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1.4. THE IMPORTANCE OF SMEs IN LIBYAN TOURISM SECTOR

Summary

The Small and Medium Size Enterprises (SMEs) are defined based on 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. The paper will argue that SMEs might be more successful in these particular areas of the tourism industry than big businesses. It will also identify the role the state can play in supporting and upholding SMEs – for example, adopting business-friendly legislation or promoting and enforcing internationally recognized standards and procedures in the tourism sector. Lastly, the paper will look at the socio-economic and political benefits that the state can achieve from doing so, in particular trust in leadership and sustainable political stability, which is much needed in this part of the world. Throughout the paper, frequent reference will be made to lessons to be learned from the successes and failures of developing and transitioning nations in this sector.

Keywords: Libya, GDP, tourism; SMEs; unemployment

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 was the second 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. Total employment in this sector was over quarter billion. Secretary General of United Nations World Tourism Organization (UNWTO) said; "The tourism sector has shown a remarkable capacity to adjust to the

changing market conditions, fuelling growth and job creation around the world, despite the lingering economic and geopolitical challenges. Indeed, tourism has been among the few sectors generating positive news for many economies (Hani Abdullah Ali, 2013; UNWTO – World Tourism Barometer; WTTC & UNWTO)”. Mediterranean is the leading touristic destination in the world and has the highest g, 2013rowth-rate. More than 50% of total 46 000 km coastline is urbanized – in Libya, this proportion is very-very different in favour of natural coastline. Tourism in Mediterranean countries as total has above 10% contribution to GDP. It’s worth to mention that tourism’ 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. 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 holyday, that suggests the inner tourism was intense once. 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 are missing these standards in their home country. International tourism was nicely developing before the revolution. Data is available until 2006 but anybody can confirm the more open became a country the more tourists arrived in.

Cruise ships started to bring continuously big number of visitors to Tripoli and many small service companies were immediately developed (tour operators, guides, restaurants, craft-men workshops, etc.). Moreover, it coincided with the policy which had already started a little bit before and had allowed the revival of some elements of the private sector.

The SME 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 which 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. And it provides also entrepreneurial options for those who are ready to jump into the business. In Libya the development of tourism will definitely get involved the construction sector and investment in fixed assets cannot be removed from the country. In many countries, money generated from tourism can be used to improve the local infrastructure, but this is not the case in Libya, which has significant earnings from oil and gas and the state has enough financial opportunities to invest in this sector. But two questions are immediately emerging: one is the rational development strategy which can determine the – usually infrastructural – projects needed for attracting clients, and the other is the effective usage of the invested money without the serious influence of corruption. In many developing countries like Libya, the lack of appropriate infrastructure is a major problem. Also in many countries, there is the request to diversification of tourism market. Many tourism market segments cannot

immediately be targeted unless the requisition and of course the conditions for these kinds of market segments can be offered. As a result, the revenue can be generated from a specific market segments and the profit could be invested in tourism related services to target more market segments gradually. Therefore, the return can improve the general tourism sector.

The concept of SMEs

The need to define the SMEs in European Union (EU) emerged already in the 80s because some subsidies are restricted to this category inside the Union. It means this definition got international relevance although not overall. 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. Following the logic of a single market without internal frontiers, the treatment of enterprises should be based on a set of common rules. The updated definition of different types of SMEs is based on EU recommendation No. 2003/361/EC in Article 2 is defined the categories by staff headcount and financial ceilings, which are as the follows (EC, 2003):

- The category of micro, SMEs is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.
- Within the SME category, a small enterprise is defined as an enterprise which employs fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 10 million.
- Within the SME category, a microenterprise is defined as an enterprise which employs fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed EUR 2 million.

The ceilings are used for individual firms only. If the company is part of larger grouping employee/turnover/balance, sheet data from that grouping should be included into consideration. The developing countries differ in the SME definition, which makes it difficult to make a comparison between the two groups. For example, a medium size projects in developing countries can be small in comparison to in developed countries and large-scale projects in developing countries are the medium sized ones in the developed world.

The International Labour Organization (ILO) definition follows the EU definition using only one element: the number of employees.

In Libya, the SMEs definition by the Ministry of Labour, Training and Employment 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 element, 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 (Libyan Ministry of Labour, 2004).”

Why SMEs are important? In order to give adequate answer we should be familiar with the economic and social situation in Libya, which is quite similar to other Middle East and North Africa (MENA) countries in some aspects. A useful guide for such a summary can be based on fresh report of World Bank (World Bank Report, 2015). The report describes the MENA countries as a success story until late 2000s: economic growth rate was at average 4-5%, poverty rate was declining, completed primary school was at almost 100% in the related population, and there was a growing enrolment in higher-level education (secondary and tertiary education). In tertiary education, there was a high percent of women. In infant mortality rate, MENA had the fastest decline in the world. The Gini coefficient (inequality) was lower than in other countries and it was shrinking.

The development model in these countries called “social contract” or “authoritarian bargain”. Although the social contract was working successfully for a longer period with results from both economic and social aspects, it probably achieved its limits. “Perhaps the clearest signs that the social contract was not delivering were the Arab Spring.” The extension of public sector was financially no more manageable, and the private sector did not provide enough jobs especially for younger generation entering to the labour market because the private sector was too slowly growing. Unemployment rates were growing rapidly even among the educated young people. In employing people, the informal way started to dominate more and more, and it was also mostly dominated by men. For women became more and more difficult to entering to the job market. “MENA today has the lowest female labour force participation in the world” although the relevant part of younger generation has a high level of education and especially the women were those who dominated in universities and colleges. One of the consequences is that incremental reforms in one area may not dislodge the system, i.e. improving education quality without increasing job creation, the situation remains stuck. Young firms and start-ups - all are SMEs – can create most of the jobs.

However, the problem in these countries is twofold. Firstly, the number of creation young firms is low. MENA has one of the lowest rates of new firms appearing in the market. And it is also interesting, that few firms die to make space for the newcomers. A general opinion is that the median age of firms is the highest in the developing world in the MENA countries. What is the reason that there are only few young firms and why are they not or fast enough growing? Based on survey of enterprises there are different reasons such as: macroeconomic and regulatory uncertainty, political instability, and corruption. Governments are needed to reflect on it and to introduce a policy which will support the SME sector (Keller, n. d.). However, one thing should be always very clear: the most important key element is the macroeconomic and political stability, and this should be the highest priority. Instability stops the inflow of foreign investment to manufacturing and services, which also could create jobs and transfer technology important for the SME sector as well.

As mentioned above the public sector cannot absorb more job seekers and what is more in the public sector serious cuts are happening. In addition, this is very

challenging because the growing income of the population for many years was the result of the extension of the public sector. Nevertheless, the population must realize that public sector can no longer be the main employer. Beside the over swelled public sector the other costly system is the massive subsidies of energy, water, food, medicine, etc. which have in many cases led to deterioration in services (blackouts, etc.) and also resulted in low agricultural productivity. Cutting these subsidies will surely raise strong opposition but without cuttings, the budgets cannot be managed even in short-term (World Bank Report, 2015).

As we could see, the importance of SMEs generally comes from their contribution to the national economy and social development. Many SMEs provide labour-intensive job. They employ large number of workforces and also low skilled ones, with low education. Incomes at SMEs are more equally distributed at larger companies, and since SMEs provide salaries that are more reasonable they contribute directly to the alleviation of poverty. SMEs can stimulate the efficiency of allocation of resources in developing countries, and they are ready to use labour-intensive production methods since cheap labour-force is available in big amount in the developing countries but the access to capital is difficult and very limited.

Unfortunately, in many cases the profit, derivate from the competitive prices of SMEs and from their flexibility, does not stay at the small players, but enlarge the profit of the bigger players. SMEs quickly achieve profits unlike the major projects that require many years to achieve a net profit after years of huge capital investment. However, it is worth to mention that large companies have more financial means to minimize the risks in the business process. SMEs are usually local players. It means they do not move so easily to another country. It can be a handicap as well because SMEs have no big lobby force like the big or multinational companies. The government can easier “blackmail” the small players but it is very cautious with the large ones. Therefore is important in Libya (and in other Arabic countries) the Islamic banking which has strong social background and which considers the correct profit. In technology, Human Resource Management (HRM), business and managerial skills the large corporations have definitely advantages.

SMEs in Tourism Sector

SMEs in tourism sector are dominating in many areas. And 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 90s. The following 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
Egypt	2411	2871	5506	8608	11914	14051	9497	11200
Libya	96	56	174	170	260	271	26	104
Tunisia	3204	4120	5244	6975	6904	6902	4782	5950

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. However, 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. Only 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 in not only based on the revenues from the hydrocarbon sector. This idea has unanimously been welcome by the political and business elite after the revolution.

We can observe significant differences between the three MENA countries not only in the number of visitors but also in their per capita expenditures. The expenditure in Egypt is constantly higher with 2.5-3 times than in Tunisia (Table 2). In Libya the data is close to the Tunisian ones except 2011 when the number of visitors dropped less than one tenth but the spending soared by 17 times. Visitors during the revolution were staying longer than regular tourists and were ready to pay higher in a risky situation.

Table 2: Expenditures by international visitors (\$/capita)

Countries	1990	1995	2000	2005	2009	2010	2011
Egypt	1090	1354	846	1055	778	872	917
Libya	208	179	460	235	346	221	3846
Tunisia	350	366	377	338	392	383	377

Source: UNWTO Barometer

The Economic Role of SMEs

We try to summarize the economic role of SMEs concerning economic development. SMEs are often called as the driving force of the national economy (Illés et al, 2015). First of all, SMEs in numbers are absolutely dominating in production and services, but their influence on economic policy can vary in a large scale (Morvay Karakas and Tatár, 2015).

In EU's policy, they have a delicate position but it is truth in some member states only theoretically. In MENA countries where are no serious large industry the economy is practically based upon the smaller and micro players which provide a serious contribution to GDP.

In Libya, it is different because 75-85% of the country's GDP is coming from the oil sector and the estimated number of smaller players is not as high as in Egypt or Tunisia. The fact is that exact data concerning SMEs are missing. Beside their contribution to GDP, the other economic advantages of SMEs are the followings:

- ☒ The need for capital in order to establish SMEs is low in comparison to larger scale businesses. Most of the SMEs do not need expensive sophisticated technology. The famous type of SME is in garage-started big names in the US. The limited size of capital accumulation can ensures that higher number of SMEs can start and natural selection mechanism will reward the better ones who can survive the competition. They might have a chance to grow further.
- ☒ The starting capital can be the family saving and the starter should not fight with banks in order to get loan but can rely on individual savings. The needed capital/savings can be in a flexible relationship with consumption.
- ☒ SMEs can better maximize the use and exploitation of raw materials available locally for the production, and such flexibility can be used to meet the taste of the consumers in goods or services.
- ☒ SMEs used to be the players in craft-work that could help keeping the local/domestic culture but nowadays Chinese products are more and more inflowing to the market. Today many products representing the folklore in a country are produced in China. This is bad not only because destroying the cultural identity of destination countries but diminishing the work option for locals.
- ☒ Local productions/services to/in local markets produced by SMEs can better meet the financial capability of the residents especially in developing countries. Through local production the import exposure is less and so hard currency expenditure of the country is reduced. The need for local taste is anchored very much in the society therefore, food industry plays always-important participant in domestic industry.
- ☒ SMEs can contribute to export significantly either in a direct way or as suppliers of large companies. In many production supply chain is managed by smaller players although the majority of profit and the brand belong the big or multinational corporations.
- ☒ In reflecting to market changes quickly, SMEs have advantage. The daily routine is more common at large corporations. At a small player, the flow of information and the process of decision making is logically much faster than at bigger ones.
- ☒ Openness to innovation is key element to success and SMEs can more easily verify the need or the feedback of the market.

Important economic functions can be fulfilled by SMEs like changing the industrial structure of the country, contributing to the economic infrastructure, representing the private ownership in spite of collectivist attitude, and enforcing the legislation toward creating more business-friendly environment (Illés et al, 2012).

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 3). In Libya, the total sum is trifling if we consider the very similar (theoretical) tourist potential in Libya.

Table 3: Expenditure by international visitors (\$ billion)

Countries	1990	1995	2000	2005	2009	2010	2011
Egypt	2.629	3.888	4.657	9.081	9.272	12.258	8.707
Libya	0.02	0.01	0.08	0.04	0.09	0.06	0.1
Tunisia	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.

The Social Role of SMEs

High employment rate is priority interest of state anywhere. If it achieved the state, burden on social expenditures would be smaller and the social tensions limited. Therefore, the role of SMEs in the social development is huge as they employ the majority of workforce. Creating jobs in SMEs has lower cost than in big corporate. Since the selection process of employees in small firms are less mechanical, less rigid, the required qualification can be considered more flexibly in SMEs. Tourism has high potential to increase the employment (European Union, 2012).

Unemployment rate can be defined by either the national definition, the ILO harmonized definition, or the Organisation for Economic Co-operation and Development (OECD) harmonized definition. The OECD harmonized unemployment rate gives the number of unemployed persons as a percentage of the labour force (the total number of people employed plus unemployed). [OECD Main Economic Indicators, OECD, monthly] As defined by the ILO, "unemployed workers" are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work (ILO).

Absorption of unemployment is one of the biggest challenges both in the industrialized world and in developing countries. In the first group the speeding-up process of automation, the high salaries and the outsourcing of production are the main barriers, in the second group the lack of skilled and educated workforce. In MENA countries the high unemployment rate are contributing to the growing level of political and social insecurity.

In Libya, the government tried to integrate the members of militias either to the newly created law enforcement units or give them the help to become entrepreneur or to study at home or abroad. This intention could not be realized because of the lack of consensual support of the leader class. But this task should be done earlier or later.

Without it, there is no option to govern the country peacefully. Since Libya has large potential to develop different branches of industry and services in the country, the prospect for Libya is definitely brighter than for example in Egypt where slowly one hundred million people are eager to find its place on the labour market.

Unemployment rate is especially high in two cohorts: one is the fresh graduated who has no experience yet and the other is the elderly above 50 or more. In Europe in some countries the unemployment rate of youth reached 50% or close to it. Also in Arabic countries where is not enough – foreign or domestic – investment in production or service sector the unemployment of youth is a threatening danger even now, especially if we consider the traditional big number of children in families. The unemployment rate in Libya shows more or less standard level, at 19-20% as shown in Table 4 (European Commission, 2003).

Table 4: Unemployment rate in Libya, 2003-2013

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
20.0	19.9	19.8	19.6	19.4	19.1	18.9	18.8	18.2	19.6	19.6

Source: KNOEMA World Data Atlas

The Libyan government has had the intention as a priority to develop and stimulate the touristic sector and agriculture. These two can absorb the biggest number of workforce and without big investment in education, especially in agriculture. If we look at the Egyptian or Tunisian data, Libya has about 10% growth potential (Table 5). In a country where the majority of employees work in the public sector, this would be a very serious push to reduce the unemployment rate.

Table 5: Employment in the tourism sector (as a share of total employment – direct, indirect and induced employment, %)

Countries	1990	1995	2000	2005	2010	2011	2012
Egypt	7.4	8.6	9.6	13.0	15.4	13.1	12.6
Libya	5.7	8.7	3.2	3.0	2.5
Tunisia	15.3	16.3	17.2	16.5	16.1	12.8	13.0

Source: World Travel & Tourism Council (WTTC) & UNWTO; “...” not available

The role of the state is to aim “at promoting small businesses and medium there is a need for skipping SMEs under the guidance part of the economic resources for their development and develop and make projects productive. Most states have become focused on the provision of material support and service for these projects, especially in the field of counselling and guidance and training, it’s time to enjoy these projects as large projects have received support and care (Uomaymah, 2006)”.

Challenges for SMEs

Although the impact of SMEs on national economy is heavy, they are facing many problems and challenges. These problems are related to the general or local business environment, the regulatory framework, taxation (Illés et al., 2011), the general infrastructure provided by the state or the community, etc. It can be called policy-related problems or challenges (Keller, n. d.). The main reason of these problems is when the state/community does not realize the importance of SMEs and help functioning effectively. For example, the educational system is under state control and can provide remarkable help for SMEs in recruiting workforce. The quality of employees and their creativity, readiness for innovation is paramount in the modern economy and not only in high-tech sector anymore.

Of course, the acceptance of such attitude of employees is necessary, without the openness of the company any creativity could work. Education for tourism sector has two legs. One is the request for skilled workers and the other is the need for good leaders, managers (Hurta and Dunay, 2013). Both types of schools are now available outside Libya but already in the neighbouring two countries, which have had large experience in tourism. Starting vocational and technical education for tourism sector could be profitable in the country but the students might probably be foreigners and not Libyans. Like now is the situation in the functioning hotels where the staff consists of foreigners, mostly from Egypt and Tunisia and only the management is Libyan.

Financial matters or funding use to be a serious obstacle for SMEs, The difficulty begins when the company without any records from the past is requesting finance based on its business idea and business plan. In the beginning, risk is naturally higher than during the operation. Therefore is praxis introduced to bear the risk-by-risk or seed capital, or turn to state funds who can take even the loss with the philosophy of economy: if hundred companies are starting maybe, the half will survive and maybe ten will really be successful?

The lack of basic managerial skills and knowledge (export-import management, logistic, legal or technical knowledge, HRM, etc.) need some kind of institutionalized help usually managed by state or local community or chamber or professional platform. The vocational training schools and other education forms are often criticized by business sector why the “products” of the education cannot meet the requirement of business side neither in specific professions nor in quality.

SMEs in Libya are facing the following obstacles although some of them are not Libyan-specific (Haitam, 2013):

- The main question is usually financing; how flexible is it, how much available, how big is the bureaucratic burden, etc. In Libya the Islamic banking is coming up and as we could see during the last world-wide economic crises this type of banking system was more resistant to the crises. Its logic, sharing the risk and profit helps both sides – lessee and lesser.
- There is poor infrastructure especially for SMEs, and especially in the areas of Information Communication and Technology (ICT), marketing and export.
- Lack of attention to special need of SMEs during regulatory work.

- No reliable statistical database concerning the economic sector and no survey about SMEs.
- Lack of cooperation between the companies based on pure business interest especially between big and small players.
- No case studies about success stories of SMEs.

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

- Tourism sector is 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.
- No community acceptance of and interest in development of tourism. Libya is a conservative and rich oil-country therefore not all type of tourism is welcome in the country (party tourism is definitely not). Formal or informal behavioural requests can provide a burden.
- The tourism sector susceptible to political and climatic conditions, therefore tourism can be very quickly affected by political disputes and the climate changes as well. The environmental awareness in Libya is very low, but it is good news that civil society is very active and progressive in many fields. Climate change can hit Libya if the general warming will raise the temperature in the country, which already registered the peak warmth.

SWOT Analysis of SMEs in Libyan Tourism

In the following we 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 and well-respected, highly estimated country.

Strengths:

- Part of Mediterranean culture
- Beautiful nature (1900 km cost-line, untouched deserts, unique desert and oasis cultures, natural attractions)
- Many archaic, historic and cultural heritages of more than ten thousand years
- Five cites on UNESCO World Heritage list
- Government's policy is for diversification of the economy – one priority can definitely be tourism sector
- Close to Europe, close to the potential market

- Very good road, sea-port and airport infrastructure in the whole country linking the cities and smaller settlements
- English is widely spoken
- Strong influence of Italian tradition in food

Weaknesses:

- Most focus on oil
- Not enough managerial knowledge
- Lack of tourism infrastructure
- Lack of quality accommodation
- Bureaucratic barriers for FDI,
- No detailed tourism strategy of state and no regulatory frameworks
- Lack of managerial knowledge/skills
- No well-trained human resource in tourism sector
- Still bad international image of Libya
- Few information about Libyan tourism opportunities
- Public utilities are not working continuously and properly
- Very few SMEs in the country and especially in tourism sector

Opportunities

- Conservation, maintenance and development of cultural, historical and natural attractions
- Investments in tourism infrastructure, attracting FDI into the sector
- SMEs can be supplier of/partners in bigger tourism projects
- Diversification of tourism products
- Libya mediates (Egypt and Tunisia) with applicants in the SMEs in the field of tourism
- Increased marketing and creation of a brand that identifies Libya

Threats

- Lack of enough security and deterioration of security situation
- Big competition by neighbouring countries and by other Mediterranean countries which profits from tourism (Egypt, Tunisia, Turkey, Greece, etc.)
- Political instability at this time
- Not enough skilled labour in the industry

Conclusions and recommendations

The potential for tourism in Libya is huge. Location of the country is excellent so 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; Kotler, 1994), 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. These foreign workers definitely have to be trained properly in

order to meet the Western standards. In Libya, there is a policy that Libyans are controlling key managerial positions. Many Libyans graduated at good European business schools, i.e. they do work in highly professional financial manner. Libyans are eager to start business; the entrepreneurial dynamism is high in Libyan people; the state is reach enough to provide the necessary infrastructure, particularly the very much-needed renewal of Information Technology (IT) infrastructure, which can boost many IT based developments fulfilling the request of the modern age.

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.

In Libya, starting a business is not difficult for local residents. The different regulations, taxation, etc. are loose. If Libyans will taste the success in business, and will see the first results of the developing tourism, the country can seriously rely on the tourism sector as well, and the SMEs could create prosperous life and initiate attractive climate in the country.

One part of recommendations is reflecting on the SMEs sector in general, and suggests a comprehensive and supportive policy toward SMEs. This policy should be continuously revised and developed using good examples from other countries, and finding new directions for touristic services (Lehota et al., 2015; Tatár et al., 2014) One of the EU economic priorities is the development of the SMEs sector in the Union. Reducing the unemployment in EU is widely considered by the activity of SMEs. And also competitiveness can largely depend of the very flexible and innovative smaller enterprises. The other part of recommendations is dealing with the specific problem of tourism sector focusing on SMEs' problems acting in this area.

Unemployment is probably the biggest social problem in currant Europe, especially among young people. If SMEs start to provide job opportunities for young people, they can be much more integrated into the society. They can feel themselves as active and useful member of the society, they can consider themselves as shareholder in social development, and therefore they would be interested in maintaining the social stability and security.

Establishing a small company a key issue uses to be the financial ability of the entrepreneur in the beginning. Support of financing the SMEs in the beginning, beside the spared money of family, is usually the task of the state or the local/regional government or both. This finance cannot be based on the market conditions for hundred percent. The best solution can be the risk-sharing policy which leaves enough playgrounds for the entrepreneur in the first phase. Of course, it needs the revelation of the state sector what is the economic and social importance of SMEs and what is its role in the general economic policy. The risk-sharing policy of the state can ease the commercial banks to keep pace with the demand of SEMs sector and not only the large companies' one.

Integration is a key word of our time which is more or less connected to the younger generation. Competition between cultures or nations or countries can be interpreted as an engine of the global development. But it should always be considered that such a competition to be based upon encouraging the spirit of creativity, innovation and invention. The cultural building begins to educate young people and prepare them to

be integrated and well-balanced in order to be able to give answers to the challenges of the civilization. This is why SMEs play more important social role than providing jobs. SMEs can provide a space for creation/creativity and for freedom as well.

Given the economic importance of SMEs and their role in the economic development process, it is necessary to increase their effectiveness. So the smaller and bigger players of the economy could cooperate with each other.

In Libya, the situation of SMEs is special like in some other rich Arab countries. In this wealthy state the entrepreneurial intention of people is aimed less at earning money, creating profit because the country can provide for the majority of the citizens a certain level of wealth. But it is aimed at entrepreneurship because Libyans enjoy the business issues at all. It is like a player who enjoys the game itself, but of course wants to win as well.

Since in Libya the integration of youth is key element on the way towards the security the SMEs can function as “integrator”. In Libya, the unemployment rate among young is high. Out of this type of existence, there are three ways: military and other law enforcement services, studying and business field. All of the three needs the subsidy of state but in business case the commercial banking system and especially the Islamic banking can provide significant help. Such an entrepreneurial activity can help in diversification of the Libyan one-leg economy. We think the large scale of supportive model for SMEs are already worked out and the real question is how the state can effectively manage such programs and how it can keep away the corruption.

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; UNWTO, 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, manpower, policy or regulatory changes and of course the PR and marketing activities (Font and Ahjem, 1999; Kotler, 1994). 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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