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## ISIC Rev.4 Implementation Project

System audit / assessment on the current situation of compliance with ISIC Rev.2

and Adoption of ISIC Rev.4

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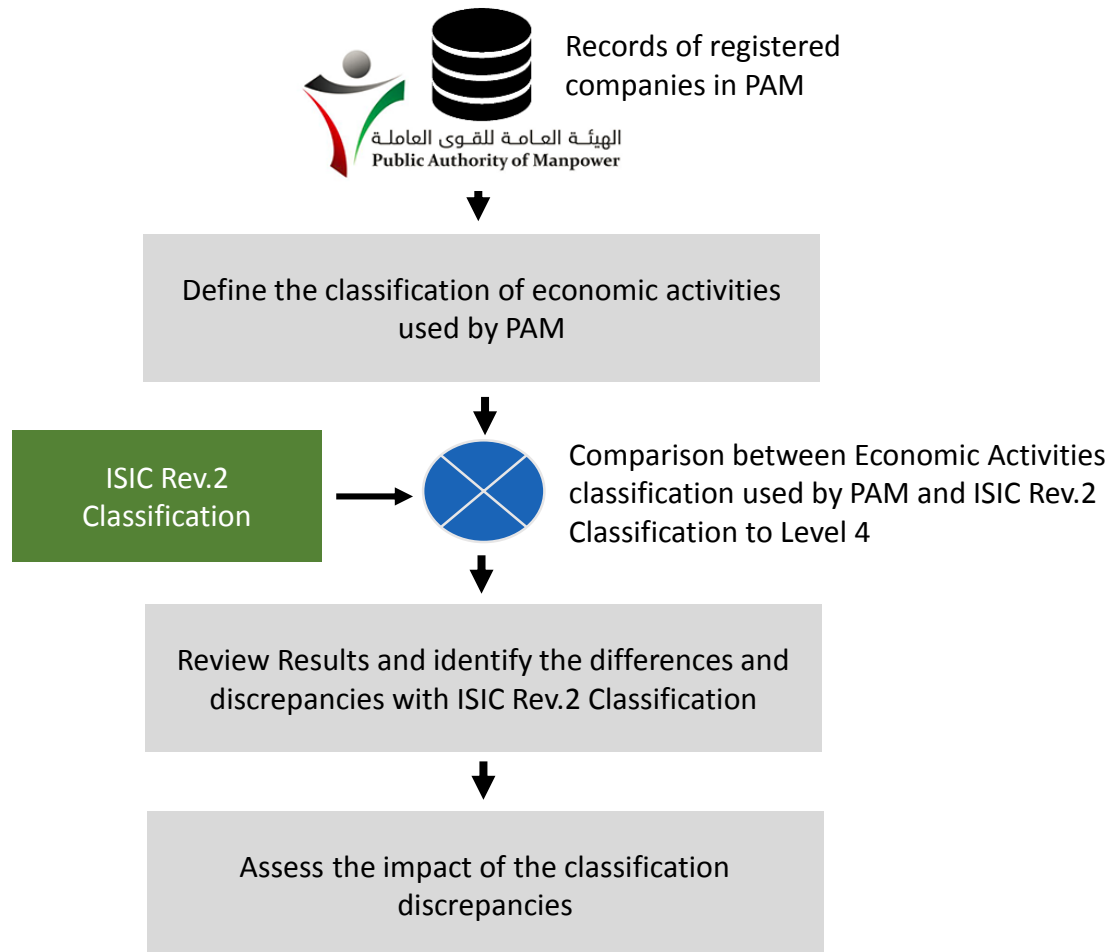
Review readiness of the system to adopt ISIC Rev.4 classification

# Assessment on the current situation of compliance with ISIC Rev.2

by reviewing the records of registered companies in PAM database

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## Assessment Mechanism



## Assessment Procedures

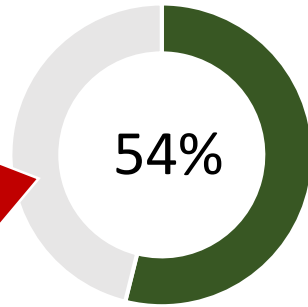
- **Define the classification of economic activities used by PAM** by aggregation the data of companies records and creating a table of economic activities' code and description
- **Compare Economic Activities classification used by PAM with ISIC Rev.2 Classification to Level 4** by truncating the codes of economic activities used by PAM to level 4 and comparing the results with ISIC Rev.2 Level 4 codes
- **Review Results and identify the differences and discrepancies with ISIC Rev.2 Classification** by identifying the codes' errors and the classification compliance ratio with ISIC Rev.2 on four levels
- **Assess the impact of the classification discrepancies** by applying the comparison results on the registered companies in PAM database

# Testing the Classification Compliance with ISIC Rev.2

by Comparing between Economic Activities classification used by PAM and ISIC Rev.2 Classification

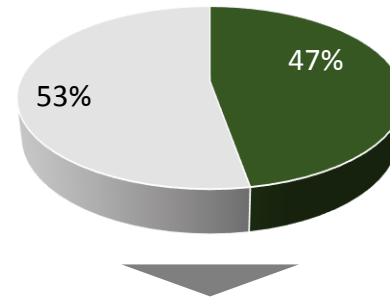
## Economic Activities Classification Compliance Ratio with ISIC Rev.2

Compliance Ratio with Level 4 of ISIC Rev.2

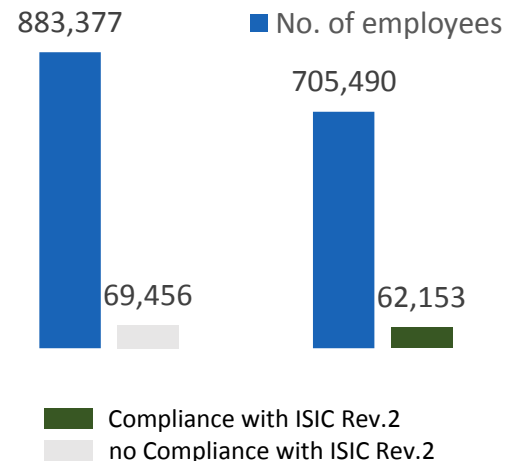


46% of economic activities used to classify the companies in PAM Database are not compatible with economic structure of ISIC Rev.2

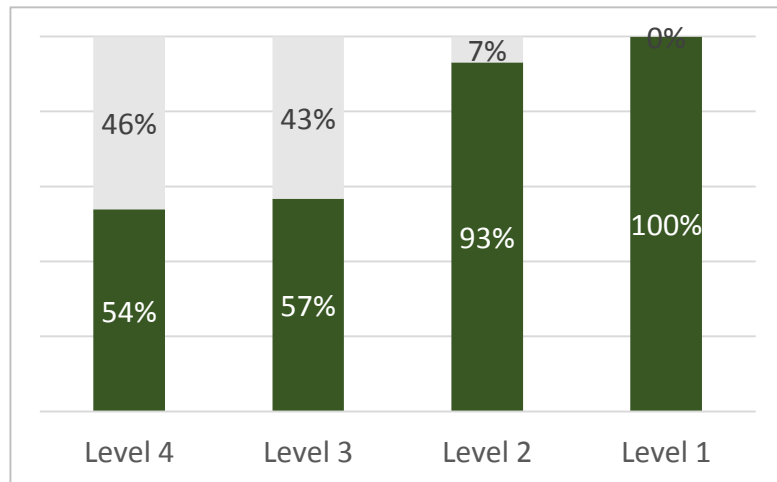
Distribution of registered companies and government contracts by compatibility with Level 4 of ISIC Rev.2



registered companies and government contracts and employees by compatibility with Level 4 of ISIC Rev.2



Compliance Ratio with all Levels of ISIC Rev.2



- **Economic activity classification is not compatible with ISIC Rev.2 economic structure**, as classification compliance ratio is only about 54% with Level 4 and 57% with Level 3 of ISIC Rev.2
- **Classification compliance issues with ISIC Rev.2 highlighted on the needs to a new methodology of ISIC Rev.4 Adoption**, as the standard proposed methodology was built and considered on 90% compliance ratio.
- **Reviewing the individual records of companies with economic activity classification showed many mistakes and errors and tremendous use of ambiguous economic activities which affect the accuracy of ISIC Rev.4 Adoption process**, this made a tremendous impact on the mapping mechanism to ISIC Rev.4 as it was changed from Activity-level mapping to company-level mapping

## Examples of economic activities not compatible with ISIC Rev.2 and coding errors

by reviewing the records of registered companies in PAM database

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### economic activities not compatible with ISIC Rev.2

ECONOMIC_ACT_CODE	ECONOMIC_ACT_DESC	NO. of licenses	Total No. of Employees
		8	3015
11000	تركيب وانشاء محطات تحويل كهرباء رئيسية و فرعية	26	2822
11042	خدمات وصيانة الحقول النفطية	33	4604
11043	اصلاح وتبديل شبكات الغاز والمياه للمدن	2	397
112	الخدمات النباتية والحيوانية	1	83
220	انتاج البترول الخام والغاز الطبيعي	1	177
3	الصناعات التحويلية	1	78
311	صناعة المواد الغذائية	1	79
61246	الادارة العامة ( ادارة الشركات )	1484	77723
61247	ادارة المشاريع	147	1277
62245	تنجيد علب الذهب	21	81
97000	مشاريع العقود الحكومية	38	3801
97001	مشاريع العقود الحكومية القديمة	2	140
99999	غير مبين	14	91

- New codes and descriptions were added by PAM in order to accommodate new economic activities of registered companies
- PAM did not maintain the compatibility of the classification with ISIC Rev.2 Level 3 and Level 4

### economic activities coding errors

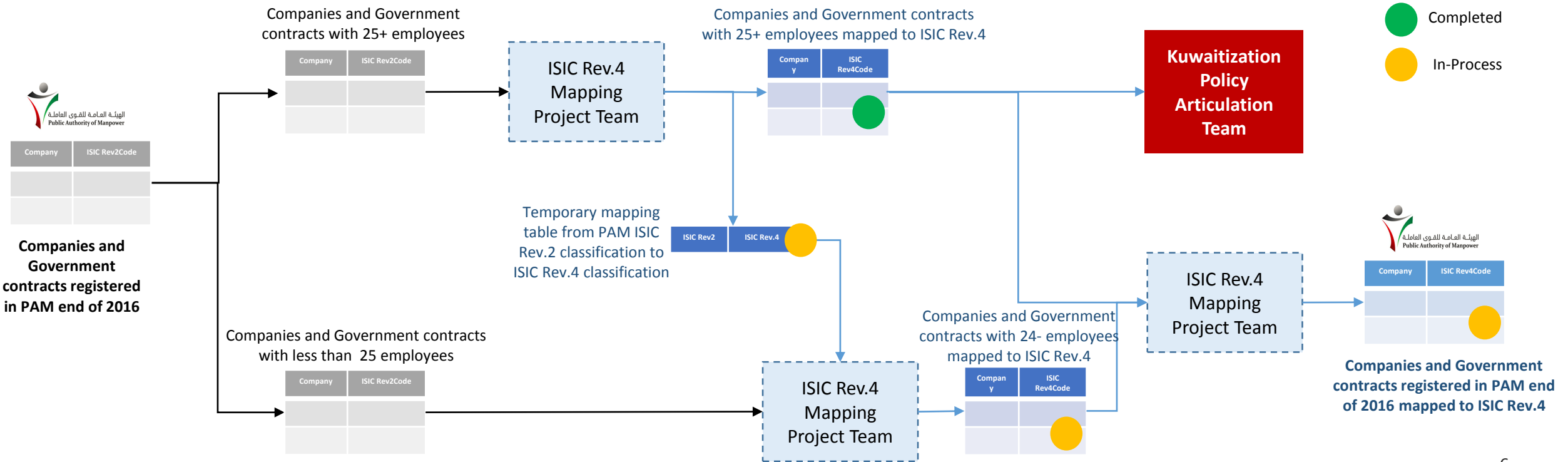
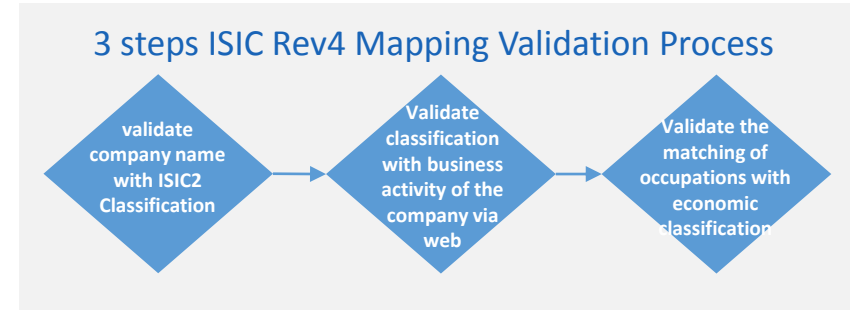
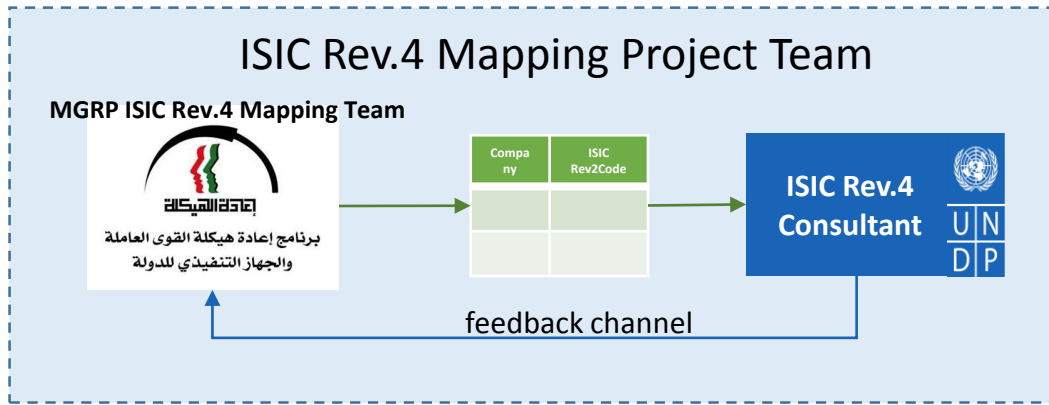
LICN_UNIQUE_ID	COMPANY_NAME	ECONOMIC_ACT_CODE	ECONOMIC_ACT_DESC
204360	طائر الفردوس لتصليح الحلي الذهبية والفضية	63102	المطاعم
94857	مجموعة السور لحراسة المنشآت	31119	انشطة اخرى خاصة بتهيئة وحفظ اللحوم والدواجن وتجميدها
50050	شركة الخرافي لخدمات الرعاية المنزلية	61251	تجارة معدات واجهزة طبية
213995	توريد وحدات جذب لعمليات صيانة الآبار	61246	الادارة العامة ( ادارة الشركات )
175916	عقد استئجار مركبات لادارة الضيافة العامة والمؤتمرات بوزارة المالية	94152	تنظيم المعارض والمؤتمرات والمعسكرات الرياضية

- Some of the registered companies were by mistake mapped and given codes which not related to their business activities
- More than 80% of economic activity code and descriptions of the government contracts' did not match with the purpose of the contract

# ISIC Rev.4 Adoption - Company-level Mapping Mechanism

by establishing 3 steps Mapping validation process to enhance the ISIC Rev.4 mapping results

4



# Identifying the Stakeholders as part of the adoption of ISIC Rev.4

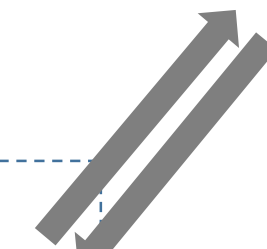
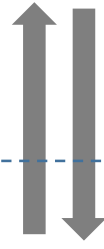
by examining the operational and strategic Data flow of Economic activity records ,Polices and statistics

**Operational Data Flow**

**Strategic Data Flow**

CSB is a strategic stakeholder of PAM and responsible of Improve the data architecture by using international concepts, classifications and methods to promote the consistency and efficiency of statistical systems at all official levels

MGRP is a strategic stakeholder of PAM ,as MGRP is responsible of planning , implementing and monitoring the kuwaitization policies in the private sector which



Registered companies actively working in Kuwait and have to implement kuwaitization percentage based on economic activity as a main parameter

MoCI is the entry point of the economic classification of registered companies and it is the entity that identifies the working economic activities for the companies in Kuwait

PAM receives the defined economic activity by MoCI and map it to ISIC Rev.2 during the process of registering the company to start hiring and registering employees

One of the main reasons of adding new activities and codes which are not related and compatible with ISIC Rev.2 is the human intervention of PAM registering department to translate the economic activity of the company that is identified by MoCI in customized classification to ISIC Rev.2 classification to be registered in PAM

# Review readiness of the system to adopt ISIC Rev.4 classification

by assessing entities' systems and operations on strategic and operational level

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Entity	Operational Level			Strategic Level	
	IT System		Departments	Policies	Plans
	Database	Applications			
Ministry of Commerce and Industry	<ul style="list-style-type: none"> <li>MoCI is in the process to migrate the legacy data to the new system .</li> <li>The Data Migration to the new system is planned to be completed after 3 months</li> </ul>	<ul style="list-style-type: none"> <li>MoCI implemented and went live with new online portal and e-Services</li> <li>a new G2G Licenses information web service is deployed and distributed and ready to be used by government stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>MoCI started ISIC Rev.4 implementation exercise by mid of 2015</li> <li>Moci established a committee to map the customized classification of economic activities used by MoCI to ISIC Rev.4</li> <li>MoCI completed 80% of activities mapping and new team is working to map the remaining</li> </ul>	<ul style="list-style-type: none"> <li>MoCI issued and circulated a new decree to start using ISIC Rev.4 on beginning of May 2016</li> <li>MoCI planned to fully implement ISIC Rev.4 in 4 years period (license renewal)</li> </ul>	<ul style="list-style-type: none"> <li>MoCI highlighted the importance of running ISIC Rev.4 classification on all related activities for national and international purposes</li> </ul>
Public Authority of Manpower	<ul style="list-style-type: none"> <li>PAM is using ISIC Rev.2 classification and table structure to 5 Levels.</li> <li>The current database and table structure is fully compatible with ISIC Rev.4 data structure</li> </ul>	<ul style="list-style-type: none"> <li>PAM devolved a new in-house online system in order to automate most of customer-centric operations</li> <li>PAM management decided to go live and pilot and offer the service to the companies which have huge number of daily transactions</li> </ul>	<ul style="list-style-type: none"> <li>PAM registration department had interacted with ISIC Rev.2 concepts and structure which is similar of ISIC Rev.4 structure</li> <li>dedicated training and a detailed and easy to use classification manual need to be provided to facilitate the transition to ISIC Rev.4</li> </ul>	<ul style="list-style-type: none"> <li>PAM was one of the government entities to facilitate and empower the execution the decree of adopting and using ISIC Rev.4 as a classification of economic activities</li> <li>PAM as the responsible party of employment in private sector ; decided to accommodate the complexity of the Kuwaiti labour market by using ISIC Rev.4 as classification for economic activities</li> </ul>	<ul style="list-style-type: none"> <li>PAM considered the implementation of ISIC Rev.4 as one of its strategic objectives.</li> <li>PAM executed a plan with the help of external expertise to roll out and deploy ISIC Rev.4</li> </ul>



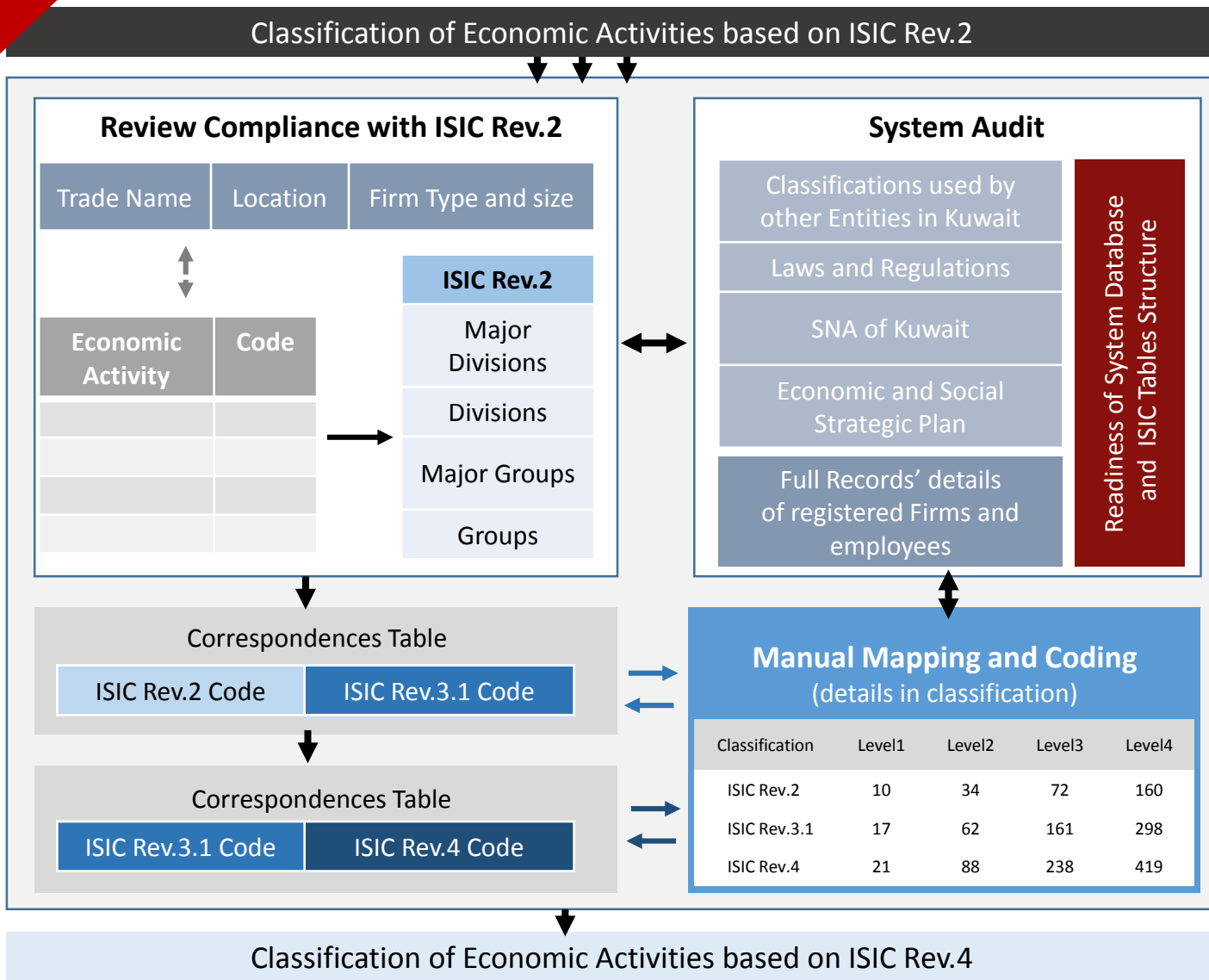
## Review readiness of the system to adopt ISIC Rev.4 classification

by assessing entities' systems and operations on strategic and operational level

Entity	Operational Level			Strategic Level	
	IT System		Departments	Policies	Plans
	Database	Applications			
Manpower and Government Restructuring Program			<ul style="list-style-type: none"> <li>MGRP management established a specialized team to run the activities of mapping ISIC Rev.4 mapping</li> <li>The team will be responsible to handle all the issues related to ISIC Rev.4 classification in the future</li> </ul>	<ul style="list-style-type: none"> <li>MGRP started an exercise to enhance the Kuwaitization model in reference to the latest classifications of economic activities and occupations</li> </ul>	<ul style="list-style-type: none"> <li>MGRP executed and ran a project to map all companies and government contracts registered in PAM database to ISIC Rev.4 (<i>Company-level mapping</i>)</li> </ul>
Central Statistical Bureau				<ul style="list-style-type: none"> <li>CSB is responsible of building national statistical system to disseminate reliable and timely statistic in order to support the development, planning and decision making by influencing the use of international concepts, classifications and methods</li> </ul>	<ul style="list-style-type: none"> <li>CSB is planning to use administrative records of population ,workforce and companies for statistical purposes.</li> <li>CSB will work more closely with all concerned entities to create a unified national metadata system using the international standards and classifications.</li> </ul>

# ISIC Rev.2 Adoption Mechanism – The proposed approach will insure the compliance with ISIC Rev.2 classification and using 2 stages of code mapping with reference to current and future requirements of Kuwait Economic and social Plan

Appendix



## Procedures of ISIC Rev.4 Adoption

- **Review Compliance of economic Activities with ISIC Rev.2** by conducting a full mapping review using post-coding review method through the 4 levels of ISIC Rev.2 in reference to trade name ,location and Firm type and size.
- **Conduct a Full System Audit** by reviewing classifications used by other entities ,SNA, requirements of the Economic and social plan in reference to current laws and regulations and details of records of registered Firms and employees.
- **Verify the readiness of PAM System** by reviewing ISIC Table structure used in PAM registration system and data relations and types
- **Run 2 stages coding process** by using correspondences tables between ISIC Rev. 2 , ISIC Rev.3.1 and ISIC Rev.4
- **Map and en-code missing activities manually** by reviewing related Firm's record and details of employees and considering national-related criterion