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## Article

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## **The Role of Small and Medium Enterprises in Development of Tourism in A Post-War Context: The Case of Angola**

**Formosa Jacinto<sup>1</sup>, Elizabeth A du Preez<sup>2</sup>**

**Abstract:** Post-war countries face a challenge in the process of re-entering the tourism market for several reasons. The damages caused by the violent war environment create the challenges of restoring their image, their economy and of asserting security. As a result, post-war countries have limited monetary resources for development. For this reason, they turn to tourism to help in their development and utilise Small and Medium Enterprises (SMEs) in the process to establish the foundations for tourism development. SMEs play an important role in the development process because they provide products and services and create jobs. This study explores the factors related to developing tourism in a post-war context, along with the importance of SMEs in this process. Angola is used as case study of a post-war country that has great potential, yet remains unable to compete effectively as an attractive tourism destination.

**Keywords:** post-war tourism; small and medium enterprises; destination development; Angola

**JEL Classification:** O1; O2; Z3

### **1. Introduction**

Developing countries, especially those recovering from political turmoil, are increasingly turning to tourism for renewal and sustained development. (Buultjens et al., 2012) Post-war countries have to work hard to rise above their competitors (Fernando et al., 2013) and face several challenges in the process of re-entering the tourism market. The damage and deaths caused by the violent war environment create the challenges of restoring their image, their economy and of asserting security. (Ladki & Dah, 1997) Economic constraint prevails because civil conflicts involve the spending of resources on weapons, food and medical assistance, leading to competing demands for a limited pool of government resources. (Ladki & Dah, 1997)

Peace has various descriptions – from unthreatened state and individuals, to mutual understanding, cooperation, and tranquillity within the state both internally and externally. (Barash & Webel, 2014; Webel & Johansen 2012) Post-war destinations have a unique challenge to ascertain security and to counter visitors' fears as "perceived risk" has a significant influence on travel intentions. (Ladki & Dah, 1997; Ryu et al., 2013) Africa, also known by the generalised term as the 'dark continent', is synonymous with media accounts of violence, instability, extreme natural disasters and socio-economic problems. (Avraham & Ketter, 2017) Resulting from the extended periods of instability, many countries (and regions) have entrenched negative images, making it difficult to attract the international tourism market. (Muhwezi et al., 2016) Image restoration is difficult and tourism growth hampered due to mass media's exaggeration and misrepresentation of information. (Muhwezi et al., 2016; Ryu et al., 2013) Apart from the importance of visitor perceptions, tourism destinations can

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only thrive in an environment of peace, because peace offers the opportunity for social development, economic development, cultural development, and growth as a whole. (Causevic & Lynch, 2013; Novelli & Morgan, 2012; UNCTAD, 2017)

An important factor that contributes to tourism as a form of development in developing countries is the establishment of Small and Medium Enterprises (SMEs) such as accommodation, restaurants, transportation, and travel services. Although Europe invests in the development of SMEs through funding, Africa in particular struggles to thrive due to various limitations including poor infrastructure, poor accessibility, the need for extra funding, an unskilled workforce, weak management skills, non-existent levels of savings and strained international relations. (Gartner, 2004; Pierce, 2011; Wanhill, 2004) Due to the various challenges faced in a post-war environment, Angola as post-war country struggles to establish its competitiveness in the tourism industry. One of the reasons is that even though SMEs are important in the development of many countries worldwide (Gamge, 2014; Ramukumba, 2014), they are not given adequate support to sustain operations. The purpose of this study is to discuss Angola's development as a post-war tourism destination and to understand the role played by SMEs in this process.

## **2. Literature Review**

### **2.1. Post-war Countries and Tourism Development**

Countries in post-war stages of development differ in many aspects because they are unique in terms of location, politics, economy and society. They face different challenges and opportunities within their internal environments; different potentials and realities that enable them to either develop at a fast or slow pace. They also differ in terms of the conflict timeframe, having different advantages and disadvantages in the process of reconstruction and development. (Brown et al., 2011) Despite these differences they all go through the process of "Disarmament, Demobilization, and Reintegration". (DDR) (Brown et al., 2011; Knight, 2008) Disarmament is the collection of weapons from civilians and soldiers. Demobilization concerns the transition from a combatant to a civilian lifestyle. It includes the transition of government soldiers and rebel forces from camps and jungles, to a centre of rehabilitation and back into society. Reintegration is the repatriation of refugees and displaced people back into society or a country, as well as the assimilation of ex-combatants. The main goal of reintegration is to re-enforce reconciliation. (Brown et al., 2011; Knight, 2008) Once the DDR processes are successfully completed with the clearing of mines, a country can then start to rebuild and develop itself. Nevertheless, if the DDR process is not well integrated, established and completed, conflict is likely to start again. As stated by Knight (2008, p. 33), "DDR does not guarantee that peace will be sustained, but it helps to create a climate of security in which peace can flourish".

Tourism has been recognised as a very important vehicle for the development of a country after a period of war. (Chen et al., 2008; Fernando et al., 2013; Gilligan et al., 2013) A tourism destination can only thrive within an environment of peace because peace offers the opportunity for social development, economic development, cultural development, and growth as a whole. (Causevic & Lynch, 2013; Novelli & Morgan, 2012; UNCTAD, 2017) Political instability leads to a decline in the number of visitors (Bysyuk, 2010; Ingram et al., 2013; Wang & Pizam, 2011) as tourists are in search of an environment where they can enjoy themselves without fearing their safety and investors choose locations where investments are secure. (Tang & Abosedra, 2014) Within the process of post-war tourism development, the private sector plays a significant role to "close the gap" that government is

unable to fill in terms of providing services and resources (Sweeney, 2008) because of limited budgets as priority is given to national security and the costs of war. (Keyes, 2012; Novelli & Morgan, 2012) This partnership helps the country to reconstruct its economy (Sweeney, 2008). The social, political, economic, and demographic features of a post-war country shape the environment of the private sector and the causalities experienced by these countries produce a business environment different to that of a country that has never experienced war. (Sweeney, 2008) An important player in the private sector is the category of business classified SMEs as they are crucial in the reconstruction of the economic sector through employment generation, GDP growth, and stimulation of other economic activities. (Gamge, 2014)

## **2.2. Small and Medium Scale Enterprises (SMEs)**

There is no specific definition for SMEs because the definition differs from country to country according to geographic region and business environment. For instance, the International Trade Centre (ITC) states that the maximum number of employees of SMEs in Ghana is 100, in Vietnam it is 300, in Malawi it is 50, and in Thailand it is 200. (ITC, 2015) SMEs are valued in both developed and especially developing countries as contributors to overall development; providing the foundations for sustained growth over the long term. (from Dhungana, 2003; Fjose et al., 2010; Gamge, 2014; Ramukumba, 2014) Worldwide, the majority of SMEs are formalised; in developing countries however the majority (77%) are informal and not registered with governmental or other SME institutions because they only exist for survival purposes. (ITC, 2015) This is what Sweeney (2008) refers to as “grey economy” where these informal and unregulated businesses contribute to employment generation, local economy, as well as production and supply. SMEs play similar roles both in developing and developed countries and have similar characteristics. Though the dimensions of the business environments remain the same (micro-, market-, and macro-environmental factors), dynamics will differ. (Keskin et al., 2010; Sweeney, 2008) The establishment and sustainability of SMEs depends highly on a favourable business environment (Braşoveanu & Bălu, 2014) in both the developed and developing contexts. Both these situations present similar difficulties in terms of access to finance, however those in developing and especially post-conflict countries have additional challenges resulting from policies, regulations, poor infrastructure, and access to the international market.<sup>1</sup> The sustainability of tourism can be strengthened if a country prioritises the SME sector as a catalyst for the provision of various local products and services (Rogerson, 2008). Such businesses afford locals the opportunity to enhance their lifestyles, yet most often with only a limited number of people serving and benefiting from the tourism industry.

## **3. The Case of Angola**

Angola is located on the south-western coast of Africa and shares its borders with the Democratic Republic of the Congo and Republic of the Congo to the north, Namibia to the south, and Zambia on the southeast. It is approximately 1,246,700 km<sup>2</sup> and divided into eighteen provinces with Luanda being its capital city. According to the census conducted in 2014, Angola had approximately 24.3 million inhabitants (Angola Press Agency, 2016a) and with an expected growth to 30 million by 2018. (Macauhub, 2018) Portuguese is the official language, but there are 42 other native languages, the most common being Umbundu, Kikongo and Kimbundu. (Stead & Rorison, 2010) It experienced five centuries of colonial oppression by Portugal, beginning the struggle for independence in the 1950s

<sup>1</sup> See (Belás et al., 2015; Cant & Wiid, 2013; Fjose et al., 2010).

(Embassy of the Republic of Angola in South Africa, 2014a) and gaining independence in 1975. However, after acquiring independence from Portugal in 1975, a civil war erupted due to the division of the separate parties that were formed to fight against the Portuguese. Angola experienced one of the lengthiest armed conflicts in the 20<sup>th</sup> century, with the prolonged conflict bringing the country to a standstill and making it impossible for the country to grow economically, socially, and to explore alternatives for income exchange revenue. The country neither had time to recuperate from the damages inflicted by colonialism, nor to reorganise. Until signing of the peace agreement on 4 April 1992, the civil war destroyed the country in terms of infrastructure, human lives, fauna, flora and economy. (Schubert, 2016) Angola is rich in life, rhythm, colours and history with an abundance of natural and cultural resources. Arguably, Angola has tremendous tourism potential with nearly 2,600 tourism resources identified across the country. (Ministry of Hotels and Tourism, 2013)

Angola has already launched a number of initiatives to establish tourism as an economic sector. For instance, the TD Hotels chain dominates the existing tourism economy and includes the Alvalade, Trópico, and Baia hotels. In addition to Talatona Conference Centre and Hotel, Belas Conference Centre, Atlântida WTA Travel Agency, Epic Sana Hotel and other high-end providers that are able to cater to business tourists. These enterprises are able to serve business tourists due to their availability of funds for resources and extensive marketing. Since SMEs struggle to acquire funding for resources and extensive marketing, it is only fair for large enterprises together with government and SMEs to work together to create a strategy, which will help SMEs to easily enter and serve the tourism industry along large enterprises. (Rogerson, 2008; Mazunder et al., 2013)

According to the Ministry of Hotels and Tourism Statistic Report of Angola's Market (2014), government aims to divide the target market into three phases. Phase 1 focuses on domestic tourism; phase 2 on the SADC region; and phase 3 on the European and global markets. Angola's domestic tourism has grown tremendously and has a higher percentage than that of international tourists; indicating meaningful progress within Phase 1. In terms of promotion and distribution, Angola plans to build the image of a young and fun destination. This is accomplished via Angola's participation in mega-events to gain exposure, by creating tourism partnerships with neighbouring countries, and by re-enforcing its international young and dynamic image with focus on diversity, exoticism, autonomy, and security. Thus far, Angola has made efforts to participate in the Tourism Indaba tradeshow in South Africa, to attract not only consumers from the SADC, but also from other parts of Africa. The country has also participated in tourism fairs and events in Spain, Berlin, Argentina, Havana, and Lisbon (Angola Press Agency, 2011, 2014a, b, c, 2017) targeting the international market. To boost the rich offerings of the country the policy focus is on investments in structuring the industry and specialisation of both destinations and professionals within the national framework. Furthermore, for accessibility, the country plans to focus on the means of transportation and support infrastructure, reduce the price of international flights and public transportation, and revisit its visa requirements for entering Angola. For its service and competitiveness, Angola plans to invest in tourism institutions for the formation of human resources, control over the quality of products and services, and the monitoring of the levels of tourist satisfaction in external markets. For urban and environmental quality, the government plans to revamp urban areas to meet tourists' expectations. (Ministry of Hotels and Tourism, 2013) Despite these effort, the country remains low on the tourism competitiveness indices.

#### **4. Research Methodology**

This study followed the paradigm of interpretivism to provide a picture of Angola's tourism development as well as the role of SMEs through a sample of businesses in Luanda Province. Mixed methodology was used to collect both primary and secondary data on the case study. Primary data was collected from two samples consisting of government officials and business owners. Face-to-face interviews were conducted in Portuguese using semi-structured questionnaires, allowing also for the possibility of email if the participant's schedule did not permit a face-to-face interview. (after Bryman & Bell, 2014; Dwyer et al., 2012; Ekinici, 2015) Meeting personally with participants proved most effective as this is important in an Angolan day-to-day interaction, while no responses were received from emails. Government officials were sampled through purposive sampling based on their expertise in the field. (Leedy & Ormrod, 2014) Eight government officials from the Departments of Education, Promotion, Development, Research and Planning, Tourism Activities, Technical help to SMEs and Hotels participated. The governmental interviews were successful because they were internally organised and scheduled. In addition, business owners were selected across Luanda as capital city and with the highest density of SMEs through convenience sampling (due to chance, opportunity and availability of business owners) (after Bryman & Bell, 2014). Unlike the government interviews, collecting information from business owners was the most difficult and challenging task of the fieldwork because they were hesitant and reserved when it came to answering questionnaires. In the end only 11 individuals took part in the research. In terms of secondary data, the researcher utilised both governmental and public documentation focus on tourism and SMEs. The documents included strategy plans, development plans, statistical reports, and other public documents.

#### **5. Results and Discussion**

This section presents the results of the empirical research by combining the opinions of government officials and business owners (as indicated in the sub-headings) along with relevant secondary sources.

##### **5.1. Angola after the War (Perceptions of Government Officials and Business Owners)**

Majority of government officials agreed that Angola is an emerging tourism destination, due to its tourism potential and natural and cultural resources. The eighth participant stated, *"I will not say yes or no but the country has resources to develop tourism, but until 2010 Angola did not have the basics to serve the sector but we have knowledge that tourism would significantly contributes to the diversification of the economy of any country"*.

According to one participant, there are many difficulties for Angola, because it only started its national reconstruction a few years ago. Various challenges were identified by participants as issues facing the country including (i) the quality of the infrastructure especially water, electricity, and human capital development; (ii) economic challenges; (iii) unemployment; (iv) education; and (v) health services. An important theme emerged as the notion that the country is experienced as 'disorganised', with participants feeling that this would take decades to rectify. Another challenge which was identified as the "main problem" by one participant was the lack of unity between economic sectors.

All government participants agreed that peace is fundamental for the development of Angola, as well as the tourism sector because tourism is a peace industry.

*“Peace is everything, without peace a country cannot develop, it cannot attract people and grow its economy. Tourists can walk freely and facilities can be built, and people can move around easily from one province to another with more freedom and without fear”.*

Additionally, any post-war country that would like to develop and grow must have peace. All the business owners unanimously agreed that peace is crucial for the development of Angola and its tourism sector. In the words of one participant, *“Peace is a precious good for any country in the stage of development and the 15 years of economic growth and the free circulation of people and goods demonstrate the importance of peace”*. Three out of eight participants agreed that Angola continues to be linked to the image of war. One participant stated that Angola is not positively perceived internationally due to its current economic crisis. The other three respondents agreed that Angola is viewed as a young hard-working country that was able to transition quickly from war to post-war.

The importance of peace is also reflected in the Embassy of Angola Informational Brochures (2014b; 2017) that emphasise the importance of peace, national reconciliation, reconstruction, growth and opportunity for a better and brighter Angola. The country recognises the importance of protecting peace and advises other countries to do the same.

## **5.2. Tourism as a Recognised Economic Sector (Perceptions of Government Officials and Business Owners)**

Like numerous developing countries, Angola recognises the economic benefits of tourism for investment, foreign currency generation, diversification of the economy, employment creation, social inclusion, and poverty alleviation. Tourism is listed as one of the main economic sectors in the National Development Plan (Ministry of Planning and Territorial Development 2012). This has led to a national strategy, vision and plans for the development and growth of Angola’s tourism sector in the National Tourism Plan of Angola 2011-2020. (Ministry of Hotels and Tourism, 2013) Six participants stated that tourism is a tool that will contribute to the socio-economic development of Angola because it is a source of financial receipts worldwide.

*“Tourism contributes significantly for the socio-economic development of the country; unfortunately, Angola’s reality is different and has a lot to accomplish in order to change its reality. There will be changes because Angola is in the process of diversifying its economy by using tourism as one of its tools”.*

Three participants stated that development is aided due to utilisation of the existing natural and cultural resources. Some business owners however felt that tourism does not assist in the development of Angola because much still needs to be accomplished. Regarding the international perception of Angola, one participant stated,

*“The image of Angola has gotten better because the images of destruction are not visible today, as it was during the war times. Angola has an image to present to tourists; it does not have images of war refugees and things like that...Angola can be used as an example for other countries experiencing conflict in Africa”.*

Government officials identified the government itself as key role in tourism development, being responsible for regulating the sector, tourism activities, and establishing policies. According to four participants, the government prioritises the tourism sector by providing the necessary attention for the sector to grow. Majority of participants indicated that this support is needed from various government departments/ministries such as the ministries of culture, environment, interior, youth and sports. One participant indicated that such support has already been initiated, with industry being recognised as

tool for the diversification of the economy. All of the government officials agreed that Angola is already a tourist destination because it is increasingly able to attract and accommodate tourists. By 2015 for example the country already had 185 hotels compared to only 30 in 2002. (Embassy of the Republic of Angola in South Africa, 2014a; 2017) All business owners shared the sentiment that Angola is already a tourist destination. As stated:

*“Angola is able to attract international tourists due to its touristic capacity. Angola already has hotels and transportation infrastructures to attract and accommodate foreign tourists. However, it needs organisation, promotion, and discipline in order to succeed in the sector...Yes, due to natural, historical and cultural resources”.*

Three participants agreed that tourism contributes because it brings foreign exchange currency into the country.

*“Tourism is a tool that will assist in the development of Angola, because the more tourists we receive the more financial receipts the country receives. It creates employment, multiplier effect, and foreign income exchange. The tourism sector has a faster monetary distribution from the airport to the taxi, from the taxi to the hotel, from the hotel to restaurants and shopping”.*

Angola’s inability to compete against advanced countries seems mainly revolve around the country’s economic situation, and lack of infrastructure and human capital. There were mixed views among government officials on Angola’s potential to compete with other destinations, specifically in the region of Sub-Saharan Africa. The majority agreed that the country has the potential, but listed a number of constraints including (i) the sector is disorganised and human resources need to be properly trained; (ii) the business environment does not facilitate the growth of the sector; and (iii) the country needs to turn potential into competitiveness. Business owners raised similar issues including (i) visa acquirement for tourists; (ii) ability to transform resources into adequate products; (iii) overall increase in efforts and priority given to the sector; and (iv) organisation of the sector.

To the contrary, two government officials agreed that Angola is able to compete due to its resources.

*“Angola is able to compete with countries in Sub-Saharan Africa because it has unique resources that differs from other destinations. The geographic position of Angola is an advantage, because it is almost central and north. And it has access to air transportation, aquatic transportation, and access to the Americas, Africa and Europe. Angola has a strategic position”.*

Three participants agreed that the government is doing its part in the country’s rehabilitation, construction of infrastructures, and employment creation, even though more is needed. Urban development across the country has for example been receiving significant investment from government as well as through partnerships with the private sector. These developments not only improve the livelihood of local residents, but also create additional services available to tourists (for example, restaurants, supermarkets and entertainment areas) (Embassy of the Republic of Angola in South Africa, 2014b, 2017). Another key initiative since 2008 has been the rehabilitation of water and electricity systems destroyed during the war. Water distribution has been extended nation-wide through projects such as “Water for all” project. Efforts have also been made to rehabilitate energy supply through hydroelectric dams. (Ministry of Energy and Water, 2016) Lastly, the manufacturing sector has received significant attention, equipping the country for investors to operate in the business environment (Embassy of the Republic of Angola in South Africa, 2014a, 2017). Angola participated in the first forum of inclusive and sustainable industrial development in 2014 in Vienna, Austria; demonstrating the country’s eagerness to learn more about the sector and to further develop



itself (Ministry of Industry, 2014) All these initiatives create an enabling environment conducive to tourism development and are in line with the National Development Plan (2012).

### **5.3. Support of SMEs in Tourism (Perceptions of Government Officials and Business Owners)**

All government officials acknowledged SMEs' contribution to the development of tourism. According to six participants, their contribution as part of the private sector is to create employment. One participant stated:

*“SMEs do contribute to the development of tourism, they have to, because they are the ones who are directly involved in providing for median and low income tourists. Law 30/11 regulates SMEs in tourism economic rotation by creating employment. The politics are present, but they are not in sync. For this reason, SMEs do not contribute to their full extent.”*

Importantly, these businesses need to be guided properly in order for their contribution to be visible. The question was raised whether Angolans have the education to become successful entrepreneurs. The importance of a skilled labour force within the hotel and tourism sector was also highlighted.

*“There are sufficient qualified human resources, however, service quality must be improved...but things are being done to change this picture, because tourism changes daily and the country has to make efforts to adapt itself to the market...government is making investments and we need more human resources”.*

Four business owners similarly agreed that the human resource base needs to increase in number as well as appropriate, high-level qualifications. As stated by two participants, poor levels of qualifications lead to insufficiently-qualified employees not able to properly serve the sector. According to one participant establishment of institutions have already been initiated to solve these problems.

Government recognises the importance of education as a main source of human resource development and has been investing in the sector. Even though education reform started only in 2004 (Ministry of Education, 2008), 12 years of peace has seen the establishment of more than 17 universities and 44 institutes of higher education, as well as additional investment of more than US\$ 480 million for 53 secondary and technical schools. As a result, there has been an active decline in the illiteracy rate, which stood at 35% in 2014 compared to 95% in 1975. (Embassy of Angola Informational Brochure, 2014a, 2017) Training has also gained momentum in the tourism industry. One example would be the school for ranger training and the higher education School of Tourism and Hospitality in Cuando Cubango Province. This institution is strategically located close to Okavango-Zambezi Trans-frontier project that Angola forms part of (Embassy of the Republic of Angola in South Africa, 2014b, 2017).

### **5.4. Characteristics and Role of SMEs in Luanda (Perceptions of Business Owners)**

Participants were asked about their motives for becoming business owners, the number of years in existence, number of employees as well as challenges faced. Participant one decided to open a business after the war in order to create jobs and continue his family's involvement in merchandising and entrepreneurial activities. Two other participants respectively decided to become business owners in order to be self-reliant. One participant indicated various motivations: *“I decided to be an entrepreneur due to my passion for cooking and for economic security and to contribute to the growth of the country”*. Overall, participants decided to open a business due to perceived opportunities.

The average existence of the businesses was more than three years and the number of employees ranged from two as a minimum to 35 as a maximum and average of 13. As mentioned by one SME

owner, the number of employees is related to productivity and quality. Majority of the respondents (9) had received training or had some work experience before deciding to open their own businesses. For example, participant five stated, *"I started working in the sector, for a flight company, travel agency, and studied Amadeus. Later [I] thought that I had the necessary experience to start my own company because it is something that I like to do"*. However, two participants did not acquire any training or work experience at all, as they both started out of necessity.

Business owners were asked about the role of their businesses in the community, the benefits from the tourism industry, and the opportunities presented for other people to become business owners. Majority stated their role in the economy as being job creation and engagement in social responsibility. There was also a perceived benefit derived from tourism because they serve the sector either directly or indirectly; with only two participants indicating no perceived benefits. They saw no connection between their businesses and the tourism sector specifically, even in the case of providing clothing (as potential merchandise) and food. Majority of the participants agreed that tourism development would present opportunities for the establishment of other businesses because Angola is a country of opportunity. Importantly, business owners must know how to explore these opportunities.

Participants were asked about the challenges they face as business owners. Similar difficulties were mentioned and included (i) financial crisis due to the economic condition of the country and difficulty acquiring credit; (ii) supplier scarcity and high market prices; (iii) constant difficulty of availability of water and electricity; (iv) embassies in Angola that do not facilitate the work of travel agents; (v) difficulties in the accessibility of foreign currency and reaching international clientele; as well as (vi) the visa acquirement process for clients. Since acquiring finance is difficult, business owners would rather finance their own businesses. Only one participant's business was not personally financed. Due to growth of the business, credit had to be acquired from a public governmental institution and paid off afterwards. The main sentiment centred around the lack of funding opportunities from government institutions.

### **5.5. Financial Support for SMEs**

Contrary to these expressed views by SMEs regarding funding opportunities, there are a number of initiatives available to entrepreneurs. The Angolan government assists in the establishment of SMEs. There are programmes such as "Angola Investe" (Angola Invests), "Meu Negócio Minha Vida" (My Business My Life), and Reconversion of the Informal Economy (PREI). The focus of "My Business My Life" is implementation of the Balcão Único do Empreendedor (BUE)'s ("Entrepreneur's One Stop Shop") programme in every municipality of the country; to implement financial assistance to small businesses; and to promote technical training to micro-entrepreneurs. The Reconversion of the Informal Economy programme focuses on the development of a system to identify businesses operating in the informal sector nationally. It also aims to encourage informal businesses to create co-operative groups, as the government plans to create a financial credit line for co-operatives, as well as to institutionalise informal businesses. (National Development Plan, 2012) The Angolan government is investing in the youth by providing credit lines for new and young entrepreneurs. The Minister of Youth and Sports stated that "the government of Angola approved a credit line worth US\$24 million to finance young entrepreneurs' projects, and the maximum amount per project will be US\$200 000". (Macauhub, 2017) The Development Bank of Angola helps to distribute credit lines for SMEs through 20 assigned commercial banks across the country. The credit lines are distributed among the fields of agriculture; infrastructure; service providers and commerce; industrial production; tourism and hospitality; technology and information communications; as well as educational and technical

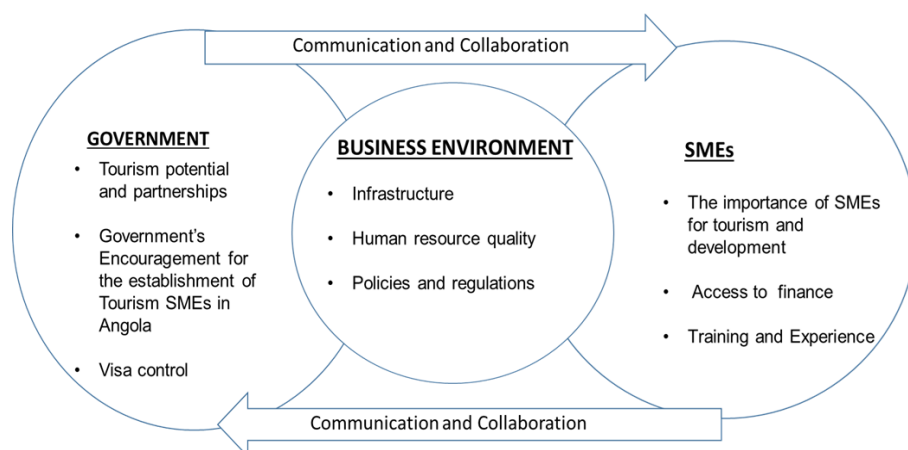
assistance. (Development Bank of Angola, 2017) The PROjoven credit line (translated to FOR youth) extends loans to young entrepreneurs between the ages of 18 and 40, provided that they have their businesses certified by the National Institute of Support for Micro, Small and Medium Enterprises (INAPEM) and do not have any debt at any bank. (Development Bank of Angola, 2017) Applications are evaluated by the bank responsible for operating and distributing the credit and not the Development Bank. The programme, Angola Investe (Angola Invests) was launched by the government to help SMEs finance their projects and is distributed via national commercial banks. BUE, the only counter for entrepreneurs, was established in 2012 to aid in the establishment of small businesses and to mediate with banks concerning the financing of small projects.

However, because many lenders failed during their first years of operation, and others were not able to pay back the money to creditors, the programme had to be cancelled. This is a problem because the government is helping, but the people are not taking responsibility for their part of the credit deal. Yet if the government did not facilitate the acquirement of credit lines, the people would complain and criticise the government for not helping them to establish businesses. Therefore, it is a delicate situation, which might explain why the government can be seen as being difficult towards business owners acquiring funds. Another initiative is the Ministry of Industry's (2014) programme called the Funding of SMEs in Rural Areas (PROFIR), with the aim to stimulate entrepreneurship in rural areas and local economy. Businesses related to agriculture, fishing and others have the opportunity to gain investment, with these businesses in turn becoming suppliers to the tourism industry. Lastly, the Guichet Único da Empresa (GUE) established in 2003 was created to help business owners with their businesses from the developmental to the operational stages. This is resourceful because everyone can have an idea, but not everyone can turn an idea into a business. For example, due to peace and new roads, farmers from rural areas are now able to sell their products in the city – some have the opportunity to sell them to large and small supermarkets. (Angola Press Agency, 2016b)

### **3.6. Framework for the Role of SMEs in a Post-war Context**

The factors most relevant to the role of SMEs in tourism development in a post-war context are synthesised in the framework presented in Figure 1. It represents aspects that do not necessarily differ from that of other emerging destinations or even destinations in a broader sense. However, the application thereof requires some unique dimensions.

Overall, restoration after a period of conflict often leaves the post-war country in a state of disarray, resulting in disorganised governance. The most important factor impacting the success of any efforts toward a growing tourism industry is communication and collaboration. (agreeing with Cooper, 2012; Jamal & Stronza, 2009) A healthy relationship between SMEs, the business environment and the government is essential (Haddadi & Khodadadpoor, 2015; Novelli & Morgan, 2012; Keyes, 2012); avoiding a “self-interest” mentality. (Jamal & Stronza, 2009) A country cannot develop properly without the participation of the host community, therefore two-way communication between the government and community is vital. Government must listen to the concerns of SMEs and help them to solve the issues they encounter. In turn, SMEs should listen to the concerns of the government and demonstrate their visible and invisible contributions to society. As part of the private sector, they contribute to the growth of all sectors and are the job providers, poverty alleviators, and community developers. (Erasmus et al., 2013; Pansera & Sarkar, 2016; Ramukumba, 2014) Visa controls the inflow of tourists for security reasons (Webster & Ivanov, 2016), protecting the country against people with negative intentions towards the destination.



**Figure 1. Framework for the Role of SMEs in a Post-war Context**

The infrastructural difficulties of availability and accessibility of water and electricity is a serious issue affecting SMEs in post-war countries where these structures have often been destroyed during the conflict. Infrastructure is one of the most important pillars that must be present for any country that wishes to develop and grow competitively. (from Arnaud, 2016; Cooper, 2012; Games, 2011; Keskin et al., 2010; Knežević et al., 2016; Sweeney, 2008) The other important pillar is that of well-qualified human capital (Games, 2011; Keyes, 2012; Novelli & Morgan, 2012); an aspect often neglected as priority was given to national security and the costs of war (Keyes, 2012; Novelli & Morgan, 2012), leaving a deficit in human resources. This does not only apply to the tourism sector, but to the country as a whole. The difficulty of acquiring financial support by business owners is a reality for SMEs in both developed and developing countries. However, SMEs in developing and post-war countries have it worse due to a turbulent business environment. (Games, 2011; Hussein & Kimuli, 2012) As viewed in the results, the proprietors of SMEs mainly self-financed their businesses, as the politics involved in acquiring credit create extreme challenges. Additionally, they are all directly or indirectly affected by the economic crisis, scarcity of products, and high prices.

## 6. Conclusion

As a country that experienced one of the lengthiest armed conflicts in the 20<sup>th</sup> century, the country has undergone significant changes toward development. Various challenges still facing the country include the quality of the infrastructure especially water and electricity; human capital development; economic challenges (including unemployment); and lacking education health services. An overall sentiment shared is that the country is 'disorganised', with lack of unity between economic sectors. At the same time, Angola has tremendous tourism potential and has already launched a number of initiatives to establish tourism as an economic sector. Placed within the embryonic stage, the tourism industry is growing at a steady pace. The country has legislation in place for the tourism sector as well as the National Tourism Plan of Angola that aligns with the National Development Plan. Tourism growth is hampered by a lack of skilled labour; a business environment that does not facilitate growth; improving ease of access (visa acquirement for tourists); knowledge to transform resources into adequate products; and organisation of the sector. Various sizes of businesses operate within the industry, along with a variety of supporting business in the form of SMEs outside of tourism; with the sector having created substantial employment over the years after accomplishing peace. Major challenges faced by SMEs include difficulty acquiring credit; supplier scarcity and high market

prices; quality of basic infrastructure; bureaucracy (visa acquisition process); as well as accessibility of foreign currency and reaching international clientele. At the same time, government recognises SMEs as important for sustainable tourism development and encourages their growth through various funding programmes alongside private sector projects. The discrepancy between funds available and awareness thereof suggests a need for formalised communication channels between SMEs, government and other private sector stakeholders; along with intervention strategies to capacitate SMEs in their understanding and dealing within the business environment.

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