APPENDIX I

Table 3 : Letter of Intent include Structural Adjustment Programs which agreed from four East Asian countries and IMF during Asian Financial Crisis

Thailand	Philippines	Indonesia	South Korea
1) **Medium Term Policy Framework** : At the core of the program is a comprehensive restructuring of the financial sector and a strengthening of the fiscal position. Other policies to support external current account adjustment will also be needed, including monetary and wage restraint, and structural reforms, notably privatization and civil service reform. A strengthening of the public sector finances is needed to support external current account adjustment, as well as to provide a margin to offset costs associated with financial sector restructuring. Those targets will require substantial measures on both the revenue and expenditure sides, including structural reforms aimed at broadening the tax base and improving tax administration. Major initiatives involving civil service reform, public enterprise restructuring, and privatization that will increase efficiency, keep public enterprises in broad financial balance, improve corporate governance, and attract more non debt-creating capital inflows. 2) **Financial Sector Restructuring** : Begins by isolating fundamentally unviable finance companies from the rest of the financial system. To develop the institutional framework for the systemic restructuring as well as comprehensive reforms aimed at strengthening the efficiency, profitability and solvency of the system, and thus make it more prepared to withstand international competition. For transparency, the cost of financial sector restructuring will be computed as the sum of the debt-servicing costs of the FIDF, PLMO, and other institutions established to	1) the peso has been allowed to float, accompanied by a tightening of fiscal and monetary policies 2) The main economic objectives for 1998-99 are to: -Contain the slowdown of real GNP growth to 3 percent in 1998, followed by 5 percent in 1999 and 6 percent -Limit average inflation to around 8 percent in 1998, 6-7 percent in 1999, and 5 percent in subsequent years -Reduce the current account deficit to 3.1 percent of GNP in 1998 and to 2.7 percent in 1999, and increase reserve cover to 1.9 months of imports in 1998 and to 2.3 in 1999 **3) Fiscal Policy :** The government has adopted the following emergency measures: -a 25 percent mandatory reserve on all expenditures, including government-owned and controlled corporations other than personnel and debt service -a 10 percent deferment in the internal revenue allocation (IRA) for local government units - suspension of all tax subsidies of National Government agencies, government owned and controlled corporations, and local government units - continuation of the selective ban on the creation of new civil service positions as well as restrictions on the filling of vacant positions (exempting health, education, and peace and order) -suspension through Presidential veto of P 14.4 billion of new programs and projects from the 1998 budget - a renewed effort to strengthen tax administration, following an action plan drawn up in collaboration with the Fund - limit the wide range of tax incentives for both public and private businesses -In implementing the 25 percent cut in discretionary expenditures, the government will make best efforts to protect social programs, especially those directed at poverty reduction.	1) The government's policy program is built around three main pillars: - a strong macroeconomic framework designed to achieve an orderly adjustment in the external current account, and incorporating substantial fiscal adjustment as well as a tight monetary stance - a comprehensive strategy to restructure the financial sector, including early closing of insolvent institutions - a broad range of structural measures which also improve governance **2) Fiscal Policy :** On the revenue side, the base "retail" (or excise) price for tobacco will be increased sufficiently to raise revenue by 10 percent, and for alcohol by 80 percent, effective December 1, 1997. In addition, the government will announce that it will remove all VAT exemptions where feasible and unless stated in law (including those on imports of sugar and personal goods), with effect from April 1, 1998. These exemption arrangements will be reviewed regularly. Nontax revenues from the Investment Fund will also increase. The government will reduce the expenditure through the fund by Rp500 billion and instead require profitable public enterprises to rely on market financing. The government intends to adjust administered prices of petroleum products and electricity before the next fiscal year, with a view to eliminating subsidies for these products. The 5 percent local sales tax on gasoline will be introduced	1) Korea hereby requests a three-year stand-by arrangement from the International Monetary Fund in an amount equivalent to SDR 15.5 billion 2) The government's economic program is built around: (i) a strong macroeconomic framework designed to continue the orderly adjustment in the external current account and contain inflationary pressures, involving a tighter monetary stance and substantial fiscal adjustment (ii) a comprehensive strategy to restructure and recapitalize the financial sector, and make it more transparent, market-oriented, better supervised and free from political interference in business decisions (iii) measures to improve corporate governance (iv) accelerated liberalization of capital account transactions (v) further trade liberalization (vi) improve the transparency and timely reporting of economic data 3) **Monetary policy** will be tightened immediately to restore and sustain calm in the markets and contain the inflationary impact of the recent won depreciation. In line with this policy, the large liquidity injection in recent weeks will be reversed, and money market rates 4) conduct of monetary policy will be guided by movements in the exchange rate and short-term interest rates and A flexible exchange rate policy will be maintained, with intervention limited to smoothing operations 5) the government will aim to reduce broad money growth (M3) from an estimated 16.4 percent at end-September 1997 to 15.4 percent at end-December 1997, and to a rate consistent with the inflation objective in 1998. This deceleration will be achieved by reducing the limits on reserve money. Open market operations will be used to

implement the systemic restructuring, as well as of the bonds that may be issued to recapitalize banks, less the fees being levied under the government protection scheme 3) **Fiscal and Wage Policy** : Improvements in the financial positions of both the central government and the state enterprises are envisaged, the former supported by expenditure restraint and revenue measures, the latter by increases in public enterprise prices and cuts in lower-priority investment projects consistent with World Bank and international feasibility standards. VAT increases(around 10% from 7%) noted below will also increase local authorities' revenues, Government plan to lower, by a corresponding amount, expenditure of the central government on projects presently carried out for local authorities. Control of the disbursement rate, the limit on carryover expenditures, and additional budget cuts will hold central government expenditure to B 903 billion (excluding amortization and on treasury accounts basis) in 1997/98. Expenditures will be monitored against monthly indicative targets under the program to ensure that they are consistent with the annual objective. This will be done by ensuring that sufficient resources are allocated to priority sectors such as health and education, and by carefully prioritizing investment projects to safeguard only the most important elements of the program to upgrade Thailand's infrastructure. Accordingly, spending cuts are expected to fall principally on lower priority investment (especially construction) projects, defense and security, operations and maintenance, and on wages of temporary staff. These cuts have been reviewed by the Cabinet and will be finalized on 19th August,1997. 4) **Monetary and Exchange Rate Policy** : The monetary program envisages an expansion of 7 percent in broad money, , and reserve money growth of 8 percent. To help further develop the government capacity to conduct monetary policy, we intend to introduce by March 1998 an indicator-	-a large-taxpayer unit will be re-established and made fully operational at BIR headquarters by the time of the first program review. The unit will be empowered to supervise all aspects of large taxpayers' compliance including the conduct of audits. A comprehensive audit program will be reinstated and the pending audit of one of the large tobacco excise taxpayers will be promptly completed and appropriate follow-up action taken. A mechanism to monitor tax credits issued will be set up, and action is under way to speed up the transfer of tax revenues from commercial banks to the Treasury. To further improve customs administration the government will curtail sharply the scope of duty-free shopping facilities that have proven to add leakages to the system 4) **Social Welfare Policy :** (i) reforms and higher budgetary allocations for education and health, with a focus on rural areas (ii) development of the agricultural sector requiring, in particular, improvements in rural infrastructure and extension services (iii) improved targeting and efficiency of government programs directed at poverty reduction. **5) Monetary Policy :** Interest rate policy will be guided primarily by the targets established for base money and international reserves (NIR). broad money growth during 1998 is projected to decelerate to 17 percent in 1998 (from 21 percent in 1997). Base money is to grow by 15.6 percent (test period basis), and net international reserves (NIR) are targeted to rise by around $920 million. **6) Exchange Rate Policy :** In current circumstances the Philippine economy is best served by a floating exchange rate. To improve the functioning of the foreign exchange market and to increase flexibility of the exchange rate, the volatility band established by the Bankers' Association of the Philippines (BAP) will be reviewed by the BSP in consultation with BAP with a view to phasing it out as soon as possible, but not later than by end-1998. The BSP henceforth will channel all its spot foreign exchange transactions (except those with the government) through the Philippine Dealing System (PDS). **7) External Debt Management :** An effort both to improve the	by April 1, 1998, and the number of goods subject to the luxury sales tax will be increased. The government will also shortly increase the proportion of the market value of land and buildings assessable for tax to 40 percent for plantations and forestry property. The government also plans to improve tax administration and the structure of the tax system in line with recommendations of the Fiscal Affairs Department of the IMF to improve the buoyancy of non-oil tax revenues. Specific measures will include: (i) raising the annual audit coverage (ii) developing an improved VAT audit program to focus more on large potential taxpayers (iii) developing a program to implement a unique, single taxpayer registration number for all tax types (iv) improving the recovery of tax arrears. **3) Monetary and Exchange Rate Policy:** Bank Indonesia will aim to reduce broad money growth from 27 percent last year to 18 percent in 1997/98 and to 11 percent in 1998/99. This deceleration will be attained by controlling base money, rather than relying on bank-by-bank quantitative lending targets and moral suasion. Bank Indonesia will also engage in open market operations, especially through central bank certificates. The floating of the rupiah will allow monetary policy to be based more exclusively on the objective of domestic price stability. **4) External Position and Financing :** Limits of $5 million per customer on forward foreign currency trading between banks and nonresidents, and on each bank's outstanding position in the forward market, were imposed in early September, as part of our effort to restore order in the foreign exchange market. While these controls do not apply to trade and investment	contain the expansion of the net domestic assets of the Bank of Korea 6) **Fiscal Policy** : Upfront fiscal action comprising an increase in the transportation tax and the special excise tax has already been taken to demonstrate the government's commitment to implement the program strictly. Other measures on the revenue side are likely to include widening the basis of the corporate tax, income tax, and the VAT. On the expenditure side, specific plans will be formulated to reduce current expenditures and net lending, and to reduce low priority capital expenditure. 7) **Financial Sector Restructuring** : the government is taking bold and decisive action to address the problem of troubled financial institutions and to open the financial sector to foreign investment. Prompt action will also be taken to enact the necessary legislation to set up a strong and independent supervisory agency, strengthen and consolidate prudential supervision, and increase transparency. -A revised Bank of Korea Act, which provides for central bank independence, with price stability as its main mandate. -A bill to consolidate supervision of all banks (including specialized banks), merchant banks, securities firms, and insurance companies in an agency with operational and financial autonomy, and with all powers needed to deal effectively with troubled financial institutions. -A bill requiring that corporate financial statements be prepared on a consolidated basis and be certified by external auditors 8) Borrowing and lending activities of overseas branches of Korean banks will be closely monitored to ensure that they are sound. 9) **Trade Liberalization** : The government has undertaken substantial trade liberalization since the early 1980s which has resulted in the removal of quantitative restrictions on all but a few items and lowered the average tariff rate on manufactured goods to around 6 percent. **10) Capital Account Liberalization :** Foreign financial institutions will be allowed to participate in mergers and acquisitions of

based system of monetary policy management, under which the government will seek to target short-term interest rates in order to achieve a nominal target such as inflation or nominal GDP growth. 5) **External Targets and Pol**icies : A key objective of the program is to maintain short-term credit lines, especially through banks, which account for $30 billion of Thailand's $38 billion short-term debt. Policies will therefore focus on preventing a sharp withdrawal, including through strengthening financial sector intermediation and adopting policies that will encourage longer maturity inflows. the Bank of Thailand will significantly reduce the level of its outstanding offshore swap and forward obligations. Onshore swap operations, which are an important source of baht financing for foreign and domestic banks in Thailand, will need to continue for the time being, as other monetary policy instruments are expanded and the private swap market returns to normal. **6) Program Monitoring and Data Issues** : As from 29th August, 1997, we will publish fortnightly data on key elements of the assets and liabilities of the BOT, including gross international reserves. This will be reviewed at the first review. The government also working closely with other regulatory agencies and with financial institutions to ensure they publish regular and comprehensive data on their financial condition, including on nonperforming loans, capital adequacy, as well as ownership structures and affiliations	monitoring of debt flows and stocks, especially of short-term debt. Regarding debt statistics, the BSP is using a computerized debt management system to facilitate the compilation of statistics. We are also considering the use of survey methods to add a further dimension to our monitoring effort. In this context, ongoing technical assistance from the Fund in the area of balance of payments statistics will pay particular attention also to the debt statistics. To ensure that the private sector bears the full risks of its borrowing, the government will continue to refrain from providing any explicit or implicit guarantees on their external loans. The Government is taking a number of steps to reduce short-term debt and encourage a better maturity structure of debt flows as well as higher non-debt creating flows. **8) Financial Sector Reform :** To maintain the fundamental health of the system, and to guard against the risk that could arise from a further economic downturn, the government is fully committed to accelerating ongoing efforts to improve our prudential and supervisory systems as well as to resolve without delay any problems that might emerge in individual institutions. There are four main elements to our banking reform strategy. First, the government is enhancing the banks' capacity to withstand shocks by raising their capital and encouraging some consolidation in the industry. Second, bank risks are being reduced by tightening provisioning requirements and strengthening regulatory oversight. Third, the government is leveling the playing field between different types of instruments, especially with a view to reducing disincentives to peso intermediation. And fourth, our bank resolution strategy is geared to the twin objectives of dealing expeditiously with any problem banks while safeguarding the soundness of the banking system. To support implementation of this plan, the government have requested an FSAL from the World Bank as well as follow-up technical assistance from the Fund/World Bank. **9) Structural Reforms:** Major tax policy reform in all areas - income taxes, excises, tariffs and VAT - has taken place over the past four years, most recently with the passage in December 1997 of the final phase of the Comprehensive Tax Reform Package (CTRP, the income tax	transactions, they will be phased out as soon as possible to encourage reflows of foreign capital and remove distortions caused by this restriction. **5) Financial Sector Restructuring :** The first part, to isolate clearly unviable institutions from the rest of the financial system, has already been completed as noted above. On November 1, 1997, 16 banks were closed. These banks have already ceased all operations, and their licenses will have been revoked. Consistent with the law, shareholders' losses will not be compensated. Caretaker teams, to be replaced by liquidation teams within 3–4 weeks after closure both supported by personnel with commercial banking experience will immediately replace the management of the institutions. Bank Indonesia is preparing plans for effective asset recovery. The government will not guarantee repayment of the liabilities of these banks except for small depositors who will be compensated promptly (within two weeks after bank closure) for up to Rp20 million per depositor per bank. Some institutions will be placed under conservatorship or intensified supervision of Bank Indonesia and will be given 60 days to submit to Bank Indonesia, for its approval, a rehabilitation plan to address the banks' weaknesses. Each plan will clearly specify: (i) the sources of any new funds to be injected into the institution (ii) the proposed changes in ownership structure, management, board of directors, and future focus of activities and procedures (iii) the implementation timetable. The specific plans will then be evaluated by Bank Indonesia, with assistance from the ADB and World Bank; these agencies will also assist with the subsequent	domestic financial institutions in a friendly manner and on equal principles. Effective immediately foreign banks' will be allowed to purchase equity in domestic banks without restriction, provided that the acquisitions contribute to the efficiency and soundness of the banking sector. The government has announced that the ceiling on aggregate foreigners' ownership of listed Korean shares would be increased from 26 percent to 50 percent by end-1997 and to 55 percent by end-1998. The ceiling on individual foreign ownership will be increased from 7 percent to 50 percent by end-1997 (excluding hostile takeovers). 11) **Corporate Governance and Corporate Structure** : Enforcing accounting standards in line with generally accepted accounting practices, including through independent external audits, full disclosure, and provision of consolidated statements for business conglomerates. Directed lending will be eliminated immediately. While policy lending (e.g., agriculture, small business, etc.) will be maintained. To strengthen market discipline, bankruptcy provisions according to Korean law will be allowed to operate without government interference. No government subsidized support or tax privileges will be provided to bail out individual corporations. **12) Labor Market Reforms :** The capacity of the new Employment Insurance system will be strengthened to facilitate the redeployment of labor, in parallel with further steps to improve labor market flexibility. **13) Information Provision and Program Monitoring** : To improve transparency and allow market participants to make informed assessment of economic developments, the publication and dissemination of key economic data will be improved. Beginning January 1, 1998, data on foreign exchange reserves, including the composition of reserves and net forward position will be published monthly with a two weeks delay initially, and data on financial institutions, including nonperforming loans, capital adequacy, and ownership structures and affiliations will be published twice yearly. Data on short-term external debt will be published quarterly. Efforts will also be made to improve the timeliness of data on local

	component of reform). The Government Re-engineering Program which was initiated in 1994. It will re-submit to Congress before the end of 1998, the "Re engineering the Bureaucracy" Bill in order to obtain full authority to restructure the Executive Branch of government. We expect the reduction in staffing will result from the merger or abolition of redundant agencies, the devolution of activities and programs to local governments, and the further privatization of public services to improve the effectiveness and efficiency of government. **10) Strengthening the corporate sector:** Significant liberalization of the trade regime has been achieved in recent years through continued tariff reform and steady elimination of nontariff barriers. The average nominal tariff rate was reduced from 28 percent in 1990 to 13 percent in 1997, with the maximum tariff rate (which applies to a few agricultural products) lowered from 100 percent in 1996 (after WTO tariff) to 80 percent in 1997. Quantitative import restrictions were lifted on all agricultural imports (except rice) in March 1996, accompanied by their tariff as agreed under the WTO. Trade liberalization will continue in 1998-99 and beyond. The average nominal tariff rate has been reduced to 11.2 percent in 1998, and will be lowered to 10.2 percent in 1999 and to 9.1 percent in 2000. The maximum tariff rate (which applies to some agricultural imports) will be reduced to 65 percent in 1999. **11) Oil Deregulation :** The downstream oil industry was fully deregulated in February 1997, but, effective December 8, the Supreme Court ruled parts of the deregulation law unconstitutional. A new law was passed in February 1998, restoring most of the deregulation provisions of the original law while correcting its constitutional deficiencies. As part of the new regime, a transition period of up to 5 months was introduced during which prices of domestic petroleum products remain regulated and limited subsidies can be provided, at the discretion of the President, for the most socially-sensitive products (liquefied petroleum gas, kerosene, and regular gasoline). By March 15, the President will issue an Executive Order terminating the transition period for all products except for the most socially sensitive products. For these latter	implementation and monitoring. The government will introduce private sector ownership of at least 20 percent in at least one state bank within one year and will reduce its ownership of at least one state bank to less than 50 percent as soon as legislation for this purpose is enacted Prudential regulations and enforcement procedures will be strengthened in line with the Basle Committee's Core Principles of banking supervision. With the assistance of the IMF, reporting requirements for foreign exchange exposure will be modified by end-December 1997 to capture the true risk inherent in foreign exchange positions. These reports will be closely monitored by Bank Indonesia's Supervision Department. High priority will be given to ensuring that loans are classified according to borrower's future capacity to repay, rather than on the basis of repayment history alone, and that provisioning rules are tightened by end-March 1998. In addition, loan loss provisions required by regulations of Bank Indonesia will be fully tax deductible as of the current fiscal year, after verification by tax authorities. **6) Structural Reforms :** The government has a comprehensive program, which it introduced in 1995, to reduce most tariffs from 0–40 percent to 0–10 percent by 2003. Items currently subject to tariffs of 15–25 percent will have their rates reduced by 5 percentage points by end-March 1998. On November 3, 1997, the government announced that chemical, steel/metal and fishery products will be brought within the overall plan and tariffs thereon gradually reduced to 5–10 percent by 2003. On January 1, 1998, most tariffs on chemical products will be reduced by 5 percentage points, while tariffs on fishery products will be reduced	government finances, and progress in this area will be reviewed in mid-1998. To ensure effective program monitoring, the government will request the opening of a resident representative office of the IMF in Seoul

	products, prices will remain regulated until July 1998, at which time they will also be freed. The cost of any price subsidies for socially-sensitive products will not exceed P 2.9 billion during 1998. This amount will be accommodated within the revised fiscal program for 1998. Moreover, the outstanding balance under the Oil Price Stabilization Fund (OPSF) (P 2.6 billion at end-1997) will be gradually repaid through the application of reimbursement certificates, following the provisions of RA 8479. The total amount used under the new buffer fund for socially sensitive products will not exceed P 2.9 billion, as a performance criterion under the program.	from 10–20 percent to 5 percent. Most tariffs for steel/metals will be reduced beginning January 1, 1999. Export taxes and restrictions will also gradually be reduced over the next three years. Initially, taxes on rattan, leather, cork, ores and waste aluminum products will be cut. The government intends to phase out import and marketing monopolies and price controls on agricultural commodities except for rice, sugar, and cloves over the next three years. As a first step, on November 3, 1997, wheat and wheat flour, soybeans and garlic were made freely importable. In order to alleviate the burden of adjustment on the part of the affected parties, import tariffs will be applied to soybeans and dried garlic (20 percent) and wheat flour (10 percent) and will be reduced to 5 percent by 2003. Price controls on cement will be eliminated effective November 3, 1997. Efforts to target assistance to the poor will be intensified, including by expanding the program for the least developed villages, initiated in 1994, which has proved cost effective in creating rural infrastructure and expanding employment opportunities for the poor. Moreover, poverty eradication and more equal income distribution are to be major themes of the next five-year development plan, which begins in 1999	

Sources taken from IMF Official Website about Letter of Intent for each nation in 1997 https://www.imf.org

APPENDIX II

Table 6. Component and Chronology of Saemaul Undong

Phase/ Components	**Main Features**
Pre-Saemaul Undong (1950-1970) - Land Reform - Role of Agriculture	**National focus on urban-industrial development** - Radical land to-the-tiller reform before Saemaul Undong was initiated - Relatively benign neglect of agriculture
1st Phase (1970-1975) - Village Modernization -Saemaul Undong Training Centers - Saemaul Spirit	**Focus on village modernization** - Materials given to village for self-improvement. - Elaborate national system of Saemaul Undong training centers set up to train and indoctrinate leadership. Acted as mechanism to locally integrate rural development activities beyond sector ministries. - An ideology of South Korea as a culture of cooperation launched to raise enthusiasm and mobilize contributions and participation
2nd Phase (1972-1978) - Green Revolution - Extension Services - Rural Cooperatives - Mechanization	**Focus on Agriculture** - Forced adoption of high-yielding varieties of grain - Embedded in Green Revolution phase of Saemaul Undong - Set up with Green Revolution - Belatedly adopted mechanized farming
3rd Phase (1973-1977)	**Saemaul Undong expansion to non-agriculture and cities**

Sources taken from Douglas, M. (2013, February). *The Saemaul Undong: South Korea's Rural Development Miracle in Historical Perspective,* ARI working paper No. 197. RetrievedOctober29, 2014, from http://www.ari.nus.edu.sg/docs /wps/wps13_197.pdf