Developing scenarios

Scenarios are a technique for presenting alternative views of the future. They identify some significant events, the main actors and their motivations, and they convey how the world functions. Scenario development allows us to think systematically about and understand the nature and impact of the most uncertain and important driving forces affecting our future.

The purpose of scenario development is not to imminently decide which scenario is correct; rather, it is to look at each plausible future scenario and examine how prepared a country or organization is, or how robust a PPP is, for the potential change and consequences.

Scenario development helps policy-makers anticipate hidden weaknesses and inflexibilities in organizations, methods, and PPPs. Most development PPPs are fixed in that they tend to assume a self-validating future—one usually based on extrapolation or prediction that dominates decision-making (and usually termed the ***default scenario***). However, we live in a world in which there are sudden changes and ***uncertainties*** (no one predicted the COVID pandemic!)—so PPPs fail to hold up under the stream of real events—and lead us into ***shocks and surprises.***

Scenario development deals with "what if?" questions and helps clarify a vision of the way ahead, capable of modification but allowing progress.

Thus, constructing scenarios enables the feasibility and effectiveness of a proposed PPP or its alternatives to be evaluated in different future conditions. There are four main steps involved in constructing scenarios. These are:

- Identifying the strategic issues associated with the PPP (i.e., what are the critical success factors and key concerns);
- Analyzing the present conditions and levels of environmental quality and social well-being;
- Identifying the most important and relatively predictable factors, or 'key drivers of change' and the uncertainties that will determine the nature of the future environment in which the proposed PPP or its alternatives will operate and linking them together into a framework; and
- Deriving two to four realistic scenarios associated with the effects of these most important factors on present conditions and determining which critical outcomes have the most potential to affect the proposed PPP and particularly components of the PPP.

Table A9.1 indicates a typical scenario building process.

Table A9.1: Scenario building process

Scenario building steps and tasks	Comments
Identify scenario setting	• Identify key factors and keep focus—avoid drifting or going too broad; • Consider the appropriate time frame for the scenario.
Identify and analyze key drivers of change	• Select macro/broad drivers, possibly global; • Drivers include social, technological, political, economic, and environmental forces; • Understand forces and dynamics; • Undertake initial research and analysis; • Organize a multi-stakeholder workshop and seek expert options.
Ranks drivers according to importance and uncertainty	• Identify 2/3 most important factors/trends and the most uncertain ones;

Scenario building steps and tasks	Comments
	• Focus attention on selection of the scenario logics, e.g., high importance/low uncertainty forces (these are the potential shapers of different futures for which longer-term planning should prepare).
Select scenario logics	• Plot selected drivers on axes (e.g., high-low, improving-declining) along which the scenarios can be constructed (see example in Figure A9.1); • From the different plots, select a manageable number of scenarios (about 3) that are most worthy of articulation; • Eliminate those whose combinations of logics are implausible/inconsistent.
Flesh out the scenarios	• Prepare a written description of the selected logical scenarios.
Assess the impacts of the PPP or alternative under each scenario	• Assess the environmental and social impacts of the PPP or its alternatives under each scenario and compare.

Figure A9.1: Example scenario plot for global growth

Source: McKinsey and Company (2015)

The process of scenario building should raise awareness of uncertainties, risks, and constraints that could be encountered in the future.

In developing and assessing scenarios, the “worst case” scenario should be identified. The issues and consequences of the “do nothing” (or “business as usual”) scenario should also be identified, as these two scenarios can serve as a benchmark for the evaluation.
It can also be very helpful for the SEA to examine basic ***meta scenarios*** in relation to economic growth, e.g.

- *Baseline scenario* (the current situation)—drawing from the baseline profile;
- *Business as usual scenario*: essentially organic growth extrapolating current plans and trends (i.e., current trends continue, developments in the pipeline are realized, but there is not much stimulation for added growth and there is little significant change to the current situation);
- *Low growth scenario:* as with business-as-usual but with a low level of stimulation to growth with some new developments (e.g., new infrastructure);
- *Moderate growth scenario*: a moderate level of stimulus for growth is provided by the government, with planned expansion or improvement of infrastructure and improved production—consistent with Bhutan’s objective to achieve balanced regional growth.
- *High growth scenario*: a high level of stimulation is provided to achieve significant and rapid development.

Such scenarios can also be used as alternatives to be assessed.