



## PROMOTING SUSTAINABLE INFRASTRUCTURE AND COMPREHENSIVE HUMAN DEVELOPMENT



# IsDB Strategic Realignment 2023-2025 INFORMATION REPORT

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## INFORMATION REPORT

THIS DOCUMENT PRESENTS  
THE IsDB'S STRATEGIC  
REALIGNMENT CENTRED ON  
THE STRATEGIC PRIORITIES  
AND FOCUS AREAS OF THE  
BANK TO SUPPORT ITS MCs

**JUNE 2022**

# Abbreviations

<b>10YS</b>	10 Year Strategy
<b>BED</b>	Board of Executive Directors
<b>BoG</b>	Board of Governors
<b>CSOs</b>	Civil Society Organizations
<b>ESS</b>	Environmental and Social Safeguards
<b>GPE</b>	Global Partnership for Education
<b>ICD</b>	Islamic Corporation for the Development of the Private Sector
<b>ICIEC</b>	Islamic Corporation for the Insurance of Investment and Export Credit
<b>IsDB</b>	Islamic Development Bank
<b>IsDBI</b>	Islamic Development Bank Institute
<b>ISFD</b>	Islamic Solidarity Fund for Development
<b>ITFC</b>	International Islamic Trade Finance Corporation
<b>IWP</b>	Integrated Work Program
<b>LDMCs</b>	Least Developed Member Countries
<b>MCs</b>	Member Countries
<b>MCDF</b>	Multilateral Cooperation Centre for Development Finance
<b>MCPS</b>	Member Country Partnership Strategy
<b>MSMEs</b>	Micro, Small, and Medium Enterprises
<b>MDBs</b>	Multilateral Development Banks
<b>NDC</b>	Nationally Determined Contributions
<b>OCR</b>	Ordinary Capital Resources
<b>OIC</b>	Organization of Islamic Cooperation
<b>PPP</b>	Public Private Partnership
<b>RHs</b>	Regional Hubs
<b>SDGs</b>	Sustainable Development Goals



The IsDB group is fully committed to the SDGs. It recognizes that development objectives vary from one country to another. Its work is therefore initiated and motivated by understanding the real needs of its member countries, and it adapts its interventions accordingly.



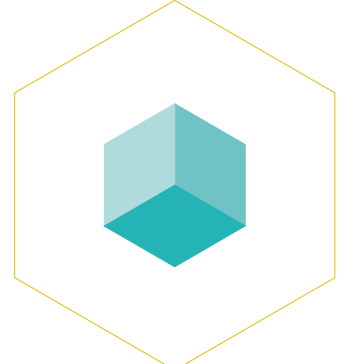
# Executive Summary

## ► A Realigned Strategy Catering to the Evolving Development Landscape in Member Countries (MCs):

We are experiencing a volatile, uncertain, and complex world with recurrent shocks redefining and reshaping the challenges and opportunities facing global development and in-turn the strategies we must deploy to address them successfully. At the Roundtable held on 3<sup>rd</sup> September 2021 on the sidelines of the 46<sup>th</sup> Annual Meeting in Tashkent, Uzbekistan, the Honorable Governors of the Islamic Development Bank (IsDB) directed the Bank to review and realign its 10-Year strategy and make it 'fit-for-purpose' to respond to the critical and evolving needs of Member Countries (MCs) and Muslim communities in non-member countries. They emphasized that the COVID-19 pandemic, (later on the Russia-Ukraine crisis) has dramatically changed the global development landscape and, in some cases, rolled back the progress made in achieving the Sustainable Development Goals (SDGs). They affirmed that the most pressing development issues facing MCs include the profound effects of COVID-19, persistent vaccine inequality inordinately affecting many MCs, labor market and supply-chain disruptions, rising inflationary pressures mainly due to food and fuel price increases, and recurrent shocks to global trade, investment, and commodity prices; persistent droughts in Eastern Africa putting millions of people at risk of famine, exacerbated further by the Eastern European crisis.

Currently, MCs are experiencing an unprecedented array of development challenges and managing and mitigating them will require tight-knit cooperation between MCs complemented by IsDB's resources, skills and acumen. The Governors also concluded that IsDB's MCs now faced more daunting challenges in socio-economic recovery resulting from the pandemic and the consequences of the Russia-Ukraine conflict with spill-over effects comprising sharp decline in MCs' Gross Domestic Products (GDP), harsh trade and investment conditions, and most crucially, a rise in fragility. In response, near-term priorities to enable and facilitate recovery and medium-term growth in MCs include, addressing the increased poverty and income inequality, closing gaps in the availability of quality infrastructure, human capital development, ensuring food security, and inclusive access to digital services. Improving key economic and social sectors also requires accelerating action on climate change (mitigation and adaptation), advancing gender equality and expanding productive and inclusive employment opportunities.

The efforts being made to achieve resilience in global socio-economic recovery are facing significant headwinds. The prolonged impacts of these twin-crises are adversely affecting the economic and financial fundamentals of the global economy, in particular the stability of financial and commodity markets (including food and energy) and supply chains. Even before the ongoing crisis in Eastern Europe, the International Monetary Fund (IMF) projected that global growth is projected to slow down to 4.9 percent in 2022 from





## EXECUTIVE SUMMARY

5.9 percent in 2021. Economic slowdowns in Europe and China along with heightened inflationary pressures have further exacerbated the economic growth prospects, with the IMF projecting (April 2022) global growth to slow down to 3.6 percent by Q4 of 2023.

### ► An Inclusive and ‘Home-Grown’ Strategic Realignment Process:

IsDB has responded with a crucial repositioning of its short to medium-term strategy to support its MCs. Against this challenging global context, the Bank had undertaken its Strategic Realignment 2023-2025, comprising a comprehensive assessment of the compatibility of its current 10-Year Strategy (10YS) adopted in 2014 with the evolving development priorities and contexts of its MCs and realigning it to be fit-for-purpose. The Bank drew upon lessons learned from various workstreams: an assessment of the 10YS; an analysis of the Bank’s policies, programs, and operations; an analysis of the strategic shifts undertaken by comparator Multilateral Development Banks (MDBs); and a review of the Global Development Agenda (the Organization of Islamic Cooperation (OIC) 2025 Action Plan, the 2030 Agenda for Sustainable Development, and the evolving Climate Change Agenda).

The Strategy is homegrown, prepared and owned through the tireless efforts and crucial inputs provided by IsDB and the MCs; a steering committee, a strategy core team, and six working groups were formed to oversee the Strategic Realignment exercise. In addition, extensive consultations with the Bank’s staff and MCs were conducted.

### ► A Sound and Integrated Structure – Strategic Objectives, Pillars, Cross-cutting Areas, Key Enablers, and Principles:

**Three Strategic Objectives– will be pursued for the successful achievement of the strategy.** The Strategic Realignment has three overarching objectives to support MCs (and Muslim communities in non-member countries) to achieve the SDGs and the 2025 Action Plan of the OIC through: (i) **boosting recovery**, focused on strengthening health systems sustainably and ensuring food security; (ii) **tackling poverty and building resilience**, focused on promoting inclusive human capital development, especially of women and youth, and investing in the core social services of health, education, social protection and nutrition; and (iii) **driving green economic growth**, the core of the long-term developmental agenda of the Bank, focused on investing in building green, resilient, inclusive and sustainable infrastructure.

**Two Strategic Pillars—the areas where we intend to focus and excel.** These objectives are to be achieved through an emphasis on two strategic pillars, based on the Bank’s comparative advantage: (i) Develop **green, resilient, and sustainable infrastructure** by building on the Bank’s longstanding and successful track record in infrastructure development, and (ii) Support **inclusive human capital development** through projects and capacity development initiatives in health services, quality education, nutrition, and food security, social protection, building resilience to fragility, and support to Micro, Small and Medium Enterprises (MSMEs) for job creation.



**Four Cross-cutting Areas—essential catalysts for amplifying development effectiveness.**

In addition, the Bank will mainstream four cross-cutting areas into all its operations: (i) supporting development of **Islamic finance**, (ii) increasing project financing for **climate change** mitigation and adaptation, (iii) supporting the development needs of **women and youth**, and (iv) scaling up **capacity development**.

**Four Key Enablers—strengthening our capabilities and affirming our values.**

The successful and effective implementation of the strategy will require cutting-edge human resources practices that develop staff skills and competencies, implement robust career development systems, and position human resources management as the key strategic partner to achieve business results. Equally important will be nurturing a revitalized institutional culture inspired by Islamic values based on the qualities of fairness and trust, transparency and inclusiveness, teamwork, and, above all, humility.

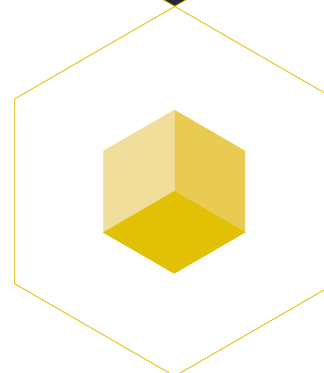
**Four IsDB-wide Operational Principles—how we will maximize our effectiveness and accountability.**

Four principles will guide the Bank in translating the strategic objectives, pillars, and cross-cutting themes into specific operational services. First, the Bank will continue to respect the fundamental principle of **responsiveness to MCs' needs** and priorities. Second, **staff empowerment** in Regional Hubs (RHs) will be a priority, supplemented by an appropriate level of delegation of authority and transfer of operational tasks. Third, the Bank will adopt a **comprehensive development effectiveness** and results-based management framework and cascade the realigned strategic, operational priorities down to business units with clear targets. Finally, it will seek to leverage on the capabilities of **IsDB Group synergy** for maximum impact in MCs.

**► Way-forward:**

**Putting the Strategic Realignment into practice in MCs and throughout IsDB.** After adopting the Strategic Realignment, the next phase will encompass the development of the three-year Integrated Work Program (IWP) (2023-2025). The effective implementation of the Strategic Realignment across the Bank will be monitored and recalibrated by continuous assessment of results at all levels of the new results-based management framework. The Bank will also undertake the requisite organizational changes and business process improvements, ensure efficiency in financial resource allocation and promote staff development.

**There is much work to be done, and we will do it.** Many tasks must be undertaken and, in the process, we will learn, evolve and adapt. The responsibilities are demanding, but the Bank is eager to begin setting in motion in the second half of 2022 the institutional requirements for the successful operationalization of the Strategic Realignment 2023-2025. The global, regional, and country-level contexts influencing the development of the MCs are changing in significant ways. The Strategic Realignment will enable the Bank to keep pace and respond meaningfully and successfully to the MCs' evolving needs and priorities.







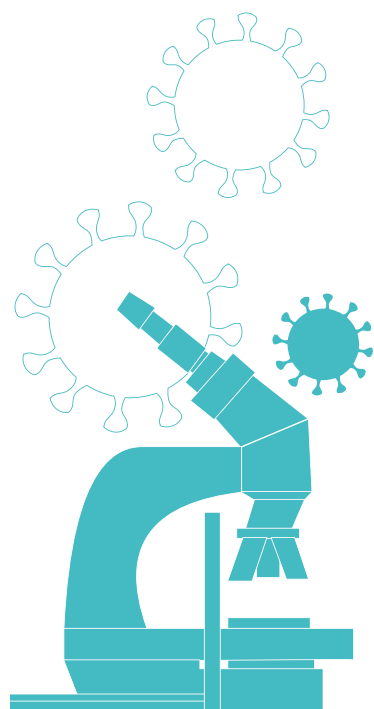
# Rationale and Process of Strategic Realignment

The global, regional, and national contexts for progressing development in MCs and across the Muslim World is changing dramatically and unfavorably—and IsDB’s corporate-wide strategy needs to adapt to remain highly relevant and purposeful. As the world navigates COVID-19 recovery by overcoming its adverse impacts, conflict in Eastern Europe continues to stifle the hope for a comprehensive global economic recovery. As a result of the still unfolding Russia-Ukraine crisis, the world has witnessed a considerable increase in prices of energy and critical food items. Even prior to the crisis, inflation and interest rates were increasing, and now, to add to that, sanctions imposed by Europe and USA on Russia are translating into increased volatility within the global financial markets. These issues are aggravating the global economic outlook and slowing the socio-economic progress of IsDB’s MCs. This will result in increasing debt burden, rising interest rates, capital flights, currency depreciations and negative impacts on trade, tourism, investment, and foreign remittances for IsDB’s MCs.

The prospect for resilient medium-term growth in many MCs is being compromised. The global growth rate of 5.9 percent achieved in 2021, is expected to slow down to 3.6 percent by Q4 of 2023 with downside risks emanating from COVID-19 variants that are further crystallized by the Russia-Ukraine crisis and heightened inflationary pressures.

The twin crisis has rolled back the progress made in achieving the Sustainable Development Goals (SDGs), reflected in increased unemployment and the deterioration in macroeconomic fundamentals. The impact on IsDB’s MCs was uneven across and within countries, in particular, the difference between commodities exporters and importers was pronounced. GDP growth in MCs declined sharply in 2020 compared to 2019, while the real GDP growth rate in MCs is estimated to be 4.6 percent in 2022. Notwithstanding fiscally costly measures rolled out to mitigate the socio-economic impacts of the twin crisis, the progress of MCs remains at risk during the medium-term.

Although many MCs had begun recovering, such recovery is projected to be slower in the medium-term. It will also take a longer period for lower-income MCs, especially less diversified and fragile economies, to recover from the impacts of the COVID-19 pandemic. The ongoing crisis in Eastern Europe has a varied impact on IsDB MCs because of the asymmetric distribution of spillovers between fuel-exporters and importers. Meanwhile, average inflation in the IsDB MCs is projected to rise in 2022 and remain above the world average of 8 percent, reflecting mainly the surge in food and fuel prices as well as sharp increase in interest rates and currency depreciations in some MCs.



IT WILL ALSO TAKE A LONGER PERIOD FOR LOWER-INCOME MCs, ESPECIALLY LESS DIVERSIFIED AND FRAGILE ECONOMIES, TO RECOVER FROM THE IMPACTS OF THE COVID-19 PANDEMIC



Different groups of MCs face these challenges at varying intensities. For many commodity-dependent MCs, medium- and long-term supply and demand for fuels, metals, minerals, and agricultural commodities, will dramatically affect their growth prospects. With fiscal tightening and increases in interest rates necessary to deal with persistently high inflation, lower growth rates will reduce the already limited margins within which MCs can maneuver. The Russian-Ukrainian crisis is expected to further delay recovery; and not all MCs would be able to go back to pre-pandemic growth trajectories in the near-term. Finally, several MCs face extreme climate risks, and many are grappling with water stress and drought. Severe climate and fragility-related events can put recovery and growth prospects at significant risk for these MCs.

IsDB MCs face other challenges and development priorities, such as tightened trade and investment conditions, closing gaps in the availability of quality infrastructure and digital services, accelerating action on climate change (mitigation and adaptation); advancing gender equality; and expanding productive and inclusive employment opportunities, particularly for youth. The scope and scale of measures taken over the next few years will be pivotal in shaping MCs' medium to long-term development trajectory.

**The need for change in IsDB's strategy.** The IsDB's Governors at the Roundtable held on 3rd September 2021 at the 46<sup>th</sup> Annual Meeting in Tashkent, Uzbekistan directed the Bank to review and realign its strategy to respond to its MCs' critical and evolving needs. The IsDB aims to be at the center of serving its MCs over this challenging period and making a solid contribution towards tangible progress on achieving the SDGs by 2030.





## RATIONALE AND PROCESS OF STRATEGIC REALIGNMENT

**The IsDB heeded the call, and this Strategic Realignment is its carefully crafted, deliberate response.** Against this backdrop and the evolving demands of various stakeholders, the Bank embarked on formulating the Strategic Realignment 2023-2025. Achieving the MCs' objectives in a more challenging development context requires a timely assessment and realignment of the IsDB's strategic priorities and operational directions to respond and assist MCs effectively. The Bank's strategic framework must be congruent with the known and projected development conditions, challenges, and opportunities available to the MCs, and the institutional capacities of IsDB, while leveraging the uniqueness of Islamic finance for inclusive socio-economic development.

The IsDB's 10 Year Strategy (10YS) implementation review demonstrated that the 10YS adopted in 2014 was too broad and lacked clear focus, resulting in implementation challenges. It was unable to incorporate subsequent key elements of the Global Agenda, including the 2025 Action Plan of the Organization of Islamic Cooperation (OIC), the SDGs, and the evolving Climate Change Agenda. Corporate-wide initiatives were launched mainly based on leveraging private sector finance to transform MC economies but those promises did not materialize.

**A new Strategic Realignment has emerged centered on strategic priorities and focus areas agreed between the MCs and the Bank.** It considers the particular needs of MCs, matched with the capacity of the Bank to deliver quality operations and other institutional resources. The Strategic Realignment is well-informed, as it is based on guidance received from Governors, Executive Directors and engagement with the staff and management of the IsDB Group, diverse stakeholders in MCs, examination of emerging strategic directions of other MDBs, and the broader development community.

The Strategic Realignment benefited from six dedicated internal working groups and various studies, including (i) the global context and macroeconomic prospects and challenges facing MCs, especially in light of COVID-19; (ii) the relevance of the 10YS to the current developmental context; (iii) the growing infrastructure investment needs in the MCs; (iv) approaches for IsDB to mainstream Green, Resilient, Inclusive, and Sustainable (GRIS) Growth in MCs; and (v) lessons learned from the comparative analysis of selected MDBs.

Following adoption of the Strategic Realignment, the next phase will focus strongly on the development of the IsDB-wide 3-Year Integrated Work Program (IWP) for the 2023-2025 period. The effective implementation of the Strategic Realignment across IsDB will be predicated on a newly designed comprehensive results based management framework, appropriate organizational changes, business process improvements, efficiency gains in financial resource allocation, and staff development.

Under the realigned strategy, the IsDB Management and shareholders jointly concurred on the scope and nature of the organization's medium-term corporate-wide strategy to support the transition of MCs to sustainable growth and a human development centered post-pandemic recovery.



# The Unique Role and Additionality of IsDB

The IsDB is a highly valued internationally recognized member of the family of MDBs that channels finance, expertise, knowledge and builds partnerships to advance the socio-economic and sustainable development of MCs.

As an MDB, the IsDB executes several crucial strategic roles; (i) a convener that provides impartial information, advisory, logistics and coordination services to its MCs individually and/or in a particular grouping; (ii) a capacity developer, enabling national and regional institutions and organizations to plan and implement higher-quality development operations; (iii) a knowledge broker, undertaking specialized sector and thematic studies and economic policy research from both at a national and economic cooperation perspective; (iv) a technical advisor, helping plan, design, and implement project and program-based interventions; and (v) a financier, mobilizing resources to support the other four strategic roles and to finance innovative projects and programs in sector and thematic priority areas of MCs.

These roles are mutually reinforcing, enabling IsDB to expedite, support, and promote development holistically and strategically in MCs. With its country and regional presence and deep technical expertise, the Bank helps align global and regional issues and programs with country-level priorities and fosters inclusive dialogue and collective action among national stakeholders and regional MCs. IsDB also participates closely with other MDBs on vital global initiatives, including the SDGs and Climate Change.



IsDB IS A GLOBAL LEADER IN THE INNOVATIVE DESIGN AND APPLICATION OF ISLAMIC FINANCE, PROVIDING LONG-TERM SUSTAINABLE AND DEVELOPMENT FINANCING STRUCTURES AND INSTRUMENTS IN ACCORDANCE WITH THE PRINCIPLES OF SHARI'AH (ISLAMIC LAW)







#### THE UNIQUE ROLE AND ADDITIONALITY OF IsDB

IsDB is also a unique and global MDB as its membership is drawn entirely from the 'Global South' across several continents, resulting in a strong orientation and support for South-South cooperation to identify meaningful development solutions and address particular development needs and priorities of the Ummah. IsDB is a global leader in the innovative design and application of Islamic finance, providing long-term sustainable and development financing structures and instruments in accordance with the principles of Shari'ah (Islamic law).

In this context, the Strategic Realignment 2023-2025 has been carefully planned and designed to allow the IsDB to deliver on development-finance responsibilities by complementing the efforts of MCs. Development partners of IsDB across the world can support towards MCs progress in achieving SDGs and also fulfilling its unique mandate in support of the global Muslim Community. The Strategic Realignment of IsDB also supports the implementation of the 2025 Action Plan of the OIC. The realignment has been framed to make strategic shifts, at this critical juncture to: (i) overcome and progress beyond the specific adverse socio-economic impacts of COVID-19 and the Eastern European conflict in individual MCs; and at the same time (ii) support MCs in their ambition to achieve sustainable and green recovery and thereby demonstrate commitment to the implementation of their Nationally Determined Contributions (NDCs). These will accelerate actions toward achieving the global development objectives of SDGs and climate change (mitigation and adaptation) under COP 21 and COP 26.





# Lessons Learned from Crisis that Require Renewed Strategic Purpose and Approach

The COVID-19 pandemic resulted in severe disruption to lives, economic activity, and output in MCs, as well as shocks to the performance of the global economy, but at the same time many innovations and applications of technology arose that facilitated more inclusive provision of public and private goods and services. A number of crucial lessons have emerged, these include: (i) the importance of emergency response systems, public services, and infrastructure; (ii) the ability of innovation of digital technologies to diffuse quickly and help overcome adverse impacts from shocks and have the potential to become mainstream components for a successful recovery; (iii) conditions across MCs continue to evolve quickly with unanticipated outcomes; (iv) recovery from socio-economic distress is uneven across sectors, thematic areas, geographies, and stakeholders; and (v) the way forward for the MCs and IsDB is not simply a return to pre-pandemic trends, systems, and practices. It is clear that the impacts of the pandemic have brought into sharp focus the socio-economic vulnerabilities in MCs, which is a call for a combined public, civil society, and private sector effort to address a broader set of economic, environmental and social issues.

The Strategic Realignment (2023-2025) is a meaningful response to these important lessons. It focuses on investing in, among other things: (i) expanding the coverage of increasing the reliability and quality of basic sustainable and resilient infrastructure for water, sanitation, energy, transport, urban and ICT services, and ensuring that services are more resilient, inclusive, better prepared and adapted for adverse climate events; (ii) higher productivity and growth from improvements in health, education, nutrition, and the availability of remunerative employment backed by a resilient MSMEs sector; (iii) the availability of vaccines and therapeutic goods in addition to building resilient and inclusive healthcare systems that are able to respond to future global or regional pandemics; (iv) digitalization of health, education, financial, public and employment services with a focus on more inclusive outcomes; (v) scaling up capacity development programs to build human capital; (vi) addressing the multiple dimensions of poverty and harnessing the capabilities of women and youth; and (vii) further development of the Islamic finance sector, broadening the array of Islamic financial products to encourage uptake in the private sector and to deepen local and regional capital markets.

## STRATEGIC REALIGNMENT IN THE CONTEXT OF IsDB VISION AND MISSION:

IsDB Group's Vision and Mission were endorsed by eminent personalities in 2005 from the MCs and still to this day remains relevant; thus, they are maintained for the purposes of the Strategic Realignment.

### VISION

"To become a world-class development bank, inspired by Islamic principles, that helps to significantly transform the landscape of comprehensive human development in the Muslim world and to protect its dignity."

### MISSION

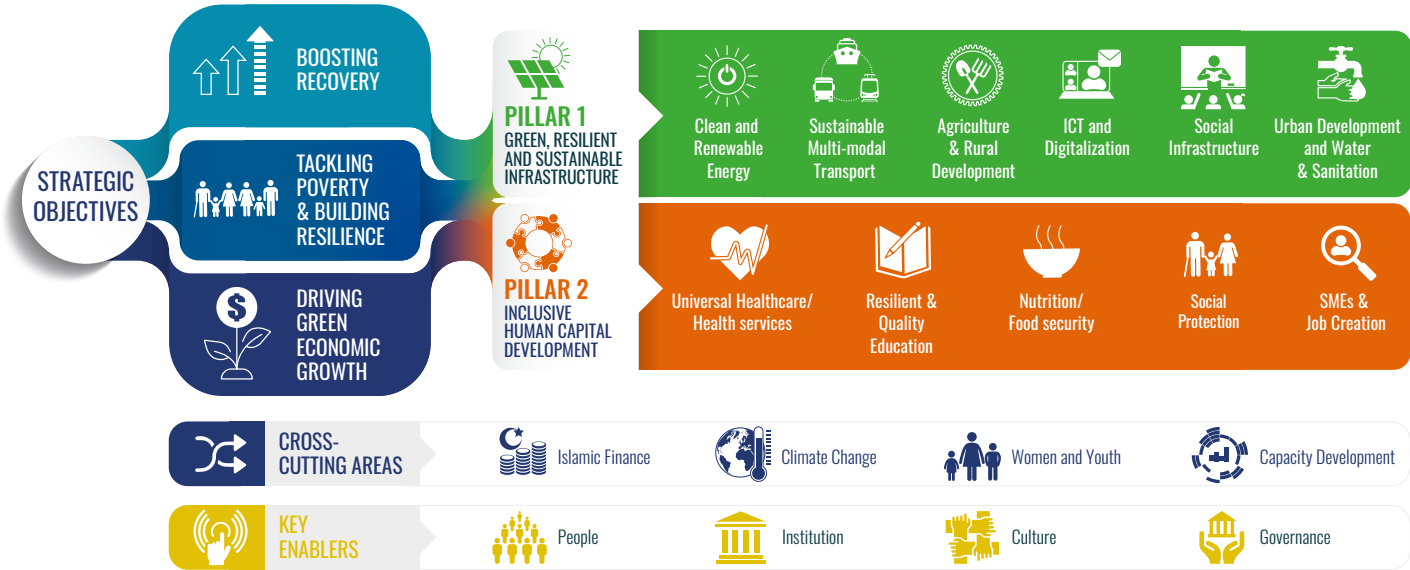
"To promote comprehensive human development, with a focus on the priority areas of alleviating poverty, improving health, promoting education, improving governance, and bringing prosperity to the people."



# Objectives, Pillars, Cross-Cutting Areas, and Enablers

Given the changing development landscape and drawing on the guidance received from shareholders as well as senior management, three strategic objectives have been set for the realigned strategy for the period 2023-2025: (i) **Boosting Recovery**; (ii) **Tackling Poverty and Building Resilience**; and (iii) **Driving Green Economic Growth**. These objectives will be achieved by focusing on two key pillars in line with the Bank's comparative advantage, namely: (i) **Green, Resilient, and Sustainable Infrastructure** and (ii) **Inclusive Human Capital Development**, along with four cross-cutting areas that contribute to greater development effectiveness from operations across a wide range of sector/thematic areas. The Bank's support to MCs and Muslim communities in non-MCs in pursuit of these three strategic objectives and two pillars will be delivered using an institutional foundation of higher quality operational services and practices and adherence to core organizational principles. The Strategic Realignment's three strategic objectives, two pillars, four cross-cutting areas, and key enablers are presented in **Figure 1** and elaborated in the following sections.

FIGURE 1: STRATEGIC OBJECTIVES, PILLARS, CROSS-CUTTING AREAS AND ENABLERS



## STRATEGIC OBJECTIVES

The three strategic objectives of the realigned strategy are interconnected to the development priorities of MCs. The immediate objective is to boost recovery from the economic losses inflicted by the COVID-19 pandemic and Eastern European crisis. It sets the foundation for tackling poverty, building greater prosperity, and pursuing sustainable, inclusive, and green economic growth.

### STRATEGIC OBJECTIVE 1:

**Boosting Recovery** will focus on strengthening health systems. An immediate priority is overcoming the vaccine divide among and within MCs by helping ramp up timely vaccine delivery. In addition to continuing its support for COVID-19 response, the Bank will contribute to MCs' rapid recovery efforts and attempt to mitigate adverse impacts in MCs from the global food crisis. This will require of the Bank to substantially scale up its support from the modest levels of financing provided in recent years.

### STRATEGIC OBJECTIVE 2:

**Tackling Poverty and Building Resilience** will focus on promoting inclusive Human Capital Development, especially of youth and women, and investing in the core social services of health, education, nutrition, food security, and social protection. The Bank will pay special attention to tackling persistent multi-dimensional poverty, inequality and drivers of fragility. The Bank will also explore measures to promote job creation, job sustainability, and support for vulnerable populations, including the Women and Youth. The Bank will also support enterprises, especially MSMEs, through leveraging technologies for upgrading access to comprehensive financial and non-financial services. The Islamic Solidarity Fund for Development (ISFD) will undertake a catalytic role in addressing the main drivers of poverty in MCs.

### STRATEGIC OBJECTIVE 3:

**Driving Green Economic Growth** is at the core of the long-term developmental agenda of the Bank. Accordingly, the Bank will invest in building inclusive, sustainable, green, and resilient infrastructure (e.g., water, sanitation, electricity, transport, and urban and rural development). It will also support bridging the existing and emerging digital divide in MCs across different sectors (e.g., telemedicine, e-education, e-commerce, and other digital solutions for public service delivery including e-government) to enhance the lives and livelihoods of people.

In pursuing these three objectives, the Bank will provide direct support to MCs towards achieving SDGs 1-9 (No Poverty, Zero Hunger, Good Health, Quality Education, Gender Equality, Clean Water & Sanitation, Clean Energy, Decent Work and Industry, Innovation and Infrastructure). The Bank will also contribute towards progress on building Sustainable Cities, Climate Action Peace, Justice & Strong Institutions, and Partnerships (SDGs 11, 13, 16, and 17). In addition to the SDGs, the realigned strategy will continue to support the







## OBJECTIVES, PILLARS, CROSS-CUTTING AREAS, AND ENABLERS

implementation of the 2025 Action Plan of the OIC in relation to women's empowerment, joint humanitarian action, climate change, poverty alleviation, trade & private sector investment, agriculture and food security, employment, infrastructure, industrialization, science, technology & innovation (STI), education, health digital information structures, and institutional reforms.

### STRATEGIC PILLARS

To maximize the impact of its efforts, the Bank will draw upon its established and well-recognized comparative advantages and operational expertise and focus them on two key strategic pillars: Green, Resilient, and Sustainable Infrastructure (Pillar 1); and Inclusive Human Capital Development (Pillar 2).

#### PILLAR 1: DEVELOP GREEN, RESILIENT & SUSTAINABLE INFRASTRUCTURE

The Bank will build on its longstanding and successful track record in infrastructure development. It will focus on quality and sustainability, consistent with the G20 Quality Infrastructure Investment principles and operationalizing the Bank's Environmental and Social Safeguards (ESS) policy. The Bank will also deploy additional instruments to support infrastructure investments, including Islamic financing instruments, green finance, and climate finance in various sectors. Where appropriate, the Bank will promote private sector financing for infrastructure and Public-Private Partnerships (PPPs), including national and regional projects, plus provide non-financial resources such as knowledge, advisory, and innovation services.

The focus areas for the Bank under Pillar 1 will be: (i) clean & renewable energy, (ii) multi-modal transport, (iii) agriculture & rural development, (iv) mainstreaming of Information and Communication Technology (ICT) and digitalization, (v) development of social infrastructure, (vi) urban development, sustainable cities, and communities, and (vii) improvement of access to water supply & sanitation.

#### PILLAR 2: SUPPORT INCLUSIVE HUMAN CAPITAL DEVELOPMENT

The Bank will continue its efforts to support comprehensive and inclusive human capital development in MCs and Muslim communities in non-MCs. The Human Development Index and the Human Capital Index show that many MCs face significant challenges in this area.

The Bank will help MCs address these challenges through projects, capacity development initiatives and knowledge services in the following areas: (i) addressing priority health needs and services, (ii) investing in the quality of education and systems to strengthen its resilience to future shocks, (iii) enhancing nutrition and food security, (iv) providing social protection, (v) building resilience against fragility and enhance disaster risk management and community development, and (vi) providing support to MSMEs for developing entrepreneurial skills and expanding job creation.

THE BANK WILL FOCUS ON  
QUALITY AND SUSTAINABILITY,  
CONSISTENT WITH THE G20  
QUALITY INFRASTRUCTURE  
INVESTMENT PRINCIPLES AND  
OPERATIONALIZING THE BANK'S  
ENVIRONMENTAL AND SOCIAL  
SAFEGUARDS (ESS) POLICY





OBJECTIVES, PILLARS, CROSS-CUTTING AREAS, AND ENABLERS

**CROSS-CUTTING AREAS**

The Bank will mainstream the following cross-cutting areas in its operations under the two main strategic pillars. The Bank will support the development of the Islamic finance ecosystem, infrastructure, institutions, and innovative instruments. **Islamic Finance** is an area where IsDB has a unique mandate and a distinct comparative advantage in relation to its peers.

The Bank will allocate 35% of its project financing towards **Climate Change** (mitigation and adaptation), aligned with SDG 13 by 2025. The Bank will align its operations with the objectives of the COP 21 Paris Agreement; in doing so, the Bank will facilitate a shift towards low Green House Gas (GHG) emissions, energy transition, and climate-resilient development paths in individual MCs and support operations that enhance alignment with the MCs' Nationally Determined Contributions (NDCs) under the COP26/Glasgow Climate Pact. The Bank will support the development needs of **Women and Youth** by increasing their access to services that foster learning and employment. The Bank will scale up and mainstream **Capacity Development** interventions in all priority sectors and themes using successful modalities such as Reverse Linkage. Capacity development support will be tailored to the needs of each MC.

**KEY ENABLERS - PEOPLE, INSTITUTION, CULTURE, AND GOVERNANCE**

The successful and effective implementation of the strategy will require (i) cutting-edge human resources practices that develop staff skills and competencies, implement robust career development systems, and position human resources as the key strategic partner to achieve business results; and (ii) a sound organizational structure, efficient management processes, and an organization system that advocates and empowers staff to conduct their work in total transparency and be accountable for results.

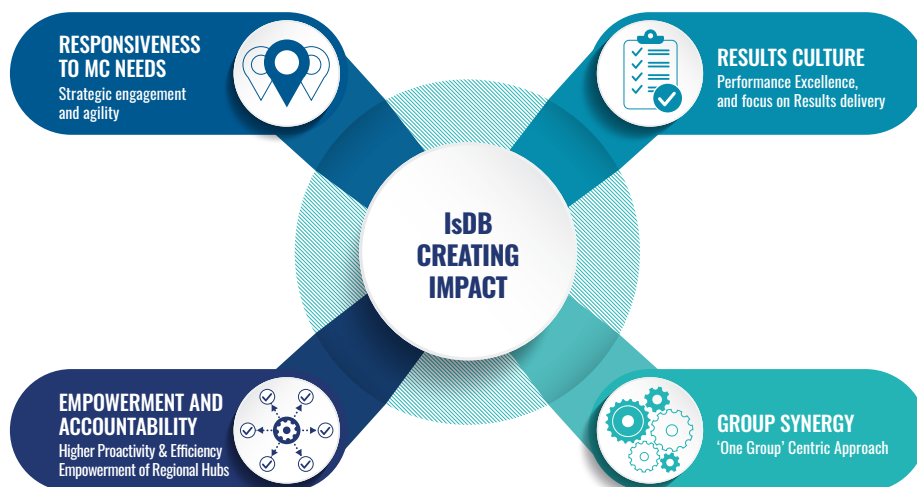
Equally important will be nurturing and revitalizing an institutional culture inspired by Islamic ethics and core values. The various components of the IsDB's institutional culture will be embedded in human resource management practices such as recruitment, performance management, career development, managerial renewal, and rewards. In addition, the IsDB's organizational culture shall promote qualities of fairness and trust, transparency and inclusiveness, teamwork, and humility.



## GUIDING PRINCIPLES

To translate the strategic objectives, pillars, and cross-cutting themes into specific operational services, four principles (see Figure 2) will guide the Bank towards maximizing impact.

FIGURE 2: GUIDING PRINCIPLES



### Be Responsive to MCs' Needs:

The fundamental principle underlying the Bank's engagement with MCs is to remain responsive to their needs and development priorities. In that context, the Bank will expand its country engagement through the IsDB Group Member Country Partnership Strategy (MCPS). The Bank will streamline processes for preparing the MCPS while ensuring adequate engagement with governments, the private sector, Civil Society Organizations (CSOs), and other stakeholders. MC and developmental partner consultations will facilitate the selection and design of the Bank's interventions. The principles of focus and selectivity will extend to the choice of projects within MCs that respond to their expressed priorities. While focusing on its predominant role of provider of knowledge and financial support to MCs, the Bank will also engage the international community globally, at the OIC and regional levels.



THE FUNDAMENTAL PRINCIPLE UNDERLYING THE BANK'S ENGAGEMENT WITH MCs IS TO REMAIN RESPONSIVE TO THEIR NEEDS AND DEVELOPMENT PRIORITIES



## OBJECTIVES, PILLARS, CROSS-CUTTING AREAS, AND ENABLERS

### ► Empowerment with Accountability:

The empowerment of IsDB staff and building professional capacity, especially for staff posted in the Regional Hubs (RHs), will be a priority considering the work program delivered by each Regional Hub. Staff empowerment will be supplemented by an appropriate delegation of authority and transfer of operational tasks to staff in the RHs. The Bank will ensure a Human Resource framework that enables it to attract and retain the critical mass of skills required to deliver on its priorities.

### ► Enhance Results Culture:

The IsDB's Strategic Realignment will facilitate a more robust learning and performance improvement culture, better communication with stakeholders regarding the achievement of expected results, and an organized tracking of development progress in MCs. It will also ensure an improved understanding of how IsDB-assisted operations support the realization of the SDGs and ensure broad ownership and accountability by those responsible for successfully implementing the operational program, delivering on project targets and outcomes. Based on the new strategic directions set out in this document, the implementation phase of Strategic Realignment (2023-2025) will adopt comprehensive development effectiveness and a results-based framework that will, among other things, cascade the realigned strategic and operational priorities down to the business units responsible for program/project planning and delivery with clear Key Performance Indicators (KPIs) and targets for 2023-2025. In addition, the IsDB will reinforce mechanisms for regular monitoring and sharing results across operational units, mid-term evaluation, and systematic reporting on outputs and outcomes of operations formulated under the IsDB's Strategic Realignment (2023-2025).

### ► Leverage on Group Synergy:

Group synergy is encapsulated by committing to a "One Bank, One Goal." The effectiveness of the Group Synergy Agenda will be measured by creating an environment that enables and motivates IsDB, ICD, ICIEC, ITFC, ISFD, and IsDBi to work together to (i) offer a more comprehensive support package to MCs through the Group MCPS; (ii) enhance the collaboration for Group business development and delivery; (iii) reinforce the brand of the Group in MCs; and (iv) increase operational and financial efficiency. The desired changes in organizational culture will be embedded in the IsDB Group's policies, processes, and systems. This will entail joint operational activities, cross-selling, co-investment, and making smarter use of the resources and capabilities of the different entities.





# Way Forward

The global, regional, and country-level contexts influencing the development of the MCs are changing in significant ways. The Strategic Realignment 2023-2025 will enable the Bank to keep pace and respond meaningfully to the MCs' evolving needs and priorities. It establishes key strategic priorities and operational directions for assisting MCs to transition to a sound post-pandemic recovery and deliver broad-based beneficial outcomes for the Ummah. At the same time, it solidifies IsDB's position as a key player and partner in the international development-finance community.

Following the adoption of the Strategic Realignment, the next phase will encompass the development of the Integrated Work Program (IWP) for the 2023-2025 period. The effective implementation of the Strategic Realignment across the Bank will be ensured through a comprehensive results-based management framework. The Bank will also undertake the required organizational changes, business process enhancements, and improvements in resource allocation and staff development. Furthermore, change management strategies and the key enablers identified in this document represent the main safeguards for mitigating risks that will be encountered during the implementation of the Strategic Realignment. Equipping Bank staff with fit-for-purpose skills and ensuring staff placements in the right areas with appropriate authority will also help mitigate some of the potential risks.

The Bank recognizes that the other Group entities have their own Boards and mandates. The Realigned Strategy of the Bank is expected to guide and help coordinate and synchronize implementation of strategies of the other Entities and explore avenues to contribute and complement the Bank's development efforts as a Group.

Much work is to be done, and the Bank is committed to make the necessary changes, innovate and improve. The responsibilities and tasks ahead are demanding, but the Bank is eager to begin setting in motion the institutional requirements for the successful operationalization of the Strategic Realignment 2023-2025.



THE REALIGNED STRATEGY OF THE BANK IS EXPECTED TO GUIDE AND HELP COORDINATE AND SYNCHRONIZE IMPLEMENTATION OF STRATEGIES OF THE OTHER ENTITIES AND EXPLORE AVENUES TO CONTRIBUTE AND COMPLEMENT THE BANK'S DEVELOPMENT EFFORTS AS A GROUP





THE BANK IS COMMITTED  
TO MAKE THE NECESSARY  
IMPROVEMENTS FOR  
THE SUCCESSFUL  
IMPLEMENTATION OF THE  
REALIGNED STRATEGY





PROMOTING SUSTAINABLE  
INFRASTRUCTURE  
AND COMPREHENSIVE HUMAN  
DEVELOPMENT





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