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**Report from the work conducted by the Technical Subgroup on the revision of COICOP
and issues for discussion**

TSG-COICOP

1. Work carried out so far

Although the formal revision process of the Classification of Individual Consumption According to Purpose (COICOP) has only started in 2015, the idea of revising this classification was raised for the first time in 2011 in the United Nations Expert Group on International Statistical Classifications meeting. Therefore, we can consider that the revision was carried out in 3 distinct phases being the 2 first phases the preliminary works that conduct to the decision that a revision was needed.

1.1 Phase 1 (2011-2013): Proposal to revise COICOP and 1st global consultation

The UN Expert Group on International Classifications (EG) discussed the possibility of revising this classification for the first time in 2011.

As the System of National Accounts (SNA), had just been revised at that time, and COICOP being part of it, the EG meeting experts recommended to avoid revisions that may conflict with the SNA implementation, while they also acknowledged the need for clarification and improvement of this classification. It was considered that before launching any formal revision it would be useful to conduct first a consultation at world level to assess the need and scope of this revision.

UNSD run a global survey to find out what were the main aspects of COICOP that were considered outdated by the Countries. UNSD was supported by a Technical sub-group consisting of experts from UNECE, Eurostat and Statistics Austria in preparing the survey and also in analysing the results.

The global consultation was carried out between October and December 2012. A total of 72 responses have been received, from 68 countries and four international organisations.

The results showed that countries were generally in favour of an update or revision of COICOP, to ensure that it continues to provide an adequate tool for the recording of households' consumption expenditures. In particular, it was felt that a revision was needed to reflect the significant changes in goods and services in some areas: for example, new products had emerged in some areas of household consumption (mainly in Divisions 08 and 09), while some products had disappeared from the market. In general, there was a call for more detailed guidelines to ensure a proper and correct recording. The introduction of a fifth digit level was also supported by a majority of countries.

1.2 Phase 2 (2013-2015): Clarification of issues raised during the 1st global consultation

The results from the global consultation were presented and discussed during the UN Expert Group meeting in 2013.

The EG agreed to form a Technical Subgroup that would look at case law issues for COICOP as a first step, which may then be expanded into broader considerations for a revision of COICOP and other classifications of expenditures according to purpose. The TSG consisted of EG members and invited experts (Austria, Australia, Philippines, Switzerland, New Zealand, UNECE, UNSD, FAO, ILO and Eurostat) and was chaired by Eurostat.

The TSG-COICOP identified three main groups of issues raised during the first global consultation: issues which would imply a change in COICOP, issues which could be solved by case laws but ideally by a change in structure and issues which could be solved just by case laws.

The TSG-COICOP prepared clarifications on all issues and presented its report at the EG meeting in 2015, also recommending launching a full revision of the COICOP classification as there were enough and sufficiently relevant requests for change.

Concerning the other purpose classifications in the SNA, it was decided that the COICOP should be revised first and that an impact assessment on COFOG, COPNI and COPP should be conducted after.

1.3 Phase 3 (2016-2018): Drafting of a new revised COICOP

It was agreed to continue with the same composition of the TSG-COICOP. Canada and IMF also volunteered to participate and a member from Inter-Secretariat Working Group on National Accounts (ISWGNA) and from the Inter-Secretariat Working Group on Price Statistics (IWGPS) were invited.

In March 2016 the TSG-COICOP met in Geneva and drafted a first proposal for a new revised structure of COICOP using the proposals raised during the first global consultation as a starting point. In addition, the TSG also aimed at a better separation of goods and services, and introduced an additional level of detail that would better serve the various uses of COICOP in different statistical domains.

A global consultation on this draft was carried out between September and November of 2016, resulting in responses from more than 100 countries and international organisations. In addition, special expertise on selected areas was provided by specialized agencies such as the Food and Agriculture Organization of the United Nations (FAO), the United Nations Educational, Scientific and Cultural Organization (UNESCO) and the World Health Organization (WHO).

Based on the feedback received, the TSG-COICOP met a second time in April 2017, in New York and updated the draft classification. The TSG-COICOP analysed all issues raised during the global consultation and provide answers to each of them (annex 4)

For more information on the COICOP Revision process, please visit the COICOP revision webpage https://unstats.un.org/unsd/class/revisions/coicop_revision.asp

1.4 Next steps

After discussion of the present draft of the COICOP 2018 in the EG on International Statistical Classifications and update based on the feedback received, the COICOP 2018 will be presented to the 49th Session of the Statistical Commission (March 2018) for endorsement.

1.5 Documents

The following documents are available to the members of EG:

- Introductory guidelines to the COICOP 2018 – Annex 1
- COICOP 2018 structure and explanatory notes – Annex 2
- Correspondence table between COICOP 2018 – COICOP 1999 – Annex 3
- Answers to the comments received during the Global consultation on the revision of COICOP – Annex 4

2. Major changes introduced in COICOP

The first global consultation was the main input for the revision process.

The key messages from this consultation were:

- The introduction of a fifth digit level was supported by a majority of countries.
- A better correspondence between COICOP and CPC was viewed as useful. Better link between production and consumption is of course beneficial and the present many-to-many correspondences are not of much help in practical implementation work, especially in national accounts when the links are used for product flow. However, it was recognised that there were limitations for the improvement of correspondences and a stronger link should not be a goal in itself.
- Divisions 08 and 09 needed a deep revision. These divisions include telecommunication equipment and services and audio-visual, photographic and information processing equipment, which have been revolutionized since the development of the current version of COICOP in the late 1990's. Many new products have emerged, certain functionalities are no longer restricted to specific products, and a large variety of Internet services that did not exist in the 1990s and which are partly replacing traditional products (e.g. newspapers, videos, online use or downloading of music and films etc.) are now common in use. It also appears that the basic distinction implied between communication and recreation/culture is no longer suitable for the recording of e.g. laptops, tablets and smartphones and should be reconsidered.
- Division 12 Miscellaneous goods and services was found to be (too) heterogeneous, and different proposals were provided on possible regroupings within this Division or with other Divisions.
- A systematic separation between goods and services was seen useful by the majority of countries. This would be relevant for the most detailed level of COICOP. In the current version such a separation is embedded but not throughout the classification. While it was seen as a useful and important distinction it was also indicated that this might not be always feasible, especially in case of bundles of products and services.
- A great majority of replies was in favour of keeping the distinction between non-durable, semi-durable and durable goods.
- Concrete proposals of change were also made for all the Divisions.

Therefore, the present revision reflects the wishes collected in the first global consultation:

2.1 a more detailed classification

The new COICOP introduces a 4th level denominated sub-group (5 digits).

Due to the importance of the consumption on food and beverages in the household consumption (from 21% of the total household consumption to 54% among the World countries) it was considered important to have more detailed information on this area. Therefore, an expansion at six digits for Division 01, fully consistent with the 5 digits classification, is provided as an official Annex to the COICOP. The Annex was developed by FAO and includes 264 sub-classes that can be used in household surveys and other applications where there is a need for detailed information on food and non-

alcoholic beverages. Countries are encouraged to expand their COICOP at the national level following the Annex to Division 01.

2.2 Better correspondence between COICOP and other classifications

A better consistence between CPC and COICOP was considered relevant to analyse product flow. Therefore the possibility of linking COICOP and CPC were analysed and some changes introduced were based on a better consistence between the 2 classifications. However a full consistence between the 2 classifications is impossible taking into account that COICOP classifies individual consumption by purpose and when a product is produced it can be used for different purposes.

Division 06 Health was completely restructured according to a proposal from the World Health Organisation. The new structure allows an alignment of COICOP with the International Classification for Health Accounts (ICHA) and its family of classifications.

Division 10 Education services was also revised to cope with the new International Standard Classification of Education (ISCED 2011)

2.3 Changes at division level

The highest level of the classification remained unchanged for most of the Divisions to avoid breaks in the time-series.

However, division 08 and 09 were considerably reorganised and now break down as Information and communication (Division 08) and Recreation, sport and culture (Division 09). The content of division 08 was also deeply revised to encompass the new tools to communicate and receive information but as technology changes very fast in this area, the classification has mainly a purpose perspective and try as much as possible to be independent of progress in technology.

As requested in the first global consultation due to its heterogeneity, division 12 was split into 2 divisions:

- Division 12 Insurance and financial services
- Division 13 Personal care, social protection and miscellaneous goods and services

Division 07 Transport that previously was dedicated to the transport of individuals includes now the transport of goods also.

2.3 Separation between goods and services... whenever possible

In the first global consultation, 78% of the countries, having expressed an opinion, supported the distinction between goods and services at the most detailed level (classes or sub-classes), enabling to create aggregates for goods and services.

The new COICOP includes the distinction between goods and services whenever this is possible and new classes or sub-classes were created systematically for services like repair, maintenance, installation or renting of goods.

However this separation is not always possible. This is for instance the case on restaurants or other food and beverages services where the expenditure on food and drinks cannot be identified separately from the service.

Repairing expenditures include often the materials used for the reparation. However, whenever the expenditures on materials can be identified, they should be coded separately from the service. For this reason, it was included systematically in all the "Repair" classes and sub-classes the following sentence: "The cost of materials is included only if the materials are not separately invoiced."

Another exception to this rule can be found in division 06 for "inpatient care services". In most countries it will be difficult to make the distinction between health care goods and services received during an inpatient contact for care.

A blur area between goods and services was introduced by some on-line services: products like downloads of music and books, which, in a technical perspective, could be viewed as a service, but serve the same purpose as products traditionally viewed as goods (ex: paper and e-books). Being COICOP a purpose classification, it was chosen to classify these services together with the good used for the same purpose.

Finally, telecommunication bundles include often goods (ex: a mobile phone) and services (ex: national and international calls, internet access, SMSs, MMSs etc.).

2.4 Classification by durability

A majority of countries supports the distinction of goods in Durable, Semi-Durable and Non-Durable and Services for analytical purposes. The distinction was made at the level of classes and sub-classes.

2.5 Modernization of the classification

The list of inclusions and exclusions of all classes was carefully revised to include goods and services that didn't exist when the previous version of the classification was drafted. On the same way some products that do not exist anymore in the market were also excluded from the list of inclusions.

More detailed information on the changes introduced by this revision can be found in the Introductory guidelines § 97- 209

3. Issues to be discussed

The EG is invited to provide feedback on the 4 annexes to this document.

Furthermore there is a set of issues where the TSG-COICOP had intensive discussions and for which the EG opinion would be useful to conclude. These issues are described below:

3.1 Plastic surgery

Should plastic surgery be classified in Division 06 Health or in Division 13 (Personal care)?

Plastic or cosmetic surgery is in general not done for health purpose although this could still be discussed as in many cases the psychological component could also be considered as a health factor. However the data collection to get the accurate data for the classification is problematic. It requires ask sensitive questions to the households and the data will probably be unreliable.

3.2 Scope of Division 10

We have now learning courses in 09.4.6.1 Recreational and leisure services, 09.6.9 Other cultural services and Division 10. It is not always easy to know where to classify what... Wouldn't it be more relevant to have all courses in Division 10 making a distinction between formal education (groups 10.1 to 10.4) and non-formal education (group 10.5)?

3.3 GPS

GPS, which stands for Global Positioning System, is a radio navigation system that allows land, sea, and airborne users to determine their exact location, velocity, and time 24 hours a day, in all weather conditions, anywhere in the world.

The most popular GPS appliances are those used in the private cars but there are also GPS for trekking and for water or air navigation. This makes their classification a difficult task. The option chosen was to have them in Division 08 because in all the described situations the GPS is an information tool. However, it would be useful to have the opinion of the EG on this issue.

3.4 Alphabetic index

An alphabetical index is a practical tool for finding particular products (goods and services) included in the various COICOP categories and also for locating goods or services not specifically mentioned in category descriptions. An index assists users in applying the classification and helps them to understand its structure ensuring the harmonisation of the data collected.

Furthermore, the arrival of a new product can be easily reflected in the index, while no change in the classification or its related texts would be necessary.

This type of indexes exists in most of the statistical offices and it would be useful to discuss how the coordination of different existing alphabetical indexes could be used as a source for the elaboration of the COICOP 2018 index.

3.5 Revision of other functional classifications

The TSG-COICOP focused their work on the revision of the COICOP classification. However COICOP is strongly linked to the other functional classifications (COFOG, COPP, and COPNI) and the EG should reflect on the need for revision or update of these classifications.