

REACHING OUT FOR SHARED GROWTH IN TOURISM: SOUTH AFRICA'S TOURISM ENTERPRISE PROGRAMME¹

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1. INTRODUCTION

In the developing world, despite acknowledgement that the objectives of increased local earnings, investment and job creation might be best achieved through promoting small, rather than large, tourism firms (Rodenburg, 1980; Dahles and Kuene, 2002; Roe *et al.*, 2004), the existing literature on tourism entrepreneurship and small firms remains limited (Dahles, 2000; Rogerson, 2005a). Over the past decade, however, some improvement in our knowledge base concerning tourism small firm development in the South must be recorded. Several valuable contributions are contained within edited collections on tourism small firms in Indonesia (Dahles and Bras 1999a), Latin America and the Caribbean (Dahles and Kuene 2002; Roessingh *et al.*, 2006). In addition, the emerging scholarship and debates around 'pro-poor tourism' stresses the importance of maximizing linkages with, and correspondingly the local developmental potential of, small tourism enterprises (Ashley *et al.*, 2000, 2001; Ashley and Roe, 2002; Bah and Goodwin, 2003; Roe *et al.*, 2004; Mitchell and Ashley, 2006a, 2006b; Rogerson, 2006).

Of note also is an array of investigations that focus on the distinctive informal sector of tourism entrepreneurs (such as craft sellers, beach vendors, tour guides or transport operators) in the developing world (Wahnschafft, 1982; Crick, 1992; Timothy and Wall, 1997; Dahles, 1998; Dahles and Bras, 1999a, 1999b; Bah and Goodwin, 2003; Hampton, 2003). In addition, individual works have been produced on tourism entrepreneurship variously for Ghana (Gartner, 1999, 2004), Indonesia (Dahles and Bras, 1999b; Dahles, 2000; Kamsma and Bras, 2000; Dahles, 2001; Hampton, 2003), Malaysia (Hamzah,

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1997), Melanesia (Douglas, 1997), and Namibia (Shackley, 1993). Lastly, there has appeared a cluster of research which examines a number of aspects relating to new entrepreneurs and small firms operating in the resurgent South African tourism industry subsequent to the country's 1994 democratic transition (Visser and Van Huyssteen, 1999; Rogerson, 2003; Nuntsu *et al.*, 2004; Rogerson, 2004a, 2004b, 2004c, 2004d; Rogerson and Visser, 2004; Ndabeni and Rogerson, 2005; Nemasetoni and Rogerson, 2005; Rogerson, 2005a, 2005b).

A core finding from tourism research in the South is that the growth prospects of small firms commonly are constrained by the power and competitive dominance which is exerted by large mass tourism enterprises in local economies (Britton, 1982a, 1982b, 1987). As a result, often the most promising opportunities for small tourism entrepreneurs are in alternative 'niche' forms of tourism (Petrovic and O'Neal, 2001), in low-budget tourism such as backpacking (Hampton, 1998, 2003) or in supplying tourism products and services for domestic as opposed to international tourists (Gartner, 1999). As many kinds of opportunities for tourism entrepreneurship occur in marginal or peripheral spaces, it has been recommended that local control and small enterprise development in tourism in such areas should be supported by the provision of special government fiscal and monetary incentives to enable local entrepreneurs to own and operate small tourism establishments (Tosun, 2005). Overall, a vital conclusion from research on tourism entrepreneurship and small tourism firms in developing countries is of the need for institutional assistance to overcome their intrinsic disadvantages and to avert business failure (Bah and Goodwin, 2003; Rogerson, 2005a).

It is against this backdrop of a rising scholarship on tourism entrepreneurship and small firms that the recent experience of post-apartheid South Africa is of interest, particularly in terms of support programming designed to assist emerging and small tourism entrepreneurs. The international experience points to the fact that few countries have designated support programmes that are specific to tourism small firms. Typically, as in the case of the European Union and Australia, tourism entrepreneurs secure support either from regional development assistance schemes or generic support programmes

aimed at small firm development *per se* (Wanhill, 2000; Buultjens *et al.*, 2002; Wanhill, 2004). Since 2000 South Africa's Tourism Enterprise Programme (TEP) has functioned as a dedicated support initiative to assist the development and upgrading of tourism small firms within the national tourism economy. More particularly, the TEP programme sought to bridge the enormous chasm existing between the groups of well-capitalised large tourism enterprises and well-resourced white-owned tourism entrepreneurs on the one hand and the emerging group of less well-resourced black entrepreneurs who were seeking to enter the South African tourism economy on the other hand. By 2000 it was evident that the major share of the benefits of South Africa's new growth in tourism were accruing to the group of established large enterprises or white-owned small enterprise (Rogerson and Visser, 2004). TEP is part of a suite of new initiatives introduced in South Africa which have been designed to widen the beneficiaries of tourism growth in the democratic era (Rogerson, 2004a, 2004d). The aim in this paper is to examine the context for the development of TEP, its activities and contributions to tourism development in South Africa, and to suggest that TEP may offer an example of 'good practice' for the supporting of small enterprises in tourism in the developing world in general and sub-Saharan Africa, in particular.

2. THE CONTEXT FOR THE OPERATIONS OF TEP

During the early 1990s, South Africa's tourism industry was in a state of crisis, beset by several problems such as under-investment and the low numbers of international tourism arrivals, a legacy of sanctions and of apartheid policies. In addition, another factor behind the crisis in tourism during the late apartheid years was the consequence of mistakes made with past policy frameworks. As compared to the growth and increased economic impact of tourism in several other African countries, such as Egypt, Kenya or Tunisia, tourism development in South Africa largely had been a 'missed opportunity' (Department of Environmental Affairs and Tourism, 2003). Since the 1994 democratic transition, national government brought into play new policy frameworks – most significantly the 1996 *White Paper on the Development and Promotion of Tourism* - in

order to maximize the opportunities for tourism to contribute towards economic growth, job creation and enterprise development (Republic of South Africa, 1996).

The new legislation sought to put into reverse the directions taken by the tourism industry under the apartheid years. Under apartheid legislation the majority of the country's Black population could not enjoy access to certain facilities, most notably certain beaches, which were deemed the exclusive preserve of South Africa's privileged white population. In addition, during the apartheid years, national parks were concerned primarily with conservation issues to the neglect of the social welfare of surrounding communities. Accordingly, 'caring for the environment', often was used as a pretext to exclude neighbouring black communities from protected areas and to remove them from their ancestral lands to make way for wildlife conservation. In short, under apartheid South Africa's national parks operated as the exclusive playground of whites with Black South Africans not given equal access and, in fact, viewed as a 'threat' to wildlife. Excluded as tourists, it was scarcely surprising that in 1994 black South Africans had limited participation as owners of tourism products (Rogerson and Visser, 2004). Indeed, one of the most outstanding legacies of the apartheid era was that in terms of its ownership structure, in 1994 the South African tourism industry was 'lily-white'. The tourism sector probably had the distinction of having the highest share of white ownership of any sector of the national economy. The need for transformation, a change in the structure of the tourism industry and a sharing of the benefits of tourism was urgent (Rogerson, 2003).

Job creation was one of the most paramount issues that faced the new democratic government. Tourism is a labour intensive sector and one that is generally associated with low skills. Since 1998 much attention has been devoted to the critical role of tourism in job creation. A much-cited study conducted by the World Travel and Tourism Council (1998) asserted that tourism potentially is to be one of South Africa's most important sectors of economic growth and job creation in the 21st century. Another World Bank study on the prospects for promoting growth and employment in the country concluded that "the case for focussing on tourism as a potential source of growth and employment in today's South Africa is compelling" (Lewis, 2001: 86).

Structurally, South Africa's tourism industry is highly concentrated and dominated by a small elite group of large, mostly locally-owned, tourism organizations. According to the Department of Trade and Industry (DTI)'s Competitiveness Growth Strategy study (DTI, 2005), it was disclosed that six companies control approximately 60-70 percent of the South African tourism industry. A 2004 investigation by Monitor on the South African tourism industry described the tourism cluster as comprising "a complex interaction of a large number of players, with a few large players and numerous SMMEs" (Monitor, 2004: 44). It is argued that the control of the South African tourism industry by a few large players "demonstrates the consolidation that has been happening globally and locally in tourism over the past decade" (DTI, 2005: 15).

Although large companies drive and economically dominate the South African tourism industry, the vast majority of South African tourism enterprises would fall under the categorization of small firm or SMME. Precise data on the number of SMMEs in the South African tourism economy is unavailable, particularly in respect of the emerging black-owned tourism enterprises, many of which are unregistered informal or micro-enterprises. Nevertheless, the DTI issued an estimate that "there are more than 50 000 tourism businesses in the economy" (DTI, 2005: 28). On the basis of that calculation, nationally the tourism SMME economy therefore has at least 50 000 enterprises. Very broadly, the South African tourism economy can be conceptualized as a three-tiered hierarchy of business enterprises (Fig. 1).

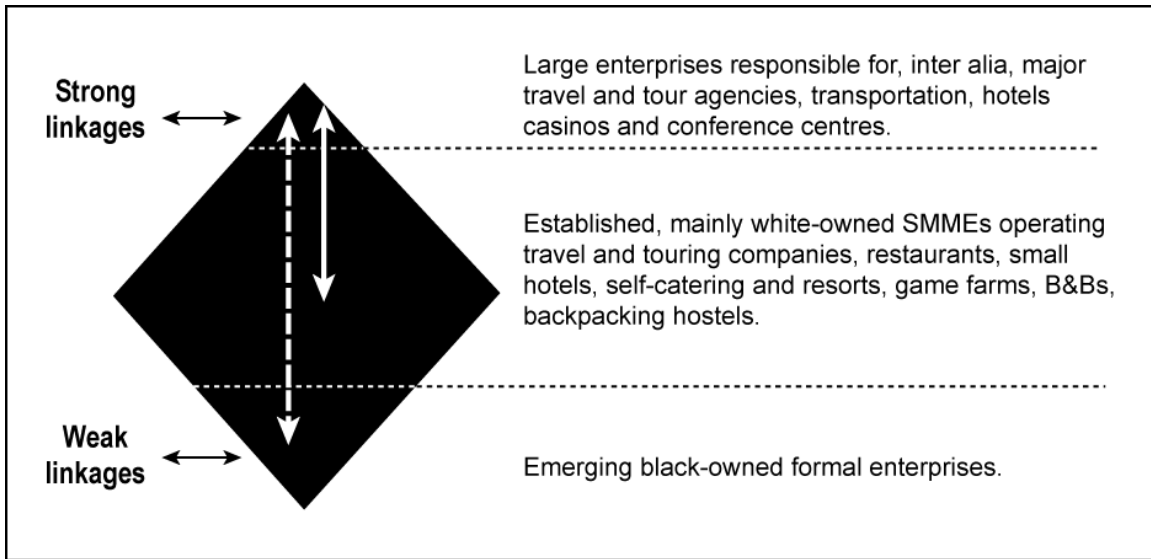


Fig.1: The Hierarchical Structure of the South African Tourism Economy

1. At the top or apex are the operations of the elite group of large enterprises, which are responsible for, *inter alia*, the country's major travel and tour agencies, transportation, hotels, casinos and conference centres.
2. The greatest proportion of the business hierarchy, however, is represented by the activities of, at least, two different kinds of SMMEs. The middle tier is formed by groups of established, almost predominantly white-owned SMMEs which operate a host of different establishments from travel and touring companies, restaurants, small hotels, self-catering and resorts, game farms, bed and breakfasts or backpacking hostels.
3. The lowest tier or rung in the South African travel and tourism industry is represented by the emerging black-owned tourism economy which constitutes a mix of formally registered micro-enterprises as well as a mass of informal tourism enterprises).

Despite their dominance of the South African tourism economy, by 1999 small tourism firms had received little support from national government programmes designed to support the growth and upgrading of the SMME economy. Instead, what existed was a set of generic support programmes for small enterprise support – a network of support which was coordinated by DTI through its agencies of Ntsika and Khula. After 1994 several sets of new initiatives targeted at supporting the development of tourism SMMEs in South Africa have emerged. The institutional set up for tourism enterprise development comprises the activities of:

- Government – at national, provincial and local levels
- Non-governmental support organizations – in particular of international donor agencies
- Private Sector initiatives

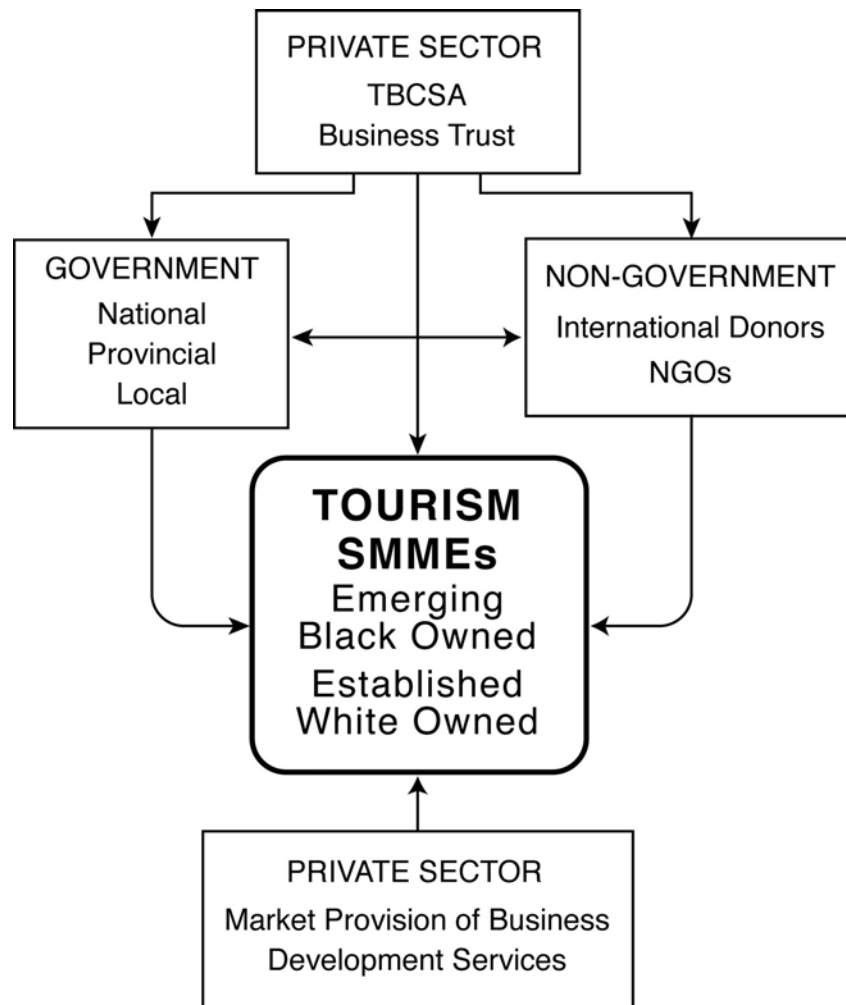


Fig. 2: The National Macro-Environment of Tourism SMME Support

As mentioned earlier, there is a marked divide between the groups of established and emerging enterprises in terms of their role in the economy, their support needs and in some cases, the motivations for operating businesses. For the majority of established

white-owned enterprises the core focus of support is through private sector providers of business development services, including for marketing assistance. Although it has shown that white-owned SMMEs have been substantial beneficiaries of several post-1994 government tourism support programmes in South Africa (Rogerson, 2004a, 2004d), it is evident that national government support initiatives, as well as those of non-government agencies, increasingly are focused upon the needs of the historically disadvantaged group of black entrepreneurs. A central focus of South African government programmes in tourism is to promote 'transformation' and Black Economic Empowerment (BEE), which together are targeted to enhance the limited role of black entrepreneurs in the South African tourism economy, which, under apartheid, had evolved as an economic sector with white ownership of all major enterprises.

It is within this (limited) landscape of support that TEP's operations must be situated. In 2000 South Africa's Tourism Enterprise Programme (TEP) was launched and since then has functioned as a dedicated support initiative to assist the development and upgrading of tourism small firms or SMMEs within the national tourism economy. It is an unusual and innovative institution in two critical respects:

- First, it represents a dedicated institution for the support of tourism SMMEs in the context of a growing tourism economy and one that was in urgent need of changing its ownership complexion.
- Second, it represents an important break from the existing style of SMME support on offer in South Africa since 1995 in which the focus of support was upon generic packages of assistance rather than tailored support for the needs of enterprises in different sectors of the economy

3. THE OPERATIONS OF TEP

TEP initially was launched as a four year job creation initiative in July 2000. The programme was provided with R60.4 million funding by the private sector through the Business Trust (NEWCO, 2004: 4). The primary goal of TEP was to facilitate the growth

of small, medium and micro-enterprises (SMMEs) in the South African tourism economy and thereby to generate employment opportunities. In an effort to promote diversity in the tourism sector, however, TEP focuses its support initiatives primarily (but not exclusively) on South Africa's historically disadvantaged black entrepreneurs.

Until TEP was introduced in 2000 there was no meaningful support programme in South Africa that focused on tourism small firms. Six key objectives provided the framework for TEP programme activities (Upstart Business Strategies, 2004).

- To foster job creation through focused marketing and operational linkages within the tourism value chain.
- To assist historically disadvantaged South African SMMEs by promoting commercially viable business relationships with other small and large domestic and international companies in the tourism economy.
- To build the capacity, quality and competitiveness of South Africa's tourism enterprises.
- To create an easily accessible national data bank of both domestic and international companies interested in tourism and tourism-based partnership opportunities.
- To collaborate with other public and private tourism related projects, programmes, institutions and initiatives.
- To foster trade and investment flows as well as technology transfer between established tourism operators and small enterprises.

The TEP approach was innovative in several important respects. It is essentially a demand-driven approach, in which SMMEs are assisted to respond to proven demand for their services. TEP seeks to identify, facilitate and ultimately foster commercially viable business transactions between tourism enterprises and other related buyer, supplier, partner and investor firms and corporations linked to the tourism sector. The demand-driven approach of TEP is seen as setting the organization "apart from many other development programmes which are often supply-side driven and where the output of an

intervention is often a more skilled SMME rather than an SMME generating new business” (NEWCO, 2004: 16).

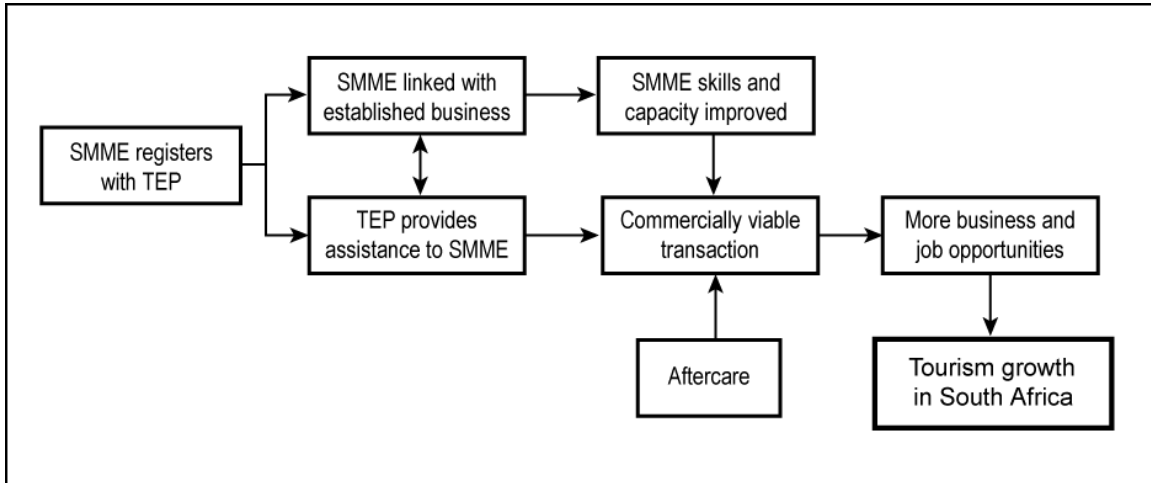


Figure 3: The TEP Approach to Supporting Tourism SMME Development (Source: Modified after Upstart Business Strategies, 2004)

TEP provides services in two principal ways. First, the core intervention “entails helping large tourism enterprises, investors, small enterprises, and historically disadvantaged enterprises to identify viable linkage or business opportunities, and aiding the parties to turn the linkage or business opportunity into a business transaction” (Upstart Business Strategies, 2004: 5). For SMMEs assistance would be provided to obtain necessary professional services for business development including, if needed, quality certification, debt and equity finance, appropriate business planning, packaging, legal advice, marketing and technology support. Second, this primary TEP intervention is supplemented by a Training and Technical Assistance Fund (TTAF) which finances the provision of training and technical assistance services to enterprises on a cost-sharing basis. In addition TEP furnishes aftercare services in order to ensure that SMMEs have the necessary planning, production and management capacity in order to meet their contract delivery obligations. The TEP approach to support intervention is shown graphically on Fig 3 which tracks the intervention path and impacts from an SMME’s

first registration with TEP to the outcome of increased job opportunities and tourism growth.

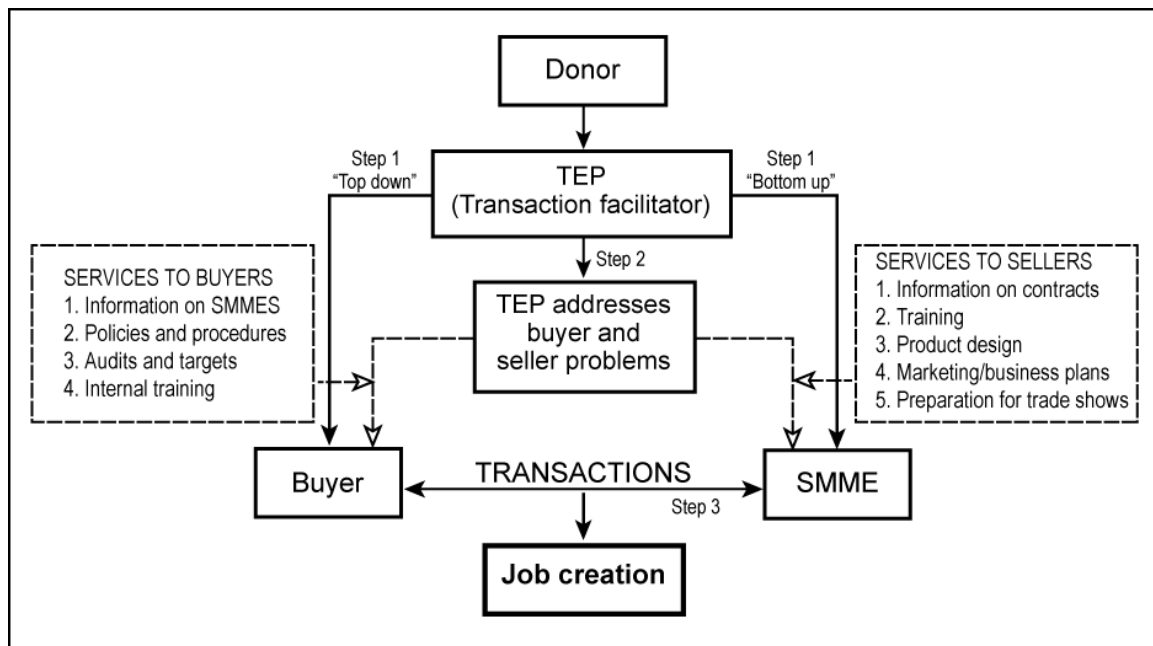


Figure 4: The Transactions Approach of TEP (Source: Modified after NEWCO, 2004)

On Fig 4 is shown the transaction facilitation process that guides the operations of TEP. The process can involve both a ‘top-down’ and ‘bottom-up’ approach (NEWCO, 2004). In the former case, TEP works with buyers of goods and services - usually corporates or large enterprises as well as tour operators wishing to purchase tourism products - that represent the potential market for its SMME clients. In the latter situation, TEP assists SMMEs with marketable products to access wider markets. In search of a transaction TEP recognizes that are problems that must be addressed and overcome in terms of both buyers and suppliers. The key buyers, such as corporates, wishing to secure goods and services from SMMEs often are constrained by factors such as not knowing which goods and services can be supplied by SMMEs, where to find suitable SMMEs or appreciating that SMMEs often need special treatment in terms of simple documentation and speedy payment as well as assistance with quality and technical specifications of the goods and services to be purchased. SMMEs are often unfamiliar with the way that corporates or other buyers do business and can be confused by documentation and tender requirements

as well as not always understanding the need for reliable service. TEP works in various ways with both buyers and suppliers to overcome their problems in making a transaction, developing a data base of SMME suppliers that can be ‘introduced’ to corporate buyers and seeking to ensure that SMMEs can comply with the requirements of buyers. Many of the services provided to SMMEs, such as training, preparation of business plans and tenders, to overcome their difficulties are undertaken through independent fee charging service providers. Nevertheless, through the TTAF the cost of these services is subsidized in the short term. The final output of TEP’s assistance is revenue growth for its SMME clients which over time contributes to the goal of job creation (Fig. 4).

4. PROGRESS AND EVALUATIONS

Since its launch in July 2000 the results achieved by TEP by June 2004 have been notable (Table 1). TEP has assisted approximately 2000 SMMEs grow their aggregate revenues by over R1 billion. In the five years to June 2005 a total of 2 578 enterprises were assisted to conclude transactions worth R1.6 billion and supporting the creation of an estimated 23 654 new jobs. As compared to the uneven performance or sometimes dismal record of other programmes for supporting tourism development in South Africa, the TEP programme was described as “the jewel in the crown” especially as regards the upgrading and development of tourism SMMEs (Rogerson, 2004d: 253).

Table 1: Results achieved by TEP 1 July 2000 to 30 June 2004

Output	Target	Actual
Value of Transactions for SMMEs (R million)	R 450	R 1095
Number of transactions	1000	1552
Number of transactions involving HDE transactions	750	1068
Job opportunities	10 000	16 886
Enterprises registered	1 650	3 169
Enterprises assisted	1 000	2 029
Service providers registered	100	561
Enterprises in transactions	200	1 202

HDE Enterprises in transactions	150	867
TTAF leveraged (ratio)	1: 1	1.91: 1
Investment leverage (R million)	R 45	R96.2

Source: NEWCO, 2004, p. 18

Note: HDE refers to South Africa's historically disadvantaged enterprises ie black owned.

Another detailed independent evaluation conducted in 2004 concluded positively that whilst the TEP programme requires improvement in a number of respects, it had "exceeded its quantitative performance goals in most areas and shows satisfactory performance in several qualitative aspects" (Upstart Business Strategies, 2004: 40). Overall, it was disclosed that TEP had achieved a great degree of success during its initial four years of operations, *inter alia*, exceeding all of its quantitative targets by a significant margin and that the programme was highly rated by the majority of those that had worked with it at different levels – government, private sector stakeholders and SMME clients (Upstart Business Strategies, 2004). Among its several achievements in the first four years of operation, TEP helped South African SMMEs to secure markets for their goods and services from a range of buyers that included major hotels, casinos, national and provincial parks, and events such as the 2002 World Summit on Sustainable Development. It was acknowledged that much of TEP's success derived from the use of private sector providers to support SMMEs.

Another important element of learning was TEP's capacity to bring together markets, finance and support structures for the benefit of tourism SMMEs through the building of strong cooperative relationships with most stakeholders in the South African tourism industry (NEWCO, 2004). In terms of TEP's original conception and funding as a job creation programme these positive results were achieved by selectively identifying those tourism SMMEs that had the potential to grow and targeting assistance to help overcome their constraints. To a large extent, therefore, the TEP programme overlooks the needs of South Africa's survivalist or marginal tourism entrepreneurs and rather focuses

exclusively upon those with real potential for business growth. It was stated that the potential of SMMEs was viewed as having two elements. The first is the own ideas, energy and entrepreneurship “without which the firm will have little chance of success, regardless of the size of opportunity open to it” (NEWCO, 2004: 21). The second relates to the ‘environment’ in which SMMEs operate in terms of both the sector of tourism and geographical location. The essential TEP philosophy has been that “Regardless of how entrepreneurial or hardworking an SMME is, if he (*sic.*) has chosen a tourism sector that is not in demand by the market, or if he is in a remote part of the country that few tourists visit, he will have minimal chance of success and TEP’s interventions will have little effect” (NEWCO, 2004: 21). Overall, it is emphasized that whilst “TEP will not refuse assistance to firms seeking its assistance, it will concentrate its efforts and after care on those firms with the greatest growth potential” (NEWCO, 2004: 21).

5. TEP PHASE 2

In consequence of the promising results shown by the first four years of TEP’s activities, a close and positive relationship was forged between TEP and the national Department of Environmental Affairs and Tourism (DEAT). In 2003 for the first time, direct funding support was provided by national government through DEAT into TEP’s programmes (Rogerson, 2004). With national government funding support, the activities of TEP were expanded to embrace a much large element of training as well as marketing assistance and increased business linkages. With the ending in 2004 of the first cycle of funding for TEP activities from the Business Trust, an increased amount of funding has been injected by national government into support of the work of TEP, which progressively has taken on the role of service agency for national government. Indeed, from 2003 TEP emerges as a joint public-private sector partnership for the support of job creation in tourism through the means of assisting tourism SMMEs. An agreement was reached between the Business Trust and DEAT to expand the programme “in a sustainable manner that retains the successful model developed over the last five years and extends its impact on job creation in a manner that is consistent with national objectives” (Business Trust, 2005: 10). The agreement was for a three year cycle of operations with an R80 million

programme jointly funded by Business Trust and DEAT (Tourism Enterprise Programme, 2005).

Within this second phase of TEP operations certain changes have taken place in its activities. At the core of TEP's operations, however, is catalyzing the expansion of commercially viable business transactions in search of long-term job creation. The organizational focus was to continue "to facilitate supply linkages between large and small firms, providing training, supporting market development, and undertaking other functions that will lead to the longer-term growth of enterprises and job creation in the tourism sector" (Business Trust, 2005: 10).

In phase two, the central activities of TEP are sixfold (NEWCO, 2004; Business Trust, 2006). First, is direct transaction facilitation and linkage with individual SMMEs. In terms of facilitation and linkage a new emphasis is upon assisting tourism clusters especially through developing local tourism business associations (Business Trust, 2006). Another sub-focus is facilitate greater levels of procurement for SMME clients from South Africa's largest companies as well as from departments of Government. Specific sub-sectors of tourism have been identified for targeting in terms of job creation and enterprise development including the craft sector, the MICE (meetings, incentives, conferences and events) sector, and cultural tourism (NEWCO, 2004). Second, is scaling up activities concerning market development in a way that TEP's role shifts firmly from simply facilitating specific transactions to that of a wider market development facilitator (NEWCO, 2004). Third, a more active and stronger role of TEP is to occur in terms of shaping the wider policy environment concerning tourism as well as coordinating industry stakeholders, thus making the operating and policy environment more conducive to SMME development. One major opportunity for TEP to influence the national goal of transformation as well as job creation is in terms of working with the private sector to implement the Tourism BEE Charter and Scorecard (Business Trust, 2005).

Four, TEP is charged with the responsibility of providing strategic advice and support to local communities and municipalities on tourism development in their areas of operation

(Business Trust, 2006). This new responsibility links to the importance of tourism as a strategy for local economic development in South Africa and of the lack of capacity of many South African local governments to plan appropriately for local tourism development. Five, TEP is expanding its operations by developing and implementing more specialized training courses and mentorships aimed at tourism SMMEs (Tourism Enterprise Programme, 2005). The training courses are set to dovetail with TEP's linkage work and thus to provide to SMME clients a more comprehensive package of support. Finally, specific mandate is given to TEP in terms of tourism planning for 'mega-events' that have been attracted to post-apartheid South Africa. Indeed, it is the role of the expanded TEP to support national and provincial agencies and government departments to expand opportunities for tourism enterprises presented by events such as the 2010 Soccer World Cup (Business Trust, 2006). TEP is leading a number of initiatives aimed at providing opportunities for incorporating SMMEs into the expanded tourism value chain linked to 2010 (Business Trust, 2007).

During 2006 TEP was restructured such that it is now managed by five service providers who together form Imbumba Tourism Services. Each of these agencies functions as a commercial venture whose success depends on profitable operation; four of the five are majority black-empowerment companies. The programme for tourism support is thus managed by entrepreneurs "with hands-on experience of transformation and business issues, and a direct knowledge of the areas in which the clients of the programme operate" (Business Trust, 2007: 16). The support process remains that after a client is registered on the TEP data base, a preliminary needs assessment is undertaken. The opportunities for business expansion are identified and support provided or procured. Typically, such support might involve improving access to:

- markets, mainly by creating linkages between emerging SMMEs and established firms that provide markets for goods or services;
- finance through established (ie *existing*) financial systems;
- skills (through the TEP training programmes); and

- technical support (for business plans or other support to enable SMMEs to undertake commercially successful transactions).

6. CONCLUSION

Looked at in the international context of tourism small firm development, the activities of South Africa's Tourism Enterprise Programme provide an interesting, if not significant case study, of an innovative approach to providing assistance for local small enterprises. Within the South African context, the role of TEP is increasingly important in terms of reshaping the tourism economy, particularly in terms of national government's goals of transformation and expanded job creation in tourism. TEP has been part of initiatives for ensuring a wider distribution of the benefits of growth in the South African tourism economy, of ensuring 'shared growth in tourism'.

For governments and tourism planners of developing countries there exist potential lessons of 'good practice' from the TEP experience which might be replicable in national tourism planning. For sub-Saharan Africa in particular, the TEP experience offers a number of lessons to assist struggling small enterprises in tourism and to bring them into the mainstream tourism economy.

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