SIERRA LEONE ECONOMIC UPDATE

7th EDITION

Enabling the Private Sector for Growth and Job Creation

WORLD BANK GROUP

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November 2025

WORLD BANK GROUP

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ACRONYMS

BSL	Bank of Sierra Leone
COVID-19	Coronavirus Disease of 2019
DMT	Dry Metric Tonne
EDSA	Electricity Distribution and Supply Authority
GDP	Gross Domestic Product
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
MDAs	Ministries, Departments, and Agencies
MOF	Ministry of Finance
MWF	Mineral Wealth Fund
NLe	Sierra Leonean new Leones
PCH	Pee Cee Holdings
PFM	Public Financial Management
PPP	Purchasing Power Parity
SLMMDMC	Sierra Leone Mines and Mineral Development and Management Corporation
SOEs	State-owned Enterprises
SSA	Sub-Saharan Africa
Stats SL	Statistics Sierra Leone
US$	United States dollars

ACKNOWLEDGEMENTS

The Sierra Leone Economic Update 2025 was prepared by a joint World Bank team from the Economic Policy Global Practice and the Development Economics Business Environment. The first part of the report was prepared by Michael Saffa (Senior Economist, EAWM2), Derek Hungk Shiat Schen (Senior Economics EAWM2), and Smriti Seth (Senior Economist, EAWM2). The second part was prepared by Subika Farazi (Senior Economist, DECBE), Nuno Mendes Dos Santos (Private Sector Development Specialist, DECBE), Rami Mikko Ahmed Galal (Economist, EAWF2), and Sarmad Ahmed Shaikh (Senior Financial Sector Specialist, EAWF2). The report benefitted from extensive comments and input from Stefano Curto (Lead Economist, EAWDR). The report was further enhanced by the valuable contributions from Giima Lavaly (Country Officer, CWTSL, IFC), and Denny Mahalia Lewis-Bynoe (Senior Economist, CACAE, IFC), Bobby Eric Musah (Operations Officer, CACAE, IFC), Philippe Olivier Kaul Meledje (Investment Officer, (CM3AA, IFC), Mohamed Adama Jalloh (Consultant EAWG2), and Raymond Muhula (Lead Public Sector Specialist EAWGA2). The Update was prepared under the overall guidance of Robert R. Taliercio (Country Director, AFCW1), Abdu Muwonge (Country Manager, AWMSL), Sandeep Mahajan (Practice Manager, EAWM2) and Valeria Perotti (Manager, DECBE). It benefited from constructive comments from the following peer reviewers: Mamadou Ndione (Senior Economist, ESAC1) and Ruchita Manghnani (Senior Economist, EAWF2). Irene Sitienei (Program Assistant, EAWM2), Pinar Baydar (Operations Analyst, EAWM2), Allan Cole (Senior Program Assistant, AWMSL) and Jeneba Kamara (Executive Assistant, AWMSL), provided invaluable administrative support to the team.

EXECUTIVE SUMMARY

Sierra Leone's economy continues to navigate complex domestic and global challenges constraining growth and jeopardizing macro stability. GDP growth slowed in 2024 to 4.3 percent, down from 5.7 percent in 2023, as mining activities were hit by weak global demand, especially from China. Fiscal policies remained loose, and the deficit continued to exceed budget targets for the fourth consecutive year, hurting policy credibility and debt sustainability. While inflation pressures have moderated and the currency has stabilized, external buffers have eroded leaving the economy more vulnerable to shocks.

Job creation is a major challenge. Inadequate growth has constrained job creation. While the working-age population continues to grow, labor force participation has declined in recent years due to limited employment opportunities. The country will need to create an additional 75,000 new jobs every year between 2020 and 2050 just to maintain its current employment-to-population ratio of 51 percent, compared to about 41,000 jobs that are currently generated by the economy. The growing population presents an opportunity for a demographic dividend in Sierra Leone, but job creation has not kept pace and poses a significant challenge for the future if not addressed.

The absence of a vibrant private sector contributes to the growth and jobs deficit. Access to finance, land, electricity, skills and regulatory inefficiencies—coupled with chronic macroeconomic instability and underdeveloped trade and competition frameworks–all pose systemic constraints. The net result is a feeble private sector that remains largely informal, undercapitalized, and dominated by micro-enterprises.

Fiscal performance remains a key vulnerability. Weak fiscal discipline, characterized by significant and recurrent budgetary overruns, threatens to jeopardize macroeconomic stability and sustainability. The overall deficit widened to 5.1 percent of GDP in 2024, exceeding budget targets for the fourth consecutive year, driven by large capital expenditure overruns. Domestic revenue improved by 1.8 percentage point of GDP—rising to 9.2 percent of GDP in 2024, supported by tax policy measures implemented through the 2023 and 2024 Finance Acts, expanding the coverage of tax audits, and tax education. However, revenue remains constrained by pervasive tax exemptions, weak enforcement, administrative inefficiencies and a narrow tax base due to the high level of informality. Debt risks have heightened, with very high debt servicing burdens and refinancing costs, driven by short-term domestic borrowings at real interest rates of over 10 percent, threatening fiscal sustainability.

Weak financial management is a pervasive, cross-cutting constraint to fiscal policy credibility, effectiveness, and oversight. Public financial management systems are underdeveloped, and practices do not live up to the promises of the law, causing expenditures to routinely exceed revenues and "bad spending" to go unchecked. Weak budget execution systems, poor internal controls, and insufficient auditing are glaring symptoms of an overall lack of transparency and poor executive accountability. Persistent overspending, coupled with limited parliamentary scrutiny over in-year budget adjustments and the circumvention of payment systems, has allowed budget overruns to recur. These challenges, coupled with poor contract management, have undermined the credibility of the national budget.

Monetary policy is *de facto* governed by its fiscal dominance. While the Bank of Sierra Leone raised rates further by 250 basis points during 2024 to respond to inflationary pressures, transmission has been impeded by fiscal dominance and a shallow financial sector. Base money growth, which serves as a more accurate metric of the monetary policy stance, has remained elevated in tandem with the fiscal slippages. Fiscal indiscipline has, therefore, been fueled by monetary policy compliance, which together compromised broader macroeconomic management in 2024. With cooling global prices, exchange rate stability, and tighter monetary policy, inflationary pressures moderated gradually through 2024, with headline inflation declining to an average 29.8 percent in (47.3 percent in 2023) and cooling further in 2025 to 5.4 percent y-o-y in September. The Central Bank has since June 2025, reduced the monetary policy rate by 600 basis points to 18.75 percent by September 2025 to stimulate private sector credit and investment growth while maintaining a tight policy stance.

A banking-sovereign nexus continues to weigh on private sector lending and poses a risk to macroeconomic stability. Access to credit remains a binding constraint for the private sector. Private sector lending has been crowded out by government borrowings, which are rated as zero risk by financial institutions and hence preferred. Underdeveloped credit infrastructure, weak collateral registry, lack of insolvency mechanisms, and the absence of Electronic Know Your Customer (e-KYC) systems also continue to hamper private credit. While financial inclusion has improved, driven by mobile money adoption and the rollout of the Instant Payment Switch, it remains below Sub-Saharan African averages.

External accounts remain under pressure as reserves continue to decline, despite an improvement in the trade balance. The current account deficit narrowed to 4.7 percent of GDP in 2024, driven by export performance (especially cocoa) that outpaced import growth as global food and fuel prices cooled. However, despite this improvement in the trade balance, the overall external position weakened. Investment inflows improved, but external debt service obligations remain elevated. Consequently, international reserves declined to 2 months of import by end-2024, and further down to 1.5 months of imports cover by August 2025, primarily due to rise in debt service cost and government expenditures in foreign currency-including payments fro oversea travel, support for foreign embassies, and payment of energy arrears to Independent Power Producers (IPPs). The currency, the New Leone, has remained resilient to these vulnerabilities and appreciated by 5 percent in real terms in 2024.

Looking ahead, growth is projected at 4.3 percent in 2025 and expected to recover to 4.6 percent by 2027. However, risk to growth persists amidst global trade uncertainties, and health and climate risks. Key drivers will include continued agricultural productivity gains, mining expansions, and services sector resilience. Inflation is expected to remain in the single digit till 2027 due to recent easing of global food and energy prices and continued stability of the Leone. Robust fiscal management is required to restore stability. Urgent policy priorities include strengthening domestic revenue mobilization by implementing tax reforms and enforcement; improving expenditure controls and public financial management; managing debt sustainably by lengthening maturities and prioritizing concessional financing; rebuilding international reserves; and deepening financial sector reforms to reduce fiscal dominance and expand credit to the private sector. Further, scaling up Feed Salone and private sector-led agricultural value chains is vital to boosting food security, export diversification, and inclusive job creation.

PART ONE

RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

Global and Regional Trends

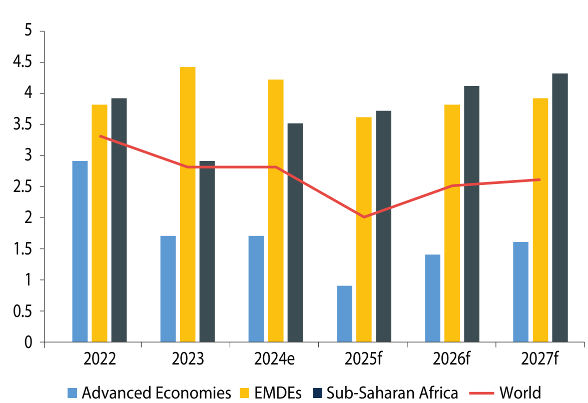
Global growth will slow in 2025, dragging down commodity prices amid trade and policy tensions.

Global growth is expected to slow in 2025 amidst escalating trade tensions and global policy uncertainties. Global growth is set to slow sharply in 2025 to 2.0 percent, down from 2.8 percent in 2024 due to the impact of rising trade barriers, elevated uncertainties, increased financial volatility, and deteriorating confidence. The downgrade compared to the January global economic prospects (GEP)forecast of 2.7 percent global GDP growth for 2025 was largely driven by advanced economies where growth prospects have halved. Growth in emerging markets and developing economies is projected to slow to 3.6 percent this year before edging up to 3.9 percent by 2027. China's economy is projected to decelerate as rising trade barriers and weakening external demand outweigh fiscal stimulus. Growth in Sub-Saharan Africa (SSA) picked up to 3.5 percent in 2024, largely owing to increased public investment and a surge in commodity exports, improving external imbalances. The better-than-expected performance was broad-based, with almost two-thirds of the economies in SSA experiencing an acceleration in growth last year. As of June, growth is projected at 3.7 percent for 2025, down by 0.4 percentage points from January projections following deteriorating global conditions, rising trade barriers and trade policy uncertainty, and weakening confidence (Figure 1).

Global commodity prices are expected to fall sharply as weakening global growth weighs on demand. Commodity prices are forecast to decrease by 12 percent in 2025 and an additional 6 percent in 2026, driven by softening oil prices due to slow global oil consumption and increasing supply. Brent oil prices are projected to average US$64 per barrel in 2025 and US$60 per barrel in 2026, with demand growth set to remain well below 2015-19 levels. Metal prices (excluding precious metals) fell sharply in early April as global growth prospects deteriorated before recovering somewhat amid shifting trade policy announcements. The metals index is projected to drop by 10 percent overall in 2025, and drifting gradually lower in 2026-27. Iron ore prices fell by 10 percent in 2024 to US$109.4 per dry metric tonne (dmt) and are projected to slow further during 2025-26 to an average of US$93 per dmt due largely to weakened demand from China (Figure 2).

As global and emerging market growth slows in 2025, Sub-Saharan Africa continues to expand.

FIGURE 1: Global and regional GDP growth (in %), 2022–27

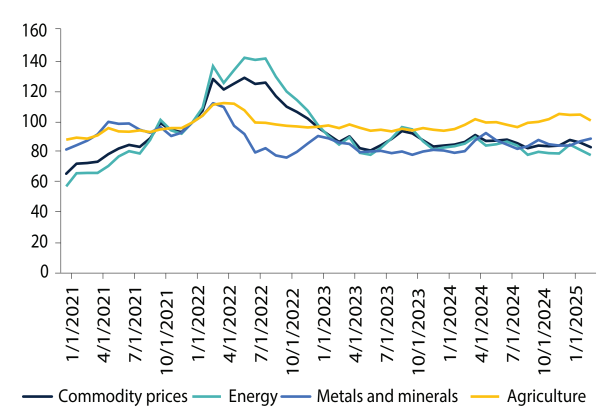


Notes: AE: advanced economies, EMDEs: emerging market and developing economies, SSA: Sub-Saharan Africa. e=estimate, f=forecast. Growth rates for country groups are calculated as weighted averages using GDP shares consistent with purchasing power parity as weights.

Source: June 2025 Global Economic Prospects database.

Iron ore prices have been falling since 2024 as demand from China continues to weaken.

FIGURE 2: Commodity prices, energy, metals and minerals, and agriculture (Jan. 2022 = 100), 2021-24



Notes: $/bbl = US$ per barrel of oil; cfr spot ($/dmt) is US$ per dry metric ton unit current market price, including the cost of freight to the port of destination.

Source: April 2025 Commodity Market Outlook.

Recent Developments in Sierra Leone

Real sector

Economic growth slowed in 2024 as the mining sector underperformed.

Sierra Leone's economy is heavily reliant on mining and agriculture, a dependence which continues to drive volatility in growth patterns. The country is endowed with a variety of natural resources which underlie its economic performance, including minerals (Box 1) and abundant rainfall and arable land. Nearly 8 percent of economic activity originates in the mining sector, of which iron ore accounts for nearly two-thirds. Agricultural output is also dominated by a handful of crops, including rice, cocoa, cassava and fruits and vegetables. Non-agriculture and non-mining output amounts to 56 percent of GDP on average and 4.3 percent of growth in 2024, with trade-related services being the most prominent contributor.

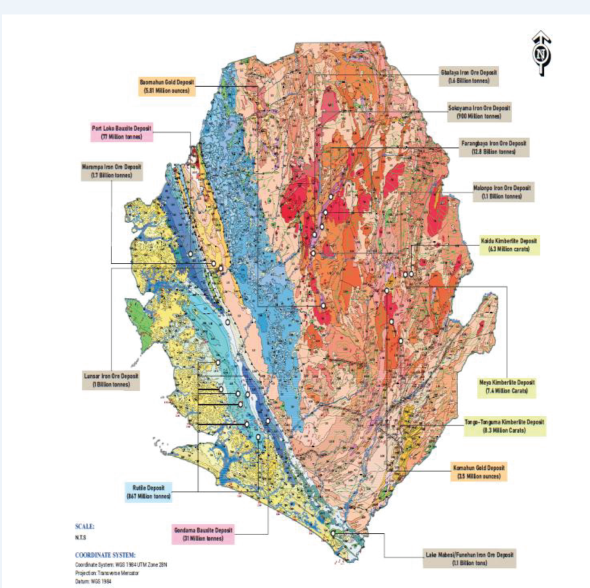
Box 1 Sierra Leone's mining sector

Sierra Leone is a resource-rich country endowed with abundant mineral wealth, including diamonds, iron ore, rutile (home to one of the world's largest natural rutile deposits), gold, bauxite, platinum, zircon, ilmenite, chromite, and columbite-tantalite (coltan). This vast mineral endowment positions Sierra Leone as a key player in the global mining sector, with significant potential for economic growth and industrial development.

In 2020, a comprehensive geophysical survey was conducted with support from the World Bank through the Extractive Industries Technical Assistance Project. This survey aimed to more precisely map and quantify the country's extensive mineral resources, providing critical data to attract investment and guide sustainable exploitation.

The regulatory framework for the mining sector is anchored by the Mines and Mineral Development Act of 2022, developed with World Bank assistance. This legislation establishes a robust governance and oversight framework designed to promote transparency, environmental stewardship, and equitable benefit sharing. The National Minerals Agency, operating under the direct supervision of the Ministry of Mines and Mineral Resources, executes the sector's regulatory functions, including licensing, monitoring, and compliance enforcement.

Currently, Sierra Leone hosts 23 large-scale mining operations spanning diamonds, gold, rutile, bauxite, coltan, and iron ore, alongside 37 small-scale mines focusing on gold, diamond, mineral sands, and coltan extraction. Of the large-scale mines, seven are fully operational while six are in various stages of development, poised to commence commercial production soon.



The sector is notably dominated by two major iron ore mining companies: Kingho Mining Company and Marampa Mines. Kingho oversees the Tonkolili iron ore deposits, estimated at approximately 12.8 billion tonnes of ore, one of the largest known reserves in Africa. Marampa Mines operates the Marampa deposits, with around 1.7 billion tonnes of iron ore.

The sector provides over 13,000 direct jobs to Sierra Leoneans, ranging from skilled technical roles to manual labor, with indirect employment created through supporting industries such as logistics, equipment maintenance, and local services. Largescale operations like Kingho and Marampa Mines each employ several thousand workers, contributing significantly to local livelihoods, especially in mining communities.

GDP growth slowed in 2024 due to subdued mining activity, even as the rest of the economy showed resilience. The economy slowed to 4.3 percent year-on-year (yoy) in 2024, compared to 5.7 percent in the previous year. Despite a recovery in agriculture and services, overall growth came out lower due to more restrained mining growth of 7.8 percent. Agricultural output grew by 3.6 percent in 2024, its highest rate since 2019. Services rebounded after two consecutive years of slowdown and grew by 5.4 percent in 2024, compared to 4.7 percent the previous year, supported by retail trade and tourism (Figure 3).[1]

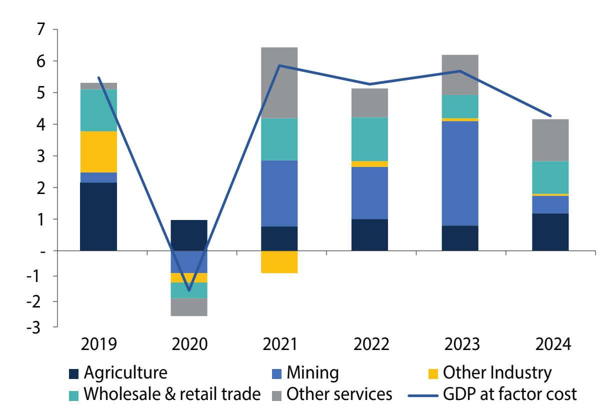
Agricultural activity was buoyed by favorable rains and increased demand from processing initiatives. Agricultural growth rebounded to 3.6 percent yoy in 2024 as output increased across all crop categories, livestock, and fisheries. The country has prioritized agriculture as a source of growth, aiming to boost productivity through private sector led investment under the "Feed Salone" program—which focuses on enhancing food self-sufficiency, reducing dependency on food imports and creating jobs across the agricultural value chain. Under the program, the biometric national farmer registry utilizes e-vouchers to ensure smallholder farmers have direct access to seeds, fertilizers and machines, thereby promoting mechanized farming. For instance, Capital Foods now produces chocolate from some locally harvested cocoa (instead of exporting the cocoa), Sierra Tropical produces pineapple chunks and juice concentrates for export to the United States, while Miro Forestry and Timber Products produces plywood for domestic and international markets from local wood grown in a formerly deforested area.

Industrial activity was held back by slower expansion in mining and manufacturing, and a contraction in construction. Industry growth slowed to 3.2 percent yoy in 2024 from the 14.4 percent growth in 2023. Mining, which accounts for 35 percent of industrial output, had expanded by 48.3 percent in 2023 due largely to expansions of two large iron-ore mining operations. In 2024, the country faced a decline in global prices and weak demand from China (which accounts for 77 percent of Sierra Leone's mineral exports). Production of key minerals fell by 65 percent, with declines in rutile, bauxite, and zircon. However, despite the 10 percent fall in the international price of iron ore in 2024, iron ore production continued to expand, increasing by 78 percent, contributing to overall mining growth of 7.8 percent. Meanwhile, manufacturing activities slowed from 2.0 percent in 2023 to 0.2 percent in 2024, largely due to decline in production of cement, while construction activities contracted.

The services sector rebounded in 2024, expanding by 5.4 percent following two consecutive years of subdued growth. The recovery was driven by improvements in retail and wholesale trade, transport and storage, financial and real estate activities. The rebound in retail and wholesale trade was underpinned by easing inflationary pressures, which restored household purchasing power, and enhanced regional trade facilitation that boosted cross-border commerce. Transport and storage benefited from increased investment in the agriculture and industry sectors which stimulated demand for logistics and haulage services across value chains. In addition, improvement in transport infrastructure and connectivity through the World Bank-supported Integrated and Resilient Urban Mobility Project, and rural connectivity contributed to sector dynamism. Financial and insurance activities performed strongly while real estate also registered notable growth, driven by urbanization and rising private sector investment.

In 2024, the recovery in agriculture and services sectors buoyed growth.

FIGURE 3: Contribution to GDP growth, from production accounts (percentage points), 2018–24



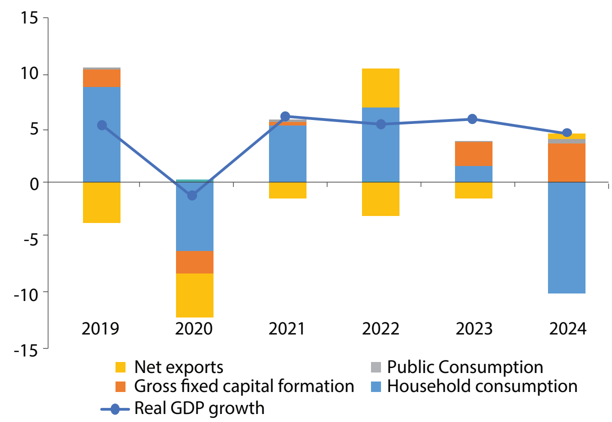
Notes: Gaps between total GDP growth rate and the sum of sectoral contributions is equivalent to the contribution from "taxes less subsidies of products" per national accounting standards.
Source: Stats SL and World Bank staff estimates.

[1] GDP was rebased in July 2024, with the Government releasing revised GDP figures using 2018 as the new base year and updated measurement methods. Nominal GDP for 2018 was revised to US$6.4 billion, a 56.4 percent increase from the previous US$4.1 billion.

On the demand side, net exports, investment and public consumption emerged as key drivers of growth. Investment growth rose from 12.8 percent yoy in 2023 to 18.7 percent in 2024, contributing 3 percentage points to growth. This was underpinned by substantial private investments in the mining sector buoyed by the lifting of the ban on mining exploration, new mine developments such as CTC Mining's investment in bauxite and a related seaport, and expansion activities in two of the biggest iron ore mines in the country. Conversely, robust export performance was primarily attributed to cocoa and iron ore exports, despite the decrease in iron ore prices. Imports experienced a recovery after a slowdown in 2023 with food, energy and machinery being principal contributing categories. However import growths has slowed largely due to imports substitution industrialisation. Household consumption fell by 13.3 percent in 2024 even as inflation declined. This extends the slowdown seen in 2023 when inflation peaked at 46 percent. Persistently weak consumption may reflect factors such as high poverty, income inequality, interest rates, and delayed household response to falling inflation. However, public consumption grew by 6.8 percent in 2024 from 0.2 percent in 2023 due to increased government spending. (Figure 4)

In 2024, investment was the highest contributor to growth.

FIGURE 4: Contribution to GDP growth, from expenditure accounts (percentage points), 2019–24



Source: Stats SL and World Bank staff estimates.

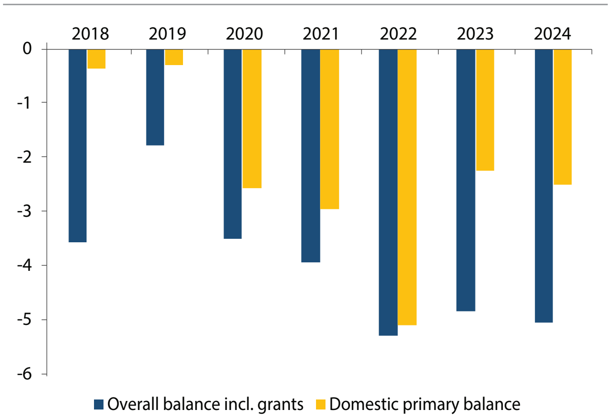
Fiscal sector

Weak fiscal discipline, characterized by significant and recurrent budgetary overruns, threatens to jeopardize macroeconomic stability and sustainability.

Fiscal outturns have been significantly worse than targets, undermining budget credibility and jeopardizing macroeconomic stability and sustainability. The overall fiscal deficit in 2024 was 5.1 percent of GDP, exceeding the budgetary target by 1.3 percentage points (Figure 5). This marks the fourth consecutive year of budgetary overruns and weak fiscal performance, with deficit exceeding the budget targets by an average of 2.1 percent of GDP during 2021-24. These slippages have been largely due to expenditure overruns (that averaged 1.9 percent of GDP). Revenue collections improved significantly (by 1.8 percentage point of GDP) to 9.2 percent of GDP in 2024, reaching 2021 levels (Figure 6). Persistent budgetary overruns have also escalated financing costs: the average yield on treasury bills rose to 40.8 percent in 2024 from 39.3 percent in the previous year.

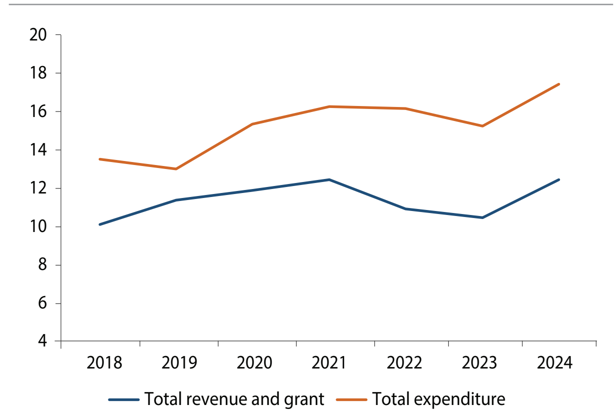
Expenditure overruns overshadowed revenue efforts and slowed fiscal consolidation.

FIGURE 5: Overall budget and primary balances (% of GDP), 2018-24



Source: MOF and World Bank staff estimates.

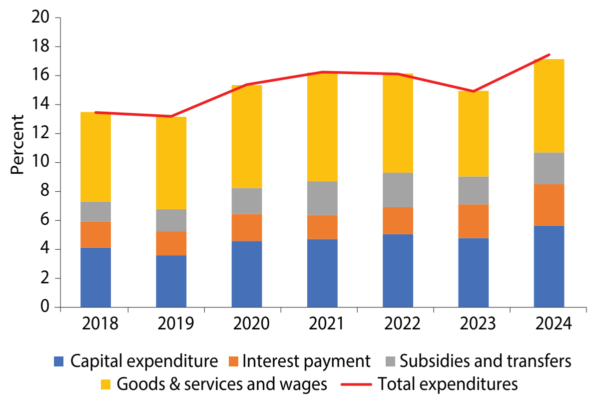
FIGURE 6: Total revenue and expenditures (% of GDP), 2018-24



Source: MOF and World Bank staff estimates.

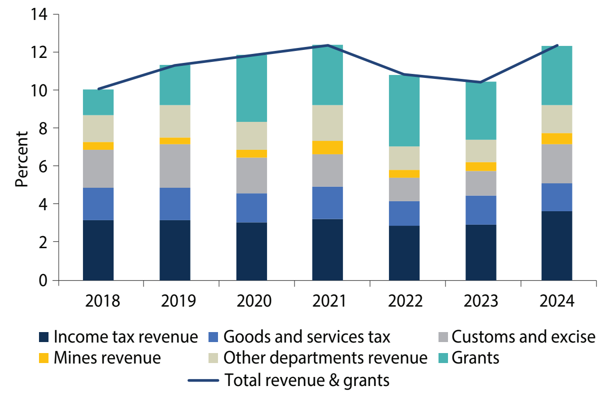
Higher than budgeted capital spending drove expenditures, while income tax collection bolstered revenue.

FIGURE 7: Expenditures by type (% of GDP), 2019-24



Note: Goods and Services Tax is a value-added tax.
Source: MOF and World Bank staff estimates.

FIGURE 8: Total revenue by source (% of GDP), 2019-24



Note: Goods and Services Tax is a value-added tax.
Source: MOF and World Bank staff estimates.

Expenditure remained elevated and outpaced the revised budget target and previous year's level. Total expenditures for 2024 amounted to 17.5 percent of GDP, exceeding both the revised budget target and the 2023 expenditures, which stood at 14.9 percent of GDP (Figure 7, Figure 9, Figure 10). Current expenditures were broadly in line with targets, with wages, goods and services, subsidies and transfers as well as interest payments meeting the budget projections. Budgetary overruns were predominantly driven by capital expenditures[2] and the clearance of arrears beyond the government arrears clearance strategy.[3] Domestic capital expenditure was 1.5 percentage points of GDP higher than budgeted, primarily due to additional spending on roads, mostly the completion of township roads.[4] Spending on domestic capex in just the month of December 2024 amounted to 0.6 percent of GDP. Arrears clearance exceeded the target by 0.2 percentage points of GDP (Figure 9).

Persistent budgetary overruns reveal significant public financial management (PFM) weaknesses. Expenditure execution overall suffers from non-performing contracts and inadequate documentation to support payments (Box 3). The overruns in investment spending highlight weaknesses in public investment management and public financial management as well as weak coordination between the Sierra Leone Roads Authority and the public investment management division of the Ministry of Planning and Economic Development and the Ministry of Finance to monitor the execution of roads contract in line with commitments and approved budgetary provision.

Energy subsidies pose a huge fiscal risk, as the Electricity Distribution and Supply Authority (EDSA) continues to accrue losses every year. Direct subsidies to the energy sector amounted to 0.7 percent of GDP during 2024 compared to 0.6 percent of GDP in 2023 as EDSA continued to accrue technical and commercial losses and struggle to collect enough revenue to pay power producers. Despite the subsidies it received from the government, EDSA has accumulated substantial arrears to independent power producers (IPPs) over recent years–amounting to US$70.6 million as of December 2024 (about 1.0 percent of GDP).[5] The arrears to IPPs (excluding EGTC) has since rose to US$91 million by July 2025 despite agreed payment plan which involved a down payment of US$17.5 million in April 2024 and monthly payment of US$1.5 million to clear outstanding arrears.

2 Some of the drivers of the overruns include the completion of township roads; completion of water supply facilities in six district towns, establishment of a presidential development fund, rehabilitation of correctional centers, food for boarding home schools, and the integrated civil registration and vital statistics and ID management system.

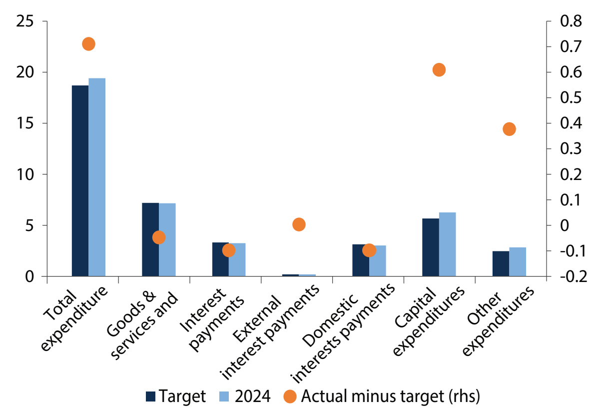
3 Arrears Clearance Strategy.

4 The roads budget allocated to the Roads Authority was 0.1 percent of GDP. The overruns on roads amounted to 1.4 percent of GDP. The completion of township roads accounted for 85 percent of the overruns in the roads budget.

5 These arrears exclude the government-owned power producer, Electricity Generation and Transmission Company.

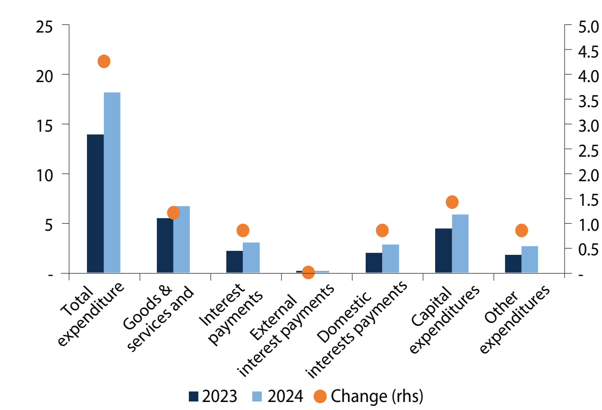
Actual expenditures in 2024 exceeded budget targets and 2023 levels.

FIGURE 9: Expenditure performance, 2024 actual vs. target (% of GDP)



Notes: Targets are from the revised budget agreed in October 2024 with the IMF. Expenditures for arrears clearance are part of Other Expenditures.
Source: MOF and World Bank staff estimates.

FIGURE 10: Expenditure performance, 2024 vs. 2023 (% of GDP)



Notes: Targets are from the revised budget agreed in October 2024 with the IMF. Expenditures for arrears clearance are part of Other Expenditures.
Source: MOF and World Bank staff estimates.

Domestic revenue collection has registered notable improvements in recent years, thanks to gains from both tax policy and tax administration measures. Revenues (excluding grants) rose significantly in 2024 to 9.2 percent of GDP, 1.8 percentage points higher than in 2023 (Figure 8, Figure 11, Figure 12). These outturns can be attributed to several factors: (i) the implementation of tax policy measures in the 2023 and 2024 Finance Acts, including import duties on rice, iron rods, cement, cooking gas, and other products; (ii) compliance tracking and enforcement; (iii) execution of key revenue enhancement reforms;[6] (iv) audit recoveries; and (v) one-off payments from oil exploration, dividends from Freetown Terminal Limited, and capital gains tax from Access Bank (amounting to about 0.6 percent of GDP). Tax revenue constitutes 84 percent of total domestic revenue (7.8 percent of GDP). Among revenue categories, income tax, which makes up 39 percent of revenue, was 0.2 percentage points of GDP above target and 0.8 percentage points above previous year's level. Similarly, customs and excise revenue were slightly above target and surpassed the previous year by 0.8 percentage point of GDP, supported by enforcement of a higher excise duty on petroleum products. However, value-added tax (goods and services tax) fell short of the target by 0.2 percentage points of GDP due to the underperformance of GST revenue from imports. Mining sector revenue also underperformed relative to target, primarily due to lower royalties for minerals as the mining sector performance slowed. The contribution of the mining sector to the revenue basket has been small and flat (averaging 0.5 percent of GDP) while the sector remains a key driver of economic growth. Several efforts are underway to boost mining revenues, but more is required (Box 2).

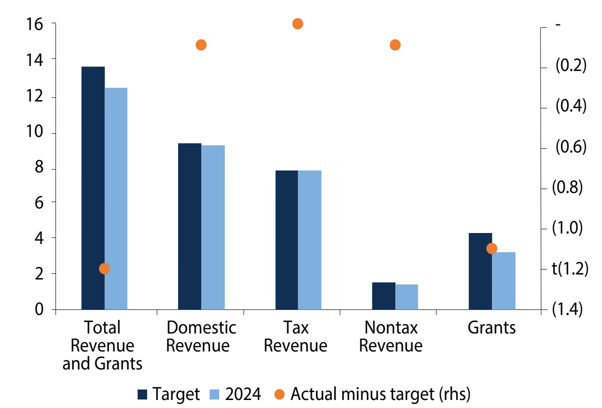
More is needed: while domestic revenue performance shows promise, it is constrained by pervasive tax exemptions and weak tax administration. The implementation of revenue and administrative measures in the Medium-Term Revenue Strategy (MTRS) through the annual Finance Acts is expected to improve domestic resource mobilization going forward. However, revenue performance continues to be undermined by high compliance gaps, high informality, operational inefficiencies of the National Revenue Authority, and tax exemptions. A significant number of mining companies receive incentives and tax breaks within their respective tax regimes, including negotiated tax rates and exemptions that shield them from future changes in the tax regime. A recent report by the local civil society organization Budget Advocacy Network (BAN) on tax exemptions in the industry sector highlighted policy inefficiency, sectoral imbalances, lack of transparency, and weak monitoring of tax exemptions, with an estimated revenue loss of 7.2 percent of GDP for the period of 2018-23. Efforts are being made to assess and minimize tax expenditures with amendments to the Duty and Tax Exemptions Act 2023, which removes corporate income tax exemptions on new investment agreements and existing investments on their review dates. A review of the Auditor General's Report 2021-23 also highlighted gaps in domestic revenue mobilization (Box 3).

6 In particular, the Swiss company, *Société Industrielle et Commerciale de Produits Alimentaires (SICPA)*, supports the National Revenue Authority on product marking of excisable goods and fuel; and N-Soft has been contracted by the Revenue Authority to support collection of value-added tax on digital services.

Grants were lower than budgeted due to slow project execution. Total grants amounted to 3.2 percent of GDP, falling short by 1.1 percent of GDP mainly due to lower project grants (1.0 percent of GDP). Program grants from the World Bank (US$58.7 million) and European Union (US$11.5 million) were slightly below budget (0.1 percent of GDP) due to better than expected performance of the New Leone.

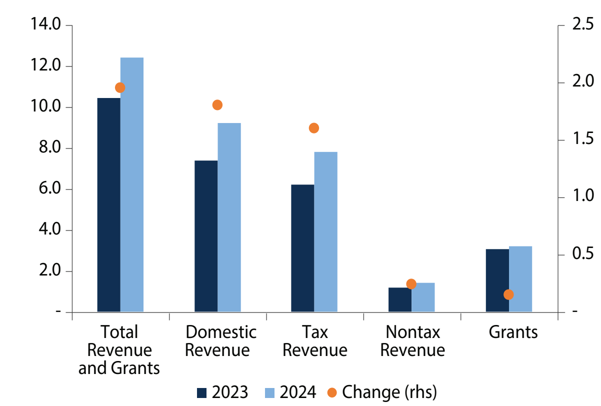
Domestic revenue improved in 2024 and came in slightly below revised budget targets.

FIGURE 11: Revenue and grants performance, 2024 actual vs. target (% of GDP)



Notes: Targets are from the revised budget agreed in October 2024.
Source: MOF and World Bank staff estimates.

FIGURE 12: Revenue and grants performance, 2024 vs. 2023 (% of GDP)



Notes: Targets are from the revised budget agreed in October 2024.
Source: MOF and World Bank staff estimates.

The wider deficit was primarily financed domestically. The fiscal deficit, which amounted to 5.1 percent of GDP, was predominantly financed in the domestic market by commercial banks. However, it's worth noting that the central bank routinely intervenes in the secondary markets by purchasing government securities to generate liquidity and, in turn, facilitate conditions for private sector banks to purchase treasury bills in the primary market. BSL holdings of government bills and securities amounted to 1.7 percent of GDP at end-2024. This practice has been problematic for several reasons: (i) it crowds out private sector lending; (ii) it discourages fiscal discipline by creating non-market demand for government bills; and (iii) it increases the money supply which has proven to be inflationary in recent years. External financing showed a net foreign repayment due to external debt amortization (1 percent of GDP).

Outturns for the first half of 2025 are mixed, with revenue performance falling short of expectations while expenditures were below target. Preliminary data for the first half of 2025 indicate that while domestic revenue fell short of expectations, expenditures were 3.6 percent of GDP below target, leaving the overall deficit nearly 1.5 percent of GDP better than planned. Domestic revenue was 0.3 percentage points of GDP short of the first half target of 4.9 percent of GDP, with GST and import duties performing below expectations. With the 2025 Finance Act[7] focusing on streamlining tax administration, promoting local production and increasing revenue collection, meeting the annual revenue target will require strong demonstration of commitments from top management to minimize leakages and enforce compliance. Total expenditure for the first half came in at 5.9 percent of GDP and 3.6 percentage points below budgeted spending, as recurrent spending and capital expenditure were both held below target. By contrast, during the first half of 2024, domestic revenue performance was slightly above target (0.2 percent of GDP) while expenditures were 3.6 percent of GDP over target.

[7] The Finance Act 2025 introduced tax reforms effective from January 1, 2025, including those supported under the First Macro Stability and Resilience Development Policy Operation (P503960): expanding minimum alternate tax to all sectors; and removing corporate income tax exemptions on new investment agreements and existing investments on their review dates. The Act introduced stricter compliance measures with penalties for late or non-filing of payroll, excise, and income tax returns (ranging from NLe500 to NLe50,000 based on taxpayer size), revised customs duties (e.g., 5 percent on rice, 10 percent on iron/steel), and excise rate adjustments for alcohol (8–20 percent) and tobacco (NLe2.0 per cigarette packet). It redefines taxpayer categories by turnover (large: greater than NLe6M; micro: less than NLe10,000), imposes sector-specific fees (e.g., mining royalties, petroleum licensing), and updates immigration costs (e.g., NLe20,000 for mining sector permits). Charities gain limited duty-free vehicle imports (10 for INGOs, 4 for NGOs), while GST filings are due within 21 days. The Act aims to enhance revenue, enforce compliance, and incentivize local production through targeted fiscal policies.

A supplementary budget for 2025 was approved in July with the aim of further rationalizing spending and managing some persistent drivers of fiscal overruns. Domestic revenue projections for 2025 was revised downward by 0.5 percent of GDP due to shortfall in revenue in the first half of 2025. Expenditure cuts amounted to 1.9 percent of GDP, largely from domestic capex and goods and services. The overall deficit target for the year was 3.8 percent of GDP, narrower than the 3.9 percent in the original budget.

Box 2 Reforms to boost mining revenue

The government has established Sierra Leone Mines and Mineral Development and Management Corporation (SLMMDMC) and the Mineral Wealth Fund (MWF) with the objective of allowing the country to benefit from its enormous mineral wealth. The SLMMDMC was established by an Act of Parliament to manage the country's mineral resources and negotiate new mining contracts in a joint venture arrangement where mining activities are conducted through a project company, the MWF, which is both a commercial entity and a sovereign wealth fund that manages mining revenue from its operations. The SLMMDMC has identified high value assets, including Tonkolili North Iron Ore deposit, which are to be developed with an interested private partner.

Both SLMMDC and the MWF have begun operations with a functional board. The Board of SLMMDMC consists of five ministers including the Minister of Finance who also sits on the Board of the MWF, the Governor of the Bank of Sierra Leone, and three individuals appointed by the President. Currently, the SLMMDMC, which qualifies as a state-owned enterprise, is financed through the national budget and places additional fiscal pressure on the tight fiscal resources of the government.

t**The implementation of the safe harbor (part of the measures in the 2023 Finance Act) for iron ore and other minerals is being implemented to address the underpricing of exports and transfer pricing issues.** Safe harbor is a mechanism used in the context of preventing transfer pricing for multinational corporations to ensure that they are compliant with the tax laws.

The 2025 Finance Act supported reforms to minimize tax expenditures. The removal of corporate income tax exemptions on all new investment contracts and existing contracts on their review dates and the expansion of minimum alternate tax to all sectors, including mining, is expected to improve domestic revenue. Both reforms were supported through the First Macro Stability and Resilience Development Policy Operation (P503960).

Box 3 Major findings from the Auditor General's Annual Report 2021-23

The report reveals persistent weaknesses in revenue, expenditure, procurement, and contract management in the public accounts of Sierra Leone. Findings highlights persistent gaps in domestic revenue mobilization, especially on assessment, collection, and reporting; and spending irregularities and gaps, including lack of proper documentation for transactions, and misuse of funds. The report identifies ongoing issues (audit findings) that remain unresolved by ministries, departments, and agencies (MDAs) and lack of implementation of audit recommendations to enhance accountability and financial transparency.

Revenue losses showed a recurring issue of systemic weaknesses in revenue collection, tax exemptions, and audits. Revenue losses amounted to US$24.7 million for the past three-year period. Key revenue management irregularities include: (i) unremitted revenue from transit banks (commercial banks) to the consolidated fund at the Bank of Sierra Leone (the central bank); (ii) tax arrears (unpaid tax liabilities omitted from financial statements, violating PFM regulations); (iii) contract non-compliance (e.g., unpaid royalties from e-passport sales, uncollected fees from fiber optic cable agreements); (iv) duty waivers; and (iv) registration of power saws and timber licenses. These issues reflect broader inefficiencies in financial reporting and oversight, contributing to ongoing revenue leakage and accountability challenges.

Losses from spending mirror similar reoccurring issues arising from non-performing contracts and inadequate documentation to support payments. The total losses from expenditures amounted to US$32 million over three years. Contract Non-Performance and Missing Procurement Documentation remained consistently high across the years and represents the largest single source of losses (US$16.5 million total). Losses from inadequate supporting documentation also peaked in 2022 and remains high. Irregularities in salary and payroll as well as payments to non-existent or unverified staff rose significantly in 2023. Recurring issues like contract failures and inadequate documentation highlight areas where policy reforms, capacity building, and stricter enforcement may be needed. These issues point to weak internal control systems, poor record keeping, and inadequate oversight.

The report highlights lack of recoveries and implementation of audit recommendations across MDAs. Successive Auditor General's reports highlights recurrent issues which implies a lack of adequate action and penalties for unresolved audit queries. A low recovery rate of only 1.7 percent of total losses indicates weaknesses in enforcement and accountability.

Debt

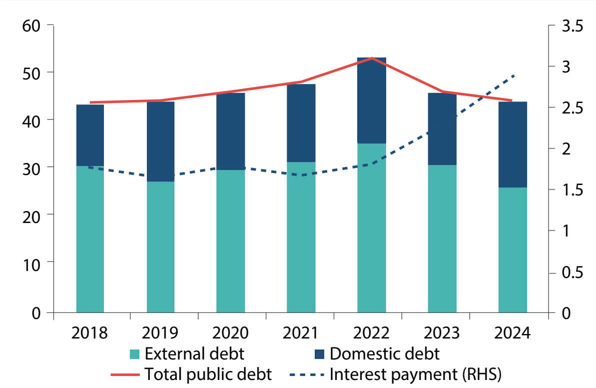
The risks of debt sustainability have worsened significantly due to recurrent budgetary overruns resulting in elevated borrowing costs.

The risk of debt distress has increased significantly. Sierra Leone was assessed at high risk of debt distress in the most recent joint World Bank-International Monetary Fund Debt Sustainability Analysis.[8] This assessment was supported by notable liquidity risks, high debt servicing, and rollover risks. At the time, debt service to revenue was estimated at 103 percent. Since then, more budgetary overruns in 2024 have surfaced, which in turn drove up domestic borrowing costs from an average of 29.3 percent in 2023 to 40.8 percent in 2024 (Figure 16). However, as expenditure rationalization measures continue in 2025, the cost of domestic debt fell significantly to 15.17 percent in May 2025. Over one-third of total public debt is domestic, largely composed of short-term expensive treasury bills with real interest rates above 30 percent during 2024. Public debt to GDP is estimated to have declined from 46.2 percent in 2023 to 44.4 percent in 2024 due to high nominal growth, stability of the exchange rate and slight decline in the stock of external debt. However, debt is at high risk of distress with total debt service to revenue estimated at 125 percent in 2024.

Majority of the debt is still external and concessional, but the share of expensive, short-term domestic debt has grown significantly. External debt (US$1.83 billion) accounted for 59.5 percent of total public debt (25 percent of GDP) at end-2024 and comprised mostly obligations to multilateral creditors (79 percent of external debt), with the International Monetary Fund (IMF) and World Bank obligations accounting for 63 percent of multilateral debt (30 percent of total public debt) (Figure 13, Figure 14). Official bilateral creditors accounted for around 12 percent of external debt, of which the largest creditors are the Kuwait Fund, South Korea, and China. Share of domestic debt has risen from nearly 30 percent in 2021 to 40 percent by end-2024, of which t-bills account for over three-fourths.

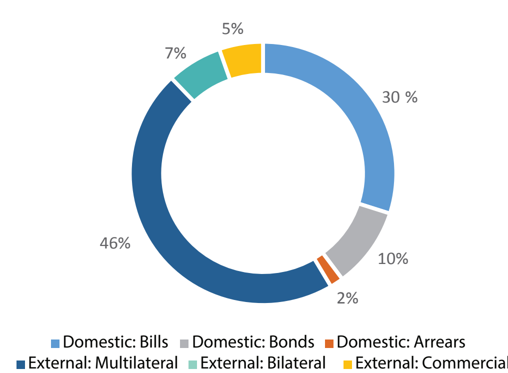
Public debt, mostly multilateral external debt, is declining, but interest payments are rising.

FIGURE 13: Public debt indicators (% of GDP), 2018-24



Source: Sierra Leonean authorities and World Bank staff estimates.

FIGURE 14: Composition of public debt (in %), 2024

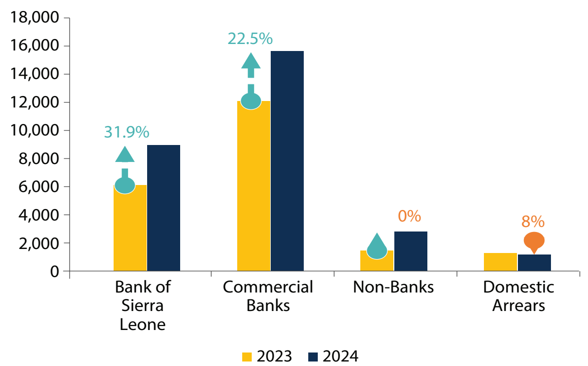


Source: Sierra Leonean authorities and World Bank staff estimates.

8 This analysis is based on the World Bank-IMF Low-Income Country Debt Sustainability Framework of October 2024. This framework analyzes four public and publicly guaranteed external debt ratios against empirically estimated thresholds. If any one of the indicators breach their thresholds under baseline assumptions, then the country is assessed to be at high risk of debt distress. In the case of Sierra Leone, since one of the external debt indicators (debt service to revenue) breaches its threshold under the baseline, the country is assessed to be at high risk of external debt distress. However, since all the external debt indicators are on a declining trend over the medium- to long-term, debt is assessed to be sustainable.

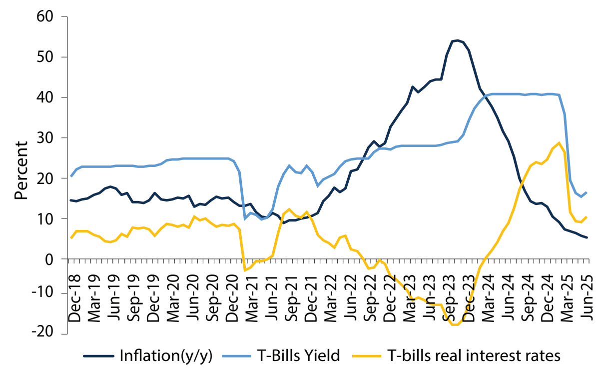
Domestic debt stocks continue to pile up, and real borrowing costs turn positive as inflation cools.

FIGURE 15: Domestic debt by holders (NLe billions), 2024



Source: Sierra Leonean authorities and World Bank staff estimates.

FIGURE 16: Treasury bill yields, inflation, and real interest rates (in %), January 2018 to July 2025



Source: Sierra Leonean authorities and World Bank staff estimates.

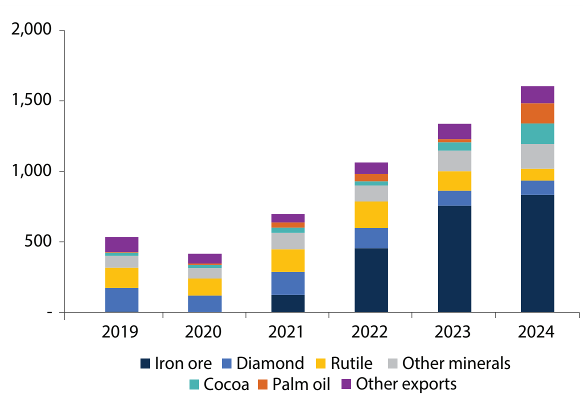
External sector

External accounts remain under pressure as reserves continue to decline, despite an improvement in the trade balance.

The trade balance continues to improve and the current account deficit narrowed partly due to stronger than expected export performance and slow import growth. The current account deficit is estimated to have halved from 9.5 percent of GDP in 2023 to 4.7 percent in 2024 due to improvements in the trade balance, remittances, and current transfers (buoyed by budget support grants from the World Bank and European Union) (Figure 19). Exports slowed slightly due to falling iron ore prices and registered 16 percent growth. Sierra Leone's exports are highly concentrated, with minerals accounting for 77 percent of all exports (largely driven by iron ore exports which account for 70 percent of mineral exports) (Figure 17). Agricultural exports (cocoa, palm oil, fish and shrimp) improved during 2024, driven largely by cocoa exports which rose by over 140 percent in 2024, in part due to the support received from the 'Feed Salone' initiative. Imports recovered during 2024 following a slowdown in 2023 due to election uncertainties. Merchandise imports rose by 6.6 percent, largely driven by food, mineral, fuel & mineral lubricants which account for over 50 percent of the overall import bill (Figure 18). However, import growth has slowed largely on account of improved domestic production partly supported by backward integration initiatives (Box 4). The trade deficit narrowed to 6.6 percent of GDP in 2024, from 9.2 percent of GDP during 2023.

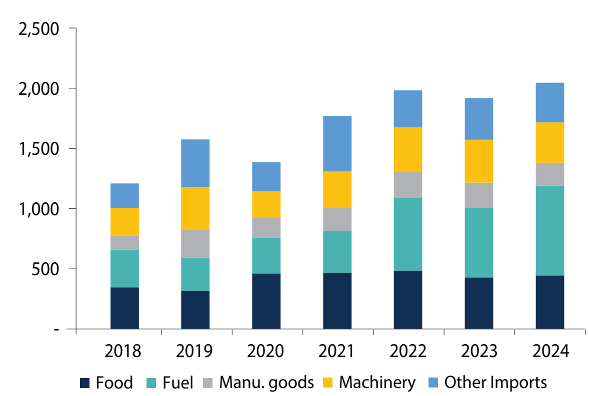
In recent years, export growth has been driven by iron ore while the import bill is largely driven by food and fuel.

FIGURE 17: Merchandise export receipts (US$ millions), 2019-24



Source: Sierra Leonean authorities and World Bank staff estimates.

FIGURE 18: Import bills (US$ millions), 2019-24

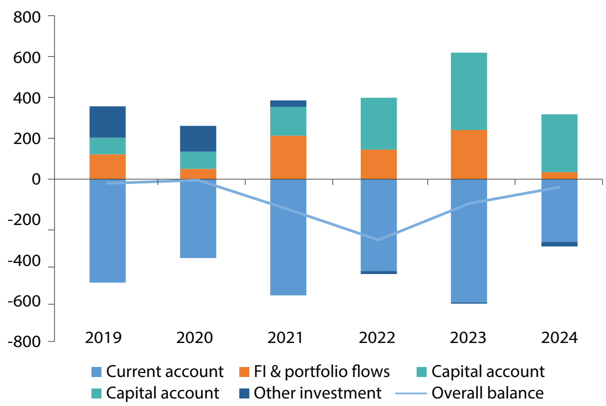


Source: Sierra Leonean authorities and World Bank staff estimates.

Official reserves have declined consistently since 2021 and have now fallen below two months of imports. Reserves have since fallen to 1.5 months of imports cover by August 2025, from US$468 million (2.6 months of import cover) in 2023—below the IMF benchmark of 3 months of import cover (Figure 20). The continued decline in reserves is attributed to high external debt service cost, FC denominated fiscal spending on goods and services (especially on overseas travel and diplomatic missions) and the payment of energy arrears.[9]

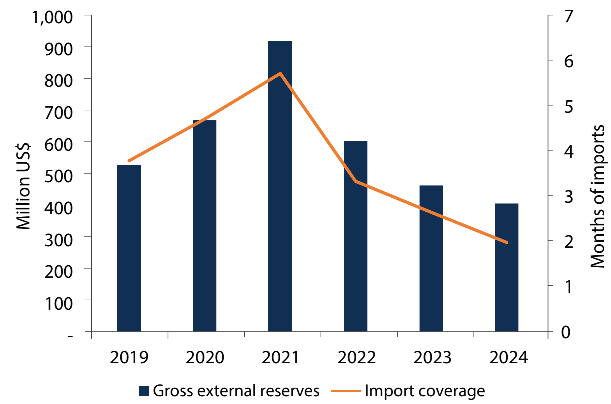
The current account deficit has narrowed, but a slowdown in capital inflows has elevated financing needs and driven down reserve coverage.

FIGURE 19: Current account and source of financing (US$ millions), 2019-24



Notes: 2024 is an estimate.
Source: Sierra Leone authorities, IMF and World Bank staff estimates.

FIGURE 20: Reserve coverage (US$ millions and months of imports), 2019-24

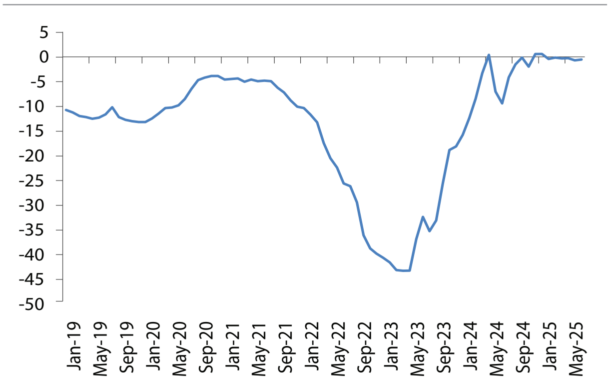


Source: Sierra Leone authorities, IMF and World Bank staff estimates.

The exchange rate has remained stable, appreciating in real terms during 2024. The Leone appreciated by 5 percent in real terms during 2024, in contrast to the cumulative depreciation of 58 percent during 2022 and 2023. The official exchange rate has stabilized at NLe22 per US$ since September 2023 while the parallel exchange rate largely followed the official rate, averaging NLe24 per US$ over the same period. The strong performance can be attributed to: (i) the reduction in dollarization; (ii) slow growth of imports; (iii) improvement in confidence in the Leone as the redenomination settled; (iv) forex repatriation from export receipts through commercial banks; and (v) restricting off-shore brokers from using non-BSL reference rates; (vi) improved market sentiments. The strong performance of the Leone continued in 2025 with the year-to-date nominal appreciation of 13.6 percent as of July 2025 (Figure 21, Figure 22).

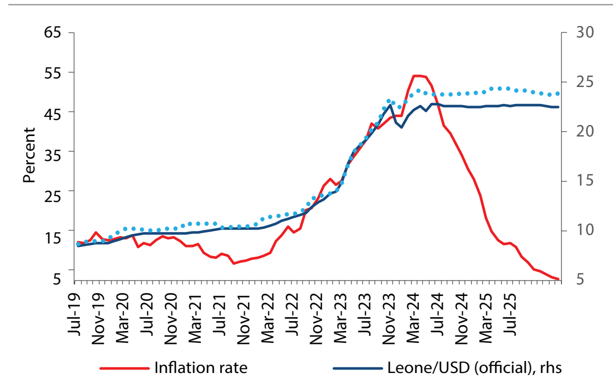
The Leone has demonstrated relative strength against the US dollar while the parallel market has mirrored the official rate.

FIGURE 21: Exchange rate developments (% change in US$/NLe), January 2019-July 2025



Source: Bank of Sierra Leone.

FIGURE 22: Inflation, and exchange rates (in % and NLe/US$), January 2019-July 2025



Source: Stats SL and World Bank staff estimates.

9 The IMF benchmark of 3 months of import coverage refers to the adequacy of the country's foreign exchange reserves to cover imports needs for at least three months if all inflows were to cease. It assesses the country's ability to withstand external shocks and maintain its import capacity.

Box 4 Backward integration—the International Finance Corporation's engagement with Pee Cee Holdings

Pee Cee Holdings (PCH) is a leading importer, manufacturer, and distributor of 'fast-moving consumer goods' in Sierra Leone, specializing in both food and non-food products. Among its key food imports are rice, wheat flour, poultry, and onions. Over the years, PCH has pursued vertical integration by expanding into processing and manufacturing, notably producing cooking oil and plastics through its subsidiaries.

As the country's largest importer of onions, PCH created an agricultural arm, Pee Cee Agriculture, to pursue further its backward integration strategy aimed at strengthening its supply chain and reducing import dependency. PCH had no previous agriculture experience and, after a challenging start, decided to collaborate with the International Finance Corporation (IFC) to co-develop a farming venture into a large-scale, fully irrigated, and mechanized onion farming project spanning 646 hectares of rural leasehold land in Port Loko District (Lungi). In a significant milestone, after more than three years of co-development, Pee Cee Agriculture secured US$12 million financing from IFC, structured as a 50/50 blend of A-loan and IDA private sector window loan. This financial package is earmarked for critical capital expenditures, including advanced machinery and storage infrastructure, following the successful harvest of 45 tonnes of onions per hectare (a tenfold increase compared to yields achieved before the co-development with IFC started) between 2023 and 2024. The company has created 60 full-time jobs and employs about 150 contractual workers, mainly engaged during harvest period.

Pee Cee Agriculture is expected to ultimately produce over 40,000 tonnes per year of onions, a staple which today is virtually all met with imports, sufficient to satisfy the entire local demand. Furthermore, the company's locally produced onions are priced significantly lower than imported onions, driving strong market demand and enhancing food affordability and food security.

This backward integration initiative not only strengthens PCH's supply chain resilience but also contributes to local economic development by promoting mechanized agriculture, creating jobs, and reducing foreign exchange outflows associated with imports. It exemplifies a successful model of private sector-led agricultural value chain development supported by international development finance.

Monetary sector

Inflationary pressures moderated substantially in 2024 and continues to ease in 2025. The exchange rates has remained broadly stable, while inflation pressures moderated substantially in 2024 and continues to ease in 2025.

Inflationary pressure eased throughout 2024 following a peak in 2023 and continued to moderate further in 2025. Headline inflation averaged 29.7 percent in 2024, a significant decline from the average of 47.3 percent in 2023. This result marked a sharp turnaround, with inflation decelerating from its peak of 54.6 percent in October 2023 to 5.4 percent in September 2024, supported by increased domestic food production, easing global food and energy prices, stability in the exchange rate and tight monetery policy stands. The global food price index showed a decline of 7.6 percent while the energy price index declined by 5 percent in 2024. Food inflation saw substantial reduction, falling from its peak of 64.7 percent yoy in September 2023 to 2.7 percent yoy in September 2025. Similarly, non-food inflation eased from its peak of 50.5 percent yoy in October 2023 to 7.4 percent in September 2025 (Figure 22)—fuel prices have declined by over 25 percent since the review of the fuel pricing formula and have been supported by the stable exchange rate and decline in global fuel prices (Box 5).

Box 5 Reforming fuel price regulations—the experience of Sierra Leone

Sierra Leone is fully reliant on imports of refined petroleum products in the absence of domestic refining capacity. Until July 2024, Sierra Leone's fuel pricing formula had not been reviewed and materially updated in the past thirty years. The decoupling of the fuel pricing formula from import costs led to demand far exceeding supply, fuel shortages, and black marketing.

Sierra Leone also had a unique policy of having the same end-user price for gasoline, diesel, kerosene, and heavy fuel oil for the past several years. As a result, end-user fuel prices did not reflect the differences in supply costs of different fuels. In order to maintain this policy, components in the formula, including taxes and duties, were adjusted on an *ad hoc* basis to equalize end-user prices, resulting in losses of government revenue and fuel price subsidies.

In July 2024, the government updated the fuel pricing formula and operationalized it. The main revisions entailed:

i. Allowing price variation between fuel types in the fuel pricing formula.
ii. For gasoline, diesel and kerosene, switching the formula from using Platts Mediterranean quotations to Platts West Africa, which more appropriately reflects the import realities of the country.
iii. Introducing a price correction levy into the formula to correct for discrepancies arising between the *ex ante* "theoretic" regulated price and the actual costs of fuel supply. It is primarily used to adjust for importation costs and exchange rates as these are two key elements in the formula where the movements are unknown *ex ante*.
iv. Dissecting the 'other charges' component in the formula and removing some elements such as war risk led to substantial reduction in the components cost per (metric) tonne.

The revised formula more accurately accounts for the cost dynamics of supplying fuels in the domestic market, especially importation costs. Fuel prices are now differentiated between fuel types to reflect heterogeneity of costs more accurately. The Petroleum Regulatory Authority now regularly revises fuel prices based on the formula and transparently publishes the breakdown of the price for each fuel on its website on a monthly basis (https://pra.gov.sl/pricing-formula). The authorities benefited from undertaking these reforms during a period of moderate international oil prices. The price of each fuel declined under the revised formula, thus avoiding potential public backlash. In addition, the authorities significantly engaged with all stakeholders to discuss the potential revisions to the formula and revised based on feedback from consumer groups and oil companies as well as relevant ministries.

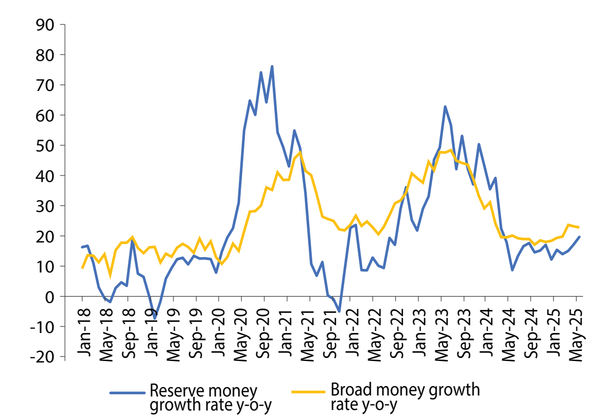
Table 1: Domestic fuel prices in Sierra Leone (NLe/liter)

	September 2023 – June 2024 Under old formula	July 2024 Under updated formula
Gasoline	30	28.5
Diesel	30	28.5
Kerosene	30	27.4
Fuel oil	30	27.3

Monetary policy has been tightened in recent years to rein in high inflation, but loose fiscal policy and weak monetary policy transmission weakened its impact. The BSL held its tight monetary policy stance throughout 2024, raising the monetary policy rate by 250 basis points (and a cumulative 775 basis points since the beginning of 2023) to 24.75 percent by December 2024. Base money growth slowed from 44 percent yoy in December 2023 to 17 percent yoy in December 2024 (Figure 21). BSL holdings of government securities in the secondary market has declined from 50 percent in December 2024 yoy to 30 percent in June 2025 yoy, as fiscal policy tightened in 2025 following the higher than budgeted spending in 2024 that expanded BSL's purchases of government securities from 1.4 percent of GDP in 2023 to 1.7 percent of GDP in 2024, a practice that has been problematic as: (i) it supports fiscal indiscipline, (ii) it undermines central bank ability to fight inflation, (iii) it reduces the appetite to provide credit to the private sector which could support growth, and (iv) it increases risks related to financial stability due to the strong sovereign-banking nexus.

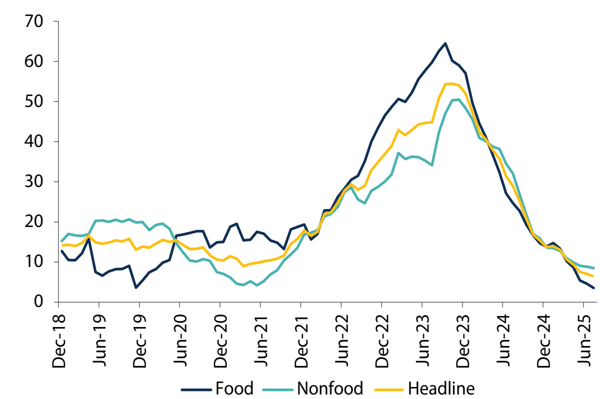
Headline inflation moderated throughout 2024, as growth in monetary aggregates slowed

FIGURE 23: Broad money and reserve money growth, January 2018-July 2025



Source: Bank of Sierra Leone.

FIGURE 24: Domestic inflation trends, headline, food, and non-food (in % year-over-year), December 2018-July 2025



Source: Stats SL and World Bank staff estimates.

Financial sector

The financial sector is deeply intertwined with the public sector and carries the same risks.

Commercial banks dominate Sierra Leone's financial sector, holding the largest share of financial assets, but these assets are significantly exposed to high sovereign risk. In 2024, the growth of the banking system's asset base increased by 22 percent (reaching 27 percent of GDP by year end) from 23 percent of GDP at end-2023, with commercial banks accounting for 95 percent of the total assets (Figure 25). The increase in the asset base was driven by a 15 percent increase in customer deposits and higher retained profits. A notable 45 percent of commercial bank financial assets are highly concentrated in government securities, which are zero risk-rated, while loans to the private sector are deemed to carry some risk. The high concentration underscores the sovereign-bank nexus, where the financial health of banks is closely tied to the government's fiscal sustainability, creating a feedback loop that threatens financial sector stability. The limited development of the financial system makes government securities attractive, crowding out private sector lending and hindering the growth of businesses (see Part 2: Enabling the Private Sector for Growth and Job Creation).

Despite their small share of total banking assets, other financial institutions play a crucial role in promoting financial inclusion. Other financial institutions (excluding mobile money institutions)[10] account for 5 percent of total banking assets but are widespread across the country and often in hard-to-reach areas (Figure 26). These institutions are pivotal in providing essential financial services, particularly loans to micro, small and medium enterprises that are often underserved by commercial banks due to the perceived high risk associated with private sector lending. Mobile Money[11] has played a significant role in the country's financial inclusion drive. The number of active mobile money accounts has seen a significant increase, rising from 1.8 million in 2023 to 2.0 million users in 2024. The growth reflects the expanding reach and adoption of mobile money services among the population. In addition, the number of mobile money agents and merchants has also grown substantially, indicating a broader distribution of financial services, making it easier for users to perform transactions (either cash out or send electronic money). The country has made significant progress on financial inclusion, moving from 29 percent in 2021 to 39 percent in 2025.[12] However, this rate remains below the SSA average of 55 percent. With a fully operational national switch and instant payment service, the country is on course to accelerate its financial inclusion drive.

Commercial banks dominate the assets of the banking system.

FIGURE 25: Asset base of the banking system (NLe millions), 2019-24

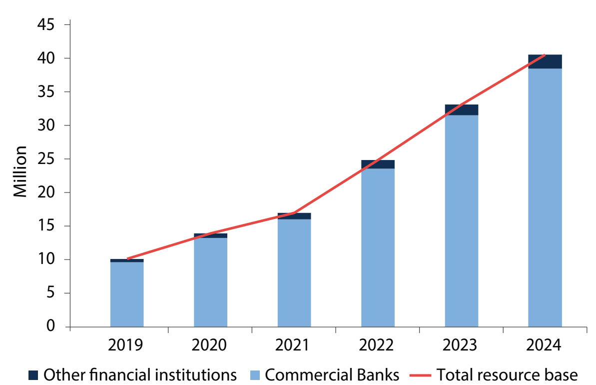
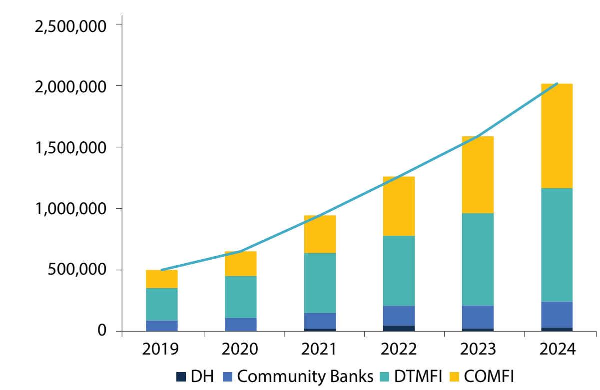
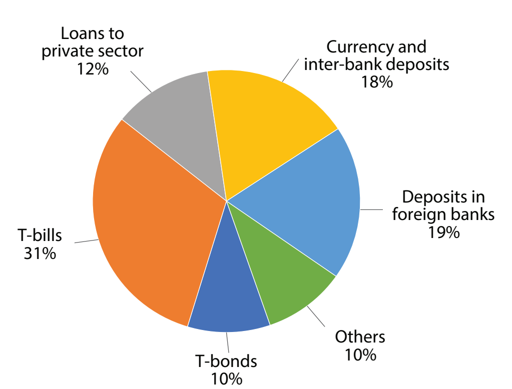


FIGURE 26: Other financial institutions' asset base (NLe millions), 2019-24



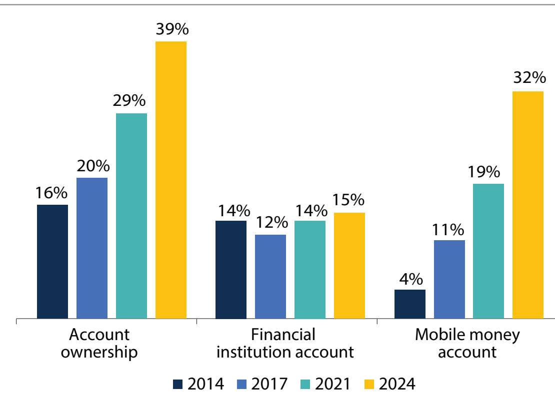
Notes: Other financial institutions include community banks, discount houses, credit-only microfinance institutions, and deposit-taking microfinance institutions.
Source: Bank of Sierra Leone and World Bank staff estimates.

FIGURE 27: Over 40 percent of bank's assets are in government securities



Source: World Bank FINDEX 2025

FIGURE 28: Financial Inclusion has largely been driven by non-banks (Mobile Money)



Source: World Bank FINDEX 2025

[10] Other financial institutions include community banks, discount houses, credit-only microfinance institutions, and deposit-taking microfinance institutions.

[11] Mobile Money providers include Orange Money, Afrimoney, and Qmoney.

[12] Global Findex 2025.

Commercial banks are assessed to be generally well-capitalized and liquid, and profitable. The banking system recorded a capital adequacy ratio of 40.9 percent and a liquidity ratio of 73.5 percent– both well-above the regulatory requirement of 15 and 20 percent respectively, largely due to substantial holdings of zero-risk weighted government treasury bills. The Bank of Sierra Leone has reviewed the paid-up capital for commercial banks in a graduated manner over three years from NLe85 million (US$3.7 million) to NLe270 million (US$11.9 million). Credit growth to the private sector improved from 25 percent (year-over-year) in 2023 to 41 percent (year-over-year) during 2024, supported by improvement in asset quality as non-performing loans averaged 8.8 percent in 2024- below the regulatory threshold of 10 percent, and an improvement from 11.1 percent in 2023. Banks remain profitable, registering return on assets and return-on-equity of 9.3 percent and 38.9 percent respectively.

Table 2: Selected financial soundness indicators, 2018-24, percent unless otherwise stated

	2018	2019	2020	2021	2022	2023	2024
Capital adequacy/[1]	**38.4**	**41.7**	**40.1**	**41.3**	**35.2**	**41.8**	**40.9**
Asset quality							
Nonperforming loans to total gross loans	12.7	16.8	12.7	15.2	12.1	9.1	9.0
Nonperforming loans (net of provisions) to capital	9.9	7.2	4.3	4.7	2.4	1.2	0.2
Earnings and profitability							
Return on assets	6.1	6.1	6.1	5.4	6.5	7.7	9.3
Return on equity	27.3	26.1	25.7	23.9	28.2	34.8	38.9
Liquidity							
Ratio of net loans to total deposits	27.2	26.7	21.8	20.7	16.1	16.1	19.7
Liquid assets to total assets	67.9	68.4	73.4	73.7	78.3	77.0	73.5
Share of foreign currency in total deposits	38.3	37	37.5	38.1	55.8	56.4	51.5
Net open position in foreign exchange to capital	-12.8	-1.8	-12.2	-10.6	-0.2	-14.1	-10.7
Memo: Le billion							
Total Assets	8,549	9,498	13,076	15,805	23,222	31,069	37,917
Cash	482	433	433	686	1,317	1,752	1,483
Total Deposit	6,111	6,759	9,407	11,592	16,935	22,371	25,679
Gross Loans	1,813	2,079	2,313	2,789	3,136	4,039	5,648

Source: Bank of Sierra Leone, World Bank staff estimates

Poverty

Poverty in Sierra Leone has worsened significantly since COVID-19, with high inflation, limited jobs, and outdated data hindering accurate assessments and effective policy responses.

Poverty has worsened in Sierra Leone due to persistent economic challenges. High inflation and limited job opportunities and social protection coverage have increased poverty substantially from its pre-COVID-19 level of 24.0 percent, measured at the US$2.15 per person per day (at 2017 purchasing power parity, PPP) international poverty line. As of 2024, approximately 32.7 percent of the population lives in poverty based on projections that use a robust methodology that accounts for both growth and inflation (Box 6, Figure 29, Figure 30). The February 2024 edition of the World Food Program food insecurity report indicated that 82 percent of the population were food insecure. Among these, 18 percent of households are severely food insecure.

Box 6 Closing the data gap: improving poverty estimates in Sierra Leone

Accurate poverty measurement is essential for designing effective development policies and depends on timely, high-quality, nationally-representative household survey data. In Sierra Leone, the last official poverty estimates are from the 2018 Sierra Leone Integrated Household Survey, limiting the ability to assess the current situation— especially after major shocks such as the Ebola outbreak, the COVID-19 pandemic, and recent periods of high inflation. Without updated data, policymakers lack a clear understanding of the extent and nature of poverty today. In 2018, an estimated 26.1 percent of Sierra Leoneans lived below the extreme international poverty line of US$2.15 per person per day (2017 PPP). Traditional poverty projection models, which rely on real GDP per capita growth, are often used to fill data gaps, but they tend to underestimate poverty by ignoring inflation and sector-specific dynamics that influence household incomes.

A more accurate alternative is a microsimulation model that adjusts for inflation and accounts for sectoral growth patterns. This model incorporates the economic sectors from which households earn income and factors in changes in the consumer price index, resulting in more reliable poverty projections—particularly during periods of high inflation or uneven growth. It reveals higher poverty levels than traditional models, offering a more realistic picture of current conditions. These improved estimates remain consistent regardless of whether the international or national poverty line is applied (Figure 29, Figure 30).

The ongoing Sierra Leone Integrated Household Survey, led by Statistics Sierra Leone, offers a timely opportunity to strengthen poverty monitoring. The new data will provide valuable insights into post-COVID socioeconomic realities and serve as a benchmark for tracking progress under the government's National Development Plan 2024–2030. Once available, the data will be used to refine the microsimulation model for more accurate future projections.

FIGURE 29: **Poverty, international poverty line (%), 2018-27**

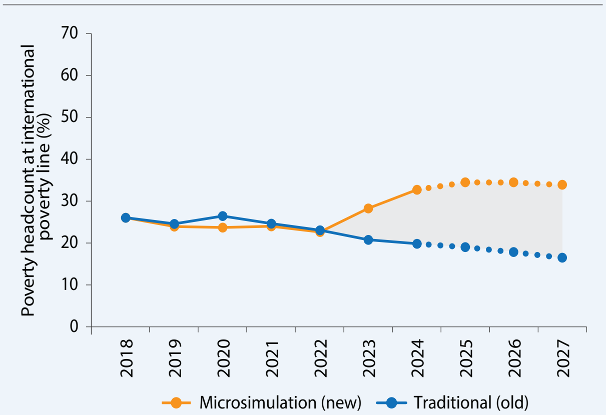
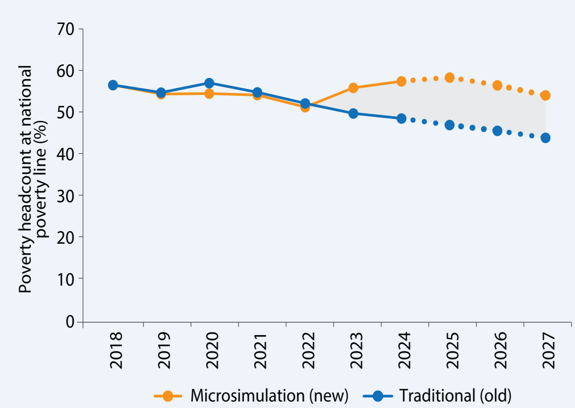


FIGURE 30: **Poverty, national poverty line (%), 2018-27**



Outlook, Risks, and Policy Priorities

Near and medium-term economic outlook

Growth is expected to remain subdued amidst heightened uncertainty in global trade policy and domestic developments.

The growth outlook remains modest. Economic growth is projected at 4.3 percent in 2025 and will recover to 4.6 percent by 2027. Growth in 2025 will be held back by elevated risks to macroeconomic stability, tight fiscal and monetary policies, the impact of the monkey pox epidemic,[13] investment climate impediments that continue to hold back the private sector, and ongoing shifts and uncertainties in lower global trade policies. The recovery will, however, benefit from: (i) a strengthening service sector; (ii) production expansions of iron-ore mining operations; and (iii) improved agricultural productivity supported by investments in the government's flagship 'Feed Salone' program. Investments across agriculture and industry are expected to enhance demand for services while the improvement in the purchasing power of households as inflation cools will support retail trade. Mining output and exports are expected to improve following expansions at both the Kingho and Marampa mines. Increased private sector participation is crucial to sustaining growth in the country in the long term.

Inflationary pressures are expected to continue easing. In the medium term, inflation will remain at single digits as domestic food production improves, global commodity prices drop to their lowest levels since 2020, and the Leone shows relative stability. Global commodity prices are expected to fall by 12 percent in 2025 and further by 5 percent in 2026. Energy prices are expected to decline by 17 percent in 2025 and further by 6 percent in 2026. Furthermore, global food prices are expected to recede by 7 percent during 2025. While domestic food production is expected to increase, boosted by Feed Salone program. Global commodity developments (especially food and energy) will remain a key factor influencing domestic headline inflation in the medium term.

The fiscal deficit is projected to decline gradually in the medium-term, but the decline may be insufficient to reduce debt risks. Sustained and intentional fiscal consolidation effort is required for course correction following repeated overruns. Improvement in domestic revenue mobilization will be supported by an additional 1.5 percent of GDP of tax policy measures in the 2026 Finance Act and efforts to minimize tax expenditure and strengthen tax administration and compliance. Expenditure rationalization will be supported by measures to ensure: (i) all MDAs stick to approved budgets, (ii) reduced spending on goods and services; (iii) limited spending on investment; and (iv) stronger public financial management and cash management to enhance budget execution. These corrective measures and spending cuts agreed in the supplementary budget will be needed to meet the deficit target for 2025 and partly correct for the overruns in 2024.

Risks to debt sustainability will remain elevated until fiscal balances improve further and the reliance on expensive and short-term domestic borrowings can be addressed through the lengthening of maturities and greater access to concessional borrowings. During 2024, public debt is estimated at 48.9 percent of GDP and is expected to moderate in the medium term as fiscal tightening continues, and macroeconomic stability is restored. With the high rollover and refinancing risk, the government needs to accelerate efforts to lengthen maturities of domestic debt. Additional grant resources should be sought to reduce government borrowing requirements in the domestic market and address fiscal dominance, which will in turn improve private sector credit.

[13] Monkeypox was first confirmed on January 13, 2025, and declared a health emergency in a little over a month in a bid to contain the virus. However, the cases have risen rapidly, revealing a more widespread outbreak. The total number of cases has risen to over 2,500 despite ongoing nationwide vaccination and health care advisory. An assessment by Africa Center for Disease Control found that the country's health system is overstretched and overcrowded, with grossly inadequate bed capacity to accommodate patients in treatment facilities.

The external position will remain in deficit but is projected to improve in the medium term. Iron ore production capacity expansion and new mine development following the lifting of the ban on mining exploration will support strong export performance. Improvements in domestic production and manufacturing and the slowdown in food imports are expected to suppress the import bill. However, muted global growth following the uncertainties around global trade may hamper export prospects for major commodities (such as iron, rutile, and diamonds). The current account deficit is expected to narrow to 2.9 percent of GDP by 2027. External debt service will continue to elevate external financing needs, but foreign reserves are expected to improve to cover three months of imports, leaving the external position at lower risk in the face of unexpected shocks.

Poverty is projected to gradually decline to 33.8 percent by 2027. Sierra Leone must curb inflation through sound fiscal and monetary policies to protect households from further erosion of purchasing power. Additionally, reforms are needed to foster inclusive growth, strengthen social protection through targeted interventions and ensure investments into human capital to improve long-term livelihoods.

Table 3: Economic outlook for Sierra Leone

	2022	2023	2024	2025 f	2026 f	2027 f
Real GDP growth, at constant market prices	5.3	5.7	4.3	4.3	4.4	4.6
Private consumption	7.4	1.8	-13.9	3.9	4.2	4.4
Government consumption	-0.7	0.5	6.8	2.4	2.6	4.2
Gross fixed capital investment	22.2	12.8	18.7	20.8	13.0	11.3
Exports, goods and services	9.0	7.0	134	7.0	12.5	12.6
Imports, goods and services	15.8	9.3	30.7	12.0	16.7	15.5
Real GDP growth, at constant factor prices	5.3	5.7	4.4	4.3	4.4	4.6
Agriculture	3.0	2.4	3.6	3.6	3.7	3.7
Industry	9.9	14.4	3.5	2.3	2.5	3.1
Services	5.4	4.7	5.7	5.7	5.8	5.9
Inflation (consumer price index)	24.9	47.2	29.1	9.3	9.3	9.5
Current account balance (% of GDP)	-6.4	-9.5	-4.7	-3.5	-3.0	-2.9
Net foreign direct investment inflow (% of GDP)	2.0	3.8	3.6	3.4	3.7	3.6
Fiscal balance (% of GDP)	-5.4	-4.8	-5.1	-4.2	-3.7	-3.8
Revenues (% of GDP)	10.7	10.4	13.7	14.3	15.0	15.7
Debt (% of GDP)	53.5	46.2	44.4	43.6	42.9	42.3
Primary balance (% of GDP)	-3.6	-2.5	-2.4	-0.2	0.1	-0.1
International poverty rate ($2.15 in 2017 PPP)[1,2]	22.6	28.2	32.7	34.5	34.4	33.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[1,2]	59.8	62.5	63.6	64.1	61.8	60.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[1,2]	87.8	87.9	87.6	87.5	86.0	84.3
GHG emissions growth (mtCO2e)	3.8	-0.2	-0.2	0.3	0.8	0.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast. NA 1/ Calculations based on 2018-SLIHS. Actual data: 2018. Nowcast: 2019-2024. Forecasts are from 2025 to 2027.
2/ Projections using microsimulation methodology.

Risks to the outlook

Risks are tilted to the downside and require strong fiscal adjustment amidst uncertainties.

The outlook is clouded by rising trade tensions and heightened external and domestic uncertainty. The economic outlook is significantly impacted by the escalating trade tensions which have heightened global economic uncertainties. Growth is expected to slow in advanced economies and emerging market and developing economies (including China), with spillover effects from weakening demand on production of commodities such as iron ore, which will further slow growth. Domestically, rising debt service payments due to higher borrowing costs are likely to constrain fiscal space, limiting investment in productive sectors and delaying fiscal consolidation. Implementation delays of tax policy measures in the 2026 Finance Act and effective monitoring of tax compliance and audit will impact domestic revenue performance while persistent overruns due to the lack of adherence to sound public financial management practices further threaten the fiscal outlook. Fiscal expansions have often been inflationary, increasing the amount of currency in circulation and crowding out private sector investment required to create jobs and support growth.

Health and climate risks will continue to pose a significant threat to the economy. The country grappled with Monkeypox epidemic which affected over 1,500 individuals in 2025. This situation is exacerbated by the increasingly constrained fiscal environment, leaving Sierra Leone ill-equipped to manage a large-scale disease outbreak effectively. Although the government responded promptly to contain the virus, any further spread could severely strain the nation's fiscal resources. In addition to health challenges, Sierra Leone is highly susceptible to climate shocks, which pose a substantial risk to agricultural productivity and efforts to reduce poverty. The country's reliance on agriculture makes it particularly vulnerable to adverse weather conditions, which can disrupt food supply chains and impact livelihoods.

Policy priorities

Maintaining macroeconomic stability in the face of continued global volatility can be eased by key policy reforms.

Domestic revenue mobilization effort should be further enhanced to reduce reliance on costly domestic debt and restore credibility in fiscal management. Implementing the list of revenue enhancement measures prepared by the National Revenue Authority will improve domestic revenue in addition to the full implementation of outstanding revenue measures in the 2023 and 2024 Finance Acts and additional measures in the 2026 Finance Act. Suspension of all discretionary tax and duty waivers and full administration of waivers and duties in line with the Duty and Tax Exemption Act will be key.

Expenditure rationalization and budget discipline should be strengthened. Budget preparation and execution should ensure: (i) strict adherence to budget ceilings to limit overruns; (ii) all payments are executed through IFMIS; (iii) phase-out of off-budget and non-transparent spending; (iv) enforcement of parliamentary oversight to hold MDAs accountable and institute penalties; and (v) implementation of performance-based budgeting on capital projects with clear timeline.

Debt management and the government financing strategy should include the prioritization of concessional external borrowing. The authorities should aggressively pursue: (i) lengthening of domestic debt maturities to reduce refinancing risk, (ii) full implementation of the debt management strategy including sticking to the borrowing calendar; and (iii) taming the appetite for domestic debt to reduce high borrowing costs.

PFM systems and oversight must be strengthened. The rollout of IFMIS to all MDAs, project and contract management systems while building capacity across MDAs on the use of systems is crucial. Particularly important will be the strengthening of audit functions and enforced implementation of audit recommendations (See Box 7 on PFM reforms required to restore budget credibility).

Monetary policy effectiveness can be enhanced by reducing central bank holdings of government securities. BSL holdings of government debt currently undermines monetary policy effectiveness and crowd out private credit. Regulatory limits on commercial banks' holdings of government securities should be introduced, encouraging portfolio diversification and supporting the growth of private sector credit.

Box 7 **Public Financial Management reforms—Measures to strengthen budget credibility and transparency in Sierra Leone**

Recurring extra-budgetary expenditures, weak expenditure controls, and inadequate follow-up on audit recommendations weakens PFM system in Sierra Leone. These actions have undermined fiscal discipline and eroded confidence in sound public financial management.

Public financial management (PFM) measures aimed at addressing long-standing weaknesses in budget credibility, audit responsiveness, and fiscal transparency have been proposed to align spending within statutory budget process, enhance accountability, and ensure greater compliance with the Public Financial Management Act. The reform package is built around five critical actions.

1. The Ministry of Finance to enforce strict budgetary discipline by placing hard ceilings on expenditures, instituting a moratorium on new capital projects until a full CAPEX analysis is completed, and pledging to submit a supplementary FY2025 budget that fully captures all off-budget emergency and security-related expenditures. MDAs are now required to report quarterly on virements, budget variances, and expenditure commitments.
2. Secondly, audit accountability to be strengthened through the institutionalization of quarterly audit committee meetings across all MDAs, the activation of a national audit follow-up tracker, and systematic implementation of the Auditor General's recommendations—especially those addressing procurement violations, missing documentation, and payroll irregularities.
3. Thirdly, fiscal transparency should be enhanced by publishing monthly and quarterly revenue and expenditure outturns, detailed tax expenditure data, and public procurement reports in user-friendly, open-data formats.
4. In addition, a technical audit of capital projects in the roads, energy, and water sectors will be conducted to ensure future expenditure planning aligns with the Medium-Term Budget Framework.

These reforms aim to improve budget predictability, reduce waste, and improve fiscal sustainability.

PART TWO

ENABLING THE PRIVATE SECTOR FOR GROWTH AND JOB CREATION

Growth and Jobs: Past Record

Sierra Leone must revitalize its private sector to drive sustained growth and job creation, addressing delayed structural transformation and low diversification despite its resource wealth and growing working-age population.

Sierra Leone needs a vibrant private sector to sustain high growth while creating jobs to take advantage of its expanding labor force in the coming years. Dynamic private firms can be the driver of economic transformation and job creation as well as a major source of tax revenue to finance public goods. The country's private sector is currently dominated by very small firms operating in a few sectors and hiring few employees, limiting possibilities of economic diversification away from mining. Reducing the barriers that private firms face, whether they are domestic or foreign, will help raise their productivity and their potential for job creation. This special focus seeks to provide a snapshot of Sierra Leone's private sector performance, reflect on key constraints faced by firms, and proceed to make policy recommendations to alleviate those constraints.

The country's National Development Plan (2024-2030) recognizes the critical role of the private sector in accelerating growth and generating needed jobs. The Plan explicitly targets the creation of 500,000 new jobs for youth by 2030, recognizing them as a critical demographic for national development. The plan projects that 70 percent (or about 350,000) of these new jobs will be generated directly by the private sector, with the remaining 30 percent (around 150,000 jobs) expected through public sector-coordinated projects with private sector participation. This aspiration of private sector-led growth is long standing, having been well documented in successive national development plans.

Sierra Leone has not been able to sustain high growth despite its rich natural resource endowment (of minerals and fertile land) and fast-growing working age population. The economy reflects that endowment, with activity concentrated in iron ore and other mining and in subsistence farming. Agriculture has accounted for one-third of total output and more than half of employment in the last two decades. The iron ore boom that began in the 2010s has dominated industrial activity, accounting for about one-quarter of output but under 1 percent of employment. The economy remains undiversified, and, unfortunately, both of the dominant sectors are inherently volatile. As a result, economic progress and macroeconomic stability have been disrupted repeatedly over the last few decades, causing Sierra Leone's growth path to exhibit much greater variability than its peers and neighbors.

Despite the need for more and better jobs to take advantage of the country's favorable demographic backdrop, more than half the labor force remains employed in agriculture. Labor productivity has improved, but it has not been broad-based across sectors. Rather, it has been mostly concentrated within agriculture, and the release of labor towards services or industry, as is usually observed during the course of structural transformation, has not materialized as expected. The modest movements of labor out of agriculture that have occurred during the last two decades have been absorbed almost entirely by the services sector, especially in informal trade and tourism. The deepening insufficiency of private sector job creation as the working age population grew by 3.4 percent annually during 2001-21 can be seen in a falling rate of labor force participation, from 66 percent in 2001 to 53 percent in 2022.

Sierra Leone's private sector firms have fallen short in generating diversified growth and in providing good jobs for its growing workforce. The economy is dominated by a small number of large firms in the capital-intensive and export-focused extractives sector. Although mining provides exports and government revenue, it does not generate jobs, and it is highly vulnerable to volatile global prices. The rest of the private sector comprises firms too small and uncompetitive to provide dynamism, limiting the scope for economic diversification away from mining. The constraints holding back a more productive and competitive private sector in Sierra Leone are multiple, and survey data and expert consultations can provide important insights.

The jobs challenge going forward is significant. The country will need to create an additional 2 million jobs between 2020 and 2050 just to maintain its current employment-to-population ratio of 51 percent. This objective requires that around 75,000 new jobs are created every year for new entrants to the working age population for the next 30 years, compared to about 41,000 jobs per year that have been generated in recent years. If Sierra Leone wants to achieve an employment-to-population ratio of 60 percent–the average of Sub-Saharan African countries--then an additional 100,000 jobs will be needed every year. A revitalized private sector will be central to that task.

Summary of Firm Characteristics

Sierra Leone's private sector is dominated by small, domestically owned firms with low productivity and limited growth, struggling to create jobs amid weak competition.

Sierra Leone's private sector holds potential but is dominated by micro and small enterprises with little prospect for expansion and job creation. The private sector is predominantly made up of small and informal domestically owned firms. According to the 2022 business census, out of approximately 165,500 establishments, only 29 percent were permanent and regular businesses, while the rest were non-permanent, tiny enterprises primarily engaged in trade (over 70 percent), manufacturing (around 10 percent), hospitality (about 5 percent), and personal services (about 5 percent). Employment is generally limited in private firms, with two-thirds of the firms having just one or two workers, and 91 percent structured as sole proprietorships, which limits innovation and growth. Informality is widespread--75 percent of enterprises remain unregistered, 85 percent lack formal financial records, and fewer than 5 percent access formal finance. Almost all informal firms (96 percent) do not hire beyond household members, limiting growth and the potential to innovate and create jobs. However, household enterprises are critical livelihood sources for over half of Sierra Leonean households, particularly among poorer rural populations. Countries in the region with similar GDP or population, such as Liberia, Niger or Togo, show a similar average age of firms. The average age of a firm in Sierra Leone is 15.1 years, similar to the averages in peer countries and across SSA average, demonstrating significant entrepreneurial dynamism and adaptability despite the many challenges that firms face (Figure 31, Figure 32).

Sierra Leone labor productivity growth accelerated between 2017-2023 and outpaced performance in other low-income countries.

FIGURE 31: Annual labor productivity: Sierra Leone and peers, 2023

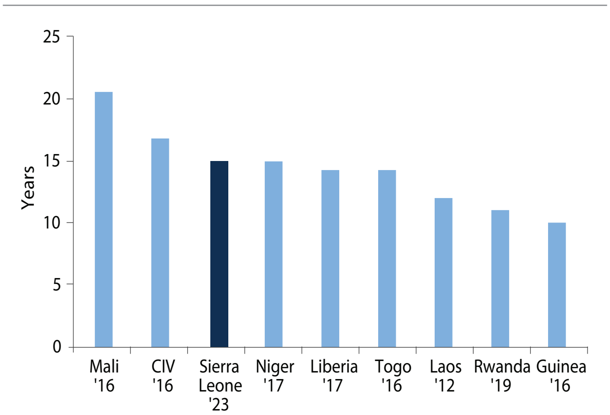
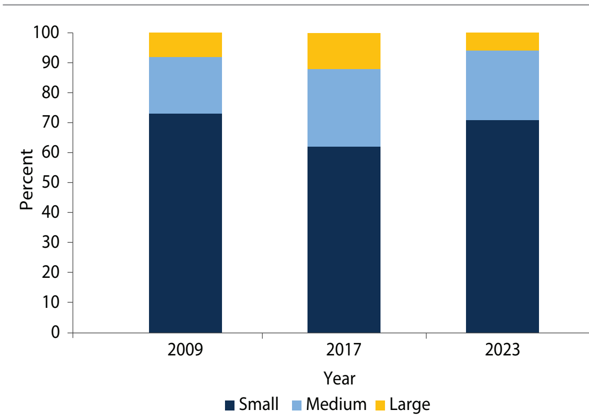


FIGURE 32: Firm size (%), 2009, 2017, and 2023



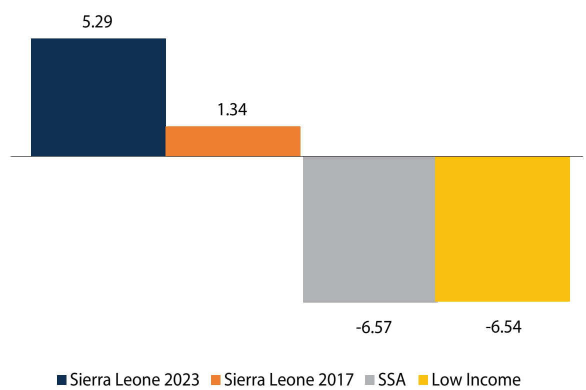
Note: Large firms have 100 or more employees, medium have 20–99, and small have 5–19.
Source: World Bank Enterprise Surveys and Stats SL Business Census.

Foreign ownership remains limited, with 96 percent of firms being domestically owned. Foreign participation has declined from 8 percent in 2017 to a modest 3 percent in 2022—well below the African average of 11 percent. This decline mirrors the performance of the economy which has been impacted by overlapping shocks and the constraints in doing business in the country which limits investment inflows--foreign investment is mostly concentrated in larger firms mostly operating within mining and telecommunication.

Labor productivity in firms has improved. Growth in labor productivity accelerated between 2017 and 2023, outpacing the performance in other low-income countries (Figure 33). Several factors explain rising labor productivity, including access to larger markets and digital platforms, foreign direct investment, on-the-job training, innovation, and technological adoption. Firms with websites, for example, generate twice the sales per worker and tend to be larger than those without an online presence. Similarly, exporting firms benefit from international competition, economies of scale, specialization, and knowledge spillovers, making them significantly more productive than non-exporters. Foreign-invested firms are approximately twice as productive as domestically owned counterparts, underscoring the value of foreign investment. Furthermore, 21 percent of firms in Sierra Leone provide employee training, exceeding the Sub-Saharan Africa average of 14 percent, indicating positive investment in human capital despite existing skills shortages. Nevertheless, only 2 percent of Sierra Leonean firms engage in exports, and just 16 percent maintain a website, far below the regional averages of 5 percent for exporters and 66 percent for web presence, highlighting substantial room for growth in market access and digital adoption.

Sierra Leone labor productivity growth accelerated between 2017-2023 and outpaced performance in other low-income countries

FIGURE 33: Annual labor productivity: Sierra Leone and peers, 2023



Source: Sierra Leone ES 2023.

Despite experiencing faster sales growth, Sierra Leonean firms face significant challenges in expanding employment as they age. Compared to regional peers, older firms in Sierra Leone employ fewer workers, indicating difficulties in scaling workforce alongside business growth. The speed at which firms grow over their lifecycle is a critical driver of economic development. Yet enterprise survey data reveal that post-entry performance in Sierra Leone's formal private sector is weak relative to the region. Notably, firms up to 10 years old in Sierra Leone account for 35 percent of total formal sector employment—more than double the Sub-Saharan Africa average of 14 percent (Figure 34). However, older firms (more than 20 years old) average only eight employees, compared to 38 in Liberia and 22 across Sub-Saharan Africa (Figure 35). These figures suggest that while Sierra Leonean firms perform relatively well in generating sales, they lag in employment creation as they mature.

Sierra Leone's firms fail to expand employment as they age, in contrast to peers.

FIGURE 34: **Employment share by age of firm, Sierra Leone and peers (% of employment)**

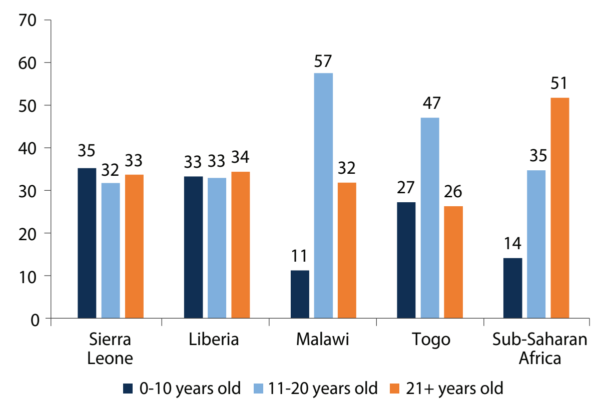
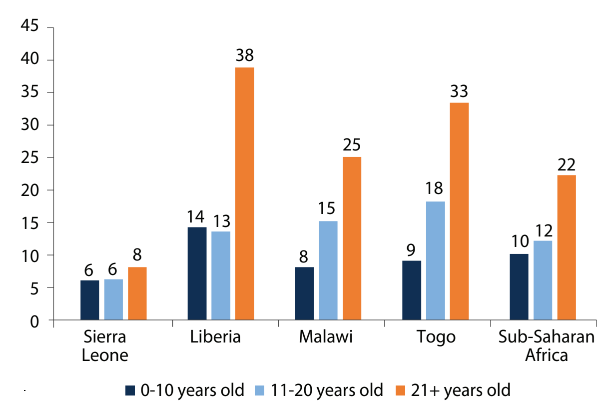


FIGURE 35: **Median firm size by age of firm, Sierra Leone and peers (number of employees)**



Sources: World Bank Enterprise Surveys (ES) for Sierra Leone (2023), Liberia (2017); Malawi (2014); Togo (2016); Sub-Saharan Africa (average over most recent survey in each country 2014-2023).

Limited competition in markets has stifled firm growth. Competition among firms drives shared growth through several channels, including productivity, investment, exports, and prices. Product market competition fosters aggregate productivity dividends through three main dimensions: within firms (productive efficiency), between firms (allocative efficiency), and entry/exit (market selection). The latest data from Bertelsmann Stiftung's Transformation Index suggest that regulatory interventions that foster competition in Sierra Leonean markets are less developed compared to all comparator countries (Figure 36).[14] However, policies to avert anticompetitive business practices appear to be slightly better than in the average SSA country and even some aspirational peers (Figure 37). The Government of Sierra Leone plays a role both as a seller and buyer of goods and services. These State involvements in markets end up shaping the extent of market competition and thus market outcomes in Sierra Leone. Distortionary state interventions further hinder private sector competitiveness (Box 8).

Market competition in Sierra Leone lags peers despite solid anti-monopoly policy.

FIGURE 36: **Perceptions of market competition, 2022 (Higher value = better competition-enabling environment)**

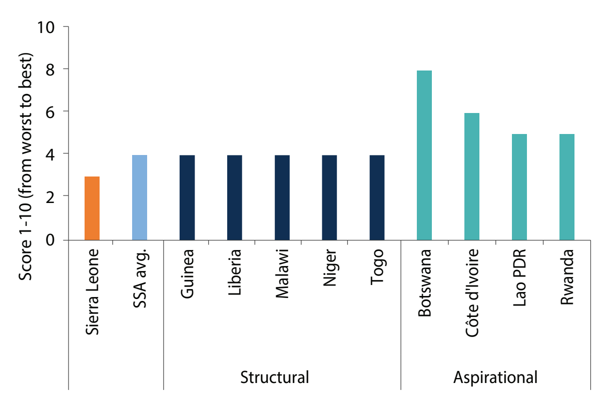
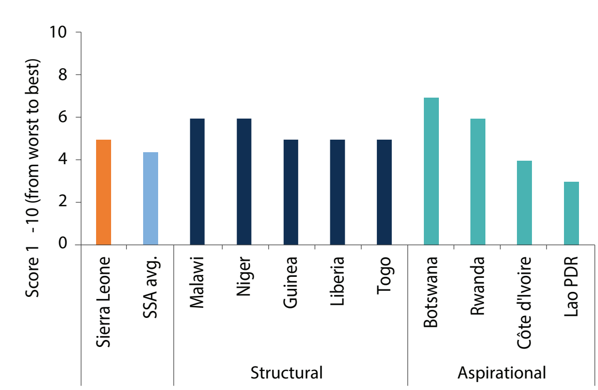


FIGURE 37: **Perceptions of anti-monopoly policy, 2022 (Higher value = stronger policy in place)**



Note: The BTI reflects the views of country experts at the end of January 2021.
Source: World Bank staff elaboration based on Bertelsmann Stiftung's Transformation Index BTI, 2022.

14 The Bertelsmann Stiftung's Transformation Index assesses the development status as well as the governance of the political and economic transformation processes in 137 developing and transition countries worldwide based on the opinions of country experts who assess the extent to which 17 criteria have been achieved. For further details, see the BTI methodology which is available at https://bti-project.org/en/methodology

Box 8 **Distortionary state interventions hinder private sector competitiveness**

State-owned enterprises (SOEs) in Sierra Leone are a major source of market distortion, limiting private sector competitiveness and access to finance. Most SOEs operate in competitive sectors such as services, manufacturing, and construction, where state presence is not economically necessary. SOEs often receive preferential treatment over private companies, particularly in procurement and taxation, contributing to market imbalances, suppressing competition, limiting opportunities for private sector expansion. State-owned banks in the banking sector comprise almost 50 percent of the asset base, affecting competitiveness and innovation that may unlock private sector credit.

Significant trade restrictions hinder access to foreign goods and services, further limiting competitiveness. High tariffs on essential production inputs, particularly in sectors like mining and agriculture, raise costs for businesses, while non-tariff barriers and limited trade facilitation measures contribute to high trade costs. The services sector, which has potential for growth, remains largely closed to foreign services, particularly in transport, communications, and construction. Moreover, Sierra Leone lags behind its peers in implementing trade facilitation measures under the World Trade Organization Trade Facilitation Agreement, with low adoption rates and outdated border procedures contributing to inefficiencies.

Preferential treatment and ample room left for discretion in the administration of taxes and subsidies, including for credit and land, also inhibit competition. The government provides extensive tax holidays, duty exemptions, and corporate tax breaks to firms meeting specific criteria, often favoring larger or foreign investors rather than those firms introducing sustainability practices. Moreover, the discretion granted to public officials in allocating these incentives introduces unpredictability and opportunities for favoritism, further distorting market competition.

Constraints to Firm Growth

Limited access to finance, land, and electricity, along with a weak regulatory framework, significantly constrain firm growth in Sierra Leone, according to recent surveys and analysis.

Access to finance, land, and electricity are the key perceived constraints to firm growth, according to the latest World Bank Enterprise Survey. When asked to choose the biggest obstacle to their business from a list of 15 business environment obstacles, access to finance emerged as the most significant barrier with 47.5 percent of firms reporting difficulty in accessing credit. This situation is exacerbated by high interest rates (often exceeding 25 percent), stringent collateral requirements and limited banking sector depth. While there have been reforms and some improvements, 12.5 percent of firms highlight access to land as a significant constraint. Land tenure and the process of obtaining land for investments are often complex and difficult. Electricity infrastructure, with low power generation and frequent power interruptions, represents another critical constraint identified by 10 percent of firms (an improvement since 2017). The rising importance of crime, theft, and disorder and of political instability are other areas of concern (Figure 38).

Moreover, the new B-Ready dataset reveals notable weaknesses in Sierra Leone's regulatory framework compared to its peers, in particular regarding market competition, international trade, and business insolvency. The 2024 B-Ready data shows that Sierra Leone performs relatively well in labor, out of 10 topics key to the business environment, compared to selected regional peers (except for Cote d'Ivoire). However, economies such as Rwanda and Togo outperformed Sierra Leone in all areas assessed except for Labor. Sierra Leone shows notable weaknesses in market competition, international trade, and business insolvency. Public services is the weakest among the three pillars and remains a significant challenge for Sierra Leone (Figure 39, Box 9).

Box 9 B-READY methodology and initial findings for Sierra Leone

Business Ready (B-READY) is a global data and analysis initiative by the World Bank Group to assess the quality of the business and investment climate across economies. B-READY is organized according to 10 topics that reflect the stages of a firm's lifecycle and its interaction with markets: business entry, business location, utility services, labor, financial services, international trade, taxation, dispute resolution, market competition, and business insolvency. Within each topic, the business environment is evaluated through three interconnected pillars:

i. Regulatory framework–the rules and laws that govern business activity (*de jure*);

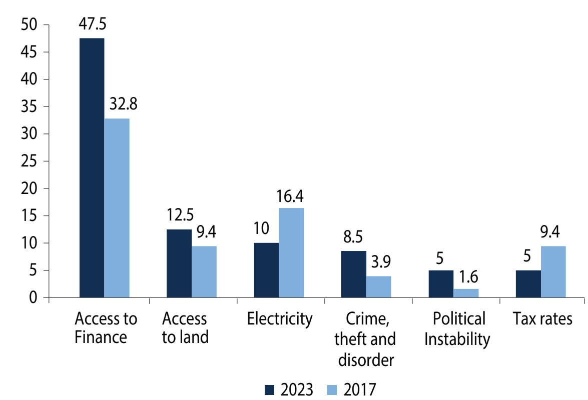
ii. Public service delivery–the quality and efficiency of government services to support compliance with business regulation and the institutions and infrastructure that enable business activities (*de facto*);

iii. Operational efficiency–ease of compliance with the regulatory framework and the effective use of public services directly relevant to firms.

B-READY's data is collected through a mix of expert consultations and firm-level surveys, allowing it to capture not just legal frameworks but how they function in real-world conditions. Pillar scores and overall topic scores range from 0 to 100 (where 100 represents the best performance). B-READY is in a three-year rollout phase, spanning 2024 to 2026, expanding geographic coverage and refining its design and methodology. Due to these methodological enhancements, differences in scores across the three rollout editions are to be expected. The first edition of B-READY (B-READY 2024) was published in October 2024, and covered 50 economies, including Sierra Leone.

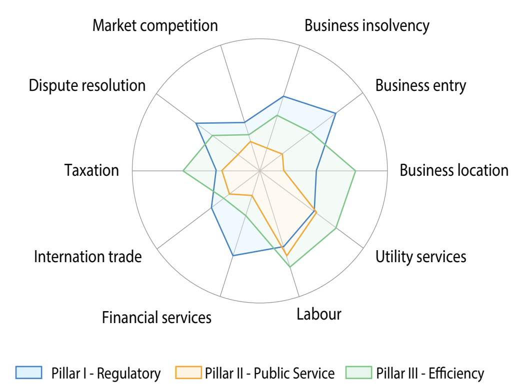
Enterprise Surveys and B-Ready analysis identify key constraints to a better business environment in Sierra Leone.

FIGURE 38: Enterprise survey constraints to firm growth, by obstacle (% of firms), 2017 and 2023



Source: ES 2023, 2017

FIGURE 39: B-READY Sierra Leone performance across topics and Pillars (0-100), 2024



Note: Performance is scored on a scale from 0-100, with higher scores pointing to better performance.
Source: B-READY 2024.

Table 4: B-Ready findings across 10 topics for Sierra Leone and comparators, 2024

	Business entry	Business location	Utility services	Labor	Financial services	International trade	Taxation	Dispute resolution	Market competition	Business insolvency
Sierra Leone	48	46	61	69	42	38	41	42	30	40
Rwanda	85	72	68	60	69	82	66	83	64	80
Togo	77	68	65	56	54	61	59	69	41	59
Côte d'Ivoire	64	44	59	69	42	51	53	61	35	50
The Gambia	47	33	36	49	42	39	39	51	27	34
Ghana	41	60	69	69	60	56	57	55	32	65
Botswana	92	57	61	64	69	68	51	56	51	38

Note: Scores range from 0 (worst) to 100 (best).
Source: B-Ready 2024.

Access to financial services

Despite a solid regulatory framework, access to finance in Sierra Leone is hindered by weak credit infrastructure and limited electronic payment use.

Access to finance remains a major barrier to firm growth in Sierra Leone despite a relatively strong legal and regulatory framework. The B-Ready 2024 assessment scored Sierra Leone 69 out of 100 on regulatory framework strength, outperforming many regional peers. Yet, significant gaps persist. Weaknesses in the secured transactions framework and a limited, largely manual credit information system undermine credit access, especially for SMEs. The inability to fully leverage movable assets as collateral restricts borrowing, while financial institutions face challenges due to the absence of electronic know-your-customer (e-KYC) systems, complicating borrower verification and slowing lending processes.

Credit infrastructure deficiencies further deepen financing challenges. Sierra Leone scores just 20 out of 100 on availability and quality of public services available to promote access to finance. The credit registry has limited coverage and narrow scope which hinders its effectiveness as a credit reporting institution. The centralized collateral registry lacks a notice-based system, limiting secured creditors' control over their security interests. These shortcomings increase risk perceptions among lenders, resulting in tighter credit and bias against small and medium enterprises and new borrowers. To unlock inclusive finance and strengthen the private sector, comprehensive reforms are needed to expand credit reporting, modernize collateral registration, and enhance system transparency.

Sierra Leone's regulatory framework for electronic payments is relatively strong, nevertheless, the usage among firms remains strikingly low. Among firms that use electronic payments in Sierra Leone, only 13 percent of their outgoing payments and just 15 percent of their incoming payments are undertaken electronically making the country one of the lowest users of electronic payments in the region. In contrast, economies such as Ghana, Rwanda, and Botswana report far higher usage levels, reflecting stronger institutional support and infrastructure (Figure 40 & 42). This disconnect between regulation and practice underscores the urgent need to strengthen the enabling environment through improved public service delivery, expanded digital infrastructure and financial literacy. Recently, the country has launched the Salone Payment Switch that allows for an interconnected financial system where digital payments can be seamlessly done by individuals and businesses across banks, mobile money and digital financial services. This will enhance the adoption and usage of digital payments.

Government borrowing patterns exacerbate the crowding out of private sector financing. Banks in Sierra Leone allocate significant proportion of their financial assets (over 40 percent) into treasury investments, primarily investing in one-year instruments (Figure 43). Lending to the government is perceived as risk-free, with attractive interest rates and assured short term repayment, making it a preferred option of extending credit to private enterprises. While this strategy offers banks a secure return, it substantially elevates sovereign risk exposure and diverts critical financing resources away from the private sector. The heavy concentration of bank lending towards government securities amidst ongoing developments to improve the credit infrastructure and enhance private lending, further constrain the credit landscape for firms already facing regulatory and infrastructural barriers. Addressing this imbalance requires fiscal and monetary policy coordination alongside policies that incentivize banks to increase credit allocation to productive sectors of the economy.

Sierra Leone's good regulatory framework for financial services is undermined by weak supporting public services, while few firms use electronic payments and government treasury bills/bonds dominate bank assets.

FIGURE 40: Financial services: regulatory framework scores, Sierra Leone and peers (0-100), 2024

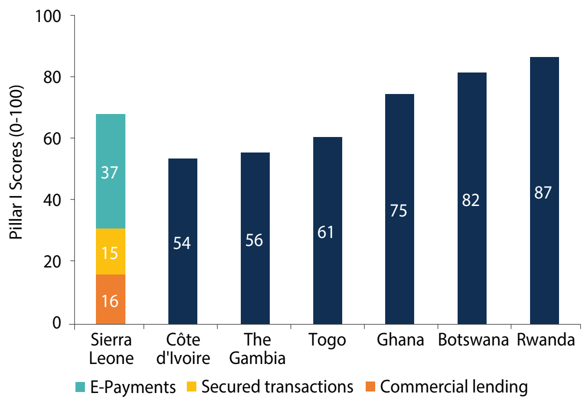
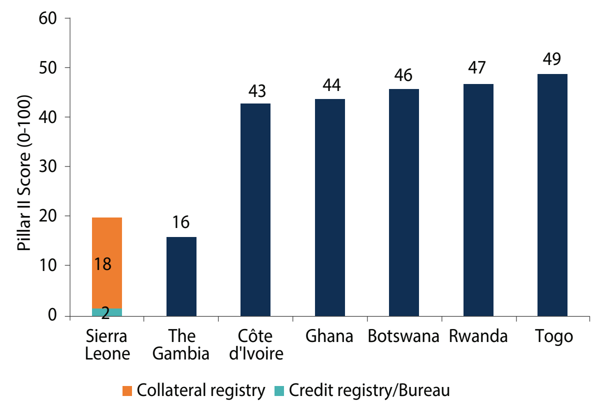


FIGURE 41: Financial services: public service delivery scores, Sierra Leone and peers (0-100), 2024



Source: B-READY 2024.

FIGURE 42: Use of electronic payments by firms

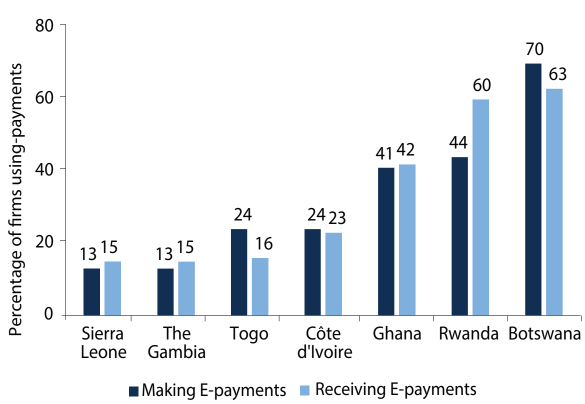
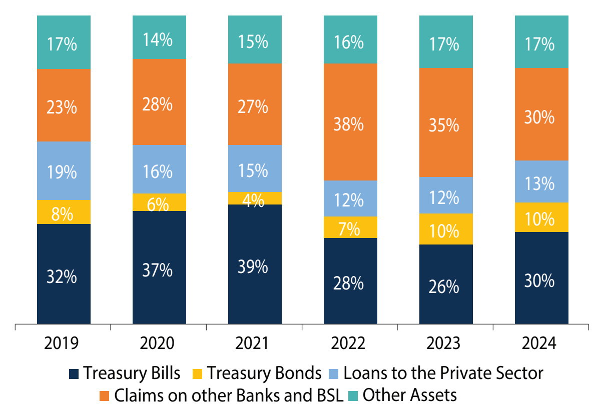


FIGURE 43: Share of banking sector asset shows low credit to the private sector



Source: B-READY 2024.

Access to land

Weak land administration and lack of transparent registration in Sierra Leone hinder private sector growth and secure property rights.

Weak land administration significantly impedes private sector growth in Sierra Leone. Sierra Leone's land administration system remains underdeveloped, presenting a major constraint to the growth of firms. The country's land tenure system is characterized by overlapping customary and statutory frameworks which create considerable uncertainty for investors. Land disputes and lack of clarity over land ownership often led to conflict between investors and local communities. These issues have a pronounced impact on agricultural and mining investments as the rights of local communities under customary tenue are often not properly recognized or addressed. Sierra Leone scored 45 out of 100 in the B-READY regulatory framework for property transfer and land administration, one of the lowest in the region which underscores the need for the implementation of reforms in the customary lands act and a fully functional national lands commission that will address some of the administrative bottlenecks in acquiring land that discourage investment and limit expansion.

Land administration and property transfer in Sierra Leone require substantial regulatory improvements. The country's regulatory framework for property transfer remains inefficient, contributing to delays and additional costs for firms. While there are established standards for verifying the legal compliance of documents and registering property transactions, the lack of digital infrastructure hampers efficiency (Figure 47). Sierra Leone's regulatory performance is weaker than its peers such as Ghana and Côte d'Ivoire, where property transfer processes are faster and more efficient (Figure 44). Furthermore, the absence of certain key legal provisions to mitigate potential land disputes, like availability of protection of property title (whether property titles are subject to a guarantee by law) or out-of-court compensation to parties who suffer losses due to an error in title registration (Figure 45). Strengthening the legal framework for property transfers and establishing clear mechanisms for resolving disputes are crucial steps toward improving the business environment, with an emphasis on reducing transaction costs, which are still high at 219 percent of gross national income, compared to just 5 percent in Rwanda.

A reliable and transparent property registration system is essential for strengthening tenure security and supporting business growth. To foster a more efficient land market and enhance investment security, Sierra Leone must modernize its land registration and administration systems (Figure 44). A transparent, accessible, and secure land registration system is fundamental to improving land tenure security, which is critical for businesses seeking to use land as collateral for loans. The current system lacks transparency, with restricted access to landownership records and cadastral plans. B-READY data highlights that Sierra Leone lags regional peers like Rwanda, where land registration is faster and more efficient, taking just one day compared to Sierra Leone's 90 days (Figure 46). Expanding access to accurate and publicly available land data would increase trust in the system, facilitate property transactions, and improve the ease of doing business. By improving the land administration system, Sierra Leone can create a more predictable and stable environment for both domestic and foreign investors, contributing to higher investment flows and economic growth.

Weak land administration in Sierra Leone, a dearth of legal provisions for disputes, delays in property transfer, and the absence of digital infrastructure together identify business location as a weak point.

FIGURE 44: Business location: regulatory framework scores, Sierra Leone and peers (0-100), 2024

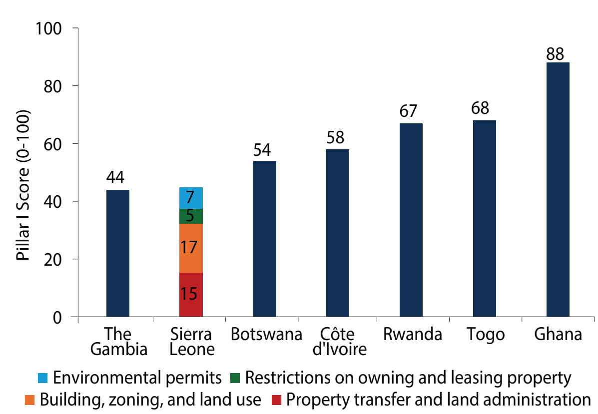
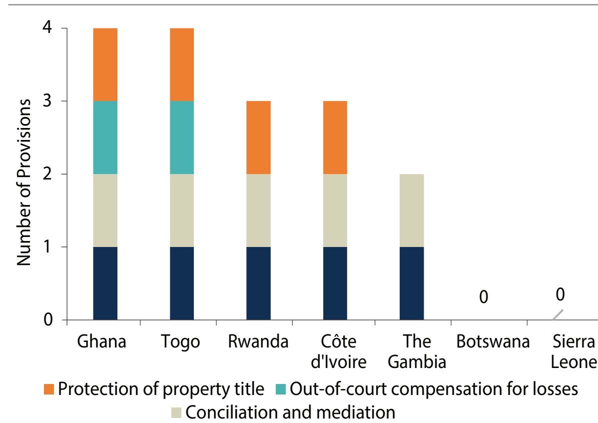


FIGURE 45: Business location: availability of legal provisions for land dispute, Sierra Leone and peers (number), 2024



Source: B-Ready 2024.

FIGURE 46: Business location: time to obtain a property, Sierra Leone and peers (days), 2024

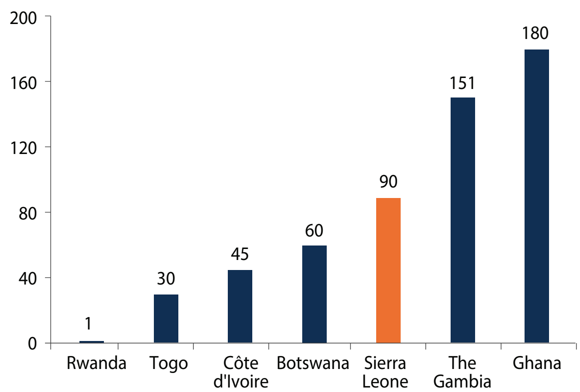
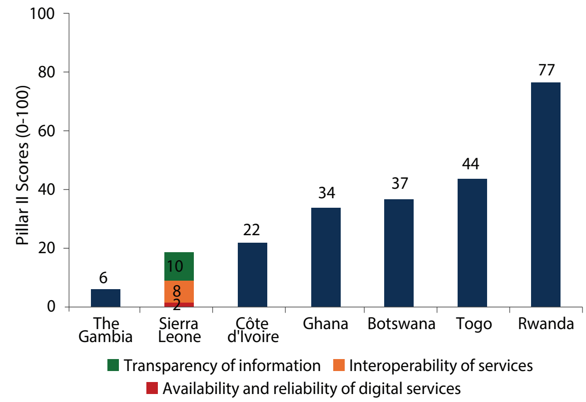


FIGURE 47: Business location: digital infrastructure in land management scores, Sierra Leone and peers (0-100), 2024



Source: B-Ready 2024.

Access to utility services: electricity, water, and internet

Inadequate, unreliable, and costly electricity supply severely constrains firm growth in Sierra Leone, worsened by weak regulation and poor public utility service delivery.

One of the major binding constraints to firm operations and growth in Sierra Leone is lack of adequate, reliable and affordable electricity supply services. About 64 percent of the population do not have access to electricity and those who do, must deal with unreliable supply with frequent and long outages.[15] Over six in ten firms report experiencing at least four outages lasting about nine hours in a typical month leading to loss of 16 percent of sales. There were over 18,000 interruptions on the grid in 2022. Firms are forced to rely on expensive and polluting generators to meet their power demands. Nearly 62 percent of firms in Sierra Leone own generators, relying on them for over one-quarter of their power needs. For example, Kingho Mining Limited, the country's largest iron ore miner, has an installed thermal power plant capacity of 49 megawatts, delivering 44 megawatt hours of electricity to meet operational needs and contribute to local power supply stability.

Sierra Leone's electricity generation capacity is insufficient to meet demand, with heavy reliance on expensive and carbon-intensive heavy fuel oils. The country has four main power sources: a hydro plant (with a capacity of 50 megawatts) that operates at less than 10 percent capacity during the dry season, the Côte d'Ivoire, Liberia, Sierra Leone and Guinea interconnector (27 megawatts), distributed heavy-fuel-oil generation (33 megawatts), and a private heavy-fuel-oil barge (30-60 megawatts depending on the season). In addition, two solar plants (Newton, 6 megawatts and Serengeti 5 megawatts) were added recently, with some districts using heavy fuel oil or diesel generator sets. As of December 2023, Sierra Leone has an installed capacity of 235 megawatts, though only 159 megawatts is available due to maintenance, with renewables contributing 45 percent (104 megawatts). Despite a higher renewable share compared to Sub-Saharan Africa (45 percent vs. 35 percent), the reliance on heavy fuel oil makes the energy mix costly and vulnerable to oil price fluctuations. The distribution utility, EDSA, faces severe challenges, including 50 percent technical and commercial losses and a low collection rate of 76 percent, meaning only three of every ten units of energy bought are billed to customers. EDSA's inefficiencies result in significant revenue losses, and since 2021, the government has had to cover the utility's power purchases. This fiscal burden intensified after the Ukraine crisis, with the government allocating over US$36 million in 2023 (or 7 percent of total expenditure) towards electricity sector subsidies.

15 MTF 2021.

Sierra Leone's regulatory framework for electricity, water, and internet services demonstrates both strength and critical gaps. According to B-READY 2024, Sierra Leone scored 53 points under the regulatory pillar (behind some peers) and 55 points on the governance and transparency in public utility provision (Figure 49). The current legal framework offers ample room for improvement in several areas. It can enhance measures to encourage infrastructure sharing, including coordinated excavation efforts or "dig once" policies, to reduce costs, improve interoperability, and making it faster and more affordable to establish utility connections. Additionally, the framework lacks provisions to set time limits for agencies involved in electricity connections to take decisions on approvals or issue consents, undermining the predictability and efficiency of the administrative processes. Delays and service interruptions are not only disruptive but also costly to businesses and local economies. Moreover, the environmental sustainability of electricity provision and use needs significant improvement. The current regulatory framework does not require businesses to adopt energy efficient practices, nor does it require a switch to energy efficient technologies. Consequently, there are no deterrence or enforcement mechanisms in place (e.g., fines, penalties, volume-differentiated tariffs) to ensure business compliance with energy-saving standards. The framework also does not provide any financial or non-financial incentives to businesses for adoption of energy-saving practices.

The provision of public utility services in Sierra Leone can be enhanced through improved governance and greater transparency. Pillar II of the Utility Services topic evaluates the provision of public services pertaining to electricity, water, and internet, emphasizing the effectiveness of governance and the transparency of information. According to B-READY 2024 data, Sierra Leone scores 55 points in Pillar II, placing it behind several regional counterparts including Botswana, Ghana, Rwanda, and Togo (Figure 48). In the electricity sector, there is a clear need to improve the availability of digital services for users, enhance interoperability, and strengthen monitoring of supply of services. Currently, commercial users lack access to key online services such as applying for new electricity connections, tracking application status, and paying connection fees. While monthly bill payments can be made electronically, the absence of a comprehensive digital platform for service applications limits transparency and user convenience. Introducing online application tracking and payment systems could significantly enhance service quality and the overall customer experience. Additionally, there is no online platform that provides information on planned works on utility networks, limiting public access to project timelines and updates.

An underdeveloped regulatory framework and inadequate public service delivery contribute to poor service provision, forcing firms to rely on their own resources to fill the gaps. B-READY 2024 data show that compared to their regional peers, firms in Sierra Leone experience a higher frequency of electrical outages—averaging about four per month (Figure 50). This performance places Sierra Leone among the countries with the highest number of outages in the region, second only to The Gambia. At the same time, a significant share of firms in Sierra Leone owns or shares a generator, ranking just behind Ghana (Figure 51). This reliance on self-provisioned electricity places an additional burden on businesses, adversely affecting their productivity and operational efficiency.

Sierra Leone's utility services, despite a relatively strong regulatory framework, exhibit weak transparency of information and suffer from frequent outages and dependence on alternative sources.

FIGURE 48: **Utility services: regulatory framework scores, Sierra Leone and peers (0-100), 2024**

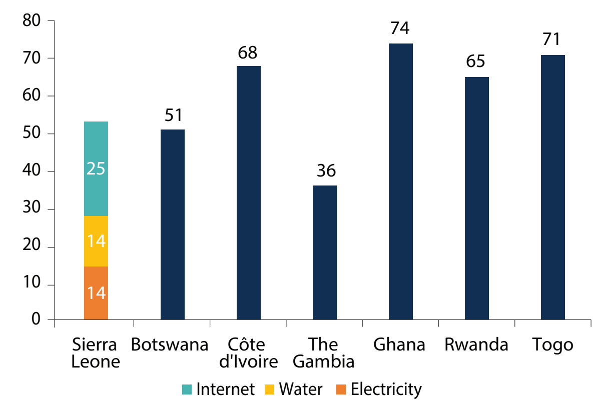
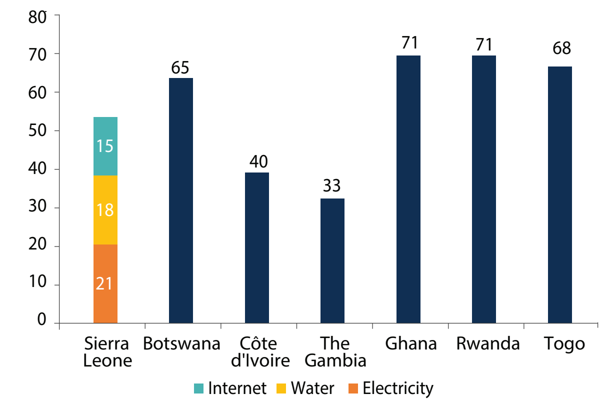


FIGURE 49: **Utility services: public service delivery scores, transparency, Sierra Leone and peers (0-100), 2024**



Source: B-Ready 2024.

FIGURE 50: **Utility services: electrical outages, Sierra Leone and peers (average number per month), 2024**

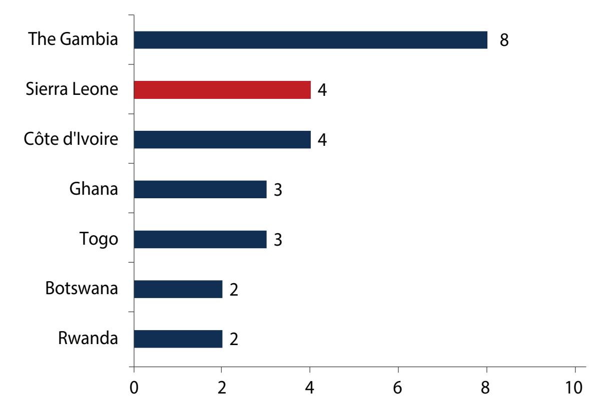
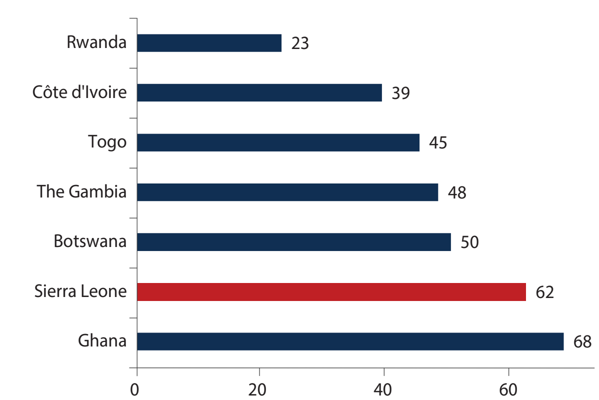


FIGURE 51: **Utility services: firms that own or share generator, Sierra Leone and peers (%), 2024**



Source: B-Ready 2024.

Regulatory framework governing trade, competition and business insolvency

Sierra Leone's private sector competitiveness is hindered by restrictive trade regulations, weak international trade cooperation, state intervention, and an inadequate insolvency framework, especially for small businesses.

A high level of trade restrictions is an impediment to the competitiveness of Sierra Leone's private sector. These restrictive policies encompass both goods and services. Regarding goods, Sierra Leone imposes a relatively high level of tariffs, including on environmental goods, and lacks a duty de minimis value below which no duty or import tax is charged and clearance procedures, including data requirements, are minimal. Additionally, regulations on imports require mandatory pre-shipment inspections and impose non-technical non-tariff measures, such as quantity control measures, for selected goods. These measures are likely protectionist in nature and impose restrictions that limit market access for foreign goods and hinder firms' competitiveness. They increase the cost and reduce the variety of inputs to agriculture, mining, and manufacturing sectors, as well as products for consumers. Such measures may also limit the ability of border agencies to focus on high-value and high-risk consignments, therefore potentially straining the efficient allocation of public resources. Digital trade remains largely untapped and is an area where the regulatory framework may be strengthened.

Regulations on trade in services are also very restrictive, particularly in sectors that directly impact trade in goods, such as freight transport services and logistics services. Sierra Leone currently imposes a wide array of restrictions on these sectors. In addition to setting price floors and/or price guidelines, it requires the mandatory use of licensed operators, while also applying quotas to foreign service providers. Moreover, market access is granted to foreign service providers subject to an economic needs test. These measures restrict market access, as well as the entry and establishment of foreign service providers and workers, and hinder competition. They impact not only on the export and import sectors, but also impose negative externalities on other market actors, including consumers. Reducing these restrictions could boost firms' competitiveness and access to cross-border trade, allowing Sierra Leone to enlarge its effective market size and fully reap the benefits of international trade.

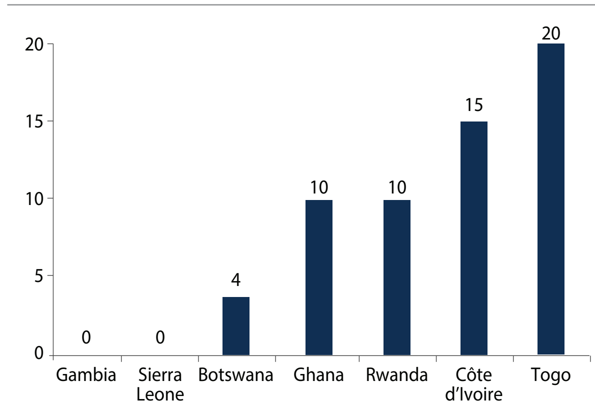
There is also substantial room to improve Sierra Leone's role in international trade cooperation. Currently, Sierra Leone is only party to one deep preferential trade agreement, the Economic Community of West African States, a customs union comprised of 15 preferential trade partners, none of which are among Sierra Leone's main trading partners. Similarly, the African Continental Free Trade Agreement does not include Sierra Leone's main trading partners. Both these agreements present Sierra Leone with the opportunity to deepen regional integration and increase market diversification. Increasing international cooperation and regulatory convergence with its main trading partners for goods and services, the European Union, China, and the United States, could lead to a more predictable trading environment, enhanced regulatory quality, and reduced compliance costs.

The regulatory environment allows for extensive state intervention in the economy and a lack of competitive neutrality in the domestic market. Sierra Leone should establish a competition law framework and an independent competition authority responsible for effectively enforcing all aspects of competition law. This allows for the ample participation of SOEs in the economy by not having economic, social, and/or sustainability criteria requirements for their establishment and the due review by the competition authority. Likewise, there are no set requirements to carry out an impact evaluation assessment to justify SOEs' commercial activities. The competition authority should also have the necessary powers and resources to investigate anticompetitive practices and then apply a range of appropriate and enforceable sanctions. Its decisions and the legal and economic justification behind them should be made publicly available. The lack of this framework and adequate enforcement is detrimental to the functioning of the competition regime and enables SOEs to compete with private entities in key sectors and enjoy advantages that distort the market.

Regulatory framework governing business insolvency does not provide for specialized insolvency proceedings for micro and small enterprises nor international insolvency. Sierra Leone and The Gambia are the only economies, among regional peers, which do not meet any of the benchmarked good practices in this area (Figure 52). The lack of an attractive exit for micro and small enterprises may prevent entrepreneurs from even starting a business, as the micro or small firm may no longer be viable once insolvency proceedings are initiated. This may result in loss of value and compromise the preservation of the company at the

Sierra Leone lacks specialized insolvency proceedings for micro and small enterprises and a comprehensive cross-border insolvency framework.

FIGURE 52: Business insolvency: Sierra Leone and peers, 2024



Source: B-Ready 2024.

expense of legal procedural certainty. Moreover, Sierra Leone does not have a comprehensive cross-border insolvency framework, impacting the legal certainty required to foster cross-border trade and investment. The currently inadequate insolvency framework is detrimental to entrepreneurship and growth.

The quality of institutional and operational infrastructure for judicial insolvency proceedings in Sierra Leone remains very weak. The economy fails to meet established good practice related to the provision of access to digital services ("e-Courts") in insolvency proceedings. Services such as the electronic filing of insolvency petitions and the electronic payment of court fees are not available. Similarly, electronic case management systems do not exist, the status of insolvency proceedings cannot be electronically monitored, and data on the number, type and average length of insolvency procedures are not publicly available. Enacting these good practices would both improve the quality of public services related to judicial insolvency proceedings and increase the transparency and credibility of insolvency procedures.

Policy Reform Priorities to Support Private Sector Development

Unlocking Sierra Leone's private sector potential to create good jobs requires comprehensive reforms focused on improving the business environment, enhancing infrastructure, modernizing regulations, promoting competition, and attracting foreign investment. The analysis of Sierra Leone's private sector points to a set of priorities for reform. Harnessing the private sector's potential to drive economic growth and achieve the National Development Plan's ambitious target of creating 500,000 new jobs by 2030 requires a coordinated set of policy reforms and targeted investments that improve the business environment and catalyze sustainable employment generation. Priority reforms are summarized below.

Table 5: Key reforms to support Sierra Leone's private sector

Cross-cutting interventions to reduce the burdensome business environment	
Regulatory reforms	Simplify the regulatory framework for business entry, operation, and exit. This could include expanding the scope of the Online Business Registration System to include other business licenses, reviewing insolvency frameworks and improving the quality of government-to-business services through investment in training, digital technology, and related hardware to enhance transparency in public service delivery.
Market competition and trade facilitation	Encourage the adoption of policies that promote market competition by addressing anti-competitive practices and reduce SOE involvement in the private sector. Support reforms that ease international trade barriers and promote the digitalization of intellectual property services. Adoption of a competition law and an independent body to ensure healthy competition across markets.
Business insolvency framework	Help the government establish modern electronic case management systems for liquidation and reorganization processes. This will streamline insolvency procedures and protect business assets more effectively.
Infrastructure improvements	Invest in critical infrastructure that supports business activity, such as reliable energy, transportation networks, and digital infrastructure. This will help reduce operational inefficiencies for firms.
Capacity-building for public institutions	Strengthen institutions that provide business services by offering training, tools, and systems to ensure they can deliver services efficiently and fairly.
Interventions to enhance investment and competitiveness	
State-Owned Enterprise (SOE) Reform and Market Liberalization	**SOE Audit and Rationalization:** Conduct a comprehensive review and audit of SOEs, assessing their financial viability and market relevance. Based on findings, initiate a rationalization plan to either privatize or restructure non-essential SOEs that distort markets, particularly in competitive sectors like services, manufacturing, and construction. **Leveling the Playing Field for Private Sector Participation:** Revise procurement regulations to eliminate preferential treatment for SOEs and ensure transparent, competitive bidding processes. SOEs should follow the same tax regime and regulations as private companies to prevent market distortions. Capacity Building for Government Regulators: Provide technical assistance to strengthen regulatory oversight of SOEs to avoid conflicts of interest and ensure SOEs operate on commercial terms without preferential advantages.
Enhancing Foreign Direct Investment Environment	**Streamline and strengthen Foreign Direct Investment Regulations and investment protection frameworks:** Work with the National Investment Board to streamline foreign investment screening and approval processes. Conduct a sectoral review to assess which industries could be opened to foreign investors without harming local businesses and reform restrictions in industries like mining and construction, allowing for greater foreign participation or clearer rules for local partnerships. Introduce reforms to improve Sierra Leone's investment protection standards, including guarantees of national treatment, fair and equitable treatment, and protection from expropriation.

Table 5: Key reforms to support Sierra Leone's private sector *(cont.)*

Trade Facilitation and Tariff Reforms	**Reducing Tariffs and Non-Tariff Barriers:** Work with the government to lower tariffs on essential inputs for key sectors like mining and agriculture, thereby reducing production costs for local businesses. Also, simplify and reduce non-tariff barriers such as excessive import licensing, quotas, and product standards that hinder trade. **Implementing the World Trade Organization Trade Facilitation Agreement:** Provide technical and financial assistance to accelerate the implementation of the Agreement, including upgrading customs procedures, digitizing border control systems, and reducing delays in processing shipments. This will improve the efficiency of trade flows and lower costs. **Opening Key Services Sectors to Foreign Competition:** Encourage the liberalization of the services sector, particularly in energy, transport, communications, and construction. Opening these sectors to foreign providers will enhance competition, improve service quality, and foster innovation. **Enhancing transparency and efficiency:** Introduce a Trade Information Portal to centralize and provide easy access to trade regulations, tariffs, and procedures, ensuring transparency for businesses. Additionally, establish a Single Window system to streamline the submission of trade documents, reducing time, cost, and inefficiencies in trade transactions. These measures would enhance coordination among government agencies and encourage better compliance with international trade standards, improving Sierra Leone's global competitiveness. Support the development of an export promotion strategy to position businesses in Sierra Leone to take advantage of preferential trade agreements such as the African Continental Free Trade Agreement, the African Growth and Opportunity Act, and the Economic Partnership Agreement with the European Union. Including strengthening the national quality infrastructure to support compliance to domestic and export markets.

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