



Arab Countries in Transition: a Developmental Approach For Unemployment and Youth Marginalization

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As prepared for delivery

Excellencies, Distinguished Guests, Ladies and Gentlemen,

I am glad to speak before this prominent audience today and would first like to thank the European Business School in Paris and the Lebanese Ambassador, Permanent Delegate of Lebanon to UNESCO for inviting me to address such a vital topic - the development of Arab transition.

I. Introduction: Transition as an Intrinsic Economic Nature

Speaking about “transition” in a city which was destined to be the mother of global transitions around two and a quarter centuries ago adds to the value of the topic I am about to present. It is doubtless to say that the French revolution constituted one of the most prominent transitive events in history, transferring France, Europe, and the world from the era of theocracies and absolute monarchies to the era of “liberty, equality, and fraternity”; thus, triggering a socio-political earthquake that unleashed a wave of global conflicts extending from the Caribbean to the Middle East, which is witnessing another transitive earthquake nowadays, that we hope will blossom into an Arab “liberty, equality, and fraternity”.

Just like all humanitarian phenomena, history proves that Economics bears the seeds of transition as an intrinsic element in its evolutionary path. This reflects the general connotation of *transition* as referring to a process where one constellation of institutions is turning into a different constellation of institutions. By institutions we mean norms, rules and conventions, formal and explicit as well as informal and implicit. Hence, we will define transition as radical institutional change (Lundvall, Intarakumnerd, & Vang, 2006).

Several major transitions can be spotted after World War Two. In addition to globalization, I shall highlight the major ones in the context of this paper: the transition from central planning and communism to market capitalism, the demographic transition of the advanced economies from youth-dominated to senior-dominated societies, the innovative transition towards knowledge-based economies, the global integration of national financial systems, and the yet unsettled Arab transition.

Many have argued that failure of economic theory to fully understand these transitions has led to inappropriate responses that made the transitions unnecessarily painful and costly on the socio-economic level. Consequently, this might explain the upheavals and turmoil that accompanied the emergence of these shifts, which were tainted with massive political and economic complexities, often diverting them from accomplishing optimal human standards.

In this paper, I will address four transition topics. First, I will emphasize the contingent nature of transition development through portraying several distinct transition experiences. Second, I will highlight some developmental parameters and lessons from global transition experiences. Third, I will review strategic opportunities to induce progressive development for Arab Countries

in Transition, particularly concerning unemployment and youth marginalization, in light of the current Arab distressed outlook. Finally, I will depict the stages realized by the Lebanese monetary transitional experience in fostering development and approaching unemployment and youth marginalization that may be useful for Arab Countries in Transition.

II. Contingent Development of Transition

Any concerned observer can deduce that the nature of transitions varies in accordance to the socio-political, economic, cultural, and historic milieu in which they occur. Hence, any development endeavor and policy prescription in the transitive context should not be taken as one-size-fits-all measure but instead needs critical assessment before its variation is adapted for a specific country setting (Kazmer & Konrad, 2004).

In this context, it would be insightful to portray an outlook for the first stages of distinct transition experiences that seem analogous with the current preliminary stages of the Arab Countries in Transition.

In the case of ex-communist states of Eastern Europe, for instance, the economies in transition and emerging market economies were exceptionally vulnerable, with their new financial assets and asset markets. The difficulty of using fundamental analysis in asset evaluations led to increased use of trend following by investors. The results were instability, currency and financial crises, and extreme volatility in financial asset markets and exchange rates (Kazmer & Konrad, 2004). It is said that despite the very recent positive trends in domestic output, industrial production, and real productivity, many Eastern European countries are far from having established a scenario with which their transition economies can socially live (Sergi, 2003). On the other hand, the state-led, export-oriented transition strategies of China and Vietnam have been more successful. They have opened their economies gradually and been conservative in liberalizing their financial systems and capital accounts and privatizing their state-owned enterprises. While their fiscal policies have been expansionary, their monetary policies have tended to be more restrictive.

On another transitive arena, Japan had trouble with its own transition in the 1990s. The Japanese economy has been in recession or stagnation due to chronic lack of aggregate demand since the investment bubble burst in 1990. Because of the high levels of savings, Japan's fiscal stimuli were rendered ineffective. This is why the Japanese government's fiscal stimulus has had little effect although applied for over a decade (Kazmer & Konrad, 2004).

As for the innovative transition and the global integration of national financial systems, the globalized learning economy offers both new opportunities and new threats for emerging economies. Several of the Asian economies, such as Korea, China, and Vietnam, have become more integrated in the global strings that constitute an important characteristic of the globalized learning economy, and this has helped them to achieve high growth rates. This contrasts with the majority of the Latin American economies, where the opening up of its national economies during the nineties and till the

beginning of the new millennium has witnessed more destruction of capabilities than stimulation of economic growth in its wake, such as the case with Argentina, Mexico, and Uruguay. Africa, in its turn, has largely been left out of the globalization game and this has gone hand in hand with stagnation or growing poverty (Lundvall, Intarakumnerd, & Vang, 2006).

III. Transitive Endeavors towards Developed Transitions

Any transition experience is carried out for the simple reason that the dominating constellation of institutions has become obsolete and incompatible with the contemporary setting and its implicit political, socio-economic, and cultural constituents. However, for this transition to accomplish its aspired outcomes, it should be envisioned, carefully implemented, and well-developed. Besides the contingency consideration, what developmental parameters and lessons can be deduced and learned from global transition experiences?

1. **Government intervention to curb malevolent market manipulation.** From the experience of the ex-communist transition countries, it is observed that a brief review of economic history finds few instances of predominantly malevolent market manipulation destroying a market completely, particularly in economies in transition, as opposed to a benevolent market, which is the product of the efficient market theory that is based on competitive general equilibrium market theory. In such cases, government intervention becomes crucial as the functioning of useful markets is threatened (Kazmer & Konrad, 2004). This intervention is shaped through raising the pace and depth of structural reforms, in areas such as the business and investment climate, governance, access to credit, labor markets, public expenditure prioritization, and tax administration (Lipton, 2014).
2. **Utilizing innovative fiscal policy.** Transition entails a need for a strategic, proactive, and innovative fiscal policy, which exceeds the mere manipulation with the tax code, and involves seeking of new opportunities for government finance and allocating stimulating fiscal resources to the areas that matter most for the development of the transition process, such as education, healthcare, infrastructure, and labor migration issues, along with a constructive industrial policy and support for private enterprise (Gevorkyan, 2011).
3. **Diaspora transnational communities as agents of development.** For many countries, including small and resource-constrained ones, conditional foreign aid and seasonal remittance transfers do not provide adequate financing for developmental projects. Neither is issuing conventional bonds at shorter maturities and higher yields considered appealing. On the other hand, low-cost financing opportunities offered by a Diaspora bond, along with access to international capital markets that is linked to it, may be a viable option, especially for those with large, potential worldwide Diaspora stock active in homeland affairs. In this context, the implementation of Diaspora regulatory mechanisms and migration development banks

can be recommended to ensure the just and fair regulation of the temporary labor migration process (Gevorkyan, 2011). The case of the Indian IT service industry embodies the concept of offshore outsourcing and offshore subsidiaries, whereby the role that members of transnational communities play as agents of development in their home countries reduces problems of institutional distance, thus transforming the crisis of brain drain into a development catalyst (Vang & Overby, 2006).

4. **A holistic development that surpasses economic growth.** Poverty, which significantly emerged in all transition economies, cannot be defeated simply by economic growth. Distribution policies and a holistic institutional approach – which help to manage conflicts and reinforce social cohesion – are needed. This paves the way for human development, which allows for the widening of people's choices, providing the people with opportunities such as access to health, education and the job market. The role of the state in creating such conditions is essential, along with social capital, the participation and accountability of people, political rights, civil liberties, social rights, and a well-designed educational system, all of which would boost development (Tridico, 2011).
5. **Specificity of transitional financial systems.** The economies in transition should not be urged to copy the financial systems prevalent in well-developed and stable capitalist economies since they themselves are neither well developed nor stable. Any blind copying might attract opportunities for fraud and abuse due to the lack of effective social and legal constraints. Furthermore, in economies in transition and developing economies the effects of some policies may dwarf the effects of monetary and fiscal policies adopted by advanced economies. These other policies include maintaining a stable macroeconomic environment; guaranteeing dependable property rights for both tangible and intellectual investments; allowing full foreign exchange convertibility in both directions; ensuring profit repatriation rights; and fostering general political, social, and economic stability (Kazmer & Konrad, 2004).
6. **Sovereign governance opportunity.** Demographic transition of the advanced economies could be best encompassed, exploited, and transformed from a problem to an opportunity through "sovereign governance" practices. These practices enclose the key role of the government in creating property rights and incentive systems so that a well-functioning market system can efficiently accomplish what its citizens want. For instance, the creation of health income-producing assets in a country like Japan which is undergoing demographic transition will increase health organization profits as their human assets age and retain their mental and physical capabilities. Thus, market incentives are aligned with what the citizens want: longer and better lives, not more highways and bridges (Kazmer & Konrad, 2004).

7. **Innovation as a knowledge-based transition.** All Asian experiences in terms of institutional set-ups supporting innovation introduced the national innovation systems as being a process of transition. They were all trying to get onto a new trajectory more intensive in learning and use of knowledge, including scientific knowledge. From this Asian transition experience, certain prerequisites are highlighted as a need in order to benefit from being integrated in the world economy. The first is skilled people and technological capability. The second is a certain degree of political control over the process of internationalization. The third is coherence in society with acceptance of certain rules of the game so that not everyone in society goes after immediate private benefit – legally or illegally (Lundvall, Intarakumnerd, & Vang, 2006).
8. **Systemic adaptive transition policies.** The transformation of China's innovation system demonstrates the usefulness of a systemic and evolutionary perspective on adaptive policy and policy learning. Neither over-centralized systems that leave no autonomy for the lower level of policy learning nor decentralized ones that lack the central governance mechanism necessary to initiate and coordinate change will be able to cope with this double challenge (Gu & Lundvall, 2006).

IV. Inducing Development for a Disoriented Arab Transition

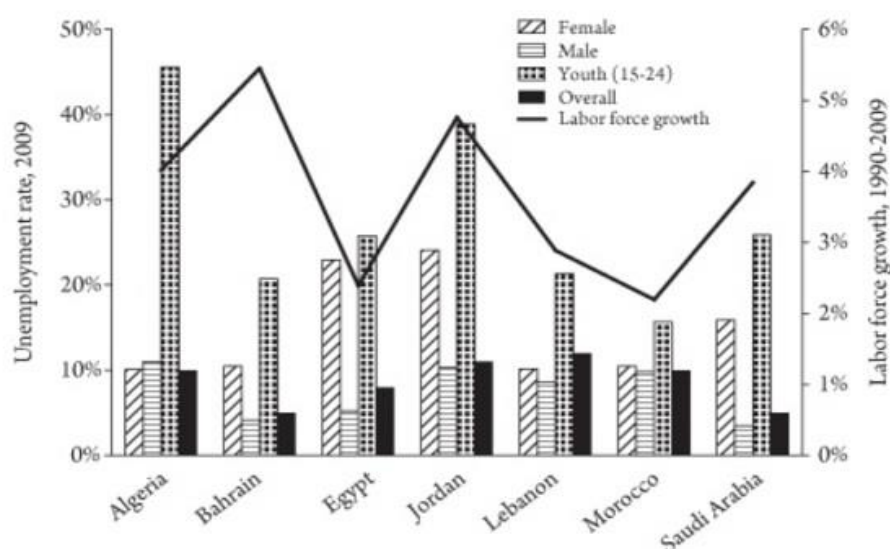
Pre-transition Outlook

Four years since the outbreak of the Arab transition movements, the contribution to which was mainly made by the youth, the scene in the Arab region hasn't cleared yet. Instead, it has been soaked into further upheavals and uncertainties at different levels on each of its stages. In spite of deepening and spreading conflicts in the region that have accompanied this transition, as well as, in many cases, a challenging internal socio-political environment, the Arab Countries in Transition (designated by the IMF as Egypt, Jordan, Libya, Morocco, Tunisia and Yemen) have broadly maintained macroeconomic stability. Simultaneously, however, their economies have not been achieving the growth rates needed for a meaningful reduction in unemployment, in particular for the youth and women. Notwithstanding diversity of conditions, countries should instantly advance structural reforms to foster higher and more inclusive growth, and continue to enhance fiscal and external buffers to maintain stability amid heightened uncertainty. In this context, coordinated support from the international community will be crucial in the form of financing, improved trade access, and capacity building assistance (IMF, 2014).

From the perspective of the unemployment crisis in the Arab region - particularly in the Arab Countries in Transition - which touches youth and women mostly, the Arab pre-transition outlook can be summarized as follows: nearly 55 percent of the population is under the age of 24 and two-thirds are under 30. The Arab world has had the fastest growth of

employment between 1998 and 2008 (3.3 percent annually) than any region in the world due to the demographic weight of the youth but still has the second-highest level of unemployment in the world (9.7 percent) (Amin et al., 2012). The unemployment problem is compounded by the fact that many Arab youth are unequipped or banned from entering the labor force. Only one-quarter has had prior experience of working, thus the youth employment-to-population ratio stands at 26.8 percent (2008) compared to 53 percent in East Asia. The average unemployment rate for youth was 22 percent in 2008 (among the highest rates in the world) and 28 percent for young females. In the next two decades, the region is expected to add another 150 million people, so job creation in most Arab countries will have to exceed 3 percent a year in order to absorb these young job seekers. The Arab region also has a low labor force participation rate of only 50.9 percent largely because the female labor force participation rate at 25 percent is by far the lowest ratio in the world (Amin et al., 2012).

Figure 1



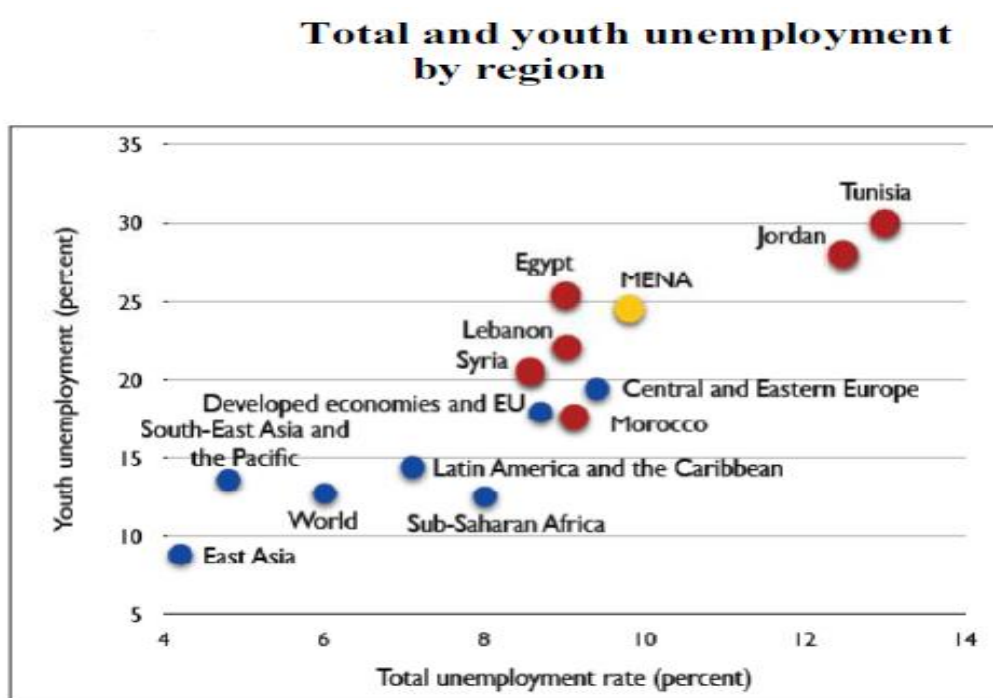
Unemployment Rates and Labor Force Growth Rate in Select Arab Countries. *Note:* Latest year available; female, male, and youth unemployment are indicated as a percentage of the female, male, and youth labor force respectively. (Source: Jad Chaaban. "Job Creation in the Arab Economies: Navigating Through Difficult Waters." Arab Human Development Report Research Paper Series. New York: United Nations Development Programme, 2010; World Bank. *World Development Indicators*, <http://data.worldbank.org/indicator>; International Labour Organization. "Key Indicators of the Labour Market." Geneva: ILO, 2011.)

Figure 2

| RATES OF GROWTH REQUIRED TO CURB UNEMPLOYMENT (1980-2005 AVERAGES) | | | | |
|---|--|------------------------------------|--------------------------|--|
| Country | Annual rate of growth of employment (Percentage) | Real GDP growth (Percentage) | Employment elasticity | Required rate of GDP growth (Percentage) |
| Algeria | 1.48 | 3.71 | 0.40 | 8.00 |
| Egypt | 1.87 | 6.05 | 0.45 | 7.11 |
| Jordan | 3.06 | 4.86 | 0.63 | 5.08 |
| Morocco | 1.78 | 4.02 | 0.44 | 7.27 |
| Syrian Arab Republic | 2.56 | 5.69 | 0.45 | 7.11 |
| Tunisia | 1.65 | 5.15 | 0.32 | 10.00 |
| Average | 2.06 | 4.91 | 0.42 | 7.62 |

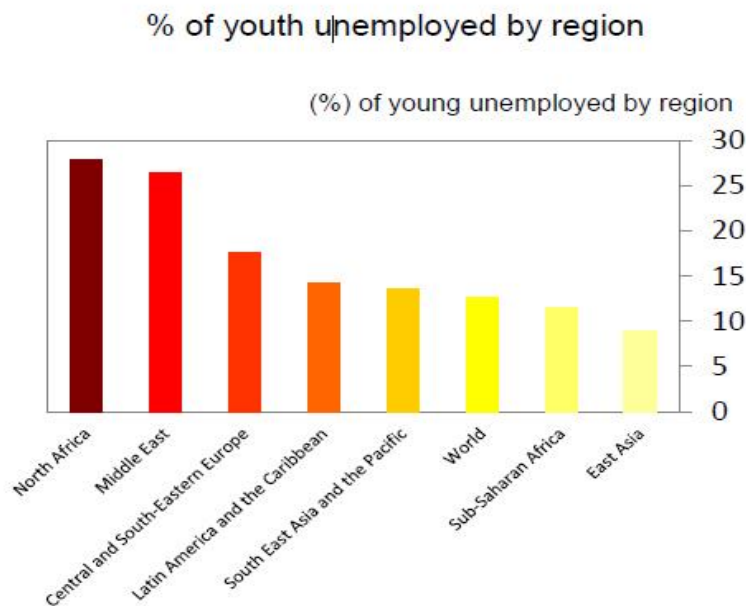
Source: League of Arab States and UNDP, 2009.

Figure 3



Source: ILOSTAT Database as reported in ESCWA, 2013a; and IMF, 2012b.

Figure 4



Source: ILO (in each case the most recent data is included)

Gender disparities

The participation of women in the Arab labor market has undoubtedly increased progressively over past decades, whereby indicators related to the involvement of women in the economy continue to point upwards. However, these quantitative improvements conceal persistent qualitative disparities with regard to the status of women and men at work. Indeed, in the Arab region there is an increasing tendency towards the feminization of unemployment. Female unemployment rate of 16.5% was 5.9% points higher than the male rate of 10.6 % in 2003 in the Arab region (Ben Jelili, 2010).

Causes of High Unemployment Rates

Poor performance of employment and the consequent development of the high unemployment rates among educated youth in the Arab region in general have been linked to several explanations. In short, the major explanations related to labor supply are (Ben Jelili, 2010):

- Skills mismatch with educational systems;
- Demographic changes and employment pressures;
- Women labor force participation and unemployment; and
- Urbanization and internal migration.

As for the main explanations related to labor demand, these are (Ben Jelili, 2010):

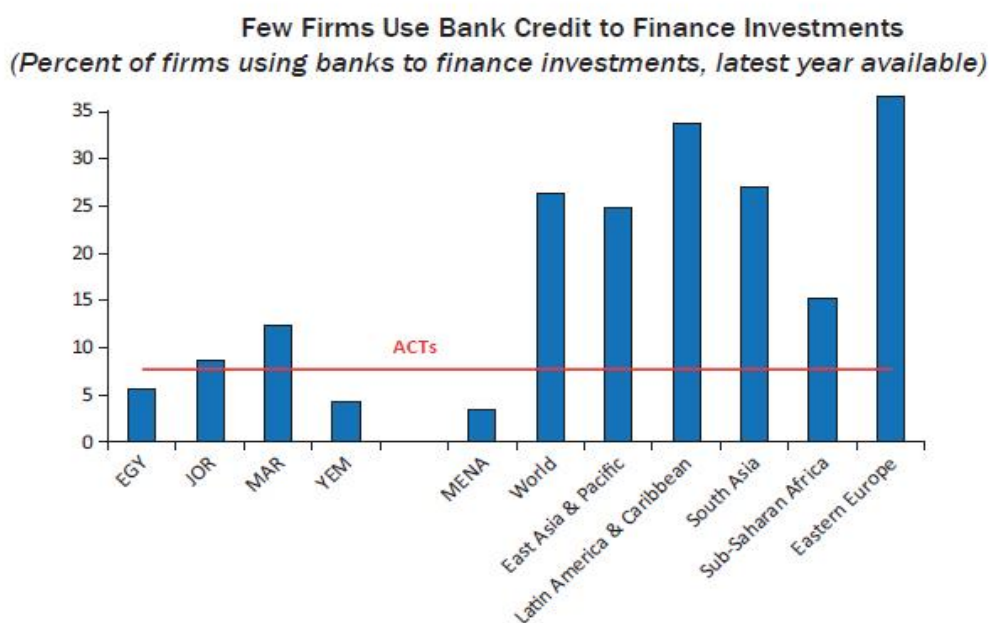
- Extensive public sector employment and pay policies;

- Lack of sufficient employment opportunities in the Arab private sector;
- The decline of the rural agricultural sector not being offset by a robust industrial sector;
- Reduced overall economic efficiency;
- Barriers to investment, such as lack of ownership diversity, insufficient diversification of the economy, inadequate transparency and regulation, and underdeveloped capital markets; and
- Low capacity to attract FDI due to the small size of local markets and the lack of real economic integration inside the Arab region; the changes in the scenario of international competition; and the slackness and insufficiency of economic and trading reforms in the Arab region, especially in its institutional and legal framework.

Limited Financial Inclusion

The notion of financial inclusion also suffers in the Arab countries in Transition, thus limiting the access to finance and adding to the pressure on employment rates. Lack of access to finance is a major constraint for firms and households, whereby only 7 percent of firms use banks to finance investment, scoring the lowest share among the world's regions. In some Arab transition states, only a small share of adults has bank accounts. This low access to finance has been the result of a variety of factors, including poor financial infrastructure, connected lending, weak banking competition, and underdevelopment of the nonbank financial sector (IMF, 2014).

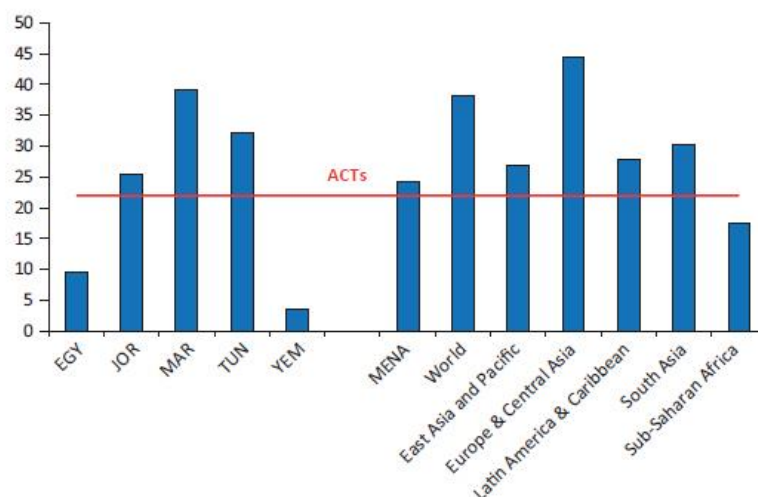
Figure 5



Source: World Bank Enterprise Surveys.

Figure 6

Figure 4.3. Relatively Few People in the ACTs Maintain Bank Accounts
(Adults with an account at a formal financial institution to total adults, 2011; percent)



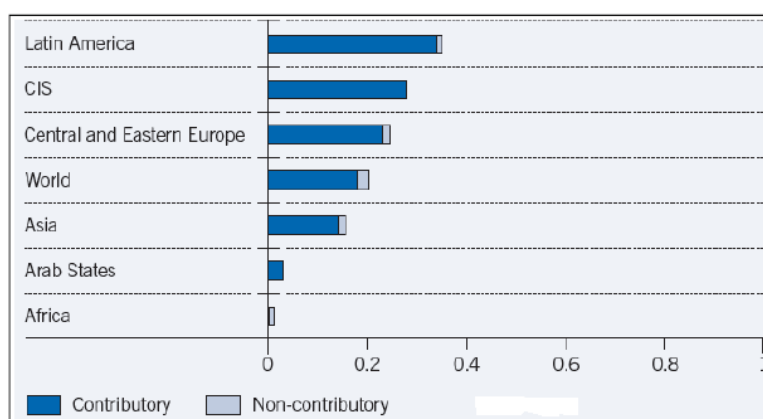
Source: The World Bank Global Financial Development database.

Weakness of Safety Net Programs

The weakness of safety net programs in the Arab region is sorely evident. The coverage of unemployment insurance is probably the lowest among all middle-income countries. In non-GCC countries, low formal employment levels, high levels of youth unemployment, and low female labor force participation remain key causes of low coverage rates of formal social security schemes (ESCWA, 2013).

Figure 7

Unemployed with unemployment benefits (Share of total unemployed)



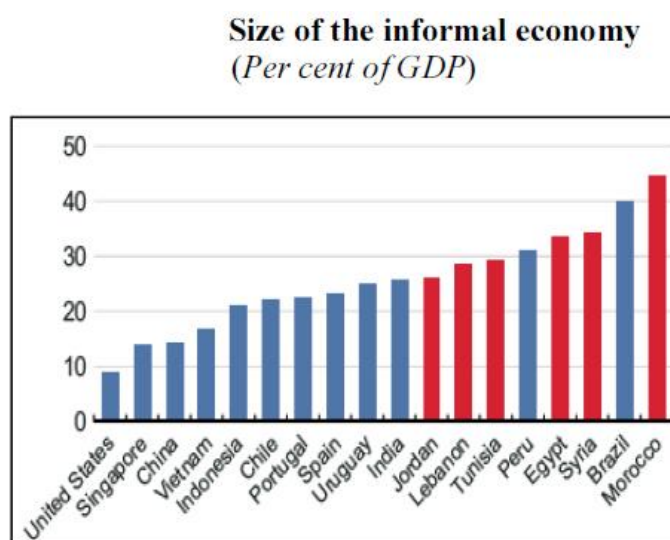
Source: Tzannatos and others, 2011.

Significant Arab Informal Economy

The size of the Arab informal economy is large even when compared with other emerging economies, with estimates ranging from 26 percent of GDP in Jordan, 30 percent in Lebanon and Tunisia, 34 percent in Egypt and the Syria, up to 44 percent in Morocco. As new entrants to the labor market are

massively absorbed by low-productivity and low-quality service jobs, this trend, combined with declining public-sector job opportunities, limited job creation within the formal private sector, and constantly increasing education levels, result in persistently high levels of informal employment. As a result of this imbalance, the non-GCC economies are locked in **low** productivity equilibrium, where the oversupply of labor feeds into the informal economy, which is relatively less remunerative because of lower value added. Much of our youth, as informal employees, find themselves caught in a low-productivity, low-return-to-investment-in-education trap whereby the demand for better-quality education services is hampered by the gloomy prospect of getting a decent job (ESCWA, 2013).

Figure 8



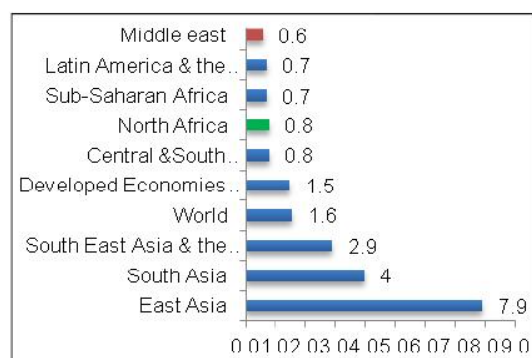
Source: IMF, 2011b.

Opportunities of Arab Countries in Transition for Overcoming Challenges

With the significant decrease in the initially low economic growth and substantial increase in budget deficits since the transition outbreak, Arab transition countries confront three major challenges. First, meeting the aspirations of the new nationalism emerging in domestic politics, grounded in a justified sense of self-determination and a desire for solidarity. Second, meeting soaring expectations for improvements in living standards, at a time when the world economies face risks of instability and slower growth. Third, developing a constructive engagement with the regional and global **economy**, just at a time when the international community is distracted and confronting the worst years of economic growth since the Great depression (Amin et al., 2012).

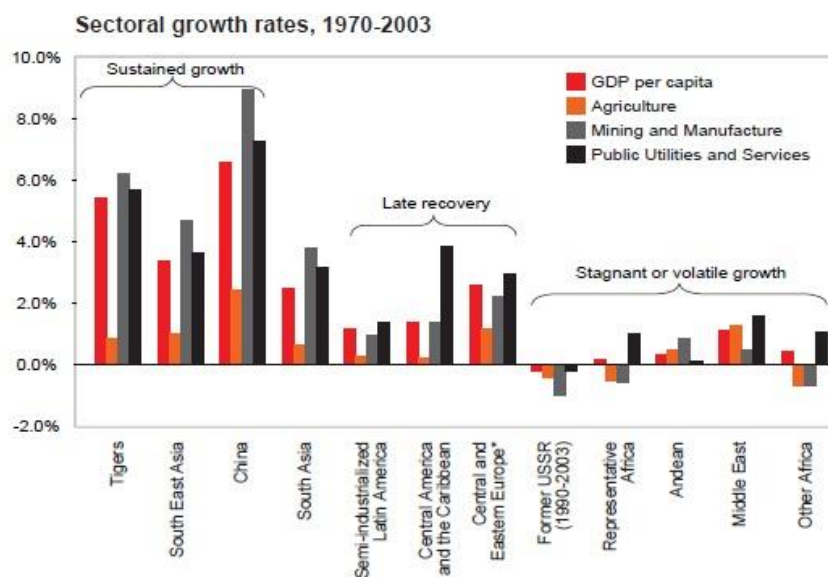
Figure 9

Figure 17. Annual productivity growth by region (1991-2010)



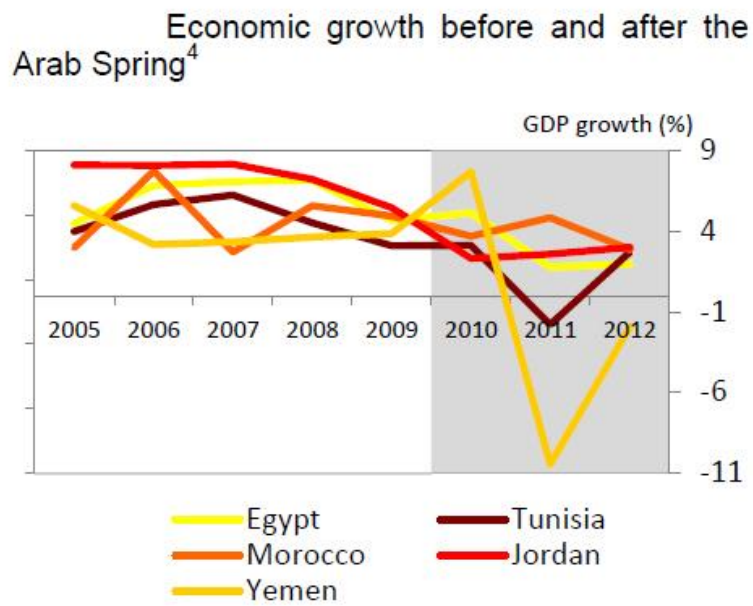
Sources: Tzannatos, 2011b; and ILO, KILM.
data available from <http://kilm.ilo.org/2011/download/kilm17EN.pdf>.

Figure 10



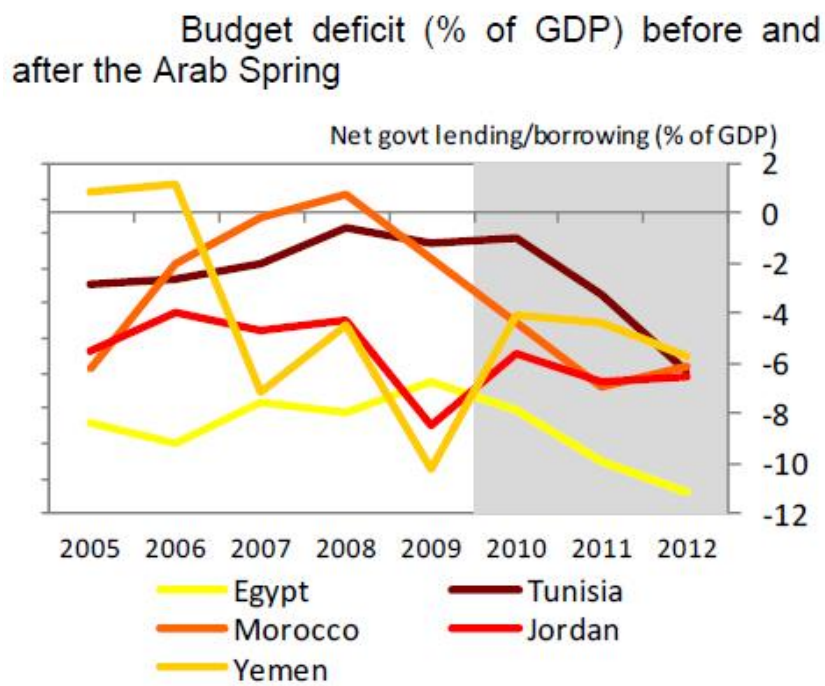
Source: World Development Indicators 2005 database.

Figure 11



Source: IMF

Figure 12



Source: IMF

In light of these traumatic dilemmas and structural impediments, the Arab Countries in Transition, along with the Arab region in general, need a visionary strategy and a bold agenda for developing a robust transition. Without creating employment growth and productivity development, Arab economies do not have the stable structural features of inclusive economies. Starting points and reform needs vary across countries, but there are a number of common areas for reform that specifically tackle the unemployment crisis, of which I will state the following:

1. **Prioritizing economic opportunities for youth and women.** Economic opportunities for youth and women need to be prioritized to lessen the large intergenerational-gender inequities in the distribution of the benefits of economic growth and national wealth. Young people and women have been discriminated against in terms of budget allocations, have borne the burden of adjustment during the current transition, and thus need a radical review of labor market regulations to reduce disincentives for hiring. In addition, there is a clear need to expand access to finance, particularly for SMEs, to enable entrepreneurial activity and spur job-creating growth (IMF, 2014). Furthermore, a notable role for enhancing employment can be played by governmental sponsoring of training and employment programs, not to mention a major revamp of the educational system to acquire the knowledge and skills needed to contribute to a competitive knowledge-based economy (Amin et al., 2012).
2. **Modernizing public sectors.** The Arab economies need to modernize their public sectors. This modernization encompasses the introduction of good governance principles, administrative reform practices, the elimination of patrimonial elite capture, and the control of corruption (Amin et al., 2012). Moreover, there appears a need for revisiting public sector hiring practices and compensation policies to reduce the public sector's labor market dominance and bias (IMF, 2014).
3. **Boosting private-sector and social confidence.** Arab governments need to gain the confidence of the private sector and create a boosting environment in which large, medium, and small enterprises are able to operate on a level playing field with least administrative and bureaucratic impediments. On the other hand, the business community must also regain the confidence of society through embracing progressive endeavors of social responsibility and philanthropy on a grand scale (Amin et al., 2012).
4. **Shifting from rentier underdevelopment to productive development.** The Arab political-economic system needs to initiate a revolutionary grand shift from the rentier state and economy to the productive-innovative state and economy, thus diminishing the imbalanced dependence on oil and rental income towards thrusting industrialization, and restraining the dominant rentier mentality. This mentality tends to distort the socio-economic-political system through implanting a patrimonial infrastructure, curbing innovation and productivity, concealing accountability, and enhancing corruptive tendencies (Hafez, 2009). Similarly, the Arab private sector needs to set aside rent-seeking activities and direct all their energy to production and innovation. This is necessarily true due to the fact that in Arab

countries there has been a significant failure to industrialize. Manufacturing output per capita is well below international benchmarks for equivalent countries, whereby the share of manufacturing in total output is low (around 15 percent of exports) (Amin et al., 2012).

Figure 13

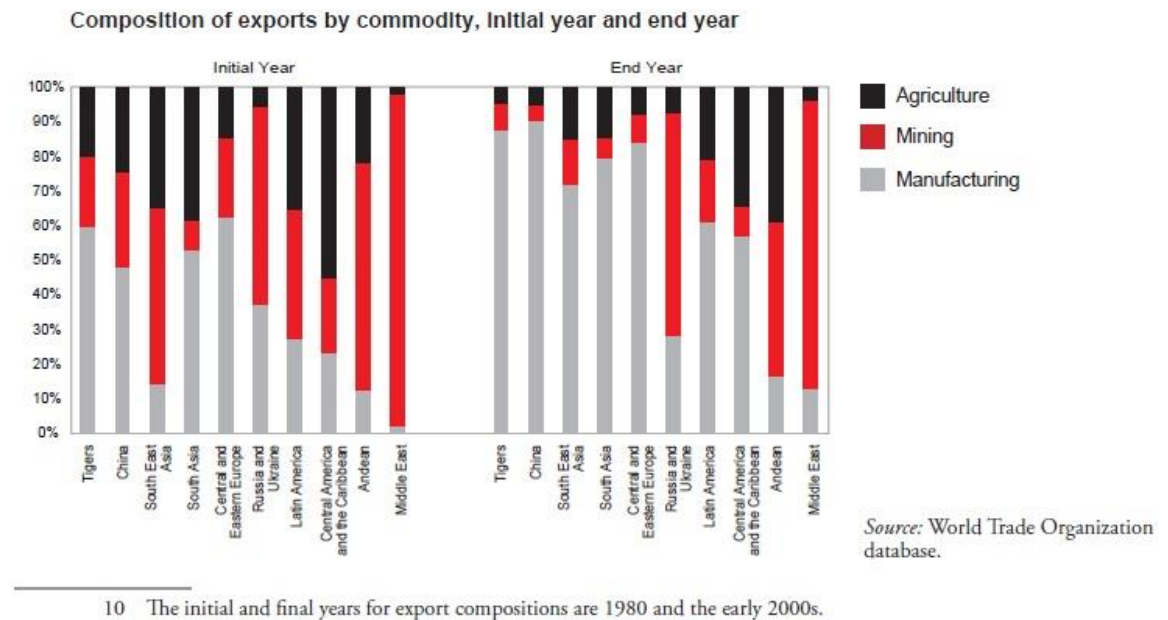
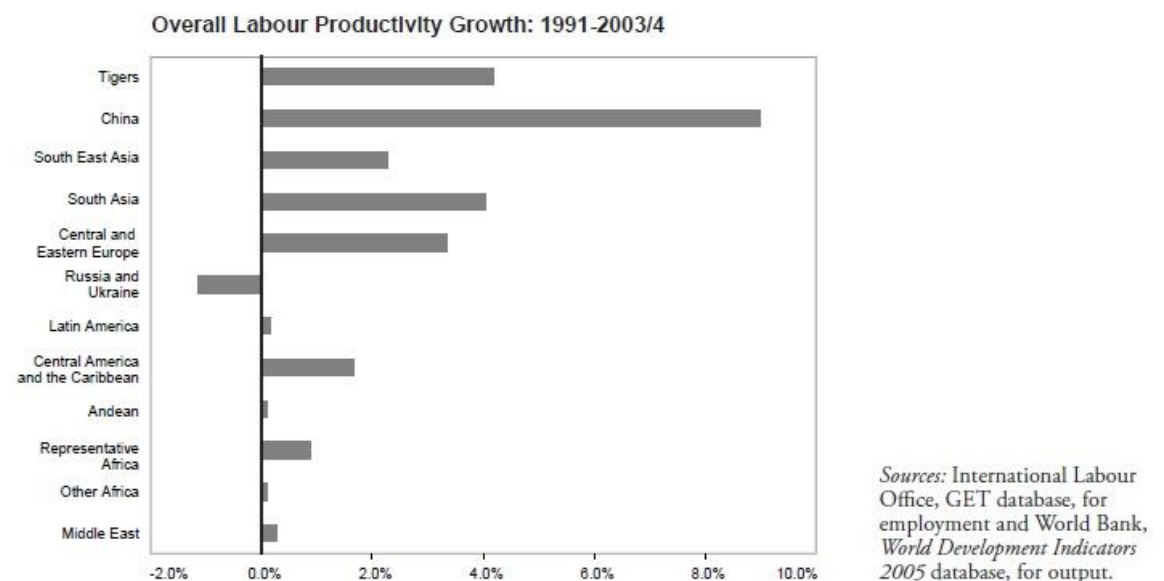


Figure 14



5. **Engaging in regional and global integration.** No successful emerging economy has progressed far without taking advantage of the opportunities provided by regional and global markets and institutions. Therefore, it is crucial to exploit the transition spillovers between Arab countries, through integrative strategies that highlight the comparative advantage of each Arab state. Cooperative regional projects and the establishment of new regional institutions could be ways of processing regional solutions in concrete ways (Amin et al., 2012). The awkward fact that trade barriers between Arab countries are the highest in the world (less than 6 percent of trade is intraregional) should cease to exist (Yusuf, 2014).

V. A Lebanese Transitional Monetary Policy that Fosters Development

As an integral part of the Arab region lying amidst extreme uncertainty and vast turbulence, Lebanon has been intensively witnessing the repercussions of the Arab transitional era on the socio-economic and political levels. With the rash of the Syrian war by its side, and having more than a million Syrian refugees on its soil, Lebanon's macroeconomic status has been under immense stress, which added to the challenges that the Lebanese economy has initially borne.

Despite this strenuous reality, the Lebanese monetary authority, embodied by Banque du Liban, has been keen on initiating its own transitional socio-economic process, as the challenges and impediments in the Lebanese economy prescribe. This process has strived for founding an invasive approach towards restraining the setbacks of unemployment and youth marginalization.

In the Lebanese pre-Arab-transition period, employment in Lebanon has recorded slow growth (1.1 percent) despite a relatively rapid growth in GDP between 1997 and 2007 (3.7 percent), which averaged at 8 percent between 2008 and 2010. This indicates an employment-growth elasticity of only 0.2 percent, which is significantly lower than those observed in other countries in the region. The large majority of jobs have been created in low productivity services, such as commerce and construction sectors, while employment has been moving away from agriculture, industry, and higher productivity sectors (World Bank-MILES, 2013).

Accordingly, the labor market in Lebanon is characterized by high unemployment, reaching 11 percent in 2010, often of long duration. Unemployment rates are particularly high for women (18 percent) and youth (34 percent). Ironically, unemployment also increases with education, whereby around 14 percent of university graduates and 15 percent of those with secondary education are unemployed relative to 10 percent with no education and only 7 percent with primary education (World Bank- MILES, 2013).

In addition to high unemployment, the Lebanese labor market is characterized by a high dominance of informal employment, mounting to 19 percent of workers, who lack access to social insurance and labor regulations. Another 36 percent are self-employed, of whom the majority are low-skilled,

involved in low-productive activities, and have limited access to formal insurance arrangements (World Bank- MILES, 2013).

In light of this challenging reality, BDL's approach towards unemployment and youth marginalization has demonstrated vision and persistence. This stems from a radical conviction that such times of crises are the most crucial for launching initiatives, and may even be opportunistic occasions for prospective achievements. This process is built on the premise that emphasizes the integral relationship between economic growth and development on one hand, and communal stability and security on the other. From this perspective, BDL has envisioned means to add a moral and communal dimension to its traditional monetary and financial performance. Consequently, initiatives that entail innovative stimulus practices have been launched, allocating stimulating resources to the areas that matter most for growth and development (Charafeddine, 2015).

At the level of economic stability and social security immunization, BDL has been keen to elevate the standard of living of the Lebanese population through achieving exchange rate stability, well balanced interest rates paving the way for good growth, and price stability; thus, preserving the purchasing power of the Lebanese currency. Moreover, prudent efforts have been exerted to spare Lebanon many of the social repercussions of regional and global economic crises. BDL has managed throughout recent years to ensure appropriate incentives for banks to provide soft loans to developmental, residential, educational, environmental, eco-friendly, alternative energy sectors, as well as resource and development. Hence, these incentives served in promoting self-employment and entrepreneurship, in addition to financing micro and small enterprises, which employ a large proportion of the labor force in Lebanon (World Bank, 2013). Furthermore, such stimulus packages served to secure social stability and decent lives by providing housing for about hundred thousand families (Charafeddine, 2015).

With the downturn of growth, production, and demand, caused by the regional political and security turmoil, there emerged a dire need for intensifying the stimulating role of BDL. For that purpose, in 2013 BDL availed to Lebanese banks 1.46 billion dollars, at an interest rate of one percent. Similar incentives were launched in 2014 valued at \$900 million. Coming to 2015, and observing that the situation is still persistent, i.e. lack of political stability and security and continual weakness of external demand on the Lebanese economy, BDL has launched yet another stimulus package of incentives consisting of \$1 billion (Charafeddine, 2015). The lower cost of borrowing would encourage investments in the targeted productive sectors and create new job opportunities for Lebanese youth. As a positive indicator of BDL's stimulus packages, 50 percent of the GDP growth in the year 2013 was attributed to BDL's incentives that serve to offset the outstanding situation by stimulating domestic demand; moreover, since 2009, the level of credit to the private sector has surpassed that to the public sector, reaching historical levels of more than \$52 billion in December 2014 versus \$37.8 billion to the public sector. All these initiatives are in favor of curbing unemployment, especially amongst the youth, fostering financial inclusion, reforming the middle class, and improving the standard of living of a large segment of the Lebanese population.

The perspective of human development has been core in BDL's approach all along. With a strong conviction that the human element is the utmost strategic importance, BDL has launched a development renaissance in an attempt to create a productive knowledge economy. This is necessarily true due to the fact that one of the most important comparative advantages of Lebanon lies in its human resources and scientific capabilities. BDL has availed programs through banks to give educational loans for university/higher education students till date (since 2009, ten thousand university students at all stages were offered loans at an interest rate not exceeding three percent). BDL has also launched other initiatives (boot camps), to encourage students who have creative ideas by developing them into concrete projects. In addition, BDL continuously offers training opportunities for undergraduates and issues publications aiming at enhancing financial literacy among citizens, not to mention research studies and workshops published on the BDL website. Furthermore, in August of 2013, BDL has created a financial engineering model that enables banks to contribute for the first time, in equity financing of start-ups companies, incubators, accelerators and venture capital. BDL has allowed banks to invest up to 3% of their capital in such projects over a period of seven years in order to nurture these vital economic agents. Hence, US \$400 million have been placed at the disposal of creativity and innovation for the benefit of human capabilities and the creation of new institutions that enrich the economy and provide employment opportunities. Up to this date, many of the Lebanese banks have allocated the necessary funds to promote this type of investment (Charafeddine, 2015). New sources of funding will be made available in the near future to further stimulate entrepreneurial activity. Examples would be crowd funding which was kicked off at the Capital Market Authority chaired by H.E. The Governor.

VI. Conclusion

If transitional endeavors prove to be inevitable and necessary, it is a historical responsibility to conduct such a transition in a holistic, systemic, and pragmatic manner, taking into account the socio-economic-cultural-political specifications of the communal setting, so as to trigger the aspired institutional change and development.

The Arab transition has been tainted by disorientation and uncertainty, suffering from complex socio-economic and political upheavals. However, the availability of knowledgeable remedial visions and political willpower can ensure the actualization of this transition with the least costs; furthermore, it can even transform these costs into opportunistic historic occasions for Arab renaissance.

If Lebanon is said to be destined for reflecting the Arab region's occasional upheavals, it might also be very true to say that with the prudence of the Lebanese human capital, Lebanon might very likely be a catalyst for Arab developmental transition, transferring Arab governance from "a law of the state" to "a state of law" (Qorany et al., 2014).

Thank you.

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