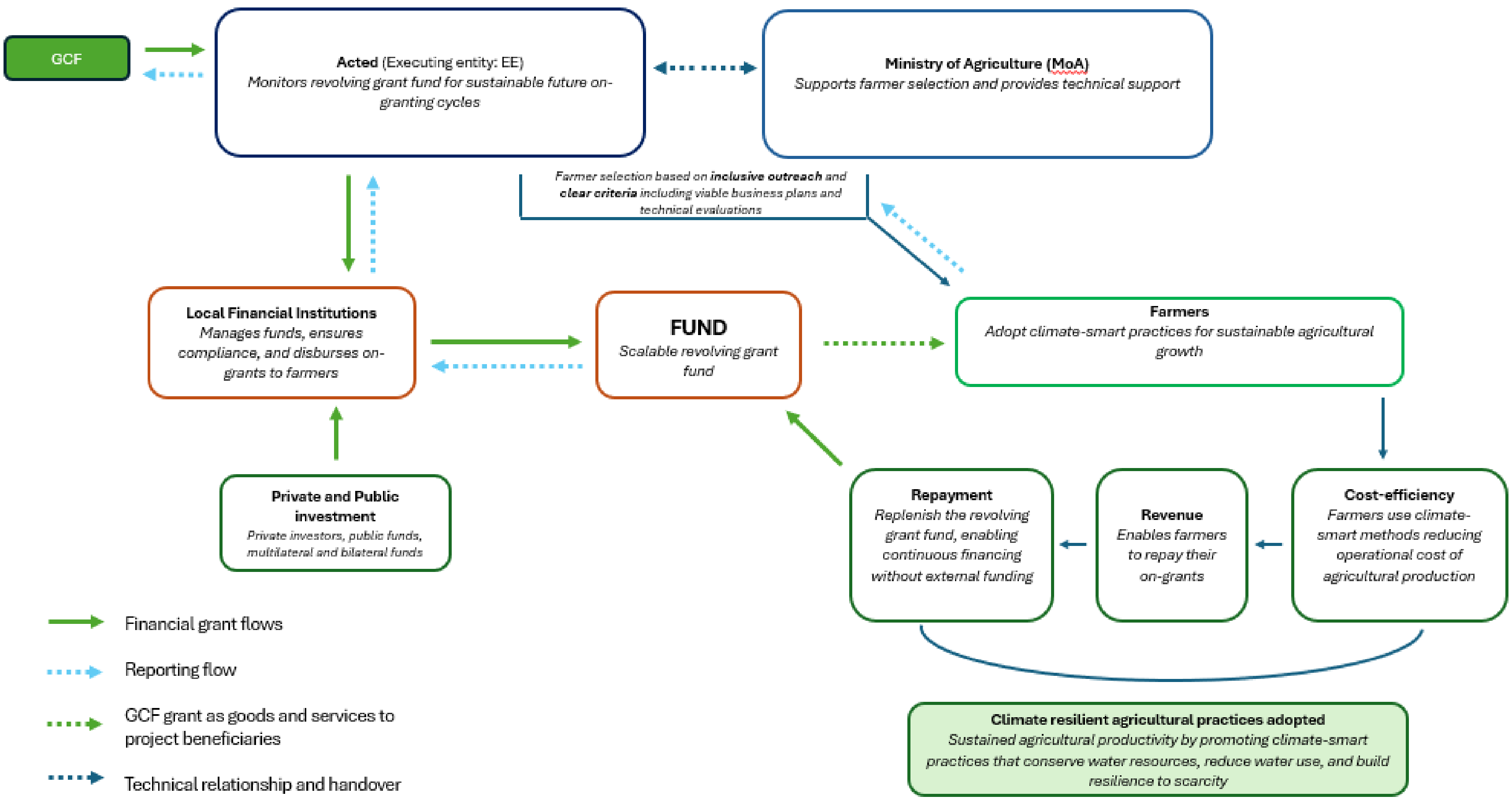
Simplified Approval Process

Annex 13: Revolving Grant Fund

WATER_ RES Enhancing the ability to address the risks of water scarcity in areas most affected by climate change and water shortage in Syria

Acted, Syria, April 16, 2026

Figure 1: Revolving grant fund schematic



1. Introduction

This annex describes the design, governance, operational procedures, regulatory framework, and risk management governing the Revolving Grant fund (RGF). It also includes information on the planned exit strategy to ensure its sustainable handover at project end.

The RGF is established under Activity 3.1.4 to provide sustainable, inclusive and locally driven financing to farmers and agri-businesses for the adoption of climate-resilient water management, smart irrigation, water harvesting, and climate-adapted agricultural practices in Eastern Ghouta. The activity is implemented in partnership between the Executing Entity, Acted, and a regulated local financial institution (LFI), with technical oversight from the Ministry of Agriculture (MoA) and Ministry of Local Administration and Environment (MoLAE). Its governance will be established within project implementation bodies and formalized through sub-grant Agreement between Acted Syria and the LFI and in the Operations Manual to be developed.

The fund utilizes an inclusive and iterative approach to ensure accessibility in several ways: by prioritizing farmers who have undergone capacity strengthening[1], the fund ensures that targeting is both purposeful and accessible to vulnerable groups; the revolving nature of the grant fund allows recovered on-granting capital to be re-granted in successive cycles, thereby maximizing development impact and learning and supporting locally led climate action; finally, the fund will leverage community feedback through engagement and participatory monitoring mechanisms established throughout project implementation to ensure accountability and inclusion.

All GCF resources under this activity are provided exclusively in the form of grants, in line with Acted's accreditation status. Grant resources are used to capitalize the RGF, provide technical assistance, and cover operational costs. Acted does not engage in lending activities and does not generate financial returns from the fund.

The RGF represents a limited and proportionate component of the overall project budget (4.92 percent) and is designed as a pilot mechanism to support adoption of climate-resilient practices at beneficiary level, rather than as a large-scale financial intermediary.

The RGF uses existing regulated financial systems, does not introduce complex financial instruments, and is fully capitalised by grants. The approach is proportionate to SAP Category C and does not involve financial leverage or market-based returns.

2. Regulatory framework

The RGF will operate within the national legal and regulatory framework governing financial institutions and agricultural financing.

The partner local financial institution operates under national banking and financial sector legislation and is subject to oversight by relevant supervisory authorities (e.g., Ministry of Finance and/or Central Bank).

A sub-grant agreement between Acted and the local financial institution will constitute a binding framework defining governance arrangements, roles and responsibilities, fiduciary responsibilities, fund ring-fencing arrangements, compliance with national banking regulations,

[1] This is a prioritization criterion, not exclusion criteria. See further details under Section 4.

reporting and audit obligations, exit or termination conditions in case of non-compliance, and the exit plan for the mechanism's functioning beyond the project duration. On-granting agreements signed with beneficiaries will be legally binding and fully compliant with national contract law.

No new legal entity will be created for the RGF. Instead, the fund will be hosted within the existing institutional framework of the selected LFI to ensure regulatory compliance and sustainability beyond the project period.

3. Institutional arrangement and roles

The RGF will be implemented through a formal sub-grant agreement between Acted and a licensed local financial institution, selected in coordination with MoLAE and MoA during the project initiation phase of the project. The governance of the RGF will be based on shared oversight and clear separation of technical, financial and oversight functions and ensure an inclusive approach.

The governance of the RGF will be embedded within the project's existing governance mechanisms. At inception, a dedicated committee related to RGF implementation is planned to be established as a sub-section of the Technical Working Group (e.g. an "on-granting" or "credit" committee), which reports to the overall Project Steering Committee. This will include Acted Syria, LFI, MoLAE, and MoA. This committee will leverage community participatory monitoring mechanisms established under the project, and community representation on the committee will be considered. This sub-committee and community representation will be formalized in the Operations Manual.

The sub-grant agreement and RGF Operations Manual to be developed will also clearly outline gender, inclusion, and PSEAH considerations are embedded in the partnership and governance. The partnership agreement will include clear contractual obligations requiring LFI staff to adhere to non-discrimination and PSEAH standards, with zero tolerance for exploitation, abuse, harassment or coercion linked to financing access.

Within the established governance, Acted Syria will lead technical eligibility and selection in coordination with MoA and MoLAE, based on climate resilience criteria, business feasibility, vulnerability assessment (to ensure inclusion of vulnerable groups), and alignment with project and inclusion objectives.

Acted Syria (Executing Entity) will be responsible for:

- Due diligence of the local financial institution, including its implementation capacity in line with project objectives and criteria related to experience in financial inclusion and demonstrated capacity to serve marginalized groups, including women and youth.
- Depositing the agreed RGF capital, as a grant, into a dedicated ring-fenced account managed by the partner local financial institution. This account will remain accessible to Acted at all times.
- Leading beneficiary outreach, application, verification, and selection processes. Acted will leverage its experience to ensure inclusion of vulnerable groups.
- Coordinating with relevant ministries and local authorities, including MoA and MoLAE.
- Providing business development support, technical training, and capacity building to selected beneficiaries to support their access and inclusive participation, ensuring the RGF's financial inclusion objectives are centred throughout implementation.

- Joint monitoring and follow-up with the local financial institution to ensure proper on-granting use, beneficiary support, environmental compliance, and repayment discipline.
- Covering agreed on-granting administration fees charged by the local financial institution, as defined in the partnership agreement. See Section 4 (Fund Structure) for further information regarding anticipated administration fees.
- Ensuring grievance mechanisms and participatory monitoring mechanisms established under the project enable community feedback on relevant issues (such as targeting and mechanism implementation)
- Documenting lessons learnt and supporting knowledge transfer throughout RGF implementation and in its progressive handover to ensure sustainability.

Financial approval and disbursement will be led by the local financial institution, in accordance with its internal and agreed risk management and compliance procedures. See Section 4 for the process planned, which will be further outlined in the Operations Manual

Local financial institution will:

- Be a legally registered, government-authorized financial institution with financial and administrative autonomy.
- Conduct financial due diligence, apply appropriate and proportionate risk-mitigation measures in line with national regulations, manage on-granting disbursement, repayment collection, financial recordkeeping and repayment tracking in line with agreed policies and procedures outlined in the sub-grant agreement with Acted.
- Maintain a dedicated ring-fenced ledger/account for the RGF.
- Maintain regular follow-up with beneficiaries and monitor repayment progress, including addressing challenges on a case-by-case basis to avoid inadvertent exclusion and ensure sustainability.
- Provide periodic financial and repayment reports to Acted Syria.
- Gradually assume full operational responsibility for the RGF, to commence in full following project closure.

Joint monitoring and oversight: Acted and the local financial institution will jointly monitor on-granting use, repayment performance, and environmental outcomes. This will include the regular follow-up and case-by-case mitigation approach noted above to ensure inclusion and accessibility for beneficiary participation, as well as compliance.

Strategic oversight will be provided by MoA, particularly during the transition toward full LFI operational responsibility and post-project phase.

MoA and MoLAE will:

- Endorse the approach though confirmation that the financed practices (irrigation, water harvesting, crop choices) are aligned with national strategies and standards.
- Facilitate involvement of government agricultural extension units to provide further technical advice to farmers (how to install, operate, maintain systems).
- Help Acted Syria coordinate with farmer associations, cooperatives, and local directorates to improve outreach and avoid parallel systems.
- Neither MoA nor MoLAE will assume any fiduciary, financial, or credit risk related to the RGF.

In cases of disagreement (whether related to eligibility, financial approval, or compliance) cases will be formally tabled to sub-committee of the TWG established at inception. Decisions will be based on pre-defined criteria outlined in the Operations Manual. Where consensus cannot be reached at the technical level, the issue will be escalated to the Project Steering Committee for final arbitration. All decisions and justifications will be documented to ensure transparency, consistency, and accountability. This structured approach ensures clear decision-making authority, minimizes conflicts between technical and financial processes, and aligns with GCF fiduciary and governance standards.

This structure minimizes conflict of interest and aligns with GCF fiduciary risk management and locally led action and inclusion expectations, prioritizing support for existing community structures over establishment of parallel bodies.

4. Fund structure

The RGF will be capitalized with USD 1.3M fully allocated to beneficiary on-granting, with one off administrative fees (estimated at 2.9%[2]) applied on top of this amount. The fund operates through a clearly defined financial flow from capitalization through to repayment and re-disbursement, as detailed below and to be further outlined in the Operations Manual.

4.1 Fund Architecture and Operational Flow:

Upon receipt of GCF funding, Acted Syria receives disbursements in USD into its in-country USD bank account. Funds are converted into Syrian Pounds (SYP) in line with national regulatory requirements and transferred in phased tranches into the dedicated ring-fenced account held within the LFI, based on validated cash flow needs. This phased approach allows for continuous adjustment to exchange rate fluctuations and minimizes foreign exchange exposure over the lifecycle of the fund. All conversions are reported to GCF in USD using InforEuro official exchange rates, with any exchange rate fluctuations borne by Acted.

The RGF capital will be fully ring-fenced within the local financial institution. In practice, this will be ensured through the establishment of a dedicated bank account exclusively for the RGF, with a unique account number and corresponding internal accounting code within the LFI's financial system. The account will be strictly segregated from the LFI's own capital and other financial products, with no commingling of funds permitted. This ring-fencing will be formalized in the sub-grant agreement and detailed in the Operations Manual. All inflows (GCF-funded transfers from Acted) and outflows (on-granting to beneficiaries and related transactions) will be recorded against this dedicated ledger, ensuring full traceability. Access and authorization rights over the account will be clearly defined and limited, with dual sign-off procedures and transaction validation protocols in place. Importantly, Acted Syria will retain full visibility and access to the account will have the ability to withdraw funds at any time, in line with the terms of the agreement.

[2] This administrative fee is aligned with standard transaction and administrative costs applied by regulated financial institutions in similar contexts and covers a range of services required to ensure fiduciary compliance and secure delivery of funds. These include beneficiary due diligence, account management, disbursement processing, financial verification, record keeping, reporting, and ongoing follow-up in line with Syrian national banking regulations and internal compliance procedures. The rate has been pre-discussed with potential LFIs and will be formalized in the Operations Manual.

Prior to each on-granting cycle, once beneficiaries have been selected through the process detailed in Section 5, each selected beneficiary is supported by Acted staff and the LFI to open a personal account with the LFI, ensuring readiness for direct disbursement and reducing barriers to access for vulnerable groups.

The LFI transfers the agreed grant amount directly from the ring-fenced account to each beneficiary's individual LFI account. One off 2.9% administrative fee is charged by the LFI to Acted at the point of each individual disbursement, covering the costs of account management, transfer processing, and monitoring. This fee is not passed on to beneficiaries.

Beneficiaries implement their approved business plans over the grant period. The LFI will provide periodic, account-specific financial statements and reconciliation reports to Acted, enabling continuous oversight, while all transactions will remain subject to audit in line with Acted and GCF fiduciary requirements.

At the end of the agreed repayment period, beneficiaries repay the grant amount to their individual LFI account. The LFI consolidates repayments and transfers them back into the ring-fenced account, where capital becomes available for re-disbursement in the subsequent cycle. The sequencing of the two on-granting cycles planned to take place during the project implementation is described further in Section 4.3.

Acted retains the ability to withdraw funds from the ring-fenced account at any point. If a planned grant cycle does not proceed or a grant is not disbursed, the LFI will transfer the relevant balance back to Acted Syria's account, ensuring full financial control is maintained throughout the fund's operation. This will be detailed in the sub-grant agreement and Operations Manual.

4.2 On-granting Cycles and Sequencing

The RGF will operate over two successive on-granting cycles during the project period. Both cycles are designed to be fully completed within the project period to inform the RGF’s future independent operation after the project’s implementation.

The first cycle will commence in Year 2 of the project, following the completion of capacity strengthening activities for farmers and farmer association on climate-adapted agricultural practices (Activity 3.1.2 and 3.1.3). Launch of the cycle will include (i) beneficiary selection and (ii) training, followed by (iii) grant distribution. The launch sequencing is deliberate: by ensuring potential applicants have received technical training before the application window opens, the design maximizes the viability of submitted plans, reduces technical and repayment risk, and strengthens inclusive access for farmers who might not otherwise be able to develop competitive applications. Additional training is planned after beneficiary selection and prior to grent disbursement to ensure a flexible and inclusive approach is applied throughout.

Following sufficient repayment recovery from the first cycle, the second cycle will then launch in Year 3. An approximate 18-month interval between cash distributions between cycle 1 and cycle 2 is planned and reflects a carefully considered design choice. Rather than maximizing the number of cycles within the project period, the two-cycle structure with this wide cadence prioritizes quality and learning: the first cycle operates explicitly as a pilot, with performance monitoring, repayment data, and targeting outcomes systematically reviewed before the second cycle is operationalized. This interval allows meaningful lessons to be incorporated into refinements to operational procedures and support measures - strengthening the fund's overall effectiveness and sustainability.

Following the grant distribution of the second cycle, repayment follow-up and impact studies will continue through the project end (Year 5), ensuring a comprehensive evidence base can inform progressive handover and post-project fund cycles and management.

4.3 On-granting Conditions

On-granting will be non-interest-bearing. An administrative fee will be charged by the local financial institution to Acted to cover operational costs and shall not exceed 2.9% of the on-granting value. There will be no fees, margins, or interest on the grants from the LFI that beneficiaries must pay to ensure inclusion.

On-granting size, repayment period, and any applicable guarantees will agreed with the partner local financial institution, based on beneficiary capacity and risk profiles, in accordance with national banking regulations. These will be defined in the RGF Operations Manual at inception, establishing the baseline for monitoring and adaptive measures. Pre-defined ceilings have been identified already with flexibility to respond to needs and developed business plans (also outlined in Annex 9A):

- Micro-businesses: average size 900 USD (with flexibility between 700 – 1200 USD)
- Small businesses: average size 2,000 USD (with flexibility between 1,400 – 2,400 USD)
- Medium businesses: average size 4,500 USD (with flexibility between 2,800 – 6,000 USD)

All proposed business plans will be screened against Acted's Environmental and Social Safeguards. As such, the RGF will be inclusive and accessible, providing grants to beneficiaries that might not otherwise have access to such finance. Additionally, the RGF will exclusively support green investment in climate-smart irrigation, water harvesting, and related climate-adapted practices. Investments that may result in environmental degradation, unsustainable water extraction, or negative social impacts will not be eligible for financing.

4.4 Default Management

The assumed default rate of 10% has been set and anticipated for the RGF based on discussions with potential LFI partners, which indicated that historical default rate for comparable portfolios is approximately 7%. In line with a prudent and risk-aware approach, Acted has applied a conservative upward adjustment to 10% for the purposes of financial modelling and projections. This ensures that the design of the RGF remains robust under less favourable scenarios and avoids overestimating repayment performance, thereby strengthening the credibility and resilience of the mechanism.

In the event of default, the financial risk is absorbed at fund level by Acted - unrecovered capital reduces the revolving pool and is borne by the original capitalization rather than the beneficiary. Acted Syria does not however assume liability for individual borrower defaults. The LFI will manage recovery through its standard procedures in line with national regulations and internal policies. Recovery procedures will not involve coercive or punitive practices. Beneficiaries will not be required to provide guarantees that could expose them to financial ruin in the event of non-repayment.

Default rates will be monitored jointly by Acted Syria and the LFI throughout implementation. Adaptive measures - such as revised repayment schedules or additional technical support - will be applied on a case-by-case basis where justified, to protect the revolving nature of the fund and ensure that repayment challenges do not result in exclusion or hardship for beneficiaries. Recovery procedures will be formalized in the Operations Manual to ensure this inclusive approach, in line with national regulations.

4.5 Exit and Post-Project Continuation

The RGF is designed to progressively transition towards a locally anchored model led by the LFI. To this end, by the project's end the RGF will be fully managed by the local financial institution with oversight under the MoA and MoLAE. Grant capital will remain allocated for climate-resilient agricultural investments only. Given the pre-defined ceilings and default rate assumption (to be formalized in the Operations Manual), the revolving mechanism will enable continued financing beyond the project lifecycle without additional GCF funding. No additional capitalization from GCF or Acted is envisaged beyond the project period.

As outlined in Annex 9A and detailed further in Section 7 (Exit Strategy), Acted will sign an MoU with the LFI to ensure continued responsible management of the RGF beyond the project implementation period, until its capital is fully depleted.

5. Beneficiary selection and eligibility

Beneficiary selection for the RGF will follow a structured, multi-stage process led by Acted, in coordination with MoLAE and MoA. The process is designed to be purposefully inclusive: priority will be given to women farmers, youth, and climate-vulnerable households consistent with the project's gender action plan and vulnerability targeting approach, and active support measures will be applied throughout to avoid inadvertent exclusion of these groups. Eligibility criteria, procedures, and inclusion safeguards (including PSEAH considerations) will be formalized in the Operations Manual and sub-grant agreement between Acted and the LFI and reviewed and endorsed by the TWG sub-committee and Project Steering Committee at inception.

Phase 1: The on-granting application process will be only launched after the completion of the first cycle of demonstration plot training under Activity 3.1.2 (*see Annex 2 Section 7)*, and completion of capacity building of agricultural extension units and research centers in Eastern Ghouta. This sequencing ensures that potential applicants are informed about climate-smart irrigation, water-saving, and climate-adapted agricultural practices, understand the technical requirements of eligible investments, and are better positioned to develop realistic and viable business plans before accessing financing. Priority will be given to applicants who participated in training under Activity 3.1.2, reinforcing uptake of climate-resilient practices and reducing technical and repayment risk. This is a prioritization criterion rather than a strict eligibility requirement, ensuring that participation in capacity building is incentivized without creating a barrier to exclusion for those facing constraints, but rather a more supportive application environment for those who might otherwise face obstacles.

Stage 2: Application and initial screening: Interested farmers and agri-businesses will submit a standardized on-granting application form and business plan describing the proposed climate-smart investment. Acted will lead outreach to ensure vulnerable groups are aware and have access to the application process. The business plan must include description of the current climate- or production-related challenge, proposed climate-resilient intervention (e.g. drip irrigation, water harvesting systems), estimated investment budget; and expected environmental and production benefits, including reduced water use and improved resource efficiency.

Acted Syria will conduct an initial screening based on predefined eligibility criteria. While detailed criteria will be agreed with the Project Steering Committee, they may include:

- Applicant age (18–60 years);
- Classification as small or medium enterprise;
- Location and residency within the project target area;
- Submission of a clear, realistic, and technically feasible business plan aligned with project-supported practices;
- Willingness to sign a funding agreement, provide required financial guarantees, and comply with repayment terms;
- Commitment to attend mandatory technical training; and
- Formal commitment not to change residency or business location during the on-granting repayment period.

Documentation requirements are purposefully kept simple and accessible. Where beneficiaries face difficulties in obtaining formal documentation or where documentation constraints exist, cases will be assessed individually and Acted will provide direct support through the application process to avoid unnecessary barriers and ensure inclusion.

Stage 3: Field verification and MEAL validation: Applicants passing the initial screening will undergo field-based technical verification by Acted Syria to confirm existence and scale of the agricultural activity, feasibility of the proposed intervention and adequacy of infrastructure and water resources. An independent MEAL verification will further validate eligibility, vulnerability criteria (ensuring targeting of vulnerable groups), and compliance with project standards. Only applicants passing both verifications will be approved for financing.

Stage 4: Endorsement and beneficiary notification: The final list of selected beneficiaries will be formally endorsed by Acted Syria and shared with the partner local financial institution, following beneficiary consent, for on-granting processing. The LFI will review the final lists. Applicants will be informed of selection decisions. A grievance mechanism aligned with the project's broader accountability framework will be available throughout the selection process and implementation to address complaints related to targeting, eligibility decisions, or fund management. Furthermore, the RGF will leverage the community engagement mechanisms established under the project to ensure that selection is in line with community priorities.

6. Risk assessment and contingency framework

In line with GCF fiduciary and risk management expectations and recognizing the specific operating context in Syria (including potential climate-related shocks and currency fluctuation), Acted and the partner local financial institution will conduct a structured risk assessment of the RGF mechanism prior to operationalization.

Exchange rate considerations have already been carefully assessed as part of the design of the RGF. Acted will leverage its extensive experience managing currency volatility. While implementation of the activity is conducted in local currency (SYP) in line with regulatory requirements, Acted maintains the capacity to manage funds in USD through an in-country USD bank account and ensures appropriate liquidity throughout the project lifecycle. To ensure consistency and transparency in financial reporting, all expenditures incurred in local currency are converted and reported to GCF in USD using the European Commission's official InforEuro exchange rates.

Any exchange rate fluctuations or losses are borne by Acted and managed internally, ensuring that beneficiary allocations and planned outputs are not affected. This approach provides a robust safeguard against currency risks while maintaining full compliance with both national regulations and GCF fiduciary standards.

The pre-operationalization assessment will further cover credit, fiduciary, governance, operational, liquidity (including up-to-date review of currency fluctuation) and climate-related risks. Based on this analysis, a contingency framework will be adopted to ensure proportional risk mitigation and continuity of the revolving mechanism, strengthening sustainable local ownership.

7. Exit Strategy

The exit strategy for the RGF is structured around a progressive, formalized handover to the LFI, designed from the outset to ensure operational continuity and continued financial inclusion well beyond the project lifecycle.

As outlined in Sections 3 and 4, from project inception, Acted will formalize a sub-grant agreement and MoU with the LFI that governs not only the operational modalities of the fund during implementation, but explicitly conditions the post-project transition. This agreement will embed capacity strengthening of the LFI across disbursement processes, repayment tracking, beneficiary selection and monitoring, and financial reporting - ensuring that full operational readiness is achieved ahead of Acted's withdrawal at project closure.

Upon project closure, the LFI will assume full responsibility for the RGF under the oversight of MoA and MoLAE, maintaining the fund within its dedicated, ring-fenced account and adhering strictly to its founding principles: grant-based financing, no interest or fees borne by beneficiaries, and exclusive allocation to climate-resilient agricultural investments with intentional focus on financial inclusion and accessibility for vulnerable groups. To cover the operational costs of disbursement, monitoring, and account management in the absence of GCF funding, the LFI will continue to apply the regulated administrative one off fee of 2.9% by drawing directly from the revolving fund itself at each cycle. This fee does not constitute interest or profit and is not charged to beneficiaries.. The capacity building delivered under Activity 3.1.4 is specifically designed to strengthen beneficiaries' economic viability and ensure this cost does not constitute a barrier to access, a principle that will be mainstreamed throughout the handover process and carried forward in RGF implementation. The Operations Manual, developed jointly during the inception phase, will serve as the operational framework for post-project management.

The fund will continue to revolve through successive repayment and re-disbursement cycles until capital is fully depleted. As noted in Section 4, with the original capitalization of the fund (1.3M USD) and considering an anticipated default rate of 10% and one off administrative fees of 2.9%, **the RGF is projected to sustain climate-resilient agricultural financing for an estimated 5,000 beneficiaries through 12 cycles over approximately 18 years.** The exit of Acted from the mechanism is therefore a deliberate transition point - one after which the fund continues to generate sustained development impact entirely under local ownership, with no additional capitalization from GCF or Acted envisaged, keeping the mechanism proportionate, time-bound, and fully aligned with GCF fiduciary principles and financial inclusion objectives

8. Conclusion

Overall, the proposed RGF mechanism is designed to operate within existing national regulatory frameworks, with clear separation of roles and responsibilities between Acted Syria and the partner local financial institution with technical oversight of national authorities MoA and MoLAE. At the same time, it is designed to be inclusive and flexible, to ensure support is provided to applicants for greater financial inclusion, including vulnerable groups who might not otherwise have access to finance. The arrangement ensures robust fiduciary oversight, compliance with applicable regulations, and appropriate risk management, while supporting inclusion of vulnerable groups and climate-resilient investments at beneficiary level without creating long-term financial or institutional liabilities for the project.

The RGF directly supports the project’s exit strategy and efficiency objectives by enabling sustained, locally managed financing for climate-resilient agriculture beyond the project lifecycle, without reliance on continued GCF support.