Fostering Social Investment by Changing Government Accounting and Budgeting Practices

Innovation in Evidence: Improving Evidence-informed Policy

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Jeremiah Hurley
Department of Economics
Centre for Health Economics and Policy Analysis
McMaster University

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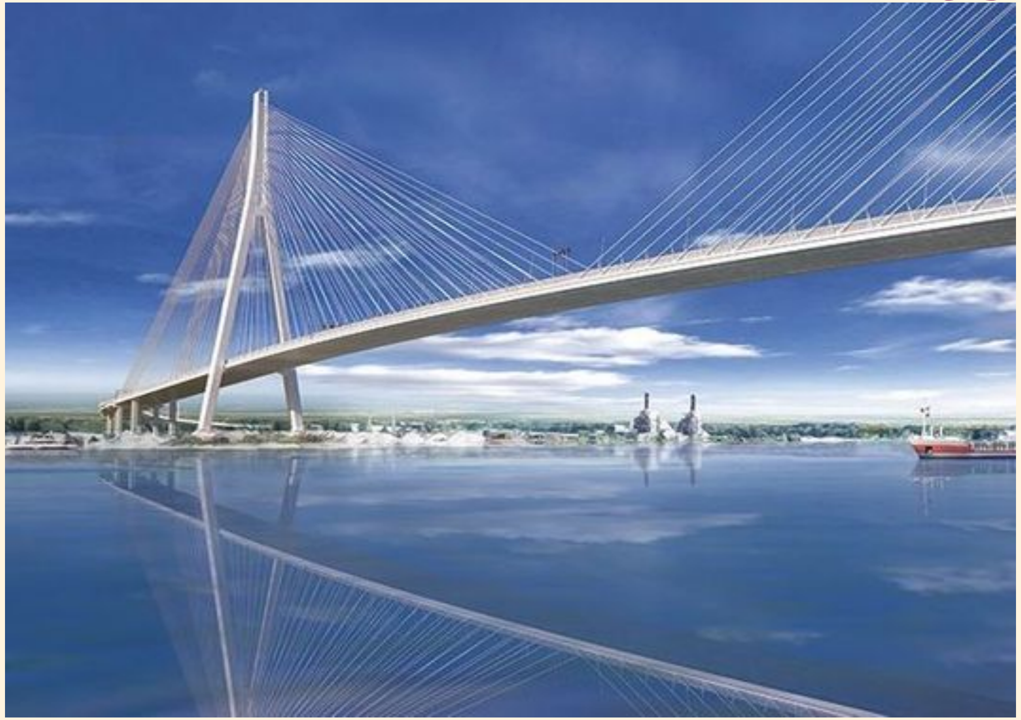
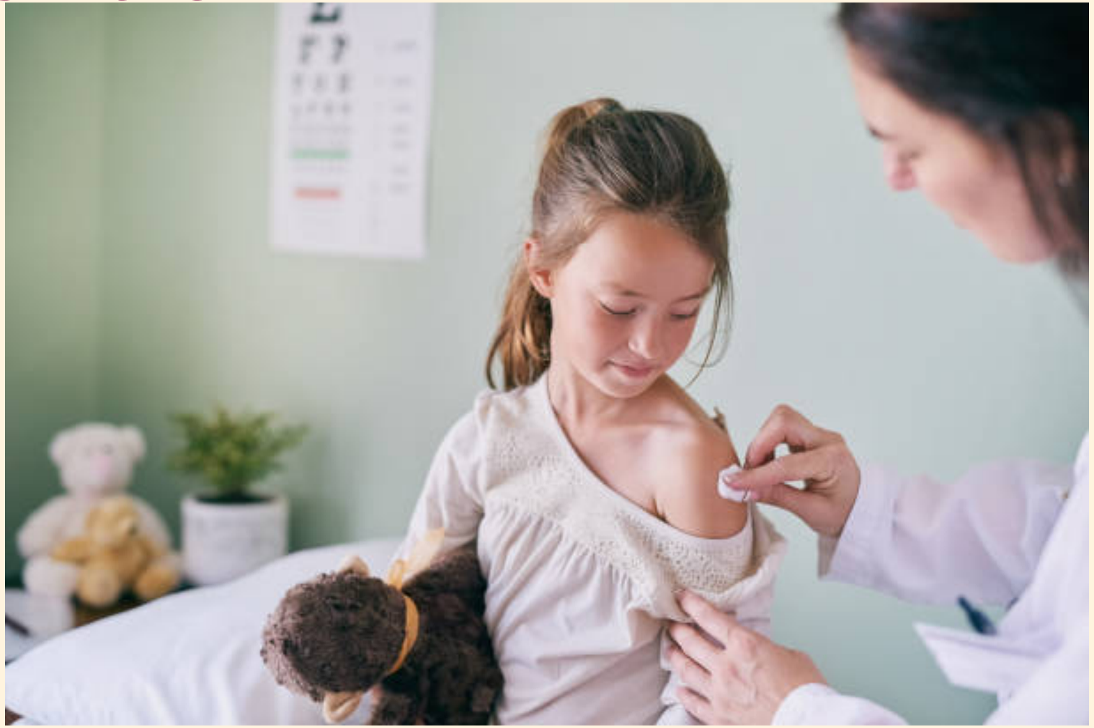
Spurring Social Investment: Amortization of Investments in Prevention and Early Intervention



vs.



Potential Assets Created by Investments in P&EI

- Program Infrastructure.
  - **Tangible**: vehicles, equipment, etc. (already amortizable)
  - **Intangible**: training materials, service protocols, and related start-up infrastructure required before any services are delivered.

- Enhanced Human Capital among Program Recipients
  - Better health
  - Better cognitive function
  - Better social and living skills

Would they Qualify as Amortizable Assets?

- Public-Sector Standards Definition of an Asset
  - "an **economic resource** **controlled by a government** as a result of past transactions or events and from which **future economic benefits** are expected to be obtained (PS 1000.35)."

- Criteria for Amortization
  - **Recognition Criterion**: value of asset can be reliably measured
  - **Identifiability Criterion**: asset can be divided from the entity and sold or transferred
  - **Finite-Life Criterion**: asset has a definite known or estimable useful life

Amortization, Policy Development, and Gov't Budgeting

- Direct Effect.
  - Strengthen business case for a P&EI program
  - In most cases, impact likely to be modest

- Indirect Effects
  - Highlight and emphasize investment nature of expenditures
  - Support evidence-informed decision-making

Caution: clearly distinguish financial flows from real economic effects.

Tentative Conclusions

- Changing the PSAB accounting standard will be a major challenge
- Financial impact would be modest in most cases
- Framing expenditures as investments, accompanied by a comprehensive, evidence-based analysis of the future stream of benefits is more important and under the control of governments

Next Steps

- Complete economic forecasting analyses of four P&EI investments
- Expanded consultation with stakeholders