

Table 1. Thailand: Macroeconomic Framework, 1996-98

	1996	1997	1998	
	Revised	Estimate	Second Review	Third Review
Real GDP growth (percent)	5.5	-0.4	-3 to -3.5	-4 to -5.5
Consumption	6.7	0.1	-5.0	-8.0
Gross fixed investment	6.0	-16.0	-21.0	-24.0
CPI inflation (end period, percent)	4.8	7.7	10.6	10.0
CPI inflation (period average, percent)	5.9	5.6	11.6	10.5
Saving and investment (percent of GDP)				
Gross domestic investment	41.7	35.0	29.1	28.2
Private, including stocks	31.5	23.5	17.6	16.4
Public	10.2	11.5	11.5	11.8
Gross national saving	33.7	32.9	33.0	35.0
Private, including stat. discrepancy	20.6	22.2	23.0	25.6
Public	13.1	10.7	10.0	9.5
Foreign saving	7.9	2.0	-3.9	-6.9
Fiscal accounts (percent of GDP) 1/				
Central government balance	2.4	-0.9	-1.6	-2.4
Revenue and grants	19.5	18.3	15.8	15.5
Expenditure and net lending	17.1	19.2	17.4	17.9
Overall public sector balance	2.7	-2.1	-2.0	-3.0
Monetary accounts (end period, percent)				
M2A growth	12.7	2.1	5.1	9.0
Reserve money growth	12.0	4.7	6.6	6.6-8.0
Balance of payments (billions of US\$)				
Exports, f.o.b.	54.7	56.7	60.1	57.5
Growth rate (in dollar terms)	-1.9	3.8	6.2	1.4
Growth rate (volume terms)	-5.1	9.2	10.6	8.8
Imports, c.i.f.	70.8	61.3	56.8	50.5
Growth rate (in dollar terms)	0.6	-13.4	-7.7	-17.7
Growth rate (volume terms)	-4.0	-11.8	-5.2	-13.6
Current account balance	-14.4	-3.0	4.4	8.5
(percent of GDP)	-7.9	-2.0	3.9	6.9
Capital account balance	16.5	-15.6	-12 to -14	-14 to -16
Medium- and long-term	11.3	6.3	2-3	4-6
Short-term 2/	5.2	-21.9	-15 to -16	-18 to -20
Overall balance	2.2	-18.6	-8 to -10	-6 to -8
Gross official reserves (end year)	38.7	27.0	23-25	26-28
(Months of imports)	6.6	5.3	4.9-5.3	6.2-6.7
(Percent of short-term external debt)	103.0	90.1	109-118	114-123
Forward position of BOT (end year) 3/	-4.9	-18.0	-9.0	-9.0
External debt (percent of GDP)	49.9	59.6	76.3	72.5
(billions of US\$) 4/	90.5	91.8	85.9	89.7
Public sector	16.8	24.5	31.7	32.3
Private sector	73.7	67.3	54.2	57.4
Medium- and long-term	36.2	37.4	33.6	34.5
Short-term	37.6	29.9	20.6	22.8
Debt service ratio 5/	12.1	15.8	18.8	19.5

Sources: Information provided by the Thai authorities; and staff estimates.

1/ On a fiscal year basis.

2/ Including outflows associated with the closing of swap and forward contracts by the Bank of Thailand, and errors and omissions.

3/ Consistent with the elimination of all BOT offshore forward and swap obligations by end-1998.

4/ Excludes loans (estimated at around \$4 billion at end-1997), proceeds of which were not brought by Thai corporations into Thailand.

5/ Percent of exports of goods and services.

Box A. Action Plan for Financial System	
Measure	Date
I. BANKING SYSTEM	
1. <ul style="list-style-type: none"> • Signing of new MOUs with all banks on recapitalization through end-1998. • New MOUs will be signed subsequently until the new provisioning rules for the year 2000 have been met. 	August 15, 1998 (performance criterion)
2. Radahanasin Bank to acquire foreign strategic partner.	1998
II. SPECIALIZED STATE BANKS	
3. Assessment of supervision and regulatory framework.	June 30, 1998
4. Recapitalization.	September 30, 1998
III. FINANCE COMPANIES	
5. <ul style="list-style-type: none"> • Signing of new MOUs with all finance companies on recapitalization through end-1998. • New MOUs will be signed subsequently until the new provisioning rules for the year 2000 have been met. 	August 15, 1998
IV. REGULATORY AND SUPERVISORY FRAMEWORK	
6. BOT to issue operational guidelines for restructured loans and valuation of collateral.	Mid-June 1998
7. Review of central bank, commercial bank, and finance company laws.	May-Oct. 1998
8. Measures to upgrade supervisory skills, including training and recruitment.	Ongoing
9. Amendment of the Currency Act.	October 31, 1998
10. Issue new prudential regulations, including foreign exposure and lending to related parties.	December 31, 1998
11. Cabinet approval of drafts of new BOT, Banking, and Finance Companies Acts.	December 31, 1998
12. Establish stricter requirements for auditing and accounting for all financial institutions, consistent with international best practices, including stricter requirements for disclosure.	December 31, 1998
V. TAX CODE	
13. Implement full tax deductibility for provisioning to meet the year 2000 standard, even if provisioning is accelerated.	September 30, 1998
14. Make tax rules consistent with rules on accrual of interest according to loan classification and provisioning requirements.	September 30, 1998
VI. COMPREHENSIVE DEPOSIT GUARANTEE	
15. Finalize plan for deposit insurance scheme to replace the guarantee over the medium term.	December 31, 1998

Box B. Action Plan for Restructuring	
Measure	Date
I. ASSET SALES FOR 56 CLOSED FINANCE COMPANIES	
1. FRA to begin the process of disposing loan portfolios.	Initiated
2. Amend FRA, and FRA-related, laws to guarantee rights to title, remove specific impediments to asset transfers, and facilitate an efficient and speedy disposal of assets, specifically: <ul style="list-style-type: none"> • Buyers to receive clear and indisputable rights to the assets. • Remove procedures for notification of approval by borrowers when loans are transferred, by allowing affected persons to lodge an objection at least 3 days prior to the date of auction. Validity of the objection shall be decided by FRA whose decision shall be final. • Maintain the continuity of the auction process by minimizing potential disruption from bankruptcy filings. • Secure FIDF entitlement (through exemption from Article 94(2) of the Bankruptcy Act). 	May 31, 1998
3. Effective suspension of PLMO operations.	Early June, 1998
4. AMC to be fully operational in all procedures, with bidding methodology, information systems, and funding policies in place.	June 15, 1998
5. MOF to complete a third party review of procedures and effectiveness of FRA, AMC, and Radahanasin Bank.	September 30, 1998
6. FRA to complete asset sales.	December 31, 1998
II. INTERVENED BANKS	
7. Contract with investment bank to prepare a restructuring strategy aimed at their eventual privatization.	Done
8. BOT to issue operational procedures, including limits on the structure and growth of assets and liabilities.	May 31, 1998
9. Presentation to BOT of restructuring strategy.	July 15, 1998
10. MOF/BOT to adopt strategy and prepare for implementation.	July 31, 1998
III. FIDF POLICIES	
11. FIDF to formally release collateral in closed finance companies and implement pari passu treatment with other creditors.	Done
12. The government to assume financial responsibility for FIDF losses. Ministry of Finance to announce full details of issuance of up to B 500 billion in government bonds during fiscal 1998-99, with interest payments incorporated in the central government budget.	June 30, 1998

**Box C. Thailand: Legal, Procedural, and Tax Reforms
to Facilitate Financial and Corporate Restructuring**

Measure	Date
I. BANKRUPTCY LAW	
<p>Enact amendments, including the following:</p> <ul style="list-style-type: none"> • Repeal or modify Section 94 (2), to allow unsecured creditors who have provided financing in good faith prior to an insolvency proceeding, to file their claims in a subsequent bankruptcy proceeding of the debtor. • Provide for voting on a reorganization plan by classes of creditors, including one class for bondholders if their claims are not subordinated. • Provide for specific and comprehensive provisions allowing for the rescission of payments and transfers undertaken prior to a reorganization or a liquidation proceeding, including a period of at least one year for transactions between the debtor and related parties, and make these provisions applicable to both liquidation and reorganization proceedings. • Replace the discretionary power of court to confirm or reject reorganization plans by objective rules for court confirmation of plans of reorganization, which were approved by creditors, including that no dissenting class of creditors nor the debtor would involuntarily receive less value under the plan than they would in a liquidation. • Provide specific rules on assumption or rejection of outstanding contracts, including contracts to extend credit, unexpired leases and other executory contracts and personal services contracts and make them applicable to both reorganization and liquidation proceedings. • Require courts to approve a petition for a reorganization proceeding unless there is no reasonable likelihood that the reorganization could offer a greater return to creditors than a liquidation. • Include a provision clarifying that the conversion in baht of creditors' claims denominated in foreign currency is solely for purposes of calculating votes weighted by the amount of creditors' claims. 	<ul style="list-style-type: none"> • Cabinet approval: Done • The Government to seek Parliamentary approval, expected by: October 31, 1998 (performance criterion).
II. FORECLOSURE AND OTHER RELATED REFORMS	
<p>Objectives:</p> <ul style="list-style-type: none"> • To facilitate debtors in the provision of collateral which enables them to receive credit; • To facilitate creditors in the enforcement of secured claims; • To remove impediments to the rehabilitation of financial enterprises; • To increase the provision of secured credit in the economy over the medium term. 	

<p>Enact legislation in technical consultation with the World Bank, aimed at achieving the above objectives through reform of the secured creditors' rights legislation by amending laws related to foreclosure, including if necessary: (i) the Civil and Commercial Code, to facilitate the enforcement of secured creditors' claims, or (ii) the Civil Procedure Code, to accelerate the process of judicial foreclosures; or other laws:</p> <ul style="list-style-type: none"> • Finalize draft legislation. • Cabinet approval of amended legislation and procedures. • The government will seek Parliamentary approval of amended legislation. 	<ul style="list-style-type: none"> • June 30, 1998 • July 31, 1998 • October 31, 1998
III. REMOVAL OF TAX DISINCENTIVES	
<p>1. A working group will submit a draft regulation to the Minister of Finance allowing deferral of taxes on cash free asset transfers, share acquisitions, and mergers.</p>	<p>July 15, 1998</p>
<p>2. The Ministry of Finance will review the Revenue Code in order to remove any impediments to corporate debt and equity restructuring, including:</p> <ul style="list-style-type: none"> • limits on deductibility of interest expenses; • promotion of debt restructuring in selected cases; and • encouragement of mergers and acquisitions in support of corporate reorganization. 	<p>September 30, 1998</p>
IV. DEBT WORKOUTS	
<p>1. Encourage formation by banks of voluntary creditor committees to exchange information of corporate debt restructuring.</p>	<p>June 30, 1998</p>
<p>2. Encourage formation of debt workout units by banks and corporate bodies with the help of international experts.</p>	<p>June 30, 1998</p>
V. OTHER MEASURES TO IMPROVE CORPORATE DISCLOSURE AND GOVERNANCE	
<p>1. Consolidate all external liabilities and off-balance sheet liabilities in financial statements of all listed companies.</p>	<p>June 30, 1998</p>
<p>2. Bring accounting standards to international best practices.</p>	<p>December 31, 1998</p>
<p>3. Increase accountability to shareholders by requiring the Board of Directors of each listed company to appoint an audit committee to supervise its operations. Directors with managerial responsibility or those related to its major shareholders will not be eligible for membership of the audit committee.</p> <ul style="list-style-type: none"> • All new companies to be listed. • Existing listed companies 	<p>Immediate 1999</p>

Box D. Thailand: Privatization Strategy

OBJECTIVE

The long-term objectives of this strategy are the following:

- Free up public resources, so that they can be more efficiently reallocated to higher priorities, including health and education;
- Increase competition, providing better value to consumers through improved services and prices;
- Promote productivity and higher labor welfare;
- Reduce the public debt and budgetary burden; and
- prepare for globalization of trade in services.

The success of this process requires, among other things, the widest possible consensus with all interested parties, including state agencies and employees of state-run enterprises.

MEASURE

DATE

1. State Enterprise Office

Establish Office of State Enterprises and Government Portfolio in Ministry of Finance which will (i) support and coordinate the privatization of state enterprises; (ii) develop private participation in infrastructure; (iii) monitor state enterprises; and (iv) manage the government portfolio.

- Cabinet approval.
- Appoint key staff.

Early June, 1998
June 30, 1998

2. Privatization Strategy and Action Program

Prepare in coordination with state agencies and submit for review to an appointed consulting firm the Master Plan for State Enterprise Reform. The Master Plan will set out, with clear deadlines, the medium-term strategy for privatization and state enterprise restructuring in the following key areas:

- objectives, organizational arrangements, strategy of privatization and the future role of the state;
- timetables and sequence for the corporatization and divestiture of selected state enterprises (including energy, telecommunications, water, railways);
- choice of the divestiture strategy for each of the selected state enterprises (full or partial privatization through joint ventures, private placements or public offers);
- establishment of an effective regulatory framework for transport, water, energy, and telecommunications; and
- improved monitoring of remaining state enterprises.

Cabinet approval and public announcement of Master Plan.

Aug. 31, 1998

3. Development of Regulatory Framework for Selected Sectors

- Announce details of effective regulatory framework for the public utilities to be applicable to private sector operators, especially in water, power, and telecommunications, to promote competition and regulate monopolies;
- Establish regulatory capacity for telecommunications and energy sectors:
 - Cabinet approval;
 - expected passage by Parliament (if needed); and
- Initiate study on the regulatory capacity for water and transport sectors, with a view to complete its implementation by end-1999.

Sept. 30, 1998

Sept. 30, 1998
Dec. 31, 1998

Aug. 31, 1998

4. Legal Framework to Enable Privatization of Public Enterprises

- Corporatization Law aimed at facilitating the incorporation of state enterprises:
 - approval by Cabinet;
 - expected passage by Parliament.
- Identify details of other necessary legislation, including the need for an omnibus Privatization Law, to allow private sector participation in key sectors.

June 9, 1998
Oct. 31, 1998

July 31, 1998

Box E. Thailand: Expanding and Strengthening the Social Safety Net

1. Adoption of a Social Investment Project (SIP) aimed at mitigating the social costs of the crisis in the short term. The project has three main objectives: (i) to generate immediate employment by supporting high priority labor-intensive programs; (ii) to improve chances of employment by providing training for the unemployed; and (iii) to support social programs used by the vulnerable which are now threatened by budget cuts.

The project includes B 21.6 billion of additional spending over the next 3½ years, backed by B 15.3 billion of World Bank loans, and includes the following measures:

Employment

Supplementary support of existing government job-creation programs:

- rehabilitation of cultural, historical and recreational sites (Tourism Authority of Thailand);
- construction of village roads, weirs and reservoirs (Ministry of Interior);
- school building repair, footpath construction (Bangkok Metropolitan Administration);
- rehabilitation and repair of river weirs (Royal Irrigation Department).

Expenditure: B 10 billion

Employment impact: more than 500,000 man-months over 2½ years

Training

Expansion of vocational and technical training for the unemployed (Ministry of Labor and Social Welfare)

Expenditure: B 1½ billion over 2½ years

Impact: more than 300,000 3-month training places

Health

Improved and expanded coverage of the Low Income Public Assistance Health Insurance Scheme (Ministry of Health):

Expenditure: B 1¼ billion over 2½ years

Additional coverage: 1½ million people per annum

Supplementary financing of the Community Based Care of Patients with AIDS Program (implemented through NGOs):

Expenditure: B 90 million

Rural Development

Expansion of the Rural Industrial Employment Promotion Program (Ministry of Industry, with implementation support from NGOs), to stimulate investment and employment:

Expenditure: B 310 million over 2½ years

Impact: 84 new industrial enterprises, 3000 permanent jobs created

Strengthening Decentralization and Community Participation

Two new funds will be created to support local investments aimed at reducing poverty and creating new employment opportunities:

The **Social Investment Fund** will provide grants to support rural community projects

The **Regional Urban Development Fund** will provide sub-loans to help municipalities expand their investment programs.

Expenditure: B 7.8 billion over 3½ years

Employment Impact: 475,000 man-months through more than 11,000 sub-projects

Monitoring Poverty and Improved Targeting

Creation of a special unit within the Ministry of Finance to monitor SIP performance and effectiveness, working with the World Bank to ensure improved targeting and efficient delivery of SIP social programs.

2. Social assistance programs under the AsDB's Social Sector Program Loan, involving expenditures of approximately B 20 billion over two years.

Labor Market and Social Welfare Policy

- Establish a center for providing retraining, counseling, and placement-support services for the unemployed. Extend social security coverage to at least six months for laid-off workers, to include medical, maternity, disability, and death benefits.

Education and Health

- Expand scholarship and loan programs to minimize student dropouts;
- Protect operational budgets for teacher training and instructional materials in science, mathematics, and foreign language education;
- Reallocate the budget toward health programs for the poor and redeploy health staff to rural areas;
- Maintain program coverage for maternal, child health, and HIV/AIDS activities.

3. Price-based Measures to Cushion the Impact of the Adjustment Program

- Maintenance of urban bus and rail fares at subsidized prices, with a budgetary impact of about B 3 billion annually.

4. The government has already decided to increase severance pay to ten months for workers with more than ten years service, and has also established an Assistance Fund to ensure that workers dismissed from bankrupt firms receive adequate cash support. The government is currently considering an enhanced strategy to strengthen further the social safety net. Toward this, the government has just extended social security benefits (including medical, maternity, disability, and death) for those unemployed, from six months up to 12 months.

MONETARY TARGETS

The definitions of all performance criteria and indicative targets are unchanged from the second review.

1. Performance Criterion on Net Domestic Assets of the BOT

Outstanding Stock as of: ¹	Ceiling (In billions of baht)	
	Second Review	Third Review
End-March 1998	-115 (performance criterion) ²	-144 (actual)
End-June 1998	31 (performance criterion)	-17 (performance criterion)
End-September 1998	51 (indicative)	-2 (performance criterion)
End-December 1998	...	30-37 (indicative) ³

¹Calculated as the average of the closing positions on the last five working days of the month and the first five working days of the following month.

²Adjusted for the factors noted below.

³Performance criterion to be set at future review of the arrangement within this range.

The NDA of the BOT are defined as the difference between reserve money and the net foreign assets of the BOT (NFA) valued in Thai baht. Reserve money consists of currency in circulation (with banks and with the rest of the public), and financial institutions' deposits at the BOT, and reserve eligible securities if any. The NFA are the net claims of the BOT on nonresidents, in all currency denominations. For the purposes of program monitoring, the baht value of NFA of the BOT will be calculated using the exchange rates given in Annex D.

The following adjustments will apply:

- The NDA limit is based on a baseline path of NFA that includes projected reserve losses on forwards and swaps and spot intervention consistent with the balance of payments projections (Annex D). The NDA ceiling will be adjusted downwards to the extent that NFA exceeds the baseline projection for any reason. The NDA ceiling will not be adjusted upwards for any shortfall in NFA relative to its baseline.
- Changes in reserve regulations will modify the NDA ceiling according to the formula:

$$\Delta NDA = \Delta r \cdot B_0 + r_0 \cdot \Delta B + \Delta r \cdot \Delta B$$

where r_0 denotes the reserve requirement ratio prior to any change; B_0 denotes the reservable base in the period prior to any change; Δr is the change in the reserve requirement ratio; and ΔB denotes the immediate change in the reservable base as a result of changes in its definition.

2. Indicative Targets for Reserve Money

Outstanding Stock as of: ¹	Indicative Limit (In billions of baht)	
	Second Review	Third Review
End-March 1998	480	451 (actual)
End-June 1998	464	468
End-September 1998	469	471
End-December 1998	...	505-512 ²

¹Calculated as the average of the closing positions on the last five working days of the month, and the first five working days of the following month. The average stock of reserve money during the first quarter was about B 460 billion.

²Indicative limit to be set within this range at the next review of the arrangement.

The indicative target on reserve money will be adjusted for changes in reserve regulations in line with the adjustment generated to the NDA limits.

FISCAL TARGETS

The definitions of all performance criteria and indicative targets are unchanged from the Second Review. For purposes of monitoring compliance with performance criteria, payments or financing arrangements with respect to capitalization of the proposed Asset Management Company, the Financial Restructuring Agency, the Radhanasin Bank, and any capitalization of financial institutions undertaken by the government will be effectively excluded as indicated below.

1. Performance Criterion on the Cumulative Balance of the Central Government

	Floor (In billions of baht)	
	Second Review	Third Review
Cumulative balance from September 30, 1997		
to:		
December 31, 1997	-27 (actual)	-27 (actual)
March 31, 1998	-62 (performance criterion)	-27 (actual)
June 30, 1998	-47 (performance criterion)	-70 (performance criterion)
September 30, 1998	-50 (indicative) ¹	-117 (performance criterion) ²

¹Performance criterion to be set at the time of future reviews of the arrangement.

²Of this increase, about B 28 billion reflects possible rephasing of foreign financing.

The above floors on the cash balance of the central government are defined as in the treasury accounts, excluding amortization.¹ Receipts from privatization will be excluded from the calculation of the central government balance in the above performance criterion. Likewise, spending on financial sector restructuring, as defined above, is excluded. Interest payments arising from the fiscalization of FIDF obligations are also excluded.

¹“Treasury accounts” data are being used for monitoring purposes, on account of their greater timeliness. These accounts exclude all spending from foreign-financed projects, and also net off amortization payments. Expenditures arising from foreign-financed projects are, however, captured in GFS accounts, which are the basis for the program’s target. (Thus, the performance criteria do not fully capture total government spending, although an allowance has been made for projected foreign-financed expenditure.) The cash deficit equals revenue minus expenditure plus the balance of the “nonbudgetary accounts” (120 revolving funds).

2. Performance Criterion on Banking System Net Credit to the Public Sector

	Limit (In billions of baht)	
	Second Review	Third Review
December 31, 1997	-380 (actual)	-380 (actual)
March 31, 1998	-328 (performance criterion) ¹	-360 (estimate)
June 30, 1998	-350 (performance criterion)	-314 (performance criterion)
September 30, 1998	-346 (indicative)	-277 (performance criterion)

¹Adjusted by the excess BOP support channeled to the government relative to the program baseline (Annex D) evaluated at the actual exchange rate.

The banking system is defined as the BOT plus the commercial banks. The public sector is defined as the central government, extrabudgetary funds, local government, and the nonfinancial public enterprises. Accordingly, net credit to the public sector is defined as the difference between banking system claims on the public sector minus the latter's deposits with the banking system, as reported in the M2 monetary survey.²

The following adjustments will be made:

- The limit will be lowered by the excess of BOP support channeled to the government relative to the program baseline (Annex D).
- The limit will be raised by the amount of bonds and other government obligations, if any, held as a result of bank recapitalization or from fiscalizing FIDF operations.

²In the monetary survey, net credit to extrabudgetary funds is included within "net credit to government," while net credit to local governments is included in "net credit to nonfinancial public enterprises."

3. Indicative Targets on Central Government Expenditure

Central government expenditure is as reported in the treasury accounts, and excludes amortization. The following indicative limits, **cumulative from the start of the fiscal year**, will apply:

	Indicative Limit (In billions of baht)	
	Second Review	Third Review
October 31, 1997	65 (actual)	65 (actual)
November 30, 1997	133 (actual)	133 (actual)
December 31, 1997	203 (actual)	203 (actual)
January 31, 1998	264	263 (actual)
February 28, 1998	331	326 (actual)
March 31, 1998	407	394 (actual)
April 30, 1998	469	469
May 31, 1998	534	534
June 30, 1998	605	620
July 31, 1998	671	689
August 31, 1998	744	768
September 30, 1998	835	872

The indicative limit will be raised by the amount of payments made in connection with financial sector restructuring, as defined above, and by the amount of interest payable on bonds issued for the purpose of fiscalizing FIDF debt.

EXTERNAL SECTOR TARGETS

The definitions of all performance criteria and indicative targets are unchanged from the Second Review program.

1. Performance Criterion on Net International Reserves of the BOT

	Floor (In millions of U.S. dollars)	
	Second Review	Third Review
Stock as of July 31, 1997	1,144 (actual)	
Cumulative change from level on July 31, 1997		
End-December 1997	5,954 (actual) ¹	
End-March 1998	3,900 (performance criterion)	8,592 (actual)
End-June 1998	5,500 (performance criterion)	8,800 (performance criterion)
End-September 1998	7,200 (indicative)	10,500 (performance criterion)
End-December 1998	...	12,500 (indicative) ²

¹ Revised up from \$5,761.

² Performance criterion to be set at future reviews of the arrangement.

For monitoring purposes, the Fund defines NIR of the BOT as the sum of the U.S. dollar value of: (i) gross official reserves in foreign currencies minus gross liabilities in foreign currencies; and (ii) the net forward position of the BOT, defined as the difference between the face value of foreign currency denominated BOT off-balance sheet (forwards, swaps, options, and any futures markets contracts) claims on nonresidents and foreign currency obligations to both residents and nonresidents.

Gross foreign assets will include all foreign currency-denominated claims of the BOT, including monetary gold, holdings of SDR, and the reserve position in the IMF. Excluded from gross foreign assets will be participation in international financial institutions, as well as holdings of nonconvertible currencies, holdings of precious metals other than gold, and claims on residents. Gross foreign liabilities are all foreign currency denominated liabilities of contracted maturity up to one year plus the use of Fund credit. (Short-term liabilities that are part of the balance of payments financing package under the program are excluded.) All assets and liabilities will be valued using the exchange rates and gold price shown in Annex D.

2. Performance Criterion on Contracting or Guaranteeing of New External Debt

The limit applies to the contracting or guaranteeing by the public sector (as defined in Annex B, Section 2) of new nonconcessional external debt with an original maturity of more than one year, which is defined as loans containing a grant element of less than 35 percent on the basis of currency-specific discount rates based on the OECD commercial interest reference rates. Excluded from the limits are credits extended by the IMF and from the balance of

ATTACHMENT
ANNEX C

payments financing package envisaged under the program, including from IBRD and AsDB, and countries in the region. Debt falling within the limit shall be valued in U.S. dollars at the exchange rate prevailing at the time the contract is entered into, or guarantee is issued. Information on the contracting and guaranteeing of new debt falling both inside and outside the limit will be reported monthly to the Fund.

	Limit (In millions of U.S. dollars)	
	Second Review	Third Review
Cumulative from August 10, 1997		
End-December 1997	865 (actual)	
End-March 1998	7,500 (performance criterion)	1,488 (actual)
End-June 1998	8,000 (performance criterion)	8,000 (performance criterion)
End-September 1998	9,000 (performance criterion)	9,000 (performance criterion)
End-December 1998	...	9,000 (indicative) ¹

¹Performance criterion to be set at future revisions of the arrangement.

3. Performance Criterion on the Stock of Short-Term Debt Outstanding

The public sector will not contract or guarantee any new debt of maturity up to one year. Excluded from these limits are guarantees associated with the financial system restructuring, the balance of payments financing package envisaged under the program, normal import-related credits, forward contracts, swaps, and other future market contracts.

PROGRAM ASSUMPTIONS AND CONVERSION RATES

1. Program Baselines for Selected Variables

	1998		
	June	September	December
	(In billions of baht)		
Baseline NFA of the BOT			
Second Review	433	418	...
Third Review	485	474	474
	(In billions of U.S. dollars)		
BOP support provided to central government (cumulative from August 1997)			
Second Review	1.3	1.8	...
Third Review	1.0	1.4	1.6

2. Exchange Rates and Gold Price to be Used Under the Program¹

	Baht per Unit of Foreign Currency
U.S. dollar	31.9982
Japanese yen	0.2710
Deutsche mark	17.4265
Pound sterling	52.3476
French franc	5.1723
Swiss franc	21.1404
SDR	43.4734
ECU	34.2957
Gold price (U.S. dollars per ounce)	326.3000

¹Currencies not shown here will first be converted into U.S. dollars using the official rate used by Fund's Treasurer's Department on July 31, 1997.