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

Equity; Feasibility

Administrative Capacity Required

High

Fiscal Tool Brief: Provincial and Territorial Transfers and Grants”

Provincial and territorial transfers and grants provide targeted funding to help municipalities and communities deliver essential services, fill local funding gaps, and advance resilience or infrastructure projects.

Provincial and territorial transfers and grants are a form of intergovernmental transfer and a direct funding mechanism where provincial and territorial governments allocate a set sum of money to municipalities, First Nations, or other eligible recipients for specific projects. Canadian municipalities are taking on expanding responsibilities in delivering public services, yet they depend heavily on property taxes as their primary revenue source.[1,2] Consequently, they rely significantly on intergovernmental transfers, which are critical for sustaining essential services such as policing, libraries, public transit, and water infrastructure. These transfers form the backbone of efforts to protect community health and safety. As climate change continues to impact our communities, provincial and territorial governments develop grant programs to help local municipalities implement projects that advance environmental protection, disaster risk reduction, and community resilience. These grants are typically awarded through applications with clear eligibility criteria, deliverables, and timelines. Funding may be provided as a lump sum or in installments tied to project milestones, and can cover a wide range of initiatives, from planning studies to large-scale infrastructure projects. By leveraging provincial and territorial resources, these grants can bridge funding gaps for projects that might otherwise be delayed or scaled down due to local budget constraints.

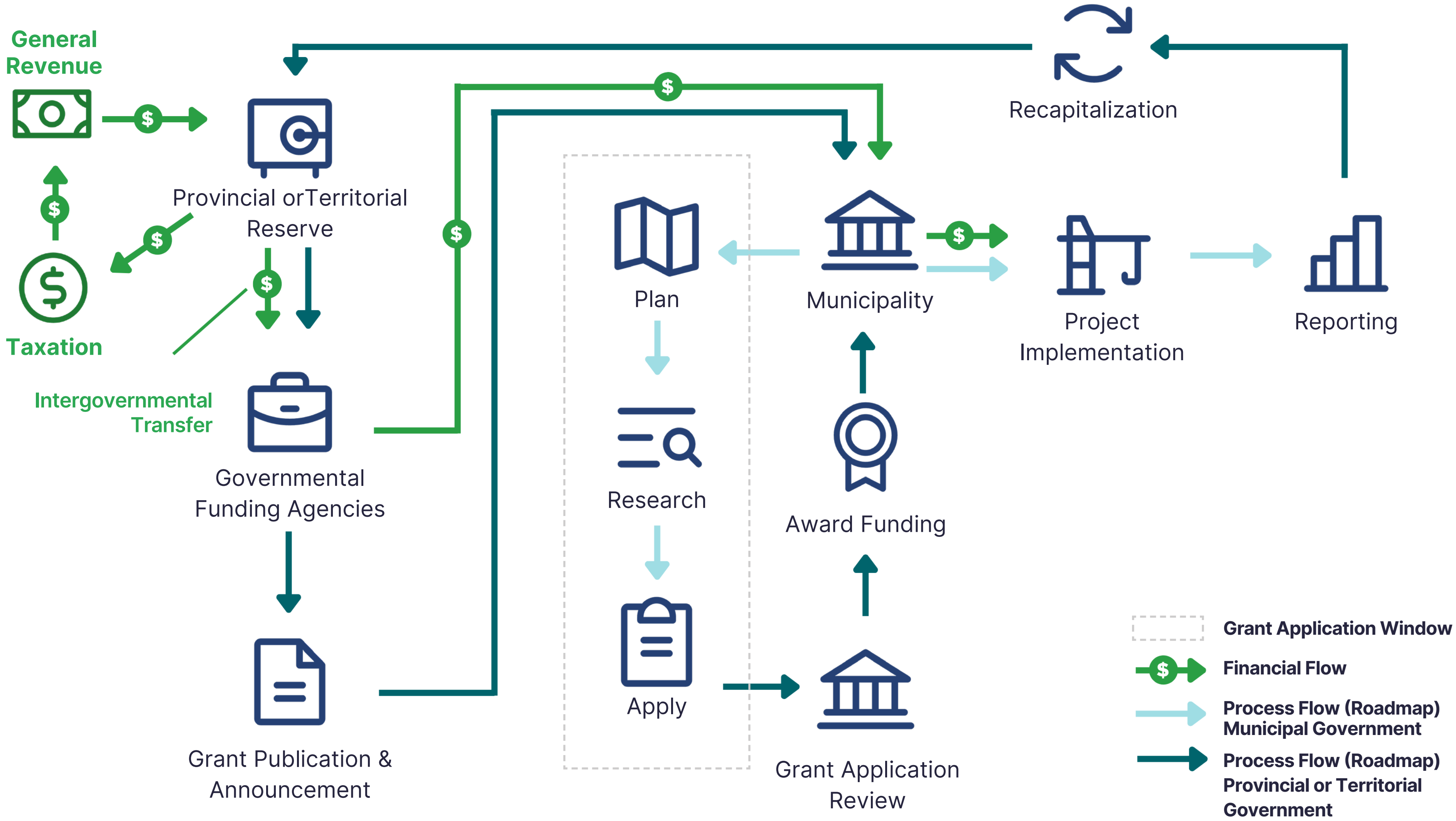

Figure 1. Visual representation of how Provincial and Territorial Transfers and Grants work

Examples

Various provincial and territorial grants support projects aimed at building climate-resilient communities, including reducing flood risks, improving emergency response initiatives, and restoring ecosystems. For example, the Ontario Community Environment Fund (OCEF) collects revenues from environmental penalties, such as industrial sites that don't follow Ontario's environmental rules, and reinvest back into local environmental initiatives. These funds are available for projects such as habitat restoration, shoreline stabilization, and community tree planting campaigns. In 2025, this program has over $2.9 million available for local projects to restore the environment, supporting healthy communities and protecting and preserving the environment.[3] In British Columbia, the Disaster Resilience & Innovation Funding program (DRIF) provides financial support to First Nations and local governments for projects that improve preparedness for natural hazards and climate-related risks, such as upgrading dikes, improving emergency communication systems, and developing community risk maps. These provincial grant programs reduce the financial constraints that local governments may have and enable them to act proactively in the face of climate impacts, building long-term resilience through investments in natural systems, community capacity, and hazard preparedness.

Relevance to Advancing Adaptation

Provincial and territorial grants play a critical role in enabling municipalities and communities to implement climate adaptation measures that may be too costly to fund solely through local revenues. By providing upfront, non-repayable capital, these grants allow for timely investment in infrastructure upgrades, nature-based solutions, and community capacity-building that address both immediate and long-term climate risks. For instance, a coastal municipality at risk from sea-level rise could use grant funding to restore protective wetlands, reinforce shoreline defences, and redesign public spaces to manage periodic flooding. Similarly, a grant could fund the installation of permeable pavement and bioswales in urban centres to reduce stormwater runoff and urban heat islands. Beyond physical infrastructure, grants can also support adaptation planning, risk assessments, and public engagement programs that improve community awareness and preparedness for climate impacts. Since provincial and territorial grants often prioritize projects that demonstrate measurable resilience benefits, they help align local action with broader provincial and territorial climate adaptation strategies and encourage the replication of successful approaches across multiple jurisdictions.

Accessibility

There are numerous intergovernmental grants available across Canada's provinces and territories. However, these grants vary in accessibility due to provincial and territorial priorities, eligibility criteria, and administrative capacity at the local level. For example, in Ontario, the OCEF allocated over $2.9 million in 2025 for local environmental projects, with eligibility extending to municipalities, Indigenous communities, and not-for-profits, but only in regions where environmental penalties have been collected, which led to some areas without access.[4] Access also hinges on municipal capacity. Larger municipalities tend to have more experience and advantage in securing funding. For example, the OCEF uses Transfer Payment Ontario application system. This system can be resource intensive for some municipalities with limited capacity.[5] In addition, language, technical support, and outreach efforts by provincial and territorial agencies influence which communities perceive, apply for, and successfully receive funding. These factors can collectively produce inequities in access, underscoring the need for intentional outreach and support mechanisms to ensure more equitable distribution of adaptation resources.

Feasibility

Provincial and territorial grants have a high feasibility for municipal climate adaptation, since they can be designed to closely align with broader provincial and territorial climate goals, strategies, and budgeting cycles. Since municipalities are under either provincial or territorial jurisdiction, they operate within a governance and fiscal relationship in which provincial and territorial transfers are a natural and established funding mechanism. This makes provincial and territorial grant programs a practical channel through which provinces and territories can advance adaptation priorities at the local level. In addition, many are embedded within multi-year fiscal frameworks, giving applicants and recipients some predictability. This is evident in programs like the DRIF and Community Emergency Preparedness Fund (CEPF) in British Columbia, which offer ongoing calls and clear categories for foundational planning and structural resilience projects that match provincial/territorial disaster risk priorities.[6] However, feasibility is influenced by the capacity of both provincial and territorial administrations and local applicants. At the provincial/ territorial level, political priorities and fiscal constraints can shape program continuity and funding levels year-to-year. If a province/territory shifts its budgetary emphasis away from climate adaptation, grant availability and program design could change, challenging municipalities relying on these funds. At the local level, municipalities with established grant management capacity and technical expertise can more feasibly prepare competitive applications and manage reporting requirements.

Risk

While provincial and territorial grants can catalyze climate adaptation efforts, they carry several risks that affect municipalities and broader adaptation goals. One central risk is administrative complexity since many programs require detailed proposals, extensive documentation, and ongoing reporting, which can delay project initiation and disproportionately burden smaller municipalities or those with limited staffing capacity.[7] This can discourage participation or divert local resources from other priorities. There are also risks associated with the political and fiscal environment. Provincial and territorial budgets and priorities can shift with changes in government or economic conditions, meaning funding streams for adaptation can be reduced, paused, or redesigned from one fiscal cycle to the next. This volatility creates uncertainty for multi-year projects, such as large infrastructure upgrades or nature-based solutions that require sustained funding commitments.[8] Additionally, the reliance on competitive allocation can also create inequities, where well-resourced municipalities repeatedly secure funding while high-risk but under-resourced communities are left out. This indicates that equity-focused design for such funding programs are needed because communities with fewer resources face greater barriers to accessing funds and participating in decision-making.[9] Therefore, mitigating these risks requires transparent program design, multi-year policy commitments, and technical support to enhance municipal capacity to navigate funding processes effectively.

Scalability

Provincial and territorial grant programs have strong scalability potential when structured to support both replication and adaptation of successful models across jurisdictions. Within a province or territory, grants can be targeted toward common climate risks, such as flood hazards, wildfire vulnerability, or drought impacts, enabling municipalities facing similar conditions to adopt proven solutions. For instance, British Columbia's CEPF funds a range of projects from risk assessments to small structural interventions across many local governments and First Nations, demonstrating how standardized categories can support broad uptake.[10] Grants also provide a mechanism for piloting innovative adaptation approaches at smaller scales before scaling up. Provinces and territories can evaluate pilot outcomes, refine guidelines, and then expand funding to support wider deployment of effective practices. Integrating pilot learnings into program criteria can support the wider adoption of innovative adaptation strategies.

However, scalable impact depends on sustained and predictable funding commitments. One-time or short-term funding limits the ability to build momentum or embed solutions into municipal planning processes. Coordination with federal programs and private investment is also critical for larger infrastructure or multi-community initiatives, reducing reliance on provincial and territorial grants alone. Furthermore, cross-sector collaboration, including municipalities, Indigenous governments, non-profits, and private partners, can also enhance scalability by pooling expertise and resources. With these partnerships and long-term fiscal planning, provincial and territorial grants can be a useful tool to scale up adaptation initiatives across regions.

Evaluation Matrix

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

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	High	+1	Direct, non-repayable funding	Directly funds adaptation projects and enables investments otherwise unaffordable locally.
Economic Efficiency	Medium	0	Application and reporting burden	Efficient funding but requires moderate administrative effort and staff capacity.
Equity & Fairness	Medium	0	Competitive access disparities	Access varies across municipalities; outcomes depend on program design and capacity.
Political Acceptability	Medium	+1	Widely accepted transfer mechanism	Strong legitimacy as grants fund visible public goods without local taxation.
Feasibility (Admin/Legal)	High	+1	Established intergovernmental system	Highly feasible within existing provincial–municipal fiscal relationships.
Coherence (Portfolio Fit)	Medium	0	Project-based and fragmented	Aligns with provincial and territorial priorities but may lack long-term coordination with local planning.

Best Use Context

Provincial and territorial grants are most effective for municipalities with sufficient administrative capacity to secure and manage funding. They are particularly valuable for high-cost adaptation projects where local revenues are insufficient but are best used alongside other tools due to their competitive and episodic nature.

Context Factor	Relevance	Notes
Municipal Size	Medium	Larger municipalities have advantage, but smaller ones can benefit with support.
Administrative Capacity Required	High	Strong capacity needed for applications, compliance, and reporting.
Development Pressure	Low	Not dependent on growth; applicable across contexts.
Climate Risk Targeting	High	Can be designed for specific hazards (e.g., floods, wildfire, heat).
Fiscal Flexibility Required	Low	Provides external funding, reducing need for local fiscal capacity.

Recommended Citation

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This brief is part of a larger catalogue. The Catalogue of Fiscal Tools to Advance Adaptation examines how municipalities can use and optimize existing fiscal tools to support climate adaptation and climate-resilient infrastructure. Each brief included in this catalogue explores a specific tool, assesses its strengths and limitations through a common analytical framework, and highlights examples of how it has been applied in practice.

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