

Investment brief

# Supporting entrepreneurship in Sierra Leone: Opportunities and barriers for angel investors

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# Acknowledgements

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# Introduction

Sierra Leone's entrepreneurial ecosystem is at a pivotal moment. The young, dynamic population driving a surge in new business creation faces a significant funding gap. They are too large for microfinance but too small or early-stage for traditional banks and private equity. This "missing middle" starves them of the capital they need to grow, create jobs and build scalable solutions.

Angel investment – early-stage financing from private individuals – is the key to bridging this gap. Based on a comprehensive assessment of Sierra Leone's investment landscape, this brief outlines the opportunities for angel investors; the primary challenges and barriers; and the strategic recommendations needed to build a thriving and sustainable early-stage investment culture.

## The opportunity: A first-mover advantage

For angel investors, Sierra Leone's nascent ecosystem represents a significant opportunity. It offers a first-mover advantage for investors who can enter the market, secure high-potential deals and help shape the future of key sectors.

The primary drivers of this opportunity in Sierra Leone include:

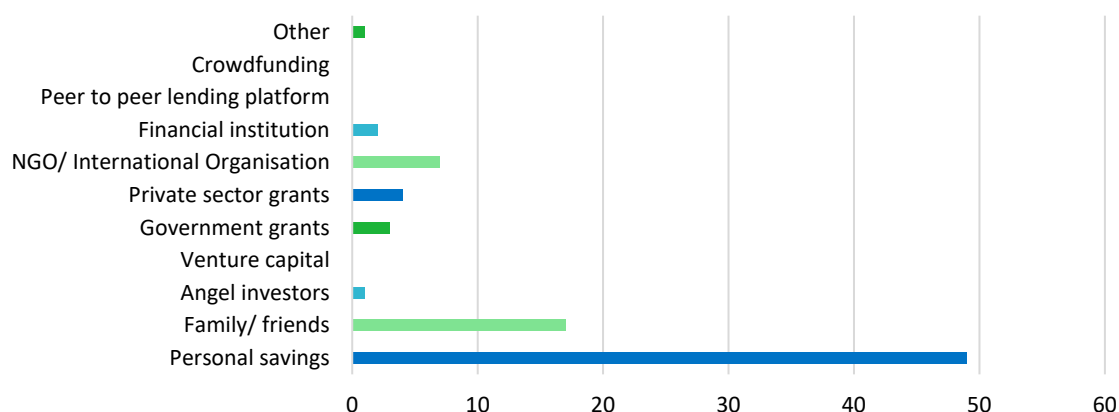
- **Untapped markets:** Over 60% of Sierra Leone's population is under 25 and increasing digital adoption is driving demand in underserved sectors
- **A growing pipeline:** The startup ecosystem is maturing, with most ventures now in early revenue or growth phases
- **Testbed for ideas:** Startups in Sierra Leone tend to be able to pivot with minimal costs and therefore test and refine ideas quickly in response to the market
- **Emerging support:** Innovation hubs, pitch events and accelerators (e.g. Innovation SL, Creative Hub Africa Christex) are expanding to nurture talent.

## The funding gap

The need for angel capital is acute. A recent survey of entrepreneurs in Sierra Leone shows that the great majority (87.5%) rely on personal savings and informal financing – with only 1.8% having accessed angel investment.\* This leaves a huge, unaddressed market for investors to fill.



**Chart 1: What was the initial funding source for your business?**



## Where to invest: High-potential sectors

While fintech has historically dominated venture funding in Africa, a survey of potential investors shows that interest in technology/ ICT and agriculture is equally strong (with 72.7% expressing interest in each).\*

The appeal of agriculture builds on a proven track record with 45% of *existing* investors already active in this sector. The report identifies significant, scalable opportunities in:

- **Agtech:** Including solar-powered irrigation, mobile-based platforms for farm orders, and weather/ market information apps
- **Agro-processing:** Ventures that add value and reduce post-harvest loss – such as in cassava flour, rice milling and packaging.

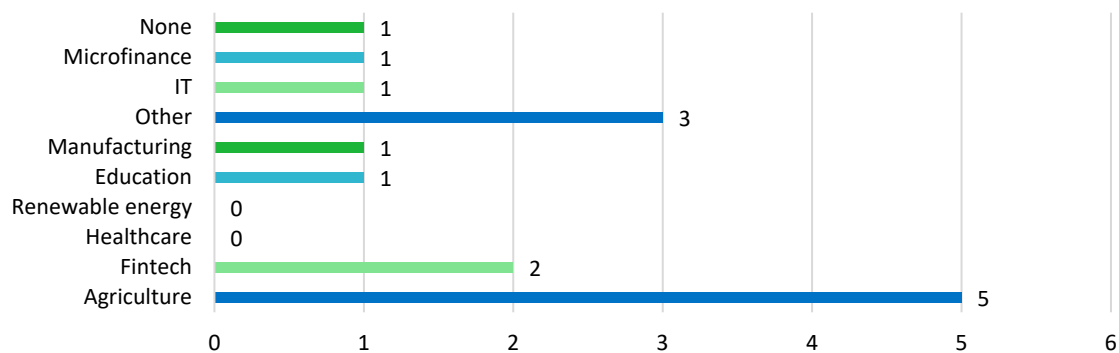
Within technology/ ICT, there are key opportunities in:

- **Fintech for the underserved:** Including micro-savings platforms, digital credit scoring and apps for group savings
- **Digital commerce:** Platforms for informal retailers and last-mile delivery services for fragmented rural markets.

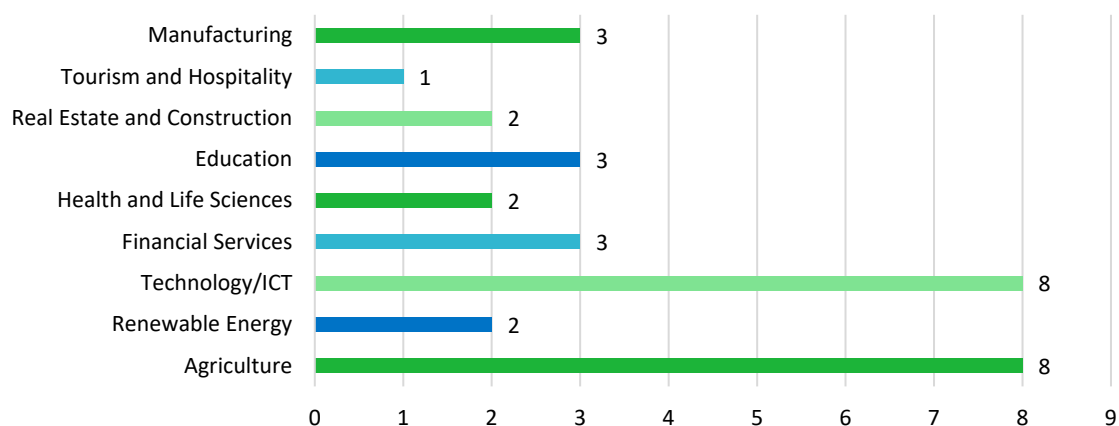
Other sectors attracting significant investor interest include financial services; education and manufacturing (all at 27.3%) – followed by renewable energy, health and life sciences and real estate and construction (all at 18.2%).



**Chart 2: What sectors have you invested in?**



**Chart 3: Which sector in Sierra Leone are you most interested in investing in?**



## The reality check: Key barriers for investors

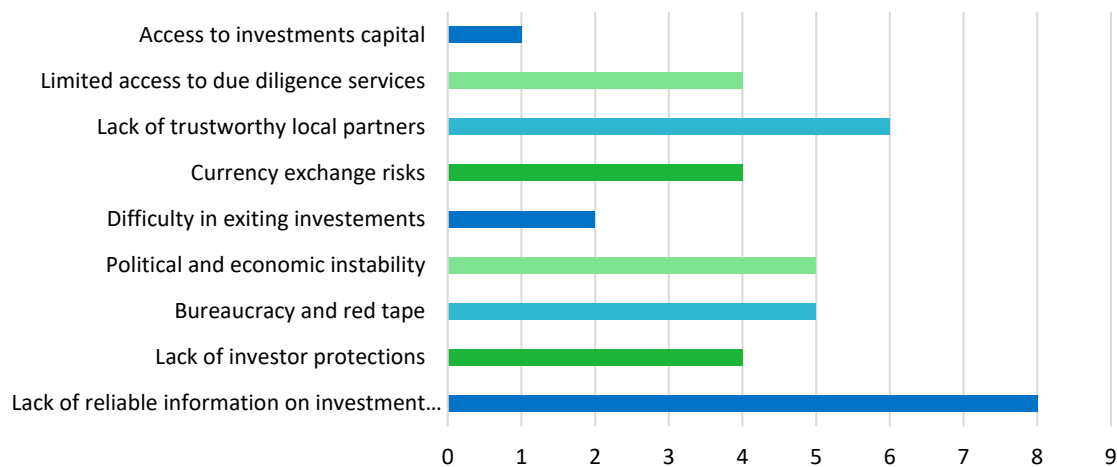
Despite these clear opportunities, potential investors face significant barriers, with a survey identifying the following systemic risks:\*

- Lack of reliable information on investments (72.7%)
- Lack of trustworthy local partners (54.5%)
- Bureaucracy and red tape (45.5%)
- Political and economic instability (45.5%).

These challenges are compounded by a critical gap in entrepreneur investment readiness, with over 80% of startups not yet considered as investment ready. In Sierra Leone, many founders, often shaped by a grant-driven ecosystem, lack financial literacy, have poor financial records and are unfamiliar with core concepts like valuation and equity. Despite this, there are ongoing programmes to address this gap.



**Chart 4: What are the biggest barriers preventing you from investing or increasing investments in Sierra Leone?**



## The path forward: A coordinated strategy

These dual challenges – the investment environment and the startup pipeline – require a coordinated strategy. The following recommendations are designed to create a functioning ecosystem from the ground up.

### Build the ecosystem

The immediate priority is to create a trusted, private-sector-led entity to serve as the ecosystem's hub. This network would be a platform for members focusing on:

- **Education:** Running workshops for new investors on deal-flow, due diligence and valuation
- **Trust and networking:** Creating a trusted space for angel investors to meet, share opportunities and syndicate deals (thereby reducing individual risk)
- **Visibility:** Providing an accessible entry point for international investors and diaspora angels looking to engage with the market.

It is also important to invest in accelerators and investment-readiness programmes that move entrepreneurs from grant-seeking to investment readiness and provide training in financial modelling, corporate governance and understanding equity.

### Improve the environment

Alongside building the private sector network, government partners must champion key policy reforms to de-risk investment. The Startup Act – currently in development – is intended to recognise startups as a distinct business class and provide:

- **Targeted tax incentives:** Tax deductions or capital gains exemptions for certified angel investments



- **Simplified investment instruments:** Formally legalise simple agreements for future equity (SAFEs) - that state an investor can receive an equity stake in the startup on a future date, and convertible notes, which are standard, low-cost tools for early-stage investment.

Broader reforms should also strengthen legal protections, the enforcement of contracts and intellectual property (IP) rights to boost investor confidence.

## Conclusion: The momentum is now

Sierra Leone's angel investment landscape might be undeveloped, but it is far from dormant. The recent Startup World Cup West Africa regional competition, held in Freetown, brought international venture capitalists to the country. This event generated tangible interest, with one firm announcing its intention to establish a €50 million venture fund in Sierra Leone.

Momentum is now building. The opportunities are clear, the challenges are understood, and the solutions are actionable. By establishing a trusted angel network to build the ecosystem and advocating for key policy reforms to de-risk it, Sierra Leone can successfully unlock the private capital needed to fuel its next generation of businesses.

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*\*The findings are drawn from a survey of 56 local Sierra Leonean entrepreneurs, a detailed analysis of a subset of 19 founders and a survey of 11 potential investors (comprising both local high-net-worth individuals and members of the diaspora). This data was supplemented by direct consultations and interviews with key ecosystem stakeholders and international venture capitalist.*