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The ESG–Democracy Interface: how corporate sustainability shapes perceptions of democratic quality

A interface entre ESG e democracia: *como a sustentabilidade corporativa molda a percepção de qualidade democrática*

Gabriel Vieira Terenzi
Fernando de Brito Alves

Resumo

O artigo investiga a relação entre a qualidade da democracia e a governança relacionada aos critérios Environmental, Social and Governance (ESG), a partir de uma abordagem comparativa de caráter jurídico-institucional. Parte-se da hipótese de que os princípios democráticos frequentemente associados à agenda ESG não produzem, necessariamente, resultados convergentes em termos de capacidade governamental e desempenho institucional. Para tanto, combina-se a utilização dos índices de democracia do projeto Varieties of Democracy (V-Dem) — Poliarquia, Democracia Liberal, Democracia Participativa, Democracia Igualitária e Democracia Deliberativa — com três indicadores de governança do Worldwide Governance Indicators (WGI): Government Effectiveness, Regulatory Quality e Control of Corruption. A análise comparativa, realizada com base em dez países, demonstra que diferentes dimensões da democracia apresentam relações distintas com as funções institucionais da governança. Os resultados evidenciam que a democracia liberal e a democracia deliberativa tendem a apresentar maior compatibilidade com a qualidade regulatória e os mecanismos de integridade, enquanto a democracia participativa e a democracia igualitária produzem efeitos mais heterogêneos sobre a capacidade administrativa e a coerência regulatória. Conclui-se que a legitimidade democrática e a governança ESG não são conceitos funcionalmente equivalentes, exigindo uma compreensão institucional diferenciada das condições jurídicas necessárias para a implementação de políticas de sustentabilidade.

Palavras-chave: ESG; democracia; governança; sustentabilidade; direito comparado

Abstract

This paper examines the relationship between democratic quality and Environmental, Social, and Governance (ESG)-related governance through a comparative legal-institutional approach. It challenges the assumption that democratic principles commonly associated with ESG necessarily translate into coherent governance outcomes. To this end, the study combines the five democracy indices developed by the Varieties of Democracy (V-Dem) Project—Polyarchy, Liberal Democracy, Participatory Democracy, Egalitarian Democracy, and Deliberative Democracy—with three governance indicators from the World Bank's Worldwide Governance Indicators (WGI): Government Effectiveness, Regulatory Quality, and Control of Corruption. Based on a comparative analysis of ten countries, the findings demonstrate that distinct democratic dimensions interact differently with specific governance functions. Liberal and deliberative democracy exhibit stronger alignment with regulatory quality and institutional integrity, whereas participatory and egalitarian democracy produce more heterogeneous effects on administrative capacity and regulatory coherence. The study concludes that democratic legitimacy and ESG governance are not functionally equivalent concepts, highlighting the need for a differentiated institutional understanding of the legal conditions required for sustainable governance.

Keywords: ESG; democracy; governance; sustainability; comparative law.

1 INTRODUCTION

Environmental, Social, and Governance (ESG) criteria constitute a comprehensive evaluative framework that integrates non-financial factors—environmental impact, social performance, and governance quality—into the assessment of corporate behavior and long-term performance (Li, *et al*., 2021). Rather than functioning merely as an investment trend, ESG operates as a normative standard and a strategic tool for measuring the sustainability of business activities and their broader societal effects. By incorporating dimensions such as regulatory compliance, organizational integrity, social responsibility, and environmental stewardship, ESG analysis enables a more robust understanding of structural risks and long-term opportunities that traditional financial metrics alone fail to capture.

In addition to their indirect influence on future financial performance and organizational solvency — mediated by their impact on the behavior and expectations of decision-makers — ESG parameters are also understood, at least normatively, as instruments capable of strengthening institutional relations and improving long-term sustainability practices (Handoyo; Anas, 2024). In this sense, ESG is not merely a predictive tool for assessing financial risk; it is framed as a transformative governance paradigm that encourages organizations to internalize broader societal and environmental responsibilities as integral components of their operational and strategic decision-making.

ESG has evolved into a powerful tool of normative influence, capable of structuring behaviors, policies, and even legal reforms. Far beyond its initial function as a market signal for responsible investment, ESG now operates as a regulatory logic that shapes institutional expectations across both the private and public spheres. By embedding standards of transparency, accountability, and stakeholder responsiveness into organizational evaluation, ESG frameworks exert a quasi-regulatory force that can influence corporate governance models, encourage legislative updates, and recalibrate the relationship between economic activity and democratic values. In this sense, ESG behaves not merely as a descriptive metric, but as a prescriptive paradigm—one that increasingly informs public policy debates, judicial reasoning, and the evolving architecture of global governance.

The ESG agenda increasingly intersects with democratic values by reinforcing principles that are fundamental to constitutional governance, such as transparency,

accountability, participation, and respect for fundamental rights. Although originally formulated within the domain of corporate responsibility and investment strategy, ESG criteria now function as normative extensions of democratic expectations into the economic sphere, encouraging organizations to internalize standards traditionally associated with public governance. The emphasis on disclosure, stakeholder engagement, anti-corruption safeguards, and social inclusion aligns directly with democratic ideals of openness, voice, and equal treatment. Moreover, jurisdictions with stronger democratic institutions tend to exhibit higher ESG performance, particularly in governance-related indicators, suggesting that democratic quality and sustainability practices are mutually reinforcing.

Despite the growing prominence of ESG as a normative framework aligned with democratic values, the extent to which these expectations are reflected in empirical patterns of democratic performance remains insufficiently examined Much of the existing literature assumes a functional convergence between ESG governance standards and democratic quality, often treating transparency, accountability, and institutional effectiveness as mutually reinforcing without systematically testing this relationship across different political contexts.

On another hand, Rosanvallon, for instance, acknowledges “governance” as an intermediate form of democratic impersonality, prepolitical and predemocratic, since can be conceived as a phenomenon aimed at providing policy guidance in interlocking and continuous processes of negotiation and compromise - that do not necessarily fit into the normative framework of traditional governability (2018, p. 123-124). This gap is particularly relevant in legal and constitutional scholarship, where normative claims require empirical grounding to avoid abstraction.

Accordingly, this paper addresses the following research question: to what extent is the degree of adoption of ESG indices associated with the performance of democratic structures? Moving beyond conceptual alignment, the article seeks to examine whether and how variations in democratic quality correspond to differences in governance-based ESG indicators. By combining data from the Varieties of Democracy (V-Dem) project and the World Bank’s Worldwide Governance Indicators, the analysis assesses the empirical coherence between democratic structures and ESG-related governance performance from a comparative perspective.

2 THEORETICAL FRAMEWORK: CONCEPTUAL FOUNDATIONS AND GOVERNANCE IMPLICATIONS OF ESG

The environmental dimension of the ESG agenda encompasses the principles, metrics, and regulatory expectations related to the ecological impact of organizational activities, including "GHG emissions, energy consumption and efficiency, air pollutants, water usage and recycling, waste production and management, as well as the impact and dependence on biodiversity and ecosystems" (Li, et al., p. 2, 2021). It also includes concerns such as carbon emissions, resource efficiency, biodiversity preservation, waste management, and the mitigation of climate-related risks.

In contemporary regulatory debates, the Environmental pillar has acquired centrality not merely as an ethical imperative, but as a core component of risk governance, given that climate vulnerability increasingly translates into financial instability, supply-chain disruptions, and legal liabilities. Environmental standards within ESG thus function as both predictive instruments—anticipating exposure to environmental risks—and normative commitments, signaling the extent to which organizations internalize global sustainability frameworks such as the Paris Agreement and the UN Sustainable Development Goals. Consequently, the environmental pillar shapes institutional behavior by linking ecological responsibility to long-term economic resilience, governance quality, and legal compliance.

"Workforce freedom of association; child labor; forced and compulsory labor; workplace health and safety; customer health and safety; discrimination, diversity, and equal opportunity; poverty and community impact" and others (LI et al., 2021, p. 2) are subjects of the social component of the ESG framework, which expands that analysis by examining how organizations interact with and affect the communities, workers, and broader social structures within which they operate.

From a governance perspective, the Social pillar highlights the extent to which institutions internalize norms of relational accountability—recognizing that their legitimacy is tied not only to economic performance, but also to the cultivation of trust, fairness, and social cohesion. As regulatory regimes increasingly incorporate social due-diligence requirements and as courts engage more deeply with corporate human-rights obligations, the social dimension of ESG emerges as a bridge between private economic behavior and public normative

expectations. By linking social responsibility to long-term organizational resilience, it reinforces the idea that sustainable governance depends on the integrity and inclusiveness of the socio-institutional environment.

The governance pillar represents the structural backbone of the ESG framework, emphasizing the institutional arrangements, decision-making processes, and accountability mechanisms that shape organizational conduct. It encompasses elements such as "Codes of conduct and business principles; accountability; transparency and disclosure; executive pay; board diversity and structure; bribery and corruption; stakeholder engagement; shareholder rights" (LI et al., 2021, p. 2).

In contemporary legal and political analysis, the Governance dimension is particularly significant because it directly links corporate behavior to broader questions of democratic integrity, rule-of-law standards, and state regulatory capacity. As the World Bank's Worldwide Governance Indicators suggest, governance quality is not merely an internal corporate matter; it reflects and interacts with national institutional environments, influencing regulatory effectiveness, policy stability, and public trust. Thus, the governance pillar operates both as a diagnostic tool—revealing vulnerabilities related to institutional integrity—and as a normative framework that encourages alignment between organizational practices and broader societal expectations of transparency, accountability, and constitutional legitimacy.

At the same time, the growing normative authority of ESG frameworks raises concerns regarding the privatization and displacement of democratic norm-setting (Friess, 2023; Lu, 20244. As ESG metrics increasingly shape corporate strategies, regulatory expectations, and public policy agendas, they may operate as de facto governance standards without being subject to the procedural guarantees and accountability mechanisms characteristic of democratic lawmaking. These dynamic risks transferring core democratic principles—such as transparency, responsibility, and social inclusion—into privately designed rating systems and technocratic governance architectures, potentially generating power asymmetries and blurring the boundaries between public authority and private regulation.

In this broader landscape of transnational soft law, ESG governance concentrates normative influence in private or hybrid actors whose accountability remains structurally weaker than that of public institutions. While such instruments may enhance flexibility and

coordination, they also raise fundamental questions about democratic legitimacy and the allocation of regulatory authority. This structural tension between normative effectiveness and democratic legitimacy provides the analytical rationale for empirically examining how ESG-related governance indicators relate to actual democratic performance.

3 METHODOLOGY AND DATA

This study adopts a comparative and exploratory empirical approach, grounded in normative legal and institutional theory, to examine the relationship between democratic quality and governance-based ESG performance. Rather than advancing causal claims, the analysis seeks to identify patterns of convergence, divergence, and institutional tension between democratic structures and distinct governance functions across different political contexts. This methodological choice reflects the article's central concern with institutional coherence, democratic legitimacy, and the normative implications of governance indicators, rather than predictive modeling or econometric inference.

The empirical analysis combines two internationally recognized datasets. Democratic performance is measured using data from the Varieties of Democracy (V-Dem) Project, which provides a multidimensional assessment of democracy that extends beyond electoral procedures. Five composite indices are employed to capture distinct democratic dimensions: Polyarchy/Electoral, Liberal Democracy, Participatory Democracy, Egalitarian Democracy, and Deliberative Democracy.

Together, these indices allow for a differentiated evaluation of democratic quality, incorporating electoral competition, constitutional constraints on power, social inclusion, participatory mechanisms, and deliberative rationality as analytically separable dimensions of democratic governance. At the same time, these indices are not treated as exhaustive or definitive representations of democratic reality. Like all composite indicators, they involve methodological assumptions, measurement limits, and normative choices that constrain their interpretive reach. Accordingly, they are used here as heuristic proxies and comparative parameters rather than as absolute or fully determinative measures of democratic quality.

To operationalize the governance dimension of ESG, the study relies on the Worldwide Governance Indicators (WGI) developed by the World Bank. Rather than treating

governance as a unitary construct, the analysis adopts a multi-indicator strategy in order to capture distinct institutional functions that are normatively and analytically relevant to ESG governance. Three WGI indicators are therefore employed: Government Effectiveness (GE), Regulatory Quality (RQ), and Control of Corruption (CC). Each of these indicators reflects a different dimension of institutional performance, allowing the analysis to distinguish between administrative capacity, regulatory design, and integrity safeguards.

Government Effectiveness captures perceptions of the quality of public services, bureaucratic professionalism, policy formulation, and the credibility of governmental commitment to implementation. Regulatory Quality measures the state's capacity to design and enforce coherent and predictable regulatory frameworks that structure market behavior and compliance regimes. Control of Corruption reflects the extent to which public power is constrained from being diverted for private gain, including risks of state capture and selective enforcement. Together, these three indicators provide a differentiated operationalization of the governance pillar of ESG, enabling the analysis to assess whether democratic performance aligns consistently — or unevenly — with distinct governance functions rather than with a single aggregate proxy.

The empirical analysis examines ten countries selected to reflect variation in democratic trajectories, institutional capacity, and geographic distribution: Brazil, France, South Africa, the United States, Sweden, Germany, India, China, Mexico, and Japan. This selection enables comparative observation across consolidated democracies, hybrid regimes, and non-democratic systems, thereby preventing the findings from being driven by a narrow set of institutional models and enhancing the external validity of the comparative patterns identified.

Beyond this regime-type stratification, the individual choices responded to complementary criteria: economic weight and global ESG relevance (United States, China, Germany, Japan), status as major emerging-market democracies with contrasting institutional trajectories (Brazil, India, South Africa, Mexico), and recognized governance benchmarks among consolidated democracies (Sweden, France). Admittedly, this selection may be criticized on several grounds; nevertheless, it reflects configurations intentionally designed by the comparativist (Legrand, 2021, p. 43).

For each country, national averages were calculated for the five selected V-Dem indices, ensuring temporal stability and minimizing the influence of short-term fluctuations or episodic political variation. For the WGI indicators, the most recent available values of Government Effectiveness (GE), Regulatory Quality (RQ), and Control of Corruption (CC) were employed, reflecting contemporary governance conditions relevant to ESG assessments. The resulting datasets were harmonized to enable structured comparison between democratic dimensions and distinct governance functions, rather than collapsing governance into a single aggregate measure.

The empirical findings are presented through a series of comparative visualizations organized in five analytical triads. For each democratic dimension, three separate graphs compare the corresponding V-Dem index with GE, RQ, and CC, yielding a total of fifteen figures. This structure allows the analysis to assess whether democratic performance aligns consistently across different governance functions — implementation capacity, regulatory coherence, and institutional integrity — or whether these relationships diverge in systematic ways. The visual approach facilitates the identification of relational patterns without imposing assumptions of linearity or causality[1].

Importantly, the analysis does not presume that stronger ESG governance indicators necessarily result from democratic institutions, nor that democratic quality automatically produces superior governance outcomes. Instead, the methodological design seeks to illuminate both convergence and decoupling between democratic structures and governance performance, providing a differentiated empirical basis for legal and institutional interpretation.

[1] This methodological caution is not merely technical, but also normative. By refraining from assumptions of linear causality or functional convergence between democratic performance and ESG-related governance indicators, the analysis seeks to avoid reproducing what comparative constitutional scholarship has described as a "civilizing" logic in transnational norm diffusion. As Meyer observes (2020, p. 21-23), projects of constitutional and institutional projection have historically relied on the language of "civilization" as a legitimizing device for exporting normative standards and disciplinary models across political contexts. Treating ESG metrics as inherently or automatically democratically desirable risks reactivating this logic in a contemporary, market-driven form, whereby private rating systems and governance benchmarks operate as de facto standards of legitimacy without democratic authorization. Accordingly, the refusal of causal claims serves a critical function: it preserves analytical openness, resists technocratic normativization, and allows the empirical inquiry to interrogate whether ESG governance frameworks genuinely align with democratic values, rather than presuming their democratic virtue ex ante.

The study acknowledges its analytical limitations. The reliance on aggregate national indices necessarily abstracts from subnational variation, sector-specific ESG practices, and micro-level institutional dynamics. Moreover, the absence of causal inference techniques implies that the findings should be interpreted as relational and exploratory rather than determinative. The comparative design does not seek to establish directionality or causal mechanisms between democratic quality and governance performance, but rather to identify structured patterns of convergence, divergence, and institutional tension across distinct governance functions. Nevertheless, by combining multidimensional democracy indices with differentiated governance proxies (GE, RQ, and CC), the methodology provides a robust empirical foundation for assessing the coherence — and the limits of coherence — between ESG governance frameworks and democratic legitimacy, contributing to ongoing legal and institutional debates on sustainability, regulation, and democratic accountability.

Government Effectiveness captures perceptions of public service quality, bureaucratic professionalism, and the state's capacity to formulate and implement public policies. It is relevant for ESG analysis because sustainability commitments ultimately depend on administrative competence and effective policy delivery, approximating the state's implementation capacity in legal-institutional terms.

Regulatory Quality measures perceptions of the government's ability to design and implement coherent and predictable regulatory frameworks that structure market behavior. It serves as an ESG governance proxy insofar as most ESG obligations operate through regulatory channels, reflecting the quality of rule-making, legal certainty, and institutional credibility.

Control of Corruption captures perceptions of the extent to which public power is exercised for private gain. It is central to ESG governance because integrity failures distort markets, undermine trust, and weaken enforcement, directly affecting the legitimacy and effectiveness of regulatory institutions.

Employing multiple WGI indicators avoids conflating distinct governance functions and prevents the analysis from overstating the interpretive weight of any single proxy. Thus, a country may exhibit relatively strong administrative capacity (GE) while remaining deficient in integrity safeguards (CC), or may display regulatory environments favorable to market activity (RQ) while lacking democratic accountability or effective enforcement. For this reason,

the empirical design compares each V-Dem democratic dimension with all three governance indicators, allowing the study to assess whether democratic performance aligns consistently with implementation capacity, regulatory coherence, and institutional integrity — or whether these dimensions become decoupled in ways that are normatively and legally significant for evaluating ESG governance claims.

This comparative exercise is not conceived as a merely descriptive or statistical juxtaposition of indicators. As Munshi observes, comparative inquiry is defined not simply by comparison itself, but by an orientation that is simultaneously intellectual and ethical (Munshi, 2017, p. 212). In this sense, the analytical responsibility of comparative legal research extends beyond methodological rigor to the normative implications of how institutional performance is interpreted, classified, and legitimized. Comparing democratic indices with ESG-related governance indicators inevitably engages questions of legitimacy, private normative power, and regulatory authority. The present analysis therefore treats empirical comparison as an interpretive practice that requires caution against technocratic reductionism, implicit normativization of metrics, and uncritical transposition of governance standards across political contexts.

4 COMPARATIVE FINDINGS

This section presents the comparative findings by examining how each of the five democratic dimensions measured by the V-Dem project relates to three distinct governance functions operationalized through the Worldwide Governance Indicators, in five analytical triads.

As said, the comparative analysis does not presume a uniform or linear relationship between democratic quality and governance performance. Democratic dimensions may reinforce certain governance functions while remaining weakly connected to others, depending on institutional design, historical trajectories, and regulatory environments. The objective is therefore not to rank political systems or to infer causality, but to assess the empirical coherence — and potential tensions — between the normative aspirations embedded in ESG governance frameworks and the institutional realities of democratic performance.

From a legal and institutional perspective, this section seeks to illuminate whether and how democratic legitimacy, constitutional constraints, participatory inclusion, social equality, and deliberative rationality translate into governance capacities that sustain regulatory credibility, enforcement reliability, and integrity. The analysis thus contributes to a more differentiated understanding of ESG governance, moving beyond abstract claims of convergence between sustainability and democracy toward an empirically grounded evaluation of their institutional compatibility.

Figure 1 - Polyarchy/Electoral Index and Government Effectiveness (GE) (Selected Countries)

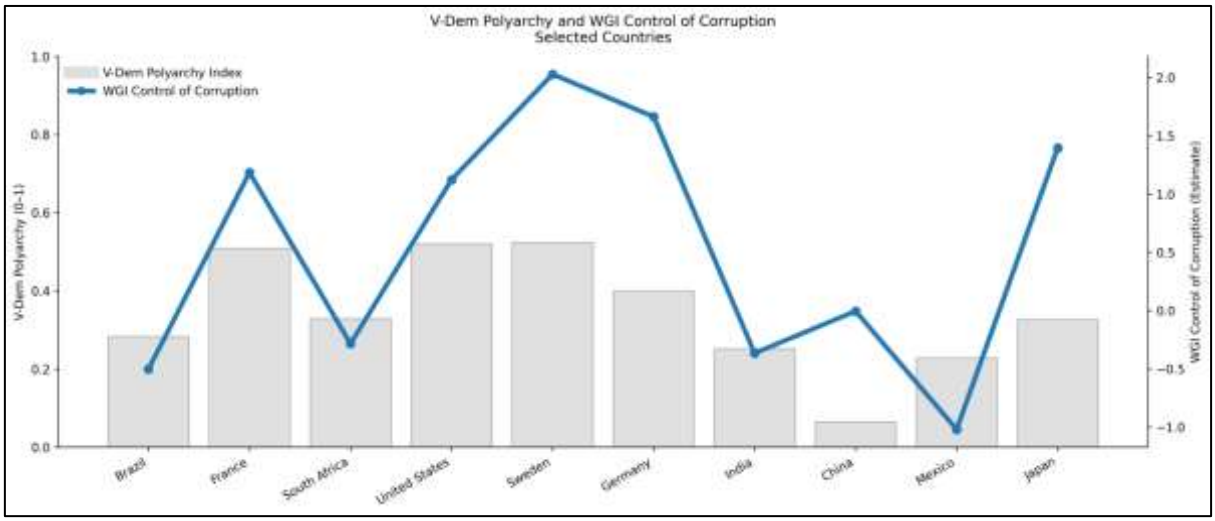

Figure 1 compares the V-Dem Polyarchy Index with the WGI Government Effectiveness indicator, highlighting the relationship between minimal electoral-democratic structures and administrative governance capacity. Source: authors' own elaboration.

Figure 2 - Polyarchy/Electoral Index and Regulatory Quality (RQ) (Selected Countries)

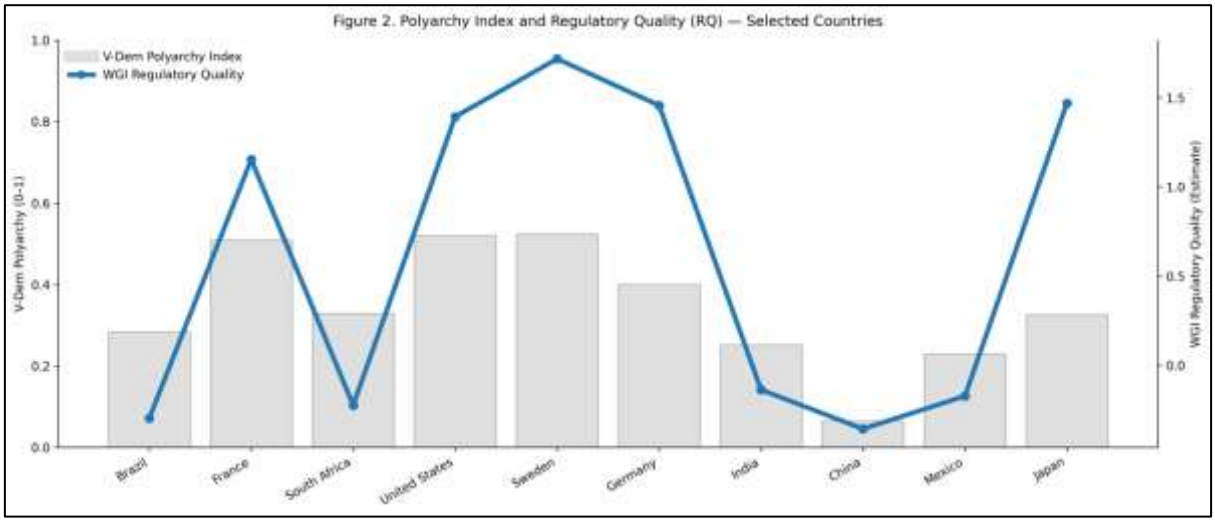

Figure 2 relates the V-Dem Polyarchy Index to the WGI Regulatory Quality indicator, illustrating how electoral-democratic performance aligns with regulatory coherence and policy credibility. Source: authors' own elaboration.

Figure 3 - Polyarchy/Electoral Index and Control of Corruption (CC) (Selected Countries)

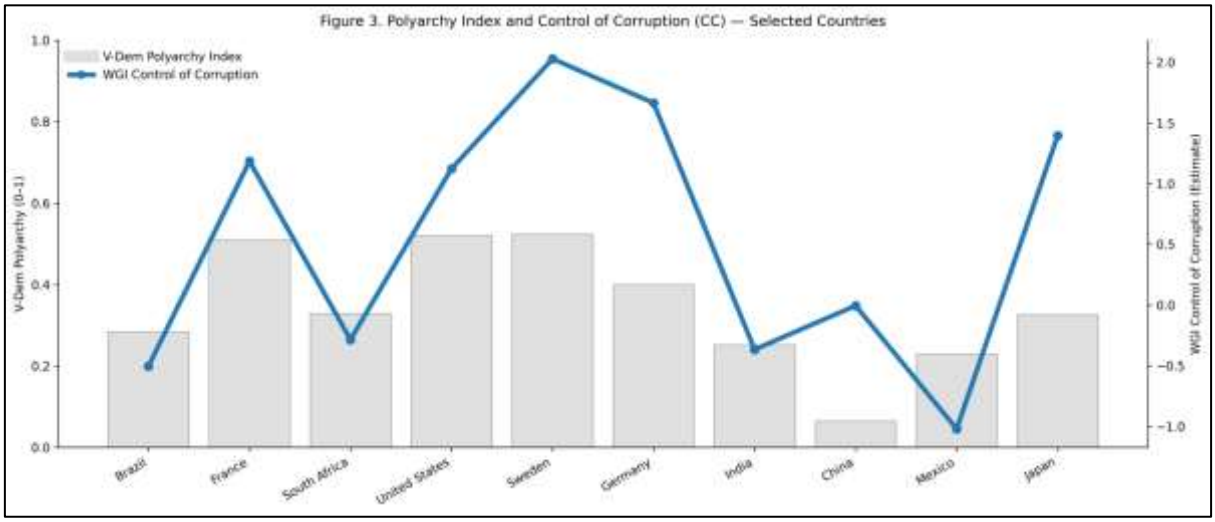

Figure 3 juxtaposes the V-Dem Polyarchy Index with the WGI Control of Corruption indicator, indicating the association between basic democratic competition and institutional integrity. Source: authors' own elaboration.

This index measures somewhat of core democratic institutes, for example whether rulers are responsive to citizens, if they are achieved through electoral competition when suffrage is extensive; if political and civil society organizations can operate freely; elections are clean; and elections affect the composition of the chief executive of the country. In between elections, there is freedom of expression and an independent media capable of presenting

alternative views on matters of political relevance. In the V-Dem conceptual scheme, electoral democracy is understood as an essential element of any other conception of representative democracy --- liberal, participatory, deliberative, egalitarian, or some other.

The comparison between the Polyarchy/Electoral Index and Government Effectiveness highlights a partial alignment between minimal electoral-democratic structures and administrative capacity. Countries characterized by stable electoral competition and broad suffrage tend, in general, to exhibit higher levels of public service quality and policy implementation capacity. This pattern suggests that electoral accountability and political contestation may indirectly contribute to bureaucratic professionalism and policy credibility, especially in consolidated democratic systems.

However, the relationship remains uneven and institutionally contingent. Several cases indicate that polyarchic features can coexist with moderate or inconsistent levels of administrative effectiveness, confirming that competitive elections alone do not guarantee sustained implementation capacity. From a legal perspective, this finding reinforces a classic limitation of procedural democracy: electoral authorization provides political legitimacy but does not generate administrative rationality, organizational capacity, or regulatory enforcement.

When polyarchy is examined in relation to Regulatory Quality, the association appears more fragile and less consistent. While some electorally consolidated democracies display predictable and coherent regulatory environments, other cases reveal substantial divergence between electoral competitiveness and regulatory performance. This decoupling suggests that the existence of competitive elections does not necessarily translate into stable rulemaking capacity, legal predictability, or coherent regulatory frameworks.

Legally, this gap is particularly significant for ESG governance, since most sustainability obligations operate through regulatory instruments rather than electoral mechanisms. Regulatory quality depends on institutional continuity, technical expertise, and insulation from short-term political volatility — conditions that may be strained in highly competitive or polarized electoral environments. The findings therefore indicate that polyarchic democracy may generate political responsiveness without necessarily producing regulatory stability, exposing a structural tension between electoral dynamics and long-term governance capacity.

The relationship between polyarchy and Control of Corruption reveals the most pronounced variability among the three governance dimensions. While electoral competition can enhance transparency and political accountability, the data suggest that polyarchic structures alone are insufficient to prevent corruption, capture, or selective enforcement. In several contexts, competitive elections coexist with persistent integrity deficits (Schedler, 2006; Levitsky; Way, 2010; Brito, *et al.,* 2023).

, indicating that electoral turnover does not automatically translate into institutional impartiality or effective oversight.

From a constitutional and administrative law perspective, this finding underscores the importance of independent control institutions, judicial autonomy, and robust enforcement mechanisms that operate beyond electoral cycles. Integrity safeguards require durable legal frameworks and professionalized agencies capable of resisting political interference. Where such structures remain weak, polyarchic democracy may coexist with governance environments that undermine ESG credibility and enforcement reliability.

Taken together, Figures 1–3 demonstrate that polyarchy provides a necessary but insufficient foundation for ESG-relevant governance performance. While electoral competition and political pluralism may support administrative capacity in certain institutional contexts, they display weaker and more unstable alignment with regulatory coherence and integrity safeguards. The triadic comparison reveals that electoral democracy alone does not systematically ensure the institutional conditions required for credible ESG governance — particularly where regulatory continuity and anti-corruption mechanisms remain underdeveloped.

From a legal-institutional standpoint, this reinforces the distinction between democratic authorization and governance capacity. Polyarchy establishes the procedural legitimacy of political power, but ESG governance depends on complementary institutional architectures, including administrative professionalism, regulatory stability, and independent integrity controls. The findings thus caution against equating minimal democratic structures with sustainable governance performance, highlighting the need for deeper institutional consolidation beyond electoral competitiveness.

Figure 4 - Liberal Democracy Index and Government Effectiveness (GE) (Selected Countries)

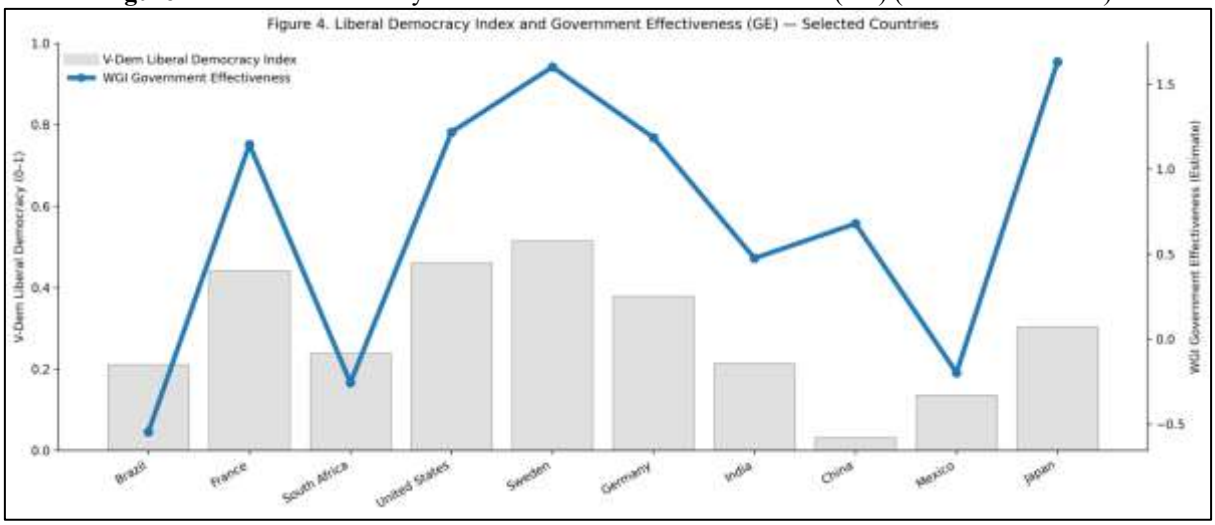

Figure 4 compares the V-Dem Liberal Democracy Index with the WGI Government Effectiveness indicator, capturing the linkage between constitutional constraints and administrative performance. Source: authors' own elaboration.

Figure 5 - Liberal Democracy Index and Regulatory Quality (RQ) (Selected Countries)

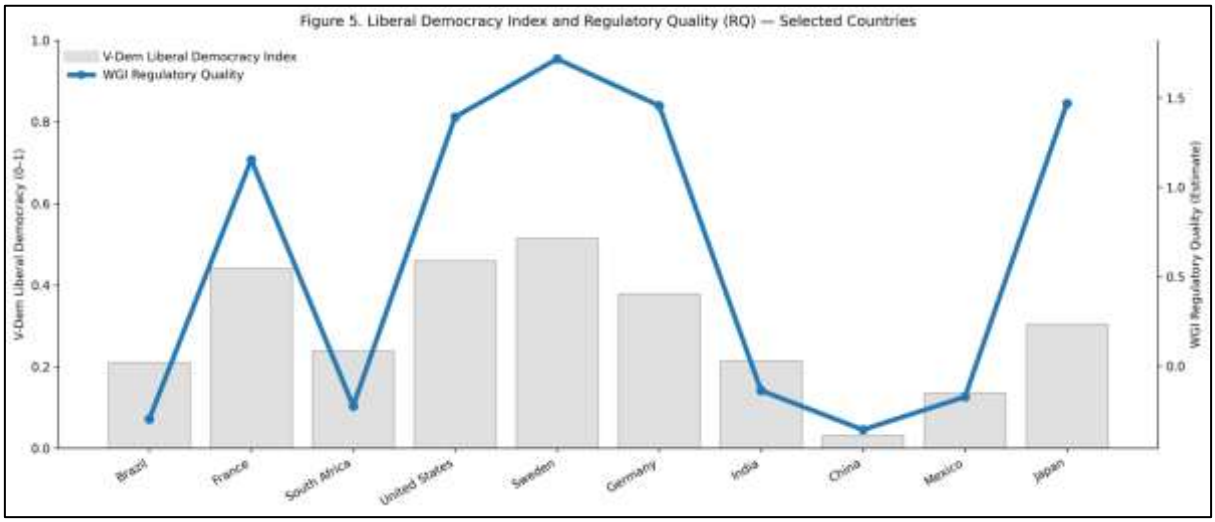

Figure 5 relates the V-Dem Liberal Democracy Index to the WGI Regulatory Quality indicator, emphasizing the connection between legal safeguards and regulatory stability. Source: authors' own elaboration.

Figure 6 - Liberal Democracy Index and Control of Corruption (CC) (Selected Countries)

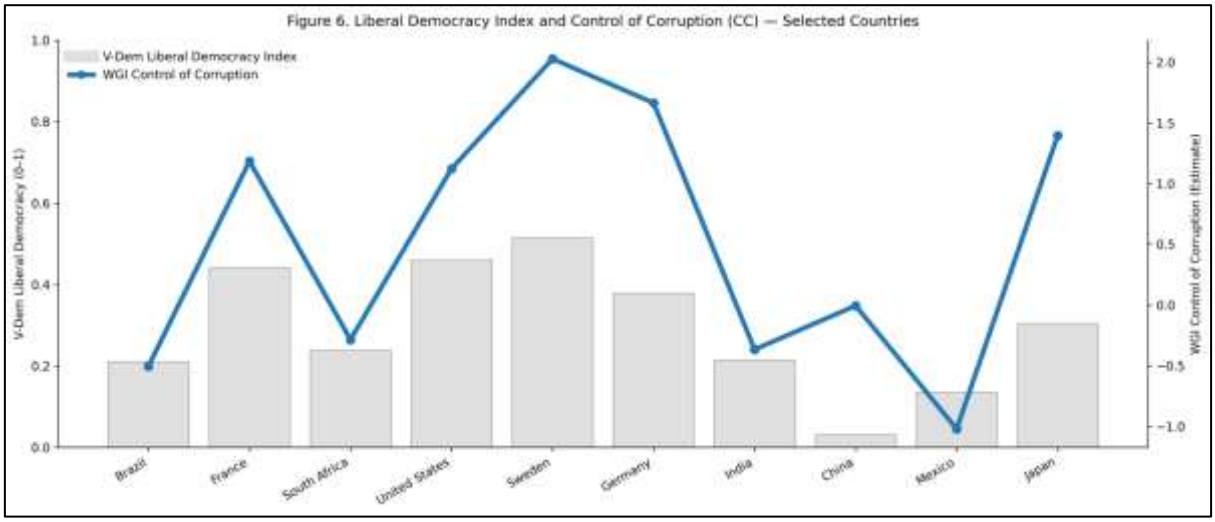

Figure 6 juxtaposes the V-Dem Liberal Democracy Index with the WGI Control of Corruption indicator, illustrating how rule-of-law protections correspond to integrity outcomes. Source: authors' own elaboration.

The comparison between the Liberal Democracy Index and Government Effectiveness reveals a more structured and normatively meaningful alignment than that observed under the polyarchic dimension. Liberal democracy, by incorporating constitutional constraints on executive power, judicial independence, and enforceable fundamental rights, tends to correlate more consistently with stable administrative capacity and policy implementation. This suggests that institutionalized checks and legal predictability contribute to the professionalization of public administration and to greater credibility in policy delivery.

Nonetheless, the relationship remains contingent rather than automatic. Certain cases demonstrate that robust constitutional safeguards may coexist with moderate or uneven levels of administrative effectiveness, indicating that legal constraints on power do not necessarily translate into organizational efficiency or managerial performance. From a legal perspective, this distinction highlights the structural separation between constitutional legitimacy and administrative capacity: while liberal-democratic institutions strengthen the normative architecture of governance, implementation capacity depends on bureaucratic organization, resource allocation, and technical competence that exceed the reach of constitutional design alone.

The association between liberal democracy and Regulatory Quality appears more stable and institutionally coherent than under the polyarchic dimension. Stronger liberal-democratic performance generally coincides with higher regulatory predictability, clearer rulemaking procedures, and greater legal certainty. This pattern reflects the role of constitutional guarantees, judicial review, and separation of powers in stabilizing regulatory environments and constraining arbitrary or volatile policymaking.

From the standpoint of ESG governance, this alignment is particularly significant. Regulatory credibility is essential for the effectiveness of sustainability obligations, disclosure regimes, and long-term investment planning. Liberal-democratic institutions contribute to regulatory stability by reinforcing transparency, procedural fairness, and institutional accountability. However, the data also suggest that regulatory quality may persist in certain contexts where liberal-democratic protections are weaker, revealing that regulatory coherence can sometimes emerge from technocratic or centralized governance structures. This raises normative tensions regarding the democratic legitimacy of ESG regulation when regulatory effectiveness is decoupled from constitutional safeguards.

The relationship between liberal democracy and Control of Corruption displays the strongest and most normatively robust alignment within the triad. Higher levels of constitutional constraint, judicial independence, and rights protection tend to coincide with stronger integrity safeguards and lower perceived corruption. This pattern supports the legal intuition that institutionalized checks on power, independent courts, and enforceable accountability mechanisms are critical for limiting capture and selective enforcement.

Nevertheless, the alignment is not absolute. Residual integrity deficits may persist even within legally consolidated systems, underscoring that anti-corruption performance depends not only on formal constitutional architecture but also on enforcement capacity, political culture, and institutional coordination. Still, among the three governance functions examined, integrity appears to be the dimension most directly strengthened by liberal-democratic institutions, reinforcing the normative connection between constitutionalism and ESG credibility.

Taken together, Figures 4–6 indicate that liberal democracy provides a stronger institutional foundation for ESG-relevant governance than polyarchy alone, particularly in

relation to regulatory coherence and integrity safeguards. Constitutional constraints, judicial independence, and rights protection enhance the predictability, credibility, and impartiality of governance systems, strengthening the legal infrastructure necessary for sustainable regulation and compliance.

At the same time, the triad confirms that liberal-democratic institutions are not sufficient to guarantee high levels of administrative effectiveness. Implementation capacity remains partially autonomous from constitutional design, depending on bureaucratic organization, resource endowment, and managerial competence. The findings thus reinforce a differentiated institutional view: liberal democracy strengthens the normative and legal foundations of ESG governance, especially regarding integrity and regulatory stability, but must be complemented by robust administrative capacity to translate normative commitments into effective policy outcomes.

Figure 7 - Participatory Democracy Index and Government Effectiveness (GE) (Selected Countries)

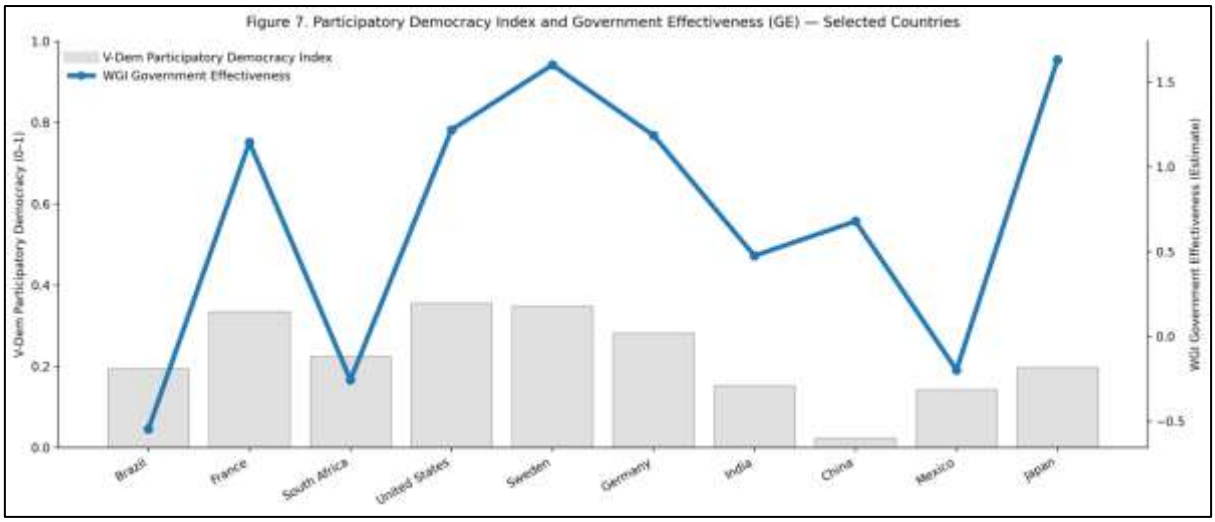

Figure 7 compares the V-Dem Participatory Democracy Index with the WGI Government Effectiveness indicator, highlighting the relationship between participatory mechanisms and state capacity. Source: authors' own elaboration.

Figure 8 - Participatory Democracy Index and Regulatory Quality (RQ) (Selected Countries)

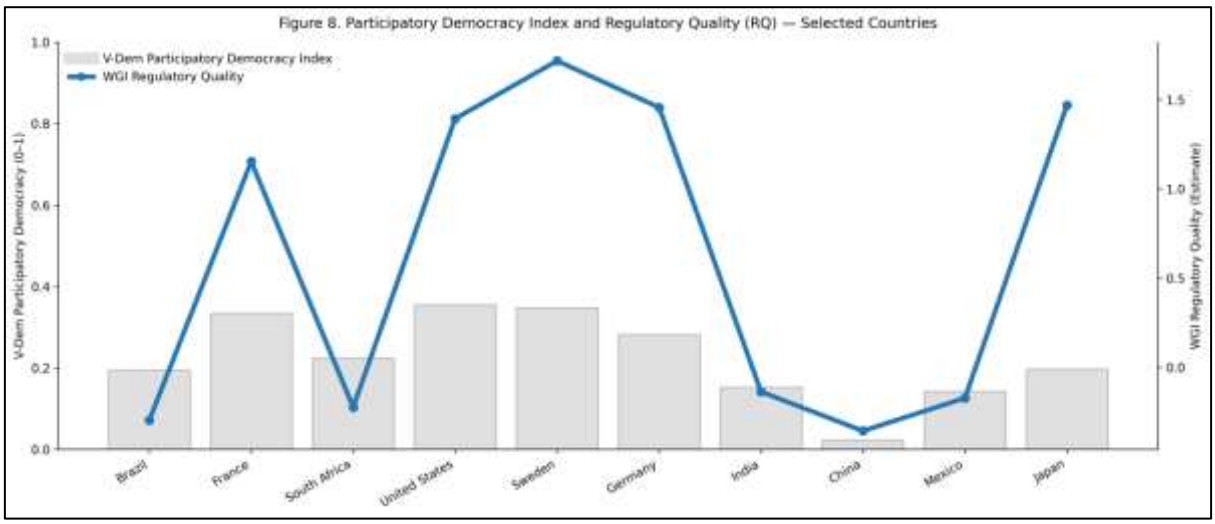

Figure 8 relates the V-Dem Participatory Democracy Index to the WGI Regulatory Quality indicator, indicating how participatory inclusion aligns with regulatory performance. Source: authors' own elaboration.

Figure 9 - Participatory Democracy Index and Control of Corruption (CC) (Selected Countries)

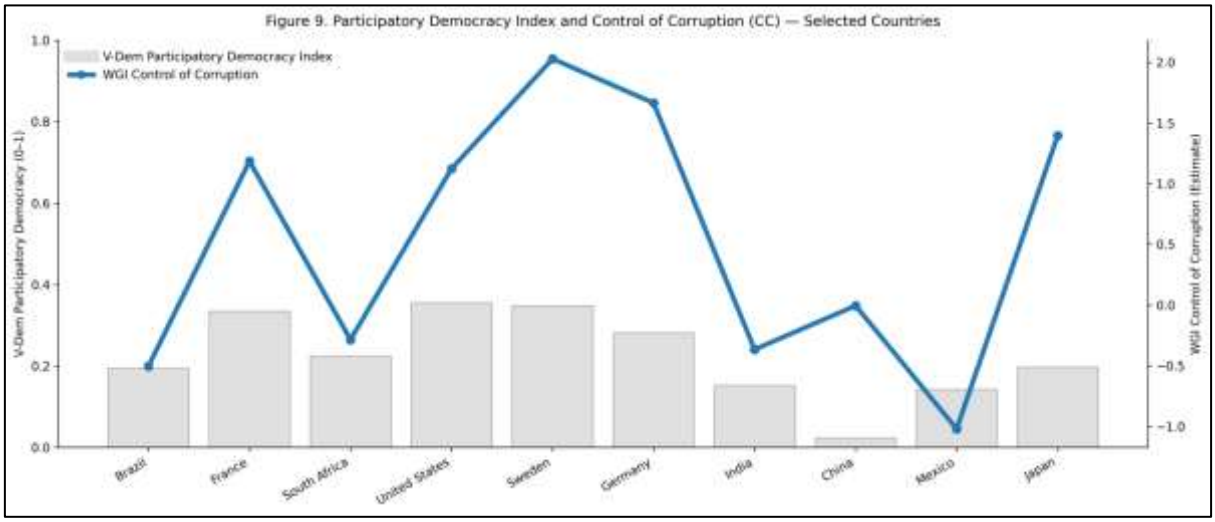

Figure 9 juxtaposes the V-Dem Participatory Democracy Index with the WGI Control of Corruption indicator, reflecting the interaction between civic engagement and institutional integrity. Source: authors' own elaboration.

The comparison between Participatory Democracy and Government Effectiveness reveals an ambivalent relationship between citizen engagement mechanisms and administrative capacity. Participatory democracy, as measured by V-Dem, emphasizes direct citizen involvement, civil society participation, and the openness of political processes beyond electoral cycles. In some institutional contexts, higher levels of participatory engagement

coincide with stronger public service delivery and policy responsiveness, suggesting that social oversight and civic mobilization may indirectly reinforce bureaucratic accountability.

However, the data also indicate that extensive participatory mechanisms do not necessarily translate into consistent implementation capacity. High levels of civic engagement may coexist with fragmented administrative structures, coordination challenges, or politicized bureaucracies, potentially generating policy volatility or implementation bottlenecks. From a legal standpoint, participatory expansion may enhance democratic legitimacy without guaranteeing organizational efficiency, revealing a structural tension between inclusiveness and administrative coherence that is particularly relevant for ESG governance, where sustained regulatory enforcement is critical.

When examined against Regulatory Quality, participatory democracy displays a mixed and context-dependent association. In some cases, participatory mechanisms contribute to regulatory transparency and deliberative inclusiveness in rulemaking processes, potentially enhancing procedural legitimacy and stakeholder compliance. Public consultation, civil society monitoring, and participatory oversight may strengthen the social acceptance of regulatory frameworks.

At the same time, broad participatory inclusion can complicate regulatory coherence and policy stability. Highly pluralized participation environments may generate fragmented preferences, regulatory contestation, and slower decision-making processes, which may undermine predictability and long-term regulatory planning. From a legal-institutional perspective, this finding highlights a trade-off between participatory legitimacy and regulatory efficiency: while participatory democracy strengthens inclusiveness and public justification, it may impose coordination costs that affect regulatory consistency and implementation capacity.

The relationship between participatory democracy and Control of Corruption reveals a more consistently positive alignment. Civic engagement, media pluralism, and civil society monitoring tend to reinforce transparency and social oversight, contributing to the exposure of misconduct and informal accountability mechanisms. Participatory environments may therefore strengthen integrity safeguards by expanding horizontal and societal scrutiny over public officials and regulatory agencies. From a constitutional perspective, participatory

accountability complements but cannot substitute formal integrity institutions, underscoring the need for institutional embedding of participatory control within durable legal frameworks.

Taken together, Figures 7–9 indicate that participatory democracy exerts differentiated effects across governance functions. While participatory engagement may strengthen integrity safeguards through social oversight, its relationship with administrative capacity and regulatory coherence is more ambivalent and context-dependent. The triadic comparison reveals that participatory inclusion enhances democratic legitimacy and transparency, but may introduce coordination costs and policy volatility that affect ESG-relevant governance performance.

Legally, the findings suggest that participatory democracy contributes most strongly to the integrity dimension of ESG governance, while its impact on regulatory stability and implementation capacity depends heavily on institutional design, procedural structuring, and administrative integration. Participatory mechanisms appear most effective when embedded within coherent regulatory architectures and supported by professional public administration, reinforcing the importance of institutional complementarity rather than isolated democratic expansion.

Figure 10 - Egalitarian Democracy Index and Government Effectiveness (GE) (Selected Countries)

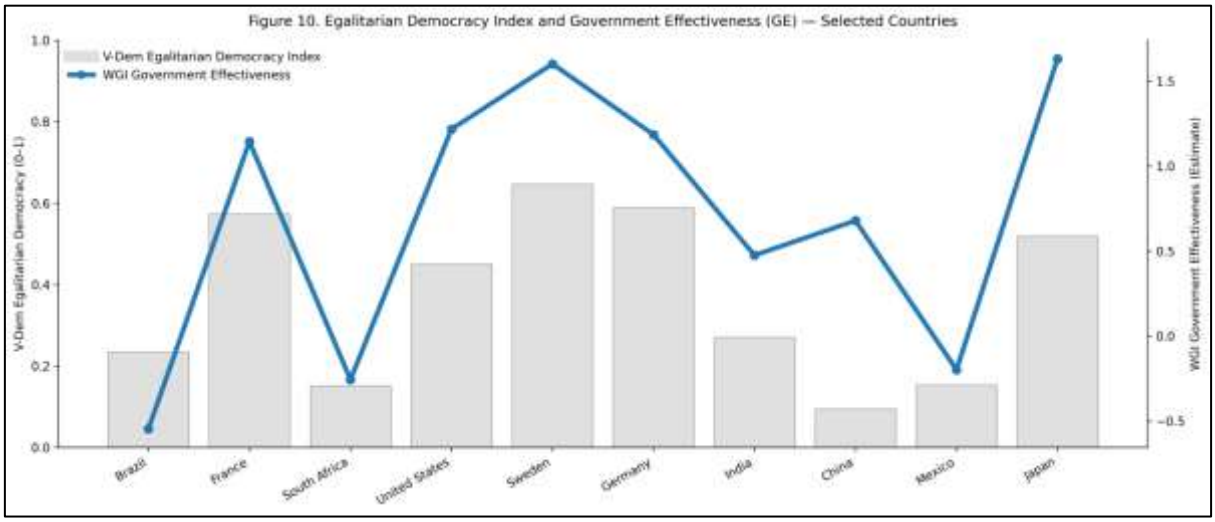

Figure 10 compares the V-Dem Egalitarian Democracy Index with the WGI Government Effectiveness indicator, linking social equality to administrative governance capacity. Source: authors' own elaboration.

Figure 11 - Egalitarian Democracy Index and Regulatory Quality (RQ) (Selected Countries)

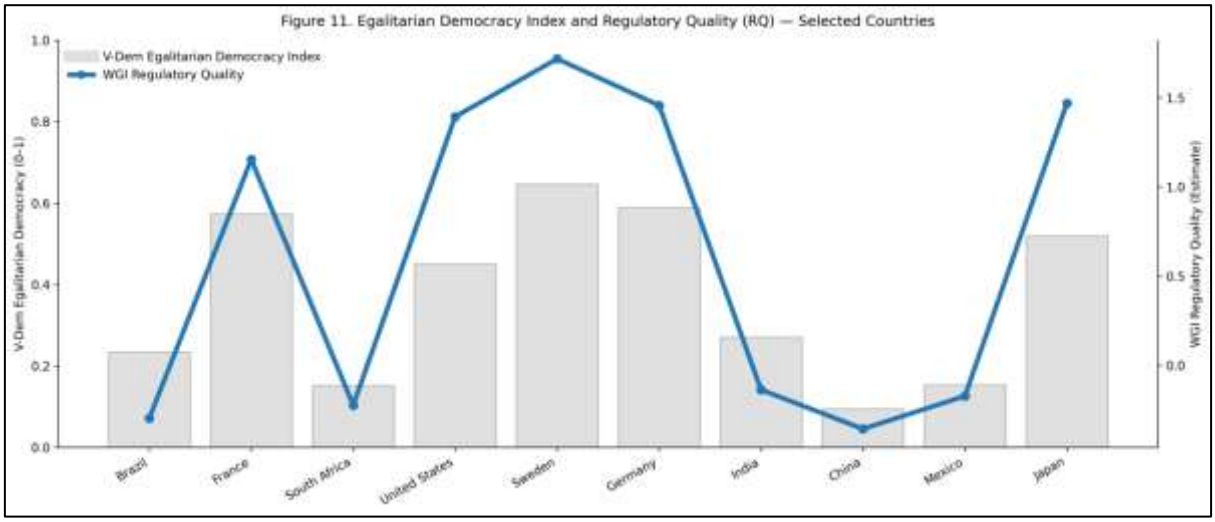

Figure 11 relates the V-Dem Egalitarian Democracy Index to the WGI Regulatory Quality indicator, illustrating the association between distributive inclusion and regulatory coherence. Source: authors' own elaboration.

Figure 12 - Egalitarian Democracy Index and Control of Corruption (CC) (Selected Countries)

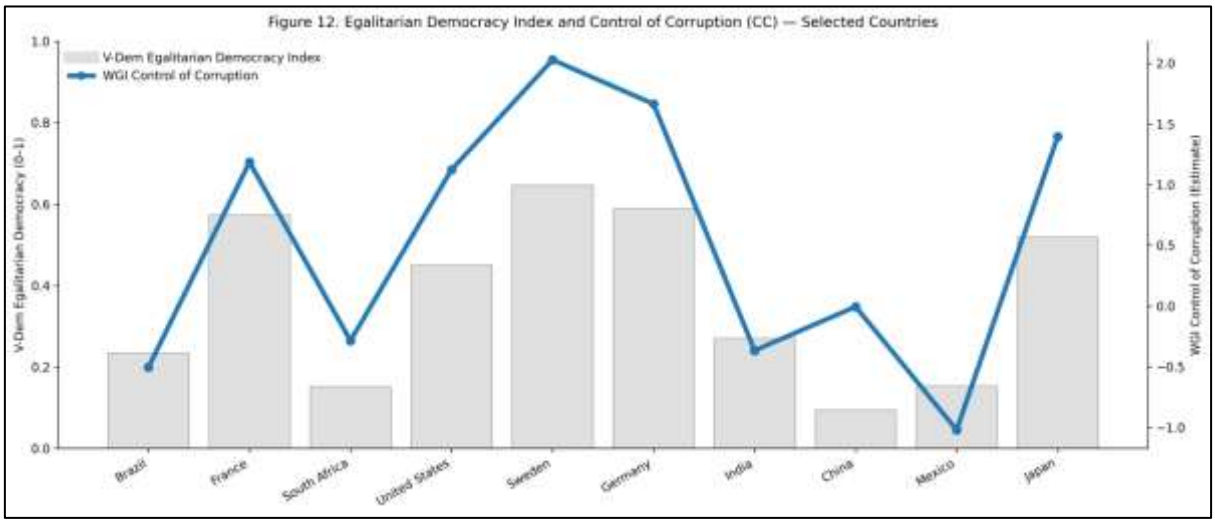

Figure 12 juxtaposes the V-Dem Egalitarian Democracy Index with the WGI Control of Corruption indicator, highlighting the connection between social equality and institutional integrity. Source: authors' own elaboration.

The comparison between Egalitarian Democracy and Government Effectiveness reveals a substantive connection between social inclusion, equal access to public goods, and administrative capacity. Egalitarian democracy, as operationalized by V-Dem, captures the extent to which social groups enjoy equal protection, access to public services, and political inclusion. Higher egalitarian performance tends to coincide with stronger public service

provision and policy delivery, suggesting that inclusive institutional arrangements may reinforce state capacity by expanding the social legitimacy and distributive reach of public administration.

At the same time, the relationship is not mechanically linear. Certain contexts display relatively strong egalitarian outcomes despite moderate administrative effectiveness, often reflecting redistributive commitments that strain fiscal capacity or bureaucratic resources. From a legal perspective, this tension illustrates the normative ambition embedded in social rights and equality guarantees: legal commitments to substantive equality may outpace administrative and fiscal capacities, generating implementation gaps that are institutionally significant for ESG governance, particularly in the social and distributive dimensions.

When examined against Regulatory Quality, egalitarian democracy presents a more complex and occasionally ambivalent pattern. Inclusive social policies often require dense regulatory frameworks governing labor protection, environmental standards, consumer protection, and welfare provision. In institutional contexts with strong regulatory capacity, egalitarian commitments may reinforce coherent rulemaking and stable enforcement.

However, where regulatory institutions lack sufficient technical capacity or political insulation, egalitarian objectives may translate into fragmented or unstable regulatory environments. From a legal-institutional standpoint, this finding underscores a structural tension between distributive ambition and regulatory manageability, with direct implications for ESG regimes that rely on complex compliance architectures.

The relationship between egalitarian democracy and Control of Corruption reveals a generally positive but context-sensitive alignment. More egalitarian societies should tend to exhibit stronger institutional impartiality and lower tolerance for clientelism and rent-seeking, reflecting broader social norms of fairness and equal treatment. Expanded social inclusion may reduce incentives for patronage networks by strengthening universalistic access to public goods.

Nonetheless, redistribution-intensive governance environments may also increase exposure to discretionary allocation and administrative bottlenecks, creating opportunities for informal influence and selective enforcement where oversight mechanisms remain weak. Legally, this highlights the importance of robust transparency, audit mechanisms, and

procedural safeguards in sustaining the integrity of egalitarian governance models, especially where large-scale public spending and regulatory intervention are involved.

Taken together, Figures 10–12 suggest that egalitarian democracy exhibits a relatively strong association with administrative capacity and social legitimacy, while generating more complex effects on regulatory coherence and integrity safeguards. Inclusive institutional arrangements may enhance the distributive effectiveness and social credibility of governance systems, supporting ESG objectives related to social sustainability and equity.

At the same time, the triadic comparison reveals that egalitarian ambition introduces regulatory density and implementation demands that may strain institutional capacity if not matched by organizational competence and integrity mechanisms. From a legal perspective, egalitarian democracy strengthens the normative foundations of social sustainability but requires careful institutional design to preserve regulatory coherence and prevent integrity vulnerabilities. ESG governance thus appears most resilient where egalitarian commitments are embedded within administratively capable and procedurally disciplined regulatory systems.

Figure 13 - Deliberative Democracy Index and Government Effectiveness (GE) (Selected Countries)

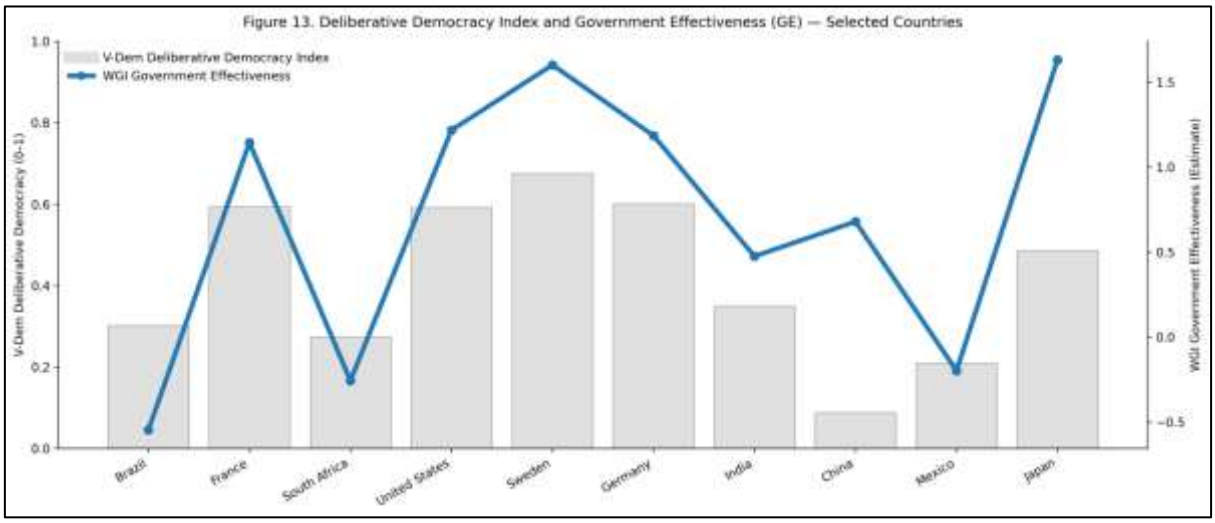

Figure 13 compares the V-Dem Deliberative Democracy Index with the WGI Government Effectiveness indicator, reflecting the relationship between deliberative quality and policy implementation capacity. Source: authors' own elaboration.

Figure 14 - Deliberative Democracy Index and Regulatory Quality (RQ) (Selected Countries)

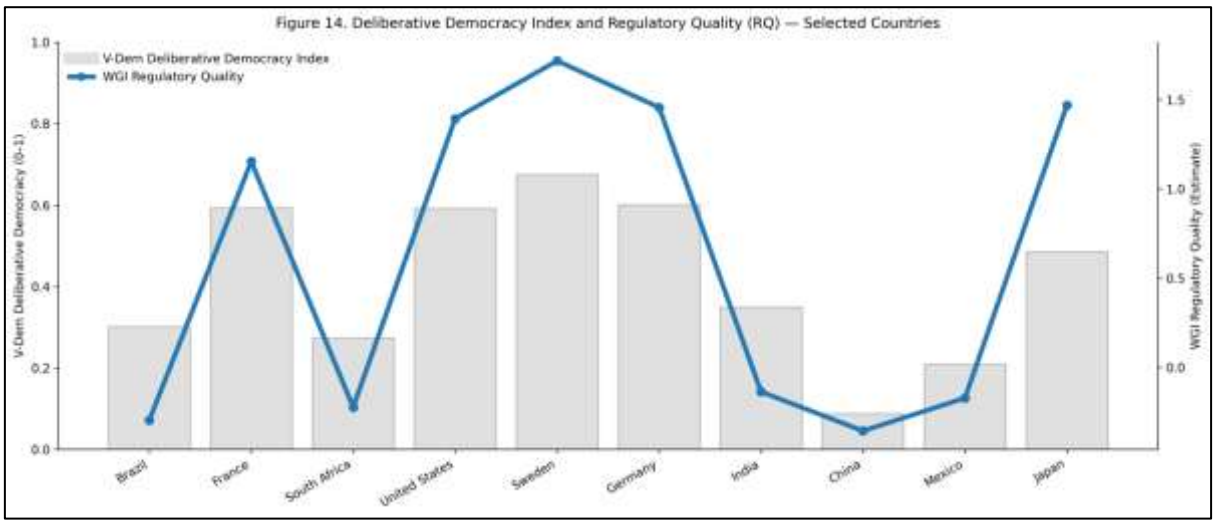

Figure 14 relates the V-Dem Deliberative Democracy Index to the WGI Regulatory Quality indicator, capturing how deliberative processes correspond to regulatory rationality. Source: authors' own elaboration.

Figure 15. Deliberative Democracy Index and Control of Corruption (CC) (Selected Countries)

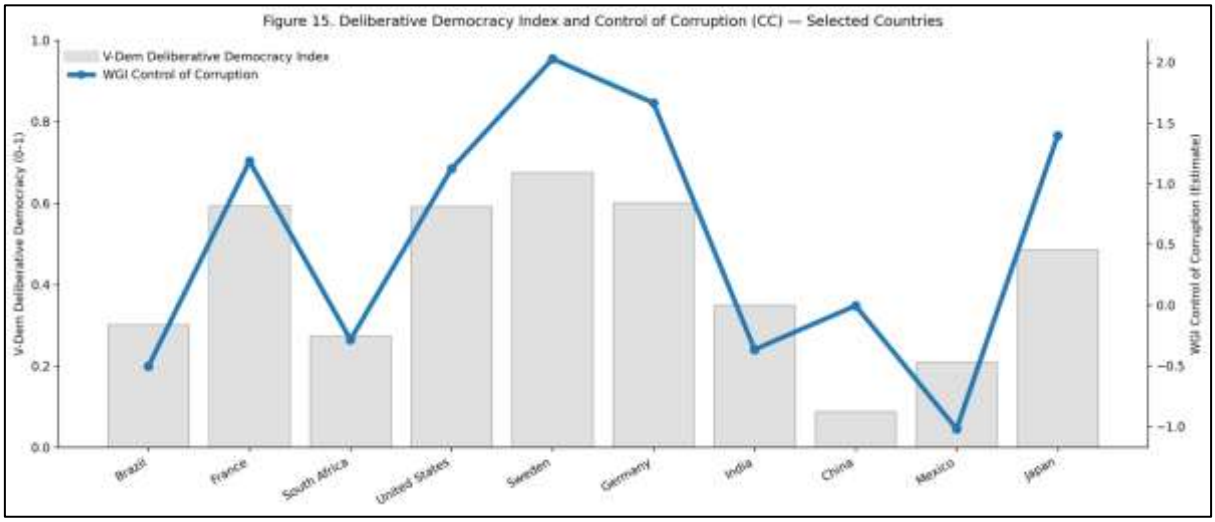

Figure 15 juxtaposes the V-Dem Deliberative Democracy Index with the WGI Control of Corruption indicator, indicating the interaction between deliberative legitimacy and integrity safeguards. Source: authors' own elaboration.

The comparison between Deliberative Democracy and Government Effectiveness reveals a nuanced and indirect relationship between the quality of public reasoning and administrative performance. Deliberative democracy, as measured by V-Dem, emphasizes the extent to which political decisions are justified through public reasoning, inclusive debate, and

evidence-based deliberation rather than coercion, clientelism, or purely strategic bargaining. In institutional contexts where deliberative norms are embedded within professional bureaucracies, higher deliberative quality may reinforce policy coherence and long-term implementation capacity by stabilizing policy objectives and reducing opportunistic policy shifts.

However, deliberative intensity does not automatically translate into administrative efficiency. Extensive deliberation may lengthen decision-making processes, increase coordination demands, and slow policy execution, particularly in fragmented institutional environments. From a legal-institutional perspective, this reveals a structural tension between deliberative legitimacy and administrative expediency: while deliberation enhances justification and procedural rationality, effective ESG governance also requires organizational capacity, timely execution, and operational coordination.

When examined in relation to Regulatory Quality, deliberative democracy exhibits a comparatively strong conceptual alignment. Deliberative processes contribute to transparent rulemaking, reason-giving, stakeholder inclusion, and evidence-based regulation, which tend to enhance regulatory credibility and social acceptance. Public justification and procedural openness may reduce regulatory volatility and strengthen compliance incentives, especially in complex sustainability domains requiring long-term coordination and trust.

At the same time, deliberative inclusiveness may generate procedural density and slower regulatory adaptation, particularly where institutional decision rules require broad consensus or extensive consultation. In highly technical regulatory environments, excessive proceduralization may strain administrative responsiveness and regulatory agility. Legally, this underscores the need to balance deliberative legitimacy with functional regulatory capacity, ensuring that participatory justification mechanisms do not undermine regulatory effectiveness.

The relationship between deliberative democracy and Control of Corruption appears comparatively robust. Deliberative norms emphasize transparency, public justification, and accountability through reason-giving, which directly constrain discretionary decision-making and informal influence. Open deliberation reduces informational asymmetries and increases exposure of conflicts of interest, thereby strengthening integrity safeguards.

Nevertheless, deliberative transparency alone cannot substitute for formal enforcement mechanisms. Where oversight institutions, prosecutorial independence, or audit capacity remain weak, deliberative openness may expose misconduct without ensuring effective sanctioning. From a constitutional perspective, deliberative democracy complements but does not replace institutionalized integrity mechanisms embedded in administrative and criminal law frameworks.

Taken together, Figures 13–15 suggest that—much as becomes apparent throughout this paper—normative aspirations commonly associated with democratic improvement do not necessarily translate into, or remain fully compatible with, the institutional logics embedded in ESG governance frameworks. While deliberative democracy tends to correlate more consistently with regulatory credibility (RQ) and integrity safeguards (CC), its relationship with administrative implementation capacity (GE) is weaker and more context-dependent.

At the same time, the triadic comparison reveals that deliberative density may introduce coordination costs and procedural delays that affect policy execution. From a legal-institutional standpoint, deliberative democracy enhances the normative quality of governance but must be institutionally calibrated to preserve administrative effectiveness. ESG governance appears most resilient where deliberative practices are embedded within capable bureaucratic structures and supported by robust enforcement mechanisms, reinforcing the importance of institutional balance rather than unilateral normative expansion.

5 CONCLUSION

This paper examined the relationship between democratic quality and ESG-related governance through a legally grounded comparative framework that disaggregates both democracy and governance into analytically distinct institutional dimensions. By combining five V-Dem democracy indices — Polyarchy, Liberal Democracy, Participatory Democracy, Egalitarian Democracy, and Deliberative Democracy — with three differentiated governance functions operationalized through the Worldwide Governance Indicators — Government Effectiveness (implementation capacity), Regulatory Quality (regulatory coherence), and Control of Corruption (institutional integrity) — the analysis avoided aggregate correlations and instead assessed institutional compatibility across fifteen structured comparisons.

The empirical findings demonstrate that no democratic dimension produces uniform alignment across all governance functions. Polyarchy, while providing procedural authorization and electoral legitimacy, exhibits only partial correspondence with implementation capacity and shows unstable alignment with regulatory coherence and integrity safeguards. Liberal democracy displays stronger convergence with regulatory quality and corruption control, reflecting the stabilizing effects of constitutional constraints, judicial independence, and enforceable rights, yet does not systematically guarantee administrative effectiveness.

Participatory democracy contributes most clearly to integrity through social oversight and transparency, while generating ambivalent effects on regulatory stability and implementation capacity due to coordination costs and procedural density. Egalitarian democracy reinforces distributive legitimacy and public service reach, but introduces regulatory complexity and administrative burdens that may strain institutional coherence and enforcement capacity. Deliberative democracy aligns most consistently with regulatory credibility and justificatory discipline, while its relationship with implementation capacity remains indirect and institutionally contingent.

From a legal standpoint, these differentiated patterns reinforce a central and undisputed insight of constitutional and administrative theory: democratic legitimacy and governance capacity are not functionally equivalent. Electoral authorization, constitutional constraint, participatory inclusion, social equality, and deliberative justification operate through distinct institutional logics that interact selectively with regulatory design, bureaucratic organization, and integrity mechanisms. ESG governance frameworks, which increasingly shape regulatory expectations and corporate compliance regimes, implicitly presuppose institutional capacities that cannot be inferred solely from democratic classification or aggregate governance rankings.

The comparative evidence therefore cautions against normative shortcuts that equate higher democratic quality with stronger ESG governance performance. Instead, the findings support an institutional reading of ESG legitimacy grounded in the compatibility between sustainability-oriented regulatory frameworks and the constitutional ordering of public authority, the maturity of administrative structures, and the juridical enforceability of accountability mechanisms. Where these institutional layers are misaligned — for instance, where participatory density fails to be effectively translated into institutional practice by public

authorities, or where electoral competition exists without robust integrity controls — ESG governance risks becoming formally ambitious but institutionally fragile.

At the same time, the analysis suggests that certain democratic dimensions contribute more directly to specific governance functions. Liberal and deliberative features appear relevant for stabilizing regulatory environments and constraining discretionary power, while participatory mechanisms strengthen social monitoring and egalitarian arrangements enhance distributive legitimacy and access to public goods. These differentiated contributions highlight the importance of institutional complementarity rather than institutional substitution: no single democratic model exhausts the legal conditions necessary for credible ESG governance.

For legal scholarship, the results underscore the need to treat ESG not merely as a technical compliance framework or a transnational policy agenda, but as a phenomenon that reshapes the normative and institutional architecture of public regulation. The patterns supports even a more cautious legal reading: deliberative norms may enhance justificatory discipline, transparency, and procedural rationality, yet ESG-oriented governance may prioritize technocratic performance, market-facing predictability, and compliance outputs in ways that can partially decouple from—rather than simply reinforce—democratic ideals.

Therefore, ESG governance must be evaluated through the lenses of constitutional structure, administrative capacity, regulatory legality, institutional integrity, but especially democratic substantial theory. Future research may deepen this inquiry by examining sector-specific regulatory regimes, subnational institutional variation, and longitudinal dynamics of democratic and regulatory transformation, thereby advancing a more legally grounded understanding of sustainability governance in democratic systems.

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