

Y2K ACTION AT THE WORLD BANK

# THE MILLENNIUM BUG & DEVELOPMENT

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Greater use of information and communication technology offers far-reaching opportunities for the future of economic development and the alleviation of poverty. Yet now as each day takes us closer to the next century, the Year 2000 (Y2K) computer problem can threaten the development already achieved. For many industrial and developing nations alike, the "millennium bug" holds the potential to disrupt the operations of infrastructures and public service systems that governments depend upon. At the World Bank, as at other international organizations, the bug can affect computerized systems in key components of development projects. The potential effects are far reaching and without borders.

The dimensions of the global Information Age have made the Y2K problem an international issue, one with a fixed and immovable deadline. Doing nothing is not an option. Developed and developing nations must act in their own self-interest to fix the problem and the time is getting short.

Even the least developed countries depend on



computerized systems for power, water, fuel, transportation and medical devices that could be affected by the Y2K problem, putting economies at risk.

Recognizing this, the World Bank in 1995 put into place a multidonor programme called *infoDev*, and the World Bank Group has taken on the challenge of catalyzing governments to address the Y2K problem. (See box, next page.)

In May 1998, *infoDev* launched a Y2K assistance programme with a donation from the government of the

United Kingdom earmarked for public and governmental awareness, grants, information tools, and technical assistance. To date, the *infoDev* Y2K initiative has provided more than US \$15 million in funding to over 90 countries. The

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## Y2K IN DEVELOPING COUNTRIES

The World Bank Group is advising governments to ensure that Y2K problems do not undermine activities connected with the Bank's loans to developing countries, ranging from support for power generation to pension reform. As of January 1999, about one-third of the World Bank's portfolio of 1698 projects were considered to be at high risk of Y2K disruptions. These are mostly projects in health, power, finance, and communications.

A World Bank survey (conducted from October to December 1998) covering 139 developing countries found that only 39.5 percent of them had an appointed national Y2K coordinator and an action plan to make their systems Y2K-compliant. Last December, officials from 120 countries who gathered at the United Nations to discuss the problem, agreed that their governments should assign the "highest priority" to the Y2K problem. Since then 38 additional national coordinators were appointed — in total 67% of surveyed countries.

Having a national plan is only the first step in getting systems ready for 2000. Implementing such plans is costly, both in funds and deployment of highly skilled technicians. While wealthy countries and large companies have the needed money and people to immunize embedded systems, computers and their operating software from the millennium bug, many developing countries cannot muster the resources to tackle a problem that most see as a vague and distant threat.

The millennium problems of Sub-Saharan Africa, for example, are unlikely to have major effect on worldwide telecommunications, but may have a significant impact on indigenous Sub-Saharan "telecomm" operators and the local economies of the region. Conservative estimates of the telecomm direct compliance costs in the region are approximately US \$200 million.

The Y2K preparedness in developing countries appears consistent with the level of gross domestic product and is generally characterized by a slow and, in some cases, complacent response to Y2K. This can be attributed to the existence of other national priorities including resources scarcity, social instability, natural disasters, government turnover, just to name a few. Another explanation for the developing nations' complacent stand towards the Y2K problem is the over-reliance on industrialized countries for technology support and vendor assistance.

As the millennium inches ever closer, however, the consequences of inaction and lack of preparedness grow more real. For example, many developing countries, such as those in Africa, have regional power-sharing arrangements where they rely on a neighbor's electrical

supply which, in turn, uses computer micro-chips and software that may not be Y2K-compliant.

Middle Eastern countries depend on computer-managed water desalinization plants for freshwater supplies, and oil drilling rigs around the world use "embedded" chip systems, some of them buried on the ocean floor. Food and fuel distribution networks, health care, education, and road, air and maritime links could be severely affected.

**Planning Ahead.** The same interdependence threat applies to trading partners that rely on developing countries for the supply of raw materials, manufactured goods and off-shore labor. Beyond these threats, Y2K disruptions could potentially trigger social instability, a backlash against technology and donors or cause a strain on diplomatic relations.

It is already too late for most developing countries to carry out enough Y2K preparations to avoid all disruptions. Instead, they should urgently devise contingency plans. The plans should identify, for example, a society's critical sectors and systems e.g., water, telecommunications, power, food, health care, transport, finance and trading, checking the bugs in them, and preparing a backup plan should those systems, or their "fixes", fail on 1 January 2000.

But this Herculean task costs money and more than everything else political leadership, for developing countries to focus on an "obscure" technological glitch amid the multitude of day-to-day economic and social problems faced by them.

For the donor community, coordinated actions, such as the ones envisaged under the International Year 2000 Cooperation Center, are a must. The pay-off in mitigating developmental impacts of the Y2K bug and in averting major negative externalities from disruptions abroad can be substantial.

Through *infoDev*, the World Bank will continue to support the Center in helping countries better assess their status of readiness, develop contingency plans and deal with regional and global interfaces. Following up on contacts with world leaders, the Bank will continue its dialogue with governments of its client countries to accelerate interventions to address this important problem.

*--Mr. James P. Bond, Coordinator of Year 2000 operational initiatives at the World Bank and Director for Energy, Mining and Telecommunications. For more information on the World Bank's Y2K activities, visit [www.worldbank.org/y2k](http://www.worldbank.org/y2k)*

## Y2K HELP LINE

One initiative of the World Bank's *infoDev* programme is the provision of Y2K technical assistance to governments, particularly concerning the bug's potential effect to critical services and operations in key sectors of society. Funds are being provided to send technical teams to developing countries for performing and validating Y2K readiness assessments and for developing contingency plans. The teams are drawn from a list of consultants, including experts from specialized international organizations, with expertise in information technology, project management, and contingency planning. A guide to applying for technical assistance is available on the Bank's Web site at [www.worldbank/y2k](http://www.worldbank/y2k). Proposals may be submitted electronically in English, French, or Spanish.

Mr. Carlos A. Prima Braga, *infoDev* Manager, recently highlighted the technical assistance initiative in underscoring the importance of global cooperation against the millennium bug. At the United Nations Second Global Conference of National Y2K Coordinators in New York 21-23 June 1999, he urged countries to intensify efforts in months ahead. Though important progress had been made over the past year, many gaps in global Y2K readiness remain, he said. They range from specific concerns about segments of the infrastructure, such as telecommunications, energy, and transportation systems, to the preparedness of smaller sized enterprises and local authorities.

grants are assisting developing countries with the preparation of national plans to assess and identify the scale of the problem, and to fix problems that are found. Only half of the financial commitment has been given to the least developed countries, in part because of the delayed governmental awareness and other national priorities, such as daily subsistence, natural disasters, and financial constraints.

Through 18 regional seminars, *infoDev* has reached 1500 high-level government officials to raise awareness and provide information on best practices for national governments. Guidance is provided through a tool kit for developing countries. The kit is posted on the *infoDev* Y2K Web site, in Arabic, English,

French, Spanish, and Russian. Links to developing country Web sites and other sources of information have proved to be valuable for accelerating efforts in those countries just beginning to address the problem.

Overall, *infoDev* works directly with approximately 150 national coordinators addressing the Y2K problem. As time is getting short and nearly half of the least developed countries have not reported taking action, *infoDev* is making available technical consultants for continuity planning in the high-risk sectors. (See box, *this page*.) In addition, the programme is working closely with the International Y2K Cooperation Center, established in February 1999

to facilitate regional cooperation and sharing of information and resources. Specifically, funding is provided to developing countries to attend regional and global meetings where strategies for Y2K cross-sector and cross-border issues can be shared.

Conferences also have been held with the multilateral development banks, the International Monetary Fund (IMF), United States Agency for International Development (USAID), and the International Finance Corporation (IFC), among others, who have a singular focus of concentrating on countries lagging behind on the Y2K problem.

The global effort in dealing with the Y2K problem and the initiatives taken by *infoDev* and the World Bank Group, are embodied in the statement of Mr. James P. Bond, Director of Energy, Mining and Telecommunications.

"Next January first," he said, "will unleash a chain of problems that will touch everyone on the planet, with the most damaging effect hitting the least prepared, namely, governments and businesses providing services to the world poor. Efforts by the World Bank, the United Nations and others can support some Y2K fixing, but their most important effect should be a wake-up call to national and international organizations to get involved in preemptive action now."

An urgent task is for developing countries to devise contingency plans for those vital systems that are not yet Y2K-ready, as they dash to develop, albeit late, an overall solution. □