

‘PRUB-Validate’ Public Sector Investments

Dr Phil Driver
OpenStrategies Ltd
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<http://openstrategies.com>

‘PRUB-Validate’ public sector investments

Why?

Governments in many countries urgently need to make savings on an unprecedented scale.

They can make savings based on:

- politics and/or ideologies, or
- objective criteria

This paper is for those people who are motivated to make savings decisions based confidently on objective criteria.

The 3 step PRUB-Validate process evaluates public sector investments and services and objectively justifies one of 3 actions:

1. Continue public sector investments and interventions which have been ‘PRUB-Validated’. or
2. Improve non-PRUB-Validated investments and interventions until they are ‘PRUB-Validated’, or
3. Stop public service investments and interventions which cannot be PRUB-Validated, thereby making savings

**We estimate that public sector savings of 15-20%
can be identified simply by applying just
the first 2 PRUB-Validate steps to
public sector investments and services**

How?

People wishing to make savings objectively and confidently need to:

- identify high value-for-money services and maintain and improve them
- identify low value-for-money services and either improve them or stop them and make savings

It's often very difficult to determine true 'value-for-money' of public sector services. For example:

- how do you determine a value for 'lower levels of obesity amongst young people' and use this information to justify an anti-obesity campaign?
- how do you place a value on 'cohesive communities' and use this information to justify a community cohesion programme?
- how do you directly attribute an outcome to a particular activity or intervention?
- how do you objectively distinguish high value-for-money initiatives from low value-for-money initiatives?

So is there anything you can do to objectively identify savings?

Yes!

You can 'PRUB-Validate' public sector investments and services in just 3 steps.

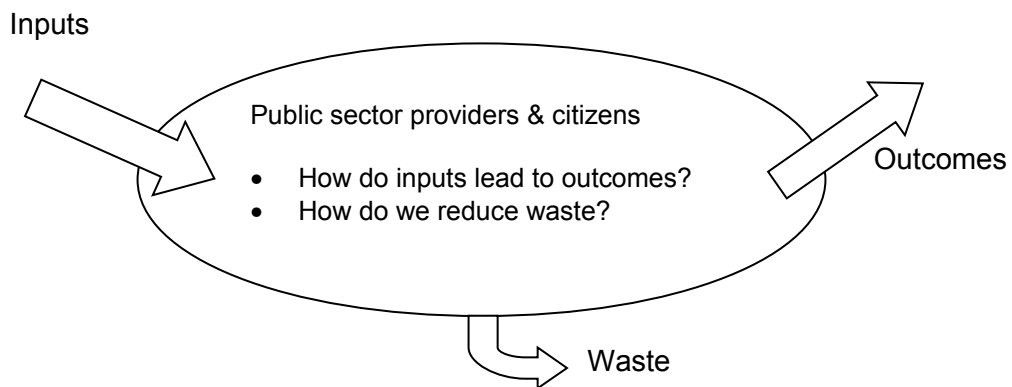
1. PRUB-Link – determines if an investment 'Project' *theoretically* leads to 'Benefits'/outcomes
2. PRUB-Evidence – determines if a Project *actually* leads to Benefits
3. PRUB-Value – determines if the estimated Value of the Benefits exceeds the costs

(see <http://openstrategies.com>)

PRUB-Validate = PRUB-Link + PRUB-Evidence + PRUB-Value

Where does PRUB come from?

Let's look into how the public sector works

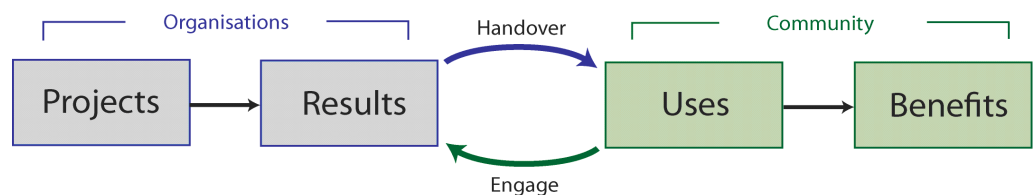


PRUB explains how public sector inputs 'contribute to' outcomes

PRUB-Validate explicitly identifies waste

PRUB is OpenStrategies' acronym for the logical sequence:

*Organisations in the public sector run **P**rojects that produce **R**esults (outputs) that the community **U**ses to create **B**enefits (outcomes) as follows:*



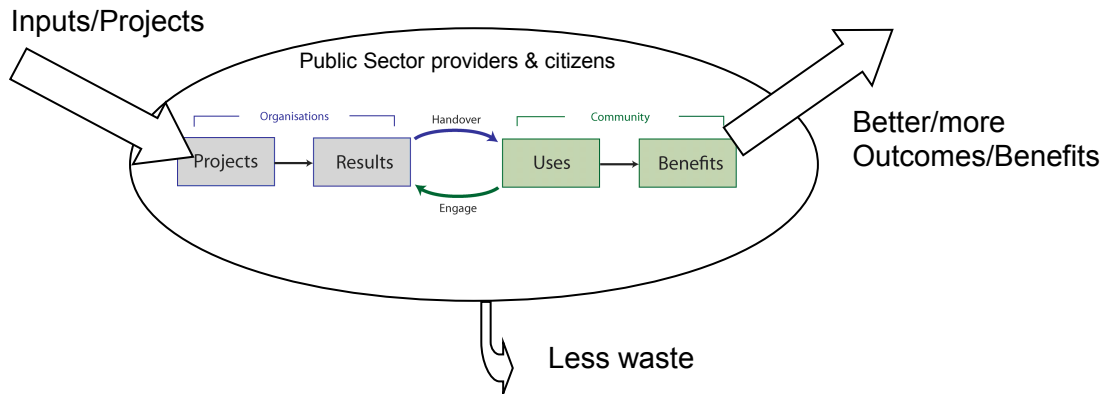
(<http://openstrategies.com>)

There are no shortcuts.

Effective Projects *must* lead to Results which *must* lead to Uses which *must* lead to Benefits.

Almost everyone tells us that "PRUB makes sense" – they understand it.

PRUB in the public sector looks like this.



Public sector 'investments' and 'interventions' (inputs) support public sector Projects which create public sector Results which citizens and communities Use to create Benefits/outcomes for themselves.

*The public sector seldom creates outcomes/Benefits.....
citizens and communities create outcomes/Benefits*

PRUB is simple... but the world is complex - PRUB helps you make strategic and operational sense of this complexity.

This is often simple, but the world frequently presents complex challenges that require an in-depth understanding of PRUB. Learn about PRUB and OpenStrategy tools, training and support at <http://openstrategies.com>

PRUB is a succinct economic model for objectively evaluating public sector expenditure.

PRUB forms the basis for PRUB-Validate - a powerful new process and tool which rigorously identifies and objectively justifies one of 3 actions:

1. Continue public sector investments and interventions which have been 'PRUB-Validated', or
2. Improve non-PRUB-Validated investments and interventions until they are 'PRUB-Validated', or
3. Stop public services investments and interventions which cannot be PRUB-Validated, thereby making savings

The PRUB-Validate process for public sector investments and interventions

PRUB-Validate applies 3 tests to each public sector investment:

1. PRUB-Link – determines if an investment Project or service *theoretically* leads to Benefits/outcomes
2. PRUB-Evidence – determines if a Project or service *actually* leads to Benefits
3. PRUB-Value – determines if the estimated Value of the Benefits exceeds the costs

$$PRUB-Validate = PRUB-Link + PRUB-Evidence + PRUB-Value$$

PRUB-Link and PRUB-Evidence are simple, powerful ways to initially distinguish ‘good’ public sector investments and services from ‘poor’ public sector investments and services.

‘PRUB-Link’ and ‘PRUB-Evidence’ on their own provide succinct and precise tools for identifying large savings *without having to speculate on the actual values of the services*.

‘PRUB-Link’ and ‘PRUB-Evidence’ alone may meet our needs to confidently identify and justify savings.

‘PRUB-Value’ objectively assesses value-for-money and hence adds additional credibility for justifying public sector savings decisions.

1. The PRUB-Link test

The PRUB-Link test requires each investment Project to Link logically through its intended Results to the anticipated Uses and Benefits.

There are no short-cuts: in both the real world and with PRUB-Link, valid Projects *must* Link to Results which *must* Link to Uses which *must* Link to Benefits.

If it's not possible to theoretically make these Links, then either fix the Project or service or stop it and save money.

A Linked sequence of Projects, Results, Uses and Benefits is defined in PRUB-strategic-thinking as a SubStrategy.

PRUB-Linking simple SubStrategies

The simplest SubStrategy consists of a single Project Linked to a single Result Linked to a single Use Linked to a single Benefit.



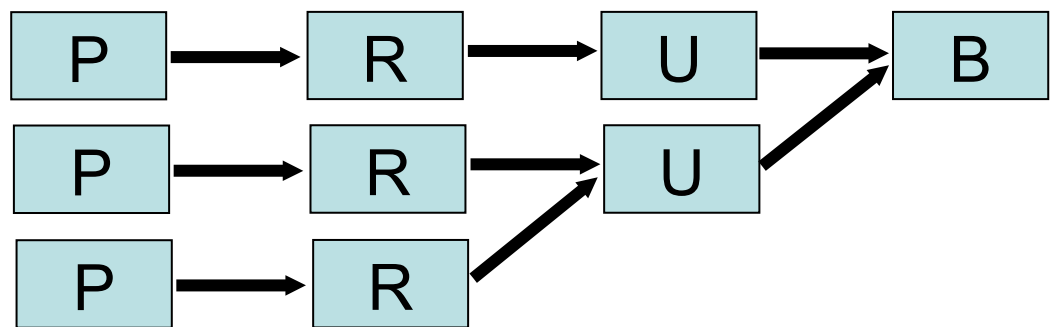
If a Project can be Linked in this way through a Result and a Use to a Benefit, then it has been 'PRUB-Linked'.

However, it is rare to find Projects which can be Linked so simply through to Benefits – it is much more common to encounter Projects which are part of more complex SubStrategies or which are producing Results which cannot be Used.

We will now briefly discuss more complex SubStrategies before discussing what the PRUB-strategic-thinking taxonomy describes as 'Orphan Results'.

PRUB-Linking complex SubStrategies

It's very common for several Projects to be Linked to a number of Results which in turn are Linked to one or more Benefits and Uses as shown diagrammatically in the following example.



Each of the above Projects has been successfully PRUB-Linked through to a Benefit.

SubStrategies are typically even more complex than the example shown above, but in all cases, the same rules apply for PRUB-Linking.

To be successfully PRUB-Linked, a Project must be Linked via at least one Result to at least one Use to at least one Benefit.

PRUB-Linking SubStrategies containing Orphan Results

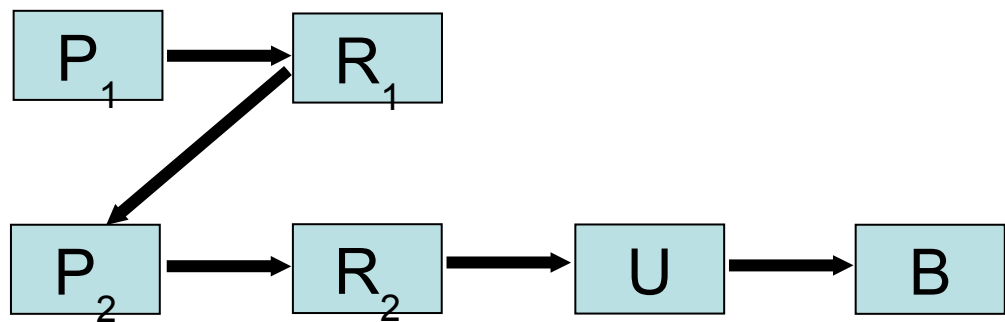
Projects often produce Results *which cannot be directly Used by communities*. Such Results are known as 'Orphan Results'.

Orphan Results are the main source of public sector savings

There are two types of Orphan Results:

- Adopted Orphan Results
- Abandoned Orphan Results

PRUB-Linking Adopted Orphan Results: If an Orphan Result is absorbed into another Project by another organisation or elsewhere in the same organisation, we say that the Orphan Result has been 'Adopted' – it is an 'Adopted Orphan Result' e.g. Result R1 in the following Diagram has been Adopted by Project P2.



Both Projects P1 and P2 have been successfully PRUB-Linked.

PRUB-Linking Abandoned Orphan Results: If an Orphan Result is not 'Adopted' by another organisation, then we define it as an 'Abandoned Orphan Result'.



Abandoned Orphan Results and the Projects that lead to them are the single biggest source of savings in the public sector – savings of 15-20% are possible

Investments and services not able to be PRUB-Linked should be improved or stopped and savings made

2. The PRUB-Evidence test

There are many categories of 'evidence' which could be used to justify investments and services but some evidence has higher value than other evidence.

The most valuable evidence, as required for the PRUB-Evidence test, is the Evidence that justifies each claimed Link in the PRUB sequence.

This particular set of Evidence is the smallest and most profoundly important set of Evidence for justifying investments.

If the Evidence for any of the Links is not convincing, then find better Evidence, improve the public sector investments and services appropriately, or stop them and save money.

We estimate that 50-80% of public sector investments and services can be convincingly PRUB-Evidenced.

Public sector investments and services that cannot be PRUB-Evidenced should be improved or stopped and savings made

3. The PRUB-Value test

For each public sector investment which has passed the PRUB-Link and PRUB-Evidence tests, the PRUB-Value test can then determine value-for-money by calculating the estimated Value of the Benefits and comparing it with the sum of the Project and Use costs. Note that the largest costs are sometimes incurred by end Users.

To pass the PRUB-Value test, the value of the Benefits must be greater than the costs. If it is, then the investment or service has been PRUB-Validated.

If it isn't, then improve the Project/service or stop it and save money.

PRUB-Value is powerful, but only some public sector investments and services can be readily PRUB-Valued, largely because it is so difficult to determine objective 'values' for Benefits/outcomes

This is a key reason why PRUB-Link and PRUB-Evidence on their own are such useful tools for evaluating public sector investments and services – they don't require valuations of Benefits/outcomes

Discussion of the first step: PRUB-Link

Any economic model of the Benefits and costs of public interventions *must* start with first determining how investments *theoretically* lead to the desired outcomes/Benefits.

There is no point in attempting a 'value-for-money' calculation unless it is explicitly clear exactly how a Project or service contributes to Benefits/outcomes.

PRUB-Link is relatively easy to apply: simply define the Project/service, describe the Result it produces within the provider organisation and describe how this Result is expected to be Used by Communities to create a Benefit for themselves.

However, there are some subtleties to the PRUB-Link process e.g. relating to Adoptable Orphan Results or where several Projects are required in parallel to produce sufficient Results to enable a Use. For more information on these subtleties see <http://openstrategies.com>

Many public sector investments and services cannot pass even this first PRUB-Link test – they simply cannot be Linked even theoretically via Results and Uses to worthwhile Benefits. Something must be done.

At best, such services and investments produce what OpenStrategies Ltd define as 'Orphan Results' – Results that cannot be or aren't being Used by communities.

This historically ineffective use of public resources provides potential for identifying substantial savings.

So PRUB-Link, by itself, will identify investments that cannot be Linked even theoretically through to Benefits and hence should either be improved or stopped and resources saved or re-allocated.

Fortunately, PRUB-Linking is the easiest step and rapidly identifies investments which are either:

1. worthy of further economic analysis (PRUB-Evidence and PRUB-Value), or
2. which should be improved or stopped and savings made

On its own, PRUB-Link is a powerful means of identifying Projects and services which should be improved or stopped and savings made

Only if a Project or service can be successfully PRUB-Linked is it worth proceeding with the PRUB-Evidence and PRUB-Value steps

Discussion of the second step: PRUB-Evidence

The second PRUB-Validate step, PRUB-Evidence, is more challenging than the first PRUB-Link step.

The PRUB-Evidence step should be performed after the PRUB-Link step and before attempting to PRUB-Value the investment or service

While PRUB-Link identifies *theoretical* Links from investments and services through to Benefits/outcomes, PRUB-Evidence seeks *confidence and confirmation that the claimed Links are true*.

The PRUB-Evidence process is based on the fact that the *most valuable Evidence* is that which relates to justifying the Links between investment Projects, Results, Uses and Benefits.

The most valuable Evidence to justify a Project or service is the Evidence that each step in the PRUB process genuinely will impact on the subsequent step

Perhaps the most important piece of evidence is the Evidence that a Result created by the public service (or others) will *actually* be Used by the community.

It is alarming how seldom we are able to find convincing Evidence that Results created by the public sector will actually be Used by communities at a level that justifies the upstream investment Project or service development.

When seeking Evidence as part of the PRUB-Evidence test, we encourage you to seek convincing Evidence that Results will actually be Used.

If you can't find such Evidence then questions need to be asked about the value of going ahead with an investment Project or continuing with a public service.

Next in importance is the Evidence that an anticipated Use will *actually* lead to the desired outcomes or Benefits.

While PRUB-Link provides a framework for theoretically Linking investment Projects and public sector services to their desired outcomes/Benefits, PRUB-Evidence demands confidence that these theoretical Links are valid.

Discussion of the third step: PRUB-Value

The PRUB-Value step is challenging for public sector investments due to the difficulties of:

1. assessing the total costs of all public sector investments *and other inputs* which have contributed to each Result and then, via Uses, to each Benefit/outcome
2. assessing the total costs to Users of using the Results of public sector investments in order to create Benefits/outcomes
3. assessing the economic value of the Benefits/outcomes

It's precisely because the valuation required by PRUB-Value (and any other economic valuation process) is so challenging that PRUB-Link and PRUB-Evidence on their own are such worthwhile steps for evaluating investments and services

Public sector investment projects which have been successfully PRUB-Linked and PRUB-Evidenced can now, *and only now*, be PRUB-Valued.

There are three main parameters required for the economic evaluation of any public sector investment or service:

1. the cost of the investment Project or service itself
2. the cost to Users of using the Results of a public sector investment or service to create for themselves the desired Benefits/outcomes (this cost is seldom identified, let alone measured, yet it is sometimes the greatest cost)
3. the economic value of the Benefits/outcomes arising from the Uses (note that Benefits *cannot* arise directly from investment Projects or services or Results – they can *only* arise from Uses of the Results)

Given the above information, two separate economic analyses can be performed:

1. A 'traditional' economic analysis = the value of the Benefits divided by the investment costs
2. A 'PRUB-Validate economic analysis' = the value of the Benefits divided by the sum of the investment costs and the Users costs

PRUB-Value, and hence PRUB-Validate, demonstrate that a public sector investment Project or service will be worthwhile if the economic value of all Benefits is greater than the total of investment Project costs and Use costs.

Discussion: The 3 self-contained PRUB-Validate steps for evaluating public sector investments

Some public sector investments will struggle to satisfy the full 3 step PRUB-Validate test because of difficulties determining the true 'value' of Benefits (outcomes) and the true costs of both Projects and Uses.

Such 'Benefit Values' and 'investment and User costs' can usually be determined at least qualitatively although this is often quite difficult to do.

It's for exactly this reason that PRUB-Validate offers the staged, 3 step process of Validation.

The first step of PRUB-Linking a public sector investment or service through to one or more Benefits *must* be completed before the PRUB-Evidence and PRUB-Value steps, since steps 2 and 3 are meaningless without first convincingly PRUB-Linking an investment Project through to Benefits/outcomes.

PRUB-Link must be completed before PRUB-Evidence which must be completed before PRUB-Value

Fortunately, even completing just PRUB-Link will by itself identify many investments and services which are not leading to Benefits.

Similarly, the PRUB-Evidence step will identify many investments and services which are not *actually* leading to Benefits even though they are *theoretically* leading to Benefits as demonstrated by PRUB-Link.

Each of the 3 PRUB-Validate steps by itself is a useful 'investment validation' step

A further possibility - PRUB-Accumulate

PRUB-Validate systematically guides people through PRUB-Link, PRUB-Evidence and PRUB-Value.

As a result, each investment Project or public service ends up described as what OpenStrategies Ltd call a 'SubStrategy' – i.e. a map of inter-Linked Projects, Results, Uses and Benefits.

By using the PRUB-Validate web-tool (see <http://openstrategies.com>) to PRUB-Link/Evidence/Value your investments and services, you will create electronic on-line SubStrategies which can be used in many ways.

They can be:

- refined and updated easily
- shared with other stakeholders
- shared with your communities
- accumulated into an OpenStrategy (see <http://openstrategies.com>)
- independently scrutinised and audited
- *implemented!*

PRUB is simple... but the world is complex

PRUB will help you make strategic and operational sense of this complexity. While this is often straightforward to do, the world frequently presents complex challenges that require an in-depth understanding of PRUB

We therefore encourage you to contact us or our partners to discuss the best combination for you of our PRUB and OpenStrategy tools, training and support services available at <http://openstrategies.com/>

For more information on PRUB-Validate and OpenStrategy, please contact us on info@openstrategies.com or speak with Paddy or Phil.

Dr Paddy Austin
CEO
OpenStrategies (UK) Ltd
Oxford, UK
paddy@openstrategies.com
+44 (0)1865 321 032 (9am-9pm GMT)

Dr Phil Driver
CEO
OpenStrategies Ltd
Christchurch, New Zealand
phil@openstrategies.com
+64 (0)3 337 6641 (9pm-9am GMT)