



Democratic governance for human development

Good governance is perhaps the single most important factor in eradicating poverty and promoting development.

—UN Secretary-General Kofi Annan¹

Around the world, more people are recognizing that governance matters for development—that institutions, rules and political processes play a big role in whether economies grow, whether children go to school, whether human development moves forward or back. So, promoting human development is not just a social, economic and technological challenge: it is also an institutional and political challenge.

Accompanying this new consensus is a growing conviction that many persistent development problems reflect failures of governance. Studies in a range of countries and regions hold weak governance responsible for persistent poverty and lagging development. The governance crisis is evident in widespread corruption, inefficient public services and a host of other failures. These studies have also shown what poor governance means for ordinary citizens—schools without teachers, courts without justice, local bureaucrats demanding bribes at every turn.²

What does it mean to promote good governance? There is no single answer. But much of the recent debate has focused on what makes institutions and rules more effective, including transparency, participation, responsiveness, accountability and the rule of law. All are important for human development—especially since ineffective institutions usually cause the most harm to poor and vulnerable people.

But just as human development is about much more than growth in national incomes, governance for human development is about much more than effective institutions and rules (box 2.1). For three reasons, it must also be

concerned with whether institutions and rules are fair—and whether all people have a say in how they operate:

- Participating in the rules and institutions that shape one's community is a basic human right and part of human development.
- More inclusive governance can be more effective. When local people are consulted about the location of a new health clinic, for example, there is a better chance it will be built in the right place.
- More participatory governance also can be more equitable. Much is known about the economic and social policies that help eradicate poverty and promote more inclusive growth. But few countries pursue such policies vigorously, often because the potential beneficiaries lack political power and their interests are not fully represented in policy decisions.

Governance for human development is partly about having efficient institutions and rules that promote development by making markets work and ensuring that public services

BOX 2.1

Good governance—for what?

From the human development perspective, good governance is democratic governance.

Democratic governance means that:

- People's human rights and fundamental freedoms are respected, allowing them to live with dignity.
- People have a say in decisions that affect their lives.
- People can hold decision-makers accountable.
- Inclusive and fair rules, institutions and practices govern social interactions.
- Women are equal partners with men in

private and public spheres of life and decision-making.

- People are free from discrimination based on race, ethnicity, class, gender or any other attribute.
- The needs of future generations are reflected in current policies.
- Economic and social policies are responsive to people's needs and aspirations.
- Economic and social policies aim at eradicating poverty and expanding the choices that all people have in their lives.

Source: Human Development Report Office.

Political freedom and participation are part of human development, both as development goals in their own right and as means for advancing human development

live up to their name. But it is also about protecting human rights, promoting wider participation in the institutions and rules that affect people's lives and achieving more equitable economic and social outcomes. Thus governance for human development is concerned not just with efficient, equitable outcomes but also with fair processes. Governance for human development must be democratic in substance and in form—by the people and for the people (see the special contribution by Nobel Prize-winner Aung San Suu Kyi).

THE ROLE OF POLITICAL FREEDOM AND PARTICIPATION IN HUMAN DEVELOPMENT

Political freedom and participation are part of human development, both as development goals in their own right and as means for advancing human development.

POLITICAL FREEDOM AND PARTICIPATION ARE ESSENTIAL GOALS OF HUMAN DEVELOPMENT

Political freedom and the ability to participate in the life of one's community are capabilities that are as important for human development as being able to read and write and being in good health. People without political freedom—such as being able to join associations and to form and express opinions—have far fewer choices in life. And being able to participate in the life of one's community—commanding the respect of others and having a say in communal decisions—is fundamental to human existence.

That political freedom and participation are crucial to human development is not always well understood. Indeed, there is a widespread misperception that human development is only about economic and social outcomes such as reducing

SPECIAL CONTRIBUTION

Human development and human dignity

Respect for human dignity implies commitment to creating conditions under which individuals can develop a sense of self-worth and security. True dignity comes with an assurance of one's ability to rise to the challenges of the human situation. Such assurance is unlikely to be fostered in people who have to live with the threat of violence and injustice, with bad governance and instability or with poverty and disease. Eradicating these threats must be the aim of those who recognize the sanctity of human dignity and of those who strive to promote human development. Development as growth, advancement and the realization of potential depends on available resources—and no resource is more potent than people empowered by confidence in their value as human beings.

The concept of human development is no longer new. But some analysts still consider its aspirations bold and daring—some might say overwhelming and foolhardy. The problems are innumerable, forever changing and forever the same—a complex, fluid spectrum of social, economic and political issues that is impossible to grasp entirely. That it defies delimitation is the core of the challenge posed by the task of human development. It demands constant effort and capacity for rethinking, flexibility and fast reactions. The process of human development calls for human resolve and ingenuity. Hopeless, helpless people stripped of their dignity are hardly capable of such activities. And so we return to the link between human development and human dignity.

Human development encompasses all aspects of human existence. It is generally accepted that its scope includes political and social rights as well as economic ones—but the different rights are not always given the same weight. For example, some people still claim that humanitarian aid and economic assistance cannot wait for political and social progress. This insidious idea creates dissonance between complementary requirements. If the people that aid targets are not empowered, it cannot achieve more than a very limited, very short-term alleviation of problems rooted in long-standing social and political ills. After all, human development is not intended to produce impotent objects of charity.

At this time when the world is preoccupied with the menace of terrorism, it is worth considering that people who feel deprived of control over their lives—necessary for a dignified life—are liable to search for fulfilment along the path of violence. Merely providing them with a certain material sufficiency is not enough to win them over to peace and unity. Their potential for human development has to be realized and their human dignity respected so that they can gain the skills and confidence to build a world strong and prosperous in harmonious diversity.



Aung San Suu Kyi

Winner of the Nobel Peace Prize, 1991

income poverty and improving health and education. Though these are important for human development, its aim is much broader—to promote the freedom, well-being and dignity of people everywhere. Economic growth is a means to these broader ends. The success of the human development index (HDI)—itself only a partial measure of the economic and social dimensions of human development—has contributed to this misperception because it leaves out so many aspects of human development (box 2.2).

THEY ARE ALSO IMPORTANT FOR MAKING HUMAN DEVELOPMENT HAPPEN

As the first *Human Development Report* said in 1990, “People are the real wealth of a nation.”³ People are not only the beneficiaries of economic and social progress, they are also its agents, both as individuals and by making common causes with others. That is one reason strategies for promoting human development have traditionally emphasized investing in education and health and promoting equitable economic growth. These are two pillars of development because they mobilize individual agency by strengthening productive capacities.

But this Report highlights a third pillar of a 21st century human development strategy: promoting participation through democratic governance. Participation promotes collective agency as well as individual agency—important because collective action through social and political movements has often been a motor of progress for issues central to human development: protecting the environment, promoting gender equality, fostering human rights. In addition, participation and other human development gains can be mutually reinforcing. Political freedom empowers people to claim their economic and social rights, while education increases their ability to demand economic and social policies that respond to their priorities (figure 2.1).⁴

BROADENING THE SCOPE OF HUMAN DEVELOPMENT: WHY PARTICIPATION, AND WHY NOW?

Putting participation at the heart of human development strategies raises a question about

the scope of human development: which capabilities are part of human development? Human development is certainly broader than education and health. Many other capabilities are also important in expanding human choices. But public policy is about setting priorities. And the human development approach requires deciding which capabilities are most important for public policy.⁵

There can be no single answer: societies and people value capabilities differently depending on their situation. *Human Development Reports* have applied two criteria in identifying an important capability. First, it

BOX 2.2

Human development—the concept is larger than the index

Ironically, the human development approach to development has fallen victim to the success of its human development index (HDI). The HDI has reinforced the narrow, oversimplified interpretation of the human development concept as being only about expanding education, health and decent living standards. This has obscured the broader, more complex concept of human development as the expansion of capabilities that widen people’s choices to lead lives that they value.

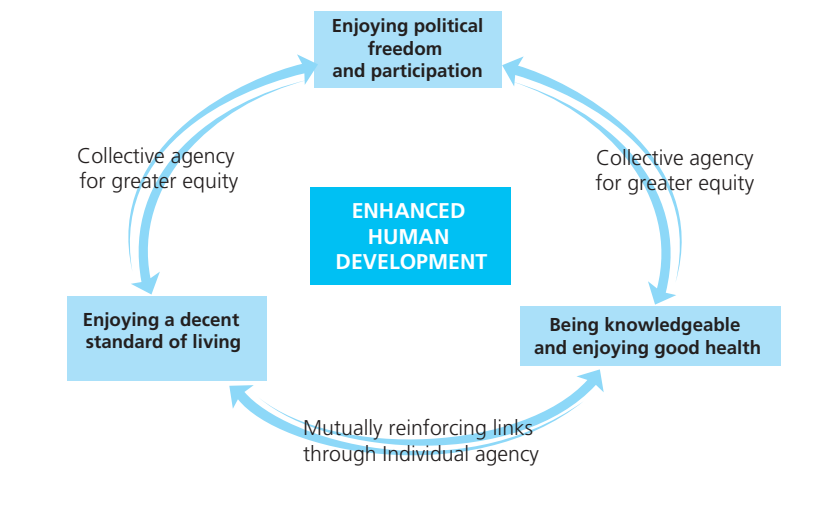
Despite careful efforts to explain that the concept is broader than the measure,

human development continues to be identified with the HDI—while political freedoms, participating in the life of one’s community and physical security are often overlooked. But such capabilities are as universal and fundamental as being able to read or to enjoy good health. They are valued by all people—and without them, other choices are foreclosed. They are not included in the HDI because they are difficult to measure appropriately, not because they are any less important to human development.

Source: Fukuda-Parr 2002.

FIGURE 2.1

Mutually reinforcing capabilities



Alongside the economic entrepreneurship that drives markets, social entrepreneurship now drives policy debates on issues that matter for people

must be universally valued by people the world over. Second, it must be fundamental in the sense that the lack of it would close off many options in life. Other than that, the basic concept of human development has remained open-ended. Different capabilities may be considered important over time and in different parts of the world.

In the decade since the first *Human Development Report*, political freedom and participation have become much more prominent in public policy debates. The political shifts of the 1990s built greater consensus on the value of political freedom and human rights—consensus reflected in recent intergovernmental declarations such as the Millennium Declaration of the UN General Assembly and the consensus document of the March 2002 UN Conference on Financing for Development.

In an era of rapid globalization, markets and political liberalization—not government planning—are often the main drivers of economic and social change. But a decade ago, with the legacy of the cold war still alive, the world was divided on the importance of political freedom and participation. And 1990 was the tail end of the planning era of development, with the state as the primary actor. As a result human development strategies emphasized the need to reallocate public investments in favour of human development priorities, especially the two pillars of expanding primary health care and education and promoting pro-poor growth.

Changes in the world have shifted human development priorities and made political freedom, participation and collective action much more important as public policy issues. Alongside the economic entrepreneurship that drives markets, social entrepreneurship now drives policy debates on issues that matter for people. In addition, consensus is emerging on the importance of collective action by people and civil society groups in shaping the course of human development.

Other capabilities might be considered important today—such as personal security or the capability to be free from physical danger or violence. Chapter 4 highlights the importance of democratic governance of security forces.

DEMOCRACY AND HUMAN DEVELOPMENT

Democratic principles follow naturally and inescapably from this vision of human development. The word *democracy*, from the Greek, means “rule by the people”. It sums up well the human development approach to governance because it expresses the idea that people come first: governance must conform to the needs of people, not vice versa. Whether there can be such a thing as “will of the people” in a world with disparate and competing interests, the basic democratic principle—of the equal concern for all people in the formation of governance structures—captures a key part of what human development should be about.

The democratic system of voting in elections adds another crucial element of governance from a human development standpoint, because elections are the paradigm of enforceable accountability. When a government fails to live up to the needs and desires of the people, the people can throw it out of office. No form of accountability is more direct. There is also no more egalitarian form of participation. The principle of “one person, one vote” gives every individual an equal say in the choice of government—in theory if not in practice. Other forms of participation can also be important for ensuring the accountability of state and non-state actors when, for one reason or another, the ballot box fails to do the job. But there is always the risk that particular groups and interests will wield undue influence, as those with more resources, or simply more determination, impose their views.

It would be a mistake to equate democracy with regular elections and to fall into the fallacy of “electoralism”.⁶ Some analysts consider the mere fact of elections a sufficient condition for the existence of democracy, assuming that once fair and free elections are regularly held, all other democratic institutions and practice will naturally follow.

But democracy also requires functioning institutions. It requires a legislature that represents the people, not one controlled by the president, prime minister, bureaucrats or the military. It requires an independent judiciary that enforces the rule of law with equal concern for all people. It

requires well-functioning political parties and electoral systems. It requires security forces that are professional, politically neutral and serve the needs of people. It requires an accessible media that is free, independent and unbiased, not one controlled by the state or by corporate interests. And it requires a vibrant civil society, one that can play a watchdog role on government and interest groups—and provide alternative forms of political participation. These institutions, underpinned by democratic values and respect for human rights, provide checks and balances against the risks of tyranny—and of populism, because in democracies populist politicians can mobilize support by using propaganda and appeals to racism and other forms of intolerance.

In democratic societies people participate in the public sphere in many ways—debating issues with friends and neighbours, writing to newspapers on the rights and wrongs of government policies, marching in protests, becoming members of political parties or trade unions—giving them a say in the decisions that affect their lives. Participation involves engaging in deliberative processes that can bring people’s concerns to the fore. Open space for free political debate and the diverse ways in which people can express their views are the essence of democratic life and are what make decision-making work in democracies. In representative systems of government, decision-making is delegated to officials. But informed decisions require input from the people affected by them and cannot rely solely on “expert knowledge”.

Democracies take different shapes and forms—because political systems vary, they may be “differently democratic” on many fronts.⁷ For the world’s parliamentarians the essence of democracy lies in its basic principles (box 2.3). It is the only political regime compatible with human development in its deepest sense, because in democracy political power is authorized and controlled by the people over whom it is exercised. The most benign dictatorship imaginable would not be compatible with human development because human development has to be fully owned. It cannot be granted from above. As *Human Development Report 2000* explained, democracy is also the only political regime that respects open contests for power and

is consistent with the respect and promotion of all human rights—civil, cultural, economic, political and social.

IS THERE A TRADE-OFF BETWEEN DEMOCRACY AND DEVELOPMENT?

In many countries questions linger about compatibilities and trade-offs between democracy and development. Military takeovers are most often justified on the grounds that democratically elected governments are incompetent in man-

BOX 2.3

Key principles of democracy—the Inter-Parliamentary Union’s Universal Declaration on Democracy

In 1995 the Inter-Parliamentary Union assembled experts from various regions and disciplines to develop an international standard on democracy. Building on this work, the Universal Declaration on Democracy was adopted in 1997.

The declaration starts with basic principles. Democracy is a universally recognized ideal, based on values common to people everywhere regardless of cultural, political, social or economic differences. As an ideal, democracy aims to protect and promote the dignity and fundamental rights of the individual, instil social justice and foster economic and social development. Democracy is a political system that enables people to freely choose an effective, honest, transparent and accountable government.

Democracy is based on two core principles: participation and accountability. Everyone has the right to participate in the management of public affairs. Likewise, everyone has the right to access information on government activities, to petition government and to seek redress through impartial administrative and judicial mechanisms.

Genuine democracy presupposes a genuine partnership between men and women in conducting the affairs of society. Democracy is also inseparable from human rights and founded on the primacy of the law, for which judicial institutions and independent, impartial, effective oversight mechanisms are the guarantors.

The declaration sets out the prerequisites for democratic government, empha-

sizing the need for properly structured, well-functioning institutions. These institutions must mediate tensions and preserve the equilibrium between society’s competing claims.

A parliament representing all parts of society is essential. It must be endowed with institutional powers and practical means to express the will of the people by legislating and overseeing government action. A key feature of the exercise of democracy is holding free, fair, regular elections based on universal, equal, secret suffrage.

An active civil society is also essential. The capacity and willingness of citizens to influence the governance of their societies should not be taken for granted, and is necessary to develop conditions conducive to the genuine exercise of participatory rights.

Society must be committed to meeting the basic needs of the most disadvantaged groups to ensure their participation in the workings of the democracy. Indeed, the institutions and processes essential to any democracy must include the participation of all members of society. They must defend diversity, pluralism and the right to be different within a tolerant society.

Democracy must also be recognized as an international principle, applicable to international organizations and to states in their international relations.

Democracy is always a work in progress, a state or condition constantly perfectible. Sustaining democracy means nurturing and reinforcing a democratic culture through all the means that education has at its disposal.

Source: Johnsson, IPU 2002.

aging economic and social life. Authoritarian regimes often argue that they have an advan-

tage in building strong states that can make tough decisions in the interests of the people. They also argue that democratic processes create disorder and impede efficient management—that countries must choose between democracy and development, between extending political freedom and expanding incomes.

These arguments are not supported by empirical evidence. Rather, there are good reasons to believe that democracy and growth are compatible. With just two exceptions, all of the world's richest countries—those with per capita incomes above \$20,000 (in 2000 purchasing power parity)—have the world's most democratic regimes (figure 2.2). In addition, 42 of the 48 high human development countries are democracies.⁸ These outcomes do not mean that there is a causal relationship—that democracy leads to economic growth or higher income. Indeed, the correlation between democracy and income weakens or disappears when only low-income countries are considered (figure 2.3). In fact, the literature finds no causal relationship between democracy and economic performance, in either direction. A systematic study by Adam Przeworski and others of 135 countries from 1950–90 discredits the notion of a trade-off between democracy and development.⁹ Similarly, studies of sources of economic growth find no strong evidence that democracy is an explanatory factor (box 2.4).¹⁰

DEMOCRACY CONTRIBUTES TO STABILITY AND EQUITABLE ECONOMIC AND SOCIAL DEVELOPMENT

Democracy expands political freedom, a desirable outcome in itself. But democratic institutions and processes can also contribute to development, especially human development. Competition for political power—through elections and other features of democracy—makes politicians more likely to respond to people's needs and aspirations. It can also help manage conflict and promote stability.

In democracies people have a voice—un-derpinned by freedom of speech and thought, freedom of information, free and independent media and open political debate—that allows

BOX 2.4

Democracy and economic growth—a review of the literature

Why should a positive relationship be expected between democracy and economic growth, and why might richer countries be more likely to be democratic? Some researchers argue that democracies are better guarantors of property rights than non-democracies (see, for example, Clague and others 1996) and that enforcing property rights and contracts is essential for investment and growth. Democracies also appear to be better at managing and consolidating economic reforms, because democracies are better at winning the support of groups that lose out from reforms (Haggard 1997).

But there is little consensus on these points—because there are also arguments that democracy is bad for growth. Take the claim that dictators are less open to pressure from self-interested pressure groups and so are better able, should they so choose, to focus on the nation's well-being.

Empirical studies of democracy and growth are equally inconclusive. Borner, Brunetti and Weder (1995) found that 3 empirical studies identified a positive association between democracy and growth, 3 a negative association and 10 no conclusive relationship. In another influential study Barro (1996) tested a non-linear relationship and found that at low levels of democracy, more democracy is better for growth—but at high levels, more democracy is harmful to growth.

Other research also finds conflicting effects. According to Tavares and Wacziarg (2001), democracy increases human capital accumulation and lowers income inequality, increasing growth—but it also lowers physical capital accumulation and raises government consumption, lowering growth. One striking finding: fertility rates are significantly lower in democracies at all income levels, and they go up and down as countries transition between dictatorships and democracies. This has strong implications for women's well-being. And as Przeworski and others (2000) find, it also means that even if democracy has no effect on aggregate GDP growth, it may affect per capita GDP growth.

Another robust finding is that while the economic performance of dictatorships varies

from terrible to excellent, democracies tend to cluster in the middle. The fastest-growing countries have typically been dictatorships, but no democracy has ever performed as badly as the worst dictatorships (Przeworski and others 2000). The same is true for poverty reduction (Varshney 2002). Thus democracy appears to prevent the worst outcomes, even if it does not guarantee the best ones.

Does economic development increase the likelihood of a country being democratic? Modernization theory holds that the conversion to democracy is an inevitable result of economic development, making richer countries more likely to transition to democracy. But the evidence does not support this: middle-income countries have been more likely than poor or rich countries to move from dictatorships to democracies, according to Przeworski and others (2000). In Latin America, Landman (1999) finds that the level of economic development has no significant effect on the rate of change to democracy for any of seven measures of democracy. The rate of economic growth also has little impact: dictatorships can fall during periods of expansion or contraction.

Even so, high-income countries are more likely to be democratic once other factors are taken into account (Londregan and Poole 1996; Barro 1997). The explanation is that democratic regimes are much more likely to survive in high-income countries, though they are not more likely to emerge. Between 1951 and 1990 none of the 31 democratic regimes with per capita incomes above \$6,055 (1985 purchasing power parity dollars) fell, while 38 poor democracies collapsed (Przeworski and others 2000). There is also evidence that reversions to authoritarianism are likely in economic downturns, but it is not clear, argue Londregan and Poole (1996), whether bad economic performance causes democracies to fall or whether democracies about to fall exhibit bad performance.

Several studies have considered the relationship between democracy and income inequality, but poor data make findings tenuous. Data incomparability between countries and within countries over time precludes clear conclusions.

Source: Clague and others 1996; Haggard 1997; Borner, Brunetti and Weder 1995; Barro 1996, 1997; Tavares and Wacziarg 2001; Przeworski and others 2000; Varshney 2002; Landman 1999; Londregan and Poole 1996.

them to be heard in public policy-making. Public pressure can influence the decisions and actions of public officials as well as private agents, as with environmental pollution or abusive labour practices. These democratic processes are clearly related to three aspects of development.

First, democracies are better than authoritarian regimes at managing conflicts, because the political space and the institutions that provide for open contests give opponents hope that change is possible without destroying the system. Some politicians argue that democracy leads to political instability, undermining development. But empirical studies show that the reverse is true. Socio-political unrest and handovers of power occur more often in democracies than in dictatorships, but they do not disrupt development. Between 1950 and 1990 democracies experienced twice as many riots and demonstrations and three times as many labour strikes. But such events—as well as changes in government—did not slow economic growth in democracies. Under dictatorships they did. Dictatorships were also more prone to violent political upheavals, experiencing a war, on average, every 12 years, compared with every 21 years in democracies. And wars caused greater economic hardship in dictatorships than in democracies.¹¹ Democracies can mitigate internal conflicts so that they do not develop into political crises and economic turmoil.

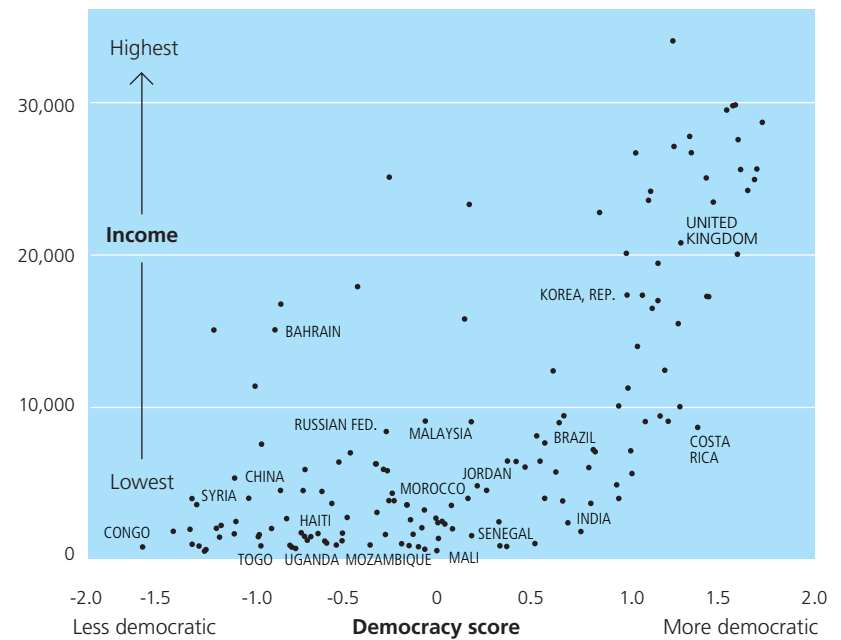
The same relationship holds in the opposite direction—that is, higher incomes help democracies survive once they emerge, and the likelihood of reverting to authoritarianism declines as incomes increase (figure 2.4).¹² Higher incomes also contribute to political stability.¹³

Second, democracies are better at avoiding catastrophes and at managing sudden downturns that threaten human survival. As Amartya Sen has argued, democratic institutions and processes provide strong incentives for governments to prevent famines. Without opposition parties, uncensored public criticism and the threat of being thrown out of office, rulers can act with impunity. Without a free press, the suffering from famine in isolated rural areas can be invisible to rulers and to the public. “Famines kill millions of people in different countries of the world, but they don’t kill the

FIGURE 2.2

Democracy is no obstacle to high income

GDP per capita, 2000 (purchasing power parity U.S. dollars)

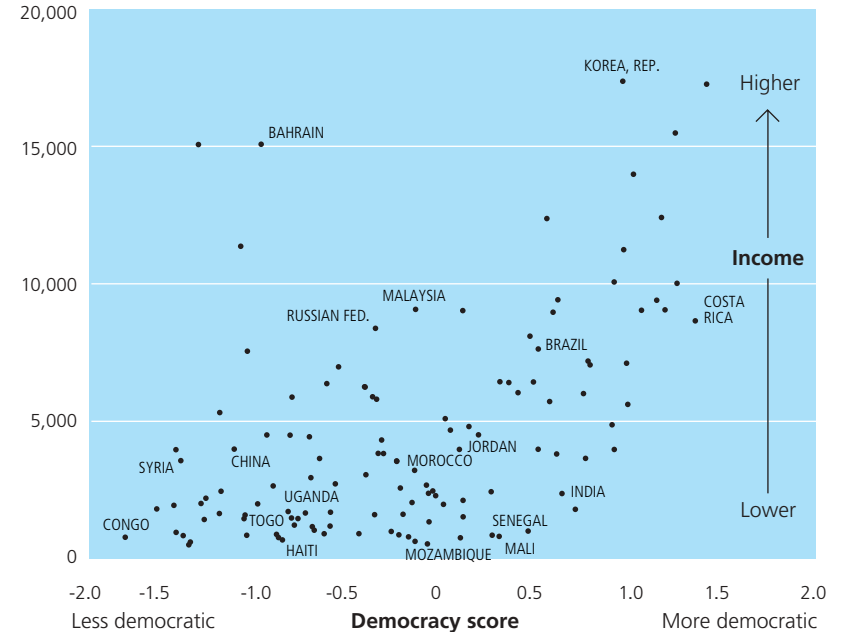


Note: Democracy score is the voice and accountability indicator from World Bank 2001c.
Source: World Bank 2001c, 2002e.

FIGURE 2.3

Low income is no obstacle to democracy

GDP per capita, 2000 (purchasing power parity U.S. dollars)



Note: Democracy score is the voice and accountability indicator from World Bank 2001c.
Source: World Bank 2001c, 2002e.

FIGURE 2.4
Probability of regime change—higher income means greater stability

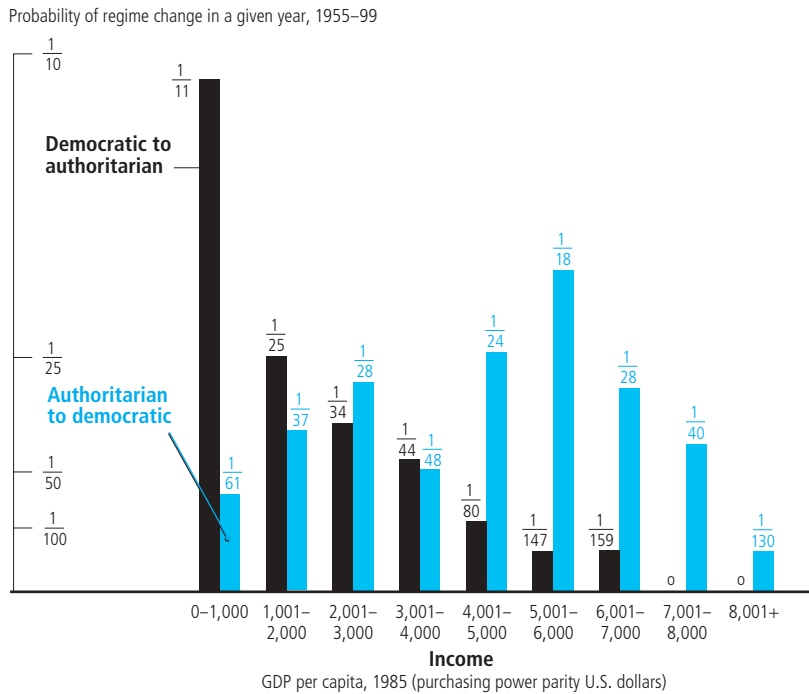
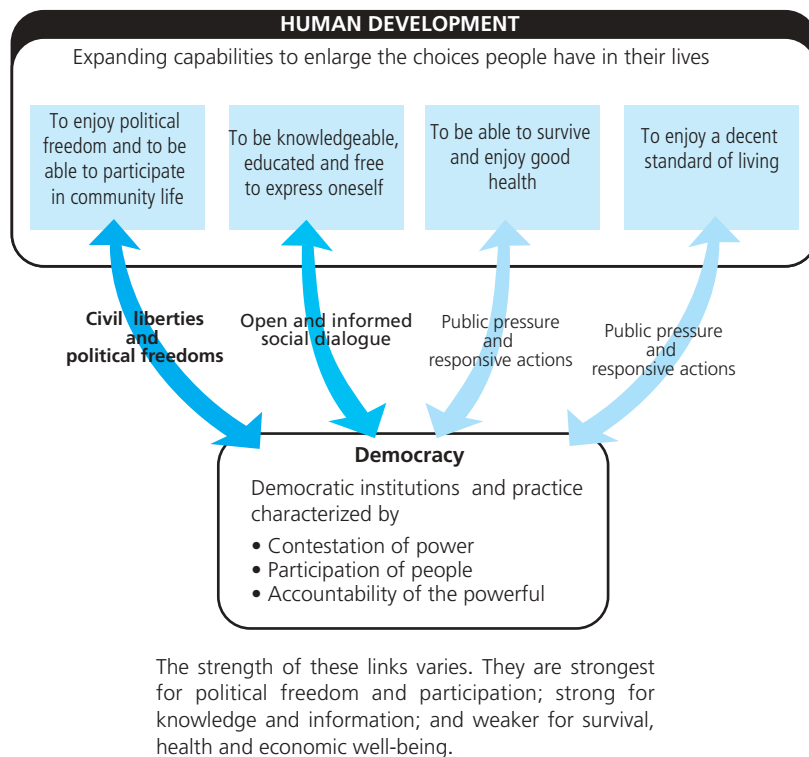


FIGURE 2.5
Democracy and human development—the links



rulers. The kings and the presidents, the bureaucrats and the bosses, the military leaders and the commanders never are famine victims.”¹⁴

Consider China, India and the Democratic People’s Republic of Korea. In India famines were common under colonial rule—for example, 2–3 million people died in the 1943 Bengal famine. But since independence and the establishment of democratic rule, there has been no recurrence of famine—despite severe crop failures and massive losses of purchasing power for large segments of the population, as in 1968, 1973, 1979 and 1987. Each time the government acted to avoid famine. For example, food production fell sharply during the 1973 drought in Maharashtra, but famine was averted, partly because 5 million people were quickly put to work in public works projects. In contrast, during 1958–61, famines in China killed nearly 30 million people. And one of the worst famines in history continues in the Democratic People’s Republic of Korea, having already killed an estimated 1 in 10 citizens.

Political incentives in democracies also seem to help societies avoid other disasters, especially economic ruin and the collapse of development. The worst economic crises in democracies have been much less severe than the worst under dictatorships. True, some of the highest economic growth has been achieved under non-democratic rule, notably in the East Asian tigers between the 1960s and 1990s. But authoritarian regimes have also taken countries to economic ruin—as in Mobutu Sese Seko’s Congo, Papa and Bebe Doc’s Haiti and Idi Amin’s Uganda. Only 1 of the 10 countries with less than 1% annual growth for at least 10 years between 1950 and 1990 was a democracy.

Third, democracies help spread the word about critical health issues, such as the negative implications for women of a large number of births, the benefits of breast feeding and the dangers of unprotected sex in the context of HIV/AIDS. In these areas open dialogue and public debate can disseminate information and influence behaviour. Sharp declines in fertility in highly literate Indian states such as Kerala were due not only to high literacy but also to its interaction with public debates on the benefits of small families.¹⁵ Free, open public de-

bates are the cornerstone of what Amartya Sen calls the “constructive role” that democracies can play in promoting development. And among countries with similar incomes, people live longer, fewer children die and women have fewer children in democratic regimes.¹⁶ This hugely important result has strong implications for human development given the importance of lower fertility for women’s lives and choices and for the health of future generations. Understanding what lies behind this result and identifying the policies that made a difference are research priorities.

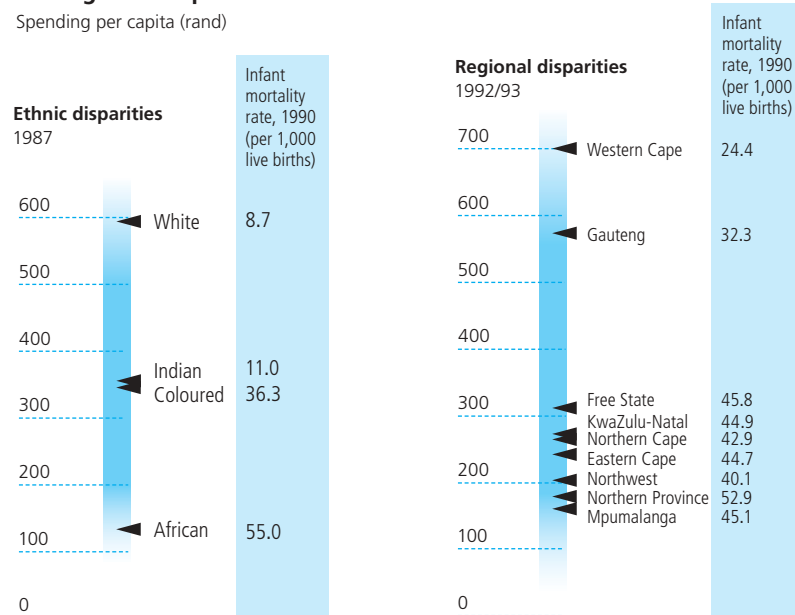
STILL, THE LINKS BETWEEN DEMOCRACY AND EQUITABLE DEVELOPMENT NEED TO BE STRENGTHENED

When more than growth is considered, democratic institutions and processes contribute to development (figure 2.5). But the links are by no means automatic. Social injustices are widespread in democratic and authoritarian regimes alike, whether deliberate or otherwise in the allocation of public services or in discrimination against squatters, street children, migrants and other socially marginal groups. Discrimination against ethnic minorities, women, the elderly and others continues even in long-established democracies, as the Commission for Racial Equality recently reported in the United Kingdom.¹⁷ Political incentives to respond to the needs of ordinary people may be offset by incentives to respond to the demands of the powerful or the wealthy.

Much is known about how to promote equitable development that benefits poor people: widening access to credit, reforming land ownership, investing in basic social services for all, promoting the informal sector, following sound macroeconomic policies. But too often such policies are not adopted because of systematic biases that protect the interests of elites. Around the world, public spending is often skewed in favour of rich people in such critical areas as basic health and education (figures 2.6 and 2.7).¹⁸ Moreover, taxation and spending policies are not more progressive in the countries with the highest income inequalities. According to one study covering more than 50 countries, countries

FIGURE 2.6

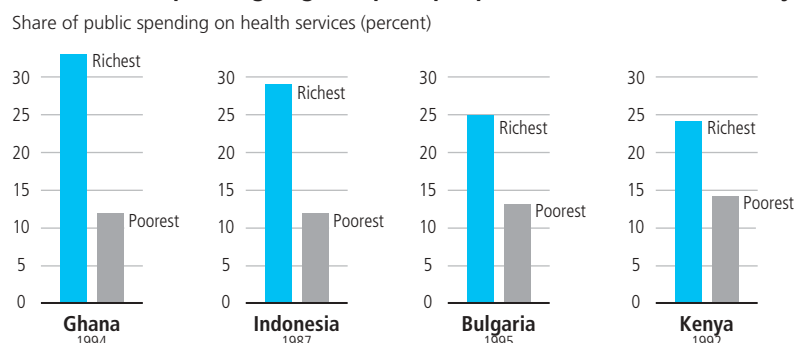
South Africa’s public health spending used to belie huge ethnic and regional disparities



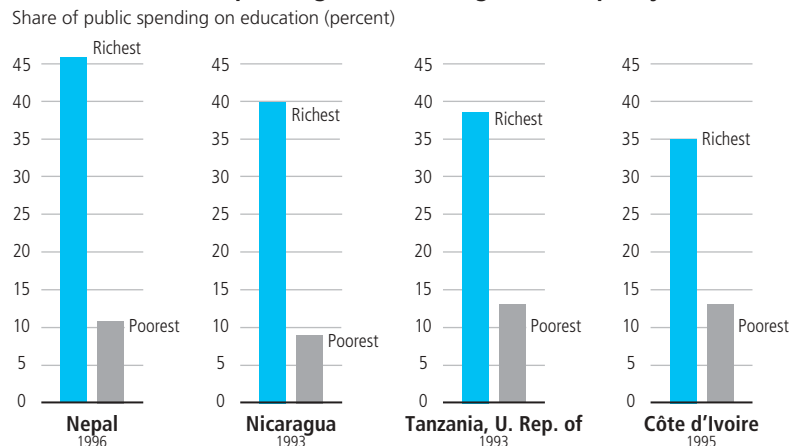
Source: Mehrotra and Delamonica 2002.

FIGURE 2.7

Public health spending neglects poor people and favours the wealthy...



...while education spending shows even greater disparity

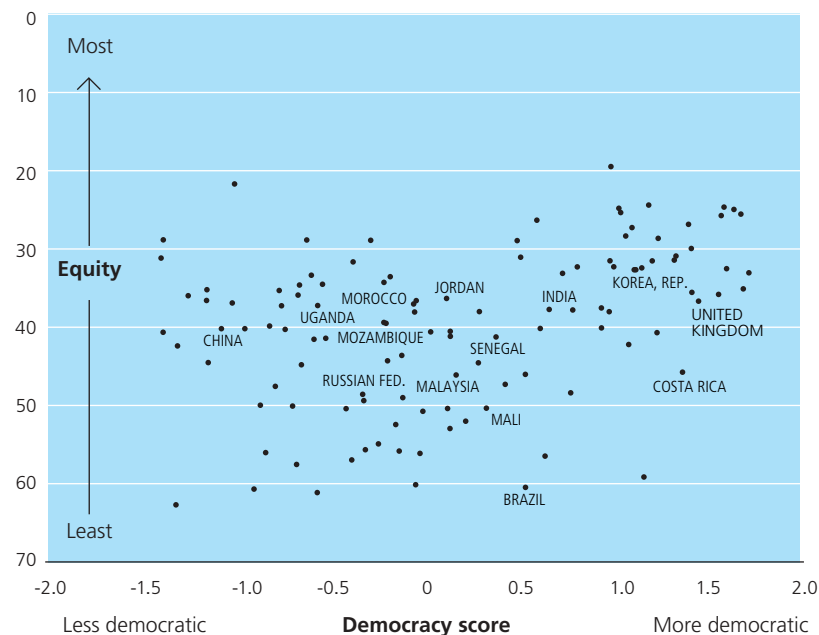


Source: World Bank 2001e, pp. 80–81.

FIGURE 2.8

No automatic link between democracy and equity

Gini coefficient of income distribution



Note: Democracy score is the voice and accountability indicator from World Bank 2001c.
Source: World Bank 2001c, 2002e.

with higher income disparities have lower tax revenues and government spending than countries with more evenly distributed incomes.¹⁹

Such biases occur in both authoritarian and democratic regimes. Democracies range from those with highly uneven income distributions to those that are more egalitarian. The same is true for less democratic regimes (figure 2.8). Similarly, there is a wide range of achievements in key human development indicators such as the under-five mortality rate or the net primary enrolment ratio. Mali has progressed further than Togo in stabilizing its democratic structures but has done no better in spreading primary schooling, raising literacy or reducing infant mortality. Bahrain and Syria have done as much to spread primary education as more democratic Jordan—and more than Morocco (figure 2.9).

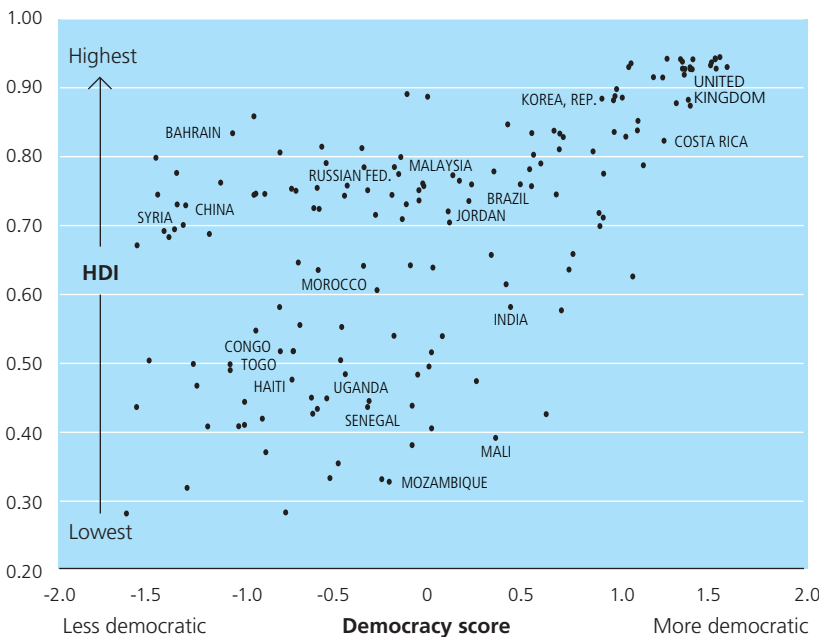
Some democracies have huge, often growing inequalities in income, wealth, social advantage and power. Consider Brazil and the Russian Federation, with some of the world's widest income disparities. In many Latin American countries disparities in income and education rose in the 1990s after democratic rule was restored in the 1980s.²⁰ Income inequalities also jumped in the former Soviet Union, Central and Eastern Europe and the Baltics. By contrast, Indonesia, the Republic of Korea and Malaysia achieved solid economic growth and reduced income inequalities under non-democratic rule in the 1970s.²¹

So, while democracy can promote equitable development, the goals of democracy and equity should be considered largely independent—with both requiring dedicated effort and political will. Democracy may not automatically secure equitable social and economic development, but poverty does not prevent democracy from taking root: Costa Rica, Jordan, Mozambique and Senegal have expanded people's freedoms and participation much more than their less democratic neighbours with similar incomes. The lesson is that democracy is not a luxury for developing countries. On the contrary, democracy has intrinsic value for human development because it has strong links to political and civil freedoms and can contribute to social and economic development.

FIGURE 2.9

No automatic link between democracy and human development

Human development index



Note: Democracy score is the voice and accountability indicator from World Bank 2001c.
Source: World Bank 2001c, indicator table 1.

But these links are not automatic, and strengthening them is the challenge of democratic governance—making democratic institutions serve human development.

TODAY'S GOVERNANCE CHALLENGE

Democracy and human development have something else in common. They are both more a journey than a destination—a promise rather than a list. Societies can be more or less democratic, just as people can have broader or more constrained choices to lead lives they value. But there is no defined end point. No society is ever completely democratic or fully developed. What matters is moving forward, and not slipping back.

People everywhere want to determine their destiny. The kind of democracy they choose need not follow a particular model—the North American or the Western European, for example. The model must be adapted to local circumstances and history. But everywhere, democracy requires a long process of political development. It needs basic institutions, formal and informal, of the state and outside it. It will not thrive without the spread of democratic culture—of values and principles that guide the behaviour of individuals and groups. Threats to democracy come not only from political parties that are personalized and unable to represent people, but also from intolerance, extremism and a lack of respect for human rights and human dignity.

The implication is that priorities for advancing democratic principles vary according to the social context, just as priorities for human development vary over time and across communities. Promoting the equal concern for all people in the formation of governance structures meant something different in an era of state-

owned industry and the transistor radio than it does in an era of transnational corporations and the Internet.

It follows that fulfilling the promise of democratic governance in a 21st century world cannot depend simply on making state institutions function better. It must also take into account the fact that global economic integration and political liberalization are reshaping the environment in which state institutions operate—often fundamentally changing what it means for people to have a say in how they are governed.

To be sure, the nation-state is still a powerful force shaping individual lives, and in most cases it is the most important one. But new actors are also becoming important, from the World Trade Organization to national and international corporations, to new groups in civil society and the media, both local and international. As the actors change, so do the rules: from participatory local budgeting to regional trade rules to international protection of human rights. And as people's lives become more interdependent, democratic principles of participation and equal concern for all must be reflected in the way that these new actors structure their institutions and in the way that rules are formulated and implemented.

Democratic governance in this fast-changing environment is about more than people having the right to vote. It must be about strengthening democratic institutions so that they keep pace with the changing distribution of economic and political power. And it must be about promoting democratic politics that make participation and public accountability possible even when the relevant power and processes lie outside the formal institutions of the state. What this two-part strategy implies for governance is the subject of the rest of this Report.

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