# Individual country details:
# Emerging and developing Asia

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The tables that follow present for each country by subperiod the summary information on the monetary policy framework which lies behind the classification, followed by a list of selected IMF references and other sources which provide further details.

IMF country-specific papers are referred to as follows (by year of publication, not year of consultation, plus month if there are two issues in the same year):
Background Material = BM
Background Paper(s) = BP
Recent Economic Developments = RED
Recent Economic Developments and Selected Issues = REDSI
Recent Structural Reform = RSR
Report on Recent Economic Developments and Prospects = RREDP
Request for Stand-By Arrangement = RSBA
Selected Issues = SI
Selected Background Issues = SBI
Selected Issues and Statistical Appendix = SISA
Staff Report = SR
Staff Report Informational Annex = SRIA
Statistical Tables and Recent Developments = STRD.

Other abbreviations
CD = certificate of deposit
GFC = Global Financial Crisis
OMO = open market operation
SDR = Special Drawing Right
SOE = state-owned enterprise
USD = US dollar

**Afghanistan** initially had a small and underdeveloped financial system, with a central bank which had few effective instruments and unclear objectives and itself undertook commercial banking activities, while unregulated money bazaars also provided important services. Financial and other arrangements deteriorated in the 1990s. After the overthrow of the Taliban government in 2001 there were attempts to develop more modern financial arrangements, but with only modest success.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-2002 | official exchange rate fixed to USD but various special exchange rates subject to periodic adjustment, plus central bank's 'operational' free exchange rate kept in line with rate determined by supply and demand in important money bazaars in Kabul and Kandahar (which also provide some domestic lending); central bank, which is also partly a commercial bank and lacks most monetary instruments, plus small number of other (non-competing) commercial and specialist banks, some state-owned; monetary growth driven by credit to public and private sectors and balance of payments; low monetisation and bancarisation; under 1975 law private banks nationalised, plans for central bank to lose commercial activities and monetary policy to become more active; 1976 appreciating bazaar rate leads to central bank rate revaluation and forex intervention; 1978-9 coups lead to Soviet intervention, followed by years of civil war; 1979 some simplification of exchange rates, but controls and additional rates return; 1981 bazaar forex rate depreciates strongly; 1982 central bank brought under planning arrangements instead of finance ministry; from 1981 banks' credit to private sector and SOEs is subject to (indicative) annual plans and monetary growth is driven by lending to government, while interest rates are rarely adjusted; limited planning, but private sector is dominant in many areas and government does not intervene in bazaar market; monetisation remains low; 1988 new 'commercial' forex rate, 1989 non-official convertible transactions switched to commercial rate, which is linked to bazaar rate; trend rise in bank finance of fiscal deficits; 1988-9 Soviet troops withdraw but civil wars continue, with severe effects on fiscal deficits, monetary growth, infrastructure, public services (including health and education), economic activity; 1991 commercial forex rate stabilised while bazaar rate depreciates continuously; over 1990s bazaar and related hawala system come to play larger financial role, while central bank becomes inactive, and foreign and counterfeit currencies are widely used; by late 1990s most of country under Taliban government, which fails to restore public services, but is overthrown late 2001; statistics in early years weak (and in some cases on CMEA/Soviet basis), data collection ended mid-1990s | unstructured discretion UD |

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|---|---|---|
| 2003-17 | government opts to introduce new currency 2003 (with revived payments system) to be managed by upgraded central bank under floating exchange rate, but central bank soon begins to manage exchange rate; continuing conflict and security issues; growth of opium production poses problems for exchange rate, economic and security policy; monetary policy focused on currency in circulation; growth and restructuring of banking and financial sector, including central bank's 'capital' notes issued from 2004; latter facilitate regular auctions in domestic securities but monetary policy operated primarily through (much larger) forex auctions, aided by standing facilities and reserve requirements, while high aid inflows and dollarisation complicate and reduce scope of monetary policy; 2009-10 reserve money replaces currency in circulation as operational target and central bank tries to expand secondary market for and role of capital notes; 2010 crisis at Kabul Bank, country's largest, arising from fraud by insiders: resolution takes many years, as does unwinding of blow to public confidence; central bank recapitalised 2012; continued armed conflict of varying severity; monetary policy remains focused on price stability, but weak transmission, high dollarisation, dependence on aid inflows (which impedes forecasting of liquidity) and lack of adequate domestic instruments all limit effectiveness of monetary policy (even though fiscal dominance is largely precluded by aid inflows and exchange rate is subject to only limited intervention); statistical database gradually but substantially improved | loosely structured discretion LSD |

Selected IMF references: RED 1975 pp28-9, 49-51, 69-71; RED 1976 pp23-5, 39-41; RED 1977 pp42-3, 56-7; RED 1983 pp16-17, 32-4; SR 1983 pp4, 7-8; RED 1984 pp19-21 34-5; RED 1985 pp24, 40; RED 1986 p32; SR 1986 pp11-12; RED 1990 pp44-5; RED 1991 pp26-8, 40-2; [note: no IMF consultations or reports, and few statistics, available from 1992 to 2001] RREDP 2002 pp4-5, 10, 14-18; SR 2003 pp6, 12, 13-15, 18-19; SR 2005 pp8, 10; SR February 2006 pp9-10, 12-13, 18; SI 2008 pp22-30; SR January 2008 pp10-12, 14; SR 2010 pp13-16; SR 2011 pp6, 8, 10, 18-19; SR 2015 pp19-20; SR November 2017 pp11-12.

**Bangladesh** initially fixed its exchange rate to sterling, but soon moved to more flexible and less constrained arrangements, with a long period of gradual and incomplete financial reforms but no formal targets.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974 | exchange rate pegged to GBP (intervention currency) within narrow bands; preferential rate for emigrant workers' remittances; main monetary policy instruments are selective credit controls and moral suasion (on dominant public sector banks); economy still affected by post-independence turmoil and reorganisation | augmented exchange rate fix AERF |
| 1975-2017 | devaluation 1975, followed by varying but relatively small, frequent adjustments; emigrants' remittances auctioned in secondary forex market, with fluctuating premium; recurring efforts to stabilise and develop economy, not always helped by periodic natural disasters (floods and droughts), by domestic political conflicts, by external developments (commodity prices, terms of trade) or by use of price, import and other controls; central bank financing of fiscal deficits and large public sector varies but remains significant; main monetary policy instruments are selective credit controls, refinancing quantities and moral suasion, while refinancing and other interest rates are regulated and rarely varied; 1979 peg to currency basket with margins of +/-2.5%, continuing frequent small depreciations, with rate more stable vs USD than vs GBP, depreciations become more clearly aimed at improving and preserving competitiveness (with occasional appreciations); intervention currency becomes USD 1983, basket weights revised 1985; secondary forex market extended to other receipts 1985 and especially 1986; mid-1980s growing problem of non-performing bank loans; inflation varying mostly between 10 and 20% in 1970s, around 10% in 1980s, and from 1990s around 6-7%; quantitative credit controls ended 1987; late 1980s and first half of 1990s programme of financial reform covering interest rate liberalisation, rationalisation of credit subsidies, loan recovery and bank recapitalisation, introduction of central bank securities issued by auction, improved bank supervision, exchange rate unification in 1992, and forex market liberalisation 1993; by mid-1990s main monetary instruments are OMOs (via auctions, bi-weekly from 1995), Bank rate, and reserve and liquidity requirements; renewed reforms in early/mid-2000s include more exchange rate flexibility from 2003, moves towards development of securities market and reform of inefficient state-owned commercial banks (which dominate forex market); late 2000s exchange rate more closely managed; capital market development still low, partly due to prevalence of National Savings Certificates with interest | loosely structured discretion LSD |

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|---|---|---|
| | rate subsidy which limits interest rate flexibility; CPI and other statistical data initially weak but gradually improved | |

Selected IMF references: RED 1974 pp27, 43-6, 66; SR 1975 pp3-4, 6-7, 10-11; SR 1976 pp1-2, 4-5, 8-9; RED 1978 pp41-3; RED 1979 p44; RED 1982 pp39-44, 55-6; RED 1983 pp56-7; SR 1983 pp13-14; RED 1985 pp35-6, 47-50; RED 1987 pp42-3, 55-8; SR 1990 p12; RED 1991 pp18-21; SR 1991 p11; RED 1993 pp25-6, 31-2, 36-7; RED 1996 pp32-3, 48-50; RED 1997 pp20-1; SISA 2002 pp18-24; SR 2002 pp8-9; 2nd Review under Three Year Arrangement 2004 pp10-11; SR 2007 p12; SI 2008 pp8-12; SR 2008 pp9-12; SR 2011 pp11, 17-18; SR 2013 pp15-16; SR 2017 pp8-9, 12-15; SI 2018 pp13-14, 16-25; SR 2018 pp8-9; SR 2019 pp12-13.

**Bhutan** began to issue its own currency only at the beginning of the period. For some years the Indian rupee was the dominant currency, but monetisation contributed to the ngultrum taking the larger share although the Indian rupee continues to circulate alongside it at par. From the 1990s Bhutan has had an increasingly active central bank and while monetary policy is limited by the peg to the rupee there has been considerable financial development.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974-88 | main currency is Indian rupee (barter remains important), but own currency ngultrum first issued 1974 by Ministry of Finance through state-owned Bank of Bhutan (BoB, the only commercial bank), exchanging at par with Indian rupee (most foreign trade is with India, trade and financial flows with third countries heavily regulated); initially no central bank, no real monetary system, but a few nonbank financial intermediaries; fiscal policy conservative (plus subsidy from India); Bhutan joins IMF 1981; Royal Monetary Authority (RMA) set up 1982 but not active until 1984, when it takes over functions of currency issue and (in part) reserve holding; small reserve requirement introduced but monetary policy operates mainly via moral suasion of RMA over BoB; 1988 RMA becomes banker to government; gradual rise in monetisation of economy and in share of ngultrum; statistical data poor but improving | use of another sovereign's currency UASC |
| 1989-2017 | dual currency system ('near currency board' arrangement, Wolf et al., 2008, p46) continues but ngultrum now has larger share than rupee and RMA is functioning as central bank, acting as banker to government, setting reserve requirements and regulating interest rates; fiscal policy and moral suasion used as (imperfect) instruments to control monetary growth; from late 1993 central bank bills and basic OMOs, with further developments over time; 1994 reserve management consolidated under central bank, with transfer of rupee liabilities from BOB to RMA and repayment of debts to India from forex reserves; 1996 start of slow interest rate liberalisation; 1997 some forex market liberalisation; 1997 nonbank financial intermediary converted into (second) commercial bank; RMA struggles to absorb recurring excess liquidity due to Indian financing of hydropower investments and balance of payments surpluses, while high levels of trade and financial flows with India but of reserves in other currencies complicate reserve management; new bank base rate system 2012 fails to improve monetary transmission; statistical database improves very slowly | augmented exchange rate fix AERF |

Selected IMF references: RED 1982 pp7-8, 10-12, 17; SR 1982 pp3, 9-10; RED 1983 pp18-19; RED 1985 pp36, 40-2, 62 SR 1985 pp8-9; RED 1989 pp21-2; SR 1990 p11; RED 1993 p15; SR 1993 pp5-6, 11; RED 1994 pp4-5, 8-9, 12; SR 1994 pp6, 8-10; SR 1995 pp10-11; SIss 1996 pp17-21; SR 1999 pp9-10, 12-13; SR 2001 pp5, 11-12; SISA 2003 pp4-23; SR 2007 pp6-7, 9-11; SI 2014 pp14-16; SR 2016 pp9-11, 18; SR 2018 pp9-12.
Other references: Wolf et al. (2008).

**Brunei** had had a currency board arrangement since 1967 (with a peg to the Singapore dollar) which precluded any significant domestic monetary policy, and this continued with little change until 2013, when the central bank which had recently replaced the currency board began to operate some interest rate controls.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974-2012 | Brunei dollar is pegged at par to Singapore dollar under currency board arrangement dating back to 1967 (which originally included Malaysia), with each country's central and commercial banks freely accepting each other's currency at par and with no charge (customary but not legal tender); the Brunei Currency Board (BCB) operates no monetary instruments, has no lender of last resort capability, and does not act as banker to government or to banks, while finance ministry operates only minimal supervision of (mainly foreign) banks; late 1995 reserve requirement introduced, for prudential reasons; ideas for broadening scope of BCB discussed late 1990s then put aside; 2000 Brunei International Financial Centre initiated; moves to encourage Islamic financing; 2004 Brunei Currency and Monetary Board replaces BCB, with aim of increasing forex coverage from 70 to 100% and with possibility of larger role in future; 2006 plan for deeper financial sector reform, including new central bank (which will retain currency board arrangement but take over and improve financial supervision and payments systems) and development of domestic capital market (especially via Islamic instruments); new monetary authority AMBD and new deposit protection scheme (plus asset maintenance ratio for banks) start operations 2011, 2012 credit information bureau set up; statistical database poor, especially but not only on government's foreign investments, but improvements from 2000s | pure currency board PCB |
| 2013-17 | 2013 some interest rate controls designed to increase domestic lending, later reduced or removed; continuing emphasis on financial sector reform; statistical database better but scope for further improvement | augmented currency board ACB |

Selected IMF references (Brunei became a member of the IMF only in 1995; Staff Reports for 2016, 2017 and 2018 not available): RED 1996 pp20-3, 30, 70; SR 1996 pp13, 15; SR 1997 pp14, 16-17; RED 1998 pp28-31; SR 1998 pp12-14; SR 2001 pp13-14; SR 2004 pp12-13; SISA 2006 pp3-13; SR 2011 pp11-12; SR 2012 pp10-12, 18; SR 2014 pp9-11; SR 2015 pp12-13; SR 2019 pp12-14

Other references: Monetary Authority of Singapore (2017).

**Cambodia's** economic and financial development was held back for many years by armed conflict and political strife, but in the 1990s it regained some stability and economic growth was restored. There were no formal targets for monetary policy, but – amid very high dollarisation – fiscal conservatism prevented excessive monetary expansion and allowed inflation to be controlled.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-92 | low monetisation worsened by civil war to 1974 and 1975-9 upheavals and direct controls; 1974 exchange rate falling fast, monetary growth fuelled by large budget deficits; 1975 money and banks abolished; new government in most of country from 1980 tries to revive economy and reintroduces national currency (with monobank system), then moves towards market economy from 1985 and embarks on deeper economic reform from 1989, partly in response to ending of aid from USSR and CMEA: end of single tier banking and opening up of new banks, multiple exchange rates unified and official rate linked more or less closely to parallel market rate; but deficit-driven monetary expansion leads to high inflation, with monetisation still limited and some dollarisation, while central bank lacks monetary policy instruments; political developments including peace agreement signed in Paris 1991 pave way for general election; from 1975 to 1992 few data and no IMF reports available, 1992 relations with IMF restored | unstructured discretion UD |
| 1993-2017 | late 1992 stabilisation package halts both inflation and depreciation; dollarisation and low bancarisation limit scope for monetary policy; reserve requirements and periodic forex auctions from late 1993; some focus on and clear success in controlling monetary financing of budget deficits, in order to limit inflation and (with help of some forex intervention) stabilise exchange rate; 2000-2 major rationalisation of banking system, ongoing concern with improving bank supervision; 2013 start of interbank market based on Khmer Riel and USD CDs; plans for organised interbank forex market and for government bond market; some macroprudential measures; major improvements over time in statistical database | loosely structured discretion LSD |

Selected IMF references: RED 1974 pp15-19, 29-30; RED 1993 pp1-5, 15, 28-34, 48-51; SR 1993 pp2-6; RED 1994 pp4-8, 11-12; SR 1995 pp13-15; RED 1997 pp25-34; SR 1997 pp15-16; RED 1998 p13; SR 1998 pp9, 16; SI 2000 pp30-7; SISA 2003 pp34-43; SR 2006 p13; SR 2011 pp13-15; SR 2014 pp10, 13; SR 2016 pp17-18.

**China** had a command economy with no real monetary policy for the first decade, then moved to a two-tier banking system and began to operate direct and later indirect monetary instruments; by the mid-1990s it was using a range of instruments in a partly liberalised financial system, but the key decisions required to formalise a modern monetary policy framework were never quite taken.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-83 | financial system still geared to providing finance for investment decisions in national state plans; foreign exchange transactions handled within planning process | multiple direct controls MDC |
| 1984-93 | two-tier banking system, in which bank lending is main source of finance but not mechanism of physical plan; monetary instruments include credit ceilings, redeposit requirements, central bank refinancing and some use of officially set interest rates; bonds issued since 1981 and bought partly by individuals; currency managed (fixed) with respect to undisclosed basket, dual exchange rates | unstructured discretion UD |
| 1994-2017 | exchange rates now unified and heavily managed, mid-2000s forex market liberalised and exchange rate more flexible (except 2008-10; more (but still partial) use of indirect instruments including interest rates instead of direct lending controls; some use of monetary targets; central bank gets some autonomy, direct fiscal dominance largely controlled (but reappears in indirect form of uncontrolled bank lending to state-owned enterprises); 2015-16 exchange rate intervention reduced, bank interest rates fully liberalised, policy rate corridor introduced, policy rates become main instrument; but crucial steps to formalise monetary policy framework with clear nominal anchor still not taken | loosely structured discretion LSD |

Selected IMF references: RED 1981 section III.5, p80; RED 1985 pp52-5, 80-1; *Economic Reform in China since 1978* (1989), pp24-6, chX; RED 1989 pp31, 33, 53-7; BP 1991 pp16-17; BP 1994 pp5-8, 22-31; BP 1995 chV; RED 1996 pp21-3, 50; RED 1997 pp19-23; RED 1998 pp12-15, 19-20; SR 2006 pp14-16; SR 2009 pp17-20; SR 2012 pp16-17; SR 2013 pp23-5, 27, 31, 33-4; SR 2014 pp12-13; SR 2015 p15-16; SI 2016 pp12-15; SR 2016 pp5, 7; SI 2017 pp34-40; SR 2017 pp8, 24-5, 28-9; SR 2018 pp26-8.
Additional sources: Xiong (2012); McMahon et al. (2018).

**Fiji** moved early in the period from a fixed exchange rate to a currency basket link (with no pre-announced target, and weights undisclosed and periodically adjusted). Monetary policy gradually evolved to being operated through limited OMOs and a policy rate, but the primary nominal anchor remained the heavily managed exchange rate.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974 | currency pegged to USD from February 1974 (previously to GBP); new (1973) Central Monetary Authority (CMA) has forex and minimal monetary policy role | augmented exchange rate fix AERF |
| 1975-2017 | from April 1975 currency fixed daily on basis of currency basket (undisclosed weights) with aim of stability of real effective rate; CMA sets reserve and government securities requirements for five foreign- and one government-owned banks, regulates interest rates and later turns to credit controls, with concerns for balance of payments/reserves, price stability and growth; currency basket weights revised at intervals but remain undisclosed; 1984 CMA becomes Reserve Bank of Fiji (RBF) with more complete central banking powers, setting reserve and liquid assets ratios, some credit guidelines, and the rates on its transactions with banks; gradual moves to encourage competition between banks and growth of government securities market; new instrument of special deposits 1985; interest rate controls dismantled mid-1987; two coups d'état in 1987 with large negative economic shock (including capital flight and emigration of skilled labour), monetary authorities respond with devaluations, monetary tightening and stricter capital controls; 1989 limited shift towards general liberalisation, but significant controls of various kinds remain; RBF issues own notes from 1989 to help control excess liquidity, and such issues become primary monetary instrument; 1991 RBF ends its short-term lending facility for banks; mid-1990s failure of major state-owned bank; ongoing improvements in bank supervision; 1998 devaluation; further coup 2000 leading to international sanctions lifted only 2002; further coup 2006 followed by international sanctions and continued political turmoil surrounding the military government, until new constitution 2013 and election 2014; devaluation 2009; new operational framework 2010 based on sale and purchase of RBF bills and designated policy rate, but monetary transmission mechanism remains weak | loosely structured discretion LSD |

Selected IMF references: RED 1974 pp19, 26; SR 1974 pp8-9, 14, 17; RED 1976 pp18-19, 28, 54; SR 1976 p9; RED 1977 pp19-20; RED 1978 pp17-18; RED 1981 pp21-2; SR December 1982 p13; RED January 1984 pp25-6, 37-8; RED January 1985 pp28, 29; RED November 1985 p32; RED1986 pp25, 39-40; SR 1988 pp4-5; RED 1989 pp27-8, 37; RED 1991 pp28-9; RED 1993 pp25-7; RED 1994 pp22-3; SR 1996 pp5-7; SR 2004 pp10-11; SR 2009 pp16, 22; SR 2011 pp9-10, 13-14; SR 2013 pp7-8, 11-12; SR 2018 p8.

**India** pursued a varying set of objectives with a range of gradually changing instruments, and eventually adopted inflation targets.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-2014 | exchange rate initially pegged but for most of period is adjusted frequently and in varying ways; initially some state planning but some autonomy for banking system, planning weakened by liberalisation over time, particularly from early 1990s; fiscal dominance always possible but in practice under some control; monetary policy instruments gradually shift over period from direct to indirect; central bank has developmental responsibilities but increasingly serious price stability concern; some implicit/explicit monetary targeting 1985-6 to 1997-8, target achieved only four (separate) years, replaced in 1998 by multiple indicators approach | loosely structured discretion LSD |
| 2014-16 | 2014 adoption of 'glide path' down towards medium term inflation target, targets met though inflation expectations above target; measures to improve monetary transmission | loose converging inflation targeting LCIT |
| 2017 | formal adoption of flexible IT August 2016, target met | full inflation targeting FIT |

Selected IMF references: RED 1986 pp25-8; RED 1988 pp14, 18-19; MTP 1990 chs. II, VI; BPs 1995 chIV; SI 2000 chs V, VI; SR 2015 pp8-10; SR 2016 pp12-14; SR 2017 pp15-17. Additional sources: Mohanty and Mitra (1999); Reserve Bank of India (2013), ch4 especially Annex 4.12, ch14 especially Annex 14.1.

**Indonesia** moved from fixing its exchange rate (with some use of monetary instruments) through exchange rate management with a gradually more active and indirect monetary policy to loose but formal inflation targeting from 2006.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-78 | most forex transactions via central bank at narrow spreads set by central bank, but forex activity relatively unrestricted: on balance more fix than target; monetary policy relies on credit ceilings, and strongly affected by public sector budget deficit and external operations (especially those of state oil company Pertamina) | augmented exchange rate fix AERF |
| 1979-2005 | after November 1978 devaluation exchange rate is managed with reference to trade-weighted basket; more exchange rate variation (in pursuit of competitiveness) after March 1983 devaluation against larger but still undisclosed basket, band widened 1995-96 then more or less managed float from August 1997 (Asian financial crisis); financial sector reforms June 1983 with end of credit ceilings, but authorities slow to create new indirect monetary policy instruments; fiscal dominance on occasions; from early 2000s some kind of informal inflation target | loosely structured discretion LSD |
| 2006-17 | formal inflation target from July 2005, with switch to 1-month market interest rate in place of base money as intermediate target, then to overnight interest rate as policy rate June 2008; inflation targets hit nine years out of twelve (misses partly due to administered price rises, some evidence of inflation expectations remaining anchored), but targeting is loose because of large swings of inflation in both directions, and converging because that was intention (though not consistently realised); weakness of interbank money market and hence of monetary transmission mechanism addressed; continued concern with and sometimes managed float of exchange rate; fiscal dominance largely controlled | loose converging inflation targeting LCIT |

Selected IMF references: RED 1976 pp20, 29-30, 43; RED July 1979 p55; RED 1981 Annex II; RED 1983 pp2, 51-6; RED 1986 pp52-74, 102-3; RED 1990 p56; SR 1997 pp5-6; SI 2002 ch.II; SR 2005 pp21-2, 27; SR 2008 pp15, 17, 23; SR 2009 p11; SI 2011 ch.II; SR 2013 pp6, 14-16, 21; SR 2015 pp16-18, 30; SR December 2016 pp16, 26.
Additional source: Bank Indonesia website, http://www.bi.go.id/en/moneter/inflasi/bi-dan-inflasi/Contents/Penetapan.aspx.

**Laos** experienced a series of upheavals in the first few years, before settling into a relatively strict form of central planning with a monobank, no real monetary policy but a frequently adjusted exchange rate fix. Two-tier banking was introduced among other reforms from the late 1980s, but financial market development and monetary transmission remained weak, dollarisation was high, and monetary policy continued to focus on exchange rate stability, albeit without pre-announced, precise or long-lasting targets.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-78 | coalition government following peace agreement of 1973 covering part of country (smaller and poorer zone under control of Pathet Lao forces); previously official rate was managed with respect to USD and dependent on large inflows of foreign aid (which now decline), capital flight first half of 1974 leads to heavy exchange controls from July, followed by large depreciation of parallel market rate; limited financial system and monetisation, some banking but no securities markets, central bank sets reserve requirements and regulates interest rates; from 1975 unification of two zones, wide-ranging state controls and nationalisations, other banks closed and central bank converted into monobank, lack of fiscal discipline and large monetary financing of deficits; new single currency with large devaluation mid-1976 only briefly improves competitiveness; exodus of skilled and managerial workers leaves serious shortages; monetary-fiscal (including state enterprise) stabilisation measures from mid-1977, with further devaluation 1978; statistical database very poor | unstructured discretion UD |
| 1979-89 | move to central planning, strict but sometimes pragmatic; currency reform late 1979 and large devaluation; ongoing large current account deficit financed by foreign aid; 1981 six-month closure of border with Thailand; growing volume and spread on parallel forex market, countered by (periodically reset) commercial exchange rate from 1982 and preferential rate from 1983; monetary policy largely passive, monetary growth driven by needs of SOEs; some continuing use of barter, heavy reliance on cash including some use of USD and Thai baht; recurring difficulties in controlling inflation; major devaluation of (most important) commercial exchange rate 1985, plus first change in interest rates for 6 years; second five-year plan 1986 initiates liberalisation of prices and of enterprise sector; 1988 overall credit ceiling set and interest rates raised; 1988 official exchange rates unified and then kept close to rate in parallel market, foreign exchange liberalised; some statistical improvements | multiple direct controls MDC |
| 1990-2017 | two-tier banking system: State Bank becomes central bank and its branches autonomous commercial banks, and new private banks now allowed; rising monetisation; reserve requirements and central bank window for short-term lending to commercial banks introduced (later replaced by discount facility), interest rates gradually liberalised and | loosely structured discretion LSD |

| | | |
|---|---|---|
| | varied more actively, central bank sells own bonds via banks to public from 1992 and holds regular Treasury bill auctions from 1994, while direct credit controls and moral suasion reduced, but financial markets are underdeveloped and monetary control and transmission mechanism weak; official exchange rate parity abandoned 1995 after forex crisis, but float is heavily managed and forex market remains underdeveloped; issue of poor performance of state-owned commercial banks; Asian crisis 1997 (which severely affected main trading partner Thailand) briefly disrupts monetary policy and reform process and boosts dollarisation; monetary policy geared to inflation control, exchange rate stability and external balance, monetary control dependent on fiscal discipline and control of state-owned banks; 2009-10 quasi-fiscal activities of central bank (lending to local governments) raise reserve money and banks' excess reserves; from late 2000s exchange rate moving (mostly depreciating) within +/-5% annually adjusted band vs USD (and Thai baht); monetary policy effectiveness remains limited by dollarisation (despite significant fall since 2000), monetary objectives diverse (though exchange rate has priority) and instruments mostly indirect but limited; IMF presses repeatedly for more exchange rate and interest rate flexibility, more financial market development, clearer monetary policy framework and improved statistical database | |

Selected IMF references: RED 1974 pp19-23; SR 1974 pp12-14; RED 1975 pp1-3, 19, 44-8; RED 1977 pp12-13, 18-19, 27; SR 1977 pp1-3, 5-7, 10; RED 1979 pp1-4, 17-19, 27; SR 1979 pp1-4, 8-10; RED 1980 pp1-3, 23-5, 35; RED 1982 p40; SR 1982 pp9-10; RED December 1985 pp17-18, 28-30; RED 1986 pp22, 34; SR 1988 pp7, 10; RED 1990 pp16-18, 32-3; SR 1990 pp2-3, 8-10, 13-14, 15-16; SR 1992 pp3-10; RED 1993 pp16-19, 33; BP 1995 pp7-9, 12-15 36-7 RED 1996 pp28 30-1, 43, 72-80; RED 1997 pp15, 22-6, 29-30; SR 1997 p12; RED 1998 pp13-15, 18-19; SR 1998 pp7, 8, 15; RED 1999 pp15, 23-7; SR 1999 pp6-7, 9; SISA 2001 pp5-6; SI 2002 pp3-12; SR 2006 p13; SR 2009 p11; SR 2011 pp7, 13-15; SR 2012 pp8-12; SR 2013 pp12-13, 22; SR 2014 pp9-10, 23; SRIA 2014 p3; SR 2017 pp13-15; SRIA 2017 pp3, 7-8.

**Macao** initially had its currency fixed to that of its colonial master, Portugal, but the sharp devaluation of the escudo in 1977 led to the adoption of a currency board on the Hong Kong dollar. This has been maintained ever since, before and after Macao became a special administrative region of China in 1999, with conservative fiscal policies, no discretionary monetary policy, and more recently some macroprudential policy.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-76 | Portuguese colony, with its currency, pataca, issued (only against foreign currency) by Portuguese-owned Banco Nacional Ultramarino (BNU) and pegged to Portuguese escudo; range of banks, mostly foreign-owned | pure exchange rate fix PERF |
| 1977-2017 | sharp devaluation of escudo in 1977 leads to peg being switched to Hong Kong dollar (HKD) which was then floating, under standard currency board arrangement, with minor parity changes 1977-83; 1980 Issuing Institute of Macau (IEM) set up under Portuguese-administered government, BNU acts as its agent; 1983 speculative attack on HKD leads to HKD being pegged on currency board basis to USD, so pataca now pegged indirectly to USD; 1989 IEM transformed into Monetary and Foreign Exchange Authority of Macau (AMCM); 1993 government requires all goods prices to be listed in patacas, but does not discourage existing widespread use of HKD (more than half of broad money); from 1995, Bank of China local branch also issues pataca; over 1990s economy becomes dominated by gambling tourism, from Hong Kong and Mainland; as of 1999 role of monetary policy limited by currency board arrangement, capital openness and dominance of HKD in broad money, with instruments limited to reserve requirements (low and stable, prudential rather than monetary) and bills issued by AMCM to absorb and control liquidity; small interbank money market, no government debt so no government debt markets; no discretionary monetary policy, interest rates follow Hong Kong rates closely, AMCM focused on bank supervision; 1999 Macau becomes special administrative region of China but keeps existing currency arrangement; conservative fiscal policies maintained, but temporary relaxation in response to slowdown 2014-6 from fall in gambling tourism and correction to post-GFC house-price boom; post-GFC some development of macroprudential policies focused on property prices; | pure currency board PCB |

Selected IMF references: RED 1999 pp17-25, 62; SR 1999 pp11-12; [Note: no Article IV consultations from 2000 to 2013] SR 2014 pp11, 18; SR 2017 pp4-5, 8-9, 13-14, 33; SR 2019 pp12-15, 45-9.
Other references: Braga de Macedo et al. (2006); Haney Scott (1997); Pao (2003).

**Malaysia** experienced a long period of financial development, accompanied first by exchange rate targeting and then by exchange rate management with more active monetary policy; the Asian financial crisis led it to introduce a peg to the USD plus capital controls for a few years, which were followed by strong monetary policy arrangements which did not, however, include a formal inflation target.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-84 | currency pegged to dollar then from September 1975 to undisclosed basket (based on trade and settlement currency, different from IMF calculations of effective rate), with 2.25% margins exceeded occasionally, in market where banks operate more or less freely; monetary policy instruments initially direct but becoming indirect, with growth of money and bond markets; policy directed in part to social objectives; fiscal policy mostly under control; | loose exchange rate targeting LERT |
| 1985-98 | exchange rate policy more 'active' from late 1984 though still peg of sorts to same basket, no mention of margins; further gradual financial liberalisation, monetary instruments more indirect; fiscal deficits often large but dominance avoided; capital inflows hard to manage; Asian financial crisis mid-97 leads to capital outflows, large depreciation, crisis measures to save banks; position worsened by Russian crisis mid-98 | loosely structured discretion LSD |
| 1999-2005 | (temporary) capital controls from September 1998 and currency pegged to USD, permitted spreads 2% only; forex transactions and financial sector in general quite controlled, but forex market has some autonomy, it's more target than fix, and margins are narrow | full exchange rate targeting FERT |
| 2006-17 | July 2005 exchange rate peg replaced by managed float against undisclosed basket; exchange controls now mostly ended; new interest rate framework (from April 2004) allows central bank to control overnight rate and banks to set own rates; development of macroprudential policies post-2008; wider role for Monetary Policy Committee after new central bank law 2009; central bank has viable 'dual mandate' for price stability and growth; some differences between authorities and IMF re exchange rate flexibility and intervention but degree of management declines over time; from late 2016 measures to improve functioning of forex markets | well structured discretion WSD |

Selected IMF references: RED 1975 pp24-5; RED 1979 pp17-22; RED 1983 pp28-30, 50; RED 1985 p36; RED 1986 pp38-9, 64-5; RED 1988 pp32-5; SR 1989 p32; SR 1994 pp11, 15; RED 1999 pp13-18, 23-4; SR 2005 pp16-17, 24; SR 2011 pp7-9; SR 2013 pp15, 23; SR 2014 pp8-9; SR 2016 pp62-3; SR 2018 pp10-14, 58-60.
Additional source: Ibrahim (2016).

**The Maldives** started with a very limited financial and monetary system, and the main emphasis has always been on exchange rate stability, from 1979 with a pure and then augmented exchange rate fix, via a period of loosely structured discretion from 1986 and then from 1995 with an augmented fix again, accompanied throughout by very slowly upgraded monetary institutions and policy operations but little or no development of financial markets.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-78 | limited financial system with two (foreign) banks, no central bank but State Trading Organisation (STO) which acts for government and issues currency on behalf of Department of Finance subject to no legal controls, mainly for residual financing of budget deficit; exchange rate determined by market forces, but STO also uses 'official accounting rate' for imports and exports which it manages (to finance subsidy on essential imports from tax on fish exports); very small and open economy, high proportion of food and other consumer goods imported, so price level strongly affected by world price movements; some tourism-related use of USD; statistical database poor | unstructured discretion UD |
| 1979-81 | exchange rate fixed on one side vs USD, initially by STO, then from 1981 by new Maldivian Monetary Authority (MMA), which will in time undertake basic central bank functions including those previously performed by Department of Finance and STO, including issue of rufiyaa in place of previous rupee; growth in number of (mainly foreign) banks; rising dollarisation of deposits | pure exchange rate fix PERF |
| 1982-85 | 1982 limited reform of foreign exchange arrangements under MMA, appreciation of market exchange rate and phasing out of official accounting rate, with de facto peg to USD; 1982 Maldivian rufiyaa made sole legal medium of exchange; major adjustment of banks' interest rates 1982; reserve requirements introduced and heavily used; residual domestic financing of often large fiscal deficits; | augmented exchange rate fix AERF |
| 1986-94 | late 1985 rufiyaa linked to (undisclosed) currency basket with frequent adjustments designed to stabilise rate vs USD; restrictions on import finance lead to rise of parallel forex market from 1985; 1987 large devaluation to parallel market rate then managed float (MMA has undisclosed soft targets and dominates forex market); interest rate controls 1987; 1985 credit rationing; 1989 reserve ratios reduced and sectoral credit limits replaced by requirement of prior approval of large loans, within wider programme of liberalisation; periodic monetary financing of fiscal deficits | loosely structured discretion LSD |
| 1995-2017 | from late 1994 exchange rate vs USD constant; 1995 MMA starts issuing own CDs on tap to absorb excess liquidity, prior loan approval and credit/deposit ratios replaced by bank-specific quarterly credit ceilings, and interest rates partially liberalised; dollar bank deposits up to 46% of broad money by 1998, later higher; July 2001 devaluation; December 2004 tsunami causes extensive | augmented exchange rate fix AERF |

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| | damage, and is met by large monetarily-financed fiscal expansion; from late 2006 weekly auctions of Treasury bills, 2007 legal moves to give MMA some independence (both reforms which had been pushed by the IMF for some 20 years); 2008-9 large shock from GFC affecting tourism, exports and investment inflow, while rationing of forex by MMA leads to re-emergence of parallel market; 2009 government debts to MMA converted to securities, used as basis for OMOs in repos; April 2011 large devaluation and move to wider band, but rufiyaa almost constant at weaker end of band; fiscal and balance of payments deficits persist, together with active parallel market with stable premium; no interbank domestic or forex markets, government debt markets weak, no defined policy rate or corridor; some improvements in statistical database | |

Selected IMF references: RED 1978 pp7-9, 12-13; SR 1978 p8; RED 1979 pp12, 22; SR 1979 pp8-9; RED 1982 pp21-2, 32-3; SR 1982 pp5-6, 12-13, 14; RED 1983 pp18-22, 28; RED 1985 pp48-9; RED 1986 pp29-30, 46; SR 1986 pp4, 9, 17, 19; SR February 1988 pp3, 11, 14; RED December 1988 pp23-4, 36-8; SR 1990 pp13-14; RED 1991 pp26, 29, 43-4; SR 1991 pp11-12; SR 1993 pp10, 11; RED 1994 p25; REDSI 1996 pp31-2, 33, 38, 43-5, 83-5, 86-7, 92; SR 1999 pp13-15; RED 2001 pp17, 18, 29; SR 2001 pp11-12, 13, 14-15; SR 2006 pp4-6, 9, 13-14; SR 2007 pp12-13; SR 2009 pp3-6, 19-20; SR 2011 pp13-14; SR 2013 pp5, 7, 12-13; SI 2015 pp6-12; SR 2017 p14.

**Mongolia** was initially (and for many years before) a centrally planned economy with no effective monetary policy. After a difficult transition from 1990 to a market economy its financial system developed slowly, while the focus of policy moved gradually and erratically towards inflation control and exchange rate flexibility.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-90 | [Note: Mongolia joined IMF only in 1991, information before that scarce] economy centrally planned, with strong relations with USSR (90% of exports and imports, recurring financial assistance); basic monobank financial system; moves to reform from mid-1980s, but more political than economic; large budget and trade deficits funded by USSR lending | multiple direct controls MDC |
| 1991-3 | move to multi-party system 1990 is followed by economic reforms covering private enterprise, pricing, trade and stabilisation; State Bank becomes central bank 1991 in two-tier banking system; limits on credit and currency issue, reserve requirements, limits on central bank lending to commercial banks; interest rates liberalised; interbank payments system; currency base rate fixed to USD with commercial rate linked to basket and heavily devalued 1991, tolerated parallel market has high premium; but, with weak institutions and limited technical expertise, very high fiscal deficits (no longer funded by USSR) and monetary expansion continue, leading to hyperinflation, further depreciation and spike in dollarisation; May 1993 exchange rates unified and floated, some liberalisation; statistical database very poor | unstructured discretion UD |
| 1994-2017 | exchange rate initially floating (with some smoothing intervention) and depreciating on balance vs USD; gradual move towards indirect monetary instruments: credit controls phased out 1994; central bank bills issued from 1994, with rising volumes and importance; banking near-crisis 1996 leads to restructuring; 1997-8 heavy forex intervention to limit depreciation from shocks of Asian and Russian financial crises; further banking sector problems; periodic swings in fiscal deficits and private credit growth, forex intervention occasional but less frequent; forex market remains underdeveloped, but growing; GFC, occurring in period of expansionary policies and inflation, causes sharp falls in export values, central bank rations foreign exchange and reluctantly allows large depreciation; 2009 renewed turn to exchange rate flexibility, with plans to move from twice-weekly forex auctions to intervention in growing interbank market, and plans eventually for inflation targeting; but 2011 fiscal expansion (including infrastructural spending by new Development Bank) pushes up inflation despite initial monetary tightening, while monetary transmission mechanism is weak, forex market thin and dollarisation high; unconventional quasi-fiscal expansionary measures | loosely structured discretion LSD |

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| | by central bank 2012; interest rate corridor 2013 plus modernisation of Treasury bill auctions; 2017 return to stabilisation and reform, including plans to improve currently poor governance at central bank; major improvements over time in statistics available | |

Selected IMF references: SR 1991 pp3-11, 21-2, 23-6 65-6; SR 1993 pp2-7, 11-12, 18-20; BP 1994 pp12-15, 21, 26-7; SR 1994 pp10-11; SR 1996 pp8-10 26-7; RED 1997 pp18-21, 30-1; SI 1998 pp7, 9, 23-4, 26-7; SR 1998 pp7, 9, 16, 19-21; SR 2002 pp8, 12, 19-21; SISA 2005 pp13, 15, 16-20, 27; SR 2005 pp11, 13, 20-1; SI 2006 pp41-5; SR March 2009 pp8-11; SR December 2009 pp6, 15-16; SR 2011 pp8, 14-15; SR 2012 pp13-14; SR 2013 pp5, 11-13, 18-19; SR 2015 pp4-5; SR 2017 pp17-18; SI 2019 pp12-13.

**Myanmar** for much of the period had a centrally planned semi-autarkic economy, which it opened up and reformed slowly, awkwardly and inefficiently in the 1990s and 2000s, before moving to loosely structured discretion in deeper reforms from 2012.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974-89 | monobank financial system in largely autarkic economy with multiple but not comprehensive controls, where all large (but not small) enterprises are state-owned and monobank provides credit to public sector, economy now experiencing some limited opening and liberalisation; exchange rate fixed to USD, then from 1975 (with effective devaluation) to SDR; 1976 monobank split into central and three (state-owned) commercial banks with varying remits, which start to recruit staff and open new branches; tax reform 1976 cuts overall public sector deficits and domestic (monetary) financing, but the latter remains typically large; further devaluation 1977; SOEs now paying interest on their working and investment capital, at new rates from 1977, while banks lending to fund rice production also charge interest; 1985 demonetisation of banknotes amounting to c. 50% of currency in circulation (stated aim is to uncover black money of profiteers and hoarders, but it has temporary downward effect on inflation also); long expansion petering out by 1986 in lower growth and faster inflation, and growing parallel goods and forex markets with wide and rising spreads over official prices and rates; second demonetisation 1987; recession 1987-8 and political unrest, new government 1988 commits to liberalisation which turns out to be limited; fourth state bank set up 1989 to service foreign investors; late 1989 interest rates raised (first time since 1977), but economic role offset by changes to SOE financial arrangements; statistics need major improvements in quality and availability | multiple direct controls MDC |
| 1990-2011 | economy significantly less centrally planned but still far from standard market economy; official exchange rate unchanged and heavily overvalued (by early 1992 parallel forex rate is 15 times official rate), but various devices allow private sector trades at rates close to those in parallel market; 1990 credit starts to be allocated in principle on basis of borrower creditworthiness and project viability instead of plans and directives; central bank given various legal powers by new law, but operates basically as part of Ministry of Finance; monetary expansion continues to be determined primarily by public sector deficits; private banks allowed, and set up, from 1992; 1995, 1996 interest rates raised, and Treasury Bonds issued; 1996 sharp further depreciation of parallel rate, some resort to direct controls; IMF repeatedly presses for comprehensive reforms, above all exchange rate unification and fiscal reforms, but authorities resist, waiting for expected surge in natural gas production and exports (which turns out to be only a partial | unstructured discretion UD |

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| | solution); growing international sanctions against anti-democratic government actions; doubts about official GDP data (which show very fast growth); 2003 crisis of private banks (now significant share of banking system), which takes time to sort out; by 2006 parallel forex premium is c. 20,000%; 2008 cyclone causes significant loss of life and damage, but GFC has less effect; bond issues cover part of fiscal deficit from 2009, with plans to develop capital market, limited steps taken in 2010; statistical base according to IMF "inadequate for effective surveillance": published data not timely, reliable or consistent | |
| 2012-17 | 2012 (amid political thaw) exchange rate unification with managed float, plus interbank forex market; 2013 new central bank law providing some autonomy; central bank operates deposit auctions to drain liquidity and starts reserve money targeting; Treasury bill auctions from 2015, Treasury bond auctions from 2016, but initial reluctance to allow interest rates or exchange rates to move freely; statistical data remain patchy, slow and unreliable | loosely structured discretion LSD |

Selected IMF references: RED 1974 pp1-8, 35 64; RED 1976 pp27-8, 36-9; RED 1979 p26; SR 1979 pp2-3; SR 1984 pp12-13; RED 1987 pp30, 32; SR 1987 p2; RED 1988 p32; SR 1988 pp9-10; RED 1989 pp1-2, 30-1, 34-5; SR 1989 pp8-9; SR 1992 pp1-2, 3, 4-5; RED 1993 pp13, 15; SR 1993 pp1-7; SR 1994 pp10-11, 12-13; RED 1995 p14; RED 1997 pp25-6, 36; SR 1997 pp9; REDSI 1998 pp20-2, 24-5, 32-3, 43; SR 98 pp10-11; SR 2002 p6; SR 2004 pp6, 9, 18; SR 2005 pp14-16, 17; SR 2006 pp6, 12, 14-15; SI 2007 pp2-5, 17-20; SR 2010 pp7-8, 9-12; SR 2011 pp5-6, 7-10; SI 2012 pp3-9; SR 2012 pp4-7; SR 2013 pp5, 7, 10, 11-14; SR March 2014 p5; SR September 2014 pp7-9, 14-16; SR 2015 pp8-9, 19; SR 2016 pp10, 20; SI 2017 pp3-13; SR 2018 pp13-15; SR 2020 pp14-16, 39-41.

**Nepal** maintained throughout a close relationship with India, with whose rupee its own rupee was freely convertible, but at times it had an official peg to the USD as well; while the exchange rate against the USD had a strong depreciating trend interrupted by short periods of stability, the exchange rate against the Indian rupee (INR) varied, though less so after 1985, and less so again after 1993 when there was a formal peg to the INR. Its central bank used initially direct but later indirect monetary instruments, but financial development remained weak and monetary operations far from fully effective.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-92 | in small economy highly open in trade to India, Nepalese rupee is initially fixed to both USD and Indian rupee (INR, which floats with GBP vs USD) and freely convertible with INR, with additional exchange rates vs USD for some exports via Exporters' Exchange Entitlement (EEE) scheme (to encourage exports to other than India); 1975 devaluation vs USD (to correct broken cross rates); 1978 devaluation vs INR and revaluation vs USD, and multiple exchange rates vs USD under EEE replaced by dual rates (basic rate plus second depreciated rate for most non-Indian trade); financial system limited, but central bank has standard functions, and mostly direct instruments: refinance facilities, reserve requirements, setting of ranges for interest rates, selective credit controls and moral suasion; monetary growth strongly affected by lending to government and public enterprises, in context of high development spending and low tax revenue; 1980 small revaluation vs USD; 1981 exchange rates vs USD unified; 1981 credit ceilings ended but banks subject to temporary liquidity ratio; late 1982 devaluation vs USD to eliminate broken cross rates; 1983 peg switched from USD to trade-weighted currency basket, with USD as intervention currency but rate against INR kept stable; 1983 government issues savings certificates; late 1985 devaluation vs both INR and USD, followed by more frequent adjustments to avoid broken cross rates and maintain competitiveness (with trend depreciation vs USD but smaller and less frequent changes in both directions vs INR); 1986 new basket, now including INR; from 1987 reforms including interest rate liberalisation, 1988 issue of Treasury bills by auction, 1989 restructuring of central bank refinancing facilities and issue of government bonds, with gradual shift towards indirect monetary instruments; monetary policy focused on external reserves and growth, with inflation largely determined by Indian developments; 1989 trade treaty with India lapsed, restored 1990; 1991 devaluation after INR adjustment, 1992 dual exchange rate after similar move in India; statistical database weak | loosely structured discretion LSD |
| 1993-2017 | 1993 current account convertibility, exchange rates unified and liberalised (followed shortly by India), with small appreciation of parity vs INR, rupee then fluctuates vs INR mostly within relatively wide margins; liquidity ratio | loose exchange rate targeting LERT |

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| | scrapped; open market (primary) operations become key instrument, but secondary market remains thin; recurring problem of excess liquidity; structural reforms obstructed by changes in government, by civil war from 1995 to 2006 and then by continuing political instability; 1- and 3-year government securities introduced 1996; mid-1990s non-performing loans high and financial management weak at two major commercial banks (one state-owned, one majority private), which take over a decade to resolve, partly because of weak supervision structures and capacity at the central bank; GFC exposes weaknesses of economy and financial sector; 2011 capital controls tightened, leading to parallel market depreciation; financial infrastructure weak, central bank non-autonomous; by 2014 challenges for monetary policy posed by growing remittances from emigrant workers (now up to 30% of GDP) and fall in inflation in India with move to inflation targeting; 2016-18 interest rate corridor created but implementation and transmission weak; statistical database by end of period adequate | |

Selected IMF references: RED 1974 pp34-5, 61-5; SR 1974 p19 RED 1976 pp30-2, 40-1; RED 1978 pp38-40 54-6; SR 1978 pp9-112; RED 1979 pp56-7; RED 1981 pp54-6; RED 1982 pp29-34, 41-3; RED 1983 pp38-41; RED 1984 pp35-7, 54-6; RED 1985 pp32-3 48; SR 1987 pp16-17, 18-19; SR 1989 pp11, 17, 20-21; RSR 1991 pp19-33; SR 1992 pp2, 8-11; BP 1993 pp50-2, 53-4, 59-64; SR 1993 pp44-5; BP 1995 pp40-3; SI 1996 pp57-60; RED 1997 pp20, 23, 30; SR 2000 pp11-13; SR 2003 pp6, 15-16; SR 2005 pp14-15; SI 2008 pp8-10; SR 2008 pp7, 10-15; SR 2010 pp6-19; SR 2011 pp10-13; SR 2012 pp7-12; SR 2017 pp4, 12-13, 24, 36-7; SI 2019 pp4-6; SR 2019 pp11-12; SR 2010 pp9-11, 37-8.

**Pakistan** has had a slow, erratic and unfinished process of financial modernisation, with a range of objectives, no formal targets, and instruments becoming effective and indirect only towards the end of the period.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-81 | exchange rates fixed by central bank, other banks trade only at those rates; monetary policy operated largely by direct credit controls; recurring monetary financing of fiscal deficits | augmented exchange rate fix AERF |
| 1982-2017 | exchange rate more or less managed, with frequent changes, with eye initially more to competitiveness but later more to inflation control; exchange rate unified 1999, continues for many years to be largely fixed (at changing rates), but forex market liberalised towards end of period; monetary policy operated until 1992 largely by imprecise direct credit controls, then slow and erratic shift towards indirect instruments with regular Treasury bill auctions from 1991, but interest rate corridor and clear policy rate only from 2015; monetary financing of government, directly by the central bank and later also by the commercial banks, remains important; banking system (nationalised in 1974, some privatisation from early 1990s) highly concentrated; increases in central bank independence repeatedly discussed but implementation half-hearted; frequent slippages in both stabilisation policy and structural reforms; monetary policy objectives include growth, competitiveness and inflation, but latter comes to dominate in final decade; talk from 2015 of moving to inflation target but major reforms required first | loosely structured discretion LSD |

Selected IMF references: RED 1976 pp33-6, 67-8; RED 1979 pp70-2; SR 1979 pp2-3; RED 1981 pp36-7; RED 1985 pp49-56, 82-4; RED 1988 pp55-6; RED 1989 pp63-5, 68-71; RED 1991 pp128-34; RED 1992 pp32-3; RED 1995 pp35-8; RED 1997 pp4-5, 30, 61-2; SR 2000 pp6, 17-21, 40-41; SISA 2002 ch, IV; SISA 2004 pp22-3; SR 2009 pp9, 16; SR 2012 p10; SR 2015 p12; SR 2017 pp12-13.

**Papua New Guinea** is classified as loosely structured discretion throughout, but this covers changes from something like a managed (but variable) exchange rate fix augmented by some direct monetary policy to a managed float with some central bank autonomy and the pursuit of price stability via indirect monetary instruments, albeit without the financial markets infrastructure that would ensure an effective monetary transmission mechanism.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1976-2017 | self-government 1973 and independence (from Australia, which continues to be main trading partner and important supplier of grant aid) 1975, with creation of new currency (which was only legal tender from end-1975) and local branch of Australian central bank converted into Papua New Guinea (PNG) central bank, with instruments including reserve and liquid assets ratios, lending guidelines (later ceilings), moral suasion, administered interest rates and rediscount facilities; currency fixed to Australian dollar but with frequent adjustments on basis of undisclosed basket and (up to 1978) other indicators, typically in response to fluctuations of Australian dollar vs USD; 1980 USD becomes intervention currency; monetary policy (and commodity stabilisation funds) geared to stabilisation of external effects from movements in prices of commodity exports, and promotion of growth; regular Treasury bill auctions from 1980, negotiable government bond tap issues from 1981; short-term money market remains inactive and thin and does not provide effective mechanism for monetary policy; interest rates moved more actively from 1981, liberalised 1983-4; discrete devaluation (in step with Australian dollar) 1983, restoring eroded competitiveness; attempts at monetary targeting early 1980s, abandoned 1984, with emphasis shifted to ceiling on 'nonseasonal' private credit; as of late 1980s major monetary instruments remain liquid assets ratio and discount facility with occasional use of bank lending controls; 1989 closure of Bougainville copper mine under political and armed attack requires major adjustment measures including depreciation; early 1990s some shift towards indirect monetary instruments in form of open market operations; 1994 balance of payments crisis leads to devaluation and then to a (managed) float, with sharp fiscal and monetary tightening and introduction of interbank foreign exchange auctions, conducted initially by open-outcry and later via a screen-based system; 1995 weekly auction of short-term credits/deposits in place of discount facility; domestic difficulties plus fallout from Asian crisis lead to rising inflation and weakening exchange rate 1997-8, with weak monetary response including breaching of limit on central bank financing of government and renewed reliance on cash reserve requirement, which largely replaces minimum liquid assets ratio; mid-1999 return to stabilisation, with law increasing | loosely structured discretion LSD |

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| | central bank autonomy and return to indirect monetary instruments, including basic standing facilities and from 2001 OMOs in repos; 2000s growth of financial sector, improvements in supervision; by mid-2000s coherent reserve money approach aimed primarily at price stability with policy rate as signal (but no corridor) and OMOs in repos as main instrument, but excess liquidity and thin markets mean policy rate transmission is poor, while forex intervention is partly smoothing and partly reserve-building, in economy with high exchange rate-prices pass-through; 2008-12 LNG-related inflows lead to volatility and appreciation, with central bank unable to stabilise and sterilise, but then diminish; 2014 trading band imposed on disorderly forex market, leading to sharp real and nominal appreciation and queues for forex, with real appreciation and queues still present at the end of the period; statistical data poor, but slow and erratic improvements from 1990s | |

Selected IMF references: *Report on the Economy*, March 1976, pp12-20, 30, 39; RED 1977 pp25-8, 41-2; SR 1977 pp3-5; RED 1978 p30; SR 1978 p8; RED 1979 p19; RED 1981 pp21, 26-7, 34; RED 1983 pp34-5, 37, 41, 44, 52; RED 1984 pp35, 37-9, 40, 43, 99-100; RED 1985 pp16-17; SR 1986 p19; SR 1988 pp10-11; SR 1990 pp2-3, 12; RED 1991 pp20-1; RED 1993 pp14-15; SR 1995 pp8-10, 17, 22-3, 58-60; RED 1998 pp23, 25, 28-9; SR 1999 pp4-10 13-15; RED 2000 pp16-19, 21-2; SR 2000 pp9-10; SISA q2002 pp19-32; SR 2002 p14; SISA 2008 pp13-16, 25-6; SR 2008 pp24-5; SR 2012 pp10-12; SR 2014 pp8-10, 15-16; SI 2015 pp13-16, 20-1; SR 2015 pp10-11; SR 2016 pp11-14; SR 2018 pp5-6, 11-12.

**The Philippines** had a long period of varying objectives and (mostly indirect) instruments, but undertook loose inflation targeting from 2002 and more effective inflation targeting from 2009.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-2001 | exchange rate de jure floating but de facto managed (partly by Bankers' Association) versus USD, with concern for competitiveness and inflation, varying flexibility (including cleanish float from 1985, brief fixity 1996-7 and then cleanish float); monetary policy operated in early years (sometimes in form of base money targets) mainly through sales and purchases of central bank paper, central bank rediscounting, reserve requirements and forex swaps, but repos, reverse repos and interest rates gradually become more important (with ceilings on bank interest rates abolished); monetary financing of government varies but sometimes large; recurring short-lived spikes in inflation, often oil-price-related; monetary policy objectives typically include growth and internal and external stability, but inflation control gradually becomes more important; monetary policy periodically derailed by political, natural or external events, including severe financial problems in 1981, 1983, 1989-90; following large losses accumulated from quasi-fiscal operations, central bank restructured 1993 with some independence which is later increased | loosely structured discretion LSD |
| 2002-08 | six out of seven narrow (1%) band inflation targets missed, erratic convergence in targets and in outturns | loose inflation targeting LIT |
| 2009-17 | all targets (now 2% band) attained, except for brief undershoot 2015-16 when long-term expectations remained close to centre of band; interest rate corridor from 2016 | full inflation targeting FIT |

Selected IMF references: RED 1978 p13; RED 1980 pp23-6, 29-32; SR 1980 p3; RED 1982 pp37-9; SR 1986 pp3-6; RED 1988 pp37-9; RED 1992 pp7-8; RED 1994 pp10-14; SR 1994 pp5-6; RED 1995 pp25-8, 35; SR 1995 pp7-9, 22-3, 26-7; RED 1996 pp28-30; SR 1996 pp12, 20-21; SISA 1998 ch 1; SR 1998 p14; SI 1999 ch IV; SI2001 ch II; SR 2001 pp22-3; SR 2015 pp10-11; SR 2016 pp17-19; SR 2018 p21.
Additional reference: Houben (1997).

**Solomon Islands**, as a small open economy vulnerable to commodity price swings, put weight throughout on exchange rate stability pursued in different ways and with frequent parity adjustments, as well as growth. Financial development allowed some move towards indirect monetary instruments, but the development and the move remain limited.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1978-2017 | independence July 1978 (self-government from 1976) preceded by establishment of Solomon Islands Monetary Authority (SIMA) with full central bank powers in 1976 and Solomon Islands dollar late 1977, fixed to Australian dollar which it displaces as legal tender late 1978; May 1979 revaluation, peg switched to currency basket from October 1979; initially SIMA sets interest rates on banks' deposits with it, but uses no other instruments; limited, mostly state- or foreign-owned, banking and financial system; 1981 SIMA introduces discount window and sets reserve requirements for first time, Treasury bills introduced; currency devalued and basket revised 1981; 1982 further devaluation and revised basket, SIMA authorised to make small adjustments of exchange rate at its own discretion, mainly for competitiveness reasons; 1983 SIMA becomes Central Bank of Solomon Islands with ability to set rates on bank deposits and loans and to offer refinancing to support lending to priority sectors; liquid asset ratio replaces reserve requirement 1983; rising problem of effects on monetary growth from fiscal deficits and balance of payments, with rising government debt ratio; 1985 currency basket revised, faster depreciation; 1985-6 commodity price fall and severe cyclone; 1988 ceilings on interest rates; 1989 central bank's scope for varying exchange rates and ongoing depreciation reduced; main monetary instruments continue to be liquid assets ratio and rediscount facilities, but OMOs (in Treasury and central bank bills with banks and National Provident Fund) are becoming more important, while main policy concerns include foreign reserves, inflation and growth; 1989 and 1991 interest rate ceilings removed; 1991 liquid assets ratio replaced by cash reserve requirement but (additional) liquid assets ratio imposed 1992; continuing problem of very large fiscal deficits requiring central bank funding; 1995 central bank lending to government hits ceiling and is frozen, treasury securities market effectively closed with adverse effects on stability of financial system; end-1997 shift to stabilisation and reform, with large devaluation and temporary peg to USD, before reversion to basket in 1998; debt restructuring agreement early 1999, cut in liquid assets ratio but narrowing of definition of liquid assets, further temporary USD peg 2000 plus tighter exchange restrictions and forex rationing, depreciation faster 2002; 1999-2003 conflict between peoples of two main islands, through attempted coup 2000 and despite | loosely structured discretion LSD |

| | | |
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| | peace agreement 2000, with adverse effects on GDP, fiscal deficits and financial stability (government defaults on domestic and external debt, which sets back securities market development), leading to arrival mid-2003 of Australian-led force invited by government which restores and keeps peace, and facilitates stabilisation and revival of external assistance; de facto peg to USD from early 2003 to mid-2008, then interspersed with periods of limited movement in either direction; late 2012 return to trade-weighted basket arrangement, removal of 1% operational band late 2014; more intensive use of central bank bills as monetary instrument (though transmission mechanism remains weak) and aid to financial market development; 2012 law increases central bank independence; statistical database poor, in some periods very poor | |

Selected IMF references: RED 1979 pp33-6, 42; RED 1980 pp22-3; RED 1982 pp22-5, 31-2; RED 1983 pp24 34; RED 1985 pp40, 64; RED 1986 pp47-8; SR 1988 p12; RED 1990 pp18, 31; SR 1990 p10; SR 1991 pp9-12; RED 1994 pp15-18; RED 1996 pp20-2; SR 1998 pp4, 9-10, 12, 23-4; SR 1999 pp5-6, 11-12; RED 2001 pp15-18; SISA 2003 pp5, 7; SR 2003 pp4-7 10-11; SISA 2005 pp21-4; SR 2009 pp7, 9-10 14-16; SR June 2011 pp7-9; SR November 2011 pp10-13; SR June 2013 p6; SR December 2013 pp9-11; SR 1016 pp8, 18-20; SR January 2018 pp7, 15-17; SR October 2018 pp12-13.

**Sri Lanka** initially fixed its (official) exchange rate with a largely passive monetary policy, but for most of the period pursued some combination of external and increasingly internal (price stability) objectives together with a very gradual transition towards a more active and eventually indirect instrument-based monetary policy, with gradual improvements in financial infrastructure and institutional capacity. By the end of the period it had announced a plan for the eventual adoption of inflation targeting.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1974-7 | dual exchange rate, official rate fixed first to GBP and then from 1976 to (undisclosed) basket, second depreciated rate for non-traditional exports and non-essential imports; significant banking system, partly foreign- or state-owned; small secondary market in Treasury bills; economy open to swings in export commodity prices; longstanding use of price and other controls; central bank sets credit ceilings, refinancing for banks and reserve requirements, within largely passive monetary policy emphasising income distribution and growth; small exchange rate adjustments late 1976 and early 1977, large revaluation vs GBP March 1977 reversed in autumn 1977 | augmented exchange rate fix AERF |
| 1978-2017 | November 1977 exchange rate unified and floated with initial large depreciation, intervention currency now USD, within wider liberalisation, including rises in interest rates, limits to and penalties on rediscounting and a shift towards more active monetary policy focused on inflation as well as growth and exchange rate/reserves; high public sector capital spending and lack of fiscal discipline repeatedly feed into monetary growth; small frequent devaluations from 1982 intended to offset overvaluation arising from domestic inflation and link to appreciating USD; ethnic conflict of varying intensity from 1983 to 2009, with rises in defence spending, fiscal deficits and monetary growth; from early 1980s periodic use of credit ceilings but small shift towards indirect instruments: more use of interest rates and reserve requirements, more frequent and efficient auctions of government and central bank securities to absorb liquidity; shift towards indirect instruments stronger from 1986; faster depreciation 1988-9, more market-oriented exchange rate arrangement 1990; 1991 reforms to secondary market in Treasury bills, with more scope for OMOs, but primary and secondary markets remain shallow and (like wider financial system) uncompetitive, and nonbank holdings are small; from 1992 reserve money programming; policy complicated by volatile capital inflows which authorities try to sterilise, and by high fiscal deficits financed in part by central and/or commercial banks; as stock of Treasury bills declines central bank issues own securities; 1995 central bank increases own forex spread to encourage interbank market; 1997 auctions of 2- and 4-year bonds to replace existing long-term loans from 'captive sources', with | loosely structured discretion LSD |

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|---|---|---|
| | heavier focus on OMOs as key instrument; standing repo facilities (forming policy rate corridor) from 1999; 1999 law makes price stability priority for central bank, though other objectives remain, and improves transparency; 2000-2001 heavy exchange rate pressure leads to widening of central bank forex spreads and then to float of exchange rate; 2003 daily repo auctions; from 2008 recurring short term pegs to USD; from 2010 talk of medium term move to flexible inflation targeting, complicated by weakness of transmission mechanisms, lack of institutional capacity and continuing forex intervention; late 2017 central bank adopts roadmap for transition to inflation targeting and greater exchange rate flexibility, by 2020 | |

Selected IMF references: RED 1974 pp34-6, 57-9; SR 1975 pp9-10; RED 1977 p20; RED 1978 pp20-1, 30-1; SR 1978 pp5-6; RED May 1979 pp21, 34; RED 1980 pp24; SR 1981 p15; RED 1982 pp55-6; SR 1983 pp12, 16-17; RED 1985 pp45-6; RED 1986 pp44-6; SR 1986 pp11, 19-20; RED 1987 pp36-40, 58; SR 1987 p10; RED 1988 pp43-4, 60; RED 1989 pp41-4, 61-2; SR 1990 pp22-3, 28; RED 1992 pp21-3, 27; BP 1994 pp37-60, 70-2; SR 1994 pp8-10; BP 1995 pp10-11, 16; SI 1997 pp27-9, 95-9; SR 1997 pp11-13; RED 1998 pp26-8; REPD 1999 pp25, 44; SR 1999 pp10-12; RED 2001 pp22-3, 42; SR 2001 pp9-12; SISA 2004 pp3-4; SI 2008 pp20-2; SR 2009 pp5-6; SR 2012 pp13-14; SI 2014 pp4-7, 22; SR 2014 pp12-14; SR 2016 pp15-18, 28-9; SR 2017 pp8-9; SR 2018 pp14-17.

**Taiwan** initially fixed its exchange rate within a highly regulated financial system, but began to liberalise gradually and continuously from 1979. A period of loosely structured discretion gave way to monetary targeting, at first converging, and then from 2003 the consistent attainment of stationary monetary targets.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974-78 | exchange rate fixed to USD, no autonomous forex market, with single change (appreciation) July 1978; monetary policy has multiple objectives, pursued mainly via interest rates within banking system dominated by domestic banks owned and controlled by government; fiscal deficit mostly well under control; monetary growth strongly affected by trade surpluses and capital inflows | augmented exchange rate fix AERF |
| 1979-92 | forex market established early 1979 with rate determined in principle by panel of bank managers on basis of USD bought and sold previous day, but in practice heavily managed float; small and frequent depreciations and appreciations mostly responding to strength of USD; 1980s interest rate deregulation; money market established 1976 comes to provide market-determined interest rate, and by mid-late 1980s main monetary policy instrument is OMOs, mainly in central bank bills and CDs (repos from 1983) but also redeposits from postal savings system, in operations to sterilise large inflows; from mid-1980s central bank has targets for money supply with reserve money as operating target, targets published from 1992 but overshot that year | loosely structured discretion LSD |
| 1993-2002 | wide (5% band, except 6% in 1998, Asian financial crisis) converging monetary targets attained roughly in first few years and then more precisely and consistently; exchange rate moving more widely from 1997 (partly in response to Asian crisis); OMOs in CDs as main monetary instrument; financial sector reforms covering reserve requirements, OMOs, interest rates, interbank forex market, payments system; rise in market as opposed to bank financing | loose converging monetary targets LCMT |
| 2003-17 | wide (4% band) stationary monetary targets consistently attained; exchange rate moving within relatively narrow range ('dynamic stability'), balance of payments surpluses persist; continuing gradual financial sector development in areas of government bonds, forex market, interest rates, payments system, capital flows, financial infrastructure, and SME and housing finance; macroprudential measures from 2010 of increasing sophistication, designed to deter property market instability; OMOs in CDs remain main instrument of monetary policy with focus on absorbing excess liquidity and controlling bank reserves so as to sustain steady growth in monetary aggregates; from 2017 minutes of monetary policy meetings published | loose monetary targets LMT |

Selected IMF references: none, no Article IV or other reports available.
Other references: Annual Reports of Central Bank of China (Taiwan), 2004-17; Central Bank of China (Taiwan) (2006); Emery (1984); Emery (1987); Shih (1996).

**Thailand** initially fixed its exchange rate but a slow and erratic process of financial reform brought a move to loose exchange rate targeting and eventually allowed a shift to indirect monetary instruments; the Asian financial crisis led to a float, and this was followed by inflation targeting, initially loose, harder from 2010 but looser again from 2015.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1974-81 | exchange rate fixed to USD and then from 1978 to a basket dominated by USD, very narrow spreads on bank transactions set by Exchange Equalisation Fund; monetary policy instruments include maxima on bank loan and deposit rates, reserve requirements (with banks obliged to hold government securities), selective lending operated partly through rediscount facilities; some interest rate and other liberalisation | augmented exchange rate fix AERF |
| 1982-96 | July 1981 baht devalued and pegged to USD, daily fixing replaced by rather more open forex market; from November 1984 peg is determined in relation to undisclosed basket (with weight of USD increased late 1985) and 'other considerations', which allows small movements to counter loss of competitiveness; by mid-80s monetary policy relies more on indirect instruments including operations in repo market, but reverts to direct controls and moral suasion when thought necessary; financial markets long remain weak, especially secondary markets other than repurchase market (for government, state enterprise and central bank bonds), but early 1990s interest rate ceilings abolished and mid-90s more financial reform improves scope for indirect instruments; central bank continues to provide finance to government in varying amounts; short-lived attempts late 1980s at (internal) monetary targeting, replaced by multiple indicators-type approach; policy objectives include growth, inflation, forex reserves and external equilibrium | loose exchange rate targeting |
| 1997-99 | mid-1997 Asian financial crisis leads to float of exchange rate and large depreciation only partly unwound in later quarters; central bank (which has more de facto than de jure independence) prepares for inflation targeting | loosely structured discretion LSD |
| 2000-09 | wide (0-3.5%) inflation target bands attained 2000-8, 2009 narrower (0.5-3%) band missed by small margin; exchange rate managed, mainly with view to smoothing and rebuilding of forex reserves, and capital controls used briefly in face of surging inflows; regular policy rate (14-day repo rate) within corridor from 2007; central bank de jure independence improved from 2008 | loose inflation targeting LIT |
| 2010-14 | 2010-14 narrowish (0.5-3%) bands regularly attained, with outturns less than 1% from mid-point of band; cleaner float of exchange rate | full inflation targeting FIT |
| 2015-17 | 2.5% point target with wider +/-1.5% tolerance band, undershot 2015 but attained 2016 and (though | loose inflation targeting LIT |

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|---|---|---|
| | undershot) 2017, with long-term Consensus inflation forecasts remaining within band but some signs of de-anchoring of expectations | |

Selected IMF references: RED 1975 pp40-41; RED 1979 p37; RED 1981 p45; RED 1986 pp43, 45; SR 1986 p32; RED 1987 pp34-6; RED 1989 pp36-9; RED 1990 pp12-13; BP 1991 pp22-5; RED 1993 pp23-4; RED 1997 p13; SR 2001 pp16, 18, 30-31; SR 2002 pp7, 14; SR 2003 pp13-14, 16; SI 2007 pp50-51; SR 2007 pp14, 17-20; SR 2008 p16; SR 2015 p22; SR 2017 pp9-10, 27; SI 2017 pp2-9; SR 2018 pp11-14, 25.
Additional references: Grenville and Ito (2010); Bank of Thailand (n.d.1, n.d.2).

**Timor-Leste** adopted the USD as its legal tender currency shortly after its exit from a quarter-century of Indonesian occupation, and continued to use the dollar on the basis of a consensus that its financial system and institutional capacity would have to be significantly stronger before the issue of its own currency would make sense.

| Years | Targets and attainment | Classification |
|---|---|---|
| 2002-17 | referendum 1999 strongly favours independence from Indonesia, but followed by violence with destruction or closure of infrastructure, banks and other institutions, until Australian-led peace-keeping mission arrives followed by UN-led administration; USD adopted 2000 as sole legal tender for now, but Indonesian rupiah initially still used for retail purposes; parliament elected August 2001, president 2002; formal independence 2002; economy slowly recovers, with basic (mainly foreign-owned) financial system, new fiscal institutions and banking and payments authority, which cannot lend to government or banks and has no monetary or exchange rate role; rupiah and other currencies phased out by 2003; oil and gas production from 2004 (which dominates activity, fiscal revenues and exports), Norwegian-type petroleum fund set up 2005 along with commitment to long-term fiscal sustainability policy; 2006-8 renewed periodic civil unrest, new UN peace-keeping mission (which remains till 2012); existing monetary and exchange rate regime regularly reaffirmed, on basis that introduction of national currency would require strong institutional capacity and well-functioning financial markets; banking remains accessible to only small part of population; banking and payments authority becomes central bank 2011; statistical database initially very poor, remains weak despite improvements | use of another sovereign's currency UASC |

Selected IMF references: SISA 2003 pp10-13; SISA 2005 pp30-8; SR 2005 p10; SR 2006 p12; SR 2008 pp8, 17-18; SR 2011 pp11, 12-13; SR 2012 pp14-16; SR 2017 p13.

**Vanuatu** fixed its exchange rate throughout, initially to the SDR, then for most of the period to a stable but undisclosed basket. There were important financial developments in the post-independence period and again in the late 1990s and early 2000s, but monetary policy remained subordinate to the external regime.

| Years | Targets and attainment | Classification |
|---|---|---|
| 1981-2017 | Vanuatu becomes independent July 1980 after decades of Anglo-French colonial condominium; small very open economy with limited resources, exposed to periodic cyclones; central bank set up late 1980, existing New Hebrides franc renamed vatu January 1981, bank deposits redenominated at par, vatu notes issued 1982 and coins (more slowly) from 1983, vatu is sole legal tender from April 1983; September 1981 vatu linked to SDR in place of French franc; limited banking sector, mainly foreign- or state-owned; Finance Centre (secrecy jurisdiction) from 1970s; central bank has authority to implement various monetary instruments but limited expertise, initially sets lending rate ceilings and credit guidelines but no other monetary instruments, monetary expansion dominated by balance of payments; small revaluation vs SDR 1984, devaluations 1985 and twice in 1986, former aimed more at controlling imported inflation, latter more at keeping competitiveness (especially vs Australia); central bank takes over cheque-clearing 1985, becomes banker (but not lender) to government and holder of forex reserves 1986; credit guidelines remain but not enforced from mid-1980s; periodic problem of large fiscal deficits funded by commercial banks, but monetary-fiscal coordination is mostly sufficient to avoid large forex pressures; 1988 peg shifted to undisclosed transactions-weighted (trade and tourism receipts) basket to reduce speculative pressures; reserve requirements introduced, and central bank discount window; financial supervision remains weak; 1996-8 political tensions, economic instability and falling reserves; early 1998 government allows withdrawals from pension savings fund which lead to sharp rise in liquidity; March 1998 devaluation announced by central bank but revoked by government; wide-ranging structural reform strategy then adopted, including improvements in supervision and recapitalisation of state-owned financial institutions, reserve requirement replaced by higher prescribed reserve asset requirement (including holdings of government bonds); May 1998 central bank lending rates raised to head off forex speculation, adjustment to basket weights; 1999 new central bank standing facilities and return to reserve requirement; monetary policy remains focused on price and external stability, but becomes more active and partly indirect (primary auctions of central bank notes to absorb excess liquidity), although external regime, shallowness of financial markets and | augmented exchange rate fix AERF |

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|---|---|---|
| | limited bancarisation mean transmission remains weak; regular central bank monetary policy statements from 2003; statistical database slowly improved and adequate from early 2000s | |

Selected IMF references: RED 1983 pp35-7, 62; SR 1973 pp10-13; RED 1984 pp27-8, 52, 54, 90; SR 1984 pp12-16; RED 1985 pp39-41, 64; RED 1987 pp27-8, 43; RED 1988 pp34, 36-7, 65; RED 1994 pp16-17; SR 1996 pp12-15; SR 1998 pp4-5, 8-12, 16; RED 2000 pp13-14 20; SR 2000 pp5-6; *Monetary Policy Implementation at Different Stages of Market Development – Country Cases and Appendices*, October 2004, pp85-92; SISA 2005 pp13-18; SR 2007 p8; SR 2016 pp48-9; SR 2018 pp12-15.

**Vietnam** started with the extension of central planning and direct controls from the North to the South, but moved in the late 1980s to more market-oriented reforms, introduced slowly and discontinuously over three decades in the monetary and exchange rate policy areas as well as the wider economy. For many years monetary policy had multiple objectives and weak, though increasingly indirect, instruments, but by the end of the period there was talk of, but not yet commitment to, a move to inflation targeting and full exchange rate flexibility.

| **Years** | **Targets and attainment** | **Classification** |
|---|---|---|
| 1975-88 | North Vietnam takes control of South Vietnam April 1975, formal merger of North and South July 1976, in economy suffering from wide-ranging disruption and destruction over decade of war, with per capita incomes well below mid-1960s levels, and attempting to integrate Northern centrally planned with Southern market economy; initially two currencies in circulation, not mutually convertible; in North exchange rate regularly adjusted in terms of basket; in South banks nationalised May 1975 and in process of incorporation into monobank (central bank of South which becomes branch of central bank in North), new currency September 1975 fixed to SDR at depreciated rate; 1977 specialist banks established on country-wide basis; efforts to integrate wage, credit, interest, exchange rate and pricing policies of two regions, but structural differences remain for many years; May 1978 introduction of new dong = uniform national currency, pegged to SDR but adjusted frequently, in place of previous Northern and Southern dongs, with various additional exchange rates for non-convertible and some convertible area transactions; credit expansion clearly subordinate to annual plan but control is imprecise, heavy emphasis on cash in circulation but control is weak, periodic adjustment of interest rates, some years of very high inflation; 1980 depreciation, with focus now more on USD than SDR, larger depreciation 1981; other liberalising measures from time to time but small and not always very effective; mid-1980s growing arrears on obligations to IMF; 1985 pricing reform plus currency reform plus large depreciation, poorly handled; 1987-8 start of restructuring of banking system; 1987 further large depreciation; 1988-9 major wide-ranging 'doi moi' reform programme initiated, including (a) move to two-tier banking system: central bank gives up commercial bank functions, former and two new state-owned banks become commercial banks, and central bank starts lending to banks and setting reserve requirements and liquidity ratios, (b) shift of emphasis of monetary management towards inflation control (via control of reserve money) with positive real interest rates, and (c) convertible exchange rates unified with large depreciation to close to parallel market rate, followed by smaller market-aligned appreciations, but separate (also depreciated) rates remain for non-convertible transactions | multiple direct controls MDC |

| | | |
|---|---|---|
| 1989-2017 | exchange rate adjusted frequently to keep broadly in line with parallel rate, which largely reflects relative inflation rates; two-tier banking, central bank has range of direct monetary instruments, financial system expanding but still underdeveloped, and monetary growth still determined heavily by needs of government and state enterprises; 1990 end of aid from USSR and collapse of CMEA trade encourage further reform; 1991 basic forex market, increased Treasury bill issues with some secondary trades; 1992 interest rate structure rationalised; arrears to IMF cleared 1993; 1994 individual bank credit ceilings, interbank forex market; 1995 regular Treasury bill auctions, some easing of interest rate controls; 1998 Asian financial crisis leads to slowdown, with depreciations and tighter controls; increased difficulties in banking sector, ongoing reforms; dollarisation, present since 1970s, had declined from peak in 1991 but revives second half 1990s, dollarisation and ongoing monetisation complicate monetary management; 2000 base rate mechanism simplifies and eases interest rate controls; exchange rate flexibility varies over time; further interest rate liberalisation 2002; as of 2004 monetary policy objectives remain diverse and instruments partly direct and partly indirect, with discount and refinancing facilities forming corridor for OMO rate; 2006 after period of exchange rate stability some cautious forex liberalisation, trading band widened again 2008; recurring alternation of monetary loosening and tightening; as of 2013 monetary policy objectives remain diverse and instruments mixed, while monetary transmission is weak and subject to instrument conflict and distortions, and central bank communicates poorly and lacks independence; 2015 some increase in exchange rate flexibility: central rate devalued and trading band widened, plus more flexible mechanism for setting daily central rate; talk of move to inflation targeting, but preparations very slow and no clear commitment; statistical database gradually improved but remains weak | loosely structured discretion LSD |

Selected IMF references: RED 1976 pp1-7, 23-4, 36-8; RED 1977 pp31-4; RED 1979 pp35-9, 47; SR 1979 pp10-11; SR 1980 p12; RED 1983 pp25, 30-2, 41; RED 1986 pp18-21 31; RED 1987 pp1-4, 35; RED 1988 pp3-4, 26-7, 44-5; RED 1989 pp1-9, 36-42, 56-8, 82-7; SR 1989 pp17-21; RED 1991 pp20-4, 32-3; SR 1992 pp4-6, 1314; RED 1994 pp27-30, 34, 41-2; BP 1995 p57; RED 1996 pp36-38, 46; RED 1996 Supplement pp13-19; SR 1996 p21; SI 1998 pp4-7; SR 1999 p7; SR 2000 p10; SR 2001 pp9, 16; SR 2003 pp17-18; SR 2004 pp11, 13; SR 2005 p8; SR 2006 pp12; SR 2009 pp11-12; SR 2010 pp5-13; SI 2013 pp2-8, 19-20; SR 2013 pp21, 23-5; SR 2016 p6; SR 2017 pp12-13.

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