

The Role of Small and Medium Size Businesses in the Development of the Economic Potential of Sierra Leone

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ABSTRACT

Small and medium-sized businesses (SMEs), according to Peter Drucker, are the main force behind economic expansion, laying the groundwork for socioeconomic progress and making a substantial contribution to national economic goals. Modern SMEs use technology, look for new markets, and put operational efficiency first. Traditional SMEs, on the other hand, operate in local markets with no strategic planning. Over 90% of firms in Sierra Leone are SMEs, which also account for 70% of the country's GDP. They are essential to the country's efforts to reduce poverty, create jobs, and diversify its economy. SMEs in Sierra Leone confront several obstacles despite their significance, including restricted financial resources, a lack of business acumen, adherence to quality standards, and macroeconomic volatility. SME competitiveness and integration into global value chains are intended to be strengthened by government and international efforts, such as financial assistance programs, technical training, and structural reforms. Digital change, agricultural productivity, regional trade integration, and youth employment initiatives are all critical to future prosperity. In the end, SMEs are essential to the inclusive growth and economic sustainability of Sierra Leone. In line with the country's goals of becoming middle-income by 2039, SMEs will be able to propel sustainable growth by removing systemic obstacles and improving policy coordination and investment.

Keywords: Enterprise, Productivity, Diversification, Macroeconomics, Value Chains



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INTRODUCTION

According to Peter Drucker, small businesses are the primary engine of economic growth. These small enterprises are the foundation of social-economic advancement and make significant contributions to accomplishing the core objectives of any national economy. An enterprise refers to any legally sanctioned method of organizing an economic activity that operates independently in terms of assets and liabilities, with the aim of generating income within a competitive marketplace. The two types of SMEs in the economic reality are the small traditional enterprise, which typically has a small marketplace and no long-term strategy, and the modern SMEs, which use high technology, are constantly searching for new markets, and, by being competitive, are looking to maximize the efficiency of their operations. Small and medium-sized businesses operate in a diverse, varied, dynamic, and adaptive environment. As much as their commercial performance, the quantity and dynamics of SMEs determine the health of an economy (Neagu, 2016). SMEs serve as a disciplinary tool in a market with imperfect competition when companies' productivity endowments are viewed as exogenously provided yet vary from company to firm. Consequently, a company will be smaller the less efficient it is (Lahiri and Tsai, 2019). The creation of jobs and global economic expansion are frequently credited to small and medium-sized businesses, or SMEs. Since the beginning of the barter system, small commercial companies have been established. Approximately 500 BC, it began in ancient Greece. Around this period, many had extra goods that they were waiting to trade in for other goods. As a result, some people came up with the notion of purchasing various goods and then giving them to those who might need them. When the slave trade was created in Africa in the 18th century, this concept extended throughout the world and reached that continent, where people traded goods like tobacco, firearms, and gun powder. Midway through the fifteenth century. This trade began in Sierra Leone when slaves were purchased from all over the world and transported to Bunce Island to work on sugar cane plantations in South America (Karim, et al., 2022). Small and medium-sized enterprises (SMEs) are essential to Sierra Leone's economic development, job creation, and poverty reduction (Decker and Kamara, 2024). Over 90% of private companies are smaller firms, and in the majority of African nations, they account for over 50% of GDP and employment. About 85% of manufacturing jobs in Ghana are provided by small businesses, which are considered to be a defining aspect of the industrial scene in Sierra Leone (Aryeetey, 2021). SMEs are thought to make up more than 90% of enterprises in Sierra Leone and contribute around 70% of the country's GDP. Given their economic weight in African nations, it is legitimate to say that SMEs have a critical role to play in promoting growth, creating jobs, and

assisting in the reduction of poverty, in keeping with the many points mentioned above (Karim, 2022). Since, the economic development of Sierra Leone is greatly influenced by small and medium-sized businesses (SMEs), which are the foundation of inclusive growth, economic diversification, and employment. Their diverse contributions, present difficulties, and the legislative framework influencing their capacity to propel the country's economic transition are all examined in this review.

Contribution to the Economy and Creation of Employment

Prior to SMEs becoming a significant economic force, Sierra Leone was among the world's poorest countries, with over 72% of the population living in extreme poverty on less than \$1 per day, ranking 177th out of 186 countries on the UN Human Development Index (2012), having a life expectancy of only 57 years, and having only 15% of the population with access to electricity, with the majority depending on biomass fuels (US Department of States, 2014). As of 2024, over 32.7% of the population subsisted on less than US\$2.15 per person per day (2017 PPP). As Sierra Leone's economy was described as "exploitative" and based on the extraction of non-renewable resources, and mining accounted for 90% of export revenues, but it created fewer jobs than agriculture. The country's pre-SME economy was dangerously unbalanced, with an over-reliance on mineral exploitation (diamonds, iron ore) as the main source of foreign exchange earnings. The government relied on foreign aid despite having abundant natural resources, the infrastructure was excellent with only 936 km of paved roads nationwide, and the majority of the population had limited access to financial services. These factors made the country's economic foundation brittle. In addition to raising borrowing prices and undermining budget credibility, persistent spending overruns also provide a fiscal risk in the energy industry. Due to substantial rollover risks and a debt service to revenue ratio of over 100%, the nation is still at severe danger of experiencing financial disaster. The transmission of monetary policy and the expansion of private sector credit are nevertheless hampered by fiscal dominance. Due to low agricultural production, a lack of jobs, insufficient human capital, and inadequate social protection, Sierra Leone has a high rate of poverty (World Bank, 2025). According to MOF Communications report, 2024, SMEs in Sierra Leone has over 70% of the country workforce employed, making them the main force in the nation's economy. Given that micro, small, and medium-sized businesses (MSMEs) account for 84.5% of employment and 95.8% of all firms, their importance is further highlighted. Due to their widespread presence, SMEs are the main driver of economic activity and the

establishment of livelihoods in both urban and rural regions (Clynch, 2024). In recent years, the sector's contribution to the economic recovery has been especially noteworthy. After experiencing a 2.0% economic decline in 2020, Sierra Leone's GDP expanded by 3.1% in 2021, with more than half of this development coming from the country's small-scale enterprise-dominated agricultural sector. Through programs like the MUNAFA Fund and the Bank of Sierra Leone's Le500 billion special credit facility, the government provided crucial support to SMEs in the manufacturing sector, which grew by 12.3% in 2021 after shrinking by 6.7% in 2020 (Flannery, 2022 and World Bank Group, 2022).

Factors that promote economic diversification

Economic diversification is becoming a focus for politicians and scholars alike, who recognize its importance to emerging countries' success. A key strategy for promoting sustainable economic growth and raising living standards is diversification, which comprises expanding the spectrum of economic activity inside a nation. This change is particularly relevant for emerging countries as it boosts their ability to withstand shocks to the economy and opens up new avenues for investment, innovation, and job creation (Deléchat, et al., 2024). A combination of sector- or industry-specific ("vertical" or "targeted") and broad-based ("horizontal") techniques is frequently used in diversification initiatives. The goal of horizontal strategy is to enhance circumstances that benefit every sector. Often called "industrial policy," vertical strategies concentrate on promoting certain technology or activities. Industrial policy has recently seen a global resurgence as nations attempt to manage complex issues like technological advancement, climate change, and geoeconomic fragmentation while promoting innovation, gaining a competitive edge in key industries, and guaranteeing supply-chain resilience (Evenett and others 2024). Macroeconomic stability is a crucial precondition for effective diversification plans, as diversification takes time, and promises solutions that often incorporate both horizontal and thoughtfully planned vertical components. Human capital development is frequently positioned at the core of diversification efforts on the horizontal level by policies, which can promote growth and lessen inequality. Generally speaking, infrastructure development is also crucial. On the vertical side, focusing on broad industries, especially exports, as opposed to selecting national champions, can promote competition and prevent rent-seeking. Similarly, policies that directly address the root causes of market failures could be more effective and present fewer governance and budgetary issues than less focused fiscal incentives (Deléchat, et al., 2024). As Sierra Leone moves beyond its traditional agriculture-based economy and into industries like tourism, fishing, and value-added manufacturing, SMEs will play a crucial role

in reaching the country's economic diversification objectives. With many SMEs in agriculture controlling the labor force and a small number of huge mining companies controlling around 90% of export earnings, the nation's economy is still divided. Due to this mismatch, SME-led diversification is essential for economic resilience as it makes Sierra Leone susceptible to outside shocks. The Sierra Leone government established the Credit Guarantee Fund in 1974, the Sierra Leone Investment and Export Promotion Agency in 2007, the Pilot SME Job Creation Scheme, and the Sierra Leone Business Forum as some of the support organizations and avenues for SMEs to obtain financing. Another initiative is the Sierra Leone Economic Diversification Project, formed in in 2020 which aims to support SMEs and entrepreneurs, increase the capacity of public institutions and private sector operators, facilitate strategic public investments to boost competitiveness and private investments, and encourage reforms to make it easier for businesses to enter and operate (Pearce, and Bah, 2023). These initiatives demonstrate how SMEs are helping to achieve this diversification:

Agricultural Value Chains

The major economic sector in Sierra Leone is agriculture. 62% of the nation's workforce, 59% of its GDP, and 22% of its export earnings are attributed to it. However, with 59% of the population living in rural regions, poverty is more severe and concentrated there. In order to help the government achieve its goals of rice self-sufficiency, crop diversification, and the elimination of rural poverty, the Agricultural Value Chain Development Project (AVDP) funded by the IFAD, OPEC Fund for International Development and Both local private sector and Government bodies, and will run from 2017 – 2027 is targeted to boost production and enhance the sale of rice, palm oil, cocoa, and vegetables. The AVDP makes investments in water management, irrigation, and agricultural machinery. By restoring feeder roads and warehouses to increase product drying and storage capacity, AVDP fortifies climate-proof rural infrastructure. Additionally, it provide smallholder farmers credit for their investments in smallholder farms and increase their capacity through farmer field schools. The project will help about 34,000 disadvantaged rural households, and women and young people will make up at least 40% of its members (IFAD, 2025). A €35 million funding deal between the Government of Sierra Leone and the European Union (EU) was signed at State House in 2025 under the direction of President Dr. Julius Maada Bio. In addition to supporting the government's flagship Feed Salone initiative, the deal seeks to strengthen the nation's agricultural value chain. To transform agriculture and improve food production, the Feed Salone program

focuses on enhancing the value chains for baby food, oil palm, and cassava. The incentive will improve processing efficiency, integrate climate-smart farming practices, and create excellent green jobs about 500,000 employment by 2030, and move toward a middle-income economy by 2039, as well as aid women and young people enrolled in Technical and Vocational Education and Training (TVET) programs (The Times News, 2025). This necessitates tackling internal issues while coordinating our objectives with international norms as the make significant investments in infrastructure and technology. This approach emphasizes empowerment and resilience in everything from public sector reform to job development. It guarantees that as we tackle current issues, we are also laying the groundwork for long-term expansion. Our strategy incorporates health, education, and job creation into a comprehensive framework for the development of human capital. Together, these components form a strong ecosystem that will continue to propel the development of our country (African Forbes, 2025). Initiatives such as increasing Sierra Leone's competitiveness through enhanced productivity and trade compliance in selected value chain funded by UNIDO's in collaboration with ITC which run from 2018 to 2022 with a total budget of about EUROS 4,850,600 targeted SMEs' competitiveness in the value chains for palm oil, cocoa, and cassava, increasing their ability to match global standards and reach local markets (UNIDO 2019). In 2019, the Sierra Leone Agro-Industry and Rice Value Chain Support Project (SLARI) was started by the African Development Bank Group with the goal of fostering a thriving agribusiness sector in Sierra Leone to support food security, economic diversification, and the creation of long-term jobs. By concentrating on critical agricultural value chains, the development aim is to create a domestic agribusiness sector that will improve the livelihoods of both men and women beneficiaries by providing inclusive and sustainable business opportunities via increased productivity and production. The five-year project, which will run from 2019 to 2024, will consist of three components: a) support for agricultural production, productivity, and agro-industrial development; b) support for youth employment, entrepreneurship, and agribusiness skills; and c) development of institutional capacity and project management (ADBG, 2017).

Manufacturing Growth

Sierra Leone ministry of trade and industry reported in her policy that her manufacturing sector contributed an average GDP of 4.8% between 1990 and 2010. This sector is composed of small businesses or small-scale consumer products production that primarily produce for the home market. Development is hampered by poor investment, weak local demand, power outages, and foreign exchange shortages. According to World Bank Group, Sierra Leone's economy which declined by 2.0% in 2020 expanded by

3.1% in 2021 and the manufacturing sector was part of the contributing factor. This industry grow by 12.3% in 2021 after contracting by 6.7% the year before. Despite being one of the main economic sectors of Sierra Leone, the manufacturing industry still faces challenges from a lack of businesses to compete with imported goods (Duramany-Lakkoh et al. 2021). Around 88 percent of SMEs reported a drop in sales during the pandemic, frequently shutting down and laying off employees, according to the World Bank's Business Pulse Survey (BPS). This made their already difficult access to infrastructure, financing, and land much worse. Trading economics on their official website reported that by 2023, Sierra Leone's manufacturing value added (as a percentage of GDP) was 7.6701 percent, according to the World Bank's compilation of development indicators based on officially recognized sources. In May 2025, the World Bank provided current statistics, historical data, forecasts, and predictions for Sierra Leone's manufacturing sector and value added as a percentage of GDP. It is anticipated that overall economic growth would continue to improve but be modest, averaging 4.4 percent between 2022 and 2024. This growth was aided by increased agribusiness investments, government support for SMEs through the MUNAFA Fund, and the Bank of Sierra Leone's Le500 billion special credit facility.

Quality Standards Compliance

The business environment is the specific setting in which company operations like marketing, production, and advertising take place. The business environment is made up of both controlled and uncontrollable variables that affect firms' strategy and choices in addition to encapsulating them. Furthermore, the regulations that impact investment choices, as well as the chances and rewards accessible to economic players, are established by the legal and regulatory frameworks inside this business environment. These regulations separate the official and informal sectors of the economy and erect obstacles to corporate growth. Over the past 20 years, several studies in various academic circles have examined the connection between rules and commercial activity. The regulatory frameworks play a crucial part in determining the future growth and survival of businesses since they give them a way to carry out their operations. The government establishes organizations to manage or regulate business and entrepreneur behavior. The rate of entrepreneurship is clearly impacted by these regulatory institutions, often known as bureaucracy; the unpredictable policy environment; the tax system; corruption; monetary and credit policies; customs and trade laws; and the control over labor contracts and employer-employee relationships (Musabayana, et al., 2022 and Nuni, and Feika, 2023). The inability of developing nations to prove compliance with quality

standards and trade regulations frequently hinders their capacity to take advantage of business opportunities, compete on international markets, and engage in global value chains. Reports from Sierra Leone Competitiveness Enhancement Project (SLCOMP) newsletter, addressing these issues, pointed her collaboration with the United Nations Industrial Development Organization (UNIDO) to establish a suitable Quality Infrastructure System (QIS). One of the specialist services that UNIDO provides as part of its overall efforts to support ISID is this program. The strategy gives developing nations and economies undergoing transition the chance to reduce poverty and achieve sustainable development. The EU-funded project for ISO 9001:2015 implementation which invites Sierra Leonean enterprises for a technical support in implementation of Quality Management Standard which is proposed to help Sierra Leonean SMEs improve product quality and compete in tenders, contributing to sectoral diversification (UNIDO, 2020).

Obstacles to SME Development in Sierra Leone

SMEs in Sierra Leone suffer significant obstacles that restrict their growth, notwithstanding their importance:

Access to Finance

The Sierra Leonean Small and Medium Enterprises (SMEs) sector lacks the financial resources to support its initiatives aimed at advancing the country's economic development. This is because the national money deposit banks' financial services are inaccessible to the Micro, Small, and Medium-Sized Enterprises (MSMEs) that operate in this segment of the Sierra Leonean economy. This is the case because money deposit banks in Sierra Leone avoid doing business with these companies because they feel that doing so carries significant risks and costs. These include the incapacity of these companies to provide the collateral securities needed for money deposit bank loans and advances, as well as the associated expenses of maintaining accounts or bad bookkeeping and conducting transactions or low business abilities with these companies (Karim et al., 2022). Financial institutions report having trouble identifying "investible" businesses, and many entrepreneurs find it difficult to fulfill bank standards. High inflation, currency devaluation, and post-pandemic economic instability have all made the issue worse (Clynch, 2024). Other significant obstacles that small and medium-sized businesses face while attempting to participate in the global market include inadequate infrastructure, unpredictable currency rates, corruption, excessive tax rates, and a lack of managerial expertise (Kamara, and Adedapo, 2017).

Gap in business skills

Small businesses find it difficult to grow into creditworthy

companies that can handle market obstacles due to founders' lack of business knowledge. Many are not equipped with the fundamentals needed to create investment-worthy, resilient businesses. The viability of small and medium-sized businesses in Sierra Leone is also significantly hampered by a lack of managerial expertise and qualified labor. Insufficient experience and incompetent management are the causes of more than 90% of these business failures (World Bank, 2022).

Conformity to Quality and Standards

SMEs' export potential is limited since they find it difficult to achieve international requirements for product quality, health, safety, and environmental protection, especially in the agricultural sector. Insufficient financing is putting the Bureau's objective to improve national quality frameworks at greater risk as economic constraints increase. There have been significant repercussions from this financial deficit. The Bureau's capacity to carry out such work has been seriously hampered, despite the fact that it carried out substantial testing in 2023, examining 905 samples in the Food Chemical Lab and 619 samples in the Food Microbiology Lab. In the first half of 2024 alone, the Bureau tested 244 petroleum product import samples, 50 petroleum product recertification samples from oil marketing companies' shore tanks, and 65 petroleum product and base oil lubricant general quality assurance samples. Notwithstanding these successes, the lack of capital expenditure funds has limited the Bureau's ability to carry out vital tasks like market monitoring and the construction of new testing facilities. Monitoring the quality of imported items is logistically challenging, making it one of the Bureau's most urgent problems. Because there is no capital budget, the urgent requirement for a material science lab to evaluate different goods is still unfulfilled. Additionally, the Bureau's calibration and testing labs are still unaccredited, which makes it more difficult to guarantee adherence to both domestic and international standards. Establishing a strong framework for quality assurance and standards in Sierra Leone would involve cooperation from government organizations, partners in the corporate sector, and the community. The Bureau's capacity to safeguard public health, maintain safety, and advance growth through efficient economic methods through standardized procedures is still under danger in the absence of adequate funding (Gal, et al., 2020 and Kamara, 2024).

Structural Barriers

The strictness of government regulations prevents SMEs from having an even playing field, particularly when they are competing on the global market. A further challenge is the process by which small businesses move from the domestic to the global market. The changing economic climate presents increased operational and political risks

for an internationalizing company. Additionally, this has an impact on the production of small and medium-sized businesses in the Sierra Leonean economy. The detrimental effects of corruption are obvious, and it is an adversary that targets all nations. Markets and competition are impacted, national citizens become distrustful, the rule of law is undermined, government legitimacy is destroyed, and the integrity of SMEs is jeopardized. Like cancer, corruption hinders a nation's political and economic progress and undermines the ability of various government agencies to function (Kamara, and Adedapo, 2017). The efficacy of fragmented government initiatives such as SMEDA, the SME Policy, and the MUNAFA fund has been diminished due to a lack of targeting and coordination (World Bank, 2022).

Macroeconomic Pressures

Sierra Leone's challenging macroeconomic environment is something that American businesses must deal with. Rising commodity prices, government expenditure driven by debt, lax macroeconomic regulations, and severe currency depreciation have all contributed to the ongoing increase in inflation. External shocks like the COVID-19 epidemic and the Russian invasion of Ukraine have made these difficulties worse and are still having an effect on the global supply chain. The stability of the economy is still being threatened by the rising cost of living, food insecurity, the significant danger of debt distress, and currency devaluation (Kamara, and Adedapo, 2017). While currency devaluation and high interest rates (average of 40% for domestic debt) create difficult operating circumstances, inflation peaked at 52.2% in December 2023 and then dropped to 13.8% in December 2024. Lower global food and energy costs, as well as a steady currency rate, helped to assist the inflation decrease. The efficiency of monetary policy was hampered by the Bank of Sierra Leone's (BSL) purchases of government securities, while fiscal dominance restricted lending to the private sector. Gross international reserves decreased from 2.6 months in 2023 to under two months in 2024, despite current account gains (World Bank, 2025).

Social and cultural issues

The majority of business owners in Sierra Leone lack the investment culture of reinvesting earnings. The mindset of the average Sierra Leonean businessperson is to make investments now and profit later. Additionally, some entrepreneurs' sociopolitical goals may cause them to redirect important resources and efforts from their businesses to social waste. Bias against "made in Sierra Leone goods" is a serious issue. The majority of Sierra Leoneans now have a strong inclination to use imported items rather than their domestically produced alternatives. As a result, this lack of patronage deters local business

owners (Kamara, and Adedapo, 2017).

Support Programs and Policy Initiatives

The government and foreign partners have put in place a number of assistance measures in recognition of the significance of SMEs:

Financial Support Programs

The goal of this kind of assistance is to give SMEs direct or indirect capital so they may launch, grow, improve, innovate, or export their enterprises. Grants, which are non-repayable financial contributions made to SMEs for certain initiatives or goals, examples the 12 million Euro EU grant (March 2024) strengthens SME competitiveness through business environment improvements and quality infrastructure development. Loans are repaid cash provided to SMEs with terms of repayment and interest rates like the \$25 million Ecobank-British International Investment risk-sharing facility (2024) reduces collateral requirements and extends loan tenors to 5 years, potentially enabling \$50 million in SME lending. guarantees, which are promises made by the government to compensate lenders for all or a portion of their losses in the event that SMEs default on their loans, The government grants equity, which are shares or interests, in return for money or ownership in SMEs and Tax incentives are tax breaks or exemptions granted to SMEs according to their revenue, costs, investments, or operations such as the MUNAFA Fund and Bank of Sierra Leone's Le500 billion credit facility have supported manufacturing growth (Kumar and Pushpender Singh, 2023).

Technical and Institutional Support for Capacity Building

SMEs may improve their goods, services, procedures, or technology with the help of this assistance, which offers them information, resources, advice, and direction. For instance, seeking professional guidance on management, marketing, finance, or innovation Giving one-on-one guidance on leadership, strategy, or problem-solving, During training, staff members learn new skills and information, get insights into the market, customers, or competitors, and use tools like software or techniques to boost output, creativity, or quality (Lin, et al., 2022). SMEs may improve their operations and competitiveness with the aid of these services. Just recently the Sierra Leone's Canadian High Commission introduced a yearly funding opportunity, known as the Canada Fund for Local Initiatives (CFLI), which encourages eligible local partners to apply for financing for modest, high-impact initiatives that are in line with the goals of Global Affairs Canada. Projects created locally are given priority, which promotes

civil society involvement and bilateral relations. Initiatives chosen by the High Commission are usually awarded between CAD \$30,000 and CAD \$45,000, which are then translated to local currency and disbursed in Canadian dollars. By supporting community-driven development in underdeveloped countries, the CFLI improves ties between Canada and Sierra Leone. Other examples include, UNIDO's quality management training helps SMEs implement ISO 9001:2015 standards, and The Business Environment and Competitiveness for Salone (BECS) project enhances SME skills and access to business development services. Legal, regulatory, administrative, and governance frameworks are provided by institutional support to enable SMEs to function efficiently. Intellectual property laws, contract laws, and compliance laws are examples of legal assistance. Permits, licenses, and permissions for certification, inspections, and registration are all included in regulatory support. Simplified reporting, payment, and documentation processes are all part of administrative support. By reducing operational barriers and fostering a competitive and favorable business climate, these technologies guarantee that SMEs follow regulations. These actions to improve SME development, compliance, and efficiency are made possible by authorities and agencies (Kumar and Singh, 2023 and Global government Forum, 2020).

Structural Reforms

After the conflict, the Sierra Leonean government recognized the importance of the private sector and set out to reform the country's legal and governance system. This included amending and creating over fifty major laws, such as the Public Procurement Act (2016), the Borrowers and Lenders Act (2014), the Registration of Business Act (2007), the Diamond Cutting and Polishing Act (2007), the Mines and Mineral Act (2009), the Payment Systems Act (2009), the Patents and Industrial Designs Act (2012), the Anti-Money Laundering and Combatting of Financial Terrorism Act (2012), the Borrowers and Lenders Act (2014), the Insurance Act (2016), and The Investment and Export Promotion Agency Act of 2007; the Environment Protection Agency Act of 2008; the Petroleum Regulatory Agency Act of 2014; the National Minerals Agency Act of 2012; the Postal Services Regulatory Agency Act of 2012; and the Small and Medium Enterprises Development Agency Act of 2016 are just a few of the new institutional frameworks that the Sierra Leonean government has established to oversee, administer, and enforce these business reforms. The significant decrease in the time needed to form a limited liability corporation from 300 to 12 days was one of the major accomplishments (Kobayashi and M'cleod, 2021). The general level of good governance may undoubtedly be improved by reforms, and media and corporate transparency measures have also increased public perception of foreign companies abusing natural resources without paying fair recompense. Additional

advantages of these reforms include the strengthening of national quality organizations like the Sierra Leone Standards Bureau, the removal of structural barriers to digital financial services for rural entrepreneurs, and the creation of a standardized national definition of MSMEs to coordinate support efforts (Valavanis, 2019 and Klyton, et al., 2020).

Future Outlook and Growth Potential

Small and medium-sized businesses (SMEs) in Sierra Leone are well-positioned to significantly impact the nation's economic future because to programs for youth employment, regional integration, agricultural production, and digital transformation. A cautiously positive view for SME-led development is provided by strategic actions and policy improvements, notwithstanding ongoing obstacles. Forecasts for the economy indicate cautious optimism for the SME sector in Sierra Leone. It is anticipated that mining expansion, improved agricultural productivity, and resilient services will propel growth to 4.4% in 2025 and 4.7% in 2027. Variables such as digital transformation and financial inclusion, agricultural value chains and economic diversification, regional integration and export competitiveness, youth employment and skills development, and policy reforms and investment **climate** will affect SMEs' ability to realize their potential as growth engines. Digital transformation and financial inclusion aids SME development depends on the use of digital financial services, especially in rural regions where access to traditional banking is restricted. By developing flexible financial solutions and lowering collateral requirements, initiatives such as Vista Bank's risk-sharing arrangement with Small Foundation seek to enhance SME lending. According to the World Bank, agribusinesses and microenterprises may be able to obtain finance by utilizing digitalization to improve financial inclusion. In order to promote market development and operational efficiency, Sierra Leone's National Digital Development Strategy also aims to incorporate SMEs into e-commerce platforms. With 62% of the workforce employed and 59% of the GDP coming from agriculture, it continues to be the foundation of Sierra Leone's SME sector. Through climate-smart farming, irrigation, and agro-processing, initiatives like the Feed Salone project and the Agricultural Value Chain Development Project (AVDP) seek to increase production. As part of the African Continental Free Trade Area (AfCFTA), the Sierra Leone Economic Diversification Project (2020–2025) helps SMEs in the cocoa, palm oil, and cassava value chains. Sierra Leone's membership in ECOWAS and the AfCFTA offers SMEs access to a combined market of more than 400 million people, which is advantageous. For SMEs to compete worldwide, it will be essential to improve trade infrastructure (such as electronic single windows) and compliance with international quality standards (such as ISO 9001:2015). Given that 60% of the population is under 25, youth-

focused initiatives like the \$42 million Productive Social Safety Net and Youth Employment (PSSNYE) Project are essential for encouraging young people to start their own small businesses. By addressing skill gaps in manufacturing and agriculture, technical and vocational training (TVET) reforms seek to increase the resilience of SMEs. The SME Development Agency (SMEDA) and National Investment Board (NIB) are simplifying corporate laws, but issues like high inflation which peaked in 2023 at 52.2% and debt problems still exist. Sustaining SME development will need ongoing budgetary austerity and public-private partnerships (PPPs) in infrastructure and energy.

Conclusion

In order to fully realize the enormous potential of Sierra Leone's SME sector to promote equitable growth, funding shortages must be filled, trade and digital infrastructure must be improved, and policy coordination must be strengthened. With focused assistance, SMEs might help the country reach its middle-income targets for 2039, lowering unemployment and poverty while promoting economic resilience. Since, small and medium-sized businesses is the most promising route to poverty alleviation, resilience to external shocks, and sustained economic growth in Sierra Leone, they provide significant contributions to the GDP and employment of the present, they still have a huge unrealized potential to spur innovation, diversity, and inclusive growth. Addressing enduring issues with financing availability, commercial acumen, quality standards, and governmental cooperation is necessary to realize this promise. Through focused funding, capacity building, and enhancements to the business climate, the joint efforts of the government, development partners, and private sector players are starting to show benefits. Projects like the EU grant and Ecobank-BII alliance show creative ways to get beyond enduring obstacles. To achieve the country's goals of economic transformation and middle-income status, Sierra Leone must prioritize the growth of SMEs as it implements its Medium-Term National growth Plan (2024–2030). Through sustained reforms and investment in this crucial area, SMEs have the potential to become the main drivers of Sierra Leone's economic expansion, generating employment, lowering poverty, and constructing a more robust and diversified economy for coming generations.

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