

# Classifications *Newsletter*

United Nations Statistics Division (UNSD)

Number 13  
December 2003

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## The last Newsletter ...

This issue of the Classifications Newsletter will be the last one in the familiar format. However, this does not mean the end of any news on classifications. While the Classifications Newsletter as such will disappear, a new United Nations Statistics Newsletter will be issued, starting in February 2004.

The new Newsletter will not only be about activities of the United Nations Statistics Division in New York and the statistical units of the UN regional commissions in Addis Ababa, Bangkok, Beirut, Geneva and Santiago de Chile; it will also look at the statistical work of specialized organizations of the UN, the International Monetary Fund and the World Bank, and other important statistics-producing organizations such as the European Commission and the OECD.

The main body of the Newsletter will cover upcoming events, recent publications, technical cooperation activities and short reviews of various statistical themes. Supplements will focus on specific areas of statistical work, including national accounts, international classifications and environment statistics. The April and December issues of the newsletter will feature the supplement addressing international classifications, which will essentially be the continuation of the current Classifications Newsletter.

The Newsletter is intended to reach out not only to statisticians, but also to users of statistics: governments, politicians, planners, policy analysts, and the business community, stimulating the dialogue between users and producers. In this sense, the United Nations Statistics Newsletter will be the portal to activities that contribute to better official statistics across the world.

**Important:** To ensure that you receive this new UNSD Newsletter, including the special supplements, you need to subscribe.

All current subscribers of the Classifications Newsletter will receive the first copy of the United Nations Statistics Newsletter as a special mailing. However, to receive all future copies of the United Nations Statistics Newsletter, you need to sign up for it. This can be done on the UNSD website (<http://unstats.un.org/unsd/newsletter>), following the link to the subscription page.

The Newsletter will be issued 6 times per year, bimonthly starting February 2004, including the supplement on classifications in the April and December issues. The introductory issue of the United Nations Statistics Newsletter is already available at the UNSD website (<http://unstats.un.org>).

Any questions regarding the Newsletter or subscriptions may be e-mailed to [Statisticsnewsletter@un.org](mailto:Statisticsnewsletter@un.org).

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## Classifications workshop for French speaking African countries

In the framework of the revision process of international activity and product classifications, UNSD and the Technical Subgroup of the Expert group on international economic and social classifications distributed a questionnaire to countries, international and regional agencies to elicit their comments about a number of pending technical problems concerning the revision of ISIC and CPC, including conceptual issues and a structure proposal.

In order to get an (even partial) African view point, a workshop was organised by Afristat for eighteen (of the twenty five) African French speaking countries: most of the Afristat members -Sahelian and Central African countries-, two Maghrebian countries -Morocco and Tunisia-, Democratic Republic of Congo, Rwanda, Djibouti and Madagascar. Two regional bodies -the West African Economic and Monetary Union (WAEMU) and Afristat- plus the Central Bank of Mauritania also participated.

The workshop took place in Bamako, Mali, on 13-17 October 2003 and was co-financed by UNSD,

December 2003

Statistics Canada and INSEE (France). It was organized by two classification specialists from INSEE.

Some years ago, the Afristat members created two classifications (NAEMA and NOPEMA) respectively based on ISIC Rev.3 and CPC Ver. 1.0. The purpose of this workshop was to highlight the problems encountered during the creation of these classifications and to formulate views about the future versions that would serve as a common response to the UN questionnaire.

All questions of the UN questionnaire, in addition to some more specific African problems, were debated during the five days. The goal to build a convergent reply was nearly reached: for most of the questions a consensual answer was produced; for some of them, when no consensus was possible, the various opinions were retained in order to show the possible options supported by the countries.

Some questions were especially well debated, in particular concerning the Agriculture domain, which is still an important group of activities for these countries. This included discussions on the detail required to better represent the various modes of agriculture in Africa as well as the location in the activity classification of various activities which aim to "prepare the agricultural products for the markets" (more of a "manufacturing" character in Africa than a agricultural one).

The participants requested that the French specialists support their views at the UN level (even when they did not coincide with the French positions) and Afristat committed to continue informing member countries of the follow up of the international work as well as the final outcomes of discussions.

Immediately after the workshop, a CD-Rom in French and in English was produced that included the full documentation to support, describe and summarize the work accomplished.

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## **Classifications workshop for ESCAP countries**

A workshop on international, economic and social classifications was conducted for Asian and Pacific countries in New Delhi, India on 14-16 November 2003. This workshop was organized and

conducted jointly by the United Nations Statistics Division (UNSD) and the Statistics Division of the Economic and Social Commission for Asia and the Pacific (ESCAP). It was hosted by the Central Statistical Organization, Ministry of Statistics and Programme Implementation of the Government of India, and was held at the premises of the Asian and Pacific Center for Transfer of Technology (APCTT), a regional institution of ESCAP.

The participation focused on the non-ASEAN Asian and Pacific countries, with seventeen participants from nine countries and one participant from the Secretariat of the Pacific Community representing twenty-two Pacific Island countries and territories. A classifications workshop for ASEAN countries was already held in June 2002 in Hanoi, Vietnam.

The main objective of the workshop was to receive, in a more direct way, the involvement and feedback of the region on the ISIC and CPC revision process. Another objective, related to the previous one, was to assist the countries of the region with the implementation of activity and product classifications, to get to know more closely the problems they face and the needs they have, and to be able to reflect these needs as much as possible in the future 2007 revisions of ISIC and CPC.

Through its presentations, UNSD provided comprehensive information on its classifications work programme; more specifically, on the Family of International Economic and Social Classifications, on the mechanisms, tools and processes put in place to carry out this work programme, on the conceptual basis combined with the structural changes for the 2007 revisions of ISIC and CPC, based on the four documents (Concepts paper, ISIC structure paper, a paper on possible ISIC codifying systems and the Questionnaire on the ISIC and CPC revision) prepared by the Technical Subgroup of the Expert Group and disseminated to national statistical offices worldwide.

UNSD also briefed the workshop on the work for revision of the UN List of Industrial Products currently under way. ESCAP informed the workshop on the role of classifications in assessing the effects of globalization and on the status of classifications work and possibilities for technical cooperation in Asian and Pacific countries. Each module of the workshop afforded time for discussion on the issues presented.

An important part of the workshop were the presentations by countries. These presentations focused on the current state of usage and implementation of activity, product and for some countries also expenditure according to purpose classifications, and on countries' plans for revisions in the future.

Important outcomes of the workshop were:

- There is general agreement in the region with the conceptual and structural proposals for the planned 2007 revisions of ISIC and CPC as laid out in the revision documents. Some specific aspects included: - broad support for a high-level category for Repair and Maintenance as this was seen to be representative of the economic realities in participating countries; - the concept of mixed farming was generally supported; - it was recommended to further break down fishing activities (SPC has a particular interest in fishing) and possible options for disaggregating it were discussed; - a separate category for services incidental to agriculture was supported; - there was no support for considering electricity transmission as transport activity.

- A recommendation was made for the development of a listing of mixed activities that are more prevalent in developing countries to see if some patterns with international significance would emerge.

- It was considered very important and therefore it was recommended, that each office name at least a "classifications focal point" where a classifications/standards unit is not also feasible.

- UNSD, the Statistics Division of ESCAP and participants themselves became more informed on the latitude, depth and purpose of implementation of reference classifications in the region.

All documents related to this workshop, can be found on the UNSD classifications website at <http://unstats.un.org/unsd/class> under "International Cooperation in Classifications", "United Nations Classifications Workshops and Training".

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## **Technical Subgroup continues work on updating ISIC and CPC**

The Technical Subgroup (TSG) to the Expert Group on International Economic and Social Classifications (Expert Group) continued its series of meetings to fulfil its mandate of assisting in the revisions of the International Standard Industrial

Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC), which are planned for 2007. To this end, the TSG met twice in the fourth quarter of 2003. The first meeting was held on 24-28 October and a second one-day meeting was annexed to the end of the three day meeting of the Expert Group on International Economic and Social Classifications. It was held on 11 December 2003.

The agenda for the October meeting focused on reviewing the responses to the second questionnaire on the ISIC and CPC revisions, circulated by the United Nations Statistics Division (UNSD) in May 2003. That questionnaire was sent to national statistical offices, international and regional agencies and others, for soliciting views on concepts and structure issues that they would like to see reflected in the revised versions of the classifications. The follow-up December meeting of the TSG, on the other hand, had as its objective, incorporating the views of the recently convened Expert Group into the work already accomplished in the revision process. That meeting also addressed the documentation that will be sent to the Statistical Commission as reportage on the revision process.

The October meeting deliberated on the structure proposal for ISIC that had been developed in light of the expressed points of view of questionnaire respondents. It examined the classification structure as a whole, as well as selected boundary issues within the structure, for relevance to current global economic realities, comparability to other activity classifications and the effect that the proposed structure would have on the continuity of the classification, i.e. its link to previous versions. The scope and coverage of the classifications were also addressed.

A key aspect of this meeting was also the reporting that was made on a number of recent (2003) gatherings having impact on the revisions at the global level. Reports were given on: the conduct of two Classifications workshops organized by UNSD, in India for ESCAP countries and in Chile for Latin American countries; one workshop conducted by the national statistical office of France, the Institut National de la Statistique et des Etudes (INSEE) in Mali, for francophone African countries; the first meeting of the ASEAN Technical Group on Classifications; the Voorburg Group meeting held in Tokyo, which included a module on Classifications, and a UNECE workshop on Agricultural Statistics held in Geneva

whose agenda also included classifications matters. The meeting also learned of developmental work on activity classifications of the national statistical offices of Australia and New Zealand, Japan and Mercosur countries, as well as the outcome of convergence activities that had been in progress between the European and North American industry classifications (UNSD was an observer in that exercise). An account of work-in-progress that had bearing on the classifications revisions was also given from the Inter Secretariat Working Group for National Accounts, with respect to the revision of the 1993 System of National Accounts (SNA). The aim of this extensive reporting was to bring to the attention of the revision process, any important classifications issues that had arisen at national, regional and/or international levels and, where there was relevance and consensus, to reflect these issues in the new drafts for ISIC and CPC. This will help to ensure that the final revision products are as representative and cosmopolitan in nature, as is feasible.

The meeting addressed each of the 22 Sections that were proposed for the new structure of ISIC in detail. It also engaged in an extensive evaluation and refinement of the portion of the proposals devoted to conceptual and theoretical issues.

Account was also taken of responses to the questions on CPC. This took the form of an assessment of its structure and critical examination of the options for its conceptual underpinning. The recency of the CPC's revisions and less vigorous implementation worldwide have meant that discussion on the revision of this classification has been less than that for ISIC.

Resulting from the October meeting of the TSG was the documentation that formed the basis of proposals presented to the Expert Group for its meeting of 8-10 December. Once the Expert Group had met, the December meeting of the TSG was then used to recapitulate the revision proposals and incorporate agreements reached by the Expert Group, on structure, concepts and editorial considerations.

For ISIC, the areas of discussion that attracted the most attention were the creation of new Sections at the top level for:

- Repair and Maintenance
- Water supply; sewerage, waste management and remediation activities
- Information and communication;
- Administrative and support service activities,

and the introduction across the classification, of groupings for Support Services at the second level. These were proposed to be un-coupled from their close proximity to the major activities with which they are related, with the objective of being able to keep track of outsourcing at an aggregated level as activities move, for instance, out of mining into service categories. The question of whether or not to create a topmost level of aggregation above the level of 22 Sections also attracted much discussion.

Lengthy debates on these topics by the meeting of the Expert Group and both meetings of the TSG yielded general agreement on the creation of the newly constituted sections, with the exception of the one for "Repair and Maintenance". Strongly differing positions, based not only on conceptual criteria, but also practical implementation issues, did not yield support for the original proposal brought forward by the Technical Subgroup. A consensus option was finally adopted, which allowed for stability in the treatment of some of these activities, but at the same time created the opportunity for aggregating all repair activities from complete categories at the division level, albeit not as a separate section in the classification.

The new divisions for Support Services have been conditionally accepted for inclusion in the draft structure, with further review of certain areas pending.

The creation of a topmost level of about 10 categories was seen as a necessity. While such an aggregate will serve as guidance for high-level data dissemination and analysis, it was recommended that it not become part of the official ISIC structure. Given the different options for such an aggregate, corresponding to different analytical needs, priority will be given to an aggregate that best serves the needs of the National Accounts and it will be developed in cooperation with the Inter-Secretariat Working Group on National Accounts (ISWGNA).

In spite of these initiatives, ISIC will maintain much of its stability, continuing to be a classification of economic activities; having coverage related to that outlined in the SNA and employing the accustomed criteria with regard to identification of statistical units, definition of classes and identification of the primary activity of units.

In the case of the CPC, airing was given to whether the classification structure should be based on "industry of origin" or "demand based" principles, or whether the status quo should be retained. The latter

was finally agreed upon. Also considered, was whether the scope of CPC should include unintended by-products or assets.

Space limitations do not permit an exposition of all the areas of these two classifications that were discussed, but documentation of the Technical Subgroup Meetings can be reviewed at the Classifications Website of the UN Statistics Division at <http://unstats.un.org/unsd/class>, under "International Cooperation in Classifications", "Technical Subgroup of the Expert Group".

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## **Expert Group Meeting on Economic and Social Classifications, 8-10 December 2003, New York**

On 8-10 December the Expert Group on Economic and Social Classifications gathered at the UN Headquarters in New York for discussing various issues ranging from the ISIC and CPC revision process anticipated for 2007 to classifications related developments in the areas of Trade (HS and SITC), Education (ISCED), Health (ICD, ICF), Time-Use (ICATUS) and Occupations (ISCO). The discussions reflected the mandate of the Expert Group, given by the Statistical Commission, to coordinate the developments of the classifications of the International Family of Classifications and to enhance harmonization among them.

The Expert Group – made up at this year's meeting of 32 experts from 16 national statistical offices (including experts from 8 NSO's from developing and transition countries) and 7 international organizations – met with the aim of

- fostering collaboration and coordination within the family of international economic and social classifications,
- discussing and reviewing the proposals for the upcoming revisions of the International Standard Industrial Classification of All Economic Activities (ISIC) and the Central Product Classification (CPC), as well as discussing its implementation,
- reviewing the developments and experiences in the recent revisions in the family of health classifications,
- discussing the procedures for the planned revisions of the International Standard Classification of Occupations (ISCO) and the Standard International Trade Classification

(SITC), Agricultural classifications, and Social Classifications

As decided at the last Expert Group meeting, and as requested by the Statistical Commission, more time was devoted to the social classifications. The International Standard Classification of Occupations (ISCO) is going to be revised, as decided at the International Conference of Labour Statisticians. The general concept and structure of the classification will remain the same; however, relevance has to be increased in order to account for newly emerged occupations, e.g. in the IT sector. The Expert Group, in cooperation with the International Labour Organization (ILO), will support the establishment of a technical subgroup, which will be in charge of creating a well balanced classification system applicable to developed and developing countries alike. The process for revision will be similar to the ISIC and CPC revision where countries were involved through consultations via questionnaires and regional workshops.

For the International Standard Classification of Education (ISCED), maintained by UNESCO, the Expert Group recommended that the classification of non-traditional learning activities, i.e. recreational learning and job-training (life-long learning) be addressed and solved, in collaboration between the UNESCO Institute for Statistics, the ILO and Eurostat.

The Agricultural classifications maintained by FAO are also going to be revised. The Expert Group supports the work and urges close cooperation with UNSD in order to make ISIC and CPC applicable for agricultural statistics. The FAO will take the lead in follow-up work that will not only improve the FAO classifications, but also provide substantive input into the ISIC and CPC revision process for agricultural activities and products, such as discussion of relevant detail for agricultural products in the CPC.

The Expert Group took note of WHO's work on the Family of International Health Classifications and encouraged sharing WHO's experiences in implementation. It also recommended cooperation in the revision process of the classifications, with member countries.

### **Economic Classifications (ISIC/CPC)**

The Expert Group accepted and endorsed the proposals put forward by the Technical Subgroup

regarding the conceptual issues underlying the ISIC revision and suggested improvements for the descriptions of these principles. It was agreed that ISIC will remain a classification of economic activities, i.e. related to the production of goods and services as covered in the System of National Accounts (SNA). Some exceptions will be made to allow for classification of statistical units for other related purposes, such as business registers. There will also be certain cases, where economic production outside the boundaries of the 1993 SNA will be included in ISIC. This will be limited to few cases, such as activities related to patented entities and subleases.

Recommendations regarding statistical units and their identification, consistent with the SNA remain in place. The treatment of ancillary units will follow the recommendations of the SNA, which are currently under review. If the current SNA treatment remains, a coding option using secondary codes for ancillary units will be recommended.

ISIC will continue to use the criteria of input, process and output for the definition of classes. However, the revision of ISIC will focus on the production function as a conceptual underpinning within the constraints of relevance, comparability, and continuity. This will result in a more consistent way of defining ISIC categories, while maintaining as much of the existing structure and concepts as possible. It was recognized that a complete and unconditional switch to a single defining principle would severely impact on continuity without providing substantial improvements to the classification.

Value added will be the criterion used to identify the primary activity of a unit that carries out multiple activities, even in the case of vertical integration, providing for a more consistent treatment of such cases.

The Expert Group reviewed the high-level structure proposed by the Technical Subgroup that was approved as outlined in the report of the Expert Group ESA/STAT/AC.94/3. A major discussion point was the creation of a Repair and Maintenance section, which resulted in a compromise solution (see the article on the Technical Subgroup).

It was decided to encourage countries to produce data that can be aggregated in a clean way to the ISIC 2-digit level in order to ensure international

comparability. The Expert Group endorsed the development of a broad aggregation structure of around 10 categories in cooperation with the ISWGNA.

The Expert Group decided to limit the scope of CPC to produced goods and services. The main structure of CPC is not going to be changed and alternatives following a demand-based structure or industry-of-origin based structure will only be considered for future revisions depending on the outcome of research to be conducted in this matter.

For the 2007 revision of CPC updates of the Harmonized System (HS), the Extended Balance of Payments Services classification (EBOPS) and the revision of FAO's Agricultural Product List should be considered. At the same time the services part of the classification should be enhanced through the introduction of more detail.

In order to facilitate national and international coordination of and cooperation on classifications issues, the Expert Group proposed that, at a minimum, each country should identify or appoint a focal point to serve as contact person (for both, national users and international custodians). For the implementation of classifications, bilateral cooperation was identified as an important tool and hence it was proposed to create an Inventory of Classifications Activities which would help in better coordinating the training opportunities and increasing the efficient use of resources. This Inventory should include custodians of international classifications as well as countries undertaking training activities.

The work plan of the ISIC and CPC revision has been agreed upon as proposed by the Technical Subgroup with the next Expert Group meeting being held in June 2005 to allow for sufficient time for the preparation of the necessary documents for the Statistical Commission in 2006.

The complete documentation for this meeting can be found on the UNSD Classifications webpage under "International Cooperation in Classifications", "Expert Group on International Economic and Social Classifications"

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## **Calendar of events**

The United Nations Statistical Commission will discuss international economic and social

classifications at its next meeting on 2-5 March 2004 in New York. Documentation for this meeting is available at the UNSD website at <http://unstats.un.org/unsd/statcom/commission.htm>

The next meeting of the Technical Subgroup of the Expert Group on International Economic and Social Classifications has been scheduled for 22-26 March 2004.

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## **Editorial note**

The *Classifications Newsletter* summarizes recent developments in the field of international classifications and draws attention to the availability of such information in print and on the Internet. This *Newsletter* is published and disseminated by the *United Nations Statistics Division* in Arabic, Chinese, English, French, Russian and Spanish.

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