PRUB-Validate
Public Sector Investments

PRUB-Validate explicitly determines:

- *which investments are 'validated' and should be retained*
- *which investments cannot be 'validated' and should be modified or terminated*

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PRUB-Validate Public Sector Investments

Why?

The public sector is committed to making robust investments in infrastructure and services while making substantial savings by modifying or eliminating investments which produce minimal value.

Commissioners must distinguish between:

1. 'Validated' investments which must be supported
2. 'Non-validated' investments which must be improved, or stopped and savings made

The PRUB-Validate process objectively and simply makes these distinctions by asking four questions about each investment:

1. *What's the big picture?*
    - What desired outcomes should the investment lead to?
    - *Action: define the high level "SubStrategy" (see examples below)*
2. *What's the operational strategy?*
    - Exactly what needs to be done to make the investment successful?
    - *Action: define the operational level SubStrategy*
3. *Will it work?*
    - What evidence is there that the investment will actually lead to the desired outcomes?
    - *Action: justify the SubStrategy with cause-and-effect Evidence*
4. *Is it worth it?*
    - What evidence is there that value of the benefits will exceed the costs?
    - *Action: assess the SubStrategy's net Value*

Each of the above questions *must* be answered convincingly before it's possible to answer the subsequent questions.

Each of the above questions is *easier* to answer than the subsequent questions.

This means that the easiest questions can quickly guide the improvement or elimination of those investments which fail each validation step.

How?

1. Clarify the High Level SubStrategy

The first step in validating each investment is to define it rigorously using the following sequence:

The public sector invests in ***P****rojects*
*to create infrastructure or services (****R****esults)*
which communities/customers ***U****se to create* ***B****enefits for themselves.*

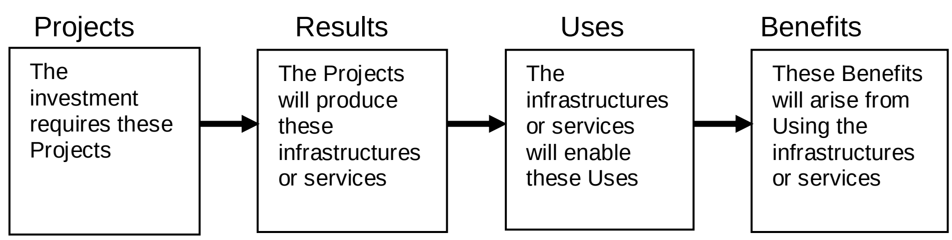
This logical sequence is PRUB. PRUB simply and precisely describes investments.

There are no short cuts. *Successful* investment Projects *must* produce Results (infrastructure or services) which *must* be Used in ways which *must* produce worthwhile Benefits.

Any break in this sequence immediately invalidates an investment.

Step one in validating an investment is to define it as a high level SubStrategy (PRUB-sequence):

1. The high-level Project(s) required to implement the investment
2. The infrastructures and services that will be Results from the investment Projects
3. How the infrastructure and services will be Used
4. The Benefit(s) that will arise



This Linked PRUB sequence defines a high level SubStrategy for the investment.

Results are often known as “outputs”. Benefits are often known as “outcomes”.

If it is not possible to define the investment as a high level SubStrategy like this, then *do not continue with the investment*.

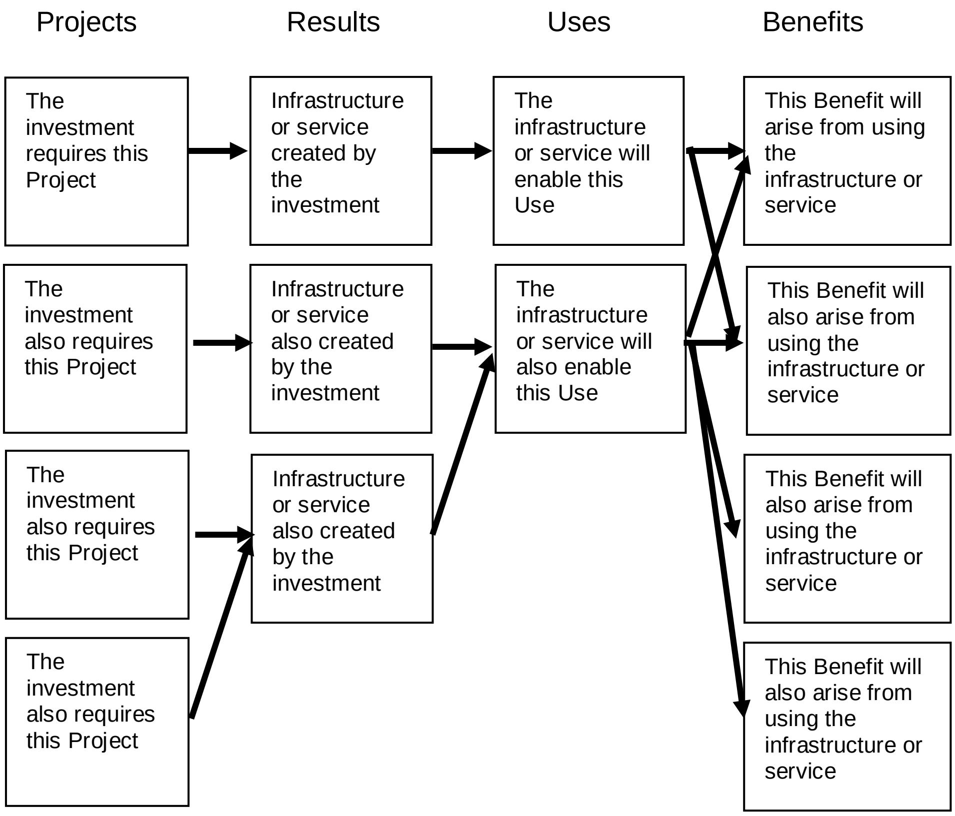
Improve it or eliminate it.

This high level SubStrategy is not yet enough to validate the investment.

We still need to know details of what other actions are required to support the investment, whether the infrastructure or services will actually be used by communities and citizens and whether the investment is sufficiently valuable to be worthwhile. This leads to step 2-4 in the PRUB-Validate process.

2. Define the operational-level SubStrategy

To validate each investment it must be expanded into an operational-level SubStrategy which contains all the Linked Projects, Results and Uses which are both *necessary and sufficient to generate the desired Benefits*.



This SubStrategy now defines and Links all the *necessary and sufficient* things that need to happen if an investment is to be effective and efficient.

There are no short-cuts from Projects to Benefits. To be validated, a Project *must* lead to Results which *must* lead to Uses which *must* lead to Benefits.

If it's impossible to convert the high level SubStrategy into a necessary and sufficient operational SubStrategy like this, then *do not continue with the investment.*

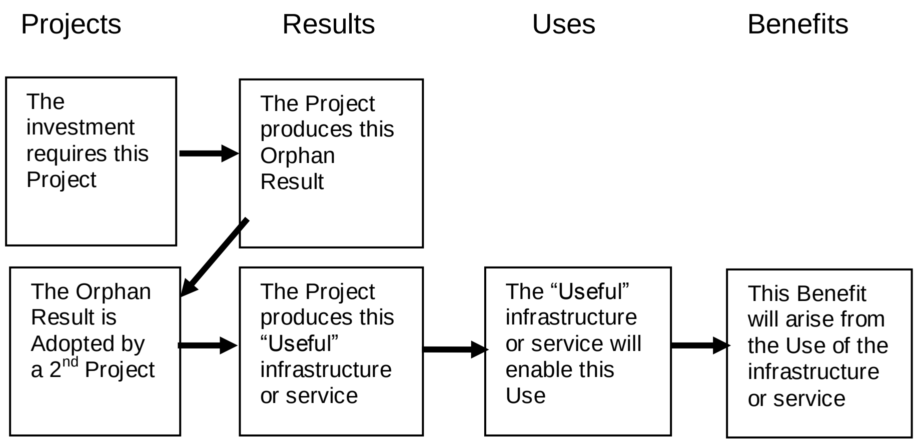
Improve it or eliminate it

Note however that Projects often produce Results which cannot be directly Used by communities *but they may still be worthwhile*. Such Results are known as 'Orphan Results'.

There are two types of Orphan Results:

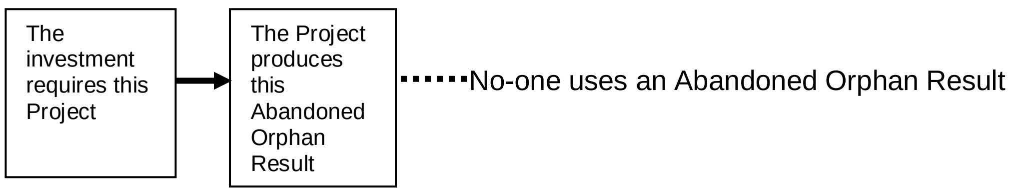
1. Adopted Orphan Results
2. Abandoned Orphan Results

Adopted Orphan Results: If an Orphan Result (infrastructure or service) is adopted by another Project run by another organisation or elsewhere in the same organisation, we say that the Orphan Result has been 'Adopted'. It is an 'Adopted Orphan Result'.



Both Projects above have been successfully PRUB-Linked through Results and Uses to Benefits so they can proceed to the next step in the validation process.

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



This Result has been neither Used nor Adopted – it is an Abandoned Orphan Result.

Many investments produce Abandoned Orphan Results.

If a Project will produce an Abandoned Orphan Result *do not continue with it*.

Improve it or eliminate it.

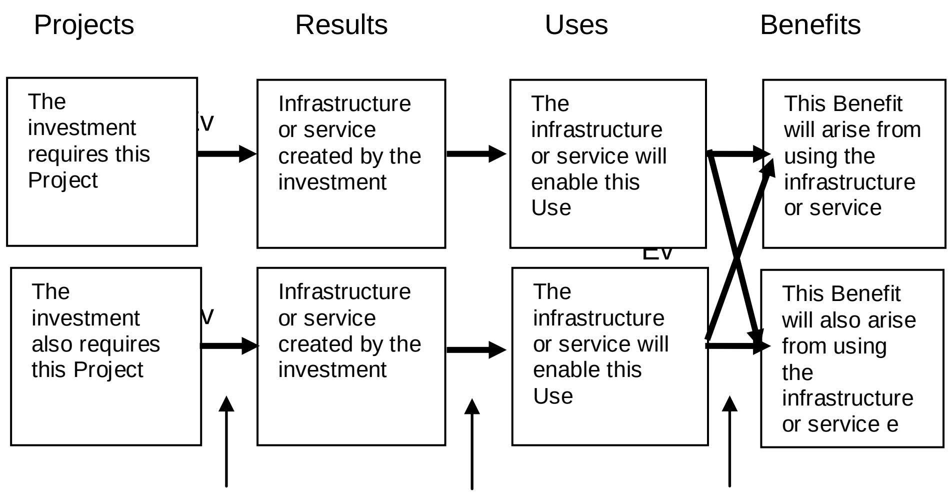
A SubStrategy in which all the Results will either be Used or Adopted is still not enough to validate an investment because at this stage it is merely a theoretical map of possibilities.

We still need to know if it will actually happen at a level which is worthwhile. This leads us to steps 3 and 4 of PRUB-Validate.

3. Justify the SubStrategy with cause-and-effect Evidence

Every Link in the investment SubStrategy must be supported by *cause-and-effect* Evidence to demonstrate that the investment will actually proceed as planned and will actually lead to the desired Benefits.

This cause-and-effect Evidence is precisely located in the Links (arrows) in the SubStrategy.



Convincing cause-and-effect Evidence *must* be found for each of these Links to provide confidence that:

- each Project will definitely produce the desired infrastructure or service
- the infrastructure or services will definitely be Used
- the Uses of the infrastructure or services will definitely lead to the desired Benefits.

Some Evidence is easier to find than other Evidence. For example, it is usually easy to find Evidence that a Project will lead to a Result.

It is usually more difficult (yet crucial) to determine objectively and quantitatively if the infrastructure and services will actually be Used, to what extent, and whether these Uses will genuinely lead to the desired Benefits.

Validating or justifying an investment requires convincing cause-and-effect Evidence that the infrastructure or service will actually be Used in the manner that is anticipated.

Experience shows that *the most useful Validation Evidence is the Evidence which confirms that Results will actually be Used.*

If such Evidence is lacking, *do not continue with the investment.*

Improve it or eliminate it.

Even when an investment has been successfully defined, mapped into a SubStrategy and fully Evidenced (steps 1-3), this is still not enough to Validate it.

We still need to know “is it worth it?” This is determined in step 4 of PRUB-Validate.

4. Assess the Value of an investment

If an investment has been successfully defined, mapped into an operational SubStrategy and fully Evidenced (steps 1-3), this is still not enough to validate it.

We still need to know if the net value of the Benefits will exceed the net costs of creating those values. Specifically:

"will the value of the Benefits exceed the sum of the costs of the Projects <u>*plus*</u> *the costs of the Uses?"*

Determining the value of Benefits is often very challenging. This fact alone is a powerful reason why, *before attempting to determine the net value of an investment, it is easier and better to first conduct steps 1-3 above to screen out:*

1. *all those investments which cannot be defined as a high level SubStrategy*
2. *all investment which cannot be described in an operational level SubStrategy*
3. *all investment SubStrategies which cannot be effectively Evidenced*

It is precisely because economic valuations are so challenging that steps 1-3 above are so powerful for rapidly assessing investments.

Having screened out investments which fail the first 3 steps, we now have a smaller set of investments to 'value' and hence to completely Validate. Non-validated investments can also be refined so that they can be validated and the PRUB-Validate process identifies exactly where they need to be refined.

Importantly, the second step (defining the investment as an operational level SubStrategy) identifies *exactly which costs will be incurred to achieve which Benefits.*

Frequently the Users' costs exceed the Project's costs so they *must* be included in the value calculations.

There are hundreds if not thousands of articles, papers and books on determining the value of outcomes/Benefits and this paper will not attempt to describe them. A keen reader is invited to start here:

http://en.wikipedia.org/wiki/Predicted_outcome_value_theory

The key point here is that the net value of the operational SubStrategy must take into account all 3 factors:

1. the value of the Benefits
2. the cost of the Projects
3. the cost to Users of using the infrastructure or services to achieve the Benefits

and then determine whether the value of the Benefits will outweigh the costs of the *sum of* the Project costs and the Use costs.

Mathematically, is $\Sigma V_B > \Sigma C_P + \Sigma C_U$?

where ΣV_B = Sum of the Values of the Benefits
ΣC_P = Sum of the Costs of the Projects
ΣC_U = Sum of the Costs of the Uses

Summary: PRUB-Validate public sector investments

To optimise investments and reduce costs, public sector commissioners must distinguish between:

1. 'Validated' investments which must be supported
2. 'Non-validated' investments which must be improved or stopped and savings made

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The first three steps simply and succinctly describe, and where appropriate, retain or eliminate investment *without having to speculate on the actual values of the Benefits to arise from each investment*.

The fourth step uses the SubStrategy from step 2 to *precisely identify those costs and values which must feed into the value assessment* to complete the investment validation process.

All 4 PRUB-Validate steps are essential to validate an investment.

There are no short-cuts.

You can proceed with confidence when an investment has been PRUB-Validated .