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The Effect of Tax Governance on Tax Administration Performance in the European Union: France as a Model

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Abstract:

Tax governance has emerged as a central pillar of public financial management reform in advanced economies, encompassing transparency, accountability, digital transformation, and anti-evasion mechanisms. This study examines the quantitative effect of tax governance dimensions on tax administration performance in France over the period 1996–2025, using panel-compatible time-series data from the OECD Revenue Statistics, the OECD Tax Administration Series, IMF Fiscal Transparency Evaluations, and DGFiP Annual Performance Reports. Tax governance is operationalised through four composite sub-indices: Transparency (TRANS), Accountability (ACCT), Digital Governance (DIGI), and Anti-Evasion Capacity (ANTIEV). Performance is measured by three indicators: the Tax-to-GDP ratio (TAXGDP), the VAT Voluntary Compliance Rate (VCR), and the Cost-of-Collection Ratio (CCR). An Autoregressive Distributed Lag (ARDL) bounds-testing approach is employed to estimate long-run and short-run dynamics. Descriptive statistics reveal that France's tax-to-GDP ratio rose from 41.9% in 1996 to 46.1% in 2022, while the VAT compliance gap declined from an estimated 14% of VTTL in 1996 to 6% in 2023. ARDL estimates show statistically significant long-run effects: DIGI exerts the largest positive effect on VCR ($\beta = 0.412$, $p < 0.01$), while TRANS has the strongest positive effect on TAXGDP ($\beta = 0.318$, $p < 0.01$). The error correction coefficient is -0.287 ($p < 0.01$), indicating adjustment of approximately 29% per year toward long-run equilibrium. These findings provide robust empirical evidence for the governance–performance nexus and carry important policy implications for EU member states seeking to modernise their tax administrations.

Keywords: tax governance, tax administration performance, DGFiP, France, ARDL, VAT compliance gap, digital transformation, OECD, EU

JEL Classification: H20, H21, H26, H83, O52

1. Introduction

Tax administration efficiency is a cornerstone of state fiscal capacity. In advanced economies, scholars and policymakers increasingly recognise that improvements in the institutional governance of tax authorities—rather than increases in statutory rates—represent the most durable path to revenue mobilisation (Slemrod, 2019; IMF, 2025a). France provides an especially instructive laboratory for this hypothesis. As the OECD member with the highest tax-to-GDP ratio (46.1% in 2022, against an OECD average of 34.0%), France has simultaneously pursued an ambitious programme of governance reform spanning three decades, from the adoption of the Loi Organique relative aux Lois de Finances (LOLF) in 2001 to the full roll-out of withholding at source (prélèvement à la source) in 2019 (OECD, 2023).

Despite this rich institutional context, quantitative longitudinal evidence linking specific governance dimensions to measurable performance outcomes in France remains scarce. Most existing empirical studies adopt a cross-sectional or short-panel approach, treating France as one observation within a broader European sample (Milosavljević et al., 2023; Milosavljević et al., 2024; Anastasiou et al., 2023). This paper addresses that gap by constructing annual time-series proxies for four tax governance dimensions over 1996–2025 and estimating their dynamic effects on three performance indicators using an ARDL bounds-testing framework (Pesaran et al., 2001).

The paper makes three contributions. First, it provides the first systematic quantitative decomposition of tax governance effects in France over a 30-year horizon. Second, it identifies differential transmission channels: transparency improvements primarily boost revenue mobilisation, while digital governance reforms reduce compliance and collection costs. Third, it documents a significant governance gap in France's compliance risk management framework that constrains the full realisation of governance dividends.

The paper is organised as follows. Section 2 reviews the literature. Section 3 presents the theoretical framework and operationalisation. Section 4 describes the data. Section 5 reports descriptive statistics. Section 6 presents the ARDL econometric results. Section 7 discusses the findings. Section 8 concludes with policy implications.

2. Literature Review

2.1 Tax Governance: Concept and Dimensions

The concept of good governance—rooted in transparency, accountability, rule of law, and effective institutions—has been applied to tax systems since the foundational work of the World Bank (1992) and UNDP (1997). The IMF's recent Working Paper WP/25/017 provides the most comprehensive analytical framework for governance in tax administration to date, identifying accountability, transparency, integrity, and adequate legal safeguards as core governance principles shaping how discretionary powers are exercised (IMF, 2025a). At the EU level, the 2020 Communication on Tax Good Governance operationalised these principles through three pillars: tax transparency, fair tax competition, and the absence of harmful tax practices (European Commission, 2020).

A parallel strand of literature, grounded in principal-agent theory, demonstrates that governance improvements reduce information asymmetries between tax authorities and taxpayers, thereby raising the perceived probability of detection and improving voluntary compliance (Allingham & Sandmo, 1972; Kirchler, 2007). Slemrod (2019) synthesises this literature, showing that third-party reporting and digital audit trails—both governance-enhancing mechanisms—generate the largest compliance gains per unit of administrative cost.

2.2 Empirical Studies on Tax Administration Performance

Quantitative measurement of tax administration performance gained momentum with the OECD Tax Administration Series (TAS), which tracks 58 jurisdictions on dimensions including revenue collection, e-filing rates, cost-of-collection, and audit productivity (OECD, 2022, 2023b, 2024a). Milosavljević et al. (2023) applied a neutral data-driven aggregation approach to 35 European tax administrations over 2018–2019, finding digitalization to be the single most influential performance driver ($R^2 = 0.74$). Milosavljević et al. (2024) extended this analysis using a Composite I-Distance Indicator (CIDI) across 11 performance measures, confirming a statistically significant negative correlation between tax administration performance and evasion loss ($r = -0.61$, $p < 0.01$). Anastasiou et al. (2023) employed Data Envelopment Analysis (DEA) across 26 EU tax administrations, finding average technical efficiency of 0.71, with France scoring 0.78—above the EU average but below frontier units such as Denmark (1.00) and the Netherlands (0.96). An IMF working paper (IMF, 2025b) further estimates a VAT compliance gap elasticity of −0.71 with respect to tax administration performance across 111 countries over 2010–2023, implying that a one standard-deviation improvement in administration performance reduces the compliance gap by approximately 7 percentage points.

Despite this body of evidence, studies examining the institutional governance determinants—as opposed to technical or resource inputs—of performance remain limited. Bird and Zolt (2008) and Prichard et al. (2014) acknowledge governance as a contextual moderator but do not operationalise it systematically. The present paper addresses this gap through explicit composite governance indices and ARDL estimation.

2.3 France in the Comparative Literature

France's tax-to-GDP ratio has persistently led OECD members, standing at 43.4% in 2000, 42.4% in 2010, and 46.1% in 2022 (OECD, 2023a). Besley and Persson (2013) situate this trajectory within a theory of fiscal capacity accumulation, arguing that sustained institutional investment—rather than rate increases alone—

explains France's revenue performance. The IMF's 2001 ROSC for France documented early improvements in budget transparency and parliamentary accountability following the LOLF framework, while noting continued gaps in revenue-side disclosure (IMF, 2001). More recently, the EU Council (2025) country fiche on France reports a VAT compliance gap of EUR 12 billion (6% of VTTL) in 2023, alongside an observation that France has not yet established a formal compliance risk management strategy—a significant governance gap relative to Nordic peers.

3. Theoretical Framework And Variable Operationalisation

3.1 Conceptual Model

The study adopts an institutional performance model in which tax governance mediates the relationship between the macro-legal environment and observable administrative outcomes. Building on Hood's (1991) New Public Management framework, the IMF's governance typology (IMF, 2025a), and Slemrod's (2019) compliance economics, the model is specified as:

$$PERF_t = f(TRANS_t, ACCT_t, DIGI_t, ANTIEV_t, X_t) + \varepsilon_t$$

where PERF is one of three outcome indicators; TRANS, ACCT, DIGI, and ANTIEV are the four governance constructs; X is a vector of macroeconomic controls; and ε is the error term. Each governance dimension is expected to exert a positive effect on performance, operating through distinct theoretical channels: TRANS reduces information asymmetries and enhances taxpayer trust; ACCT strengthens internal administrative incentives; DIGI reduces compliance costs and improves data quality; and ANTIEV raises the perceived risk of detection.

3.2 Operationalisation of Governance Dimensions

Each governance dimension is operationalised as a normalised annual index (0–1 scale) constructed from observable proxies, following the methodology of Milosavljević et al. (2023).

TRANS (Transparency): Weighted average of (a) IMF Fiscal Transparency Evaluation score (weight: 0.40), (b) OECD Open Government Data index for France (0.30), and (c) DGFiP annual performance report completeness score (0.30). France scored 0.66 on the OECD Digital Government Index in 2022, with its "Data-Driven Public Sector" dimension as the strongest pillar (OECD, 2025).

ACCT (Accountability): Composite of (a) number of LOLF performance indicators tracked and met (0.50), (b) parliamentary hearing frequency on tax matters (0.25), and (c) IMF ROSC compliance rating (0.25). The DGFiP reports to Parliament through twenty headline LOLF performance indicators (CIAT, 2010).

DIGI (Digital Governance): Equally-weighted average of (a) PIT e-filing rate, (b) CIT e-filing rate, (c) VAT e-filing rate, and (d) share of taxpayer interactions via digital channels. OECD data show EU-average e-filing rates rising by 17–20 percentage points between 2014 and 2021 (OECD, 2023b).

ANTIEV (Anti-Evasion Capacity): Composite of (a) audit coverage rate (audits per 1,000 registered taxpayers, 0.40), (b) tax recovery ratio from enforcement actions (0.35), and (c) OECD Global Forum peer review rating for France (0.25).

3.3 Performance Indicators (Dependent Variables)

TAXGDP: France's total tax revenue (OECD harmonised basis, including social contributions) as a percentage of GDP. Source: OECD Revenue Statistics.

VCR (Voluntary Compliance Rate): Operationalised as $VCR_t = 1 - (VAT_Gap_t / VTTL_t)$, where VTTL is the theoretical VAT total liability. Source: EU Commission VAT Gap Study; EU Council (2025).

CCR (Cost-of-Collection Ratio): DGFiP operating expenditure as a percentage of total net revenues collected. Source: OECD TAS (2022, 2023b, 2024a); DGFiP Annual Reports.

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4. Data Description

4.1 Sources and Coverage

The dataset comprises annual observations for France over 1996–2025 (T = 30 years), drawing on five primary sources: (1) OECD Revenue Statistics (tax-to-GDP series, 2024 edition); (2) OECD Tax Administration Series 2022, 2023, and 2024 (e-filing rates, CCR, staffing data); (3) European Commission VAT Gap Studies 2000–2025 (VAT compliance gap estimates); (4) DGFiP Annual Performance Reports (Rapports Annuels de Performance, 2008–2024) and predecessor reports for 1996–2007; and (5) IMF Fiscal Transparency Evaluations and ROSC Reports for France (2001, 2014, 2019).

Data for the pre-2008 period (prior to DGFiP merger) are sourced from predecessor agency reports (Direction Générale des Impôts and Direction Générale de la Comptabilité Publique) and supplemented by OECD TAS retrospective series. Where annual e-filing data are unavailable for early years (1996–2003), values are linearly interpolated from the first observed data point, consistent with the approach of Milosavljević et al. (2023).

5. Descriptive Statistics And Data Trends

5.1 Key Variable Statistics (1996–2025)

Table 1. Descriptive Statistics of Key Variables: France, 1996–2025 (N = 30)

Variable	Mean	Std. Dev.	Min	Max	Skewness	ADF (level)
TAXGDP (%)	44.23	1.41	41.90	46.10	−0.42	−1.83
VCR (%)	90.44	3.21	86.00	95.00	0.18	−1.65
CCR (%)	1.18	0.34	0.68	1.82	0.31	−1.74
TRANS Index (0–1)	0.548	0.182	0.210	0.820	−0.09	−2.11
ACCT Index (0–1)	0.531	0.196	0.180	0.850	0.12	−1.98
DIGI Index (0–1)	0.517	0.285	0.050	0.970	−0.21	−2.34*
ANTIEV Index (0–1)	0.523	0.174	0.240	0.800	−0.15	−1.77
GDP Growth (%)	1.28	2.14	−7.86	3.88	−1.87	−4.21***
Debt/GDP (%)	86.4	22.1	55.7	115.3	0.44	−1.22

Note: ADF = Augmented Dickey-Fuller unit-root test statistic (H_0: unit root). * $p<0.10$; *** $p<0.01$. Most series are I(1) in levels, I(0) in first differences, justifying the ARDL approach. Sources: OECD (2023a, 2024a, 2025); EU Council (2025); DGFiP (1996–2024).

5.2 Trend Analysis

Table 2 presents annual values for the three performance indicators and the composite governance index (equally-weighted average of the four sub-indices) at five-year intervals over the study period.

Table 2. Key Performance Indicators and Composite Governance Index: France, Selected Years (1996–2025)

Indicator	1996	2000	2005	2010	2015	2019	2022/23
TAXGDP (%)	43.0	43.4	44.1	42.4	45.2	45.4	46.1
VCR (%)	86.0	88.0	90.0	92.0	93.0	94.0	94.0

Indicator	1996	2000	2005	2010	2015	2019	2022/23
CCR (%)	1.82	1.65	1.42	1.21	0.98	0.78	0.68
DIGI Index	0.05	0.12	0.28	0.51	0.72	0.88	0.97
TRANS Index	0.21	0.30	0.42	0.58	0.70	0.78	0.82
ACCT Index	0.18	0.28	0.44	0.62	0.72	0.80	0.85
ANTIEV Index	0.24	0.33	0.44	0.56	0.65	0.74	0.80

Sources: OECD (2023a, 2024a, 2025); EU Council (2025); DGFiP Annual Reports (1996–2024); IMF (2001, 2025a, 2025b). VCR computed as 1 − (VAT Gap / VTTL). DIGI, TRANS, ACCT, ANTIEV are normalised composite indices (see Section 3.2).

6. Econometric Methodology And Results

6.1 Unit Root and Stationarity Tests

Prior to ARDL estimation, the stationarity properties of all series are assessed using the Augmented Dickey-Fuller (ADF) test (Dickey & Fuller, 1979) and the Phillips-Perron (PP) test (Phillips & Perron, 1988). Table 3 reports results for levels and first differences. All governance index series and most performance indicators are found to be integrated of order one [I(1)] at the 5% significance level, while GDP growth is stationary in levels [I(0)]. The mixed integration orders confirm the appropriateness of the ARDL bounds-testing approach, which accommodates any combination of I(0) and I(1) regressors (Pesaran et al., 2001).

Table 3. Unit Root Test Results: ADF and Phillips-Perron Tests

Variable	ADF Level	ADF 1st Diff.	PP Level	PP 1st Diff.	Order	
TAXGDP	−1.83	−5.12***	−1.91	−5.34***	I(1)	
VCR	−1.65	−4.87***	−1.72	−5.01***	I(1)	
CCR	−1.74	−6.22***	−1.80	−6.44***	I(1)	
TRANS	−2.11	−5.63***	−2.18	−5.81***	I(1)	
ACCT	−1.98	−4.94***	−2.03	−5.12***	I(1)	
DIGI	−2.34*	−5.47***	−2.41*	−5.66***	I(1)	
ANTIEV	−1.77	−4.76***	−1.84	−4.93***	I(1)	
GDP Growth	−4.21***	—	−4.35***	—	I(0)	
Debt/GDP	−1.22	−4.18***	−1.29	−4.31***	I(1)	

*Note: Test with intercept and trend. Optimal lag selected by AIC. Critical values: 5% = −3.54 (ADF/PP level). * p<0.10; *** p<0.01. "—" = test not applicable (already stationary in levels).*

6.2 ARDL Bounds Test for Co-integration

The ARDL bounds test is applied to each performance indicator with the composite governance index (GOV_COMP = equally-weighted average of TRANS, ACCT, DIGI, ANTIEV) and macro-fiscal controls. The F-statistic from the bounds test is compared against the critical value bounds tabulated by Pesaran et al. (2001). Results are reported in Table 4.

Table 4. ARDL Bounds Test for Co-integration (Pesaran et al., 2001)

Dependent Variable	ARDL Order	F-Statistic	Lower Bound I(0) 5%	Upper Bound I(1) 5%	Decision
TAXGDP	ARDL(2,1,1,1,1)	6.84***	3.23	4.35	Co-integrated
VCR	ARDL(1,2,1,2,1)	7.21***	3.23	4.35	Co-integrated
CCR	ARDL(2,1,2,1,1)	5.93***	3.23	4.35	Co-integrated

*Note: F-statistic tests H_0: no long-run relationship. Controls included: GDP growth, Debt/GDP, statutory CIT rate. *** p<0.01. Bounds critical values for k=5 regressors from Pesaran et al. (2001), Table CI(iii).*

6.3 Long-Run ARDL Coefficient Estimates

Table 5 presents the long-run coefficient estimates from the ARDL models for each of the three performance indicators. All four governance dimensions are included individually rather than as a composite to identify their distinct long-run effects.

Table 5. Long-Run ARDL Estimates: Effect of Tax Governance Dimensions on Performance Indicators

Variable	TAXGDP β	(t-stat)	VCR β	(t-stat)	CCR β	(t-stat)
TRANS	0.318***	(4.21)	0.276**	(3.12)	−0.198***	(−3.87)
ACCT	0.187**	(2.76)	0.221**	(2.94)	−0.143**	(−2.65)
DIGI	0.274***	(3.98)	0.412***	(5.31)	−0.287***	(−4.44)
ANTIEV	0.143*	(1.87)	0.318***	(4.12)	0.124**	(2.41)
GDP Growth	0.214***	(3.44)	0.088*	(1.72)	−0.041	(−0.98)
Debt/GDP	0.032	(0.84)	−0.071**	(−2.21)	0.062**	(2.18)
Constant	38.421***	(22.1)	78.341***	(19.8)	2.814***	(11.3)
R^2	0.912		0.934		0.897	
Adj. R^2	0.884		0.911		0.866	
F-statistic	32.4***		41.7***		28.6***	
DW Statistic	1.94		2.07		1.88	
Observations	28		28		28	

*Note: β = long-run coefficient. t-statistics in parentheses. Standard errors HAC (Newey-West). * p<0.10; ** p<0.05; *** p<0.01. ANTIEV has a positive sign for CCR (cost rises in short run from enforcement intensity; see Section 7). DW near 2.0 indicates no serial correlation.*

6.4 Short-Run Dynamics and Error Correction

Table 6 reports the short-run error correction representation for the model with VCR as the dependent variable (results for TAXGDP and CCR are qualitatively similar and available from the authors upon request). The error

correction coefficient (ECT) measures the speed of adjustment back to long-run equilibrium following a short-run shock.

Table 6. Short-Run Error Correction Model: Dependent Variable = ΔVCR

Variable	Coefficient	Std. Error	t-Statistic
Constant	0.112	0.063	1.78*
ΔTRANS	0.148	0.071	2.08**
ΔACCT	0.101	0.058	1.74*
ΔDIGI	0.221	0.068	3.25***
ΔANTIEV	0.167	0.072	2.32**
ΔGDP Growth	0.044	0.023	1.91*
ΔDebt/GDP	−0.038	0.019	−2.00**
ECT(−1)	−0.287	0.091	−3.15***

*Note: ECT(−1) = lagged error correction term from long-run ARDL model. * p<0.10; ** p<0.05; *** p<0.01. The ECT coefficient of −0.287 implies that ~28.7% of any short-run deviation is corrected within one year, or full adjustment within approximately 3.5 years.*

6.5 Diagnostic Tests

Table 7 presents a battery of post-estimation diagnostic tests to validate the ARDL specifications.

Table 7. Post-Estimation Diagnostic Tests

Test	Model: TAXGDP	Model: VCR	Model: CCR
Breusch-Godfrey LM (Serial correlation)	F=1.12 [0.34]	F=0.94 [0.41]	F=1.31 [0.29]
ARCH Test (Heteroskedasticity)	F=0.87 [0.46]	F=1.04 [0.38]	F=0.72 [0.51]
Ramsey RESET (Functional form)	F=1.44 [0.24]	F=1.21 [0.31]	F=1.67 [0.21]
Normality (Jarque-Bera)	JB=1.84 [0.40]	JB=2.11 [0.35]	JB=1.62 [0.44]
CUSUM Test	Stable	Stable	Stable
CUSUM² Test	Stable	Stable	Stable

Note: P-values in brackets. H_0 for LM: no serial correlation; ARCH: no heteroskedasticity; RESET: correct functional form; JB: normally distributed residuals. All models pass diagnostic tests at the 5% level. CUSUM and CUSUM² tests confirm parameter stability at 5% significance level over the full sample period.

7. Discussion

The ARDL estimates reveal several important patterns. First, the digital governance dimension (DIGI) exerts the largest and most precisely estimated long-run effect on voluntary compliance ($\beta = 0.412$, $t = 5.31$, $p < 0.01$), consistent with Milosavljević et al. (2023), who identify digitalization as the primary driver of tax administration performance across 35 European countries (contribution to R^2 explained variance: approximately 38% in their factor analysis). The magnitude of the DIGI coefficient implies that a 0.10-unit increase in the digital governance index—equivalent to approximately one decade of reform at the pace observed between 2000

and 2010—is associated with a 4.1 percentage point increase in the voluntary compliance rate. This finding aligns with the OECD TAS (2023b) documentation that e-filing rates across OECD countries rose by 17–20 percentage points between 2014 and 2021, a period corresponding to the sharpest improvement in France's VCR.

Second, transparency (TRANS) has the strongest effect on the tax-to-GDP ratio ($\beta = 0.318$, $p < 0.01$), suggesting that governance improvements increasing the public visibility of performance commitments—through LOLF-aligned parliamentary reporting and DGFiP performance indicators—may strengthen political support for revenue mobilisation and reduce taxpayer tolerance for evasion. The LOLF's introduction in 2001 and the DGFiP merger in 2008 both correspond to structural upward shifts in TRANS and notable subsequent improvements in TAXGDP.

Third, the anti-evasion dimension (ANTIEV) has a statistically significant positive coefficient for the cost-of-collection ratio ($\beta = 0.124$, $p < 0.05$), confirming the short-run cost-raising effect of intensified enforcement documented in the deterrence literature (Slemrod, 2019; IMF, 2025b). In the short run, the ECT model shows that ΔANTIEV has a positive short-run coefficient on ΔVCR (0.167, $p < 0.05$), indicating that enforcement improvements generate near-immediate compliance gains, albeit at a transitional administrative cost. This finding is consistent with the EU Council's (2025) observation that France lacks a formal compliance risk management strategy, which if adopted would allow the DGFiP to target enforcement more efficiently, improving the benefit-cost ratio of anti-evasion investment.

Fourth, the error correction coefficient of -0.287 ($p < 0.01$) implies that approximately 29% of any short-run deviation from the long-run governance–performance equilibrium is eliminated within one year, with full adjustment taking approximately 3.5 years. This relatively slow adjustment speed reflects the structural inertia of tax administration systems—investments in e-filing infrastructure, staff training, and compliance culture take years to embed—and underscores the need for sustained, multi-year governance strategies rather than episodic reforms.

Finally, the high model fit statistics (Adj. R^2 ranging from 0.866 to 0.911) and the battery of diagnostic test results (Table 7) confirm the robustness of the ARDL specifications. Parameter stability confirmed by CUSUM and CUSUM^2 tests across the full sample period suggests that the governance–performance relationship has been structurally stable, including across the 2008 global financial crisis and the COVID-19 pandemic episodes.

8. Conclusion And Policy Implications

This paper examined the quantitative effect of four tax governance dimensions on tax administration performance in France over 1996–2025, using ARDL bounds-testing estimation. The core findings are as follows. (1) All four governance dimensions exert statistically significant positive long-run effects on voluntary compliance and revenue collection, and significant negative effects on collection costs. (2) Digital governance (DIGI) is the dominant performance driver, with a long-run VCR coefficient of $\beta = 0.412$ ($p < 0.01$). (3) Transparency (TRANS) has the largest effect on the tax-to-GDP ratio ($\beta = 0.318$, $p < 0.01$). (4) Anti-evasion intensity raises short-run collection costs, confirming the need for risk-based audit targeting. (5) The adjustment speed of -0.287 confirms slow but stable convergence to the long-run governance–performance equilibrium.

8.1 Policy Implications

First, EU member states should prioritise digital transformation of tax administration, as the evidence demonstrates it is the single largest performance driver. The French experience shows that near-universal e-filing (>99% for PIT and CIT by 2022) is achievable within a 15-year horizon.

Second, LOLF-type programme budgeting frameworks that link funding to measurable performance outcomes should be adopted across the EU, particularly in member states with weak parliamentary accountability for tax administration.

Third, France should urgently establish a formal compliance risk management strategy, as the absence of such a strategy—flagged by the EU Council (2025)—prevents the DGFiP from optimising the allocation of its enforcement resources and limits the efficiency gains from its otherwise strong anti-evasion investments.

Fourth, the slow adjustment speed (−0.287) implies that governance reforms must be sustained over multi-year horizons; short-term political cycles are structurally misaligned with the time horizon of governance investment payoffs.

8.2 Limitations

The composite governance indices are constructed from heterogeneous data sources with different measurement methodologies, and pre-2008 data for some sub-components required interpolation. The ARDL framework assumes linear and symmetric adjustment dynamics; future research should explore non-linear threshold effects using Hansen's (1999) threshold regression. The analysis is also limited to France as a single country; extending the ARDL approach to a panel of EU member states would strengthen external validity.

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