Identifying economic opportunities

Community economic analysis and the leaky bucket

One of the challenges of using an ABCD approach is how to engage community members in an ongoing process of identifying and mobilizing local assets for community economic development. One popular education technique, known as the “Leaky Bucket,” is a useful tool for demystifying community economics for people. It also provides a useful framework for identifying the various categories of community assets and the possible economic opportunities for linking some of these assets together. One way to help community members better understand the dynamic of their local economy is through some basic community economic analysis. This process can begin by asking people to imagine the community economy as a leaky bucket with money and goods flowing into the top as well as spilling out the sides and bottom.

Figure 20: The basic “Leaky Bucket”

Using the leaky bucket as a tool can help people visualise the local economy and imagine ways to 1) increase INFLOWS, 2) decrease LEAKS and, 3) increase economic CIRCULATION of money within the community.

- As you can see in the above diagram of a leaky bucket for a typical rural community, Grants, Wages, Salaries, Cash Loans are INFLOWS. The sizes of the arrows represent the amount of money flowing into the community from each source. Grants and Wages are generating the most income. Loans are generating the least.

- There are holes at the bottom of the bucket showing how money is leaving the community. Food, Clothing, Medical Expenses, Daily Commodities, Luxuries, and Transport Costs have been identified as LEAKS. The community is losing a lot of money to Food and Daily Commodities.

- There are also three main types of actors within the community. These are Households, Local Government and Local Businesses. The arrows connecting each of these indicate how money flows (or circulates) between these economic actors.
While creating the Leaky Bucket diagram, the community members may notice certain opportunities for economic development. For example, in this case, they may decide to start a small scale retail operation that sells daily commodities so that they can buy them locally (for example, a local market). This would keep money in the community that is currently spent elsewhere. There are also opportunities to increase inflows, such as adding value to the products they produce. If, for example, the community members are currently selling whole grains like wheat, they may be able to add value to the product by milling it and selling it as flour. If they can make more money selling flour than selling whole grains, they have added value and will bring more money into the community.

**NOTE:** As community members learn more about the local economy and become more comfortable with this tool, it may be useful to add an additional level of detail to help them in their planning. Though not illustrated here, this can be accomplished by asking people to quantify exactly where money flows into and out of the community. By categorising, estimating and aggregating household income and expenditure, community members are able to calculate for themselves the overall impact of their household consumption patterns and purchasing decisions. This enhanced level of detail generates quite an accurate market analysis that helps the community identify the economic value of opportunities in the local economy.

For example, they will be able to see exactly how collective saving schemes such as informal savings associations (for example, in South Africa, these are called *stokvels*) are generally used to mobilise funds for consumption. For example, *stokvels* often buy goods in bulk from outside the community (e.g. fruits and vegetables from the store in the neighboring town) resulting in an outflow of money. Community members can see how to turn *stokvels* into investment vehicles. The Leaky Bucket exercise may lead to the decision to buy seeds, fertilizer and farming implements for a community cooperative garden that provides paid jobs to the locally unemployed and supplies the community with food at a lower cost than buying from town.