survey:

***DID causal**:* There were no statistically significant results from the DID analyses of the survey data with respect to maintenance of relationships with employees, nor the ability for grant recipients to support jobs in the medium term.

Correlational: The analyses found no evidence of a correlation between the grant and outcomes related to staffing levels.

Qualitative: There is some evidence that participating businesses were able to maintain staffing levels, but this is based on survey data. Among respondents who received the Southern Border Grant, 41 per cent reported that their business would have likely had a reduction in employee numbers if not for the grant. Of the survey respondents, 53 per cent reported using the grant to cover business costs, a category of responses that also included salaries (as well as suppliers and utilities).

Limitations associated with this analysis: Across survey and illion DID analyses of Southern Border Grants, there were no discernible differences in impacts between Southern Border Grant recipients and the comparison group in terms of staffing levels and changes to employee hours or headcount. This may be due to three reasons:

1. The small number of businesses that received the Southern Border Grants means there is insufficient statistical power with which to uncover differences in impacts, across both survey and illion datasets;
2. More specific analysis to understand the impacts of all grants, including the Southern Border Grant, on employee headcount is not possible given the absence of employee data prior to August 2021 in the illion dataset; and/or
3. There were no impacts around maintenance of staffing levels that were caused by receiving the Southern Border Grant.

As such, the only relevant result pertinent to this KEQ derives from survey responses of Southern Border Grant recipients.

KEQ 10: Were participating businesses more resilient in the long term?

There is no causal or objective evidence to suggest businesses that received the Southern Border Grant were more resilient. 62 per cent of survey respondents reported that their businesses would not have survived without the grants .

KEQ description: It was anticipated that businesses that received a grant would be more resilient in the longer term. Although not specified in the program logic, the long term was presumed to be 12+ months post border re-opening. Analysis has been limited to the medium-term (i.e. 6+ months post border reopening) as survival rates in the longer term would have been influenced by the 2021 lockdowns and its effects difficult to isolate. Resilience is again equated to business survival.

DID illion: The analyses found no evidence to suggest viable grant recipients were more or less likely to be resilient and survive into the medium term, relative to the comparison group.

Survey:

DID causal: There were no statistically significant results from the DID analyses of the illion data to suggest grant recipients were more resilient in the medium term, relative to the comparison group.

Correlational: The analyses found no evidence of a correlation between the grant and outcomes related to resilience.

Qualitative: There is some evidence that participating businesses were able to maintain staffing levels, but this is based on survey data. Among respondents who had received the Southern Border Grant, 62 per cent reported that the grants were very important to their businesses, indicating that their business would not have survived without the grants.

Given the relatively small value and the one-off nature of these grants, it is very likely that these views were overstated for this survey question.

In terms of survival, no Southern Border Grant survey respondents reported that they had closed down permanently during the Victorian border closure. This is considerably lower relative to the closure rate of small businesses in NSW across industries in FY2018-19 (13 per cent) and FY2017-18 (12.8 per cent) (as per ABS data). This result should be treated cautiously, however, as it is likely any businesses that did close permanently may not have participated in the survey.

Limitations associated with this analysis: Across survey and illion analyses of Southern Border Grants, there were no discernible differences in impacts between Southern Border Grant recipients and the comparison group in terms of business resilience. This may be due to two reasons:

1. The small number of businesses that received the Southern Border Grants means there is insufficient statistical power with which to uncover differences in impacts, across both survey and illion datasets; and/or
2. There was no increased business resilience that was caused by a business having received the Southern Border Grant.

3.2 Economic evaluation

KEQ 11: Has the intervention been cost-effective?

Given the scope of the evaluation and information availability, a formal cost effectiveness analysis (CEA) was not undertaken. However, an informal assessment suggests that the Support Grant was the most efficient of the grants when measured in terms of administration costs as a proportion of the total value of the grants.

KEQ description: As per the NSW Program Evaluation Guidelines (2016)[12], a CEA compares the monetised relative costs and outcomes of two or more intervention alternatives. Potential alternate interventions that may have been comparable (for example) include whether financial institutions' support to businesses during this time (e.g. through loan repayment adjustments), or JobKeeper, achieved the same survival outcomes as the grants being evaluated, and at what relative cost. As noted above, a formal CEA was not undertaken in accordance with the scope and purpose of the evaluation and the information available.

Approach: A comparison of administration costs was undertaken as a proxy for the relative efficiency of each grant.

As previously mentioned, data was unavailable for these alternative interventions. Accordingly, the evaluation is limited to informal assessment of the costs of the three grants. The cost effectiveness assessment compares available data on the value of each grant and respective administration costs.

Results: From a program perspective, the administration costs, as a proportion of the total value of the grants, is very low for the Support and Recovery Grant; at less than 5 per cent of the total value of the Grants.

Table 9: Informal assessment of relative cost effectiveness

Grant type	Total paid value $m	Total # businesses supported	Admin costs $m	Admin costs as % of total value of grant
2020 $10,000 Support Grant	$521	53,000	$3.6	0.7%
2020 $3000 Recovery Grant	$109	37,000	$3.5	3.2%
2020 $5-$10,000 Southern Border Grant	$15	2,226	$1.3	8.5%

[12]NSW Government (2016), Program Evaluation Guidelines.

KEQ 12: Did the benefits exceed the costs, and did the grant schemes provide value for money?

Quantifiable benefits do not exceed the quantifiable costs of the grants. However, it is likely that non-quantifiable benefits are significant. In particular, the impacts of the grants in reducing the uncertainty and future risk calculations of businesses.

KEQ description: The final KEQ is to establish whether the grants have provided value for money for the NSW Government and community. The NSW Government Program Evaluation Guidelines (2016)[14] defines value for money (VfM) as achieved when the maximum benefit is obtained from the program provided within the resources available to the department/agency.

Approach: In line with the reasoning and approach described in Methods, the VfM assessment is comprised of an assessment of net benefits comparing quantifiable costs to quantifiable benefits and further explored through the inclusion of qualitative benefits. This is made with reference to the need for intervention, the expected theory of change as demonstrated through the program logic, and qualitative benefits included in the CBA.

Results:

Did quantified benefits exceed quantified costs? The CBA compares the net present value of the quantifiable costs and benefits over five years (note, the CBA parameters and assumptions can be found in Appendix F). Key costs, as listed in the table adjacent, were found to exceed projected benefits. As Table 10 shows, the grants did not result in net quantifiable benefits, and the BCRs are below one. Note this table does not include non-quantifiable costs and benefits; the latter of which are likely to be significant.

[14] NSW Treasury (2016), Program Evaluation Guidelines.

Table 10: Results summary over five years (NPV @7%)

Cost/Benefit	Support Grant ($m)	Recovery Grant ($m)	Southern Border Grant ($m)
Value of grants dispersed	$486.8	$101.9	$14.3
NSW Treasury staffing costs	$0.1	$0.2	$0.1
Service NSW staffing costs	$3.2	$3.1	$1.1
Business costs associated with the application process	$28.6	$10.7	$1.2
Total Costs	$518.7	$115.9	$16.7
Avoided Cost: Avoided cost of business destruction	$1.4	$2.0	$0.0
Labour Surplus: Employee retention for surviving businesses	$3.9	$2.7	$0.1
Indirect Producer Surplus: benefit for secondary businesses	$121.7	$25.5	$3.6
Total Benefits	$127.0	$30.2	$3.7
NPV of Net Benefit/(Deficit)	**($391.68)**	**($85.73)**	**($13.03)**
BCR	0.24	0.26	0.22

KEQ 12: Did the benefits exceed the costs, and did the grant schemes provide value for money?

Quantifiable benefits do not exceed quantifiable costs of the grants. However, it is likely that non-quantifiable benefits are significant. In particular, the impacts of the grants in improving business confidence and avoiding "economic long-COVID".

Did the grants schemes provide value for money? The figures presented in Table 10 only reflect monetised benefits. This is an underrepresentation of benefits accruing to the grants over the five year period that was analysed in the CBA. Non-quantifiable benefits are described in the Methods section and further detailed in Appendix E.

Some benefits could not be quantified for two reasons:

1. For some benefits, there were **no statistically significant findings to support quantification**. Examples include:
   - The benefit of the state economy rebounding more quickly, appears to be logically true (indeed, this causal link was included as part of the grant schemes' program logic). However, there were no statistically significant impacts of the grants on enabling businesses to re-open more quickly relative to the comparison group.
   - It is likely that NSW retail customers who started to shop in-store once Public Health Restrictions eased felt more confident to do so; particularly with businesses that had COVID-19 safety plans. This would accord with an international KPMG consumer survey (2020)[i] that found 40 per cent of consumers reported that their personal safety, as relating to COVID-19 was important when buying a product or service. However the analyses could not establish any evidence for increased sales or consumer demand for businesses that had safety plans in place due to having had received the grants, relative to those that did not
2. The second reason is that the **data are not available**. Examples include:
   - The benefit of having continued access to goods and services for the community could not be quantified either through the survey, which was conducted only among businesses, nor through the illion dataset.
   - Smoothing business owner risk perceptions and future risk calculations for business investment by reducing uncertainty and "belief scarring" (as explained further below).

A key qualitative benefit: grants may mitigate belief scarring

In addition to the qualitative benefits listed previously, a common theme throughout the qualitative feedback provided by survey respondents was that the grants provided some reassurance from government at a time of unprecedented uncertainty. Samples of such responses collated as part of the evaluation are provided in the call-out box on the next page.

Confidence is important as it may help to avoid future costs associated with business decisions into the future.

KEQ 12: Did the benefits exceed the costs, and did the grant schemes provide value for money?

The grants are likely to have acted as a signal to businesses that government was willing to support them through an unprecedented exogenous shock. This may have impacts over time on how businesses approach decision-making and risk.

Typical responses provided by grant recipients which illustrate the grants' value in reducing uncertainty.

"[The Support Grant] was very helpful to navigate the uncertainty of the beginnings of COVID-19 as we had no idea how it would develop. It helped a lot with fixed costs like rent and insurance (as they were the biggest cost) which provided relief of mind so I knew our business can stay afloat and also support staff."

"The NSW Government Support Grant came at a time of such uncertainty and having invested so much effort in starting and growing our business there was definitely times when we didn't think we could survive. This was heartbreaking to think about at the time."

"It was a huge help in a time of need and uncertainty."

"[The Recovery Grant] is a great initiative that supports us bound back better and provide some level of certainty during the very uncertain time."

"The [Southern Border Grant] was a shot in the arm for our business. It was also good to know that we were not alone & that our circumstances were shared by many others in small business."

"Thank you for looking after the border areas - we often feel neglected being so far away from Sydney, and we have felt the brunt of all of the changes between NSW and VIC over the past 18 months. We need support down here, and as a business owner I felt supported by the Border Grant when it came out and it definitely helped keep our business afloat."

This non-quantifiable benefit is explained as follows: there is emerging evidence that a key, long-term impact of the pandemic may be the costs associated with long-term adjustments in risk, by business owners. US economists[13] have posited that business decision makers may be "belief scarred" by what may have previously been perceived as a highly improbable event – a global pandemic. Research hypothesises that the long-term costs of this systemic shift in risk calculations will be far greater than the short-term, macroeconomic output loss directly attributable to the pandemic; a type of economic long-COVID.

Therefore, it may be that the overriding benefit of the grants, over the long term, will prove to be that the grants helped to reduce the initial uncertainty of the pandemic; including by acting as a signal that government would be ready to help businesses survive such shocks.

It is possible that one of the material impacts of the grants, that cannot yet be quantified, will be that the grants may have helped to mediate business owners' risk perceptions and future risk calculations, and avoid to some degree, the long-term cost implications of belief scarring. This cannot be ascertained through the present evaluation, although it is noted that "reducing uncertainty" was an overriding theme in qualitative evidence gathered for this evaluation.

[13] Kozlowski, J., Veldkamp, L., & Venkateswaran, V. (2020). Scarring body and mind: the long-term belief-scarring effects of COVID-19 (No. w27439). National Bureau of Economic Research; building on Orlik, A., & Veldkamp, L. (2014). Understanding uncertainty shocks and the role of black swans (No. w20445). National bureau of economic research.

KEQ 12: Did the benefits exceed the costs, and did the grant schemes provide value for money?

The VfM assessment cannot establish adequate evidence (yet) for the grants providing value for money: the true picture of the magnitude of business survival outcomes is likely to be higher than what this evaluation has been able to demonstrate using data and insights that were collated as part of the evaluation, and that were available at the time.

Mitigation of belief scarring may be through grants providing confidence and assurance to businesses that government was in support of their survival of NSW public health restrictions.
There was a strong case for government intervention in 2020, at the outset of the pandemic and in light of escalating public health restrictions. At the time, there were many unknowns regarding economic impacts, duration, and intensity of the pandemic and resulting restrictions. Qualitative feedback obtained through the outcomes evaluation found that the grants helped businesses by reducing uncertainty, and also by signalling government support in unprecedented circumstances.

The conditions of implementation were such that NSW Government was under pressure to deliver rapid implementation and access to the grants by businesses. As such, the design of the grants and their implementation were developed quickly and with little precedent to learn from in terms of cash transfers to businesses across other jurisdictions. As such, the assumed mechanisms linking grants to outcome (the theory of change) underpinning the grant scheme designs were developed rapidly. Each step contained within the theory of change seemed logically sound, however they were difficult to assess quantitatively.

As such, the key findings were centred upon "survival" as an inadvertently singular measure for understanding whether outcomes of the grants had been achieved. The small magnitude of survival outcomes is highly likely to stem from the inherent conservatism in our analysis due to limitations of the illion dataset. On the other hand, the self-reported indicators of the value of the grants to business survival from the survey, are likely an over-statement of survival benefits.

Therefore, the true picture of the magnitude of business survival outcomes is likely to be higher than what this Evaluation has been able to demonstrate using the illion dataset. However, how closely the benefits are to self-reported impacts (survey respondent's views) is unknown at this stage. This will be resolved in time, once more objective data on 2020 business activity, and individual income/ employment data becomes available through the ABS in May 2022.

Summary
To ascertain whether the grants provided value for money, the conclusion is that there is currently insufficient evidence to claim that the grants achieved the maximum benefit given the resources available to NSW Government. This is not due to the grants being inefficient or ineffective, but rather due to the shortcomings of the data available.

4. Conclusion

Conclusion

The evaluation of the 2020 COVID-19 Small Business Grants found small, but consistent, causal links between Support and Recovery Grants and business survival. This drives the results and the majority of quantifiable benefits within the economic evaluation. However, it is likely the scale and long-term impacts of the non-quantifiable benefits are material to understanding the full picture of the economic and social impacts of the grants. Despite the above mentioned outcomes/benefits, there is insufficient evidence to conclude that the grants represented value for money.

The evaluation informs a greater understanding of the impacts of the 2020 COVID-19 Small Business Grants. While the outcome evaluation was unable to find evidence for many of the intended outcome measures included in grant scheme design documents, there is evidence that the grants resulted in a greater likelihood of business survival.

As such, it can be claimed, at least for the Support and Recovery Grants, that the grants achieved their primary outcome of enabling business survival through the period of the 2020 lockdowns.

There is less evidence for *how* this was achieved. While many of the steps included in the program logics appeared to be intermediate links between the grants and the outcomes (e.g. the grants lead to the ability to pay fixed and unavoidable costs, which lead to a maintenance of supplier relationships, which in turn resulted in faster return to normal operations), this evaluation was unable to uncover evidence to support the NSW Government grants' program logic. It makes it difficult therefore to validate the analysis and assumptions underpinning the design of the grants through the current evaluation in a way that is useful to future disaster payment support programs.

Potentially, some of these questions can be resolved when additional data from the ABS is published. This data was unavailable at the time of this evaluation but will become available later in 2022.

In terms of the whole of society impacts, while quantifiable benefits do not exceed costs for any of the three COVID-19 small business grants, it is highly likely the non-quantifiable benefits (such as reducing uncertainty and the impact of that on long-term costs associated with belief scarring) mean that benefits are substantially understated. Although it is unlikely the benefits are in the order of magnitude the survival response answers from the survey would suggest (e.g. that 20 per cent of businesses would have failed without the grant), it is likely they are higher than this evaluation has been able to establish in terms of isolated, quantifiable outcomes (i.e. the likelihood of survival is likely to be greater than the 0.26 per cent survival rate identified in the illion DID analyses, but lower than qualitative reports from survey respondents).

As such, this evaluation was unable to establish sufficient evidence to claim that the grants achieved the maximum benefit given the resources available to the NSW Government. This is not due to the grants being inefficient or ineffective, but rather due to the shortcomings of the data available at the time of analysis to understand the true impacts of the grants, including the materiality of non-quantifiable benefits likely attributable to the grants.

From a policy perspective, the use of cash transfers to households (conditional and unconditional) is increasingly well understood in terms of positive and negative economic and social impacts. In contrast, cash transfers to businesses during times of shock are less well understood. While this evaluation goes some way to demonstrating intended outcomes of survival are possible, this evaluation cannot add to improving our understanding of the underlying mechanism of how this is achieved.

Recommendations

Lesson learned from this outcomes evaluation can be used to inform design and implementation of similar grant schemes in the future. Key findings have informed a set of recommendations that include aligning evaluation timing with data availability and developing a generic evaluation framework for disaster relief payments.

One of the purposes of this evaluation is to inform decisions about the nature and design of any future small business support programs in NSW.

Learnings from this evaluation have informed the following recommendations for the design of future grant programs.

Recommendations

Recommendation 1: Develop a theory of change for disaster support payments to business

As discussed in the Conclusion, this Report was unable to find evidence for how the grants resulted in a greater likelihood of survival. Inference from the program logic is that the grants should have worked by allowing recipients to pay suppliers on time, maintain relationships with landlords or employees, as well as adapt, scale-up, or re-open once Public Health Restrictions eased.

Although qualitative insights from survey respondents suggest the grants were important in helping recipients pay for these fixed costs, evidence for maintenance of relationships with landlords, lessees and employees was inconsistent. As such, the underlying 'theory of change' (a comprehensive description of how and why a desired change is expected to happen due to a particular intervention) for how disaster payments to business is still to be confirmed.

It is recommended that the NSW Government develop a general theory of change [14] for disaster payment/grant schemes that can be used to inform the general principles and understanding of how grants would work to support small businesses through such payments.

Recommendation 2: Design a generic evaluation framework for disaster payments to businesses to help meet urgent timeframes for future disaster payment grant design

It was noted in the NSW Audit Office report and conveyed to evaluators by NSW Treasury that the design of the grants and associated program logic were developed within urgent timeframes. This Report recommends that NSW Government consider development of an Evaluation Framework based on the theory of change developed for Recommendation 1, which should also inform the framework design.

This framework can then be used as a guide for future design and evaluations for disaster support payments and potentially add to the speed and efficiency with which the disaster support grant/payment schemes can be delivered.

Recommendation 3: Within the generic Framework, align timeframes for a full outcome and economic evaluation with data availability

Recognising the likely highly visible context and demand for information, insights, data and results for whether disaster payment grants schemes work (or not), the Framework developed as per Recommendation 2 should include provision for a mid-term evaluation.

The proposed mid-term evaluation should include a process review (by NSW Audit Office or otherwise) and a qualitative data collation

[14] NSW Government. (2016). NSW Government Program Evaluation Guidelines

Recommendations (continued)

exercise with stakeholders and/or beneficiaries which explores and tests the causal links between inputs, activities, grant scheme outputs and intermediate outcomes; and collates stories and insights from grant recipients. This would serve to provide useful insights relatively soon after the grants scheme closes (e.g. six months following application closure); e.g. if one has not already commenced to assess the impact of the 2021 COVID-19 Business Grants

The generic Evaluation Framework should also include a quasi-experimental/control study evaluation design for its outcomes evaluation. This outcomes evaluation should be undertaken around 18 months to 2 years after the grants have been paid as objective datasets such as the ABS business entry and exits data, or Australian Taxation Office (ATO) revenue data become readily available. This will also ensure a more accurate CBA for an accompanying economic evaluation of future disaster payment grants programs.

This Framework could be endorsed by key stakeholders in NSW Audit Office, DPC, Treasury, Customer Service, Service NSW and potentially Resilience NSW; with the latter linking such support to frameworks for state disaster response and disaster recovery.

Recommendation 4: Retain the data source assessment developed as part of the Evaluation Framework

Consider retention of the associated data source assessment from this Evaluation to help inform future evaluation design. However, separate discussions should take place with the ABS (including theBlade team), Department of Customer Services' DAC (including experts on illion), and the ATO to confirm specific frequencies and lead time for accessing the data sources assessed.

Recommendation 5: Retain business applications data for grants provided by NSW Government for evaluation purposes

Service NSW should retain business applications data for the purposes of evaluation, including data of those who did not ultimately receive a grant. This is consistent with recommendations from the NSW Audit Office.

This will help form an understanding of why businesses do not receive a grant, as well as potentially provide another type of comparison group for future evaluations based on a regression discontinuity design, for example, particularly if applications are unsuccessful due to eligibility thresholds such as revenue downturn of 75%.

Recommendation 6: Ensure multiple sources of data for determining business survival – or other highest priority objectives of future disaster payments to business

This Evaluation Report had two measures of business survival, one being the self-reported business closure from the survey, and the other was the ABN cancellations indicator from the illion dataset. The ABN cancellation indicator that was used potentially set too high a standard as a measure of business survival. This is because formal ABN cancellations can lag behind actual business closures as discussed by the ABS[15]. Alternatives to be considered in the future could include linkages with business activity statement information(ATO) or with anonymised linkage to a financial institution's business banking data (e.g. NAB, Commonwealth Bank), or as measured by zero sales, or zero revenue (ANZ EFTPOS payments dataset, or potentially, ABS).

[15]ABS (2020). Quarterly Counts of Australian businesses, experimental estimates 2019-20, accessed from: 8160.0.55.005 - Quarterly Counts of Australian Businesses, Experimental estimates, 2019 - 2020 (abs.gov.au) in January 2021.

Recommendations (continued)

Recommendation 7. The 2021 Delta Grants evaluation should explore whether receiving a 2020 NSW Government COVID-19 Business Grant impacted on any outcomes for both 2021 grant recipients, and non-grant recipients.

Qualitative insights collated as part of this Evaluation demonstrated that businesses viewed the Delta lockdown as much deeper and longer. Instead of being a new type of shock, the key issue was survival due to long periods of being unable to trade, or to meet fixed costs such as staffing costs if ineligible for the various supports.

Whether the 2020 grants had any impact into 2021, and among 2021 Business Grant recipients and non-grant recipients should be further explored; including with respect to business owners' future risk perceptions and business investment decision-making.

Appendices

Appendix A: Grant program logics

Small Business COVID-19 Support Grant program logic and associated economic benefits

Inputs	Activities	Output	Immediate outcomes *(0-6 weeks/during lockdown)*	Short-term outcomes *(6 weeks-6 months post lockdown)*	Medium term outcomes *(6 months+)*	Economic benefits
• ERC approval of program and funding amount • Small Business Support Fund $750 million • Treasury staff (policy lead) • SNSW Staff (implementation lead) • Ministerial oversight and decision-making • Online platform for application	• Design program • Develop guidelines • Establish governance • Develop and disseminate communications • Build and pilot online processes • Assess applications • Establish compliance measures • Administer funds to eligible businesses • Develop data collection and reporting tools (i.e. Dashboard) • Ongoing program monitoring and refinement • Ongoing monitoring for fraud	• Guidelines ensure target businesses are able to access the program • Target businesses are aware of the program • Program rolled-out in a timely manner • Businesses able to apply with ease • Eligible businesses received funding in a timely manner • Fraud incidence is within an acceptable risk appetite • Suspected fraud detected and addressed	**General** • Businesses used the funding on eligible expenses • Suppliers received timely payments from participating businesses **Businesses with an uncertain future** • Businesses could meet unavoidable costs they would not have been able to without the grant **Viable businesses** • Businesses invested in new projects, processes etc that they would not have done without the grant	**General** • Employer/ employee relationships maintained • Supplier relationships maintained • Lessee/lessor relationships maintained **Businesses with an uncertain future** • Businesses were able to survive/hibernate during Public Health Restrictions **Viable businesses** • Businesses were more resilient	• Survival of viable small businesses • Survival of small businesses with an uncertain future • Small businesses able to support jobs (avoiding structural unemployment and skill loss for NSW workforce) • Minimal perverse incentives for small businesses (e.g. viable small businesses are not discouraged from adapting and innovating, unviable small businesses did not delay their exit from the market)	• Employee retention • Avoided cost of business destruction • Business innovation or adaptation • Benefits to secondary businesses • Economy rebounds more quickly • Community benefits from access to goods and services

Source: NSW Treasury

Small Business COVID-19 Recovery Grant program logic and associated economic benefits

Inputs	Activities	Output	Immediate outcomes *(0-6 weeks/during lockdown)*	Short-term outcomes *(6 weeks-6 months post lockdown)*	Medium term outcomes *(6 months+)*	Economic benefits
• ERC approval of program and funding amount • Small Business Support Fund $750 million • Treasury staff (policy lead) • SNSW Staff (implementation lead) • Ministerial oversight and decision-making • Online platform for application	• Design program • Develop guidelines • Establish governance • Develop and disseminate communications • Build and pilot online processes • Assess applications • Establish compliance measures • Administer funds to eligible businesses • Develop data collection and reporting tools (i.e. Dashboard) • Ongoing program monitoring and refinement • Ongoing monitoring for fraud	• Guidelines ensure target businesses are able to access the program • Target businesses are aware of the program • Program rolled-out in a timely manner • Businesses able to apply with ease • Eligible businesses received funding in a timely manner • High-levels of customer satisfaction with the processes • Fraud incidence is within an acceptable risk appetite • Suspected fraud detected and addressed	• Businesses used the funding on eligible expenses for which there was no other Government support available • Businesses implement safety measures or made changes to their operating model that they would not have made without the grant • Where required, small businesses implement COVID-19 Safety Plans, fulfilling their obligations under relevant Public Health Orders • Businesses made changes to their operating model that they would not have made without the grant	• Increased customer demand and confidence due to businesses having COVID-safe practices in place • Increased sales and revenue for participating businesses • Participating businesses adapted to post-COVID operating conditions and were more resilient	• Survival of viable small businesses • Survival of small businesses with an uncertain future • Small businesses able to support jobs (avoiding structural unemployment and skill loss for NSW workforce) • Minimal perverse incentives for small businesses (e.g. viable small businesses are not discouraged from adapting and innovating, unviable small businesses did not delay their exit from the market)	• Increased sales for businesses upon re-opening when restrictions were eased • Avoided costs during scale up of operations when restrictions are eased • Economy rebounds more quickly • Employee retention • Business adaptation

Source: NSW Treasury

Southern Border Small Business Support Grant program logic and associated economic benefits

Inputs	Activities	Output	Immediate outcomes *(0-6 weeks/during lockdown)*	Short-term outcomes *(6 weeks-6 months post lockdown)*	Medium term outcomes *(6 months+)*	Economic benefits
• ERC approval of program and funding amount • $45 million from the Consolidated Fund • Treasury staff (policy lead) • SNSW Staff (implementation lead) • Ministerial oversight and decision-making • Online platform for application	• Design program • Develop guidelines • Establish governance • Develop and disseminate communications • Build and pilot online processes • Assess applications • Establish compliance measures • Administer funds to eligible businesses • Develop data collection and reporting tools (i.e. Dashboard) • Ongoing program monitoring and refinement • Ongoing monitoring for fraud	• Guidelines ensure target businesses are able to access the program • Target businesses are aware of the program • Program rolled-out in a timely manner • Businesses able to apply with ease • Eligible businesses received funding in a timely manner • Fraud incidence is within an acceptable risk appetite • Suspected fraud detected and addressed	• Businesses used the funding to pay for unavoidable costs or adapt their business models that they would not have done without the grant • Suppliers received timely payments from participating businesses	• Businesses able to survive/ hibernate during border closure • Employer/ employee relationships maintained • Supplier relationships maintained • Lessee/lessor relationships maintained • Small businesses more resilient	• Survival of viable small businesses • Survival of small businesses with an uncertain future • Small businesses able to support jobs (avoiding structural unemployment and skill loss for NSW workforce) • Minimal perverse incentives for small businesses (e.g. viable small businesses are not discouraged from adapting and innovating, unviable small businesses did not delay their exit from the market)	• Employee retention • Avoided cost of business destruction • Business innovation or adaptation • Benefits to secondary businesses • Economy rebounds more quickly • Community benefits from access to goods and services

Source: NSW Treasury

Appendix B: Survey questions

NSW Government Small Business Support Grant ($10,000)

No.	Question
1	How long has your business been in operation (from establishment to now, October 2021)?
2	Prior to the first COVID-19 outbreak and restrictions introduced on 23 March 2020, how would you describe how your business was performing?
3	Looking back, in March 2020 (before the outbreak and restrictions in NSW) what was your expected revenue for 2020, compared to 2019?
4	If Q3 is > 50% change in either direction: Why were you expecting such a big difference in 2020 revenue compared to 2019 revenue?
5	Please estimate what revenue actually was for 2020, compared to 2019?
6	Based on this revenue impact, to what extent was this due to the COVID-19 outbreak and restrictions in 2020?
7	NSW Government provided a range of grants to small businesses between March and October 2020. Did you receive either of the following NSW COVID-19 small business grant in 2020? • Support Grant, $10,000, for use on things like meeting unavoidable costs • Recovery Grant, $3000, for use on activities to help re-opening or resuming normal operations Southern Border Grant, $5,000 or $10,000, to help adapt to new business conditions given closure of VIC borders
8_SG	**If 'Support Grant' is selected in Q7** Small businesses that were eligible for the NSW Government Support Grant could receive up to $10,000. What was the value of your Support Grant payment? Please round to the nearest thousand.

NSW Government Small Business Support Grant ($10,000)

No.	Question
9_SG	**If 'Support Grant' is selected in Q7** Thinking back to when you applied for the NSW Government Support Grant (i.e., April to June 2020), consider what it cost your business to apply in terms of time and money. a) Please estimate the total amount of time you spent on the application, including time spent reading the grant description, reading eligibility requirements, sourcing required information and documentation, and completing the online application. b) Please estimate your hourly earnings pre-March 2020 (pre-COVID). c) Did you use an accountant to assist you with the application process?
10_SG	**If 'Support Grant' is not selected (i.e. for counterfactual) in Q7** Why didn't you receive the NSW Government Support Grant?
11	Thinking back to the first temporary lockdown period when NSW restrictions were in place (23 March to 1 July 2020), what happened with your business during this time?
12_SG	Do not present this question if their business closed permanently in Q11 How would you describe how your business was performing in the period following the easing of restrictions in NSW (1 July 2020 to December 2020)?
13_SG	**If 'Support Grant' is selected in Q7** And If answer to Q12_SG was either • Our business operations had changed somewhat but we were still operating • Our business operations had returned to pre-COVID (pre-March 2020 levels) How important was the NSW Government Support Grant to the survival of your business during this time?

NSW Government Small Business Support Grant ($10,000)

No.	Question
Fixed costs - rent	
16_SG	During the first temporary lockdown period when NSW restrictions were in place (23 March to 1 July 2020), did your business have any fixed costs?
17_SG	If answer to Q16_SG was 'No' Why not?
18_SG	Does your business have to pay rent?
19_SG	If answer to Q18_SG was 'yes', Comparing the March to June 2020 period (the period during which NSW first entered temporary lockdown) to the year prior (2019): a) How often did you pay your rent on time in 2019? b) How often did you pay your rent on time during March to June 2020?
20_SG	How did you cover your rent during this time (March to June 2020)?
21_SG	If answer to Q20_SG was "We received financial support such as a government grant" What financial support specifically helped you to cover rent between March to June 2020?
22_SG	**If 'Support Grant' is selected in question Q21_SG** a) Please estimate your total rent for the period March to June 2020. b) Please approximate what percentage of your rent you were able to pay using the NSW Government Support Grant.
23	How would you describe your interactions with your landlord at this time?
24_SG	How would you describe your interactions with your landlord during March to June 2020, compared to the previous year (2019)?

NSW Government Small Business Support Grant ($10,000)

No.	Question
Fixed costs – supplier invoices	
25_SG	If answer to Q16_SG was 'yes' How did you make payments to your supplier that were due during March to June 2020 (the period during which NSW first entered temporary lockdown)?
26_SG	Comparing the March to June 2020 period to the year prior (2019): a) What percentage of your total supplier invoices were you able to pay on time (on or before the invoice due date or within the terms) in 2019? b) What percentage of your total supplier invoices were you able to pay on time (on or before the invoice due date or within the terms) during March to June 2020?
27_SG	If answer to Q25_SG was "We received financial support such as a government grant" What financial support specifically helped you to cover supplier invoices and bills between March to June 2020?
28_SG	**If 'Support Grant' is selected in Q27_SG** a) Please estimate the total supplier invoices that you had to pay during the period March to June 2020. b) Please estimate what percentage of your supplier invoices you were able to pay using the NSW Government Support Grant.
29	How did you keep in touch with your suppliers, or how did they keep in touch with you, during this time?
30_SG	How would you describe your interactions with your suppliers during March to June 2020, compared to the previous year (2019)?
31	Do you supply products and/or services to other businesses i.e. are you a supplier?
32_SG	If Yes to Q31, How did you maintain your relationships with the businesses you supply (i.e. your customers) during March to June 2020 (the period during which NSW first entered temporary lockdown)?

NSW Government Small Business Support Grant ($10,000)

No.	Question
Fixed costs - employees	
33_SG	If 'yes' to fixed costs in Q16_SG Comparing the March to June 2020 period (the period during which NSW first entered temporary lockdown) to the year prior (2019): a) How many staff did you have on your payroll in 2019 (full time equivalent)? b) How many staff did you have on your payroll during March to June 2020? c) How many staff did you have on your payroll in January 2021 (six months after the temporary lockdown ended)?
34_SG	How did you pay salaries to your staff during this time (March to June 2020)?
35_SG	If = "We received financial support such as a government grant" in Q34_SG What financial support specifically helped you to cover payroll between March to June 2020?
36_SG	a) Please estimate your total payroll costs that you had to pay during the period March to June 2020. **If 'Support Grant' is selected in Q35_SG:** b) Please approximate what percentage of your payroll costs you were able to pay using the NSW Government Support Grant. c) Please specify the number of staff whose wages were covered by the NSW Government Support Grant. d) Please estimate what percentage of your payroll costs you would have been unable to pay without the NSW Government Support Grant
37_SG	Did you have any other fixed costs that needed to be met during March to June 2020 (the period during which NSW first entered temporary lockdown)? E.g. council rates, utilities and insurance payments.
38_SG	If yes to Q37_SG, How was your business able to pay fixed costs during March to June 2020?
Adaptation	
39_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did you seek financial, legal, marketing or other advice to support the continuation of your business?

NSW Government Small Business Support Grant ($10,000)

No.	Question
Adaptation	
39_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did you seek financial, legal, marketing or other advice to support the continuation of your business?
40_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did you develop your business through marketing and communications activities?
41_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did your business invest in new projects or processes?
42_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did your business expand its products or services available to customers?
43_SG	Comparing March to June 2019 with March to June 2020 (the period during which NSW first entered temporary lockdown): Did your business change or pivot how its products or services were accessed, provided or made available to customers (e.g. more frequent deliveries, or website shop updated to provide full rather than limited range)
45_SG	**If 'Support Grant' is selected in Q7** If yes to Q39_SG, Q40_SG, Q41_SG, Q42_SG **or** Q43_SG for 2020 What % of the NSW Government Support Grant did you use to enable any of the changes outlined above?
46	If yes to Q39_SG, Q40_SG, Q41_SG, Q42_SG **or** Q43_SG for 2020 Did any of the changes during 2020 that you have outlined above result in additional revenue?
Summary response	
58_SG	**If 'Support Grant' is selected in Q7** What would the impact have been on your business if you didn't get the NSW Government Support Grant?

NSW Government Small Business Support Grant ($10,000)

No.	Question
59_SG	**If 'Support Grant' is selected in Q7** Are there any comments you would like to share in relation to your experience with the NSW Government Support Grant? (Optional)
2021	
110	Did you receive a grant from NSW Government in 2021 to support your business through the restrictions associated with the Delta outbreak (July – November 2021)?
111	What would the impact have been on your business if you didn't get the NSW Government Grant?

NSW Government Small Business Recovery Grant ($3000)

No.	Question
1	How long has your business been in operation (from establishment to now, October 2021)?
2	Prior to the first COVID-19 outbreak and restrictions introduced on 23 March 2020, how would you describe how your business was performing?
3	Looking back, in March 2020 (before the outbreak and restrictions in NSW) what was your expected revenue for 2020, compared to 2019?
4	If Q3 > 50% change in either direction: Why were you expecting such a big difference in 2020 revenue compared to 2019 revenue?
5	Please estimate what revenue actually was for 2020, compared to 2019?
6	Based on this revenue impact, to what extent was this due to the COVID-19 outbreak and restrictions in 2020?
7	NSW Government provided a range of grants to small businesses between March and October 2020. Did you receive either of the following NSW COVID-19 small business grant in 2020? • Support Grant, $10,000, for use on things like meeting unavoidable costs • Recovery Grant, $3000, for use on activities to help re-opening or resuming normal operations Southern Border Grant, $5,000 or $10,000, to help adapt to new business conditions given closure of VIC borders
8_RG	If 'Recovery Grant' is selected in Q7 Small businesses that were eligible for the NSW Government Recovery Grant could receive between $500 to $3,000. What was the value of your Recovery Grant payment? Please round to the nearest thousand if possible.

NSW Government Small Business Recovery Grant ($3000)

No.	Question
9_RG	If 'Recovery Grant' is selected in Q7 Thinking back to when you applied for the NSW Government Recovery Grant (i.e., July to August 2020), consider what it cost your business to apply in terms of time and money. a) Please estimate the total amount of time you spent on the application, including time spent reading the grant description, reading eligibility requirements, sourcing required information and documentation, and completing the online application. b) Please estimate your hourly earnings pre-March 2020 (pre-COVID). c) Did you use an accountant to assist you with the application process?
10_RG	If 'Recovery Grant' is not selected (i.e. for counterfactual) in Q7 Why didn't you receive the NSW Government Recovery Grant?
11_RG	Thinking back to the period when NSW restrictions were in place (23 March to 1 July 2020), what happened with your business during this time?
14_RG	If 'Recovery Grant' is selected in Q7 What did you use your NSW Government Recovery Grant on? And approximately what proportion (-%) of your grant did you use against each type of expenditure? Please note your responses must add up to 100%
15_RG	If 'Recovery Grant' is selected in Q7 If 'to implement safety measures' is selected in previous question. Were these safety measures implemented in order to comply with a required COVID-19 Safety Plan?

NSW Government Small Business Recovery Grant ($3000)

No.	Question
Short-term outcomes phase We are interested in understanding what occurred with your business and any use of NSW Government grants during the first six months (1 July to December 2020), following the NSW "lockdown" (23 March to July 2020).	
12_RG	Do not present this question if their business closed permanently in Q11_RG How would you describe how your business was performing in the period immediately following the easing of restrictions in NSW (1 July to December 2020)?
Q50	Do not present this question if their business closed permanently in Q12_RG On 1 July 2020, NSW restrictions ("lockdown") ended. Can you describe what your business had to do to prepare for re-opening, or resumption of pre-pandemic trade?
Q51	Do not present this question if their business closed permanently in Q12_RG How long do you estimate it took you to re-open your business, or to otherwise resume normal (pre-pandemic, pre-March 2020) trading/operations?
Q52	If 'Recovery Grant' is selected in Q7 and Do not present this question if their business closed permanently in Q12_RG To what extent did the NSW Government Recovery Grant help you to prepare for easing of restrictions and the resumption of normal trade?
Q53	Do not present this question if their business closed permanently in Q12_RG How do you think your customers reacted to your COVID-safe practices?
Q54	Do not present this question if their business closed permanently in Q12_RG Did you experience increased customer demand in this phase immediately following the easing of restrictions? (1 July to December 2020), compared to the same period in 2019?
Q55	Do not present this question if their business closed permanently in Q12_RG Did you experience an increase in sales or revenue in this phase immediately following the easing of restrictions? (1 July to December 2020)
Q98	Do not present this question if their business closed permanently in Q12_RG During the period 1 July to December 2020, did you have to close your business temporarily for deep cleaning due to a COVID customer or employee visiting your premises?

NSW Government Small Business Recovery Grant ($3000)

No.	Question
Q99	Do not present this question if their business closed permanently in Q12_RG During the period 1 July to December 2020, did you have to close your business temporarily because you or any of your employees became ill with COVID or had to go into isolation due to exposure to a person infected with COVID?
Medium-term outcomes phase We are interested in understanding what occurred with your business and any use of NSW Government grants from January to June 2021. This is 6 months after the end of NSW lockdown (which occurred during 23 March to 1 July 2020, and before the current Delta outbreak in June 2021).	
Q56	Do not present this question if their business closed permanently in Q12_RG How would you describe how your business was performing in the period of January to June 2021 (six months or more after NSW restrictions ended)?
Q57	If 'Recovery Grant' is selected IN Q7 AND Do not present this question if their business closed permanently in Q56 If = Our business operations had changed somewhat but we were still operating Or = Our business operations had returned to pre-COVID (pre-March 2020 levels) How important was the NSW Government Recovery Grant to the survival of your business?
Fixed costs - employees	
Q16_RG	Do not present this question if their business closed permanently in Q56 How many staff does your business employ (at present, as of October 2021)
Q32	If Q16_RG > 1 staff member Comparing the March to June 2020 period (the period during which NSW first entered temporary lockdown) to the year prior (2019): a) How many staff did you have on your payroll in 2019 (full time equivalent)? b) How many staff did you have on your payroll between 23 March to 1 July 2020 (during the lockdown)? c) How many staff did you have on your payroll in January 2021 (six months after the temporary lockdown ended)?

NSW Government Small Business Recovery Grant ($3000)

No.	Question
Summary response	
Q58_RG	If 'Recovery Grant' is selected What would the impact have been on your business if you didn't get the NSW Government Recovery Grant?
Q59_RG	If 'Recovery Grant' is selected in Q7 Are there any comments you would like to share in relation to your experience with the NSW Government Recovery Grant? (Optional)

NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
1	How long has your business been in operation (from establishment to now, October 2021)?
2	Prior to the first COVID-19 outbreak and restrictions introduced on 23 March 2020, how would you describe how your business was performing?
3	Looking back, in March 2020 (before the outbreak and restrictions in NSW) what was your expected revenue for 2020, compared to 2019?
4	If Q3 is > 50% change in either direction: Why were you expecting such a big difference in 2020 revenue compared to 2019 revenue?
5	Please estimate what revenue actually was for 2020, compared to 2019?
6	Based on this revenue impact, to what extent was this due to the COVID-19 outbreak and restrictions in 2020?
7	NSW Government provided a range of grants to small businesses between March and October 2020. Did you receive either of the following NSW COVID-19 small business grant in 2020? • Support Grant, $10,000, for use on things like meeting unavoidable costs • Recovery Grant, $3000, for use on activities to help re-opening or resuming normal operations Southern Border Grant, $5,000 or $10,000, to help adapt to new business conditions given closure of VIC borders
8_SBG	**If 'Southern Border Support Grant' is selected in Q7** In the previous question, you indicated that you received the NSW Government Southern Border Support Grant in 2020. Did you receive a tier one grant ($5,000) or a tier two grant ($10,000)?

NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
9_SBG	**If 'Southern Border Support Grant' is selected in Q7** Thinking back to when you applied for the NSW Government Southern Border Support Grant (i.e., September to October 2020), consider what it cost your business to apply in terms of time and money. a) Please estimate the total amount of time you spent on the application, including time spent reading the grant description, reading eligibility requirements, sourcing required information and documentation, and completing the online application. b) Please estimate your hourly earnings pre-March 2020 (pre-COVID). c) Did you use an accountant to assist you with the application process?
10_SBG	**If 'Southern Border Support Grant' is not selected in Q7** Why didn't you receive the NSW Government Southern Border Support Grant?
11_SBG	During the period when NSW closed its borders with VIC (8 July to 23 November 2020) which of the following describes what happened with your business during this time?
12_SBG	Do not show this question if answer for Q11_SBG was 'We closed down permanently' How would you describe how your business was performing in the period immediately following the re-opening of the NSW and VIC border (24 November 2020 to 31 May 2021)?
13_SBG	**If 'Southern Border Support Grant' is selected in Q7** And If answer to Q12_SBG was either • Our business operations had changed somewhat but we were still operating • Our business operations had returned to pre-COVID (pre-March 2020 levels) How important was the NSW Government Southern Border Support Grant to the survival of your business during this time?

NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
Fixed costs - rent	
16_SBG	During the period when NSW closed its borders with VIC (8 July to 23 November 2020), did your business have any fixed costs?
17_SBG	If answer to Q16_SBG was 'No' Why not?
18_SBG	Does your business have to pay rent?
19_SBG	If answer to Q18_SBG was 'yes' Comparing the July to November 2020 period (the period during which NSW closed its borders with VIC) to the year prior (2019): a) How often did you pay your rent on time in 2019? a) How often did you pay your rent on time during July to November 2020?
20_SBG	How did you cover your rent during this time (July to November 2020)?
21_SBG	If answer to Q20_SBG was "We received financial support such as a government grant" What financial support specifically helped you to cover rent between July to November 2020?
22_SBG	**If 'Southern Border Support Grant' is selected in Q21_SBG** a) Please estimate your total rent for the period July to November 2020. b) Please approximate what percentage of your rent you were able to pay using the NSW Government Southern Border Support Grant.
23	How would you describe your interactions with your landlord at this time?
24_SBG	How would you describe your interactions with your landlord during July to November 2020, compared to the previous year (2019)?
Fixed costs – supplier invoices	
25_SBG	If answer to Q16_SBG was 'yes' How did you make payments to your supplier that were due during July to November 2020 (the period during which NSW closed its borders with VIC)?

NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
26_SBG	Comparing the July to November 2020 period to the year prior (2019): a) What percentage of your total supplier invoices were you able to pay on time (on or before the invoice due date or within the terms) in 2019? b) What percentage of your total supplier invoices were you able to pay on time (on or before the invoice due date or within the terms) during July to November 2020?
27_SBG	If answer to Q25_SBG was "We received financial support such as a government grant" What financial support specifically helped you to cover supplier invoices and bills between July to November 2020?
28_SBG	**If 'Southern Border Support Grant' is selected in Q27_SBG** a) Please estimate the total supplier invoices that you had to pay during the period July to November 2020. b) Please approximate what percentage of your supplier invoices you were able to pay using the NSW Government Southern Border Support Grant.
29	How did you keep in touch with your suppliers, or how did they keep in touch with you, during this time?
30_SBG	How would you describe your interactions with your suppliers during July to November 2020, compared to the previous year (2019)?
31	Do you supply products and/or services to other businesses i.e. are you a supplier?
32_SBG	If answer to Q31 was 'Yes' How did you maintain your relationships with the businesses you supply (i.e. your customers) during July to November 2020 (the period during which NSW closed its borders with VIC)?
Fixed costs - employees	
33_SBG	If answer was 'yes' to fixed costs in Q16_SBG Comparing the July to November 2020 period (the period during which NSW closed its borders with VIC) to the year prior (2019): a) How many staff did you have on your payroll in 2019 (full time equivalent)? b) How many staff did you have on your payroll during July to November 2020? c) How many staff did you have on your payroll in May 2021 (six months after the border closure ended)?

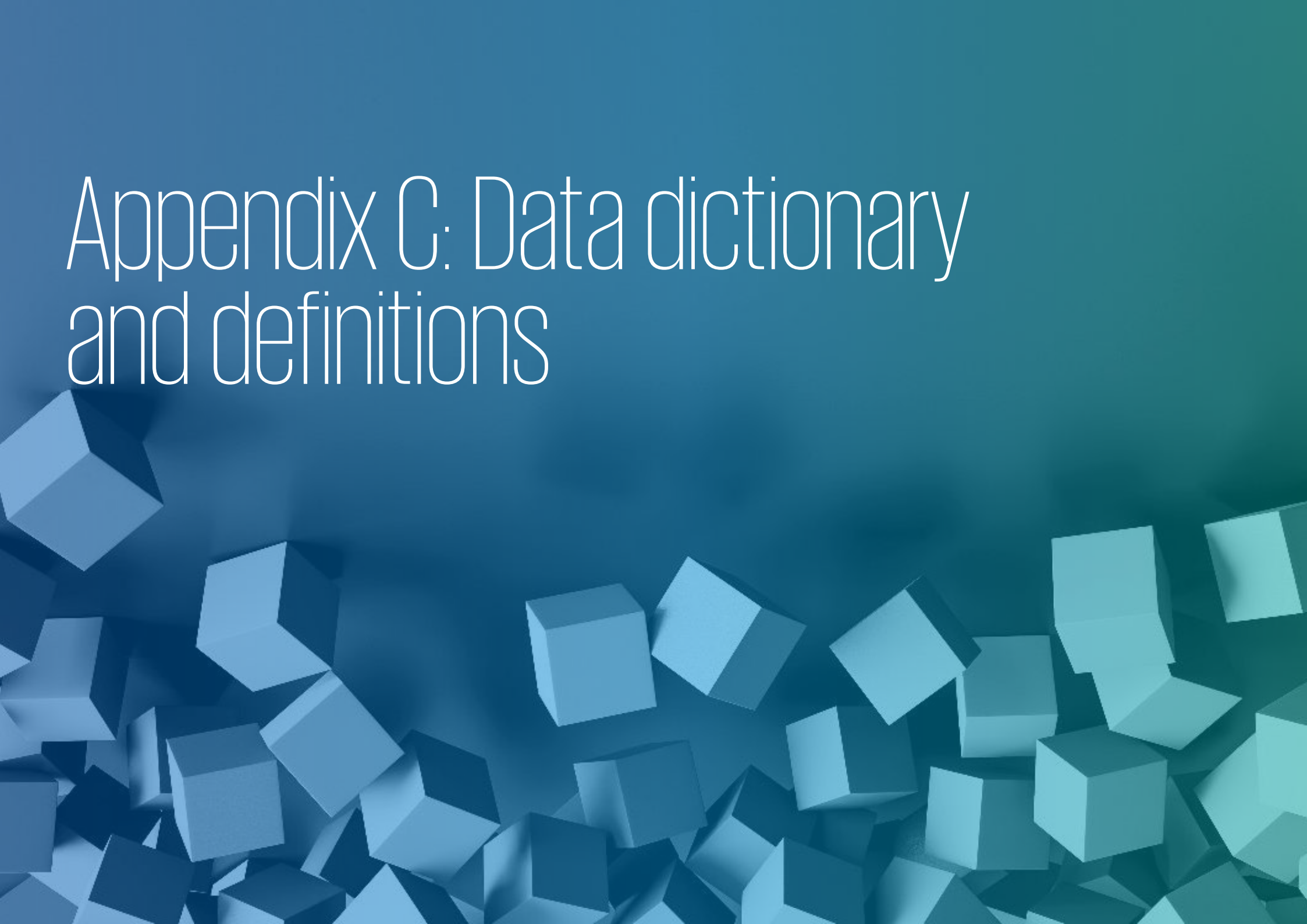
NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
34_SBG	If answer to b was >0 in Q33_SBG How did you pay salaries to your staff during this time (July to November 2020)?
35_SBG	If answer to b was >0 in Q33_SBG **and** If answer to Q34_SBG was "We received financial support such as a government grant" What financial support specifically helped you to cover payroll between July to November 2020?
36_SBG	If answer to b was >0 in Q32_SBG a) Please estimate your total payroll costs that you had to pay during the period July to November 2020. **If 'Southern Border Support Grant' is selected in Q35_SBG:** b) Please approximate what percentage of your payroll costs you were able to pay using the NSW Government Southern Border Support Grant. c) Please specify the number of staff whose wages were covered by the NSW Government Southern Border Support Grant. d) Please estimate what percentage of your payroll costs you would have been unable to pay without the NSW Government Southern Border Support Grant.
37_SBG	Did you have any other fixed costs that needed to be met during July to November 2020 (the period during which NSW closed its borders with VIC)? E.g., council rates, utilities and insurance payments.
38_SBG	If 'yes' to Q37_SBG, How was your business able to pay these fixed costs during July to November 2020?
Adaptation	
39_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did you seek financial, legal, marketing or other advice to support the continuation of your business?
40_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did you develop your business through marketing and communications activities?
41_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did you invest in upskilling yourself and/or your staff? E.g. developing digital skills, export training

NSW Government Small Business Southern Border Grant ($5-10,000)

No.	Question
42_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did you adapt your business model? E.g. diversify supply chains, introduce digital solutions such as e-commerce, business websites or an online sales platform
43_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did your business expand its products or services available to customers?
44_SBG	Comparing July to November 2019 with July to November 2020 (the period during which NSW closed its borders with VIC): Did your business change or pivot how its products or services were accessed, provided or mde available to customers (e.g. more frequent deliveries, launch an online sales platform or update online store to provide full rather than limited range)
45_SBG	**If 'Southern Border Support Grant' is selected in Q7** **And** If yes to Q39_SBG, Q40_SBG, Q41_SBG, Q42_SBG, Q43_SBG **OR** Q44_SBG for 2020 What % of the NSW Government Southern Border Support Grant did you use to enable any of the changes outlined above?
46	If yes to Q39_SBG, Q40_SBG, Q41_SBG, Q42_SBG, Q43_SBG **OR** Q44_SBG for 2020 Did any of the changes during 2020 that you have outlined above result in additional revenue?
Summary response	
58_SBG	**If 'Southern Border Support Grant' is selected in Q7** What would the impact have been on your business if you didn't get the NSW Government Southern Border Support Grant?
59_SBG	**If 'Southern Border Support Grant' is selected in Q7** Are there any comments you would like to share in relation to your experience with the NSW Government Southern Border Support Grant? (Optional)

Appendix C: Data dictionary and definitions



illion data dictionary

Field Name	Description
AppendDate	Monthly snapshot date the data is current to. This date is always set as the last day of the month.
ABN	Australian Business Number
Entity Name	Company name
Postcode	Postcode
StartDate	Entity commencement date
ABN_EntityType	ABN entity type description (e.g. Sole Trader, Partnership)
ASIC_status	REGD = Registered EXAD = Under external administration SOFF = Strike off action in progress DRGD = Deregistered
ABN_Status	ACT = Active CAN = Cancelled
Employees	Number of employees
Employees_Indicator	Indicates if the employees is a modelled figure or Actual figure. Historical modelled data is only available since July 2020.
Revenue	Annual revenue
Revenue_Indicator	Indicates if the revenue is a modelled figure or Actual figure. Historical modelled data is only available since July 2020.
GRI	Geographical Risk Index. Low GRI = high risk High GRI = low risk
COVID_Index	illion's commercial COVID Revenue Index. Historical data is only available from August 2020.
COVID_Index_Description	illion's commercial COVID Revenue Index Decription A. Suffering (Severely Affected) B. Struggling (Highly Affected) C. Surviving (Moderately Affected) D. Maintaining (Somewhat Affected) E. Succeeding (Growth) F. Thriving (Winner) G. No Score
FRS	illion Failure Risk Score
FRS_Band	illion Failure Risk Score band A. Minimal B. Very Low C. Low D. Average E. Moderate F. High G. Very High H. Severe I. Closure activity J. Strike-Off Action K. Not trading L. Non-scored entities M. No illion data

illion data dictionary (continued)

LPRS	illion Late Payment Risk Score
LPRS_Band	illion Late Payment Risk band A. Minimal B. Very Low C. Low D. Average E. Moderate F. High G. Very High H. Severe I. Closure activity J. Strike-Off Action K. Not trading L. Non-scored entities M. No illion data
ANZSIC_Division	Primary ANZSIC Division
ANZSIC_2Digit	Primary ANZSIC 2 Digit
ANZSIC_3Digit	Primary ANZSIC 3 Digit
ANZSIC_4Digit	Primary ANZSIC 4 Digit
ANZSIC_4Digit_Desc	Primary ANZSIC 4 Digit Description
no_suppliers_12mths	No. of different suppliers in last 12 months
no_trade_experiences_12mths	No. of trade experiences in last 12 months
no_sat_experiences_12mths	No. of Satisfactory experiences (Prompt) in last 12 months
Paid_Prompt_12mths	Dollar amount of debt that was paid on time in 12 months
pct_prompt_12mths	Percentage of prompt debt in last 12 months
Average_Days_Late	The average number of days that debt is paid late (6 month calculation). This was the variable used as a proxy for late supplier payments in the analysis.

Survey data definitions

The Table below outlines the key data definitions used in the DID outcome evaluation analysis of the survey data. This includes defining three types of businesses of interest. Outcome measures (dependent variables) were aligned to program logic immediate, short and mid term outcomes, and were generated for each DID model that was analysed; typically from the responses or ordinal response scales from each question.

Survey data definitions	
	Definition
Viable business	Self-reported response to a question in the survey relating to expectations for performance prior to the 2020 COVID-19 outbreak. Viable businesses described their business as "Highly likely/ Likely to have remained opened and operating within 12 months"
Businesses with an uncertain future	Self-reported response to a question in the survey relating to expectations for performance prior to the 2020 COVID-19 outbreak. Businesses with an uncertain future described their business as "Uncertain/ Uncertain but Likely to have closed within 12 months". Due to small sample sizes, the analyses grouped unviable and uncertain businesses together.
Unviable business	Self-reported response to a question in the survey relating to expectations for performance prior to the 2020 COVID-19 outbreak. Unviable businesses described their business as "Highly likely to have closed within 12 months".
Immediate phase	Support Grants: 23 March to July 2020: refers to the NSW Government "shutdown" period where Public Health restrictions were in force. Recovery Grant: July to December 2020 (*note: this overlaps with the short term phase for this grant and therefore results cannot be differentiated)* Southern Border Grants: 8 July – 23 November 2020: refers to the NSW Government closure of the NSW/Victoria border
Intervention period	Period in which businesses could apply for, and receive grants. Support Grant: 14 April to 30 June 2020; Recovery Grant 1 July to 31 August 2020; Southern Border Grant: 8 September – 31 October
Short term phase	Support/ Recovery Grant: July to December 2020; Southern Border Grant: 24 November 2020 – 31 May 2021
Medium term phase	Support/ Recovery Grant: January to June 2021; Southern Border Grant: 1 June 2021 – 31 November 2021, however this was confounded by the Delta outbreak in NSW and the second NSW Government "lockdown" period.
Survival	Self-reported measure on whether a business permanently closed, or other (hibernated, changed their operations, etc). Based on Q11 and Q12 of the surveys – NOT based on Q58.
Adapt	Whether or not a business had made operational changes

Survey data definitions *(continued)*

Table 8: Survey data definitions (continued)

	Definition
Supplier time Meet rent	Self-reported response to question on: • Whether or not suppliers received timely payments • Whether or not suppliers could meet unavoidable costs such as rent
Employee relationships Supplier_rel_better Supplier_rel_worse Landlord_rel_better Landlord_rel_worse)	Self-reported response to question on: • Whether or not employee relationships were maintained, or whether they were able to support jobs • Whether or not supplier relationships improved • Whether or not supplier relationships worsened • Whether or not lessor/lessee relationships improved • Whether or not lessor/lessee relationships worsened
Safety measures	Self-reported response to question on: Whether businesses implemented safety measures or made changes to their operating models that they otherwise would not have made without the grant (Recovery Grant only)
Safety Plans implemented	Self-reported response to question on: Whether businesses implemented COVID-19 Safety Plans, fulfilling their obligations under relevant Public Health Order (Recovery Grant only)
Operational model change	Self-reported response to question on: Whether or not businesses made changes to their operating model that they would not have made without the grant (Recovery Grant only)
Increased revenue	Self-reported response to question on: Whether or not increased businesses experienced increased sales and revenue through their participation in the grants (Recovery Grant only)
Resilience	Although KEQ7 refers to resilience and innovation, the timeframe that was tested (medium term). To align with the program logic resilience was equated to survival. Innovation was inferred on the basis of whether recipients had adapted their businesses and was made against short-term measures. However this could not be tested for the medium term as it was misaligned to program logic – there was no hypothesis relating to innovation in the medium term in the program logic. Survey questions which were designed on the basis of the program logic did not include a question on innovation in the medium term.

Illion data definitions

The following table includes the definition for variables generated either as independent variables in the DID models, or outcome measures (dependent variables) aligned, where possible, to program logic immediate, short and mid term outcomes were generated for each DID model that was analysed.

Illion data definitions – generated variables	
	Definition
Survival	For the purposes of this analysis, business survival is defined by ABN status (ABN_status). A business is identified as having survived if their ABN is still active or closed if their ABN has been cancelled. Throughout the analysis, the survival variable is called survival_ABN. Note, ABN status may be an imperfect indicator of business survival or closure as there is usually a lag between cessation of operations and a formal cancellation of an active ABN. Therefore, this is a conservative estimator of business survival in the DID analyses.
Resilience	Due to the limitations of the revenue data and the lack of statistically significant results using employee numbers, resilience could only be measured by business survival.
Supplier payments	The illion dataset does not track supplier payments. In lieu of this, a proxy is used, substituting the average number of days late that a debt is repaid (*Average_Days_Late*) as a measure for the average number of days a supplier is paid late.
Relationships with landlords and employees	The illion dataset does not track landlord relationships or any proxies relating to this measure. This was unable to be measured directly using illion as employee numbers are unavailable in the dataset for the period of interest (prior to July 2020).
Viable business	Viable businesses are identified as those with an FRS of 'Minimal', 'Very Low' or 'Low'. Most businesses typically scored "Average" however this was placed into the category below to reflect the empirical understanding of the likelihood of small business failures even in a non-pandemic scenario. Therefore, this is a conservative estimator of business survival in the DID analyses.
Businesses with an uncertain future	These businesses have been identified using the Failure Risk Score (FRS) allocated to businesses in the illion data. Businesses with an uncertain future are those with an FRS of 'Average' or 'Moderate'.
Unviable business	Unviable businesses are identified as those with an FRS of 'High', 'Very High', 'Severe' or 'Closure'. NB the concept of 'zombie firms" is unviable businesses.
Timeframes	Illion data frequency does not enable a perfect alignment with timeframes of the evaluation periods of interest (e.g. short term, mid-term). Table 8 overleaf provides a summary of timeframe treatment in the DID analyses.

Illion data definitions *(continued)*

The following table includes a comparison of timeframes between the evaluation periods of interest, and the illion dataset data availability and frequency. The illion data does not include all pre-COVID timeframes required as per the program logics. illion only has data available for March 2019 to October 2021, which limits the pre-COVID comparison periods in 2019 and the corresponding post-COVID periods in some cases. It is important to note that, for the Southern Border Grant, the recent lockdowns of 2021 in NSW mean that the medium-term timeframe has been limited to June 2021 rather than June to October 2021 given the data from July to October 2021 would have been influenced by the lockdowns and its effects difficult to isolate. For the Recovery Grant, the available illion data set covers both the immediate and short-term outcome timeframes in the program logic and, as a result, the immediate and short term outcomes cannot be measured separately.

Table 12: Illion timeframes compared to program logic timeframes required for the outcome evaluation

Grant	Intervention period	Immediate Outcome Timeframe			Short-term Outcome Timeframe			Medium or Mid-term Outcome Timeframe		
		Program Logic	illion	illion (comparison period)	Program Logic	illion	illion (comparison period)	Program Logic	illion	illion (comparison period)
Support Grant	14 April – 30 June 2020	23 March – 1 July 2020	March – June 2020	March – June 2019	1 July – 31 Dec 2020	July – December 2020	July – December 2019	1 January – 1 June 2021	March – June 2021*	March – June 2019*
Recovery Grant	1 July – 31 August 2020	1 July - 12 Aug 2020	July – December 2020	July – December 2019	13 Aug – 31 Dec 2020	July – December 2020	July – December 2019	1 January – 1 June 2021	March – June 2021*	March – June 2019*
Southern Border Grant	8 Sept – 31 Oct 2020	8 July – 23 Nov 2020	July – November 2020	July – November 2019	24 Nov 2020 – 31 May 2021	March – May 2021*	March – May 2019*	1 June – 31 Nov 2021	June 2021*	June 2019*

Appendix D: Cost identification and quantification

Identification of Costs

Cost	Type	Bearer/Beneficiary	Description	Quantifiable?		
				SG	RG	SBG
Value of grants dispersed	Economic	Tax payer	For each grant type, this is the total grant payments dispersed to eligible small businesses.	✓	✓	✓
Treasury staffing costs	Economic	NSW Treasury	Treasury staffing costs for each grant include all staffing expenditures incurred for the purposes of designing and developing the grant programs, providing guidance for stakeholders (e.g. accountants), ongoing program monitoring and updating of grant program guidelines and eligibility criteria.	✓	✓	✓
Service NSW staffing costs	Economic	Service NSW and NSW small businesses	Service NSW staffing costs for each grant include that staffing costs associated with the stand up and delivery of each of the COVID-19 small business grants. The set up costs include all costs in relation to building the online application portal. The delivery costs include all costs involved in the implementation of the grants including, but not limited to, responding to customer enquiries, manual assessments of applications, audit and compliance checks and fraud assessments.	✓	✓	✓
Business costs associated with application process	Economic	Small businesses	During the application process, small business owners would have incurred time and/or monetary costs. In terms of the time cost, small business owners would have spent a considerable amount of time: • Reading grant documentation including guidelines and eligibility criteria; • Compiling the required documentation; • Liaising with their accountant (if required); and • Completing their online application. The time spent on the application process represents an opportunity cost of time for small business owners. In addition, small businesses owners may have incurred monetary costs in the form of accounting fees if they had engaged their accountant to assist with their application or submit the application on their behalf. According to DCS' Customer Service Delivery Unit, around 50%-70% of applications were completed by accountants rather than the business owners.	✓	✓	✓

Identification of Costs (continued)

Cost	Type	Bearer/Beneficiary	Description	Quantifiable?		
				SG	RG	SBG
Inefficiency of grant funding dispersed to unviable firms	Economic	Tax payer	For all three grants, grant payments were dispersed to small businesses that were identified as unviable firms. Although the results of the Outcomes Evaluation indicate that the grants did not allow unviable businesses to delay their exit from the market, the grant funding dispersed to these businesses represents an inefficient use of funds that could have been otherwise used to support viable businesses.	×	×	×
Inefficiency of grant funding dispersed to firms with an uncertain future	Economic	Tax payer	For all three grants, grant payments were dispersed to small businesses that were identified as firms with uncertain and unviable futures. The results of the Outcomes Evaluation indicate that the grants did not support unviable businesses to delay their exit from the market. However, for the Support Grant, there is quantitative evidence that suggests funding dispersed delayed exits in the immediate and short term for businesses with an uncertain future. For these businesses, this potentially represents an inefficient use of funds that could have been otherwise used to support viable businesses or directed towards other government programs.	✓	×	×

Quantification of Costs

The below summarises the quantification approaches for costs that were adopted for all three grants

Cost	Quantification approach, including sources and assumptions
Value of grants dispersed	Total monetary value of grant funding paid to recipients provided in Service NSW Program Data.
Treasury staffing costs[15]	Total additional staffing costs incurred by Treasury in relation to the Grants provided in Program Data Costs from NSW Treasury.
Service NSW staffing costs	Total additional staffing costs incurred by Service NSW in relation to the stand up and delivery of the Grants provided in Program Data Costs from Service NSW.
Business costs associated with application process	Estimated costs incurred by small business owners during the application process including the opportunity cost of time to business owners and any fees paid to accountants to support the application process. The calculation is as follows: $$application\_cost = total\_opportunity\_cost\_of\_time + total\_accountants\_fees$$ $$application\_cost = (total\_applicants \times ave\_application\_time \times hourly\_opp\_cost) + (total\_applicants \times prop\_use\_acc \times ave\_fee)$$ Where, for each grant: • The $total\_applicants$ are the total number of small businesses that applied as reported in the RFQ; • The $ave\_application\_time$ is the average time in hours to complete the grant application based on the COVID-19 Small Business Grant Survey Data; • The $hourly\_opp\_cost$ is the assumed hourly cost of business owner time based on COVID-19 Small Business Grant Survey Data; • The $prop\_use\_acc$ is the proportion of applicants who used an accountant to complete their application based on COVID-19 Small Business Grant Survey Data; and • The ave_fee is the average accountants fee paid by applicants who used an accountant to complete their application based on COVID-19 Small Business Grant Survey Data.

[15] The staffing costs provided by NSW Treasury are estimates given staff time was not reported for specific projects.

Appendix E: Benefit identification and quantification

Identification of Benefits

Benefit	Type	Bearer/Beneficiary	Description	Quantifiable?		
				SG	RG	SBG
Avoided costs associated with business destruction	Economic	Small businesses	The grants prevented the permanent closure (i.e. business destruction) and eventual replacement of small businesses. By supporting the survival of small businesses, the grants avoided the eventual costs of replacing or re-establishing these small businesses.	✓	✓	✓
	Social	Community	The grants allowed for the continued operation of surviving small businesses. The tax receipts from these surviving small businesses, in part, represent a benefit to NSW citizens if those receipts are spent on other projects in NSW (over the longer term).	×	×	×
Employee retention for surviving businesses[16]	Economic	Employees	The survival of small businesses as a result of the grants prevented job losses. This employee retention would have resulted in an income benefit (i.e. labour surplus) to employees of surviving small businesses.	✓	✓	✓
	Social	Employees	The grants allowed surviving small businesses to keep their staff employed. As a result, employees would have enjoyed non-income benefits including, but not limited to, continued or future on-the-job training, continued social ties with their co-workers and avoided skill loss or deterioration.	×	×	×
	Social	Community	The grants allowed surviving small businesses to retain staff who would have otherwise needed to apply for unemployment benefits. This would have resulted in lower costs for the NSW taxpaying community as a result of lower unemployment benefits.	×	×	×

[16] Given payroll costs were eligible uses of the Support Grant and Southern Border Grant, it was initially expected that there was a labour surplus benefit accrued to employees of grant recipients because employers were more able to cover payroll costs for staff that were ineligible for JobKeeper. However, in the Outcome Evaluation analysis, there was no empirical evidence to suggest that grant recipients were more likely to maintain employee numbers compared to the counterfactual group and, as a result, that their employees incurred a labour surplus benefit.

Identification of Benefits (continued)

Benefit	Type	Bearer/Beneficiary	Description	Quantifiable?		
				SG	RG	SBG
Indirect producer surplus benefit to secondary businesses	Economic	Businesses	Small businesses could use the grant to make eligible payments to their suppliers (Support Grant and Southern Border Grants only), implement safety changes (Recovery Grant only), seek financial, legal or other advice to ensure their business's continuity, undertake marketing and communications activities or introduce adaptations to their business in response to Public Health restrictions. As such, these grants would have indirectly benefitted secondary businesses through a producer surplus benefit. Indirect benefits are not typically included in a CBA analysis, however, given one of the purposes of the grants was to enable businesses to make payments to suppliers, it is important that this benefit is captured.	✓	✓	✓
	Economic	Businesses	The producer surplus benefit to secondary businesses would have also supported the continuation of these businesses, which in turn would have benefitted their other customers and staff.	×	×	×
State economy rebounds more quickly	Economic	Small businesses	Given the grants allowed for the survival of some viable small businesses, the grants would have also supported a quicker rebound in the state economy, to some extent. It is expected that grant recipients will have reopened more quickly and therefore the economy was able to rebound more quickly than would have otherwise been the case. This rebound could have been quantifiable using sales revenue, however, this data is not available.	×	×	×
	Social	Community	The higher tax obligations paid by grant recipients during their 'bounce back' or recovery phase, in part, represent a benefit to NSW citizens if those receipts are spent on other projects in NSW. This benefit would be incremental to the tax obligations under the counterfactual. The primary driver of this benefit would be from industry sectors that rely on expenditure from outside the NSW community for example higher education and tourism.	×	×	×
Continued access to goods and services	Social	NSW Community	Given the grants allowed for the survival of some small businesses, the NSW community would have benefitted from the ongoing or minimally disrupted access to a variety of products and services.	×	N/A	×

Identification of Benefits (continued)

Benefit	Type	Bearer/Beneficiary	Description	Quantifiable?		
				SG	RG	SBG
Increased sales for businesses upon re-opening when restrictions were eased	Economic	Small businesses	The Recovery Grant allowed small businesses in highly impacted industries to safely re-open and adapt to Public Health restrictions. These small businesses could generate additional income following the end of their temporary closure by implementing safety adaptations/modifications to business operations using the grant funding over and above what could have been achieved without the grant. However, due to data limitations, this benefit could not be quantified	N/A	×	N/A
	Social	Community	The community benefitted from greater and safe access to products and services offered by small businesses that re-opened more quickly. Note these are not included as a separate benefit, as they are captured elsewhere.	N/A	×	N/A
Avoided costs during scale up of operations when restrictions are eased	Economic	Small businesses	The Recovery Grant allowed small businesses in highly impacted industries to safely scale up operations after working at a lower capacity during the lockdown period. When restrictions were eased, these small businesses could generate additional income by safely scaling up their business operations and avoiding costs associated with non-COVID safe practices that could lead to temporary closures or staff absences. However, due to data limitations, this benefit could not be quantified	N/A	×	N/A
	Social	Community	The community benefitted from greater and safe access to the products and/or services of small businesses that could safely scale up their operations. Note these are not included as a separate benefit, as they are captured elsewhere.	N/A	×	N/A
Mediated business owner risk perceptions and future risk calculations for business investment	Economic	Small businesses NSW community	The rollout of the COVID-19 grants helped reduce business uncertainty and "belief scarring" by signalling that the government was willing to support businesses through the exogenous shock caused by the pandemic. As a result, the COVID-19 grants may have helped mediate the risk perceptions and future risk calculations of business owners to some extent. This would have avoided the long-term implications of belief scarring to some degree (e.g. significantly reduced business investment), benefitting both small businesses that received the grants but also the broader NSW community.	×	×	×

Quantification of Benefits

The below summarises benefit quantification approaches that were adopted for all three grants.

Benefit	Quantification approach, including sources and assumptions
Avoided costs associated with business destruction	This benefit was quantified as the total cost of replacing all viable small businesses that would not have survived in the absence of each grant based on a conservative baseline cost to start up a small business. The calculation is as follows: $$avoided\_destruction\_cost = viable\_businesses\_saved \times baseline\_start\_up\_cost$$ Where: • The $viable\_businesses\_saved$ were 42, 35 and 1 for the Support, Recovery and Southern Border Grants, respectively, based on the illion data analysis; and • The $baseline\_start\_up\_cost$ was a conservative estimate based on a variety of sources and considered start up capital costs (e.g. a computer, POS system and vehicles); physical fit out costs; business name registration fees[17]; the opportunity cost of time to register for an ABN, GST, PAYG and workers compensation insurance; and small scale marketing costs (social media and flyers). For the $baseline\_start\_up\_cost$ specifically, the following assumptions were made: • It was assumed the latter three costs as well as the start up cost of purchasing a computer would have been incurred by all new small businesses that would have replaced surviving viable small businesses in the absence of the grant; • Start up capital costs (including a computer[18], POS system[19] and vehicles[20]), physical fit out costs[21] and costs to print flyers[22] were assumed based on a desktop review; • For each grant, start up capital and physical fit out costs were weighted by the proportion of grant recipients in industries that would have incurred these costs, assuming business closures and replacements would have followed the same distribution as grant recipients. For example, it was assumed only businesses in Retail and Accommodation and Food Services would incur costs to purchase a POS system; • The opportunity cost of time to register for an ABN, GST, PAYG and workers compensation insurance was based on assumed times to complete these registrations[23] as well as the assumed hourly cost of business owner time based on COVID-19 Small Business Grant Survey Data; • Small scale marketing costs associated with social media were based on the assumed hourly cost of business owner time and the assumption it would take one working day to establish social media accounts; and • Council fees were excluded given limited data and potential variations between LGAs and mobile phone costs were excluded, assuming small business owners would use their personal phone to conduct business. More broadly, it was assumed that surviving businesses would have been gradually replaced between 2020 and 2023 using a straight-line method under the counterfactual.

[17] ASIC (n.d.), *Business name fees and payment options*. Accessed December 2021 from <https://asic.gov.au/for-business/payments-fees-and-invoices/payment-options/business-name-fees-and-payment-options/#Bnfees>.
[18] Assumed computer cost based on review of laptop pricing from competitive technology retailer, accessed December 2021 <https://www.jbhifi.com.au/collections/computers-tablets/business-laptops>.
[19] Assumed POS system costs based on pricing from large market player for small business, accessed December 2021 <https://squareup.com/shop/hardware/au/en/pos-kits>.
[20] Assumed vehicle costs of $15,000 for a car and $20,000 for a van based on review of second-hand vehicles advertised for sale online. This is conservative.
[21] Assumed baseline cost of $50,000 based on different industries including hospitality, retail and professional services. Reviewed café fit out cost from the following source, accessed December 2021<https://www.accessprojects.com.au/average-cafe-fit-out-costs/>. Reviewed retail fit out cost from the following source, accessed December 2021 <https://www.oneflare.com.au/costs/shop-fit-out>. Reviewed office fit out cost from the following source, accessed December 2021 <https://www.accessprojects.com.au/office-fit-out-costs-sydney/>.
[22] Assumed cost of flyers based on offer from competitive retailer, accessed December 2021 from <https://www.officeworks.com.au/print-copy/p/flyers-pcdhflcp>.
[23] World Bank Group (2020), *Doing Business 2020: Economy Profile, Australia*. Accessed December 2021 from <https://www.doingbusiness.org/en/data/exploreeconomies/Australia>.

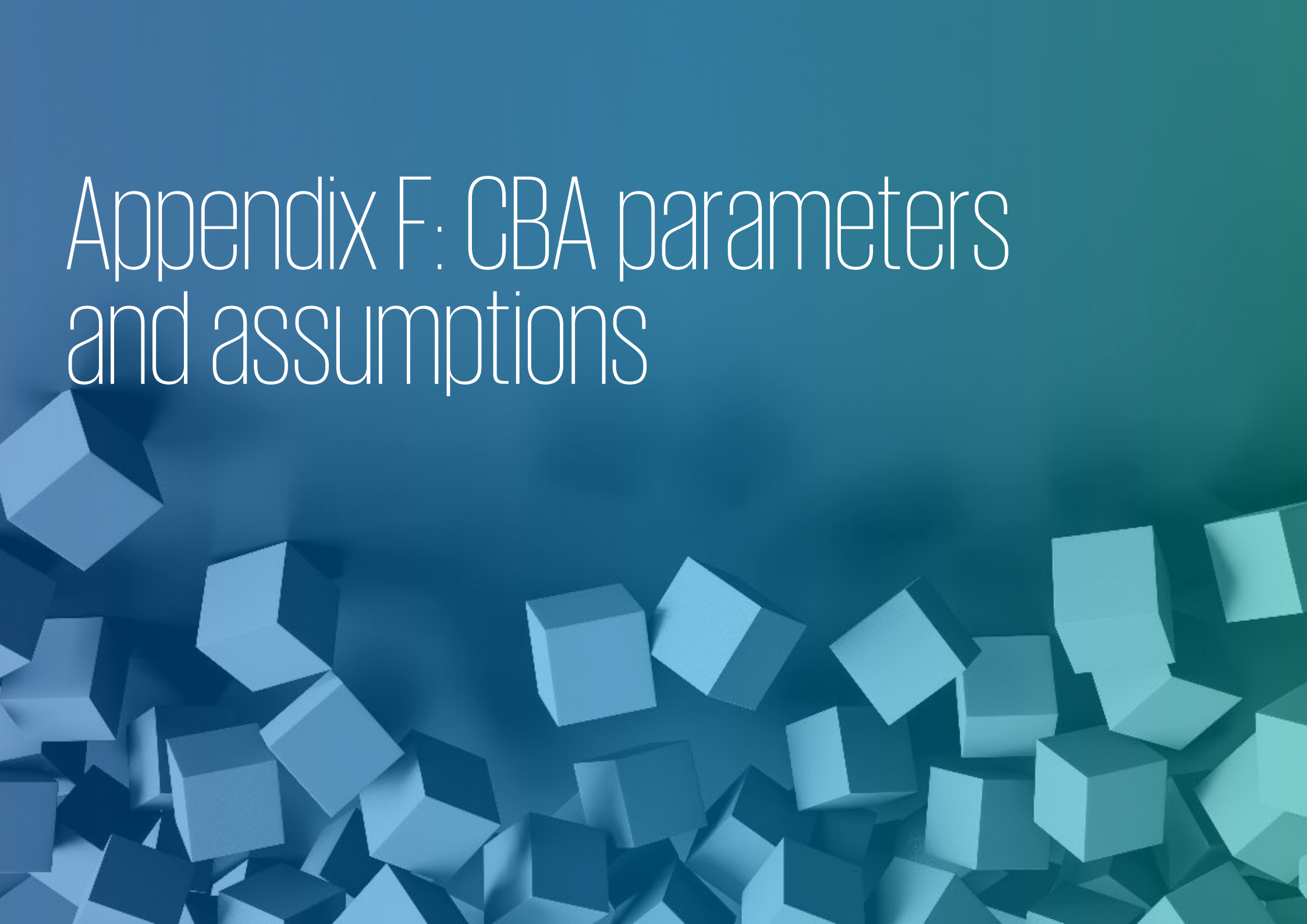
Quantification of Benefits (continued)

The below summarises the quantification approaches for benefits that were adopted for all three grants

Benefit	Quantification approach, including sources and assumptions
Employee retention for surviving businesses	This benefit was quantified as the total incremental labour surplus benefit accrued to employees retained by surviving viable small business who would have otherwise lost their job and therefore earned the unemployment or reservation wage (i.e. JobKeeper). The calculation is as follows: $$labour\_surplus = viable\_businesses\_saved \times average\_employees \times weighted\_average\_wage\_difference$$ $$labour\_surplus = viable\_businesses\_saved \times average\_employees \times \sum_{i=1}^{I} [industry\_prop_i \times (average\_industry\_wage_i - JobSeeker)]$$ Where: • The $viable\_businesses\_saved$ were 42, 35 and 1 for the Support, Recovery and Southern Border Grants, respectively, based on the illion data analysis; • For each grant type, the $average\_employees$ is the average number of employees employed by grant recipients reported in the illion data pre-COVID. This was estimated to be approximately 4 employees per business based on the illion data; • The $weighted\_average\_wage\_difference$ is weighted average incremental earnings of retained employees; • For each grant, the $industry\_prop_i$ is the proportion of grant recipients in industry *i* based on Service NSW Program Data; • The $average\_industry\_wage_i$ is the average wage for industry *i*[24]; and • The $JobSeeker$ wage is the reservation wage[25]. Regarding assumptions, the calculation of the $weighted\_average\_wage\_difference$ assumes that the distribution of business closures and replacements, and therefore new employment opportunities, mirrors the distribution of grant recipients by industry reported in Service NSW Program Data. Furthermore, the broader quantification approach assumes that, under the counterfactual, employees retained by surviving viable businesses would have otherwise been unemployed in the short-, medium- or long-term. Specifically, limited evidence was available to inform specific assumptions, accordingly the analysis assumes that 60 per cent would have been unemployed for 9 months, 35 per cent would have been unemployed for 18 months and the remaining 5 per cent unemployed for the duration of the analysis period.
Indirect producer surplus benefit to secondary businesses	This benefit was quantified as the total producer surplus to secondary businesses resulting from eligible payments made by grant recipients using grant funds. The calculation is as follows: $$producer\_surplus = total\_grant\_funding\_dispersed \times paid\_prop \times surplus\_prop$$ Where: • The $total\_grant\_funding\_dispersed$ is the total value of grant funding paid under each grant program based on Service NSW Program Data; • The $paid\_prop$ is the proportion of grant funds used to make payments to secondary businesses. Based on the COVID-19 Small Business Grant Survey Data for each grant, almost 100% of grant payments appears to have been circulated through secondary businesses through payment to suppliers, business adaptation and marketing; and • The $surplus\_prop$ is the proportion of payments to secondary businesses that represent a producer surplus benefit. This is assumed to be 25 per cent based on average industry profits.

[24] ABS (2021), *Australian Industry*. Accessed December 2021 from <https://www.abs.gov.au/statistics/industry/industry-overview/australian-industry/latest-release#data-download>.
[25] JobSeeker: Services Australia (2021). *What payments you can get*. Accessed December 2021 from <https://www.servicesaustralia.gov.au/individuals/services/centrelink/jobseeker-payment/how-much-you-can-get>.

Appendix F: CBA parameters and assumptions



CBA Parameters and Assumptions

The CBA analysis is underpinned by several parameters and assumptions, which are each detailed in this section.

CBA Parameters

The key parameters for the economic evaluation of each of the grants are outlined in Table 14.

Table 14: CBA Parameters

Item	Assumption	Source
Community of interest	NSW	Base assumption
Base date for NPV	1 January 2020	Base assumption
Cash flow timings	Annually	Base assumption
Real discount rate	7 per cent per annum	NSW Treasury
Period of analysis	2020 – 2024	Base assumption

Note that a five-year period of analysis (2020 – 2024) has been adopted given:

i. Each of the grants were a one-off payment that was intended to support small businesses in the short term with costs for which no other support was available (state-wide or nationally); and

ii. The average length of the Australian economic business cycle since the early 1960s has been approximately four years[26]. Assuming the trough phase commenced in 2020, the timeframe for the business cycle is expected to include the four proceeding years such that the analysis period is 2020 to 2024.

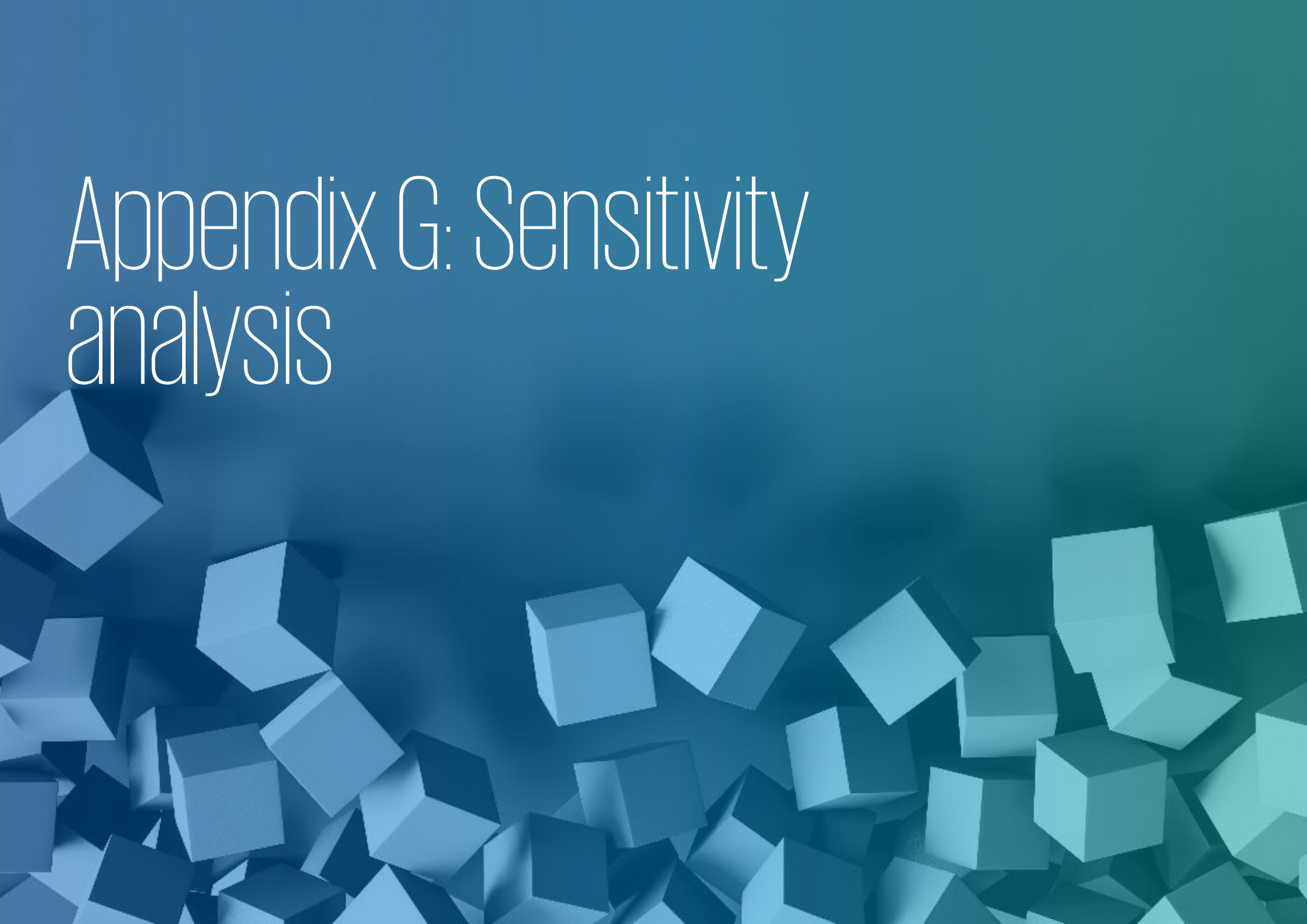
Assumptions

The CBA analysis also relied on several assumptions, which are detailed below:

- NSW Treasury staffing costs relating to the design of each of the COVID-19 small business grants have been included given they pose an opportunity cost to NSW Treasury;
- The concept "businesses that are unviable" in the context of the evaluation is based on a Failure Risk Score allocated to businesses in the illion dataset i.e. their risk of failure is high, very high or severe. These are firms that continue operations while commercially unsustainable;
- Assume that the entirety of the distributed grants monies were used for their intended/eligible purposes i.e. there was no residual grant funding, or as specified by the survey responses;
- Underlying business expectations about the duration of the 2020 lockdown and recovery were similar among grant recipients;
- Small businesses could use funding from the Support Grant or the Southern Border Grant to cover employee wages or salaries only if those employees were ineligible for JobKeeper; and
- Employees employed by all small businesses would have applied for JobSeeker had their employment been terminated during 2020.

[26] Melbourne Institute (n.d.), *Phases of Business Cycles in Australia*. Accessed November 2021 from <https://melbourneinstitute.unimelb.edu.au/publications/macroeconomic-reports/phases-of-business-cycles-in-Australia>.

Appendix G: Sensitivity analysis



Sensitivity Analysis

A sensitivity analysis was completed to evaluate the impact of changes to key variables and assumptions on the overall model results. This analysis included:

i. Alternate discount rates;

ii. Treatment of the value of grants dispersed as a social transfer (rather than an economic cost);

iii. Alternate assumptions underpinning the avoided costs of business destruction;

iv. Alternate assumptions underpinning the quantification of the producer surplus benefit to secondary businesses;

v. Alternate assumptions underpinning the quantification of employee retention by surviving businesses; and

vi. Assuming business survival rates based on survey responses.

Alternate discount rates

The first sensitivity test applied was to vary the discount rate in line with Australian Government guidelines. The recommended sensitivity testing should be undertaken at 3 per cent and 10 per cent[27]. The NPV and BCR for each grant using the different discount rates is shown in Table 15.

From these results is can be concluded that the CBA results are not sensitive to the discount rate.

Table 15: NPV and BCR for the COVID-19 grants using different discount rates

Grant	Discount rate	NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	3 per cent	($406.66)	0.25
	7 per cent	($391.68)	0.24
	10 per cent	($381.14)	0.24
Recovery Grant	3 per cent	($88.79)	0.26
	7 per cent	($85.73)	0.26
	10 per cent	($83.55)	0.26
Southern Border Grant	3 per cent	($13.53)	0.22
	7 per cent	($13.03)	0.22
	10 per cent	($12.68)	0.22

Source: KPMG calculations

Treating the value of grants dispersed as a social transfer

The second sensitivity test treats the COVID-19 small business grants as a social transfer rather than an economic cost. In this case, the total value of grant funding distributed to small businesses is excluded from the CBA model. The estimated producer surplus benefit is also excluded from the NPV and BCR calculation given its quantification is based on the grant funding used by grant recipients.

Table 16 overleaf shows the NPV and BCR for each grant including the value of grants dispersed and producer surplus benefit (i.e. CBA Model) and excluding the value of grants dispersed and producer surplus benefit.

[27] Department of Prime Minister and Cabinet, Office of Best Practice Regulation, 2016, Guidance Note, Cost-Benefit Analysis, Department of Prime Minister and Cabinet, Canberra

Sensitivity Analysis *(continued)*

Table 16: NPV and BCR for the COVID-19 grants using different treatment of the value of grants dispersed

Grant		NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	CBA model	($391.68)	0.24
	Excluding value of grants dispersed and producer surplus	($26.57)	0.17
Recovery Grant	CBA model	($85.73)	0.26
	Excluding value of grants dispersed and producer surplus	($9.27)	0.34
Southern Border Grant	CBA model	($13.03)	0.22
	Excluding value of grants dispersed and producer surplus	($2.30)	0.04

Source: KPMG calculations

From these results is can be concluded that the CBA results are relatively insensitive to the treatment of the value of grants dispersed, with the BCRs for the Support and Southern Border Grants dropping and the BCR for the Recovery Grant increasing. The varied changes in BCR are largely driven by the proportion of total benefits that the producer surplus benefit comprises (which is significantly higher for the Support and Southern Border Grants, relative to the Recovery Grant). When the value of grants dispersed and producer surplus benefit are excluded, the change in total costs is greater than the change in total benefits for the Recovery Grant, and vice versa for the other two grants.

[28] NSW Government (2021), *COVID-19 Economic Recovery Strategy*. Accessed November 2021 from <https://www.nsw.gov.au/sites/default/files/2021-10/economic-recovery-report_211021.pdf>.

Alternate assumptions underpinning the quantification of avoided costs of business destruction

To quantify the avoided cost of business destruction, the CBA model assumes:

- That grant recipients that would have permanently closed in the absence of the COVID-19 small business grants would have otherwise been gradually replaced in the four years following the grant program (2021 – 2024); and
- A conservative baseline cost to start up a small business.

The third sensitivity analysis tests these assumptions by:

i. Assuming that all businesses are replaced in the calendar year following the grant programs (2021) given the quick recovery of the NSW economy prior to the Delta outbreak of June 2021[28]; and

ii. Assuming the baseline cost to start up a business is 10 per cent greater than estimated in the CBA model.

Table 17 shows the conservative estimated baseline cost to start up a small business under each grant and the higher baseline cost used for the Sensitivity Analysis.

Table 17: Baseline costs to start up a small business

Grant	CBA baseline start up cost	Sensitivity Analysis baseline start up cost
Support Grant	$42,636	$46,900
Recovery Grant	$71,466	$78,613
Southern Border Grant	$47,730	$52,503

Source: Service NSW (2021)

Sensitivity Analysis *(continued)*

Table 18 below shows the NPV and BCR for each grant in the CBA model, for each grant assuming all surviving business would have otherwise been replaced in 2021 and for each grant assuming the baseline cost of starting a business is 10 per cent higher. From these results is can be concluded that the CBA results are not sensitive to these assumptions regarding avoided cost of business destruction.

Table 18: NPV and BCR for the COVID-19 grants with varying assumptions to quantify the avoided cost of business destruction

Grant		NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	CBA model	($391.68)	0.24
	All businesses replaced in 2021	($391.53)	0.25
	Higher baseline start up cost	($391.54)	0.25
Recovery Grant	CBA model	($85.73)	0.26
	All businesses replaced in 2021	($85.52)	0.26
	Higher baseline start up cost	($85.53)	0.26
Southern Border Grant	CBA model	($13.03)	0.22
	All businesses replaced in 2021	($13.03)	0.22
	Higher baseline start up cost	($13.03)	0.22

Source: KPMG calculations

Alternate assumptions underpinning the quantification of the producer surplus benefit to secondary businesses

To quantify the producer surplus benefit to secondary businesses the CBA model assumes:

- A proportion of grant funds used to pay other producers or service providers (100 per cent, based on eligible uses); and
- A proportion of this spending using grants funding that represents a producer surplus benefit to secondary businesses (25 per cent).

The fourth sensitivity analysis tests these quantifications by varying the assumed proportion of spending that represents a producer surplus benefit to 15 and 35 per cent.

Table 19 shows the NPV and BCR for each grant in the CBA model, for each grant assuming 15 per cent of spending using grant funds represent a producer surplus benefit to secondary businesses and for each grant assuming 35 per cent of spending using grant funds represent a producer surplus benefit to secondary businesses.

Table 19: NPV and BCR for the COVID-19 grants with alternate assumed proportions of spending using grant funding that represent a producer surplus benefit to secondary businesses

Grant	Proportion of spending using grant funds that represent a producer surplus benefit to secondary businesses	NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	15 per cent	($440.36)	0.15
	25 per cent	($391.68)	0.24
	35 per cent	($343.00)	0.34
Recovery Grant	15 per cent	($95.92)	0.17
	25 per cent	($85.73)	0.26
	35 per cent	($75.53)	0.35
Southern Border Grant	15 per cent	($14.46)	0.13
	25 per cent	($13.03)	0.22
	35 per cent	($11.60)	0.31

Source: KPMG calculations

Sensitivity Analysis *(continued)*

From these results is can be concluded that the CBA results are sensitive to this assumption. This is to be expected given the quantification relies on the large pool of grant funding dispersed to eligible grant applicants.

Alternate assumptions underpinning the quantification of employee retention by surviving businesses

To quantify the labour surplus benefit to employees retained by surviving businesses as a result of the COVID-19 grants, the CBA model assumes that:

- 60 per cent of employees that would have otherwise lost their jobs would have remained unemployed in the short-term for approximately 9 months;
- 35 per cent of employees that would have otherwise lost their jobs would have remained unemployed in the medium-term for approximately 18 months; and
- 5 per cent of employees that would have otherwise lost their jobs would have remained unemployed in the long-term for the duration of the analysis timeframe (i.e. 2020 - 2024).

The fifth sensitivity analysis tests this quantification by assuming that all employees that would have otherwise lost their jobs would have been unemployed in the short term for approximately 9 months following the introduction of Public Health Restrictions.

Table 20 shows the NPV and BCR for each grant in the CBA model and for each grant assuming all employees would have otherwise found employment in the short term had the business they worked for permanently closed in the absence of the grant.

Table 20: NPV and BCR for the COVID-19 grants with different assumptions on the time to find new employment for employees that would have otherwise lost their jobs in the absence of the grant

Grant		NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	CBA Model	($391.68)	0.24
	All employees would have found employment in the short term	($393.07)	0.24
Recovery Grant	CBA Model	($85.73)	0.26
	All employees would have found employment in the short term	($86.69)	0.25
Southern Border Grant	CBA Model	($13.03)	0.22
	All employees would have found employment in the short term	($13.05)	0.22

Source: KPMG calculations

From these results is can be concluded that the CBA results are not sensitive to this assumption. This is likely due to the low number of businesses that survived as a result of the grants (based on the outcomes evaluation using illion data) and, therefore, the lower number of employees who retained their jobs as a result of the grants.

Sensitivity Analysis *(continued)*

Assuming business survival based on survey responses

To quantify both the avoided cost of business destruction and the labour surplus benefit, the CBA model uses an assumed proportion of grant recipients that survived as a result of receiving a grant. This proportion or survival rate is derived from the results of the outcome evaluation using illion data (except in the case of the Southern Border Grant, as previously discussed).

The sixth sensitivity analysis tests this assumed survival rate by assuming that the survival rate is instead based on survey responses regarding whether grant recipients believe their business would have permanently closed in the absence of the grant. Table 21 below compares the survival rates and total surviving businesses using the illion data (i.e. CBA Model) and using survey responses.

Table 21: Business survival used in the CBA Model and using survey responses

Grant		Proportion of grant recipients that survived as a result of the grants	Approximate total grant recipients that survived as a result of the grants
Support Grant	CBA Model	0.08%	42
	Survey responses	28.00%	14,731
Recovery Grant	CBA Model	0.10%	35
	Survey responses	20.00%	7,339
Southern Border Grant	CBA Model	0.04%	1
	Survey responses	8.00%	178

Source: KPMG calculations using illion data and COVID-19 Small Business Grant Survey (2021)

Table 22 shows the NPV and BCR for each grant in using the survival rates derived from the illion data (i.e. CBA model) and for each grant using the survival rates derived from survey responses.

Table 22: NPV and BCR for the COVID-19 grants using the survival rates derived from the illion data and using survival rates derived from survey responses

Grant		NPV of Net Benefit/(Deficit) ($mill)	BCR
Support Grant	CBA Model	($391.68)	0.24
	Business survival rate based on survey responses	$1,473.51	3.84
Recovery Grant	CBA Model	($85.73)	0.26
	Business survival rate based on survey responses	$885.41	8.64
Southern Border Grant	CBA Model	($13.03)	0.22
	Business survival rate based on survey responses	$5.89	1.35

Source: KPMG calculations using the COVID-19 Small Business Grant Survey (2021)

From these results is can be concluded that the CBA results are sensitive to the assumed survival rate, with each NPV no longer in deficit and the estimated BCRs significantly higher for each grant. This is to be expected given the significant difference in survival rates derived from the illion data and the survey responses.

Sensitivity Analysis *(continued)*

Further detail on the sensitivity test undertaken to test the impact of using the assumptions derived from the survey responses of grant recipients (rather than the statistically significant DID analyses of the survey/ illion data) are as follows. These are included only for illustrative purposes and should not be interpreted as forming part of the key results of the economic evaluation due to issues with using subjective data that does not control for the counterfactual.

Table 23: Summary outcome evaluation results by grant

Methodology	Conclusion	Result

1. **Difference in differences analysis using illion data.**	• **In the short term Support Grant recipients** were more likely to survive than the comparison group in the period of interest in 2020 (July to December), compared to the same period in 2019.
	• **In the medium term**:
	  • **Viable Support Grant recipients** were more likely than the relevant comparison group to survive to the period of interest in 2021 (January to June).
	  • **Support Grant recipients with an uncertain future** were more likely than the relevant comparison group to survive to the period of interest in 2021 (January to June).
	• **In the short term Recovery Grant recipients** were more likely to survive than the comparison group in the period of interest in 2020 (July to December), compared to the same period in 2019.
	• **In the medium term viable Recovery Grant recipients** were more likely than the relevant comparison group to survive to the period of interest in 2021 (January to June).
		• Coefficient: 0.0011** / P value: 0.0009***
		• Coefficient: 0.0018*** / P value: 0.0002***
		• Coefficient: -0.0002** / P value: 0.009**
		• Coefficient: 0.0005*** / P value: 0.0004***
		• Coefficient: 0.0026*** / P value: 0.0009***

2. **Difference in differences analysis using survey responses.**	No statistically significant impact was identified.	N.a.
3. **Using the grants recipients survey responses**	• A portion of recipients for each grant stated that in their opinion: The impact on their business if they didn't get the grant would have been "*Permanent closure of the business*". • A portion of recipients of each grant stated that in their opinion: The grant was "*Very important – we would not have survived without it*".	• Support 28%, Recovery 20% and Southern Border 8% - <u>These results are used for the sensitivity on the CBA</u> • Support 81%, Recovery 49% and Southern Border 62%