

Category

Partnerships



Geography/ Location

MB, ON

Municipality Size

Large



Tier

Conditional



Constraints

Efficiency; Complexity;
Political



Administrative Capacity Required

High



Fiscal Tool Brief: Public-Private Partnerships

Public-private partnerships help governments deliver major infrastructure projects by leveraging private-sector financing, expertise, and risk-sharing while maintaining public oversight.

Public private partnerships (known also as PPPs, 3Ps, or P3s) are long-term agreements between governments and the private sector to construct, expand, or upgrade public infrastructure, provide services, and/or maintain them.¹ In Canada, P3s were introduced in the early 1990s, and have since been widely used for projects including roads, bridges, hospitals, water and wastewater treatment plants, transit systems, schools, and justice facilities. The Canadian Council for Public Private Partnerships (CCPPP) defines the Made in Canada Model as “a cooperative venture between public and private sectors, built on the expertise of each partner, that best meets clearly defined public needs through the appropriate allocation of resources, risks and rewards”.² In practice, P3s aim to harness private-

sector innovation, efficiency, and financing capacity to deliver public assets more effectively. When structured well, they can reduce lifecycle costs, accelerate project delivery, and transfer key risks away from governments while maintaining public oversight and accountability.

There are some concerns that P3s are more expensive than the traditional bid-build contracts and that the private sector’s borrowing costs are higher than those for the public sector. However, because the private sector is motivated to perform, a well-structured public private partnership can provide value for money, though outcomes depend on financing costs, contract design, and oversight capacity.³ In addition, since public private partnership models consider the life cycle costs of the assets, it can lead to better value in design, construction, maintenance and operation.

Leveraging private capital, P3s can help address funding gaps for large infrastructure projects, particularly where long-term revenue or funding commitments are available.



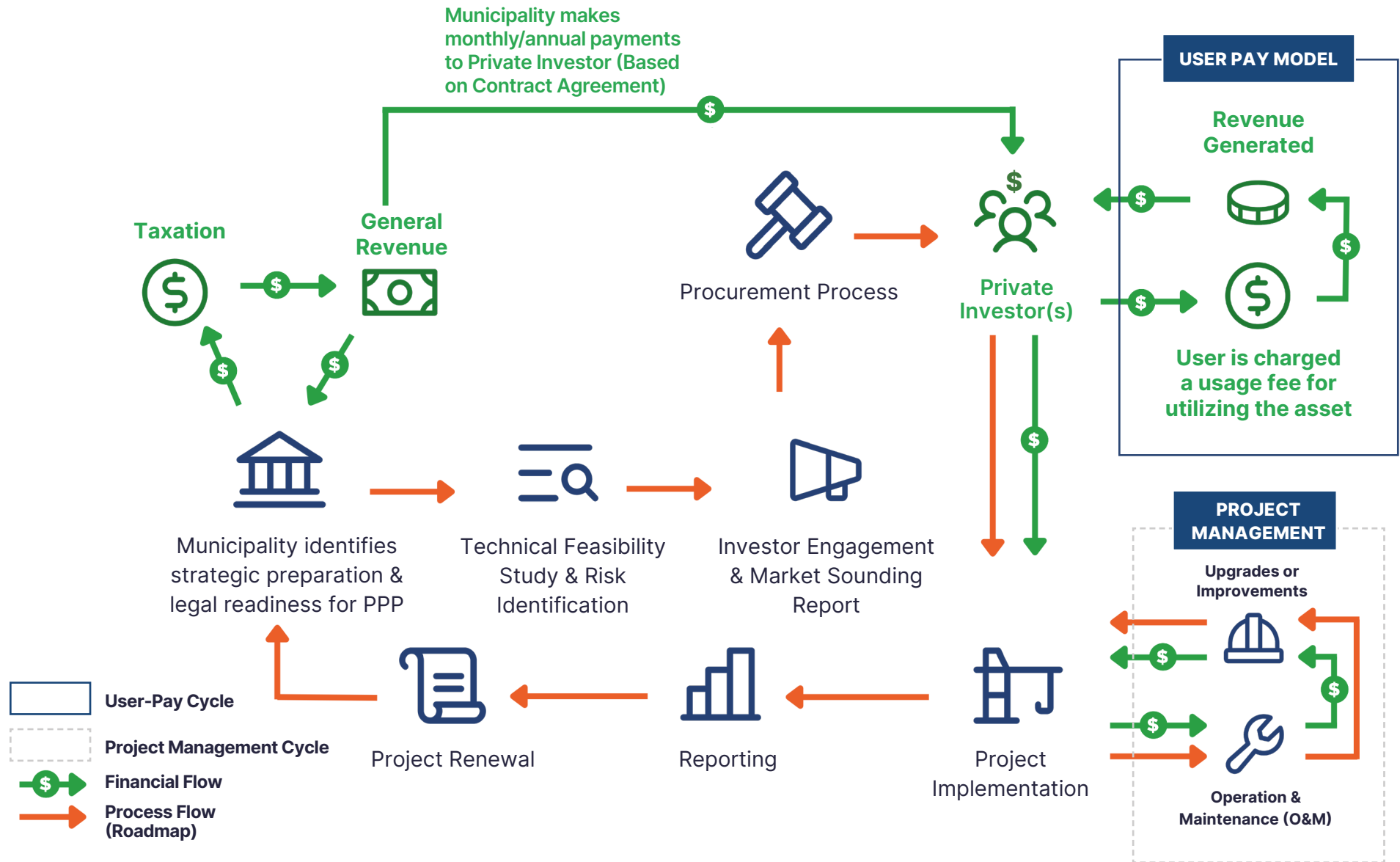


Figure 1. Visual representation of how Public Private Partnerships work

Examples

P3s have a proven track record in successfully delivering large-scale infrastructure projects across Canada. For example, the Infrastructure Ontario's P3 model, also called as Alternative Financing and Procurement (AFP), provides a financing model for large-scale public sector infrastructure projects in Ontario. It is typically used for projects with a capital cost exceeding \$100 million or those involving significant risk and complexity. Under this model, the private sector assumes responsibility for designing, building, financing, and in some cases, maintaining and operating infrastructure, while the public sector ensures accountability and oversight. A key feature of the model is its emphasis on transparency, with Infrastructure Ontario making project information available to the public while balancing commercial confidentiality to protect sensitive business details.⁴ There are multiple successful projects across Ontario that have used Infrastructure Ontario's P3 model. For example, the Bluewater Health project that expanded services with a larger emergency department, new surgical centre, improving community access to health care and enhancing the access to emergency services.⁵

Canada Infrastructure Bank (CIB) also employs a public-private partnership model to support large-scale infrastructure investments that strengthen resilience to climate change. The public-private partnership model played a crucial role in the formation of CIB, and CIB now uses this model further by using revenue and user charges to fund the asset, in whole or in part, and transfer more revenue, usage and ownership risks to the private sector.⁶ For example, in the Thompson Regional Airport project, the investment enabled the replacement and upgrade of the airport terminal, providing a long-term solution resilient to the impacts of climate change.

From this project, the air access for 37 remote and Indigenous communities, that rely exclusively on air or ice roads, is preserved, helping ensure the long-term continuity of essential services.⁷

Moreover, Build Canada Homes is a new initiative from the federal government to accelerate building homes through public-private cooperation. This initiative will help all levels of government build affordable homes by attracting private capital, streamlining project processes, and providing support of financing and sustainable building expertise.⁸

Examples

Although not designed specifically for adaptation, P3s can support large-scale, climate-resilient infrastructure where resilience requirements are explicitly incorporated into project design. Because P3 contracts typically cover the full asset lifecycle, they can embed resilience requirements at the design stage, including consideration of future flood risk, extreme heat, and long-term asset performance. This approach can also deliver co-benefits, such as integrating energy efficiency and emergency readiness into hospitals or improving accessibility and resilience in schools, where resilience and performance requirements are contractually embedded.

However, P3s are most appropriate for large, capital-intensive projects where financial returns can be clearly defined. For private partners to see a return on investment, projects must generate predictable revenues or be supported through availability payments or long-term public funding commitments. While this model aligns well with many climate mitigation projects that produce direct savings or revenues, it is more challenging to apply to climate adaptation projects, which often deliver public benefits and

avoided losses rather than direct financial returns. As a result, adaptation-focused P3s typically require stronger public sector support, risk-sharing, or policy alignment to be viable. Therefore, when appropriately structured, P3s can still support scalable adaptation by bringing innovation, cost control, and long-term maintenance discipline, particularly in contexts where public budgets are constrained and projects require sustained performance over time.

Accessibility

P3s in Canada tend to be accessible primarily to large-scale infrastructure projects, which means that smaller, more localized adaptation efforts may struggle to leverage this model. Because P3s bundle together several project phases, including design, construction, maintenance, and sometimes operations, they require sophisticated contractual structures and technical capacity on the public side to negotiate and manage. CCPPP notes that true P3s must involve the transfer of risk and the entire lifecycle of the asset.⁹ Moreover, while information on P3 projects is often made publicly available for accountability and transparency, balancing that disclosure with commercial confidentiality can be challenging. Infrastructure Ontario, for instance, emphasizes transparency in its P3s model but notes that some details must remain confidential so as not to compromise competitive procurement.¹⁰ Therefore, while P3s can provide strong public oversight, they demand considerable in-house expertise and capacity, which may limit accessibility for smaller municipalities or less technically resourced governments.

Feasibility

The feasibility of P3s are well demonstrated as many Canadian jurisdictions have successfully used them to deliver large, complex public infrastructure projects on time and to specification. Infrastructure Ontario, for example, explicitly uses its P3s model for large projects, typically those over CA\$100 million, or where risk or complexity is substantial.¹¹ The long-term, performance-based structure of P3s can align with adaptation objectives, as resilience features such as flood protection, energy efficiency, and heatwave readiness can be embedded from the design stage and maintained over the asset's lifecycle. From a financial and accounting perspective, the public sector retains ownership of the asset, while spreading out financial obligations over time, and benefits from private sector expertise and capital. However, most P3 project obligations are recorded on the public sector balance sheet under Public Sector Accounting Standards (PSAS), unless the arrangement is structured so that substantial risks and rewards are transferred to the private partner, with limited exceptions. Overall, P3s can improve feasibility by addressing large upfront capital constraints, leveraging private sector expertise and financing for design and construction, and embedding long-term performance and maintenance requirements, making complex, resilience-oriented infrastructure more achievable despite fiscal constraints.

Risk

While P3s shift many of the risks associated with infrastructure development to the private sector, they do not eliminate risk entirely, and they introduce their own set of challenges. Financing risk is a significant factor. Private partners often borrow at higher rates than governments, which can make the cost of capital more expensive in absolute terms than traditional public borrowing. Over the life of the contract, these higher financing costs need to be weighed against gains in performance, maintenance efficiency, and risk mitigation. Moreover, even though P3 contracts are intended to transfer risks like cost overrun, construction delays, or operational failures, poorly structured agreements can leave public liabilities at risk. Therefore, the deals must be carefully negotiated so that the private partner is incentivized to deliver and maintain high standards. In addition, there is an accountability risk. Since without strong regulation and transparency mechanisms, private entities may underperform or cut corners, especially when profit motives conflict with public goals. As the CCPPP process guide explains, performance-based contracts in P3s are designed to penalize underperformance, but they require robust oversight.¹⁴ Therefore, without clear governance, value-for-money assessments, long-term monitoring, and transparency, these risk transfers may not yield the expected public benefit.

Scalability

P3s offer significant scalability for adaptation projects when they are applied to infrastructure with regional or provincial importance. For instance, hospitals, transit lines, water treatment plants, and large public buildings can be built and operated under this model. In addition, since P3 contracts can span decades, they are well suited to integrating long-term resilience measures: flood-resistant designs, climate-adaptive materials, energy-efficient systems, and routine maintenance built into contract requirements. This makes them powerful tools for embedding climate adaptation into critical public infrastructure. Moreover, the ability to pool risk, expertise, and capital across public and private actors means that even financially constrained municipalities can undertake large-scale adaptation investments. However, the scalability of P3s are more limited when it comes to small, distributed adaptation interventions, such as neighbourhood-level green infrastructure or community gardens, because the transaction costs, complexity, and scale may not justify a full P3 structure. Furthermore, while P3s are highly scalable for high-investment, high-risk projects, applying them to local adaptation priorities requires intentional contract design, and adaptation criteria must be embedded explicitly so resilience can be a central component and integrated into the project, helping the project align with both local priorities and long-term climate goals.

Evaluation Matrix

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

Criterion	Rating	Score	Key Evidence	Assessment
Effectiveness & Performance	Medium	0	Supports large infrastructure; indirect adaptation	Effective for major projects but weak targeting for adaptation due to limited revenue-linked benefits.
Economic Efficiency	Low	-1	High transaction and financing costs	Resource-intensive with complex contracts and higher private capital costs.
Equity & Fairness	Medium	0	Risk of uneven access	Mixed outcomes depending on design; potential misalignment between profit and public benefit.
Political Acceptability	Medium	0	Concerns about cost and accountability	Politically sensitive due to transparency and privatization concerns.
Feasibility (Admin/Legal)	Medium	0	Requires high institutional capacity	Feasible in Canada but limited to jurisdictions with strong expertise.
Coherence (Portfolio Fit)	Medium	0	Fits infrastructure systems, not adaptation-specific	Integrates with capital planning but requires deliberate adaptation alignment.

Best Use Context

Public-private partnerships are most effective for large, complex infrastructure projects where private capital and expertise can be leveraged. They are less suitable for smaller-scale or non-revenue-generating adaptation projects and require strong institutional capacity to implement effectively.

Context Factor	Relevance	Notes
Municipal Size	High	Best suited to large municipalities or regional/provincial projects.
Administrative Capacity Required	High	Requires advanced legal, financial, and procurement expertise.
Development Pressure	Medium	More viable where infrastructure demand and revenue streams exist.
Climate Risk Targeting	Medium	Can incorporate resilience if explicitly embedded in contracts.
Fiscal Flexibility Required	High	Requires long-term financial commitments and risk-sharing capacity.

Recommended Citation

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