

Category

Intergovernmental
Transfers and Grants



Geography/ Location

AB, BC, MB, NB, NL,
NS, NT, NU, ON, PE,
QC, SK, YT

Municipality Size

All



Tier

Foundation



Constraints

None

Administrative Capacity Required

High



Fiscal Tool Brief: Federal Transfers and Grants

Federal grants provide municipalities with targeted funding to support essential services, climate adaptation, infrastructure, and community resilience projects.

Federal grants are a form of intergovernmental transfer and a primary public funding mechanism used by the Government of Canada to support a wide range of initiatives at the local level. While Canadian municipalities are expanding and gaining more responsibilities to provide public services, they rely heavily on property taxes for their revenues and have limited revenue sources.^{1,2} As a result, municipalities are highly reliant on intergovernmental transfers. These transfers help sustain essential services like policing, libraries, public transit, and water infrastructure, and play a foundational role in

maintaining the health, safety, and livability of communities. Given the increasing risks posed by climate change, some of these grants are aimed at addressing the impacts of climate change, enabling the local governments, community organizations, Indigenous communities, and other stakeholders to implement adaptation measures tailored to different local and regional contexts. Federal grants are delivered through dozens of departmental and agency programs, including Housing, Infrastructure and Communities Canada, Natural Resources Canada, and Environment and Climate Change Canada. These grants are targeted investments in critical sectors such as infrastructure, environmental stewardship, and community resilience. By providing targeted financial resources, federal grants directly enable implementation of adaptation projects and strengthen municipal capacity.



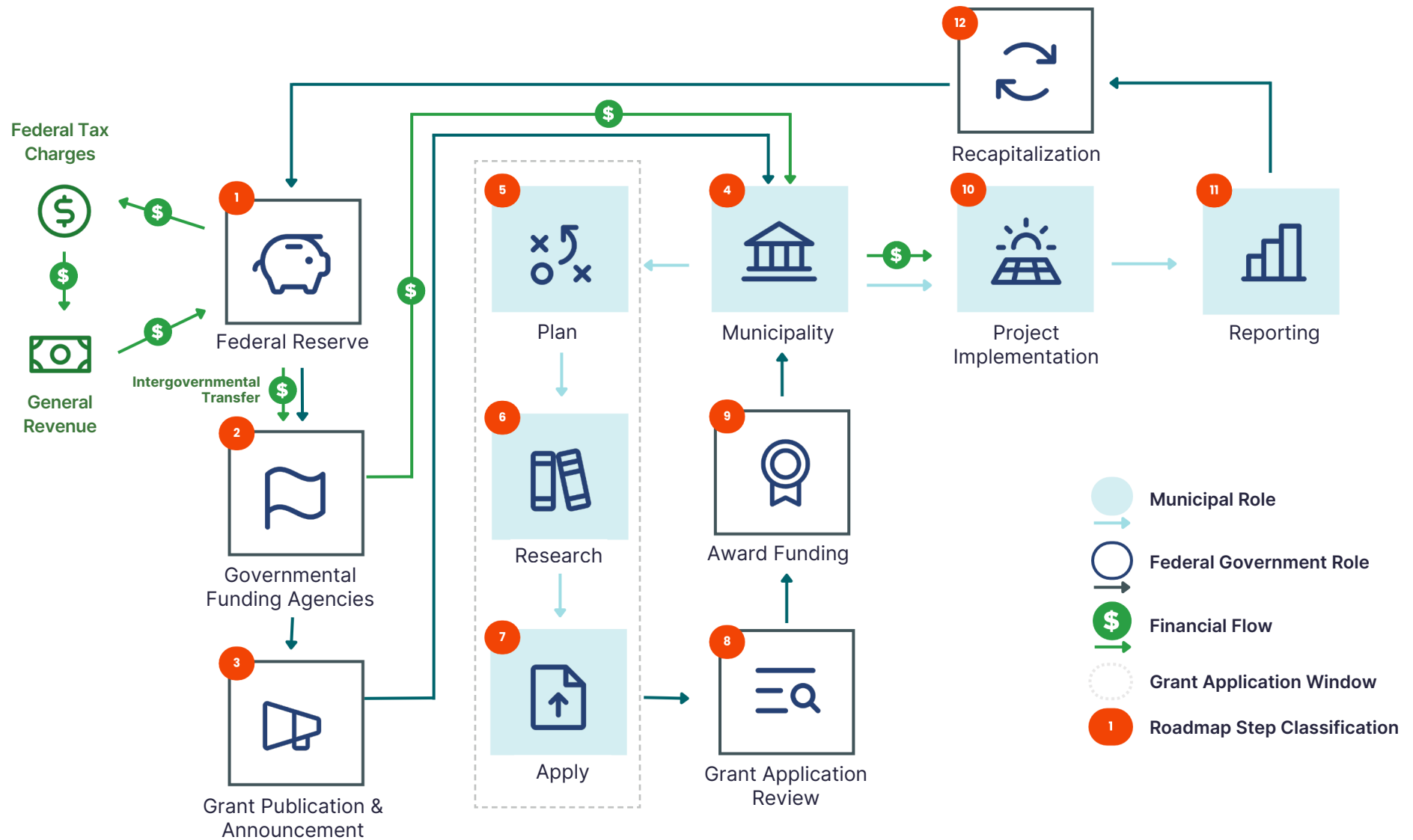


Figure 1. Visual representation of how Federal Transfers and Grants work

Examples

There are numerous federal grants that fund projects and initiatives to build climate-resilient communities, such as flood mitigation projects, fuel management projects to mitigate wildfire risks, and the restoration of natural ecosystems that buffer communities from climate hazards. One example is the [Disaster Mitigation and Adaptation Fund \(DMAF\)](#) from Housing, Infrastructure and Communities Canada. Through DMAF, the federal government is investing \$2 billion over 10 years in structural and natural infrastructure projects to increase the resilience of communities that are impacted by natural disasters triggered by climate change. From April 1, 2018, to March 31, 2024, DMAF allocated over \$2.8 billion to 115 projects, including over \$242 million for Indigenous communities and organizations, to help communities remain resilient in the face of extreme events, such as flooding, wildfires and droughts. In addition, a further \$489 million in new funding for DMAF, secured through the Government of Canada Adaptation Action Plan, allowed the program to provide more financial support to various climate adaptation initiatives.³ These funded projects aim to protect communities from extreme weather events such as flooding, wildfires, and storms that are increasing in both frequency and severity due to climate change. Investments range from engineered solutions like stormwater drainage upgrades to nature-based solutions such as wetland restoration, all with the shared goal of reducing disaster risks and enhancing long-term resilience. Another example is the [Green Municipal Fund \(GMF\)](#) from the Federation of Canadian Municipalities (FCM). For over 25 years, this funding has been

supporting Canadian municipalities, regardless of their size, to implement both climate mitigation and adaptation projects, reach net-zero, and build a resilient future.⁴ Over 2,700 projects have received the support from GMF since this program started, contributing to a reduction of 2.98 million tonnes of GHG emissions, contribution of about \$1.5 billion to national GDP, and various social benefits including equity, cohesion, and community well-being.⁵

Relevance to Advancing Adaptation

Federal grants are critical to advancing climate adaptation and resilience in Canada. By providing financial resources to local municipalities and organizations, federal grants enable municipalities and communities to undertake projects that would otherwise be fiscally challenging or infeasible, such as coastal resilience, wildfire mitigation infrastructure, and flood mitigation projects. For example, small municipalities facing increasing flood risks due to climate change might access DMAF funds to build flood control channels, elevate roads, or restore natural wetlands to reduce the risks, reducing the long-term adaptation costs and increasing climate resilience for the municipalities. The financial support provided by federal grants not only helps reduce the immediate risks posed by climate events but also strengthens the long-term adaptation capacity of local communities. Moreover, by lowering financial barriers, federal grants also promote social equity in adaptation, ensuring that vulnerable regions are not left behind in national climate resilience efforts, and can be complemented by private-finance initiatives such as ICLEI Canada's [Getting Ready to Finance Toolkit](#).

Accessibility

Federal grants are available nationwide, but access varies widely based on a range of factors, such as administrative capacity, regional priorities, and matching fund requirements.^{6,7} However, the access may be uneven across regions and population groups. For example, grant application windows are often short and may require a certain level of project background information. While urban or larger municipalities typically have dedicated staff, knowledge, and experience to navigate application processes, smaller or rural communities may lack capacity to apply or manage compliance. In addition, sometimes municipalities may not be aware of all federal grant programs, unless they are contacted to apply or obtain the information from other sources. Moreover, some grant programs require recipients to provide matching funds or to demonstrate a certain level of project readiness, which can limit the accessibility for smaller municipalities where the capacity is constrained. As a result, despite nationwide availability, equitable access to federal grants remains a challenge that must be addressed through targeted capacity-building and streamlined processes.⁸

Feasibility

Federal grants are politically well-supported and embedded in federal frameworks, but implementation feasibility varies due to intergovernmental coordination requirements and local capacity constraints. They are embedded in federal budget frameworks, align with national priorities (e.g., Canada's National Adaptation Strategy), and provide implementation flexibility that allows local and regional governments to tailor projects to their specific climate adaptation needs. However, municipalities are constitutionally

under provincial jurisdiction, and as a result, they also rely on provincial frameworks and support to fully access and implement federal funding. This inter-jurisdictional structure means that while federal transfers are critical to funding these climate adaptation projects, provincial support is also essential to ensuring these grants translate into effective implementation of these local adaptation initiatives. Federal grants, when paired with enabling provincial legislation and support, can enhance municipal capacity to invest in infrastructure, reduce climate risks, and address climate vulnerabilities.

Risk

While federal grants reduce fiscal risk to recipients, they can bring administrative and political risks.⁹ For example, complex application processes, long approval timelines, and stringent compliance requirements can lead to delays or cancellations, especially for communities with limited administrative resources. Many grant programs also require matching contributions, which can be difficult for some applicants to secure. There are also uncertainties about program continuity, especially under changing governments, and these uncertainties can complicate long-term planning and investment, particularly for large-scale infrastructure projects that span multiple years. This challenge reflects a broader issue identified by the Canadian Infrastructure Council, an expert advisory body, tasked to deliver Canada's first National Infrastructure Assessment (NIA). Their recent report¹⁰ notes that overlapping responsibilities across, federal, provincial, territorial and municipal governments, misaligned funding cycles, and fragmented decision-making processes create significant barriers to timely and coordinated infrastructure investments.

Scalability

Federal grants have high potential for scalability, particularly when they are embedded in long-term, multi-year national frameworks (e.g., Government of Canada Adaptation Action Plan). Programs such as the Disaster Mitigation and Adaptation Fund and the Local Leadership for Climate Adaptation (LLCA) from the Federation of Canadian Municipalities' Green Municipal Fund have funded dozens of projects across all provinces and territories, demonstrating its scalability by supporting a wide variety of projects across all provinces and territories, ranging from major infrastructure upgrades to ecosystem-based adaptation initiatives. However, while these programs demonstrate scalability in terms of geographic reach and project scope, existing federal transfers are insufficient to meet the costs of the projects that help mitigate the climate impacts and build resilience. For example, the LLCA program provides a maximum funding of \$1 million dollars.¹¹ But this may be insufficient for a larger size to make an impact on large infrastructure projects. In addition, a report from the Federation of Canadian Municipalities and Insurance Bureau of Canada showed that the cost of climate adaptation is estimated to cost Canadian municipalities \$5.3 billion annually.¹² Therefore,

to effectively scale adaptation across sectors and regions, government funding must be complemented by substantial private sector investment and innovative financing mechanisms. Private capital can play a vital role in financing large-scale and innovative projects, particularly where there are clear returns in terms of risk reduction, asset protection, and long-term resilience.¹³ A recent example of this approach is ICLEI Canada's [Financing Resilient Infrastructure Project \(FRIP\)](#) developed in partnership with Co-operators and Addenda Capital, which connected ten municipalities with private investors to design finance-ready climate-resilient projects. The project's [Getting Ready to Finance Toolkit](#) offers practical guidance for municipalities seeking to leverage private capital alongside federal grants to accelerate adaptation. Encouraging mechanisms such as blended finance, green bonds, public-private partnerships, and climate risk disclosure frameworks can help de-risk adaptation investments and attract institutional investors. Unlocking private capital will be essential to bridging the funding gap and accelerating the speed and scale of adaptation.

Evaluation Matrix

Scoring: High = +1 | Medium = 0 | Low = -1

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	High	+1	Direct funding for adaptation infrastructure	Directly enables implementation of resilience projects with strong targeting of climate risks.
Economic Efficiency	Medium	0	High impact but complex application and compliance	Highly efficient for recipients, though application and reporting requirements are resource intensive.
Equity & Fairness	Medium	0	Supports vulnerable regions but uneven access	Improves equity through funding distribution, but access barriers limit consistent outcomes.
Political Acceptability	High	+1	Strong federal alignment with climate priorities	High legitimacy due to alignment with national climate strategies and public funding.
Feasibility (Admin/Legal)	Medium	0	Requires intergovernmental coordination	Feasible within existing systems, but coordination and capacity constraints remain.
Coherence (Portfolio Fit)	High	+1	Core component of municipal finance system	Strongly integrated with municipal infrastructure funding and complements other tools.

Best Use Context

Most effective for municipalities with sufficient administrative capacity to navigate complex application processes. Particularly valuable for funding large-scale, capital-intensive adaptation projects that would otherwise be unaffordable, and best used alongside other tools to ensure continuity and scale.

Context Factor	Relevance	Notes
Municipal Size	Medium	Larger municipalities better positioned to access, though programs are broadly available.
Administrative Capacity Required	High	Significant capacity needed for applications, compliance, and reporting.
Development Pressure	Low	Not dependent on growth; applicable across contexts.
Climate Risk Targeting	High	Strong alignment with specific climate risks such as flooding and wildfires.
Fiscal Flexibility Required	Low	Reduces need for municipal capital through external funding.

Recommended Citation

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