

# **CHANGES IN**

SOURCE: DHAKA SCHOOL OF ECONOMICS DATABASE

Year	Date	DIESEL		PETROL		OCTANE		KEROSENE		
		Tk/Litre	Changes (%)							
2009	Jan 13	44		74		77		44		
2011	May 06	46	4.55	76	2.71	79	2.6	46	4.55	
2011	Sep 19	51	10.87	81	6.58	84	6.33	51	10.87	
2011	Nov 11	56	9.81	86	6.18	84	0.0	56	9.81	
2013	January	68	21.43	96	11.63	99	17.86	68	21.43	
2016	Apr 24	65	-4.42	86	-10.42	89	-10.11	65	-4.42	
2021	January	80	23.08	86	0	89	0	80	23.08	
2022	Aug 06	114	42.5	130	51.17	135	51.69	114	42.5	

## How global energy market volatility impacted inflation in Bangladesh

Dr Khondaker Golam Moazzem is research director and project director of the 'CPD Power and Energy Studies' at the Centre for Policy Dialogue (CPD). Abeer Khandker is a visiting research associate at CPD.

#### KHONDAKER GOLAM MOAZZEM and ABEER KHANDKER

Bangladesh, like many other net-energyimporting countries, has been facing persistent high inflation in the last one year of the Russia-Ukraine war. The inflation in our domestic market is largely related to the supply and prices of different types of fuel (e.g. gas, diesel, octane, furnace oil, LNG and coal) used in major economic activities, which are significantly affected due to the massive disruptions in global energy supply chain caused by this war.

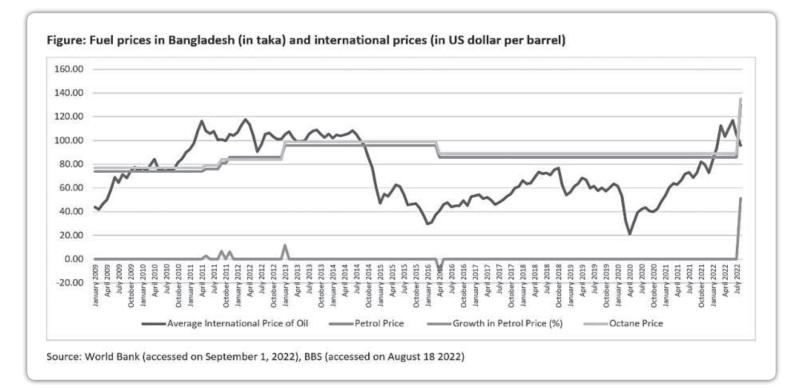
With the depletion of domestic natural

this study, this price hike was a direct impact continues throughout, and it sustains in the of the rising international fuel prices due to

has been a lagged adjustment to petrol prices when compared to world prices. The blue line depicts the price of petrol in the country (in year or so, at least. taka), while the other lines show movements in prices (in US dollars per barrel) of crude oil. The pump-level fuel prices are generally adjusted, as is evident from the data, when the international price of petrol hovers around \$100 per barrel for four to six months, and mostly fuel prices move upwards rather than downwards in the country. When the concerned suppliers/vendors/retailers citing Bangladesh Petroleum Corporation (BPC) and rising production costs. Ironically, when oil other regulatory agencies start making huge losses due to rising import costs, prices are

long run – albeit at a lower rate of impact. The long-term impacts of fuel price hike on all of If we look at the pattern of price adjustment the components of consumer spending are in Bangladesh as shown in the figure, there not clear cut, but it is crystal clear that the increase in consumer spending due to fuel price hikes do not decrease much in the next

There is also evidence (as per the interviews conducted by the CPD) that transportation costs such as fare for taxis and buses, etc jump upwards at a very high rate following an increase in pump-level oil prices, and food prices as well as the prices of some other commodities are also increased by the prices are lowered at the domestic level in response to the reduced international prices,



gas reserves, Bangladesh's energy market has become increasingly dependent on imported energy - mainly petroleum, LNG, and coal. Hence, price unpredictability in the global energy market automatically impacts our energy sector as well as our economy as a whole. The Russia-Ukraine war has aggravated the global energy market crisis both in terms of supply and prices, which have multidimensional adverse impacts on developing countries like Bangladesh.

The government uses two specific policy instruments to manage international oil price volatility: a) by passing part of the additional import expenditure on to the consumers in the form of enhanced energy tariff; and b) by accommodating part of the additional expenditure in the form of subsidies. Energy prices at both wholesale and retail levels are determined by Bangladesh Energy Regulatory Commission (BERC), an autonomous body operated under the Ministry of Power, Energy and Mineral Resources. Unfortunately, through a recent amendment, the government took the responsibility to adjust said prices directly, restricting BERC's independence in the price-setting mechanism.

Over the last 10 years, fuel prices have been changed only seven times – that is, they are not adjusted regularly. In fact, the International Monetary Fund (IMF) reported in March 2012 that the government was expected to adopt an automatic adjustment formula by December 2012 that would ensure full pass-through of changes in international prices, but that did not happen. Under the new understanding between the government and the IMF in 2022 the energy ministry will adopt a market-based price setting mechanism by December 2023.

The table shows the changes in fuel prices in the past 10 years. Except for 2016, fuel prices have been increasing periodically. The highest increase was affected on August 6, 2022, when fuel prices rose by 40-50 percent. According to the interviews with stakeholders conducted for

generally revised in Bangladesh.

But there are very few examples of domestic downward adjustments of fuel prices by the BPC in view of its profit-making trends. BPC generally targets a five percent margin or mark-up in their pricing strategy, but sometimes the organisations make more than the five percent margin or supernormal profits. According to the key informant interviews (KIIs) involving energy experts, the BPC alone earned almost Tk 40,000 crore as profits over the last seven to eight years. According to the BPC, these profits were deposited to the government coffer, and now they're more or less at the break-even point due to a sudden increase in the international fuel prices.

Whatever formula is applied for the calculation of fuel prices is never revealed by the relevant organisations to the public and is treated as confidential information. However, the variables that are considered for adjustment are import level duties, VAT, import costs, handling charge at the company level, marketing commission for the company that markets, losses due to transportation, carrying/evaporation loss, etc.

A rigorous analysis (through the estimation of an error correction model) of data collected from the regulatory bodies responsible for energy pricing (mentioned earlier) and the Bangladesh Bank database reveal that the rise in diesel price had the most telling impact not only on food and non-food inflations, but also on most of the components of the consumer price index (CPI). This might be due to the fact that most of the public transport in Bangladesh runs on diesel; hence, changes in diesel price have both short-term and longterm effects on the whole economy.

Upward changes in fuel prices also affect the sub-groups of CPI, such as gross rent, fuel and lighting, education and entertainment, transport and communication, etc. In most cases, the impact of the initial price hike other countries.

which has happened only once or twice in the past 10 years or so, transportation costs don't go down pro rata to maintain an equivalent state, and food prices don't go down either. Hence, each and every sector should have better coordination with government agencies, with a parameter or formula in place for price adjustment.

In order to better handle these issues, the state-owned bodies who are responsible for determining the quantity of imports, energy pricing, etc should analyse the links between the economy and the energy sector, both at the disaggregated and the aggregate levels as a prerequisite for energy pricing. Given that the exact formulae applied for price calculation are treated as confidential, there is a need for better transparency and responsiveness regarding energy pricing. The energy ministry could take lessons from other countries such as India about how the retail energy prices are adjusted with the international market prices and how they are maintained at the sectoral

Many countries trade in futures and options and also go for longer-dated futures contracts in order to hedge transaction risks of volatile fuel prices. The BPC or other government agencies responsible for importing fossil fuels do have some long-term commitments with different oil-exporting countries, but more contracts of this nature with predetermined prices (where trading occurs in the future at prices fixed at an earlier date) would be very useful.

The government should also diversify its energy base by putting more focus on renewable energy. This would help in ensuring energy security, as it is a more stable source. Bangladesh should also give proper focus to fiscal measures such as introduction or expansion of feed-in tariffs and renewable portfolio standards (RPS), which have been successful in attracting green investment in

## The counterproductivity of 'productivity paranoia'



**Fazlul Karim Chowdhury** FMVA is a business strategist and management consultant

### FAZLUL KARIM CHOWDHURY

How would you feel if you learnt that your company was not confident about you being accountable for your deliverables? Meanwhile, your human resource administrator evaluates you according to metrics such as the hours you spend at a workstation. In a white-collar environment, HR managers may get obsessed with measuring the employees' clock-in and clock-out times when organisations attempt to enhance their bottom lines. This has become a usual practice for most local organisations to maximise employees' accountability, performance, and productivity.

But how would this be perceived by the employees, especially during the upcoming Ramadan hours amid Dhaka's inevitable traffic jam?

According to self-determination theory, individuals have three fundamental psychological needs: autonomy (the need to feel in control of one's actions), competence (the need to feel capable and effective), and relatedness (the need to feel connected and valued by others). People are more likely to be intrinsically driven when these requirements are met, implying they participate in an activity for their own reasons, rather than external demands or incentives.

Employees may lose their sense of autonomy and control over their work when they believe that their supervisors are observing and judging everything they do. A study on the relationships between in-role performance and organisational citizenship behaviour published in the International Journal of Business and Management reveals that when employees see that they are being watched, they may begin to believe that their supervisor does not trust them to do their tasks without continuous monitoring, which diminishes morale and decreases motivation.

Concentrating simply on the number of hours an employee is physically present in the office may cause the employee to ignore the actual job. An employee may be present for more than eight hours a day, but what if they spend most of that time unproductively - without completing their assigned tasks?

Another research article, published in the Journal of Business and Psychology, states that when employees feel they are constantly being monitored, they are less or initiate independent decisions. They prioritise more on finalising things as soon as possible above exploring new ideas or solutions where necessary. In addition, they lack the time to seek feedback or assistance from others. These circumstances stifle creativity and innovation.

The third drawback is that the micromanagement strategy may result in increased stress and burnout of employees. In the Harvard Business Review, the American Psychological Association claimed that burnt-out employees are 63 percent more likely to take a sick day and 2.6 times as likely to be actively looking for a new job. How would you feel if you see your colleague continuously gazing at an online job portal, in addition to the high turnover of your department or company?

Last but not the least, most of the commuters in our metropolitan areas use public transport and motorbikes during rush hours. The anxiety of getting late can easily lead to lethal accidents on a busy road. Who will take responsibility for an injured employee?

So, what can HR managers do instead of relying on tracking the work hours of the employees? Here are a few recommendations that are in practice:

Focus on outcomes rather than inputs: Measure how successfully the employees achieve their goals and deliver value to the relevant stakeholders, instead of measuring how much time they spend on their work activities.

Focus on feedback rather than examination: Rather than evaluating employees based on their time records, the supervisor can brief them on a set of constructive suggestions to improve their skills and performance.

Focus on trust rather than control: Monitoring the employees is a waste of resources. Supervisors should trust their employees to manage their own time and work autonomously, which leads to

By shifting from a timetracking mindset to a human-centric mindset, HR managers can help create a dynamic talent model for the future that empowers employees to thrive in their work environment.

producing leaders.

Focus on support rather than pressure: Providing employees with resources, skills, and guidance leads to the successful completion of assignments in a variety of settings, such as creative deliverables instead of always imposing deadlines and targets.

Focus on the culture rather than the **system:** Creating a culture of transparency, accountability, and acknowledgment helps to foster forward-thinking employee likely to take risks or think outside the box involvement without depending on a strict structure of rules.

By shifting from a time-tracking mindset to a human-centric mindset, HR managers can help create a dynamic talent model for the future that empowers employees to thrive in their work environment. International organisations offer employees to choose their own flexible hours as long as they meet their goals and deadlines.

Our local HR managers can also foster culture of trust and productivity by defining clear expectations and goals, while providing workers with the tools and resources they need to accomplish those goals. This will result in increasing employee retention with more engagement, leading to overall corporate success.

## Government of the People's Republic of Bangladesh

Office of the Executive Engineer Manikganj PWD Division Manikganj www.pwd.gov.bd

Memo No. 1214

Date: 09/03/2023

## e-Tender Notice-e-GP Tender (OTM)

e-Tender is invited in the e-GP System Portal http://www.eprocure.gov.bd Tender ID & Name work Last selling Opening date Reference No. date & time & time 800348, Construction of 2-storied 02-Apr-2023 02-Apr-2023 Office of the Singair Sub-Registrar's Office 13:00 12:00 SE Memo No. building with 4-storied 405 foundation including Civil, 07.03.23 Sanitary & Electrical works, during the year-2022-23 800351, False ceiling with wall paneling 27-Mar-2023 27-Mar-2023 Office of the works at judge's chamber of 12:00 13:00 Manikganj SE. Savar Chief Circle, Dhaka Magistrate Court in the year

2022-23. This is an online tender, where only e-Tender will be accepted in the National e-GP Portal and no offline/hard copies will be accepted. To submit e-Tender, registration in the

National e-GP System Portal <a href="http://www.eprocure.gov.bd">http://www.eprocure.gov.bd</a> is required. The fees for downloading the e-Tender documents from the National e-GP System Portal have to be deposited online through any e-GP registered bank's branches within due

Further information and guidelines are available in the National e-GP System Portal and from e-GP help desk (helpdesk@eprocure.gov.bd) or (email: ee\_manik@pwd.gov.bd) and call to 02-7710401). Interested person can be communicated with the undersigned during

> Sharmin Aktar **Executive Engineer** Manikgani PWD Division Manikganj E-mail: ee\_manik@pwd.gov.bd

GD-453