Practitioner viewpoint: The impact of governing board composition on tax-to-GDP ratios in emerging economies

Introduction

As developing countries urgently need more financial resources and fiscal space, effective tax revenue mobilization effort has become critically essential for financing public service delivery, which drives economic development that supports United Nations Sustainable Development Goals (United Nations, 2024). In this regard, the tax-to-GDP ratio serves as a key indicator of a country's ability to generate sufficient revenue to support its economy (Institute for Fiscal Studies and Ministry of Finance, 2024). Many emerging economies struggle with low tax revenue mobilization, which undermines fiscal sustainability. While economic factors such as informality, tax evasion and policy inefficiencies contribute to this challenge, governance structures, particularly the composition and diversity of governing boards of tax authorities, may play a critical yet underexplored role (OECD, 2021; IMF, 2020).

The composition of governing boards significantly influences how tax authorities strategize and execute operations to enhance tax compliance enforcement and revenue mobilization (Naciti, 2019). Evidence from extant literature (Fjeldstad and Moore, 2020; IMF, 2020; OECD, 2021; World Bank, 2019) suggests that countries with tax authorities that have well-structured governance frameworks and governing board with composition that support diversity of expertise tend to achieve higher tax-to-GDP ratios.

The foregoing discussions underscore the importance of robust governance structures in shaping tax collection outcomes, which in turn support the financing of sustainable development goals and related economic initiatives (United Nations, 2015). Appointing independent, well-qualified, transparent and accountable governing boards within tax authorities can strengthen tax systems and enhance overall economic stability.

Although extensive research links governing board composition, diversity, independence to firm performance, including tax avoidance, there is a noticeable paucity of studies linking these governance factors directly to tax-to-GDP ratio. Corporate governance theories, such as agency theory and resource dependence theory, provide insights into how board composition and interdependence influence organizational performance. According to agency theory, board independence, diversity and expertise enhance decision-making and oversight functions, which lead to better policy implementation. Likewise, resource dependence theory supports the idea that diversity and access to external expertise improve board's dexterity to strategize in making strategic decisions that enable tax authorities to navigate both resource and operational challenges more effectively. This, in turn, impacts tax-to-GDP ratio performance (OECD, 2021).

Agyemang and Nyarko (2022), Doku *et al*. (2023), and Obimpeh and Koomson (2025) posit that lack of independent governing board with balanced composition and diversity impact organizational commitment and decision-making which impact performance and related targets. Yet, governing boards of tax authorities are solely appointed by government, which Obimpeh and Koomson (2025) claim guarantees political interference, impairing independence and commitment towards achieving revenue performance targets, and hence tax-to-GDP.

For instance, OECD data indicate that developed economies with strong institutional frameworks, such as Germany and Sweden, have tax-to-GDP ratios exceeding 40%, whereas many African and Latin American nations, where tax governance structures are often weaker, report ratios below 20% (OECD, 2021). According to the International Monetary Fund (2020),

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countries with tax authorities governed by independent boards that include financial and economic experts exhibit better revenue collection efficiency and lower tax evasion levels.

Also, a comparative study by Fjeldstad and Moore (2020) on African tax systems revealed that nations with politically appointed tax boards tend to experience significant revenue leakages due to inefficiencies and corruption. In Ghana, for example, studies have shown that tax evasion contributes to annual revenue losses amounting to approximately 5% of GDP (World Bank, 2019). Similarly, Nigeria's tax-to-GDP ratio remains stagnant at around 6%, largely due to poor governance within its tax administration (IMF, 2021).

Moreover, empirical studies indicate that board diversity and expertise in tax administration positively correlate with improved tax compliance. For example, a study by Bird and Zolt (2019) found that tax authorities with governing boards consisting of members with backgrounds in finance, accountancy, economics and law were 30% more effective in enforcing tax policies compared to those without such expertise. Countries such as South Africa and Rwanda, which have implemented governance reforms in their tax institutions, have seen improvements in revenue mobilization, with Rwanda's tax-to-GDP ratio increasing from 13.4% in 2015 to 16.5% in 2020 (Rwanda Revenue Authority, 2021). Meanwhile, Ghana's newly appointed Finance Minister, Hon. Cassiel Ato Forson hopes to achieve a tax-to-GDP ratio of 16%, which was 14% in 2024 (OECD, 2021) as soon as possible.

Empirically, there are reports in extant literature suggesting that the appointment of party affiliates, cronies and favorites to governing boards of tax authorities results in sub-optimal board decisions. Allegations of political interference and the imposition of contracts resembling rent-seeking tendencies have been documented in several studies, including Fjeldstad and Moore (2020) and IMF (2020). These reports highlight how politically motivated appointments do not always prioritize national tax revenue mobilization or promote an improved tax-to-GDP ratio. Instead, such appointments often lead to inefficiencies, lack of strategic focus and undue political influence in decision-making, undermining the effectiveness of tax authorities (World Bank, 2019; OECD, 2021).

Furthermore, Article 70 of the 1992 Constitution of Ghana grants the President the authority to appoint key public officials, including members of governing boards of tax authorities. This provision, while intended to ensure strong leadership, often leads to concerns about political influence in board appointments. The discretionary power granted to the executive may compromise the independence of the governing boards of tax administration bodies, resulting in inefficiencies in tax policy implementation and enforcement. In this regard, scholars such as Ayee (2020) and Osei-Assibey (2021) argue that political appointments under Article 70 can diminish tax compliance and weaken revenue mobilization efforts by prioritizing political loyalty over professional expertise and best governance practices.

Additionally, the Ghana Revenue Authority (GRA) Act, 2009 (Act 791), establishes the framework for tax administration in Ghana, including the composition and functions of the GRA Board. The Act mandates that board appointments be made by the President in consultation with the Council of State. While this provision seeks to ensure oversight and accountability, it also opens avenues for political influence in tax administration. Review of extant literature and matters arising from past appointment and conducts of GRA boards suggest that Act 791's appointment provisions may have led to inefficiencies in revenue collection due to the appointment of politically affiliated individuals that may have lacked the requisite technical expertise. The implementation of this provision of the Act, therefore, presents both opportunities and challenges in promoting effective tax governance and improving the tax-to-GDP ratio.

Building on these discussions, this paper argues that governing board appointment, composition, diversity and independence significantly influence the tax-to-GDP ratio, with broad implications for economic growth, debt sustainability, budget deficit and long-term fiscal sustainability. However, there remains a gap in practitioner literature linking these governance factors to tax performance. While government appointment of tax authority boards remains a common practice, embedded within national constitutions and related tax administration regulatory frameworks, its impact on tax revenue mobilization requires further examination.

Additionally, while political appointments may affect organizational commitment and decision-making, there is insufficient practitioner studies explaining the degree of independence, composition and diversity required to mitigate these effects. In this regard, this paper posits that appointing governing board with necessary expertise, composition and diversity, coupled with ensuring their independence and commitment to enforcing tax compliance, is essential for optimizing revenue mobilization and improving tax-to-GDP ratio.

There is also a paucity of practitioner studies on how tax authority board appointments and compositions can be structured to promote board independence, commitment and optimal decision-making without political influence. Furthermore, most of the existing literature in this domain focuses on governance structures and tax avoidance, or aggressiveness, with less emphasis on board composition, independence, and their impact on tax authorities' effectiveness and the tax-to-GDP ratio. To this end, this paper argues that appointing a governing board with necessary expertise, composition and diversity promotes board independence, commitment and optimal decision-making without political influence, which enhances tax authority effectiveness in mobilizing revenue and improving tax-to-GDP ratio.

Accordingly, this paper addresses the above-observed gaps by exploring how the composition of governing boards influences tax administration effectiveness and, consequently, the tax-to-GDP ratio. Specifically, it examines how appointing a governing board with necessary expertise, composition, and diversity promotes board independence, commitment and optimal decision making free from political influence, which enhances tax authority effectiveness towards improved revenue mobilization and tax-to-GDP ratio performance.

Appointing governing boards with requisite expertise, balanced composition, and diversity for enhanced board independence for improved tax revenue mobilization and tax-to-GDP ratio performance in Africa

The appointment of governing boards with requisite expertise, balanced composition and independence plays a critical role in revenue mobilization and tax policy effectiveness. A well-structured governing board can mitigate political interference, ensure effective decision-making, and reinforce transparency and accountability within tax authorities. As practitioners in this field, we recognize the complexed dynamic nature of appointment of governing boards, including the need for balancing the interests of key stakeholders and power brokers among other factors. Thus, appointing governing boards with requisite expertise, composition and diversity does not only enhance board independence for improved tax revenue mobilization and tax-to-GDP ratio performance, but also greatly impact economic growth, debt sustainability, budget deficit and long-term fiscal sustainability.

First, appointing governing boards of tax authorities with independent and diverse boards exhibit better revenue performance. Countries with tax authorities that have independent and diverse boards show stronger revenue mobilization due to more effective tax policies and administration. Independent boards are less susceptible to political interference, allowing for unbiased decision-making that promotes efficiency and transparency. Empirical evidence suggests that tax authorities with diverse expertise among board members tend to implement innovative and more effective tax collection strategies (OECD, 2021).

Political interference in board appointments weakens tax policy implementation. Political appointments often prioritize loyalty over technical expertise, which can lead to sub-optimal tax policies. Studies indicate that politically influenced boards are more likely to engage in rent-seeking behaviors, prioritizing short-term political interests over long-term revenue generation goals (Fjeldstad and Moore, 2020). This has led to inefficiencies in tax administration and reduced public trust in tax systems, further hindering compliance rates.

Furthermore, tax authority governing board members with tax or financial expertise positively influence tax administration effectiveness. A well-qualified board that includes professionals with backgrounds in taxation, finance and economics can contribute to more informed decision-making. Research indicates that boards with financial expertise are better equipped to navigate complex tax structures, reduce leakages and enforce compliance measures effectively (IMF, 2020). Countries that have restructured their tax authority boards to include technical experts have recorded improvements in revenue collection.

Countries with robust governance structures experience fewer tax leakages and higher compliance rates. Strong governance structures, characterized by transparency, accountability and oversight mechanisms, reduce instances of tax evasion and increase voluntary compliance. Tax authorities operating within well-defined governance frameworks benefit from improved enforcement mechanisms and taxpayer confidence in the system (World Bank, 2019). Empirical evidence from Ghana and Rwanda shows that governance reforms aimed at strengthening tax board independence have led to measurable increases in tax-to-GDP ratios.

In conclusion, as practitioners, we recognize the importance of appointing a governing board with the necessary expertise, balanced composition and diversity promotes board independence, commitment and optimal decision making free from political influence. This, in turn, enhances the effectiveness of tax authorities in revenue mobilization and improves tax-to-GDP ratio performance. There is a clear need for governance reforms that strengthen the independence, expertise and oversight roles of tax administration boards across Africa. Implementing measures to reduce political influence in board appointments and ensuring a diverse and technically competent governing board will be crucial in improving tax administration bodies and tax policy effectiveness for revenue mobilization in Africa economies, such as Ghana and the likes. Strengthening tax governance structures will not only improve tax-to-GDP, which is a measure of compliance and efficiency but also contribute significantly to economic stability and sustainable fiscal performance.

Practical suggestions for improving the composition of Africa's tax authority governing boards to enhance revenue mobilization and tax-to-GDP ratio performance

In order to optimize tax revenue mobilization and improve tax-to-GDP ratio performance, African governments should adopt best practices in appointing and structuring tax authority governing boards. Implementing evidence-based policy reforms will improve board independence, encourage broader stakeholder consultations in the appointment of tax authority boards and enhance accountability, all of which will strengthen the institutional capacity of tax authorities and improve governance in tax administration. The following policy recommendations are therefore suggested to enhance tax governance and revenue collection efficiency across the continent.

A well-experienced, meri-based governing board, free from political affiliations, is more likely to operate more independently and effectively. Accordingly, this paper recommends that African governments should appoint tax authority governing board members based on their expertise in taxation, finance, economics, law and governance rather than political considerations. A transparent, meritocratic selection process will enhance board effectiveness, reducing the risk of board members prioritizing political interests over tax administration effectiveness. To achieve this, governments should establish a tax governance appointment framework that mandates a transparent and competitive selection process. Additionally, legally binding criteria requiring board members to have professional certifications, such as chartered accountants, chartered tax practitioners or economists, should be introduced.

Second, the chairpersons of governing boards of Africa's tax authorities should enhance their board independence. The independence of governing boards is crucial for tax policy effectiveness and the socio-economic trajectory of African economies. Given that tax authority governing board members are often appointed by the executive or ruling governments, it is essential for board chairpersons to implement measures that limit political interference, while improving their independence. Ensuring that tax authorities function autonomously with a focus on efficiency and compliance will enable boards to make objective policy decisions align with long-term economic goals. In this regard, this paper suggests establishment of legal safeguards that protect the tax authority boards from undue political influence. Additionally, this paper proposes that a minimum tenure policy for board members should be introduced to ensure continuity and limit discretionary dismissals by political actors.

Third, the African tax authorities are encouraged to promote diversity in board composition by advocating for broad stakeholder consultations before the appointment of board members. A mix of backgrounds, skills and experiences enhances decision-making and fosters innovative tax strategies. Accordingly, we recommend gender, professional and regional diversity in appointment of Africa's tax authority governing boards to guarantee well-rounded policies that address a wider range of taxpayer needs, leading to improved tax-to-GDP ratio performance that supports sustainable development outcomes. Specifically, governments should introduce diversity quotas to ensure fair representation of women, regional representatives, private-sector experts on tax governing boards. Additionally, stakeholder forums should be established where businesses, SMEs and civil society groups can provide input on board appointments and tax policies.

Fourth, we propose the strengthening of accountability and oversight among Africa's tax authority governing boards. Governing board accountability and oversight enhance transparency, and stakeholder trust, which in turn strengthens tax administration effectiveness. Improved accountability ensures that tax systems, procedures and officer capacities are robust enough to enforce tax laws without corruptions. In this context, we emphasize that governance mechanisms should be reinforced to hold boards accountable for tax policy implementation and revenue performance. In this regard, independent audits and periodic evaluations are proposed to help maintain board accountability and effectiveness. One way to improve oversight is to establish an independent tax governance review committee to assess board performance and make recommendations for improvement. Additionally, requiring annual public disclosure of tax authority performance reports will increase transparency and public trust.

Regular training and development initiatives should be introduced to equip board members with the latest knowledge in tax administration, global tax trends and policy innovations. Capacity building programs should involve collaboration with international tax organizations such as OECD, African Tax Administration Forum (ATAF) and the World Bank. In this regard, we advocate for the establishment of mandatory annual training and development programs for tax authority governing board members which will ensure that they remain competent and up-to-date with global best practices in taxation. Additionally, this paper suggests the promotion of regional knowledge exchange programs, where tax officials from different African countries share best practices and experiences among themselves.

Overall, reforming the governance structure of tax authority governing boards in Africa is essential for enhancing informed decision-making that improves revenue mobilization and improving tax-to-GDP ratio performance. Implementing merit-based appointments, strengthening board independence, promoting diversity, improving accountability and investing in continuous training and development will create more efficient and transparent tax institutions capable of driving revenue mobilization that support appropriate tax-to-GDP ratio performance in Africa.

Research suggestions to improve the composition of the governing board contribute to tax-to-GDP ratio

Like other practitioner papers, this paper suggests avenues for further research in the domains of governance, tax policy and tax administration. First, recognizing that existing literature often overlooks the relationship between tax authority governance board composition, diversity and revenue mobilization in enhancing tax-to-GDP ratio performance, future researchers are encouraged to explore these and related issues, particularly from the perspective of emerging economies. A key research pathway is the relationship between independent tax authority governing boards, tax policy implementation and revenue mobilization efficiency. In this pathway, comparative researches analyzing politically appointed tax boards versus those that are independently and merit-based selected would provide valuable insights into the impact of governance structures on tax administration effectiveness.

Future studies should also focus on the expertise and competency of governing boards and their effects on tax administration, particularly in emerging economies. Specifically, future research should explore how board diversity impacts revenue performance and tax-to-GDP ratio outcomes. This research pathway will help a critical research question in this domain, which is the extent to which financial, economic and tax law expertise among board members influences revenue mobilization and tax-to-GDP ratio performance in emerging economies. Furthermore, research pathways examining the mediating effects of continuous professional development on tax authority board decision-making and tax-to-GDP ratios are proposed for future researchers. Specifically, future studies should explore how training and capacity building initiatives enhance governance effectiveness and revenue mobilization. Comparative studies in this domain should investigate differences in board members' backgrounds between countries with high and low tax-to-GDP ratio performance. In this regard, they can address the following lingering key research questions: To what extent does tax board continuous professional development influence tax policy decisions? How do variations in tax authority board composition and expertise impact tax administration efficiency, including tax-to-GDP ratios across difference economies? Addressing these questions and related issues will provide valuable insights into the role of governance structures in optimizing tax performance.

To understand the balance between political interference and autonomy in achieving efficient tax governance, future research should examine the extent to which political appointments affect tax policy enforcement and revenue mobilization. A critical research pathway involves analyzing the impact of politically appointed tax boards versus those selected through independent, merit-based processes. Additionally, studies should explore legal frameworks that safeguard board autonomy while maintaining necessary government oversight. Key research questions to be addressed under this pathway include: What mechanisms insulate tax authority boards from political influence? How do differences in governance models affect tax compliance and enforcement in emerging economies? Identifying best practices for depoliticizing tax authority board appointments will provide valuable policy insights.

Additionally, governance accountability and transparency in tax authorities, as well as capacity building and training for tax authority board members, require further academic inquiry. Future research should investigate the role of independent audits and performance evaluations in enhancing board effectiveness and analyze how transparent appointment processes improve taxpayer trust and compliance. Specific research questions under this strand include: How do independent audits impact governance efficiency and tax revenue mobilization? What are the most effective accountability frameworks for tax boards in Africa and other emerging economies?

Finally, research should explore governance reforms that have led to significant improvements in tax-to-GDP ratios. Comparative studies assessing the impact of continuous training on board effectiveness in revenue mobilization will be particularly useful. Additionally, future research should review global best practices in tax administration training programs and evaluate how knowledge-sharing among board members enhances policy implementation. Addressing these research gaps will contribute to evidence-based policymaking, ultimately strengthening tax administration efficiency and revenue performance in emerging economies.

Frank Yao Gbadago
Department of Accounting Studies Education, Faculty of Business Education, Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development, Kumasi, Ghana

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About the author

Dr Frank Yao Gbadago is a Senior Lecturer and Head of the Department of Accounting Studies Education at Akenten Appiah-Menka University of Skills Training and Entrepreneurial Development (AAMUSTED), Ghana. He holds two PhDs from the University of Cape Coast (UCC) and the University of Education, Winneba (UEW), along with professional qualifications such as FCA, MCITG, MIoD, PGDTLHE, and PChDip, as well as an MBA and BSc. His research interests include corporate governance, taxation policy, public sector auditing, financial reporting and economic sustainability. Dr Gbadago has published in peer-reviewed journals, including Resources Policy and Springer Nature, and actively engages in academic and professional training. He has served on several audit committees and boards, contributing to governance reforms and tax administration in Ghana. Additionally, he has acted as an expert witness in multiple fraud investigation cases, participated as a member of promotion interview panels for public and private sector institutions, and served as a guest facilitator at tax colloquiums. Dr Gbadago is also an external examiner and reviewer for both public and private universities in Ghana, as well as an assessor for the Ghana Tertiary Education Commission (GTEC). Furthermore, he supervises and examines postgraduate dissertations at the master's and doctoral levels, ensuring high academic and research standards in business and financial education.