

Classifications *Newsletter*

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Standardising classifications in the Pacific Island Countries and Territories (PICTs)

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Pacific Island countries (15) and territories¹ (7) are diverse in size, culture and economy. The islands range in geographical size and population numbers from Papua New Guinea with the largest land area of 462,840 km² and a population of around 7.4 million people, to Tokelau with the smallest land area of 12 km² (Population of 1,200), and Pitcairn with the smallest population of 60 people (47 km² of land)². Thus to measure and compare PICTs economic performance, good standards and classifications are important.

The Secretariat of the Pacific Community (SPC), in line with the mandate from the Pacific Plan and guided by the Ten-Year Pacific Statistics Strategy (TYPSS) is striving for greater harmonisation of statistical standards, classifications and systems to enable PICTs to use common tools for statistical collections.

Two regional classifications compiled by SPC, the Pacific classification of individual consumption according to purpose (PACCOICOP) 2012 and the Pacific Standard Industrial Classification (PACSIC) 2014 for use by PICTs will allow consistency in data reporting in the region thus ensuring better comparison of regional and international data. Both these classifications were developed by consulting with PICTs National Statistical Organisations (NSOs) to include features that make them more useful for countries in the Pacific hence they are tailor made for the Pacific.

¹ **Melanesia** comprises of 5 Pacific Island countries and territories: Papua New Guinea, Solomon Islands, Fiji, New Caledonia and Vanuatu.

Micronesia comprises of 7 Pacific Island countries and territories: Federated States of Micronesia, Guam, Kiribati, Northern Marianas, Marshall Islands, Nauru and Palau.

Polynesia comprises of 10 Pacific Island countries and territories: American Samoa, Cook Islands, French Polynesia, Niue, Samoa, Tonga, Tuvalu, Tokelau, Pitcairn and Wallis and Futuna

² Source: SPCs 2013 Pocket Statistical Summary. Note: Data on all the PICTs can be obtained from the 2013 Pocket Summary as well as www.spc.int/prism

PACCOICOP 2012 is available on the SPC website <http://www.spc.int/prism/>. PACSIC 2014 will be posted on the SPC website later this year.

SPC plans to hold a Pacific Regional Workshop on classifications for one week in 2015.

1. PACCOICOP 2012

PACCOICOP 2012, which has been derived from the United Nations' Classification of Individual Consumption According to Purpose (COICOP), identifies individual consumption expenditures of PICTs households incurred by three institutional sectors, households, non-profit institutions serving households (NPISHs), and general government.

Both PACCOICOP and COICOP are compatible at the three levels. The fourth level (sub-class) of PACCOICOP is a sub-division of the third level (class) of COICOP, albeit there are instances when categories are either expanded or contracted, depending on the consumer spending in PICTs. If a particular class is of importance, the relevant classification is expanded. If some other class is unimportant, the relevant part of the classification has been contracted.

A major use of PACCOICOP 2012 is its use in the household income and expenditure survey (HIES) which SPC is assisting PICTs to conduct. In view of the fact that household expenditure surveys collect data on all household expenditure i.e. including non-consumption expenditure, PACCOICOP 2012 also contains, as supplementary information, an additional group to cover non-consumption expenditure. The other two important uses in PICTs of the PACCOICOP 2012 are the construction of the consumer price index and the gross domestic product (GDP) compiled using the expenditure approach.

2. PACSIC 2014

PACSIC 2014 which has been derived from the United Nations' International Standard Industrial Classification of All Economic Activities (ISIC) Revision 4 classifies all productive activities undertaken in PICTs. In using ISIC Rev. 4 to derive PACSIC 2014 the ISIC category class has been split into sub-classes to

allow for classification at the regional level, thus at the class level there are instances when ISIC class categories are either expanded or contracted, depending on the economic situation in PICTs:

- If a particular economic activity is especially well developed, or of significant economic importance e.g. production of kava, the relevant ISIC class is expanded/split into sub-classes.
- If on the other hand an economic activity does not exist or may not develop in the next few years e.g. manufacture of guns under manufacturing, the relevant part of the classification has been contracted/dropped.
- There are however a few economic activities that are currently not being undertaken by the PICTs, but the countries have either issued licences for their operation or are expecting the activities to take place in the next few years. Those economic activities have been retained in PACSIC 2014.

PACSIC 2014 has also adopted the new International Standard Classification of Education (ISCED) 2011 for the section on education rather than the old ISCED 1997 which is currently used in ISIC Rev 4. The use of ISCED 2011 supports the approach of Pacific countries for international reporting of education data and indicators discussed at the February 2014 Regional Workshop on Education Data and Indicators in Noumea.

PICTs have large informal economies that need to be accounted for in the GDP. PACSIC 2014 dedicates a chapter to accounting for the informal sector.

Other than being used by the PICTs NSOs in the GDP, Demography of enterprises and Employment, use of it is also being made by some PICTs tax collection agencies, authorities issuing business licenses and provident funds. More and more PICTs will be using PACSIC 2014 in time to come.

FAO contribution to the Harmonized System Review 2017

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In 2011, the World Customs Organization (WCO) launched the review of the Harmonized System (HS)

2017. The Food and Agriculture Organization of the United Nations (FAO) has contributed to the process through a proposal for the amendment of agriculture, fishery and forest products, fertilizers and agricultural machinery.

To ensure contribution to the review of the HS is crucial for FAO. Since 98% of the merchandise in international trade is classified in HS and almost all countries in the world use the HS for statistical and administrative purposes, to influence the HS means to significantly impact the availability and quality of trade statistics worldwide and therefore to strengthen food security monitoring, as well as environmental and social sustainability. As the HS is a multipurpose tool, often used also for statistics other than trade and as the basis for other international and national classifications, this is also an outstanding opportunity to strengthen data harmonization across countries and different statistical domains.

The FAO participation in the review of the HS started in 2007 with the review of the HS 2012 version, to which the FAO contributed significantly. This version, which is now in force, includes more than 300 new subheadings for agriculture and fisheries compared to the previous 2007 edition.

Therefore, a new FAO proposal was submitted in 2012 for the review of HS 2017. In this case the documentation was quite comprehensive and broad: it included the review of 168 items and was discussed in six meetings over two years, both at the HS Review Sub-Committee (HS RSC Sessions 43rd-46th) and HS Committee (HSC Sessions 42nd and 53rd).

The proposals were *evidence-driven* and supported by comprehensive identification criteria - including descriptions and photos - and trade data. The associated trade data was necessary since the WCO sets a threshold of USD 50 million for the introduction of new subheadings (six digits) and USD 100 million for new headings (four digits).

This initiative was a corporate effort carried out by a number of FAO Divisions and of international partners. The key contributors in FAO were the Statistics Division, the Fisheries and Aquaculture Department, and the Forestry Department. The Agriculture and Consumer Protection Department and the Trade and Markets Division have also collaborated in developing the proposal. In addition, a number of national and international partner Organizations have

supported the FAO and helped develop specific sections. For fishery products, the proposed improvement of coverage for sharks and shark fins has been developed in collaboration with the National Oceanic and Atmospheric Administration (NOAA), the U.S. Fish and Wildlife Service, and the U.S. Department of State. For forest products, the proposal has been developed in cooperation with Eurostat, the International Tropical Timber Organization (ITTO) and the United Nations Economic Commission for Europe (UNECE). For agricultural machinery, the proposal has been prepared in partnership with VDMA (Verband Deutscher Maschinen- und Anlagenbau), AAPRESID (Asociación Argentina de Productores en Siembra Directa) and ABIMAQ (Associação Brasileira da Indústria de Máquinas e Equipamentos).

The HS review process consisted of two main phases: the first to decide on the new structure and changes to the legal text and the second to develop or improve the Explanatory Notes. After several meetings, the first phase was finalized in March 2014 at the 53rd Session of the Harmonized System Committee. The outcome of the consultation was then submitted to the 123rd/124th Sessions of the WCO Council, the supreme WCO governance body. The Council, in its annual meeting in June 2014, approved all FAO proposals previously accepted by the HSC and decided to recommend them to the Contracting Parties. If no objection will be raised by WCO member countries within a period of six months, the new HS 2017 structure will be considered as official on the 1st January 2015.

The review process was an enormous success for FAO as the large majority of the proposals initially submitted have been accepted (97% of items proposed have been approved). In particular:

For agricultural commodities, fertilizers and machinery additional detail was added on:

- citrus fruit, and in particular on mandarins and clementines (3 new subheadings)
- fertilizers, in particular on superphosphate according to P₂O₅ concentration (2 new subheadings)
- no-till and other direct seeders, planters and transplanter (2 new subheadings)
- manure spreaders and fertilizer distributors (2 new subheadings)
- agricultural sprayers including additional breakdown on portable and other sprayers (2 new subheadings)

- tractors, in particular the label was changed from “pedestrian controlled tractor” into “single axle tractors” and increased detail on engine power rate was added for double axles tractor (5 new subheadings)

For fishery products:

- increased coverage was introduced to pelagic species (4 subheadings amended), carp species (12 subheadings amended), cephalopod species (3 subheadings amended), *Trochurus* species (3 new subheadings)
- additional detail was added for edible offals (2 new subheadings)
- additional codes by product forms (fins, meat, etc.) and preservation states (fresh, frozen, cured, prepared and preserved) were introduced for dogfish and other sharks and for rays and skates (10 new subheadings)
- additional breakdown for dried fish, adding three groups of species (several freshwater, *Gadiformes*, several pelagic species) (3 new subheadings)
- under Chapter 03, separation of “not frozen” into “live, fresh or chilled” and “other” for crustaceans (7 new subheadings and other 6 subheadings amended) and of “other than live, fresh or chilled” into “frozen” and “other” for molluscs (9 new subheadings and other 9 subheadings amended) and aquatic invertebrates (2 new subheadings and other 2 subheadings amended)

For forest products additional detail was added on:

- tree species or species groups (coniferous, non-coniferous, tropical, temperate, species) and dimension for logs, sawnwood, veneer and plywood (28 new and 8 amended subheadings)
- separation of agglomerated and non-agglomerated wood processing residues (1 new subheading)
- prefabricated buildings made of wood (2 new subheadings)

In addition to the FAO proposal, in this review round the WCO Secretariat and member countries gave FAO the possibility to express its view before deleting some selected HS items. At the 45th Session of the Review Sub-Committee (RSC) a list of items proposed for deletion was presented by the WCO Secretariat: of these, 44 concerned agriculture, fishery and forest products. At the following meeting (46th Session of the

RSC), FAO submitted justifications and documentation for all the 44 items asking to retain these codes in the light of food security or environmental sustainability consideration: the RSC members unanimously agreed to retain all items indicated by the FAO.

The deletion of codes in the HS is based on low trade volume and is a regular procedure in the review process. This was the first time, however, that FAO was involved in the discussion as a result of the fruitful cooperation developed with the WCO over these years. This result is significant for the Organization, as the deletion of items from the HS resulted in a loss of statistical information for FAO in the past.

In conclusion, the next HS 2017 edition will include the following changes for agriculture, fisheries and forestry:

- 16 new subheadings approved and created for agricultural products, fertilizers and machinery;
- 36 new subheadings approved and created and 36 subheadings improved for fishery products;
- 31 new subheadings approved and created for and 8 subheadings improved for forest products.

Work will continue in the second phase of the process, and in 2014-2016 the FAO will contribute to the development of the HS 2017 explanatory notes and will ensure participation at WCO meetings as needed.

The HS 2017 will come into force on the 1st January 2017. It is likely that, at that time, the next HS 2022 review process will be already underway.

The 5th revision of the Classification by Broad Economic Categories

At its biennial meeting in May 2011 in New York, the Expert Group on International Statistical Classifications agreed to establish a technical subgroup for the revision of the Classification by Broad Economic Categories (BEC). The terms of reference of this group stipulated that it should improve the fourth edition of the BEC by re-defining the BEC structure to better reflect current economic reality and by extending its scope, including services as well as goods, while giving extra attention to the definition of products for intermediate

consumption. This process was supported by the United Nations Statistical Commission at its meeting in 2012.

The technical sub-group held its first meeting (virtually) in May 2012 in which it agreed on some basic points, which worked out in the course of 2013 and the first half of 2014, namely:

- (1) The main purpose of the BEC is to present international trade in terms of the end-use categories of the System of National Accounts (SNA), namely intermediate and final consumption, and gross fixed capital formation;
- (2) Services should be added, and a goods-services dimension should be visible in BEC;
- (3) Important economic sectors should be visible in BEC;
- (4) Further distinctions should be included in the BEC, if possible, for
 - Primary versus processed,
 - Intermediate versus finished, and
 - Generic intermediates versus customized intermediates;
- (5) The BEC manual should:
 - elaborate on the underlying principles of the BEC,
 - give concise descriptions of the categories in the revised classification and
 - provide the guidelines and principles used to allocate the basic categories of HS and CPC to the BEC categories

The draft version of the 5th Manual of the Classification by Broad Economic Categories was sent for a global consultation in June 2014 to the statistical offices of all UN member states. Offices were requested for their opinion on the overall content of the manual and on some specific questions on the proposed revisions regarding the structure, scope, and definitions of the BEC. The deadline of the consultation was set for 15 August 2014.

The suggestions received through this survey will be incorporated in the draft manual, and the final results will be presented to the Expert Group on International Statistical Classifications.

Revision of the Japan Standard Industrial Classification

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The Japan Standard Industrial Classification (JSIC) was first established in October 1949 as a set of statistical standards to disseminate statistical data according to each industry. JSIC classifies all economic activities, including agriculture, construction, manufacturing, wholesale trade, retail trade, services, and government activities, performed by establishments into a four-level hierarchy of Divisions, Major groups, Groups and Industries. The latest revision came into effect in April 2014, and is the thirteenth revision since 1949, when JSIC was devised.

Under JSIC, economic activities performed at establishments, or industries, are classified and arranged systematically, focusing on the following major points:

- (1) Types of goods produced or services provided (use, functions etc.)
- (2) Ways of producing goods or providing services (facilities, technologies etc.)
- (3) Types and properties of raw materials, and objects of services and types of items stocked (merchandise, etc.)

In this revision, some new Industries were newly established, such as Market research, opinion survey and social survey services, Relaxation services (using manual techniques), Nail salon services, and Call center services, based on changes in the state of industries since 2007, when the previous revision was implemented.

Composition of JSIC (13th Revised Edition)

Divisions	Major groups	Groups	Industries
A Agriculture and Forestry	2	11	33
B Fisheries	2	6	21
C Mining and quarrying of stone and gravel	1	7	32
D Construction	3	23	55
E Manufacturing	24	177	595
F Electricity, gas, heat supply and water	4	10	17
G Information and communications	5	20	45
H Transport and postal services	8	33	62
I Wholesale and retail trade	12	61	202
J Finance and insurance	6	24	72
K Real estate and goods rental and leasing	3	15	28
L Scientific research, professional and technical services	4	23	42
M Accommodations, eating and drinking services	3	17	29
N Living-related and personal services and amusement services	3	23	69
O Education, learning support	2	16	35
P Medical, health care and welfare	3	18	41
Q Compound services	2	6	10
R Services, n.e.c.	9	34	66
S Government, except elsewhere classified	2	5	5
T Industries unable to classify	1	1	1
(Total) 20	99	530	1,460

Statistical standard classifications, including JSIC, are crucial tools for comparing statistics not only on a domestic level but also on an international level. Thus, the improvement of correspondence with international standard classifications is one of the important issues to consider in the classification revision process. The correspondence tables between ISIC Rev.4 and JSIC Rev.13 can be found on the UNSD website at <http://unstats.un.org/unsd/cr/registry/isic-4.asp> under "ISIC Rev.4".

Editorial note

The Classifications Newsletter summarizes recent developments in the field of international classifications, announces upcoming events and draws attention to the availability of relevant classifications material in print and on the Internet. The Classifications Newsletter can be found on the United Nations Classifications Website at <http://unstats.un.org/unsd/class> under "Newsletter".

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