A region is a constituted social order with people engaged in distinct political, cultural and economic practices. These practices are embedded and developed historically and sustained and reinforced within networks, processes and infrastructures. Regional development is a general effort undertaken to promote the resource endowments of the regions (both physical and human resources) and support their economic activities for reducing regional disparities.

“Regional economic development is the application of economic process and resources available to a region that result in the sustainable development of, and desired economic outcomes for a region and that met the values and expectations of business, of residents and of visitors” (Stimson, et al., 2006).

**Differences in Conceptualization and Operationalization**

Geography shapes the economic development of a country and regions are a policy platform for action and progress. However, the boundaries of a region and the idea of regional development is conceptualized in different ways depending on one’s perspective and use of criteria. (Pike, et al., 2007).

Neoclassical economist give attention to what markets do in cities and towns and how their performance influence employment, profit, GDP and growth. They assume that industries initially launched in a few conducive geographical locations will spread itself to the remaining regions (Ohlin, 1933). They consider only economic factors and ignored physical distance and costs between locations. Structural and endogenous growth theories, which deals with the determinants of production growth, attach importance to the transformation of areas (Borts and Stein 1968). However, their stress on economies of scale reinforces the continued growth of the same areas (Myrdal’s theory of circular cumulative causation) with no likelihood of spreading of the same to other areas (Myrdal, 1957). Locations where economies of scale takes place maintain circular and cumulative growth of themselves leaving other areas with no growth attachment.

Regional scientists, who examines the spatial dimensions of socio-economic problems, follow physical criteria, topographical characteristics, and/or functionality (labor market) to
divide the national territory into administrative or planning regions (Stimson, 2016). They aim to analyze rural and urban problems and address unequal distribution of productive resources and development of human capital across space.

Ethnic politicians use cultural criteria and conceptualize regional development in terms of identity factors and politics. For them a region and the model of regional development starts from a territorial control of a linguistic group, its resources and voices. The very idea of a region is anchored on the principle of self-determination of the cultural group (Tegenu, 2006). A focus on cultural domination factor ignores spatial linkages of economic activities and growth level analysis. For those concerned with development theories and issues of social inequality, regional development is the provision of aid and other assistance to regions which are less economically developed. (Morgan, 2004).

To economic geographers regional economic development is a cumulative process in which local actors of (individuals, firms, governments, and business coalitions) create local growth coalitions and seek to establish mutually beneficial relationships with other organizations beyond the local milieu. Economic geographers focus on clustering of economic activity and linkages between firms “without linking their presence to material wellbeing in the areas where they are located” (Perrons, 2001).

For the author of this article, regional development means the development of the human and social capital of the region, and the ability of a region to produce, with a comparative or absolute advantage, the goods and services demanded by the local, district and interregional economic system to which it belongs. This definition of regional development focus on growth mechanism, spatial dynamics and planning in response to rapid population growth effects in the regions. The challenges of the regions in Ethiopia include food insecurity, massive youth unemployment, fragmentation of the local economy, missing and dysfunctional markets, low level of industrialization, lack of infrastructure provision, and unbalanced growth of towns.

**Institutional Framework of Regional Development in Ethiopia**

The scope and content of regional development may therefore vary in accordance with the definition of a region, and how the regions and their boundaries are perceived internally and externally. Given this variation in criteria, how can one construct a regional development model and policy? Who is responsible for regional development policy analysis, formulation and implementation?
The policy and institutional framework for regional development plays an important role in solving the problems of regional disparities. Ethiopia is composed of nine national regional states (see map). According to the constitution of the Federal Democratic Republic of Ethiopia, the activities within the powers of the regional governments include, among others, the formulation, approval and implementation of their own economic and social development policies, strategies and plans. However, due to lack of capacity and private interest of the political elites, the regions could not fully exercise their economic decision making authority. The regions lack technical experts to conduct techno-economic surveys which examine the region’s resources endowment to prepare an overall plan for the development of the regions. Neither the regions use Geographical Information System (GIS) tools and analysis to create geo-spatial database for the purpose of implementing and upgrading spatial development strategy and planning. In addition, there is a lack of urban master plans for the development of the towns in the respective regions. (For the actual functioning of the system at zonal and local levels, i.e., the methods adopted for planning and implementing development programs, see Tegenu 2006).
Top-down Approach and Performance of Regional Development

Owing to the lack of their own economic analysis at regional, district and local levels, the regional governments instead adopted the national development strategy formulated by the ruling EPRDF party. A staff member of Ethiopian Business Review (EBR) has recently interviewed regional officials and experts to assess the economic and social welfare outcomes of top-down and sector based regional development plan. The assessment revealed disparities in regional development, some regions being more developed (in relative terms) than others (EBR, Nov 15, 2019, No. 79 issue). In what follows, I will try to track and summarize the interview materials and the reports compiled by the technical committee of the House of Federation of Ethiopia.

- There is unfair distribution of infrastructure. In the region of Kaffa, known for its production of honey, natural coffee, spices, timber, etc., access to market is impossible because no infrastructure is built in the area. The southern regional state and the region of Somali, have not benefited from the infrastructure development programs in the last 27 years.

- The southern regional state, which is endowed with rich natural resources, vast land and labor force, could not witness better growth because the central government does not have economic criteria and mechanism for distribution of projects.

- Federal government claim that projects are approved based on demand and rate of returns in the specific regions. Interviewed officials and experts stated that the reality is very different. Development projects are usually used as a political string pulled and executed from the center based on strategic alignment of political forces or bargaining power of specific regions.

- According to the recent report by the Standing Committee of the House of Federation, roads built by the federal government has connected 95,7% of the districts in region of Tigray, 82% in the region of Amhara, 81% Southern Region, 73,6% Oromia Region, and 57% Somali region. These regions considerably vary in area and population size.

- There is also unfair distribution in other major projects carried out by the federal government: universities, airports, network infrastructure and industrial parks. The location of these projects is decided mainly by the influence of the regional powers in the political realm, not by economic criteria. “A region which has strong say in the party politics, especially the ruling party, is confirmed to get the large proportion”.

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Needless to mention that the distribution and availability of these infrastructures determine the investment flow to the regions.

- Regions with immense potential but no political influence are still stranded in backwardness and poverty. Despite investing hugely in infrastructure, structural transformation in the country has failed because projects were installed in unproductive areas and in unbalanced manner.

**Performance of Institutional Entrepreneurship: Local Context**

In the literature of organizational study, the ways how business people shape or transform existing informal arrangements with the political support of legitimate power is called institutional entrepreneurship. The business people and the regional power elite – institutional entrepreneurs – ‘create a whole new system of meaning that ties the functioning of disparate sets of institutions together’ for the purpose of business autonomy, risk-taking (expanding business ventures), creation of goods and services in the region. Institutional entrepreneurs dismantle the prevailing dysfunctional markets and barriers (Li, 2014).

Building business in the nine regions is very difficult due to the lack of formal regulatory institutions in the country. Compared to developed countries, the country’s constitution, laws and property rights are less developed and entrepreneurs rely heavily on informal institutions such as networks, ethnic relation and party political affiliations. While this is generally true for the country there are, however, differences between and within regions.

Some regions in the country, such as North Shoa Zone of Amhara Regional State, create favorable conditions for business people to overcome the lack of formal and regulative institutions (Girmachew and Gashaw 2018). These regions never say no to companies seeking help in obtaining permission, securing government order or get financial resources. In these regions the relationship between the regional/local government and the private sector is win-win. The private sector helps the local/regional government with tax income, while it receives facilitation to expand. The regional and local government fulfill the function of “husbandry” and “midwifery”, a role which describes the attraction, cultivation and nurture of entrepreneurial forces.

On the contrary, there are regions which literally kill business and private sector development in the name of language, culture and ethnic differences. In these warring regions, disruptions in production and supply chains is shutting sellers out of profitable
markets and these regions will remain backward due to their unstable economic and political environments.

**Limitations of Top-down Approach**

The top-down and the sector-based application of national development plan has number of limitations. The first limitation is about the resource base of the regional development plan and programs. The regions are not placed on a self-sustaining basis through own resource mobilization: collection of user fees and efficient administration of taxation, and creation of favorable conditions for domestic investors in the respective regions. They depend on the federal government grants which in turn is pinned on the hope of massive foreign investment and aid. Political instability caused by ethnic conflicts and illicit financial outflows from the country, showed that much could not be gained by way of foreign investment and aid. Ethiopia had lost a huge amount of financial loan, investment and aid due to internal conflicts, money laundering, corruption, tax evasion and trade miss-pricing/miss invoicing. The regional governments, which did not consider the resource constraints, but envisaged only the quantity of service provisions and infrastructure construction they could deliver, were caught off guard when the capital budget of the central government was suddenly reduced to half (Tegenu 2006).

The second problem of adopting the national development strategy was the kind of disregard given to the existing differences in district and local conditions in the regions. For instance, due to the top-down approach, the objectives and strategic orientation of the development programs of the regions focus mainly on the seed-farming cultivation, while giving little attention to other cultivations such as enset-plantation or problems of arid areas.

The third problem was that the Five-Year development program was basically a sector based development strategy aimed at tackling economic problems by way of sector intervention. The allocation of resources to the sectors, such as allocating resources to basic social services or physical infrastructure, did not aim at reaching particular poor groups, households or individuals in the respective regions. It was aimed at achieving universal coverage in a certain area or community by expanding public services. It was assumed that allocation of government expenditures to sectors might bring about a trickle-down effect in poverty alleviation. However, sector targeting, did not reach poor households and individuals. There is a need for the privatization and accumulation of local resources and promotion of investment and technology at the local level. For this to happen it is important to solve constraints facing local entrepreneurs: availability of capital and credits, adequacy of
equipment and technological upgrading, availability of raw material, markets for products and marketing, quality of infrastructure and good governance.

Framework for New Paradigm of Regional Development Policy

To mobilize their own resource, promote private sector development, regional competitiveness and inter-regional co-operation, four preconditions are necessary for a paradigm shift in regional development policy in the country. First, there is a need to emphasize the economic aspects of regional development. Regions have to be more of an economic rather than a political concept and there should not be a confusion of the two. According to new theories, regional development should focus in bringing about economic and social improvement: more and better quality infrastructure (soft and hard); improved community services; greater and more diverse volume of production; lower unemployment; growing number of jobs; rising average wealth; and improved quality of life. (McCall, 2010).

Ethnically defined regionalism hinders the free flow of labor and capital. People belonging to other ethnic groups might feel insecure in migrating into and working in other regions. This insecurity hinders the maximization of income by moving to places of opportunity. Securing fixed capital investment is the other problem. People may have too little confidence to invest in places of their own choice, as they might anticipate harassment or confiscation of properties. Instead, they may prefer to invest in cities, which have their own administrative autonomy. This brings about not only a lopsided development, but also, speaking in economics language, leads to a sub-optimal solution in terms of GDP. Scarce resources that could have been better invested in rural manufacturing, for example, would go to the ever-enlarging service sector of the urban areas, mainly, to hotels and coffee houses. This is an example of misallocation of resources and a great loss to a given country where the main priority is industrialization.

Second, the regional administration should be filled with and controlled by professionals whose operating work is stable, predictable and standard. Professional administration rely on the skills and knowledge of their operating professional to function. In its analysis and measurement of regional reality, professional bureaucracy uses scientific reasoning. It always measures the divergence that actual objects have from the parameters of ideal models. Currently party ideology and politics have full control over the regional bureaucracy and we have a regional bureaucracy that is not self-regulating and learn from its practice (monitoring and evaluation). In the public institutions, jobs and positions at all levels are assigned by the ruling party.
The regional administrations, which are supposed to be autonomous are not free from the control of the ruling party. In the respective regions, there is no institutional capability and system necessary for the design of long-term regional development policies. Taking into account of high turnover rate, there aren’t many policy formulators and implementers left to consistently base decisions on evidence and research-based knowledge. Party politics and ideological practice has literally killed the process and structure of policy change system. Scientific bureaucracy should replace patron-client relation, informal governance system, unauthorized transactions, favoritism, nepotism, and other corrupt practices, which ultimately worsens the development of the regions.

Third is adopting bottom-up approach when designing and implementing regional development policy. Bottom-up refers to a social group process, flat non-hierarchical per groups dynamics facilitated by networks. Regional development is primarily a social group entrepreneurs’ movement rather than hierarchy organization. It is place-based and people-centered planning and activity; and the local level governments are appropriate to the role. The bottom-up policy stresses local specific interventions that are necessary for exploiting the full potential of the local endowment structure. To upgrade the local endowment structure, to uncover opportunities and risks, the local government conducts feasibility studies. This study helps the local government to figure out which industries to support within the districts for the purpose of local economic transformation. Bottom-up regional policy targets not only sectors but also firms, which do the trading.

Fourth, due to the complex interplay between the federal government, the regional leadership and private entrepreneurs, there is variations in different regions how entrepreneurship is defined and understood. There is a need for local governments to go beyond their regulative activity and action as a coercive power. The international literature suggests that, in a market economy the location of labor and capital is largely determined by private economic forces. It is, therefore, important that the local governments recognize private-sector-led market forces as the primary determinant of the location of economic activity in their region and they can use it as a means to influence the location of economic activity. The development of private sector shapes the local perception of entrepreneurship; it provides a roadmap that defies the practices involving myth-making and identity claims perpetrated by ethnic princes.

My view is that the hither to top-down approach, cultural and political conceptualization of regions do not provide the mechanisms for regional development. On the contrary, these
factors can stifle innovation and reinforce negative stereotypes. Sitting around in a kitchen coffee table and talking past cultural history and creation of political animosity among people do not bring about regional development and there has never been a case in world history. Regional development is not only about distribution of resources as ethnic politicians claim. It is also about creation of resources; you cannot concentrate on distribution and ignore the creative part of the regional economy. To bring about development from within, regions needs spatial transformation strategies and plans and this is achieved through an economic mentality and growth mindset.

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