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**Concluding Remarks by the Acting Chairman
Fund Financing for Y2K-Related Balance of Payments Difficulties
Executive Board Meeting 99/105
September 16, 1999**

This has been a preliminary discussion, but one that has taken us a good way toward the decisions we will need to take.

It is clear that, despite all the efforts and progress in repairing computer systems, the risk that Y2K problems will arise is still believed to exist, and it has potentially serious consequences for growth, international trade, and capital flows. In light of this, Directors thought it was important for individual members and the system, particularly emerging market member countries but also others, that the Fund be in a position to provide timely, and possibly sizable, financial support to members experiencing Y2K-related balance of payments difficulties.

In providing such support it was generally accepted that:

First, it would be very difficult to craft a precise definition of what a Y2K-related balance of payments problem is in the abstract, and the Board will have to exercise a substantial element of judgment in assessing any requests for Y2K balance of payments assistance.

Second, the Board wants members seeking such support to be doing all they can to address Y2K problems that are under their control, and to present a clear plan to the Board for prompt corrective action of Y2K problems. The Fund should take the opportunity of the Annual Meetings to press members to take whatever preventive action is still possible and to put in place contingency plans for dealing with problems that may arise. It would also be helpful if Directors could stress this point to their authorities who will be attending the meetings.

Third, it will be important for the Fund to look to safeguard the use of its resources in this context by requiring a good record of cooperation with the Fund, a generally sound policy stance, and a positive assessment by the Fund of the member's capacity to repay.

Regarding the modalities of Fund support, most Directors considered that a temporary and short-term facility dedicated to Y2K balance of payments problems would provide the clearest and most convincing form of Fund response, although there was a discussion of what could be done without creating a special facility. We will need to return to the specifics. Although a few Directors were not yet in a position to provide views on the proposed facility

and its modalities, there seems to be broad support for the main features of such a facility along the following lines:

First, support would be provided in the form of outright purchases.

Second, access should be set in relation to need, and subject to a maximum limit of probably a hundred percent of quota possibly with larger access under an exceptional circumstances clause.

Third, purchases would be subject to repurchase expectations of six months, with repurchase obligations of no more than one year from the date of purchase.

Fourth, purchases would be subject to a surcharge over the basic rate of charge, with many Directors indicating they could support a surcharge in the range of 250–300 basis points, possibly with rising charges if an extension of a repurchase expectation were requested by a member and approved by the Board.

Fifth, the facility would be of short duration, possibly until the end of March 2000.

The staff will circulate a draft decision for the Board to consider next week.