

## **Mandate for the COICOP Technical Sub-Group**

### **Background**

The COICOP (Classification of Individual Consumption by Purpose) is a reference classification published by the United Nations Statistics Division and the latest revision of this classification was released in 1999.

The proposal to revise the COICOP classification was officially raised at the **UN Expert Group on International Statistical Classifications (EG) meeting in 2011**, although issues related to the application of this classification had been often raised before within the EG, as well as during classifications workshops and meetings conducted by various agencies.

As the System of National Accounts (SNA), had just been revised at that time, and COICOP being part of it, at the 2011 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. COICOP being one of the four interrelated “purpose classifications” used in the SNA, the possible implications of a COICOP revision on these classifications were also noted.

It was therefore decided that, before launching any formal revision, a global consultation should be conducted first, in order to assess the need and scope for such a revision. A Technical Sub-Group (TSG-COICOP) was formed to look at the issues raised in the global consultation and to evaluate whether a revision was needed. The TSG consisted of EG members and invited experts (New Zealand, Switzerland, Austria, Philippines, UNECE, UNSD, FAO, ILO and Eurostat) and was chaired by Eurostat.

Experts from UNECE, Eurostat and Statistics Austria within the TSG supported UNSD in preparing the survey and in analysing the results. The survey was carried out between October and December 2012;

Sixty-eight countries and four international organisations participated in the survey, providing 72 responses. Results showed that countries were generally in favour of an update or revision of COICOP, to ensure that it provides 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: indeed new products had emerged in some areas of household consumption (mainly in Divisions 08 and 09) while some products disappeared from the market. In general, there was a call for more detailed guidelines to ensure a proper and correct recording.

Preliminary results were presented and discussed during the EG meeting in 2013. The TSG-COICOP subsequently identified three main groups of issues:

- Group 1. Issues which would imply a change in the COICOP structure/level of detail or change in titles.
- Group 2. Issues which could be solved by case laws, although a change in structure could be a better solution.
- Group 3. Issues which could be solved by case laws (a class is clarified or expanded with products not elsewhere mentioned yet).

The TSG then started working on the preparation of clarifications for 16 issues from Group 2 and 17 from Group 3. For each case a COICOP class was proposed, the rationale for the decision was explained and possible improvements in the case of a revision were proposed.

The TSG-COICOP presented its final report at the **EG meeting in 2015** (see Annex 1) where it was decided to proceed with a revision of COICOP.

The report included:

- A distribution of issues raised by the National Statistical Offices in their answers to the questionnaire organized by the present list of COICOP Divisions.
- A list of case laws above mentioned and a recommendation of their full implementation from now.
- A recommendation to launch a full revision of the COICOP classification as there are enough and sufficiently important 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 afterwards.

A first draft of the revised COICOP is planned to be presented at the **EG meeting in 2017**, along with visibility to the appropriate meeting of the UN Statistical Commission.

### **Proposed Membership of the TSG-COICOP**

It was decided that the EG would inform the Inter Secretariat Working Group on National Accounts (IWGSNA) that a revision was required and would initiate a formal revision process. With this in mind it was agreed to continue with the current composition of the TSG-COICOP. Canada and IMF also volunteered to participate and ISWGNA will be involved as well as the Inter-Secretariat Working Group on Price Statistics (IWGPS).

The composition of the TSG is Australia, Austria, Canada, Eurostat, FAO, ILO, IMF, ISWGNA, IWGPS, New Zealand, Philippines, Switzerland, UNECE and UNSD. Eurostat will chair this TSG.

## **Scope of Work**

The COICOP Technical Sub-Group should carry out the following tasks:

1. Evaluate the proposals for change in terms of feasibility and relevance. Propose concrete changes in the present structure, ensuring a better alignment of COICOP with CPC.
2. Elaborate a first draft of the revised classification including a possible 5<sup>th</sup> digit.
3. Conduct a worldwide consultation on the draft to get feedback on the different proposals of change.
4. Amend the proposal with the feedback received and develop the final document.
5. Elaborate explanatory notes.
6. Analyse impact of changes proposed in other related classifications of expenditure according to purpose in SNA (COFOG, COPNI, COPP).
7. Preparation of a correspondence table between new COICOP and CPC
8. Report to the Expert Group on International Statistical Classifications.

The main uses of COICOP are in the production of household budget surveys, consumer price indices, purchasing power parities and the national accounts. The update should take the widespread use of COICOP into account and facilitate data sharing and data integration in order to streamline the statistical production process and ensuring coherent statistical outcome across domains. Possible differences in the recording according to the various uses of COICOP should be explained.

Subject area experts should be consulted when reviewing the classification. Members of the TSG should consult with subject area experts of their organisations when relevant.

## **Timeline**

Tasks should be completed by the following deadlines:

1. Task 1: Mid May 2016
2. Task 2: End of July 2016
3. Task 3: End of November 2016
4. Task 4: End of March 2017
5. Task 5: End of 2017
6. Task 6: February 2018
7. Task 7: April 2018
8. Task 8: May 2017 and May 2018

## **Organization of work**

The Technical sub-group will mostly communicate via e-mail but phone or video conferences for the main milestones can be envisaged.

A physical meeting is planned to finalize the draft structure of the classification before the worldwide consultation.

Note: This draft mandate will be submitted to the 2016 session of the United Nations Statistical Commission for approval.