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Sommario/riassunto	Firms of different sizes play different roles in organized markets and societies. This report focuses on the particular role that larger firms - firms with 100 employees or more - play in this ecosystem. It shows that larger firms in developing countries have distinct features that set them apart from the rest. These features are closely associated with productivity advantages - their ability not only to lower costs of production through economies of scale and scope, but also to invest in quality and reach demand. These distinct features of large firms translate into improved outcomes for their owners as well as for workers and smaller enterprises in their value chains. The fundamental challenge for economic development, however, is that production often does not reach economic scale in low- and middle-income countries. What is missing are larger, more productive, and outward-oriented firms. The scarcity of larger firms raises the question of how they are created in lower income contexts, and where frictions lie in this process. This report shows that four types of sponsors are often behind large firms: foreign firms creating new affiliates; domestic sponsors having experience with other large firms; governments; and entrepreneurs. Growth paths of large firms also show that

distinguishing features of large firms are often in place from the time they are established. Therefore, supporting small firms to grow large is one means for creating large firms, but not sufficient on its own. To fill the 'missing top', governments should support the creation of new large firms from different sources, improve market contestability, and address operational barriers that disproportionately affect larger firms. The challenge lies in balancing the desire for efficiency and welfare benefits of large firms, while avoiding the inefficiencies that result when large firms acquire monopoly power. For development finance institutions seeking to promote a dynamic and competitive private sector, taking a value chain perspective and partnering with larger firms in each industry - both incumbent firms and new challengers - can benefit firms across the size spectrum--

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