IFAD AGRI-PDB PLATFORM · WEBINAR

Islamic Finance: A Strategic Lever for Sustainable Agriculture

Islamic finance connects development capital with productive agricultural assets and measurable development outcomes.

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Contributes to SDG 2 · 5 · 6 · 8 · 13



REAL ECONOMY

Finance inputs, equipment, crops, irrigation and value-chain assets.

INCLUSION

Broaden access for smallholders, rural women, youth and cooperatives.

SUSTAINABILITY

Link transactions to food security, resilience, efficient water use and SDGs.

Source: [01] IFAD — Agri-PDB Platform · Photo: RFI (Tunisia)

HOW IT WORKS

How Multilateral Funding Reaches PDB Islamic Windows

Islamic windows let conventional PDBs **diversify funding without converting the entire bank.**

1 · UPSTREAM

IsDB Group & Islamic investors

Investment facilities (Wakala / Mudaraba where suitable)

Asset-based facilities

Sustainable Sukuk — a potential route, subject to legal & financial feasibility

2 · PDB ISLAMIC WINDOW

A dedicated, ring-fenced capability

Shariah governance

Segregated funds & accounts

Product procedures

Risk management

Staff & MIS capacity

3 · DOWNSTREAM

Farmers, cooperatives & agribusinesses

- **Murabaha**
- **Ijara**
- **Salam**
- **Istisna**

for eligible agricultural activities

SHARIAH COMPLIANCE + ESG REPORTING— across the entire flow, from mobilization to the farm

Sources: [02] IsDB Institute, Islamic Social Finance Report 2020 · [08] IsDB, Sustainable Finance Framework (July 2025)

INSTRUMENTS

Islamic Instruments Across Agricultural Value Chains

Match the financing contract to the **asset, production cycle and agricultural cash flow.**

INSTRUMENT	AGRICULTURAL USE	SUSTAINABILITY EXAMPLE
Murabaha	Inputs, seeds, productive equipment	Efficient technologies
Ijara	Tractors, solar pumps, irrigation assets	Water and energy efficiency
Salam	**Pre-harvest crop financing**	**Smallholder seasonal liquidity**
Istisna	Made-to-order processing / storage infrastructure	Resilient value chains
Musharaka	Cooperatives and agribusiness investment	Shared investment and growth



FOCUS · SALAM

The farmer receives the **full price upfront** and delivers a specified harvest later.

Requires robust delivery, quality and off-take risk management.

Before sowing
price paid

Cultivation
liquidity

Harvest
delivery

Source: FinDev Advisory briefing note · Photo: Phys.org / AFP (Tunisia)

CASE STUDY · PROOF OF CONCEPT

BTS Bank, Tunisia: A Proven Islamic Window Model

البنـك التـونسـي للتضـامن
BANQUE TUNISIENNE DE SOLIDARITÉ
BTS BANK

A window first used for **youth entrepreneurship** has become a **reusable capability** for development finance.

2012 / 2015	2019	2025	2025 → Agri
Launch & Shariah governance	Results	Continuity	**Agricultural application**

PROGRAMME

US$50m

YES-TU facility (IsDB–Tunisia, Mudaraba)

Shariah committee approved in 2015

RESULTS · 2019

3,006

cumulative financings

TND 127.184m related investment costs · 5,341 projected jobs

OUTSTANDING · 31/12/2025

TND65.947m

outstanding credits

on IsDB-funded Murabaha / Ijara lines

PDAI SFAX · AGRICULTURE

TND4.5m

dedicated resources

TND 0.367m gross Murabaha credits outstanding in 2025

KEY LESSON

Build the institutional Islamic window once; redeploy it across evolving development priorities — including agricultural finance.

Figures cover different scopes and dates and are not additive. Sources: [02] IsDB Institute, ISF Report 2020, pp.163–164 · [03] BTS Bank, YES-TU programme · [04] BTS Annual Report 2019, p.22 · [05] BTS Financial Statements 2025, pp.23–24, 37 · [06] IsDB, PDAI Sfax

IMPLEMENTATION

Six Steps to Set Up an Islamic Window in a PDB

A ring-fenced capability inside the bank — **no full conversion required.**

1 Diagnose & decide

Readiness, regulation, client demand and agricultural priorities; board mandate.

2 Shariah governance

Appoint a Shariah committee; set up compliance review and Shariah audit.

3 Ring-fence the window

Segregated funds, accounts and reporting — separate from conventional activity.

4 Products & procedures

Murabaha, Ijara, Salam, Istisna matched to crop cycles; risk management rules.

5 People & systems

Train credit staff; adapt MIS; embed ESG / KPI reporting from day one.

6 Mobilize, pilot, scale

Secure a compliant facility (e.g. IsDB Group); pilot, measure, then extend lines.

BTS BANK PATHWAY

US$50m YES-TU Mudaraba facility → Shariah committee (2015) → IsDB-funded Murabaha / Ijara lines → **PDAI Sfax agri line**

Sources: FinDev Advisory briefing note · [02] IsDB Institute, ISF Report 2020 · [03] BTS Bank, YES-TU · [05] BTS Financial Statements 2025 · [06] IsDB, PDAI Sfax



REPLICATION

Replicating the Model: Climate, Social and Sustainable Islamic Finance

One Islamic window can host **earmarked thematic portfolios** with clear eligibility criteria.

Islamic Climate Finance

ASSETS / BENEFICIARIES

Solar pumping, water-efficient irrigation, climate-resilient farming

HEADLINE KPI

m^3 water saved · kW solar installed · tCO_2e avoided

Islamic Social Finance

ASSETS / BENEFICIARIES

Smallholders, women, youth, underserved rural cooperatives

HEADLINE KPI

 # clients · % women / youth · net farm income

Sustainable Value-Chain Finance

ASSETS / BENEFICIARIES

Cold chain, storage, agro-processing, producer organizations

HEADLINE KPI

Post-harvest loss reduction · jobs · value added

Shariah-compliant ≠ automatically green. Require environmental & social eligibility criteria, exclusions and measurement rules.

Source: [08] IsDB, Sustainable Finance Framework (July 2025) · Photo: ThirdWay Partners

IMPACT MEASUREMENT

Defining Economic, Social and Environmental KPIs Ex Ante

Impact monitoring belongs in the **funding agreement from day one** — not in an end-of-project exercise.

ECONOMIC

1. **Net farm income change (%)**
2. **Agricultural jobs / local value added**
3. **Repayment performance / PAR**

SOCIAL

4. **# smallholder farmers reached**
5. **% women and youth financed**
6. **Underserved groups reached**

ENVIRONMENTAL

7. **m^3 of water saved · kW solar**
8. **Hectares under sustainable practices**
9. **Estimated tCO_2e avoided**

DATA RULE — for each KPI, define:

Baseline	Target	Definition	Data source	Frequency	Responsible owner	Verification method

Align with existing PDB / Agri-PDB reporting.

SDG alignment: 1 · 2 · 5 · 6 · 7 · 8 · 13 · 15 | Sources: [01] IFAD Agri-PDB Platform · [08] IsDB Sustainable Finance Framework (2025)

THE PROPOSAL

From Proof of Concept to a Replicable IFAD–IsDB–PDB Pilot

Test agricultural Islamic windows in **2–3 willing PDBs over 12–18 months.**

01
Diagnose

Readiness, regulation, demand, agriculture priorities

Agri-PDB + interested PDBs

02
Build

Shariah governance, MIS, products, safeguards and TA

PDB + specialized advisers + IsDB Group

03
Finance

Mobilize a compliant facility; pilot Murabaha, Ijara and Salam

IsDB Group + PDB

04
Measure / scale

Track financial & ESG KPIs; publish lessons and replicate

PDB + Agri-PDB / IFAD

WINDOW OF OPPORTUNITY

IFAD–IsDB agreement (14 Oct 2026): **up to US$750m** in co-financing for food systems and rural transformation.

An Islamic-window pilot is a proposal to explore — not an announced earmark.

*"The BTS Bank experience shows that Islamic windows can work. The next step is to replicate the model for **climate-smart, inclusive and measurable** agricultural development."*

MOBILIZE → FINANCE → MEASURE → SCALE

Sources: [01] IFAD Agri-PDB Platform · [07] IsDB / IFAD, agreement to mobilize up to US$750m (14 October 2026)