

Anchor Borrowers' Programme Guidelines

**Development Finance Department
Central Bank of Nigeria**

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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 loan 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 commodity that will be introduced by the CBN from time to time.

1.5. Eligible Participating Financial Institutions (PFIs)

The loan shall be disbursed through any of these PFIs:

- Deposit Money Banks (DMBs)
- Development Finance Institutions (DFIs)
- Microfinance Banks (MFBs)

1.6. The Anchor

This shall be private large-scale integrated processors 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.

1.8. The Loan Amount

The Fund shall be provided from the N220 billion Micro, Small and Medium Enterprises Development Fund (MSMEDF). Loan amount for each SHF shall be arrived upon from the economics of production agreed with stakeholders.

1.9. Interest Rate

Interest rate under the ABP shall be guided by the rate on the N220 billion MSMEDF, which is currently at 9% p.a (all inclusive, pre and post disbursement). The PFIs shall access at 2% from the CBN and lend at a maximum of 9% p.a.

1.10. Tenor

The tenor of loans under the ABP shall be the gestation period of the identified commodities.

1.11. Repayment

Loans granted to the SHFs shall be repaid 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 produce to be delivered must cover the loan principal and interest.

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)

2.2 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

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 tripartite Agreement by the PFI, Anchor and the farmers
- Submission of loan 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 credit 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
- Tripartite Agreement signed by the parties
- Cross and several guarantee by farmers in cooperatives registered on the National Collateral Registry (NCR)
- Equity Contribution (minimum of 5%) by the farmers

Note:

- Participating farmers under the Programme must deposit the minimum equity requirement in their accounts with the PFI before loan disbursement
- No input would be distributed to any farmer that has not provided the equity contribution
- Any PFI that contravenes this basic risk requirement would be sanctioned

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.

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 loan recovery has

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
- 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 loan 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 loan facility in any financial institution.
- First applications for release of funds by PFIs MUST be accompanied by copies of executed tripartite Agreements. (See 2.3)
- 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 loans.
- 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

- 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
- Repay the loan as and when due by surrendering the output to the Anchor or State
- Provide equity contribution in cash of minimum of 5 per cent of loan amount
- Representative of the Small Holder Farmer association to serve on the PMT
- Ensure participating member open 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.
- Buy-up produce from farmers at agreed price
- Pay into farmers' loan account for the produce delivered within 48 hours
- 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
- Coordinate and monitor project to ensure repayment
- Issue Local Purchase Order (LPOs)
- 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.

CHAPTER FOUR

4.0 INFRACTIONS AND SANCTIONS

S/N	Infractions	Sanctions
4.1 PFI		
1	Diversion of funds to unauthorized activities	<ul style="list-style-type: none"> • Amount diverted shall be recovered by the CBN. • Penal charge at the maximum lending rate of the PFI on the amount diverted. • Outright ban from participating under other CBN Interventions following another infraction
2	Charging of unauthorized fees/interest	<ul style="list-style-type: none"> • Reversal of the charged fees/interest • Issuance of warning letter to the PFI • Outright ban from participating under other CBN Interventions after two infractions
3	Charging of interest rates higher than prescribed	<ul style="list-style-type: none"> • Reversal of excess interest charged. • Penal charge at the maximum lending rate of the PFI • Issuance of warning letter to the PFI

4	Failure to disburse funds within specified period to the borrowers	<ul style="list-style-type: none"> • Penal charge at the maximum lending rate of the PFI • Recovery of the undisbursed amount plus interest
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4.2 Anchor

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"> • Anchor will cease to participate under the programme. • Anchor will not be allowed to access agricultural and other CBN interventions
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2	Failure to pay for collected commodities within the specified period	<ul style="list-style-type: none"> • Anchor to bear the cost of accrued interest on the farmers' account from the due date
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4.3 Small Holder Farmers (SHF)

1	Side-selling	<ul style="list-style-type: none"> • Total prohibition from all CBN interventions. • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF
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		<ul style="list-style-type: none"> • Payment of the loan by the guarantors and cooperatives
2	Input Diversion	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Repayment of the loan by the guarantors and cooperative members
3	Refusal to Submit Commodities to the Anchor	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF • Repayment of the loan by the guarantors and cooperative members
4	Diversion of Funds	<ul style="list-style-type: none"> • Blacklisting of the SHF on any intervention by the CBN • Prosecution of the SHF • Repayment of the loan by the guarantors and cooperative members

4.4 Project Monitoring Team

1	Insider related contracts and inflation of contract figures	<ul style="list-style-type: none"> • Suspension/Prosecution of the culpable member(s) • Report the culpable member(s) to the relevant institution(s)
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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
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

All Enquiries and Returns should be addressed to:

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