

## FISCAL TARGETS

The definitions of all performance criteria and indicative targets are unchanged from the original program except that, for purposes of monitoring compliance with performance criteria, payments or financing arrangements with respect to capitalization of the proposed Asset Management Company and one majority government-owned bank will be excluded.

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

	Floor (In billions of baht)	
	Original Program	Revised Program
Cumulative balance from Oct. 1, 1996-Sep. 30, 1997	-52.8 (performance criterion)	-31.1 (actual)
Cumulative balance from September 30, 1997 to:		
December 31, 1997	-34.0 (performance criterion)	-37.0 (performance criterion)
March 31, 1998	-30.4	(indicative) -33.0
June 30, 1998	41.3 (indicative)	38.0 (indicative) 1/
September 30, 1998	69.8 (indicative)	69.8 (indicative) 1/

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

The above floors on the cash balance of the central government are defined as in the treasury accounts, excluding amortization.<sup>1</sup> Receipts from privatization will be excluded from the calculation of the central government balance in the above performance criterion.

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

	Limit (In billions of baht)	
	Original Program	Revised Program
End-May 1997	-396.5	
September 30, 1997	-381.8 (performance criterion)	-393.7 (preliminary actual)
December 31, 1997	-353.7 (performance criterion)	-362.6 (performance criterion)
March 31, 1998	-363.1 (indicative)	-372.4 (performance criterion)
June 30, 1998	-443.1 (indicative)	-451.7 (indicative) 1/
September 30, 1998	-468.3 (indicative)	-480.2 (indicative) 1/

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

<sup>1</sup>The "treasury accounts" net off amortization payments, which are included as an expenditure item in the Ministry of Finance budget figures. The cash deficit equals revenue minus expenditure plus the balance of the "nonbudgetary accounts" (120 revolving funds).

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.<sup>2</sup>

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, incurred for the purpose of recapitalizing banks.

### 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)	
	Original Program	Revised Program
September 30, 1997	900.3	888 (actual)
October 31, 1997	64.4	70
November 30, 1997	145.4	135
December 31, 1997	221.5	197
January 31, 1998	290.7	258
February 28, 1998	358.7	319
March 31, 1998	434.9	386
April 30, 1998	496.1	441
May 31, 1998	567.5	504
June 30, 1998	644.1	572
July 31, 1998	711.0	631
August 31, 1998	793.5	705
September 30, 1998	903.3	802

<sup>2</sup>In 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."

## MONETARY TARGETS

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

### 1. Performance Criterion on Net Domestic Assets of the BOT

Outstanding Stock as of: 1/	Program
Limit (in billions of baht)	
End-September 1997	-349 (performance criterion) 2/; -382 (actual)
End-December 1997	-507 (performance criterion)
End-March 1998	-503 (performance criterion)
End-June 1998	-525 (indicative) 3/
End-September 1998	-520 (indicative) 3/

1/ Calculated 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.

2/ Adjusted.

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

The net domestic assets of the BOT are defined as the difference between reserve money and the net foreign assets of the BOT 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. Net foreign assets are the net claims of the BOT on nonresidents, in all currency denominations. For the purposes of program monitoring, the baht value on net foreign assets 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 excludes reserve losses on forwards and swaps and permissible smoothing intervention (Annex D). The NDA ceiling will be adjusted upwards to the extent that NFA falls short of the baseline projection on account of such losses or permissible intervention, subject to a minimum floor on net foreign assets, which is consistent with the reserve losses on swaps and forwards and permissible smoothing intervention allowed for in the balance of payments (Annex D).
- The NDA limit will be adjusted downwards for the cumulative excess over program baselines for BOP support provided to the government (Annex D).
- 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;  $\Delta r$  is the change in the reserve requirement ratio; and  $\Delta B$  denotes the immediate change in the reservable base as a result of changes in its definition.

## 2. Indicative Range for Overnight Interest Rates

Once the foreign exchange market has stabilized, the program envisages the following ranges for the overnight repurchase rate:

15-20 percent from November 1997 to March 1998. If interest rates move outside of this range, the BOT will consult with IMF staff. However, interest rates will be moved flexibly above this range, as necessary, during periods of uncertainty in the foreign exchange market, in order to help stabilize the exchange rate.

The above will be monitored as an average of daily closing rates on the last five working days of the month and the first five working days of the next month.

## 3. Indicative Targets for Reserve Money

Outstanding Stock as of: 1/	Indicative Limit (In billions of baht) Program
End-September 1997	455 2/; 422 (actual)
End-December 1997	489
End-March 1998	499
End-June 1998	489
End-September 1998	502

1/ Calculated 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 months.

2/ Adjusted.

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

## EXTERNAL SECTOR TARGETS

The definitions of all performance criteria and indicative targets are unchanged from the original program except for the elimination of the adjustor on net international reserves for balance of payments support in excess of the program baseline (because expected balance of payments support in the period immediately ahead will be slightly below original projections).

### 1. Performance Criterion on Net International Reserves of the BOT

	Floor (In millions of U.S. dollars)	
	Original Program	Revised Program
Stock as of July 31, 1997	1,300 (estimate)	1,144 (actual)
Cumulative change from level on July 31, 1997		
End-September 1997	750 (performance criterion) 1/	3,447 (actual)
End-December 1997	3,400 (performance criterion)	1,500 (performance criterion)
End-March 1998	8,300 (indicative)	3,900 (performance criterion)
End-June 1998	11,200 (indicative)	5,500 (indicative) 2/
End-September 1998	11,300 (indicative)	7,200 (indicative) 2/

1/ Adjusted for an excess of US\$250 million in balance of payments support.

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

For monitoring purposes, the Fund defines NIR of the BOT as 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 SDRs, 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 A, 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 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)	
	Original Program	Revised Program
Cumulative from August 10, 1997		
End-September 1997	1,000 (performance criterion)	815 (actual)
End-December 1997	1,500 (performance criterion)	4,000 (performance criterion)
End-March 1998	2,500 (indicative)	7,500 (performance criterion)
End-June 1998	3,000 (indicative)	8,000 (indicative) 1/
End-September 1998	4,000 (indicative)	9,000 (indicative) 1/

1/ Performance 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**

	<u>1997</u>	<u>1998</u>		
	Dec.	Mar.	Jun.	Sep.
		(In billions of baht)		
Baseline net foreign assets of the BOT	996	1,002	1,014	1,022
Minimum floor on net foreign assets of the BOT	452	412	387	359
		(In billions of U.S. dollars)		
BOP support provided to central government (cumulative from August 1997)				
Original program	0.0	0.0	0.0	0.0
Revised program	0.4	0.7	1.0	1.4

**2. Exchange Rates and Gold Price to be Used Under the Program 1/**

	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

1/ Currencies 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.