SOUTHMOD – Simulating tax and benefit policies for development

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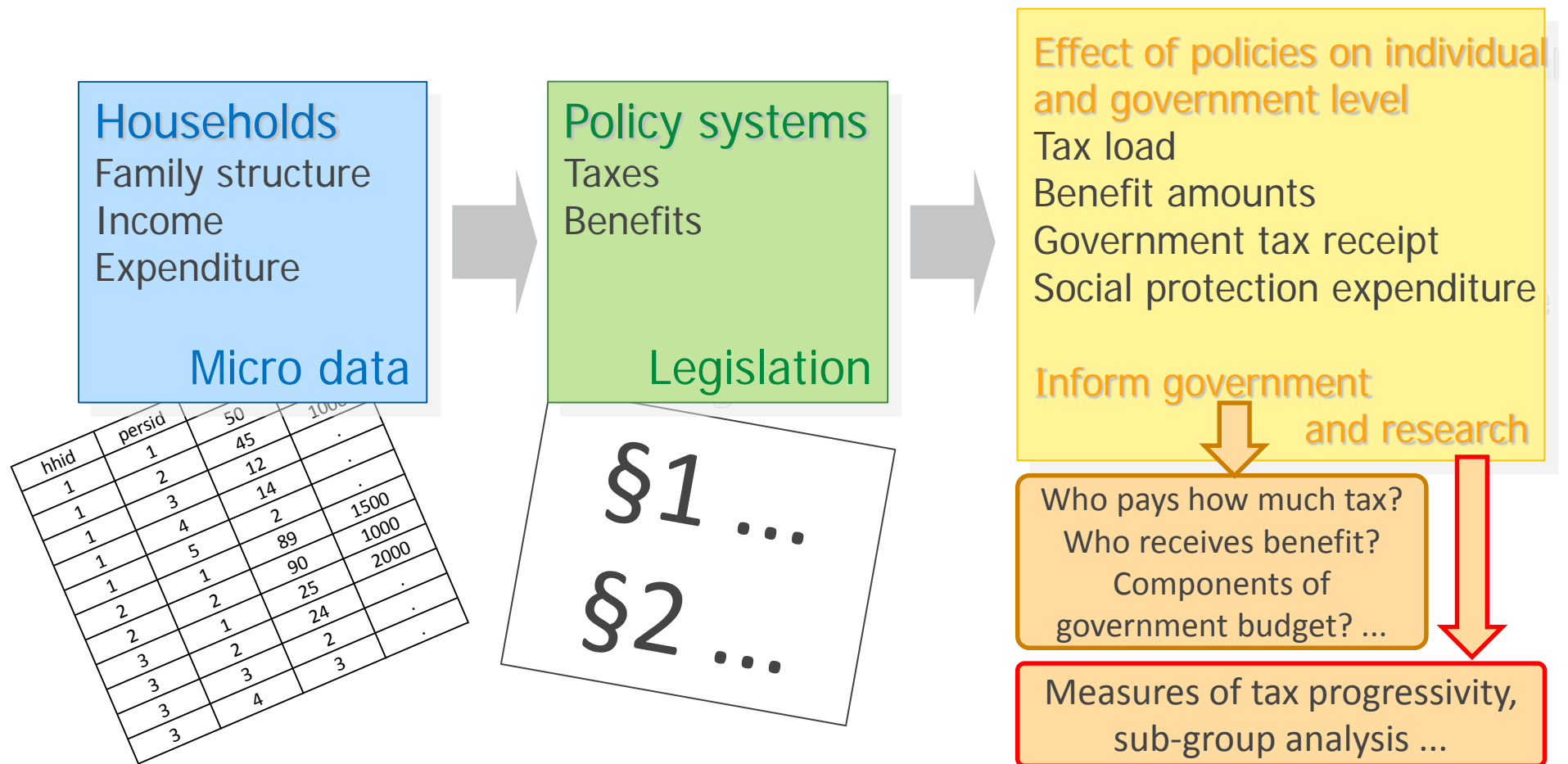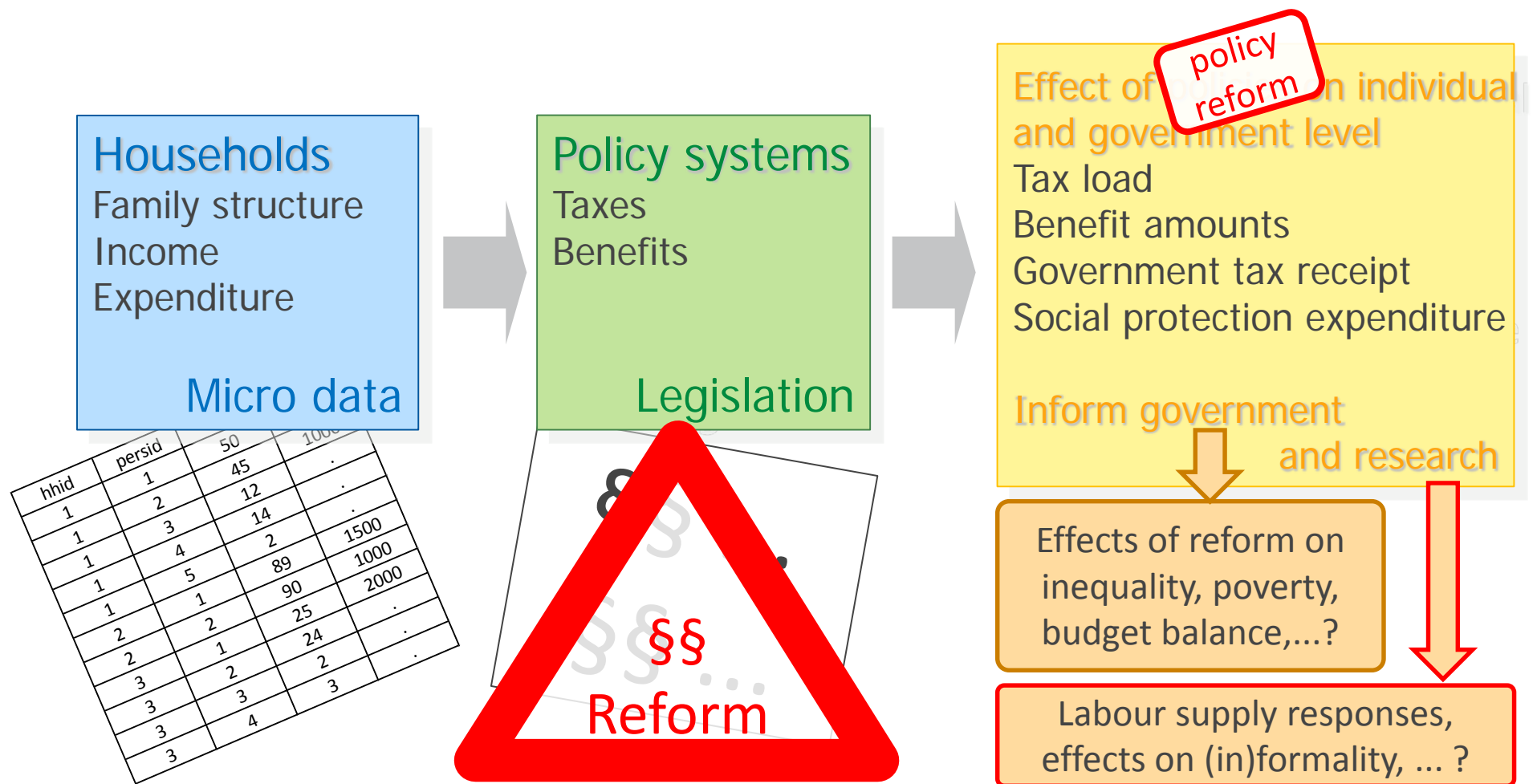
Ecuador

Tanzania

Ethiopia

Viet Nam

Ghana

Zambia

Mozambique

plus updates of existing models for Namibia and South Africa

What is microsimulation? (I)

Households
Family structure
Income
Expenditure

Micro data

→

Policy systems
Taxes
Benefits

Legislation

$1 ...
$2 ...

→

Effect of policies on individual and government level
Tax load
Benefit amounts
Government tax receipt
Social protection expenditure

Inform government and research

Who pays how much tax?
Who receives benefit?
Components of government budget? ...

Measures of tax progressivity, sub-group analysis ...

What is microsimulation? (II)

Households
Family structure
Income
Expenditure

Micro data

Policy systems
Taxes
Benefits

Legislation

§§
Reform

policy reform

Effect of reform **on individual and government level**
Tax load
Benefit amounts
Government tax receipt
Social protection expenditure

Inform government and research

Effects of reform on inequality, poverty, budget balance,...?

Labour supply responses, effects on (in)formality, ... ?

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1	1	45	.
1	2	12	.
1	3	14	.
1	4	2	1500
1	5	89	1000
1	1	90	2000
2	2	25	.
2	1	24	.
3	2	2	.
3	3	3	.
3	4		
3	3		

Set-up of the SOUTHMOD project

- Jointly undertaking with the EUROMOD team, SASPRI (Cape Town) and KU Leuven

- EUROMOD

    – Both a microsimulation model for European countries, and

    – a software for building new microsimulation models.

- UNU-WIDER, SASPRI, EUROMOD and KU Leuven (senior project partners)
    – **build models** together with local team in each country (models freely available for non-commercial use), and

    – **educate local stakeholders to use the model**:
        a) Government and its agencies,
        b) Researchers

Building on EUROMOD success

- EUROMOD is a result of **20 years** of investment into tax-benefit microsimulation

- A **large user group**, annual activities, presence in conferences

- SOUTHMOD benefits from all this experience

- But, more importantly, will facilitate **interaction and learning within a community of experts** from developing countries

- Annual SOUTHMOD workshops

- Research activities aim to **improve the 'fit' of the models to developing countries**' circumstances

Features of the SOUTHMOD approach

- Easy-to-use user interface

- Models available free of charge for non-commercial research

- Models extensively documented

  - Country report

  - Variable lists

  - Extensive help files within the software

- Simulation results can be analyzed within or outside the model

SOUTHMOD: The way ahead

- Models, including VNMOD maintainance

  - New policy rules coded annually

  - Whenever new data become available, the underpinning data set is updated

  - Documentation revised, new versions are made available

  - Annual training events

- Research using models undertaken and encouraged

- Use of the models in policy analysis highly valued and supported by UNU-WIDER

Some of examples of the type of work that can be conducted using SOUTHMOD

- 'Basic' policy analysis within ministries

  – Preparing price tags for policy reforms

- Examining the impacts of larger social policy reforms

  – E.g. providing greater old-age benefits financed by different means, including a possible increase in the VAT rate

- Preparing more timely poverty estimates – 'nowcasting/flash estimates'

- Combining micro/macro models

ENJOY USING VNMOD!