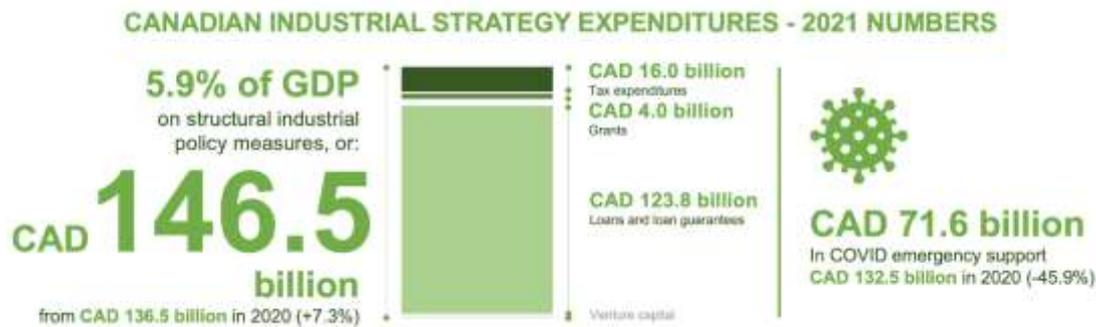


Canada: Quantifying Industrial Strategy

Highlights

- Industrial policy support through financial instruments is significantly higher in Canada compared to other countries, but significantly lower for grants and tax expenditures.
- Regarding grants and tax expenditures, the Canadian industrial strategy is characterised by its R&D focus and by lower support to the green transition compared to other countries.
- Regarding financial instruments, Canada is the country that spends the most on export financial instruments among QuIS participating countries. In terms of non-export financial instruments, Canada stands out as having sectoral financial instruments supporting manufacturing.
- Canadian sectoral grants and tax expenditures are higher than the benchmark for the information and mining sectors, while sectoral financial instruments are higher than the benchmark for manufacturing.
- About half of Canada's total expenditure on industrial policy through grants and tax expenditures is administered by provinces.



This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The QuIS team would like to thank Dany Brouillette and Kaleigh Dowsett for their feedback and support on this note and the project.

The QuIS project



The 'Quantifying Industrial Strategies (QuIS)' project measures industrial strategies across OECD countries through harmonised data on industrial policy expenditures, their composition, their mode of delivery, and the characteristics of their beneficiaries. This allows participating countries to benchmark their industrial strategies against each other in terms of industrial policy expenditures, policy priorities, policy instruments and recipients.

The data gathered for each country were sent to the member states for additional checks and validation, also with questions regarding the detail of certain instruments as well as gaps in the available data. After countries' validation, the final cross-country data were compiled in a common database. Another relevant delivery of the QuIS project is the report 'Quantifying industrial strategies across nine OECD countries' published as an OECD Science, Technology and Industry Policy Paper, which consists in a cross-country analysis of the industrial strategies of the first nine countries participating in the project. Both the database and the report will be downloadable from <https://www.oecd.org/industry/industrial-policy-and-strategies/>.

General picture

Industrial policy support through financial instruments, as a percentage of GDP, is significantly higher in Canada compared to other participating countries (5.1% vs 1.1%), but significantly lower for grants and tax expenditures (0.8% vs 1.5%). The higher support through financial instruments is primarily driven by export finance, in particular loans and export insurance provided by "Export Development Canada" (4.3% of GDP), which represents 73% of total industrial policy support in Canada, much more than similar instruments in other countries (63% and 54% in Sweden and Israel, respectively). Furthermore, the Canadian industrial strategy is characterised by its significant support to R&D, accounting for 22% of its industrial policy spending on grants and tax expenditures.

The two main pillars of Canada's industrial strategy are likely to be strengthened even more in the coming years: Financial instrument support, driven by the increase of resources provided through the *Strategic Innovation Fund*; and R&D support, driven by the increase in direct R&D grants provided through the newly created *Canada Innovation Corporation*.

Regarding sectoral support in Canada, this tends to be targeted towards the information sector, manufacturing and mining. In addition, compared to other countries, Canada's green industrial policy expenditure is low (0.08% vs 0.27% of GDP in the benchmark). Finally, a distinctive characteristic of Canada's industrial strategy is its high reliance on programmes delivered by provincial authorities (about half of Canada's industrial policy grants and tax expenditures).

Box 1. QuIS methodology

QuIS gathers publicly available data from many, decentralised sources on industrial policy expenditures. For the case of Canada, the project focuses on annual industrial policy expenditures higher than CAD 43 million (0.002% of GDP in 2017). The period covered is 2019-2021 and the data track both structural policies and COVID-19 emergency support measures. Instruments targeting agricultural firms are excluded from the database and the analysis. Policy instruments are classified along four dimensions: scope, instrument type,

eligibility criteria and selectiveness. The QuIS methodological paper outlines the scope and the definitions in more detail and can be found here: oe.cd/il/QuIS. Importantly, financial instruments, defined as the provision of loans, loan guarantees or equity investments, are measured through the so-called notional amounts method, which measures expenditures as the amount of financing (or guarantees) provided by public entities. This measure was chosen as it is the most widely available across countries. However, amounts obtained with this method are not directly comparable with grants and tax expenditures, so the two types of instruments are recorded and analysed separately.

Countries used to define the benchmark are Denmark, France, Ireland, Israel, Italy, the Netherlands, Sweden and the United Kingdom. Country notes are also available for these countries.

For the case of Canada, the QuIS database includes sub-federal expenditures (by provinces), which represent close to half of the recorded industrial policy expenditures in Canada. QuIS only covers policy instruments whose annual expenditures exceed 0.002% of national GDP. The existence of sub-federal programmes following the same objective and the fact that Canada's industrial strategy importantly relies on smaller targeted instruments could result in several smaller programmes being excluded. This bias is likely to remain limited for total expenditures¹ but might affect the policy distribution by sector and eligibility criteria, when compared to other countries. In addition, the existence of several specific regional agencies makes difficult to track all of them, and hence, some instruments might be missing.

Figure 1. QuIS Data Categorisation

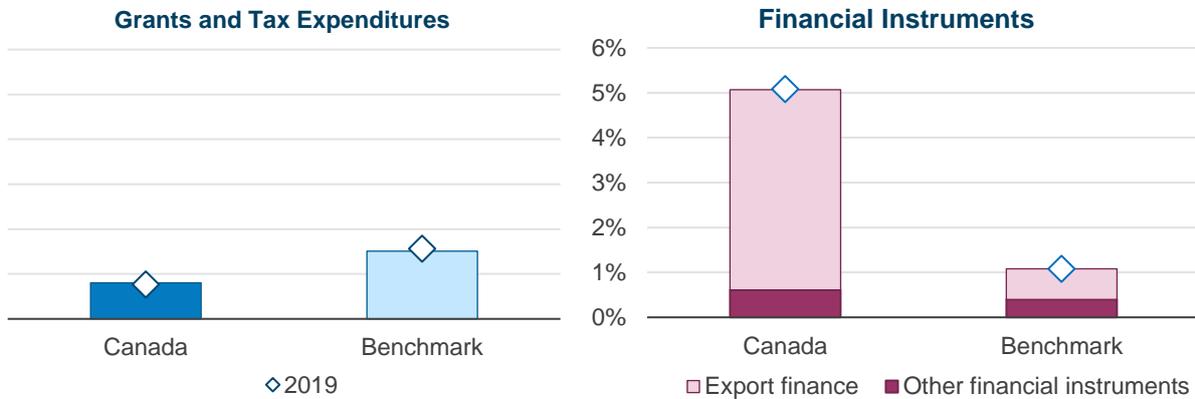


Note: Eligibility criteria are not mutually exclusive and some policies do not match any of the criteria

¹ For instance, to increase industrial policy expenditures in Canada by 0.2% of GDP, this would require 100 policy instruments bunched just below the 0.002% of GDP threshold in Canada. As a comparison, Canada has currently 148 instruments recorded in the QuIS database and above the threshold for 2021.

A. The Canadian industrial strategy relies more on financial instruments and has a strong R&D focus

Figure 2. Industrial policy expenditures in 2021, % of GDP (diamonds – in 2019)

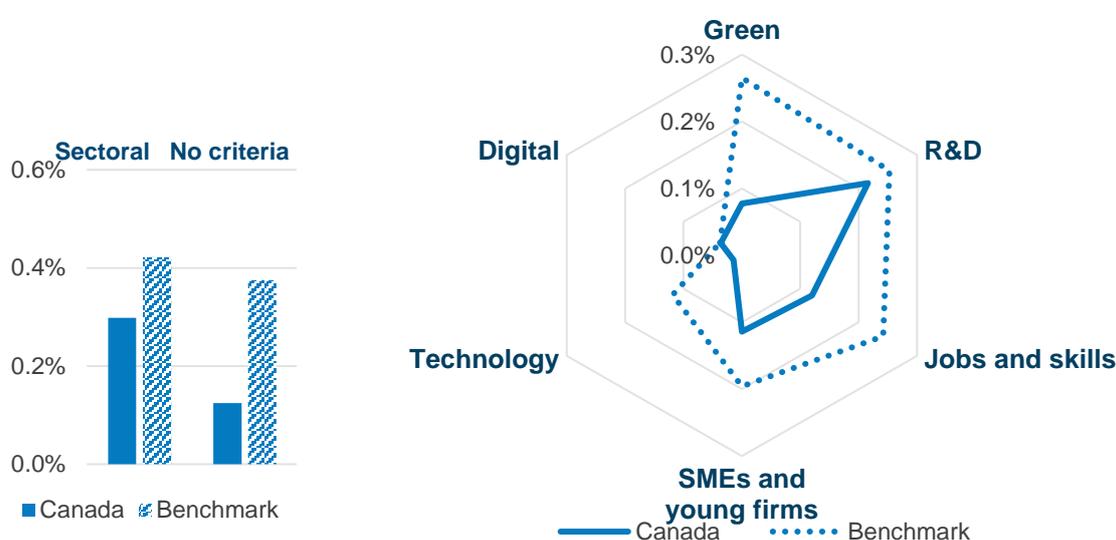


Note: Structural policies. Includes EU support for benchmark countries.
Source: OECD calculations based on the QulS database.

Canada provides more financial instrument support as a percentage of GDP than the benchmark (**Figure 2**). This difference is primarily driven by export finance, in particular loans and export insurance provided by “Export Development Canada” (4.3% of GDP), which represents the 73% of total industrial policy support in Canada. The relative importance of export finance is much lower in the other participating countries. For instance, the next two countries with larger export finance schemes are Sweden and Israel, where export finance represents a 63% and 54% of total industrial policy support, respectively. It is important to note that 6 out of the 8 other countries in the sample belong to the European Union, and thus, have significantly lower export costs and trade credit risks given the weight of intra-European trade for those countries.

Canada’s grants and tax expenditures, as a percentage of GDP, are significantly lower than the benchmark (0.8% of GDP vs 1.5% of GDP). Part of this gap can be attributed to the fact that Canada does not receive any type of supra national grants, in contrast with most of the other countries in the sample (6 out of 8), who belong to the European Union and receive important amounts of EU grants (0.4% of GDP, on average), the rest of the gap is explained by the lower support to the energy sector provided by Canada with respect to the benchmark (0.05% vs 0.23% of GDP). Furthermore, grants and tax expenditures in Canada have a different distribution among eligibility criteria when compared with the benchmark (Figure 3).

Figure 3. Industrial policy through grants and tax expenditures by eligibility criteria in 2021, % of GDP (Left: Sectoral and no criteria; Right: Other criteria)



Note: Structural policies (i.e., excluding Covid). Categories are not mutually exclusive, as policies can be tagged in several categories. Additionally, some policies do not fulfil any of these eligibility criteria (see right panel). The benchmark corresponds to the average of the other participating countries: Denmark, France, Ireland, Israel, Italy, the Netherlands, Sweden and the United Kingdom.
Source: OECD calculations based on QIFS database.

As a result of having lower total industrial policy expenditures, the expenditure of Canada on each eligibility criterion is lower than the benchmark. Canadian industrial policy places a strong emphasis on R&D, with R&D support representing 0.22% of GDP², compared to 0.25% of GDP in the benchmark (and 27% of total industrial policy grants and tax expenditures in Canada vs 18% in the benchmark). An important instrument in this category is the federal Scientific Research and Experimental Development Investment Tax Credit (SR&ED) that represents 0.13% of GDP and 16% of grants and tax expenditures. There are also regional SR&ED programmes (for instance in Québec and British Columbia) that represent 5% of Canada's total industrial spending through grants and tax expenditures (0.04% of GDP). See below for a detailed analysis of Canada's support to R&D.

When compared to the benchmark, Canada uses green industrial policy grants and tax expenditures less intensively. While in Canada green industrial policies represent about 0.08% of GDP, they represent 0.27% of GDP in the benchmark (10% of total grants and tax expenditures in Canada, vs 16% in the benchmark). The largest programme in this category is the Feed-in-Tariff scheme for renewable energy contracts in Ontario (0.05% of GDP). This program provides a price-premium to renewable electricity generators if the strike price settled in auctions is consistently higher than the market price, and generates an obligation to pay if the opposite holds.

Compared to the benchmark, Canada spends less on sectoral grants and tax expenditures (0.30% vs 0.42% of GDP, but 37% vs 28% of industrial policy grants and tax expenditures). The two main programmes in this category are the "Renewable generation subsidy program" in Ontario and the "Production services tax credit". The former is a feed-in-tariff scheme which subsidise renewable energy contracts in Ontario (0.05% of GDP). The latter is a refundable corporate income tax credit for accredited production corporations that produce film

² The "R&D Tax Incentives: Canada, 2021" OECD's report confirms these insights. In this report, Canada is placed above the OECD average in terms of total government support to business R&D as a percentage of GDP, at a rate equivalent to 0.21% of GDP. Link: <https://www.oecd.org/sti/rd-tax-stats-canada.pdf>.

or video productions in British Columbia (0.03% of GDP). On the contrary, Canada has higher amounts of sectoral financial instruments than the benchmark (0.08% vs 0.04% of GDP). The major sectoral financial instrument is "Farm Credit Canada - Loans" (0.06% of GDP), whose purpose is to enhance the competitiveness of the food processing sector³.

After R&D support, the next two categories with higher industrial policy expenditure in Canada are 'Jobs and skills' (0.12% vs 0.24% of GDP in the benchmark) and 'SMEs and young firms' (0.11% vs 0.20% of GDP in the benchmark). Differences are due to the total amount spent on grants and tax expenditures, rather than on its composition: 15% of the Canadian Industrial policy expenditures were spent on jobs and skills policies (vs 14% in the benchmark) and 14% of the Canadian Industrial policy expenditures were spent on SMEs and young firms (vs 11% in the benchmark).

Grants and tax expenditures supporting the digital transition are small and similar to the benchmark (0.04% of GDP). The Canadian digital programmes are the '*Development of e-business tax credit*' (0.02% of GDP) provided to firms in the information sector and the '*Canada's Global Innovation Clusters*' (0.01% of GDP)⁴ provided to firms in the information and manufacturing sectors.

Canada also stands out regarding the small share of expenditures that do not fulfil any of the criteria (0.12% vs 0.38% of GDP in the benchmark) listed in **Figure 2**. The largest instrument in this category is the "Accelerated Investment Incentive" programme granted by the Ministry of Finance (0.07% of GDP), which provides an enhanced capital cost allowance on equipment purchases.

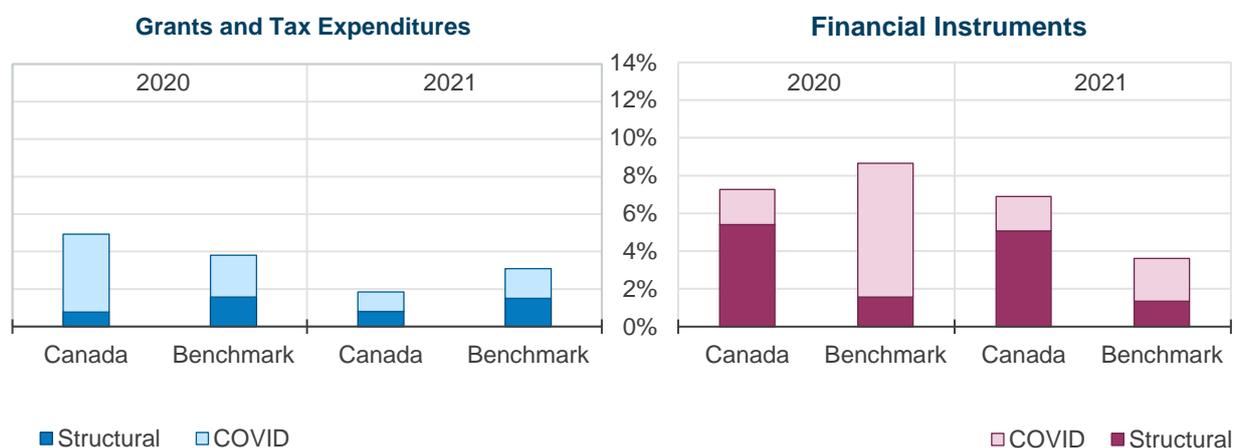
It is worth noting that 93% of Canadian financial instruments do not require any eligibility criteria, with the largest instrument in this category being the aforementioned export insurance. While the remaining is mainly divided between support to SMEs and young firms (5.3%) and sectoral support (1.5%). As mentioned above, sectoral financial instruments are an important part of the Canadian industrial strategy (0.08% vs 0.04% of GDP in the benchmark) and mainly support food processing through the '*Farm Credit Canada*' loan. Canada's financial support to SMEs and young firms represents 0.3% of GDP in 2021 (similar than in the benchmark), driven by a loan scheme provided by the Business Development Bank of Canada (0.2% of GDP). See section D for more details on Canadian financial instruments.

³ Only the share directed to food manufacturing is considered, while the share directed to agriculture is not considered (given the methodology of this project). The breakdown of the support granted to manufacturing was obtained from the official description of the scheme. Link: <https://www.fcc-fac.ca/fcc/about-fcc/reports/ar-ra-2021-22-e.pdf>.

⁴ The '*Global Innovation Superclusters*' are considered as digital as 3 out of 5 clusters are directly linked to digital technologies ('Digital Technology', 'Advanced Manufacturing' and 'Scale AI'), whereas the two others ('Protein Industries' and 'Ocean') also have a significant digital spin. The first one is focused on "plant genomics that improve nutrition, novel processing technology and digital solutions from farm to fork" ([source](#)) and the second one on "digitizing and optimizing marine operations, maximizing sustainable approaches to resources, and increasing safety for those operating in marine environments" ([source](#)).

B. COVID emergency support in Canada mostly channelled through wage grants and export finance mechanisms

Figure 4. COVID emergency support through grants/tax expenditures (left) and financial instruments (right), % of GDP



Source: OECD calculations based on the QuIS database.

In 2020, COVID emergency support through grants and tax expenditures was higher in Canada than in the benchmark (4.1% vs 2.2% of GDP). In 2021 there was a dramatic drop in COVID emergency support through grants and tax expenditures, which led to Canada falling below the average spending of the benchmark (1.05% vs 1.57% of GDP- **Figure 4**).

An important aspect of these significantly different dynamics can be found in Canada's 'Emergency Wage Grant'. In 2020, the 'Emergency Wage Grant' in Canada represented 3.8% of GDP, while in 2021 this programme was phased out and represented only 0.7% of GDP. Although less sizeable, similar programmes decreased less or less rapidly in other countries. For example, the 'Emergency bridging measure to maintain employment' ('Noodmaatregel overbrugging voor behoud werkgelegenheid') in the Netherlands in 2020 was 1.7% of GDP and 1.2% in 2021, and the Danish 'Wage Compensation Scheme' ('Lønkompenationsordningen') was 0.4% of GDP in 2020 and 0.3% in 2021.

Regarding COVID emergency support through financial instruments, in 2020-2021 Canada's support was stable and lower than the benchmark (1.9% vs 7.1% of GDP in 2020 and 1.8% vs 2.3% in 2021- **Figure 4**). The largest expenditure was the "Canada Emergency Business Account" (CEBA) through Export Development Canada (0.3% of GDP in 2020 and 1.6% of GDP in 2021). CEBA was made available by the Government of Canada and Export Development Canada (EDC) to support businesses adversely affected by COVID. Through the programme, eligible businesses were provided loans to cover short term operating expenses, payroll, and other non-deferrable expenses to help sustain business continuity.

It is worth noting that while, in most of the benchmark countries, the budget year goes from January to January, Canada's budget year goes from April to April. Therefore, it is possible that part of the gap in the distribution of expenses between 2020 and 2021 is explained by the gap in the compared periods.

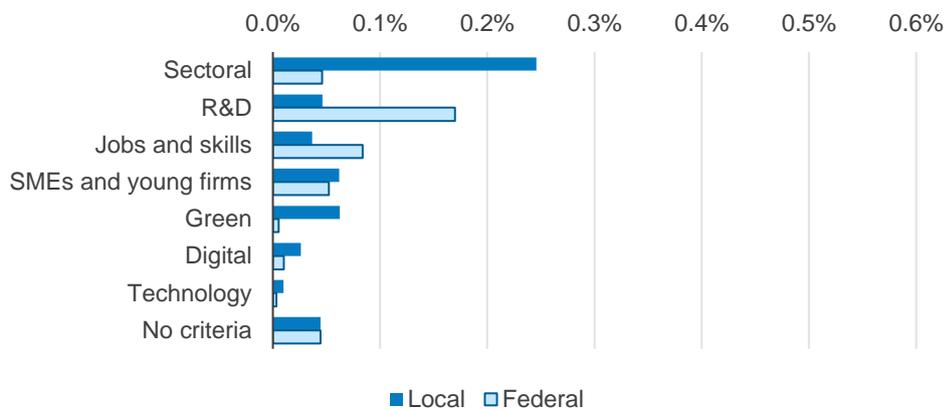
Deep dive on Canadian industrial strategy

A. Close to half of Canada's industrial policy grants and tax expenditures are from provinces

Close to half of Canada's industrial policy grants and tax expenditures are delivered by provinces (52%, corresponding to 0.42% of GDP), while this share is only 4% for financial instruments when including export finance (0.21% of GDP). When restricting to non-export financial instruments, the share of provincial support is 36%. The threshold to be included as an industrial policy instrument (0.002% of GDP) is more binding for the typically smaller programmes provided by provinces, hence, the share of provincial support shown in **Figure 5** is likely to be a lower bound.

When analysing the distribution of provincial and federal grants and tax expenditures by eligibility criteria (**Figure 5**), provincial instruments tend to be more targeted than federal ones. 92% of provincial expenditures have eligibility criteria, compared to 89% of federal expenditures. Sectoral, 'SMEs and young firms', Green, Digital and Technology-focused programmes tend to be funded by provinces, while the opposite is true for 'Jobs and skills' and R&D instruments. R&D expenditures tend to be funded by the federal government, representing 0.17% of GDP, much higher than the amount of R&D support provided by provincial programmes (0.05% of GDP). In 2021, provinces committed 0.25% of GDP on sectoral expenditures, 0.06% of GDP on SME-focused expenditures, 0.06% of GDP on green expenditures, 0.03% of GDP on digital expenditures and 0.01% of GDP on technology-focused expenditures.

Figure 5. Industrial policy grants and tax expenditures divided into province-level and federal budget in 2021, % of GDP



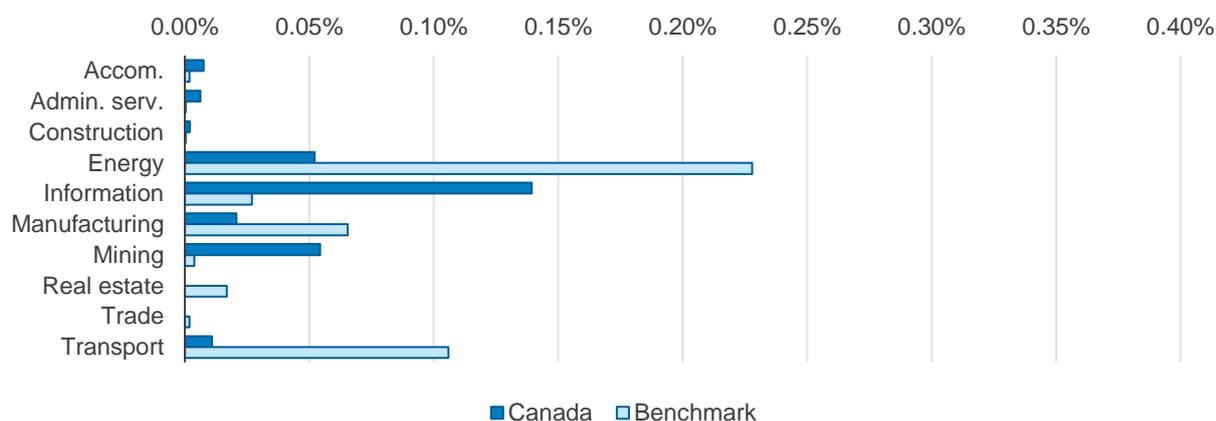
Note: Eligibility criteria are not mutually exclusive (e.g. There are instruments with more than one criterion). Hence, the sum of the local and federal expenditure in this figure

For green expenditures, there are seven province-level programmes, four of which are in British Columbia, while the remaining three are in Alberta. The largest is 'Alberta's Site Rehabilitation Program - Mining and quarrying' (0.01% of GDP). For sectoral expenditures, there are 29 province-level programmes, the largest one being 'British Columbia's Productions services tax credit program' (0.03% of GDP). For 'SMEs and young firms' expenditures, there are 3 programmes, two in Ontario and one in Québec. The largest programme is Ontario's 'Employer Health Tax - Exemption for Private-Sector Employers' (0.05% of GDP). For digital expenditures, there are two tax expenditures in Québec. The main one is the 'Development of e-business tax credit', focused

on the information and communication sector (0.02% of GDP). There are 6 province-level technology-focused programmes, four of them in British Columbia.

B. Canadian sectoral policies tend to be targeted to information, manufacturing and mining

Figure 6. Sectoral support by sector as a percentage of total GDP – Grants and tax expenditures, 2021

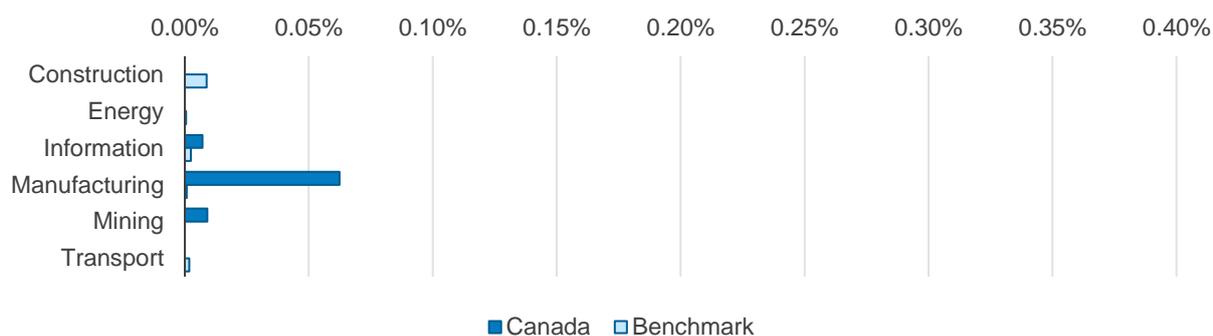


Reading example: In Canada, support in the form of grants and tax expenditures specifically directed to the information sector represents **0.14%** of total GDP in 2021, whereas it represents **0.03%** in the benchmark.

Note: Instruments targeting agricultural firms are excluded from the QuIS database and analysis. The benchmark includes EU support. Mining includes 'Extraction of crude petroleum and natural gas'. Benchmark defined in note of Figure 2.

Source: OECD calculations based on the QuIS database.

Figure 7. Sectoral support by sector as a percentage of total GDP – financial instruments, 2021



Note: The benchmark includes EU support.

Source: OECD calculations based on the QuIS database

Sectoral industrial policy expenditures in Canada are low compared to the benchmark (0.30% vs 0.42% of GDP).

An industry-level perspective reveals that sectoral industrial policy expenditures in Canada are higher than the benchmark for three sectors: information, manufacturing and mining (**Figures 6 and 7**).

Regarding sectoral grants and tax expenditures, these are higher than the benchmark for Information (0.14% vs 0.03% of GDP) and Mining (0.054% vs 0.004% of GDP). In contrast, sectoral grants and tax expenditures are significantly lower than in the benchmark for Energy (0.05% vs 0.23%) and Transport (0.01% vs 0.11%). Manufacturing support in Canada is lower than the benchmark when considering grants and tax expenditures (0.02% vs 0.07% GDP), but higher when looking at financial instruments (0.062% vs 0.001% of GDP). This picture is not significantly affected when comparing support rates (i.e., support as a percentage of sectoral GDP).

Information – Regarding the information sector, Canadian expenditure is significantly higher than in the benchmark (0.14% vs 0.03% of GDP) and is channeled through tax expenditures. Half of the expenditure in this sector is targeting the film and television sub-sectors (0.05% of GDP), mainly through schemes intended to incentivise employment. Another large programme supporting the information sector in Canada is the ‘Development of e-business tax credit’, a regional programme, led by the Québec government, which was established to incentivise firms that carry out innovative, high-value-added activities in information technology. This support consists of a tax credit that depends on the number of employees, the scope of their job and their profession (0.02% of GDP).

Manufacturing - Support for manufacturing through grants and tax expenditures is significantly lower in Canada when compared with the benchmark (0.02% vs 0.07% of GDP). However, it is higher than the benchmark for financial instruments (0.062% vs 0.001% of GDP). With respect to financial instruments supporting manufacturing, Canada mainly relies on loans supporting food processing provided by Farm Credit Canada (0.06% of GDP) and the Agribusiness Loan Programme (0.01% of GDP), while these types of schemes are rare in other countries. Regarding grants supporting manufacturing, other countries use schemes such as energy tax deductions for manufacturing (0.08% of GDP in France) and grants based on energy savings (0.02% of GDP in Denmark), while Canada does not have similar programmes.⁵

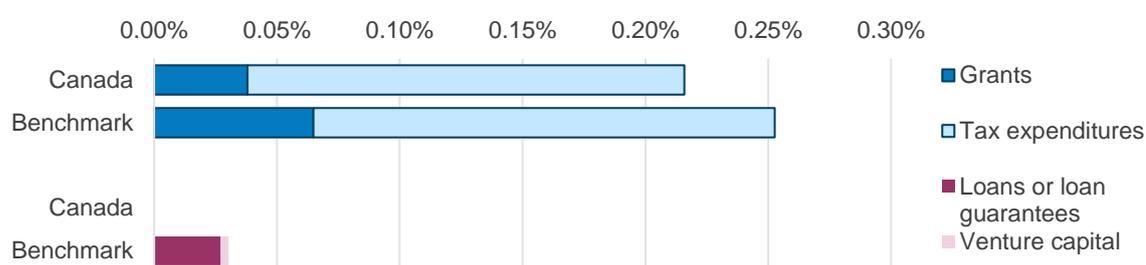
Mining - Spending as a percentage of GDP through grants and tax expenditures in the mining sector (**Figure 6**) is significantly higher in Canada compared to the benchmark (0.054% vs 0.004% of GDP), with 81% of the expenditures in this category being funded by provinces. The main instruments in this category are royalty reductions for the extraction of gas and oil. For example, the “Deep-Well Royalty Program” of British Columbia provides royalty reductions to companies when they drill deep wells for gas exploration. The credits cover a portion of the drilling and completion costs for these wells and can be used to reduce the royalties payable for a producing well (0.02% of GDP).

Energy – Support to the energy sector is significantly lower in Canada when compared with the benchmark (0.05% vs 0.23%). The only instrument in QuIS is the province of Ontario’s “renewable generation subsidy program” (0.05% of GDP in 2021) which is much smaller than for example, France’s feed-in tariffs scheme for renewable energy “*Soutien aux énergies renouvelables électriques en métropole continentale - Contrats d'achat*” (0.23% of GDP) or Italy’s feed-in tariff for photovoltaic plants “*Conto Energia*” (0.16% of GDP).

⁵ It is worth noting that energy prices in Canada have been historically lower than in the benchmark countries, both before and after taxes, which might explain the absence of energy tax deductions. For example, in 2018, the benchmark average industrial electricity price was 127 USD PPP/MWh (105 without taxes) while in Canada it was 87 USD PPP/MWh (77 without taxes), according to the IEA (International Energy Agency) Energy Prices database.

C. The Canadian industrial strategy is characterised by a strong R&D focus

Figure 8. R&D support as a percentage of GDP – Expenditure type, 2021



Source: OECD calculations based on the QuIS database.

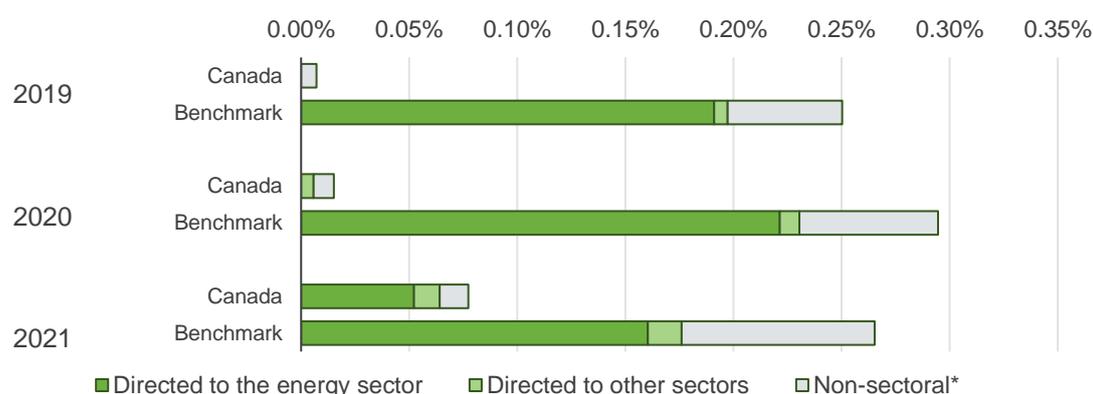
R&D support in Canada is provided through tax expenditures, and to a lower extent through grants (**Figure 8**).

The Scientific Research and Experimental Development Investment Tax Credit programme (SR&ED) represents 0.14% of GDP. This is a federal programme promoted by the Ministry of Finance, which is divided into two sub-programmes: the refundable portion and the non-refundable portion. The SR&ED tax incentives have encouraged businesses of all sizes and in all sectors to conduct R&D in Canada since 1985 and provide more than CAD 3 billion in tax incentives to over 20 000 claimants annually⁶. It is worth noting that there are also regional SR&ED programs (e.g., in Québec and British Columbia) that represent 0.02% of GDP. Similar instruments in other countries are the French “Research tax credit” programme (*Crédit d’impôt recherche*) (0.26% of GDP) and the Irish “Research and Development Tax Credit” programme (0.16% of GDP).

Like the benchmark, most of Canada’s support to R&D through grants and tax expenditures is horizontal (86.7% vs 82.3% in the benchmark), like for instance the federal SR&ED. Even if not targeted, beneficiaries are, like in other countries, mainly in R&D intensive sectors (e.g., manufacturing, information and communication, etc.).

D. Green support is concentrated on non-sectoral expenditures

Figure 9. Sectoral composition of green support in Canada, % of GDP, grants and tax expenditures



⁶ [Evolution of the SR&ED Program – a historical perspective - Canada.ca](#)

*"Non-sectoral" refers to policies that are not targeted to a specific sector. Nevertheless, some beneficiaries of these policies may belong to the energy sector.

Note: Includes EU support.

Source: OECD calculations based on the QuIS database.

Canadian green industrial grants and tax expenditures are significantly lower than the benchmark (0.08% of GDP in Canada, vs 0.27% of GDP in the benchmark in 2021 - **Figure 2**). This difference can be explained both by the lower amount of green support to the energy sector and the lower non-sectoral green expenditures (**Figure 9**).

Regarding green support to the energy sector, the values of the benchmark are driven by countries like Italy and Denmark. For instance, in Italy, the feed-in-tariff program for photovoltaic energy contracts represented 0.18% of GDP in 2021, and in Denmark, the "*Grants for wind turbine electricity (PSO for environmentally friendly electricity production)*" represented 0.16% of GDP. These types of schemes are much lower in Canada, with the main programme being the Feed-in-Tariff scheme for renewable energy contracts in Ontario (0.05% of GDP).

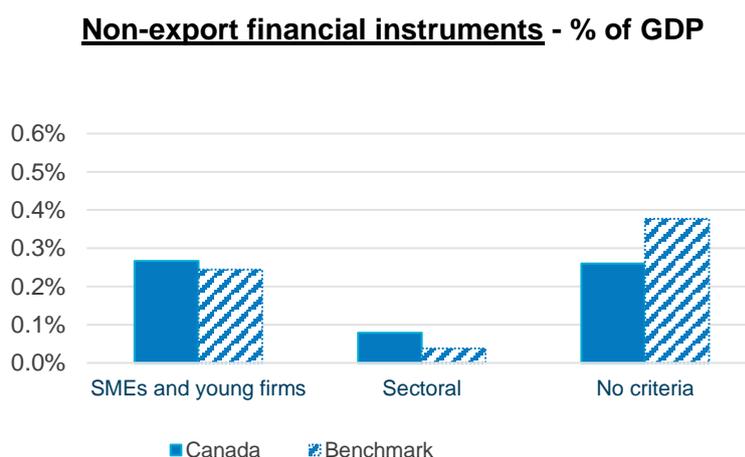
With respect to green support provided through non-sectoral instruments, Canada mainly relies on small grants such as the 'CleanBC Facilities electrification Fund' (0.003% GDP) designed to switch the energy usage of firms from fossil fuels to hydroelectricity and the 'CleanBC Program for Industry - Industry/Investment Fund' (0.002% GDP) designed to support firms in the development of green technologies, both in British Columbia. The benchmark countries rely on much larger schemes such as the '*Discount on additional taxable benefit for zero-emission cars*' in the Netherlands (0.06% of GDP) and the '*Tax exemption for renewable energy from biomass*' in Denmark (0.06% of GDP).

It is worth noting that Canadian green industrial policy expenditures increased massively between 2019 and 2021, going from 0.01% to 0.08% of GDP.

E. A large share of Canadian financial instruments target SMEs

Canadian Industrial policy expenditures on non-export financial instruments represents 0.9% of GDP (vs 0.4% in the benchmark) and mainly takes two forms: focused on SMEs or without eligibility criteria (**Figure 10**).

Figure 10. Industrial policy expenditures by eligibility criteria in 2021



Source: OECD calculations based on QuIS database

Canada's support to SMEs and young firms through non-export financial instruments represented 0.27% of GDP in 2021 (vs 0.24% of GDP in the benchmark). The largest programme is the loan scheme granted by the Business Development Bank of Canada, which represents 0.2% of GDP. While in other countries, these types of schemes

are smaller, such as the SME-focused loans provided by Denmark's Vækstfonden (0.05% of GDP) and Ireland's Strategic Banking Corporation (0.08% of GDP).

Regarding Canada's sectoral support through non-export financial instruments, this represented 0.08% of GDP in 2021 (vs 0.04% of GDP in the benchmark). This sectoral support mainly focuses on food processing (see Section B).

Finally, 28% of Canada's non-export financial instruments are not conditional on any eligibility criteria (0.26% vs 0.38% of GDP in the benchmark). The three largest schemes of this type belong to Québec, representing 0.17% of GDP.