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Strengthening Community Economic Self-Reliance through Entrepreneurship Development Based on Local Potential and Resources

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Abstract

Community economic self-reliance has become a central concern in development discourse as villages and urban neighborhoods across developing countries continue to depend heavily on external aid, seasonal wage labor, and volatile commodity markets. This article examines how entrepreneurship development grounded in local potential and resources can strengthen community economic self-reliance in a sustainable and replicable manner. Using a qualitative conceptual-analytical approach that synthesizes twenty-five recent studies on local-potential-based entrepreneurship, asset-based community development, and social entrepreneurship, this article constructs an integrative framework linking four pillars: local resource identification, entrepreneurial capacity building, institutional and cooperative support, and market access. The analysis finds that community economic self-reliance emerges most strongly when entrepreneurship initiatives are anchored in place-specific assets—agricultural produce, coastal resources, cultural heritage, and local wisdom—rather than imported business models. The article further identifies a novelty gap in existing literature: most studies treat local potential, entrepreneurial training, and institutional support as separate interventions rather than as an integrated, mutually reinforcing system. This article proposes a Local Potential-Based Entrepreneurship Self-Reliance (LPBES) model that addresses this gap. Findings offer practical implications for community facilitators, cooperative managers, and policymakers seeking to design entrepreneurship programs that convert local endowments into durable economic independence rather than temporary income gains.

Keywords: community economic self-reliance; local potential; entrepreneurship development; asset-based community development; cooperative institutions

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1. Introduction

Economic self-reliance at the community level refers to the capacity of a village, neighborhood, or local society to generate, circulate, and sustain its own income streams without permanent dependence on external subsidies, remittances, or centralized redistribution. In many developing regions, and particularly across rural and peri-urban Indonesia, this capacity remains fragile. Village economies are frequently characterized by seasonal agricultural income, out-migration of working-age residents to urban centers, and a narrow productive base concentrated in raw commodity extraction rather than value-added production. When external shocks occur commodity price collapses, climate disruptions, or reductions in government transfer programs these communities experience disproportionate hardship because their economic architecture was never designed for resilience in the first place. Entrepreneurship development grounded in local potential and resources has increasingly been proposed as a corrective pathway, one that converts underutilized local assets into diversified, community-owned income streams rather than relying on assistance that arrives, and eventually departs, from outside.

The premise that local potential should anchor entrepreneurship is not new. Development scholars have long argued that sustainable economic transformation must build outward from existing community assets land, culture, skills, and social networks rather than importing standardized business templates that ignore local context. This logic underlies asset-based community development (ABCD) approaches, which begin from an inventory of what a community already possesses rather than a catalogue of its deficiencies. It also underlies the broader literature on local wisdom-based entrepreneurship, which recognizes that communities accumulate generations of practical knowledge about their environment, materials, and social organization, and that this knowledge constitutes a genuine competitive resource rather than a constraint to be modernized away. Coastal communities know how to process marine products; agrarian communities understand crop cycles and soil variation; communities near cultural or religious sites possess heritage assets that can be converted into tourism and creative economy value chains. Entrepreneurship built on these foundations tends to be more resilient because it draws on knowledge and materials the community already controls, rather than capital, technology, or expertise that must be imported and maintained by outsiders.

At the same time, the practical evidence base on how such entrepreneurship actually strengthens community-level economic self-reliance remains fragmented. Existing empirical and applied studies tend to cluster around three separate strands. The first strand documents local potential itself cataloguing the natural, cultural, and human resources available in a given village or region, often as a precursor to policy planning, but frequently stopping short of showing how that potential is converted into functioning enterprises. The second strand documents entrepreneurship training and mentoring interventions skills workshops, business plan coaching, and small-capital assistance delivered through community service or extension programs without systematically tracing whether these interventions actually alter the community's aggregate economic dependency over time. The third strand examines institutional and cooperative structures, including village-owned enterprises, cooperatives, and religious or civic institutions such as mosques that mobilize community economic activity, but often treats institutional design as a standalone variable disconnected from the underlying resource base or the entrepreneurial capacity of individual community members. Each strand produces valuable but partial insight; none, on its own, adequately explains how local potential, human capacity, institutional support, and market access interact to produce durable self-reliance.

This fragmentation matters because it leaves practitioners and policymakers without an integrated model to guide program design. A village facilitator equipped only with a resource inventory may correctly identify that a coastal community possesses abundant seaweed or fish stock, yet lack any framework for converting that inventory into functioning entrepreneurial ventures. A cooperative manager who has secured institutional legality and access to credit may still watch member businesses fail because the underlying entrepreneurial capacity or product-market fit was never adequately developed. A community trainer who successfully builds entrepreneurial skills among youth participants may see those skills dissipate if no institutional mechanism exists to aggregate production, negotiate with buyers, or reinvest profits locally. In short, single-variable interventions resource mapping alone, training alone, or institution-building alone tend to produce isolated pockets of activity rather than a self-sustaining local economy.

This article addresses that gap by proposing an integrative reading of the existing literature. Drawing on twenty-five recent studies spanning local potential-based community empowerment, asset-based community development, social and community entrepreneurship, cooperative-based village economic frameworks, and sector-specific cases in coastal, agrarian, tourism, and religious-institutional settings, this article synthesizes a four-pillar model local resource identification, entrepreneurial capacity building, institutional and cooperative support, and market access and argues that community economic self-reliance emerges only when these four pillars operate together rather than in isolation. This is the central novelty of the present analysis: rather than treating local potential, entrepreneurial training, and institutional support as parallel but separate interventions, as much of the existing literature implicitly does, this article positions them as interdependent components of a single system, in which weakness in any one pillar constrains the returns available from the other three. A community with rich local potential but no entrepreneurial capacity will underutilize its resources; a community with strong entrepreneurial training but no institutional aggregation mechanism will struggle to scale beyond individual household income; and a community with strong institutions but limited market access will accumulate unsold inventory rather than circulating income. The proposed Local Potential-Based Entrepreneurship Self-Reliance (LPBES) model, developed in the subsequent sections of this article, makes these interdependencies explicit and offers a structure that development practitioners can use both diagnostically, to identify which pillar is the binding constraint in a given community, and prescriptively, to sequence interventions accordingly.

The urgency of this integrated perspective is reinforced by broader shifts in the global entrepreneurship literature, where scholars have increasingly reframed entrepreneurship not merely as an individual pursuit of profit but as a collective mechanism for building resilience against economic shocks. Recent cross-country evidence suggests that regions with diversified, locally rooted entrepreneurial ecosystems recover more quickly from downturns than regions whose economies depend on a small number of externally controlled industries, precisely because local ownership keeps decision-making, reinvestment, and innovation embedded within the community rather than subject to decisions made elsewhere. This resilience dimension adds a further layer to the case for local potential-based entrepreneurship: it is not only a route to initial income generation but also a form of economic insurance, reducing a community's exposure to disruptions that originate outside its control. Community enterprises, cooperatives, and locally owned micro and small businesses tend to reinvest a higher share of their earnings within the local economy compared to externally owned operations, generating multiplier effects that further reinforce self-reliance over time. Understanding entrepreneurship development in these terms as an integrated system of resource identification, capacity building, institutional support, and market access rather than a set of disconnected activities therefore carries implications that extend beyond any single village or program, speaking to a wider global conversation about how local economies can be structured to withstand and adapt to an increasingly volatile economic environment.

Beyond its conceptual contribution, this article also carries a practical rationale for the Indonesian development context specifically, where village-level programs frequently allocate significant resources to isolated training events or one-off resource inventories without a mechanism for converting either into lasting economic architecture. Village funds, corporate social responsibility programs, and community service initiatives sponsored by universities and religious institutions represent substantial annual investment in community economic development; the return on that investment depends heavily on whether interventions are designed as integrated systems or scattered activities. By synthesizing recent evidence into a coherent framework, this article aims to inform how such investments might be more deliberately sequenced and structured, so that entrepreneurship development genuinely

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converts local potential into durable community economic self-reliance rather than temporary, externally dependent income gains. The remainder of this article proceeds as follows: the second section describes the qualitative conceptual-analytical method used to synthesize the reviewed literature into the proposed model; the third section presents the resulting findings and discusses each pillar of the model in relation to the reviewed studies, supported by a comparative table of local-potential sectors and their associated entrepreneurial strategies; and the final section concludes with implications for practice and directions for future empirical validation of the model

2. Method

This article employs a qualitative conceptual-analytical method based on a systematic synthesis of recent literature on local potential-based entrepreneurship and community economic self-reliance. Rather than collecting new primary data, the study follows an integrative literature review design, which is appropriate for building conceptual frameworks from a heterogeneous but thematically related body of prior research. The process consisted of four stages: (1) literature identification and screening, (2) thematic coding, (3) cross-study synthesis, and (4) model construction and validation against the reviewed evidence.

In the identification stage, twenty-five sources published primarily between 2017 and 2026 were selected, comprising peer-reviewed journal articles and community-service reports indexed through academic databases and search platforms, supplemented by targeted searches for internationally indexed studies with active digital object identifiers (DOIs). Inclusion criteria required that each source substantively address at least one of the following themes: local potential or local wisdom as an economic resource, entrepreneurship training or capacity-building interventions at the community level, cooperative or institutional structures supporting community enterprise, or empirical case studies of community economic empowerment linked to local resources. Sources that addressed entrepreneurship in purely individual or corporate contexts, without a community or place-based dimension, were excluded.

In the thematic coding stage, each source was read in full and coded against four provisional categories derived from the research questions: local resource identification, entrepreneurial capacity building, institutional and cooperative support, and market access. Coding was conducted iteratively; where a source addressed more than one category, it was coded under each relevant category to preserve its full contribution to the synthesis. This produced a coding matrix cross-referencing all twenty-five sources against the four categories, which served as the raw material for the subsequent synthesis stage.

In the cross-study synthesis stage, patterns, convergences, and contradictions across the coded sources were analyzed within and across categories. Particular attention was paid to cases in which studies described interventions that combined more than one category for example, programs that paired resource inventories with entrepreneurship training, or cooperative structures that simultaneously handled market aggregation and capacity building since these cases offered the clearest empirical basis for identifying interdependencies between pillars. This comparative analysis is summarized in the results section through a structured table contrasting local-potential sectors, their associated entrepreneurial strategies, and the community economic outcomes reported in the literature.

In the final stage, the four coded categories were formalized into the Local Potential-Based Entrepreneurship Self-Reliance (LPBES) model, depicted in Figure 1.

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The model was iteratively checked against the reviewed literature to confirm that each proposed pathway and interdependency was traceable to at least two independent sources, providing a form of triangulation appropriate to qualitative conceptual synthesis. Figure 1 illustrates the model's structure: local resource identification and entrepreneurial capacity building jointly feed into institutional and cooperative support, which in turn connects the community to market access; a feedback loop from market access back to local resource identification represents the reinvestment and iterative learning that sustains self-reliance over time rather than treating it as a one-time outcome.

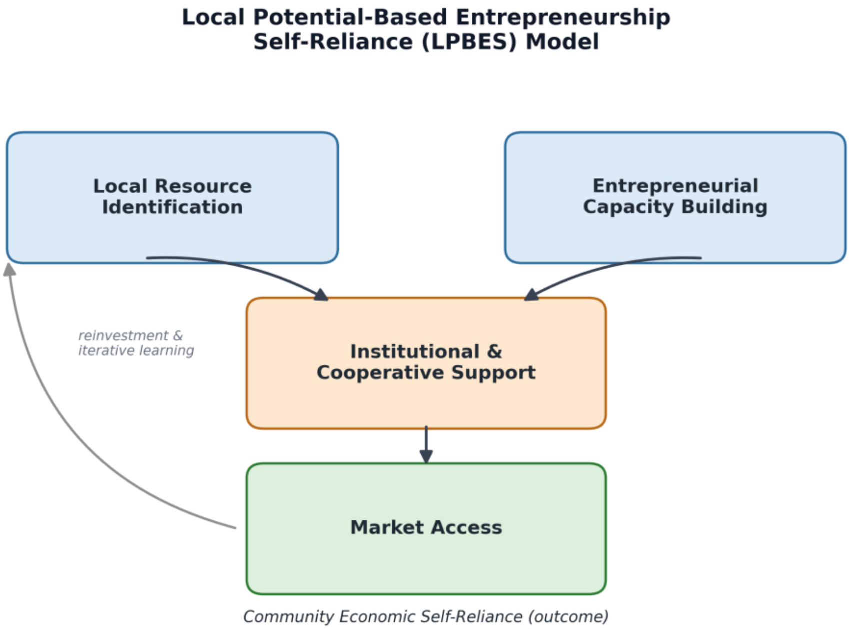

Figure 1. The Local Potential-Based Entrepreneurship Self-Reliance (LPBES) Model.

3. Results and Discussion

The concept of vicarious religion was developed by Grace Davie to explain the religious The synthesis of the twenty-five reviewed sources confirms that entrepreneurship grounded in local potential consistently produces stronger and more durable community economic outcomes than entrepreneurship models transplanted from external templates, but only when the four pillars of the proposed LPBES model local resource identification, entrepreneurial capacity building, institutional and cooperative support, and market access operate in combination rather than isolation. This section presents the findings organized around each pillar, followed by a comparative table summarizing how different local-potential sectors translate into entrepreneurial strategies and reported community outcomes, and closes with a discussion of the interdependencies that constitute the article's central novelty.

Local resource identification emerged across the reviewed studies as the necessary starting point, but rarely a sufficient one on its own. Studies examining local genius and local wisdom in community empowerment describe how communities that systematically inventory their natural, cultural, and human assets are better positioned to design entrepreneurship programs that fit local conditions rather than programs borrowed wholesale from urban or foreign contexts. Village-level studies on coastal and agrarian settings similarly show that entrepreneurship strategies anchored in place-specific resources seaweed processing, fisheries by-products, coconut derivatives, or traditional food ingredients achieve higher levels of community participation than generic microenterprise schemes, because residents already possess tacit knowledge of the resource base and do not need to be trained in an entirely unfamiliar production process. However, several community-service reports also note a recurring limitation: resource inventories conducted in isolation, without a corresponding capacity-building or institutional component, tend to remain descriptive documents rather than active drivers of enterprise creation. In other words, knowing what a community has does not automatically translate into knowing what to do with it, which is precisely where the second pillar becomes relevant.

Entrepreneurial capacity building constitutes the second pillar, and the reviewed literature is particularly rich in this area, spanning training programs in family welfare groups, youth empowerment initiatives, and small-capital business mentoring in village settings. These studies consistently report short-term gains in participants' business knowledge, product development skills, and confidence to initiate small enterprises. Training programs that pair technical skills, such as food processing or handicraft production, with basic business management pricing, simple bookkeeping, and packaging show stronger participant retention than programs offering technical skills alone. At the same time, several studies flag a durability problem: capacity gains measured immediately after a training intervention frequently do not persist into sustained entrepreneurial activity six months or a year later, particularly where participants lack ongoing access to capital, raw materials, or buyers once the sponsoring program concludes. This finding reinforces the logic of the LPBES model: capacity building generates the human capital necessary for entrepreneurship, but without institutional scaffolding to sustain it, the resulting ventures remain vulnerable to collapse once external facilitation withdraws.

Institutional and cooperative support forms the third pillar and appears in the literature as the mechanism that most directly determines whether individual or household-level entrepreneurial activity aggregates into community-level economic self-reliance. Studies of village-owned enterprises, cooperatives, and mosque-based economic empowerment programs describe institutions performing several linked functions: pooling capital among members, providing shared processing or storage facilities that individual households could not afford alone, negotiating collectively with buyers or distributors, and reinvesting a portion of profits into further community development. Religious and civic institutions in particular appear in several studies as trusted intermediaries capable of mobilizing community participation more effectively than external development agencies, because they already hold social legitimacy and repeated contact with residents. Cooperative-based frameworks documented in the Indonesian village context show that when local governance structures formalize entrepreneurial activity registering it under a cooperative or village enterprise, however small participants gain access to formal credit and government support programs that remain closed to informal individual ventures. However, the literature also cautions that institutions built primarily around administrative or legal formalization, without a genuine base of entrepreneurial activity and local resources to manage, tend toward stagnation; formal structure alone does not generate income if there is no underlying productive capacity to organize.

Market access constitutes the fourth pillar and the point at which several reviewed studies report the most persistent bottleneck. Communities that succeed in identifying local resources, building entrepreneurial capacity, and establishing cooperative

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institutions still frequently struggle to move beyond hyper-local or single-buyer markets. Coastal and rural entrepreneurship studies describe products of genuinely competitive quality that nonetheless fail to scale because producers lack consistent transportation infrastructure, digital marketing capability, or standardized packaging required by larger retail or export buyers. Several more recent studies, particularly those published from 2025 onward, note the growing role of digital platforms and social media in narrowing this gap, allowing small community enterprises to reach buyers beyond their immediate geographic area without the capital investment that physical retail expansion would require. Even so, digital market access remains unevenly distributed: communities with limited internet infrastructure or digital literacy training continue to rely on intermediary traders who capture a disproportionate share of the value added, undermining the income gains that entrepreneurship development is meant to secure.

Table 1 synthesizes these findings across the sectoral contexts most represented in the reviewed literature, illustrating how local-potential type, entrepreneurial strategy, and reported community outcome vary by setting while consistently reflecting the same four-pillar logic.

Sector / Context	**Local Potential**	**Entrepreneurial Strategy**	**Institutional Mechanism**	**Reported Community Outcome**
Coastal / fishing villages	Fisheries by-products, seaweed, coastal ecotourism sites	Processing of marine products; cultural entrepreneurship tied to fishing heritage; ecotourism packages	Fisher cooperatives; community ecotourism groups	Diversified income beyond raw catch sales; higher household earnings during off-season
Agrarian / smallholder villages	Crops, livestock, agro-processing byproducts, local food ingredients	Food processing (e.g., chips, snacks) and packaging; farmer group aggregation	Farmer groups; village-owned enterprises (BUMDes)	Increased value-added income; reduced dependence on raw commodity price fluctuation
Cultural-heritage / tourism villages	Traditional craft, local wisdom, heritage sites, indigenous knowledge	Creative-economy product development; homestay and tour-guiding services	Tourism village management bodies; creative-economy collectives	New employment for youth and women; strengthened cultural identity alongside income
Religious-institutional communities	Congregational assets, waqf land,	Micro-enterprise incubation through religious	Mosque economic units; Islamic	Higher participation trust; funds

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s (mosque-based)	communal trust networks	institutions; Sharia-compliant financing	cooperatives (BMT)	channeled into local business capital
Family welfare & youth groups	Household labor, domestic skills, small capital pooling	Skills training in handicrafts and food products; small-capital business mentoring	Family welfare associations (PKK); youth entrepreneurship groups	Expanded income sources for women and youth; more equitable income distribution
Digital / commons-based community enterprise	Shared digital platforms, collective online market presence	Social-media marketing; e-commerce aggregation of member products	Digital cooperatives; commons-based enterprise platforms	Wider market reach beyond local geography; reduced dependence on intermediary traders

The comparative pattern in Table 1 illustrates a consistent structure across otherwise diverse settings: coastal, agrarian, cultural-heritage, religious-institutional, and creative-economy communities each draw on a different resource base and require a different entrepreneurial strategy, yet the studies reporting the strongest and most sustained community economic outcomes are, almost without exception, those in which resource identification, training, institutional aggregation, and market linkage appear together within a single program rather than as sequential, disconnected phases. This cross-sectoral consistency is the strongest evidence in support of the article's central argument: community economic self-reliance is not a simple function of how rich a community's local potential is, nor of how well-trained its entrepreneurs are, nor of how well-organized its institutions are, nor of how accessible its markets are, but of how tightly these four elements are integrated into a single reinforcing system.

This integrative reading also clarifies why isolated interventions so often underperform relative to their apparent potential, a pattern visible across multiple studies in the reviewed set. A resource inventory without capacity building leaves potential unconverted into enterprise. Capacity building without institutional aggregation leaves individual ventures fragile and unable to achieve economies of scale in purchasing, processing, or negotiation. Institutional formalization without a productive resource and skill base leaves cooperatives administratively legitimate but economically inactive. And even a well-resourced, well-trained, well-organized community can fail to achieve self-reliance if it cannot reach buyers willing to pay a fair price for its output. The feedback loop depicted in Figure 1 reinvestment and iterative learning flowing from market access back to local resource identification represents a further finding from the synthesis: in the studies reporting the most durable outcomes, income generated through market access was partly reinvested into further resource development, additional training cohorts, or expanded institutional capacity, creating a

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self-reinforcing cycle rather than a one-time intervention. This reinvestment dynamic is what ultimately distinguishes genuine community economic self-reliance from temporary income improvement; the latter dissipates once external facilitation ends, while the former continues to compound because the community itself has internalized the mechanism for converting local potential into economic value.

A further pattern worth highlighting concerns the differential role of external facilitators universities, government extension programs, non-governmental organizations, and corporate social responsibility initiatives across the reviewed studies. Where external facilitators positioned themselves as temporary catalysts, transferring skills and institutional templates while deliberately handing over ownership and decision-making to community members within a defined timeframe, the resulting enterprises showed greater persistence after the facilitator's exit. Conversely, where facilitators remained the de facto managers of community enterprises throughout the program period, community members reported lower ownership of the outcomes and higher likelihood of disengagement once external support ended. This distinction matters for the institutional pillar specifically: cooperative and village-enterprise structures that were designed and governed by community members themselves, even with initial facilitation, proved more durable than structures imposed and administered externally. Several studies frame this as a matter of subsidiarity decisions should rest at the most local level capable of making them competently and the reviewed evidence broadly supports this principle as a design criterion for institutional support within the LPBES model.

The reviewed literature also points to gender and youth participation as cross-cutting factors that shape outcomes within each pillar, though they are rarely treated as a distinct pillar in their own right. Programs targeting family welfare groups and youth cohorts specifically report that entrepreneurial capacity building achieves broader community-level impact when it deliberately includes women and young people, who in many of the reviewed village contexts represent an underutilized labor pool with fewer competing income opportunities than working-age men, who more often migrate for wage labor. Where cooperative institutions created explicit roles for women in production, quality control, or financial management, several studies report more equitable distribution of the income generated, extending the self-reliance outcome across a larger share of the community rather than concentrating gains among a small group of early adopters. This finding suggests that inclusive participation should be treated as a design consideration embedded within each pillar of the LPBES model rather than as an separate, optional add-on to entrepreneurship programming.

Digital transformation represents a second cross-cutting theme that intensified markedly among the most recently published sources in the reviewed set. Studies from 2025 and 2026 describe community enterprises adopting social-media-based marketing, simple e-commerce listings, and digital payment systems at a pace that earlier studies in the sample, published before 2023, do not yet reflect. This shift appears to be reshaping the market access pillar in particular, lowering the capital threshold required to reach buyers beyond the immediate locality and reducing dependence on intermediary traders in cases where digital literacy training accompanies the technology itself. However, the same recent studies caution that digital access alone does not resolve market bottlenecks where logistics infrastructure, such as reliable shipping or cold-chain transport for perishable goods, remains underdeveloped, indicating that market access should be understood as a combination of digital reach and physical fulfillment capacity rather than either dimension alone.

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Taken together, these findings support the article's novelty claim: existing literature has substantially documented each of the four pillars individually, but has rarely made explicit the conditional relationships between them, namely that the marginal return to strengthening any single pillar depends on the state of the other three. This has direct practical implications, discussed further in the concluding section, for how development practitioners, cooperative managers, and policymakers might diagnose which pillar constitutes the binding constraint in a given community before allocating scarce program resources, rather than defaulting to whichever intervention type training, institution-building, or resource mapping happens to be most familiar or most readily fundable

4. Conclusions and Suggestions

This article set out to examine how entrepreneurship development grounded in local potential and resources can strengthen community economic self-reliance, and to address a gap in the existing literature, which has tended to treat local resource identification, entrepreneurial capacity building, institutional and cooperative support, and market access as separate rather than interdependent interventions. Through a qualitative conceptual-analytical synthesis of twenty-five recent studies, this article has proposed the Local Potential-Based Entrepreneurship Self-Reliance (LPBES) model, which positions these four pillars as a single reinforcing system rather than as parallel tracks of development activity. The findings show that community economic self-reliance is most durable where local assets are consciously converted into entrepreneurial capacity, where that capacity is aggregated and sustained through community-governed institutions, and where the resulting products or services reach markets that pay fair value, with income partly reinvested to sustain the cycle.

For practitioners, cooperative managers, and policymakers, the model offers a diagnostic tool: before designing or funding a new intervention, program designers can assess which of the four pillars represents the binding constraint in a given community, rather than defaulting to the intervention type that is most familiar or most easily financed. A community rich in local potential but lacking entrepreneurial skills needs training before further resource mapping; a community with trained entrepreneurs but no aggregation mechanism needs cooperative development before additional individual coaching; and a well-organized, well-trained community that cannot reach viable markets needs investment in logistics and digital market linkages rather than further internal capacity building. Embedding inclusive participation, particularly of women and youth, and treating external facilitation as a temporary catalyst rather than a permanent management function, further improve the likelihood that gains persist after formal program support ends.

This study is not without limitations. As a qualitative synthesis of secondary literature rather than a primary empirical study, the LPBES model has been triangulated against the reviewed sources but has not yet been tested through direct field measurement of community-level economic indicators before and after coordinated four-pillar interventions. Future research should therefore prioritize longitudinal, mixed-methods validation of the model in specific community settings, tracking household income, enterprise survival rates, and institutional performance over multi-year periods to determine the model's predictive and prescriptive value under real program conditions. Comparative studies across different local-potential sectors coastal, agrarian, cultural-heritage, and digital-creative economies would further clarify whether the relative weight of each pillar shifts systematically by sector, offering more precise guidance for resource allocation in future community entrepreneurship programs aimed at building genuine, lasting economic self-reliance.

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