

# Why Democracy & Governance Matter: Successful Partnerships where Good Policies Can Facilitate Growth

The mission of the U.S. Government's Millennium Challenge Corporation (MCC) is to reduce poverty through economic growth. MCC recognizes the link between democracy and economic growth, and several of MCC's core founding principles implicitly value democratic institutions. The MCC indicators for country eligibility examine whether governments rule justly, invest in their people, and if they promote economic freedom.

Good governance entails respect for citizen's civil rights, fighting corruption and promoting the rule of law. It also entails allocating adequate resources to educating the next generation of citizens, modernizing the land tenure system to secure people's right to land, and to strengthen the capacity of government procurement professionals to promote the transparent, competitive awarding of contracts.



*MCC's innovative approach to development assistance is based on partnership with countries committed to practicing good governance, expanding economic freedom, fighting corruption, and empowering their citizens*



**Ghana's** MCC compact was born from active, engaged civil society participation, feedback, and input on the best projects to reduce poverty and stimulate economic growth. Under the MCC compact, community-level projects are identified by communities, vetted by district assemblies, and included

in a biannual development plan. Once facilities are constructed, Ghana's civil society organizations continue to monitor project progress and hold district officials accountable for project completion—the hallmark of a transparent society. The compact is promoting greater transparency and accountability—key to good governance--by training Ghanaian government procurement professionals on best practices for the competitive award of public sector contracts. In July and August, approximately 300 university students and some of their lecturers will participate in summer internships to learn about best procurement practices. Ghana's peaceful transition in presidential leadership in December 2008 also is a testament of Ghanaian commitment to democracy and good governance.



In **Lesotho**, with MCC joining the chorus from other donors and groups pressing for change, the prospect of MCC compact funding prompted the Government to pass landmark legislation allowing women the right to own property and the right to enter into binding contracts. As described in January 2007 in a Wall Street Journal article, “Traditionally, married women in [Lesotho] had the same legal rights as children; they couldn't buy land or borrow money without permission from their husbands. With the Millennium Challenge Corp. pressing for changes, the Lesotho Parliament passed a law in November [2006] putting married women on equal legal footing with their husbands.”



In **El Salvador**, the MCC eligibility indicators have provided a valuable framework for achieving results in the areas of good governance, economic policy, and social investment. In order to improve the use of indicators as tools to measure performance, El Salvador created a Policy Performance Indicators Monitoring Unit within the Technical Secretariat of the Presidency and identified key performance indicators (including MCC eligibility indicators) to measure the country's progress in political, economic, and social development. This unit designed a system to monitor, analyze and disseminate information concerning the country's performance on the identified indicators. The Salvadoran Government has begun implementing a detailed action plan to improve its performance on certain MCC eligibility indicators. Their MCC “Policy Improvement Plan” is designed to be an operational tool that will enable the Government to chart progress on an incremental basis and to focus the attention of key stakeholders on the importance of achieving stronger development results.

U.S. development assistance through MCC is breaking new and innovative ground around the world. When a country practices sound policies, pursues good governance and the rule of law, builds the capacity to lead its development, and operates with transparency and accountability, it can deliver tangible and practical change to the lives of the poor. MCC provides resources for poverty reduction and economic growth programs to governments that demonstrate a true, measurable, long-term commitment to good governance and democracy. MCC's partner countries work to increase government transparency and accountability, broaden public participation in the political and electoral process, fight corruption, and undertake tremendous reforms, including granting women a greater role in the political and economic life of their societies. Partner countries share MCC's commitment to the proven best practice that lasting development needs an institutional framework of good governance in order to take root and thrive.