
Responding to the pressures of an economic slowdown caused by the global outbreak of COVID-19 is different from dealing with a recession in a business cycle. Stimulating economic activities is likely to exacerbate disease transmission, while large-scale quarantine and social distancing measures implemented across the world have unavoidable economic and financial repercussions, which disproportionately impact low-income, vulnerable populations. This brief summarizes policies intended to address the anticipated short-term economic costs of COVID-19, while keeping in mind public health objectives to minimize the spread of the disease. These policy recommendations look to achieve the following:

- Ensure **poor households** have sufficient income to meet daily needs through the social distancing and quarantine period.
- Provide continued access to food, medicine, and health services to **low-income households and informal workers** residing in and around Metro Manila.
- Facilitate cash flow for **small and medium-enterprises** facing drastically reduced business to remain afloat.
- Enable **salaried workers** in the formal sector to take paid sick leave and retain their jobs.
- Reduce unnecessary financial burden to **businesses and individuals facing heightened financial insecurity**.

1. **DISTRIBUTE UNCONDITIONAL CASH TRANSFERS LEVERAGING PANTAWID PAMILYANG PILIPINO PROGRAM (4P) INFRASTRUCTURE.**

*Why do this:* Help the most vulnerable households who cannot adequately self-insure during a public health crisis. Unconditional cash transfers have **widely been shown** to be effective in maintaining food security during humanitarian crises, while also supporting the local economy.

The Department of Social Welfare and Development should consider expanding the current 4P scope by: 1) Distributing a one-off unconditional cash transfer (rather than transfers conditional on health check-up and schooling requirements). We recommend these amounts to be comparable to the current maximum grant package, for the course of the quarantine. 2) Temporarily increasing 4P coverage to those groups who may not meet current eligibility criteria but who are at risk of becoming newly vulnerable to the current crisis due to anticipated income or job loss. These beneficiaries include informal sector workers and salaried/daily workers, particularly workers who travel to Metro Manila to work on daily basis, but may not able to due to travel restrictions. 3)
Consider alternative delivery channels for recipients that do not have cash cards. These may include remittance, microfinance, and other institutions with existing infrastructure to reach the vulnerable poor.

We recommend this as the **front-line option** to insure the poor against the threat of income and consumption shocks from reduced economic activities arising from current quarantine measures. This is comparable to the approach instituted by the Australian Government as of March 12 of providing financial assistance to around 6.5 million lower-income Australians in response to COVID-19. Expansions to CCTs have also been used as a crisis-response measure in other contexts, as summarized in this paper.

2. **DISTRIBUTE IN-KIND TRANSFERS, RELY ON EXISTING FOOD DISTRIBUTION NETWORKS OR TRANSPORTATION NETWORKS.**

**Why do this:** Supplying people with cash transfers (as described in #1 above) tends to be more cost-effective than in-kind food distribution, and is also less disruptive to local food outlets. But it will probably be impossible to rapidly change the 4P program to include all people made newly vulnerable due to quarantining. Therefore, in this time of reduced market access it is important to have an additional safety net to ensure those who are vulnerable have access to food and health necessities during quarantine, while reducing the need to travel to and convene in crowded public spaces to do so.

Partner with existing stakeholders who have access to vulnerable barangays and urban settlements to coordinate targeted delivery of food and medicine. Leverage existing distribution networks, for example: via NGOs serving these communities, companies with wide-reaching and granular distribution networks in the Philippines (such as Coca Cola Inc). Large, private bus and jeepney transport lines are used as the primary mode of transportation for low-income urban dwellers and service granular areas of the city. Stops along existing transport routes can serve as distribution points. The municipal government may consider partnering with them to achieve multiple public health and economic security objectives: 1) Buy out their time to reduce public health risks of mass public transportation, 2) Provide continued source of income of bus and jeepney drivers and 3) Reach and deliver in-kind transfers to vulnerable areas of Metro Manila by leveraging existing transport routes.

Partnering with the private sector to improve supply chains has been proposed for medicine supply chain distribution in low resource settings and has successfully been carried out in humanitarian crisis-response contexts, including Ebola crisis response.
3. USE MOBILE HEALTH CLINICS TO SERVICE ISOLATED AND VULNERABLE GROUPS.

**Why do this:** Mobile health clinics will provide adequate health access to those in the informal sector living in areas outside Metro Manila during the time of the quarantine. This is especially crucial for displaced informal workers stuck outside the city with limited care options.

A mobile health clinic operates as a primary health center with a doctor’s office, exam room, or contain testing facilities located inside a large van or bus. These vehicle-based clinics travel to medically underserved areas to help connect patients to care, and overcome financial and access barriers to care. They have been endorsed by the World Health Organization (WHO), and used in the US and several low and middle income countries to expand access to primary care, provide HIV testing, and provide vital health services in refugee settings. These clinics can combine COVID-19 testing services as well as other primary care services. During the COVID-19 pandemic, mobile clinics have the added advantage of minimizing transport to health centers and the associated risk of spreading disease by bringing healthcare directly to communities.

4. ENSURE CASH FLOW FOR MICRO, SMALL AND MEDIUM SIZE ENTERPRISES (SME)

**Why do this:** To avoid dissolution of viable businesses who do not have the required cash-flow to weather this crisis. Ensuring cash-flow through this large systemic shock will facilitate economic rebound in upcoming months.

For government-funded lending programs such as Pondo sa Pagbabago at Pag-asenso (P3), consider assuming higher absorption of risk along the following lines: 1) Ease loan repayment conditions for existing and future loans, including extending loan repayment over longer periods; 2) Consider making all outstanding loans for SMEs interest-free, and extending interest-free loans to SMEs for the coming months.

These approaches are intended to offset the drop in demand for local businesses, rather than contribute to the spread of COVID-19 by keeping them open. As such, these efforts should be combined with strong communications campaigns concerning best practices of businesses during COVID-19 and implementation plans to carry this out in the coming month or so.

5. ENABLE WORKERS TO REMAIN HOME WHILE SICK.

**Why do this:** Help ease layoff pressures by allowing employers to retain their employees while containing spread of disease.
Policy measures to this end include: 1. Layoff freeze. 2. Mandate minimum of 14 days paid sick leave for all workers, with no doctors note required. 3. In addition to 1 and 2, provide government subsidized sick leave for workers who have been diagnosed with COVID-19, caring for a sick family member, or responsible for a child due to school and facility closures. This effort should prioritize extending the publicly-funded benefits to small-and-medium sized businesses with less capacity to absorb productivity and profit losses, as well as to businesses in sectors anticipated to be hardest hit by COVID-19 (e.g. tourism, transport, services). Similar approaches have been proposed and implemented in Australia and the US. Note that this approach primarily affects workers in formal businesses, as it will not be possible to enforce for the informal sector.

6. REDUCE OTHER FORMS OF FINANCIAL BURDEN TO BUSINESSES AND INDIVIDUALS BY EXTENDING OR DEFERRING TAX PAYMENTS.

Why do this: Reduce burden and allow for longer financial planning periods for individuals and companies who face increased financial uncertainty.

The following policies can be enacted at relatively low cost: Companies and individuals who struggle to meet tax deadlines may be automatically allowed a government-mandated delay, with waived late fees. Consider several months’ extension of tax due dates beyond the April 15 deadline. These policies have been proposed in the US. In the Philippines, there are no immediate plans to pursue this approach; extending tax deadlines have been dismissed by the Bureau of Internal Revenue as of March 11, and late-payers will continue to incur a 25 percent surcharge, in addition to 12 percent annual interest. If a broad-based policy is not possible, a more targeted approach may be to identify critical sectors that have been hit hard by COVID-19 and allow deferral of tax payments until next year. Additionally, a VAT holiday could ease the financial burden on poor households. This has been implemented in many countries as a response to COVID-19.

CONTACT
Daniel Stein, Chief Economist, San Francisco: daniel.stein@idinsight.org
Crystal Huang, Economist, San Francisco: crystal.huang@idinsight.org
Meg Battle, Senior Manager, Manila: meg.battle@idinsight.org
Aya Silva, Manager, Manila: aya.silva@idinsight.org