



# Update on the revision of the Classification of Functions of Government (COFOG)

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IMF Government Finance Statistics Advisory Committee  
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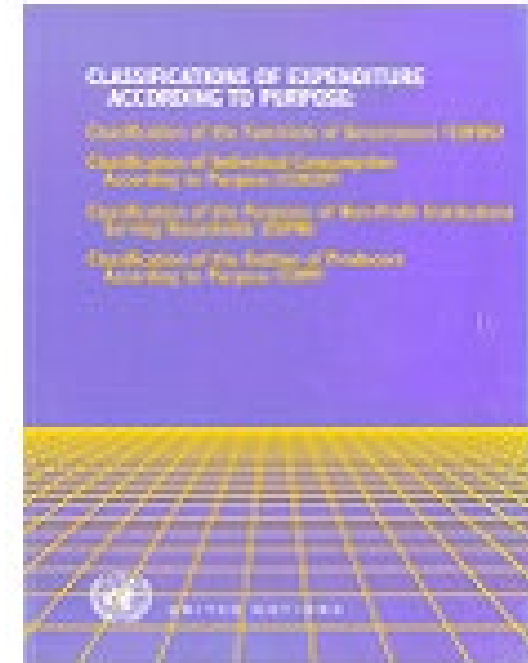
## Classification of the Functions of Government (COFOG)

- Part of the set of Classifications of Expenditure According to Purpose which also include:
  - Classification of Individual Consumption by Purpose (COICOP)
  - Classification of the Purposes of Non-Profit Institutions Serving Households (COPNI)
  - Classification of the Outlays of Producers by Purpose (COPP)
- Approved by the UN Statistical Commission in 1999 ([E/CN.3/1999/29](https://www.un.org/development/desa/pubs/2019/04/20190401-cofoog-1999-2019)).
- Has not been updated/revised since 1999.
- The United Nations Statistics Division is the Custodian of the Classifications of Expenditure According to Purpose



## Main use of COFOG

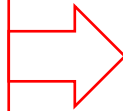
- Developed to understand the structure of government expenditures, to support the System of National Accounts (SNA) and Government Finance Statistics (GFS)
- Provide a wide range of statistics pertaining to expenditures by governments, which permits trends in government outlays on particular functions or purposes to be examined over time
- Provide users with the means to recast key aggregates of the system for particular kinds of analysis on government expenditure
- Allow intercountry comparison of the extent to which governments are involved in economic, social and environmental functions.



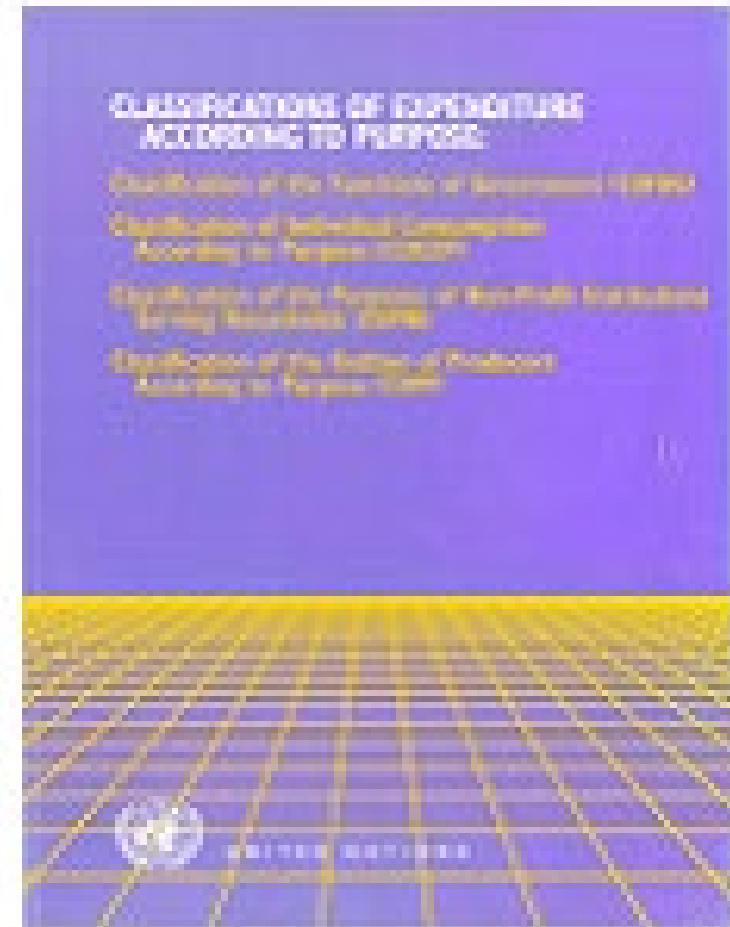


## Structure of 1999 COFOG

- 01 – General public services
- 02 – Defense
- 03 – Public order and safety
- 04 – Economic affairs
- **05 – Environmental protection**
  - 05.1 Waste management
  - 05.2 Wastewater management
  - 05.3 Pollution abatement
  - 05.4 Protection of biodiversity and landscape
  - 05.5 R&D environmental protection
  - 05.6 Environmental protection n.e.c.
- 06 – Housing and community amenities
- 07 – Health
- 08 – Recreation, culture and religion
- 09 – Education
- 10 – Social protection



**Broad environmental category in COFOG**





## Update on the COFOG Revision

- March 2022 – The United Nations Statistical Commission ([E/CN.3/2022/41](#))
  - “Recommended the revision of the **Classification of the Functions of Government** and an assessment of whether changes are required in the other classifications of expenditure according to purpose...”
  
- March 2024 – The United Nations Statistical Commission ([E/CN.3/2023/37](#))
  - “**Approved the terms of reference** of the task team on the revision of the Classification of the Functions of Government...”
  
- Discussions and consultations
  - October 2022 – Meeting of the UN Committee of Experts on International Statistical Classifications (UNCEISC)
  - 18 April 2023 – Inception meeting on the revision of COFOG for stakeholder consultation
  - October 2023 – UNCEISC meeting



## Update on the COFOG Revision

- UNCEISC Meeting, Oct 2022- An initial discussion on potential issues for the revision of COFOG took place during the meeting
  
- 18 April 2023 – Inception meeting on the revision of COFOG for stakeholder consultation
  - Discuss the main elements of the Terms of Reference of a Task Team on the COFOG revision
  - Provide advice on how to assess whether changes to other classifications by purposes should be considered at the same time and by whom
  
- UNCEISC Meeting, Oct 2023
  - Emphasized the importance of coordinating with the update process of other macroeconomic standards, including Government Finance Statistics (GFS) and the SEEA Central Framework
  - Recommended the revision timeline to be developed considering the update process of other international standard processes



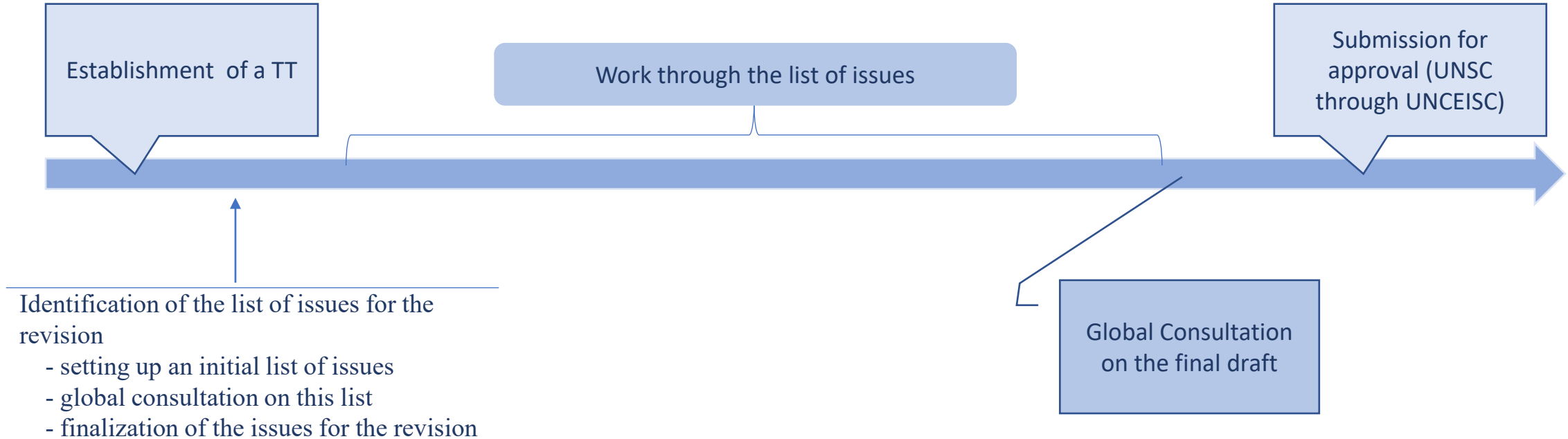
## Main drivers for the revision based on initial discussion

- Meet emerging data needs for policy making
  - Environmental expenditures, climate change and biodiversity
  - Digitalization
  - Education
  - Official alternative structures along thematic areas
- Generate granular data for deeper analysis
- Ensure that it is in line with the updates of related frameworks and classifications
- Provide more detailed compilation guidance
  - Address specific compilation issues (e.g. classification of R&D, assigning legal aid, etc.)
  - Classification of spending with multiple purposes
  - Cross-classification of COFOG with economic classification
- Discussion on secondary purpose expenditure



## Scope of the work

- Typical process for the revision of classifications:







## Composition of the TT-COFOG

- It is envisaged that the TT-COFOG will bring together experts from:
  - Classification
  - Government finance statistics
  - National accounts
  - Environmental accounts
  - Subject matter specialists, including biodiversity, climate change, education, etc.
- Chair of TT-COFOG
- Secretariat of TT-COFOG



## Outcome of the Inception meeting and UNCEISC meeting in 2023 – key highlights

- Careful considerations should be made to ensure the consistency with the SNA, relevance and feasibility of the changes, and continuity with regard to time series
- Underlined the need for COFOG to address current and emerging policy needs to remain relevant. Some of the needs related to environmental policies such as climate changes, biodiversity etc., but also include aspects of increase granularity of the categories.
- Noted that the revision of COFOG should take into account possible revisions of related statistical standards such as the SEEA Central Framework and the Government Finance Statistics given the revision of the 2008 SNA.
- Suggested that the TT-COFOG should make an assessment of the impact of the proposed changes on the national accounts aggregates.
- Coordination with the revisions of relevant statistical standards such as the GFS, SEEA Central Framework and the list of issues is necessary. Recommended the revision timeline to be developed considering the update process of other international standard processes.
- Recommended to assess the impact of the revised COFOG on other classifications of expenditure according to purpose, namely COICOP, COPNI and COPP and make recommendation on whether changes are required in the other classifications of expenditure according to purpose.



## Tentative revision timeline\*

- 2024: Initial meetings; global consultation on list of issues
- 2025: Finalize list of issues and begin discussion
- 2026: Finalize revision and present to UNCEISC for endorsement
- 2027: Submit to UN Statistical Commission for approval

\* subject to further update to ensure alignment with the update process of other macroeconomic standards, such as SEEA CF, GFS, etc.



## Workplan in 2024

<b>Dates</b>	<b>Tasks</b>
<b>April 2024</b>	Endorsement of Terms of Reference at UN Statistical Commission
	Hold first meeting of the Task Team to discuss initial list of issues and Terms of Reference
	Develop an initial scoping paper for the revision issue list
<b>May - June 2024</b>	Submission period for initial list of issues
	Progress update at the 2024 UNCEISC meeting 14-15 May
	Meeting of the Task Team (13 June, 1 July or 2 July)
	Identification of Issue Leads
<b>July - August 2024</b>	Finalize list of issues for global consultation
<b>September - October 2024</b>	Conduct global consultation on the list of issues
	Meeting of the Task Team (tentative date 17 September)
	Progress update at the 2024 UNCEISC meeting in October
<b>November - December 2024</b>	Meeting of the Task Team (tentative date 12 December)
	Assess results of global consultation and finalize the list of issues



## **First meeting of the Task Team on the Revision of COFOG – 17 April**

- 32 participants from 7 countries and 7 international/regional organizations – still accepting new members
- Updates provided by SNA, SEEA and GFS communities
- Continued discussions from previous meetings on ensuring consistency with other frameworks and maintaining time series continuity; addressing policy needs and providing more granular data; and assessing potential impacts on other classifications of expenditure according to purpose
- Briefly discussed additional topics, including the Data Gaps Initiative, satellite accounts, alternative aggregations, and the current level of implementation of COFOG
- Plan to assign issue leads/hold focus group discussions before discussions within task team

### **Initial list of issues**

- Can be grouped into structural; alignment; and thematic issues
- A template for compiling proposed issues for discussion has been prepared and will be sent out soon
- Results will be used to complete initial list of issues for global consultation in Sept/Oct 2024



## Questions for Discussion

Members of the Committee are invited to:

- Share your thoughts on the COFOG revision process
- Share your thoughts on how to progress the coordination and collaboration efforts across the GFS and classification communities, to ensure the revision/process of GFSM and COFOG are aligned
- Share your thoughts on how best to engage with the community of users for the COFOG and GFSM update.
- Submit revision issue for COFOG revision

Thank you

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