

Box A. Financial Sector Reforms¹	
Measure	Date
I. PRIVATIZATION OF INTERVENED AND STATE-OWNED BANKS	
Bangkok Metropolitan and Siam City Banks—to be privatized <ul style="list-style-type: none"> • Selection of short listed investors (performance criterion at sixth review). • Selection of winning bid (<i>structural benchmark</i>). • Closing negotiations and approval of winning bid. 	Done October 31, 1999 December 31, 1999
Bangkok Bank of Commerce—to be transformed into AMC and wound down <ul style="list-style-type: none"> • Banking license returned to the Ministry of Finance. 	Done
First Bangkok City Bank—to be integrated with Krung Thai Bank. <ul style="list-style-type: none"> • MOF to issue instructions to effectively close First Bangkok City. • FIDF to propose loss sharing arrangements for KTB. • Cabinet approval of loss sharing arrangements. 	Done October 31, 1999 November 30, 1999
Laem Thong Bank—to be integrated with Radanasin and privatized <ul style="list-style-type: none"> • Selection of short listed investors (performance criterion at sixth review). • <i>Selection of winning bid (structural benchmark).</i> • Closing negotiations and approval of winning bid. 	Done September 30, 1999 November 30, 1999
Nakornthon Bank—to be privatized <ul style="list-style-type: none"> • <i>Selection of winning bid.</i> • <i>Closing negotiations and approval of winning bid.</i> 	Done Done
Krung Thai Bank restructuring <ul style="list-style-type: none"> • <i>B 108 billion (\$3 billion) recapitalization.</i> • <i>KTB to present comprehensive plan for resolving nonperforming loans (NPLs).</i> • <i>Finance Ministry/FIDF to approve NPL resolution strategy.</i> 	Done September 30, 1999 October 31, 1999
II. REGULATORY AND SUPERVISORY FRAMEWORK	
<ul style="list-style-type: none"> • Based on established prudential norms, recapitalization plans to be submitted by all banks needing to raise additional capital through end-2000. • Memoranda of understanding (MOUs) to be signed with those banks needing to raise additional capital through December 1999 (Performance criterion at sixth review). • <i>Based on established prudential norms, recapitalization plans to be updated by all banks needing to raise additional capital through end-2000.</i> • <i>MOUs to be signed with those banks needing to raise additional capital through June 2000 (Performance criterion). Similarly, MOUs to be signed with finance companies.</i> 	Done Done (all banks had sufficient capital to end-1999). January 31, 2000 January 31, 2000
<ul style="list-style-type: none"> • New Financial Institutions Law, covering banks and finance companies. <ul style="list-style-type: none"> - Review of the draft by legal experts, and by industry representatives. - Cabinet approval. - Submission to Parliament. • Based on new Financial Institutions Law: (i) issue new prudential regulations, including foreign exposure and lending to related parties; (ii) establish requirements for auditing, accounting, and disclosure for all financial institutions, consistent with international best practices. • Cabinet approval of revised draft of amendments to the Currency Act. • Cabinet approval of new Central Bank Act. • BOT to complete preliminary draft law establishing new deposit insurance scheme. 	October 31, 1999 November 30, 1999 First quarter, 2000 Soon after enactment of Law. November 30, 1999 November 30, 1999 November 30, 1999

¹New measures or changes since the last LOI are highlighted in italics.

Table 1. Thailand: Macroeconomic Framework, 1997-99.

	1997	1998 Preliminary	1999 Projection
Real GDP growth (percent)	-1.3	-9.4	3 to 4
CPI inflation (period average, percent)	5.6	8.1	0.5
Fiscal accounts (percent of GDP) 1/			
Central government balance	-0.9	-2.6	-3.0
Public sector balance (including state enterprises)	-2.1	-3.0	-5.5
Cost of financial sector assistance 2/	0.6	2.5	1.7
Overall balance	-2.7	-5.5	-7.2
Monetary accounts (end period, percent)			
M2A growth	2.0	6.1	6.0
Reserve money growth 3/	0.5	3.3	1.6
Balance of payments (billions of US\$)			
Current account balance	-3.0	14.3	11.6
(percent of GDP)	-2.0	12.8	9.0
Exports	56.7	52.9	55.0
Growth rate	3.8	-6.8	4.0
Imports	61.3	40.6	45.8
Growth rate	-13.4	-33.8	12.6
Capital account balance	-15.6	-16.8	-10 to -12
Official financing 4/	8.0	5.1	4.0
Overall balance	-10.6	2.6	2 to 4
Gross official reserves (end year)	27.0	29.5	32 to 34
(Months of following year's imports)	8.0	7.7	7.6
(Percent of short-term external debt)	77.4	125.7	239.0
Cumulative unwinding of swaps and forwards (since June 1997)	9.8	21.2	24 to 26
External debt (percent of GDP)	62.2	76.8	59.2
(billions of US\$)	93.4	86.2	76.6
Debt service ratio (percent of exports of goods and services)	15.6	20.7	19.8

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

1/ On a cash and fiscal year basis. Data for 1999 are provisional estimates.

2/ Imputed interest cost of servicing the total stock of financial sector assistance, including off-balance sheet liabilities.

3/ 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.

4/ Includes the original financing package plus additional financial assistance (including from ADB, IBRD etc.) and loans under the Miyazawa initiative. Assumes no further draw down from the official financing package.

FISCAL TARGETS

The definitions of all variables and sectors are unchanged from the previous review, and the same adjustments apply for FIDF operations. Principal and interest payments due to financial sector restructuring, including from fiscalization of FIDF obligations, continue to be excluded.

1. Indicative limits on the cumulative balance of the central government

	Ceiling (In billions of baht)	
	Seventh Review	Eighth Review
Cumulative balance from September 30, 1998 to:		
June 30, 1999	-90	-38 (actual)
September 30, 1999	-100	-100
Cumulative balance from September 30, 1999 to:		
December 31, 1999	...	-50
March 31, 2000	...	-55

The cash balance of the central government is defined as in the treasury accounts (which exclude amortization and foreign-financed expenditures). The coverage of these accounts was described in the MEP of May 26, 1998. Privatization receipts are excluded.

2. Performance criterion on banking system net credit to the public sector

	Ceiling (In billions of baht)	
	Seventh Review	Eighth Review
June 30, 1999	-139	-361 (actual)
September 30, 1999	-123	-175
December 31, 1999	...	-150
March 31, 2000	...	-125

MONETARY TARGETS

The definitions of all performance criteria and indicative limits are unchanged from the previous review. An adjustor to end-December 1999 targets has been added to accommodate a possible surge in cash demand at the end of the year.¹

1. Performance criterion on net domestic assets of the BOT

Outstanding Stock as of: ¹	Ceiling (In billions of baht)	
	Seventh Review	Eighth Review
End-June 1999	-125 (adjusted) ²	-212 (actual)
End-September 1999	-121 (adjusted) ²	-194
End-December 1999	...	-150
End-March 2000	...	-167

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 amount of BOT foreign exchange receipts from the Miyazawa Initiative and structural adjustment loans from the World Bank and for changes in reserve requirements.

2. Indicative limits for reserve money

Outstanding Stock as of: ¹	Ceiling (In billions of baht)	
	Seventh Review	Eighth Review
End-June 1999	431 (adjusted) ²	426 (actual)
End-September 1999	431 (adjusted) ²	431
End-December 1999	...	478
² End-March 2000	...	478

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 changes in reserve requirements.

¹The end-December 1999 indicative limit on reserve money and performance criterion on NDA will be adjusted upward by the amount that the currency component of reserve money exceeds the projected baseline of B 392 billion (calculated as the average of the last five working days of December and first five days of January). The existing adjustor to NDA and reserve money for BOT foreign exchange receipts from international sovereign bond issues, the Miyazawa Initiative, and structural adjustment loans from the World Bank and AsDB will continue to apply. Changes in reserve regulations will modify the NDA ceiling and the indicative limit on reserve money, as described in the MEP of May 26, 1998.

EXTERNAL SECTOR TARGETS

The definitions of all performance criteria, as well as the exchange rates used, are unchanged from the previous review, except a limited exclusion for the performance criterion on short-term debt.

1. Performance criterion on net international reserves of the BOT

	Floor (In millions of U.S. dollars)	
	Seventh Review	Eighth Review
Stock as of July 31, 1997	1,144 (actual)	
Cumulative change from level on July 31, 1997		
End-June 1999	19,500	24,062 (actual)
End-September 1999	20,000	21,500
End-December 1999	...	22,000
End-March 2000	...	23,500

The program definition of NIR of the BOT is as described in the May 26, 1998 MEP.

2. Performance criterion on contracting or guaranteeing of new external debt

The limit applies to the contracting or guaranteeing by the public sector of new nonconcessional external debt with an original maturity of more than one year, as defined in the MEP of May 26, 1998.

	Ceiling (In millions of U.S. dollars)	
	Seventh Review	Eight Review
Cumulative from August 10, 1997		
End-June 1999	9,000	5,123 (actual)
End-September 1999	10,000	10,000
End-December 1999	...	10,000
End-March 2000	...	11,000

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 futures market contracts, and outstanding drawings of up to \$500 million under the Euro Commercial Paper Program for bridge financing to identified longer term borrowing.