Canada

Key facts and issues

Canada is a federal country composed of 10 provinces and 3 territories with a population of 35.9 million. Canada is the most decentralised country in the OECD with regards to public spending, with subnational governments responsible for almost 80% of total government expenditure. It is the 8th most urbanised country in the OECD as 57% of its population lives in predominantly urban areas.

GDP per capita of around USD 44 300 is about 8% above the OECD average. Inter-regional disparities in GDP per capita among small (TL3) regions are above the OECD average, as measured by the Gini index, and have grown since 2000. However, the size of the gap between the 20% richest and 20% poorest regions in terms of GDP per capita, the two ends of the distribution, declined between 2008 and 2013 due to catching-up, as poorer regions outperformed the richest. While Canada tends to perform above OECD averages on many indicators, regional disparities on such indicators including labour productivity, educational attainment, R&D spending, life expectancy and unemployment rates, which were already relatively low, have declined since 2001. While some of the contributions to labour productivity growth 2000-2013 come from regions with a strong extractive sector, and other regions were not catching up at the time, the situation may have changed more recently.

Canada: regional, urban and rural development policies

Policy Area	Enabling Document, Strategy, or Framework	Strategic Objectives and Means	Lead Ministry, Agency or Committee
Regional	Each Regional Development Agency (RDA) has its own enabling document[1]	Economic development with a place-based dimension, depending on regions' needs (e.g. places and populations with specific challenges, such as aboriginal economic challenges, industrial restructuring); RDAs help regions develop their assets and their competitive advantages	Canada's regional economic development policies are managed by 6 RDAs for their respective coverage areas and Innovation, Science and Economic Development Canada (ISED)
Urban	Regional Development Agencies contribute to urban policies, but no national framework exists	Federal Programmes include infrastructure provision and maintenance, capacity building, systems of cities, sustainability and security issues	The federal government does not have a national urban policy but contributes via some programmes of its departments
Rural	RDAs don't have an explicit mandate on rural policies, however they contribute to the rural economic development through specific programmes (e.g. Community Futures Programme)		Regional Development Agencies; in Quebec, the Ministry for Municipal Affairs and Land Use (MAMOT)

Notes: 1. RDA/year founded: Atlantic Canada Opportunities Agency (ACOA)/ 1987; Western Economic Diversification Canada (WED)/ 1987; Federal Economic Development Initiative in Northern Ontario (FedNor)/ 1987; Canadian Economic Development for Quebec Regions (CED) /1991 then its own legislation in 2005; Federal Economic Development Agency for Southern Ontario (FedDev)/ 2009; and Canadian Northern Economic Development (CanNor)/ 2009.

General policy approach

Canada's six regional development agencies (RDAs) cover the entire country and, since 2015, are part of Innovation, Science and Economic Development Canada's portfolio. While each RDA has its own mandate, they all mainly focus on regional economic development issues, and on places facing a specific issue in terms of economic diversification or industrial restructuring. Some programmes also target populations with particular economic development needs (e.g., aboriginal, women, youth). The model is unique in its conception, as it serves many high-level policy proofing and co-ordination functions. RDAs implement federal priorities (e.g. clean tech, high-impact firms) through ongoing programming, engaging with strategic partners at the regional level (including provincial, territorial, municipal and indigenous governments) and ensuring that regional perspectives are considered in national policy development (e.g. Innovation Agenda), and delivery of national (e.g. Community Futures Program, Canada 150 Community Infrastructure Program) and targeted programs to address major issues (e.g. stimulus and adjustment programs). There is no explicit federal rural or urban development policy per se.

Recent policy changes

- The final two RDAs were created in 2009, and now RDAs cover all of Canada's territory.

- RDAs were active in the delivery of Canada's Economic Action Plan, which was the federal stimulus plan after the global crisis. They were responsible for CAD 1.2 billion of the overall CAD 40 billion plan.

- Western Diversification RDA undertook broad stakeholder consultations in 2013 to assess the state of the economy, challenges faced and potential opportunities for growth acceleration.

- While the RDA mandates have not changed, the model changed in 2015 after the last federal elections, when RDAs were included in the portfolio of the minister of Innovation, Science and Economic Development Canada (ISED). That portfolio consists of 17 federal departments and agencies which includes the RDAs as well as the National Research Council (NRC), the Business Development Bank of Canada (BDC), and Destination Canada, among others.

- Canadian Economic Development for Quebec Regions (CED) undertook an Engagement strategy which implied a broad stakeholder consultation (2016) for the renewal of its Strategic Framework for 2016-2021.

Canada: Main regional, urban and rural development policy tools

| Policy Instrument	✓	Examples
Transport Infrastructure investments and systems of cities	✓	*Regional and urban:* "Building Canada Fund", part of "Infrastructure Canada" helps fund specific transport infrastructure projects of municipalities
Other Infrastructure investments	✓	*Regional and urban*: "Building Canada Fund", part of "Infrastructure Canada" is also providing basic infrastructure, such as water or sewage systems CanNor: Strategic Investments in Northern Economic Development Other RDAs also have programmes for infrastructure investment, as part of their main programme or issue-oriented, such as CED's Economic Recovery Initiative for Lac-Mégantic (among others)
Service delivery (subsidies for public services)	✓	RDAs provide various services to businesses, NGOs and non-profit organisation as well as research institutions through Canada Business Service Network programme
Business development/ innovation support	✓	*Regional*[1]: RDAs implement their own programmes: CED: Quebec Economic Development Program composed among others of Start-up support, innovation and cluster support, market or export support and productivity improvement support for SMEs. ACOA: Business Development Program (BDP) helps SMEs establish, expand or modernize; and the Atlantic Innovation Fund (AIF), making strategic investments in R&D WD: Business development and innovation as well as diversification and innovation support FedDev: Investing in Business Growth and Productivity with the adoption of new technologies and business capacity, business innovation support as well as business partnerships, are standard programmes FedNor: Northern Ontario Development Program with three pillars: community economic development, business support, and innovation support Federal: Official Languages Economic Development Initiative, Aboriginal Economic Development
Urban renewal		
Urban form and land use		
Sustainability policies		
Rural-urban linkages		
Clusters/technology platforms/ centres of expertise	✓	Each RDA has its own programme, either part of their main programme (see above). Some specific programmes in individual RDAs include: CED: Innovation and Technology Transfer FedDev: manufacturing support through establishment of clusters Several programmes at the federal level target innovation outside the national hubs, with sector specific R&D policies, clusters and capacity building for research centres as well as firm support Examples: Build in Canada Innovation Program aimed at bridging the pre-commercialization gap
Special economic zones		
Rural landscape Preservation		
Skills/training programmes	✓	Used only by ACOA through the Business Skills Program (BDP), targeted at SME
Capacity building for sub-national governments	✓	Part of the Building Canada Program through additional fiscal transfers (gas tax)

Notes: 1.Only standard and core programmes are listed. RDAs have other initiatives for specific challenges and opportunities.

Land, population and economy in rural and urban regions

Share of country total
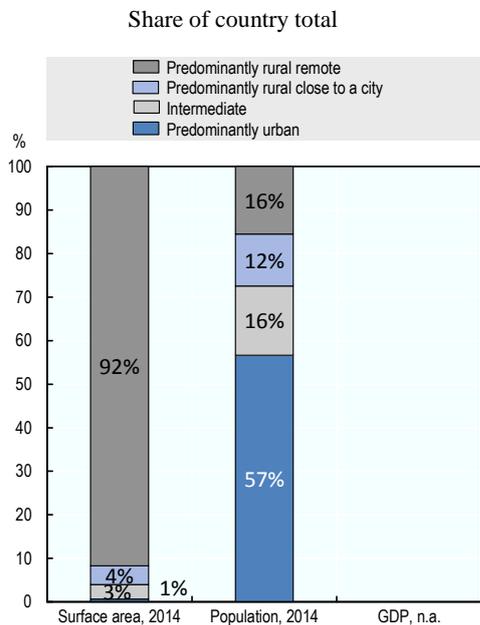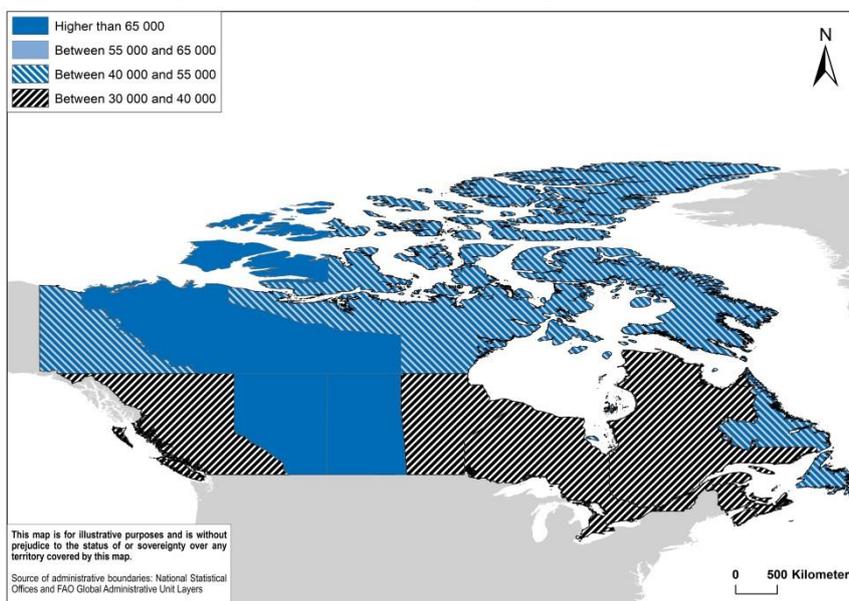

Subnational government role in public finance

Share of general government
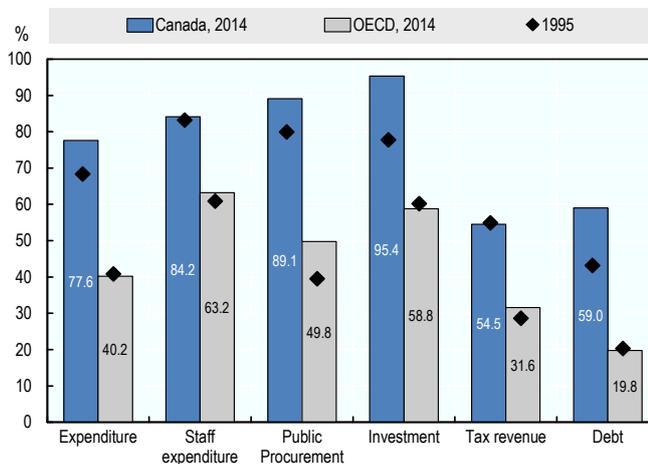
Number of subnational governments

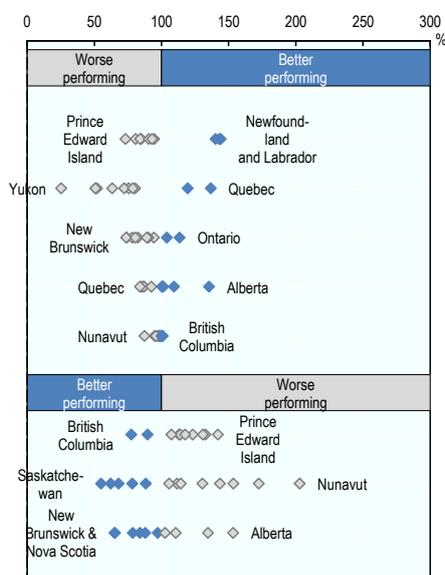| Municipal level	Intermediary level	Regional or state level	Total
3 805		13	3 818

Regional differences in GDP per capita levels, 2013

Note: GDP per capita in constant prices and constant USD PPP (base year 2010).

StatLink http://dx.doi.org/10.1787/888933420239

Inter-regional disparities (as a % of the country average)

| Variable	Min.	Max.	Country Avg.	OECD Avg.	Disparities up or down since 2001
GDP per worker (2013)	60 138	118 502	82 229	74 520	down
R&D expenditure as a % of GDP (2013)	0.43	2.31	1.69	2.4	down
Share of labour force with tertiary education (2013)	19.8	30.4	26.8	32.3	down
Disposable household income (2013)	30 300	48 910	36 093	34 866	up (2010)
Life expectancy (2011)	71.3	82.3	81.5	80	down
Share of workforce with only primary education	8.3	15.2	10.7	25.2	down
Unemployment rate	4.3	14	6.9	7.3	down
Gender gap in participation rate	-4.9	-11.5	-7.5	-15.9	up

Note: Each diamond represents a TL2 region. Unless specified, all data are for 2014. Disparity is measured as the difference between the top and bottom region in the country.
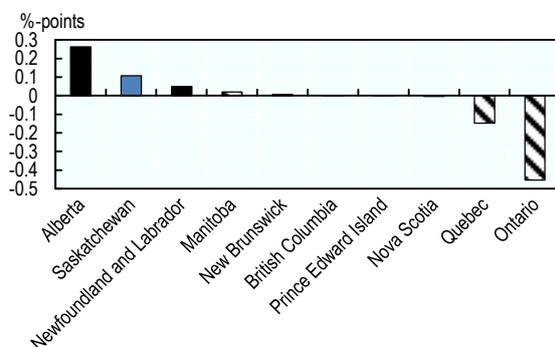
Productivity and catching-up trends among regions

Average annual labour productivity (GDP per worker) growth rate [diamonds] and
deviation from the growth rate of the country's productivity frontier [bars], 2000-2013
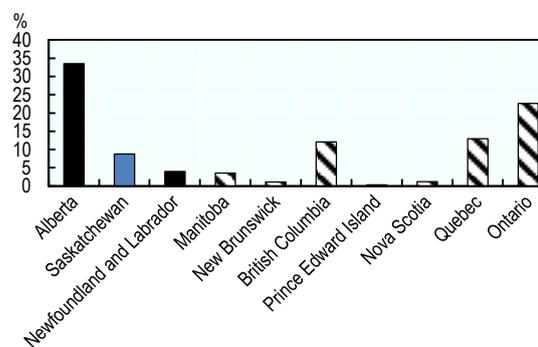*See country page notes for classification of regions*
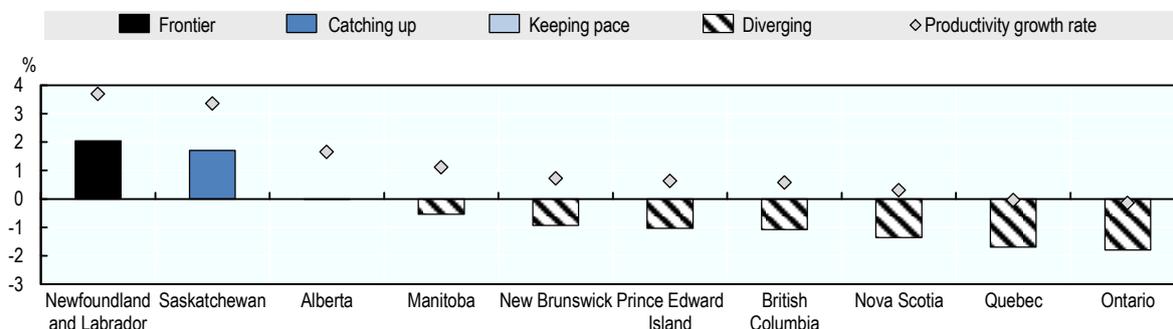
Contribution to labour productivity growth, 2000-13

Percentage contribution to national GDP growth, 2000-13

Note: Difference between national labour productivity growth as calculated with and without the indicated region.

Note: The contribution is the product of a region's GDP growth rate by its initial share of GDP.

StatLink http://dx.doi.org/10.1787/888933420239

Country page notes

Main indicators

OECD average	represents the weighted average of OECD country/region values for the given year or closest year available.
OECD Regional Well-being framework	considers a combination of individual characteristics and local conditions in eleven dimensions that shape people's material conditions (income, jobs and housing) and their quality of life (health, education, access to services, environment, safety, civic engagement and governance, community, and life satisfaction).
Gross domestic product (GDP); GDP per capita; and labour productivity (GDP per worker)	is the standard measure of the value of the production activity (goods and services) of resident producer units. Regional GDP is measured according to the definition of the System of National Accounts (SNA 2008). To make comparisons over time and across countries, it is expressed at constant prices (year 2010), using the OECD deflator and then it is converted into USD using purchasing power parities (PPPs). For regional labour productivity, GDP (gross value added for Turkey) is divided by the number of workers (at place of work) or, for GDP per capita, the number of residents. For comparisons of current (per capita) GDP across countries, GDP for 2015 is converted to USD using PPPs for 2015.
Subnational government role in public finance	is mainly derived from the OECD National Accounts, harmonised according to the new standards of the System of National Accounts (SNA 2008), with the exception of Chile, Japan and Turkey, which are still under SNA 1993. General government includes four sub-sectors: central/federal government and related public entities; federated government ("states") and related public entities; local government i.e. regional and local governments and related public entities, and social security funds. Subnational governments are local (regional and local) governments and state governments (in countries with a federal or quasi-federal government system).
Gini index (regional income inequality)	The Gini index is a measure of inequality in terms of GDP per capita among all regions of a given country, with equal weight for each region. The index takes on values between 0 and 1, with zero interpreted as no disparity.
R&D expenditure	is the total gross domestic expenditure on research and development by the government, higher education, business, and private non-profit sectors.
Household disposable income and poverty rate	is the income generated directly from market transactions, adding all current transfers from the government, except social transfers in kind, and subtracting current transfers, such as income or regular wealth taxes and social contributions. It is expressed in USD Purchasing Power Parities (PPP) at constant prices (year 2010) and using a standard equivalised size for households across the OECD. Due to a lack of data, the indicator is expressed in per capita terms for the Czech Republic, Estonia, Hungary and New Zealand. The poverty rate is here taken as the percentage of people with disposable household income per capita of less than half the country median.
Participation rate, unemployment rate, youth unemployment and NEETs	The (labour force) participation rate is the ratio of the labour force (employed and unemployed) aged 15+ to the population (15+). The gender gap is the difference between the participation rates for women and men. Unemployed persons are defined as those who are without work, are available for work, and have taken active steps to find work in the last four weeks. The unemployment rate is defined as the ratio of unemployed persons to the labour force. Youth unemployment considers the unemployed and the labour force aged between 15 and 24. "NEETs" refers to 18-24 year-olds who are neither in employment nor in education and training (as a percentage of the population of 18-24 year-olds).
Primary and tertiary education	Primary education includes primary education, pre-primary education and lower secondary education (ISCED 0-2). Tertiary education includes both university qualifications and advanced professional programmes (ISCED 5-8). Shares are defined with respect to the labour force aged 15 and over.
Elderly	are those aged 65+. The elderly dependency rate is the ratio of the elderly to the working age population (15-64).
Air pollution	is the 1km² grid cell population weighted average of satellite-based estimates of small particulate matter (PM2.5).
Life expectancy	measures the number of years a newborn can expect to live, if death rates in each age group remain constant.

Typology of regions with respect to productivity

Frontier	is the region leading its country in terms of labour productivity, measured by the real gross domestic product per employee. In some countries the leading region accounts for a small percentage of the total workforce. Where this is the case, the frontier is the weighted average of regions with the highest labour productivity levels accounting for 10% of the country's total employment.
Catching-up regions, diverging regions and regions keeping pace	is a classification of regions based on their labour productivity growth relative to the frontier. It is based on the growth in labour productivity between 2000 and 2013 (or closest year available). Regions where labour productivity grew/dropped by at least 5 percentage points more/less than in the frontier over the period are classified as catching-up/diverging regions (about 0.4 percentage points annually), with regions that are keeping pace falling within the +/- 5 percentage points band.

Typologies of regions with respect to population or other functions

Regions (TL2 and TL3)	are classified by the OECD into two territorial levels that reflect the administrative organisation of countries. OECD's large regions (TL2) represent the first administrative tier of subnational government. OECD small (TL3) regions are contained within a TL2 region. Reference to the 20% richest/top or poorest/bottom regions, indicates the top/bottom-performing regions according to the indicator accounting for 20% of the (relevant) population.
TL3 typology (urban, intermediate, rural)	TL3 regions have been classified as: predominantly urban (PU), intermediate (IN) and predominantly rural (PR) based on the percentage of regional population living in rural communities, combined with the existence of urban centres where at least one-quarter of the regional population resides. The terms "urban", "intermediate" and "rural" refer to these categories.
Metropolitan area	is a functional urban area with 500 000 or more inhabitants defined by population density and commuting flows.

Further details and information: OECD (2016) *OECD Regions at a Glance 2016,* http://dx.doi.org/10.1787/reg_glance-2016-en.