Title registration for a review proposal:
Interventions for employment creation in micro, small and medium-sized enterprises in low- and middle-income countries
Michael Grimm, Anna Luisa Paffhausen

Submitted to the Coordinating Group of:
☐ Crime and Justice
☐ Education
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☐ Nutrition
☐ Social Welfare
☐ Other:

Plans to co-register:
☐ No
☐ Yes
☐ Cochrane
☐ Other
☒ Maybe

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Interventions for employment creation in micro, small and medium-sized enterprises in low- and middle-income countries.

BACKGROUND AND OBJECTIVES

Nowadays, job creation is a top priority for most governments – not only those in developing countries. But in low and middle income countries (LMICs) especially, the question of how best to create jobs for the large number of people expected to enter the labor force in the coming years is a major concern. According to the World Bank’s World Development Report 2013 on jobs, Sub-Saharan Africa’s labor force is growing by about eight million people per year while South Asia’s labor force grows by one million people every month. The report estimates that until 2020 an additional 600 million new jobs will have to be created, predominantly in Asia and Sub-Saharan Africa.

Governments, international organizations and other donors have hence designated substantial resources to this area. Given that micro, small and medium enterprises (MSMEs) account for most employment in LMICs, a range of interventions have been focusing on these firms with the ultimate aim of fostering employment.

The constraints faced by MSMEs in LMICs are many and, hence, interventions to remove these constraints vary considerably. Programmatic interventions targeting the obstacles faced by MSMEs may include interventions to improve access to finance through the provision of (micro-) credit, advisory services and business skills training, while policy interventions focus on improving the framework conditions for MSMEs and may entail for instance labor market regulations, property rights regulations, or credit information systems. Interventions, however, may also target the (potential) labor force through programmatic interventions such as technical vocational education and training (TVET) or employment services.

Notwithstanding these efforts, research on the effectiveness of these interventions in LMICs, and especially as regards employment creation, is still limited. Many success stories are based on direct outcomes such as improved business skills, access to finance, management practices etc. However, since the aim is eventually to increase employment through these interventions, this systematic review will gather, analyze

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1 Ayyagari et al. (2011) find that small and medium enterprises are the biggest contributors to employment across countries, and more importantly in low income countries. Furthermore, employment growth is also higher in small firms in developing economies, according to the findings of the authors. The World Bank’s World Development Report 2013 on jobs suggests that, in reality, the employment contribution of micro- and small enterprises in LMICs is even more important.
and synthesize the evidence of rigorous impact evaluations of interventions relevant to MSMEs as regards the creation of employment.

Specifically, the systematic review aims at assessing which interventions are directly or indirectly effective, and if so how, in creating employment in MSMEs in LMICs.

With respect to the range of interventions considered in this systematic review, the focus is on assessment of both programmatic, as well as policy interventions. The latter is seen as more general improvements in the business environment, which will be considered as long as it is possible in a credible way to establish causality between the policy and employment creation. Hence, related questions which this systematic review attempts to answer are:

- What are the effects of programmatic interventions on employment in MSMEs?
- What are the effects of policy interventions on employment in MSMEs?
- What are the effects of programmatic interventions on establishment of micro, small and/or medium enterprises in low and middle income countries?
- What are the effects of policy interventions on establishment of micro, small and/or medium enterprises in low and middle income countries?

Since this is a theory-based systematic review, we also aim at answering the question:

- Why and under which circumstances are these interventions effective in creating employment in MSMES or establishing new MSMEs in low and middle income countries?

**EXISTING REVIEWS**

So far, there are no systematic reviews addressing this particular research question.

A few systematic reviews concerned with either employment creation or interventions relevant to MSMEs have been conducted up to now or are still ongoing. None of these reviews look specifically at employment creation in MSMEs in developing countries, or compare the outcome of interest for different enterprise sizes. Tripney et al. (2012) are conducting a systematic review of post-basic technical and vocational education and training (TVET) interventions to improve employability and employment of TVET graduates in LMICS. While the authors are concerned with the same outcome as this systematic review, they do not explicitly focus on employment creation in MSMEs. This is also the case for other systematic reviews that are concerned with employment creation as an outcome of interest,
such as Paruzzolo et al. (2013) who plan to assess the impact of different interventions on the improvement of labor market outcomes for the youth, Cirera et al. (2012) who focus on the impact of free trade zones on employment and wages, Nataraj, et al. (2012) who assess the impact of labor market regulation on employment in low income countries, and Cirera et al. (2011) who have synthesized the evidence of the impact of tariff reductions on employment and fiscal revenue in developing countries.

There are also a few completed and ongoing systematic reviews focusing on interventions which this systematic review will analyze, but which rather focus on intermediate outcomes of the interventions, without assessing the impact on employment creation in MSMEs. These systematic reviews include Stewart et al. (2012) who assess whether different financial instruments effectively enable poor people, and especially women, to engage in meaningful economic opportunities in LMICs, Vaessen et al. (2012) who assess the effect of microcredit on women’s control over household spending in developing countries, Hagen-Zanker et al. (2011) who focus on the impact of employment guarantee schemes and cash transfers on the poor, Duvendack et al. (2011) who analyze the evidence on the impact of microfinance on the wellbeing on the poor, Stewart et al. (2010) who assess the impact of microfinance on poor people in Sub-Saharan Africa, and Radermacher et al. (2009), who focus on the impact of microinsurance on economic and social outcomes for the poor in LMICs.

A meta-analysis on entrepreneurship programs in developing countries, conducted by Cho and Honorati (2012), is so far the most relevant synthesis of evidence with respect to the purpose of this review. The authors consider a wide range of interventions aimed at promoting the development of MSMEs in developing countries and focus, among other outcomes, on the effect of these interventions on employment and business creation. They find that interventions to promote MSME development are more effective in changing intermediate outcomes, like business knowledge and practice, than increasing employment. For employment, vocational training and access to finance prove to be the most effective. The meta-analysis has some drawbacks however, which the authors themselves acknowledge. First, although the interventions qualifying for the meta-analysis have to focus on entrepreneurial activities of potential or current entrepreneurs as per the selection criteria, the authors do not provide an explicit definition of entrepreneurs or the sizes of enterprises considered in the review. Second, the 37 impact evaluations which have been included in the meta-analysis have not been subject to a thorough quality assessment and hence the results of the meta-analysis may potentially be affected by methodological biases present in the primary studies. Third, the search

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Paruzzolo et al. (2013) are currently in the process of registering a systematic review with the Campbell Collaboration titled: ‘What are the impacts of interventions to improve labor market outcomes of youth? How applicable is this evidence to countries in Africa? Which of these interventions are the most effective?’
has not been as exhaustive and systematic as for a systematic review, with the authors relying only on Google Scholar and Ideas as databases and on a snowballing of the literature reviews in early studies of entrepreneurship programs. Finally, the meta-analysis included studies that had been in public domain by March 2012. However, a range of impact evaluations were ongoing at this time and therefore their results could not be included in the meta-analysis. Hence, we expect to be able to provide a substantial contribution to the work made by Cho and Honorati (2012) by updating and broadening the evidence base considerably through an exhaustive systematic literature search and a synthesis of the best available evidence, which results from a thorough quality assessment of included studies.

**DEFINE THE POPULATION**

We will be including studies that focus on micro, small and/or medium enterprises (MSMEs) in low and middle income countries. We will use the definitions of the World Bank for low and middle income countries, which are classified according to their income levels.

Since there is no common definition regarding micro, small and/or medium enterprises, we decided to use the following definition for the decision on whether a study will be included:

First, we will define the size of an enterprise according to the number of employees. We believe that, for the population of interest here (very small and often informal businesses in low and middle income countries), the number of total employees would be most readily available, and the pre-scoping of the literature supported this reasoning. Furthermore, it is probably also measured with more precision than other measures, such as turnover, sales, or the size of the capital stock.

We will use the following cut-offs to classify an enterprise as micro, small or medium. A firm will be classified as:

- **micro** enterprise, if it employs less than **5 workers**;
- **small** enterprise, if it employs at least **5 workers but less than 20**; and
- **medium** enterprise, if it employs at least **20 workers but less than 250**.

**DEFINE THE INTERVENTION**

As it has been emphasized above, there are potentially many different constraints faced by MSMEs in LMICs and hence interventions with the objective of creating employment can take many different forms. Interventions may be delivered as programs or projects or consist of certain policy interventions. Programmatic interventions targeting constraints faced by MSMEs may include interventions to improve access to finance through the provision of (micro-) credit, advisory services
and business skills training, while policy interventions focus on improving the business environment for MSMEs and may entail labor market regulations, the instauration and enforcement of property rights, or credit information systems, to mention just a few. Interventions, however, may also target the (potential) labor force through programmatic interventions such as technical vocational education and training (TVET) or employment services.

In this review, we will focus on interventions that are targeted at MSMEs, but not necessarily exclusively. Interventions that target the labor force directly will only be considered if they aim at the creation of new firms.

Relevant interventions can be grouped into the following broad categories of interventions:

- **Training**
  
  Includes technical and vocational training (in-class and workplace), business skills training, financial literacy training and life skills training

- **Access to finance**
  
  Includes (micro-) credit, grants (cash and in kind), savings products, (micro-) insurance, guarantee funds and leasing products as well as the establishment of credit registries and credit bureaus, and property rights regulations

- **Business development services**
  
  Include consulting services, management and quality control practices, technology upgrading, market development, export promotion, information provision and networking

- **Research and development (R&D)**

  Include the promotion of investments in R&D and of development and introduction of new products and production processes

- **Private sector incentive schemes**

  Include wage subsidies.

The interventions considered in this review may in some cases target specific groups, such as the youth, women, the disabled or a particular ethnic group for instance. Furthermore, there might be instances in which some of these interventions are combined and implemented jointly.

In addition, interventions that can be subsumed under the key word of 'enabling the business environment' will be considered specifically, if they cannot be classified into one of the categories above.
OUTCOMES

The outcome of relevance for our review question is the creation of jobs in MSMEs. Hence studies will be included if they measure this outcome specifically for micro, small and/or medium enterprises, as defined above. The outcome might be measured in the number of employees or its growth rate. We do not include studies that focus exclusively on hours worked, labor intensity, wages or labor supply without considering employment per se.

For primary studies which target the unemployed, the employment status of the targeted population will also be considered if information is given on the size of the firm where they have been employed as a result of the intervention. Likewise, if an intervention aims at creating new micro, small and/or medium sized enterprises and measures the number of newly established MSMEs according to our definition above, this study will be considered for inclusion.

STUDY DESIGNS

Considered studies must be able to establish a credible causal relationship between a programmatic or policy intervention and job creation in MSMEs. This means that we will include primary studies if they consist of an impact evaluation based on an experimental design such as:

- a randomized control trial (RCT),
- quasi-experimental designs with non-random assignment, including those based on a cut-off rule on a continuous variable (regression discontinuity design) and other selection mechanisms (for example self-selection, arbitrary selection by program manager, etc.),
- studies using cross-sectional and/or longitudinal comparison, if they control for this non-random placement or self-selection by making use of one or more of the following methods: propensity-score matching, instrumental variables, difference-in-difference estimation.

For quasi-experimental designs we will include studies that are based on panel data as well as cross-sectional data, analyzed either at the firm or individual level.

Because of time and resource constraints we will consider only quantitative studies for inclusion, that is, studies that rely on a large sample size (N) and use quantitative data to establish a causal relationship between a program or policy and employment. The strength of the relationship must be quantified in terms of an effect size and thus be comparable with the effects measured in other studies. The inclusion of qualitative studies, i.e. project reviews or case studies with a small N aiming at assessing the impact of different interventions on job creation in MSMEs might be undertaken in a follow-up to this systematic review.
AUTHOR(S) REVIEW TEAM

List names of those who will be cited as authors on the final publication.

**Lead reviewer**

This is the person who develops and co-ordinates the review team, discusses and assigns roles for individual members of the review team, liaises with the editorial base and takes responsibility for the ongoing updates of the review.

<table>
<thead>
<tr>
<th>Name: Michael Grimm</th>
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<tbody>
<tr>
<td>Title: Professor</td>
</tr>
<tr>
<td>Affiliation: University of Passau, Germany</td>
</tr>
<tr>
<td>Address: Innstraße 29, R. ZB 158, Passau</td>
</tr>
<tr>
<td>State, Province or County: Bayern</td>
</tr>
<tr>
<td>Postal Code: 94032</td>
</tr>
<tr>
<td>Country: Germany</td>
</tr>
<tr>
<td>Phone: ++49 (0)851 509-3310</td>
</tr>
<tr>
<td>Email: <a href="mailto:michael.grimm@uni-passau.de">michael.grimm@uni-passau.de</a></td>
</tr>
</tbody>
</table>

**Co-author**

There should be at least one co-author.

<table>
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<tr>
<th>Name: Anna Luisa Paffhausen</th>
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<tbody>
<tr>
<td>Affiliation: University of Passau, Germany</td>
</tr>
<tr>
<td>Country: Germany</td>
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ROLES AND RESPONSIBILITIES

Please give brief description of content and methodological expertise within the review team. It is recommended to have at least one person on the review team who has content expertise, at least one person who has methodological expertise and at least one person who has statistical expertise. It is also recommended to have one person with information retrieval expertise. Please note that this is the recommended optimal review team composition.

- **Content:**

  Prof. Michael Grimm is a professor of development economics and has content expertise in the field of private sector development as well as impact evaluation. In his research he has focused extensively on barriers to entrepreneurship in low and middle income countries as well as job creation. He has published various papers related to this systematic review in peer reviewed journals and has contributed to the World Bank’s World Development Reports.
Development Report 2013 on jobs. He has further been involved in impact evaluations in Burkina Faso, Rwanda, Senegal and Indonesia.

Anna Luisa Paffhausen has working experience in international development, in the area of private sector development and in particular with interventions to improve the conditions for micro, small and medium enterprise development.

- **Systematic review methods:**

  Anna Luisa Paffhausen has been trained in state of the art systematic review methods, especially in the area of social sciences and international development. She has participated in international workshops on this topic, among others, organized by the International Initiative of Impact Evaluation (3ie).

- **Statistical analysis:**

  Prof. Grimm has sound econometric skills. He has been involved in many rigorous impact evaluations and econometric analyses in international development. His work has been published in a wide range of peer reviewed journals, including the Journal of the Royal Statistical Society: Series A (Statistics in Society), Oxford Bulletin of Economics and Statistics and the Journal of Development Economics. He teaches methods of rigorous impact evaluation at the University of Passau.

  Anna Luisa Paffhausen has a sound background in quantitative methods, especially as regards impact evaluation techniques.

- **Information retrieval:**

  Anna Luisa Paffhausen has a broad experience in conducting literature and desk reviews. Furthermore, she attended training on systematic review methods, including search methods and information retrieval.

  The team might also draw on the expertise of librarians from the University of Passau.

**POTENTIAL CONFLICTS OF INTEREST**

There are no conflicts of interest. None of the authors has been involved in the development of relevant interventions. Primary research conducted by the authors has not dealt explicitly with the topic of interest of this systematic review, so that it is not expected that any of this work might be included and assessed by this systematic review.
The systematic review is being funded by the Kreditanstalt für Wiederaufbau (KfW) Entwicklungsbank, which promotes interventions aimed at improving the conditions for the development of micro, small and medium enterprises, and eventually, employment in low and middle income countries. Research will, however, be conducted independently of the funder, and interventions will be assessed disregardful of whether the KfW has been involved in their development.

**SUPPORT**

At the current stage, no support is needed.

**FUNDING**

This systematic review is funded by the German Development Bank, the Kreditanstalt für Wiederaufbau (KfW) Entwicklungsbank.

**PRELIMINARY TIMEFRAME**

- Date you plan to submit a draft protocol: April 15, 2013
- Date you plan to submit a draft review: October 15, 2013

**REFERENCES**


**DECLARATION**

**Authors’ responsibilities**

By completing this form, you accept responsibility for preparing, maintaining and updating the review in accordance with Campbell Collaboration policy. The Campbell International Development Group will provide as much support as possible to assist with the preparation of the review.

A draft protocol must be submitted to the Group within six months. If drafts are not submitted before the agreed deadlines, or if we are unable to contact you for an extended period, the Group has the right to de-register the title or transfer the title to alternative authors. The Group also has the right to de-register or transfer the title if it does not meet the standards of the Group and/or the Campbell Collaboration.

You accept responsibility for maintaining the review in light of new evidence, comments and criticisms, and other developments, and updating the review at least once every three years, or, if requested, transferring responsibility for maintaining the review to others as agreed with the Group.
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I understand the commitment required to undertake a Campbell review, and agree to publish in the Campbell Library. Signed on behalf of the authors:

Form completed by: Anna Luisa Paffhausen

Date: March 19, 2013