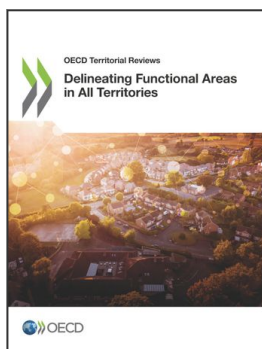


## *Foreword*

Amid heightened attention on growing geographic inequality, various OECD member countries have re-oriented their regional development policies towards a place-based approach to foster spatially inclusive economic development. In supporting this objective, the OECD Regional Development Policy Committee (RDPC) has highlighted the need for timely, accurate and informative territorial indicators in order to both design and monitor policies. Effective regional development policy not only requires subnational indicators for different territorial units such as regions, cities or rural areas, but also entails the recognition of economic linkages that exist between different territories. In particular, local labour markets extend beyond administrative borders and create functional linkages across areas. With respect to a functional definition of space, most OECD countries have focused their work on larger cities and their surrounding area of economic influence by establishing the concept of functional urban areas. However, functional areas such as integrated local labour markets exist across a country's entire national territory. Extending this concept to non-urban areas can help policy makers analyse subnational developments and design spatial policies that are better targeted to intermediate and rural areas.

*Functional Areas for All Territories* provides a comprehensive review of existing approaches to delineating functional areas across countries' entire national territory as a tool for territorial statistics and regional policy making. The report outlines the rationale and value added for functional territories as a complement to established administrative geographies. It explains and discusses the most important challenges and methodological aspects of delineating functional areas based on travel-to-work commuting flows or novel sources of data. Finally, the report develops a set of methodological guidelines for identifying functional areas. In applying these guidelines in five OECD countries, the report demonstrates the feasibility of delineating functional areas across diverse types of country geographies in a consistent manner.

This report contributes to the work programme of the OECD on regional development and territorial statistics. It was approved by the Working Party on Territorial Indicators (WPTI) and the RDPC on 9 November 2019.



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