

## ROLE OF SMES IN LIBYAN TOURISM SECTOR

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**Summary:** The Small and Medium Size Enterprises (SMEs) are defined on the basis of the number of employees and the size of the investment. In the tourism sector, SMEs play a crucial role in expanding the nation's tourism industry. SMEs can provide a range of key services and products which are usually not offered by large-scale tourism companies. As such, SMEs are complementary to big businesses and essential in creating a "complete" tourism system. In some of Libya's neighbouring countries, also in many other countries, the tourism has a significant contribution to Gross Domestic Product (GDP) and reduces the high unemployment rate. It is important, therefore, for planners and decision-makers not to ignore this vital sector of the tourism industry. The paper first identifies the role to be played by the state and large investors (private capital) in developing the tourism industry in Libya, and then it examines some essential areas in which SMEs can be key players.

**Keywords:** Libya; GDP; Tourism; SMEs; Unemployment

### 1. Introduction

Tourism is one of most rapidly growing sectors in the world. International tourist arrivals (overnight visitors) grew by 5% in 2013, reaching a record 1.087 million. Total export earnings generated by international tourism in 2014 reached USD 1.5 trillion. Europe, participates with 41% of all international tourism receipts and the increase was 17 billion USD. The second was Asia and the Pacific with 30% share and with 16 billion USD increase, Americas had 22% share and 10 billion USD increase, the Middle East had 4% share and 4 billion increased and finally Africa comes with 3% share and 1 billion increase (Hani, 2013 and UNTWO-World Tourism barometer).

Mediterranean is the leading touristic destination in the world and has the highest growth-rate. More than 50% of total 46 000 km coastline is urbanized – in Libya; this proportion is very different because of its natural coastline. Tourism in Mediterranean countries as total has above 10% contribution to GDP. It is worth to mention that tourism sector's total contribution to GDP (with additional services, etc.) is quite three times higher than the direct contribution (European Union, 2012)

Since there is no statistical data collection in Libya, so there is no data about the internal and domestic tourism of Libya. Although the security situation is in the country in critical condition now, but looking back on happy times, when local people were eager to travel inside the country firstly for business reason and also with family for holiday, that suggests the inner tourism was intense in the past decades. Since Libyans have never suffered so strict bans as in the neighbouring countries, Libyans used to travel to Europe without serious restriction. Therefore, many Libyans became familiar with the Western standards in tourism, in restaurants, cafes etc., and now they miss these standards in their home country. International tourism was nicely developing before the revolution. Data are available until 2006 but anybody can confirm the more open became a country the more tourists arrived in.

The SME sector is the core of tourism success in any country in the world, that the provision of proper tourist image of the country acquired tourist details such as food, souvenirs, clothing, decorations and handcrafts, and this dose work institutions always by SMEs. In many countries like Libya, tourism has a good potential to contribute to GDP and economic growth. In case of Libya, it can offer a diversification for national economy that is now based on the hydrocarbon sector in 85%. Tourism can provide work opportunities for unemployed especially in that places where this type of options are limited.

## 2. SMEs in Europe and Libya

The need to define the SMEs in European Union (EU) emerged already in the 80s because some subsidies were restricted to this category. It means this definition has international relevance. In 1992, the Commission had proposed limiting the proliferation of definitions of SMEs in use at Community level because existence of different definitions at Community level and at national level could create inconsistencies. The updated definition of different types of SMEs are based on EU recommendation No. 2003/361/EC – in Article 2 is defined the categories by staff headcount and financial ceilings. (European Commission, 2003)

In Libya, the SMEs definition by the Ministry of Labour, Training and Employment (2004) under Article No. 321 in 2004 as follows: “Is a civil institutions productivity and service, and a tool for economic and social development to accommodate the younger powers, and are available where appropriate for the efficient operation of technical, administrative and technical specifications, and the number of workers microenterprise more than 25, and the lending value beyond any seed capital, which gives the institution of this size 2.5 million maximum, the medium is not the number of employees by more than the number 50 element, but not exceeding lending for seed capital value 5 million dinars maximum.”

## 3. Tourism Sector in MENA (Middle East and North Africa) countries

SMEs in tourism sector are dominating in many areas. Only few cases are dominated by larger enterprises like hotel chains or bigger hotels, tour operators, airlines, international Public Relations (PR) agencies, etc. The need for services of SMEs depends on the number of arrivals which had an upward until 2000s from the 1990s. Table 1 shows that there are setbacks the growth is not steady. These setbacks can be connected to sensitive events mostly related to security problem. In 1990, Tunisia accepted about 30% more visitors than Egypt but since 2000, the opposite happened. Libya was lagging behind its two neighbours but had a steady growth until 2011. The revolution of course interrupted this process and since then we are waiting for the better circumstances, for the improvement of security (Keller, n. d.).

**Table 1: International tourist arrivals (in thousands)**

Countries	1990	1995	2000	2005	2009	2010	2011	2012
<b>Egypt</b>	2.411	2.871	5.506	8.608	11.914	14.051	9.497	11.200
<b>Libya</b>	96	56	174	170	260	271	26	104
<b>Tunisia</b>	3.204	4.120	5.244	6.975	6.904	6.902	4.782	5.950

Source: UNWTO Barometer

It is interesting to observe how big the difference between Egypt and Tunisia in foreign tourists' expenditure is. Between 1990 and 2000, it was about the double sized but after became three-four or five times as much in Egypt than in Tunisia. It shows very clearly how much important is the image and the brand of the country.

In case of Libya, we can observe much more modest numbers and the setback caused by the revolution was more drastic – number of tourists in Libya dropped to one-tenth – than in the other two neighbouring countries, where the number of tourists fell only by two-thirds. But Libya has never really had emphasized the country as a tourist destination and the income generated by tourism was not important for the state in the past. When the need for a new economic policy appeared to have a diversification of the economic activity of the country in order to create a less vulnerable economy which is not only based on the revenues from the hydrocarbon sector, the idea of improving tourism has become more important. This idea has unanimously been welcome by the political and business elite after the revolution.

If we look at the tourism in some MENA countries at first glance, we can see the very high expenditure of international visitors (domestic tourism is limited). The gap between Egypt and Tunisia is growing and it is almost 4 times bigger in favour of Egypt (Table 2). In Libya, the total sum is trifling if we consider the very similar (theoretical) tourist potential in Libya.

**Table 2: Expenditure by international visitors (\$ billion)**

Countries	1990	1995	2000	2005	2009	2010	2011
<b>Egypt</b>	2.629	3.888	4.657	9.081	9.272	12.258	8.707
<b>Libya</b>	0.02	0.01	0.08	0.04	0.09	0.06	0.1
<b>Tunisia</b>	1.122	1.507	1.977	2.361	2.704	2.645	1.805

Source: UNWTO Barometer

The above mentioned expenditure provides a significant contribution of tourism to GDP in both countries, and of course it’s very low in Libya.

In Libyan tourism sector additional difficulties can be defined (Haitam, 2013):

- Tourism sector in Libya is very underdeveloped now except some four and five star hotels.
- Lack of resorts for leisure time, entertainment facilities, enough good restaurants, beaches for foreigners, tourist packages, available information materials, international marketing, English inscriptions, abandoned touristic sites, etc.
- Lack of comprehensive and integrated policy and planning concerning the development of tourism. The heavy bureaucracy and corruption is the heritage of the past and can be changed by consensus of the political players. Libya can follow the way of modernization of some traditional Arab countries/societies and it can use state-of-art solutions in ICT and with the help of ICT in many segments of tourism, especially in marketing. Quality control should be improved overall.

**4. SWOT Analysis of SMEs in Libyan Tourism**

Table 3 will summarize the mentioned touristic potentials and their barriers. Weighting the points, we are very much concerned that security will bring prosperity in the country. Security and democracy should work together in order to fulfil the general wish of Libyan people: to live in independent, socially satisfied, well organized and well managed, economically successful in the world well-respected, highly estimated country.

**Table 3: SWOT analysis of Libyan touristic potentials**

<b>Strengths</b>	<b>Weakness</b>
<ul style="list-style-type: none"> <li>- Part of Mediterranean culture</li> <li>- Beautiful nature (1900 km cost-line, untouched deserts, unique desert and oasis cultures, natural attractions</li> <li>- Many archaic, historic and cultural heritages of more than ten thousand years</li> <li>- Five cites on UNESCO World Heritage list</li> <li>- Government’s policy is for diversification of the economy – one priority can definitely be tourism sector</li> <li>- Close to Europe, close to the potential market</li> <li>- Very good road, sea-port and airport infrastructure in the whole country linking the cities and smaller settlements</li> <li>- English is widely spoken</li> <li>- Strong influence of Italian tradition in food</li> </ul>	<ul style="list-style-type: none"> <li>- Most focus on oil</li> <li>- Not enough managerial knowledge</li> <li>- Lack of tourism infrastructure</li> <li>- Lack of quality accommodation</li> <li>- Bureaucratic barriers for FDI,</li> <li>- No detailed tourism strategy of state and no regulatory frameworks</li> <li>- Lack of managerial knowledge/skills</li> <li>- No well-trained human resource in tourism sector</li> <li>- Still bad international image of Libya</li> <li>- Few information about Libyan tourism opportunities</li> <li>- Public utilities are not working continuously and properly</li> <li>- Very few SMEs in the country and especially in tourism sector</li> </ul>
<b>Opportunities</b>	<b>Threats</b>
<ul style="list-style-type: none"> <li>- Conservation, maintenance and development of cultural, historical and natural attractions</li> <li>- Investments in tourism infrastructure, attracting FDI into the sector</li> <li>- SMEs can be supplier of/partners in bigger tourism projects</li> <li>- Diversification of tourism products</li> <li>- Libya mediates (Egypt and Tunisia) with applicants in the SMEs in the field of tourism</li> <li>- Increased marketing and creation of a brand that identifies Libya</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of enough security and deterioration of security situation</li> <li>- Big competition by neighbouring countries and by other Mediterranean countries which profits from tourism (Egypt, Tunisia, Turkey, Greece, etc.)</li> <li>- Political instability at this time</li> <li>- Not enough skilled labour in the industry</li> </ul>

Source: by authors

## **5. Conclusions and recommendations**

The potential for tourism in Libya is huge. The location of the country is excellent therefore it can attract many tourists. The image of the country must be changed; the traces of the past must be eliminated with effective marketing activity (Font and Ahjem, 1999), the re-established security could raise growing interest for Libya as a tourist destination.

Although the country has a well-educated workforce in low-level services mostly foreigners would work but this type of workforce is also available but these foreign workers definitely have to be trained properly in order to meet the Western standards.

We already mentioned the security as the most important issue. Supposing the peaceful status of the country two elements should particularly be considered: securing the borders of the country and balancing between local values and demands of tourists. (Haitam, 2013)

In tourism sector, Libya has large potential as we could already see it in the past, and the country has the financial ability as well to develop this sector (Akram, 2010 and UNTWO, 2000). Parts of the necessary infrastructure are ready or needs refurbishment and the rest should be developed. The question is how much role should play the state and state

institutions and how much should be managed by the private sector. Public opinion in Libya might be right now that the big and key projects should be managed and owned by the state and the private initiatives can join the big ones and can build up a partnership with them. The Libyan state owns different investment wealth funds and these funds are key players in the domestic business life. They are more business-oriented than traditional state institutions and their profit-orientation and professionalism can stimulate the smaller local players.

A comprehensive tourism strategy is surely needed which defines the task of the state, the required infrastructure developments, work force, policy or regulatory changes and of course the PR and marketing activities. Libya's potential in this field is as much as in the two neighbouring tourist destination countries or even higher. But the country should counterbalance the bad image of the past and also of the recent instability. Image of the country as tourist destination highly determines the decision of potential consumers and also makes segmentation among them. The new image of Libya should focus on the cultural heritage, the natural beauties, the chequered, picturesque and diverse local culture; and the archaeological monuments of the country.

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