



## Anchor Borrowers' Programme Guidelines

### (Non-Interest)

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## CHAPTER ONE

### 1.1. BACKGROUND

The Central Bank of Nigeria (CBN) in line with its developmental function established the Anchor Borrowers' Programme (ABP). The Programme which was launched by President Muhammadu Buhari (GCFR) on November 17, 2015 is intended to create a linkage between anchor companies involved in the processing and small holder farmers (SHFs) of the required key agricultural commodities. The programme thrust of the ABP is provision of farm inputs in kind and cash (for farm labour) to small holder farmers to boost production of these commodities, stabilize inputs supply to agro processors and address the country's negative balance of payments on food. At harvest, the SHF supplies his/her produce to the Agro-processor (Anchor) who pays the cash equivalent to the farmer's account.

The Programme evolved from the consultations with stakeholders comprising Federal Ministry of Agriculture & Rural Development, State Governors, millers of agricultural produce, and smallholder farmers to boost agricultural production and non-oil exports in the face of unpredictable crude oil prices and its resultant effect on the revenue profile of Nigeria.

### 1.2. Objective

The broad objective of the ABP is to create economic linkage between smallholder farmers and reputable large-scale processors with a view to increasing agricultural output and significantly improving capacity utilization of processors. Other objectives include:

- Increase banks' financing to the agricultural sector
- Reduce agricultural commodity importation and conserve external reserves
- Increase capacity utilization of agricultural firms
- Create new generation of farmers/entrepreneurs and employment
- Deepen the cashless policy and financial inclusion

- Reduce the level of poverty among smallholder farmers
- Assist rural smallholder farmers to grow from subsistence to commercial production levels.

### 1.3. Targeted Beneficiaries

The financing shall be targeted at smallholder farmers engaged in the production of identified commodities across the country. The Farmers should be in groups/cooperative(s) of between 5 and 20 for ease of administration.

### 1.4. Identified Agricultural Commodities

The targeted commodities of comparative advantage to the State shall include but not limited to:

- Cereals (Rice, Maize, wheat etc.)
- Cotton
- Roots and Tubers (Cassava, Potatoes, Yam, Ginger etc.)
- Sugarcane
- Tree crops (Oil palm, Cocoa, Rubber etc.)
- Legumes (Soybean, Sesame seed, Cowpea etc.)
- Tomato
- Livestock (Fish, Poultry, Ruminants etc.)

Any other agricultural commodity as requested by off-taker and approved based on viability by the CBN from time to time.

### 1.5. Eligible Participating Financial Institutions (PFIs)

The financing shall be disbursed through any of these Non-Interest Financial Institutions (NIFIs):

- Non-Interest Deposit Money Banks
- Non-Interest Windows of Deposit Money Banks;
- Development Finance Institutions (DFIs) through a non- interest window;
- Non-Interest Microfinance Banks (NIMFBs).

### 1.6. The Anchor

This shall be private large-scale integrated processors, aggregators, commodity associations etc who have entered into an agreement with the SHFs to off-take the harvested produce at the agreed prices or as may be reviewed by the PMT. State Governments may act as Anchor upon meeting the prescribed conditions.

### 1.7. **Inputs Suppliers**

The input suppliers shall submit **expression of interest letter** to the office of the PMT for consideration and issuance of local purchase orders by the Anchor which shall be ratified by the PFI.

### 1.8. **The Facility Amount**

Financing amount for each SHF shall be arrived upon from the economics of production agreed with stakeholders. The fund shall be provided from the Micro, Small and Medium Enterprises Development Fund (MSMEDF).

### 1.9. **Rate of Return**

Rate of return under the ABP shall be guided by the rate on the MSMEDF, which is currently at 9% p.a (all inclusive, pre and post disbursement). The PFIs shall access based on a structure compliant with non-interest banking principles at 2% from the CBN, and finance at a maximum of 9% p.a (all inclusive).

### 1.10. **Tenor**

The tenor of financing under the ABP shall be the gestation period of the identified commodities or as agreed with stakeholders not exceeding 60 months.

### 1.11. **Settlement**

Financing granted to the SHFs shall be settled with the harvested produce that shall be mandatorily delivered to the Anchor at designated collection center in line with the provisions of the Agreement signed. The value of the produce to be delivered must cover the financing principal and return.

## CHAPTER TWO

### 2.0 Management and Administration of the ABP

There shall be two models of administration of ABP based on the anchor arrangement namely: **Private Sector-led** and **State windows**. Under each model, a Project Management Team (PMT) shall be established to coordinate the implementation of the programme.

#### 2.1 Private Sector-led Window

The PMT under the Private Sector-led Window shall be constituted as follows:

- Head DFO, CBN – Chairman
- Representatives of Anchor Firms – Co-Chairman
- Programme Manager, State Agricultural Development Programme (ADP)
- Representatives of participating Banks
- Representatives of farmers associations
- Nigerian Agricultural Insurance Corporation (NAIC)

##### 2.1.1 Operating Models under the Private Sector Window

The following models are operated under the private-sector window

- 1) Prime Anchor Model
- 2) Private Sector Model
- 3) NIRSAL Guarantee Model

The models vary operationally in the roles and responsibilities of the stakeholders as follows:

##### 2.1.2 STAKEHOLDERS OPERATIONAL ROLES AND RESPONSIBILITIES

###### -PRIME ANCHOR MODEL

###### - CBN:

- a. Ratifies the Economics of Production (EoP)
- b. Validate farmers' list for participation
- c. Carries out monitoring of project to ensure compliance
- d. Bears 50% credit risk on outstanding amount in default

###### - PFI:

- a. Processes financing request based on number of farmers/Hectares validated and the ratified EoP.
- b. PFI Management approves financing to Anchor as primary obligor
- c. Receives collateral from Anchor to cover 70% of total financing amount
- d. Ratifies the supply of input as requested by the Anchor
- e. Manages the project through its life cycle
- f. Bears 50% credit risk on outstanding amount in default

- **Anchor:**
  - a. Provides list of farmers for participation in the project
  - b. Provides collateral cover to the Bank for financing amount requested
  - c. Primarily responsible for supply of quality inputs and Services through LPO issuance
  - d. Manages the project through its life cycle

#### **-PRIVATE SECTOR MODEL**

- **CBN:**
  - a. Ratifies the Economics of Production (EoP)
  - b. Validate farmers' list for participation
  - c. Carries out monitoring of project to ensure compliance
  - d. Bears 50% credit risk on outstanding amount in default
  
- **PFI:**
  - a. Processes facility request based on number of farmers/Hectares validated and ratified EoP.
  - b. PFI Management approves financing to farmers as primary obligor
  - c. Receives collateral from Anchor/Aggregator/Commodity Association to cover 20% of total financing amount
  - d. Ratifies the supply of input as agreed by the PMT and requested by the Anchor
  - e. Manages the project through its life cycle
  - f. Bears 50% credit risk on outstanding amount in default
  
- **Anchor:**
  - a. Provides list of farmers for participation in the project
  - b. Provides collateral cover to the Bank for financing amount requested
  - c. Issues LPO for input supply and service provided as agreed by PMT
  - d. Manages the project through its life cycle

#### **-NIRSAL GUARANTEE MODEL**

This model involves the collaboration with NIRSAL and deployment of its Credit Risk Guarantee (CRG) Instrument to participating PFIs. It is expected that the CRG will effectively reduce the risks of the PFIs further and enhance more participation under the Programme.

Under this model,

- NIRSAL will provide a maximum guarantee of 75% of the financing to the PFI at cost of 1% CRG fee.

- CBN shall bears 50% credit risk on outstanding amount in default

NIRSAL's participation will include both the Private sector led and the State Government Windows of the ABP in addition to the requirements under each window.

## **2.2 Public Sector (State) Window**

The PMT under the State Window shall be constituted with representatives of stakeholders as follows:

- Head DFO, CBN as Chairman to be co-chaired by the person appointed by the State Government.
- A representative of State Governments/Ministry of Agriculture and Rural Development/Agricultural Development Programme (ADP)
- Participating Banks
- Anchor Firms
- Nigerian Agricultural Insurance Corporation (NAIC)
- Representatives of farmers associations

Under the window, the roles and responsibilities of stakeholders shall include;

- **CBN:**

- a. Ratifies the Economics of Production (EoP)
- b. Validate farmers' list for participation
- c. Carries out monitoring of project to ensure compliance

- **STATE GOVERNMENT:**

- a. Provides ISPO to the PFI to cover 100% of Principal and return to be applied for equal monthly repayments through the facility tenor
- b. Provide list of farmers to the PFI for BVN validation and farmland mapping by appointed service providers
- c. Recover funds from the farmers

- **PFI:**

- a. Processes financing request based on number of farmers, Hectares and ratified EoP.
- b. PFI Management approves financing to State Government as primary obligor
- c. Receives ISPO from State for 100% principal plus return
- d. Effects monthly repayment to the CBN
- e. Manages the project through its life cycle

### 2.3 **Process Flow of The Anchor Borrowers' Programme (ABP)**

The activities shall include:

- Expression of Interest Letter to the CBN by the Anchor/State Government indicating the targeted agricultural commodities, proposed number of farmers, the hectares to be covered and the PFI(s) etc.

- Formation of the PMT
- Verification of the farmers and farm sizes by the PMT
- Confirmation of participation by the Head Offices of the PFI(s)
- Identification of reputable agricultural inputs suppliers by the PMT
- Organization of Town Hall Meeting to agree on the economics of production per hectare, offtake price, signing of Agreement, and any other relevant issues. The meeting shall have in attendance all the stakeholders including the inputs suppliers.
- Signing of Multipartite Agreement by the, CBN, PFI, Anchor and the farmers under the following:
  - A Master Agreement between the CBN and the PFI, which shall include the following:
    - i. Individual Salam agreements that will be effected at the point of disbursement of funds to the PFI for a total amount of agricultural produce that will sell at 1.02% per annum of the total disbursed amount, based on the unit selling price agreed between the Anchor and the farmers. The time of delivery of the Salam produce and sale of same to the Anchor is at harvest time.
    - ii. An undertaking by the PFI to sell the Salam produce to the Anchor at the agreed unit price and credit the amount to the CBN.
    - iii. All collaterals and guarantees as specified in the section on collaterals.
  - Master Agreement between the PFI and the farmers consisting of individual Salam Agreements that will be effected at the point of disbursement to the farmers by the PFI for a total amount of agricultural produce that will sell at 1.09% per annum of the total disbursed amount, based on the unit selling price agreed between the Anchor and the farmers.
  - Irrevocable Undertaking by the Anchor to purchase the agricultural produce from the PFI and the farmers as and when due.
  - Irrevocable Undertaking by the farmers to sell the agricultural produce to the Anchor.
  - Sale Agreement between the PFI and the Anchor for the procured produce at the agreed selling price. From the delivery of the produce at the collection center by the farmers to the signing of the sale agreement, the produce is at the risk of the PFI.
  - Sale Agreement between the Anchor and the farmer for the remaining

amount of his agricultural produce at the agreed selling price and payment into the farmer's account with the PFI.

- Submission of applications from Head Offices of PFIs with the list of farmers in the prescribed format with accounts numbers, gender, farm size, BVN, Telephone numbers, cooperative name and LGA
- Registration of farmers on the National Collateral Registry (NCR).

#### **2.4 Capacity Building of the Farmers**

A mandatory training programme shall apply for farmers that will participate under the ABP covering;

- Farming as a business
- Improved agricultural practices
- Group management dynamics

The cost of such training shall be borne by the participating anchor. However, partnerships with Development Partners are encouraged on the training of the farmers.

Certificates issued at the end of the training shall constitute a requirement for farmers to access the facility in kind and cash under the programme.

#### **2.5 Provision of Extension Services**

The Anchor/State Governments shall be required to provide extension services to complement the training, ensure adherence to good agricultural practices and mitigate side selling.

#### **2.6 Collateral Under the ABP**

The following shall be collateral to be pledged by SHFs under the programme:

- Cross and several guarantee by farmers in cooperatives
- Multipartite Agreement signed by the parties
- Cross and several guarantee by farmers in cooperatives registered on the National Collateral Registry (NCR)
- Commitment deposit by each farmer of a minimum of 5% to secure his commitment to sell the produce to the Anchor as per the terms of the MoU.

#### **Note:**

- Participating farmers under the Programme must deposit the minimum commitment deposit in their accounts with the PFI before loan disbursement



- No input would be distributed to any farmer that has not provided the commitment deposit
  - Any PFI that contravenes this basic risk requirement would be sanctioned.
- The Prime Anchor provides collateral to the PFI covering 70% of the financing amount to guarantee his undertaking under the MoU.
- The Private Sector Anchor provides collateral to the PFI covering 20% of the financing amount to guarantee his undertaking under the MoU.
- The Public Sector Anchor provides an ISPO covering 100% of the financing amount to guarantee its undertaking under the MoU.

## **2.7 Determination of Planting Season**

The planting season to be adopted shall be advised by the Ministry of Agriculture/ State Agricultural Development Programme (ADP) from the state planting calendars and reputable Agricultural Research Institutes.

## **2.8 Side Selling**

Side-Selling by the farmers is prohibited and shall attract applicable sanctions as indicated in Section 4.3

## **2.9 Risk Sharing**

In order to engender participation of PFIs in the programme, the CBN shall absorb 50% of the amount in default after satisfactory evidence that every means of settlement have been exhausted by the PFI. The PFI shall bear the credit risk of the balance.

## **CHAPTER THREE**

### **3.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS**

#### **3.1 Central Bank of Nigeria**

Shall:

- Provide the funds through the MSMEDF
- Coordinate the entire Programme
- Serve as Secretariat
- Chair/Co-chair the PMT
- Review the provisions of the guidelines as deemed necessary

#### **3.2 Nigerian Agricultural Insurance Corporation (NAIC)**

Shall:

- Provide insurance cover to the projects under the Programme in line with the non-interest banking principle
- Ensure timely processing and settlement of claims
- Serve as member of the PMT

#### **3.3 Development Partners**

Shall:

- Provide technical assistance to farmers, extension workers and banks
- May serve as member of the PMT in partner States

#### **3.4 Participating Financing Institutions:**

Shall:

- Verify eligible farmers and their farmlands
- Open account for the farmers
- Ensure due diligence on facility administration, monitoring and recovery
- Conduct searches on the National Collateral Registry (NCR) to ensure that none of the group member is in default of any other facility in any financial institution.
- First applications for release of funds by PFIs MUST be accompanied by copies of executed multipartite Agreements. (See 2.3)
- Obtain written authorization from the farmers to purchase seeds from input suppliers from their accounts on their behalf.

- Register their interest in the collateral on the National Collateral Registry (NCR) as second and any subsequent applications for release of funds by PFIs MUST be accompanied by evidence of COMPLETE registrations.
- Sensitize the group members on the implication of the cross-guarantee as default by one member of the cooperative automatically puts all members in default irrespective of other members paying their individual financings.
- Ratify the issuance of the Local Purchase Order by the Anchor
- Apply for release of funds after completion of all the required conditions precedent to drawdown
- Credit individual farmer's account with the released funds within 5 working days
- Ensure that the financing products used under the non-interest ABP window complies with the CBN Guidelines on Regulation and Supervision of non-interest banking.
- Render monthly returns under the Scheme to the CBN in the prescribed reporting format
- Serve as member of PMT
- Carry out any other responsibilities as may be prescribed by the CBN from time to time

### **3.5 Small Holder Farmers**

Shall:

- Organize themselves into groups/cooperatives
- Cross guarantee one another
- Must demonstrate evidence of farm ownership/lease/rent and agree to work with extension workers
- Utilize the facility (kind and cash) for the purpose for which it was granted
- Commit to abide by the terms of agreement and not to side sell produce
- Settle the facility as and when due by surrendering the output to the PFI and Anchor or State
- Provide commitment deposit of a minimum of 5% to secure his commitment to sell the produce to the Anchor as per the terms of the MoU.

- Representative of the Small Holder Farmer association to serve on the PMT
- Ensure participating member opens bank account and obtain Bank Verification Number (BVN).

### **3.6 State Government/FCT**

Shall:

- Co-Chair the public sector ABP PMT
- Submit Expression of Interest to participate under the ABP
- Identification of the two-targeted agricultural commodities
- Provide extension services to all participating farmers
- Provide logistics support for the success of the programme including training for the farmers and extension services.
- Establish a special 'farmers court' to try defaulting parties
- Train identified farmers for participation under ABP
- Where State act as Anchor, must uptake the farmers produce and pay the farmers through the PFI within 5 days at an agreed price
- Carry out any other responsibilities as may be prescribed by the CBN from time to time

### **3.7 Anchor Company**

Shall:

- Co-Chair the PMT of the private sector ABP
- Identify and organize farmers into groups/co-operatives.
- Participate in the identification of input suppliers
- Train identified farmers for participation under ABP
- Provide extension service experts to support and ensure achievement of the targeted yield
- Monitor harvest and facilitate full evacuation of produce
- Establish produce collection centers which must be within close proximity to farming localities for ease of aggregation.
- Buy-up produce from PFIs and farmers at agreed price
- Pay into farmers' facility account for the produce delivered within 48 hours
- Provide guarantee as stipulated in the guidelines

- Carry out any other responsibilities as may be prescribed by the CBN from time to time

### **3.8 ROLE OF PROJECT MANAGEMENT TEAM (PMT)**

Shall:

- Coordinate project implementation
- Coordinate discussions on cost of production per hectare
- Communicate the decisions taken on the project to stakeholders
- Identify genuine input suppliers who must have capacity to supply required inputs within time frame allocated
- Coordinate and monitor project to ensure settlement
- Ensure timely distribution of inputs
- Escalate issues that cannot be resolved in the team to the relevant authorities
- Make sure the programme is delivered and implemented as scheduled and within scope.

### **3.9 Nigerian Incentive-Based Risk Sharing System for Agricultural Lending (NIRSAL)**

Shall:

- Collaborate on Technical Assistance.
- Shall provide CRG for projects that meet pre-conditions
- Carry out any other responsibilities as may be required by the CBN from time to time under the programme

## **CHAPTER FOUR**

### **4.0 INFRACTIONS AND SANCTIONS**

<b>S/N</b>	<b>Infractions</b>	<b>Sanctions</b>
<b>4.1</b>	<b>PFI</b>	
1	Diversion of funds to unauthorized activities	<ul style="list-style-type: none"> <li>• Amount diverted shall be recovered by the CBN.</li> <li>• Penal charge at the maximum Murabahah/Ijarah rate of the PFI on the amount diverted.</li> </ul>

		<ul style="list-style-type: none"> <li>• Outright ban from participating under other CBN Interventions following another infraction</li> </ul>
2	Charging of un-authorized fees/rates	<ul style="list-style-type: none"> <li>• Reversal of the charged fees/rates</li> <li>• Issuance of warning letter to the PFI</li> <li>• Outright ban from participating under other CBN Interventions after two infractions</li> </ul>
3	Charging of rates higher than prescribed	<ul style="list-style-type: none"> <li>• Reversal of excess rates charged.</li> <li>• Penal charge at the maximum Murabahah/Ijarah rate of the PFI</li> <li>• Issuance of warning letter to the PFI</li> </ul>
4	Failure to disburse funds within specified period to the beneficiaries	<ul style="list-style-type: none"> <li>• Penal charge at the maximum Murabahah/Ijarah rate of the PFI</li> <li>• Recovery of the undisbursed amount plus any returns.</li> </ul>
<b>4.2 Anchor</b>		
1	Failure to collect certified quality output from farmers after going into agreement as the Anchor to the farmers	<ul style="list-style-type: none"> <li>• Anchor will cease to participate under the programme.</li> <li>• Anchor will not be allowed to access agricultural and other CBN interventions</li> <li>• PFI will sell output to a third party at the prevailing market price and make up the difference, if any, from the guarantee of the Anchor. Any surplus from the sales shall go the SHF.</li> </ul>
2	Failure to pay for collected commodities within the specified period	<ul style="list-style-type: none"> <li>• Anchor to pay selling price and mark-up based on the Murabahah/Ijarah rate of the PFI from the due date, and the mark-up shall be channeled to charity by the PFI and not form part of its income.</li> </ul>
<b>4.3 Small Holder Farmers (SHF)</b>		
1	Side-selling	<ul style="list-style-type: none"> <li>• Total prohibition from all CBN interventions.</li> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> </ul>

		<ul style="list-style-type: none"> <li>• Settlement of the facility by the guarantors and cooperatives</li> </ul>
2	Input Diversion	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
3	Refusal to Submit Commodities to the Anchor	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
4	Diversion of Funds	<ul style="list-style-type: none"> <li>• Blacklisting of the SHF on any intervention by the CBN</li> <li>• Prosecution of the SHF</li> <li>• Settlement of the facility by the guarantors and cooperative members</li> </ul>
<b>4.4 Project Monitoring Team</b>		
1	Insider related contracts and inflation of contract figures	<ul style="list-style-type: none"> <li>• Suspension/Prosecution of the culpable member(s)</li> <li>• Report the culpable member(s) to the relevant institution(s)</li> </ul>

## **LIST OF ABBREVIATIONS AND ACRONYMS**

ABP:	Anchor Borrowers' Programme
ADP:	Agricultural Development Programme
BVN:	Bank Verification Number
CBN:	Central Bank of Nigeria
DFIs:	Development Finance Institutions
DFO:	Development Finance Officer
DMBs:	Deposit Money Banks
FCT:	Federal Capital Territory
LGA:	Local Government Area
MFBs:	Microfinance Banks
MSMEDF:	Micro, Small and Medium Enterprises Development Fund
NAIC:	Nigerian Agricultural Insurance Corporation
NCR:	National Collateral Registry
NIFI:	Non-Interest Financial Institution
NIRSAL:	Nigerian Incentive-Based Risk Sharing System for Agricultural Lending
P.A:	Per Annum
PFIs:	Participating Financial Institutions
PMT:	Project Management Team
SHF:	Small Holder Farmer

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