



FACT SHEET

THE FLOW OF MONEY

DEFINITIONS TO HELP WITH UNDERSTANDING THE FLOWS OF MONEY IN YOUR COMMUNITY

- **The economy** is the way in which goods and services are produced and consumed, and resources are managed in a community (local economy), a country (national economy), a region, such as East Africa (regional economy), or the world (global economy). The flows of money in your community are shaped by the economy.
- Local, national, regional and global economies are all connected. What happens in one area of the economy may affect all the others. For example, if an international supermarket chain opens a branch in a local community the local economy may be affected if people spend less of their money on locally produced goods sold in small local shops and markets. Or a sharp rise in production of cashew nuts in a foreign country might affect prices and demand for locally grown cashew nuts.
- Money is an important resource in a community, and the flows of money have a powerful effect on the wellbeing of a community. Some people may benefit more than others from how money flows in a local economy.
- There are two sides to the economy - **the formal economy** and the **informal economy**:
 - The formal economy refers to all the businesses and jobs that are regulated by the government. For example, enterprises that are legally registered are part of the formal economy, as are many of the jobs provided by these formal enterprises, which may come with legal protections and benefits, such as pensions, sick leave and health insurance (DESA Working Paper, 2007).
 - The informal economy refers to all of the ways that people produce goods and services, and earn money, outside of the formal, regulated environment. Workers in the informal economy include small business owners and entrepreneurs, the self-employed, casual or day labourers, market traders, agricultural workers and people who perform unpaid labour, such as cooking, cleaning and rearing children in a household. While education and job training programs are often focused on helping young people find formal jobs, the informal sector in fact offers easier access and a greater number of opportunities for participating in the local economy (Invisible Lives).
- The formal and informal economies may seem to be separate, but they depend heavily on one another (DESA Working Paper, 2007). For example, a formal construction business or factory may hire informal workers and businesses to provide piece work or particular services. Meanwhile, unpaid domestic, household and agricultural labour, performed usually by women, may enable other family members to seek paid employment (DESA Working Paper, 2007).
- **The value chain** is a series of steps through which a commodity, product or service is developed from an idea into a finished product that is marketed to customers. A simple value chain has four basic steps: 1) product design, 2) production, 3) marketing and 4) consumption, disposal and recycling. A value chain for maize, for example, involves 1) securing land, seeds and inputs for production; 2) planting, growing and harvesting the maize; 3) selling and transporting the maize; and 4) consuming the maize. But value chains can become far more complex, particularly if they involve different production cycles and sourcing relationships. A value chain for the production of wooden furniture, for example, brings together such complex activities as forestry, milling, construction, manufacturing, wholesale, retail and export (Value Chain Handbook).
- Each step of the value chain provides opportunities for employment, and one value chain may feed into the development of other

value chains. For example, maize is bought by a customer who then processes it into flour that can then be used in products, such as bread. This generates new value chains.

- **An 'agripreneur'** is an entrepreneur who creates value through developing new business opportunities in the agricultural value chain (Invisible Lives).
- **The value of money** is determined by demand for it, just like the value of goods and services. The value of money affects you every day at the market. Producers know you have to buy food every week. It's not always possible to delay purchases when the price rises. Producers will pass on any of their extra costs this way.
- **Inflation** is when the value of money steadily declines over time. Once people expect that prices will rise, they are more likely to buy now, before prices go higher. That increases demand, which tells producers they can safely pass on more costs.
- **Deflation** is when the value of money increases, meaning that goods and services cost less. This sounds like a good thing, but actually it can make everyone poorer, because it means that land, livestock and other assets lose some of their value. If everyone pays less for their food, clothing and shelter, it also often means that there is less money available in the local economy for investing in businesses, creating jobs and paying wages.
- **A remittance** is a transfer of money from one person to another. For example, if a family member finds a job in the city, she may send money from her earnings to help support the family back in the village. In areas with low employment opportunities, remittances from outside the community may make an important contribution to the local flows of money.

DID YOU KNOW?

THE INFORMAL ECONOMY IN TANZANIA MAKES UP ABOUT **34%** OF THE NATIONAL ECONOMY OVERALL

67% OF THE TANZANIAN WORKFORCE IS EMPLOYED IN AGRICULTURE

THERE ARE AT LEAST 17,000 MOBILE MONEY OPERATORS SPREAD ACROSS TANZANIA, IN SHOPS, BANK BRANCHES, POST OFFICES AND BUS STANDS.



IN TANZANIA, WOMEN PROVIDE **80% OF UNPAID LABOUR** ON FAMILY FARMS



The proliferation of savings groups in Tanzania has brought down the percentage of financially **excluded youth from 48% to 33% between 2013 and 2017.**

MORE THAN 4 MILLION TANZANIANS ARE BELIEVED TO PARTICIPATE IN SAVINGS GROUPS, GENERATING MORE THAN 400 BN TSH PER ANNUM.

(CARE)

DID YOU KNOW?

Financial inclusion has yet to reach the most vulnerable smallholders in a meaningful way. There remain segments of smallholder households in Tanzania that struggle day-to-day, rely on their agricultural output for sustenance, lack financial service tools, even informal ones, and stand to gain a great deal from access to even basic financial mechanisms.

(CGAP)

A STUDY OF A SMALL CITY IN THE UNITED KINGDOM FOUND THAT IF EVERY RESIDENT SPENT JUST 1% MORE OF THEIR MONEY IN THE LOCAL ECONOMY, ON LOCAL GOODS AND SERVICES, IT WOULD INJECT £52 MILLION OF SPENDING A YEAR INTO THE LOCAL ECONOMY.

MORE THAN 17 MILLION TANZANIANS REMAIN FINANCIALLY EXCLUDED. THE MAJORITY ARE YOUNG WOMEN LIVING IN RURAL AREAS.



(CARE)

THE FORMAL AND INFORMAL FLOWS OF MONEY

- Money flows in different ways in formal and informal economies. The formal economy tends to be made up of larger businesses, which often have fewer and poorer links to local communities and local economies. Small businesses have better links.

(Plugging the Leaks).

- Tanzanian women still frequently face discrimination from formal employers. Women are a third more likely than men to be unemployed, and are also more likely than men to be employed in low paid or unpaid work in the informal economy.
- Opportunities for women and men in the informal sector often have vastly different

earning potential. Opportunities with higher earning potential, such as small business ownership, favour men, while the majority of unpaid household and agricultural labour is performed by women.

(Rethinking the Informal Economy, TZ Ministry)

- The rise of mobile money is affecting how money flows in communities across Tanzania. While mobile money has increased financial inclusion and expanded access to financial services to the informal sector, the majority of all mobile money transactions are for remittances among family members.

(Intermedia)

SEEING THE LOCAL ECONOMY AS A BUCKET

The “leaky bucket” is one way of thinking about how money flows in your community. If your local economy were a bucket, how much money flows into the bucket through remittances and the money people earn locally?

The goal of the leaky bucket idea is to understand what happens to the money that flows into your community - whether this money stays and circulates in the community, as different people in the community buy goods and services from one another, or whether it leaks out of the bucket and flows somewhere else.

Let’s consider two examples of how people’s spending can influence whether money stays in the local economy or leaks out:

- *Fahima sells 20 kilos of coffee beans and earns TSH 240,000. Of this, she spends TSH 10,000 taking a daladala to the new mall outside of town, where she spends TSH 50,000 on oil and rice imported from Thailand. She hands over TSH 100,000 to her savings group to put towards her daughter’s school fees; spends TSH 20,000 on vegetables at the local market; and has*

TSH 60,000 left over to invest in preparing her family’s farm for the next growing season. How much of Fahima’s spending stays in the local economy, and how much of it leaks away?

- *Laetitia has a small business selling mandazi at the local market. She has lost business since the mall opened with fast food, but is able to supplement her earnings of TSH*

- 180,000 by a further TSH 60,000 with casual work in a local shop. Of the TSH 240,000 she has, she spends TSH 100,000 buying food and other essentials from other market vendors; she spends a further TSH 30,000 paying for wheat flour to be ground at the local mill to prepare

her mandazi; she sends TSH 100,000 to her sister, who was recently widowed, using her mobile money account; and she saves the last TSH 30,000. How much of Laetitia's spending stays in the local economy and how much of it leaks away?

SUPPORTING THE LOCAL ECONOMY: A FULL BUCKET VS. A LEAKY BUCKET

Keeping the flow of money in the local community, like buying food at the market instead of at the mall, can help the local economy. Imported goods, or goods sold at the mall, might be cheaper, but can hurt everyone in the long run (Plugging the Leaks).

Let's consider two different examples to see how this works:

- **The full bucket:** A baker buys two sacks of flour from the local mill. With the money he earns from selling the flour, the mill owner buys vegetables at the local market. The woman selling the vegetables uses that money to buy mandazi from another woman who cooks at the market. With that money, the woman who cooks mandazi can finally afford the new dress she has been saving for, so she goes to visit the local seamstress. The seamstress puts her earnings from the dress towards paying her daughter's school fees. In this example, the flow of money within the community has added value to everyone's life.
- **The leaky bucket:** A baker goes to the shop to buy flour, and notices that there is a new brand of imported flour that costs

half as much as the flour that he usually buys from the local mill. He decides to buy the imported flour and save money. The shop owner decides to use the money from the sale of the flour to visit the new mall and buy a new phone. She has to decide on whether to spend her savings on a new phone or a new dress. The new phone she wants is on a special offer this month, and now she can finally afford it. The seamstress is struggling to find work, so she plans to save money by getting the new cheaper fabric made in a factory far away. In this example, although everybody saved money in purchases, all of the money they spent has left the community, making the community poorer in the long run.

RESOURCES

- https://www.ted.com/talks/niti_bhan_the_hidden_opportunities_of_the_informal_economy
- https://www.ted.com/talks/ngozi_okonjo_oweala_how_africa_can_keep_rising
- <http://www.uncdf.org/article/2700/rfa-enhancing-livelihoods-through-savings-groups-in-tanzania>
- http://www.mcdgc.go.tz/index.php/publications/more/gender_and_economic_growth_in_tanzania_creating_opportunities_for_women/

GET THE FACTS! BUST THE MYTH!

MYTHS	FACTS
Supermarkets and shopping malls are a sign of progress and often offer better value with cheaper prices.	While large shops can sometimes offer goods at cheaper prices than locally-owned businesses, the money people spend in big businesses is more likely to leave the local economy, making everyone poorer over time.
The informal economy is the black market and doesn't contribute to development	The informal economy is how most people participate in the local economy, and offers potential for entrepreneurship and small business creation at every step of the value chain. Much unpaid work takes place in the informal economy, such as child care, which contributes to the overall wellbeing of families and communities.
Agriculture is not a sustainable business	Agriculture is one of the most promising areas for youth to get involved in the local economy, and offers many new opportunities for entrepreneurship across the value chain (Invisible Lives)
Men are more active in agriculture than women	The agricultural workforce in Tanzania is 52% female

CONNECTING THE POWER OF SAVINGS GROUPS AND MOBILE MONEY

- Tanzania has one of the most innovative and competitive mobile money markets in the world.
- Tanzania has an active and growing culture of informal savings groups, with as many as 4 million members.
- Both mobile money and savings groups potentially offer a lifeline to poor, rural communities that are underserved by traditional financial products and institutions. Both remittances sent using mobile money and the support structures offered by savings groups, enable people to manage changing seasonal needs, like paying school fees at a certain time of the year, surviving the lean months between harvests and dealing with unexpected shocks, such as an illness in the family.



RADIO PRODUCTION GUIDE

THE FLOW OF MONEY



ANGLES

DIFFERENT WAYS TO TALK ABOUT THE FLOW OF MONEY/ VALUE TO MONEY IN YOUR COMMUNITY

- Understanding how mobile money is affecting the flows of money in my community
- The important value chains in my community: how do they work and contribute to the local economy
- The Leaky Bucket: understanding the flow of money and creation of value in my community
- The relationship between the formal and informal economies in my community

CHOOSE AN ANGLE

The Leaky Bucket: understanding the flow of money and creation of value in my community

Ways to discuss “The Leaky Bucket” and understanding the flow of money and creation of value in my community:

- What are the sources of money in your community?
- How much of your money stays in the local economy?
- How strong are the local businesses in your community? What enables them to thrive and grow? Do they face threats? What value do they add to the local community?
- What are the relationships and links that allow money to be retained and to circulate in your community?
- Who are the people active in the informal/formal economy - is this true? What are the stereotypes?
- Is there a gender relationship between formal and informal flows of money?
- What do you buy? Where does it come from? Who made it and where was it made?
- What are your choices or considerations when it comes to the things you buy?
- What products are produced in your community? How are these activities supported?
- What are the challenges and opportunities of wealth/value creation in your community? Are there barriers of age? Gender?
- Who provides the unpaid labour in your community? Are these contributions recognised or not? What value is created through these activities?

FORMATS



PUBLIC SERVICE ANNOUNCEMENT



The aim of a PSA

To create a public awareness message.

Create a PSA that encourages people to support local business OR raise awareness about the “leaky bucket”

FORMATS



VOX POP AIM



Vox pop aim

To get many opinions on one topic



Who do you talk to?

Anybody from the community



Question

What do you buy that is made (or grown) locally?



AUDIO COMMENTARY



Audio commentary aim

To get people's opinion about a topic that they care deeply about.



Who do you talk to?

A local farmer, trader or business person who is competing against cheaper products imported from far away.



AUDIO PROFILE



Audio profile aim

To get a first person account of someone's experience, passion, or journey. Audio profiles often aim to inspire.



Questions to ask to get the person thinking before they record their profile:



- What made you want to develop a local business?
- What value chain(s) do you take part in?
- What have been your greatest challenges?
- How do you see your role within the local community and economy?
- What is the value you think is created through your business?
- How do you compete with big businesses?
- Why is it worth supporting your business if similar products can be found cheaper elsewhere?
- Has your thinking changed about what it means to be part of the local economy?
- What is the most important thing you have learned about building a successful local business?

PLEASE SEE INTERVIEW QUESTIONS IN "HOW TO PRESENT YOUR SHOW"

HOW TO PRESENT YOUR SHOW



Use your produced radio features, your research and the suggested script and questions to write your own script.

[INTRO:]

Host 1: It's just gone [TIME] and you're in time for the [NAME OF SHOW] on [RADIO STATION]. My name is [NAME].

Host 2: And my name is [NAME], and today's show is all about understanding the value that is created in the local economy! That's right, we'll be talking about how your decisions about what you buy, and whether the money you spend stays within your community, can have a big impact on the health of your community.

Host 1: That's right, we'll be talking about why it's so important for people to understand the broader impacts of their spending. Just imagine, if I went and bought all my food and clothing from the new mall, almost none of the money I spent would find its way to my neighbors or the people living in my community. That money would help to make big companies richer, and my own community would lose out.

Host 2: Today, we'll be focusing on seeing your local economy as a leaky bucket, and understanding what you can do to plug the leaks that are draining the money out of your community. We're bringing you much needed information to start conversations about how to retain more of people's spending in their local communities.

Host 1: Let's hear more on what people think about retaining the value that is created in the local economy.

[PRESENT WHO IS BEING INTERVIEWED] [PLAY THE INTERVIEW]

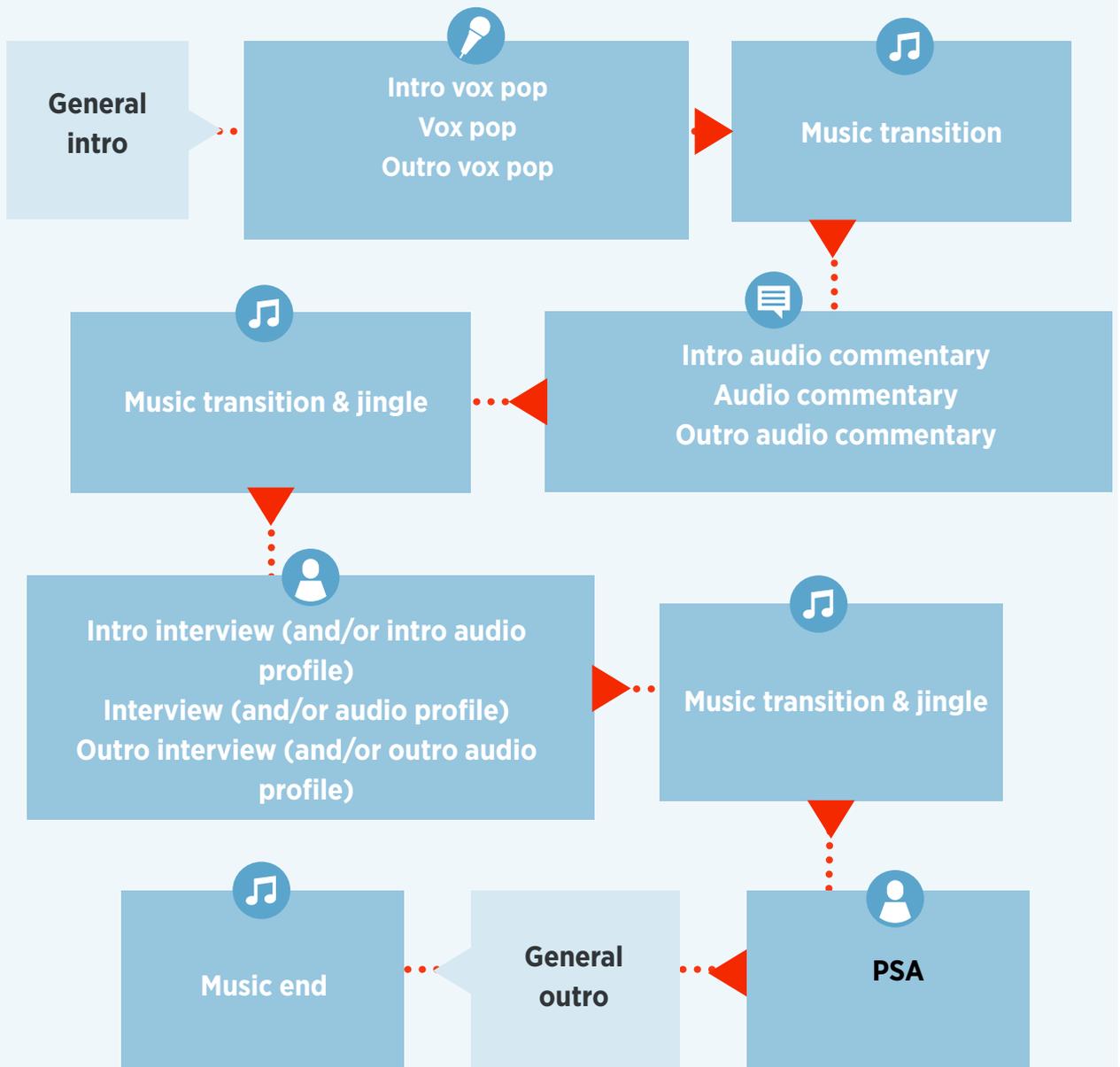
[OUTRO:]

Host 1: Today we've learned all about how we can all benefit from pulling together to create a strong local economy.

Host 2: Yes! We may live in a globalised world, but now we see how important the local economy is to our quality of life, and what we can all do to help take care of our local economy.

Host 1: Next week on [DAY] at [TIME] we'll be talking all about [NEXT WEEK'S SHOW TOPIC]. Until then, it's bye from us!

SHOW OUTLINE



ETHICS AND CONSENT

Ethics and consent [This may be a sensitive topic for some, so make sure you inform your audience to respect those who share personal stories in the space.]

1. If any incorrect information comes up in any of your formats, like the quiz, roleplay or panel discussion, you must correct it. Don't let your audience leave with myths.
2. Once you've finalised your script, your performance artists, your outreach outline and prepared all your formats, it's time to start your live event!