

For Official Use**English - Or. English****31 January 2024****COUNCIL****Council****IN-DEPTH EVALUATION OF THE COMMITTEE ON FISCAL AFFAIRS
(CFA)****Executive Summary****JT03536519**

Declassified

IN-DEPTH EVALUATION OF THE COMMITTEE ON FISCAL AFFAIRS

The Committee on Fiscal Affairs (CFA) was created in 1971 to replace the Fiscal Committee established on 30 September 1961. Its current mandate [[C\(2020\)46](#) & [C/M\(2020\)6, Item 57](#)], which entered into force on 1 January 2014, establishes the Committee’s overarching objective as “*to contribute to the shaping of globalisation for the benefit of all through the promotion and development of effective and sound tax policies, international tax standards and guidance that will allow governments to provide better services to their citizens while maximising economic growth and achieving environmental and social objectives.*”

The CFA’s substructure by the end of the review period comprised 11 Level II, and three Level III subsidiary bodies, plus an advisory group, each corresponding to one or several clearly defined objectives. In addition to its subsidiary bodies, the Committee is also responsible for the OECD/G20 BEPS (Base Erosion and Profit Shifting) Project, for which it has enlarged its governance structure under the name of Inclusive Framework (IF) on BEPS.

The BEPS Project was launched following a request by G20 Leaders in June 2012 to identify the key issues that lead to BEPS. The implementation of the Project was first materialised through the BEPS Action Plan of 2013 comprising 15 actions, organised around three pillars aimed at (i) reinforcing the coherence of corporate income tax rules at the international level, (ii) realigning taxation with the substance of the economic activities, and (iii) improving transparency. This ambitious work programme was delivered in 2015 through the BEPS Package including a number of measures to implement those actions. Work on the actions was entrusted to the CFA’s subsidiary bodies, meeting in IF format, including standard-setting and technical support. In 2016, the BEPS Project evolved into the IF on BEPS to monitor the implementation of the BEPS actions, and to work on BEPS. In setting up the IF, the CFA agreed to propose to the Council to open up the BEPS Project and invite non-OECD and non-G20 jurisdictions to participate in it as Associates, i.e. on an equal footing with OECD Members on the basis of the same commitments as OECD Members and existing Associates with regard to the BEPS Project [[C\(2016\)78](#) and [C/M\(2016\)9, Item 124](#)] – which is what the “inclusive” aspect refers to. Members of the IF on BEPS must implement the BEPS minimum standards, aiming at contributing to the impact of the BEPS Project on policy. By June 2023, 143 jurisdictions had joined the IF, which has a global membership with 70% of its members coming from non-OECD and non-G20 jurisdictions from all geographic regions of the world – in itself a considerable achievement.

The CFA Secretariat is situated within the Centre for Tax Policy and Administration (CTP). The CFA’s work is programmed in Output Area (OA) 3.3.1 (Taxation) of the OECD’s Programme of Work and Budget.

The In-depth Evaluation of the CFA shows that its work is very relevant for OECD Members. The alignment of the CFA Objectives with policymakers’ needs is overall very high, while for some objectives relevance can still be sharpened, as expressed in Recommendation 1 below. Capital-based delegate participation is amongst the top levels and analysis of successive MTO Survey results confirms the high relevance of the CFA Output Area for Members.

As concerns effectiveness, the CFA occupies a unique and leading position within the international taxation system. The BEPS Project, its Action Plan and Package, and the Two-Pillar Solution are found to be inclusive, decisive and impactful with clear results – their implementation, including by the great number of jurisdictions involved, has been a great success.

The Committee’s strongest contributions to policymaking are fourfold: as Change Initiator, Standard Setter, Knowledge Provider and Tools Supplier, which together group nearly three quarters of the

contributions identified. Conversely, the roles of the CFA as Capacity Builder and Companion were identified in non-Members only. The majority of the identified contributions correspond to four (out of nine) Product Groups.¹ Policy changes originating in: the BEPS Project; Exchange of Information; and the Model Tax Convention, have been observed in *all* studied jurisdictions since 2011. The evidence shows that the CFA has been *highly impactful*, and the Inclusive Framework is now consistently referred to as *the* world's forum on international taxation. Such role is also attributed to several subsidiary bodies, whether in their IF or non-IF format, in their respective areas (WP9, FTA, WP6, WP1).

The CFA has also had impact *outside* the BEPS Project, notably with the Model Tax Convention; the International Value-Added Tax / Goods and Services Guidelines; the Transfer Pricing Guidelines; and the OECD standards for exchange of information.

The CFA has strongly contributed to and has been aligned with global priorities, particularly with the G20 in the development and delivery of the BEPS Project. CFA also contributed through the analysis of taxation's role to achieve SDG 7 "Affordable and Clean Energy" and SDG 13 "Climate Action" via the work of its environment-related subsidiary body, and tax policy analysis and statistics. Furthermore, CFA and FTA have contributed towards achieving SDG 5 "Gender equality" through the creation of the FTA Gender Balance Network.

Programme Implementation Reports over the review period (2011-2022) confirm the high impact and usage of CFA products with outstanding impact scores for PG1 "Developing and Implementing the Base Erosion and Profit Shifting Project", PG3 "Updating and Extending the Transfer Pricing Guidelines" and PG5 "Improving the Efficiency of Exchange of Information", echoing the above findings.

The functioning of the Committee, including of its substructure, is characterised by a clear process for setting orientations. Most aspects of Committee functioning are of high standard (e.g., management of Committee during COVID-19, transparency of the development of the programme of work and budget) while some are characterised by a certain level of complexity or informality. Internal Committee reporting procedures could be strengthened. Other areas for potential improvement include adjusting the timeliness of meeting document distribution and enhancing the internal evaluation culture.

Meeting preparation and implementation is well regarded in terms of clarity and quality of the presentations but less so in terms of the timeliness of the delivery of documentation before meetings, particularly considering the large amount of material to read. This may hinder the capacity of delegates to effectively contribute to discussions, specially from non-OECD Members, who are less familiar with the Committee's functioning and their expected role. Furthermore, the calendar of meetings in some subsidiary bodies has outpaced the capacity of delegates to contribute. Despite the challenges to work under an ambitious agenda to deliver the BEPS Project, delegates are generally proud to have participated and have been committed to make progress in reshaping the international taxation system.

The CFA has increasingly relied on Voluntary Contributions, which from 2011 to 2016 averaged 45% of the Total Estimated Cost of OA 3.3.1, and from 2017 to 2022 averaged 69%. Overall, 60% of the CFA's budget during the review period has been financed through VCs. Three Product Groups (out of nine) gathered two thirds of the OA's Total Estimated Cost and they heavily rely on Voluntary Contributions. For two Product Groups with low Part I Funds VCs even reached 85%. The overall strong reliance on Voluntary Contributions merits reflection.

Assessment²

<i>Relevance</i>	<i>High to Very High</i>
<i>Effectiveness</i>	<i>High to Very High</i>
<i>Quality of Committee Products</i>	<i>High to Very High</i>
<i>Committee functioning</i>	<i>Highly Satisfactory</i>

Recommendations

Recommendation N° 1: The Committee should reflect on how some of its subsidiary bodies (i.e., the TFTC, the JMTEE and the AGGDTM) can further foster the objectives set out in their respective mandates to i) explore the interlinkages between tax crimes and other crimes, ii) support data-driven monitoring and analysis to assess the efficiency and effectiveness of environmentally related taxes, fees and charges, and iii) promote even greater developing country contributions to CFA’s work through mutual sharing of practices and experiences.

Recommendation N° 2: Recognising the global and actual impact of the CFA’s products in the international tax system, the Committee should reflect on the means through which it can leverage an even greater use of some of its products by non-OECD Members, including how to adapt those specific products to maximise their dissemination and use, while preserving their comprehensiveness.

Recommendation N° 3: Following the delivery of the Two-Pillar Solution, the Committee should engage in a reflection on its work programme to ensure that supporting the implementation of the historic agreements achieved remains a priority, while ensuring that the work on its other non-BEPS related workstreams is also appropriately prioritised.

Recommendation N° 4: The Committee should ensure that it aligns with OECD rules and established practices including with regard to the participation of non-Members in the AGGDTM and FTA. Furthermore, CFA should review the status of TAG to make sure that not only it serves the Committee’s objectives but also complies with the OECD rules and established practices.

Recommendation N° 5: The Committee should strengthen its self-evaluation culture, by using for example mid-course evaluations of the implementation of the programme of work and its functioning arrangements particularly to keep a work pace that meets the capacities of Members and non-Members participating in its work, as well as to use meeting formats that are adequate for their active and engaged participation and the contents discussed.

Recommendation N° 6: Recognising the significant achievement in establishing the BEPS Inclusive Framework – and the central role it has played in facilitating global cooperation on tax matters by both OECD and non-OECD Members – the Committee should reflect on its future

¹ PG1 “Developing and Implementing the BEPS Project,” PG4 “Updating the Model Tax Convention and Expanding its Use,” PG5 “Improving the Efficiency of Exchange of Information,” and PG3 “Updating and Extending the Transfer Pricing Guidelines.”

² Relevance, effectiveness and quality are rated on a 9-point scale (Very Low / Very Low to Low / Low / Low to Medium / Medium / Medium to High / High / High to Very High / Very High); committee functioning is rated on a 5-point scale (Poor / Fair / Satisfactory / Highly Satisfactory / Excellent).

operation and institutional structure with a view to further enhancing its effectiveness and sustainability as a forum for inclusive participation on international tax cooperation.