



International
Labour
Organization



BASELINE STUDY OF INFORMAL ECONOMY IN THE AFRICAN, CARIBBEAN, AND PACIFIC REGIONS

The case of Sierra Leone

December 2022

ACKNOWLEDGEMENTS

UNDP in partnership with ILO would like to acknowledge the contributions of various individuals and institutions to the production of this report. This includes the technical team that facilitated the overall collection of data in Sierra Leone and supported EPAC in drafting the report. The UNDP, EU, OACPS and ILO country offices played a critical role in the process that is highly acknowledged. We will not forget the various institutions (from the government and non-governmental spheres, including the private sector and informal sector groups, CSOs, associations and other stakeholders) that sent participants for the consultation process, and for providing responses during the individual in-depth interviews conducted. We express special gratitude to the leadership of the Ministry of Trade and Industry and its technical team; and to the Mano River Union Secretariat and the ECOWAS Office in the Ministry of Planning and Economic Development in Freetown for their invaluable inputs.



A photograph of a hand holding a yellow banana over a sandy beach, with a blue overlay. The hand is dark-skinned and the banana is bright yellow. The background is a sandy beach with some small rocks and shells. The entire image is covered with a semi-transparent blue filter.

BASELINE STUDY

**of Informal Economy in the African,
Caribbean, and Pacific Regions**

The case of Sierra Leone

CONTENTS

Acknowledgements	2
Acronyms	6
Executive Summary	7
Chapter One: Background and Context	12
1.1 Introduction	12
1.2 Baseline Study Objectives	13
1.3 Methodological Approaches	14
1.4 Analytic Frameworks and Approaches	14
1.4 Limitation of the Report and Data Gaps	15
Chapter Two: Status of the Informal Economy in Sierra Leone	17
2.1 Informal Economy's Contributions to Sierra Leone's Economy	14
2.2 Drivers of Informal Business Operations in Sierra Leone	18
2.3 Past Efforts to Transform and Formalize Informal Enterprises	27
2.4 Limitations of Past Efforts to Transform and Formalize Informal Enterprises	34
2.5 SWOT Analysis of the Informal Enterprises in Sierra Leone	35
Chapter Three: A case study of an informal sub-sector: Cross-border trade in an agricultural product (gari)	39
Chapter Four: Proposed interventions and action plan for the transformation and formalisation of the informal sector	45
4.1 Output 1: Governance, Policy and Regulatory Issues	45
4.2 Output 1: integrated policy framework for formalization of informal enterprises developed and promoted	45
4.3 Output 2: New Financial Services Developed and Promoted and Capitalization Opportunities for Financial Intermediaries Expanded	46
4.4 Output 3: Capacities of Informal Sector Intermediary Aggregators and Government Strengthened, and use of Digital Technology Promoted	47
4.5 Collective Action Platform	48
4.6 Actions Required Promoting the Selected Case Study Sub-sector: Cross-border Trade in Agricultural Products	50
Chapter Five: Conclusion and Recommendations	51
References	54
Annexes	55

Boxes

Box 1:	Changes in Ease of Doing Business indicators between 2010 and 2020	20
Box 2:	MPESA, Africa's largest Fintech platform, is facilitating financial inclusion in Africa	23
Box 3:	Box 3: Social Microfinance Project (MUNAFA)	32

Figures

Figure 1:	Percentage share of informal economy in GDP, 1990-2018	17
Figure 2:	Ease of Doing Business in Sierra Leone, Scores (2020)	20

Tables

Table 1:	Typology of informal enterprises across selected countries that Sierra Leone can learn from	23
----------	---	----

ACRONYMS

ACP	African, Caribbean and the Pacific	UNDP	United Nations Development Programme
BDS	Business development services	ECOWAS	Economic Community Of West African Countries
CSOs	Civil Society Organisations	AIDE	African Institute for Development and Equity
DCGE	Dynamic Computable General Equilibrium	CAFOD	Catholic Agency For Overseas Development
DSTI	Directorate of Science, Technology and Innovation	EESF	Enabling Environment for Sustainable Enterprises
EPAC	The Economic Policy Analysis Centre	CEO	Chief Executive Officer
FGDs	Focus Group Discussions	MSMEs	Micro Small and Medium Enterprises
ICT	Information, Communication and Technology	MUNAFPA	Social Microfinance Project
ILO	International Labour Organisation	OACPS	Organisation of African, Caribbean and the Pacific states
MDA	Ministries, Department and Agencies	EU	European Union
MIMIC	Multiple Indicators Multiple Causes	EISC	Employment Information Service Centre
MTNDP	Medium Term National Development Plan	USD	United States Dollar
NGO	Non-Governmental Organisation	BERF	Business Entity Report Form
SME	Small and Medium Enterprise	SL-DSTI	Sierra Leone Directorate of Science, Technology and Innovation
SMEDA	Small and Medium Enterprise Development Authority	NRA	National Revenue Authority
SWOT	Strengths, Weaknesses, Opportunities, and Threats	HSF	Herbert Smith Freehills
TVET	Technical and Vocational Education and Training	SDGs	Sustainable Development Goals
UNCDF	United Nations Capital Development Fund	GDP	Gross Domestic Product

EXECUTIVE SUMMARY

COUNTRY CONTEXT

The informal sector remains pivotal in the socioeconomic development of Sierra Leone. The sector plays a dominant role in the country's economy, as it accounts for about 90 percent of total employment, especially for the poor. It also serves as a shock absorber in periods of economic crises, playing a critical labour market stabilisation role, as well as addressing imbalances in the market for general goods and services in times of recessions.



The informal sector is dominated by activities from fisheries, food and agricultural processing, light manufacturing, trade, and tourism. However, there have been generally entrenched attributes of the informal sector that undermine its potential to significantly contribute to taxation, economic growth and transformation. These include low income among informal enterprises, low productivity, low capital investments, limited access to financial services, poor working conditions, high vulnerability to external shocks, and low level of education and business skills, among others.

Specific objectives of the study:



This baseline study is aimed at examining how challenges of the informal economy and enterprises in Sierra Leone could be addressed in a way to scale-up the importance of the sector within the broad framework of the government's development agenda. This is with a view to enhancing the sector's productivity and income growth using various instruments. This study is part of a larger study comprising six African, Caribbean and Pacific countries including Central African Republic, Haiti, Mozambique, Sierra Leone, Solomon Island, and Sudan.

Methodology



Desk reviews of relevant publications



21 in-depth individual interviews



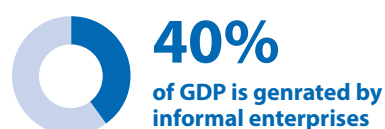
10 focus group discussions representing 67 organisations

The study uses both secondary and primary data to complementarily inform the investment required to scale-up the growth and transformation of the informal sector in Sierra Leone. The secondary data was obtained through desk reviews on the Sierra Leone informal economy, policies, and programmes. Primary data was generated through individual in-depth interviews and focus group discussions (FGDs) on the context and situation of informal enterprise activities in the country.

Key findings



The fieldwork acknowledged the pivotal role of informal economy in the socioeconomic development of Sierra Leone, especially as it relates to the enhancement of livelihoods and reduction of poverty for a majority of Sierra Leoneans with low income.



The Government has recognized the significance of this sector by initiating several reform efforts that made the country to be categorized as one of the top ten business reformers globally, including the simplified One-Stop-Shop for business registration, the cross-border trade reforms, the establishment of collateral registry for immovable assets, the development of the Fast Track Commercial Courts, the establishment of the Sierra Leone Small and Medium Enterprise Development Agency (SMEDA) and the enactment of the Sierra Leone Local Content Agency Act. A recent development was the adoption of the National Investment Board Act 2022 which aims to create one stop shop for foreign and domestic investors. It also integrates CAC (registration of companies), SLIECA and PPP Unit These, among others, create opportunities for the implementation of any informal economy project in the country.

Various factors were identified as drivers of informality, restricting the growth and formalisation of informal enterprises in Sierra Leone. These drivers include:

Main drivers of informality



Lack of access to adequate finance
e.g. only 20 percent of the adult population had access to financial services – even lower for women



Education
Literacy level of less than 50 percent



Business development skills
with 75 percent of workers being under-educated for their jobs

The lack of sustained dialogue between the government and informal entrepreneurs also impede progress of the past efforts in transforming the informal sector.

Several issues came up that affect the informal sector. These include:

- Bureaucratic bottlenecks, perceived tax burden on small businesses - with more than 50 percent of respondents raising this as a serious challenge;
- Unfavourable and discriminatory policies favouring certain businesses over others, thereby causing mistrusts among regulatory institutions and non-compliance with and avoidance of corporation obligation by small businesses;
- Some informal business owners also demonstrated other attitudinal issues, as many failed to formalise not because they were too small but because they were deriving more business benefits by remaining informal; thus not registering, paying taxes or adhering to formal regulations.
- Additional issues pointed out in the field include lack of effective informal sector ecosystem stakeholder platforms to facilitate business opportunities for the growth, expansion and transformation of small and unregulated businesses into formal enterprises;
- Weak infrastructure (energy supply, water system, roads and ICT), serving as limitations to past and ongoing efforts to promote formalisation;
- A low level of digital financial services and digital skills among the population slowed down enterprise formalization.

In spite of these limitations, there are opportunities that could be used to leverage the implementation of the planned informal sector transformation project. These include the existence of critical policies, programmes and initiatives such as the National Local Content Policy, the National Integrated Financial Framework, Sierra Leone Social Safety Net, micro credit schemes (such as MUNAFA fund – a social microfinance programme) coordinated through the Small and Medium Enterprise Development Agency (SMEDA), and the Handbook of Tax Incentives for Investment in Sierra Leone.

The introduction of the Sierra Leone Business Forum in 2007, the enactment of the Insurance Act of 2016, and the implementation of the National Social Security and Insurance Trust are other opportunities that could support enterprise formalization in the country. Others include the burgeoning digital financial services and business consultancy services in the country and the existing services provided by incubators (coaching, mentoring, etc.) and aggregators, such as agricultural cooperatives, unions and business associations facilitating access to business services for enterprises.



Identification of a case study informal sub-sector

Cross-border trade in agricultural products was identified as a sub-sector that could be prioritised and piloted for informal sector transformation, with a focus on gari¹ (a product processed from cassava) export. Agricultural products were noted to account for a greater percentage of cross-border trade between Sierra Leone, Guinea and Liberia, with gari accounting for the largest volume of frequently traded food products from Sierra Leone to Guinea and Liberia.

This sub-sector, if adequately developed and regulated, could be a major export earnings - through enhanced exports to all West African countries – and its by-products (e.g. starch) could be exported globally.² Apart from promoting intra-African trade through the African Continental Free Trade Agreement within West and Central African regions where gari is a staple meal, this sector has the potential to be a major source of value chain development, employment and wealth creation for the country.

Proposed Interventions for project action

The following are integrated, recommended solutions for project action generated from the various sources of data analysed during the study for Sierra Leone:

Output 1

Integrated policy framework for formalization of informal enterprises developed and promoted. This includes providing technical and financial support to the development and communication of the national agenda for informal enterprise formalization in a way that makes formalization less costly and more simplified. This includes updating the National MSME Development Strategy, updating the online platform to streamline cross-border trade procedures, and the implementation of the One-Stop-Shop policy.

Output 2

Development and promotion of new financial services and expansion and capitalization opportunities for financial intermediaries. This includes providing technical and financial support to facilitate innovative financial services and products, innovation challenge awards, and matchmaking events. This project will contribute to the implementation of the National Financial Inclusion Strategy (2022-2026), drawing lessons from ongoing and past initiatives like the Social Microfinance Project (MUNAFA).

Output 3

Strengthening of capacities of informal sector intermediary aggregators and government and promoting the use of digital technology. The strategic focus of this is facilitate training of trainers through aggregators (e.g., the Women Cross Border Traders' Union; the Sierra Leone Chamber of Commerce, Industry and Agriculture; and the National Federation of Farmers) and incubators (e.g. Innovation Sierra Leone, SMEDA, and TVET centres) on digital and financial literacy, business service development, enterprise governance, recordkeeping and accounting, and management of innovation challenge and awards. This project should leverage the rising trend of digital financial products and payment platforms (e.g. the orange money, the Afri-money, the Rokel Commercial Bank's payment platform).

¹ Gari is made from cassava and it is used as a snack, cereal, or meal across many West African countries especially Sierra Leone, Liberia, Guinea, Ghana, Benin, Nigeria and Cameroon).

Output 4

Establishment of operationalization of sectoral collective action platforms. This includes providing technical support to strengthen collective action platforms, facilitate their use in co-creating and co-owning enterprise development solutions including pressure groups and management of economies of scale. Some of these include the Women Cross Border Traders' Union; the National Traders Association; the Sierra Leone Market Women's Association; the Sierra Leone Chamber of Commerce, Industry and Agriculture; and the National Federation of Farmers as well as SMEDA and the National Investment and Export Promotion Agency.

Output 5

Identification of actions required to promote the Gari subsector and cross-border trade in agricultural products. Proposed actions include the provision of insurance facilities for agricultural products traded across the border; tax incentives for this trade, particularly for those that are willing to formalize; cross-border security guide and advice to traders; storage facilities for traded products, including establishment of such facilities at border crossing points to promote health safety and standards; and special support for women and youth participating in this trade including business governance, bookkeeping, accounting and mentorship for start-ups, among others.

In conclusion, the transformation of informal enterprises through improvement in productivity, incomes, and working conditions is key to achieve inclusive, resilient, and sustainable development in Sierra Leone. In this regard, addressing policy and regulatory, capacity and skills, finance and operational challenges remain critical. Accordingly, there is need to build on existing initiatives and draw lessons from past efforts to empower and capacitate informal sector aggregators and incubators, and to facilitate knowledge exchange across countries that have successfully transformed their informal enterprises. Several projects come to mind in this respect including the IFC's National MSME Development Strategy; the World Bank Youth Employment Support Programme and the Sierra Leone Economic Diversification Project; the UNCDF-UNDP Project; the UNCDF's Financial Inclusion and Innovation Capacity Building Project; EU funded Employment Promotion Programme (implemented by GIZ); and the Entrepreneurs du Monde's Social Microfinance Project (MUNAFa).

CHAPTER ONE

Background and Context

1.1 INTRODUCTION

Sierra Leone is a naturally endowed country with large deposit of iron ore, diamond, gold, platinum, coltan and columbite. The country has a fertile land, forestry and fishery assets. Despite being a small country with a population of 7.98 million in 2020, it is one of the low-income countries with a per capita income of about US\$515 and dependent on iron ore as its major export.² The country was ravaged by protracted wars and conflicts which led to its poor and inadequate infrastructure (like electricity, transport and water). The outbreak of the Ebola virus further depleted the country's resources thus constraining the growth of the private sector and inclusive development the more. Although the country has conducive, large arable land, it is largely uncultivated. It also tends to trade more with countries outside the continent than its neighbours and regional counterparts. These development challenges have shaped the performance of informal enterprises in Sierra Leone.

The near absence of a robust organized private sector accounts for the growth of the informal sector³ in the Sierra Leonean economy (Kobayashi and M'cleod 2021). The records show that only 2,300 businesses were officially registered in 2017 compared to 13,500 in Rwanda during the same period. This is so because of the free entry into and exit from the informal sector and given its limited or no regulations, and low set up costs in establishing MSMEs. Stakeholders commend the resilience of the operators as and how they deploy their coping strategies and shock absorbers in challenging economic contexts (including during economic crisis or recession).

At the national level, informal employment is especially high among youths and women, the former accounting for about 89.4 percent, while for the latter, 57 percent. Informal sector operations are generally far higher in the rural areas of Sierra Leone than in the urban areas. A 2017 report noted that total employees in the urban informal sector stood at 725,000 compared to about 1,500,000 in the rural areas.⁴

Informal enterprises are the main sources of employment activities, accounting for about 90 percent of the labour force and about 42 per cent of overall economic activities (Elgin et al, 2021). The fact that 90 per cent of the labour force contributes only 40 per cent to the national GDP manifests a low level of productivity in

² See <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=SL>

³ In this report, informal economy refers to all economic activities that are not supported or inadequately supported by formal provisions or arrangements (ILO, 2002). And for operational purpose, it is defined as a collection of firms, workers, and activities that operate outside the legal and regulatory frameworks thereby avoiding taxation and regulation without benefiting from the state protection and services (De Soto, 22009).

⁴ See Ngwabe and Morttey (2021) for the youth and gender dimension and Brima and Turay (2017) for the rural and urban dimension.

this sector. This may not be surprising given that only 20 per cent of the population operates bank accounts (DBA, 2022). Among the unbanked population are artisanal miners, market women and large local retailers who all rely on collective financial mechanisms. The informal economy operates in the context of a poorly functioning labour market.

Despite the categorization of Sierra Leone as one of the top ten business reformers globally by the World Bank Ease of Doing Business in 2019 (World Bank, 2019) with its 'One-Stop-Shop' for business registration, the country is still noted for its limited progress on ease of doing business for micro and small businesses and the formalization of informal enterprises in the country.

Most actors categorised the informal economy as a "life support". Some studies (World Bank, 2021), show that seven out of every ten informal enterprises are in business for survival, which makes formalization challenging, since their owners do not consider them as long-term investment or employment. A majority of stakeholders echoed this view during the interview and discussion sessions.

Researchers have attributed several reasons to this survivalist approach of informal enterprises. These include lack of skills, low training opportunities, limited education and absence of job opportunities in the formal sector. Other impediments to MSMEs activities include low market demand, complex and multiple taxes, high cost of inputs and services, poor infrastructure and limited access to low-interest loans, poor access to and erratic supply of electricity, and absence of social security benefits. Generally, informal sector operators echoed that the regulatory environments are more supportive to large enterprises as opposed to MSMEs. From the studies and fieldwork conducted, it was evident that informal enterprises are vulnerable even under normal situations, becoming more precarious when they face high occupational risks, absence of risk management instruments, and lack of social safety nets.⁵ This often leads to the early demise of MSMEs.



The foregoing explains Sierra Leone's limited progress in the formalization of its informal enterprises despite the reforms it has undergone. Tackling these challenges is necessary for the transformation and formalization of informal enterprises in the country.

1.2 BASELINE STUDY OBJECTIVES

This Sierra Leone's informal sector baseline study is part of a larger study comprising six ACP countries: namely, Central African Republic, Haiti, Mozambique, Sierra Leone, Solomon Islands, and Sudan. The baseline study for each of these countries aimed at examining the challenges facing the informal economy and providing suggestions that could accelerate its role and importance. It also aimed at bringing the informal sector into government's development equation and agenda, enhance the sector's productivity, income growth, and promote formal-informal linkage.

⁶ The Policy defines MSMEs as a registered (formal) or unregistered (informal) business that employs 1 – 50 people, has an annual turnover between SBD0.3m – SBD50m with a capital investment no exceeding SBD7.5m (Solomon Islands Ministry of Commerce, Industries, Labour and Immigration (MCIL): MSME Policy 2016).

In this regard, the study tasks were grouped into two segments as follows:

	Undertaking the baseline assessment based on an ecosystem development approach to examine the opportunities, challenges, and strategies for transformation.
	Focusing on the preparation of a 4-year budgeted workplan for the implementation of the transformation of the informal sector.

1.3 METHODOLOGICAL APPROACHES

The study benefits from secondary and primary sources of information combined into analytic qualitative approaches. The secondary sources relied on desk research and review of existing studies on informal enterprises in Sierra Leone, which set the climate for the structure of the primary survey.





The secondary data sources were complemented by field surveys comprising:

	21 in-depth individual interviews		10 focus group discussions comprising 67 representatives of ecosystem stakeholders
---	--	---	---

In addition, the stakeholders' validation workshop provided more insights and illumination to the findings. For the detailed description of the methodological approaches, see annexes 1-3 and the full analytical background report.

1.4 ANALYTIC FRAMEWORKS AND APPROACHES

For consistency with the objective of the study, secondary data was obtained on four broad analytical areas:

			
Contribution of the informal sector to the national economy.	Drivers of informal economic activities.	Emerging policy considerations.	The potential sector to prioritise for pilot case study based on the existing literature.

For primary data analysis, to inform the action plan for the transformation of the informal sector, data was obtained on seven broad analytical areas, outlined as follows:

1.	Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis of the informal sector.
2.	Drivers of informality at macro-sectoral and micro levels
3.	Challenges hindering formalising and transforming of the sector
4.	General causes of past efforts' failure to grow and transform informal sector
5.	Case study sector to prioritise in order to transform the informal economy
6.	Practical solutions for transforming and formalising the informal sector and the role of various stakeholders in the implementation of such solutions
7.	A four-year result-oriented action plan and budget for the transformation of informal sector

The analytic approach is qualitative using descriptive and graphical analyses. The choice of the sector to prioritise in the informal economy transformation was based on the multiplier effect the sector or sub-sector would make in driving the overall informal sector into expansion and formalisation. The knock-on effects it will have on other sectors and the employment opportunities it would generate including its potential to reduce overall poverty and address gender exclusion are among other criteria for the choice of the case study sector.

1.5 LIMITATION OF THE METHODOLOGY AND DATA GAPS

Due to time constraint, primary data collection was only limited to Freetown, the capital of Sierra Leone. In future, there will be a need for a nationwide analysis of the informal sector more so on specific project intervention and to ascertain regional and rural context so as to better inform project actions. The data brought out salient implications of migration (especially irregular movement within and across borders) for the intensification of informal economy in Sierra Leone. In the future, there will be need to interrogate the developments of the informal sector interfacing with irregular migration, as well as security. To have a better understanding of the operations and the nuances of the informal sector should be institutionalised and be made a continuous process. An action plan was developed based on the project output, targeted at supporting a range of informal sector activities.

CHAPTER TWO

Status of the Informal Economy in Sierra Leone

2.1 INFORMAL ECONOMY'S CONTRIBUTIONS TO SIERRA LEONE'S ECONOMY

The informal sector plays a dominant role in the Sierra Leonean economy. The sector's total employment declined from 92.4 percent in 2009 to 86.0 percent in 2021, composed mostly of the youth and women (Elgin et al, 2021).⁶ For instance, 89.4 percent of youth and 57 percent of women are in informal employment at the national level. Informality is generally far higher in the rural areas than in the urban areas as shown in a 2017 report where total employees in the urban informal sector stood at about 725,000 compared to about 1,500,000 in the rural areas.⁶

The informal sector serves as a sponge for the distress in the formal sector. Evidence from Ngwabe and Morttey (2021) and UNCDF (2021) reveals that 7 in 10 entrepreneurs are in business for survival reason, while 35 percent are socially motivated (e.g., creating jobs) and 33 percent take advantage of emerging or future opportunities or business growth. The informal sector actors chose to operate in this sector because they lack skills, training opportunities, have limited access to formal education, lack access to financial services and could not find jobs in the formal sector.

Gender representation in the informal sector is obvious and should inform policy actions given that women outnumber men in the sector, accounting for 57 per cent of informal jobs in the country. On aggregate, seven out of ten women are involved in informal economy (UNDP, 2020). It is even more pronounced among female youth in informal employment (91.0 percent), compared to male youth (87.7 percent) (ILO, 2017).⁷ The irony in this outlook is that while it is understood that women outnumber men in the country, fewer businesses are owned by women, which further reinforces the fact that they are pushed to the margins of the economy. Therefore, promoting women entrepreneurs should be a policy priority of governments, especially through the Small and Medium Enterprises Development Agency.

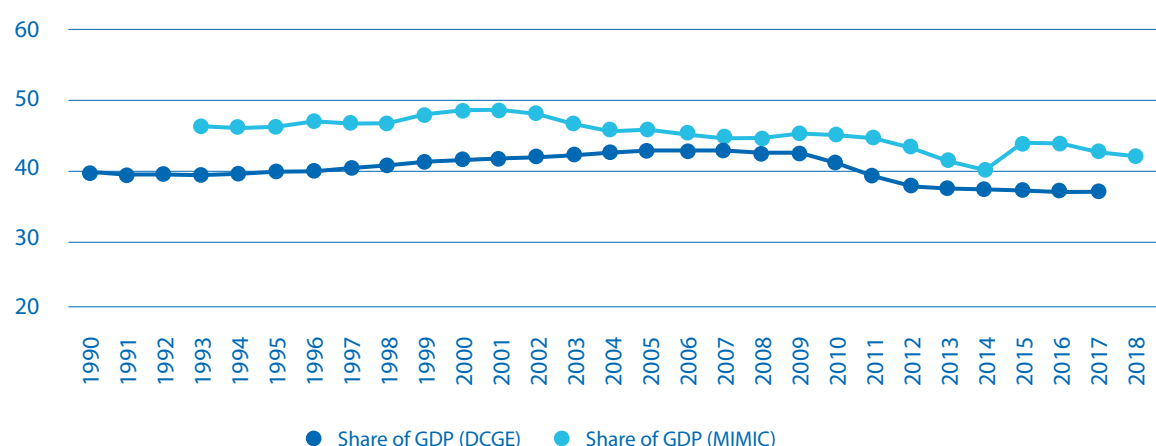
The share of the informal economy in the national GDP is very high standing at 42 per cent in 2018, compared to about 50 percent in 2001 (See Figure 1). This cuts across agriculture, artisan activities, service provision and construction sectors. This translates to US\$5.8 billion in purchasing power parity in 2020. From both the employment and GDP contribution angles, the informal sector is the metabolism of the Sierra Leonean economy.

⁶ See Elgin et al (2021) and Ngwabe and Morttey (2021) for employment context, ILO (2017) and Brima and Turay (2017) for the youth, gender, and rural-urban dimensions.

⁷ A similar trend holds for own-account workers and unpaid family workers where young female outnumbered young male, 84.5 percent and 71.6 percent respectively (ILO, 2017).

However, for a sector accounting for about 90 per cent of the workforce to generate only 42 per cent of GDP shows low productivity. The low unemployment rate of 4.5 per cent in 2018 is a manifestation of disguised unemployment in the informal sector (especially agriculture), low productivity jobs in the informal sector, and poorly functioning labour market (Kazushige and Herbert, 2021). To improve productivity in this situation will require accelerated vocational training and education, vigorous micro and small enterprises development and expanding access to affordable finances.

Figure 1: Percentage share of informal economy in GDP, 1990-2018



Source: Author's computation from World Bank Database (Elgin, et al, 2021)

Note: DCGE stands for the Dynamic Computable General Equilibrium approach and measures how households allocate labour between formal and informal economies within each period and how such allocation changes over time. The MIMIC represents Multiple Indicators Multiple Causes approach and MIMIC captures both the level of employment and productivity in the informal sector (Elgin et al, 2021).

In Sierra Leone, both the formal and informal sectors of the economy are highly linked; hence they are interdependent. For instance, most goods and services produced in the informal markets are sold in the formal markets. For example, stones, sand, and the fish industries in Portee, Rokupa, Moyiba, and Freetown provide inputs to housing construction and food in both the formal and informal socioeconomic system in the city. Fish, for instance, is a major source of food for casual workers in the formal sector.⁸

The gold mining sector contributes significantly to the farming sector as money derived from mining is used in financing farming activities. Gold from artisanal mining is also an important source of cross-border foreign exchange (Moonachie and Hillson, 2019). Therefore, bringing artisanal miners into the legal domain, improving their working conditions, including them in the financial system and linking them to markets would be critical to promoting intersectoral linkages. The support provided by EU in this direction is noteworthy, such as related to initiatives like GemFair in the artisanal mining sector and the EU Funded REGO Programme (www.giz.de/en/worldwide/15792.html).

⁸ <https://www.futurelearn.com/info/courses/african-cities/0/steps/48339>

The preponderance of informal economy poses a serious challenge to the decent job agenda of the Government of Sierra Leone. Addressing this challenge calls for medium- to long-term interventions for skills development, improving the low level of education and vocational training, expansion of access to formal knowledge acquisition and increasing access to financial services.

2.2 DRIVERS OF INFORMAL BUSINESS OPERATIONS IN SIERRA LEONE

A range of factors contributing to the existence of large informal economy have been generated from the desk review, individual in-depth interviews and focus group discussions undertaken on the field. Most of these factors are consistent in all the different study methods used. Several factors, both structural and non-structural are responsible for the high level of informal economic activities in the country. Some of the key ones are examined below.

2.2.1 Macro Related Factors

Protracted conflicts and crises

The Sierra Leone protracted wars of 1991-2001 distorted the market environments significantly. They undermined the legal, financial, and infrastructural fabric that could have supported the formalisation of the informal sector. This accounts for the large informal economy at the expense of formal economy. The double tragedy of Ebola and primary commodity price fluctuations, among others, led to the decline in the informal sector contribution to the economy between 2012 and 2015. This has been exacerbated by the COVID-19 effects, coupled with the fallout of the war in Ukraine.

Development policy neglect of the sector

The informal sector has been neglected for a long time, perhaps owing to the misconception that small enterprises could not yield large taxes, significant rents or offer significant political patronage. The policy focus has been more on the overall private sector development and market reforms that treat both formal and informal sectors as being homogenous.

Poor governance

Most studies on the informal sector in Sierra Leone mentioned the imperative of good governance for enhanced trust between business operators and government officials in terms of efficient use of public resources and commitment to policy implementation. Generally, more efforts should be put into improving governance and institutions for effective service delivery, including transformation of the informal sector.

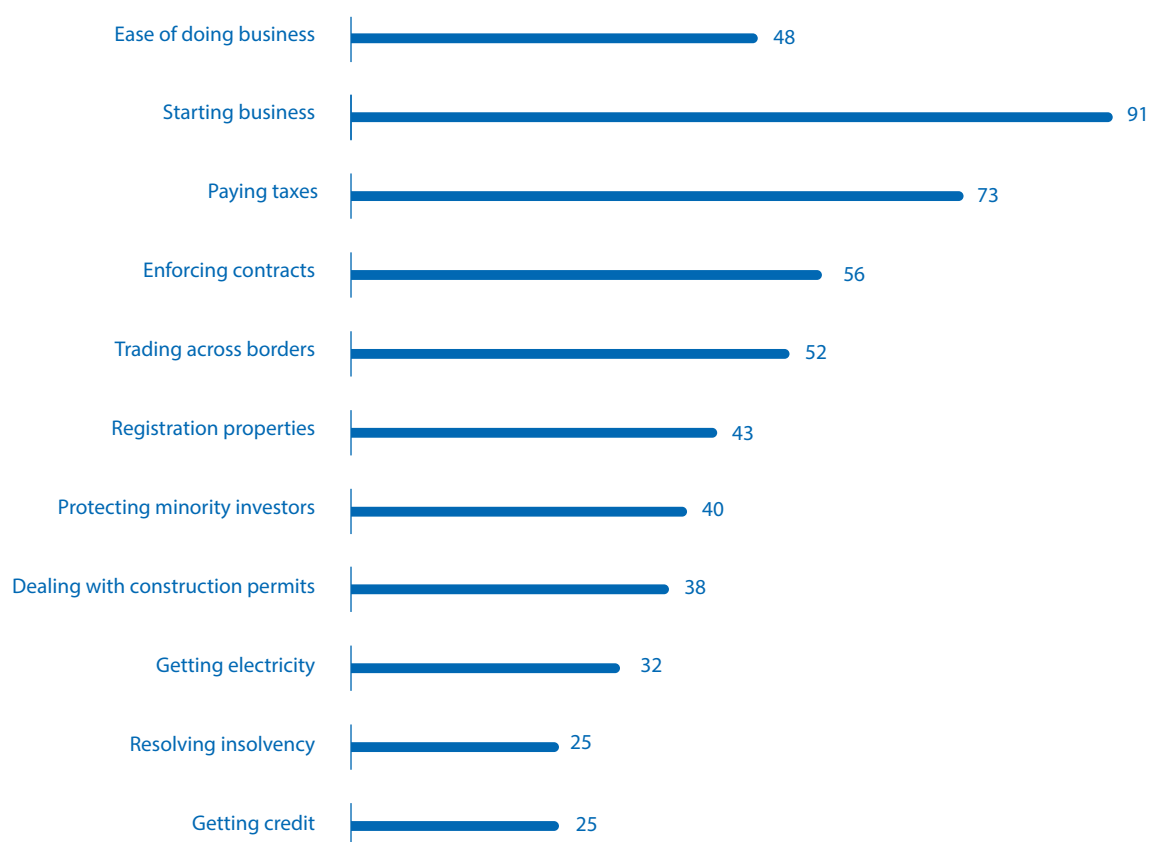
World Bank (2022) concludes that while only 10 percent of SMEs are registered in Sierra Leone – all struggle to grow – because of business operating environment like very limited access to finance and land, unreliable electricity, high tax rates, and prohibitive customs and trade regulations. This shows that in the context of Sierra Leone, formalization is a necessary but not a sufficient condition in the transformation of the informal sector. Addressing the underlying causes of informality and redressing trust deficit comprehensively between the government and the people remains critical.

The recent efforts to upgrade the customs electronic data interchange system, which reduced the time for import documentary compliance has improved across border trade. With a high level of commitment, this is an indicator whose continuous improvement could positively impact other indicators towards improving the business regulatory and legal environment for transformation of the informal sector.

Further evidence from World Bank (2022) reveals that the recent stricter enforcement of tax laws and the automation of taxation processes (particularly the roll-out of Electronic Cash Registers for the administration of goods and services tax), and the integrated Tax Administration System (for the electronic registration, filing and payment of taxes) could serve as opportunities for enhanced ease of doing business and promote enterprise transition from informal to formal sectors. (See Box 1 for areas of progress and challenges).

There is need to build on areas of improvement and learn from other countries like Mauritius, Rwanda, Botswana, Ghana, and Cote d'Ivoire on areas such as enforcing contract, cross-border trade, getting credits and electricity, and resolving conflicts.

Figure 2: Ease of Doing Business in Sierra Leone, Scores (2020)



Source: Author's computation from <https://www.statista.com/statistics/1244779/ease-of-doing-business-in-sierra-leone-by-topic/#:~:text=In%202020%2C%20Sierra%20Leone%20scored,only%2025%20index%20points%20each.>

Note: EODB has been discontinued based on allegation of ethical issues.

Box 1: Changes in Ease of Doing Business indicators between 2010 and 2020

Although overall ranking declined from 148 out of 183 countries in 2010 to 163 out of 190 countries in 2020, there has been some noticeable improvement across the Ease of Doing Business indicators.

1. Improvement in business registration since the One Stop Shop was introduced in 2010. The number of days required for business registration fell from 12 to 8 days and the number of procedures fell from 6 to 5. This is still less than 7 in Ivory Coast, 14 days in Ghana and 4 days in Rwanda.
2. Documents required to complete construction permits fell from 25 to 17 while the number of days required fell from 283 days to 182.
3. Credit registry coverage (as percentage of adult) rose from zero to 2.1 percent and strength of legal rights index (0-10) improved from 5 to 6.
4. The number of days required for registering property improved from 236 days to 56 days and the cost (percentage of property value) improved from 12.4 percent to 10.6. However, the time required to enforce contract and the cost of resolving insolvency remain unchanged while trading across borders worsened with new reforms imposing time for documentation of 72 hours and border compliance time of 55 hours. The average cost to terminate workers – estimated to be about 189 weeks of salary – remains very high.

Sources: World Bank 2009 and 2019; and EESE, ILO and SJDW (2019).

Other Bottlenecks affecting performance and productivity

The informal sector operators face several challenges including:



High frequency of harassment from local government officials (especially official tax collectors and regulatory enforcers) and unions in terms of the confiscation of goods and services and constant request for bribes by government officials.



The proliferation of organizations⁹ and individuals who enforce laws, and collect taxes and levies. Owing to a multiplicity of levies and bribes collected through harassments, the profit margins of informal operators are badly affected thereby affecting their wellbeing and demotivating the informal actors from transforming to the formal sector.



Lack of proper policy coordination to regulate the activities of the sector further complicates the existing challenges.

⁹ Some of these include, for instance, tax: National Revenue Authority, district councils and local councils; law enforcement includes police, sanitary officers, community groups, unions, etc. (Sandy, 2016).

Weak credibility and trust in government.

Lack of credibility and trust in public offices, partly because of corruption, has been a major factor responsible for the informal sector operators resisting formalisation. Strong evidence is provided by Jofre-Bonet et al (2021) on how corruption negatively affects informal sector operators from participating in or paying for public health insurance scheme in Sierra Leone. Corruption either through bribes or unofficial payment or misuse of public funds for private use makes insurance schemes costly and unaffordable to informal economy operators.¹⁰

2.2.2 Lack of access to finance

In spite of about 143 formal financial institutions (including commercial banks, community banks, microfinance institutions, mobile money operators, and financial services associations) operating in the country in 2020, only 12.4 per cent of adults in Sierra Leone have a bank account while 19.8 per cent had access to formal financial services (UNCDF, 2021). The high operating cost discourages these financial institutions from going into the rural and under-served areas of the country, which made most of them concentrate in Freetown. This further highlights the high degree of financial exclusion and dominance of informal operations in the economy. Evidence from the World Bank reveals that financial inclusion has been declining in recent times due to multiple challenges (EBOLA and primary commodity bust), is lower for women (15 per cent), the poorest 40 per cent of the population (12 per cent) and those living in rural areas (14 per cent) (World Bank, 2018). There is the possibility that COVID-19 pandemic could have worsened this trend.

Limited access to finance is a major impediment to informal economy transformation. Finance and lending systems remain informal and unregulated in Sierra Leone, leaving informal sector operators susceptible to exploitation. Borrowing money from informal lenders above the market rates or exchange of informal sector goods for future goods (repayment in kind in several cases) below the market price all lead to exploitation of informal entrepreneurs. A good example of this is the artisanal miners that sell gold to their buyers at lower market price in repayment of their loans (Moonachie and Hillson, 2019).

A recent survey of digital and entrepreneurial ecosystem reveals that over 50 per cent of entrepreneurs mentioned access to affordable finance as the main challenge hindering their growth and expansion. In fact, 66.5 per cent of them mentioned own-capital and savings as their main source of finance, while others mentioned loans and gifts from family and friends as the main sources (Ngwabe and Morttey, 2021; UNCDF, 2021).

The informal actors' lack of interest in bank loans is attributed to the high cost of loans (which hovers around 20-30 per cent annually with no hope to finance long-term loans); coupled with the cumbersome collateral requirements. The value of collateral required for loans in Sierra Leone is one of the highest globally – 355 per cent of the loan compared 200 percent globally and 215 per cent in Sub-Saharan Africa (World Bank, 2022). In addition, most informal sector operators lack financial literacy and knowledge of record keeping, while

¹⁰ The country's score of 34 ranks it as 115/180 in the 2021 Corruption Perception Index – an improvement from the score of 29 in 2015. <https://tradingeconomics.com/sierra-leone/corruption-index>

their capacity to save, set targets, do business planning and undertake risk management is very weak this further worsens their access to financial services.

To address the challenges of access to financial services to informal sector actors, it is important to understand the challenges and issues raised by the financial intermediaries as well as the informal actors themselves. At the same time, it is important to understand the source of financing currently used by the different informal actors for instance:

- Entrepreneurs operating in the real estate sector rarely use the banking system
- Artisanal mining communities operate mainly outside the formal banking system
- Market women use collective financing mechanisms to finance their business
- Large local retailers trust and rely on informal ethnic associations rather than the formal banking system in financing their activities

Sometimes, it is not lack of opportunities to participate in the formal banking system but informal sector operators are discouraged by stringent conditions to access finance. Informal entrepreneurs mentioned some hidden benefits that the informal actors get from the informal lenders. The favourable terms and conditions from informal lenders like ease of access, no collateral requirements, and limited documentation requirements make informal lenders more attractive to the formal banking system in Sierra Leone. Most informal lenders are predatory and rent-seekers, yet informal sector operators believe in them than the formal banking system because of ease of access.

In addition, other informal actors choose to operate outside the purview of the banking system as a way to avoid legal obligations that attract certain operating costs in the formal system. This form of informal business behavior is referred to in the literature as parasitic (see Table 1 on a typology of informal enterprises across other countries).

Table 1: Typology of informal enterprises across selected countries that Sierra Leone can learn from

Typology	Brazil	Sri Lanka	Benin	Mozambique
Productive (opportunistic) informal firms	9.3	5.0	18.0	7.6
Survivalist (necessity) informal firms	48.8	67.0-75.0	-	57.7
Parasitic informal firms	41.9	20.0-28.0	-	34.6

Note: no figures could be found for Sierra Leone, however the table demonstrates learning from other countries which may reflect the status of informal enterprises in Sierra Leone

Sources: Author's compilation from (Ulyseas, 2018) and Porta and Schleifa, 2014) for Brazil; De Melo, et. al. (2013) for Sri Lanka, Benhassine et al (2018) for Benin, and USAID (2009) and Aga et al (2021) for Mozambique.

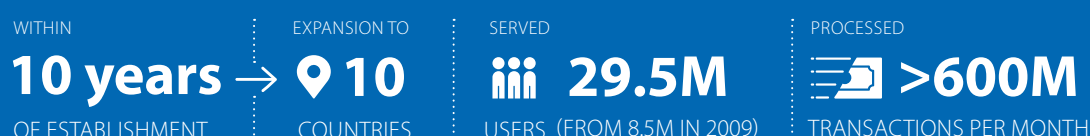
The UNCDF survey of Sierra Leone's digital and entrepreneur ecosystem observed that 70 percent of entrepreneurs interviewed were doing business only for survival while very few businesses indicated business growth as part of their plans for starting a business. Lack of business development skill training, lack of financial and digital literacy and limited access to finance are major reasons mentioned by participants.¹¹

The above implies that by addressing the challenges of access to financial services, there will be a need to understand the country's financial sector markets so as to design appropriate interventions that meets the financial needs of the informal actors.

The project could consider replication of the transformative role of MPESA in Kenya with a view to drawing lessons for the transformation of the formal financial sector in Sierra Leone. MPESA evolves from a simple money transfer platform to a multi-purpose platform that transfers money from person to person, makes payments, trades in pre-paid airtime, stores electronic money in SIM card, connects with individual savings account, and sends remittances. Box 2 provides illumination on how contextualizing MPESA to Sierra Leone could help enterprise formalization and transformation.

Box 2: MPESA, Africa's largest Fintech platform, is facilitating financial inclusion in Africa

MPESA, a mobile payment system established by Vodafone's Safaricom and Commercial Bank of Africa (CBA) in March 2007, is changing the landscape of mobile money payments in Africa. It evolves from a simple money transfer platform to a multi-purpose platform that transfers money from person to person, makes payments, trades in pre-paid airtime, stores electronic money in SIM card, connects with individual savings account, and sends remittances.



In Kenya alone, 26.7 million out of 33.0 million with mobile phones registered for financial service account. By March 2022, it had 51 million active customers, 465,000 businesses, 600,000 agents, and 42,000 developers in seven African countries.¹² Its domestic transactions in Kenya are more than the total value of transactions processed by Western Union globally – making MPESA to be the largest Africa's fintech platform with total transactions valued at euro 63 billion (USD66.24 billion) in 2021. Between 2006 and 2019, MPESA led to 56 percent increase in financial services and products and 2.0 percent in poverty in Kenya.

¹¹ <https://www.uncdf.org/article/7372/sierra-leone-boosting-entrepreneurs-skills-with-financial-and-digital-literacy-trainings>

¹² These countries are Kenya, Tanzania, Mozambique, the Democratic Republic of Congo, Lesotho, Ghana, and Egypt. Other countries that had adopted MPESA are Afghanistan, Albania, India, Romania, and South Africa. However, due to low uptake in Albania, India, Romania, it has been discontinued.

Box 2: MPESA, Africa's largest Fintech platform, is facilitating financial inclusion in Africa
(continued)

The establishment of M-Shwari product (by CBA in 2012 to utilize the MPESA platform, which attracted 14 million customers by January 2016) allows people to save and borrow within a very short time, less paperwork, and least charges. The product obviates stringent and unfavourable account opening for low-income earners and those living in rural areas as well as helping to meet the liquidity needs of microenterprises. MPESA offers simple and least cost registration, comfortable and hassle free, and low-value and accessible electronic payment (including cross border remittances), saving and borrowing platform.

MPESA has revolutionized the bank-dominated financial system to a non-bank financial system. It facilitates financial inclusion by bringing the unbanked population into modern, affordable, and useful financial services to the marginalized. It evolves from a basic SIM card-based money transfer platform into a financial and merchants' payment services hub - facilitating bills payments and offering loans and savings in partnership with local banks and merchants. In Kenya alone, within about two and a half years, the total number of MPESA stores and agents (14,800) outnumbered the sum of ATMs, bank branches, total post offices, and post bank branches and agents. It led to increase of adult population having access to financial services (banks, mobile money providers and insurance products) from 14 percent in 2006 to 83 percent in 2016. The growth of micro deposit account (equivalent of \$1000 and below) rose from 4.12 percent in 2007 to 33.96 percent in 2015. The big data associated with MPESA is being used as collateral for credits by commercial banks, microfinance institutions and cooperatives. Making formal services available to informal businesses and workers is a form of formalization that has made Kenya a fintech leader in Africa.

THE SUCCESS FACTORS INCLUDE:

- 1. Establishing regulatory frameworks** for the various aspects of MPESA (including the Central Bank of Kenya Act 2003, the Communication Law 2006, the Trust Account Law, and the National Payment Guidelines);
- 2. Using brand to create awareness** and build trust;
- 3. Building the platform on users experience** and creating extensive retail agents that offer cash in/cash out services that meets the need of users; and
- 4. Basing customer pricing and agent commission structure on customers' ability and willingness to pay.** Making fintech affordable, comfortable, and accessible is vital to enhancing its utility with low-income earners and micro-enterprises. Key policy lessons for replicating this include enabling legal and regulatory environments for market-driven financial services, fostering partnership among telecommunication companies, financial institutions and governments, and promoting coordination between relevant regulatory authorities.

Sources: Mas and Ng'weno (2010), Ndung'u (2017), and Oluwole (2022).

Limited access to digital services:

Digital services are at an infancy stage with only two telecommunication companies and few commercial banks using mobile devices to handle digital financing. Some of the barriers to accelerated digital services include regulatory barriers, limited digital skills, low level of literacy, limited awareness on available services and limited access to internet connection.¹³

Absence of affordable social security and insurance schemes

Another impediment to the transformation of the informal economy is the absence of insurance in the face of occupational, safety, health, and environmental hazards. This includes the absence of insurance for loss of incomes or jobs or social security, social networks and saving buffers to protect the informal actors against unforeseen economic shocks and the associated risks (UNDP, 2021).

Stakeholders mentioned absence of health insurance as an impediment to their productivity. The Community Health Insurance Scheme in Ghana, which brought about 33 percent of Ghanaian population within the first ten years of its implementation under health insurance coverage, improved health care seeking behaviours and health outcomes, and reduced out-of-pocket health spending (IFPRI, 2013) could be another tool to promote for informal workers and entrepreneurs' productivity and livelihoods. Learning from Ghana on rural and community-based insurance scheme, built on ability to pay principle has been one of the good practices in developing countries and could yield some dividends in Sierra Leone towards formalisation.

In Sierra Leone, social protection initiatives in the formal sector remains ad hoc and fragmented despite the provision of the 2016 Insurance Act that mandated employers of enterprises with five workers and above to insure them. For instance, since the establishment of the National Social Security Insurance Trust Fund, only 4,287 informal economy workers have been covered (DTUDA, 2020). Using trade associations to reduce and mitigate risks for informal sector workers could be catalytic.

Building the informal actor's capacity to mitigate risks should be prioritized by the governments and other stakeholders. By enforcing and broadening the coverage of existing labour laws so as to strike a balance between job creation and social protection in the informal sector is key implementation strategy.

2.2.3 Limited Technical Capacity

Low level of education

In Sierra Leone the low level of education makes the informal economy very large and self-perpetuating. About 25 per cent of those supposed to be in primary school are not in school while literacy level of 48 per cent as of 2015 (ILO, 2017) is one of the lowest globally. This accounts for limited skills in the informal sector. As of 2015, about 75 percent of employed youth were categorized as undereducated for the jobs they were doing while 56.4 per cent of young women and 39.0 per cent of young men had no schooling or training or dropped out before graduation (ILO, 2017). This shows women are more vulnerable than men in the informal employment.

¹³ See 2017 Global Findex and UNCDF Annual Survey 2018 for more information on digital services in Sierra Leone.

This is further complicated by limited access to quality education, inadequate training opportunities, and lack of business development skills (e.g., Ngwabe and Morttey, 2021). The required training includes digital literacy, financial literacy, business development and entrepreneurial skills.

Bridging the training and skill gaps calls for implementation of a combination of different sustainable strategies including introducing digital and financial literacy in the school curriculum.

The Sierra Leone Market Women's Association has facilitated training of their members in key business skills, peer to peer learning and support, access to markets and networks, and facilitating access to capital.¹⁴ Building on the successes of the Sierra Leone Market Women's Association on microfinance and capacity development for women could be a source of inspiration for transformation.

2.2.4 Lack of ecosystem stakeholders' platform

The absence of an ecosystem stakeholders' platform for information sharing and problem solving is a major challenge. As argued by UNDP (2020) and UNCDF (2021), three fundamental issues have been raised on this bottleneck:

1. Lack of an existing platform that provides adequate data and information on youth entrepreneurship characteristics, problems, solutions, as well as to validate issues of common concerns. There used to be an Employment Information Services Centre (EISC), with some autonomy under the Ministry of Labour and Social Security to serve this purpose during the post-conflict phase of Sierra Leone up to 2003/04; but it has since stopped operations and is currently non-existent.
2. Lack of coherent data among all the legitimate bodies addressing issues with the formalization of youth businesses, including Corporate Affairs, Local Councils, and Office of the Administrator General. The absence of this makes it impossible to have an up-to-date database to inform the establishment of problem-solving and sharing experience platform. This makes it difficult to have a platform that connects its members to professional networks, as well as labour-ready and entrepreneurship skills.
3. Absence of a directory of ecosystem players, consolidated processes and marketing and advertising in the promotion and transformation of informal sector operations.

¹⁴ World Bank (2022) provides additional illumination to this.

2.3 PAST EFFORTS TO TRANSFORM AND FORMALIZE INFORMAL ENTERPRISES

2.3.1 Regulations and regulatory incentives

In recent times, the Government of Sierra Leone has initiated several efforts to improve regulatory frameworks, enhance policy coherence, reform of governance mechanisms and promotion of private sector collective actions. The following efforts were identified from the secondary sources:¹⁵

1.	The provision of support for the Company Act Reform, streamlining of business registration process that led to the establishment of One-Stop-Shop by the Office of the Administrator and Registrar General (through the Business Registration Act 2007). For instance, as at 2017, it took 11 days to complete business registration in Sierra Leone compared to 7 in Cote d'Ivoire and 4 in Rwanda (EESE et al, 2019). The continuous effort in this regard, though gradual, has generated tractions and improved capacity to deal with some of the bottlenecks facing micro and small enterprises growth in the country.
2.	The passage of laws to simplify business registration, bankruptcy and payment procedures (through the Bankruptcy Act and Companies Act).
3.	The cross border trade reform in 2010 and the establishment of online platform to streamline cross-border trade procedures.
4.	The National MSME Development Strategy developed in 2013 with support from IFC.
5.	The improvement of collateral registry for immovable assets and the development of the Fast Track Commercial Courts.
6.	The establishment of the Sierra Leone Small and Medium Enterprise Development Agency in 2016.
7.	The National Innovation and Digital Strategy launched in 2019 and the conduct of the Sierra Leone Digital Diagnostic exercise in 2020.
8.	The formulation of a national development policy of the Government of Sierra Leone (the country's Medium-Term National Development Plan, MTNDP, 2019-2023) that has extensively articulated the need to increase productivity in the informal sector for effective; poverty reduction and sustainable development. The policy captured the need for sustained efforts to increase access to financial capital and value-added opportunities for the informal sector among a range of other interventions necessary for its promotion and transformation.

¹⁵ See BERF and DID (2017); EESE et al (2019); and World Bank (2022).

9.	The transformation of the informal sector is addressed in the different policy clusters of the MTNDP, given that the sector cuts across the various production and service delivery areas of the economy i.e. from agriculture to fisheries, tourism, transport, mining, housing, commerce, finance, light/underdeveloped manufacturing and services. ¹⁶
10.	Since 2020, the World Bank has supported the implementation of the Sierra Leone Economic Diversification Project coordinated by the Government of Sierra Leone. The project has financed activities aimed at increasing productive investment, Small and Medium Enterprise (SME) growth and entrepreneurship in non-mining productive sectors with direct impact on informal sector transformation. ¹⁷ Since 2018 to date, at least 400 informal firms have been formalised in the country. ¹⁸ This project apart from improving business environment and capacity building also facilitates SME growth and stimulate entrepreneurship in high-growth productive sectors and focuses in addressing pressing challenges like low access to information; poor infrastructure; limited access to finance; weak capacity to scale businesses and vulnerability to climate change.
11.	The UN and Government of Sierra Leone (through the Ministry of Planning and Economic Development) has been implementing a “Strengthening Domestic Resource Mobilisation for Financing the SDGs” project, with a component on “deepening financial digitalisation and literacy aimed at increasing financial inclusion and capturing informal economic transactions into formal financial operations.” ¹⁹
12.	The Sierra Leone Directorate of Science, Technology, and Innovation (SL-DSTI) in the Office of the President, in partnership with UNCDF, UNDP, Sierra Leone Economic Diversification Project in the Ministry of Finance, Sierra Leone Medium Enterprise Development Agency, and invest Salone developed an entrepreneurial ecosystem map used “as a tool to strengthen and grow entrepreneurial activity in Sierra Leone”, with a specific aim to transform the informal sector. Partnering with some of these actors in the Informal Economy Project could be more result-oriented.

These reforms improved the country's performance in Ease of Doing Business appreciably to the extent that it ranked 60th in starting a business and 53rd in number of procedures in 2018 Ease of Doing Business Report.²⁰

The introduction of the National Local Content Policy

This policy, established in 2012, aimed at promoting private sector development, industrialization, and sectoral linkages, and by 2016 the Sierra Leone Local Content Agency Act was enacted. Although there have been some achievements, the implementation of this policy is relatively low. For instance, in implementing this policy on the brewery sub-sector where about 60 percent of raw materials are sourced locally, has led to sorghum becoming a viable commercial crop grown all over Sierra Leone, which is creating a reliable source of income for over 25,000 farmers.²¹ This has created a new source of livelihoods for people.

¹⁶ Details can be obtained from the Sierra Leone MTNDP (2019-2023).

¹⁷ <https://projects.worldbank.org/en/projects-operations/project-detail/P164212>.

¹⁸ See data provided by the Ministry of Trade and Industry of Sierra Leone in the country's Mid-Term Review Report on the implementation of the Sierra Leone's MTNDP (2019-2023).

¹⁹ Ibid.

²⁰ It important to note that the Government of Sierra Leone is planning to establish a National Land Commission by 2023 with a view to introducing electronic land registers, harmonize freehold and customary landholding systems, and adjudicating land title disputes (Herbert Smith Free hills (HSF), 2022). This will further improve ease of doing business in the country.

²¹ <https://www.thesierraleonetelegraph.com/businesses-in-sierra-leone-urge-government-to-enforce-local-content-policy/>

The enactment of the Sierra Leone Local Content Agency Act will require the establishment of the Local Content Support Programme to support the implementation of the legislation in a way that promotes a fair exchange of benefit for Sierra Leoneans and foreign investors. This could lead to growth and expansion of microenterprises. Respondents during in-depth interviews and FGDs also mentioned this as one of the policies that positively impacted on their operations. The Handbook of tax incentives for investment²² in Sierra Leone, though developed for large enterprises could also be developed to support informal enterprises in the country.

Regulatory enforcement to ensure effective governance mechanisms

Several actions have been put in place to support policy enforcement to support delivery of public services. The Government of Sierra Leone in partnership with the private sector and development partners have launching relevant enforcement units.

Strengthening coordination among law enforcement, relevant departments and Law Reform Commission and bringing relevant agencies responsible for the registration of business enterprises is under plans to be fully implemented.

The creation of the SME Development Agency (SMEDA Act 2016) and the establishment of online platform to streamline cross border trade procedures are good examples the project could consider to support.

Enactment of the Public Financial Management Act of 2016

The establishment of Single Treasury Account, subjecting procurement above certain limits (USD 14,000 for services and USD21,000 for works) to open competitive bidding, and the improvement in the rule of law index since 2013 – though still lower than its neighbours like Ghana and Cote d'Ivoire have all contributed to progress towards reduction of corruption.

The establishment Anti-Corruption Law in 2000 and its amendment in 2008

The country has succeeded in institutionalizing declaration of assets by public officials. The implementation of the National Anti-Corruption Strategy (2014-2018) has increased public awareness on transparency, accountability and integrity in public offices and the recovery of unexplained wealth totalling \$4.0 million in 2014, for instance.²³ The country's ranking on corruption perception index improved from 146 out of 178 countries in 2010 to 123 out of 176 in 2016 and further to 115 out of 180 countries in 2021.²⁴ Yet, the fight against corruption is impeded by low capacity in public service, weak government effectiveness and limited political will.

²² Enacted in 2010 to encourage private sector investment and promote the inflow of foreign capital and technology into Sierra Leone. Such incentives include access to incentives for special economic zone investors, three-year corporate tax holidays, and accelerated government services like customs, immigration and registration. <https://www.sliepa.gov.sl/industries/energy/investment-incentives>

²³ <https://www.anticorruption.gov.sl/blog/anti-corruption-commission-sl-news-room-1/post/the-fight-against-corruption-in-sierra-leone-goes-on-unabated-71>

²⁴ <https://www.transparency.org/en/cpi/2010> and <https://www.transparency.org/en/countries/sierra-leone>

Promotion of private sector collective actions

The preponderance of informal enterprises and low trust in government has weakened Public-Private Dialogue (PPD) in Sierra Leone,²⁵ which used to be very active but has become moribund. Resuscitating this could be prioritized especially for informal sector operators. The constitution of the Sierra Leone's Small and Medium Enterprises Development Agency's (SLSMEDA) board, which includes the National Petty Traders Organisation, the Traders Association, the Sierra Leone Market Women's Association, the Art and Craft Association and the Sierra Leone Chamber of Commerce, Industry and Agriculture, is providing opportunity for PPD with informal sector operators' involvement. Other aggregators include the National Federation of Farmers, the Women's Leadership in Small and Medium Enterprises (WLSME), The Organisation of Women's Networks for Entrepreneurs (OWNERS), and the Cooperative Credit Unions. Both the PPD and the individual aggregator are focusing on market-based problem solving, the adoption of social compact in the implementation of business enterprise reforms, and supporting coordination capacity, access to finance and networks, and business interests of their members.²⁶ Although mistrust between the government and the people hinder better dialogue, there is, however, scope for improved collective action aimed at helping informal operators to organise itself, lobby government, and promote interest of their members.

Policy coherence

Some of the initiatives that have been scaling up policy coherence mentioned by stakeholders (especially regulators and informal enterprises) include the establishment of the local content policy, the development of specific sector policies and strategies such as tourism and fisheries, and the development of coherent trade policy (that has been regularly reviewed and harmonized with other existing policies with stakeholders' views integrated) and trade facilitation. The implementation of the Opportunity for Business Action Programme and the Custom Electronic Data Interchange System are other efforts that enhanced policy coherence on enterprise promotion. Complaints about delayed processing and clearance of goods and inefficiency of the customs are still common place (BERF and DID, 2017).

The adoption of a national minimum wage

In Sierra Leone, the minimum wage is Le 500,000 (about USD 70) in 2015 aimed at protecting employees. And in line with the National Social Security Insurance Trust Act of 2002, the minimum pension has been revised to be Le250,000 per month (which is voluntary to self-employed).²⁷ While the above are commendable, there is still room for improvement.

Stakeholders' view is that most of these regulatory frameworks were essentially focused on formal enterprises and not dedicated to the informal enterprises.

It should be noted, however, that recent survey by EESE et al (2019) reveals that over 65 percent of respondents still view regulatory environment as a serious impediment to MSMEs operations in the country.

²⁵ Although few formal business associations (e.g. Sierra Leone Chambers of Commerce, the Sierra Leone Chamber of Agribusiness Development, the British Chamber of Commerce and the Renewable Energy Business Association) engaged with the Government, the engagement of the informal business associations is tardy.

²⁶ For more illuminations on the various aspects see BERF and DID (2017) and Herbert Smith Freehills et al (2022)

²⁷ For more information on the various elements of policy reforms, see BERF and DID (2017), EESE et al (2019), and Herbert Smith Freehills, et al (2022).

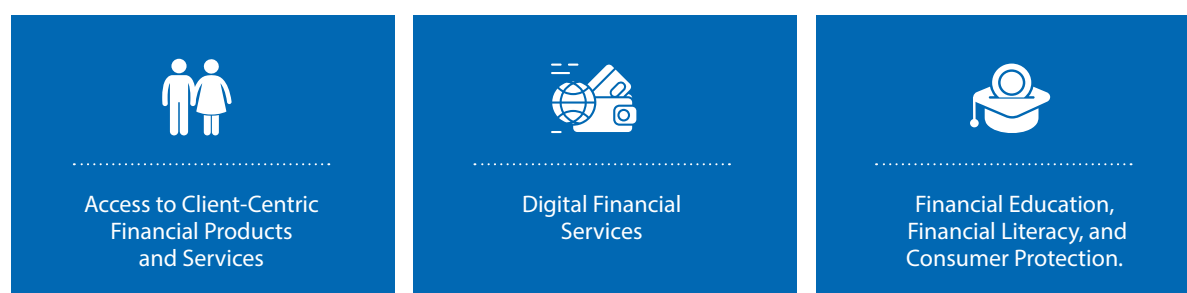
2.3.2 Promoting access to finance

Since the protracted war ended in 2002, the financial sector has been growing. It includes:



Despite this, access to finance remains very low. In 2017, access to finance was considered to be the topmost constraints to businesses in Sierra Leone compared to just about 20 percent in Sub-Saharan Africa (World Bank, 2022).

The implementation of the National Strategy for Financial Inclusion (NSFI) 2017-2020 and the new one 2022-2026 are other initiatives promoting access to finance. The priority areas of the new strategy include:



The establishment of the Government supported MUNAFA (Box 3), a social microfinance institution that offers individual loans, savings accounts and tailored training to beneficiaries is among interventions mentioned by stakeholders.²⁹

Since 2019, government has started including financing MSMEs in its annual budget. For instance, the sum of SLL100 billion was allocated in the national budget for 2020-2023 in this direction. This is in addition to another SLL100 billion allocated by the Bank of Sierra Leone as Agricultural Credit Facility to support importation of agricultural inputs (World Bank, 2022). Yet, as mentioned earlier, the proportion of microenterprises accessing affordable credits is very low due to low availability of financing instruments that meet the needs of informal and micro enterprises, lack of collaterals, poor financial and digital literacy. The launching of an updated online collateral registry in December 2021 could go a long way to ease access to finance.

²⁸ From the Government documents.

²⁹ Within one year of operation, it benefited 7,083 entrepreneurs with 93 percent women. <https://www.entrepreneursdumonde.org/en/program/munafa-social-microfinance-in-sierra-leone/>

Box 3: Social Microfinance Project (MUNAFI)

MUNAFI, a social microfinance project in Sierra Leone, launched by Entrepreneurs du Monde in 2019, provides financial, social services, and capacity building to vulnerable and marginalized entrepreneurs to generate sustainable incomes, improve living standards and promote self-reliance. MUNAFI encourages beneficiaries to own savings accounts. Provides individual loans, and support loans management through training, mentorship and peer-to-peer learning.

2021
END OF YEAR








4 FREETOWN
SLUM-BASED
BRANCHES



3,498
BENEFICIARIES

Source: Entrepreneurs du Monde (2022).

Some studies (e.g. Herbert Smith Freehills, et al (2022) and BERF and DID (2017)) have noted the following as some of the policy and strategic actions that improved access to financial market:

	The 2016 policy to provide loans to SMEs at below 10 percent without any collateral requirements.
	Allocation of Le 2.0 billion in the 2019 capital budget as Women Development Fund for female entrepreneurs and the preparation of Borrowers and Lenders Bill.
	Revision of the Financial Services Bill to ensure microfinance institutions, community banks and other financial institutions operate within the law enable them to expand financial access to informal and SMEs.
	Enactment of the 2016 Insurance Act and the establishment of the National Social Security Insurance Trust Fund.
	Launching of the National Financial Inclusion Strategy with a special focus on plugging the marginalised segments of society into the financial sector.

Digital services are at an infancy stage with only two telecommunication companies and few commercial banks using mobile devices to handle digital financing. Some of the barriers to accelerated digital services include regulatory barriers, limited digital skills, low level of literacy, limited awareness on available services and limited access to internet.

Other emerging opportunities that could be leveraged for the formation of the informal enterprises include:

- **Rising trend of digital financial products and services**, such as the orange and afri-money, the Rokel Commercial Bank's SIMKORPOR Payment Platform and the use of Point of Sales coupled with increased financial literacy programmes in Sierra Leone. The Orange Money, for instance, is a technological solution to financial transactions including paying bills, top up and bank to wallet and the spread of Orange

Money shops, kiosks and franchise all over the country makes it accessible to the unbanked population including in rural areas.³⁰

- **UNCDF support to microfinance institutions**, the Sierra Leone's Market Women's Association Microfinance initiative. For instance, the Microfinance Investment and Technical Assistance Facility), a multi-donor facility established in mid-2009,³¹ which sought to develop a national competitive, sustainable and inclusive financial sector that provides access to financial services to low income people. The UNCDF implemented Financial Inclusion and Innovation Capacity Building Project started in September 2021, which selected its participants from the beneficiaries of the UNDP-Mano River Union- the Women Cross Border Traders' Union "Safety Net for Women Traders Programme" aimed at supporting 10,000 beneficiaries from four districts in Sierra Leone. By the middle of 2022, 5,000 beneficiaries had already benefited from the project. The focus of the training include record keeping, savings, setting and achieving goals, business planning, risk management, financial and digital literacy. Another component of the training is coaching and mentorship and linkage to financial service providers (UNCDF, 2021a).

2.3.3 Capacity building

Availability of relevant skills is a challenge in Sierra Leone. This is further compounded by poor education system that yearly rolls out 100,000 Sierra Leonians to join the job market but only a fraction secures jobs in the labour market. There is high unemployment, more so given the youth demographic context where population under the age of 35 accounts for 75 percent of the population.³² Over the past years, some on-the-job training schemes, apprenticeship and mentoring programmes have been undertaken including:

- The establishment of the Sierra Leone Skills Development Fund to promote professional internship and specialized skill development opportunities
- Ongoing discussions to revamp the technical and vocational training through public-private-partnership is a good example.
- The World Bank Youth Employment Support Programme (2010-2015). The labour intensive project benefitted 36,000 youth on cash for work and 9,600 in training. Apart from serving as productive safety nets, it also enabled beneficiaries to accumulate assets to participate in new economic activities (World Bank, 2015). There is need to replicate and scale up this programme (though the newly secured USD20 million loans from the World Bank) remains critical to bridging skill gaps that had been worsened by the Ebola and COVID-19 pandemics in the country.
- Existence of incubators and aggregators like AYM Sierra Leone, Afford SL and Faster Capital. The Government of Sierra Leone and the World Bank, through the Economic Diversification Project, supported five incubators that offered business support services to informal enterprises.³³

³⁰ <https://allafrica.com/stories/202109060495.html>

³¹ This was supported by KfW, UNCDF1, UNDP and CORDAID in partnership with the Bank of Sierra Leone (BSL) and the Ministry of Finance and Economic Development. <https://www.uncdf.org/article/712/sierra-leone-microfinance-sector-development-mi-taf-ii-migration>

³² See BERF and DID (2017).

³³ Additional information could be found from <https://mof.gov.sl/wp-content/uploads/2021/10/CALL-FOR-APPLICATION-EMERGING-INCUBATORS.pdf>

The need to emphasize technical skills including ICT, financial literacy, and managerial skills was considered very important. However, many of the informal enterprise operators indicated their inability to undertake these requisite training and skill development programmes was because of the high training costs which reduce their profit margins.

Some of the supports provided to micro, small and medium enterprises were made possible through collaboration with development partners such as the World Bank, European Union, UNDP, ILO, Swiss Agency for Development and Cooperation as well as with NGOs and government institutions like the Ministry of Trade and Industry and the Small and Medium Enterprise Development Agency (SMEDA). Some examples abound.

1. The UNDP-ILO's Informality and Social Protection in African Countries implemented during the COVID-19 interventions (UNDP, 2021b).
2. The EU's Multi-Annual Indicative Programme (2021-2027) with a focus on addressing weak business environment including accelerating permits, property registration, export and import procedures. And
3. The ongoing Productive Social Safety Nets and Youth Employment Project that is supporting business grants, training opportunities and creating business platforms in Bo, Kenema, Makeni, Port Loko, and Freetown is another example (World Bank, 2022b).

2.3.4 Promoting collective platforms

Over the years, the Government has been encouraging informal enterprises cooperatives, aggregators, and incubators. For instance, some examples of incubators that have been supporting businesses to gain knowhow, skills and to be regulated include Innovation Sierra Leone, Catholic Agency for Overseas Development (CAFOD), Action Aid, Sensi Tech Innovation Hub (Sensi), African Institute for Development and Equity (AIDE), AURORA Foundation. The project could explore partnerships with some of these initiatives.

Some examples of aggregators with potential for partnership in the implementation of this project and are actively engaged in promoting the wellbeing of their members include the National Federation of Farmers, the National Association of Artisanal Miners, the Women's Leadership in Small and Medium Enterprises (WLSME), the Organisation of Women's Networks for Entrepreneurs (OWNERS), the Women Cross Border Traders' Union, the Women Traders Association of Freetown and the Cooperative Credit Unions. Others include the Sierra Leone Labour Congress, the Employers Federation, the Chambers of Commerce, and the Sierra Leone Chamber of Agribusiness Development.

2.4 LIMITATIONS OF PAST EFFORTS TO TRANSFORM AND FORMALIZE INFORMAL ENTERPRISES

These limitations have strong linkages with the weaknesses, threats and drivers of informality highlighted from primary data collection as well as from secondary data analysis. Some of these are listed as follows:

1.	Weak and shallow implementation of management training for informal sectors resulted in limited impact.
2.	Weak policies and regulations and inadequate enforcement by the Government combined with weak regulation and protection of informal sector workers.
3.	Absence of clear regulation and national agenda on the transformation and transformation of informal enterprises.
4.	The existing tax policies are not conducive for the growth and transformation of informal enterprises thereby creating an incentive for tax evasion.
5.	The absence of success stories in business formalization and lack of knowledge from other countries that have successfully transformed their informal sector. Use of such information and exposure could help shape the transformation and formalization implementation strategies in Sierra Leone.
6.	Inadequate communication of benefits of formalization and limited to no existing facilities/ infrastructures weaken the efforts of government on transforming the sector.
7.	Lack of financial capital, infancy of fintech and limited access to digital services make enterprise formalization very challenging.
8.	Existence of high unemployment, and low productivity constrained the growth of the formal sector and the transformation of the informal sector.
9.	Lack of clear business mission and vision creates information and trust asymmetry between the governments and the informal enterprise operators.

2.5 SWOT ANALYSIS OF THE INFORMAL ENTERPRISES IN SIERRA LEONE

The analytic framework of understanding the context and realities of informal enterprises in the country is the SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis from the in-depth interviews and the focus group discussions.



Strengths of informal sector

The absence of a robust organized formal private sector makes informal enterprises a dominant feature of Sierra Leonean economy and absence of formal enterprises in rural areas make informality the driver of rural economy with such sectors as fisheries, food and agricultural processing, light manufacturing, trade and tourism dominating.

The data suggests that informal enterprises in the Sierra Leonean economy can easily be established without heeding to regulations, which makes the process less costly for establishing such businesses. These enterprises have been noted to be central in enhancing livelihoods and reducing poverty for majority of Sierra Leoneans with low income. They serve as coping and survival strategies in dire situations, especially where formal jobs and social protection opportunities are absent or inadequate.

The financial intermediary respondents on strengths of informal enterprises, combining individual in-depth interviews and focus group discussions stated the key strengths as follows:

“Easy to establish; could start with very low capital; they don’t need regulations; low cost establishing them; support livelihood of poor households; and they have strong local knowledge and network.”

Evidence from Sierra Leone has shown that informal enterprises can easily be wiped out in times of conflicts and disasters like the protracted conflicts of 1990-2002, Ebola outbreak in 2014-16, and the Covid-19 in 2020-2021; they were also reported to serve as shock absorbers because of the local knowledge of the operators and their wide informal local networks. Thus, this sector could play a critical part in crisis recovery in terms of speeding re-establishment of small businesses and livelihoods.



Weakness of the informal sector

Sierra Leone being a post conflict country, characterised by low level of education, makes skills a major challenge in the formal sector. Informal sector operators have limited access to capital, management skills, training, and requisite managerial/entrepreneurial acumen to expand and transform their enterprises. As concluded by stakeholders, most financial institutions are concentrated in Freetown and even the Technical Vocational Education and Training Centres in the country are unable to adapt to the needs of informal businesses in Sierra Leone.

The informal actors have a wrong perception about paying taxes and complying with state regulations this denies them the benefits of being formal through registration, paying taxes and generally complying with official rules and regulations. The informal sector in Sierra Leone is characterized by the limited awareness of existing informal sector policies and regulations as well as incentives that could benefit them. Such benefits may include formal access to financial services, skills training and business development services. The field interviews and discussions further revealed lack of transparency in many informal business operators, although they exercised mistrust in state institutions because of lack of transparency.

Respondents from civil society, academia development partners on weaknesses of informal enterprises, combining individual in-depth interviews and focus group discussions, stated the key weaknesses as follows:

“Lack of technical expertise in the sector; prevalence of skills gap in the informal sector; lack of own-finance to start up business; lack of collateral security; low level of education; prevalence of tax avoidance and evasion; wrong perception about tax/regulatory compliance; and limited knowledge about available services from institutions, such as from SMEDA, Local Content Agency, consultancies services.”

Informal businesses reportedly often found themselves in unfavourable market locations. They were also noted to have low level of education, accompanied by low business productivity and unemployment; that they cannot easily innovate and use modern technology/digital solutions, in some instances they are engaged in indecent work, utilising unpaid family labour, especially women's time.



Opportunities to develop and transform informal enterprises

This EU-OACPS-ILO-UNDP Project for the transformation of informal enterprises can leverage the existing policies, programmes and initiatives (see page 34 above) implemented by the government, development partners such as the World Bank, the European Union, the UNDP and ILO, private sector, financial intermediaries including banks, Micro finance institutions, cooperatives, insurance companies etc and non-government organisation aimed at formalising informal economic operations in the country. This could be leveraged by learning from their implementation and partnering with relevant actors that made them successful.

Another opportunity to be leveraged is the existing digital financial services and business consultancy services in the country, as well as services provided by incubators (including coaching and mentoring) and aggregators, such as cooperatives and other associations facilitating access to business services for enterprises.

Conclusions from stakeholders (including informal enterprises, regulators, aggregators, and civil society, academia, and development partners) during the in-depth interviews and focus group discussions provided some illuminations to this issue as follows:

“Various policies and programmes are in place, such as the National Local Content Policy coordinated by the Local Content Agency; existence of micro-credit institutions; and Government MUNAFA microcredit scheme coordinated by the Ministry of Trade and Industry; SMEDA playing significant role in coordinating national efforts at promoting and transforming business; existence of business training opportunities; availability of business training institutions and consultancy services; NGOs supporting capacity building of business enterprises; linking enterprises to niche markets; development partners (the World Bank, EU, UNDP, ILO and others) supporting different initiatives for transforming the sector; the World Bank, for instance, has been supporting the government to implement an economic diversification project to increase investment, SME growth and entrepreneurship in non-mining.”



Threats to the development and transformation of informal enterprises

Interest rates on bank loans were perceived to be very high for business operations, thereby limiting the usage of formal financial services that could contribute towards the growth of informal businesses and consequently formalisation.

The informal actors are not able to afford and meet the collateral requirements from the formal financial institutions.

In addition, poor physical infrastructure such as road network, electricity, water supply and ICT come with high costs and constrain informal and small business to grow and formalise.

Other inhibitors include high inflation and cost of living, limiting effective demand for goods and services and business growth. Fluctuating GDP growth and widening poverty were part of the perceived threat factors, limiting resource flows for start-ups.

The emerging consensus from stakeholders during the in-depth interviews and focus group discussions on the key threats to informal sector transformation included:

“High interest rate on bank loans; high inflation; high national poverty incidence; unaffordable collateral requested by fund providers; inadequate electricity, water and mobile network coverage in many parts of the countries; limited research on what works well and what does not work well; and weak monitoring of projects and programme.”

The question of weak national research into the understanding of the full landscape of informal economy was raised among the threats, which was associated with an inability to identify and support or address the challenges affecting MSMEs.

Additionally, issues of excess bureaucracies in the public sector and tax burden and lack of monitoring and evaluation of programmes supporting existing informal enterprise growth and transformation were also seen as threats. Furthermore, mention was made of exposure to shocks such as Ebola and COVID-19.

Please refer to Annex 4 for details of the strengths, weaknesses, opportunities and threats generated from the field. The SWOT revealed in the interviews and group discussions resonate, to a very large extent, with the desk review on the problems, challenges, opportunities and potential associated with informal economy.

CHAPTER THREE

A case study of an informal sub-sector: Cross-border trade in an agricultural product (gari)

3.1 RATIONALE

During the primary data collection (conducting individual in-depth interviews and FDGs), stakeholders were requested to select a sub-sector that could be used to pilot the transformation and formalization of the informal enterprises. Such sector should have backward and forward integration with strong capacity to generate decent jobs and generate incomes for entrepreneurs and revenues to the government.

Majority of informal sector stakeholders chose agriculture. In Sierra Leone, agriculture employs more than 60 percent of the population and is the backbone of the economy, accounting for almost half of GDP. It accounts for 62 per cent of rural employment and 10 per cent of total exports (WFP, 2019). Agriculture remains a key driver of the country's economic development through enhancement of wealth creation, income generating employments, food security and poverty reduction.

However, given the size of the agricultural sector, it will be overwhelming to focus on such a large sector. Further interrogations from stakeholders concluded on the choice of cross-border trade in agricultural products. Much of this trade is informal with over 55 per cent of the traders drawn from women. About 66 percent are over 35 years, with 49 per cent having no education or having non-formal education with a high degree of illiteracy (e.g. only 22 percent of the sampled gari cross-border traders having secondary school education) (Kamara, 2016).

Sierra Leone is enjoying a flourishing informal cross-border trade with her neighbours (Guinea and Liberia). The magnitude of the trade is not known but independent analysts estimate the border trade to be worth billions of dollars annually. Agricultural products account for a greater percentage of trade between Sierra Leone, Guinea and Liberia. Strategic planning for the sector is challenged by lack of adequate information being reported as to the flow of goods across borders. An effective formalization of this sector in Sierra Leone could generate positive spill over effects in the development of informal enterprises

Interviews suggest that that Sierra Leone is a net exporter of gari while she is a net importer of other agricultural products (e.g. cocoa from Liberia and groundnuts and tomato from Guinea). This confirms the findings of Kamara (2016) that Sierra Leone is the largest exporter of gari among the Mano River Union countries (Guinea, Liberia and Sierra Leone) and net importer of such products like groundnuts, beans, fresh tomato and onions). This could open opportunity for Sierra Leone to operationalize its participation in the African Continental Free Trade Agreement, especially in exporting gari to many West and Central African countries where gari is a staple meal.

However, cross border trade in agricultural products suffered significantly as a result of the corona virus due to lockdowns and restricted movement causing excruciating hardship to border communities especially women who are the main source of income for their families and major contributors to the development of those communities. Other major challenges include multiple arbitrary charges and the loss of goods; too many checkpoints along the roads where traders pay informal taxes and bribes, imprisonment and detention, ambushes and robbers, and sexual harassment. All these lead to high prices of cross-border traded goods especially gari.

Despite the foregoing, informal sector operations in the cross-border trade of agricultural products, the informal actors and government fail to take advantage of these opportunities because of the bureaucracies and too many documentation requirements. For instance, the 2020 Ease of Doing Business Report indicated that export documentary compliance requires 72 hours while border compliance also require another 55 hours – all adding to the cost of exported products. Sierra Leone was ranked one of the worst economies in trading across border (165 out of 190 countries) (World Bank, 2019).








In order to maximise the business opportunity for all stakeholders' opportunities of cross border trade for all the different stakeholders, capacity building on the current tax policies, customs and excise duty, networking and partnership is needed. Tax incentives, digital literacy, financial access point, improved transportation, electricity, good roads, foreign currency availability and continuous engagement among others are all part of the broad support that is needed by the sector to enhance trade for development.

Promoting the development of gari value chain and cross-border trade

Gari (processed from cassava) was prioritised among the agricultural products that are traded across the border. Gari accounts for the largest volume and traded among the food product exported from Sierra Leone to Guinea and Liberia.

Research institutions and NGO respondents during the focus group discussions highlighted the following on the importance of gari product:

"Sierra Leone remains a major exporter of Gari. It is the commodity with the highest volume and frequency of trade to Guinea and Liberia from Sierra Leone. The country exports more than 1000 tons of gari weekly to Guinea. Sweet potatoes, palm kernel, and kola nut are other commodities traded with high volume and frequency".

	Cassava Farmers (these are the growers of cassava fibres used to process gari).
	Processors are the manufacturers of gari using cassava and other processing equipment.
	Retailers and wholesalers are the sellers and suppliers of gari to the final consumer across markets.
	Transporters are responsible to move processed and packaged gari from one place to another or one country to another.
	Tax mediators at the border crossing are people operating at the border crossing points and they engage customs on behalf of traders on the amount of taxation to be paid.
	Customs are responsible for collecting taxes at the border on behalf of government.
	The police are law enforcement agencies operating at the border and other parts of the country. Their primary duty is to ensure the protection of life and property.

Not all the above have aggregators or cooperatives. But some are very powerful in the country including the Sierra Leone Chamber of Commerce, Industry and Agriculture; the Traders Association; the Sierra Leone Market Women's Association; and the National Federation of Farmers. Holding regular public-private dialogues (PPD) will help to address the challenges listed above such as arbitrary charges; too many checkpoints along the borders; informal levies and bribes, and confiscation of goods. All these apart from discouraging enterprise formalization also deprive government of tax revenues. This informed the effort of the Sierra Leone Investment and Export Promotion Agency to partner with the International Growth Centre to conduct a study of the cross border trade on agricultural products between Sierra Leone and her neighbours (Guinea and Liberia) in 2016.

Advantages of Gari Trade





Gari is a substitute for staple food like rice in Sierra Leone, Liberia and Guinea; has low production cost compared to other exported agricultural products; provides job opportunities for women and young people because of its low start-up cost; provides regular income for cassava farmers, processors, retailers, wholesalers, and transporters because of increase demand in the Liberian and Guinean markets due to limited supplies;³⁴ provides a cheap and affordable source of feeding for poor and vulnerable families in

³⁴ As found by Kamara (2016), Guinea and Liberia are net importers of garri while Sierra Leone is a net exporter of the product.

rural communities across Sierra Leone, Liberia and Guinea; and they are a source of revenue for government through taxation and custom duties.

Improving Trade Facilitation

Several interventions can be explored to support the development of the gari subsector including:

 <p>Taxes at the border should be affordable and predictable to reduce tax avoidance and dangerous informal border crossing, which often reduces volume of tax collection.³⁵</p>	 <p>Reduce the number of road checkpoints to reduce the number of bribes and informal taxes traders pay. This conforms to World Bank (2019) and Kamara (2016) findings that multiple checkpoints are serious impediments to cross-border trade in the country.</p>	 <p>Organise dialogues between the National Revenue Authority (NRA), traders, the police, trader's union and other informal organisations to facilitate cross border trade.</p>	 <p>Establish joint border post at the border with the NRA and Trader's union/organisation to improve confidence and encourage formal crossing.</p>
--	---	--	--

SWOT Analysis of cross border trade in agricultural products

The below presents the strengths, weaknesses, opportunities and threats related to the cross-border trade in agricultural products in general within the Mano River Union, as a most preferred case study informal sector from the primary data, focusing on gari export.



STRENGTHS

- Profitable
- No bureaucracy in setting up an enterprise
- Communication with clients much easier than formal enterprises because are within the same locality
- Tax exemptions
- Access to loan/ grants
- Little/no overhead cost especially for self-employed
- Highly mobile
- Limited education requirement
- No profit sharing because it is soul ownership
- Better understanding of the market cultures and practices because they live in the same locality
- Bi/multilingual

³⁵ In line with concerns echoed by informal traders during the interview sessions, the study conducted by the International Growth Centre revealed that 48 percent of sampled informal cross-border traders considered taxes to be too high and another 18 per-cent considered taxes to be unfair (Kamara, 2016).



WEAKNESSES

- Limited knowledge of the tax systems
 - Loss of goods associated with confiscation and using informal routes
 - Payment of informal taxes
 - Payment of too many bribe
 - Imprisonment and detention
 - No insurance protection for the loss of goods
 - Limited transparency and accountability about the business because of absence of record keeping
 - Tax avoidance
 - Limited access to foreign exchange
 - Limited access to finance/capital
 - Limited knowledge of foreign languages
 - Limited storage facilities
 - Sexual abuse suffered by women
-



OPPORTUNITIES

- Access business development services
 - Access financial management training
 - Dialogue with National Revenue Authority on tax reforms
 - Understanding of national and regional cross border trade
 - Understanding of the tax law
 - Engaging SMEDA on low interest loans/grants
 - Engage International Organisation of Migration on cross border support
 - Business formalisation
 - Accessing support for mentorship
 - Accessing training on FinTech services
 - Existence Business incubators
-



THREATS

- Weak dissemination of information about taxes and regulations
 - Multiple arbitrary charges
 - Loss of goods
 - Too many checkpoints
 - Payment of informal taxes
 - Payment of too many bribes
 - Imprisonment and detention
 - No insurance protection for the loss of goods
 - Ambushes by robbers
 - Harassment
 - Limited knowledge on foreign languages
 - Limited storage facilities
 - Sexual abuse suffered by women
-

As argued in the background paragraphs to this case study, a lot of traders (including women and youth) are involved in cross-border trade not only in gari products but in other agricultural goods, such as rice, palm oil, sweet potatoes, palm kernel and kola nut from which they receive relatively stable and substantial income.

Supporting the development of the gari sector will enhance the growth opportunities of their businesses leading to their expansion, increased profitability and high potential to transform into formal enterprises with capability to comply with state regulations, including registration and payment of taxes. This will enable the informal actors engaged in the Gari sector to receive benefits due to formalisation of transactions such as access to better financial opportunities and services leading to further growth, expansion, and profitability.

CHAPTER FOUR

Proposed interventions and action plan for the transformation and formalisation of the informal sector

The practical solutions, emerging from primary sources and complemented by secondary information, are grouped under governance and policy actions, access to finance, capacity development and collective actions. These are enumerated below. However, some of them are beyond the capacity of this project.

4.1 OUTPUT 1: GOVERNANCE, POLICY AND REGULATORY ISSUES

Addressing the governance deficit is key to building trust with the informal enterprises and their operators. The reform of the informal enterprises should go beyond merely formalising the sector to establish legal frameworks and expand the tax base. There is need to address the root causes of informality including creating incentives for informal economy operators and improving the overall business environment for informal sector. The fact that the number of days required for the registration of business enterprises has improved appreciably over the past two decades from 300 days to about two days and yet informality is not declining, illustrates the need to identify other conditions that will further facilitate transformation of the informal economy, including addressing the trust deficit between the government and governed (i.e. government officials and entrepreneurs). In this regard, improving overall governance deficit in the area of transparent and accountable governance in the use of public resources remain vital.

4.2 OUTPUT 1: INTEGRATED POLICY FRAMEWORK FOR FORMALIZATION OF INFORMAL ENTERPRISES DEVELOPED AND PROMOTED

Stakeholders viewed business friendly, legal, and regulatory frameworks as critical interventions to facilitate the transformation of MSMEs operations into formal activities, including:

1. Embarking on a business simplification and formalization process, including the harmonisation of relevant regulations and the legislations (including the review of the 1961 Retailer Act; the Investment Promotion Act 2004; and tax policies) to support informal sector transformation and formalization.
2. Streamline the plethora of policies and guidelines on informal enterprises especially at local level. The existing local, national and regional guidelines are confusing and burdensome.
3. Reforming the general tax revenue regime system in a way that is supportive of microenterprises formalization.
4. Promoting financial inclusion laws targeted at inclusion of micro and small enterprises.

5. Promoting forward and backward linkages covering the entire informal sector thereby facilitating integration of the informal enterprises into the local content policies (especially value chain development in agro businesses)
6. Providing technical support to governments to create policies, incentives and support schemes to foster formalization.
7. Investing in policy communication, awareness creation and policy advocacy and strategies for genuine implementation of formalization agenda
8. Formulating regulatory frameworks, strengthening advocacy and building partnership on social security and social protection mechanism for informal sector operators
9. Undertaking relevant broad-based policy reforms around access to electricity, transport (road, rail and air) infrastructure, access to digital train (e.g., ICT, connectivity, electronic payment system).
10. Given that the ecosystem stakeholders is dynamic, a regular update of key informal sector incubators and aggregators to ensure the implementation of specific actions for the growth and formalisation of these enabling platforms and intermediaries; facilitate effective implementation of policy guidelines and sustain follow-up on actions that were deemed critical to the achievement of the transformation objectives.

4.3 OUTPUT 2: NEW FINANCIAL SERVICES DEVELOPED AND PROMOTED AND CAPITALIZATION OPPORTUNITIES FOR FINANCIAL INTERMEDIARIES EXPANDED

Facilitating access to finance promoting affordable financing through inclusive and fintech financial mechanisms

Despite the existence of commercial banks, community banks, microfinance institutions and others, most of the financing instruments in the country are not relevant to the informal enterprises. Emerging consensus from stakeholders' engagement during the baseline survey shows the need to support implementation of affordable financing that meets the needs and peculiarities of the informal enterprises is critical. Evidences from participants and existing studies, identified five strategic areas of interventions.

Some of the strategic actions include:

1. Supporting capacity building of savings and credit associations and microfinance institutions to be able to meet the needs of the informal sector operators through providing technical, managerial and financial capacity to existing institutions (including NGO credit institutions, self-sustaining microfinance institutions, commercial banks and the Central Bank).
2. Adopting credit guarantee mechanism in partnership with the Bank of Sierra Leone using blended finance and providing tax holidays for newly formalised businesses.
3. Increasing general access to finance and deepening financial infrastructure as was done in Angola through the Bankita programme. Through the Bankita, the Banco Nacional de Angola signed an

agreement with nine commercial banks to offer simplified account programme to informal sector operators which facilitated access to tailored financial services and mobile money.³⁶

4. Establishing movable (e.g. cars) and non-moveable (e.g. land) asset registries that could turn the country's sleeping assets into productive ones (including land titling and registration) that could offer collateral for financial services.
5. Expanding the reach of digital financial services similar to MPESA and MKESH to microenterprises and unbanked population as done in Kenya (see Box 1). This can be done in partnership with existing mobile money operators in Sierra Leone like Airtel Money and Africell Money.
6. Establishing micro pension scheme as has been done in Solomon Islands and the Community Insurance Scheme as implemented in Ghana offer excellent opportunities for the transformation of the informal enterprises. Piloting these in Sierra Leone could offer opportunities for microenterprises growth and formalization. Providing grant-in-aid towards key and selected informal sector activities in the country
7. Providing financial loans with affordable interest rate; considering provision of long-term loans to informal enterprises; providing tax holidays for newly formalised businesses.
8. Mobilising finance providers and intermediaries and support from development partners with grants and technical services.
9. Advancing digital infrastructure and payment system in the country; strengthening e-commerce platforms, training in ICT; so as to enhance financial inclusion, including electronic and internet banking system.

4.4 OUTPUT 3: CAPACITIES OF INFORMAL SECTOR INTERMEDIARY AGGREGATORS AND GOVERNMENT STRENGTHENED, AND USE OF DIGITAL TECHNOLOGY PROMOTED

Developing and implementing short-, medium- and long-term skills development programmes that bridge the skill deficits of the informal enterprises and its stakeholders (regulators including SMEDA, banks, aggregators and incubators) remain critical. This Project can learn from the World Bank's US\$40 million Jobs and Economic transformation project to support investment and growth of SMEs in the non-mining sector. Some of the specific actions for different stakeholders include:

1. Informal enterprise actors (MSMEs): Support digital and financial literacy, entrepreneurial skills (including business planning), technical skills, financial accounting and bookkeeping training, and good business practice skills. Others include technical skills on improving productivity, market access, and financial access. This could be done through existing incubators like Small and Medium Enterprises Development Agency's (SLSMEDA) and UNCDF; and aggregators like the National Federation of Farmers, the WLSME, OWNERS, and the Cooperative Credit Unions.
2. TVET colleges: Rehabilitating 2-3 TVET colleges, including reform of the TVET centres curriculums to ensure they are compatible with micro-enterprises needs, undertake training of trainers on book

³⁶ For more approaches to bringing informal sector on board on financial services see Levaux and De Smet (2021).

keeping, financial literacy, and business planning to empower entrepreneurs in the pilot sector. This also includes training TVET instructors in facilitating business development skills and improving gari production techniques in a way that is more hygienic and meet health safety standards.

3. Government officials need training on the value of informal enterprises beyond paying taxes to effective engagement with informal enterprises and establishing a win-win incentive structure.
4. Intermediaries (e.g. accelerator, incubators and aggregators): This should focus on improved business development services like business management, financial literacy, market access, entrepreneurship, in networking procedures and digitalisation for SMEs; and training in use the and management of ICT advocacy for members, leveraging economies scale for members. Others include mentoring and coaching.
5. Financial institutions to focus on skills for deeper knowledge of informal enterprise working context and building their technical capacity to reach and service the MSME financial needs and providing financial advisory services. of informal enterprises,
6. Encouraging the use of common platforms in sharing market information to cross-border traders; and establishing long-term mentoring of cross-border SMEs to achieve legal compliance.
7. Increasing education and training among various informal sector operators in the country—this could involve organisation of series of workshops for the leaderships of various informal trade/enterprise groups, clients and aggregators/incubators within the wider informal sector ecosystem; the training topics could cover labour laws, formalisation procedures, benefit of formalisation, rewards of inherence to compliance issues, business development, etc.
8. Promote tax education, mitigating foreign exchange risks, providing revenue guarantees, capital grant and other forms of financial support, and expediting access to social security
9. Promoting more informal representation in national business development forums in the country and outside the country; establishing more informal business associations
10. Strengthening forward and backward linkages with the rest of the formal sector, and among informal businesses
11. Influencing policy framework through piloting new concepts or feasibility studies that give confidence to government—such as developing pilot initiatives with integrated support for informal small-scale business operators across; building ecosystem of support through capacity building, involving of CSOs
12. Ensuring constant follow-up and implementation of agreed actions on promoting informal sector at various existing stakeholder forums/platforms

4.5 COLLECTIVE ACTION PLATFORM

These are platforms necessary for mobilising MSMEs, increasing interaction among the different stakeholders, knowledge sharing on business ideas and information exchange among the relevant informal sector stakeholders and business. Thus, their establishment and operations in the country were also examined in the study with suggested highlighted actions necessary to promote them towards the transformation of the informal sector in Sierra Leone.

The collective action platform creates an opportunity for the co-creation of solutions to address systemic challenges hindering the development of enterprises in the specified sector through:

1. **Forging strong alliances, collaboration and partnership between formal and informal enterprises**, including supplier development programme as done in Kenya; and the aggregator approach as was done in Morocco; and informal enterprises representation in national business associations (e.g. the National Road Safety Coordinating Committee, Labour Congress, and Chamber of Commerce).³⁷
2. **Promoting social dialogue** between the governments (especially the Sierra Leonean Small and Medium Enterprises Development Agency and the Sierra Leonean Investment and Export Promotion Agency) in partnership with informal enterprises aggregators like the Sierra Leone Labour Congress, the National Drivers Union, Traders Union and the Farmers' Association could play a catalytic role in accelerating formalization.
3. **Strengthening capacity of existing collective institutions** like the Sierra Leone Chamber of Commerce, Industry and Agriculture; the Traders Association; the Sierra Leone Market Women's Association; and the National Federation of Farmers. This could be done in partnership with the aggregators, incubators, CSOs, and government institutions to encourage informal enterprises and workers that do not belong to any existing collective institutions to join existing cooperatives, associations and clusters.
4. **Adopting ecosystem approach** in the formulation and implementation of policies and programmes affecting the informal sector. This should be a collaborative effort between government and non-state actors like the informal sector operators, their aggregators and incubators as well as CSOs and academia to promote ownership and committed implementation. Establishing effective coordination platforms for all informal sector companies and business in the country; ensuring continuous engagement among informal sector operations across and within trade at national, regional and district level. Periodic meetings and reporting on meeting outcomes in the implementation of projects promoting most impactful sectors
5. **Supporting data collection**, in terms of data analysis and reporting on informal sectors with greatest potential to transform into formal operations and supporting overall economic growth, poverty reduction and sustainable development.
6. **Mobilise the requisite finance to run these platforms** either through membership fees or support from the government or international organizations needs to be developed in a more sustainable manner.
7. **Improve the management and technical capacities** of existing ecosystem platforms identified to be very relevant for cross-border trading by stakeholders including: National Road Safety Coordinating Committee (because of their direct involvement in cross-border trade); Labour Congress (because it includes representation of informal enterprises workers); Others include the Sierra Leone Chamber of Commerce, Industry and Agriculture; the Sierra Leone Market Women's Association; the Women Cross Border Traders' Union; and the National Federation of Farmers.

³⁷ For instance, through the National Supply Development Programme in Kenya, about 30 percent of public procurement is reserved to SMEs for capacity enhancement and access to market. And the aggregator model in Morocco clustered farmers into 100 to 200 under the leadership of an aggregator who is a processor of their products and provides inputs and resources with the agreement that farm produce will be sold to the aggregator at the stage of harvesting at an agreed price that build around the market price.

4.6 ACTIONS REQUIRED PROMOTING THE SELECTED CASE STUDY SUB-SECTOR: CROSS-BORDER TRADE IN AGRICULTURAL PRODUCTS

While some actions required for the selected case study are similar to those outlined above, there are a couple of them that are unique to the promotion of this critical case study sub-sector. Stakeholders considered the following integrated actions necessary for enterprise formalization:

1. Provide insurance facilities for agricultural products traded across the border
2. Promote tax incentives for cross-border trade in gari especially for those that are willing to formalize
3. Promote training on the rationale and benefits for formalisation and facilitate coaching and mentorship for enterprises ready for formalization
4. Enhance the understanding of the context and realities of cross-border trade for relevant traders, including the understanding of various cultures and practices across neighbouring countries.
5. Leverage support from the International Organisation of Migration towards the promotion of cross-border trade in the elected product(s).
6. Promote diplomatic cooperation with cross-border states towards simplification of checkpoint protocols to facilitate trade
7. Provide security guide and advice to traders, encouraging them to stay within formal business operation protocols; discouraging them from bypassing formal crossing/checkpoints or from smuggling activities, as there are reported cases of ambushes by armed robbers, harassments and sexual abuses involving traders.
8. Improve storage facilities for traded products, including establishment of such facilities at border crossing points, to reduce losses and logistical issues associated with cross-border trades.
9. Support increased access and use of financial services.
10. Provide special support for women and youth participating in this trade including business planning and management skills, financial literacy, and access to finance and insurance.

CHAPTER FIVE

Conclusion and recommendations

This study has examined the context and situation of informal enterprises in Sierra Leone with a view to highlighting their potentials to transforming into formal businesses that can effectively contribute to the socioeconomic development of the country. The challenges encountered in this sector were identified alongside their potentials to inform key actions have planned to implement towards a comprehensive transformation of the informal sector.

With the help of in-depth interviews and focus group discussions, coupled with desk reviews, the following came out as key highlights of the context and situation of the informal sector in Sierra Leone:

The sector is broad and dense with various actors involved in diverse activities, ranging from agricultural activities, to mining, fishing, petty trading, and small-scale services. These economic operations are substantially found in both rural and urban settings, and continue to be central to reducing poverty for masses of unemployed labour force in the formal sector, including women and youth.

While the informal sector is crucial to economic growth and poverty reduction, it generally remains dominant in the economy for several factors. These include weak operational environment (including access to basic services like electricity), poor regulatory environment and uncoordinated policy frameworks (especially between national and local authorities) as well unfair taxation and harassment by enforcement agencies;³⁸ lack of access to adequate finance, low educational level, limited business development skills.

Unfavourable and discriminatory policies favouring sets of businesses against others are contributory factors limiting the growth, expansion and transformation of informal enterprises into formal businesses.

Further highlighted are lack of effective informal sector ecosystem stakeholder platforms to facilitate business opportunities for the growth, expansion and transformation of small and unregulated businesses into formal enterprises. Weak infrastructure (energy supply, water system, roads and ICT), low level of digital financial services and digital skills among the population were also mentioned as barriers to formalization. The low level of educational system explains the low skill content in the informal sector in Sierra Leone. The Cross border trade in gari where about 50 percent either do not have primary school education or just have non-formal education is a good example of why skill development is critical for success in the country.

Amidst these barriers and challenges were revealed opportunities that could be leveraged towards defining tangible actions and the project for transforming Sierra Leone's informal sector. These opportunities include the

³⁸ The World Bank Business Enterprise survey in 2017 revealed taxation as the fifth impediment to enterprise performance after access to finance, electricity, access to land and corruption (in descending order) (World Bank (2022)).

existence of critical policies, programmes and initiatives, such as the National Local Content Policy, the National Integrated Financing Framework, the National Innovation and Digital Strategy, the Sierra Leone Social Safety Net, the Sierra Leone Microcredit Scheme (NANUFA FUND) and the Agricultural Credit facility (ACF) and other microcredit schemes coordinated through the Ministry of Trade and Industry's Small and Medium Enterprise Development Agency and the Handbook of Tax Incentives for Investment in Sierra Leone. The establishment of the Sierra Leone's Small and Medium Enterprise Development Agency through the Act of Parliament in 2016 is novel. Others include the introduction of the Sierra Leone Business Forum in 2007, the enactment of the Insurance Act of 2016, and the implementation of the National Social Security and Insurance Trust, coupled with the burgeoning digital financial services and business consultancy services in the country, services provided by incubators in the areas of coaching, mentoring, etc. Existence of aggregators, such as cooperatives and other associations facilitating access to business services for enterprises were also noted.

The study identified cross-border trade in an agricultural product (gari) as a sub-sector that could be prioritised and piloted in the informal sector transformation project with great multiplier effects towards catalysing the transformation of the entire informal sector. The cross-border trading in agric-processing product (gari) in addition having strong backward and forward linkages in the economy also demonstrates a high potential for revenue generation from cross-border trade within the Mano River Union and could serve as an important tool for Sierra Leone to operationalize the African Continental Free Trade Agreement in the Western and Central African region given that Sierra Leone is a net exporter of gari in the region.

In Sierra Leone, past efforts to transform and formalize informal enterprises has been limited by a number of factors including weak regulatory policies and inadequate enforcement of existing regulations; inadequate communication of benefits of formalization to informal sector operators; poor implementation of management training for informal entrepreneurs; lack of financial capital, infancy of fintech and limited access to digital services absence of success stories in business formalization; existing tax policies are not conducive to the growth and transformation of informal enterprises, and the gross mistrust between the governments and the informal enterprise operators.

The formalization effort in Sierra Leone is not starting from the scratch. The One-Stop-Shop by the Office of the Administrator and Registrar General (through the Business Registration Act 2007); the establishment of collateral registry for immovable assets and the development of the Fast Track Commercial Courts; the establishment of SMEDA and the enactment of the Sierra Leone Local Content Agency Act are ample opportunities for the implementation of the EU-OACPS-ILO-UNDP Project on informal economy.

This Project should partner with past and ongoing projects that have contributed to enterprise formalization in Sierra Leone. Some partners include the World Bank, European Union, Swiss Agency for Development and Cooperation as well as with NGOs and government institutions like the Ministry of Trade and Industry and the Small and Medium Enterprise Development Agency (SMEDA).

There are several projects that have shown element of success over the past five years. One of these is the World Bank Youth Employment Support Programme and the Sierra Leone Economic Diversification Project that supported some incubators and aggregators like AYM Sierra Leone, Afford SL and Faster Capital that

offered business support services to informal enterprises. Another is the UN-Government “deepening financial digitalisation and literacy aimed at increasing financial inclusion and capturing informal economic transactions into formal financial operations; the UNCDF-UNDP on the Sierra Leone Economic Diversification Project with the Ministry of Finance; and the UNCDF implemented Financial Inclusion and Innovation Capacity Building Project. The Mano River Union Secretariat supported by the African Development Bank on Cross-Border Traders and the Social Microfinance Project (MUNAFA), which offers adapted finance with social services and capacity building is another useful project. The EU-OACPS-ILO-UNDP project implementation should leverage the rising trend of digital financial products and payment platforms (e.g. the orange money, the Afri-money, the Rokel Commercial Bank’s payment platform). These are among several others that could be potential partners.

The need to draw lessons from existing initiatives to empower and capacitate informal sector aggregators and incubators and facilitate knowledge exchange across countries that have successfully transformed their informal enterprises like in Benin and Morocco could be explored.

Potential collective action platforms that could also support the implementation include the Women Cross Border Traders’ Union; the National Petty Traders Organisation; the Traders Association; the Sierra Leone Market Women’s Association; the Sierra Leone Chamber of Commerce, Industry and Agriculture; the National Federation of Farmers; the Women’s Leadership in Small and Medium Enterprises (WLSME); the Organisation of Women’s Networks for Entrepreneurs (OWNERS), and the Cooperative Credit Unions. Some examples of incubators that have been working in the country with some successes include Innovation Sierra Leone, Catholic Agency for Overseas Development (CAFOD), Action Aid, Sensi Tech Innovation Hub (Sensi), African Institute for Development and Equity (AIDE), and AURORA Foundation.

REFERENCES

- Brima, J. S. and Turay, S. 2017.** Sierra Leone 2015 Population and Housing Census: Thematic Report on Economic Characteristics. Statistics Sierra Leone, Freetown, Sierra Leone.
- Bank of Sierra Leone and United Nations Capital Development Fund. 2020.** State of the Digital Financial Services in Sierra Leone. Results from the UNCDF Annual Survey; BSL/UNCDF, Freetown, Sierra Leone.
- Bangura. 2015.** Determinants of Rural House Hold Poverty in Post Conflict Sierra Leone: Understanding entrenched poverty in the Global South. Lampert Publishing; Germany.
- Benjamin, N. and Mbaye, A. A. 2020.** "The Informal Sector in Francophone Africa: The other side of weak structural transformation". Policy Brief. Africa Growth Initiative at Brookings.
- Business Environment Reform Facility (BERF) and Department of International Development (DID). 2017.** Business Environment Reform Diagnostic – Sierra Leone. Prepared by Manuel c. and Katiyo L. March 2017.
- Charmes, Jacques. 2012.** "The Informal Economy Worldwide: Trends and Characteristics" Journal of Applied Economic Research 6:2, 103-132.
- De Soto, H. 1989.** The Other Path: The Economic Answer to Terrorism. New York: Basic Book.
- Digital Banker Africa. 2022.** Sierra Leone's Thumbprint Innovation Means Unbanked Can Now Sign Up For Bank Accounts <https://digitalbankerafrica.com/sierra-leones-thumbprint-innovation-means-unbanked-can-now-sign-up-for-bank-accounts/>
- Enabling Environment for Sustainable Enterprises (EESE), ILO, and Social Justice Decent Work. 2019.** Enabling Environment for Sustainable Enterprises in Sierra Leone: Main Findings. ILO 2019. Entrepreneurs du Monde (2022). Social Microfinance in Sierra Leone. <https://www.globalgiving.org/projects/social-microfinance-in-sierra-leone/>
- European Union. 2021.** Republic of Sierra Leone- European Union: Multi-Annual Indicative Programme 2021-2027. https://www.eeas.europa.eu/sites/default/files/sierra_leone_-_european_union_multi_annual_indicative_programme_2021_-2027.pdf
- Government of Sierra Leone. 2019.** Sierra Leone's Medium-Term National Development Plan 2019-2023. Ministry of Planning and Economic Development, Freetown, Sierra Leone.
- IFPRI. 2013.** The National Health Insurance Scheme in Ghana Implementation Challenges and Proposed Solutions. IFPRI Discussion Paper 01309. December 2013
- ILO. 2002.** "Decent Work and the Informal Economy" Report of the Director-General, International Labour Conference, 90th Session, Report VI. ILO: Geneva.
- ILO. 2002.** Training for Work in the Informal Sector. Fresh Evidence from West and Central Africa. Turin: ILO.
- ILO. 2017.** Sierra Leone Work for Youth: School to Work Transition Survey (SWTS) Country Brief, January 2017. ILO and Master Card Foundation.
- Kamara, A. B. 2016.** Cross Border Trading: Sierra Leone and her Neighbours. Blog. International Growth Centre. 24 February 2016.
- Kobayashi, K. and H. M'cleod. 2021.** Rethinking business reforms in post-conflict settings: the case of Sierra Leone, Conflict, Security & Development, 21:1, 43-61, DOI: 10.1080/14678802.2021.1888501
- Levaux, S. and De Smet, D. 2021.** "Bringing the Informal Sector on Board". Alliance for Financial Inclusion (AFI). 29 March 2021.
- Ngwabe, W. and Morttey, E.S. 2021.** Sierra Leone – Boosting Entrepreneurs Skills with Financial and Digital Literacy Trainings. UN Capital Development Fund (UNCDF): New York.

OECD and ILO. 2019. Tackling Vulnerability in the Informal Economy. Development Centre Studies. Paris: OECD Publishing.

Sandy, J.F. 2016. "Gender Implication of Taxing the Informal Sector: What is the Reality on Ground in Sierra Leone?" https://www.ictd.ac/wp-content/uploads/2016/11/JAMES_SANDY_Taxing_the_informal_Sector_in_Sierra_Leone_JFSandy.pdf

Sierra Leone Directorate of Science, Technology and Innovation (DSTI) and United Nations Capital Development Fund 9UNCDF). 2021. Digital and Entrepreneurship Ecosystem Mapping in Sierra Leone. DSTI/Office of the President and UNCDF, Freetown, Sierra Leone.

UNCDF. 2021. Mapping the Sierra Leone Digital and Entrepreneurial Ecosystem (Part 2). Blog, 21 October 2021. UNCDF: Freetown.

UNCDF. 2021a. Sierra Leone: Boosting Entrepreneurs Skills with Financial and Digital Literacy Training. 17 December 2021.

UNDP. 2021. Supporting Informal Enterprises Transition towards Sustainable Growth and Formalization in the African, Caribbean and Pacific Regions. UNDP.

UNDP. 2021b. UNDP Side Event at the 59th Session of the Commission for Social Development: Informality and Social Protection in Africa – Lessons for a post COVID era. 10 February 2021.

World Bank. 2009. Doing Business 2010, World Bank: Washington, DC.

World Bank. 2015. Implementation Completion and Results Report on Youth Employment Support Project. December 2015.

World Bank. 2018. Financial Inclusion Project. Washington DC, 2018, <http://documents1.worldbank.org/curated/en/902181548039624564/pdf/Project-Appraisal-Documents-PAD-Sierra-Leone-Financial-Inclusion-Project-P166601-12212018-636836184164440328.pdf>

World Bank. 2019. Doing Business Reform Roadmap, Washington DC.

World Bank. 2021. The Long Shadow of Informality: Challenges and Policies. Washington DC.: The World Bank Group.

World Bank. 2022. Sierra Leone Economic Update: Leveraging SME Financing and Digitalization for Inclusive Growth. Washington DC.

World Bank. 2022b. "The World Bank Approves new Grant for Sierra Leone to Further Strengthen Social Safety Nets and Boost Resilient Recovery". Press Release. 8 March 2022.

World Food Programme. 2019. Draft Sierra Leone country strategic plan (2020–2024). August 2019.

ANNEX 1

Selection of individuals for in-depth interview

No.	Stakeholder categories	Number interviewed	Persons Interviewed
1.	Informal Cooperatives and Associations	2	Head of Drivers Union
			Head of Traders Union
2.	Informal Sector Regulators	3	Ministry of Trade
			Secretary General of SLLC
			Sierra Leone Chamber of Commerce
3.	Recently Formalized Enterprises	2	Do a male headed enterprise
			Do a female headed enterprise
4.	Informal Sector Client	1	Do a female client
5.	Financial Intermediaries	2	Union Trust Bank
			Rokel Commercial Bank
6.	Informal Sector Incubators	2	Head of Innovation SL
			African Institute Aid
7.	Informal Sector Aggregators	2	National Association of Farmers
			National Association of Artisanal Miners
8.	Academic, CSOs and International Development Partners (including EU, UNDP, ILO, MRU and ECOWAS)	7	Economics and Commerce Department, Fourah Bay College
			Cotton Tree Foundation
			EU
			UNDP
			ILO
			MRU
			ECOWAS
Total		21	

ANNEX 2

List of business groups/institutions selected for focus group discussion

NO.	Stakeholder Categories	Name of Business Group/Institution Selected	Invitees		Group
			Unit #	Total	
1	Informal Cooperative	Drivers Union	2	10	1
		Bike Rider's Association	2		
		Kiki Rider's Association	3		
		Traders Union	3		
2	Informal Sector Regulator	Ministry of Trade	2	7	2
		SMEDA	2		
		Sierra Leone Labour Congress	3		
		Ministry of Labour and Social Security	2	8	3
		Employers Federation	2		
		Ministry of Mines and minerals Resources	2		
		Sierra Leone Chamber of Commerce, Industry and Agriculture	2		
3	Recently Formalized Enterprises	Enterprises 1	1	4	4
		Enterprises 2	1		
		Enterprises 3	1		
		Enterprises 4	1		
4	Informal Sector Client	Client 1 Male	2	4	5
		Client 1 Female	2		
5	Financial Intermediaries	Rokel Commercial Bank	2	8	6
		Union Trust B	2		
		BSL	2		
		SLCB	2		
		ECOBANK	2	6	7
		Call to Business	2		
		Brac	2		
6	Informal sector Incubator	INNOVATION SL	2	4	8
		CAFOD	2		

NO.	Stakeholder Categories	Name of Business Group/Institution Selected	Invitees		Group
			Unit #	Total	
7	Informal sector aggregators	National Association of Farmers	2	4	9
		National Association of Artisanal Miners	2		
8	Academic, CSOS and international development partners	Fourah Bay College	2	12	10
		Institute of Public Administration and Management	2		
		UNDP	2		
		Ecowas	2		
		Mano River Union	2		
		International Labour Organisation	2		
		Total		67	

ANNEX 3

Stakeholders' perspectives on the SWOT analysis of the informal sector

Individual In-depth Interview



STRENGTHS

- Freedom from bureaucracies in the formal sector.
- The opportunity to combine income-generating activities with domestic household tasks.
- Can start operations with limited resources.
- Don't need expert knowledge on how to carry out profitable business before they could start-up a business.
- No Consultancy is required to setup—no business development support cost
- They are highly heterogeneous, giving them opportunity to create economic independence and self-reliant.
- Cheap or no labour cost involved in their operations
- Little or no overhead costs



WEAKNESSES

- Freedom to do what they want without complying with the law
- They have urge to avoid government policies and regulations.
- Weak capacity to scale-up businesses
- Limited internal capital and lack of collateral
- Lack of managerial and technical skills
- Unfavourable location of many businesses
- Wrong perception and attitude of business owners about need for compliance with business obligation to the state and general regulations
- Incoherent views about business development, with low capacity to conceptualize business ideas and acquire and develop entrepreneurial spirit
- They generally deliver less employment opportunities
- Low level of education by business owners and limited productivity in operations
- Limited understanding of customs and trade regulations
- Generally associated with poverty-ridden families, especially at the death of business owners who invariably are breadwinners
- Mostly work fewer hours as they combine business with domestic tasks
- Workers are not regulated or protected.
- Lack of clear business vision and mission, and generally low skilled
- As they are generally noncompliant with formal policies and regulations, they are perceived as lacking transparency in their operations and trust in state institutions
- Most SME's don't innovate; they rely on each other's ideas
- Easily driven out of business by shocks and disasters because of limited income
- Cannot easily absorb technological/digital applications growth; lacking e-commerce knowledge.
- Weak capacity to understand tax system and they have poor records keeping and financial management capability



- Most lack business bank account
- Extended family burden on business owners limits business growth
- Hardly have clear market strategies, & no research and development
- Poor customer service skills; no strong brand identity



OPPORTUNITIES

- They can take advantage of the World Bank's \$40million Jobs and Economic transformation project to support investment and growth of SMEs in the non-mining sector.
- Incubator (Afford SL): can help SMEs and entrepreneurs develop their businesses by providing knowledge and skills to scale and grow their businesses.
- With the help of incubators, businesses can gain the know-how skills and be regulated
- Take advantage of Sierra Leone Local content policy
- Take advantage of the Sierra Leone social safety net project
- Existing of regulatory and policy framework for business operations
- Making use of digital financial services (orange and afri-money)
- They can take advantage of business incubators, who usually serve as first line of contact for newly established start-ups.
- Can tap into the government financed MUNAFA Fund providing micro credit to businesses
- Existence of the Small and Medium Enterprise Development Agency established by the Government with mandate to support and regulate the activities of SMEs nationwide—facilitating reduction of bureaucracies in the public sector and ensuring fairness in the treatment of enterprises
- Existence of a range of business development consultancy services
- Expansion of financial institution branches in the rural areas, with some amount of competition among institutions increasing chances of lowering interest on loans.
- Periodic training and public sensitization on business development; government working with NGOs in this direction.
- Government partnering with NGO's to funding and loans for SMEs.
- Stipends provided to low income earners by the National Commission for Social Action (NaCSA).
- Existence of the National Social Security and Insurance Trust, currently promoting plans increase coverage of informal sector
- Constant engagement with commercial banks on the essence of SME lending
- Existence digital financial products and services, such as Rokel Commercial Bank's SIMKORPOR Payment Platform, Visa Card, Point of Sales, ATM, Internet Banking, etc; coupled with increased financial literacy programme.
- Improving flow of information and technology to the informal sector
- Launch of the National Financial Inclusion Strategy
- Expansion of the media with increased advertisement opportunities
- Existence of Handbook of Tax Incentives for Investment in Sierra Leone
- Expanding access to credit and insurance opportunities



THREATS

- Poor infrastructure, and high interest rates on loans given to SMEs
- Inadequate external investment capital/credit facilities
- High operational costs due to inflation and/or currency devaluation



- Lack of access to new technology
- Low access to information
- Unreliable electricity
- Inadequate access to marketing platform
- Avoiding government policies and regulations.
- Not comfortable with taxation policies such as Goods and Services Tax
- Excessive bureaucracies in accessing government schemes supporting growth and formalization of informal sector; and deep-seated corruption in the system
- Limited access to financial opportunities, with inadequate capital and credit facilities
- High operational costs due to inflation and/or currency devaluation
- Inadequate access to marketing facilitation platforms
- Foreign currency constrained
- Limited and unreliable electricity supply; and poor road network
- Weak national research into understanding the full landscape of informal economy, with inability to identify struggling SMEs
- Fluctuating GDP growth and widening poverty, limiting resources for start-up
- Weak enforcement of government rules and regulations
- Lack of monitoring and evaluation of programmes supporting existing informal enterprise growth and transformation
- Unaffordable taxes tariffs
- Poor internet facility, and low access to internet banking.

Focus Group Discussion



STRENGTHS

- Low level education
- Availability of cheap and affordable labour
- Easy to set up; less paperwork involved
- They widely practice rotating saving and credit schemes (the Osusu) among themselves to mobilise financing
- Connection and networking among informal sector operators
- Communication much easier among them
- Access to weekly or monthly loan opportunities among them, with flexible loan repayment schemes
- No switching cost; and little/no overhead cost
- Business are highly mobile
- They encourage more women participation than formal enterprises



WEAKNESSES

- Cannot take opportunities available for the formal sector
- Lack of technical expertise and appropriate training;
- Huge skills gap in the informal sectors
- Limited internal finance
- Limited or no savings
- No collateral to secure loans



- Highly exposed to external shocks
- Death of a family member can bring the business to closure
- No transparency and accountability
- No formal education is needed
- Inadequate skills in financial management
- No documentation and reporting in the business
- Limited knowledge of the tax systems
- Lack of adequate market facilities



OPPORTUNITIES

- There is provision in NASSIT scheme for informal sector
- Existence of technical skills development opportunities
- Existence of some grant opportunities for SMEs development
- SMEDA support for SMEs, facilitating the MUNAFA fund support for enterprises in the process
- Some financial support from development partners for SME development
- Tax exemption opportunities
- It is now easy to set-up a business in Sierra Leone; fewer days to process registration applications than before
- Ongoing public education on SME development
- Access to some affordable but limited financing, with some access to credit and insurance for businesses
- General capacity building opportunities; some existing measures and incentives for training and skill development
- Flow of information and technology to the informal sector has been improving to some extent
- Ongoing efforts to develop workers' representation and associations for enhanced productivity and social safety nets of workers—development of informal enterprises representation or associations part of the efforts
- Simplified business registration in existence
- Simplified tax rates / requirements to some extent; with some incentives to formalize
- There is scaling up of grant base on needs, while government direct providing support to improve the sector
- Participation of Business Development Services Partners are increasing
- Increasing encouragement of cooperatives
- Connection and networking among the formal and informal sector are in development—making communication much easier among the formal and informal sectors
- Support for mentorship and coaching increasing with different support, including that coming from Development Partners employment programme
- Existence of key business registration and regulation related institutions like the Corporate Affairs Commission
- The spirit of public private dialogue is increasing



THREATS

- Lack of opportunities in the formal sector (limited no space in the formal sector)
- Registration requirements in terms of fees unaffordable for some SMEs
- No clear support for SMEs in the NRA Act
- Limited provision in the NASSIT Act for informal sector



-
- Higher interest rate on loan and unbearable loan duration and structure
 - Limited access to external finance
 - Types of collateral requested by banks for loans unaffordable to many informal enterprises
 - Outbreak of diseases like Ebola and COVID-19, and other exogenous factors
 - Death of a family member can bring the business to closure
 - Limited fiscal space for government to support SMEs
 - Corruption in the public sector
 - Lack of adequate market facilities
 - Lack of basic infrastructure, such as electricity, road network, etc
 - Lack of effective monitoring and supervision of existing programmes supporting informal sector development and transformation
 - Lack of political will to support the transformation of the informal sector
 - Inflation and rising poverty and inequality
 - Public-Private dialogue still in infancy
 - High taxes, rates and dues
 - Digital literacy is limited
-

ANNEX 4

Identified Stakeholders in The Informal Sector Ecosystem

1. Informal cooperatives and associations

No	Name	Sector
01	GIRLS IN STEM INITIATIVE S/L	INFORMAL
02	MANUFACTURE, AGRICULTURE, GRAPHICS, IMPORT-CONSTRUCTION	INFORMAL
03	SUCCESS LADIES' DEVELOPMENT ORGANISATION	INFORMAL
04	REGENT YOUTH DEVELOPMENT ORGANISATION	INFORMAL
05	VEGETABLE GROWERS' ASSOCIATION	INFORMAL
06	SAM MARY ORGANISATION	INFORMAL
07	COMMUNITY INITIATIVE FOR RURL AND URBAN DEVELOPMENTG	INFORMAL
08	PROGRESSIVE HANDICAP DEVELOPMENT ASSOCIATION	INFORMAL
09	NEWTON DISABLED PERSONS DEVELOPMENT ASSOCIATION	INFORMAL
10	PROGRESSIVE HANDICAP DEVELOPMENT ASSOCIATION	INFORMAL
11	LETTIE STUART POTTERY AND CERAMIC CENTER	INFORMAL
12	YOUTH AND CHILD ADVOCACY NETWORK	INFORMAL
13	SALONE AGRO MARKET	INFORMAL
14	TALENTED WOMEN ORGANIZATION	INFORMAL
15	PLASTIC RECYCLING MANAGEMENT ORGANIZATION	INFORMAL
16	BOR COMBOR YOUTH ORGANIZATION	INFORMAL
17	THE MIGHTY SQUAD	INFORMAL
18	SEWA GROUND YOUTH ORG.	INFORMAL
19	AFRICAN CREATIVE TECHNOLOGISTS IN ACTION	INFORMAL
20	HEALTH CARE FOR AGED	INFORMAL
21	BETTER FUTURE FOUNDATION	INFORMAL
22	SIERRA SCHOOLS OF TECHNOLOGY	INFORMAL
23	INFORMATION FOR ALL SIERRA LEONE	INFORMAL
24	PREMIER ENVIRO SOLUTIONS SL LTD	INFORMAL
25	PROVIDING NEW OPPORTUNITIES	INFORMAL
26	DREAM CHASERS -SIERRA LEONE	INFORMAL
27	LEGLOMA YOUTH FOR DEVELOPMENT	INFORMAL
28	SOBAWAN POT AND COAL POT ENTERPRISE	INFORMAL
29	FRANCIS GBONDO ENTERPRISE	INFORMAL
30	BINKOLO GROWTH CENTRE	INFORMAL

No	Name	Sector
31	PLAN FOR LIFE	INFORMAL
32	GREAT SCARCIES SERVICES AND INVESTMENT LTD	INFORMAL
33	E WOMEN INNOVATION ACTIONS/L	INFORMAL
34	MARKET WOMEN	INFORMAL
35	PETTY TRADERS	INFORMAL
36	BIKE RIDERS	INFORMAL
37	KEKEH RIDERS	INFORMAL
38	DRIVERS UNION	INFORMAL
39	TRADERS UNION	INFORMAL
40	HIRER / BROKERS / CHARTER MEN	INFORMAL
41	ARTS AND CRAFTS	INFORMAL
42	PEOPLE'S PENSION FUND-SL	INFORMAL
43	SL NATIONAL BAKERS UNION	INFORMAL
44	TRADERS COUNCIL UNION	INFORMAL
45	HAIR DRESSER	INFORMAL
46	SWEISSY JEWELLERS ASSOCIATION	INFORMAL
47	BOOK SELLERS	INFORMAL
48	BELGIUM SELLERS ASSOCIATION	INFORMAL
49	WATCH REPAIRER-SWEISSY	INFORMAL
50	WATCH SELLERS ASSOCIATION	INFORMAL
51	M.B ENTERPRISES	INFORMAL
52	ZAINAB ENTERPRISES	INFORMAL
53	FODAY ENTERPRISES	INFORMAL
54	PHILICO OIL PALM ASSOCIATION	INFORMAL
55	UNITY METAL WORKSHOP	INFORMAL
56	MULOMA PALM OIL ASSOCIATION	INFORMAL
57	HOPANDA ASSOCIATION	INFORMAL
58	HARDING ENTERPRISES	INFORMAL
59	A.M.K ENTERPRISES	INFORMAL
60	CLASSIC ELECTRONICS ENTERPRISES	INFORMAL
61	UNITED K BUSINESS CENTER	INFORMAL
62	BONTHE COMMUNITY ENTERPRISES	INFORMAL
63	SUBU ENTERPRISES	INFORMAL
64	SHALOM INVESTMENT AND MACHANDISE	INFORMAL
65	HAMIDU ENTERPRISE	INFORMAL
66	MR. KENT ENTERPRISE	INFORMAL

No	Name	Sector
67	ALPHA STORES	INFORMAL
68	PATHANMAS	INFORMAL
69	ALICE FOFANAH ENTERPRISE	INFORMAL
70	F&F ENTERPRISE	INFORMAL
71	PETTY TRADING	INFORMAL
72	BEMBEM ENTERPRISES	INFORMAL
73	COLE ENTERPRISES	INFORMAL
74	JOINT GROUP DEVELOPMENT ASSOCIATION	INFORMAL
75	ALSAS GAS STATION	INFORMAL
76	FATMATA BAH ENTERPRISES	INFORMAL
77	MATTU BRIMA&SONS ENTERPRISES	INFORMAL
78	PALMOIL SELLERS ASSOCIATION KENEMA	INFORMAL
79	SAMUEL AND GRACE ENTERPRISE	INFORMAL
80	HOMONYA AVENUE SANITARY KIOSK	INFORMAL
81	ZABAN ENTERPRISE	INFORMAL
82	MUNafa COCOA FARMERS COOPERATION	INFORMAL
83	WINSTON K AND SINS ENTERPRISE	INFORMAL
84	AL-HANN ENTERPRISE	INFORMAL
85	MED B. ENTERPRISE	INFORMAL
86	IGAB ENTERPRISE	INFORMAL
87	AFAMA CLUB	INFORMAL
88	AUGMAC FARM PRODUCT	INFORMAL
89	SAL ENTERPRISE	INFORMAL
90	BLUE SEA ENTERPRISE	INFORMAL
91	ANGELINA ENTERPRISE	INFORMAL
92	HOT LINK ENTERPRISE	INFORMAL
93	TURAY HASSANAT	INFORMAL
94	OSWALD TECH	INFORMAL
95	DONATED BUILDING MATERIALS	INFORMAL
96	HEALTH FOR ALL MEDICAL	INFORMAL
97	AHMED ENTERPRISE	INFORMAL
98	MCRO ENTERPRISE DEVELOPMENT INITIATIVE	INFORMAL

2. Informal sector regulators

No	Name	Sector
1	SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ASSOCIATION (SMEDA)	GENEAL
2	SIERRA LEONE CHAMBER OF COMMERCE, INDUSTRY AND AGRICULTURE (SLCCIA)	GENERAL
3	SIERRA LEONE ASSOCIATION OF MICROFINANCE	FINANCIAL SERVICES
4	COMMERCE AND MORTGAGE BANK	FINANCIAL SERVICES
5	SIERRA LEONE LABOUR CONGRESS	LABOUR MARKET
6	SIERRA LEONE ECONOMIC DIVERSIFICATION	GENERAL
7	NATIONAL ASSOCIATION OF KEKEH RIDERS	TRANSPORTATION
8	NATIONAL ASSOCIATION OF FARMERS	AGRICULTURE
9	NATIONAL ASSOCIATION OF PETTY TRADERS	INFORMAL
10	NATIONAL ASSOCIATION OF OKADA RIDERS	TRANSPORTATION

3. Recently formalised enterprises

No	NAME	Sector
1	IDRISSA BANGURA	TRADERS UNION
2	SULAIMAN BANGURA	TRADERS UNION
3	MASSIRAY FOFANAH	TRADERS UNION
4	OSMAN FOFANAH	TRADERS UNION
5	MARTHA MBAYOH	TRADERS UNION
6	FATMATA KAMARA	TRADERS UNION
7	TAMBA MBAYOH	TRADERS UNION
8	ADAMA B MANSARAY	TRADERS UNION
9	FATMATA ROGERS	TRADERS UNION
10	ABDUL RAHMAN MANSARAY	TRADERS UNION
11	DORIS FAHNBULLEH	MARKET WOMEN
12	FATMATA ROGERS	MARKET WOMEN
13	FATMATA BURREH	MARKET WOMEN
14	IYE KENDAY	MARKET WOMEN
15	FATMATA HASSAN	MARKET WOMEN
16	ALIMAMY BANGURA	PETTY TRADER UNION
17	IBRAHIM S KAMARA	PETTY TRADER UNION
18	ABUBAKAR KAMARA	PETTY TRADER UNION
19	ISATA MANSARAY	PETTY TRADER UNION
20	MARK B KARGBO	PETTY TRADER UNION

4. Informal sector client

No	Name	Sector
1	NELLIE CONTEH	MOTOR BIKE RIDERS UNION
2	RAYMOND JOHN	BELGIUM SELLERS ASSOCIATION
3	KAIINNAMU A.N.Z KUMABEH II	MOTOR DRIVERS UNION
4	YAYAH KABBA	P.T.U
5	ALPHA BARRIE	SCRAP METAL ASSOCIATION
6	MARIE Y. BUNDU	BIG MARKET
7	ABU BAKARR BAH	SL NATIONAL BAKERS UNION
8	SANPHA KAMARA	SEWA GROUNDS
9	ALHAJI TEJAN KONTEH	SLCTU-KEKEH UNION
10	SAHR JUMU	PETTY TRADER
11	VANDY J LANSANA	SL TRADERS UNION
12	AARON A. BOIMA	TRADERS COUNCIL-SIERRA LEONE
13	YAYAH S. KAMARA	SWEISSY JEWELLERY
14	ALIEU KOROMA	SWEISSY JEWELLERY
15	HAJA MARIE BOB-KANDEH	STAY OKAY ENTERPRISES
16	MAMOUD KEITA	ART & CRAFT BIG MARKET
17	UMARU TALIE BAH	MOTOR BIKE RIDERS UNION
18	NELLIE CONTEH	MOTOR BIKE RIDERS UNION
19	OSMAN CONTEH	MOTOR BIKE RIDERS UNION
20	KAIINNAMU A.N.Z KUMABEH II	MOTOR DRIVERS UNION
21	DANIEL A. SERRY	PEOPLE'S PENSION FUND-SL
22	MUSA TURAY	PEOPLE'S PENSION FUND-SL
23	ABDUL S. JALLOH	PEOPLE'S PENSION FUND-SL
24	EDDIE A. KARGBO	PEOPLE'S PENSION FUND-SL
25	ABU BAKARR BAH	SL NATIONAL BAKERS UNION

5. Financial intermediaries

No	Name	Sector
1	SIERRA LEONE COMMERCIAL BANK	FINANCIAL SERVICES
2	ROKEL COMMERCIAL BANK	FINANCIAL SERVICES
3	UNION TRUST BANK	FINANCIAL SERVICES
4	ECOBANK	FINANCIAL SERVICES
5	GUARANTEE TRUST BANK	FINANCIAL SERVICES
6	STANDARD CHARTERED BANK (SIERRA LEONE)	FINANCIAL SERVICES

No	Name	Sector
7	FIRST INTERNATIONAL BANK	FINANCIAL SERVICES
8	FBN BANK SIERRA LEONE, FORMERLY INTERNATIONAL	FINANCIAL SERVICES
9	ACCESS BANK SIERRA LEONE	FINANCIAL SERVICES
10	SKYE BANK SIERRA LEONE	FINANCIAL SERVICES
11	UNITED BANK FOR AFRICA (UBA)	FINANCIAL SERVICES
12	ZENITH BANK SIERRA LEONE	FINANCIAL SERVICES
13	KEYSTONE BANK SIERRA LEONE	FINANCIAL SERVICES
14	MATRU COMMUNITY BANK	FINANCIAL SERVICES
15	SEGBWEMA COMMUNITY BANK	FINANCIAL SERVICES
16	YONI COMMUNITY BANK	FINANCIAL SERVICES
17	LAPO MICROFINANCE COMPANY	FINANCIAL SERVICES
18	KABALA COMMUNITY BANK	FINANCIAL SERVICES
19	MARAMPA MASIMRA COMMUNITY BANK	FINANCIAL SERVICES
20	BANK OF INNOVATION AND PARTNERSHIP	FINANCIAL SERVICES
21	A CALL TO BUSINESS SAVINGS AND LOANS LIMITED	FINANCIAL SERVICES
22	BRAC	FINANCIAL SERVICES
23	MUNFA FUND	FINANCIAL SERVICES
24	GRASSROOT FOUNDATION SIERRA LEONE	
25	SALONE MICROFINANCE TRUST LIMITED	

6. Informal sector incubators

No	Name	Sector
1	INNOVATION SL	GENERAL
2	CAFOD	GENERAL
3	SENSI TECH-HUB	GENERAL
4	AFRICAN INSTITUTE AIDE	GENERAL
5	AURORA FOUNDATION	GENERAL
6	SIDAC	GENERAL

7. Informal sector aggregators

No	Name	Sector
1	NATIONAL ASSOCIATION OF FARMERS	
2	NATIONAL ASSOCIATION OF ARTISANAL MINERS	

8. Academic, CSOs and international development partners

No	Name	Sector
1	INSTITUTE OF PUBLIC ADMINISTRATION AND MANAGEMENT	ACADEMIA
2	FOURAHBAY COLLEGE	ACADEMIA
3	INSTITUTE OF GOVERNANCE REFORM	CIVIL SOCIETY ORGANISATION
4	INTERNATIONAL GROWTH CENTER	CIVIL SOCIETY ORGANISATION
5	UNITED NATIONS DEVELOPMENT PROGRAMMES	DEVELOPMENT PARTNER
6	UNITED NATIONS CAPITAL DEVELOPMENT FUND	DEVELOPMENT PARTNER
7	INTERNATIONAL LABOUR ORGANISATION	DEVELOPMENT PARTNER
8	FOREIGN COMMONWEALTH AND DEVELOPMENT OFFICE	DEVELOPMENT PARTNER
9	RAMATU FOUNDATION FOR WOMEN AND GIRLS DEVELOPMENT	CIVIL SOCIETY ORGANISATION
10	WORLD BANK	DEVELOPMENT PARTNER

