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# Scenario Planning

Guidance Note

Foresight Horizon Scanning Centre, Government Office for Science

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The views expressed in the Note are those of the Foresight Horizon Scanning Centre in its capacity as a centre for research into futures techniques. They do not represent UK Government policy.

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## How to use this Note

For readers that are already familiar with the general principles of scenario planning, and are about to embark on a process, **sections 2-4 provide the main practical guidance.**

Sections 5 and 6 briefly summarise key points and provide links to further guidance.

The Annex includes three country case studies of scenario planning work, illustrating the methodologies, explaining how scenarios were used in practice and what lessons were learnt in each case.

**“To deal with the future we have to deal with possibilities. Analysis will only tell us ‘What is’.”**

Edward de Bono, *Parallel Thinking*

**“Thinking through [scenario] stories, and talking in depth about their implications, brings each person’s unspoken assumptions about the future to the surface. Scenarios are thus the most powerful vehicles I know for challenging our ‘mental models’ about the world and lifting the ‘blindness’ that limit our creativity and resourcefulness.”**

Peter Schwartz, *The Art of the Long View: Planning for the Future in an Uncertain World*

## 1. Introduction

### What is scenario planning? Why use it?

Scenario planning is a futures technique used for medium to long-term strategic analysis and planning. It is used to develop policies and strategies that are robust, resilient, flexible and innovative.

Scenarios are stories (or narratives) set in the future, which describe how the world might look in, say, 2015 or 2050. They explore how the world would change if certain trends were to strengthen or diminish, or various events were to occur.<sup>1</sup> Normally a set of scenarios are developed (between two and five) representing different possible futures, associated with different trends and events. These scenarios are then used to review or test a range of plans and policy options: the conclusion generally being that different plans are likely to work better in different scenarios. Alternatively scenarios can be used to stimulate the development of new policies, or as the basis for a strategic vision. They are also a useful means of identifying 'early warning' indicators that signal a shift towards a certain kind of future.

At any given point in time, there are an infinite number of possible future scenarios. Scenario planning does not attempt to predict which of these will occur, but through a formal process identifies a limited set of *examples* of possible futures that provide a valuable point of reference when evaluating current strategies or formulating new ones.

### Origins and examples

Scenarios have been used to understand and plan better for the future for over half a century. The RAND Institute in the USA first used them in the 1940s, followed by the Stanford Research Institute. Their application in the private sector is particularly associated with Shell, who in the 1970s and 1980s used scenario planning to prepare for the impact of external events on oil prices.

A famous example of the use of scenarios is the *Mont Fleur* exercise carried out in post-apartheid South Africa. Four scenarios were developed by a diverse group of 22 prominent South Africans – politicians, activists, academics, and businessmen, from across the ideological spectrum. One scenario – named *Flight of the Flamingos* – illustrated how a new South Africa, with equality between races, might flourish.<sup>2</sup> The scenarios were credited with playing a role in persuading the National Party to accept a negotiated settlement and convincing the ANC of the need for a credible economic policy.<sup>3</sup>

Japan and Finland have used scenarios to plan long-term public investment in technology and innovation programmes; other countries, such as Singapore, have focused on security and risk. In the UK, the Ministry of Defence (MOD) has since the 1990s used scenario planning for campaign planning and training, and to support long-term force and capability development. The Department for International Development (DFID), the Foreign and Commonwealth Office (FCO) and the cross-departmental Stabilisation Unit have undertaken country and region-focused scenario planning to inform strategy and programmes, and to improve coordination.

Since 2005 the Foresight Horizon Scanning Centre has been promoting scenarios work across government. For example, its cross-departmental *International Futures Project* was developed by officials from 13 departments who worked with experts from outside government; eight departments have used the scenarios to consider the impact of the emergence of new economic and political powers and the possible return of protectionism.

This note is designed to provide an introduction to scenarios, particularly for those organising or participating in country, regional or thematic scenario planning work. It suggests a choice of three possible techniques, and brings together the results and lessons from work carried out in different countries and contexts.

## Endnotes

1 The term scenario is sometimes used, particularly in a military context, to refer to a range of detailed, fairly short-term, relatively high likelihood outcomes, for which a plan will be formulated. This is a different type of scenario from the longer-term scenarios used to explore how the world might look in the future, which complement (and provide context for) detailed short-term planning and decision-making.

2 <http://www.generationconsulting.com/publications/papers/pdfs/Mont%20Fleur.pdf>

3 Mont Fleur worked under very specific political conditions and attempts to replicate it in other contexts, such as for example the Israeli Palestinian conflict have not met with success [see Sussman (2004) *Searching for Flamingos in Israel: the pitfalls of mixing scenarios and negotiations*, Development 47]

## 2. The Scenarios Process

### Checklist of issues to consider before starting:

- ✓ Is the **purpose** of the exercise clear and agreed?
- ✓ How will the scenarios be **used** in practice? Can they help stimulate discussion and **build consensus** with key partners?
- ✓ What is the **time-frame** for the scenarios? (note that this differs from the time-frame for action in light of the scenarios)
- ✓ Who will **participate**? Is there sufficient **expertise** (including thematic or country / regional knowledge, and expertise in scenarios methodology)?
- ✓ Is there sufficient **buy-in** from key stakeholders, and are there links to **national processes** in the partner country (if the exercise is country-focused)?
- ✓ What **underpinning analysis** will be used to inform the scenario-building? Has this been made available to participants in advance?
- ✓ What **methodology** is most appropriate? (see section 3 below)
- ✓ How will the scenarios be **communicated** effectively?

### Defining the purpose and question

Before starting to build scenarios, it is important to clarify the purpose of the work, and to agree how the scenarios will be used. The importance of spending the necessary time on this phase, particularly where there are divergent (or unclear) views about the purpose of the work, cannot be overstated.

Interviewing those who have commissioned the work and other senior stakeholders is a very useful part of the scoping process. It will help ensure that a clear idea of what the work should achieve is shared by the commissioning group, and will help give a sense of how the scenarios might be used in practice. The result of this phase should be a clear and simple question that the development of the scenarios will seek to address, together with a clear statement of what the work is seeking to achieve.

Examples might include:

- What will the future of country X / region Y look like in 10 years? (country / region **analysis** focus)
- What risks do we face in country Y over the next 5 years? What contingency plans should we put in place? (**risk management** focus)
- What strategy should organisation X adopt in order to achieve outcome Y? (**strategy development** focus)
- How robust is strategy X or programme Y over a 10-year timeframe (in the light of Z)? (**strategy or programme review** focus)
- What should be the goal of organisation X and how should it be achieved over the next 15 years? (**vision** focus)

In nearly all cases it should be possible to formulate the purpose of the scenarios work as a question. If this proves difficult, this is often an indication that the work will not be taken up when completed, even if it is of a good quality.

Thought should also be given at an early stage to how the scenarios will be used in practice. For example, could they help generate dialogue around possible risks and priorities with key stakeholders and partners (e.g. in a particular country or region)? Will they be used to test a range of policy or planning options that have already been developed? Will they be used to develop “early warning” indicators that will be monitored regularly? The way in which the scenarios will be used has implications for the process, who participates, the methodology used, and the way in which they are developed and presented.

## Time horizon

There are no hard-and-fast rules about the appropriate timeframe for scenarios. Traditional scenario methods tend to look 10-15 years ahead, and will reflect the question being examined. Where the work is focused on more narrowly-defined trends and drivers (for example, linked to national political situations), this may be reduced to three to five years or even less. Where scenarios are being used to test the robustness of an existing strategy or plan, they should look ahead at least twice as far (e.g. scenarios to test a three-year country plan should look at least six years ahead). Scenarios considering issues such as climate change will tend to have a longer timeframe, as will energy scenarios, where companies and governments need to take investment decisions decades before new facilities come onstream.

A common misunderstanding is to confuse the time horizon of the scenarios with the time horizon for action in light of the scenarios. Scenarios describing the international environment in 2020 will have *immediate* implications for decision-makers: if the world is going to veer towards protectionism by 2020, governments need to be planning for it now – 2019 will be too late. If the risk of violent conflict in a country or region is likely to increase in the next five years on account of diminishing resources or rising inequality, mitigating steps should be taken now.

## Participation

Scenarios should ideally be developed in a workshop setting by a small team (generally between ten and 25 people), representing a wide range of expertise, drawn from different backgrounds. Participants should be made up of a mixture of subject-matter experts (academics, NGOs and business professionals), policymakers, and operational staff with local, country or regional knowledge. The team should also include some of the policymakers and planners who will subsequently use the scenarios. Linking scenarios into a national process at country level may require a larger number of stakeholders to be involved.

The combination of team members should ensure:

- *High quality input*: expert involvement enhances the authority and credibility of the scenarios;
- *Diverse input and challenging voices*: different viewpoints ensure that underlying assumptions and 'mental models' are challenged, particularly in a country or regional context where UK government is present in a supporting or advisory role. Important drivers and triggers for future events often come from unexpected places;
- *'Buy-in' from those who will be using the scenarios*. The process of building scenarios in a group creates a powerful sense of ownership of the finished product. Involving senior policy-makers in the scenarios process will considerably increase the likelihood that the scenarios will inform important decisions.

It is tempting to call on consultants and analysts to develop the scenarios, only later engaging a wider audience to comment on them. Scenarios developed in this way may be more intellectually convincing, as they will tend to limit their references to the respected views of experts. Practical considerations (shortage of time, difficulty of convening a good group of people for more than one workshop), may in any case make this approach necessary. However, the benefits of inviting a group of stakeholders to develop the scenarios together will in most cases outweigh those arising from intellectual 'purity'. Where experts cannot be included in a workshop, it may be possible to incorporate their knowledge into the scenarios at a later stage, or better, provide it as preparatory material for the workshop participants (see below).

In all cases, it is strongly recommended that a facilitator experienced in working with the chosen methodology or technique is used to run the workshop.

## Pre-workshop analysis

Work on identifying major drivers, trends and events should be initiated ahead of the first workshop: this is an opportunity to draw on relevant horizon scanning work and other analysis. Ideally this work will be synthesised into a format which can be accessed easily by workshop participants, either as preparatory material or at the workshop itself.<sup>4</sup>

Material researched at this stage should include a mix of thematic material, together with analyses of broader trends. For scenario planning in a particular country, it is important to consult (and synthesise) the latest and most authoritative material on conflict, political economy, governance, social dynamics and other relevant issues. Regional and international studies should be considered in addition to national and local ones. Rather than choosing one lens through which to view the situation in the country, it is good practice to highlight competing or conflicting arguments or viewpoints: for example, a view of development constraints from the private sector versus one from an international development organisation. These different views may later find their way into different scenarios.

## Communication

Scenarios add most value when they are communicated effectively to their audience. Scenarios need to be compelling and convincing, and participants should be able to visualise plausible futures. There are a range of techniques to help with communication, including:

- **Names** – giving each scenario a distinctive, memorable name that captures its key characteristics can help participants discuss the scenarios and their implications
- **Visual diagrams** – each of the three methodologies below makes use of visual diagrams to illustrate the links between key trends and scenarios
- **Develop stories** – once the key characteristics of each scenario have been agreed, work can be done to develop them into stories that enable participants to imagine what it would be like to live in a particular kind of future
- **Future media headlines and stories** can be developed to help make scenarios more real and engaging
- **Video** is a very powerful communications medium for scenarios.

## Endnotes

<sup>4</sup> The Foresight Horizon Scanning Centre has published a large set of short horizon scanning papers covering a wide range of future issues and trends relevant to UK public policy at [www.sigmascan.org](http://www.sigmascan.org).

### 3. Choice of Methodology: Three Options

This section outlines three methodologies that UK government has used to develop scenarios. These are:

- Two axes method
- Branch analysis method
- Cone of plausibility method

These are not exhaustive – a wide range of alternative methodologies exist which may be appropriate in particular contexts (see links to a selection of these in Section 6).

For the scenario planning process to be successful, the scenarios must be developed in line with certain principles, whichever methodology is used. Scenarios must be:

- ✓ *plausible*
- ✓ *internally consistent*
- ✓ *based on rigorous analysis*
- ✓ *engaging and compelling*

It is important to avoid falling into the trap of developing three scenarios that broadly correspond to the status quo, the ideal, and the worst-case scenario: such an approach increases the risk that the 'extreme' scenarios are rejected. Instead, it is important to explore a **range of plausible futures**, each of which has both positive and negative aspects – this will help in the identification of risks, and will provide a more robust way of testing strategies (see section 4).

Briefly, the advantages of each of the methods are:

Scenarios generated using the '**two axes**' process are illustrative rather than predictive; they tend to be high-level (although additional layers of detail can subsequently be added). They are particularly suited to testing medium to long-term policy direction, by ensuring that it is robust in a range of environments. Scenarios developed using this method tend to look out 10-20 years.

The '**branch analysis**' method is suited to developing scenarios around specific turning-points that are known in advance (e.g. elections, a referendum or peace process). This approach works best for a shorter time horizon: generally up to five years.

The '**cone of plausibility**' method offers a more deterministic model of the way in which drivers lead to outcomes, by explicitly listing assumptions and how these might change. Of the three techniques, this approach is most suitable for shorter-term time horizons (e.g. a few months to 2-3 years), but can be used to explore longer-term time horizons. It also suits contexts with a limited number of important drivers.

#### (i) Two axes method

This method is based on one of the approaches used by Shell. It generates four contrasting scenarios relevant to a particular area of interest (which may be geographic or thematic) by placing a major factor influencing the future of the issue being investigated on each of two axes, which cross to form four quadrants (see figure 1). The factors chosen for the axes should be 'high-impact, high-uncertainty', to ensure that the four spaces defined by their intersection are clearly

differentiated. These spaces are then developed into scenario narratives, reflecting the influence of other events and trends in addition to those represented on the two axes.

This method is excellent for presenting a rich picture of multiple facets of a potential future: when an experienced scenario writer (or film-maker) is engaged at the final stage, the set of scenarios produced can be very persuasive, even to a non-specialist audience. To ensure that the scenarios produced are credible, workshops should draw on well-documented evidence and analysis, and the final scenarios should be reviewed for coherence and internal consistency by a qualified panel.

The main components of the process are given below. It is normally divided into two or three workshops, but may be run in a day-long session.

- ✓ Determine question and time horizon (before the workshop)
- ✓ **Identify drivers, trends and potential events** relevant to the scope and question (in break-out groups), based on relevant research and analysis.
- ✓ Cluster drivers from all groups (in plenary)
- ✓ Identify (with facilitator guidance) principal **clusters of drivers** (normally 6-12)
- ✓ Prioritise clusters to *identify the drivers that have the highest impact and are the most uncertain* (group discussion, voting)
- ✓ Select, based on the prioritisation exercise, **two scenario axes that generate four relevant scenario quadrants** (through facilitated plenary discussion)
- ✓ Develop characteristics for each of the scenarios (in groups, one for each scenario)
- ✓ Develop the scenarios into stories or narratives (after the workshop)

Once the scenario narratives have been produced, a 'backcasting' exercise can be undertaken to identify specific points during the time leading up to these scenarios; these points may then be monitored as an indicator of whether or not events are unfolding in a way that is consistent with the scenario.

An example of four scenario quadrants generated using the 'two axes' method (taken from the International Futures Project<sup>5</sup>) is shown in Figure 1:

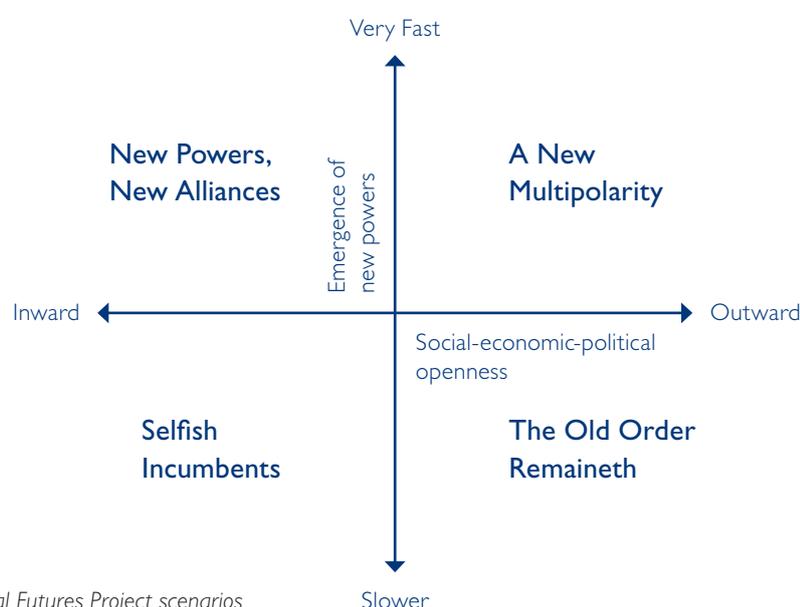


Figure 1: International Futures Project scenarios

## (ii) Branch analysis method

A 'branch' process can be used to develop a range of potential futures. Starting with the top-level question, important events are identified in a systematic, sequenced way and their potential consequences are mapped onto a branching diagram. Contrasting scenarios are developed using this branching approach, as shown in Figure 2.

This method attaches significant weight to certain events in advance. While other factors are considered when the scenarios are developed, these will tend to be determined to some extent by the choice of events or turning-points. The method is therefore particularly suited to considering the impact of significant events such as election or referendum. Success depends on a thorough and comprehensive exploration of relevant issues and events at the start.

The main components of the process are given below (many of these are similar to those of the 'two axes' method). Again, the process would normally be split into two or three workshops, but may be run in a day-long session.

- ✓ Determine question and time-frame (before the workshop)
- ✓ **Identify drivers, trends and key events** relevant to the question (in break-out groups), based on relevant research and analysis
- ✓ Select a **limited number of key events and potential outcomes** to focus on (in plenary)
- ✓ Build **branch diagram** based on key events and potential outcomes of each event
- ✓ Identify **scenario spaces** based on distinct, plausible outcomes
- ✓ Develop characteristics for each of the scenarios (in groups, one for each scenario)
- ✓ The scenarios are then developed into stories or narratives (after the workshop)

An example of four scenarios generated using the branching method, based on the outcomes of the Comprehensive Peace Agreement (CPA) and the 2011 referendum in Sudan is shown in Figure 2.

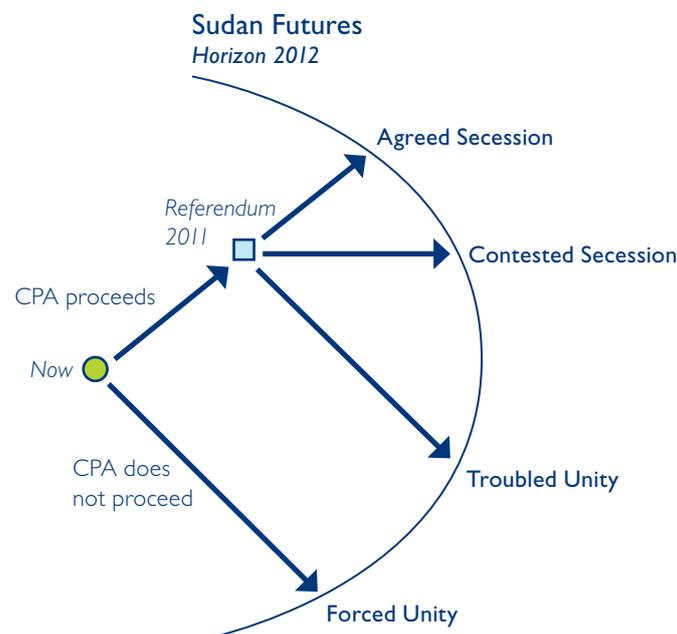


Figure 2: Sudan 2012 scenarios

### (iii) Cone of plausibility method

The cone of plausibility is a scenario planning technique developed at Houston University, and adapted for use by the UK Ministry of Defense. A range of scenarios are developed from a series of drivers and assumptions that are identified. The scenarios are based on the most likely pathways as well as the more extreme or less likely future pathways.

The cone of plausibility can be used to look at short, medium or long-term futures, but is particularly suited to short-term horizons where there are a limited number of drivers. The technique enables analysts to produce a clear and robust audit trail towards their scenarios, presenting the evidence base throughout. The technique is relatively easy to use: once the key drivers have been identified, the behaviour of the assumptions is adjusted, and the scenarios are built from this framework. For each scenario it takes only three steps to generate an end-state.

The key components of the process are as follows:

- ✓ Determine question and time horizon (before the workshop)
- ✓ **Identify drivers and trends** relevant to the question (in workshop break-out groups, or around the desk with specialists), based on relevant research and analysis. Usually limited to 3-7 drivers
- ✓ Determine the behaviour of each driver to produce a corresponding list of **assumptions**. One assumption per driver is necessary (for example, if Nigeria's political leadership is the driver, an assumption would be that leadership remains stable)
- ✓ Generate a **baseline scenario**, based on the initial set of drivers and assumptions. The baseline is usually a simple projection forward of the current situation
- ✓ Change one or more of the assumptions (for example, Nigeria's leadership changes) to generate a **plausible alternative scenario**. Consider the impact that the change(s) would have on the baseline, and change it accordingly
- ✓ Repeat this step if appropriate, to generate a further alternative scenario
- ✓ Radically change at least two of the assumptions again to generate a more **extreme scenario** ('wildcard'). This is likely to be high impact, low probability
- ✓ Illustrate each scenario with a narrative, incorporating specific events where relevant (during the workshop) with the experts in attendance. The language can be tidied up later on, but any points of detail must be cleared with the relevant stakeholders.

An example of three scenarios for **India in 2020** developed using the cone of plausibility method, based on four drivers and four assumptions is shown in Figure 3.

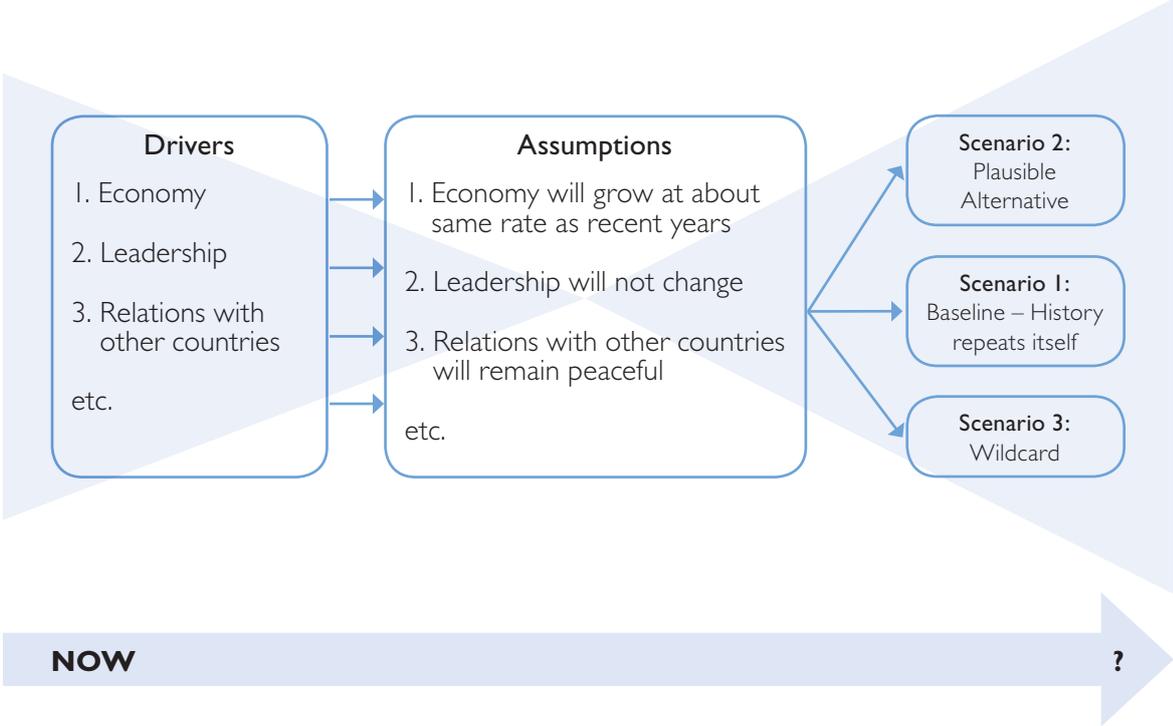


Figure 3: India in 2020

**Endnotes**

5 see <http://www.foresight.gov.uk/FAN%20Newsletters/International%20Futures%20Scenarios.pdf>

## 4. Using Scenarios

Once scenarios have been developed, there are a variety of ways in which they can be used. Three methods that have been used by UK government are described here; other uses are presented in the Foresight Horizon Scanning Centre toolkit.<sup>6</sup> The way the scenarios are intended to be used should be considered at an early stage, to help inform the way in which scenarios are developed and presented. Case study examples of how the UK government has developed and used scenarios can be found in Annex A.

Scenario planning should not only be viewed as a tool to assist government with its own strategic planning. We should also seek to identify opportunities to support scenario planning work by others, including partner governments in countries where UK government is working. For example, based on their earlier scenario planning work, DFID Bangladesh is now supporting the Government of Bangladesh in their long-term scenario planning consultations, which will lead to a Vision 2021 Perspective Plan in early 2010. The Perspective Plan will outline the long-term challenges and opportunities for Bangladesh, which will feed into their new Poverty Reduction Strategy – 5-Year Plans for 2011-2015.

### (i) Review strategic options against scenarios

Scenarios can provide a valuable 'reality check' on strategic options and plans (which often focus on desired outcomes more than realities). They can help inform the development of a vision or strategy for the future, by highlighting major challenges and risks. This can help focus discussion on important areas.

A useful way of testing or reviewing options against scenarios is to map them against each other in a simple matrix. The focus should be on how **robust** each option is (can it be delivered in a particular scenario?), and on its **strategic importance** (how important is it in a particular scenario?). This method (sometimes referred to as 'wind-tunnelling') can help to prioritise options, by identifying those which are:

- Robust or important in *all* scenarios – suggests high priority
- Robust or important in *certain* scenarios only – suggests medium priority
- *Not* robust or important in any scenario – suggests low priority

Scenarios can be developed in such a way that different organisations can test different policy options against them. It is important in this case that all organisations that plan to use the scenarios are involved in developing them.

The example in Figure 4 tests strategic options for a non-governmental organisation (NGO) working in a developing country, against four scenarios.<sup>7</sup> The scenarios are based on two drivers: whether the world is focused on helping the poor or serving elites, and the level of secure funding:

### Strategic options analysed against scenarios

Scenario	Fortress Nirvana (Pro-poor, secure)	Another brick in the wall (Elite, secure)	Midnight in the garden (Pro-poor, insecure)	Four horsemen (Elite, insecure)
<b>Option</b>				
1. Funding broker	✓	✗	✗	✗
2. Technical Assistance	✗	✓	✓	✓
3. Advocacy	✓	✓	✗	✓
4. Corporate Social Responsibility	✓	✓	✓	✓
5. Think & Do tank	✓	✓	✓	✓
6. Partnership broker	✗	✓	✓	✓
7. Sector/Thematic specialisation	✓	✓	✓	✓
8. Maximise income	✗	✗	✗	✗
9. Whatever communities want	✓	✗	✗	✗
10. Emergencies	✓	✓	✗	✗

■ Robust      ■ Significant      ■ Important but risky  
 ✓ Works      ✗ Does not work

Figure 4: Example of options assessment using scenarios

### (ii) Develop contingency plans: identify risks and mitigation strategies

Monitoring potential future developments when working in a pressured and perhaps unfamiliar environment is a challenge. For this reason, and also because the human mind tends to filter out data that do not conform to a previous pattern, we often get caught out by changes in our external environment. Scenario thinking and planning encourages us to acknowledge the potential for significant change around us. This makes us better at recognising such change when it starts to happen, and also be better prepared for it (and better able to cope).

Scenarios are also a useful way of acknowledging and representing 'systemic' risks - i.e. risks that are generated by a combination of factors. Traditional risk management tends to present and consider risks individually and can therefore miss these effects.

Scenarios are therefore a powerful platform on which to build contingency plans. In order to get most value from scenario-based contingency planning, the following process is usually followed:

- Define the scope and time horizon of the scenarios (country, region, specific issue to be explored) – see Section 2

- Develop the scenarios, involving a broad range of stakeholders (this is particularly important for scenarios with a focus on risk, as different stakeholders will be aware of different risks) – see Section 3
- Test current strategies against the scenarios. Are they robust and resilient? If not, can they be adapted swiftly to cope with the challenges in the scenarios? The matrix approach described in Section 4 (i) above can be used for this purpose

For example, DFID **Yemen** has developed a contingency plan based on four scenarios: a base scenario, and three divergent scenarios that would require a reconsideration of DFID's approach and programme. Under each scenario, the contingency plan:

- Identifies the key risks
- Gives a likelihood rating
- Sets out implications for:
  - i. DFID staff
  - ii. DFID programmes – focus, level of spend, aid instruments
  - iii. Policy engagement with the Government of Yemen and other donors

The plan was developed in consultation with other government departments (particularly FCO), to ensure that the UK is as well prepared as possible for the range of potential developments in Yemen.

DFID **Nepal** has applied a similar method at the level of individual programmes and projects over £5 million. The operational implications of the four scenarios for each individual programme have been worked through and summarised in a table. For each scenario, it sets out how programme funding would be channelled or re-directed – for example, with through or around the state; whether funding levels would be reduced, maintained or scaled up; and whether certain programme outputs would become more significant.

### (iii) Develop early warning indicators for regular monitoring

As an initial step towards further action and planning, it is useful to develop a system to monitor key trends in relation to each of the scenarios. The purpose of this is to identify “which scenario are we moving towards, and what are the implications of this?”

Specific **indicators** can be developed on the basis of the key trends set out in the scenarios, supported by appropriate data sources that are monitored on a regular basis. For example, in Nepal DFID, FCO and MoD have jointly agreed on a series of stability indicators drawn from their scenario planning work and other analysis, which are monitored regularly using a traffic light system. Some examples of these indicators are set out in Table I.

Domain	Indicators	Traffic light (June 2008)	Progress
Momentum of peace process	<ul style="list-style-type: none"> <li>• Implementation of peace agreements</li> <li>• Communal violence</li> <li>• Ethnic/group mobilisations and protest against state</li> </ul>	Graded traffic light; e.g. 	Trend: (Improving, Stable or Deteriorating)  Analysis: (brief synopsis)
Legitimacy of government	<ul style="list-style-type: none"> <li>• Commitment to Constituent Assembly elections/process</li> <li>• Police ability to enforce law</li> <li>• Reach of local government</li> </ul>		Trend:  Analysis:
Progress on inclusion	<ul style="list-style-type: none"> <li>• Representatives of marginalised groups in key institutions</li> </ul>		Trend:  Analysis:
Public security	<ul style="list-style-type: none"> <li>• Presence and effectiveness of response of Security Forces</li> <li>• Abductions</li> <li>• Incidence of violent assembly</li> <li>• Curfews</li> </ul>		Trend:  Analysis:
Macro economic stability	<ul style="list-style-type: none"> <li>• GDP growth</li> <li>• Inflation</li> <li>• Fiscal deficit</li> </ul>		Trend:  Analysis:
Service delivery	<ul style="list-style-type: none"> <li>• Skilled birth attendance</li> <li>• No. of days schools remain open</li> </ul>		Trend:  Analysis:
Human rights	<ul style="list-style-type: none"> <li>• Transitional justice mechanisms</li> <li>• Violations by state security forces</li> <li>• Abuses by non-state actors</li> </ul>		Trend:  Analysis:
Living standards	<ul style="list-style-type: none"> <li>• Food price, fuel price</li> <li>• Poverty by region, caste and ethnic group</li> <li>• Agricultural output by region</li> </ul>		Trend:  Analysis:

## Endnotes

6 [www.foresight.gov.uk/toolkit](http://www.foresight.gov.uk/toolkit)

7 Neil MacDonald, *Development* (2004) 47 (4), 115-120

## 5. Summary of guidance

- Scenarios are a first and foremost a **strategic tool** – don't lose sight of what you are developing them for, and who you want to use them
- The **process** of scenario planning is just as important as the product – use it to help **build consensus** between departments and with other partners. Get others involved from the start, and be as joined-up as possible
- At country level, try to find ways to link scenarios into **national processes**, so they can help inform government vision and strategy
- Getting the right **expertise** in place is essential – scenario planning is of limited value without sufficient local / country / thematic knowledge
- Scenarios should be dynamic, not static. Progress should be **monitored** using indicators, and scenarios should be **updated** (particularly in volatile contexts)
- Think through **classification** and sensitivity issues before the process begins, so that information can be shared as openly as possible
- Avoid the common trap of three scenarios (status quo, ideal, worst case) and aim to develop a more robust **range of plausible futures**
- Scenarios can **challenge** our core assumptions, and should be developed with an open mind!

## 6. Further Information and Links

### General information on scenario planning:

Ringland, G. (2002) *Scenarios in Public Policy*. Chichester: Wiley.

Schwartz, P. (1991) *The Art of the Long View*. New York: Doubleday.

Van der Heijden, K. (2004), *Scenarios: The Art of Strategic Conversation, 2nd Edition*. Chichester: Wiley.

*What If? The Art of Scenario Thinking for Nonprofits*. Global Business Network (2004)

Foresight Horizon Scanning Centre toolkit [www.foresight.gov.uk/toolkit](http://www.foresight.gov.uk/toolkit). UK Government Office for Science (2008)

Waverley, A. (2007) DfT Scenario Planning Toolkit. London. [www.dft.gov.uk/pgr/scienceresearch/futures/secsceniss/](http://www.dft.gov.uk/pgr/scienceresearch/futures/secsceniss/)

### Future Forums:

Foresight Future Analysts' Network (FAN Club)

<http://www.foresight.gov.uk/Horizon%20Scanning%20Centre>

World Future Society [www.wfs.org/](http://www.wfs.org/)

Global Futures and Foresight [www.thegff.com/](http://www.thegff.com/)

### Other scenario-building methodologies:

Cause & Effect Scenario Generation:

<http://www.skymark.com/resources/tools/cause.asp>

Force Field Analysis:

[http://www.mindtools.com/pages/article/newTED\\_06.htm](http://www.mindtools.com/pages/article/newTED_06.htm)

Backcasting: <http://en.wikipedia.org/wiki/Backcasting>

Morphological Analysis: <http://www.swemorph.com/ma.html>

Field Anomaly Relaxation:

<http://www.systemdynamics.org/conferences/2000/PDFs/duczl24p.pdf>

## Annex

### Bangladesh

**Scenarios to 2020:** 14 years, from 2006

**Key question:** What are the key risks associated with support of the Government of Bangladesh's Poverty Reduction Strategy and how can these best be mitigated against between now and 2020?" "Specifically, how can DFID country planning for Bangladesh best manage these risks?"

#### Main drivers and polarities:

Drivers	
1. Regional economic and political environment	11. Growing access to credit
2. Increasing inequalities	12. Increasing migration
3. Changes to the rural economy	13. Increasing remittance payments
4. Increasing globalisation of trade	14. Growing influence of conservative Islam
5. Increasing urbanisation	15. Increasing NGO activity
6. Increasing exposure to international cultures	16. Poor quality of education
7. Growing access to media and information technology	17. Rising energy prices
8. Increasing environmental challenges	18. Improvements in infrastructure
9. Fragile / weak governance	19. Increasing insecurity & lawlessness
10. Demographic change	20. Increasing sense of entitlement

**Method used:** Two Axes, generating four scenarios.

Axis	Description
Equity-first development / Growth-first development	Nature of social and economic development. At one end of the spectrum there is more focus on economic and social inequalities, with a more equitable distribution of wealth and opportunity. A more pluralist form of democracy has emerged, driven by a growing sense of entitlement among the people. At the other end, there is a more top-down approach to economic & social development, with less focus on reducing inequalities (rich/poor, gender, ethnicity, geography) or improving public services.
Outward-looking and change oriented / Conservative & traditional values	Social, cultural and political attitudes and values. At one end of the spectrum there is more openness & exposure to international culture & value systems, fuelled in part by greater access to media & information technology. At the other there is a greater reliance on more traditional, religious political and cultural values. Bangladesh is characterised by less openness to international attitudes, culture and media, with greater focus on the established way of life.

## Summary of Scenarios:

Scenario 1	Scenario 2
<p>Features: Outward-looking &amp; change-oriented / equity-first development</p> <ul style="list-style-type: none"> <li>- More equitable, effective measures to reduce poverty and exclusion</li> <li>- Improvements in justice, security, health, education and sanitation</li> <li>- Improvements in justice, security, health, education and sanitation</li> <li>- Stronger democratic processes, growing sense of public entitlement</li> <li>- Less antagonism internally and with neighbouring countries</li> <li>- Growth fairly strong overall</li> <li>- Economy more open, fewer restrictions on trade</li> <li>- Factions remain that oppose this openness</li> </ul>	<p>Features: Conservative &amp; traditional values / equity-first development</p> <ul style="list-style-type: none"> <li>- Poverty reduction levelling off</li> <li>- Community and religious-based welfare systems care for the vulnerable</li> <li>- Moderate growth, less market orientation</li> <li>- Traditional Islamic practices have strong influence on all strands of life. State legitimised system of Sharia law</li> <li>- Fewer political participants outside mainstream</li> <li>- Tensions between being a “global player” and ambivalence towards west</li> <li>- Islamic states becoming key economic and geo-political partners, linked to war on terror and impact on attitudes</li> <li>- International development aid reduced</li> </ul>
Scenario 3	Scenario 4
<p>Features: Outward-looking &amp; change-oriented / wealth-first development</p> <ul style="list-style-type: none"> <li>- More and faster growth and open, market-based economy</li> <li>- Political system is more open, esp to private sector interests</li> <li>- Petty corruption down, but commercial corruption still large scale</li> <li>- Justice system serves the rich, not poor</li> <li>- Infrastructure privatised and well developed, but does not reach poor and isolated communities (transport, elec)</li> <li>- Increasing division between rich and poor</li> <li>- Poverty decreasing, but % of extreme poverty growing</li> <li>- Rising disenchantment among young unemployed, linked to urban migration, and</li> <li>- Increasing political and religious violence, and crime</li> </ul>	<p>Features: Conservative &amp; traditional values / wealth-first development</p> <ul style="list-style-type: none"> <li>- Unstable, less equitable society</li> <li>- High level of corruption continue</li> <li>- Erosion of public services</li> <li>- Elite's pursuit of individual economic gain</li> <li>- Global interaction in trade; but little international exchange of value and culture</li> <li>- Conservative Islam has deepened its influence on all aspects of life and shapes people's attitudes and behaviour</li> </ul>

## Process:

### 1. What prompted the exercise?

The exercise was prompted by DFID Bangladesh's preparations and consultations for the new Country Assistance Plan.

### 2. What was the purpose of the exercise?

To map out key scenarios and work through the implications for the UK's future development programme.

### 3. Who was the exercise 'owner'?

DFID Bangladesh, working in close partnership with FCO.

### 4. Who arranged, designed and ran the exercise? Where an external consultant was used, what degree of autonomy was s/he given?

Henley Centre Headlight Vision consultants were used to lead the exercise, commissioned by DFID Bangladesh.

The scenario exercise used the Henley model but the content came out of discussions with stakeholders and DFID/FCO.

### 5. Who took part in the exercise?

	Home dept staff	OGD staff	NGO, civil society	Private sector	Academic
Country-based	Yes	Yes - FCO	Yes	Yes	Yes
UK-based	No	Yes	Yes	No	Yes

### 6. What preparation for the exercise took place? (new research or horizon scanning, synthesis of existing research, list of read-ahead material)

DFID Bangladesh referred back to the report "Supporting the Drivers of Change" from 2002/3, which included scenario planning (with three scenarios).

The scenarios process began with an initial phase of scanning and review of existing material. This review identified a list of drivers, or key factors / forces / trends likely to influence the range of futures Bangladesh may face to 2020. This list was derived from the following research:

- Data and analysis provided by DFID (London and Bangladesh), the Foreign and Commonwealth Office, NGOs, academics and other sources
- Interviews with approximately 25 internal and external stakeholders in both London and Bangladesh
- Henley Centre's own knowledge bank

Drivers were prioritised (from 60 to 20, based on interview feedback), and each was then given an "importance" score, and an "uncertainty score". The drivers which emerged as most important and uncertain were then clustered into 2 groups, to identify the nature of key uncertainties. Two clusters of uncertainty were identified as:

- **Social, cultural & political attitudes & values** (including drivers such as Growing access to media & information technology and the Regional economic & political environment)
- **Nature of social and economic development** (including drivers such as Changes to the rural economy, Increasing inequalities and Increasing urbanisation)

These formed the two axes of the matrix, and the basis of the four scenarios.

A workshop was held to develop all four scenarios using group work.

**7. Were experts involved in the exercise? If so, at what stage(s), and in what way(s)?**

HenleyCentre experts were involved in preparatory work, facilitation of the workshop and write-up of the final report. Experts on Bangladesh were involved through interviews and workshop exercises.

**8. How long did the exercise last? (number of workshops, number of hours, approx. preparation and reporting time)**

Two-day workshop. Overall, the exercise took a couple of months to complete.

**9. What were the exercise outputs? Were these published? (if on web, provide link).**

**How else were they used?**

The final report was made public.

**10. What processes (e.g. planning, policy, strategy, engagement) did the exercise inform?**

The scenarios informed the development of DFID's Bangladesh Country Assistance Plan (CAP). Also used to inform the 2007 Horizon Scanning report, which looked at the key challenges for the coming 25-30 years.

Following development of the scenarios themselves, the workshop identified:

(i) the actions DFID could take to manage the risks inherent in each scenario

**From scenario 1:**

- Improving the quality of education for all is a huge challenge
- Creating employment in rural areas for girls
- Addressing urbanization and the growth of urban slums
- Managing migration
- Adapting to the impacts of climate change
- Creating a more market oriented and competitive economic base
- Tackling the growing threat of lifestyle diseases

**From scenario 2:**

- Addressing the financial resource constraints in paying for equity
- Promoting the strong governance required to ensure rights are upheld
- Developing sophisticated delivery mechanisms and policies – at both the local and national level
- Tackling the 'status quo' / no change mentality
- Addressing the role of women in a 'traditional' world

**From scenario 3:**

- Addressing the 'wrong kind' of political interference
- Tackling politicisation of the economy and judicial system
- Addressing the growing need for partnership (private, public and donor) at local levels
- Providing resources to develop a more skilled workforce
- Increasing local capacity in relation to sales, marketing and finance

**From scenario 4:**

- Addressing human security and food security
- Tackling the exclusion or marginalization of various groups
- Addressing how a less skilled workforce may limit Bangladesh's global competitiveness
- Confronting the growing number of crowded urban slums
- Tackling growing health concerns

(ii) critical 'must-do' issues for DFID to address which are common across the various scenarios, and should be the focus of future DFID / donor support. E.g:

1. Generating good governance
2. Improving capacity building
3. Developing human resources and skills
4. Promoting equitable access and availability of public services
5. Improving the nature of spatial development (disaster preparedness)
6. Strengthening the economy
7. Improving political commitment

11. Were there other benefits of carrying out the exercise (raising awareness etc.)?

It raised awareness within the stakeholder group and strengthened DFID's links with civil society/ think tanks etc.

**12. What didn't work so well? How could the exercise have been improved?**

The exercise was rather costly, around £ 75,000. It could probably have been done using Bangladeshi consultants and/or think tank (e.g. Centre for Policy Dialogue), working closely with DFID Bangladesh advisers, with a similar result.

## India

**Scenarios to 2020:** 2020 ties in with the Defence Strategic Guidance; a key document to MOD which looks at MOD future policy in various regions of the world.

**Key question:** What will Indian development look like in 2020?

### Main drivers and polarities:

Driver	Baseline Assumptions	Alternative Assumptions	Wildcard Assumptions
Economic Change	Economy slows	Growth stabilises the economy	Swift stabilisation due to new trade alignments
Global Ambitions (includes energy Security)	Unable to influence	Global influence strengthens and relations good with West.	Relations with Western powers cools
Regional Relations	Stable – some successful trade agreements	Regional security affected as India becomes more powerful	Less stable as India adjusts foreign/security policy
Domestic Stability (includes governance)	Wealth gap widens	Stabilising as India spends on infrastructure	Social/welfare improvements dramatically reshaped as new economic/political partnership influences internal policy

**Method used:** Cone of Plausibility. See diagram.

### Summary of Scenarios:

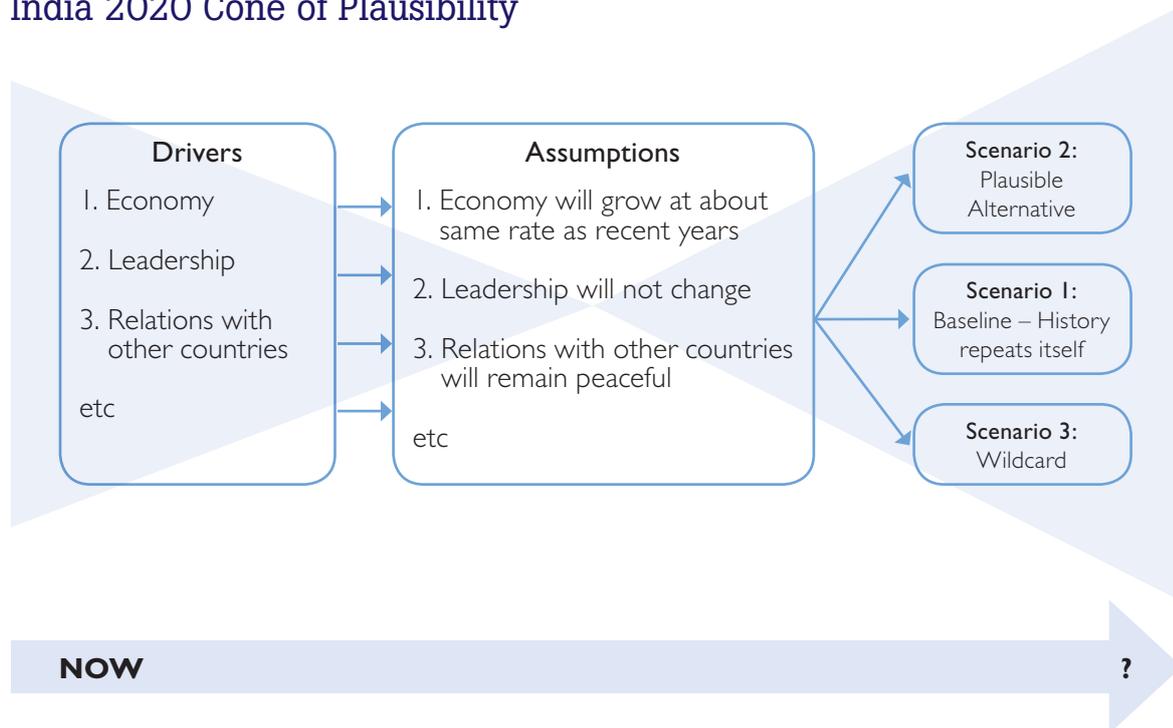
**Baseline** – Such a scenario may include India's lack of economic reform. This in turn would have a knock-on impact on domestic stability as the wealth gap widens and the economy slows. The global outreach that India may have hoped for would not be realised under such circumstances. Regional relations would be stable as India may seek to improve its economy through regional trade initiatives.

**Plausible Alternative** – Regional relations become less stable and global ambitions become much more positive. Domestic stability is improving compared to the baseline and economic growth is also a stabilising force. This scenario could be achieved if crucial infrastructural spending were implemented along with domestic reforms regarding education and employment. The potential fall-out from this would be increased foreign investment, a stronger role in the region, a nation that the West feel confident to engage with more effectively and the possibility of India gaining a permanent seat on the UN Security Council. As a potential negative, the other regional power, China, may become cooler towards India and a dynamic may arise where the two regional superpowers become competitors in not only trade but energy security and defence.

**Wildcard Scenario** – By adjusting the assumptions to reflect a stable economy and a stable domestic situation whilst decreasing regional and Western relations there is the potential for a scenario that benefits India greatly and yet undermines their relationship with the West. India, by aligning itself with 'pariah' energy suppliers and powerful non-aligned actors could see the nation shift its foreign and trade policy dramatically away from its traditional moorings.

The above excerpts can be built upon for a richer narrative; however, the assumptions and drivers remain the same.

## India 2020 Cone of Plausibility



### Process:

#### 1. What prompted the exercise?

As part of MOD Policy Planning's continuous assessment of MOD long-term interests, India was identified as a nation that should be examined in the long-term including its alternative possible futures and also some of the more unexpected events that could shape Indian development.

#### 2. What was the purpose of the exercise?

To collate, analyse and generate a series of plausible scenarios that could test current MOD policy.

#### 3. Who was the exercise owner?

The exercise was developed and owned by MOD Strategic Futures but was contributed to by OGDs and academia (SOAS, RUSI, IISS and Oxford St-Anthony's).

#### 4. Who arranged, designed and ran the exercise? Where an external consultant was used, what degree of autonomy were they given?

As mentioned above, MOD Strategic Futures designed and ran the exercise. No external consultants were deemed necessary to participate as the team mentioned have experience in facilitation and running workshops.

#### 5. Who took part in the exercise?

	Home dept staff	OGD staff	NGO, civil society	Private sector	Academic
Country-based	Yes	Yes			
UK-based	Yes	Yes			Yes

## 6. What preparation for the exercise took place?

A large research project and horizon scanning exercise was initially undertaken to gather as much information as possible from all sources. Interviews were conducted and several link analysis and mind maps were produced to show the relationship between key drivers and area of interest relating to the issue being explored.

## 7. Were experts involved in the exercise?

Regional and country experts were involved in the pre-exercise phase and during the exercise. They were also consulted on reviewing the data analysis.

## 8. How long did the exercise last?

Three workshops were held over a period of a month:

- Academia
- Internal
- Across HMG

The workshops largely focused on identification of drivers and assumptions as well as strategic shocks. The results of which were compared and analysed to filter into the scenario generation model. Each workshop lasted two hours.

## 9. What were the exercise outputs? Were these published? How else were they used?

Five scenarios were generated that were then published and distributed to a select list of customers and stakeholders.

## 10. What didn't work so well? How could the exercise have been improved?

**Definitions and process:** Defining what a driver is and what an assumption is in relation to a driver is critical before conducting the exercise. Some participants became slightly confused once the assumptions generation occurred.

**Wildcards and extremes:** Some participants also had an issue with wildcards. Human nature doesn't easily allow for the consideration of the unexpected to arise comfortably in our thinking. The rule in this technique is: as long as it is plausible, it is allowed to be considered in the scenarios. Aliens landing is outside the realms of plausibility or usefulness so this kind of extreme thinking is discouraged, but democracy throughout the Middle East may well be plausible, or new discoveries in hydrocarbon technology that could decrease the use of oil is again plausible. Wildcards are high impact low probability events but they are plausible.

## 11. Will the exercise be repeated?

Yes. The technique is in wide use across the MOD scenario and analytical community. It forms one of the key scenario generation techniques in the analytical training conducted in MOD and is used by several government departments in consultation with MOD Strategic Futures. Desk officers in MOD are encouraged to use the technique when they need to produce a wider range of scenarios in respect of a subject.

## Nicaragua

Scenarios to 2020: (3 years)

**Key question:** What scenarios are likely to unfold over the next 3 years and what are the implications for international partners' efforts to support development and democracy in the country?

### Main drivers and polarities:

Driver	One extreme	Other extreme
1. Economic Downturn - Exports - Remittances - Investment - Government budget - Macroeconomic stability	Serious downturn - Major hit to exports and remittances - Govt inability to fill budget gap - Macro instability	Managed downturn - Limited/manageable impact on exports and remittances - Govt maintains budget balance
2. Venezuelan financial support - Scale of financial support - Off or on budget	Sharp downturn in assistance (due to fall in oil prices)	Stable high level of support at around \$500m per year
3. Traditional donor support - ODA - General Budget support - Aid conditionality	Sharp reduction in support	Maintenance of past level of support, possible resumption of GBS
4. US policy - Economics: trade, aid - Political engagement	Pressure	Pragmatism
5. Government actions - Politicisation of state institutions - Electoral process rigging - Clientelism	High degree of manipulation of political system	Low manipulation of political system
6. Sustainability of "pacto" between two main political leaders	"Pacto" continues	"Pacto" breaks
7. Emergence of new political opposition - Axis against "pacto" - Civil society strength	Weak opposition	Strong opposition

8. Other actors - Police and military - Church - Civil society - Media	Weak and politicised	Strong and independent
9. 2011 Presidential Elections	Rigged outcome	Free and fair outcome

**Method used:** A blended approach, using a Branch point and Two Axes method was employed. Three scenarios developed, focused on fairness of the electoral process and strength of opposition challenge.

Axis	Description
X. Opposition challenge to electoral process	If the elections are manipulated, whether the government's opponents allow it to get away without serious consequence (i.e. opposition challenge is weak) or they are able to assemble sufficient forces to derail the government from stealing the election (i.e. opposition challenge is strong). The effectiveness of opposition response will in turn rest on the degree of popular support they enjoy and the strength of public opinion against the government's actions, as well as their ability to effectively mobilise that support
Y. Manipulation of electoral process	Whether the elections process is relatively free and fair; or is heavily manipulated. A rigged process would involve, inter alia, politicised appointments to the Supreme Electoral Council and various courts, politicisation of senior officials in the state accountability bodies, disqualification of opposition political parties on obscure technical grounds, increased control of media, detention and harassment of opposition and civil society figures, and other similar measures

### Summary of Scenarios:

See below (after Q13) for a summary of the scenarios, and their policy implications.

## Process:

### 1. What prompted the exercise?

The deterioration of democratic process in Nicaragua since 2007 came to a head in the manipulated municipal elections of Nov 2008. Many international donors became seriously alarmed at the direction of movement in the country, and the risks to the fragile democracy that was created in 1990. As one of its final initiatives before it closed its Nicaragua office, DFID decided to conduct a drivers of change and scenario planning exercise to help the wider international donor community examine their policy engagement in the country. The project was launched with a great deal of interest by several other international donors in Nicaragua.

### 2. What was the purpose of the exercise?

To map out key scenarios and work through the implications for the UK's future development programme.

### 3. Who was the exercise owner?

DFID Nicaragua.

### 4. Who arranged, designed and ran the exercise? Where an external consultant was used, what degree of autonomy were they given?

An external consultant, Jan Consulting, was contracted to undertake the analysis and run the various scenarios workshops. The consultant reported to DFID Nicaragua but was given a high degree of autonomy to conduct the work.

### 5. Who took part in the exercise?

	Home dept staff	OGD staff	Other International donors	NGO, civil society	Private sector	Academic
Country-based	Yes (core team)	Yes (HMA in Costa Rica, DFID Barbados)	Yes (bilateral and multilateral)	Yes (early interviews conducted by consultants, but not in the donors workshops)	Yes (early interviews conducted by consultants, but not in the donors workshops)	Yes (early interviews conducted by consultants, but not in the donors workshops)
UK-based	No	No	No	No	No	No

### 6. What preparation for the exercise took place? (new research or horizon scanning, synthesis of existing research, list of read-ahead material)

- **Stage 1:** A "forces of change/political economy" analysis was conducted by the consultants as stage 1. This involved detailed review of a vast range of literature on the political, economic, social and other dynamics in the country, which was followed by two weeks of in-country interviews with over fifty interviewees from a wide cross section of Nicaraguan society and international donors.

- **Stage 2:** The result of the stage 1 analysis was a twenty page paper that was circulated to all international donors in advance of a workshop. The consultants built the scenarios on the analysis conducted in stage 1, which were shared with over twenty donor partners in a one-and-a-half day workshop in Managua. The scenarios workshop was a highly structured, facilitated discussion to examine three scenarios and policy implications for donors.

- **Stage 3:** Following the scenarios workshop, the consultants developed a detailed policy choices paper that examined the implications of different scenarios for donor policy and strategy, and showed which choices were likely to be a high priority across scenarios.

- **Stage 4:** The above work was very well received by several other international partners, including the USA, and on their request DFID added a fourth stage of work to explore more deeply some additional “creative” policy options that donors could develop to exert influence more effectively in Nicaragua. The consultant returned to Managua to conduct a further workshop with a smaller set of key donors and prepared a report on these policy choices.

#### **7. Were experts involved in the exercise? If so, at what stage(s), and in what way(s)?**

Various Nicaraguan experts were involved in the analysis (stage 1) of the exercise. The scenarios were sense checked by DFID country staff before they were distributed and discussed in the donors workshop.

#### **8. How long did the exercise last? (number of workshops, number of hours, approx. preparation and reporting time)**

Stage 1 involved 2 weeks for documents review and 2 weeks for in-country interviews, followed by another ten days to write the analysis. Stage 2 involved a week of work followed by a one-and-half day workshop in Managua. Stage 3 involved two-three weeks to prepare the policy options report. Stage 4 involved ten days, including a workshop in Managua and writeup of report.

Overall time taken: Three months

#### **9. What were the exercise outputs? Were these published? (if on web, provide link). How else were they used?**

The outputs from stages 1-3 were three separate reports that were distributed to donor participants. The first report (Nicaragua: Forces, Actors and Events Driving Change) was distributed electronically and widely circulated. The second report (Scenarios for Nicaragua: 2009-2012) was circulated in hard copy only to participants at the donor workshop, with each copy being marked Confidential and numerically watermarked in order to control distribution leakage, due to the politically sensitive content. The third report (Nicaragua: Policy Implications for Donor Engagement) was also circulated in hard copy to donor participants and watermarked as before.

A consolidated report (NICARAGUA: Forces of Change, Scenarios to 2012 and

Policy Implications for Donors) with Executive Summary was also prepared by the consultants and provided to DFID. Stage 4, which involved work with a smaller group of key donors, resulted in a brief report that was separately circulated to those donors only.

#### **10. What processes (e.g. planning, policy, strategy, engagement) did the exercise inform? Point to any specific examples.**

The scenarios were used to:

- (i) test the robustness of current donor plans and programmes in relation to two key objectives: development and democracy;
- (ii) explore alternate policy options that would better meet donor objectives under different scenarios and across multiple scenarios;
- (iii) set out leading indicators that can provide objective assessment and guidance on which scenario appears more/less likely;
- (iv) establish a framework for cooperation among the 3-5 leading bilateral donors to Nicaragua.

The work received extremely positive feedback from the Director of USAID among others. It has set in train a process by some key actors in the international donor community to examine proactively their strategy in Nicaragua. It also resulted in identification of some essential next steps that donors could individually and jointly undertake. The analytical work was taken up by a select group of ambassadors who took the discussion to a higher level, leading to a commitment to improve donor coherence and communicate a clear, unified message to GoN in support of good governance.

**11. Were there other benefits of carrying out the exercise (raising awareness, shared understanding, new ideas, etc.)?**

The scenarios challenged donors to think in a structured way about the issues they face on a daily basis in Nicaragua. It presented policy choices and enabled an objective view to determine priorities. It also highlighted the instruments that donors could use that may have a high impact on what is desired in Nicaragua. Finally, they encouraged cross-departmental thinking and analysis – especially across donors' development and political engagement - in the country.

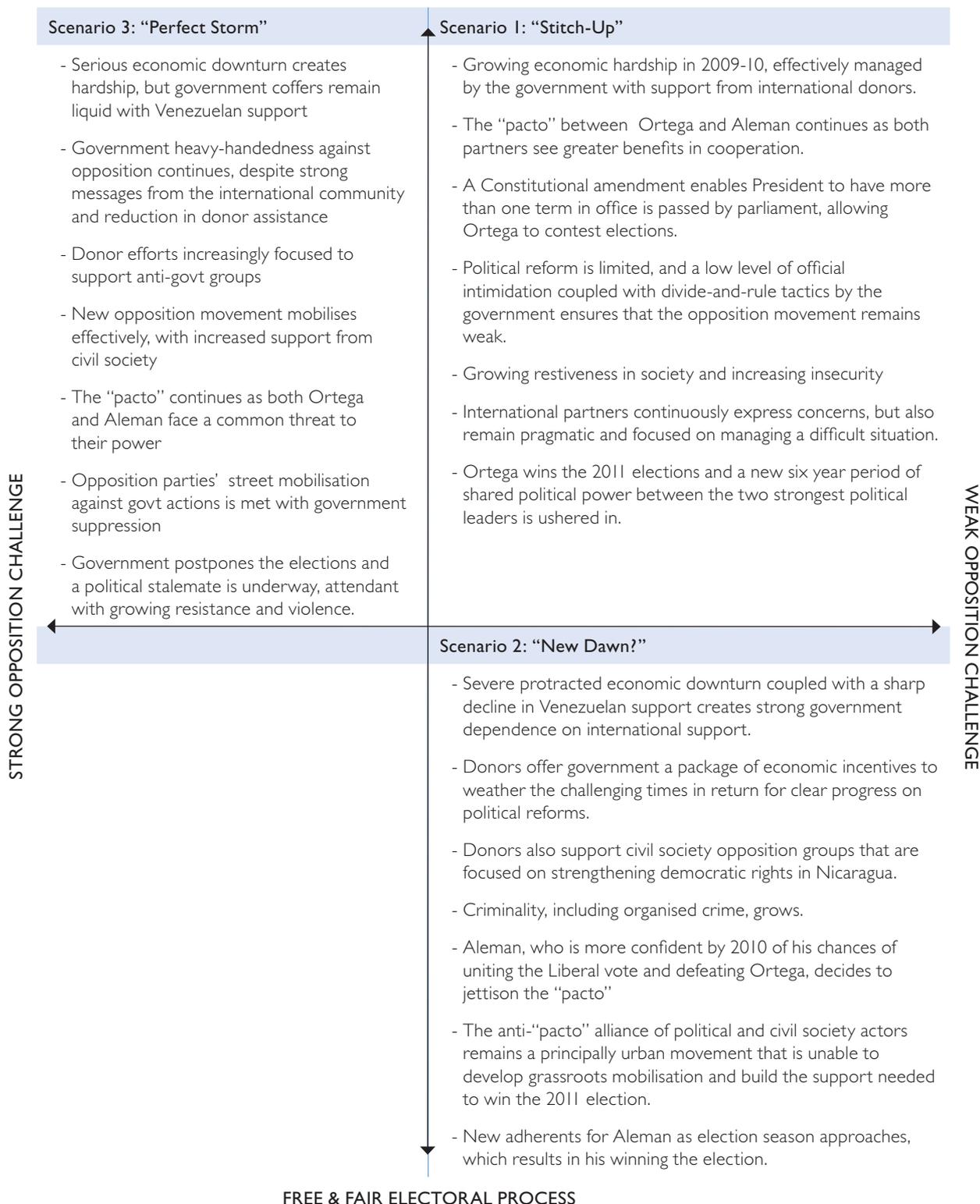
**12. What didn't work so well? How could the exercise have been improved?**

**13. Will the exercise be repeated? If so, when?**

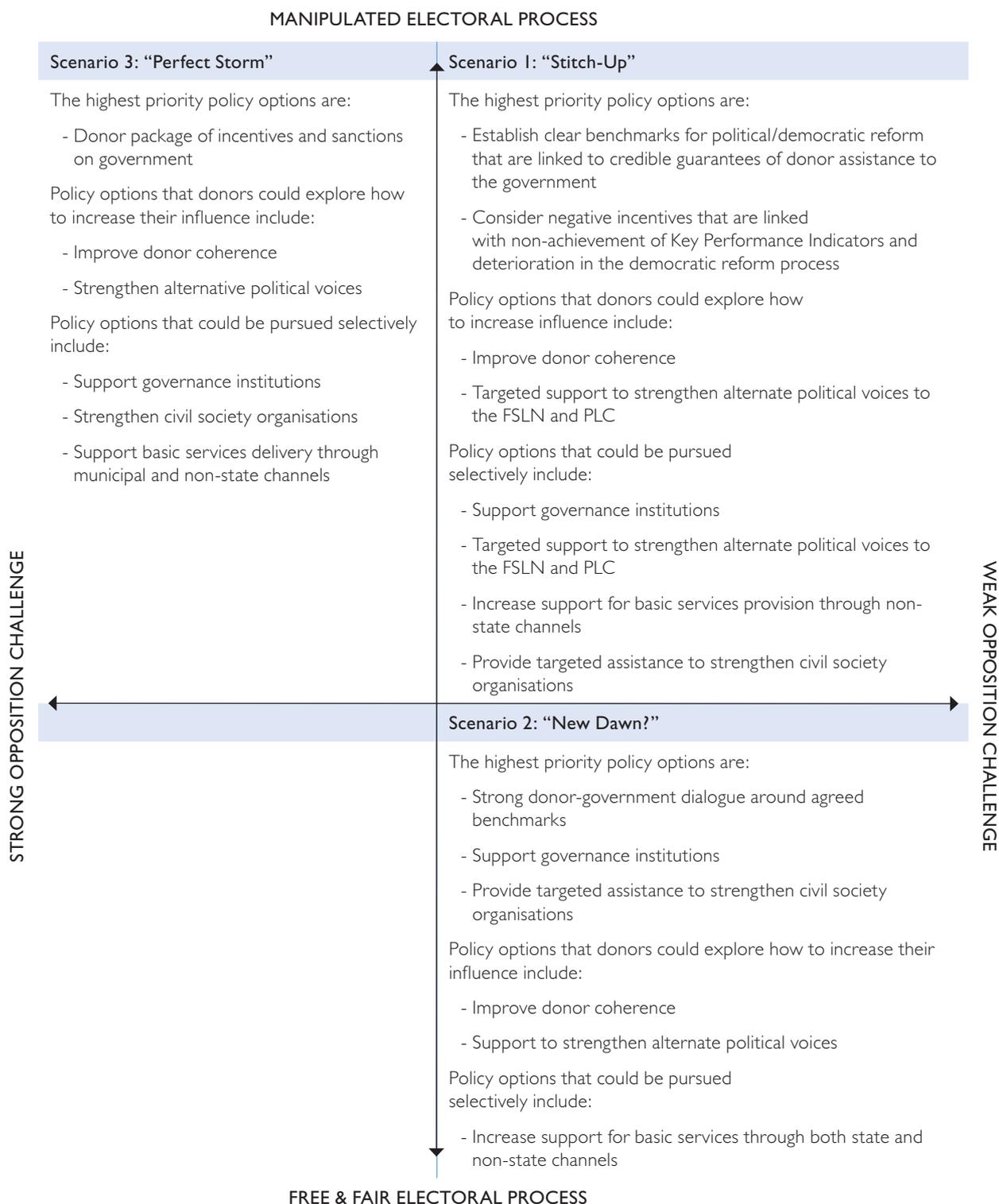
Follow up to take the outputs of the exercise into donor policy planning is expected, with the USA and Denmark likely to lead any follow up work.

## Scenarios: Nicaragua in 2012

### MANIPULATED ELECTORAL PROCESS



## Nicaragua in 2012: Policy Implications



## Nicaragua in 2012: Policy Implications

Across the three scenarios, there is a set of **high priority policy options** that donors could consider:

- Key donors should form a strategic coalition and initiate a process of strategic alignment to influence government on political reform
- The strategic donor coalition should identify and agree political reform benchmarks internally and then with government
- A serious package of incentives that donors could be willing to provide government should be developed
- Potential sanctions or disincentives that could be applied on government in the event of non-performance or derogation from political reform should be identified and agreed by donors

Other policy instruments take on greater or reduced salience depending on the situation that unfolds in the country. These **instruments could be scaled up or down** accordingly, in light of the changing environment:

- Orient democracy-building programmes to strengthening alternate political groups and parties
- Continue to channel assistance to selected civil society groups
- Diversify channels for provision of governance support
- Diversify channels for support to basic services delivery

Finally, it is essential that donors undertake a regular policy review process to ensure that their policy priorities are fit for purpose in a changing environment.