

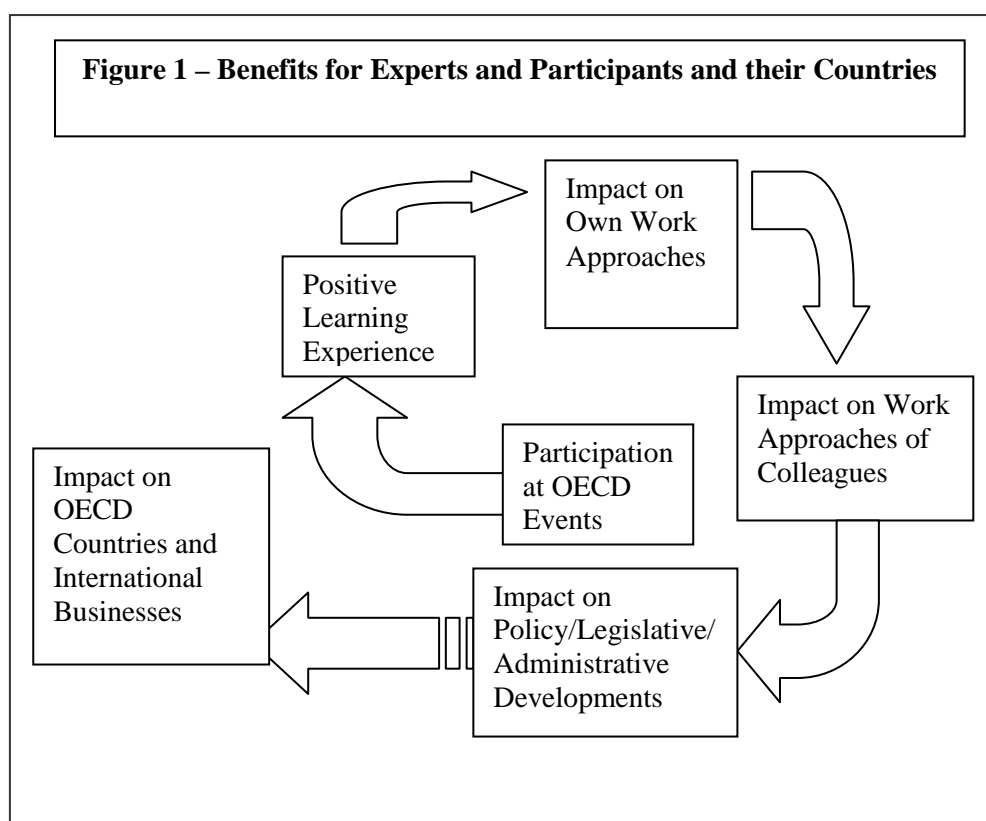
## 2 EVALUATION AND IMPACT

### 2.1 Principles of Evaluation

The purpose of evaluation is to collect information on an ongoing basis to improve our events and to attempt to measure the impact of the OECD programme of co-operation with Non-OECD Economies. Although the OECD tax partnership programme could have a number of significant impacts, it is difficult, firstly, to measure the impact and, secondly, to attribute the impact as an outcome of the tax partnership programme.

#### 2.1.1 Potential Impact of OECD Programme

Figure 1 summarises the potential benefits that experts and participants and their countries can derive from CFA's partnership programme.



From the perspective of the NOEs, the dialogue and experiences shared during an event should be accumulated and further disseminated within the NOE finance ministries and tax administrations. The key to the impact of the programme is that these will in due course be transformed into more concrete policy developments, legislative changes, and developments in tax administration. Any positive changes in tax policy and administration in the NOE jurisdictions will in turn have flow on benefits for the OECD member countries' government and international businesses.

The OECD member countries also benefit directly and indirectly from the OECD events through their direct involvement in providing experts to participate in the partnership events. New skills and information obtained and/or bilateral contacts made by these experts at the events can directly impact their own and their colleagues' work approaches. The new information obtained can in turn have a positive impact on policy, legislative and administrative developments in the OECD countries. Furthermore, improved bilateral contacts between tax officials from different countries and a better understanding of different approaches to international taxation problems developed from participation in the partnership events will provide a strong foundation for resolving potential tax disputes between member countries and NOEs.

### 2.1.2 Measuring the Impact of OECD Programme

Although the tax partnership programme has significant impacts in a number of contexts, it is not always easy to accurately measure these, given the other factors involved in legislative and administrative developments. Nevertheless numerous evaluation procedures are used to obtain feedback to help improve the partnership events and to monitor their impact.

To capture the impact of taxation outreach events, the outreach programme is subjected to regular evaluations in different forms and at different times as indicated below:

Types of Evaluation/Impact Measurement	When does the Evaluation takes place
Post event evaluation surveys of experts and participants (processed by the Independent Evaluation Services (IES) in the United Kingdom and Canada)	Ongoing at the end of every event; annual reporting to the Advisory Group on Co-operation with Non-OECD Economies
Surveys of past experts and participants	2004-2005 – summary results presented to the Advisory Group in 2005
Surveys of line managers of past participants	Developed by China's Yangzhou Tax Institute, preliminary results reported to the Advisory Group in 2005
Macro level surveys of and self assessments by the NOE partners	Some NOEs report to Advisory Group annually, plus regular comprehensive survey which was last done in 2002-2003; Next survey expected in 2005-2006
Macro level surveys of impact on member countries and international businesses	Last done in 2002-2003; Next survey in 2005-2006
Macro level surveys of impact on businesses	Last done in 2002-2003; Next survey in 2005-2006
Association of NOE partners with OECD Models	Regular updates

Events organized by the OECD are subject to rigorous evaluation by the experts and participants immediately after the event based on survey instruments developed by OECD and the Independent

Evaluation Services (IES) consisting of Canada and the United Kingdom. The purpose of this evaluation process is to obtain feedback from those involved directly in the program delivery with a view to improving the effectiveness and to maximize the impact of the partnership events.

The surveys of past experts, past participants and their line managers are intended to bridge the gap between the immediate feedback we receive from post event evaluation carried out by IES and the longer term feedback we obtain from the macro surveys. The results of these surveys will help us understand if experts and participants (and in turn their countries) have benefited from their participation in OECD events, for example, by improving their approaches to work based on experiences and information obtained at the event and through the bilateral contacts established during the event.

The end of event evaluation and follow up surveys of past experts and participants are further supported by periodic macro surveys which aim to ascertain concrete examples where tax legislation, policy and administrative approaches in the NOE partners have been influenced by CFA's partnership activities and how these changes impact the OECD countries and international businesses in their dealings with the NOE partners. In many instances, the partnership activities contribute directly to closer association to or the adoption of OECD standards and guidelines such as the OECD Model Tax Convention and the OECD Transfer Pricing Guidelines by the NOE partners.

## **2.2 Surveys of Experts and Participants**

Since 2001, the effectiveness of the programme has been subjected to independent evaluation by the Independent Evaluation Services. The Independent Evaluation Service (IES) consists of the Canada Revenue Agency and the UK Inland Revenue. They provide an annual report which makes recommendations on all important issues concerning the organisation and delivery of OECD events.

The feedbacks received from the IES evaluation surveys are critical to the continual improvements of the quality and effectiveness of CFA's partnership activities. These feedbacks, which are discussed annually at the Advisory Group on Co-operation with Non-OECD Economies, have led to a number of significant improvements in recent years. The improvements include the introduction of new facilities in the form of China's Yangzhou Tax Institute and the development of this online guide on CFA's partnership activities to facilitate the participant and expert selection process.

The reports that IES compile every year are based on the evaluation of OECD events by the participants, event leader and OECD experts who take part in OECD events.

### **2.2.1 Feedback from Participants**

It is part of the demand driven philosophy that participants are invited to express their comments and provide inputs into the content of OECD events. At the end of the event we will take some time to do a more structured evaluation with special forms (see Annex 1).

The event leader is responsible for seeing that this evaluation is carried out. The evaluation forms should be distributed around lunch time on the second last day of the event and collected at the beginning of the morning on the last day to allow the interpreters sufficient time to translate the written comments if necessary.

### **2.2.2 Feedback from Event Leader and Experts**

The formal evaluation by the Event Leader and Experts occurs at the end of each event. Forms for the purpose of this evaluation will be sent by the support staff at the Secretariat to the Event Leader and

Experts involved in delivering an OECD event (see Annexes 2 and 3). The feedback collected from the event leader and experts are sent to the IES so that their comments are collated and incorporated into the annual reports on evaluation.

The team of experts may also wish to conduct an informal evaluation during the second day of an event to obtain feedback on how the event is proceeding and whether any adjustments in the syllabus and presentations need to be made. It is a matter of judgement for the experts and ultimately the event leader as to when this evaluation is administered and what changes are made as a result.

The regular contacts between the Event Leader and Experts working together to deliver an event provide an ideal opportunity to discuss the event materials well in advance. The Event Leader will ensure that comments from experts are incorporated and materials are updated and revised where necessary.

### 2.2.3 The 2004 IES Report

The IES noted in the 2004 report that the approach of organising a mixture of multilateral, regional and bilateral events is a cost effective way of meeting the objectives of the partnership programme. However, to further improve the impact and cost effectiveness of the program, the IES recommended a number of areas for improvements:

- Although there are some evidences of improvement in **participant selection**, this aspect continues to be an area that could be further improved. The Group agreed that more detailed description of these differentiated events should be put on the online handbook to facilitate the participant selection process for multilateral events.
- On **event content and materials**, the Secretariat is encouraged to liaise with experts to keep event materials updated, to encourage the use of case studies and to improve the quality of translation, subject to budget constraints.
- The **quality of facilities** where the OECD events are held remain very high. However, plans by Hungary to make improvements to the facilities of the Budapest Multilateral Tax Centre are welcomed by the IES and the Advisory Group.
- **Distribution of some event information** (syllabus, background information and some case study materials) prior to the OECD, possibly by putting these on the online handbook site, could assist in improving the effectiveness of the partnership program.

## 2.3 Surveys of Past Experts and Participants

The survey of past experts was conducted with the assistance from the member country co-ordinators of experts. The questionnaire was distributed to past experts who have participated in OECD events between 2002 and 2004. A total of 53 experts have responded to this survey to date. The respondents include experts from Australia, Denmark, Germany, Ireland, the Netherlands, Norway, New Zealand, Spain, Turkey, United Kingdom and United States, which have contributed a significant number of member country experts to the OECD tax partnership programmes.

The NOE participants who have attended OECD events held at the Multilateral Tax Centres (in Ankara, Budapest, Chonan, Mexico and Vienna) between 2002 and 2004 were randomly selected to respond to the participant survey. Overall, 275 past participants were selected from 57 countries to participate in this survey. A total of 60 responses were received which, partly because of difficulties in contacting some past participants, is equivalent to an effective response rate of 32%. The participant responses were received

from 21 countries (Albania, Argentina, Azerbaijan, Bolivia, Bulgaria, Cambodia, Chile, China, Cyprus, Czech Republic, Hong Kong, Kyrgyz Republic, Mongolia, Morocco, Nepal, Serbia and Montenegro, Slovak Republic, Slovenia, South Africa, Trinidad and Tobago and Ukraine).

These surveys provide feedback from the OECD member country experts and NOE participants on:

- a) the **effectiveness of OECD events in promoting dialogue** on tax issues;
- b) the **benefits** that the **experts and participants** have gained directly;
- c) the **benefits** that their **countries** gained indirectly from their participation in OECD events; and
- d) the extent of **bilateral contacts** that have developed as a results of participation in OECD events and the ways in which these contacts benefited their countries.

### 2.3.1 Effectiveness in Promoting Dialogue

The results from the expert survey shows that a large majority of the experts believed OECD events to be **effective in promoting dialogue on international taxation issues**. 41 of the 53 respondents rated the effectiveness of OECD events on a scale of 4 or 5 out of the highest rating of 5.

Most OECD experts recognise the importance of dialogue with NOEs and appreciate the opportunities to have **a meaningful dialogue with NOEs at the early stages** when these NOEs are just beginning to consider international taxation issues such as tax treaties, transfer pricing, thin capitalisation, etc. The experts noted that the dialogue taking place at these early stages can help the NOEs better understand the practices of OECD countries. This dialogue is effective in influencing the future developments of policy, legislation and administrative practices in NOEs in dealing with OECD countries and international businesses. For example, a number of the past experts listed their experiences with China and India in the areas of transfer pricing and exchange of information as examples where dialogue has been effective and should have a significant benefit to the OECD countries.

The responses from participants also supported the views expressed by the experts that OECD events have been effective in promoting dialogue. They noted that the dialogue is effective not only between OECD countries and Non-OECD Economies (NOEs), but also among the NOEs themselves. A majority of the participants rated OECD events to be effective (at a scale of 4 or 5, out of the top scale of 5) when asked to rate the effectiveness of OECD events in promoting dialogue. When asked to provide examples, the participants pointed out that the OECD events achieve their objectives of **promoting dialogue through informal contacts and sharing of information** and practical examples on different approaches that countries adopted to deal with taxation challenges. The dialogue has been particularly effective in areas such as auditing multinational enterprises, avoidance and evasion, tax administration, treaty application and negotiation, positions on OECD Model Tax Convention and transfer pricing.

### 2.3.2 Direct Benefits

Most experts rated the experience gained from participation in OECD events to be **highly useful in helping them resolve work related issues**. Many experts identified increased awareness of OECD standards and guidelines, better understanding of their countries' policies and practices and other countries' tax systems acquired when preparing for and participating in the OECD events as valuable skills that assisted them in performing their work.

**Increased awareness of other countries' taxation approaches**, particularly in relation to how different these approaches could be, have broadened the experts' perspectives on international taxation issues. As a result, many experts recognised that it is in the mutual interests of tax officials in OECD countries and NOEs alike to work together to arrive at a factually correct and fair tax result. In many instances, the increased awareness of other countries' taxation approaches to a particular industry (e.g. Oil and Gas) or tax issue (e.g. tax treaty or transfer pricing) helps inform the experts' own work approaches. Many experts commented that this increased awareness also influenced their input into the development of their country's strategies in dealing with similar taxation issues.

The participants also provided **many examples where OECD events have had a direct impact on their work**. They mentioned that participation in the OECD events have helped them

- in the preparation of legislation and tax treaty negotiation;
- to clarify provisions in domestic and tax treaty provisions;
- in improving existing tax provisions; and
- to enhance practical audit approaches.

Participation in OECD events directly exposes the participants to OECD principles and standards. This exposure helps the participants to resolve work related issues when they return to their countries and influence the way they carry out their work. When asked to rate the usefulness and effectiveness of OECD events in this regard, a majority of the respondents rated the OECD events to be useful and effective (i.e. at a scale of 4 or 5, out of the top scale of 5). **Exposures to OECD principles and standards** and other country's experiences at the OECD events have influenced the participants' work approaches in other ways. Although many participants have noted that dialogue does not mean harmonization of approaches, the OECD principles often become standards that their countries can aim at achieving or use as a 'norm' in negotiation with other countries. Many participants also noted that the exposures have resulted in improved audit effectiveness and a better understanding of transfer pricing issues. This has a significant benefit for the OECD member countries in their dealings with Non-OECD Economies.

When the respondents were asked about the impact of OECD events on their career, the responses received were mixed. The most notable comments were that even when there is no direct impact on their career, the knowledge obtained from OECD events was very useful as it helps in their personal development as experts in their field and/or in their countries. Many noted that the OECD events also **contributed indirectly to their career development** as their performance in the field (e.g. during an audit) improved as a result of applying the technique or information obtained from OECD events.

### 2.3.3 Wider Benefits

The impact of OECD events need not, of course, be restricted only to the OECD experts and Non-OECD participants who took part in these events. The OECD events have a wider impact in the member countries if there is a channel for the experts to disseminate the information and benefits gained. In this regard, the member countries appear to be less focussed than the NOEs in taking the opportunity provided and disseminating more widely the information obtained from OECD events.

Many OECD country experts have indicated that although there is no formal channel in their countries, they have **disseminated the information and shared their experiences informally** with colleagues either by conducting training sessions or by providing oral reports at team meetings. Many OECD experts also submitted reports to their management on the participation in OECD events. More importantly, some experts indicated that they have passed selected information obtained at OECD events to the relevant business sections that may find the information useful (e.g. in mutual agreement proceedings or to initiate exchange of information).

The NOE participants also indicated that the **OECD events have many enduring effects** not only for the participants directly but also for their colleagues and countries indirectly. The impact of OECD events can extend beyond the immediate participants if the information is disseminated to others in their countries. Almost every participant who responded to the survey indicated that they **disseminated the information obtained** from participation in OECD events. This is typically done by:

- Submitting a report to their management and superiors;
- Distributing the information to other relevant departments (e.g. law drafters, auditors, or training departments) and regional offices;
- Sharing the report with other colleagues;
- Influencing junior colleagues in their work approaches by conducting training seminars;
- Incorporating the OECD materials into internal training modules.

The participants have also provided examples where the **disseminated OECD materials influenced domestic tax legislation and approaches to international tax issues in NOEs**. Many respondents have noted that the disseminated information often influenced their colleagues' work approaches in the course of auditing transfer pricing issues particularly following special transfer pricing workshops. In many instances, this has resulted in more tax revenues for their tax administrations. The disseminated information also increased their colleagues' sensitivity to international taxation issues and increased their interests in the topics such as double taxation and double non-taxation. Many respondents also noted that they are able to influence their colleagues to be more efficient and effective in dealing with international taxation issues.

In terms of the benefits that participation in OECD events could bring to the OECD countries and NOEs at the macro level, many experts noted that **OECD countries benefited indirectly** as participation in OECD events have a positive impact on their performance at work. Although it can be difficult to quantify the benefits that member countries gained from providing experts to participate in OECD events, information obtained from these OECD events often has **a direct practical impact** on the work of the experts. For example, information obtained from OECD events has been used in the development of transfer pricing regulations and auditing manual and in the development of tax policy.

The cascading effects are also evident from the participants' views on how their countries have benefited from the OECD events. Their comments showed that Non-OECD Economies benefited at the macro level through the knowledge and information that the participants bring home with them. OECD principles and standards discussed at the OECD events have **contributed to some tax policy, administration and legislative changes in the NOEs**, for example, in the area of tax treaty negotiation and application, transfer pricing and exchange of information. These changes bring the standards in Non-OECD Economies closer to that in the OECD countries and help to avoid potential conflicts in bilateral dealings between OECD countries and Non-OECD Economies.

#### **2.3.4 Benefits of Bilateral Contacts**

Bilateral contacts established during OECD events and further developed after the event (primarily via emails) have also benefited the member countries. These benefits come in the form of **better access to information about other countries' tax law and practices** and **improved bilateral contacts to resolve**

**international tax issues.** Many experts indicated that bilateral contacts developed at OECD events are useful in obtaining information from other countries (including both the member countries and the NOEs) and provided them with better insights into the policies and procedures adopted in other countries. Many experts also noted that by facilitating dialogue between representatives of different revenue authorities, the OECD events assist in meeting the challenges of globalisation by promoting increased co-operation between tax authorities.

The experts also developed a **closer relationship with their counterparts in other OECD countries** as a result of participation in OECD events. The contacts between different OECD member country experts working in the same field are often equally beneficial to the OECD countries compared with the contacts made with NOEs.

For the participants, **bilateral contacts** made during the OECD events have also helped some participants in their work, particularly in obtaining information about experiences or legislation in another countries and information about cases, practical approaches or new techniques in managing certain taxpayers. The areas where these bilateral exchanges of information have occurred most frequently are in the area of auditing multinational enterprises, tax incentives, value added taxes and tax treaty application.

Although the benefits of bilateral contacts made during the OECD events appear to be of secondary importance for some of the participants, there are some instances where these **contacts have contributed directly to the development of a new policy or the adoption of a new technique** by the NOEs. When asked to provide examples of benefit to their countries the participants responded that the bilateral contacts are useful when they need to obtain information to improve their countries' tax policy/legislation, to resolve potential conflicts with another countries, to gauge interests in and to set up bilateral treaty negotiations, to obtain information for comparative studies and to share information about mutual problems.

## **2.4 Feedback from the Line Managers of Participants**

China's Yangzhou Tax Institute conducted a survey of line managers of participants who have attended OECD transfer pricing events at least six months earlier on the impact they have observed at the work place. The results of this survey were presented to the Advisory Group at the meeting in Ottawa. Overall, the results showed that line managers were highly satisfied with the outcomes of OECD events, with over 84% noting that the content of the transfer pricing event was relevant to their real work.

Of the managers who responded, 87% noted that employees' knowledge in transfer pricing methods and the working process improved significantly as a result of the OECD events. These line managers also noted improvements in their employees' ability to detect and analyse cases, and that the employees become more confident in applying the transfer pricing methods and comparability analyses after participation in OECD events.

Some managers reported that their employees have tried to use the new transfer pricing methods (such as TNMM and profit split methods) that they learned from OECD events. New transfer pricing methods were introduced in 28 offices as a result of the transfer pricing events.

The learning that occurred at the event was cascaded to other officers who did not attend the event. Coaching and cascading were reported in over 84% of the offices that participated in the OECD events. Approximately 87% of the offices also reported improvements in transfer pricing work with most of the employees who participated in OECD events still playing an important role in the transfer pricing work.

## 2.5 Self Assessments by NOE Partners

Other ways of measuring the impact of the programme have also been developed through dialogues with our NOE partners. These dialogues are intended to establish objective, measurable outcomes that the partnership has achieved in terms of concrete legislative or policy developments.

Comprehensive surveys of all NOE partners were last done in 2002-2003. A total of 32 NOEs responded to the surveys in 2002-2003 including Albania, Argentina, Armenia, Azerbaijan, Bulgaria, Chinese Taipei, Croatia, Estonia, Georgia, Hong Kong, Israel, Latvia, Lithuania, Malaysia, Malta, Mongolia, Morocco, Nigeria, People's Republic of China, Romania, Russia, Singapore, Slovenia, South Africa, Sri Lanka, Thailand and Vietnam.

The responses showed that CFA's partnership activities were very effective in disseminating and encouraging the adoption of the OECD instruments such as the OECD Model Tax Convention and the OECD Transfer Pricing Guidelines, and in encouraging the adoption of effective exchange of information. In addition to these areas, the Global Forum events also have a significant impact on improving the tax administration of participating NOEs. Further details of the comprehensive survey of NOEs in 2002-2003 can be found in the Annex to this section of the online guide.

The impact on NOEs are also evident from the self evaluation reports that key NOE partners provide to the Advisory Group on Co-operation with Non-OECD Economies. A number of key NOEs that attended the Advisory Group meeting provided their self-assessments of the impact of the partnership with CFA.

Chile reported that co-operation with OECD since 1994 in the taxation area has been very fruitful and has had a number of notable impacts in the areas of tax treaties, transfer pricing, harmful tax competition and exchange of information. On tax treaty, involvement with the OECD has contributed to the rapid growth in Chile's tax treaty network and has assisted Chile to gain a better understanding of international tax issues which in many cases were new to Chile. Chile has taken the OECD guidelines on transfer pricing methods and comparability as a basis when auditing transfer pricing. The co-operation with OECD in harmful tax competition also gave Chile an insight into the harmful aspects of different tax regimes and has helped Chile to develop countermeasures to deal with certain harmful tax regimes. Chile reported that it is committed to the OECD Model with respect to practices on exchange of information.

China noted becoming an observer to the OECD's Committee on Fiscal Affairs (CFA) in 2004 as a milestone in their partnership with the OECD. The extensive partnership programme has made a significant and direct contribution in the development of China's tax system. In particular,

- The OECD Model Tax Convention on Income and on Capital and its Commentaries provide useful principles and guidelines for China to negotiate their bilateral tax treaties. Chinese tax officials have developed a better understanding of tax treaties and the latest changes in international trends as a result of the partnership programme with the OECD
- Several new regulations on transfer pricing issues were introduced in China in 2004 drawing on the OECD Transfer Pricing Guidelines.
- The work on harmful tax practices have resulted in a set of recommendations for the next round of tax reform in China.
- Two important implementation guides on exchange of information (Administrative Guidelines and Confidentiality Rules) were revised in 2004 to incorporate the international standards with the assistance from the OECD.

Malaysia reported that their partnership programme with the OECD has provided an opportunity for Malaysian tax administrators to enhance their skills and knowledge of tax issues that could arise from international transactions. This has improved the tax officials' ability to deal with avoidance transactions and resulted in increased revenue for the tax administration. The partnership programme also helped to develop the human resources needed to establish and maintain a Transfer Pricing unit in Malaysia.

Slovenia reported that OECD seminars and workshops where different tax issues were discussed provide an important source of expertise and information for the modernisation of Slovenia's tax system. On tax treaty, Slovenia noted their reliance on OECD Model as a basis for establishing Slovenia's extensive treaty network. The OECD events on tax treaty and transfer pricing provided information that was helpful in improving Slovenia's understanding of new developments in treaty interpretation and in drafting new Slovenian regulations on transfer pricing, which is based on the OECD Transfer Pricing Guidelines. The partnership has also had an impact on Slovenia's commitment to avoid introducing harmful features in their tax system. The new framework for co-operation, which was agreed in 2004, will further strengthen the partnership between Slovenia and the OECD. Although the overall objective is to further improving the tax system and administration in Slovenia, future partnership events could focus on consolidating the impact of the programme in tax treaty, transfer pricing, exchange of information (including helping Slovenia to implement an effective mechanism for automatic exchange of information) and harmful tax practices.

Hong Kong and South Africa also provided their reports to the Advisory Group. Hong Kong reported that the OECD partnership event on Goods and Services Tax was very valuable for Hong Kong's ongoing study of the introduction of a GST system. South Africa reported that the balanced approach adopted in OECD events between theory and practice helped the participants to improve their effectiveness at work.

## **2.6 Association with OECD Standards and Guidelines**

In the 2005 update of the OECD Model Tax Convention, 25 NOEs stated their positions on the model as a direct result of CFA's partnership activities with these NOEs. The NOEs that have stated their positions on the Model Tax Convention are Albania, Argentina, Belarus, Brazil, Bulgaria, China, Croatia, Estonia, Gabon, Israel, Ivory Coast, Latvia, Lithuania, Malaysia, Morocco, Philippines, Romania, Russia, Serbia and Montenegro, Slovenia, South Africa, Thailand, Tunisia, Ukraine, Vietnam.

Based on the information collected by the Secretariat, 9 NOEs (Argentina, Ecuador, India, Lithuania, Malaysia, Slovenia, South Africa, Thailand and Venezuela) have now adopted transfer pricing legislation that are based on the OECD Transfer Pricing Guidelines. A number of NOEs such as Belarus, Colombia, Croatia, Namibia, Peru and Vietnam are also working on implementation issues relating to the OECD Transfer Pricing Guidelines with a view to using it as a basis for their transfer pricing legislation.