While political grievances and demands for freedom, justice and dignity have dominated the streets of Arab uprisings, socioeconomic discontent has fueled those protests. Long-term structural problems have plagued Arab countries as investments focused for the most part on non-productive sectors and countries witnessed jobless growth, rising income inequities and growing nepotism and corruption linked to networks of political power.

Those uprisings have also triggered considerable calls for a new social contract between States and citizens - calls that are being heeded to various degrees by the Governments of countries undergoing political transition. Public dialogue and discussions have proliferated about the shape of the state that people aspire to and the role they see for themselves as citizens in influencing the transition process. For the first time in recent history, public debates on political and socioeconomic priorities are taking place in the media and in public spaces between presidential candidates, policymakers, civil society organizations and civic activists. While the rights and obligations of citizenship are at the forefront of many of those debates, their influence on the future shape of different states and modes of governance is yet to be seen.

Even though political transformation and the transition to democracy are not sustainable without tangible changes in economic well-being, discussions of the pathways to economic reform in the Arab region lag behind debates on political reform. Countries in transition today are witnessing social unrest, disruptions in economic activity, surging commodity prices and slow if not negative economic growth. That is taking place in a context of a global financial crisis and economic uncertainties. Yet, rather than addressing popular demands on the socioeconomic front with sustainable measures, many Governments across the region have responded with politically expedient but ill-conceived programmes of economic populism, including the creation of surplus jobs in the public sector and subsidizing fuel, electricity, public sector salaries, pensions and other goods and services. At the heart of the matter is the question of political patronage. While public sector jobs favor some and not others, subsidies encourage overconsumption and disproportionately benefit richer households. Those measures do not bode well for the long-term prospects of development in the different countries and the region as a whole.
Arab citizens today are discovering that the path to democracy is long and fraught with difficulty. The challenges to launching their countries towards democratic reform require the restoration of confidence in state institutions, particularly the judiciary and internal security. However, they also require building a consensus on difficult issues and choices, including the shape of the new social contract between States and citizens. That is particularly critical in a situation of constant flux, as new stakeholders emerge on the scene and existing networks of interest fight to preserve their privilege. In the short term, mounting pressure to address social grievances and the disruption in economic activity indicate that countries with limited fiscal space will need to consider offsetting some of the additional spending with cuts in other sectors.

The rise to power of political parties, some of which are Islamists and most with limited experience in governance and a vision for development yet to be determined, is also posing additional challenges. Those parties have now gained considerable political power across the region and thus have to define the economic and social choices they will make. For unlike traditional political parties such as leftists, liberals, social democrats or conservatives, those new parties in power have yet to espouse a clear and comprehensive vision for economic development and citizenship. In an environment of uncertainty, flux and deteriorating economic and social conditions, they have to clarify their strategic options and policy implications, and build consensus.

Arab citizens are aware that failure to address those issues could lead to a growing economic crisis and in turn foster support for radicalism, authoritarianism, or theocratic or military rule. Experiences of other countries that have gone through the same kind of transition indicate that those issues should be at the forefront of political decision-making. Going beyond populist policies and short-term expediencies to build consensus on how to manage the short-term reversals in economic activity and address the expectations of people demanding their rights without taxing the future is paramount. So is finding the means to engage with external factors without compromising state sovereignty or the rights of citizenship.

II. OBJECTIVES

The aim of this high-level meeting is to provide decision makers in emerging democracies in Arab countries with an opportunity to interact with leaders who encountered similar challenges.

The primary objectives of the high-level meeting are:

(a) To provide a forum for an exchange of views and experiences between participants;

(b) To provide policymakers and practitioners with global best practice and lessons learned in relevant areas;

(c) To examine different ways to manage people’s expectations in the short and medium term without taxing the future;

(d) To identify key mechanisms for restoring confidence and building consensus around options for economic growth and social justice based on the experience of other countries;

(e) To explore the potential role of regional and international intervention, support and cooperation on prospects for democratic transition and addressing short-term challenges;

(f) To promote South-South cooperation and networking;

(g) To identify the priority needs of member countries and their expectations of the United Nations and other donors.
In particular, the meeting will focus on the means to ensure:

(a) **Transparency:** addressing potential challenges to the process of institution-building and governance systems;

(b) **Equity:** developing equitable socioeconomic strategies;

(c) **Inclusion:** promoting political and social inclusion and cohesion;

(d) **Justice:** ensuring effective transitional justice mechanisms.

### III. PARTICIPANTS

Participants will include 40 to 50 high-level Arab and international political leaders, policymakers and development practitioners with relevant experience in the fields of democratic transition and socioeconomic reform.

### IV. FORMAT

This will be a closed brainstorming meeting to facilitate the exchange of ideas and in-depth discussions. It will be structured around two main themes:

(a) **From Autocracy to Democracy: The Voices of the Many and Decisions of the Few**;

(b) **External Support and National Sovereignty: Navigating the Minefield**.

Each of those themes will include a number of relevant subthemes. The meeting will conclude with a round-table discussion reflecting the regional perspective on translating political strength into economic vision and action.

### V. THEMES/CONTENT

**Theme I: From Autocracy to Democracy: The Voices of the Many and Decisions of the Few**

Despite the medium and long-term benefits of the transition to democracy, the unprecedented transformations that Arab countries are going through are having a significant impact on their socioeconomic situations and on the rights and obligations of citizenship. Ongoing social and political unrest is weighing down investor confidence, tourism and foreign direct investment. Decreasing productivity, increasing unemployment, elevated food and commodity prices and social unrest have lead Governments to increase spending on food and fuel subsidies, raise civil service wages and pensions and, in some cases, expand bloated state bureaucracies. In some countries, they have also approved additional cash transfers and tax reductions and provided different measures of support for the unemployed. The fiscal packages range widely, from 1 per cent of GDP or less in oil-importing countries such as Egypt and Lebanon, to about 22 per cent of GDP in the oil-exporting country of Saudi Arabia, spread over several years. While some of the countries in transition can afford those packages easily, they have further strained public finances and debt levels that were already high prior to the uprisings in others. More importantly, several of the countries in transition have been losing their foreign reserves at an alarming rate and are placing their public finances on an unsustainable path due to additional spending.

Looking at the experiences of others, sessions under this theme will examine the different options and tools available to countries in democratic transition to address the multiple challenges, arrest economic decline and launch an inclusive growth trajectory that will reflect positively on living standards and well-being. It will consider the following issues: Is the developmental state a viable model for Arab countries? How can Governments manage fiscal policy in the context of a narrow fiscal space and an increased pressure
for social spending? What policy trade-offs can rationalize spending and allow the Governments of countries undergoing political transition to address the most urgent needs of increasingly vulnerable and disenfranchised populations? What options are there for replacing regressive subsidies with programmes of support directly targeted at those who need them the most? What policy mix can assure social protection and poverty prevention while maintaining investor confidence? What growth accelerating programmes can be implemented in the short term while maintaining the fundamental principles of social equity? How can Governments manage state-owned enterprises and natural resources yet uphold property rights and maintain investor confidence? How can they deal with the cronyism and corruption of the pre-transition periods while preventing a witch hunt and politically motivated trials? How can they establish the conditions for sustainable public finance and address the question of inefficient subsidies? What kinds of quick investments and public-private partnerships are necessary and feasible in this transitional period? What kinds of incentives could help reduce corruption and what mechanisms for control, transparency and accountability would delink the access to economic opportunities from political connections?

- Restless Democrats: Managing Expectations beyond Populist Policies.
- Growth and Social Equity: Policy Trade-Offs.

**Theme II: External Support and National Sovereignty: Navigating the Minefield**

External factors and actors can play a considerable role in supporting or undermining the transition to democracy. Those include traditional tools such as overseas development assistance and debt support, as well as financial and other support to political parties rather than state institutions. Moreover, experience from other countries indicates that regional coordination and support can also play a considerable role in sustaining the transition to democracy. This theme will consider the various external factors that can affect democratic transitions and will explore the role of external actors in undermining or supporting economic reforms, trade, private investment and creating incentives for investments which, in turn, could support the political transition to democracy. How can Governments deal with external influence and direct financial or political support to sub-national entities in periods of political transition? How can international civil society organizations uphold international human rights agendas while respecting state sovereignty? How can the international community support the recuperation of stolen assets? How should Governments deal with the spillover effects of the transition? What kinds of aid packages should be provided that can also facilitate grass-roots initiatives for development and strengthen the institutions of civil society? What regional cooperation mechanisms, including institutions, are possible in the short term? What lessons can be learned from other regions in terms of integration or cooperation to address those challenges?

- External Support to Fledgling Democracies: A Blessing or a Curse?
- One People, Different Identities: Regional Integration and Cooperation.

**Round-table Discussion: People Power: Translating Political Influence into Economic Vision and Action**

Participants in this panel will discuss the long-term vision they have for their countries as they transition into democratic governance and the optimum political, economic and social strategies that will be pursued in service of that vision. They will consider the opportunities and obstacles to achieving a fully democratic Arab world in this decade and the impact of the regional context and the role of regional cooperation and integration in the process.