



Revision of COFOG and new CEPA

Implications for OECD work on environment policies

- 16 October, 2023

Rodrigo Pizarro, rodrigo.pizarro@pecd.org

OECD Environment Directorate - EPI



COFOG structure

| N° | Functions of Government |
|----|--|
| 01 | General Public Services |
| 02 | Defense |
| 03 | Public Order and Safety |
| 04 | Economic Affairs 04.2 Agriculture (e.g., Genetically modified seeds) 04.3 Fuel and Energy: Electricity (Petrol & gas, solar energy) 04.4 Mining, Manufacturing, Construction |
| 05 | Environmental Protection 05.3 Air and Climate |
| 06 | Housing and Community Amenities |
| 07 | Health |
| 08 | Recreation, Culture and religion |
| 09 | Education |
| 10 | Social Services |

COFOG maps on to CEPA



| N° | Environmental Functions |
|------|---|
| 05.1 | Waste management |
| 05.2 | Wastewater management |
| 05.3 | Pollution abatement Activities relating to ambient air and climate protection, soil and groundwater protection, noise and vibration abatement and protection against radiation. Include construction, maintenance and operation of monitoring systems and stations (other than weather stations); construction of noise embankments, hedges and other anti-noise facilities including the resurfacing of sections of urban highways or railways with noise reducing surfaces; measures to clean pollution in water bodies; measures to control or prevent the emissions of greenhouse gases and pollutants that adversely affect the quality of the air; construction, maintenance and operation of installations for the decontamination of polluted soils and for the storage of pollutant products; transportation of pollutant products. |
| 05.4 | Protection of biodiversity and landscape Activities relating to the protection of fauna and flora species (including the reintroduction of extinct species and the recovery of species menaced by extinction), the protection of habitats (including the management of natural parks and reserves) and the protection of landscapes for their aesthetic values (including the reshaping of damaged landscapes for the purpose of strengthening their aesthetic value and the rehabilitation of abandoned mines and quarry sites). |
| 05.5 | R&D Environmental protection |
| 05.6 | Environmental protection n.e.c. |



Main issues with COFOG

- **Issue 1: COFOG does not reflect emerging environmental issues– Adjust current classification**
 - COFOG has no specific groups/classes for climate change, circular economy, etc.
 - EUROSTAT has initiated the process by proposing a reform of CEPA.
- **Issue 2: COFOG does not consider defensive expenditures – Recognise the causes behind certain expenditures**
 - The largest expenditure item in climate change is recovery and emergency form climate-related hazards. These are currently not considered.
- **Issue 3: COFOG does not consider multiple objectives or externalities form government expenditures – Adopt a double entry classification system**
 - Converge COFOG with tagging
 - A number of taxonomies/tagging on biodiversity, climate change and sustainable finance have emerged outside the statistical community in an uncoordinated manner.



Proposed Approach/Next Steps

- **A review of the COFOG**
- **Maintaining COFOG principles, but**
 - Adjust classification consistent with emerging environmental issues
 - Adopt a double entry classification system, converging classification with tagging
- **OECD working on this while waiting for a decision of statistical community**



**Thank you
for your attention!**