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Redirecting local funding lines to climate change adaptation in a European outermost region

A financial mechanism to pool funding for adaptation in the Guadeloupe French archipelago

The Guadeloupe Adaptation Fund (FLAG) is a financing mechanism that pools public and private local budget lines to support innovative, small-scale climate adaptation projects in resilient tourism and agriculture across the Guadeloupe archipelago.

Key Learnings

- **A tailored Local Adaptation Fund** that awards projects following pre-agreed rules is a catalyst for local investment and stimulates innovation on climate change adaptation at local level.
- **The redirection and pooling of financial resources** from existing available budget lines into a common decision-making process is an example of efficient and smart financing. Yet, the transition phase requires careful coordination, particularly in aligning procurement, contracting, and payment procedures across institutions. Engaging private investors remains a challenge, as the return on investment in adaptation solutions is often intangible, but some are willing to contribute out of a sense of responsibility and long-term vision.
- **Co-design and cooperation** between potential funders and decision-makers from the beginning is essential in order to create a trustworthy institutional arrangement.

About the region

Guadeloupe is an outermost department and a region of France covering 1,628 km² located in the Caribbean Sea. The region has 388,000 inhabitants with six main islands forming the archipelago, situated in the Lesser Antilles, Guadeloupe boasts diverse landscapes, from the volcanic peaks of La Soufrière to the flat coastal plains. The region's tropical climate, along with its lush rainforests, mangroves, and coral reefs, contributes to its rich biodiversity but also makes it highly vulnerable to climate-related risks.

Climate Hazards

Storms, Droughts, Flooding, Extreme Temperatures

Sector

Financial, Agriculture, Coastal Areas, Tourism

Key system

Local Economic System, Land use and Food System



Climate Threats

The EU Outermost regions, which includes Guadeloupe, are named in the 2024 European Climate Risk Assessment report (EUCRA) as hotspots for multiple climate risks, including volcanic activity, hurricanes, sea level rise, forest fires, earthquakes, droughts and floods. The economy of Guadeloupe, heavily reliant on agriculture and tourism, is sensitive to climate change. The remote location and limited economic diversification enforce Guadeloupe's climate risk. More specifically, extreme weather damages key crops like sugarcane and bananas, while rising sea levels and coastal erosion threaten the tourism sector. Additionally, the region's rich biodiversity, including coral reefs and mangroves, faces increasing pressures. Other climate-driven threats, such as land salinisation, invasive seaweed blooms, and extreme heat waves, further compound the challenges posed by rising temperatures and persistent flooding.

Creating a Local Adaptation Fund in a European outermost region

Climate change adaptation action is underfunded in the French Outermost regions, like Guadeloupe. While facing immediate and substantial climate impacts, the outermost regions also face significant challenges in accessing European funds. Reasons include the complex administrative processes, limited local expertise in navigating EU funding frameworks and insufficient communication about available opportunities. The remoteness and substantial multi-hazard climate-related damage are further arguments why adaptation is underfunded in Guadeloupe. Despite being geographically located in the Caribbean and sharing similar climate risks with neighbouring developing countries, Guadeloupe is not eligible for international climate funds designed for developing countries because it is a French region.

In response to these challenges, the French Agency for Ecological Transition (ADEME) coordinated the set-up of a Local Adaptation Fund in Guadeloupe, focusing on the agriculture and tourism sectors. This groundbreaking initiative is France's most advanced financial adaptation mechanism. The fund focuses on redirecting adaptation financing to a region that urgently needs customised solutions, setting an example for more focused and inclusive climate action in both France and across Europe.



Figure 1: The eight ambitions of the Local Adaptation Fund in Guadeloupe. Image Credit: TransformAr.

“We developed a Local Adaptation Fund by applying a collaborative approach. The aim was to meet all parties’ needs and interests, ranging from the beneficiaries to the investors. We targeted the greatest challenges such as making adaptation projects bankable, discussing a regional political adaptation framework, and providing human resources to support local implementation.”

Marie-Edith Vincennes, Project Manager at ADEME Guadeloupe, French Agency for Ecological Transition

The process behind setting up a Local Adaptation Fund

The following steps have been taken to develop the Local Adaptation Fund:

1. Feasibility study for the financial mechanism

The feasibility study included a desk review and fieldwork, 30 interviews, and seven workshops. Tourism and agricultural operators, public institutions, and banks actively participated. In the feasibility study, a collaborative approach is followed in which the local investors were mapped and their needs streamlined to the future implementers of adaptation action (beneficiaries of the fund). The feasibility study also resulted in a principal agreement to develop and pilot test the Local Adaptation Fund.

2. Design of the governance and decision-making structure of the Local Adaptation Fund

The Local Adaptation Fund supports local-scale and innovative climate change adaptation projects in Guadeloupe, following a call for proposals and subsequent project selection process. The project team explored several governance options, focusing in particular on:

1. the legal and administrative feasibility of pooling budget lines from different entities,
2. the decision-making process for allocating the pooled funds, and
3. the criteria for awarding funding to adaptation projects

In the first funding round, the team decided not to pool the budgets. Instead, each funder could choose between either delegating a portion of their funds to the coordinating entity or financing selected beneficiaries directly, using their own internal administrative and financial procedures.

ADEME Guadeloupe, the regional branch of the [French Agency for Ecological Transition](#), serves as the fund coordinator. It leads the project selection process and chairs the Technical and Financial Committee, which defines the operating rules, sets the selection criteria, and decides which projects will be supported through the Fund.

In this current model, the Committee jointly selects the projects to be funded, after which each funder independently manages contracting and payments with the beneficiaries according to their own procedures.

In future funding rounds, a basket funding approach could pool budgets into a common account managed by a central entity. This model would streamline the process for beneficiaries by offering a single point of contact and harmonized administrative procedures. However, implementing such a mechanism requires prior agreement among funders on common procurement, contracting, and payment rules – an alignment that is not yet in place at this stage.

Engaging the private sector has proven quite challenging: Although the process involved several local banks, they rarely attended the Technical and Financial Committee meetings and only one finalised cofinancing of one of the projects. To secure private bank support, ADEME guided beneficiaries in developing robust business plans, showcasing financial health, revenue projections, and public institutional backing as leverage.

3. Launch of 1st batch of local adaptation projects, following a call for proposals

The Local Adaptation Fund used a call for proposals to collect interest and award projects. Proposals had to target the agriculture and tourism sectors and should target adaptation solutions for climate hazards such as hurricanes, floods, high temperatures, droughts, and coastal erosion. Proposals had to align with one or more of the adaptation categories, such as governance, nature-based, technology and behavioural change. Within each category, the projects could be studies, research and innovation, investment or behavioural change projects.

The first call for proposals resulted in six winning projects, with a total budget of €1,240,000. The Local Adaptation Fund made it possible to mobilise over €1 million in funding, including more than €900,000 in public grants and €100,000 from private sector contributions.

Porc Créole	Pluvaride	Optisystemes	MétéEAU Nappes	RESAFOR	DRAINAGE
Focuses on local pork production by selecting creole pigs, a breed naturally suited to tropical climates and rising temperatures	To boost agricultural resilience in Guadeloupe through flood control, drainage channels, agroecological practices, and a smart-climate pilot farm for training local farmers.	Enhances Guadeloupe's agriculture by integrating digital tools, weather stations, and sensors to improve water use efficiency and decision-making.	Focuses on managing groundwater resources by providing real-time and predictive data on water levels to improve drought preparedness and sustainable water use.	Promotes agroforestry for vanilla production in Guadeloupe, improving soil health, reducing environmental impact, and increasing resilience to climate challenges like droughts and floods.	Enhances water resilience and efficiency by creating a shared governance body between the public and private sectors. Supports farmers with innovative water solutions for better adaptation to extreme weather and sustainable resource management

Figure 2: Summary and overview of local adaptation projects. Image Credit: TransformAr.

Summary

The Local Adaptation Fund in Guadeloupe is the most advanced, adaptation-focused financial mechanism in the French territory. It gathers local public and private investors to finance innovative adaptation projects in the agriculture sector. This fund enabled the financing of six adaptation projects totalling 1,240,000 Euros. It responds to limited local financing options for adaptation projects, with most funds focusing on mitigation and post-disaster compensation actions. Implementing political and financial adaptation tools is crucial to tackling the impact of climate change impact in Guadeloupe.

Further information

The work presented in this adaptation story is part of the [TransformAr](#) Mission project.

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- Presentation of Guadeloupe demonstrator: <https://www.youtube.com/watch?v=TogycF-5RCA&list=PLIGbVmWpW-WwiUFHj1Q5Hur0RG7rf8lh8&index=7>
- Presentation of the Local Adaptation Fund: <https://www.youtube.com/watch?v=Dne1kGkSZ0o>
- LinkedIn page: <https://www.linkedin.com/company/transformargreendeal/>

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