Regional Development Key to Sustaining Canada’s Economic Growth, Says OECD Study

Continued structural reforms, particularly in regional development policy, will be crucial for sustainable economic growth in Canada, according to the OECD’s Territorial Review of Canada. It says that although Canada is well placed to benefit from the economic recovery expected in the second half of 2002, the potential of local economies to create new growth opportunities over the longer term has not yet been sufficiently realised, especially in terms of capitalising on regional comparative advantages.

According to the study, weak local governance is hindering the emergence of bottom-up projects in many Canadian regions. The spread of research and development results to small businesses in the regions is often slow and dialogue between higher education institutions and firms poor.

Federal regional agencies have the scope to establish an environment more conducive to business development at the sub-federal level, to encourage co-operation and networks and to stimulate the shift towards more knowledge-based activities. Opportunities for growth will also be enhanced if territorial space is better used. This will require a major shift from past practices so that policies address provincial issues and functional regions.

The study adds that equalisation payments from the federal government have helped to reduce provincial disparities but new ones have now emerged between the following three broad functional macro-regions:

(i) the large corridor from coast to coast along the southern border of the country which contains all the major metropolitan areas;
(ii) the fringe, immediately to the north of the corridor, characterised by rural and non-metropolitan adjacent regions; and
(iii) the huge, sparsely-populated northern parts of the provinces and the three northern territories.

It is important that federal agencies and sectoral departments of government continuously assess the consistency of their policies with regard to these macro-regions, in order to strengthen territorial cohesion and tailor programmes to local conditions.

In urban areas, the amalgamation of municipalities has been a policy response to overcome pressure of metropolitan fiscal fragmentation which leads to excessive competition between cities and off-loading of provincial responsibilities. It might, however, be more useful to support horizontal collaboration between local governments, the study suggests. Currently, there is a new rationale for more federal involvement, not to reproduce centralised management, but through negotiated planning with formal institutional mechanisms concerning area-based partnerships between three levels of government.

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Rural areas have been the focus of a large number of programmes but financial commitment to them has so far been minimal, according to the report. Other deficiencies include insufficient support for local governance, a policy approach that is too sectoral and insufficient consideration of the demographic aspects of the local population.

In the three northern territories, the economies are largely based on oil and gas extraction. The discovery of diamonds, which will make Canada the world’s top diamond producer, represents a great potential for economic growth, but also a threat to the environment. The report says well-defined policies for sustainable development are required, adding that the resolution of governance issues, including the completion of devolution to the territorial governments and the land-claims and self-governments processes, is a prerequisite for any strategy for the north.

Journalists may obtain a copy of the review by contacting the Media Relations Division (request by fax 33 1 45 24 80 03 or news.contact@oecd.org). For further information journalists should contact Stephen Di Biasio, OECD’s Media Relations Division (tel: [33] 1 45 24 81 03 or stephen.dibiasio@oecd.org) or Deborah Corey, Atlantic Canada Opportunities Agency (tel: 1 506 851 2133 or dcorey@acoa-apeca.gc.ca).