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Research Article

NDB and IMF: Bangladesh's Strategic Choice in Partnership to Address the Economic Crisis

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Abstract

This study explores the underlying reasons behind Bangladesh's preference for cooperating with the New Development Bank (NDB) over the International Monetary Fund (IMF) in addressing its national economic crisis. Using a qualitative-descriptive approach and the theoretical framework of the Global South and minilateralism, the research examines Bangladesh's development policy dynamics and its response to economic and political pressures, particularly following the military coup in August 2024. The findings indicate that while IMF provides financial support, its conditionalities such as exchange rate liberalization, subsidy removal, and fiscal reforms have adverse effects on public welfare. In contrast, cooperation with NDB offers policy flexibility, equality among member states, and financing support for sustainable projects without structural intervention. This study highlights that NDB serves as a geopolitical tool that enables developing countries to assert economic sovereignty and advance South–South solidarity in the context of an emerging multipolar global economic order. The study suggests that Bangladesh's engagement with NDB reflects strategic hedging, diversifying external partnerships to reduce dependency on Western-dominated institutions. This choice strengthens domestic policy autonomy, mitigates social backlash, and enhances bargaining power, while signaling alignment with alternative development financing models increasingly favored by Global South.

Keywords: Bangladesh, Global South, IMF, Minilateralism, NDB

INTRODUCTION

In August 2024, a military coup ousted Prime Minister Sheikh Hasina's government. The coup and resulting political instability further deteriorated Bangladesh's economic conditions, prompting the interim government to seek additional external loans to stabilize the economy (International Crisis Group, 2024). This instability has posed significant challenges to the country's economic development. Political uncertainty has undermined investor confidence and delays the implementation of key infrastructure projects essential for economic recovery. At the same time, fiscal pressure has intensified as inflation and rising unemployment, particularly in the informal sector, have exacerbated social distress.

Bangladesh's energy supply remains constrained, with natural gas as its primary fuel source expected to be depleted within 10 to 15 years unless new reserves are discovered while the country remains heavily reliant on imported oil and coal to meet basic electricity demands (Islam et al., 2021). This dependence not only increases energy costs but also places additional pressure on the national budget through energy subsidies, thereby worsening public debt and increasing the government's need for external financing.

Since 2021, Bangladesh's economic crisis has deepened, with foreign exchange reserves plummeting from $48 billion to below $20 billion by April 2024. This sharp decline has been driven by a combination of rising global energy import costs, persistent depreciation of the Bangladeshi Taka, a slowdown in garment exports—the country's primary source of foreign exchange—and a widening current account deficit (Mustafa, 2024). Compounding these challenges, tightening global financial conditions and reduced remittance inflows have further constrained macroeconomic stability. The surge in inflation has directly eroded household purchasing power, leading to sharp increases in food, fuel, and electricity prices. These pressures have disproportionately affected vulnerable populations, aggravating social inequality, intensifying economic insecurity, and triggering widespread social unrest. As a result, public protests against the government's economic policies have escalated, particularly among urban workers, low-income communities, and small businesses that are increasingly struggling to sustain livelihoods amid rising costs and declining demand.

The International Monetary Fund (IMF) has long been the primary recourse for developing countries seeking financial assistance, primarily through policy reforms and structural adjustment programs aimed at maintaining macroeconomic stability (Asshidiqy et al., 2024).To the extent that distributional policies within IMF programs reflect the interests of its major shareholders and staff, such programs constrain the ability of borrowing governments to respond to domestic preferences. Key shareholders such as the United States and G5 countries exercise considerable influence over IMF policymaking, often prioritizing their own political and economic interests (Lang, 2021). As a result, IMF policies frequently mirror the preferences of powerful states, while developing countries like Bangladesh face limitations in addressing their internal development needs. This structural imbalance has prompted countries like Bangladesh to seek alternatives such as the New Development Bank (NDB), which offers a more equitable institutional framework—granting developing countries greater voice and flexibility in determining their own development trajectories.

Established in 2014 by the BRICS nations, the NDB positions itself as an alternative to traditional Western-dominated financial institutions like the IMF, with a mandate to finance infrastructure, promote sustainable development, and reduce the dependency of developing countries on Western creditors (Shetiya & Maharashtra Vidyapeeth, 2017). With its emphasis on sustainability, clean energy, and green infrastructure, NDB presents a more relevant model for countries like Bangladesh. Bangladesh's accession to the NDB in 2021 signals its commitment to exploring new forms of development cooperation. The BRICS countries established the NDB as a response to the shortcomings of multilateral development banks like the IMF in meeting their infrastructure needs.

The NDB is governed by a consensus-based model, with equal voting rights among founding members and a rotating leadership structure designed to foster a more representative financial system that avoids dominance of any single country (Hofman & Srinivas, 2024). This approach offers a fairer alternative for developing nations such as Bangladesh, which often experience structural inequality in accessing global finance. The NDB allows them to obtain financial support without the political and policy pressures commonly associated with traditional Western-dominated institutions.

The NDB model also emerged as a direct response to dissatisfaction among BRICS governments and other developing countries regarding the selection processes of top executives in existing global financial institutions processes in which advanced economies often nominate their own nationals to leadership roles. In 2021, Bangladesh became the first non-BRICS country to join the NDB as a borrowing member, driven by geopolitical considerations and strong diplomatic backing from BRICS nations. Bangladesh's decision to join the NDB reflects a strategic effort to diversify its sources of financing, reduce dependency on Western financial institutions, and position itself within a more inclusive framework of global economic cooperation.

Although academic interest in South–South cooperation is increasing, the literature remains largely centered on multilateralism and the conventional global financial architecture. Existing research has extensively criticized IMF's structural adjustment programs and highlighted NDB's potential as an infrastructure financier. However, comparative empirical analysis of how these institutions function during times of economic crisis remains underexplored. Moreover, the interaction between theoretical frameworks such as the Global South and minilateralism in shaping alternative financial diplomacy has not been sufficiently examined. While the Global South perspective addresses structural asymmetries in global governance, minilateralism offers a pragmatic institutional framework through which developing countries pursue strategic cooperation. Nevertheless, how these two frameworks intersect in practice—particularly in institutional choices such as those made by Bangladesh—requires further empirical investigation.

Therefore, this research seeks to examine why Bangladesh prefers cooperation with the NDB over the IMF amid its recent economic crisis. Anchored in the theoretical frameworks of the Global South and minilateralism, this study aims to assess the institutional effectiveness, conditionalities, and strategic alignment behind Bangladesh's pivot. The central question this research asks is: How and why has Bangladesh chosen to collaborate with the New Development Bank rather than the IMF in managing its economic crisis, and what does this decision reveal about evolving Global South financial strategies in a multipolar world?

METHODOLOGY

This research employs a qualitative, interpretive (post-positivist) approach, which is appropriate for exploring how institutional choices specifically between the International Monetary Fund (IMF) and the New Development Bank (NDB) reflect broader strategic, political, and economic dynamics in the Global South. Rather than aiming to generalize patterns through quantifiable variables, this study focused on interpreting meanings, institutional behaviors, and geopolitical narratives that influence Bangladesh's preference for NDB cooperation. The interpretive approach aligns with the standard practices in critical international relations research, particularly when addressing questions of sovereignty, asymmetrical power, and alternative development diplomacy.

Data was collected through documentary research, namely by collecting and reviewing relevant documents that have a direct relationship with the social phenomena being studied. The type of data used in this study is primary documents, namely original documents compiled by individuals or institutions that have direct access to the events or policies being studied (Bakry, 2015). Primary sources such as official reports and loan program reviews from the IMF and NDB, government statements, and policy documents from the Government of Bangladesh were critically examined to trace the evolution of economic policies, loan terms, and institutional engagements over the period of 2021 to 2024. In addition, secondary sources including academic journal articles, books, and expert policy analysis were reviewed to build the theoretical and empirical context. The decision to use document analysis is consistent with widely accepted methods in international political economy and development studies, particularly in examining institutional discourse, aid conditionality, and South–South cooperation frameworks.

The analytical framework was guided by the theoretical lens of the Global South and minilateralism. These frameworks were used to interpret institutional structures, decision-making processes, and development strategies beyond the West-centric model. Data were evaluated through comparative analysis between IMF and NDB policies, particularly in terms of loan conditionalities, project financing approaches, and the political implications of their presence in Bangladesh. A comparison table was constructed to systematically contrast both institutions across dimensions such as governance structure, financing mechanisms, and alignment with Bangladesh's domestic policy needs.

One potential limitation of this methodology was the absence of fieldwork or elite interviews, which could have provided deeper insight into internal policy considerations. To address this, the research focused on triangulating a wide range of policy documents and credible expert analyses to ensure reliability and richness in interpretation. Furthermore, given the rapidly evolving economic context in Bangladesh, the study was limited to developments between 2021 and 2024, which may affect its applicability in the longer term.

Overall, this methodology allowed the researcher to answer the core research question: why did Bangladesh prefer to collaborate with the NDB over the IMF amid its economic crises? It also addressed a key gap in previous research by providing a contextual, case-based comparative analysis grounded in Global South theoretical discourse and institutional dynamics, while offering empirical insights into alternative development financing and strategic policy choices.

ANALYTICAL FRAMEWORK

This study employs the Global South perspective to analyze Bangladesh's strategic decision to collaborate with the New Development Bank (NDB) as an alternative to the International Monetary Fund (IMF) in the face of economic challenges. In parallel, the concept of minilateralism is applied to explain the emergence of NDB as a more agile and efficient institutional alternative, particularly amidst the inefficiencies and rigidities characterizing large multilateral organizations, enabling faster decision-making, greater policy flexibility, and more equitable participation among developing member states.

Amitav Acharya, a leading proponent of Global International Relations argues that traditional approaches within the discipline of International Relations tend to marginalize and overlook the voices and experiences of non-Western states—collectively referred to as the Global South (Mas'oed & Khoiriati, 2021). Accordingly, the globalization of IR seeks to transform the discipline by integrating those previously excluded perspectives. In The Making of Global International Relations, Acharya and Barry Buzan advocate for the need to reform IR into a more global discipline. While acknowledging that IR remains tied to its Western-centric foundations, they maintain that the discipline can and must adapt to capture evolving global dynamics (Acharya & Buzan, 2019).

Global South thus emerges through the Global IR framework as a direct response to the dominance of Western-centric perspectives in International Relations. Unlike traditional theories, Global IR emphasizes inclusivity by recognizing the contributions of all states in shaping the international system. Drawing from postcolonial theory, it highlights the historical impacts of colonialism and racism on global relations and challenges the epistemological divide between the West and non-West (Acharya & Buzan, 2019). This approach seeks to construct a fairer and more pluralistic understanding of global affairs, in which each state plays an equal role in shaping international order.

The term Global South is often associated with the "Third World" or the "periphery," encompassing countries with relatively underdeveloped economies across Asia, Africa, Latin America, and the Pacific. From this perspective, countries in the Global South can form cooperative initiatives to promote social justice, welfare, regional development, and equal participation in international systems and institutions. As a conceptual lens, the Global South draws attention to persistent inequalities in the global political economy and the enduring structural divide between North and South, even in the postcolonial era (Winanti, 2021). It seeks to redefine sovereignty and independence for developing countries still constrained by colonial legacies socially, culturally, and economically. In this context, the Bangladesh NDB partnership represents a strategic departure from Eurocentric models of development and a step toward a more equitable framework of South–South Cooperation.

The concept of minilateralism, although not new, has increasingly gained traction as a practical model of governance in international cooperation. Alongside bilateralism and multilateralism, minilateral arrangements have been integral to global governance since 1945. Many post-war multilateral institutions, including GATT 1947, were initially negotiated among a small group of powerful states before expanding into broader agreements, reflecting the historical roots of minilateralism in shaping effective, interest-driven international institutional frameworks (Tirkey, 2021).

Originating in 19th-century Europe, minilateralism emphasizes shared interests rather than shared values or ideological alignment. Member states may collaborate on critical issues without needing full agreement on broader agendas (Mladenov, 2023). Middle powers use minilateralism to forge issue-based coalitions that help them collectively address shared challenges. These groupings often focus on sectors such as energy, infrastructure, trade, and technology. While minilateralism cannot fully replace multilateralism in achieving comprehensive global cooperation, it complements multilateral efforts by offering platforms for diplomacy, trust-building, and strategic collaboration. Its simplicity and operational flexibility provide an alternative to the often complex and slow processes of large-scale multilateral negotiations.

Participation in minilateralism offers several advantages for member states (Wilkins et al., 2024). First, it allows countries to pool resources and develop new external capacities through coalitions focused on shared goals. Second, it provides operational efficiency and consensus-building that is often lacking in rigid multilateral settings. Third, the informal nature of minilateral cooperation grants members states greater flexibility in aligning participation with national policies, without foreclosing collaboration with external actors.

For Bangladesh, engagement in minilateral institutions such as the NDB enhances policy autonomy and strategic agency, aligning with the broader goals of empowering Global South states. Through minilateral diplomacy, Bangladesh can develop strategic partnerships and strengthen its development capacity, thereby asserting a more active role in global governance, while reducing dependency on traditional Bretton Woods institutions and amplifying its collective bargaining power.

Ultimately, the Global South framework underscores the structural inequalities of the international economic order and how states like Bangladesh seek more equitable alternatives to overcome economic dependency. By adopting the minilateral approach through institutions like the NDB, Bangladesh not only diversifies its sources of development financing but also deepens cooperation with peer developing countries that share similar development challenges and priorities.

RESULT AND ANALYSIS

IMF Conditionalities & Impact

In an effort to stabilize its economy, Bangladesh has secured funding commitments from various international sources. In September 2024, the World Bank pledged over $2 billion to support economic reforms, flood response, and improvements in air quality and healthcare services in Bangladesh (Paul, 2024). Earlier, on January 30, 2023, the Executive Board of the International Monetary

Fund (IMF) approved Bangladesh's request to receive SDR 2.5 billion (approximately US$3.3 billion) under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF), as well as SDR 1 billion (approximately US$1.4 billion) under the Resilience and Sustainability Facility (RSF) (IMF, 2023). This 42-month program aims to maintain macroeconomic stability and address economic challenges, including youth unemployment, inflation, and declining foreign exchange reserves.

On December 18, 2024, the IMF announced that it had reached a staff-level agreement with the Government of Bangladesh during the third review of the loan program initially agreed upon in January 2023. This review is part of a periodic evaluation to determine whether Bangladesh remains eligible for subsequent disbursements from the US$4.7 billion loan package provided through the ECF, EFF, and RSF (IMF, 2024b). These measures reflect Bangladesh's pursuit of additional financial assistance to stabilize its economy amidst domestic and global challenges.

To gain access to funding under the ECF, EFF, and RSF schemes, Bangladesh is required to undertake various structural reforms and implement economic adjustment policies. According to the terms of the loan program agreement, Bangladesh must comply with specific policy conditions.

Table 1. IMF Conditionalities on Bangladesh

Policy Areas	**IMF Terms and Recommendations**
Monetary and Exchange Rates	• Increasing exchange rate flexibility through the crawling peg mechanism • Making exchange rate adjustments (realignment) to the fundamental value of the Taka • Eliminating the use of the SMART benchmark as a fixed reference for retail interest rates to liberalize the interest rate setting system
Fiscal Policy	• Gradually reduce subsidies that are not well-targeted • Increase tax revenue capacity through tax policy and administration reform • Optimize state spending efficiency to support fiscal stability • Maintain budget allocation for social programs that protect vulnerable groups
Financial Sector	• Reduce the ratio of non-performing loans in the banking sector • Implement structural reforms to state-owned banks to improve efficiency • Implement a risk-based supervisory approach to improve financial system stability • Strengthening governance and transparency in the banking sector
Economic Structure	• Encourage export diversification to reduce dependence on certain sectors • Increase the attractiveness of foreign direct investment by improving the investment climate • Conduct regulatory reforms to create a competitive investment environment

	• Increase women's participation in the workforce to support inclusive growth
Climate and Resilience	• Enhance fiscal management capacity responsive to climate change risks • Increase financing allocation for green infrastructure projects • Increase efficiency in climate-related public spending • Develop national funding platforms such as the Bangladesh Climate and Development Platform (BCDP)
Foreign Exchange Reserve	• Increase net international reserves to strengthen external resilience • Reform the capital and financial account balance to attract sustainable capital inflows

Source: IMF, 2024a.

Although IMF recommendations may appear ideal, trade liberalization and the promotion of foreign investment can, in fact, be detrimental to developing countries, as they increase import dependency and impose greater economic costs than external debt itself (Pamungkas et al., 2019). The IMF's aid conditions for Bangladesh could have significant adverse effects on the country's economy and society. Increases in taxation and the removal of energy subsidies have raised the cost of living, disproportionately burdening the poor. The devaluation of the Taka has further increased the cost of imports (particularly food and energy) exacerbating inflation and deepening the cost-of-living crisis. These policy measures risk provoking further social and political instability. Tax hikes and subsidy cuts may trigger public protests if citizens perceive that the reforms do not yield tangible benefits for them. Moreover, tighter financial sector reforms risk limiting access to credit for entrepreneurs, potentially slowing economic growth. If not managed properly, these policies may entrench Bangladesh in long-term dependence on the IMF, thereby constraining the country's autonomy in shaping its own economic policies.

The IMF-supported programme initiated in January 2023 has, according to recent analyses, failed to catalyse an economic recovery in Bangladesh and has produced adverse effects in several key sectors. One persistent area of concern where little meaningful progress has been achieved is trade protection. Excessive reliance of tax revenues on customs duties including supplementary and regulatory levies has impeded substantive trade reform even after eighteen months of the program. Consequently, a policy bias that disfavors exports remain entrenched, constraining export diversification and the expansion of non-RMG (readymade garment) exports. The marked slowdown in export growth to only 2% in fiscal year 2024 constitutes a troubling development for both external balance sustainability and the restoration of growth momentum (Ahmed, 2024). Tight monetary policies advocated under the IMF program have also contributed to a contraction in bank lending. In July 2024, total private-sector credit declined from Tk 17.47 trillion to Tk 17.42 trillion (a reduction of Tk 5.53 billion), representing the first recorded contraction of bank credit in Bangladesh's history (Alam, 2025). This credit squeeze has left industry operating below capacity and has effectively halted private investment.

The social consequences are reflected in rising unemployment: Bangladesh Bureau of Statistics data indicate that youth unemployment (ages 15–29) increased from 1.94 million in 2023 to approximately 2.00 million in 2024, equivalent to an estimated youth unemployment rate of ~11.5% in 2024 (up from 10.9% the previous year). The decline in investment and job creation has been exacerbated by fiscal austerity measures: new development projects have been put on hold and public expenditures on health, education, and social protection have remained low. For example, the disbursement against newly approved government development projects has been only about 2–3% of planned targets. Private-sector actors argue that specific IMF-inspired reforms such as subsidy removals and interest-rate increases have curtailed employment opportunities and heightened unemployment (Mahmud, 2025). Taken together, the empirical evidence indicates that the IMF package in Bangladesh has, to date, appeared to impede rather than accelerate the country's economic recovery.

Various studies and reports by international organizations reveal broadly similar patterns of adverse impacts resulting from IMF programs across several developing countries that have recently received financial assistance. In Pakistan, the implementation of IMF-supported programs has been accompanied by sharp increases in energy prices (gas prices rising by up to 840 percent and electricity tariffs by approximately 110 percent since 2019) thereby fueling high inflation, eroding purchasing power, and driving the poverty rate to 40.5 percent by 2024, despite the country's repeated reliance on IMF lending (APMDD, 2024). In Sri Lanka, IMF packages implemented after the 2022 crisis mandated an increase in value-added tax (VAT) from 8 percent to 18 percent and the removal of electricity and fuel subsidies, measures that have significantly intensified the burden on low-income households amid elevated inflation; by 2024, debt interest payments alone absorbed approximately 57 percent of government revenue, effectively crowding out social and developmental expenditures (Human Rights Watch, 2025).

The case of Argentina illustrates that large-scale fiscal adjustment amounting to approximately 5 percent of GDP has resulted in significant cuts to social spending, including pensions, public sector wages, and state investment, thereby perpetuating a cycle of crisis, debt, and adjustment without achieving inclusive economic stability (Bretton Woods Project, 2025). Meanwhile, in Ghana, waves of public protests during 2022–2023 reflected widespread dissatisfaction with IMF programs that were perceived as failing to address underlying structural problems and instead prioritizing austerity measures such as freezes on public sector recruitment, amid persistently high inflation and rising living costs (Singh, 2023). Similar patterns have also been observed in Kenya and other developing countries, where IMF-led fiscal tightening has been associated with increasing inequality and the erosion of social support systems, resulting in what is often described as "stabilization without growth" (Alam, 2025; APMDD, 2024). Taken together, this comparative evidence indicates that IMF adjustment programs are frequently linked to economic stagnation, rising unemployment, and the expansion of poverty and inequality, thereby reinforcing the argument that engagement with the IMF under contemporary SAP regimes has been less effective in promoting inclusive economic recovery in developing countries, including Bangladesh.

The IMF's creditworthiness assessments serve as key benchmarks for other international financial institutions such as the World Bank and the Asian Development Bank in determining the size and terms of loans offered to a country. In addition, the governments of IMF member states, which act as creditors, play a role in assessing whether a country is eligible to access IMF resources. Consequently, countries with low credit ratings face difficulties in securing financial assistance from both multilateral organizations and bilateral lenders (Muhammad Lutfi & Ibrahim, 2024). The IMF possesses the authority to intervene in the domestic affairs of member states by leveraging its financial resources. Its principal power lies in its function as a global credit agency, meaning that major creditors in the advanced capitalist system, including private entities, governments, and multilateral institutions like the World Bank, will often refuse to lend to countries that do not comply with IMF guidance (Pamungkas et al., 2019).

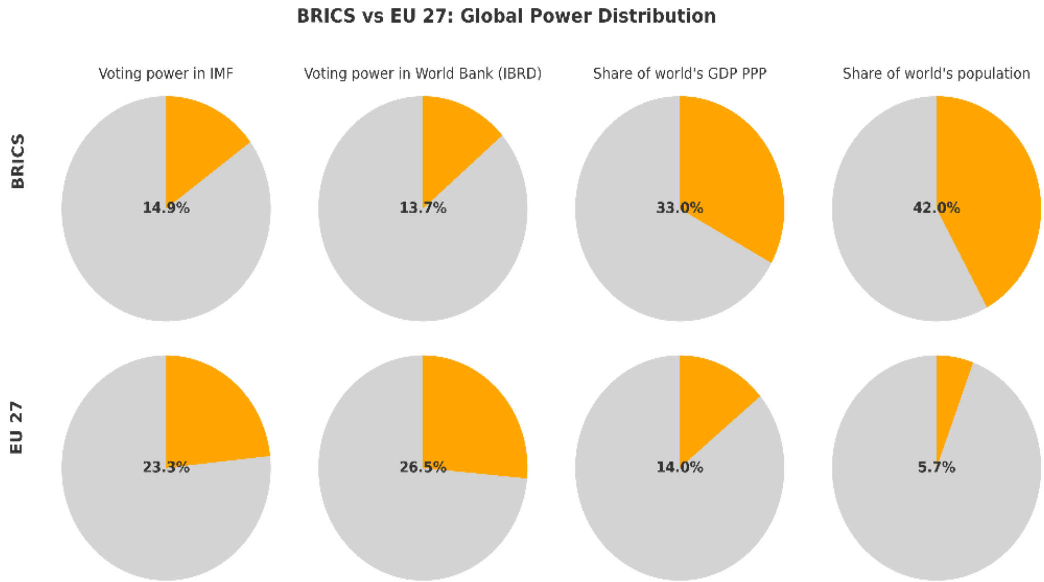
The dominance of the IMF and the World Bank, combined with the relatively weak bargaining positions and limited technical capacity of developing countries, often compels these nations to accept loan agreements under unfavorable "take it or leave it" conditions (Mugarura, 2023). This imbalance highlights the asymmetrical power dynamics embedded within the global financial architecture, in which lending countries hold significant control over the content and structure of loan agreements. Developing countries, frequently lacking the human and institutional resources to negotiate equitably, ultimately become trapped in a cycle of dependency that is difficult to escape.

Such IMF-imposed systems undermine the institution's purported role in supporting developing countries, particularly because the policy frameworks it promotes tend to reflect the priorities and conditions of advanced economies. As a result, IMF assistance programs often fail to account for the structural challenges and institutional limitations unique to developing nations, making it difficult for these countries to implement the prescribed reforms and achieve sustainable economic independence. In this context, the emergence of the New Development Bank (NDB), established by Global South countries, has become increasingly significant. The NDB offers a more equitable and responsive financing model tailored to the specific needs of developing countries such as Bangladesh, thereby expanding the range of alternatives available to nations seeking to avoid dependence on the rigid lending frameworks of traditional institutions like the IMF.

Strategic Role of NDB in Bangladesh

Bangladesh officially joined the New Development Bank (NDB) in September 2021, becoming the first borrowing country outside the founding BRICS nations to be accepted as a member. Bangladesh's accession to the NDB was strongly influenced by the strategic interests and critical roles played by key BRICS countries such as India, China, and Russia, which seek to expand the NDB's influence beyond the BRICS bloc (Chin & Kamal, 2024). Three primary reasons underpin the need for the establishment of a new financial institution: (1) BRICS and other Emerging Markets and Developing Countries (EMDCs) lack adequate representation in existing international financial institutions; (2) these institutions have proven either unwilling or too slow to adapt to the evolving dynamics of the global economy; and (3) there is a substantial demand for infrastructure financing, particularly for projects aimed at promoting economic, social, and environmental sustainability (Suchodolski & Demeulemeester, 2018).

Figure 1. Power Distribution Chart EU27 vs BRICS



Source: IMF, 2025; World Bank, 2025s

According to Thompson, the New Development Bank (NDB) demonstrates innovation in its approach to client relations by aligning with key principles of South-South Cooperation, such as respect for national sovereignty, country ownership of development projects, and demand-driven partnerships. The NDB emphasizes the importance of equitable dialogue with borrowing countries and tailors its support to align with each nation's national priorities and development strategies (Thompson, 2020). This structure allows Bangladesh greater flexibility in addressing its development needs, as the NDB operates under an egalitarian governance model among its five founding members. This setup ensures that no single country dominates decision-making, thus minimizing the imposition of specific national interests on policy outcomes.

By joining the NDB, Bangladesh not only secures strategic development financing but also strengthens its geopolitical ties with major Global South economies such as India, China, Russia, Brazil, and South Africa due to its strategic importance in South Asia. Bangladesh's position in global negotiations is enhanced through its voting power in this new financial institution, allowing it to reduce reliance on the IMF. Closer ties with emerging economic powers in the Global South grant Bangladesh greater bargaining power in defending its economic sovereignty and shaping its national policy agenda.

NDB-funded projects in Bangladesh reflect a long-term development perspective. These include strategic infrastructure investments in clean water, renewable energy, gas, and private sector development, all of which contribute directly to economic growth and public welfare. Through the development of more modern and efficient infrastructure, these projects enhance access to basic services, reduce environmental pollution, and support a transition toward a sustainable economy. Bangladesh also enjoys greater flexibility in encouraging private sector participation in development efforts through NDB's non-sovereign loan schemes, which do not require direct government borrowing. This allows the country to manage loans more strategically and incentivize private investment in sustainable infrastructure.

In contrast, IMF loans to Bangladesh come with strict conditions, such as the removal of subsidies and increases in taxes, which place a heavy burden on the middle and lower-income populations amidst rising inflation. IMF involvement also constrains national economic sovereignty, as fiscal and monetary policies are largely influenced by external directives with limited consideration for local contexts. This increases the risk of debt dependency and the repetition of crisis patterns observed in countries like Sri Lanka and Pakistan (Ashraf, 2025). Hoque argues that while the IMF may offer short-term relief, the accompanying austerity measures hinder long-term development and economic self-reliance (Hoque, 2024). Moreover, Bangladesh's infrastructure needs remain unaddressed by the IMF's short-term stabilization approach.

Bonna contends that the Structural Adjustment Policies (SAPs) imposed by the IMF and World Bank constitute a form of modern colonialism by pressuring low-income countries like Bangladesh to cut social spending, eliminate subsidies, devalue their currency, and pursue privatization. These measures have led to chronic dependence on external financial institutions and recurring crises (Bonna, 2021). Furthermore, such policies have deepened poverty, weakened domestic economic development, and opened the door to exploitation by multinational corporations through low wages and poor working conditions.

The foreign reserve crisis that Bangladesh faced in the post-pandemic period has prompted the country to reassess its reliance on external financing. The government struggled to effectively manage the dollar crisis, even using depleting reserves to address supply shortages. The sharp increase in external debt and associated service costs has raised concerns about falling into a debt trap (Amit & Kafy, 2024).

However, in recent years, Bangladesh's dependence on foreign aid including that from institutions like the IMF has shown a declining trend. This is reflected in the growing contribution of domestic sectors such as ready-made garments, pharmaceuticals, and agriculture, which have driven significant national economic growth. Additionally, the government has taken steps to strengthen institutional capacity, particularly in fiscal systems and budget management (Hossain et al., 2022). Thus, while foreign assistance still plays a role in achieving the Sustainable Development Goals, Bangladesh's economic policy direction is increasingly focused on strengthening domestic resources and reducing dependence on conditional international financial institutions.

Why Bangladesh Chose NDB over IMF?

BRICS and the New Development Bank (NDB) do not aim to replace the Western-dominated global financial system, but rather to create balance within the global financial architecture. Except for China, BRICS countries do not seek to overthrow Western dominance, but instead strive to enhance their role and voice in global governance and to be recognized as equal partners alongside the G7 countries (Qobo & Soko, 2015). While BRICS challenges Western dominance, there is no strong evidence that the group seeks to replace institutions such as the IMF. Rather, the establishment of the NDB marks a step toward institutionalizing BRICS as a bloc that envisions strengthening the global financial system with an alternative perspective suited to developing countries.

According to PricewaterhouseCoopers' 2017 projections, emerging markets will remain the main drivers of global economic growth, with estimates indicating that by 2050, the E7 economies will increase their share of global GDP from around 35% to nearly 50%. China is expected to become the world's largest economy with approximately 20% of global GDP, followed by India in second place and Indonesia in fourth based on GDP measured in Purchasing Power Parity (PwC, 2017). As fast-growing economies, BRICS countries emphasize international cooperation to strengthen economic foundations and expand market networks. Regional collaboration enables more efficient resource allocation and industrial development aligned with the priorities of developing nations.

As Abdenur and Folly assert, "BRICS countries utilize their role in development assistance not only to challenge the OECD's normative platform but also to expand their own roles as rule-makers (rather than mere rule-takers) in international development" (Abdenur & Folly, 2017). The NDB is not merely an alternative source of finance but also a strategic tool to contest the dominance of development norms set by the Global North. This collaboration reflects a shift in development policy that no longer passively follows external agendas but actively shapes development frameworks based on local priorities and contexts. This is closely aligned with the principles of minilateralism and South-South solidarity, which empower countries like Bangladesh to be active agents in global development, rather than mere recipients of international policy.

One of NDB's key strengths lies in its adherence to recipient countries' administrative systems in financial activities and policy-making processes. This means that NDB does not impose external standards or requirements but follows the procurement, labor, and legal regulations of each recipient country (Hooijmaaijers, 2021). Such an approach grants recipient countries greater autonomy in managing funds and projects in line with their domestic regulations, without excessive external interference. This model aligns more closely with the principles of economic sovereignty in developing nations, allowing them to pursue development according to national priorities without being subjected to geopolitical pressure or structural reforms that may not align with local interests.

For the NDB, this approach entails working alongside national institutions and using local laws, regulations, and oversight procedures. The goal is to protect project resources, vulnerable groups, and the environment, while simultaneously strengthening domestic capacity and frameworks to support the country's long-term development (Thompson, 2020). This is consistent with the discourse and principles of South-South Cooperation, which emphasize national ownership and self-reliance. The use of domestic systems is viewed as the most effective means of building internal capacity and achieving sustainable development outcomes.

By contrast, major IMF shareholders often use their influence to serve their own economic and political interests, while IMF policies are typically shaped by its staff based on material interests and prevailing economic ideologies (Lang, 2021). These shareholders aim to reduce credit risk and ensure debt repayments while expanding trade and investment opportunities. Regulations regarding labor, taxation, and public sector privatization often enable them to lower production costs. In this context, shareholder states play a lobbying role in persuading borrowing countries that such reforms will benefit their economies.

Moreover, Ferry argues that borrowing countries with close ties to major IMF shareholders with those with strategic positions in international organizations or links to creditor nations' financial sectors tend to receive IMF programs more quickly. This allows them to access funds in line with their interests and accelerate economic recovery (Ferry & Zeitz, 2024). Without strong diplomatic or economic relations with advanced economies, developing countries possess weaker bargaining power. Therefore, strengthening economic self-reliance and reducing dependency on developed nations is crucial. Global South countries lacking close ties with major powers need to pursue economic diplomacy, diversify funding sources, and strengthen regional cooperation to enhance their policy independence.

As an institution that emphasizes equality among its members, the NDB ensures uniform interest rates and loan conditions for all member countries. Loan terms are determined primarily by project viability, the borrower's financial capacity, and the recipient country's debt situation, with a maximum repayment period of 19 years. Grace periods are flexibly tailored to project implementation timelines and borrower needs. The NDB also offers a variety of repayment schemes, including annuity methods, fixed payments, and schedules based on project cash flow or disbursement plans for financial intermediaries (New Development Bank, 2019).

This form of South–South cooperation provides developing countries with broader access to China's economic strength, positioning it as an alternative driver of partnerships beyond traditional Western-led institutions. Through this dynamic, participating states are able to leverage Chinese investment, trade, and financial support to enhance diplomatic flexibility and economic resilience. Rather than replacing formal multilateral institutions, many developing countries strategically utilize these partnerships to diversify external relations, reduce dependency on a single power block, and secure greater stability within the international system while continuing to engage with established global governance frameworks.

Since its inception, the NDB has formed over 35 strategic partnerships with various international and national financial institutions, including the World Bank, ADB, and the Eurasian Development Bank, to support infrastructure and renewable energy projects. While the NDB has expanded its partnerships with multilateral development banks, there remains room for greater engagement with civil society organizations (CSOs), which play a vital role in global development. This development signals a shift in the financial development model from one dominated by Western institutions to a more complex system in the 21st century, where geopolitics and emerging powers like China play increasingly influential roles in addressing global development finance challenges (Nanwani, 2024). As such, smaller financial institutions can act more nimbly in responding to collaborations or problems affecting countries that are often overlooked by major international actors.

According to Hofman, one of the NDB's main advantages lies in its rapid loan approval process, targeting completion within six months without compromising quality standards. This efficiency was initially possible because the NDB served only five middle-income developing countries (Hofman & Srinivas, 2024). In contrast, the IMF, which handles loans for a diverse range of countries, has a longer and more complex approval process. Requests for IMF assistance often involve protracted negotiations, partly due to divergent policy visions between the IMF and the borrowing country (Pamungkas et al., 2019).

BRICS is not a hegemonic entity seeking to dominate the global system, but a cooperative platform for developing countries to enhance their position in global financial governance. A key reason behind the creation of the NDB was to address the infrastructure deficit in developing countries that receive insufficient support from traditional financial institutions. Although China holds significant influence within BRICS, other member countries emphasize equal participation and collaboration, with no single country dictating policy direction. Through this approach, BRICS serves as an alternative force that can drive reform in the global financial system without dismantling the existing structure.

Bangladesh Joined the New Development Bank (NDB) due to historical challenges with IMF policies, policy ownership and sovereignty, and the non-interventionist approach of the NDB. The IMF has reinforced a rentier economy, leading to dependency on foreign trade and aid money (Rahman, 2018). NBD's non-interventionist approach promotes green initiatives and addresses urgent priorities like climate change. Key founding members like India, China, and Russia have supported Bangladesh's entry, providing new opportunities for collaboration and development projects (Borges, 2024). The NDB's equal-weight voting system promotes a more equitable and democratic decision-making process, appealing to Bangladesh as it seeks fairer representation in international financial institutions (Luo & Yang, 2021).

Environmental sustainability is a critical factor in Bangladesh's long-term development planning, as poor environmental quality has proven to negatively impact sectors such as tourism. Good governance and financial inclusion play a vital role in supporting tourism growth, which in turn contributes to long-term economic development in Bangladesh. Although financial institutions provide funding to governments and large corporations, their practices, funding volumes, and non-financial actions do not directly promote financial inclusion for poor communities (Y. Islam et al., 2023). The effectiveness of development cooperation depends not only on the amount of funding provided but also on how well financial institutions support domestic systems and institutional capacity in recipient countries. This contrasts with the NDB's approach, which respects national systems, unlike the IMF's often standardized and uniform approach.

CONCLUSION

This research has examined the institutional choices of Bangladesh in addressing its economic crisis by comparing the roles of the International Monetary Fund (IMF) and the New Development Bank (NDB). Through the analytical lenses of the Global South and minilateralism, the study has explored how strategic realignment away from Western-dominated financial institutions reflects broader shifts in development diplomacy and economic sovereignty. The comparative analysis revealed that while the IMF continues to enforce rigid policy prescriptions that often undermine domestic policy space, the NDB offers more flexible, demand-driven financing that aligns with the development priorities and autonomy of countries like Bangladesh.

The study contributes to the growing body of literature on South–South Cooperation and post-Western institutional alternatives by highlighting the practical implications of minilateral governance and the Global South paradigm in development finance. It also enriches the theoretical discourse by demonstrating how these frameworks interact to explain real-world institutional behavior. By analyzing the specific case of Bangladesh's pivot to the NDB, the research confirms that strategic institutional choices are not solely economic decisions but are deeply political, rooted in the quest for dignity, equality, and self-determination in international system.

One strength of this research lies in its integrated use of theory and empirical analysis to examine a relatively underexplored institutional comparison. However, its reliance on document-based data limits access to real-time policymaker perspectives, which could be addressed in future studies through elite interviews or field research. Additionally, the rapidly changing geopolitical landscape may influence the relevance of these findings over time.

Future research could expand on this study by exploring similar institutional shifts in other Global South countries, or by assessing the long-term impacts of NDB-funded projects on national development outcomes. Moreover, further investigation into the internal dynamics of NDB governance and its capacity to maintain equitable structures as membership expands would be valuable. Ultimately, this study suggests that the Global South's pursuit of financial alternatives is not only feasible but necessary to rebalance global economic governance toward a more inclusive and representative order.

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