Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>ABC</td>
<td>Agricultural Business Centre</td>
</tr>
<tr>
<td>AfDB</td>
<td>African Development Bank</td>
</tr>
<tr>
<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
</tr>
<tr>
<td>BSL</td>
<td>Bank of Sierra Leone</td>
</tr>
<tr>
<td>CAC</td>
<td>Corporate Affairs Commission</td>
</tr>
<tr>
<td>CBO</td>
<td>Community-based Organization</td>
</tr>
<tr>
<td>ECOWAS</td>
<td>Economic Community of West African States</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>FSA</td>
<td>Financial Services Association</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoSL</td>
<td>Government of Sierra Leone</td>
</tr>
<tr>
<td>IFAD</td>
<td>International Fund for Agricultural Development</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MAFFS</td>
<td>Ministry of Agriculture, Forestry, and Food Security</td>
</tr>
<tr>
<td>MFI</td>
<td>Microfinance Institution</td>
</tr>
<tr>
<td>MRU</td>
<td>Manu River Union</td>
</tr>
<tr>
<td>MTI</td>
<td>Ministry of Trade and Industry</td>
</tr>
<tr>
<td>NASSIT</td>
<td>National Social Security and Insurance Trust</td>
</tr>
<tr>
<td>NCP</td>
<td>National Commission for Privatization</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Governmental Organization</td>
</tr>
<tr>
<td>NRA</td>
<td>National Revenue Authority</td>
</tr>
<tr>
<td>OARG</td>
<td>Office of Administrator and Registrar General</td>
</tr>
<tr>
<td>SLAMFI</td>
<td>Sierra Leone Association of Microfinance Institutions</td>
</tr>
<tr>
<td>SLIEPA</td>
<td>Sierra Leone Investment and Export Promotion Agency</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
<tr>
<td>SMT</td>
<td>Sierra Leone Microfinance Trust</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
</tbody>
</table>
The Government of Sierra Leone (GoSL), through its Ministry of Trade and Industry (MTI), invited IFC Advisory Services to assist in creating a national micro, small, and medium enterprise (MSME) development strategy to complement existing small and medium enterprise-friendly legislation and regulations. The MTI’s vision for this strategy is to serve as a guide to the GoSL, donors, non-governmental organizations (NGOs), and private sector groups in providing support to MSMEs in a strategic manner.

The mandate for the strategy is to use existing key policies, laws, and regulations and formulate a National MSME Development Strategy that fits well within the current context of the MTI’s mission. The strategy was guided by:

- The GoSL’s Poverty Reduction Strategy Paper – Agenda for Prosperity
- The Enhanced Private Sector Program
- The Private Sector Development Strategy
- The Financial Sector Development Program of the Bank of Sierra Leone
- Existing policies and legislation (including those in specific economic sectors) that favour MSME development, including:
  - The Business Start-up Act
  - The Registration of Business Act
  - The Companies Act
  - The Bankruptcy Act
  - The Payment Systems Act
  - The Goods and Services Tax Act
  - The Finance Act
  - The Local Content Policy
- Specific initiatives that have been undertaken by the GoSL in the past three to eight years to support MSME development
- Various types of initiatives undertaken by donors for MSME support or development in the past three to eight years
- Specific initiatives by the GoSL and donors, and policies that promote women-owned enterprises
- The World Bank’s Private Sector Development Strategy for Sierra Leone
• The Joint Country Assistance Strategy developed by the World Bank, IFC, and the African Development Bank (AfDB)
• Regional strategies proposed by regional economic and trade groups such as ECOWAS and the Mano River Union (MRU).

The National MSME Development Strategy was developed in close collaboration with the Sierra Leone Investment and Export Promotion Agency (SLIEPA) and in consultation with stakeholders relevant to MSME development, including relevant government offices, private sector institutions, co-operatives, NGOs, and civil society.

The MTI hopes that this initiative will be instrumental in bringing together stakeholders and charting the direction for the implementation of an effective small business development initiative for Sierra Leone.
NO BUSINESS IS TOO SMALL TO MATTER.

The vendor selling hot lunches, the taxi driver operating his own vehicle, the seamstress stitching with a single sewing machine. These entrepreneurs provide vital services to their communities, but more than that, most support children, parents, or grandparents, providing the money needed for clothing, food, transport, and other essentials.

Small and medium sized businesses also power the activities of larger firms. Where would a mining or telecommunications giant be without the cleaning, transport, and construction firms that smooth its daily operations and reliably feed its supply chains?

Despite their importance, however, small businesses in Sierra Leone continue to face daily challenges. For example, Sierra Leone's business environment, though improving, remains difficult: business owners can face an array of legal obligations and unacceptable delays when hiring staff or seeking permits. Accessing finance and training can also prove difficult in Sierra Leone, confining many small businesses to the informal sector, where they might survive, but not grow.

Sierra Leone's central challenge is, therefore, not simply to spur the creation of more small businesses, but also to strengthen those that already exist, helping them increase production, and take on more clients and employees. By doing so, they will make greater contributions to the country's overall economic growth.

This National MSME development strategy was created by Sierra Leone's Ministry of Trade and Industry and is supported by IFC, a member of the World Bank Group. A direct response to entrepreneurs and business owners who have asked for more support, it is built on four pillars: improving the business enabling environment; promoting linkages to help small firms win contracts with larger firms and the government; increasing access to finance; and widening access to skills training.

In the wake of the Ebola crisis, businesses in Sierra Leone have never before needed such a comprehensive strategy for growth. Small businesses especially must be at the very heart of any project that aims to strengthen the private sector, and create jobs and opportunity.

Thankfully, Sierra Leone is a resilient country. It has weathered setbacks and its population is determined to work hard and succeed. IFC will continue to be a strong partner with Sierra Leone, providing advice and helping entrepreneurs tap opportunities in the mining, agricultural, forestry, fishing, manufacturing, and tourism sectors, among others.

We at IFC believe that no business is too small to matter - and that no business is too small to grow.
Context

Sierra Leone has seen consistent growth in its gross domestic product (GDP), from 6 percent in 2011 to 15.2 percent in 2012, led mainly by foreign direct investment (FDI) in the mining sector, and supported by agriculture, services, and the construction industries. Inflation has steadily fallen from 18.5 percent in 2011 to 11.6 percent in 2012. It is anticipated that government’s new policies, investments in iron ore production, and interest to revive agriculture and manufacturing sectors will contribute to further growth in GDP, which was projected to reach 13 percent in 2013 and 12.1 percent in 2014, while inflation was expected to drop to 7.1 percent in 2013 and to 6.9 percent in 2014.

Despite this growth, the country continues to face challenges of deep poverty and long-term unemployment. A recent United Nations Development Programme (UNDP) report on the status of youth employment showed that 60 percent of youth between the ages of 15 and 35 – an estimated 2 million people – remain unemployed or seriously underemployed, while 70 percent of households in the country rely on micro and small businesses in the private sector for their livelihoods.

Table 1 lists the GDP contribution by sector in 2012 compared with 2007. The data show mining and agriculture to be the key contributors to GDP in 2012, with a significant increase in the contribution from the mining sector, which was mainly due to the start of iron ore exports in 2012, while the agriculture sector’s contribution decreased over the same period.

### TABLE 1 - GDP BY SECTOR (%)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2007</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting, forestry, and fishing</td>
<td>55.8</td>
<td>53.9</td>
</tr>
<tr>
<td>Mining</td>
<td>5.4</td>
<td>12.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.6</td>
<td>2.2</td>
</tr>
<tr>
<td>Electricity, gas, and water</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td>Construction</td>
<td>1.9</td>
<td>1.2</td>
</tr>
<tr>
<td>Wholesale and retail trade, hotels, and restaurants</td>
<td>6.5</td>
<td>7.4</td>
</tr>
<tr>
<td>Transport, storage, and communication</td>
<td>7.9</td>
<td>5.1</td>
</tr>
<tr>
<td>Finance real estate and business services</td>
<td>3.9</td>
<td>3.1</td>
</tr>
<tr>
<td>Public administration; education; health and social work; and community, social, and personal services</td>
<td>4.3</td>
<td>4.5</td>
</tr>
<tr>
<td>Other services</td>
<td>11.6</td>
<td>10.3</td>
</tr>
<tr>
<td>GDP at basic prices / factor cost</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Data from domestic authorities; estimates and prediction based on authors’ calculations

1 International Monetary Fund (IMF)
2 African Development Bank Statistics Department
3 Sierra Leone Youth Status Report 2012
The private sector is dominated by foreign direct investments into large-scale enterprises in the extractive industries and the country has recently seen increased investment in the mining sector (in particular in iron-ore, bauxite, and rutile). Indications of oil deposits have further increased investment in the sector. Agriculture, including fisheries and forestry, contributed about 46 percent of the GDP in 2013 and provided employment for about 75 percent of the country’s labor force. The agriculture sector is focused on smaller businesses and remains a critical element of the country’s socio-economic development.

Sierra Leone has tremendous untapped potential in tourism, with attractive landscapes for recreation and an emerging market to attract business travellers, but the lack of quality infrastructure and human capital will hinder development in the sector unless the public sector and international donors become involved.

Although investments in the mining sector alone are not enough to meet the country’s job creation and economic development targets, maintaining momentum in the mining sector while investing in other high-growth sectors such as agriculture and tourism can provide stability in the short term, while a more sustainable long-term growth strategy is being implemented.

The government made a solid start in establishing a positive business environment essential for private sector development with the first national policy paper, The Agenda for Change, followed by a robust five-year policy called the Agenda for Prosperity: The Road to Middle Income Status.

Government has consistently expressed the expectation that investment in the key sectors of the economy will lead to national economic growth. As indicated in the new Agenda for Prosperity (2013-2017), ‘the Agenda will be to build a stable economy, founded on private sector-led growth, and diversified across several competitive sectors to achieve our economic and human development vision’.

The most important achievements since the inception of the Agenda for Change include:

- Maintenance of a stable political and macroeconomic environment
- Major improvements in physical infrastructure, including roads, power, and transport
- Public sector reforms to increase efficiency and accountability
- The adoption of a raft of fundamental laws, acts, policies, and strategies to encourage and protect domestic and foreign private sector investment in Sierra Leone
- The establishment of support institutions, including the SLIEPA, significant streamlining of business registration processes, the establishment of a credit reference bureau, and the formation of a commercial court
- Direct and substantial programs to spur private sector development, including broad-based programming in small-scale agriculture, notable infrastructure investments for artisanal fishermen, substantial youth employment programming in public works, and selected financial assistance for smaller enterprises.

The response of the domestic private sector to an improved business environment has been somewhat muted in terms of the number of start-up businesses and their very small average size. This National MSME Development Strategy is designed to assist the government to formulate sector-specific and targeted strategies by its agencies, local organizations, and donors to assist in the growth of the private sector in Sierra Leone. Such a framework will serve to rationalize and systemize MSME programming and to achieve systematic gains in efficiency by reducing duplication and highlighting synergies, and it will establish a means by which progress can be measured over time.

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4 World Bank Growth Poles Report 2013
Summary of the Report

ANALYSIS OF THE SECTOR

Sierra Leone’s private sector is characterized by a large informal sector, which accounts for an estimated 70 percent of the economy. The formal sector is dominated by smaller businesses, with a few large-scale enterprises focused on mining and commercial agriculture. At a fundamental level, small businesses in Sierra Leone are constrained by weak and highly fragmented markets. Profitable market opportunities are plentiful, but small-scale entrepreneurs have problems linking up with them. Though improved, the business environment remains costly, particularly for small business owners, many of whom struggle to compete with lower-cost imports. Even with profitable projects in hand, small businesses are rarely able to access loan finance and other key financial services. Avenues by which small business owners can acquire much-needed personal and business skills are not well developed and the demand for skills upgrading goes unmet.

This Strategy focuses on measures to populate the missing middle between the small number of large, mostly capital-intensive and presumably highly productive companies and the large number of small, mostly labour-intensive and presumably low-productivity businesses. Moving sufficient numbers of growing, productive small businesses into this untapped market will lead to economic growth that is both diversified and inclusive.

STRATEGY

Core Objectives

This Strategy has two core objectives:

1. To increase the total number of small businesses in Sierra Leone
2. To support the growth and progression of informal micro and small enterprises into formal medium and large-scale enterprises in Sierra Leone.

The rationale for selecting these objectives is the knowledge that sustainably growing small businesses will deliver the jobs and economic growth envisioned by the government, and that the most effective way of ensuring large numbers of dynamic, growth-oriented small businesses is to increase the total pool of small businesses.

The central challenge for Sierra Leone, therefore, is not simply how to encourage the establishment of a greater number of small businesses, but rather, how to lower the barriers to productivity gains and growth among small businesses so that they will be strong contributors to driving the economy.

Structure

Learning from other developing economies, combined with an academic review of MSME development, led to the development of four strategic pillars for this Strategy, focusing on the key enabling conditions that foster small business development, including:

1. Profitable Opportunities in the Marketplace
2. A Supportive Business Environment
3. Appropriate, Affordable Financial Services
4. Ongoing Opportunities to Build Their Business Capabilities.
Each enabling pillar proposes specific objectives and key activities to deliver on the objectives. In addition, the strategy proposes target outcomes to assist in developing an appropriate implementation plan.

Each strategy and its corresponding activities have been formulated with specific considerations in mind, including its merit, practicality, measurability, and independence. Most strategies are designed with a view of making significant use of pilot projects from which models can be constructed and replicated with efficiency.

Strategic Pillars

**ONE**

**IMPROVING THE BUSINESS ENABLING ENVIRONMENT**

**Strategies:**
1. Further reform of selected business-related laws, regulations, and processes
2. Reducing trade barriers
3. Increasing the availability and awareness of business information for established and potential entrepreneurs
4. Reinforcing private sector support organizations (such as the SLIEPA and the Office of Administrator and Registrar General – OARG).

**TWO**

**PROMOTING BUSINESS LINKAGES BETWEEN MSMES AND PROFITABLE MARKET OPPORTUNITIES**

**Strategies:**
1. Encouraging MSMEs to enter agricultural export markets
2. Increasing MSME participation in mineral and agricultural value chains
3. Increasing the access of MSMEs to government contracts for the supply of goods and services
4. Increasing MSME participation in the development of the tourism industry.

**THREE**

**LINKING MSMES TO FINANCIAL MARKETS AND INCREASING THE NUMBER OF MSMES THAT RECEIVE FORMAL FINANCIAL SERVICES**

**Strategies:**
1. Increasing the number of MSMEs that receive affordable short- and medium-term loans
2. Increasing the number of microenterprises that receive deposit, savings, and credit services
3. Strengthening rural financial organizations to become sustainable and increasing the number of small businesses that receive financial products and services in addition to payments, credit, and deposit services.

**FOUR**

**IMPROVING THE CAPACITY OF MSMES: INCREASING THE NUMBER AND VARIETY OF AVENUES BY WHICH SMALL BUSINESS OWNERS AND MANAGERS BUILD BUSINESS KNOWLEDGE AND SKILLS**

**Strategies:**
1. Increasing the avenues by which small businesses can learn business skills from one another
2. Increasing the avenues by which small businesses can learn business skills from large firms and government offices
3. Increasing access to public training opportunities for potential small business entrepreneurs
4. Improving the capacity among young Sierra Leoneans to build successful small businesses in the medium to long term.
Section 2: Structure of the Private Sector

Sierra Leone’s private sector is dominated by a relatively small number of large foreign investors, mainly in mining and commercial agriculture, a large number of informal microenterprises, and relatively few formal small and medium enterprises (SMEs), including for-profit businesses, co-operatives, and Agricultural Business Centres (fewer than 20,000 enterprises).

Some 10 to 15 large foreign investments of more than $10 million have been made, mainly in mining and agricultural commodities. Many foreign investments of between $1 million and $10 million have been made in a range of sectors, from mining and agricultural commodities to transport, telecoms, financial services, and construction. Other small-scale foreign investments exist across all sectors.

In terms of their contribution to GDP in 2012, Sierra Leone has identified three high-growth sectors – agriculture (including hunting, forestry, and fishing), industries (excluding mining), and services (trade, tourism, transport, communication, finance, business, and other services).

Classification of Private Sector Enterprises

MSMEs in Sierra Leone are classified by their number of employees and their capital investment at start-up, although comprehensive data are not available to confirm such classification. From the data that are available, enterprises can be categorized as follows:

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>CHARACTERISTICS</th>
<th>NUMBER OF EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro</td>
<td>Minimal formal structure. Small enterprises primarily engaged in agricultural, trading, or marine activities.</td>
<td>0 to 4</td>
</tr>
<tr>
<td>Small</td>
<td>Some formal structure. Engaged in retail, tourism, agriculture, mining, marine, transport, and light manufacturing activities.</td>
<td>5 to 19</td>
</tr>
<tr>
<td>Medium</td>
<td>Formal structure. Some have foreign ownership or expatriate management. Engaged in a wide range of activities, including the ones described above.</td>
<td>20 to 49</td>
</tr>
<tr>
<td>Large</td>
<td>Formal structure. Primarily foreign investors involved or expatriate management. Engaged in a wide range of activities, including the ones described above.</td>
<td>50 and above</td>
</tr>
</tbody>
</table>

1. Agriculture Business Centres are infrastructures developed across the country under the Ministry of Agriculture, Forestry, and Food Security within the Agriculture Commercialization Programme
2. OECD African Economic Outlook 2013
Financial Services Sector

COMMERCIAL BANKS

The financial services sector in Sierra Leone has grown significantly over the past decade and is increasingly positioned to meet the needs of small enterprises. There are 13 commercial banks, several of which now have considerable experience with lending to smaller businesses.

However, lending to SMEs has not been as widespread as needed due to the lack of collateral among smaller enterprises and a high interest rate that remained between 18 percent and 22 percent up to early 2013. A recent change in government policy freezing local borrowing for government spending has seen the interest rate drop to 10 percent. This policy change is expected to increase access to finance for MSMEs.

Table 3 lists some of the commercial banks lending to SMEs and includes some details of their portfolios:

<table>
<thead>
<tr>
<th>NAME OF BANK</th>
<th>NUMBER OF BORROWERS</th>
<th>AVERAGE LOAN SIZE ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union Trust Bank</td>
<td>1,500</td>
<td>4,000</td>
</tr>
<tr>
<td>Ecobank</td>
<td>3,800</td>
<td>1,400</td>
</tr>
<tr>
<td>Sierra Leone Commercial Bank</td>
<td>45</td>
<td>10,000</td>
</tr>
</tbody>
</table>

**Source:** IFC Mobile Money Scoping Country Report: Sierra Leone 2013

MICROFINANCE INSTITUTIONS

MFIs in Sierra Leone have struggled over the past few years and several mergers and consolidations have resulted in only a small number of MFIs remaining in the market space. The survivors appear to be building on lessons learnt from past experience and are moving toward more sustainable lending practices.

Eight of the largest MFIs have recently joined forces to form the Sierra Leone Association of Microfinance Institutions. It is estimated that roughly 80,000 borrowers are served by all MFIs, which is a 20% drop from about 100,000 borrowers two years ago. Loan sizes on average range between $100 and $200, with only one institution, Ecobank Microfinance, approving larger loans. Loan maturities are short and interest rates have been as high at 25 percent to 35 percent per annum. There is still a significant gap between the market that MFIs can serve and the market served by commercial banks. Unless significant effort is made to upscale microfinance institution lending and downscale commercial bank lending, financial institutions will not be able to provide support to MSMEs that fall in this ‘middle market’. The biggest constraint in doing so lies in the regulations setting the upper limit to MFI lending.

In other developing countries, this gap has been filled by microfinance banks that are regulated as formal financial institutions lending in the space between MFI lending and SME lending at commercial banks. This is justified due to the specialized lending processes required to address this market and have been successful.

NONBANK FINANCIAL INSTITUTIONS

Former urban and rural nonbank financial organizations have been resurrected and new ones have been established to reach the growing number of rural clients and microenterprises. Nonbank financial institutions in Sierra Leone include an estimated 250 financial co-operatives (which function like credit unions), 15 community banks licensed by the Bank
of Sierra Leone-BSL (six of these started as pilots with seed money from the BSL, while another seven was funded by the International Fund for Agricultural Development to provide credit and savings services, with an estimated 20,000 total borrowers), and 52 financial services associations (established by the Ministry of Agriculture, Forestry, and Food Security and registered as community-based organizations under the Ministry of Social Welfare).

These nonbank financial institutions in rural areas operate as village banks with a unique model that allows shareholders from the community to borrow four times the value of their shares. However, they can only be sustainable if sufficient members of the community become shareholders, because they obtain their lending capital from the community shareholders only. This process allows them to manage their risk – no single shareholder can borrow a large proportion of the bank’s capital.

In future, the government envisages the community banks to finance financial services associations under the umbrella of a new apex bank, which is being established.

In addition, the government has recently established an MSME fund of 12 billion Leones (the equivalent of $2.5 million) that will benefit MSMEs throughout the country. The government continues to seek support from various donors to facilitate access to finance and business development services for MSMEs.

Regulatory Environment

Over the past seven years, the government has undertaken considerable reforms such as i) making access to credit easier by creating a public credit registry to improve the credit information system; ii) enabling more efficient trading across borders by implementing the Automated System for Customs Data (ASYCUDA); iii) making contract enforcement easier by launching a fast-track commercial court; and iv) resolving insolvency by passing the Bankruptcy Act. The authorities in 2012 introduced two major reforms to improve the ease of doing business in Sierra Leone. These reforms are related to the areas of registering property and getting credit. Indeed, the government has made property registration easier in 2012 and succeeded in increasing administrative efficiency through the Ministry of Land by digitizing records and hiring more personnel. These steps have reduced the time required for property registration by 19 days. More recently the government has passed the new Finance Act of 2013, which saw significant improvements in the tax payment system for SMEs, from a fixed amount to a turnover tax system. The Finance Act not only protects the interests of the government by ensuring proper revenue generation, but also ensures that the tax burden is proportionate to the revenue generated by SMEs. In addition to creating the public credit registry at the BSL, the authorities also improved the sharing of credit information in 2012 by guaranteeing borrowers’ rights to inspect their personal data. These notable regulatory improvements, if successfully implemented, will enable growth of the private sector. While credit to the private sector remains among the lowest in the world (10.2 percent in 2011), it increased by 6.5 percent in 2012 and was projected to grow by 6.8 percent in 2013, according to BSL.  

Further, The Registration of Business Act 2007 sets the regulatory framework that governs formal businesses. This registration takes place at the OARG and is accompanied by The Company Act of 2009, which makes provision for limited liability companies and sets out the requirements for registering these enterprises through the Corporate Affairs Commission (CAC). The OARG is now in the process of transferring the functions of registration and filing to the CAC.

From 2005 through April 2013, the OARG reports that 8,141 limited liability companies and 14,018 sole proprietorships and simple partnerships have been registered. However, many businesses on the roster might not be in operation.
Co-operatives is a form of private sector organization which has a long history in Sierra Leone. The Co-operatives Department within the Ministry of Trade and Industry, which is charged with supervising and auditing co-operatives, estimates that there may be as many as 1,000 co-operatives active in the country. It is estimated that each co-operative has 40 members on average, which means there are about 40,000 co-operative members in Sierra Leone. Half of these co-operatives are multi-purpose organizations; 50 focus on cocoa, coffee and rice; about 250 focus on financial services, mainly on savings and credit services; and the remainder are in fisheries and other sectors.

Business Environment

The World Bank has developed nine core indicators to measure a country’s business environment. Its annual Doing Business report sheds light on how easy or difficult it is for a local entrepreneur to open and run a small business when complying with relevant regulations. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts, resolving insolvency, and employing workers.

The 2013 Doing Business Report ranked Sierra Leone at 140 among 185 economies evaluated according to the World Bank’s ease of doing business indicators, with a starting a business rank of 76 compared to a regional average in Sub-Saharan Africa of 123. Sierra Leone has risen eight places to 140 and ranks as one of the top reformers since 2005 in improving business regulations for domestic firms, property registration, and “narrowing the distance frontier”. This performance leads Sierra Leone to an overall positive shift of almost 20 percentage points since 2005.

However, the Doing Business Report of 2014 shows that Sierra Leone had stagnated, with the country ranking far below the previous year, at 142. The largest drop in ranking was on the paying taxes and trading across borders indicators; however the country improved by 10 points on the protecting investors indicator, which is an extremely favourable indicator for the private sector.

<table>
<thead>
<tr>
<th>TABLE 4 - DOING BUSINESS RANKING BY INDICATOR – SIERRA LEONE</th>
</tr>
</thead>
<tbody>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Starting a business</td>
</tr>
<tr>
<td>Dealing with construction Permits</td>
</tr>
<tr>
<td>Getting electricity</td>
</tr>
<tr>
<td>Registering property</td>
</tr>
<tr>
<td>Getting credit</td>
</tr>
<tr>
<td>Protecting investors</td>
</tr>
<tr>
<td>Paying taxes</td>
</tr>
<tr>
<td>Trading across borders</td>
</tr>
<tr>
<td>Enforcing contracts</td>
</tr>
<tr>
<td>Resolving insolvency</td>
</tr>
</tbody>
</table>


Despite the progress shown by Sierra Leone in terms of the World Bank’s Doing Business indicators, the contribution of the private sector to GDP remains low and continued investment by the government might be essential to establish a more favorable business environment to drive private sector growth in the next five years.

8 World Bank Doing Business 2013
9 World Bank Doing Business 2014
Section 3: Overview of the MSME Sector

MSMEs contribute greatly to the economic growth of both developed and developing countries. According to the Journal of Economic Literature, global trends dictate that the share of smaller businesses in creating employment in the manufacturing sector is relatively higher in developing countries, which are typically focused on small-scale production and not advanced technology, than in developed countries.

In addition, households with successful microentrepreneurs are able to generate reasonable, steady revenues and finance better health services, housing, and education for their families, as well as contribute to the overall spending in the local economy. But those with marginal enterprises that generate only minimal, unstable revenues struggle to grow and remain chronically poor.

In Sierra Leone, MSMEs form the core of the domestic private sector, cutting across almost all sectors of the economy and providing livelihoods to about 70 percent of the population. The main activities in the MSME sector include food and agro-processing, light manufacturing for the local market, tourism, and to a large extent, trade. Sierra Leone relies heavily on imports to meet the demands of the local market. It is estimated that trade comprises 30 percent of Sierra Leone's GDP\(^1\) of which only 11 percent is from exports. Exports of raw materials have grown from 71 percent of total exports in 2006 to 79 percent in 2012.\(^2\) High transport costs, poor infrastructure, and an underdeveloped logistics services sector limit Sierra Leone's ability to develop competitive value-added exports and raise the cost of imported goods.\(^3\)

However, Sierra Leone is a country with an abundance of natural resources, fertile soil, and a long history of farming of fruits, vegetables, and other crops that provide a foundation for enterprise opportunities across supply chains. Strategic alignment of these opportunities to entrepreneurs can help to create a vibrant agro-processing sector in the country.

Constraints to MSME Development in Sierra Leone

From the World Bank's Doing Business Report 2013 it can be inferred that the business environment in Sierra Leone has seen significant improvement; however, it remains costly, particularly for small business owners, many of whom struggle to compete with lower-cost direct imports. In addition, at a fundamental level, small businesses in Sierra Leone are constrained by weak and highly fragmented markets.

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\(^1\) Based on the IMF's GDP forecast for 2012 and on UN COMTRADE data
\(^2\) UN COMTRADE
\(^3\) The World Bank Sierra Leone Diagnostic Trade Integration Study Update
Based on these findings, as well as an assessment of the local market, the MSME Strategy targets four key barriers to growth in the MSME sector:

1. **A COSTLY BUSINESS ENVIRONMENT**
2. **FRAGMENTED LINKAGES TO PROFITABLE MARKET OPPORTUNITIES**
3. **POOR ACCESS TO AFFORDABLE FINANCIAL SERVICES**
4. **FEW OPPORTUNITIES TO BUILD ESSENTIAL BUSINESS SKILLS AND KNOWLEDGE**

### A COSTLY BUSINESS ENABLING ENVIRONMENT

The business environment can be understood as the entire context within which businesses function, from starting a business, through operating the business to exiting the market. A costly business environment disproportionately impacts small businesses and undermines their ability to compete with imports and to generate reasonable revenues. It can be argued that the most powerful boost to small business development comes from ensuring significant progress on the economy-wide issues that affect private sector development generally.

Weak elements of the business environment in Sierra Leone that most negatively affect small businesses include:

- **Informality.** Estimates are that 70 percent of the Sierra Leonean labor force works in the informal sector. High costs and complicated processes of registering a business create a barrier for MSMEs to formalize their businesses and for the economy to grow as a whole.

- **Infrastructure.** Small businesses face extensive costs due to limited access to passable roads, reliable sources of water and sanitation, reliable and affordable electricity, and affordable transport and storage facilities, significantly lowering their competitiveness.

- **Legal/regulatory issues.** Outstanding legal/regulatory issues relevant to small business development include completion of the movable collateral registry and of the leasing framework, further streamlining of business registration, completion of several revisions of Acts of Parliament, and completion of the MSME sector policy framework, which includes a national policy that outlines the country’s vision for MSME development, the National MSME Development Strategy for the next five-year period, and an Implementation Plan to deliver this strategy.

- **Commercial courts.** The commercial courts that were expected to progress the resolution of legal disputes of businesses have not met expectations. The major constraint of commercial courts is reported to be a shortage of judges. Judges serving the commercial courts are also serving all other courts, limiting their availability. In addition, judges are not specialized in commercial matters. In addition, the procedures have not been tailored for small claims and are inappropriately arduous and lengthy. This has caused a lack of confidence within the private sector, to the extent that banks do not count on court assistance with reclaiming secured property in cases of default. The lack of access to speedy, appropriate court resolution of claims associated with non-payment of loans raises the cost and the risk of lending to small business and serves as a disincentive to lenders.

- **Labour regulations.** Government anticipates significant job creation from small businesses, but certain aspects of the existing labor legislation discourage job creation, especially by small businesses that must remain flexible to survive. Labour regulations require considerable commitment from employers of permanent employees, including significant job security and generous medical benefits and leave allowances.

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13 A Skills Gap Analysis for Private Sector Development in Sierra Leone. Report by Emmanuel Mannah and Yvonne Ngadi Gibril, November 2012
• Government payments for services. Procurement regulations for government purchases of goods and services provide a margin of preference for domestic companies and many such contracts are appropriate for small domestic companies, particularly for small-scale provincial infrastructure. But government payment for such contracts is often delayed significantly, penalizing small-scale contractors with limited access to capital and undermining cash-poor small enterprises’ success in obtaining and completing government contracts.

• Collection and maintenance of important business information. Government does not systematically and comprehensively collect and analyze information about the private sector, and this creates problems for those government offices and donor agencies that are positioned to assist with business development. Designing appropriate programs is difficult without reliable information about the size, characteristics, and constraints of the private sector. For example, the OARG registers legal for-profit and some not-for-profit enterprises, but only a fraction of the data collected with registration is digitized and thus readily available for analysis. Figures on foreign investment are scattered across several government offices, with no central registry that can be used to monitor trends and strategize about how to work with foreign investors.

• Information flow. Business information specific to a sector and objective business information about the economy, new markets, regulatory changes, and new assistance programs are essential to business planning and growth. However, this information does not flow readily in Sierra Leone. Often in developed economies, business-related information flows through public media such as television, radio, newspapers, newsletters, and the Internet. With the exception of a limited number of newspapers circulated in the large urban centres only, sources of basic information relevant to businesses are scarce in the country and small business owners operate in relative isolation, relying heavily on business networks and personal connections for market information.

• Promoting a culture of entrepreneurship. Graduating youth lack the basic knowledge and experience in starting businesses and rely largely on jobs for income generation. Harnessing a culture of entrepreneurship by nurturing and supporting innovative and young entrepreneurs will be a fundamental strategy in creating a strong MSME sector in Sierra Leone.

FRAGMENTED LINKAGES TO PROFITABLE MARKET OPPORTUNITIES

Economic evaluation presents four high-growth sub-sectors with profitable market opportunities in Sierra Leone:

1. Agriculture-based exports
2. Mineral and agriculture value chains
3. Government contracts for goods and services
4. Diversified tourism industry

• Agriculture exports. Agricultural smallholders in Sierra Leone work independently and they are scattered across remote areas isolated from large buyers. In addition, they are faced with extremely low yields per acre compared to international standards, making it even more difficult to meet the large volumes required for export markets. In some areas of the country, groups of farmers have come together for the production of the same agriculture commodity, and they have benefited from such grouping to address large-scale demand. However, low productivity continues to hinder their access to international markets.

• Mineral and agriculture value chains. Mineral and large agriculture companies need a range of goods and services for their operations. This provides opportunities for local smaller businesses across their supply chains in
construction, transport, maintenance, housekeeping, catering, or the provision of skilled personnel. In recent years, a few large foreign investors have experimented with sourcing inputs from local small businesses; however, they were challenged by both insufficient quantities and lower quality.

- **Selling goods and services to the government.** Government procurement depends largely on imports and on large enterprises for the provision of goods and services in infrastructure development, the use of skilled and unskilled labor, and transportation. Smaller enterprises could potentially group together to fulfill the needs of the government in these areas. However, there are two key challenges for smaller businesses in accessing these opportunities. The first is a lack of communication between government agencies and the private sector. The limited flow of information and information channels hinder smaller businesses in accessing opportunities in a timely manner. Secondly, a lack of capacity among smaller enterprises to understand the procurement required by government prohibits them from accessing these opportunities, even if they meet the necessary criteria for such procurement.

- **Selling goods and services within the tourism industry.** Tourism is a priority sector for the government and the sector is growing rapidly. The National Tourism Plan calls for significant capacity building of local tourism service providers in Sierra Leone, most of which are small businesses such as small guesthouses, restaurants, and guide services. Baseline capabilities are low, which means learning curves will be steep, particularly for those in rural areas where some target tourism sites will be developed. Smaller enterprises can also be providers of services within the supply chain of large-scale tourism projects in catering, management, construction, furniture, and transportation.

**POOR ACCESS TO AFFORDABLE FINANCIAL SERVICES**

Personal and family savings provide the major portion of start-up capital for entrepreneurs in developing countries; however, the war in Sierra Leone disrupted the natural cycle of earning, saving, and accumulating assets. This deficit leaves a large portion of potential and already established small business owners without access to funds for starting and sustainably operating MSMEs.

In addition, small businesses do not have access to routine overdraft facilities or lines of credit for working capital and growth capital to increase their size and productivity. Smaller businesses are thus limited to cash operations – a position from which growth can be difficult and slow, and in many cases impossible. Key constraints to accessing financial services include:

- **Insufficient access to funds.** As indicated earlier, the financial services sector in Sierra Leone comprises MFIs, commercial banks, and nonbank financial institutions. MFIs reach only about 80,000 microborrowers. This leaves almost all microentrepreneurs dependent on relatives, friends, usurious moneylenders, diverse traditional financial intermediaries such as Osusu, thrift and credit societies, and other informal savings and credit schemes. Commercial banks reach far fewer borrowers among small and medium businesses. They cover their costs and risks by charging high interest rates and limiting loan maturities to the very short term.

- **Lack of collateral.** Commercial banks and MFIs are challenged by smaller enterprises’ lack of collateral, a trend of high non-performing loan levels (estimated by the Bank of Sierra Leone at 14 percent), a continuing inability to claim secured property through the commercial court in case of default, and access to sufficient capital for on-lending in this high-risk market.

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14 The Local Content Policy calls for expanded local sourcing from all large firms, and this will likely stimulate further efforts to work out effective large firm-small firm linkages.

15 For example, small producers have had trouble supplying the large quantities of foodstuffs that large firms seek to purchase. The quality of simple manufactured goods has been uneven, reflecting the common problem small business has with maintaining consistent product quality.

16 Informal community savings groups.
• **High interest rates.** Even when government borrowing ceases to drive interest rates to abnormally high levels, bankers will have problems lowering their on-lending interest rates because their costs of lending remain high. This difficulty is partially explained by their high average cost of funds of between 10 percent and 12 percent, which is the result of averaging high deposit rates of 18 percent to 20 percent on fixed savings accounts with current account rates of zero. Lending costs are also driven higher by high levels of non-performing loans, still-significant inflation, and high operating costs that reflect both the inherently higher costs of making small loans and the costs of adjusting lending technologies, information systems, and staff skills to the specific demands of small business lending.

• **Limited bank branches.** Access to financial services other than loans is also limited and costly for small businesses. Bank branches are limited and bank fees are reportedly quite high. The total number of bank accounts in the country remains below 1 million. Moving cash in the near-absence of efficient payment systems, credit and debit cards, ATMs, and cheques is costly and time-consuming. Financial leasing and insurance services are not yet available.

**LIMITED OPPORTUNITIES TO BUILD ESSENTIAL SKILLS AND KNOWLEDGE**

• **Lack of capacity.** Most Sierra Leonean entrepreneurs have come to small business management with no training or job experience. This is not surprising, given the many years of war, the missed education, the absence of jobs, and the relocation of many people from rural to urban areas. Most smaller enterprises in Sierra Leone learn business and technical skills informally; they learn from other businesses and in many cases repeat their mistakes, and they are rarely in a position to put their skills and best practices to work. Many SMEs are challenged by weak literacy and numeracy skills, and have no opportunity to improve them. A small number will have graduated from a university or from a technical/vocational school; they in turn might find it difficult to apply their classroom knowledge to the practicalities of operating a small business. In the event that such opportunities are made available, most businesses will also be wary of signing up for short-term business or technical training courses, considering them too costly and not applicable to their situations.

• **Lack of technical skills.** Most SMEs face difficulties operating their businesses. Information and communication technology problems are the most prominent, followed by management problems related to financial, operations, marketing, and human resource management. MSME owners and managers will have to demonstrate firm determination and a willingness to work hard to stay in business, but the growth of their businesses will depend mainly on their ability to build at least quasi-formal technical and business skills.

**Government Interventions Toward MSME Development**

Since the private sector in Sierra Leone is dominated by MSMEs, the government has focused particularly on interventions to promote private sector investments by addressing the challenges of MSME set-up and growth. The Agenda for Prosperity highlights the government’s intention to invest in future interventions through legal reform, improving access to finance, and investing in training and skills development, as well as focused investment in the high-growth SME sectors identified as agri-business, fisheries value chain development, tourism, and manufacturing.

To support this mandate, the government, in collaboration with international donors and development partners, has taken steps to strengthen support to the private sector, paying particular attention to the legal/regulatory

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17 See ‘A Skills Gap Analysis for Private Sector Development in Sierra Leone’ by Emmanuel Mannah and Yvonne Ngadi Gibril, November 2012, for an extensive discussion of technical and vocational education in Sierra Leone.

18 The Agenda for Prosperity – Government of Sierra Leone
environment, physical infrastructure, and the rehabilitation of agriculture. Specific initiatives of particular interest for MSMEs include:

1. A National Policy to identify the MSME capacity in Sierra Leone and to develop a policy framework to support growth in the sector
2. A National MSME Development Strategy that identifies constraints in the sector and proposes a strategic plan for the next five years
3. An Implementation Plan that identifies key activities for the National MSME Development Strategy and proposes a plan for key stakeholders to deliver these activities
4. Support for business growth centres
5. Development of the tourism sector
6. Establishment of growth poles around large anchor investors
7. Strengthening the financial services sector for MSME lending, including the adoption of IFC’s Business Edge Training Program.

In addition, the government has enabled specific advancements in the following areas:

- Legislative and policy reform. In the past five years, government has adopted a raft of fundamental laws, acts, policies, and strategies that can benefit MSMEs in Sierra Leone. Improvements have been made in the general business environment, including co-ordination for the formulation and implementation of a trade policy; legislation to simplify business procedures; a new Finance Act endorsing a change in the tax system for SMEs from a fixed amount to a turnover tax system; the development of a privatization strategy by the National Commission for Privatization; and a new Local Content Policy, which requires large foreign companies to source goods and services from smaller local companies, essentially SMEs.

- Institutional set-up. The government has also taken steps to establish specialized agencies which focus on private sector development. These include support institutions such as SLIEPA to promote foreign and domestic investments and exports, the significant streamlining of business registration processes, the establishment of a credit reference bureau and the formation of a commercial court.

- Broad private sector support programs. Further, there have been government-sponsored programs to spur private sector development, including broad-based programming in small-scale agriculture, notable infrastructure investments for artisanal fishermen, substantial youth employment programming in public works, and selected financial assistance for small and medium enterprises.

Finally, under the Agenda for Prosperity, the government has committed to a dual approach to support development of a diversified, export-oriented, and inclusive private sector. In the first instance, the government will continue to invest in infrastructure required by all private sector business, including further provision of power and transport, but also of modern information technology and financial services infrastructure. In the second instance, the government will proactively support four economic sectors that have both strong comparative advantage and current or prospective broad-based participation; these are agriculture, fisheries, tourism, and manufacturing.

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Statistics show that MSMEs that are dynamic and productive can be significant contributors to GDP, job creation, and competitiveness. However, most MSMEs in developing countries are stagnant, with little promise of growth or significant job creation. This is because government intervention and policy structures reduce barriers to market entry for small businesses, particularly for microenterprises, while barriers to productivity gains and growth remain high.

Like most developing countries, the central challenge for Sierra Leone is not simply how to promote the establishment of a greater number of small businesses, but rather how to lower the barriers to productivity gains and growth among small businesses so that they will be able to help drive the economy. Beyond the benefits that come from operating in economies with high rates of growth, particularly when growth is broad-based and inclusive, small businesses are more productive and grow faster when they can:

- Operate within supportive, low-cost business environments
- Access profitable opportunities in their marketplaces
- Access a range of appropriate, affordable financial services
- Build their technical and management skills on a continuous basis.

Objectives

Sustained growth in the MSME sector would require a two-fold strategy. First, the sector needs a favorable environment for an increase in new and emerging enterprises and second, it is essential to ensure that proper investments are made in new and existing enterprises to ensure their continued success and growth. It is such growth toward medium and large enterprises that will enable the job creation, sector-wide development, and economic growth that is envisioned by the government of Sierra Leone.

The National MSME Development Strategy for Sierra Leone is therefore built on two key objectives: i) to increase the total number of small businesses in the country; and ii) to facilitate the growth from micro to small and then to larger enterprises.

To meet these objectives, the strategy proposes four key pillars of intervention and 15 implementing sub-strategies for delivering effective assistance to MSMEs in the five years to 2018.
Maximizing MSME growth will require a clear, minimally intrusive legislative structure in which businesses can operate. The government will have to work closely with the private sector and donor partners to implement free market reforms, remove barriers to business creation and operation, and ensure entrepreneurs are un hampered by unnecessary government restraints on economic activity.

In the case of Sierra Leone, this challenge will have to be addressed in three key areas:

- Simplifying and streamlining the regulatory framework to provide a stable, clear, and minimally intrusive legal operating environment for businesses
- Reducing trade barriers through improved trade policies, access to information, and capacity building
- Increasing access to information on the investment climate in the country.

**STRATEGY 1: FURTHER REFORM OF SELECTED BUSINESS-RELATED LAWS, REGULATIONS, AND PROCESSES**

**Objective:** To reform the major legal, regulatory, and procedural regulations relevant to a favorable investment and operating environment.

**Activities for implementing this strategy**

The process for business registration in Sierra Leone is far more time- and cost-effective for entrepreneurs than it was just a few years ago. Information on how to register a business is available through the Sierra Leone Chamber of Commerce website and completed business registration forms are now submitted to the OARG. However, the OARG should implement a full-scale computerization of its records, with regular reporting on trends, and ensure a consistently available and updated website. Consideration should also be given to co-locating those aspects of registration that remain separate, including registration with the National Social Security and Insurance Trust (NASSIT) and the National Revenue Authority (NRA) and obtaining licenses from the sector ministries.

A commercial court is in place, but without dedicated judges and shortened procedures for small claims, it reportedly remains ineffective for resolving small claims and therefore does not mitigate contract risk as it should. A specialized commercial court with a straightforward process for small claims resolution will ensure trust in the system and drive growth.

A registry for movable collateral that will lower banks’ risks in terms of accepting movable collateral for small loans is being prepared, but is not yet in place. Financial leasing is reportedly now legal; however, only one leasing operation has been registered. A further investigation of the barriers to the use of this registry and a proactive promotion of the registry will be beneficial to MSMEs.

**Targeted outcomes**

- A revision of the labour laws affecting registered MSMEs
- The establishment of a fully operational one-stop shop for business registration, including a workable system that allows businesses to register in the province where they operate rather than having to travel to the capital Freetown to do so
- Ensuring the proper functioning of a fast-track commercial court that is able to address small business-related issues effectively
- The development of a functioning, efficient registry for movable collateral.
STRATEGY 2: REDUCE TRADE BARRIERS AND SUPPORT SLIEPA

**Objective:** To create a favorable legal environment and increased competitiveness for MSME participation in trade.

**Activities for implementing this strategy**

Due to trade limitations and foreign policy regulations, not all global trade markets are open to Sierra Leone. Further, where trade markets are open, local constraints see smaller businesses struggle to be internationally competitive in terms of quality and price.

The government will have to identify the main barriers to trade with key international markets within the high-growth sectors identified and implement this strategy through two key activities. On a macro level, the government will have to increase Sierra Leone’s knowledge base of key international markets and commodities, and revise its policies to increase growth in that area. This should be followed by a micro approach to work with smaller enterprises to develop their key strengths and the linkages required to enable them to tap into this market opportunity.

**Targeted outcomes**

» SLIEPA should take steps to gather information on exports in high-growth sectors
» SLIEPA should investigate and join international trade blocs for high-growth sectors
» Smaller businesses should be promoted and supported to engage in trade in high-growth sectors.

STRATEGY 3: INCREASE THE AVAILABILITY AND AWARENESS OF BUSINESS INFORMATION FOR ESTABLISHED AND POTENTIAL ENTREPRENEURS

**Objective:** To transform Sierra Leone from a ‘business information-poor’ to a ‘business information-rich’ environment.

**Activities for implementing this strategy**

Sierra Leone has taken several steps to improve the business climate in the country; however, a lack of information flow within the private sector as well as internationally limits its impact on real economic growth. A systematic platform to disseminate information while continuing to improve the business environment will have a multi-fold impact on MSME development and economic growth.

An example is the recently finalized Local Content Policy that dictates and regulates the procurement guidelines for large companies in the private sector, as well as government agencies. However, a lack of awareness and enforcement of such a policy can minimize its effectiveness.

In the same vein, Sierra Leone has seen significant progress on macroeconomic indicators, but a lack of promotion of these has led to limited diversification of foreign direct investment.
Targeted outcomes

- Information gathering and analysis of the private sector and the general economy of Sierra Leone.
- Implementing a bi-annual survey of small businesses with the aim to obtain a detailed understanding of the capabilities of small business owners and their needs toward growth.
- Greater clarity on how the Local Content Policy is to be implemented so that all sizes of business can take advantage of the opportunities resulting from policy enforcement.
- A centralized platform (an agency and an online portal) where information can be housed and accessed. This information can range from news about current events to processed information about markets to the clarification of relevant laws, regulations, and procedures. Such a platform will also be responsible for raising awareness through media campaigns to promote the findings and progress in the private sector.

Profitable market opportunities for small businesses in Sierra Leone are plentiful. This section focuses on the four most significant opportunities: (i) entering agricultural export markets; (ii) participating in mineral and agricultural value chains; (iii) securing government contracts to supply goods and services; and (iv) participating in the development of the tourism industry. Each of these opportunities offers small businesses access to markets larger than their local markets and, to enhanced prospects for growth.

Most small businesses in Sierra Leone are too small to take up these opportunities themselves. Close collaboration among SMEs can create access to larger markets. Small businesses can team up to realize the benefits of economies of scale (larger volumes of output leading to lower unit costs) to compete in larger markets, or they can take up positions within value chains and realize the benefits of specialization (to fully exploit their comparative advantage). In some cases, small businesses will group together to deliver goods or services within specialized niches of value chains, which means that they will participate in both types of linkages.

There are three main issues faced by SMEs in accessing market opportunities:

- Small business owners have to work together within effective groups to access opportunities to deliver goods and services to larger buyers in the right volumes, at the right quality, within the right timeframes, and on a consistent basis.
- Small business owners must develop trust by ensuring delivery on contracts, delivery on quality, and stable prices.
- Small contractors have to communicate their capabilities and needs clearly and large buyers will need to be equally clear about their requirements and expectations, particularly regarding quality standards and deadlines.

STRATEGY 4: ENCOURAGE SMALL BUSINESSES TO SELL GOODS AND SERVICES IN AGRICULTURAL EXPORT MARKETS

Objective: Increase the number of small businesses that sell to agricultural export markets through membership in smallholder groups or under contract with large commercial agricultural businesses.

Activities for implementing this strategy

Smallholder farmers in Sierra Leone can access larger markets by grouping together in co-operatives or other types of membership groups that sell directly into export markets through dedicated agents, or they can link up as contractors (individually or in groups) with large agricultural businesses that export into world markets.
Both kinds of linkages will offer benefits beyond increased volume of sales. Agricultural co-operatives and other farmer-based organizations benefit by exercising collective bargaining power and becoming attractive market platforms for input suppliers, extension services, and equipment traders. Large investors in commercial agriculture in Sierra Leone are well positioned to offer benefits to smallholder contractors (in groups or as individuals), including (i) access to a guaranteed market, usually at a guaranteed price; (ii) access to training; (iii) access to current technologies, including inputs and sometimes equipment; and (iv) possible opportunities to move into agro-processing value chains.

Building sustainable smallholder membership groups could be challenging in Sierra Leone. Many farmer-based organizations, agricultural business centres, and selected co-operatives receive subsidized training, inputs, and equipment from government and donors. Without a commercial business model in place, these groups will likely stumble when subsidies are withdrawn. Further, while receiving subsidies, their ability to become commercially viable is also compromised. Building vertical linkages with large agricultural investors can be challenging. Both parties must agree on prices for inputs and final products, on the provision of training, on product quality standards, on the degree of exclusivity of sales, and on the enforceability of agreements. Success depends on developing good communications and strong business ethics on both sides.

Targeted outcomes
» Evaluation of current linkage programs involving commercial smallholders
» Developing guidelines for strengthening and developing smallholder support programs
» Constructing a pilot program with one or several membership groups that wish to experiment with achieving commercial self-sufficiency, or with one or several large-scale agricultural investors interested in establishing a pilot project with smallholders.20

**STRATEGY 5: INCREASE THE NUMBER OF SMALL BUSINESSES THAT SELL GOODS AND SERVICES WITHIN MINERAL AND AGRICULTURAL VALUE CHAINS**

**Objective:** Strengthening the agriculture and natural resource value chains with local MSMEs.

**Activities for implementing this strategy**

Small companies typically need fairly intensive assistance with such basics as learning how to prepare bids for contracts, as well as with more complex issues such as how to scale up their volume of production without losing control of quality standards. Working capital can be insufficient to bridge the time lag between the purchase of materials and payments. Similarly, delivering the volume and quality of inputs

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20 Constructing a pilot program will involve specifying the exact requirements for the good or service, assessing selected contractors’ capabilities to meet these requirements, and noting gaps that indicate needs for training, delivering training, setting a policy of low/no tolerance for sub-par performance, and starting up operations with close supervision in place. The aim would be to learn and adjust until the system works well for both participants, and then either to expand the program by involving greater numbers and/or move on to additional goods or services.
required by large firms may depend on the purchase of new equipment and therefore on access to investment capital.

Large firms have little contact with local suppliers and distributors and are unaware of their capabilities. In addition, large firms procure large volumes that small firms with limited capacity and working capital may not be able to deliver. Small firms often need more extensive guidance on product specifications than more experienced, larger suppliers. To overcome these challenges, innovative contract models may have to be considered to develop opportunities for MSMEs.

**Targeted outcomes**

- Develop a register of supplier or distributor contracts already in place between small and large businesses to establish a baseline, followed by an evaluation of the success of such partnerships.
- Promotion and advocacy of the Local Content Policy among smaller businesses and the private sector.
- Launch a new pilot project to link several smallholder farmers to a local agro-processing business. Observe and record the findings and prepare to replicate the model.
- Launch new pilot linkage programs, potentially with support to a business incubator, focusing on firms that have a commitment to learn how to work well with local small businesses. Observe and record the findings and prepare to replicate the model.

**STRATEGY 6: ENCOURAGE SMALL BUSINESSES TO SELL GOODS AND SERVICES TO THE GOVERNMENT OF SIERRA LEONE**

**Objective:** Increase and diversify the number and value of contracts awarded by government to SMEs.

**Activities for implementing this strategy**

Government procures many services that private sector businesses, including SMEs, could provide as contractors.

The government will need information on the needs of its ministries and agencies to be readily available and accessible to the private sector. Government will also need a good understanding of the goods and services that can be provided by local SMEs. Further, the government will have to create clear and transparent payment modalities that are favourable to small business participation.

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21. The price foreign investors pay for depending so heavily on imported inputs is not only a financial cost; they also ‘pay’ for the weak connections to their local community. In general, the depth and quality of a large firm’s integration with its surrounding community depend mainly on the number of local jobs created and on how well local employees are treated. If the firm is in a capital-intensive industry requiring specialized skills, it might offer few local jobs and can easily end up with marginal linkages to the local community. In rare cases, relations can turn hostile when local residents feel that the foreign firm is simply removing resources without putting something back in – this is perhaps more likely with extractive industries where raw materials are literally being taken out.
Targeted outcomes

» Creation of a list of services required by various institutions within government and through widespread information sharing to open such opportunities to SMEs.

» Selection of two different goods or services provided in-house to government offices to pilot outsourcing with a fairly small group of small-scale businesses (up to 15 small enterprises for each of the two goods or services).22

» Improving the timeliness of government payments for goods and services rendered.

STRATEGY 7: DEVELOP SMALL BUSINESSES TO SELL GOODS AND SERVICES TO THE TOURISM INDUSTRY

Objective: Increase the volume of local purchases in the tourism industry.

Activities for implementing this strategy

Tourism is a priority sector for the government of Sierra Leone. The National Tourism Plan calls for significant capacity building of local tourism service providers in Sierra Leone, most of which are small businesses such as small guesthouses, restaurants, and guide services.

The most practical and effective way of moving small businesses up learning curves in the tourism sector is to group them together to achieve a critical mass for learning and investment. Linkages would also have to be created with large investors in the sector to allow learning opportunities for MSMEs.

In addition, a specialized institution like the Tourism Board needs to play the role of mediator linking business opportunities among large-scale tourism projects and local SMEs in the supply chain.

Lastly, a concerted effort is necessary to increase the quality of goods and services to meet the growing expectations of the sector. Here it will be important to attract international tourism investors to become involved in both capacity building and contracting with local MSMEs to meet their product and service needs.

Targeted outcomes

» Development of a platform, in collaboration with the Tourism Board, to identify the needs of large businesses in tourism and linking small business service providers to them, while maintaining a roster of local SME service providers for the tourism sector.

» Promotion of the Local Content Policy, specifically geared toward the tourism sector.

» Establishment of a network to bring SMEs in the tourism sector together for capacity building and information sharing.

22 The costs of lending to small businesses will be high for the foreseeable future, but they can be lowered somewhat so that onlending interest rates can be lowered in tandem. The main costs of lending to small businesses are (i) operating costs; (ii) provisioning for bad loans; (iii) accounting for inflation; and (iv) the cost of funds. Operating costs among commercial banks are roughly 7 percent for loans to small businesses—high by any standards—but such costs could likely be lowered through staff training, the development of lower-cost lending technologies, and more experience. Non-performing loans of about 14 percent can be brought down through improved selection of clients, closer supervision and easier claims to collateral. The cost of funds, now averaging 10 percent to 12 percent, can be much lower when interest rates on fixed deposits are reduced to more reasonable levels.
Financial services are essential to MSME operations, including payment systems, overdraft facilities, short-term loans for working capital, medium- and long-term loans for capital investments, insurance services, and Letters of Credit.

Payments, credit, and deposit services are primary financial services for enterprise development, and the priority in Sierra Leone must be to increase access to these services among microentrepreneurs, small business owners, and rural enterprises. However, financial institutions and government agencies must be cautious to avoid subsidies that will create further distortions in those markets and undermine the long-term sustainability of both the MSMEs and the financial services sector. A balance must be struck between the urgent need to provide appropriate financial services to MSMEs and the longer term needs to build sound, sustainable financial institutions.

This section focuses on strategies that can be adopted to increase the number of microenterprises, small businesses, and rural enterprises that receive loan funds, and includes considerations of how to expand the provision of additional financial services that are important for growth in the MSME sector.

**STRATEGY 8: FACILITATE INCREASED ACCESS TO AFFORDABLE SHORT- AND MEDIUM-TERM LOANS FOR SMES.**

**Objective:** Increase the number of small and medium businesses that receive affordable short- and medium-term loans by assisting commercial banks to reduce their costs and risks of lending to small businesses

**Activities for implementing this strategy**

Streamlining all lending institutions under BSL allows lending to be consistent and regulated. The government must take active steps to ensure that all institutions whose principle business is lending or deposit services register with the BSL instead of with line ministries which do not have specialized banking expertise.

Further, government should take active steps to keep the cost of borrowing low and to encourage commercial banks to lend in the SME sector by creating incentives, ensure the effective working of a fast-track commercial court, and putting the collateral registry in place.

Lastly, the sector needs specific capacity building of bank staff to improve small business lending.

**Targeted outcomes**

- Registration of all lending institutions under the Bank of Sierra Leone.
- Introduction of incentives for commercial banks to increase SME lending and double the current loan portfolio within a year.
- Maintaining a low cost of borrowing.
- Establishment of fast-track commercial courts for banks seeking to claim secured property from small borrowers and developing appropriate procedures for small claims.
- Ensuring the collateral registry is in place and operational.
- Support to and training of bank staff in small business lending, focusing on specialized lending products and models.
STRATEGY 9: INCREASE THE NUMBER OF MICROENTERPRISES THAT RECEIVE DEPOSIT, SAVINGS, AND CREDIT SERVICES

**Objective:** Increase the number of microentrepreneurs that receive credit and savings services by strengthening microfinance institutions and other lenders to microenterprises.

**Activities for implementing this strategy**

Most microfinance institutions shy away from credible SME lending due to a lack of understanding of how SMEs operate and the specialized lending models required to manage the risk of lending to microenterprises.

The government must implement direct and indirect measures to assist microfinance institutions and nonbank financial institutions to upscale financial products to address this gap and reach out to a larger set of borrowers. Government can facilitate this through training and capacity building of senior and middle managers of these institutions.

Further, a credit reference bureau and movable collateral registry must be finalized, specifically focusing on the resources of the microenterprise sector. Establishing a credit reference bureau for lenders such as microfinance institutions, community banks, and credit co-operatives will prevent double borrowing and increase loan quality.

The movable collateral registry will assist those who lend to microenterprises. The recently reconvened Sierra Leone Association of Microfinance Institutions (SLAMFI) could usefully be supported in its efforts to share information. Initiatives to link up commercial banks with microfinance institutions through the provision of credit lines and/or technical assistance should be encouraged. A drive to have all microfinance institutions register with the Bank of Sierra Leone, as required by the Microfinance Policy, will create a complete roster which will be useful for tracking development and for programming.

**Targeted outcomes**

» Establishment of a training facility for capacity building of microfinance institutions and nonbank financial institutions on specialized lending methodologies and microfinance institution management

» Establishment of a credit reference bureau for lenders to microenterprises

» Finalization of the collateral registry carrying microenterprise collaterals

» Strengthening of SLAMFI for information gathering and information sharing on the sector

» Registration of all MFIs with the Bank of Sierra Leone as required by the National Microfinance Policy of 2002.

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23 Such a bureau might employ the same technologies/management information systems as the current credit registry so that they could be merged easily at a later point.
STRATEGY 10: STRENGTHEN RURAL FINANCIAL ORGANIZATIONS TO BECOME SUSTAINABLE

**Objective:** Increase the total number of sustainable and growing financial organizations that serve small farmers and other rural enterprises.

**Activities for implementing this strategy**

Linking larger financial institutions with small rural organization involved in lending can assist small new entrants by providing them with (i) technical assistance in difficult areas, such as risk management and management information systems; (ii) loan capital and potentially other financial services; and (iii) the additional monitoring that would come naturally with partnerships.

The government could launch a pilot project for a selected commercial bank to supply initially small amounts of loan funds to several financial organizations that lend to small rural businesses. Once the partnership model is successful, more commercial banks will be inclined to partner with these institutions.

**Targeted outcomes**

- Linking at least 10 new rural lending institutions to large financial institutions
- Facilitating resources to support microfinance institutions and nonbank financial institutions in rural areas to build the capacity for onlending
- Launching a pilot project to facilitate lending capital from a commercial bank to a microfinance institution or a nonbank financial institution for rural expansion.

STRATEGY 11: INCREASE THE NUMBER OF SMALL BUSINESSES THAT RECEIVE FINANCIAL PRODUCTS AND SERVICES IN ADDITION TO PAYMENTS, CREDIT, AND DEPOSIT SERVICES

**Objective:** Increase the number of small businesses that receive financial products and services in addition to payments, credit, and deposit services by assisting financial institutions to expand their product offerings.

**Activities for implementing this strategy**

At the moment, adequate information is not available to analyze the state of the market. The government should begin by conducting a survey of service-associated fees on offer to small businesses from commercial banks and microfinance institutions to gauge the costs of financial services to MSMEs.

The survey will also investigate demand preferences for financial services among small business owners. Findings of the survey could be used to implement a specific drive toward developing demand-driven financial products in all financial institutions and increase access to financial services in the country.
Targeted outcomes

» Complete a survey of MSMEs to calculate the cost of financial services in the country
» Carry out a financial needs assessment to identify the required financial products for MSMEs
» Provide assistance and incentives to financial institutions to develop demand-driven financial products
» Facilitate access to capital for financial institutions to create financial institutions geared toward MSMEs.

Small business owners do not learn in isolation; they learn through networks of other business owners, in organized groups such as producer groups and business associations, or through informal interaction with suppliers, customers, and competitors.

In addition, almost all small business owners learn best by practical application. Priority should be given to constructing learning opportunities that are concrete and applied. Most small businesses are pressed for time and learn in brief sessions that are offered by credible trainers, preferably outside of business hours unless integrated into business operations.

**STRATEGY 12: INCREASE THE AVENUES BY WHICH SMALL BUSINESS OWNERS CAN LEARN BUSINESS SKILLS FROM ONE ANOTHER**

**Objective:** Create new platforms of collective learning for MSMEs.

**Activities for implementing this strategy**

Agencies such as the Sierra Leone Chamber of Commerce and Small Farmer Associations have been set up to provide regular linkages between entrepreneurs in the same sector. They can be used to hold information sharing events, and provide experiential training and coaching and business development services to assist MSMEs with start-up and growth strategies and planning.

In addition, specific Business Development Service Networks can be supported to target and strengthen MSMEs in key sectors. These networks can formulate and deliver demand-driven training and coaching programs, serve as a roster of MSMEs, and create visibility to large potential buyers.

**Targeted outcomes**

» Set-up a Business Development Services Network to connect MSMEs in a key growth sector, monitor the progress, and develop a model for replication.
» Provide support to the private sector to establish Business Development Services Networks in other growth sectors to increase capacity among peer groups.
STRATEGY 13: INCREASE THE AVENUES BY WHICH SMALL BUSINESS OWNERS CAN LEARN BUSINESS SKILLS FROM LARGE FIRMS AND GOVERNMENT OFFICES

**Objective:** Increase the opportunities for small business owners to learn from large firms and government offices.

**Activities for implementing this strategy**

Large firms and government offices in other countries have trained small-scale contractors to ensure appropriate delivery to meet their demands. These models can be used to develop strategies to train small vendors that could potentially serve the needs of large companies and the government.

Regulations including the Local Content Policy provide the framework necessary to facilitate such an initiative. However, proper incentives would have to be in place to encourage both government bodies and the private sector to engage with and invest in small vendors and contractors.

**Targeted outcomes**

- Investigate strategies to train small contractors in other countries and develop a methodology for Sierra Leone.
- Create linkages between government offices and small vendors to build their capacity to deliver products and services locally.
- Develop and launch incentive schemes for large companies that make substantial investments in training small contractors. Incentivize rather than regulate large companies and government offices to train their contractors, perhaps through mentorships, internships, or apprenticeships to jump-start such engagement trends.

STRATEGY 14: INCREASE ACCESS TO PUBLIC TRAINING AVENUES FOR POTENTIAL SMALL BUSINESS ENTREPRENEURS

**Objective:** Increase the number of easily accessed training opportunities for established and potential small business owners.

**Activities for implementing this strategy**

Strengthening the associations and networks commonly accessed by MSMEs for training and coaching through content development, training of trainers, and delivering effective training can significantly strengthen and grow the MSME sector.

However, as a first step the government will have to better understand sector-specific needs and then launch a pilot training program that is available, attractive, and affordable to established and potential entrepreneurs.

**Targeted outcomes**

- Canvas the training needs of SMEs in high-growth sectors
- Set up a pilot program that involves the use of non-traditional formats and venues like business incubators for experiential learning and create a pilot training program in literacy and numeracy that is available, attractive, and affordable for adults.
- Assess the pilot program and develop a model for replication along with the development of a suitable platform to host the program.
STRATEGY 15: INCREASE THE CAPACITY AMONG YOUNG SIERRA LEONEANS TO BUILD SUCCESSFUL SMALL BUSINESSES IN THE MEDIUM TO LONG TERM

**Objective:** Increase the number of Sierra Leoneans in semi-skilled and skilled jobs to increase the capacity of Sierra Leoneans to be successful future entrepreneurs in the medium to long term.

**Activities for implementing this strategy**

The most capable small business owners bring strong technical and managerial skills from their previous jobs to their new businesses. In the long term, the number of Sierra Leoneans capable of growing highly productive small businesses will depend on the number of people who have learned strong skills in job settings. On-the-job training takes time, so there is some urgency to move the largest numbers of Sierra Leoneans into skills-rich jobs as soon as possible.

Apprenticeships and internships are particularly attractive for young people in Sierra Leone without job experience. In fact, obtaining solid job experience is their surest route to eventual ownership of a successful small business.

**Targeted outcomes**

- MTI should launch a national campaign (for example, ‘hire a youth, train a youth’ programs) to encourage businesses to train their employees and support them to do so through financial incentives
- Development partners should place high priority on employee training in their programming.
Section 5: Strategy Implementation Plan

The National MSME Development Strategy is divided into four key pillars. For each pillar, the Strategy identifies targeted implementation plans, each with identified objectives and corresponding activities with verifiable target outcomes.

To deliver on this Plan in the second phase, the appropriate government agencies and key donor agencies will be engaged to establish a focused steering committee – the National MSME Strategy Working Group. The Strategy Working Group will actively participate in the Implementation Plan formulation process headed by the MTI through its support agency SLIEPA, which will remain responsible for reviewing the Implementation Plan on a yearly basis.

The key objectives of developing an Implementation Plan are:

• To establish a focused steering committee
• Clear identification of the roles among stakeholders
• Co-ordination amongst stakeholders.

Activities

For each of the five years from 2013 to 2018, the Implementation Plan will group specific activities under each of its objectives.

To avoid overlap in the delivery of this Strategy, close co-ordination among concerned stakeholders will be maintained by the SLIEPA. Each activity will be finalized with a corresponding:

• Timeline and deadline for its implementation
• The government institution accepting responsibility for implementing the activity
• The expected result
• The performance indicators pertaining to the activity
• The estimated cost of implementing the activity
• The potential source of funding (for example, government or donor funding).

All existing and known future donor interventions related to the small business sector will be identified and included within the activities of the Implementation Plan. Further, the activities of this Strategy will be grouped together and the responsibility for delivery on these activities will be systematically shared among donors and government agencies to ensure efficiency. Agencies will be responsible for developing projects and programs for effective delivery on this Strategy.
The Strategy Working Group should be developed to formulate activities. Membership of the Strategy Working Group has been expanded to include representatives from relevant government institutions that accepted responsibility for implementing activities related to the Strategy’s goals and objectives. The MTI, through the SLIEPA, will supervise the implementation of the Strategy, while government institutions will confirm acceptance for implementing their particular activities, including the associated timelines.
### STRATEGY LOGICAL FRAMEWORK FOR IMPLEMENTATION

<table>
<thead>
<tr>
<th>STRATEGIC PILLAR</th>
<th>STRATEGY</th>
<th>PERFORMANCE INDICATOR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improving the business enabling environment</td>
<td>Reform of selected business-related laws, regulations and processes</td>
<td>Revision of the labour laws effecting registered MSMEs</td>
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<td>Completion of the Acts of Parliament under revision</td>
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<td>Establishment of a fully operational one-stop shop for business registration, including a workable process that allows businesses to register in the provinces without having to travel to the capital Freetown to do so</td>
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<td>A fast-track commercial court that is effective with small business-related issues</td>
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<td>A functioning, efficient registry for movable collateral</td>
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<tr>
<td>Reducing trade barriers and strengthening SLIEPA</td>
<td>SLIEPA to take steps to gather information on exports in high-growth sectors</td>
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<td></td>
<td>SLIEPA to investigate and join international trade blocs for high-growth sectors</td>
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<tr>
<td></td>
<td>Promoting and strengthening SMEs that engage in strengthening trade in high-growth sectors</td>
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<tr>
<td>Increase the availability and awareness of private sector and business information to established and potential entrepreneurs</td>
<td>Information gathering and analysis of the private sector and the general economy of Sierra Leone</td>
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<td></td>
<td>Carrying out a bi-annual survey, not a census, of small businesses, with an aim to obtain a detailed understanding of the status of these businesses, the capabilities and concerns of their owners, their needs for assistance, and their prospects for growth</td>
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<td></td>
<td>Greater clarity on how the Local Content Policy is to be implemented so all sizes of business can plan, followed by enforcement of the new policy</td>
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<tr>
<td>Promoting business linkages: linking up with profitable market opportunities</td>
<td>Encourage small businesses to sell goods and services in agricultural export markets</td>
<td>Evaluation of existing linkage programs involving commercial smallholders</td>
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<td>Developing guidelines for strengthening and developing smallholder support programs</td>
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<td>Construct a pilot program with one or several membership groups that wish to experiment with achieving commercial self-sufficiency, or with one or several large-scale agricultural investors interested in establishing a pilot project with smallholders</td>
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<tr>
<td>Increase the number of small businesses that sell goods and services within mineral and agricultural value chains</td>
<td>Develop a register of supplier or distributor contracts already in place between small and large businesses to establish a baseline, followed by an evaluation of the successes of such partnerships</td>
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<td></td>
<td>Promotion and advocacy of the Local Content Policy among SMEs and the private sector</td>
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<td></td>
<td>Launch a new pilot project to link several smallholder farmers to a local agro-processing firm, with commitment from both the farmers and the agro-processor to learn from the experience. Observe and record findings and prepare to replicate the model.</td>
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<tr>
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<td></td>
<td>Launch new pilot linkage programs, potentially with support to a business incubator, focusing on firms that have a commitment to learn how to work well with local small businesses. Observe and record findings and prepare to replicate the model.</td>
</tr>
<tr>
<td>Encourage small businesses to sell goods and services to the government of Sierra Leone</td>
<td>Create a register of services required by various institutions within the government and through widespread information sharing open such opportunities to SMEs</td>
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<td>Select two different goods or services provided in-house to government offices to pilot outsourcing with a fairly small group of small businesses (say 15) for each of the two goods or services</td>
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<td>Improve timeliness of government payments for goods and services rendered so small businesses can increasingly participate in public procurement</td>
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<tr>
<td>Encourage small businesses to sell goods and services within the tourism industry</td>
<td>Tourism Board to develop a platform to identify the needs of the large businesses in the tourism sector and linking small business service providers to them.</td>
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<tr>
<td></td>
<td></td>
<td>Promotion of the Local Content Policy specifically geared toward the Tourism sector.</td>
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<tr>
<td></td>
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<td>A Network to bring SMEs in the tourism sector together for capacity building and information sharing</td>
</tr>
<tr>
<td>Link financial markets to SMEs: increasing the number of small businesses that receive sustainable financial services</td>
<td>Facilitate access of small and medium businesses to affordable short- and medium-term loans</td>
<td>Registration of all lending institutions with the Bank of Sierra Leone</td>
</tr>
</tbody>
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<td>Incentivize commercial banks to increase SME lending and double the current portfolio within a year</td>
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<tr>
<td>Reducing the cost of borrowing by lowering the fixed deposit rates from high levels of 18% to 20% to levels a few points above inflation (projected by the IMF to be 9% in 2013)</td>
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<td>Invest in establishing fast-track commercial courts for banks seeking to claim secured property from small borrowers and develop appropriate procedures for small claims</td>
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<td>Establish the moveable collateral registry and ensure its effective operation</td>
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<td>Support and train bank staff in small business lending with specialized models</td>
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<td>Increase the number of rural financial organizations on a clear path to sustainability</td>
<td>Link at least to new rural lending institutions to large financial institutions</td>
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<td>Increase the number of small businesses that receive financial products and services in addition to payments, credit, and deposit services</td>
<td>Survey of MSMEs to calculate the cost of financial services in the country</td>
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<tr>
<td>Track MSMEs’ demand for financial products</td>
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<td>Assist and incentivize financial institutions to develop demand-driven financial products</td>
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