**Issue: How Can Philadelphia Be Better Prepared Financially for Disasters Like Covid-19**

Like the rest of the country, Philadelphia’s well is running dry in the effort to keep its economy afloat and its people healthy during a pandemic. Business as usual will not suffice.

**Need: A Mechanism That Can Get Money Fast To Those Individuals, and to those Public and Private Entities, Who Have No Safety Net to Protect Themselves in the Crisis.**

Speed and competence are essential when dealing with an emergency, so that those endangered are reassured that damage will be contained and help will be provided, including with respect to finance. While the coronavirus crisis is global, a catastrophe like an industrial accident may be local; whatever the case, the City needs financial capability to act quickly and independently.

**Solution: Create A Philadelphia Public Bank to Keep the City Whole**

Public banks are uniquely prepared to spring into action in times of crisis like this COVID-19 challenge.  A Philadelphia public bank could provide the financing to secure local emergency facilities and PPEs. It could direct disaster relief money to small businesses before they are unable to meet payroll or pay their rent.  A local bank could buy supplies today and wait to get replenished by more slow-moving federal grants.

We have direct current experience of how a public bank can make a difference in this country:

According to a Washington Post article in May:

In the first few chaotic weeks of the Paycheck Protection Program, federal officials and banks throughout the country struggled to get bailout funds to small businesses as layoffs and furloughs climbed into the tens of millions.

But there was one exception, a place where loans found their mark more quickly than any other: North Dakota.

Small businesses there secured more PPP funds, relative to the state’s workforce, than their competitors in any other state — more than $5,000 per private-sector worker as of May 8, according to a Washington Post analysis.

In the program’s troubled first round in particular, the state put business lenders in the rest of the country to shame. North Dakota small businesses appeared to have a significant advantage in administration and organization.

What’s their secret? Much credit goes to the century-old Bank of North Dakota, which — even before the PPP officially rolled out — coordinated and educated local bankers in weekly conference calls and flurries of calls and emails.

<https://www.independenttribune.com/content/tncms/live/>

In Germany, we have an example on a national level of how a public banking infrastructure is helping disaster relief for the disruption caused by the COVID-19 pandemic. The KfW, the country’s public bank network, [will provide all the credit German companies will need](https://www.dailymail.co.uk/news/article-8109663/Germany-offers-companies-unlimited-credit-tackle-coronavirus.html?mc_cid=17a4b5e856&mc_eid=79a9066246) to stay afloat during the coronavirus crisis. On March 13 Germany’s Finance Minister Olaf Scholz was quoted in the press saying “There is no upper limit to the credit offered by KfW ...If [the pandemic] lasts longer, we can go on longer. You can be courageous; the risks will be carried by us.”  Minister of Economics and Energy Peter Altmaier added that $604 billion in government-backed loans is just for starters. He promised “We will not fail because of a lack of money and political will. This means that no healthy company, no job should find themselves in trouble.” Businesses in Germany can immediately access loans over $500,000 through their local banks called Sparkassen. The loans carry an interest rate as low as 1%, with interest-only payments for the first two years.

In contrast, in the USA, our federal government struggled to enact an encyclopedia-sized one-time relief package to support business and sustain employment.  As historic as that package is, it does not create a framework for managing the financing of future societal challenges like the ones that the slowly accelerating environmental crisis has set directly in the road ahead – tornadoes, wildfires, floods, drought, pestilence, crop failure and population migration.

Public banks have demonstrated their ability to manage such challenges. In 1997 North Dakota used its public bank, established in 1919 and owned by the State, to bring [instant relief to residents stricken with disaster.](https://thebndstory.nd.gov/an-agile-partner/role-in-disaster-relief/) That year during an extremely harsh winter, the Red River Valley flooded and the Bank of North Dakota, sprang into action. BND in partnership with local banks provided loans immediately to ranchers, homeowners and small businesses. The funds were used to repopulate herds, rebuild homes and reopen businesses without the red tape and delay of Federal programs.  When the national government got disaster funding through the pipeline, the afflicted communities reimbursed the Bank for its interim support. Over the years since then, BND has paid out 200 million after tornadoes and floods to get money to afflicted communities immediately, well in advance of federal disaster aid.

A Philadelphia Public Bank, working with its community bank partners and City, state, and federal agencies, can respond quickly and agilely to mitigate the financial impact of emergency situations.