

Contents

Abbreviations

Executive summary	1
1 Introduction	13
2 SME upgrading and its factors: the conceptual framework	18
2.1 SME upgrading	18
2.2 Determinants of SME upgrading	21
2.2.1 Entrepreneur characteristics	23
2.2.2 Firm characteristics	27
2.2.3 Inter-firm linkages	30
2.2.4 Business environment	33
3 The ‘missing middle’ in the context of Egypt’s development conditions	41
3.1 Economic development conditions	42
3.2 The neo-patrimonial rule under Mubarak	42
3.3 Economic problems	48
3.4 Responding to Egypt’s economic problems by filling the ‘missing middle’	50
3.5 The SME sector	51
3.5.1 Definition of SMEs	52
3.5.2 Characteristics of the SME sector	53
4 Research methodology	56
4.1 Research hypotheses	57

4.2	Sector selection	59
4.2.1	The food-processing sector	60
4.2.2	The textiles and garments sector	62
4.2.3	The information and communications technology (ICT) sector	64
4.3	Research design	65
4.3.1	Analysis of panel data from the Egypt Investment Climate Surveys 2004 and 2008	67
4.3.2	SME survey	72
4.3.3	Interviews with SME experts	89
5	Factors in SME upgrading in Egypt: the findings	90
5.1	Identification of the main determinants	102
5.2	Detailed findings for all factors	119
5.2.1	Entrepreneur characteristics	119
5.2.2	Firm characteristics	131
5.2.3	Inter-firm linkages	148
5.2.4	Business environment	154
6	Policy recommendations	175
6.1	Human capital	177
6.2	Human resource development (HRD)	178
6.3	Market research	179
6.4	Access to finance	180
6.5	Law enforcement	182
	Bibliography	185
	List of interviewed experts	207

Annexes

Annex A:	Results of interviews with SMEs	217
Annex B:	Questionnaire used for interviews with SMEs	261
Annex C:	Results of the logit estimations with the EICS panel data	279