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The Structural Model for Sustainable Development (SMSD) Framework

The Framework

The SMSD Framework is a quantitative tool designed to **evaluate economic policies and investments with a focus on sustainability and social impact**. Developed by the International Labour Organization (ILO), SMSD supports policymakers and their partners (such as public development banks) in assessing public investment, economic trends, and social outcomes to guide decision-making and improve the design of policies and investments. It **provides a structured approach to analyzing interventions such as investments and comprehensive policy changes by simulating policy scenarios**. It is based on ILO's unique databases (ILO Microdata Repository) as well as national accounts data produced in partnerships with National Statistical Offices.

Features and Strengths

By employing a sectoral-disaggregated economy-wide model, SMSD captures the structure of the economy, including institutions, social actors, and their interactions. This allows policymakers to measure the impact of policies and investments on macroeconomic dimensions while providing sectoral details such as product-specific changes, labor market dynamics (age, gender, income levels, and formality status), and household income variations. The framework is particularly useful in ex-ante assessments to inform policy dialogue and the design of investment projects, as well as ex-post evaluations to assess policy effectiveness.

One of SMSD's core strengths is its adaptability to country-specific conditions. The model can be expanded to incorporate specific labor market characteristics, informal economy behaviors, and macro-micro interactions. For instance, in a recent assessment Senegal's implementation of National Development Plan, the macro and sectoral level effects are also transmitted to various effects at household level via its microsimulation module. This flexibility makes it a powerful tool for analyzing social protection policies, labor market changes, and industrial transitions. Unlike fixed-coefficient input-output analysis, SMSD integrates dynamic economic behaviors, making it a more flexible and robust framework for understanding policy implications.

It allows policymakers and their partners to answer critical questions such as:

- What are the employment effects – and quality of employment - of specific investments?
- How do different social protection policies impact household income and inequality?
- What financing mechanisms best support sustainable economic growth without undermining fiscal stability?

Illustration 1: Zambia

Assessment of three financing strategies for public spending in the care economy—higher government debt, progressive taxation, and foreign aid.

The findings from this simulation highlight the trade-offs between economic growth, fiscal balance, and employment expansion under different funding approaches

	Higher Gov. Debt	More progressive taxation	Foreign Aid
Price	1.09	0.06	1.09
Real Output	3.16	2.64	6.31
Employment	3.95	4.06	7.44
Public Bal./GDP	-2.35	-0.02	-0.05
Priv. Bal./GDP	-0.12	-0.63	-0.08
Curr. A. Bal./GDP	-1.03	-0.31	1.93

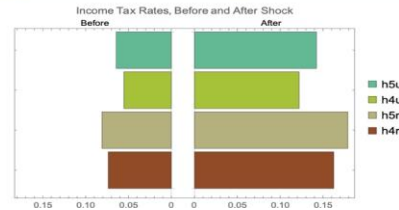


Illustration 2: Senegal

Evaluation of the effects of investment operations (in the transport and agriculture sectors) on household income distribution.



This analysis provides insights into the long-term benefits of targeted economic policies, such as the improved income distribution. Results are also available by various household groups (e.g. households with elders, households with children, etc.)

Potential and use case

As global economies face increasing challenges, the SMSD framework provides a critical resource for governments and organizations seeking to balance economic growth with social equity and environmental sustainability. By leveraging SMSD, policymakers and their partners can ensure that their interventions foster inclusive prosperity, reduce inequalities, and drive long-term resilience. Moreover, the framework's ability to integrate multiple economic, social, and environmental factors ensures a holistic approach to development planning. Its application extends beyond immediate policy interventions, supporting countries in aligning short-term economic actions with long-term sustainability objectives. With its capacity for flexible adaptation and rigorous policy evaluation, the SMSD framework stands as a valuable tool for nations striving to build robust, just, and future-proof economies.