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Explaining and Fixing the 'Weak Governance Curse' in Resource-Rich Least Developed Countries

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There is a resource boom in the least developed countries, including those in Southern Africa. In order to translate their resource wealth into positive development outcomes in the long run, these countries need to have strong domestic governance systems. Yet, governance indicators in resource-rich LDCs have stagnated or deteriorated in the last decades. We use a new institutional analysis with a focus on path dependence theory to argue that these countries are caught in a "weak governance curse". Besides having inherited dysfunctional governance paths from past critical junctures, rent-seeking behavior associated with resource rents constitutes a major contemporary political economy obstacle to successful governance reform in these countries. Although these dysfunctional governance systems have become extremely resilient to change, we build a theoretical case as to why global regulatory mechanisms can serve as potential tools to provoke gradual feedback effects to disrupt this negative equilibrium.

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1. Introduction

There is a resource boom happening in the poorest countries in the world. In 2012, twenty-two out of the forty-nine countries which the United Nations classifies among the least developed countries (LDCs) were already exploiting or were expecting to shortly exploit significant amounts of natural resources (UNCTAD, 2012). Nineteen of these resource-rich LDCs are African countries, including five members of the Southern African Development Community (Angola, Democratic Republic of Congo, Mozambique, Tanzania and Zambia).[1] Academic research shows that resource wealth can only be translated into improved human development outcomes in the presence of good domestic

[1]We use a broad definition of resource-rich to include LDCs that exploit or are about to exploit significant resources such as Angola, Mali, CAR, Chad, DRC, Equatorial Guinea, Guinea, Liberia, Mozambique, Niger, Sao Tome and Principe, Senegal, Sierra Leone, South Sudan, Sudan, Uganda, Tanzania, Zambia, Afghanistan, Cambodia, Timor-Leste and Yemen.

governance systems (North, 1995; Brousseau & Glachant, 1995). Yet, all these LDCs have weak domestic governance systems.[2] The resource-curse literature alerts that if resource-rich LDCs cannot bridge their domestic governance deficits, they will end up with worse development indicators in the long run, and will more likely be ruled by authoritarian regimes and fall victim to political instability and civil conflicts than their resource-deprived peers (Auty, 1993; Sachs & Warner, 1995; Karl, 2005; Humphrey, Sachs & Stiglitz, 2007; Ross, 2012). A most pressing question in developing circles is therefore how to positively influence the governance paths of resource-rich LDCs. This question remains, however, wide open.

Despite massive efforts and resources invested in multilateral and bilateral development assistance to promote domestic governance reform in the last decade, many developing countries, and resource-rich LDCs in particular, have seen no significant improvements in their domestic governance systems (Kaufmann, Kraay & Mastruzzi, 2010). Why is this the case? How can this be fixed? Using a new institutional analysis with a focus on path dependence theory, we argue that improving domestic governance systems in resource-rich LDCs is an Augean endeavor because these countries are caught in a double trap (Collier, 2010). First, historical factors account for the development of dysfunctional governance paths in resource-rich LDCs. Such paths became resistant to change over time (Section 3). Second, rent-seeking behavior associated with resource rents constitutes a major contemporary political economy obstacle to successful governance reform in these countries (Section 3). As a consequence, improving governance systems in resource-rich LDCs is an intractable problem, and the strategy of promoting governance reform through development assistance has proven insufficient to break what we call "the weak governance curse".

New global regulatory mechanisms (GRMs), such as the Extractive Industries Transparency Initiative and securities disclosures for extractive corporations in home countries, have recently been created to provoke feedback effects in the domestic governance systems of these countries, alongside governance reform attempts through bilateral and multilateral agreements. Although there is so far no empirical research determining the potential impact of these mechanisms in addressing what we call the "weak governance curse", we use path dependence insights (Section 5) to build a theoretical case as to why it is possible to conceive of GRMs as tools to provoke gradual breakthroughs in extremely dysfunctional governance systems. We start by providing a brief presentation of the analytical framework (Section 2).

2. Brief Analytical Framework

An extensive body of literature investigates why significant amounts of capital and time dedicated to promote governance reforms through bilateral and multilateral assistance have apparently failed to generate noteworthy results. Michael Trebilcock (2012), for example, identifies four obstacles that impede effective rule of law reforms in developing countries: (1) resource constraints (including lack of financial, technical and human capacity); (2) socio-cultural-historical constraints

[2]We use a broad definition of governance that includes Fukuyama´s circumscribed conception involving state capacity ("government's ability to make and enforce rules, and to deliver services", Fukuyama, 2003) and national mechanisms of democratic accountability (Kaufmann &Kraay, 2007).

(related to values, norms and attitudes adverse to the rule of law that prevent formal reforms from becoming effective); (3) political economy constraints (including lack of domestic demand for reforms and supply-side vested interests that derail or obstruct reform attempts); (4) legal origins that determine the subsequent performance of legal institutions (path dependence).

This extremely useful classification can be extended beyond rule of law reforms, to governance reforms in general. For the sake of simplicity, and to highlight the main points of this article, however, we concentrate on a single approach, that of the new institutionalism. In the last three decades, new institutionalist scholars have investigated the mechanisms of institutional formation and institutional change. Economics and political science scholars have concluded that institutions are resilient to change due to path dependence (Kay, 2003; Pierson, 2004; North, 2005; David, 2007; Zamagni, 2010; Signé, 2011; Acemoglu & Robinson, 2012). The concept of path dependence illuminates how past choices and events have both determined how current governance systems were originally shaped and have possibly created significant obstacles to institutional reform. To Allan M. Williams and Vladimir Balaz (2007, p. 37): "path dependence exists when the outcome of a process depends on its past history, on a sequence of decisions made by agents and resulting outcomes, and not only on contemporary conditions."

The path dependence literature compellingly explains why and how governance systems change. The concept of a critical juncture is key to understanding this process. An initial extraordinary event destabilizes an existing governance system by provoking dramatic shifts in domestic payoffs, thus opening the way to significant institutional change. This critical juncture enables the inauguration of a new governance path, which gets reinforced and stabilizes over time, becoming resilient to change. The same critical juncture can create a path that is functional in one system and dysfunctional in another, depending on the circumstances (Acemoglu & Robinson, 2012).

We use an expanded concept of path dependence – encompassing legal (institutional) origins and demand-side political economy constraints, as defined by Trebilcock (2012) – to argue that: 1) most resource-rich LDCs have inherited dysfunctional governance systems, which were reinforced over time, and are now "locked in"; 2) supply-side vested interests and rent-seeking behavior (see Section 4 for a comprehensive presentation of the concept) further complicate the picture. In other words, promoting effective governance reform has become intractable, and these countries are currently "trapped" in a weak governance curse. We assume that lack of resources is not the biggest challenge due to the massive amounts of external resources invested in governance reforms, and also the potential domestic financial resources available for resource-rich countries. We also assume that socio-cultural constraints, if confirmed, would not represent a defining factor.

In Section 5 of this paper we use path dependence concepts to envision three potential ways in which GRMs could interact with extremely dysfunctional domestic governance systems. First, these mechanisms can be used to provoke an external shock in a stable governance system. This may destabilize the system and create a critical juncture that will set up a new governance path. Paul Pierson (2004) argues that in cases where the institutional path seems so locked-in that all internal strategies have proven insufficient to break the bad equilibrium, only external shocks will be effective in promoting change. This would be the case, for example, with external military interventions.

A second possibility is to use GRMs to help foster gradual internal changes. This idea is based on two assumptions. The first assumption – as suggested by Kathleen Thelen (2003) – is that institutional changes do not depend on external shocks. Internal dynamics, even in bounded paths, are still fluid, and change is always occurring, however small. For Thelen it is always possible to find endogenous avenues to provoke feedback effects in stable dynamics. Collin Crouch and Henry Farrel (2004) expand Thelen's theory, arguing that often there are potential but dormant endogenous alternative mechanisms that can open new paths or that may provoke feedback effects to disrupt the dynamics of a dependent path. We argue, differently from these authors, that exogenous GRMs can operate in the same fashion that potential endogenous mechanisms operate, offering an innovative avenue that domestic actors may or may not use to set a new path in the domestic sphere. Thus, our second assumption is that external mechanisms can help foster internal changes. The idea proposed here, that exogenous institutional mechanisms can serve as key options to provoke feedback effects in extraordinarily resilient dysfunctional governance paths is grounded in a combination of Pierson's and Thelen's theories. Our research is then interpretative with a comparative historical method (Mahoney, 2004), systematically identifying the processes of continuity and change over time with the corresponding paths.[3]

3. The Paths of Resource-Rich LDCs

Twenty-two LDCs have been either experiencing a marked growth in resource exploitation or are expected to do so in the near future. According to the World Governance Indicators (Kaufmann, Kraay & Mastruzzi, 2010), these countries have weak governance systems, some well below the world and regional averages. Virtually all of these countries fell under direct or indirect colonial control by European states between the sixteenth to the late nineteenth century (Table 1).

Country	Colonial Power	Country	Colonial Power
DRC	King Leopold/Belgium	Sudan	France
Niger	France	South Sudan	France
Mozambique	Portugal	Zambia	UK
Chad	France	Yemen	UK
Sierra Leone	UK	Tanzania	UK
Central Afr. Republic	France	Cameroon	France
Guinea	France	Angola	Portugal
Mali	France	Timor Leste	Portugal/Indonesia
Afghanistan	UK	Sao Tome Prince	Portugal
Equatorial Guinea	Spain	Liberia	-
Senegal	France	Uganda	UK

Colonization by foreign powers has been widely recognized as a critical juncture for the formation of institutional paths. Acemoglu & Robinson (2012), for example, argue that there is a strong

[3]For a detailed description of the comparative historical method used in this article, please read the full article of Mahoney (2004).

correlation between extractive institutions established by European powers in colonies with low settlement rates and the weakness of current governance systems in these former colonies. Others argue that additional factors, such as harmonization of institutional transplants with local institutions or values (Berkowitz, Pistor & Richard, 2003), integration of indigenous constituencies in colonial institutions (Daniels et al, 2010), capture of extractive institutions by authoritarian local elites after independence (Engerman & Sokoloff, 2012) have all played a role to either mitigate or reinforce the dysfunctional governance paths in former extractive colonies. Once dysfunctional governance systems initiate at a certain critical juncture and are reinforced over time they likely become "locked in", making governance reform an intractable enterprise in these countries.

It is beyond the scope of this article to propose a complete analysis of the colonial strategy and subsequent institutional evolution of each of these 22 countries. The following anecdotal evidence is intended to paint a general picture of how, likely because of high levels of settler mortality, most of the resource-rich LDCs were mainly extractive colonies, with institutions controlled by small elites, which created structures to more effectively exploit natural resources and cash crops. These dysfunctional extractive institutions were generally reinforced by different factors over time.

DRC (former Belgian Congo), Chad (former Ubangui-Shari) and the Central African Republic, for example, were subjected to the system of European concessionary companies. The companies were offered concessions to exploit natural resources over large parts of the territories. Sierra Leone also experienced decades of rule by corporate concession. The Sierra Leone Company was incorporated in London and received authority from the British Crown to explore large portions of land and to "make laws until the settlers were capable of making their own" (Redden & Schlueter, 2005, p. 6). Portuguese colonies in Africa were also extractive. Gerald Bender (1978) argues that few free Portuguese were interested in settling in the African colonies, which were associated with hardship and death. The number and type of Portuguese settlers in Angola (and Mozambique and Sao Tome) were never in any way similar to those in the "new Europe" colonies, such as Canada or the USA, or even to those in the Latin American colonies (Bender, 1978). Many other current resource-rich LDCs had high levels of settler mortality and became "extractive states" dominated by their European colonizers (Acemoglu, Johnson & Robinson, 2012).

However, this initial critical juncture is not the only factor explaining the resilience of dysfunctional governance systems in this group of countries. Richard Sandbrook has extensively researched the political roots of economic stagnation in African countries. He argues that when European institutions were transplanted from metropolises to many African colonies, they were not socially embedded. With continued colonial exploitation they remained strongly dissociated from society. Gradually, these uprooted institutions adapted to their function in the new environment. The result, argues Sandbrook, was the consolidation of patrimonial states, with political and social regimes based on "personal rule" (Sandbrook, 1986, p. 319). Most of the African resource-rich LDCs fell into this category of patrimonial states.

The integration of European institutional models into pre-existing or traditional systems of maintaining social order was not a common feature in most of the 22 resource-rich LDCs. In French Equatorial Africa, for example, two very different legal codes were in use. French citizens were subject to the French legal code, regardless of color. Indigenous peoples were subject to customary law, but this law was administered not by local authorities but by French representatives (Kritzer, 2002). Similarly, in Angola there were two types of colonial courts, ordinary and special. The special courts heard cases involving Portuguese settlers. The ordinary courts, presided over by a colonial administrative official, heard cases involving "*indigenas*", meaning those Angolans considered "unassimilated and uncivilized". Until 1961 the Portuguese government officially classified 99% of all native Angolans as "unassimilated and uncivilized" (Redden & Schlueter, 2005). Indigenous constituencies were rarely represented in colonial legislative institutions in LDCs.

Therefore, many resource-rich LDCs that are currently experiencing a resource boom – or are about to do so – have inherited governance frameworks that lack legitimacy among most of the population, that are patrimonial and non-conducive to local development, governmental accountability or political participation. After independence, the capture of institutions by autocratic leaders in most of these countries, compounded by the rivalries of the Cold War, contributed to the emergence of dysfunctional governance frameworks. As a result, the challenge of reforming these institutions is daunting. Therefore, it is true that path dependence can help us understand where these dysfunctional systems originated. The question is whether path dependence insights can also help us determine how to improve these systems, as we will discuss in Section 4.

Yet, besides the historical factors that generated and reinforced dysfunctional governance systems in resource-rich LDCs, there is another element that makes governance reform even more intractable. Because of the availability of significant resource rents, rent-seeking behavior (Calhoun, 2002) functions as a major contemporary factor that continues to "lock in" already dysfunctional governance systems in these countries. Although not much discussed in the path dependence literature, the idea that significant natural resource rents may cause perverse distortions in a country's institutions is not new. This idea is addressed in the rentier state literature that has developed since the 1970s, which we will discuss next.

4. Rent-Seeking Behavior: The Contemporary Trapping Mechanism

There is a long line of studies affirming that rent-seeking behavior, a phenomenon associated with significant resource rents, has a deleterious impact on political institutions. This literature precedes the broader literature on the resource curse.

Hossein Mahdavy (1970) introduced the theory of the rentier state in the 1970s. Rentier states are countries that receive substantial amounts of economic rents from abroad, on a regular basis. These can be rents from exports of minerals, oil and other natural resources, or even aid. In these states significant income and wealth derive from chance or situation, instead of resulting from labor and constant capital investments (Yates, 1996). This certainty of unearned rewards would cause a rentier mentality in leading political and economic actors, reducing their incentives to advance or to accept important institutional reforms favouring productive activities and collective prosperity.

The rentier state literature claims that ruling elites in oil states become divorced from and unaccountable to the country's citizens. Some factors facilitate rent-seeking behavior in rentier economies. First, according to Fadil (as cited in Yates, 1996): "the rentier state becomes the main intermediary between the oil [or mineral] sector and the rest of the economy". Second, access to substantial rents allows state actors to buy off opposition and to repress any contestation of authority. Third, unlike other countries rentier states do not need to build tax systems in order to capture resources. A tax bureaucracy has been historically associated with facilitating the flow of information, strengthening social and political pressure and providing incentives to institution building (Karl, 2004, p. 665). Auty (2006) affirms that high rents create incentives to state capture "because it confers immediate personal and political benefits". In contrast, wealth creation (via manufactures, for example) is a long-term process, whose revenues may benefit others down the line and not current actors. The captured rents are diverted from the competitive economy and invested in inefficient state bureaucracy and national industries, or are stolen by elites (Khan and Jomo, 2000).

In *The Third Wave [of Democratization],* Samuel Huntington (1991) also called attention to the correlation between oil rents, weak tax systems and weak demand for democratic accountability. More recently, while undertaking comparative studies of contemporary oil states, Terry L. Karl (2004, p. 106) argued that oil revenues led states to become "over-extended, over-centralized and captured by special interests". In 2006, while editing essays on many promising 1990s transitions to democracy which ended up slowing down, reversing or collapsing, Michael Dauderstadt and Arne Schildberg (2006, p. 7) affirmed: "Authoritarian rentier economies are often the root cause of [the] lack of transition [to democracy] and of subsequent underdevelopment, conflict and terrorism". In 2006 Pius Fisher analyzed the difficulty of implementing institutional reforms in Tanzania, concluding that: "rent-seeking is probably the main impediment to economic development in general and to reforming economic policy in particular".

In a 2006 study Richard Auty (Dauderstadt & Schildberg, 2006) argues that the perverse incentives of high rents were the main explanation for diverging development paths among developing countries, mediated by institutions. Kurt Weyland (2010) also argues that the rentier state theory can explain why resource-rich Venezuela, Bolivia and Ecuador are adopting radical leftist and increasingly authoritarian policies, diverging from the trend of more moderate changes (towards leftist policies or towards rightist policies) negotiated within democratic institutions in the rest of Latin America. For Weyland (2010, p. 145): "Bolivia's move from leftist moderation to radicalism, which occurred soon after the discovery of huge natural gas reserves, provides striking evidence for this novel twist on rentier state arguments". Sebastian L. Mazzuca (2013) similarly argues that the Chinese and Indian massive demand for natural resources goes a long way in explaining the rise of what he calls "rentier populist" governments in Venezuela, Bolivia, Ecuador and, to a lesser extent, Argentina (Mazzuca, 2013, p. 108). Larry Diamond (2010) has also pointed to the "oil curse" as one of the main explanations as to why oil-rich Arab countries have remained so anomalously immune to the various worldwide waves of democratization.[4]

Resource-rich LDCs are therefore facing two distinct trapping mechanisms: their dysfunctional governance systems originated in the past and became dependent over time; and now rent-seeking makes these governance systems even more resilient by creating an important incentive for contemporary political and economic actors to prevent attempts to steer the

[4] To be sure Diamond also points to religion and culture, to the perfection of authoritarian statecraft by Arab countries over time and to international geopolitics as other factors that help to explain the lack of liberal democracies in the Middle East. Yet for him the real game changer for the region would be a "prolonged, steep decline in world oil prices" because oil rents are enabling those countries to constantly control and suppress the political and social pressures for democratization.

governance systems towards a more functional path.

The existence of this double trapping mechanism does not mean that it is impossible to shift paths in the future. One possibility is a new critical juncture, like the external intervention imposed on Afghanistan, or the ones inaugurated by social revolutions in the Middle East. However, the long-term outcomes of the American intervention in Afghanistan and of the 2011 Arab Spring are by no means clear. The July 2013 popularly-backed military coup against the Morsi regime in Egypt, and its quick turn to a repressive and violent military regime are sober illustrations of how difficult it is to harness a critical juncture to inaugurate and maintain a functional institutional path. Are critical junctures the only possible, if uncertain, way out of these trapping mechanisms? We address this question next.

5. Global Regulatory Mechanisms as Escape Routes

Both the explanatory and retrospective path dependence literature (David, 2007; Zamagni, 2010; Kay, 2003; Williams & Balaz, 2007; North, 2005; Arthur, 1989; Pierson, 2004) and the emerging prospective path dependence literature (Levin, 2009; Prado & Trebilcock, 2011) that seeks to illuminate how countries break free from, or may be able to break free from, a dysfunctional governance path, have so far disregarded the possibility that global regulatory mechanisms may in fact interact with internal dynamics, gradually provoking feedback effects in a dysfunctional equilibrium. Pierson's (2004) theory that in some cases external interventions have proven key to forcefully disrupting the dysfunctional governance trap seems as compelling as Thelen's (2003) theory that internal dynamics are never totally locked in, and that endogenous avenues have often been responsible for breaking a dysfunctional path. One theory does not exclude the other. We argue that external factors such as global regulatory mechanisms should be more thoroughly investigated as factors that can explain how to break extremely resilient dysfunctional governance paths, even in the absence of a critical juncture. These external mechanisms should be taken into consideration by reformers searching for ways to address the complex trapping mechanisms that keep dysfunctional domestic governance paths locked in.

In this article we draw from Julia Black's (2002) broad definition of regulation, meaning: "the sustained and focused attempt to alter the behavior of others according to defined standards or purposes with the intention of producing a broadly identified outcome or outcomes […]." By global regulatory mechanisms (GRMs) we mean the institutionalized policy instruments that are created by social, business or political actors to set standards and to facilitate information-gathering and information-sharing in order to influence the behavior of other social, business or political actors that are located in foreign states (Black, 2002; Levi-Faur, 2011). To be clear, it is not necessary for the mechanism to be created at a global institutional setting, such as international or transnational organizations. If a state unilaterally creates a regulatory mechanism that, although domestic, has as the main objective to influence the behavior of social, business or policy actors located beyond its national borders, it falls into our definition of GRM.

GRMs are extremely diversified in terms of the subjects they intend to regulate and their objectives (Kingsbury, Krisch and Stewart, 2005). We shall therefore clarify which GRMs we are referring to in this article. First, in terms of subjects, our focus is on GRMs created to influence state behavior, not the behavior of social or business actors. Second, in terms of objectives, we do not deal with the more traditional GRMs, designed to influence the behavior of states towards each other (e.g. international security treaties), or to foster inter-state cooperation in managing global goods or addressing global problems (e.g. multilateral trade or environmental agreements). We specifically focus on modern GRMs, designed to influence how other states behave within their own territories (Slaugther & Burke-White, 2007). Yet, our focus is even more specific, since we do not deal with those GRMs that seek to influence how states behave towards their own individuals or particular groups (e.g. human rights treaties).

Thus, we refer to a very specific group of GRMs, created by social, business or political actors to influence how other states shape their own domestic governance systems to affect their own development outcomes, or to address domestic problems that cause international concern. Examples are World Bank aid or loan agreements to promote good governance and rule of law in developing countries, or bilateral development assistance agreements between countries. We also refer to newer GRMs such as transnational multistakeholder initiatives created with the objective to improve domestic governance systems in developing countries, e.g. the Extractive Industries Transparency Initiative. Finally, we include new forms of extraterritorial regulations that have been created in developed countries to, albeit indirectly, cause positive feedback effects in domestic governance systems in foreign developing countries, such as USA and EU extraterritorial securities disclosure regulations in the extractive sector, whose ultimate purpose is to increase the transparency in the management of natural resources in resource-rich but governance-poor developing countries.

To be sure, the idea proposed in this article is not completely new. Indeed, the fact that global mechanisms interact with – and may have significant implications for – the internal dynamics of domestic governance paths has apparently guided the analysis of Pistor and Milhaupt (2008) in their book "Law and Capitalism". Pistor and Milhaupt (2008, p. 192) argue that domestic governance structures, including legal systems that are the focus of their study, experience a highly interactive process of action and strategic reaction with global institutions and actors. In four out of six cases that the authors investigate in the book, the exposure of a domestic governance regime to international markets and practices has proved to be a prominent catalyst for change, even in the absence of a major external shock.

For Pistor and Milhaupt, external investors demanding better governance in capital-importing countries explain the spread of laws protecting individual property rights in countries that apparently lacked sufficient internal demand for property rights reform (p. 7). They argue that in a globalized world, key constituencies of domestic governance systems are no longer predominantly insiders. The question is why and how the participation of outsiders has enhanced the protective function of property law in some of the cases they analyze. The authors argue that outsiders demand better governance in foreign capital importing countries because they do not have easy access to internal networks of relations and the informal property protections on which privileged insiders rely. For Pistor and Milhaupt (p. 194) there is a second reason why outsiders, rather than insiders, promote mechanisms to influence foreign domestic systems: sometimes outsiders have the political leverage to promote institutional mechanisms that domestic actors lack.

Pistor and Milhaupt also explain why external constituencies rely on the interaction with domestic constituencies to obtain better results. Despite their greater leverage to propose institutional mechanisms, external constituencies often lack the legitimacy to use these mechanisms to advance their own interests. The combination of the leverage of outside constituencies and the legitimacy provided by internal constituencies is key for the external mechanisms to ignite internal change. In the authors' words (p. 194): "[...] the uncoordinated but cumulative efforts of foreign and domestic actors appear to make a powerful combination for inducing institutional change in an increasingly globalized world". Pistor and Milhaupt's insights are extremely useful for investigating whether external mechanisms could serve as tools to enable this combination of leverage of external constituencies and legitimacy of internal constituencies to break the resilient dysfunctional path in resource-rich but governance-poor countries.

One difference between Pistor and Milhaupt's study and the inquiry proposed in this article relates to the academic discussion over descriptive versus prospective and normative value of path dependence scholarship. Pistor and Milhaupt are very clear that their study on the influence of global economic interactions in domestic legal systems is descriptive, not normative (p. 10). Their work is not intended to serve as a guide to policy-making, but rather to understand why some countries made certain institutional choices in the past and to predict what choices may be made in the future. However, siding with those that think that path dependence insights can also be used in a prescriptive manner, we argue that GRMs should also be seen strategically as institutional choices beyond existing endogenous avenues that reformers could use to provoke feedback effects in governance systems that are caught in complex trapping mechanisms, such as is the case in most resource-rich LDCs. Our theory is that in some cases GRMs may be intentionally harnessed as tools to ignite or to strengthen internal processes of change, by enabling the interaction of external and internal pro-reform constituencies.

Although GRMs should also be seen as viable alternatives to fix the "weak governance curse" in resource-rich LDCs, we should be cautious not to assume that they necessarily have a positive impact on reforms. In fact, the type of GRM as well as the domestic political environment and its institutional configuration are key factors that will determine whether a GRM may succeed or fail, or even have a negative unintended impact. As demonstrated by Signé (2011), an external mechanism is less likely to succeed in case of institutional intrusion and absence of a strong basis of domestic supports. Institutional intrusion is defined as "a semi-strategic and semi-structural process through which national actors are partly forced to adopt new institutions or policies, and agree to do so only because of asymmetry in power, structural constraints (structure), or potential benefits (strategies) of the international actors. In this context, relevant and non-constraining alternatives are quasi inexistent, but national actors still have (limited) room for negotiations" (Signé, 2011, p. 181). Relevant illustrations of institutional intrusions are first generations of structural adjustment policies in Africa. Leaders, who had extremely limited room for manoeuver, were not really participating in policy formulation, and were almost constrained to accept coercive conditionalities to receive vital funding. Additionally, most of these leaders were not willing or able to effectively implement such policies, which had led to mitigated results.

GRMs are more likely to succeed and have strong positive impacts in case of strong domestic support through an institutional inclusion process. Institutional inclusion is then defined as "a semi-strategic and semi-ideational process through which national or regional actors intentionally include current international strategies (or solutions) to shape a new institution or policy with the aim of increasing the probability of [domestic] acceptance (via recognition, social suitability, real or perceived common values) […] Inclusion does not necessarily imply success or failure […] Once institutions or policies are adopted, dynamics can vary greatly" (Signé, 2011, p. 181). Institutional inclusion is more likely to lead to both rapid (immediate) and slow moving changes, as domestic actors play a more active role than in the semi-structural intrusion process. Relevant illustrations of institutional inclusions are the Poverty Reduction Strategy Papers (PRSPs) at the national level, and the New Partnership for Africa's Development at the regional level. In order to facilitate the acceptance and success of their strategies, but also because they promote shared (real or apparent) international values, leaders are proposing global strategies that integrate several internationally proposed solutions.

These concepts were successfully tested to explain the dynamics of policy innovation and continuity as well as the paradigm shifts in the political responses to the twenty-first century versus twentieth century economic and financial crises in Africa (Signé, 2011).

6. Conclusion

This article argues that two trapping mechanisms – path dependence and rent-seeking behavior – explain why most resource-rich LDCs are locked into a "weak governance curse". We suggest that path dependence insights should be used in a forward looking manner to provide guidance for those actors that are seeking to devise mechanisms to help reformers in these countries to escape this double trap. We side with those in the path dependence literature that believe that a dysfunctional path, however resilient, is still dynamic, open to internal mechanisms that enable gradual change, and therefore, is often not completely dependent on external shocks to escape the trap. However, we propose that in intractable cases such as those faced by resource-rich but governance-poor countries, external institutional mechanisms that enable a combination of the leverage of external pro-reform constituencies and the legitimacy of internal pro-reform constituencies may offer crucial missing choices for pro-reform actors to break dysfunctional paths.

As noted above, we are not proposing that a GRM will always be successful in provoking internal change in dysfunctional dynamics in resource-rich developing countries. In fact development assistance agreements, which are one form of GRM, have proven insufficient in most cases. We are proposing that different types of global regulatory mechanisms may expand the limited choices internal reformers currently face. Our argument is that in some cases exogenous mechanisms may interact with existing endogenous mechanisms. Reformers could use global regulatory mechanisms in their attempts to destabilize the dysfunctional equilibrium from the inside. External mechanisms would therefore reinforce a trend or force already present in internal dynamics. External mechanisms can also be used to bring new actors into the internal dynamics, creating a new path for change. In other cases, however, exogenous mechanisms may prove ineffective, provoking no change at all in internal dynamics. Whether an external mechanism will be effective or not is largely unpredictable. Much depends on the characteristics of the governance path and current situation in each country: the political economy obstacles to reform, the different endogenous levels of demand for reform, the various political and technical capacities of internal actors, etc. There is also a need to be cautious about the potential unintended negative effects of GRMs in the domestic governance system.

Finally, we argue that it is not possible to predict which global regulatory mechanism may prove the most efficient tool to allow the combination of the leverage of external constituencies and the legitimacy of internal constituencies to increase the chances of breaking a dysfunctional governance path. A mechanism that facilitates institutional inclusion by offering more options to domestic actors would more likely lead to successful reform.

One global mechanism may function well in country A, while not functioning well in country B, and not functioning at all in country C. Much would depend on the particular internal circumstances of each country. In this case, it is better to have as many external options as possible, so that reformers can explore which mechanism may work best for the country in question. Although some of the proposed concepts (institutional intrusion and institutional inclusion) have been systematically tested with success (Signé, 2011), this article proposes the theoretical articulations of our research agenda on path dependence, GRM and other institutional processes likely to better explain institutional or policy persistence, innovation, success and failure in developing countries. In upcoming papers, we will further test and develop our theory with conceptual refinement and empirical investigations of comparative interests.

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