
Anchor Borrowers' Programme (ABP) Guidelines

Development Finance Department Central Bank
of Nigeria

REVISED SEPTEMBER 2021

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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
CRMS:	Credit Risk Management System
DFIs:	Development Finance Institutions
DFO:	Development Finance Officer
DMBs:	Deposit Money Banks
FCT:	Federal Capital Territory
KYC:	Know Your Customer
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
RACD:	
SHF:	Small Holder Farmer

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background

The Central Bank of Nigeria (CBN), in line with its developmental functions as enshrined in Section 31 of the CBN Act 2007, established the Anchor Borrowers' Programme (ABP) to create economic linkages between smallholder farmers (SHFs) and reputable companies (anchors) involved in the production and processing of key agricultural commodities. The core of the Programme is to provide loans (in kind and cash) to smallholder farmers to boost agricultural production, create jobs, reduce food import bill towards conservation of foreign reserve.

The Programme evolved from consultations with stakeholders comprising Federal Ministry of Agriculture & Rural Development, state governments, agro-processors, commodity associations, financial institutions and smallholder farmers to ramp up agricultural production, boost non-oil exports and diversify the revenue base of Nigeria.

The revised Guidelines address current realities and developments in the Anchor Borrowers' Programme, aimed at promoting best practice in the implementation of the Programme. The Guidelines recognize the distinctiveness of smallholder farmers, the ABP transactions dynamics and the Project Management Team (PMT) in the implementation process. It also adopts measures to ensure the protection of smallholder farmers. It defines eligibility criteria

and responsibilities of relevant stakeholders under the Programme such as the loan limit, interest rate, tenor; agricultural commodities eligible for financing under the Programme. It outlines the implementation windows and operating models under each window type.

This document is therefore aimed at improving the Programme's implementation process and enhancing stakeholders' participation for the realization of the ABP's objective.

1.2 Objective

The broad objective of the ABP is to create economic linkages between smallholder farmers and processors with a view to increasing agricultural output and ensuring food price stability. The specific objectives include:

- I. Increase banks' financing to improve agricultural productivity by creating an ecosystem that drives value chain financing;
- II. Reduce the nation's food import bill through import substitution and enhanced domestic value addition;
- III. Create new generation of farmers through innovative financing to support smart agriculture; and
- IV. Deepen financial inclusion and grow smallholder farmers from subsistence to commercial farming.

1.3 Targeted Beneficiaries

The targeted beneficiaries shall be smallholder farmers and medium to large scale farmers engaged in the production of agricultural commodities across the country. The smallholder

farmers should be in groups, cooperative(s), associations or under out-grower arrangement.

1.4 Targeted Agricultural Commodities

The agricultural commodities covered under the Programme shall include:

- I. Cereals (Rice, Maize, wheat etc.)
- II. Cotton
- III. Roots and Tubers (Cassava, Potatoes, Yam, Ginger etc.)
- IV. Sugarcane
- V. Tree crops (Oil palm, Cocoa, Rubber etc.)
- VI. Legumes (Soybean, Sesame seed, Cowpea etc.)
- VII. Tomato
- VIII. Livestock (Fish, Poultry, Ruminants etc.)
- IX. Any other commodity that may be decided upon by the Bank from time to time.

CHAPTER TWO

2.0 STAKEHOLDERS

2.1 Participating Financial Institutions (PFIs)

Eligible PFIs under the programme shall include;

- I. Deposit Money Banks (DMBs);
- II. Development Finance Institutions (DFIs);
- III. Non-Interest Banks; and
- IV. Microfinance Banks (MFBs).

2.2 Anchor

An anchor shall be a duly registered entity with capacity to off-take produce/ output at agreed prices.

State Government may be an off-taker/anchor if it intends to fulfill the responsibilities of an Anchor as highlighted in Chapter 4 of this Guideline.

2.3 Service Provider

This is a duly registered entity in Nigeria with capacity to provide the following services: farm mapping; extension services; aggregation; mechanization; input supply; input distribution; and farm monitoring amongst others as contained in the Services Level Agreement (SLA).

2.4 Insurance Companies

This shall be a duly registered Insurance Company with the capacity to provide agricultural insurance products with an array of value added services.

2.5 Other Stakeholders

These are State Governments, Federal Ministry of Agriculture and Rural Development, Research Institutes, Federal Ministry of Water Resources, Federal Ministry of Industry, Trade and Investment and Development Partners, etc.

CHAPTER THREE

3.0 FEATURES OF THE PROGRAMME

3.1 Loan Limit

The maximum loan limit for each eligible farmer under the Programme, shall be decided based on CBN ratified Economics of Production (EOP) and validated land size.

3.2 Interest Rate

The Programme shall be administered at the prevailing interest rate for intervention funds as prescribed by the CBN from time to time.

3.3 Tenor

The tenor of loans under the Programme shall be based on the gestation period of the targeted commodity.

3.4 Repayment

Repayment shall be by produce and/or cash as may be prescribed by the CBN.

The loans granted under the Programme shall be fully repaid within the tenor of the facility.

Where the facility was accessed through a Commodity Association, the leadership of the Association shall be responsible for full repayment of facility granted to its members.

3.5 Collateral Requirements

The collateral requirements under the Programme shall be as stipulated below:

a) State Governments – Irrevocable Standing Payment Order (ISPO).

b) Commodity Associations/Cooperatives

Combination of the following:

- i. Joint and cross-guarantee of members;
- ii. Equity contribution by the farmers of a minimum of 10 per cent of the loan amount as lien with the PFI;
- iii. Salary domiciliation of beneficiaries for workers co-operatives;
- iv. Personal guarantees of the leadership (Executives and Board of Trustees) supported by individual statements of net worth;
- v. Executed Global Standing Instruction (GSI) mandate;
- vi. Title on farmland;
- vii. All assets debenture which shall be registered with NCR.

c) Prime Anchor

The anchor shall provide collateral as may be required by the PFI.

3.6 Eligibility Criteria

3.6.1 Smallholder Farmer shall:

- i. be a member of a farmer group;
- ii. have a bank account with the PFI;
- iii. provide a valid Bank Verification Number (BVN);
- iv. not be a defaulting borrower;
- v. have a validated farmland;
- vi. provide 10 per cent minimum equity contribution;
- vii. not participate under multiple associations in one cropping season.

3.6.3 Prime Anchor shall:

- i. Be a duly registered entity;
- ii. Be a processor or an off-taker;
- iii. Possess capacity to off-take produce from the farmers;
- iv. Identify a PFI that is willing to partner with it under the Programme;
- v. Provide validated farmland.

3.6.4 Commodity Association shall:

- i. Be duly registered by relevant government agencies;
- ii. have a corporate governance structure in line with the Programme's objectives at all levels;
- iii. present off-taker(s) for the produce;

- iv. champion a single commodity;
- v. identify a PFI to partner with;
- vi. ensure repayment of the facility

3.6.5 State Government shall:

- i. present an ISPO covering the entire value of the facility including accrued interest;
- ii. identify and organize the smallholder farmers according to commodity;
- iii. provide contiguous and validated farmland;
- iv. provide aggregation services;
- v. provide off-taker(s) for the produce
- vi. identify PFI(s) to partner with.

3.6.6 Service Provider shall:

- i. be a duly registered entity;
- ii. sign SLA with relevant stakeholders;
- iii. provide performance bond;

CHAPTER FOUR

4.0 MANAGEMENT AND ADMINISTRATION

The Central Bank of Nigeria shall be responsible for the overall management and administration of the Programme. The Project Management Team (PMT) shall be setup at the state level on project basis. It shall be responsible for the operational management of projects and shall comprise key stakeholders under the ABP.

4.1 Models under the ABP

There shall be two windows for accessing funds under the Programme, namely:

- a) Private Sector-led window
- b) Public Sector-led Window

Under each window, a Project Management Team (PMT) shall be established in each state for each project to coordinate and monitor the implementation in line with the provisions of the Guidelines.

4.2 Membership of the PMT shall include:

- i. Representatives of PFIs – Chairman;
- ii. Head DFO, CBN;
- iii. Representative of Anchor/Commodity Association/ Cooperative/State Government - Co-Chairman;
- iv. Head, State Agricultural Development Programme (ADP);
- v. Representatives of farmers;

vi. Insurance Company

*Note:

- a) the membership of the PMT may vary depending on the model;
- b) In the case of national commodity association, the PMT at the Head Office shall comprise Commodity Champion, RACD, RMD, AMD, the PFI, Commodity Association and Insurance Company for each commodity.

4.3 Private Sector-led Window

Under this Window, the Programme shall be accessed through the following models:

- I. Prime Anchor Model
- II. Commodity Association/Cooperative Model

4.3.1 Prime Anchor Model

This is a model where the agro-processor/off-taker is the primary obligor and takes full responsibilities of anchoring the farmers or deploying full mechanization for production.

4.3.2 Commodity Association/Cooperative Model

Under this model, the farmers are the primary obligors. The commodity association/cooperative at the state level is to identify and organize its members to participate under the Programme.

The commodity association/cooperative would be required to provide collateral to support the loan for its members.

4.4 Public Sector (State) Model

The state government shall guarantee the farmers participating under the Programme and be responsible for loan repayment as well as off-take of produce.

4.5 Procedures for Accessing ABP Facility

The following are the procedures for accessing the ABP facility:

- i. Expression of Interest from anchor to the PFI;
- ii. Expression of Interest from PFI to the CBN in favour of Anchor, Commodity Association/Cooperative and State Government indicating the targeted agricultural commodities;
- iii. The PFI shall upload the farm and farmers details on the CBN system;
- iv. Upon the notification to stakeholders, PMT begins operations by overseeing the initial meeting to review the checklist and agree on verification;
- v. The PMT shall organize Town Hall Meetings to agree on the Economics of Production (EoP), off-take price and other relevant issues;
- vi. PFI, anchor and farmers representative shall sign tripartite agreement;
- vi. Upon receipt of validated list of farmers from the PFI, the service providers shall commence mapping of farmlands;

- vii. PFI shall submit loan applications;
- ix. CBN shall issue offer-letter to the PFI and release funds on receipt of acceptance and confirmation that all conditions precedent to disbursement have been met;
- x. PFI shall register farmers on the National Collateral Registry (NCR);
- xi. PFI shall disburse to farmer's/obligor's accounts within 10 working days of receipt of funds;
- xii. Payments to input suppliers and service providers must be debited from the farmer's/obligor's bank accounts;
- xiii. PFI, Anchor and DFO shall render periodic reports to the DFD in a prescribed format;
- xiv. PFI and Anchor/Commodity Association/Cooperative shall recover and repay loan to the CBN.

4.6 Risk Sharing and Procedure for Write-off

The CBN shall bear 50 per cent credit risk after satisfactory evidence that every means of loan recovery has been exhausted by the PFI.

CBN may vary the risk sharing ratio based on the specific peculiarities/prospects of the Anchor/Project.

For losses arising from the negligence and/or inaction of the PFI in the execution of any project, the PFI shall bear the full risk and financial losses thereof.

The PFI shall foreclose on pledged collateral one year after expiration of initial facility and the risk sharing ratio prescribed above shall apply on the amount net in default.

4.7 Determination of Farming Season

The farming season to be adopted shall be based on the cropping calendar of the State Ministry of Agriculture/State Agricultural Development Programme (ADP) applicable to the State.

The NiMET annual weather forecast shall also be taken into consideration.

4.8 Provision of Extension Services

The anchor/state governments shall engage reputable service providers or relevant agencies to provide extension services to complement the training and ensure good agricultural practices.

CHAPTER FIVE

5.0 ROLES AND RESPONSIBILITIES OF STAKEHOLDERS

5.1 Smallholder Farmer

Shall:

- i. Be a member of a group, cooperative or commodity association;
- ii. Be ready to guarantee another farmer;
- iii. Demonstrate evidence of farm ownership/lease or rent and agree to work with extension workers;
- iv. Utilize the facility (kind and cash) for the purpose for which it was granted;
- v. Abide by the terms of agreement;
- vi. Not side sell produce;
- vii. Release the produce to the Anchor as repayment;
- viii. Ensure full repayment of the facility granted;
- ix. Provide equity contribution of a minimum of 10 per cent of the loan amount;
- x. Open bank account and obtain Bank Verification Number (BVN).;
- xi. Make his/her farms/livestock available for mapping/tagging.

5.2 Commodity Association/Cooperative

Shall:

- i. Identify and organize farmers into groups.;
- ii. Coordinate and monitor farmers throughout the production season;
- iii. Monitor harvest and facilitate full evacuation of produce;
- iv. Establish produce collection centers;
- v. Facilitate the purchase of produce from farmers at agreed price by the millers and aggregators;
- vi. Pay into farmers' loan account for the produce delivered within 5 days;
- vii. Ensure full repayment of the loan;
- viii. Carry out any other responsibilities as may be prescribed by the CBN from time to time.

5.3 Anchor/Off-taker

Shall:

- i. Co-Chair the PMT (Private Anchor Window);
- ii. Identify and organize farmers into groups/co-operatives;
- iii. Train identified farmers on best agricultural practices, Farm management and Group dynamics;
- iv. Coordinate and monitor farmers throughout the production season;

- v. Monitor harvest and facilitate full evacuation of produce;
- vi. Establish produce collection centers;
- vii. Buy-up produce from farmers at agreed price;
- viii. Pay into farmers' loan accounts for the produce delivered within 5 days;
- ix. Carry out any other responsibilities as may be prescribed by the CBN from time to time.

5.4 Participating Financial Institutions (PFIs):

Shall:

- i. Chair the PMT;
- ii. Conduct due diligence on the anchor and farmers. This shall include, and not be limited to, validating the list of farmers submitted for participation under the Programme and conducting relevant CRMS and KYC checks on the farmers and anchors;
- iii. Register loan beneficiaries on the National Collateral Registry (NCR);
- iv. Open individual loan accounts for validated farmers for the loan facility;
- v. Apply for release of funds after fulfilling conditions precedent to drawdown;
- vi. Credit farmer's/obligor's account with the approved amount within 10 working days of receipt and unutilized funds returned to the CBN immediately;

- vii. Ensure due diligence on loan administration, monitoring and recovery;
- viii. Confirm the supply of inputs with the PMT;
- ix. Authorize and monitor distribution of inputs by the PMT;
- x. Liaise with services providers to confirm actual inputs received by the farmers to determine their loan obligation
- xi. Render monthly returns to the CBN;
- xii. Serve as member of PMT;
- xiii. Repatriate principal and interest to the CBN at the end of the loan tenor;
- xiv. Carry out any other responsibilities as may be prescribed by the CBN from time to time.

5.5 Insurance Company

Shall:

- i. Provide insurance cover for the projects;
- ii. Ensure timely processing and settlement of claims;
- iii. Provide technical assistance to farmers on insurance policies;
- iv. Monitor projects for early warning signals or red flags;
- v. Render periodic report on farm conditions;
- vi. Serve as member of the PMT;

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

5.6 State Government/FCT

Shall:

- i. Provide logistic support for the success of the Programme including training of the farmers and extension services;
- ii. Co-Chair the PMT for state-owned projects;
- iv. Identify targeted agricultural commodities of comparative advantage;
- v. Provide ISPO to cover 100 per cent of the principal and accrued interest;
- vi. Carry out any other responsibilities as may be prescribed by the CBN from time to time.

5.7 Central Bank of Nigeria

Shall:

- i. Coordinate the entire Programme;
- ii. Provide funds to PFIs for on-lending to approved projects under the Programme;
- iii. Monitor the Programme implementation;
- iv. Review the provisions of the Guideline from time to time;
- v. Assume any other responsibilities as it deems fit from time to time.

5.8 Development Partner

Shall provide technical assistance to farmers, extension workers and Participating Financial Institutions (PFIs).

5.9 Project Management Team (PMT)

Shall:

- i. Coordinate project implementation;
- ii. Organize stakeholders' meeting and communicate the decisions;
- iii. Agree on the Economics of Production (EoP);
- iv. Monitor supply and distribution of inputs;
- v. Monitor project;
- vi. Ensure repayment;
- vii. Carry out any other responsibilities as may be prescribed by the CBN from time to time.

5.10 Service Provider

Shall:

- i. Capture biometric data of validated farmers in the agreed format;
- ii. Capture farmers' farm size with their coordinates;
- iii. Provide extension services to farmers under the project;
- iv. Monitor input distribution to farmers;
- v. Aggregate produce (output) at end of the season;
- vi. Ensure system has Application Programme Interface (API) with CBN.

CHAPTER SIX

6.0 INFRACTIONS AND SANCTIONS

S/N	Infractions	Sanctions
6.1 PFI		
1	Diversion of funds	<ul style="list-style-type: none">i. Amount diverted shall be recovered by the CBN.ii. Penal charge at the PFI's maximum lending rate
2	Charging of unauthorized fees	<ul style="list-style-type: none">i. Reversal of the charged feesii. The amount involved shall attract penal charge at the PFI's maximum lending rate
3	Charging of interest rates higher than prescribed	<ul style="list-style-type: none">i. Reversal of excess interest chargedii. The amount involved shall attract penal charge at the PFI's maximum lending rate.
4	Failure to disburse funds within specified period	<ul style="list-style-type: none">i. Recovery of the undisbursed amount plus interestii. The amount involved shall attract penal charge at the PFI's maximum lending rate.iii. Bear 100% of Credit Risk for failures in production and/or aggregation

6.2 Anchor

1	Diversion of funds	<ul style="list-style-type: none"> i. Blacklisting of the Anchor and promoters from all CBN interventions ii. Immediate foreclosure of pledged collateral iii. Recovery of proceeds of the diversion iv. Prosecution at the discretion of the PFI
2	Failure to offtake quality produce from farmers	Anchor shall cease to participate under the ABP and any other CBN interventions
2	Failure to pay for collected commodities within the specified period	<ul style="list-style-type: none"> i. Anchor shall be sanctioned in line with the provisions of the off-take agreement ii. The value of the produce collected shall be paid with interest iii. The PFI shall invoke the right of set-off

6.3 Smallholder Farmer (SHF)

1	Side-selling	<ul style="list-style-type: none"> v. Blacklisting of the SHF from all CBN interventions vi. Prosecution of the SHF by anchors/association vii. Payment of the loan by the guarantors/cooperatives/commodity associations
2	Input Diversion	<ul style="list-style-type: none"> i. Blacklisting of the SHF from all CBN interventions

		<ul style="list-style-type: none"> ii. Prosecution of SHF by anchors/associations iii. Repayment of the loan by the guarantors/cooperatives/commodity associations
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3	Refusal to deliver produce to the Anchor	<ul style="list-style-type: none"> i. Blacklisting of the SHF from all CBN interventions ii. Prosecution of SHF by anchors/associations iii. Repayment of the loan by the guarantors/cooperatives/commodity associations
4	Diversion of Funds	<ul style="list-style-type: none"> i. Blacklisting of the SHF from all CBN interventions ii. Prosecution of the SHF by anchors/associations iii. Repayment of the loan by the guarantors/cooperatives/commodity associations

6.4 Commodity Associations

1	Falsification of farmers list	<ul style="list-style-type: none"> i. Prosecution of the leadership by the PFI ii. Blacklisting of the leadership from all CBN interventions
2	Failure to repay facility as and when due	<ul style="list-style-type: none"> i. Suspension from accessing new facility until the existing facility is recovered ii. Call-in the personal guarantee of the leadership iii. Foreclose on all pledged collateral

3	Diversion of Funds	<ul style="list-style-type: none"> i. Blacklisting of the association and its leadership from all CBN interventions ii. Prosecution of the leadership by the PFI iii. Repayment of the loan by the guarantors/cooperatives/commodity associations
4	Input Diversion	<ul style="list-style-type: none"> i. Blacklisting of the association from all CBN interventions ii. Prosecution of the leadership by the PFI iii. Repayment of the loan by the guarantors/cooperatives/commodity associations
5	Refusal to deliver produce to the Off-taker	Association shall be sanctioned in line with the provisions of the off-take agreement
6.5 Project Management Team		
1	Insider related contracts	<ul style="list-style-type: none"> i. Suspension ii. Prosecution of the culpable member(s)
2	Over pricing of contracts	<ul style="list-style-type: none"> iii. Suspension iv. Prosecution of the culpable member(s)

7.0 AMENDMENTS

The CBN may amend this Guidelines from time to time and may waive any part of it upon the approval of the Governor.

All Enquiries and Returns should be addressed to:

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