EAST AFRICAN COMMUNITY

One People, One Destiny

COICOP-2018 Classification for the EAC Region

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CPI EXPERT

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1. Introduction and Background

❑ The East African Community (EAC) is the regional inter-governmental organisation comprising of seven (7) countries referred to here as Partner States

❑ The Partner States are: Democratic Republic of the Congo (DRC); Burundi; Kenya; Rwanda; South Sudan; Uganda and the United Republic of Tanzania (URT).

❑The headquarters of the EAC are in Arusha which is located in the URT

❑EAC is pursuing four stages of integration namely: Customs Union; Common Market; Monetary Union; and Political Federation.

2. Main objective of the CPI compiled within the EAC Region

❑ The protocol for the establishment of the East African Monetary Union (EAMU) was signed in November 2013 and is currently under implementation.

❑ The EAMU Protocol requires that Partner States' macroeconomic environment converge based on an agreed convergence criteria of which a ceiling on **Headline Inflation of 8%;** and an indicative ceiling on **Core Inflation of 5%.**

❑ Thus, based on the EAMU Protocol, **the Main objective of the CPI compiled within the EAC region is to Measure Inflation**.

❑ Hence, CPI across all the Partner States is compiled using a common methodology and similar compilation practices.

❑ Among the similar practices is the is Classification of goods and services for the CPI basket based on COICOP-2018 .

3. COICOP-2018 Classification

❑ The objective of COICOP is to provide a framework of homogeneous categories of goods and services of Household Final Consumption Expenditure (HFCE).

❑ COICOP 2018 is more detailed than the previous version (COICOP-1999), responding to the users' need for more detail, and addresses several other issues that required a revision of the classification. For Instance:

❑ In previous COICOP-1999, Tubers, Plantains and Cooking Bananas were classified under COICOP Class Code 01.1.7 and Class name was **Vegetables**. The classification looked very ambiguous and confusing.

3. COICOP-2018 Classification Cont…

❑ However, with the revised COICOP-2018, the new class name with the same COICOP Code is now called "**Vegetables, Tubers, Plantains, Cooking Bananas, and Pulses**" which really makes a lot of meaning. Due the introduction of the sub-class level, all the product categories under that Class are very clearly classified and distinct.

❑ Creating/ Separating Sub-classes for products ancillary to education such as school uniform with COICOP Code 03.1.1.4. Such separation enables to analyse price changes for the entire education sector.

3. COICOP-2018 Classification Cont...

❑ COICOP 2018 reflects the significant changes in goods and services. In some areas, improvements were made where now there are links of COICOP-2018 to other classifications. This, addresses emerging statistical and policy needs of several international organizations. For Instance

  ❑ The International Standard Classification of Education (ISCED 2011) of the United Nations Educational, Scientific and Cultural Organization (UNESCO) was used to define the breakdown of Educational Services in Division 10 (Education).

  ❑ Division 06 (Health) was considerably revised to improve the consistency of COICOP 2018 with the International Classification for Health Accounts (ICHA).

4. COICOP-2018 Classification for the EAC Region

❑The EAC computes and disseminates its regional Harmonised Consumer Price Index (EAC-HCPI) on a monthly basis.

❑The disseminated Regional HCPI can be accessed on the link below
https://eac.opendataforafrica.org/pwskwdc/eac-harmonised-consumer-price-indices-2022

❑The classification used for the regional EAC-HCPI is COICOP-2018 and, therefore, all Partner States have to submit their national CPI to the EAC Secretariat based on the COICOP-2018 format.

4. COICOP-2018 Classification for the EAC Region Cont...

❑Since the main objective of the EAC-HCPI is to measure inflation

❑A template was developed for the Computation of the Harmonised CPI within the EAC Region referred to as "**EAC Template for the Computation of the CPI Based on COICOP-2018**";

❑ Classification of products and their corresponding expenditures for the EAC Regional template was based on the:

> ❑Domestic concept;
>
> ❑ Principle of Household Final Monetary Consumption Expenditure (HFMCE); and
>
> ❑Exclusion approach

4. COICOP-2018 Classification for the EAC Region Cont…

❑ Numerical codes refer to the four (4) levels of COICOP-2018 classifications.

❑ These are:

   ❑ Divisions (two digits);

   ❑ Groups (three digits);

   ❑ Classes (4 digits); and

   ❑ Sub-classes (five digits).

4. COICOP-2018 Classification for the EAC Region Cont...

❑In addition , the EAC went ahead and created a fifth level under the Sub-class level. It was named as **Micro-class (6 digits**).

❑ EAC used the detailed structure of Food and Agriculture Organization of the United Nations (FAO) for further expansion of Division 01;

❑ The EAC developed the detailed structure for the rest of the 12 COICOP-2018 Divisions on her own through regional Technical Working Group (TWG) meetings.

❑Thus, for the regional EAC-HCPI, there are five levels of classification before introduction of Elementary Aggregates into the classification

4. COICOP-2018 Classification for the EAC Region Cont..

❑**Examples of numeric codes for the EAC HCPI**:

❑**01** referring to Food and Non-alcoholic beverages (**Division**);

❑ **01.1** referring to Food (**Group**);

❑ **01.1.1** referring to Cereals and Cereal products (**Class**);

❑ **01.1.1.1** referring to cereals (**Sub-class**);

❑**01.1.1.1.1** referring to Wheat (**Micro-class**); and

❑ **01.1.1.1.1.01** referring to Wheat grains (**Elementary Aggregate**).

4. COICOP-2018 Classification for the EAC Region Cont...

☐ **COICOP-2018 Text Codes**

Product Description	COICOP-2018 Code	EAC COICOP-2018 Dissemination Code
Services	S	EACSV
Goods	G	EACGD
Durable goods	D	EACDR
Semi-Durable goods	SD	EACSD
Non-Durable goods	ND	EACND

5. EAC COICOP-2018 Classification Structure

Level	Level Description	Number of Code Digits	Number of product categories
One	Divisions	2	13
Two	Groups	3	51
Three	Classes	4	142
Four	Sub-Classes	5	294
Five	Micro-Classes	6	1,053
Six	Elementary Aggregates	8	4,006

6. Challenges

❑**Some of the challenges of COICOP-2018 are:**

❑ Some products are classified in more than one COICOP-2018 product categories yet such products provide the same satisfaction to the households

❑ Products in COICOP-2018 Division 01 and those in COICOP-2018 Division 11 are not distinctly explained;

❑ There cases where the coding of certain products is not consistent to the overall guidelines provided;

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7. Conclusion and the Way Forward

❑There is a need to develop a more detailed Technical Guidance Notes (TGNs) that will make COICOP-2018 more user friendly.

❑Despite such identified challenges,

❑COICOP-2018 covers a wider range of products that are currently available on the market;

❑The introduction of the Sub-class provides the necessary details required to handle most of the products;

❑ As a result, COICOP-2018 is more user friendly compared to COICOP-1999

Questions or Clarifications about this presentation should be sent to

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