

SCENARIOS AT WORK

Oxford Scenarios Programme



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Scenario work prepared us for the Latvian meltdown

I work as a regional director for the American Joint Distribution Committee, an international NGO that provides welfare services, humanitarian support and social development projects around the world.

After attending the Oxford Scenarios Programme, I decided, together with my team, to do some scenario work to make sense of the context in the countries of which I'm responsible – mainly those of North-East Europe. We also wanted to 'wind-tunnel' our strategy and make sure that we were prepared for any eventuality.

Back then, the economy was booming and Latvia was growing at a staggering 10% a year. Yet, one of the scenarios showed a hard landing for the Latvian economy, coupled with a 'slowdown' in the West. With Latvian households deep in debt, a credit crunch – we then thought – would be devastating for the middle class that has mortgages and loans pegged to hard currency. We realised that if this scenario came to fruition, one of the main tenets of our strategy will be inadequate.

Our strategy for the Baltic States implied that the market reforms were largely successful and that the middle class was going to be strengthened in the new

market economy. The strong growth and the rapid accession to the EU seemed to confirm our vision. Then, our main support need to go – in partnership with local NGOs – to what we called 'vulnerable populations' (mainly the elderly, which could not accumulate any capital during the communist times and were now living on very meager pensions) and the 'structurally poor'. For the younger population, we would develop training, community and social development programmes, but not welfare ones. That strategy guided our action for over a decade with very good results.

Yet, if the economic reality changed, our strategy would be inadequate. Following the scenario exercise, we decided to open 'embryonic' welfare programmes for population segments that we weren't serving at that time. The programmes would not be fully developed but a 'basic skeleton' would be created with a network of local partners. For example, a 'children at risk' programme was launched and a 'young families programme' was developed. A job retraining centre was devised as well. Training in these programmes was also provided to local NGOs and service providers.

The 'hard landing' indeed came, but much harder than we had anticipated. The Latvian economy was facing complete collapse, with a staggering

18% of shrinkage in the GNP in just six months and a quarter of the workforce jobless. The Latvian government lacked the financial firepower to bail out its banks and businesses. Moreover, it had problems raising the resources to cover its expenses, and an austerity plan had to be launched, including measures that deepened the recession, like tax-hikes and elimination of subsidies. However, we were right in predicting that those hit the hardest would be the middle class.

The phenomenon of the 'new poor' developed quite rapidly. Young families of the emerging, westernised middle class were suddenly facing poverty. Yet, having prepared the basic structure of services to help this population, we were ready

for the storm. The problem was one of scale – as the crisis was deeper than we expected – but we had the 'service delivery structure' in place and ready to operate. The programmes we had created could start delivering support almost immediately. Thus, hundreds of Latvian families were helped with minimum delay. The consequences of not having a support network would have been devastating for these families. Certainly, we would have reacted, but it would have taken us months to put in place a support structure and people would have suffered in the meantime.

Thanks to the scenario work we had done, people were being adequately helped through the crisis.

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