Policies that could help break the inflation cycle



inflation on daily life.

DIALOGUE

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AN OPEN Price Index (CPI) will trend downward in the rate or range within a specified time frame, coming months, providing relief.

Yet, as the saying goes, "Inflation has nine

lives," suggesting it never truly disappears. Policymakers should aim for three key milestones: 1) reduce inflation to the pre-Covid level of 5 percent; 2) transition to "inflation targeting;" and 3) adopt a framework to manage inflation expectations

regularly announce their targets to the public, and have institutional arrangements to ensure that the central bank is accountable for meeting the target," wrote Sarwat Jahan, a senior economist at the IMF's Asia and Pacific Department.

Under an inflation-targeting framework, the Bangladesh Bank could aim for 5-7 percent inflation by 2026 and 3-4 percent contributing to the civil unrest we witnessed before the fall of the AL regime.

Admittedly, the tools available to Bangladesh Bank to bring down inflation at this juncture are limited. The Executive Director (Research) of Bangladesh Bank Dr Sayera Younus said it is not possible to reduce the price of goods only with monetary policy. Although the central bank has changed the policy rate about nine times, its impact on the market is not significant. For this reason, the government should strengthen monitoring activities at the local (wholesale) level, she said.

Business leaders have voiced their worries about shortages of raw materials in factories owing to the curb on the opening of letters of credit for imports, the gas and electricity crisis, and labour unrest. In various reports from the outlying areas, we have noticed that farmers have similarly pointed out the high cost of seeds, fertiliser, equipment, and fuel. The cost of hired labour has also gone up in rural areas along with CPI.

Syndicates and price collusion also play a role in inflation. The Dhaka Chamber of Commerce and Industry acknowledged that middlemen's margins can cause substantial price increases, with rice prices rising by 307 percent due to trading changes. Research has shown that syndicates and seller collusion mechanisms during economy-wide cost shocks have acted as implicit coordination mechanisms for firms to hike prices.

The Bangladesh Bank and government agencies must work hand in hand to address price gouging. Another emerging concern is how implicit coordination among syndicates lead to "sellers' inflation" and the transmission mechanism for cost shocks (e.g. rise in import prices) to price hikes at the wholesale level.

The central bank should strengthen its communication strategy to clarify policy decisions and their expected effects on inflation, thereby managing expectations more effectively.

The central bank should also improve its regular inflation expectations survey to better understand and manage expectations. Currently, the Bangladesh Bank and BBS surveys lack questions about inflation persistence and uncertainty. Enhancing inflation expectations surveys will also provide better insights, especially regarding crucial sectors like food and the



The increase in the prices of everyday items has burdened family budgets over the last few years.

to dampen demand. However, progress has varied, and not all G7 countries have achieved price stability.

Recently, major newspapers reported Bangladesh's decision to raise policy rates to combat inflation, which is encouraging but often has mixed results. Except for a few upper-income families, the increase in the prices of everyday items such as rice, poultry, eggs, sugar, cooking oil, LNG, salt, and onions

These ideas are not entirely new, and by 2028. Although the path may be initially scepticism may arise. Let me briefly review

According to the IMF, more than 40 countries currently use inflation targeting as a key component of their monetary policy. Many central banks in advanced economies also incorporate elements of inflation targeting, even if they don't officially label themselves as such. "Full-fledged inflation

challenging, Bangladesh Bank's forecasting accuracy and the quality of Bangladesh Bureau of Statistics (BBS) data should improve over time. One major hurdle is maintaining consistency and transparency.

FILE PHOTO: STAR

Previously, the central bank raised the inflation target for the 2023-2024 fiscal year to 7.5 percent, accommodating high consumer prices but likely raising double-digit inflation, prompting central bas burdened family budgets over the last targeters are countries that make an explicit inflationary expectations. Critics argue banks worldwide to raise interest rates few years. There is hope that the Consumer commitment to meet a specified inflation this worsened economic conditions,

COP29 negotiations: The deadlock over cardinal issues

fiscal and monetary balance.

market prices," Dr Yunus added.

On November 17, Prof Muhammad Yunus

emphasised efforts to lower inflation,

highlighting actions like high interest

rates, removing LC limits on grain imports,

and improving supply chains. "Efforts are

underway to curb extortion in the supply

chain, which we hope will help reduce

Controlling inflation is challenging, as

seen in the last 50 years of global economic

history. Following the Covid disruptions

in 2020, nearly every country experienced

is a hoard member at Scientific Council of Consortium on Climate Change (LUCCC).

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issues including climate finance, mitigation ambition, Article 6 of the Paris Agreement about emissions trading, and loss and damage fund were discussed at the Conference of Parties 29 (COP29) of the United Nations Framework Convention on Climate Change (UNFCCC). However, this COP was supposed to be the COP of climate finance, as the Paris Agreement stipulated that by 2025 a new collective quantified goal (NCQG) had to be agreed upon, keeping the earlier target of \$100 billion as the floor. In the last COP in Dubai, it was reiterated that a decision text has to be agreed upon about the NCQG at COP29. Climate finance is a cross-cutting issue. It is the enabler of all climate actions and has several dedicated agenda items, with NCQG being the most

The third iteration was shared by the Azeri Presidency on NCQG on November 21. It was perhaps pushed by the UNSecretary General's request to leaders of the G20 meeting in Brazil so that they instruct their ministers attending the second high-level segment in Baku to reach an agreement on climate finance. The initial draft began with more than 150 paragraphs with many bracketed options and sub-options. The latest draft, as of writing this article, has 61 paragraphs, again with many bracketed options. The number one issue is the quantum the NCQG. The developing countries are demanding an amount of \$1 trillion to 1.3 trillion a year over a 10-year period, upto 2035, with mid-term reviews either in 2030 minimum need for implementation of their Nationally Determined Contributions (NDCs) and National Adaptation Plans (NAPs).

However, the implementation of climate actions in developing countries is estimated to require

On November 21, several important view this number as a kind of sleight of hand accounting. Some ministers from developed countries think that this amount can be mobilised from all sources—public, private and alternative sources. At the press conference, jointly organised by the G77 group and the African Negotiating Group on November 20, in response to whether they will accept \$200 billion a year, the Bolivian delegate cynically referred to the amount as a joke. The Least Developed Countries (LDCs) and Small Island Developing States (SIDS) are demanding \$220 billion and \$39 billion respectively a year in grant- and grant-equivalent terms. Further, they demand at least 20 percent of climate finance must flow through the Convention funds like the Green Climate Fund. So far only about 2-3 percent of global climate finance flowed through these funds. These funds have better terms and access is relatively easier.

The global financial system is awash with liquidity. For example, in 2021-2022, fossil fuel subsidies amounted to \$1.1 trillion and the annual military spending stood at more than \$2.2 trillion in 2023. So, money does not flow where it is needed the most—to protect people and the planet from the existential threat of climate change. We may recall that just before the beginning of COP29, four authoritative reports were published by the United Nations Environment Programme (UNEP), UNFCCC and World Meteorological Organization (WMO) about the gaps in emission reduction, gaps in adaptation finance and poor ambitions in the or 2031. This number is based on a current set of NDCs. These reports served as wake-up calls for urgent actions to bridge these gaps.

There is also the issue of the quality of climate finance which includes the definition of climate finance, grants versus loans, access to finance, co-financing, etc, and \$6-8 trillion a year. Some analysts is even more important than the

delegation loudly voiced concerns alternative, allows developed countries to inflate their contributions through double and triple counting. Also, the grant versus loan issue is extremely important because more than half of the LDCs are already debtdistressed and climate loans further restrain their fiscal space. Most of the LDCs spend much more on paying interest against accumulated loans than they invest in education or health services in their countries.

The strategy, particularly of the developed world, is to wean out all the energy and appetite of small delegations from most of the global south. Also, there is a "wait and see" policy of how developments unfold at the last hours when some numbers and compromises are agreed upon to wrap up. Being a negotiator with the Bangladesh delegation for over two decades, I call these negotiations a process of "active inaction."

So, they strongly called for debt cancellation and debt relief for low-income countries. There is also a demand for the inclusion of contingency clauses in bilateral and multilateral loan agreements. Spain and Denmark in particular are supportive of the contingency clauses against disasters so that the impacted countries can get debt relief and debt rescheduling for longer terms. Related to this is the issue of reforms of multilateral financial institutions, which now provide about 45 percent of climate finance. However, the World Bank. in particular, which now hosts the Loss and Damage Fund, is not familiar with dealing with human rights and climate justice. The latest draft text included all these issues, but developing countries' demands remain bracketed.

The draft also included sources of

NCQG number. The Bangladesh mobilisation—bilateral, multilateral, time-consuming. innovative and they are not detailed. Past experience of debt for nature swaps is not encouraging, since it involved paltry amounts and the benefits were largely appropriated by the intermediaries. which did not strengthen the debt sustainability of the recipient countries. I have published a paper on debt-for-adaptation-swap at bilateral levels, where deals can be reached quicker than at multilateral levels, which are very cumbersome and

in the balance due to differences in ensuring transparency about detailed information to be posted in the UNFCCC portal called agreed electronic format. My article on this issue was published in *The Daily Star* at the beginning of this month.

November 22, as in the past few COPs. The strategy, particularly of the developed world, is to wean out all the energy and appetite of small

delegations from most of the global The second most important issue south. Also, there is a "wait and see" about quality-related issues, philanthropic. It mentions innovative of this COP—full operationalisation policy of how developments unfold at specifically the need for a definition of climate finance, as its absence of climate finance of climate finance, as its absence of climate finance, as its a to wrap up. Being a negotiator with the Bangladesh delegation for over two decades, I call these negotiations a process of "active inaction." For the right reasons. Bangladesh's Chief Adviser Prof Yunus has called for downscaling these jamborees, The negotiations extended beyond which have an average presence of more than 70,000 delegates both from governments and observer organisations. The sooner this happens, the better.

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BANGLADESH RURAL ELECTRIFICATION BOARD POWER DIVISION, MINISTRY OF POWER, ENERGY AND MINERAL RESOURCES. **GOVERNMENT OF THE PEOPLES' REPUBLIC OF BANGLADESH** Memo No. 27.12.2672.184.02.015.24.311 e-Tender Notice (OTM)

e-Tenders are invited in the National e-GP System Portal (http://www.eprocure.gov.bd) for Construction of Internal RCC Road & Boundary Wall under Dhaka PBS-3. Tender submission deadlines are mentioned below. Tender document purchasing price & Tender Security amount will be in the form of Bank Draft/Pay order in favour of Senior GM Dhaka PBS-3 from any scheduled bank of Bangladesh (except the Banks debarred by BREB).

e-Tender ID No.	Sub-Package/ Lot No.	Description of Works	Tender Publication (e-GP web portal) Date & Time	Tender Document Last selling/ Downloading Date & Time	Last Date & Time for Tender Security Submission	Tender Opening/ Closing Date & Time
1036571	DHK-3-RCC- Road-2024-25 -02- 002	Construction of Internal RCC Road at Dhaka Palli Bidyut Samity-3, Genda, Savar, Dhaka.	25-11-2024; 15: 00 PM	17-12-2024; 17: 00 PM	18-12-2024; 14: 00 PM	18-12-2024 14: 30 PM
1036572	DHK-3-Boundary Wall-2024-25-14- 014	Construction of Boundary Wall at Rajashon 33/11KV Sub- Station under Dhaka	25-11-2024; 15: 00 PM	17-12-2024; 17: 00 PM	18-12-2024; 14: 30 PM	18-12-2024 15: 00 PM

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 (http://www.eprocure.gov.bd) is required.

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বাংলাদেশ পল্লী বিদ্যুতায়ন বোর্ড Bangladesh Rural Electrification Board

বাপবিবো/জন (২৪১১-৭১) ২০২৪-২৫

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