

**Box A. Thailand: Implementation of the August 14 Announcement
for Comprehensive Financial Restructuring**

Measure	Date
I. INTERVENED BANKS: LIQUIDATION, MERGER, AND SALE TIMETABLES	
<p>BMB and SCIB—privatized</p> <ul style="list-style-type: none"> • After full provisioning, recapitalization up to 8.5 percent of risk-weighted assets. • Selection of financial advisors for privatization. • Announcement of divestiture modalities for the privatization process. • Acceptance of bids and transfer to new investors. 	<p>August 31, 1998</p> <p>September 15, 1998</p> <p>September 30, 1998</p> <p>December 31, 1998</p>
<p>BBC—transformed into non-bank financial institution (AMC) and wound down</p> <ul style="list-style-type: none"> • BBC's banking license to be restricted from accepting new deposits, extending new credit, entering new foreign exchange operations, and assuming contingent liabilities. • MOF/BOT to announce the modalities for KTB's absorption of performing assets, deposits and other liabilities. • Terminate management contract with IFCT in line with existing contractual arrangements. • Transfer of performing assets, deposits and other liabilities to KTB. • Banking license revoked and BBC turned into a private AMC. • Adoption of plan for effective closure of BBC by December 31, 1999, including with regard to the rationalization of staff and branches, and the disposition of nonperforming assets. 	<p>August 17, 1998</p> <p>August 17, 1998</p> <p>August 31, 1998</p> <p>September 30, 1998</p> <p>October 31, 1998</p> <p>October 31, 1998</p>
<p>FBCB—integrated with KTB</p> <ul style="list-style-type: none"> • KTB management to take charge of all FBCB operations. • After full provisioning, recapitalization up to 8.5 percent of risk-weighted assets. • MOF/BOT to announce modalities for the integration with KTB. • FBCB to be fully integrated with KTB and revocation of license. 	<p>August 17, 1998</p> <p>September 30, 1998</p> <p>September 30, 1998</p> <p>December 31, 1999</p>
<p>UBB—integrated with KTT</p> <ul style="list-style-type: none"> • After full provisioning, recapitalization of UBB up to 8.5 percent of risk-weighted assets. • Adopt plan for completing UBB's integration with KTT by December 31, 1998. 	<p>August 31, 1998</p> <p>October 31, 1998</p>
<p>LTB—integrated with Radhanasin Bank (RAB)</p> <ul style="list-style-type: none"> • After full provisioning, recapitalization of LTB up to 8.5 percent of risk-weighted assets. • Adopt plan for completing LTB's integration with RAB by December 31, 1998. • After full provisioning, recapitalization upon BOT's approval of operational plan. 	<p>August 31, 1998</p> <p>October 31, 1998</p> <p>November 15, 1998</p>

II. RESTRUCTURING OF KTB	
<ul style="list-style-type: none"> • Appointment of new Board. • Completion of plan for operational restructuring of the combined bank in consultation with outside experts. This plan should include rationalization of branch network, internal control and risk management systems, and analysis of staffing needs and training, in preparation of KTB's privatization within two years. • After full provisioning, recapitalization upon BOT's approval of operational plan. 	<p>August 31, 1998 November 30, 1998</p> <p>December 15, 1998</p>
III. CONSOLIDATION OF FINANCE COMPANY SECTOR	
<ul style="list-style-type: none"> • BOT to issue guidelines regarding finance companies' entitlement to a banking license. • Adopt plan for completing KTT's integration with finance companies and UBB. • After full provisioning, recapitalization of the combined KTT/UBB upon BOT's approval of operational plan. 	<p>September 30, 1998</p> <p>October 31, 1998</p> <p>November 15, 1998</p>
IV. IMPLEMENTATION OF TIER-1 AND TIER-2 CAPITAL SUPPORT FACILITIES	
<ul style="list-style-type: none"> • Appointment of Financial Restructuring Advisory Committee (FRAC) to monitor Tier 1 and Tier 2 capital support schemes and other aspects of financial sector restructuring. • Issuance of detailed guidelines for participating in the recapitalization schemes by FRAC. 	<p>August 31, 1998</p> <p>September 30, 1998</p>
V. ASSOCIATED LEGAL MEASURES	
<ul style="list-style-type: none"> • Amend by emergency decree the Commercial Banking Law to facilitate merger of banks and transfer of assets. • Obtain, by emergency decree, authority to issue up to B 300 billion of bonds for capital support schemes. • Approve by emergency decree enabling legislation for establishment of private AMCs. • BOT to amend CAR regulations. • BOT to amend LCP/TDR regulations. 	<p>August 21, 1998</p> <p>August 21, 1998</p> <p>August 21, 1998</p> <p>September 7, 1998</p> <p>September 7, 1998</p>

Box B. Thailand: Additional Financial Sector Reforms

Measure	Date
I. Banking System	
1. Signing of new MOUs with all banks on recapitalization through June 1999.	January 31, 1999 (Performance criterion)
2. Radhanasin Bank to acquire foreign strategic partner.	During 1998
II. Specialized State Financial Institutions (SFIs)	
3. Complete preliminary assessment of financial condition and institutional capacity of the five major SFIs, and recommend terms of reference to address main areas of concern.	October 31, 1998
4. <ul style="list-style-type: none"> • Review role and scope of each SFI's activities and their fiscal treatment, with a view to recommending changes in SFI Acts. • Propose legal amendments to give prudential supervisory responsibility of SFIs to the agency in charge of supervision of commercial banks and finance companies. • Review and finalize appropriate prudential rules for SFIs and recommend need for their recapitalization. 	December 31, 1998
III. Finance Companies	
5. Sign new MOUs with all finance companies on recapitalization through June 1999.	January 31, 1999
IV. Regulatory and Supervisory Framework	
6. Complete the review of central bank, commercial bank, and finance company laws.	October 1998
7. Measures to upgrade supervisory skills, including training and recruitment.	Ongoing
8. Amendment of the Currency Act.	October 31, 1998
9. Issue new prudential regulations, including foreign exposure and lending to related parties.	December 31, 1998
10. Cabinet approval of drafts of new BOT, Banking, and Finance Companies Acts.	December 31, 1998
11. 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	
12. Implement full tax deductibility for provisioning to meet the year 2000 standard, even if provisioning is accelerated.	September 30, 1998
13. Make tax rules consistent with rules on accrual of interest according to loan classification and provisioning requirements.	September 30, 1998
VI. Comprehensive Deposit Guarantee	
14. Finalize plan for deposit insurance scheme to replace guarantee over medium term.	December 31, 1998

Box C. Thailand: Strategy to Facilitate Corporate Debt Restructuring

I. Tax Measures

1.	<p>Removal of tax impediments to corporate debt restructuring, with appropriate safeguards and applicable only to restructuring plans consistent with BOT regulations applicable to all creditors who participate in a restructuring agreement with a financial institution.</p> <p>Temporary measures, expiring December 31, 1999:</p> <ul style="list-style-type: none"> • Deduction of written-off debt from taxable income for the creditor. • Elimination or deferral of corporate income tax on written-off debt for the debtor. • Elimination of all taxes on asset transfer from debtor to creditor (income tax, special business tax, stamp duties, and VAT). • Elimination of taxes on accrued but unpaid interest, and the limitation of taxation on restructuring involving interest rate reductions by creditors. 	Done, effective October 1, 1998
2.	<p>Permanent measures to facilitate restructuring:</p> <ul style="list-style-type: none"> • Provision for tax-free mergers and noncash acquisition of assets, in cases of 100 percent mergers. • Elimination of income tax on short-selling transactions. • Elimination of VAT and specific business tax on the transfer of assets to Special Purpose Vehicles (SPV). 	

II. Framework for Corporate Debt Workouts

3.	<p>Establish terms of reference for CDRAC and announce an approved framework for debt workouts:</p> <ul style="list-style-type: none"> • Assessment of debtor viability, and decision on continued operation. • Election of lead bank, and of steering committee in complex multi-creditor cases. • Lead banks to establish goals and schedules, organize inter-creditor discussions, and lead negotiations with the debtor. • Agreement on debt “standstill” during active restructuring talks. • Obligation on debtors to provide creditors with full and accurate information, including audited accounts if necessary. • Credit extended above existing exposures on specified terms during standstill to have seniority. • CDRAC to monitor restructuring agreements, and help review regulatory and supervisory framework. 	Done
4.	CDRAC or lead banks to hire staff and retain internationally accredited advisors, as necessary.	August-September 1998
5.	Secure agreement to the guidelines by all domestic-based financial institutions.	September 30, 1998 (indicative date)

6.	Develop procedures for monitoring and, if necessary, for enforcing timetable for implementing agreed guidelines, including for arbitration among deadlocked creditors.	September 30, 1998
7.	Draw up an initial list of 200 target firms for debt workouts, including the 100 largest cases submitted to CDRAC.	December 31, 1998 (indicative date)
8.	Ensure that if the creditors' steering committee decides to pursue reorganization, the normal timetable for the latter is accelerated to include the progress achieved under the CDRAC framework.	December 31, 1998
9.	<ul style="list-style-type: none"> • Permit establishment of mutual funds/special-purpose equity funds to purchase/manage corporate equity acquired by financial institutions from firms. • Review the legislation, and specify the timetable for any necessary legal changes, to facilitate debt-equity conversions. 	<p>Done</p> <p>September 30, 1998</p>
III. Other Measures to Improve Corporate Disclosure and Governance		
10.	Bring accounting standards to international best practices.	Effective 1999
11.	<p>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"> • For existing companies. • For new companies: <ul style="list-style-type: none"> - smaller companies (less than B 40 million) have a 3-year grace period; - larger companies must comply as a requirement for listing. 	<p>By end-1999</p> <p>Immediate</p>

**Box D. Thailand: Legal and Procedural Reforms
to Facilitate Financial and Corporate Restructuring**

Measure	Date
I. Bankruptcy Law	
<p>Enact amendments to the Bankruptcy Act, including the following:</p> <ul style="list-style-type: none"> • Modify Section 94 (2) to allow unsecured creditors who have provided financing, for the purpose of continuing the operation of the debtor's business, 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. • Provide for specific provisions allowing 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, payments and transfers between the debtor and related parties, and make these provisions applicable to both liquidation and reorganization proceedings. • Replace the discretionary power of courts 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 rejection of outstanding contracts, and make them applicable to both reorganization and liquidation proceedings. • 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. 	<p>Parliamentary approval expected by October 31, 1998 (performance criterion).</p>
II. Secured Lending and Related Reforms	
<p>Objectives:</p> <ul style="list-style-type: none"> • To remove impediments to the rehabilitation of financial enterprises; • To increase the provision of secured credit in the economy over the medium term; • To increase and improve the types of assets that could legally be used by debtors as collateral, which would enable them to receive credit; • To accelerate the enforcement of security rights by creditors generally, including through judicial proceedings. 	

<p>Measures:</p> <p>Enact legislation aimed at achieving the above objectives through reform relating to the secured creditors' rights.</p> <p>(i) First phase of amendments: To expedite the judicial proceedings applicable to the enforcement of secured rights, and in particular mortgages, the following measures have already been proposed: to amend the Code of Civil Procedure and any relevant implementing regulations through, <i>inter alia</i>, streamlining and expediting the "petty/simple case" procedure and extending its application to the enforcement of security agreements guaranteeing non-complicated underlying transactions, limiting the courts' discretionary power to rescind auction sales, eliminating the possibility of appeal procedures for specified procedural courts' orders, as well as modifying the rules governing default procedures to allow the courts to enter a default judgment immediately upon the default of a party.</p> <p>(ii) Second phase of amendments: To further achieve the above objectives, the following measures are under consideration:</p> <p>(1) Streamlining and expediting the rules applicable to the process of legal execution of judgments, to speed up the procedure from the seizure of assets to the distribution of proceeds.</p> <p>(2) Amendments to the Civil and Commercial Code, and/or other relevant legislation, to adopt improved substantive and, if necessary, procedural provisions in line with generally recognized principles, including:</p> <p>(i) expand the types of assets to be subject to non-possessory security interests (such as inventory, raw materials, accounts receivable, equipment, and commercial vehicles);</p> <p>(ii) provide for suitable legal procedures to enforce the newly introduced security rights.</p>	<p>Cabinet approval: Aug. 4, 1998</p> <p>Parliamentary approval expected by Oct. 31, 1998</p> <p>Cabinet approval of key principles and timetable for parliamentary consideration, expected by Dec. 31, 1998</p>
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Box E. Thailand: Strengthening the Social Safety Net

With the deepening recession, the government has made improvements in the targeting of social safety net programs a priority in the 1998/99 budget.

1. Principal activities in the central government budget for 1998/99 include:

- **The extension of the student loan program** to maintain attendance in schools and universities to an additional 100,000 students, whose families can no longer afford tuition payments (an increase in spending from B 18.3 billion to B 20 billion).
- **The maintenance of employment generating public works programs** in water supply, irrigation, and infrastructure.
- **Free medical treatment and the improvement of rural health-care facilities** for an additional 3 million people.
- The expansion of the micro-credit program (B 10,000 per loan) to unemployed who wish to become self-employed (additional spending of B 300 million).

2. These activities are supplemented as follows:

- **The expenditure program of state-owned enterprises has been redesigned and augmented to focus on infrastructure projects** in rural and urban areas (B 50 billion or 1 percent of GDP).
- **Coverage under health, disability, death, and maternity benefits for the unemployed insured in the Social Security Fund will be extended** from 6 months to 12 months effective October 1, 1998. This measure will extend coverage to an estimated additional 100,000 unemployed at an expenditure of B 1 billion.
- **A new Labor Protection Act** became effective on August 19, increasing severance payments to long-serving employees (more than six years of tenure) from six months to ten months. A subsistence fund will also be created to cover those unemployed whose former employers were forced to declare bankruptcy and are unable to fulfill their severance pay obligations.
- **The social investment program is being accelerated**, within existing programs financed by the World Bank and OECF (SIP), and the AsDB (Social Sector Loan), involving a total disbursement of B 26 billion over three years. Projects to be implemented during the next few months include:
 - Job training for 120 thousand individuals.
 - Small-scale rural employment projects.
 - Up to 200 thousand scholarships for primary and secondary education.
 - An expansion of the health-care program for those not covered under the Social Security Fund.

A total disbursement of B 12 billion is expected in the remaining months of fiscal year 1997/98 and fiscal year 1998/99.

- **The government will finalize by end-December 1998 a detailed plan and implementation timetable for the introduction of a comprehensive old-age pension system.**

Box F. Thailand: Privatization Strategy	
Measure	Date
1. State Enterprise Office	
<ul style="list-style-type: none"> • Establish Office of State Enterprises and Government Portfolio in Ministry of Finance to support and coordinate privatization, develop private participation in infrastructure, and monitor state enterprises. • Streamline the privatization and corporatization committee structures to ensure an efficient privatization plan approval process, including by unifying their secretariats if necessary. 	<p>Approved by Cabinet.</p> <p>September 30, 1998</p>
2. Privatization Strategy and Action Program	
<ul style="list-style-type: none"> • Cabinet approval of Master Plan for State Enterprise Reform, establishing overall strategy, principles for regulatory bodies, and sequencing of divestiture. • Cabinet approval of use of privatization proceeds: (i) for MOF-owned enterprises, 50 percent of receipts will be used for social projects, and the remainder deposited with FIDF to reduce its debt; (ii) for subsidiary enterprises, a proportion is first allocated to state enterprise investment and to labor welfare funds, and the remainder split equally between social projects and deposits with FIDF. 	<p>September 1, 1998</p> <p>Done</p>
3. Legal Framework to Enable Privatization of Public Enterprises	
<ul style="list-style-type: none"> • Corporatization Law aimed at facilitating the incorporation of state enterprises: <ul style="list-style-type: none"> – approval by Cabinet; – expected passage by Parliament. • Amend the 1954 Aviation Act to permit Thai Airways to sell a significant stake to domestic and foreign investors. <ul style="list-style-type: none"> – approval by Cabinet; – expected passage by Parliament. • Complete, in collaboration with a consulting firm, studies on the regulatory framework and draft legislation establishing regulatory bodies for Water and Transport. • Cabinet approval of regulatory legislation for: <ul style="list-style-type: none"> – Telecommunications and Energy; – Water and Transport. • Expected passage by Parliament of regulatory legislation for: <ul style="list-style-type: none"> – Telecommunications and Energy. • Identify the need for other legislation, including for an omnibus Enterprise Reform Law, to allow private sector participation in key sectors. 	<p>Done October 31, 1998</p> <p>Done October 31, 1998</p> <p>November 30, 1998</p> <p>First half 1999 Second half 1999</p> <p>First half 1999</p> <p>September 30, 1998</p>

4. Sectoral Plans for Telecommunications, Energy, Water and Transport	
<p>Prepare in coordination with state agencies and appointed consulting firms comprehensive Sectoral Plans setting out timetables for establishing regulatory frameworks for private sector operators, for corporatization and privatization of selected state enterprises, and proposed privatization strategies for each of the selected state enterprises.</p> <p>Approval by State Enterprise Policy Commission and public announcement of Sectoral Plans in:</p> <ul style="list-style-type: none"> - Telecommunications and Energy; - Transport; - Water. 	<p>November 30, 1998 First quarter 1999 Second half 1999</p>
5. Privatization of selected enterprises	
<p>Energy</p> <ul style="list-style-type: none"> • Sale of EGAT's stake in Electricity Generating (Public) Co. Ltd. • Sale by PTT of a significant stake in PTT Exploration and Production. • Issue bidding documentation for the sale of government share in Esso Thailand. • Bangchak Petroleum Company: <ul style="list-style-type: none"> - Complete due diligence process and recapitalization plans; - Issue bidding prospectus for the sale of government's stake. • Privatization of Ratchaburi Power Plant. • Corporatization and conversion of EGAT, preparatory to privatization. <p>Telecommunications</p> <ul style="list-style-type: none"> • Telephone Organization of Thailand (TOT) and Communication Authority of Thailand (CAT): <ul style="list-style-type: none"> - Corporatize and begin reorganization; - Issue bidding prospectus for the sale of a significant government stake. <p>Transport</p> <ul style="list-style-type: none"> • Thai Airways: <ul style="list-style-type: none"> - Select financial advisor; - Issue bidding prospectus for the sale of government's stake. • Commence financial and restructuring plans of State Railways. • Corporatize and reorganize Airport Authority of Thailand. • Begin privatization process for the Regional Airport Company. <p>Water</p> <ul style="list-style-type: none"> • Government approval of detailed modalities for private sector participation in Metropolitan Water Authority and Provincial Water Authority. <p>Other</p> <ul style="list-style-type: none"> • Cabinet resolution to sell/liquidate Textile Organization, Battery Organization, Preserved Food Organization, and the Cold Storage Organization. • Complete study outlining strategic options for Tobacco Monopoly. 	<p>Done Done Fourth quarter 1998</p> <p>Fourth quarter 1998 First quarter 1999 Fourth quarter 1999 Under study</p> <p>Second quarter 1999 Second quarter 1999</p> <p>Fourth quarter 1998 First quarter 1999 Fourth quarter 1998 First quarter 1999 Third quarter 1999</p> <p>Second half of 1999</p> <p>Done</p> <p>First quarter 1999</p>

Box G. Thailand: Market Opening Policies	
Measure	Date
I. Foreign Ownership of Business Activities (Alien Business Law)	
<p>Amend the Alien Business Law to enhance competitiveness, increase transparency of criteria, contribute to increased liquidity in key sectors, and be consistent with international obligations, with the following principal features:</p> <ul style="list-style-type: none"> • Establish the principle of freedom of business activities by foreigners, except in those cases specifically restricted under the two existing lists. • Reserve for Thai nationals (but open to foreign investment if approved by the Cabinet/ Minister of Commerce) activities relating to: (i) national safety and security, culture, tradition, folk handicraft, as well as natural resources and environment; and (ii) activities restricted because of specified and well justified strategic reasons. • Further liberalize a number of activities, including: brokerage services, wholesale and retail trade, construction, non-silk textile, garment, footwear, hotel, beverage production, auction business, etc. • Classification of activities will be reviewed on an on going basis by an advisory committee, comprised of both public and private sector representatives, and eminent persons. 	<p>Cabinet approval: August 18, 1998</p> <p>Parliamentary approval expected: October 31, 1998</p>
II. Foreign Ownership of Real Property (Land Code and Condominiums Act)	
<p>Liberalize existing restrictions on foreign ownership of property:</p> <ul style="list-style-type: none"> • Amend the Land Code to: <ul style="list-style-type: none"> (1) allow individual foreign investors investing specified amounts in activities of productive interest for Thailand to own up to one rai (0.4 acre) of residential land; and (2) allow Thai citizens married to foreigners to own land. • Amend the Condominiums Act to allow foreigners to purchase during the next five years 100 percent of condominium buildings of 5 rai (2 acres) or less. • Amend the lease provisions of the Civil and Commercial Code to extend the period of lease of selected real estate property to 50 years (from the existing 30-year limit), renewable for an additional 50 years. The exact modalities will be defined in the law. 	<p>Cabinet approval: August 4, 1998</p> <p>Parliamentary approval expected by October 31, 1998</p>