When private-sector investment falls short: aligning investment with inclusive transformation in Sierra Leone

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- Despite substantial investment, private sector development in Sierra Leone has not translated into broad-based systemic transformation. Instead, current trends reinforce economic patterns that contributed to the country's civil war and continue to frustrate inclusive economic development.
- Failures to address systemic barriers (such as market access, local governance challenges, and youth disinterest in farming) limit impact at the community level. Projects like Compete Salone improve farmers' skills but result in little change to farmers' lives or livelihoods.
- Profit-driven investment models tend to not align with inclusive development goals. Firms' incentives remain primarily financial; without policy mechanisms linking business success to community welfare, corporate gains will unlikely translate into shared or sustainable local development.
- Transformative private sector development requires systems-based, context-sensitive approaches. To foster inclusive growth and stability, investments must integrate social, political, and economic dimensions that align firm-level incentives with community needs and national reform efforts to strengthen governance and equity.

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Private sector development is central to Sierra Leone's growth strategy (MoPED, 2024), reflecting a broader shift among investors and development partners toward harnessing market forces for inclusive and sustainable development.

According to the African Development Bank (ADB), foreign direct investment (FDI) rose by roughly 40 percent between 2022 and 2023, reaching an estimated USD 263 million in 2023 (ADB, 2025). This momentum reflects a blend of optimism and strategic intent – a deliberate effort by development finance institutions (DFIs) and other investors to de-risk fragile markets and to demonstrate that inclusive private investment can underpin growth, stability, and resilience even in challenging conditions (IFC, 2023; OECD, 2025).

Yet, the reality on the ground tells a different story. Despite ambitions to expand employment, diversify production, and build a more resilient and competitive private sector, progress has fallen short of expectations. Sierra Leone remains one of the poorest countries in the world, ranking 185th out of 193 on the Human Development Index (UNDP, 2025). The enduring legacies of conflict – weak institutions, elite capture, corruption, and fractured social cohesion (Freedom House, 2024; ISE, 2022) – continue to undermine peaceful development.

Inequality is widening as the formal economy increasingly benefits an insular elite, while most citizens remain trapped in economic precarity (Bertelsmann Stiftung, 2024). Growth is volatile, constrained by fiscal indiscipline, weak governance, and structural dependence on commodities. Mounting public debt has further narrowed fiscal space and stifled competitiveness (World Bank, 2021). Indeed, domestic enterprises also face severe constraints: limited access to finance, skills shortages, unreliable electricity, and insecure land tenure – all of which stifle entrepreneurship and investment (Komeh & Osuagwu, 2025; World Bank, 2022).

Thus, despite substantial investment, Sierra Leone's economy remains fragile, with growing concern that it may be sliding back toward the very conditions that fuelled the civil war (Ganson & M'cleod, 2019). This fragility is sustained by a collective failure (across state, private, and civic actors) to confront the root causes of underdevelopment, despite widespread recognition of their impact on the country's ability to develop.

Against this backdrop, this study asks: What socio-political and economic dynamics explain the failure to institutionalise coherent and coordinated approaches to private sector development, despite broad support for them?

Addressing this question is essential to understanding which interventions can facilitate development objectives and what mechanisms support inclusive growth policies.

Overview of the research

Economic interventions to enhance Sierra Leone's private sector have so far fallen short of delivering transformative change. While localised initiatives have achieved modest gains, they have not scaled or catalysed broader shifts in the country's political economy. To better understand why, this study examines a specific community-level intervention as a microcosm of the wider national-level system. By analysing how a single private sector intervention (that is shaped by national policies, institutional behaviours, and market dynamics) plays out in one localised setting, the research sheds light on the interaction between macro-level conditions and local realities, and why promising outcomes often fail to expand or endure.

To this end, this study applies system thinking to explore how different factors interact to shape the observed outcomes. Systems thinking is a qualitative methodology that examines how relationships among institutions, behaviours, and incentives enable or constrain progress. By mapping these interconnections, the analysis identifies the root causes limiting progress and the leverage points where change is most possible (for example, Cechvala, 2024; Cechvala & Ganson, 2024). This approach moves beyond asking why fragility persists, to understanding what sustains it and where interventions can most effectively disrupt it.

Compete Salone, a localised project implemented by Invest Salone, was selected case study. With funds from the UK Government, Invest Salone is a private sector development programme that seeks to boost investment in key sectors by:

- strengthening the pipeline of investible firms and projects;
- supporting national firms to grow their exports; and
- helping the private and public sectors to find lasting solutions to investment blockages that hamper business growth.[1]

Specifically, Compete Salone is "a risk-sharing competitive grant initiative which allows businesses to test innovative ideas with the potential to impact the economy" (Invest Salone, 2023). The intent is for businesses to employ ideas that boost revenue, create employment opportunities, improve livelihoods, and engender new investment in the Sierra Leone's private sector. Here, companies

[1] About - investsalone.com

apply for the Compete Salone funding, and selected projects receive Invest Salone matching grants and some technical guidance.[2]

This case study focuses on a grant to Capitol Foods (referred to as Capitol), a mid-size domestic agricultural firm that produces cocoa and fruit and with the mission “to nurture lives by producing premium cocoa and fruit products that enrich the well-being of our consumers”.[3]

In 2021, Capitol was awarded a £648,473 matching grant through the Compete Salone Initiative; however, the global pandemic upended the company’s original project goals and halved to the budget (to roughly £200,000), forcing Capitol to realign the project’s goals. The primary objective of the reconfigured grant-funded project was to strengthen resilience across Sierra Leone’s agriculture-to-agroprocessing value chains, with a particular focus on tropical fruits and cacao. It sought to provide fiscal space for the company to diversify its product portfolio, improve its logistics and distribution channels, and expand the types of fruit sourced as well as the number of farmers supported.

To implement the project, Capitol worked with local farmers across its supply chain, providing starter packages (including improved seeds, organic fertilisers, and tools) as well as training on complying with organic standards and improving production. While the initiative was spread across Capitol’s supply chain, the research focused on cacao production in the community of Sengema Gao in Kailahun District. This allowed the study to consider the impact of the initiative on a single community, ensuring that the boundaries of the local system were clear and delineated, thus making a systems-mapping exercise possible.

In total, 57 qualitative interviews were undertaken, through individual and focus group discussions, with community members, farmers, religious leaders, local- and national-level government officials, competing businesses, staff of Invest Salone, and Capitol employees. Findings were derived through data analysis and the mapping of factors that worked for and against positive development within Sengema Gao. The intervention was then assessed in relation to the broader system of fragility in Sierra Leone to clarify why certain outcomes occurred. Following this analysis, a validation workshop convened 25 experts, to discuss, refine, and triangulate the findings. These insights informed possible generalisations about the underlying reasons for the repeated failures of directives aimed at promoting positive social and economic change across Sierra Leone.

[2] InvestSalone_COMPETESalone_Overview
[3] About Us - Capitol Foods

Key findings

Despite substantial investment and technical support from Invest Salone and Capitol Foods, farmers participating in Capitol's programme in Sengema Gao reported little meaningful change in their livelihoods or productivity. As one farmer explained: "At best you can remain a subsistence farmer. You can't become more than that here." Another said: "Capitol is not creating impact here; the tools are meant to be used but they're lost. People don't care about these things because they are not the real problems."

Many in the community credited Capitol for improving their farming skills and providing them with training and tools. However, these gains did not translate into higher production, income, or broader community development. Most farmers continued to operate at subsistence levels, unable to scale or commercialise their activities. Meanwhile, the investment primarily strengthened Capitol's own operations, increasing its revenue, improving efficiency, and expanding its capacity and market reach. In effect, the initiative grew the middle (enhancing corporate performance) but produced few tangible benefits for the farmers or the community it aimed to uplift.

These outcomes reveal several important lessons about the structure and implementation of private-sector interventions in Sierra Leone.

1. Mismatch between model and intended outcomes

While Capitol Foods sought to build the capacities and outputs of local cocoa farmers to support sustainable economic growth and community development, the model did not account for the realities on the ground. Farmers' skills improved, but systemic challenges combined with weak governance, low trust, and limited employment opportunities inhibited more meaningful transformation.

This finding can be visualised through a systems map. **Figure 1** illustrates the localised dynamics constraining peaceful development. However, **Figure 2** depicts Invest Salone's project with Capitol, which was designed to improve economic livelihoods through training and the provision of tools. Figure 2 also shows how the intervention overlooked key contextual realities, notably, the mass out-migration of youth disinterested in cocoa production and farming more generally, and the persistence of weak local governance. As a result, farmers maintained production at subsistence levels without building capacity or improving their economic conditions. By overlooking the practical realities in Sengema Gao, the intervention focused on peripheral factors with limited connection to the core constraints it sought to address.

Figure 1: Dynamics in Sengema Gap inhibiting peaceful development

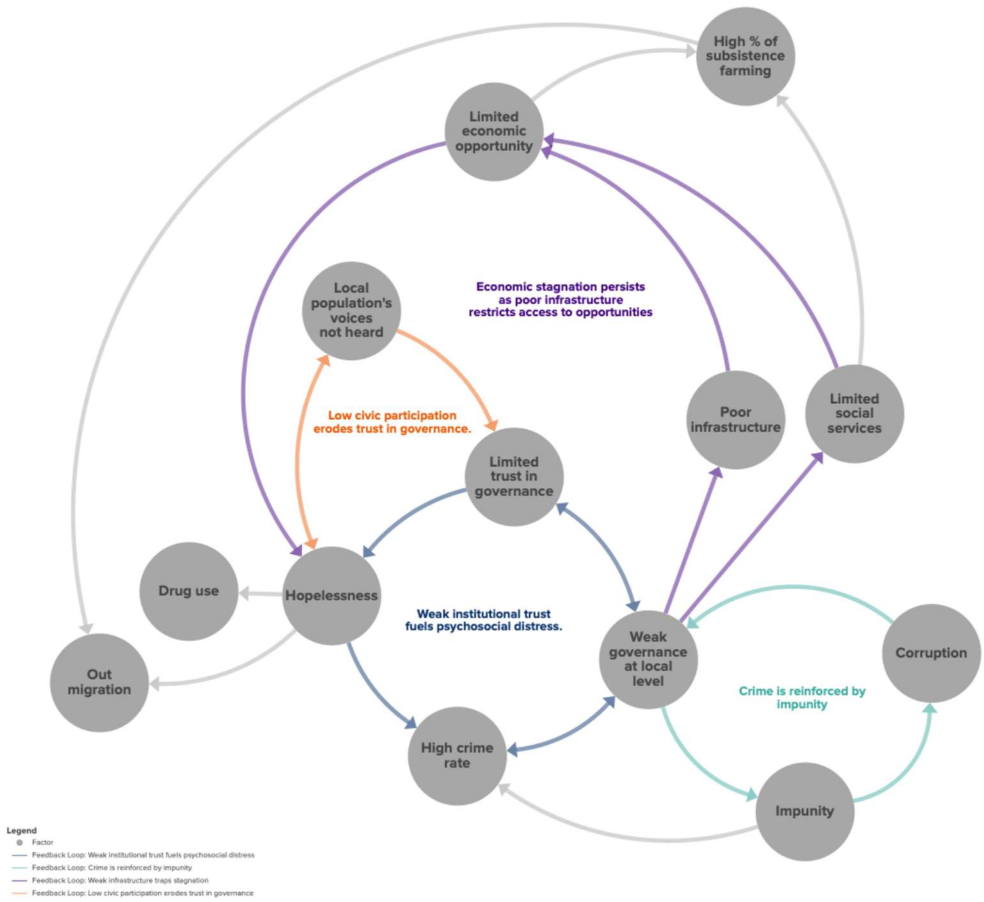
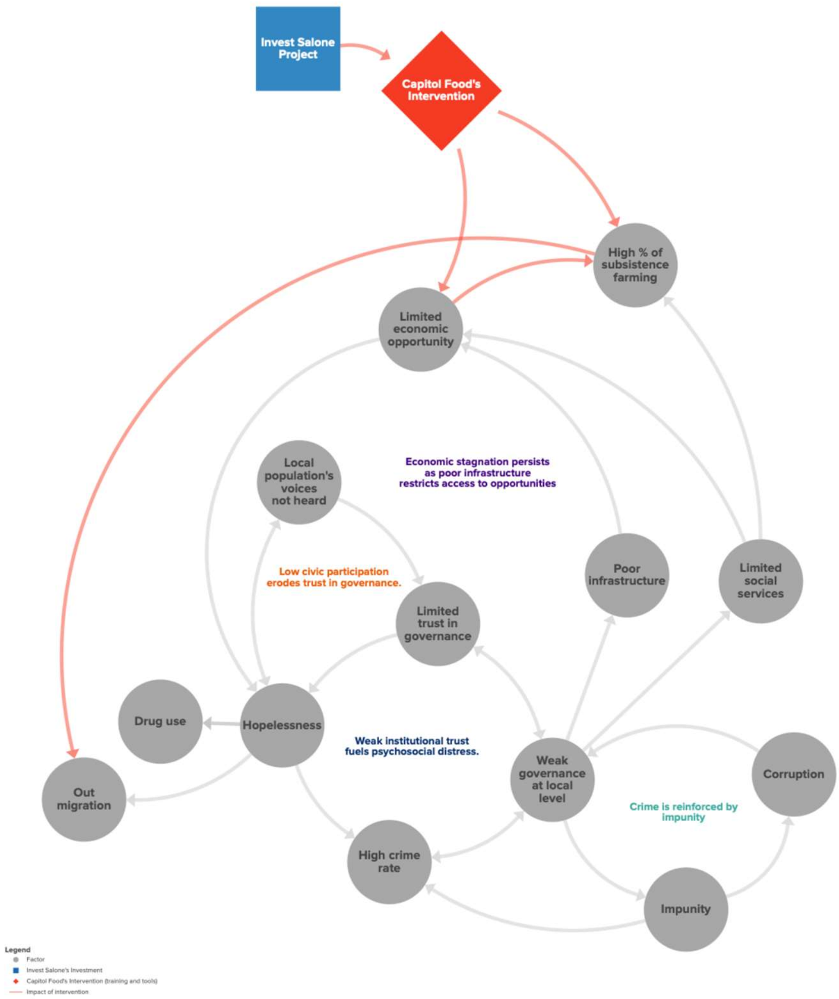


Figure 2: Impact of Invest Salone (via Capitol Foods) intervention on dynamics in Sengema Gao



2. Mismatch between level of intervention and desired level of impact

The intervention was built on the assumption that strengthening farmers' skills and capacities through training would increase production and generate shared economic gains for both the company and the farmers. In practice, however, the model primarily benefited the national firm, expanding its financial resources and market access, while farmers remained at subsistence levels despite improved skills. The expected trickle-down effects did not materialise, revealing a disconnect between the company's growth model and its social development objectives.

3. Tensions between corporate incentives and social impact

Invest Salone's approach appears to rest on the assumption that profit motives and development impact are mutually reinforcing; however, in practice, this alignment rarely occurs. While companies such as Capitol may seek to enhance development outcomes in the communities where they operate, their incentive structures and operating models remain fundamentally driven by financial returns. This profit-oriented focus helps explain a broader pattern: domestic firm growth outpacing farmer advancement. As Capitol expands its operations, they are compelled to pursue opportunities beyond Sierra Leone's borders to sustain growth, risking further marginalisation of local farmers and communities.

Policy implications

1. Private investment fails to deliver impact when misaligned with local conditions

This study demonstrates that private-sector investments developed without attention to local socio-economic and institutional and political dynamics are unlikely to deliver inclusive or lasting results. In the Sengema Gao case, investments focused on training and tools improved capacity but did not shift farmers' underlying economic conditions. The lessons from Sengema Gao are critical for government and donor partners seeking to design interventions that strengthen small-scale economies. In this case, channelling investment through a domestic firm offered the potential to bolster national growth, but the project was not structured to ensure benefits reached farmers and, by proxy, the community. Without mechanisms to link company gains to farmer outcomes, the investment expanded corporate capacity while leaving local livelihoods largely unchanged.

Future projects like these may be more successful to the extent that they adopt a place-based, systems-oriented approach – one that responds directly to the realities of local markets, governance structures, and community livelihoods.

2. Sustainable growth depends on advancing economic and social systems together.

The findings also challenge the assumption that developing mid-sized firms yields local development gains. In Sengema Gao, this approach overlooked the complex dynamics constraining farmers' economic progress, including weak infrastructure and social services that limited market access, entrenched governance challenges, and low levels of trust within the community. These socio-political impediments not only undermined cooperation among farmers and youth but also fuelled frustration, disengagement, and insecurity often met with impunity.

Moreover, the Sengema Gao case illustrates how local realities are deeply intertwined with national-level dynamics. Weak governance, limited infrastructure, and volatile market conditions (rooted in broader structural challenges) directly constrained farmers' ability to benefit from private investment. As highlighted in the Mano River Union framework for regional action on fragility and resilience, sustainable transformation requires interventions that strengthen both economic and socio-political systems simultaneously (Ganson et al., 2022).

For Invest Salone and its private-sector partners, this implies a more inclusive approach to project design, planning, and monitoring, which remains attentive to the need to advance economic and social systems together. Moreover, such approaches should incorporate local voices, anticipate governance constraints, and actively support institutions that enable trust and accountability. Embedding such processes within investment models can help align profit incentives with broader social objectives and ensure that local development outcomes are not treated as secondary to firm growth.

Moreover, policy frameworks that more effectively align private investment with inclusive and sustainable development outcomes may help to achieve such objectives. Strengthened corporate social responsibility (CSR) and stakeholder engagement can complement such efforts by integrating local priorities into business practice, but they cannot substitute for genuine, community-driven development initiatives.

Finally, a systems-oriented perspective (mapping how change unfolds across actors, markets, and governance levels) can help identify leverage points, anticipate unintended consequences, and promote mutually reinforcing progress in economic and social domains. Ultimately, economic transformation will remain fragile without parallel advances in governance, inclusion, and trust-building at the community level.

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