



Development investment proposal to enhance climate adaptation finance for agribusinesses

NAME OF CLIENT	STERLING BANK LIMITED
WEBSITE CLIENT	https://sterling.ng/corporate/heart/
REGION	WEST AFRICA
COUNTRY	NIGERIA
SECTOR	AGRICULTURE
SIGNING DATE	30 DAYS FROM PUBLICATION AT WEBSITE
TOTAL FINANCING	EUR 321,000
FUND	(ORIGINATION FACILITY “OF”

- **Who is our (prospective) client?**

Sterling Bank Limited is a **leading commercial bank in Nigeria** with over **60 years of experience** and a strong commitment to **sustainable finance**. Originally established as an investment banking institution, the bank has evolved into a full-service national commercial bank with an asset base of **₦2.5 trillion (EUR 2.9 billion)** in 2023, serving over **4 million customers** across Nigeria. Sterling Bank operates under the H.E.A.R.T strategy—focusing on Health, Education, Agriculture, Renewable Energy, and Transportation, prioritizing sectors that drive long-term economic and social impact.

Agriculture is a key pillar of Sterling Bank’s business, with over **140,000 smallholder farmers and some agribusiness enterprises** already benefiting from its lending programs. The bank has been at the **forefront of agriculture financing**, pioneering **climate-smart agriculture initiatives**, sustainable loan products, and capacity-building programs for MSMEs, youth, and women-led agribusinesses.

Recognizing the growing risks climate change poses to Nigeria’s food security and rural economy, Sterling Bank is **expanding its commitment to climate adaptation financing**. However, significant barriers remain, including the **high cost of financing**, **limited risk assessment tools**, and a **lack of dedicated financial products** tailored to climate resilience.

To address these challenges, Sterling Bank is collaborating with the DFCD Origination Facility, with the goal of **scaling up climate-adaptive agricultural finance**. The proposed EUR 321,000 DFCD grant will be instrumental in **strengthening climate risk assessment tools**, **integrating Environmental, Social, and Governance (ESG) factors** into the lending framework, and ensuring that financing reaches **climate-vulnerable smallholder farmers and MSMEs**.

Additionally, the project aligns with Sterling Bank's broader strategic ambition to **substantially increase its agriculture lending portfolio by 2026** and support the adoption of **climate-smart agricultural practices** across Nigeria.

- **What is the intended funding objective (type of activity)?**

The DFCD Origination Facility will provide EUR 321,000 in grant funding to Sterling Bank to support the development of a climate adaptation finance framework, enhance its climate risk assessment tools, and establish a dedicated Climate Finance Desk. The goal is to improve access to finance for smallholder farmers and MSMEs, ensuring they have the resources needed to implement climate-resilient agricultural practices and technologies.

The initiative will also enhance Sterling Bank's ESG integration, ensuring that lending decisions prioritize businesses and projects with strong environmental and social safeguards. Furthermore, the grant will support technical assistance programs to help agribusinesses improve their investment readiness, integrate climate-smart solutions, and reduce their vulnerability to climate shocks.

Through this initiative, Sterling Bank aims to de-risk climate-adaptive agribusiness investments, making them more attractive to institutional investors and unlocking future private sector funding.

- **The grant will be used for undertaking: (100-200 words; list milestones/activities)**

Grant proceeds of EUR 321,000 will fund key activities to de-risk and scale climate adaptation financing, including

- **Establishing and capacitating the Climate Finance Desk:**

To establish and operationalize a Climate Finance Desk that supports the development of climate-adaptive financial products, enhances internal capacity, and integrates monitoring systems for long-term impact measurement. Through DFCD origination support, the Climate Finance Desk will manage and expand Sterling Bank's climate finance operations, integrate environmental, social, and governance (ESG) principles, and develop ESG risk scores.

- **Identifying and derisking climate-related projects, with targeted technical assistance for SMEs:** To identify and assess impactful climate-related projects, helping Sterling Bank build a pipeline of investment-ready projects through tailored de-risking activities and targeted support.

- **Why do we fund this project? (50-100 words)**

Nigeria is highly vulnerable to climate change, with increasingly **unpredictable rainfall patterns, flooding, droughts, and land degradation** threatening food production and rural livelihoods. Smallholder farmers, who produce over 80% of Nigeria's food supply, are particularly at risk due to limited access to financial services that could help them adopt climate-resilient farming practices.

As one of Nigeria's **leading banks in agricultural lending**, Sterling Bank is committed to **scaling sustainable agriculture**, and DFCD's support will help accelerate this transition by **de-risking investments** in climate-smart agribusiness.

Additionally, by strengthening ESG safeguards and climate risk assessment tools, the project contributes to de-risking agriculture finance, making it more attractive for long-term institutional investment.

- **Environmental and social rationale** The DFCD's collaboration with Sterling Bank is designed to **address environmental and social challenges** associated with climate finance in Nigeria.
 - **Environmental benefits**
 - Sustainable Land Use: By funding climate-resilient farming techniques such as regenerative agriculture and conservation farming, the project will help restore soil health and reduce deforestation pressures.
 - Enhancing Resilience through Renewable Energy: Supporting businesses in adopting sustainable energy practices to mitigate climate risks.
 - **Social impact & inclusion**
 - Supporting Smallholder Farmers: The project aims to reach thousands of smallholders and MSMEs, the exact number of which will be defined during the origination work.
 - Gender and Youth Empowerment: Women and youth entrepreneurs will be prioritized, aligning with Sterling Bank's SWAY-AgFin program, which has already provided ₦5 billion in financing to 12,000 female-led agribusinesses.
 - Livelihood Improvement: By stabilizing agricultural productivity, the project will boost rural incomes, reducing poverty and food insecurity.
 - **Strengthening ESG Standards**
 - Sterling Bank will enhance its Environmental and Social Management System (ESMS) to align with international ESG standards.
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