



# Monetary Policy Innovation and Bank Lending Under Dollarization: The Case of Zimbabwe

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## Executive Summary

Under dollarization, unsustainable external liquidity flows render the implementation of monetary policy, especially when based on the interest rate channel, difficult. However, if the supply of bank credit can be influenced through other innovative monetary measures, hope remains for such interventions to influence bank lending, investment and aggregate demand; giving an opportunity for less reliance on fiscal measures, which are usually detrimental. The case for Zimbabwe confirms this assertion