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# STATE FRAGILITY, GROWTH, AND DEVELOPMENT: DESIGNING POLICY APPROACHES THAT WORK

## HEARING

BEFORE THE

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# STATE FRAGILITY, GROWTH, AND DEVELOPMENT: DESIGNING POLICY APPROACHES THAT WORK

**TUESDAY, MARCH 13, 2018**

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
*Washington, DC.*

The committee met, pursuant to notice, at 2:40 p.m. in room SD–419, Dirksen Senate Office Building, Hon. Bob Corker, chairman of the committee, presiding.

Present: Senators Corker [presiding], Risch, Young, Barrasso, Isakson, Menendez, Cardin, Shaheen, Coons, Murphy, Kaine, and Booker.

## OPENING STATEMENT OF HON. BOB CORKER, U.S. SENATOR FROM TENNESSEE

The CHAIRMAN. The Foreign Relations Committee will come to order.

We thank our distinguished witness for being here today. We will introduce you more formally in just a moment, but we thank you and appreciate the conversation we had in the back about the potential Russian involvement in your own country recently and the comments made by your Prime Minister.

We are delighted to have with us today David Cameron, who served as Prime Minister of the United Kingdom from 2010 to 2016 and leader of the Conservative Party from 2005 to 2016. Mr. Cameron has devoted himself in the past year to chairing the Commission on State Fragility, Growth and Development.

Successful states depend upon social contracts between citizens and their government. When the fundamental legitimacy is lacking, traditional approaches to foreign assistance and capacity building are not adequate. Each fragile state is vulnerable in its own way. They cannot be understood, let alone strengthened, if viewed from only a development or political or security perspective. Billions of dollars, pounds, and euros have been spent over the years in many countries, only to see them revert to conflict, instability, and repression.

One of the core questions I hope to explore with this hearing is one that taxpayers here and in the UK are justified in asking. Why should we continue to concern ourselves with fragile states, and what challenges do they pose to our national interests?

Few conflicts stay within national borders these days. The number of refugees displaced and displaced persons around the world

have never been greater. International criminal organizations, human traffickers, drug lords, terrorists, and arms dealers thrive on the safe havens afforded by corrupt and chaotic regimes. These destabilizing forces reverberate both regionally and globally with real consequences for the U.S. economy and national security. Our institutions must work smarter and they must work together with the right selection of tools at our disposal.

In my experience, efforts like Mr. Cameron's are the most effective when they can assemble the best minds and the best research to examine problems with fresh thinking and challenge conventional solutions.

With that in mind, I look forward to hearing what our distinguished witness has learned and how we can best collaborate with our friends in the UK and elsewhere to defend our common interest to prevent fragile states from becoming failed states.

With that, I would like to ask our distinguished ranking member, Bob Menendez, for any opening comments he may have.

**STATEMENT OF HON. ROBERT MENENDEZ,**
**U.S. SENATOR FROM NEW JERSEY**

Senator MENENDEZ. Thank you, Mr. Chairman.

And I also want to welcome the Prime Minister for having the opportunity of his insights and his work since he left as the Prime Minister and doing very important work on fragile states.

But before we get to that, I would be remiss not to acknowledge the President's unceremonious dismissal of his top diplomat this morning via Twitter.

This hearing focuses on fragile states and the importance of strong governing institutions that respect the rule of law, and maybe we need to take a look inwards. The foreign policy of the current administration has been marked by chaos, by undermining the very idea of diplomacy, by turning away from those values that have made the United States a vibrant, prosperous democracy driven by the rule of law. We need stable, skilled, seasoned leadership to address the enormous challenges fragile states pose.

Regrettably, that is not the kind of leadership I have seen. In fact, we have the opposite, which is placing a severe strain on the international order and accelerates the destabilization of fragile states and regions. While I certainly had my differences with Secretary Tillerson, I cannot see the hollowing out of our State Department and remain silent.

I look forward to an opportunity to have a full vetting before the committee, Mr. Chairman, of the designee of the President to be the new Secretary of State because there is a vast difference between being the CIA Director and being the Secretary of State. And I look forward to that opportunity.

Briefly, Mr. Prime Minister, it is an honor to have you before the committee on your perspectives on fragile states and how we develop strategic policies to address fragile states and the failure of states to govern effectively. Broadly speaking, we define states as fragile when their governing institutions are weak, they do not effectively or equally represent, protect, or advocate for all their people, and experience high poverty and income inequality. They are less capable of responding effectively to conflict and shocks or nat-

ural disaster, and their citizens are often more susceptible to radicalization. Examining instability around the world indicates fragile states are increasingly responsible for the conflict and misery we see in many parts of the globe.

So it seems to me that the United States has a vested interest in its own national interest and security and making investments in how we help build those states from fragile states to strong states with democratic institutions and well-defined governance and rule of law.

I will just simply say that when Americans wonder whether or not it is in our national interest to be engaged in fragile states across the globe, I am reminded of the consequences of the interconnectedness that we have in the world and that what happens someplace else in the world can very often affect us here at home and our interests abroad.

And with that, Mr. Chairman, I ask that the full statement I have be included in the record.

The CHAIRMAN. Without objection. Thank you.

[The prepared statement of Senator Menendez follows:]

PREPARED STATEMENT OF SENATOR ROBERT MENENDEZ

Thank you, Prime Minister Cameron, it's an honor to have you before the Committee today to share your perspective on fragile states and discuss how we can develop strategic policies to address fragile states and the failure of states to govern effectively.

Broadly speaking, we define states as fragile when their governing institutions are weak; do not effectively or equally represent, protect, or advocate for all their people and experience high poverty and income inequality. They are less capable of responding effectively to conflict and shocks from natural disaster, and their citizens are often more susceptible to radicalization. Examining instability around the world indicates fragile states are increasingly responsible for the conflict and misery we see across the globe.

If the United States does not advance smart policies and invest wisely in good governance, meaningful development, humanitarian, and appropriate security assistance, we will feel the impact here at home. Fragility breeds instability which often spills over artificially constructed borders. Terrorism, infectious disease, mass migration and climate change—these do not respect national borders . . . even walls cannot keep them out.

Fundamentally, the United States must use all of its tools—diplomacy, development and defense—in a selective, strategic and sustained effort to address those fragile states.

This administration's incoherent approach to foreign policy threatens to make these problems even worse.

Instead of mobilizing resources to address fragile states and other challenges, President Trump is gutting America's diplomatic and development institutions, as well as critical personnel.

This administration has proposed a cut of over thirty percent to the State Department and USAID budgets, failed to appoint critical personnel, and imposed illogical hiring and promotion freezes; devastating critical U.S. national security tools.

We cannot effectively confront these challenges and promote our interests without the right tools. This administration's proposed budget would decimate our investments into programs and institutions that directly support efforts to support fragile states, and result in severe damage to any U.S. effort to address fragile states.

Today, an estimated 1.2 billion people live in countries plagued by conflict, poverty and increasingly violent extremism. More than 70 million people have been driven from their homes by violence, living as refugees or internally displaced.

Many Americans justifiably ask why they should care about war or famine in far-flung, hard to pronounce places when we have very real concerns here at home. But economic development into fragile states, support for refugees, contributions to peacekeeping missions . . . these are not charity operations . . .

We live in an interconnected world where instability and conflict anywhere directly affects the safety, security, and prosperity of the United States and the American people.

The United States, working with the international community, can and must do better to take seriously the profound challenges fragile states pose. We must address the deeper drivers of fragility and instability . . . including a lack of credible, transparent, and accountable government institutions, failing economies, and weak educational systems which leave people susceptible to violent ideologies.

Focusing on preventing conflict and building resiliency ultimately reduces the risk of instability creeping further, destabilizing more broadly, and the need for more costly—both in financial and most importantly human—responses.

To do that successfully, we must have programs and policies that facilitate more capacity for governments to enable their people to speak their mind and have a say in how they are governed . . . governments that create confidence in the rule of law and equal administration of justice. . . . governments that are transparent and don't steal from their people. . . . and governments that respect universally accepted human rights.

We cannot do this alone. Bilateral support from the United States is critical, but we must also work alongside partner countries, the United Nations, and multilateral institutions like the World Bank if we are to have a sustainable impact.

We need experienced, skilled, humane leadership to address the enormous challenges fragile states pose. Regrettably, this is not the kind of leadership we have from the White House nor the values reflected in its budget.

It is in our strategic interest—to say nothing of a moral imperative—to wisely support those people all over the world yearning for stable, prosperous lives for themselves, their children and their communities . . . and to work with countries to build resilient, responsive governing capacities.

Thank you, Prime Minster Cameron, for your continued focus on these critical issues and for being here today. I look forward to hearing your views.

The CHAIRMAN. David Cameron served as Prime Minister of the United Kingdom from 2010 to 2016. During this time, Mr. Cameron addressed significant foreign policy challenges such as the Arab uprisings, an increasingly aggressive Russia, and the global flight against ISIS. He increased UK aid spending and allocated 50 percent of it to fragile states in regions. He also co-chaired the U.N. high-level panel that launched the sustainable development goals.

We want to thank you so much for being here. It is certainly a treat for us to have you here, and we look forward to your report and the questions that come after.

With that, please begin, and again, thank you. Any written materials you have that you would like to have entered into the record, we will do so.

**STATEMENT OF THE RT. HON. DAVID CAMERON, CHAIRMAN, COMMISSION ON STATE FRAGILITY, GROWTH AND DEVELOPMENT**

Mr. CAMERON. Thank you very much, Mr. Chairman. Thank you for the welcome and thank you for this opportunity to talk about what I think is an incredibly important issue.

Thank you, Mr. Menendez, for what you said.

I suspect today is going to be one day where I will not be asked so much about Brexit. Perhaps instead Brexit will be the topic that people might want challenge me on.

But it is very good to be with you.

As you say, I have been chairing a commission on fragile states for over the last year. I have been co-chairing it with Donald Kaberuka, the former finance minister of Rwanda. We have had a very big academic input from Oxford University, London School of Economics, Princeton, Stanford, and some other leading U.S. uni-

versities. And also we have had input from practitioners, policymakers, civil servants from countries as diverse as Yemen and Pakistan.

You asked me to address briefly three things: the nature of the problem, the current solutions and whether they are working or not, and any other points I want to make. Let me just try and do those three things.

The problem, Mr. Chairman, you put very succinctly. There is a set of countries that have weak governments, appalling levels of corruption, high levels of conflict, very severe poverty that in many ways are either failed or failing states. There are a number in Africa, but the problems are not restricted to Africa. We can see countries as far afield as Haiti or Venezuela that are affected by severe fragility.

I think one of the reasons for having this commission is that the problem is getting worse. The number of fragile states is actually increasing. One or two are exiting what you would call fragility, but on the whole, the problem is getting worse. And I think there are two very big issues there which go directly to your introductory remarks.

One is in these countries, we are very unlikely to meet any of the sustainable development goals. Some of them are poorer than they were 40 years ago. And so in terms of the things we want to see in terms of reducing poverty and better access to everything from medicine to clean water, in some cases going backwards.

But secondly—and this goes I think directly to your point, Mr. Chairman—these fragile states also affect us in the developed world. If we let countries fail, we see whether it is health pandemics, mass movement of people, failed states and fragile states could often be places where terrorism and terror training camps can take hold. And so this is something that affects us directly back at home.

So I think the nature of the problem is quite well understood. Our commission is trying to really understand all of the elements of being a fragile state.

In terms of the current approaches, there is a lot of good work being done, and I am a supporter of overseas aid. Under my prime ministership, we achieved something that no other G7 country has achieved so far which is getting to the 0.7 percent of our gross national income spent on aid. That was a promise we all made effectively at Gleneagles. We have met it, and I think a lot of good work is done in terms of vaccinations and supporting education programs and lifting people out of poverty.

But I think we have to be frank. When it comes to these fragile states, the aid may have helped in particular areas, but these countries in many ways have not got better. And I would say there are three things wrong really with the current approaches.

One is they are unrealistic. We tend to give these countries endless lists of priorities about things they should achieve and that sets them up for failure. In some ways, we have an unrealistic starting point. We almost ask the question internationally, what is the opposite of a fragile state? Well, it is country that meets all the norms of an OECD country, let us say, Denmark. Well, let us try

and make everyone like Denmark. This is hopelessly unrealistic, and so we set ourselves up for failure.

I think the second issue we have been looking at is a poor focus as well. I think in many of these countries, there just simply is not the basic governmental capacity. There are not basic levels of security. And there has been an insufficient focus on the things that matter most to people, which is being safe in your bed and being able to put food on the table. So security and jobs. And I think that has been lacking.

But I think the third thing we have been looking at very carefully—and a lot of evidence has come through, and this is perhaps the most depressing thing—is quite a lot of what the international community has been doing has been counterproductive and in this way. There are huge, good intentions of working with fragile states and working on all the things they need to get right. But in many ways, we often go around the governments of these countries and try to help them without actually assisting the authorities of that country. And why that is counterproductive is in the end of the day, these countries will only succeed if their governments become more legitimate and accepted, if their governments become more capable. And in many cases, I think we have actually undermined that capability and that legitimacy. So I think that is where the current approaches are failing.

I think the changes, the sorts of things we are looking at—but we are still drafting our report and we are very interested in the input of other countries perhaps particularly the United States with a huge influence in budget that you have. The sort of things we are looking at is trying to work more on the national priorities that fragile states have, backing their program rather than trying to impose our own, I think a more hard-headed approach about the importance of security, I think this issue of conditionality we are looking at. Of course, our taxpayers, our publics, do not want to see money endlessly spent that is wasted. And that has led in many ways to conditionality where we say we will only support your program if you agree to do this, this, this, and this. We do policy conditionality. And there is an argument that says actually it would be better to say to a fragile state, you have your national plan. We will back that national plan, but we want governance conditionality instead of policy conditionality. If the money is wasted, if aid money is stolen, if there is corruption, we will withdraw that support. So we will back your plan rather than imposing our plan, but the conditionality will be on the governance. That is one of the ideas that we have been looking at.

Another issue is just the focus given to fragile states where in the UK we now spend 50 percent of our aid budget on fragile states. And I think there is a very strong case for others taking a similar route.

Let me just end with a couple of other points that we have been looking at.

One, peacekeeping. Our peacekeepers do an incredible job in some very difficult circumstances. But there is a question mark about how long they can really be effective for. Are we doing enough to back the basic security of these countries and their secu-

rity organizations rather than just holding it all together with peacekeepers?

Second point and a difficult one, elections. I am a small "D" democrat. I believe in elections. I believe in democracy. But there is an argument about whether with some of these fragile states, particularly conflict-affected ones, do we rush to elections? Do we try and put a sort of Western template of a multi-party election in too quickly? Can this lead in some cases to the parties to a conflict perhaps having an election, the winner of that election then using the political outcome to carry on the conflict that they were running in any event? I.E., are we going for one person, one vote once in too many circumstances? And I think we have to think carefully about that.

I think we have to think about the role of international financial institutions. Do they have too much of a one-size-fits-all approach to different countries? Are they giving enough priority to the most fragile states? Are they treating them in a realistic way?

I have read about your own plans here in Congress actually to look at the possibility of a new investing institution, U.S. institution. I think these are brilliant ideas because from what we have seen, there is insufficient support of the private sector. There is insufficient equity finance rather than just loan finance. And there is insufficient focus on fragile states. And all of those things can be helped by well-designed institutions.

Another point we are looking at is resilience. Many of these countries—they make some limited economic progress, but that can be knocked back very quickly or they tend to suffer from climactic or other events. Could we do more to prevent rather than respond? Can we do more to help with insurance and other mechanisms to help these countries be more resilient?

The final point I would make is all of this only makes sense if it is an agenda of things we want to do together rather than just do to fragile states, as I have said. And I think there is a strong case for saying that in many cases, fragile states, particularly mineral-rich ones, have their money stolen by corrupt politicians and often hidden in Western countries, including my own. And I think the agenda that I did a lot to progress as Prime Minister about making sure we have greater transparency, making sure we have registers of beneficial ownership so we can see who owns what, making sure that tax authorities share tax information so we can stop tax avoidance—aggressive tax avoidance and tax evasion. I think that agenda should be part of how we help fragile states.

The final point I would make is I think this whole argument about fragile states is one that should be linked to the bigger argument about aid. As I said, I am a supporter of continuing aid payments. We have seen a massive reduction in global poverty. We have seen huge advances in vaccinating children and educating young people, in gender equality and other development goals. We can only continue to win this argument if we do address the problems of the most fragile states where this progress is not being made. And I think in an age where the taxpayers are quite right—they are asking about value for money—we need to link arguments about aid and about fragile states to our own safety and security here.

And I am absolutely convinced that aid is not only a moral imperative for us in the West because we should be helping our neighbors on the other side of the world, as it were, but it is also a security imperative. If we fail, the problems of vast migration, of pandemics, of terrorism, of piracy, of criminal gangs, of people-smuggling, of modern slavery—they all come back and visit us at home. And that is why I spending quite a lot of my post-prime ministerial life on this very important issue.

And with that, thank you very much for letting me come.

[The prepared statement of Mr. Cameron follows:]

PREPARED STATEMENT OF DAVID CAMERON

WHY FRAGILE STATES?

Countries suffering from conflict, corruption, weak governments, insufficient security and too few jobs are said to be affected by "state fragility". In these countries poverty reduction is hard and few of the Sustainable Development Goals (SDGs) are likely to be achieved. Fragile states are also increasingly linked to terrorism, crime, mass migration and pandemics.

WHY NOW?

In little more than a decade, half the world's poor will live in these countries. Indeed, some countries are poorer than they were 40 years ago—despite the aid that has been delivered there. Fragility is increasing—in 2006, 28 countries scored 90 or higher in the Fragile States Index. In 2015, only three of those countries had dropped below this level, and an additional 13 countries had joined them.

IS THIS AN ARGUMENT FOR SCRAPPING AID?

No. Over the last 30 years extreme poverty has been halved. The number of children who die before their fifth birthday has halved too. This is the fastest progress the world has ever seen. With the rising importance of fragile states we don't need to scrap aid—we need to change how we do aid.

WHAT WORKS AND WHAT DOESN'T?

Important questions the Commission on State Fragility, Growth and Development is asking include:

- Priorities. Do we need to rethink the focus of aid? Have people's basic needs—being safe at home, having enough to eat, and having power and water—been overlooked amid a series of well-intentioned, yet second-order, priorities?
- International goals versus local goals. Whose priorities are we following? There is growing evidence that in weak states long lists of western priorities lead to unrealistic expectations and certain failure. At the same time, western imposed agendas can undermine the legitimacy of national institutions on which local people will ultimately depend.
- Aid Conditionality. Is it therefore time to replace policy conditionality—"we won't give you any money unless you do what WE say"—with governance conditionality—"we will back YOUR programme as long as you cut out corruption and stop the theft of aid money"?
- Opportunities for change. How do we do better at breaking the cycle of fragility seizing opportunities for change—when wars end, or a new president arrives? Are there particular times when coordinated international assistance can make a real difference?
- Resolving conflict/Holding elections. What is the evidence for the success of rapid exercises in constitution writing and holding elections, versus longer processes of dispute resolution and power sharing? How much focus should there be on rapid elections versus the other building blocks of democracy/ checks and balances, including rule of law?
- The cancer of corruption/action in the developed world. Some resource rich countries end up permanently poor as their wealth is stolen and hidden in rich countries. So what more can we do to fight corruption, for example with registers of beneficial ownership, swifter return of stolen assets etc?

- Resilience: Prevention is better than cure. Fragile states often lack resilience. How can we ensure hard won economic progress isn't swiftly reversed? How can we help fragile states protect against natural disasters and conflict?
- Role of International Financial Institutions. What role should the range of financial institutions be playing in all this? Do traditional IMF programmes work effectively in the most fragile states? Should the key leading institutions be more focused on fragile states? Is there sufficient focus on risk capital, rather than traditional loans? Are these organisations working together effectively?
- Importance of infrastructure/ Private sectors. How do we help to activate the private sector in the most fragile countries, creating jobs, growth and prosperity for everyone to share in? Is there sufficient emphasis on SMEs? Are we giving enough consideration to legal infrastructure, including property rights, as opposed to physical infrastructure?
- Institution building versus nation building. Institutions in fragile states lack both capacity and legitimacy. To what extent can donor nations help with building institutions? What is the relationship between national identity and successful institutions?

IS CHANGE ACHIEVABLE?

Countries like Rwanda and Columbia have escaped fragility and are now significant success stories. Singapore started life as fragile state—and is now one of the richest countries in the world. We can help today's most fragile states follow on this path from poverty to prosperity—and we need the determination to do so.

The CHAIRMAN. Thank you very much for the testimony.

And with that, Senator Menendez.

Senator MENENDEZ. Thank you, Mr. Chairman.

Thank you, Mr. Prime Minister. A great overview of the issues and the work.

I want to pick up on two of the elements that you talked about. Conditionality, governments, and rush to elections as you described it.

So Freedom House's latest annual report said that democracy faced its most serious crisis in decades in 2017 as its basic tenets, including guarantees of free and fair elections, rights of minorities, freedom of the press, the rule of law, came under attack around the world. This marked the 12th consecutive year of decline in global freedom. And this holds true, for example, in Africa where leaders have attempted, some successfully, in circumventing obstacles to remaining in power. The Democratic Republic of Congo, President Kabila's refusal to step down is a good example.

So my question is, what is our interrelationship, the intersection between maybe not rushing to elections but the relationship between democratic backsliding and fragility? Is there anything that we should be looking at as donors to prevent backsliding? Where should we be focusing diplomatic and development efforts to address that problem? Because, obviously, while one may not want to rush to elections, by the same token if there is not a pathway forward towards the very essence of democratic principles, rule of law, and transparency, then all of the donor effort can come to naught.

Mr. CAMERON. I think this is a really difficult question. And as I said, I am a supporter of democracy and elections——

Senator MENENDEZ. We wait for the Prime Ministers from Great Britain to ask those questions.

[Laughter.]

Mr. CAMERON. I think we will make a mistake if we take a fragile state and we say the measure of success is going to be how quickly we write the constitution and get to the election. In some

cases, that is effectively what we have done. And I think there are two things we need to think about.

One is when we think about democracy, we should be thinking about the building blocks of democracy, as well as the act of holding of an election because we all know that actually the rule of law, protection of minorities, a free press, checks and balances—these are actually in many ways more important than the actual act of holding the election. So do not judge the success of a country simply by how fast it has an election.

The second and, I think, more profound point is if you are dealing with a country that is recovering from conflict, if you rush to the election, the danger is that the parties to that conflict just wait for the election, try and win that election, and then complete their victory over their rivals because they won the election. And so what is required is a longer process of power sharing and trying to deal with the fundamental tensions and problems between the conflicted parties before getting to the election.

So I think we bear those two things in mind. It is not saying we should be anti-elections or anti-democracy. I think it is a more hard-headed approach. It is a more realistic approach. It ends with elections and democracy, but it recognizes that you cannot go from Afghanistan to Denmark at 100 miles an hour. You have got to try and resolve the fundamental problems in these countries and the power sharing that is required to bring people together.

Senator MENENDEZ. I respect that answer. I look at the elections as only one measurement, at the end of the day, of a totality of what we want to see in a country in terms of rule of law or transparency or respect of minorities. And that may not necessarily all be solidified in an election. But are those not benchmarks that we should be looking at? Because at some point, do you not have to challenge the fragile state to move in those directions—even if it is their plan, as you suggest, let us support their plan but say we need good governance in terms of us continuing to provide those resources. But do we not have to call for the elements of what a democracy is about, not just elections, in order to be able to see its people fulfill what we aspire from them?

Mr. CAMERON. We do, but if that is the main thing we measure, we may not really deal with the profound problem.

I would say this. Take two relatively recent examples: Afghanistan and Yemen. In both cases, arguably there was not a proper process of power sharing, reconciliation, coming together to form what would be an effective provisional government before elections became the desired outcome. So in Afghanistan, there is a good argument to say we should, after 2001, have found some way of trying to include conservative elements, the Pashtun elements of Taliban in some sort of national reconciliation. The same applies in Yemen where the Houthi were effectively left out of power sharing.

Now, that is always going to be more difficult and take longer. But if you are dealing with a fundamentally fractured country, I would argue it is better to try and get that reconciliation, power sharing provisional government together and perhaps try and measure the success of that provisional government. Is it starting to do the things that will stop the state from failing? Is it starting to deliver the public services? Is it starting to generate a working

private sector economy? And the elections, all the elements of Western democracy, which I completely support—that needs to follow surely—does it not—from the process of reconciliation. And if we simply measure speed to election, we are measuring the wrong thing.

I think the reason for making this argument is we have got to recognize what we have been doing in fragile states has not been working. There are successful examples of exiting fragility. Rwanda I think would be a good case in point. In 1994, hideous genocide, country on its knees, incredible growth and recovery story since then. You can go further back in history and find countries that might have had a fragile-looking start, even Singapore, you might way, when it left the federation of Malaysia. So there are good examples, but we have got a number of countries which have just been failure after failure after failure. And that is why I think a slightly more patient approach on how you bring together the conflicted parties is perhaps one we need to think about.

Senator MENENDEZ. Thank you.

The CHAIRMAN. Thank you.

Senator Young?

Senator YOUNG. Thank you, Mr. Chairman.

Mr. Cameron, thank you so much for your service in this capacity. I certainly regard it as a service to the American people, as well as so much of the rest of the world.

You and I had an opportunity to briefly visit before this hearing. You indicated you have visited my home State of Indiana. One of the things in visiting Greencastle you may not have become aware of is that Indiana is home to the largest Burmese-American community in our country.

I have worked with Senator Merkley and others on this committee on some legislative work pertaining to the ethnic cleansing by the Burmese Government of the Rohingya population. And I would like your assessment of the situation in Burma and neighboring Bangladesh with respect to the Rohingya. If you have a sense of the path forward, kindly share that with us. And what sort of broader lessons might we take away from that horrible situation?

Mr. CAMERON. Well, I was very proud to be the first British Prime Minister I think in a long time who went to Burma and met with Aung San Suu Kyi when she was still effectively in her home but was able to travel a bit more freely and things were beginning to open up.

I think we have all got to admit, those of us who have been huge supporters of hers and supporters of the democratization process in Burma, that what has happened with respect to the Rohingya is appalling and that it has been very disappointing—the response of people who aspire to be democrats and believe in democratic societies have tolerated and allowed this to happen.

But I think if we take it back to the bigger question of how we deal with fragile states, there is an element of what I am saying here I think which is that we all wanted Burma to move to democracy. And it is good that it is heading in that direction. We all wanted someone who had stood up for democracy to have their chance to stand and lead their country and that is happening.

But there was a bigger question we needed to ask at the same time which is how are you going to resolve the tensions in this country and the ethnic differences. How are you going to have a government that represents all of your people, not just some of your people? And perhaps we were insufficiently robust in asking those questions because there were problems with the different ethnicities in Burma, including the Rohingya, and what has become apparent is that was not nearly high enough up on Aung San Suu Kyi's list of priorities, how to bring the government together and how to have a government that could represent all of her people.

And I think that goes to my point. I am a passionate believer in democracy and elections. We were very focused on getting to those things in Burma. Were we all sufficiently focused on how to make sure it was a Burma for everybody? Perhaps not.

Senator YOUNG. Well, thank you. We will continue to, I know, collectively work on that situation, do whatever we can to be helpful to the people of Burma, the Rohingya population most especially.

I would like to turn now to the importance of effectively crowding in, as it were, private investment with respect to our development activities.

Last year, I convened a subcommittee hearing on global philanthropy and remittances as it pertains to international development. And some of the takeaways from that hearing were that the private sector investment of various forms —increasingly it is so much greater than we see official development assistance from whether it is multilateral institutions or in a bilateral way from governments.

According to a 2016 report—this comes from the Indiana University Lilly Family School of Philanthropy—84 percent of all donors, total economic engagement with the developing world, is through private financial flows. Of course, we know that official government assistance continues to play a catalyzing role, and it is essential to bring in that private investment.

But one of the questions you ask in your testimony is, quote, "how do we help to activate the private sector in the most fragile countries, creating jobs, growth, and prosperity for everyone to share in?" I believe that is the right question, and I would like to know what your answer is to it.

Mr. CAMERON. Well, first of all, in your point on remittances, you are absolutely right. Remittances dwarf overseas aid figures, and they should be encouraged. I mean, the money flowing back into very broken countries like Somalia is hugely important in the economy of that country. We should ask ourselves what can we do to help that happen? And there is a danger that some of these remittances get caught up in very appropriate and well meaning legislation about money laundering and what have you. We do need to make sure we are not holding back remittances. We should also encourage the use of modern digital technology to transfer money because there are lots of ways you can save money by doing these things digitally while guarding against the dangers that Bitcoin and other mechanisms have.

On your question about the private sector, I think one of the things we are finding is—I mean, it is the statement of the obvious, but in many of these countries, there just is not a functioning or there is a very small functioning private sector. And there are problems of security that lie behind that. But I would highlight two other things that we need to think about very seriously.

One is that, as I have said, a feature of all these fragile states is governments that lack even the basic capacity to get things done. And there is an argument that says as they start to build that capacity, one of the most important bits of capacity is the bit of government that relates to the private sector and business, the bit of government that relates to licensing and provision of services and all the rest of it. And we need to think about how to super charge that, how to make that happen more quickly.

A second thing is we always focus on infrastructure, how can businesses get their goods to market, how can they get their goods to port, are we helping build the correct road and rail and port infrastructure. I think we probably underestimated the importance of legal infrastructure, property rights. There are plenty of places in Africa you go to where you see signs saying this house is not for sale, and the reason is that you get is, well, there are not clear property rights. There is not a clear property register. People often find that what they thought was theirs is being sold by some crook without them knowing. So I think that is very important.

The final point I would make—and I referred to it in my introduction—is the big lending institutions do a great job at helping promote development in the poorest parts of the world. But there is a question mark in our minds writing this report. One, are they sufficiently focused on the most fragile states? Because if you apply lots of benchmark tests of economic return, social return, environmental return, pretty soon you will find that you will only back the projects in the slightly safer countries, which would probably get the private sector backing anyway. We actually need to find ways of really focusing them onto the most difficult countries and the most difficult projects because that is where we want them to make a difference.

In doing so—I mean, this will seem as British preferring our institutions, but one institution, what was the Commonwealth Development Corporation, the CDC, has totally changed from being one that invested into other funds into direct investment into specific projects. And it targets fragile states. So it has a whole set of targets to make sure it is putting the money into the most difficult and dangerous places. And I think that is very helpful. And as I said, I think in the Senate you are looking at a potential institution that could do this, and I think that would be a very positive development.

Senator YOUNG. Thank you for your thoughtful and fulsome response.

The CHAIRMAN. Thank you.

Senator Shaheen?

Senator SHAHEEN. Thank you, Mr. Chairman.

Thank you, Mr. Prime Minister, for being here.

One of the things you do not talk about in your remarks that I think is very important as we think about fragile states and how

we can better support them, is the importance of empowering women, empowering women economically, improving their access to education, making sure that they participate in any conflict negotiations. Data shows that that does make a difference. You pointed out how well Rwanda has done since their civil war. In fact, one of the reasons that they have been as successful as they have, I would argue, is because women have played an equal role in that society as it has been rebuilt.

So can you talk about what more you would like to see the United States and the West do in terms of supporting women in fragile countries?

Mr. CAMERON. Well, I think it is absolutely crucial, and the sustainable development goals, which I played some role in. The committee that Ban Ki Moon set up, which I co-chaired with the President of Indonesia and the President of Liberia—I thought we gave a much greater priority to gender equality, and the whole gender SDG I think is much stronger than what was there previously. I think it is absolutely crucial.

The only reason it is not in the memo I set out is we are really looking at what are the things we need to do differently in fragile states as compared to other poor countries. We need to apply the views that I am sure you and I would share about the importance of gender equality and what a massive driver of development it can be. We need to provide that everywhere, fragile states included. I think what my memo is concentrating on, what are the things we need to do differently in these states and what is actually failing.

But in terms of the support that Britain or America gives in terms of aid, I think gender should be an absolutely crucial part of it, and my plea would be, which I make back at home, that we stick with the 0.7 that we have historically delivered and we go on doing that. And my plea here—of course, it is not for me to tell you what to do—but to keep going with U.S. aid programs, which have done an enormous amount for gender equality.

It is often the one thing that can absolutely flip the growth rate and progress of a particular country. And those countries that are disadvantaging women—they can see that they are falling behind. Even in Saudi Arabia, they are beginning to realize that disadvantaging half of the talent of the country—or as my wife would say, considerably more than half of the talent of the country—is not a sensible approach.

Senator SHAHEEN. Well, I would urge you to add that to your list. Even though you are making that distinction, I think for people who are just looking at this, it is an important reminder about how important that is.

As you look at countries or regions where you are particularly concerned about them deteriorating further or where you think intervention in a different way might change the outcome, are there particular countries or regions where you would urge us to look especially hard at what we are doing?

Mr. CAMERON. I would say, first of all, that I think it is worth differentiating between levels of extreme poverty that we want to tackle according to the SDGs. It is worth differentiating between that and between fragile states. And I think it is worth having a focus on fragile states because I think when we look at the world's

poorest, we can see that India and China, still home to a huge percentage of the world's poorest, are actually lifting people out of poverty at quite a rate. And soon we are going to get to a position where 50 percent of the world's poorest that is living on less than $2 a day—50 percent of them will be in fragile states. So I think the focus should be on the fragile states. As I said, Britain puts 50 percent of our bilateral aid programs into fragile states, and I hope other countries will look at doing the same thing.

In terms of geographically where they are, many of the most fragile states would be in Africa, the DRC, Burundi, Liberia. You know, there are lots of countries that have suffered from conflict, corruption, weak governance, weak capacity, lack of resilience, all of those characteristics. But you can also find them elsewhere. In every continent there are fragile states.

I think one of the most remarkable things is that you often find countries next door to each other with quite similar characteristics but one is a success and the other is not. Botswana, massive successive story, a middle income country. Neighboring Zimbabwe, disaster. Colombia coming out of conflict, economically successful. Venezuela, we all know.

So what is the difference between these countries? It is not geography. It is not climate. It is not ethnicity. It is actually governance. It is leadership. It is the decisions they have made, the choices they have taken. And I think that should reinforce our view that you can do something about fragility. You have to focus on governance. As you start focusing on governance, you get into some very difficult questions about how you help because you cannot have some sort of neo-imperial program. As I have said, you have got to try and back their programs rather than imposing your own agenda. But if you can help with those modest improvement, governance can make a difference.

Senator SHAHEEN. I know I am out of time, but I think it is important to reinforce what you said. It is not just about governance. It is also about leadership and who the leaders are. So you can have a great government structure, but if you do not have a leader who helps lead the country in the right direction, that governance structure does not account for what we would all like to see.

Mr. CAMERON. I think there is something on that which the commission would really appreciate your views, which is I think if you look back at countries that have made advances out of fragility, it is often because there has been a particular moment. It might be a new president elected. It might be the end of the war. In the case of Rwanda, it was a national event so horrific that it gave a leader a chance to take the country in a different direction. And I think that might have an implication for how we decide to spend money because if what we do is just have continued programs for countries that sometimes fail year after year after year, we just keep going, maybe that is not a good use of our money. Maybe it would be better if actually we said, hold on, here is a country that has got a genuine opportunity of change because of one of these events and let us actually really put more resources and more effort into that.

And so we might want to think about how we allot money, how we prioritize. And there may be some cases where the governance

in a particular country is so bad that we simply say we are not going to help because we cannot have the guarantees that this money is not going to be wasted, that the corruption is not going to continue because it is not fair on our taxpayers to say we are going to go on supporting a country where they are not even achieving the basic norms of governance in order to make sure this money is not stolen.

Senator SHAHEEN. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Isakson?

Senator ISAKSON. Thank you, Mr. Chairman.

Chairman Cameron, thank you for being here and thank you for what you are doing.

I was just thinking. The chairman and I, Chairman Corker and I, went to the Sudan and to President Kagame's country that you have referred to quite frequently today. And I think both those are primary examples of the two ways in which a fragile state can exit or stay.

In the Sudan, al-Bashir's goal to keep power in his hand was to keep it a fragile state, and because of that fragility, it is kind of what has happened under the Dutch disease where a lot of the rich countries with natural resources, the leadership keeps the money, does not use it to invest in the people. And so they are never going to build their way out of the poverty that they have.

And then you take the opposite example. I mean, Rwanda is the example where Kagame came in and ended a horrible genocide between the Hutus and the Tutsis. And through economic empowerment and team building really, which was his leadership, they exited a mass slaughter of each other.

The National Basket Company of Rwanda is a tin hut where every morning Hutu and Tutsi women go to the hut and the divide up, and one Hutu and one Tutsi gets in each square on the floor that is drawn out in chalk, and they make two baskets a week. They sell those baskets to Bloomingdale's in New York. And they get the commission on the sales of those baskets. Remember, Bob, when we went through there and saw that?

The CHAIRMAN. Sure.

Senator ISAKSON. And what they did, they got the Hutus and the Tutsis making baskets together instead of cutting each other's heads off. They created economic empowerment to the women, Senator Shaheen's point. And they built their way into what is a right successful country in Africa. Now, I know Kagame—there are some issues maybe, but you got to give him credit.

I saw Bob Corker dig a tree out of the middle of a path in a little village we were in on Umuganda Sunday. Remember that, Bob? He had a strong guy like Bob and a weakling like me out there digging a tree up in the middle of an African village. And they were watching and clapping and we were digging. But that was leadership, and they did those things to improve their infrastructure.

So I think Rwanda is a perfect example of how you can exit fragility and go into prosperity or on your way to prosperity through economic empowerment and through governance and through leadership. It might not be our type of governance or our type leader-

ship. But just comparing that to al-Bashir, the people in Sudan appear to me to be a captive of a man whose dream is to keep them captive in the poverty of fragility rather than the opportunity of capitalism.

Mr. CAMERON. I would agree with a lot of what you said, sir.

I think Rwanda is an example of effective leadership. There is no doubt that he has been effective at delivering economic development. But I think it also goes to this point I am making about it was a Rwandan national program. We did not come in and impose our ideas and objectives. It was their plan and we backed their plan.

And I was talking to President Kagame about this the other day. He said I am very happy for you to say if you find any of this money wasted, if you find the budget support you have given goes on ministers' Mercedes or is stolen, take the money away. So governance conditionality. But it has got to be our plan because in the end these countries only escape fragility if their institutions grow in both their capacity to get things done but also their legitimacy, they are seen as legitimate by the people. So I think it is a good example.

I think also they focused on some pretty important economic things, the time it takes to get goods from Rwanda to the port in Mombassa. It used to take, I think, three weeks, and they have got that down to a number of days. And that was just because they totally focused on what you need to get a private sector economy going.

I think South Sudan is a very good example of what goes wrong. When the country was divided, Sudan and South Sudan, I do not think the international community was sufficiently focused on the reconciliation that needed to take place within South Sudan. The country started up and elections and all the rest of it, but without a proper reconciliation between the tribes in South Sudan in terms of how power was going to be shared and how checks and balances were put in place—but it is possibly an example of where the international community could be tougher in terms of conditionality because the economy is based on a mixture of oil and aid. And actually those are two things over which the international community could exercise some leverage in order to try and ensure that there is a proper way of sharing power in that country rather than just carving it up.

Senator ISAKSON. Well, thank you very much for your leadership because helping these states to work their way out of and establish the goals and the leadership within their state to work their way out of fragility into prosperity is something all of us could do to help. It would reduce our need to have foreign aid or assistance programs, but it would improve the lives of those people a hundred times over. So thank you for your leadership.

The CHAIRMAN. Thank you.

Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

Mr. Prime Minister, it is a real pleasure to have you here. I agree with your statements. It is about basic government capacity is the key to dealing with the fragile states. And we cannot solve that problem by going around the governments. You may provide

humanitarian assistance to the people that are suffering, but it is not going to deal with the stability of fragile states. And we do need to have government accountability, and that is why conditionality of aid effecting government change is the way I think we need to go.

I want to talk a little bit about what I think is one of the major goals, and that is to deal with the corruption that we see in fragile regimes. We have a lot of very, very poor countries where their leaders are doing extremely well because of corruption.

You mentioned transparency. One of the areas that we have been trying to work with here in Congress is transparency in the extractive industries because a lot of the fragile states have mineral wealth but the mineral wealth is going for corruption rather than to the people itself.

So the United Nations took a major step forward in the sustainable development goal number 16, which for the first time dealt with governance as part of our major objectives. The first round, we had pretty good success under the Millennium Development Goals.

So now under the sustainable development goals, how can we coordinate an international effort? I understand the United States needs to take a lead and UK take a lead. But how can we really mobilize the international effort to focus on accomplishing goal 16, which would help us with governance in fragile states so that we can have accountability and we can do something on a more permanent basis?

Mr. CAMERON. I am so glad you mentioned goal 16 because when I chaired that committee with the other leaders, it was one of the things I was determined to do, was to get a goal on governance and corruption and rule of law and access to justice into whatever the world eventually agreed to. And it was—with the committee that we had that included countries of all different shapes and sizes and political outlooks, if I can put it that way, it was something to get that in there.

And it was there not just because of my prejudices, but where we actually went out and asked people what is you most want from these goals. Of course, number one was tackling poverty, but the second thing was access to justice. And that was the cry from the poorest people in the poorest countries in the world.

I think the answer to your question, sir, is that we have to lead by example because there are so many cases of money stolen from poor countries and hidden in rich ones, that of course, we want those countries to be less corrupt. We want those leaders to be less corrupt. We want them to have mores in place. We want them to have courts that work. We want people to go to prison when they steal money and all the rest of it. But we will not be able to have that leverage unless we sort our own act out.

And that is why, when I chaired the G8, I put this issue of registers of beneficial ownership. We need to have in all of our countries a register so you can see who owns what, preferably as we are doing in Britain. We are having an open one so it can be searched by members of the public, NGOs and others. But I think a minimum standard is that everyone should have one of these registers

so that when you are looking for stolen assets, you can look and you can find them wherever they are.

I would combine that with this crucial thing about sharing tax information between countries, including between poor countries and rich countries. And that might mean we have to use some of our aid money to help these countries build their own tax capacity and tax inspection because if we do these things, there is a chance that we can then have a far bigger conversation about how we tackle corruption because we can say, look, we are sorting our own situation out. So if the money has been hidden in Delaware or in London or in Paris, you can come and find it.

I think the other piece that goes with that is returning stolen assets. We have got to make that faster because you often find people, whether it is Mubarak or others—vast larsony. You know, they are not just stealing small amounts of money. It is billions. It would actually make a material difference if you divided it up and gave it back to the people that they took it from. And we are too slow at that.

So I think there is a whole set of things and this makes this more of a global effort rather than the rich world looking at some of the poorest countries in the world and saying we have got some ideas to help you do better. If it is a global effort because we are doing our bit, I think would hugely help. And extractives is a very big part of it.

Senator CARDIN. Let me just add one thing this committee is doing. We have passed legislation—it has not been taken up on the floor yet—that would use the example of Trafficking in Persons report for corruption so that we can start best practices and rate countries, but then use that as a guideline to our development assistance to try to build capacity to deal with corruption in countries. Trafficking has now been taken on globally to fight that. We got to take corruption on globally.

Mr. CAMERON. I completely agree. I chaired in London I think it was the first purely anti-corruption conference. And it set out a whole road map of things that countries needed to do. And I hope Congress can maybe help with that to keep up the momentum because there is a whole bunch of things that countries can do about registers of ownership, about sharing of tax information, about returning assets, about making sure that people who are corrupt cannot serve in public office, a whole bunch of stuff that we can encourage countries to do.

There is one last thing on extractive industries because that can sometimes feel like a very complicated and sort of long and lonely battle. But the truth is the world has come a huge, long way over 20–30 years. And what was a very unequal struggle between big oil companies dealing with governments that were, A, weak and, B, corrupt, we are living in a very different world now where there is far more understanding about what fair deals are and what deals these companies should come to. And so while it can seem quite boring and technical and hard work, the work of organizations like EITI is absolutely crucial.

Senator CARDIN. Thank you.

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you very much.

A pleasure to be with you. Thank you so much for being here.

When you talk about weak and corrupt countries and how we can get away from this, it does seem information is helpful at all levels. If you think about what cell phones have done and electricity to allow people who are just growing crops to not just be dependent on knowing the price from the guy that comes up with a truck and offers him only so much money, they now know what price to ask for. This has helped in terms of medicine, in terms of all the technology. You need to make sure those people have access to the cell phones, which they certainly do, but then the electricity to power them. With the last couple trips I was in Africa, it just seemed that electricity was a big issue.

And when you talk about governance in terms of not imposing our own views but allowing people to govern, sometimes I see the United States trying to make decisions about we will only allow you to subsidize this kind of power but not that kind of power because we are looking at environmental purity and what happens to be a global overview as opposed to what is better to put electricity in the hands of the people right there. And you see that affecting child birth, death during child birth without electricity, in terms of just being able to refrigerate food, those things related to our own views versus what is best for the people on the ground to give them the information to then get out of the situation.

Mr. CAMERON. I think you are right, sir. There is an enormous opportunity to use technology to do development better. And I would just give a couple of examples.

One, which I think you were hinting at, is transparency. If it is clear how much money USAID is spending in Kenya or Tanzania and how much money is going to schools, you should be able to publish that money. People should be able to follow whether the money has got to their school, whether the school has been built, et cetera, et cetera. All of that is now—you can publish it. People should be able to look at it on their cell phones.

And I think we should try and make sure that as we work with our development institutions, our DFID, your USAID, and others, that they should be encouraged to do more that is transparent and also work with what I would call the sort of dev tech sector, you know, the whole bunch of new businesses in development that are trying to do things differently.

But I think the most important point you made is when it comes to electricity and energy, which many of these fragile states are woefully provided for in these areas, the temptation in the past has been to do the big project, vast finance, big loan, government contract, often a lot of corruption involved in it, a big national grid being built, big power stations being built that either do not work, do not happen, and masses of siphoning off of corrupt money. Now it is possible to use small solar installations that can provide solutions at a much lower cost and at a more local level. It is more difficult for the corrupt to get their hands on those things, and so we should be looking at those.

And that goes to the point I was making about working with small and medium-sized enterprises, working with the private sector, trying to look at equity as well as just loans, and recognizing

some of these things can be done at small scale rather than at very big scale. So just to your point, sir.

Senator BARRASSO. I go back and forth between how do we address the cause of the fragility and not just the symptoms of the fragility. I just ask that question. Am I really talking about the cause or the symptoms, and how do we——

Mr. CAMERON. Well, I think one of the issues is that the people who have been addressing this and trying to address this, who work valiantly at it—I think there has been this sort of search for the single cause of fragility. And I think the trouble is that we are not going to find it. They are all interrelated. You have a lack of security, and so you do not have a proper market economy. You do not have a proper market economy, so you do not have any tax revenues, so you do not have a capable government. You have got an incapable government, so you have got conflict going on. Because you have got conflict going on, the institutions of your government are not legitimate for half the country. Everything causes everything else. So I think the search for the one cause is probably not a good use of our time.

I think what we should be searching for is the mini steps you can take as a fragile country and as an international community trying to support that country that can slowly make a difference and build your way steadily out of fragility.

Senator BARRASSO. If you travel through Africa, as I have done with ONE organization, they say we are going to fund one project. What is it? Is it the road? Is it the electricity to try to help people focus on what is the one thing? They may not be able to address all of these that you just pointed to.

Mr. CAMERON. The best thing to do is to ask the people of that country and the government of that country what is your priority. Now, of course, if they say, well, the priority is training jihadists, well, you are not going to support that. But it may turn out that the priority they want is not actually the priority we might want.

There was a classic example in South Sudan where one particular donor said we are not going to support this country until they put in place a specific goal on climate change. Well, this is just asking a country that is at a fairly basic level of development to start designing programs that it was not ready to do. So the most important thing is that it is their plan that you are backing and it is something that over time will build the legitimacy of that country and that government because in the end we do not want to be giving these countries aid forever. They do not want to be receiving aid forever. And in the end, the answer is effective governments that can sort these problems themselves.

Senator BARRASSO. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Coons?

Senator COONS. Thank you, Chairman Corker and Ranking Member Menendez.

Thank you, Prime Minister. It is wonderful to have this chance to hear from you some well thought out, deep, insightful commentary on the significance of fragile states, on the ways that we can partner to focus our development investments and efforts and

financing work in ways that really could cumulatively have a significant impact on security and stability.

Let me talk first, if I could, about a bipartisan bill that Chairman Corker and I have introduced and that has the support of eight members of this committee, on modernizing our development finance tools. I think—and I quote—you called the ideas in that "brilliant." I can die and go to heaven now.

[Laughter.]

Senator COONS. It would provide a whole suite of new tools to what is currently known as OPIC. It is called the BUILD Act, and it would allow for investment in equities and local currencies and a number of other things.

I would be interested in, given the leadership that you have shown in development finance and the ways you have referenced its significance, how do you think we might focus on prioritizing investing in fragile environments. Do you have any recommendations that would focus on development finance institutions and how we get them to target better development outcomes? And how would you see this revised or strengthened U.S. development finance entity partnering better with allies, particularly in Western Europe, particularly that share the same priorities and world view?

Mr. CAMERON. I think I am right in saying the point about OPIC is that it can do loans, but it cannot do equity investment. And that is part of your plan.

Senator COONS. This would allow it.

Mr. CAMERON. But to answer your questions as directly as I can, I mean, how to focus on fragile states, I think it is in how you set it up and how you incentivize and how you set out its plan. What we did with the Commonwealth Development Corporation, our CDC was literally given a set of targets that deliberately focused on the most fragile states. And so that is how they define their success. If you define the success purely by returns, then you are always going to be motivated to find the least fragile of the states you have been asked to invest in. And also you will tend to go to the bigger ones. You know, it is easier to find, given that it is going to take a lot of management time and all the rest of it—a project in Nigeria is always going to be more attractive than a project in Burundi. But that is why no one is investing in Burundi. So I think how to focus on fragile states is simple, just to focus on them.

I think in some cases, you may want to look at altering the target returns and really significantly lowering them. Some of these countries are so short of basic investment, particularly in legal and physical infrastructure, that even if—you know, if you compare it with aid, once you have spent an aid dollar, it is gone. With these equity investments, even if you do not lose money, you are actually helping build capacity that is going to make a difference to the future of this country. So I think focus on them, look at the returns.

In terms of the outcomes you focus on, again, I think we have got to think about how we work with the countries. I have not quite worked out how to do this yet. But ideally, if we want to make these countries stronger for the future and their institutions more legitimate, then the very best thing would be if the development financial institutions were helping them to set up funds that we are investing in small to medium-sized enterprises that would

make a real difference in those countries because if it is all seen as something being done to these countries, it might help with some of the infrastructure, but it does not help with the longer-term problem, which is the legitimacy and the capacity of their institutions. So I think that is worth thinking about.

I think the SME sector often in these countries, when you look at them, what is really missing is what we have in your country or mine, vast businesses ranging from two employees to 200. They have got lots of one man or woman shows, and they have got one or two big businesses, and nothing in between.

How to partner? I think part of this is getting these institutions together to try and make sure that they have some common agendas. And I think as you look to set up your new DFI—I have said it before, but I do think CDC is really worth having a good look at, particularly the way they have changed over the last five or six years.

Senator COONS. Thank you for that answer.

I do think our Millennium Challenge Corporation has moved quite a ways for our overall development approach in the direction of partnering with a country, responding to its development priorities, having accountability mechanisms.

One thing we have tried to work on here is to give our MCC the authority to do regional compacts rather than just bilateral. Do you think in combating fragile states—you gave the example of Burundi, some that are so small it is difficult to prioritize them. Should we be looking at fragility on a regional basis as well as bilateral?

Mr. CAMERON. I think there are regional organizations that you can work with and that have a good perspective. But at the end of the day, I think we do need to work with the countries. I think sometimes the development world is a bit dismissive of the rights of nation states. And in the end, it was not the regional organization that helped sort out Rwanda. It was the Government of Rwanda with the assistance of generous aid donors that wanted to back a leadership that had a plan for its country. That I think is the best answer.

I think often you will find areas where there is a series of fragile countries, in the Sahel, for instance, being the classic example. And so initiatives are put together to help all of these countries. And that is all to the good. There are so many interconnections. But at the end of the day, we need the Government of Mali to be more capable and legitimate. We need the Government of Niger to be more capable and legitimate. These countries are not going to go away. You cannot sort of pretend you can go around them. And I think the thrust of what we have been looking at is how to work with these countries rather than go around them.

And in doing so, there is one other point we have not really talked about. Of course, you are going to help build institutions. They need tax collecting authority. They need licensing developments. They need education departments. But the truth is that you cannot just build these things without, at the same time, trying to help that country deliver a narrative about what it is trying to do, about what its plan is, about what it is for, about what its goals are. And I think it is quite interesting when you look at how dif-

ferent states have got out of fragility, those ones that have had a sort of national story about what they are trying to achieve have always done better than the ones who have tried to carve up the assets of the country between different tribes trying to keep the happy. So if you look, for instance, at what Seretse Khama did in Botswana or, to an extent, what was done in Tanzania, there was a real attempt to try and build some national identity. And I think that can help hugely with trying to make these countries have a successful future. So regional organizations, yes, you can work with them, but if you are trying to go around the country, I do not think it will work.

Senator COONS. Thank you.

Let me just close by also offering my condolences on the attack in Salisbury. And my thanks to you for being clear-eyed about the Russian threat. I do think we have important work to do as close allies.

And if we have a moment afterwards, I would love to talk to you more about the Sahel.

Mr. CAMERON. Can I just say I am very grateful for you saying that? In Britain, we are absolutely united in seeing what has happened as completely horrific, unjustified, unjustifiable. I think the Prime Minister's response has been very firm, very strong, and quite rightly so. And the special relationship, the partnership between our countries is so important to us, and knowing that here in the United States you are with us in facing down these threats is incredibly important.

And all I would say is that it is so important that a clear message is sent by allies about the unacceptability of this behavior and that real consequences will follow. And all the experience I had over six years as Prime Minister is there are some countries and some leaders who will only understand a very firm response, and a weak response—they will simply do again what they have done before.

Senator COONS. Thank you, Mr. Prime Minister.

Mr. CAMERON. Thank you.

The CHAIRMAN. We very much appreciate your sharing your world experiences and the work you have done on fragile states with us today. It has been a great hearing. Obviously, we honor your service to the United Kingdom and your great friendship to us. We appreciate you taking the time to be here.

The way our committee hearings work, we allow written questions after the fact, and we are going to have those until the close of business Friday. And to the extent you can—I know you are very busy traveling the world and doing what you are doing, but to the extent you could answer those, we would appreciate it.

Again, thank you for your great friendship, your outstanding service.

Mr. CAMERON. My pleasure. Thank you. Can I also say that we have not finished our report. We are still thinking about it. And if there are perspectives and ideas that you have, perhaps particularly on this development finance institution, we are very keen that this report really generates a change in how we deal with fragile states. And so we would welcome your perspectives.

The CHAIRMAN. I am sure the brilliant Senator would like for you to include that in your reports.

Mr. CAMERON. I will do my best.

The CHAIRMAN. With that, we are adjourned.

[Whereupon, at 3:50 p.m., the hearing was adjourned.]

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