Southern Bancorp, or “Southern,” is a bank holding company and development organization in Arkansas. We use capital and credit in distressed rural areas to create new investment patterns not just in business, but in training, housing, and health.

By means of an array of for-profit and nonprofit affiliates and subsidiaries, Southern had applied that strategy for ten years in rural Arkansas. So it was with some confidence in 1998 that we acquired First Bank of the Delta (in Helena, Arkansas) and Delta Southern Bank (in Ruleville, Mississippi) and extended Southern’s full array of development services into what is known as the Delta region of the Mississippi River.

First Bank in Helena, for example, has provided approximately US$90 million in business, agriculture, and consumer lending in the county annually. A nother affiliate, Southern Financial Partners (formerly Arkansas Enterprise Group), complements First Bank’s services with a program that averages approximately $1 million a year in loans that fall outside bankable transactions. Southern Good Faith Fund offers individual development accounts and financial training, and operates a business information center right in the First Bank lobby.

Southern’s core strategy, combining profitable operations with a local platform and expanded nonprofit development services, proved reasonably successful in southern Arkansas. Still, events were to prove that the Delta is a challenge beyond the grasp of any one development organization, even Southern. Making a difference in a place this distressed required a new strategy, and a new partner.

The Delta

We went into the Delta fully aware of what we were up against. A long history of plantation agriculture has ingrained low wages, limited training opportunities, and inequality that limit the region’s social and economic development.

Phillips County, of which Helena is the seat, represents the consummate challenge for any development program. It’s the fourth poorest in the whole country. It has a 30% poverty rate, an 11% unemployment rate, and the highest rate of teen pregnancy in the nation. It has a 59% minority population. Relations both between races and within races are historically poor and distrustful.

Similarly, local governance has become synonymous with antagonism, lawsuits, and corruption. The public school system, built to suit the needs and aspirations of small, incorporated townships and labor-intensive agriculture, struggles with poor performance, bad management, and a lack of cooperation between districts. Better-off families put their children and their faith in private schools.

Outmigration is a serious issue across the Delta. While row-crop agriculture remains important in the region, mechanization has drastically reduced its labor requirements. Phillips County has lost 39% of its population since 1970. Thousands of the Delta’s likely movers...
and shakers have departed, leaving behind the docile and humble, the very old and the very young. Thousands of towns that bustled well into the 20th century now are marred by abandoned buildings, substandard housing, and a tax base often too small to maintain basic services. Multiple piecemeal, band-aid, outside-in attempts to “save the Delta” have failed and instead bred apathy.

Southern found it rough-going, too. A review of our lending activities in the Delta in 2001 revealed that we were not making a significant difference to the standard of living in the communities we were trying to serve. (This just months after we had celebrated Southern’s achievement of $1 billion dollars in loans in distressed census tracks across Arkansas). What was wrong?

To quote Southern’s CEO, Phil Baldwin, “development-wise the company operated a mile wide and an inch deep; it [was] now time to operate an inch wide and a mile deep.” We decided that Southern had to extend its arsenal of development weapons beyond things financial, and employ staff as hands-on facilitators of initiatives in education, leadership, housing, health care, and community economic development - the “five pillars of community development.”

We also realized that we could not save every community. What we could do is jump-start the economy of selected communities, in the expectation that the private sector would be drawn to it and its environs and bring about an ever-widening circle of revitalization.

Occasionally faith intervenes and the stars and the moon align. Even as Southern was considering a more geographically-focused development strategy, another organization providing services to the Delta was re-evaluating its own record. The Walton Family Foundation (WFF) had recently conducted a review of its development initiatives in the Delta and learned that few if any had taken root and}

**Delta Bridge Project**

0 occasionally faith intervenes and the stars and the moon align. Even A S Southern was considering a more geographically-focused development strategy, another organization providing services to the Delta was re-evaluating its own record. The Walton Family Foundation (WFF) had recently conducted a review of its development initiatives in the Delta and learned that few if any had taken root and...
created measurable outcomes. Just how WFF would fund programs in the Delta in the future, if at all, had come into question.

In each other the two organizations found something that was missing in their respective initiatives. In Southern, WFF found expertise in a range of development factors, as well as a physical presence in the region itself. Conversely, WFF added immense value in terms of analytical and project evaluation skills, especially in education. It also added capital. WFF agreed to fund a 3-year pilot program in Phillips County, commencing in 2004: the Delta Bridge Project. It is a targeted geographic approach to rural development that integrates Southern’s comprehensive strategy with local, state, regional, and national programs.

The first step in the Project was for Southern to develop its theory of change in order to clarify the principles that would underlie subsequent planning and actions.

To Southern, effective community development is locally initiated, planned, and implemented. Development processes inserted into a community by outside organizations generally fail because of a lack of community support.

What then is the role of a bank in such a process? To Southern, institutions are what drive communities, and one of those institutions is the bank. It is the role of Southern to act as a catalyst, facilitator, and arbitrator of change in the cities in which it has a banking presence. Southern therefore would work with community organizations in the Project area to:

- develop a long-term and comprehensive community development plan.
- increase their capacity to enable sustained community development work.
- ensure that development initiatives progress according to a specific timeline.
- make available the full range of Southern’s programs in terms of finance, education, and training.

Over a sustained period, the intentions are to create a mass of interconnected activity within a cluster of Delta communities that can each support development within a 50-mile radius. Through the conflux of their areas of influence, we project that they will change the region as a whole.

Community Typology

This theory on which we have based our intervention in the Delta places great stress on Southern’s ability to distinguish between communities in terms of capacity and potential.

Despite the region’s distress, Delta communities still vary significantly in their economic base; their population; the presence of people who are willing to accept and carry out a task (leadership); and in their infrastructure. Infrastructure refers not just to the basic services of school. While there is no downtown, there may be one or two plants. More importantly, they are also located within commuting distance of a Type One Community. Even if the population is too small to support local retail or manufacturing, it has the potential to participate in and contribute to development nearby.

Type Three Communities lack a critical mass in both economic potential and viable business activity. These are no school, hospital, clinic, or service club. But like Type Twos, Type Threes have populations in excess of 1,000 and are located within commuting distance of a Type One Community.

Type Four Communities lack a critical mass in economic potential and viable businesses. Their populations are less than 1,000, there is no civic infrastructure, and they are not usually located within commuting distance of a Type One Community.

Southern currently operates banks in communities of all four types, but will undertake comprehensive development initiatives only in Type One and Type Two communities. These communities have the institutional presence, as well as the business base and physical infrastructure, to return a “bang” for Southern’s “buck.” In these instances, each entity within Southern’s family of subsidiaries and affiliates is tasked with using its array of programs to execute a development plan drafted jointly by local leaders, Southern, and other resource organizations. (To Type Threes Southern offers Small Cities Technical Assistance, a less
Résumé : Un pouce de large et un mile de creux

Une société de portefeuille modélisée d'après la Shorebank de Chicago, Southern Development Bancorporation (Southern) a été active dans l’Arkansas rural depuis la fin des années 1980, en utilisant le capital et le crédit pour créer de nouvelles habitudes d’investissement en entreprise, en formation, en logement et en santé. Pour Southern, la banque et l’hôpital sont au même rang que le conseil municipal et la chambre de commerce comme institutions essentielles à la prospérité d’une ville. Southern fait des prêts et investissements afin de renforcer le tissu institutionnel local en plus d’aider les entrepreneurs.

En 1998, Southern a présenté sa stratégie globale aux comtés bordant la rivière Mississippi. L’alignement de l’agriculture exigeant de grandes quantités de main d’œuvre au cours des 40 dernières années a brisé l’économie de cette région du Delta. Un exode de richesse, de talent et d’énergie a appauvri des centaines de villes et villages.

Pour lancer une nouvelle économie du 21e siècle dans la région, Southern a trouvé qu’elle devait prendre une route très différente. Elle devait cibler les services de développement et les ressources sur une poignée de villages en espérant créer des répercussions en chaîne dans un rayon de 50 miles. Ses employé.es devaient agir comme catalyseurs du développement communautaire, aidant directement les résident.es avec des plans à long-terme pour des initiatives en éducation, en logement, en leadership, en santé et dans l’économie (surtout le secteur manufacturier). Finalement, Southern avait besoin de collaborer de près avec les autres agences importantes engagées dans le Delta : programmes d’état et fédéraux et la Walton Family Foundation (Fondation de la Famille Walton). Pour faire une différence dans une région aussi miséreuse que le Delta, Southern a dû agir sur un pouce de large et un mile de creux.

Le projet Delta Bridge, tel que présenté dans son deuxième cycle triennal de planification, proposition et investissement. Il tente d’apporter à la revitalisation régionale une combinaison délicate de contrôle local, d’action globale, de long terme et d’appui massif d’agences externes.

Planning & Implementation

The second step in the Project was to establish a baseline study of the area’s economy, evaluate past development efforts, and map the social, civic, and economic infrastructure of the region.

The project has several outputs that third party evaluators can compare with the experiences of other Delta communities with similar demographics and poverty but outside the Bridge Project. Working in co-ordination with the program evaluators and the WFF, Southern developed indicators and systemic benchmarks for each of five basic program areas: education, housing, community economic development, leadership, and health care.

Benchmarks are measures of long-term achievement; indicators show whether we are on the right track in the short and medium term. For example, in education the systemic benchmark is to improve student performance as measured by the ACT and SAT 9 test scores (two nationally recognized standards of general education). Prior to that point, we are looking for reduced incidences of drop-outs, teen pregnancy, and discipline problems.

Southern expended over 8,000 hours in this study. It concluded that Phillips County maintains a sufficient mass of community assets and population to achieve real development success both for itself and for the surrounding region within a 50-mile radius.

The third step was to initiate a strategic planning process in Phillips County. Southern hired a facilitator and began the difficult work of engaging a community that has seen many well-intentioned but ultimately unsuccessful revitalization efforts come and go.

This is where the value of the First Bank presence really proved itself. The bank gave the Delta Bridge Project credibility and acceptance among residents as a locally-driven, “inside-out versus an outside-in” development initiative. The bank’s local stature and influence also made it easier to get representatives from the business, nonprofit, education, municipal government, and religious sectors together in one room to take part in the planning process.

It took over 13 months, 300 people, and 500 meetings to develop the Phillips County Strategic Community Plan (PCSCP). It provides a unified vision and a blueprint for community development with 46 strategic goals and nearly 200 action steps. It was created by local residents and endorsed by local businesses, academic institutions, nonprofits, and public, civic, and faith-based organizations, as well as by two Congressional Representatives, two Senators, and the Governor of Arkansas.

Afer that ratification, the Delta Bridge Project quickly switched its focus from planning to creating a local civic infrastructure to manage, implement, and update the Plan.

First, the PCSCP Steering Committee was revamped and reconfigured into a board of directors that would supervise all components of program implementation. During the planning, membership was fluid to permit people to come and go, offer their ideas, and get connections happening. With implementation, while diversity in ethnicity and geography remains important, the critical factor is business and management experience and a fixed group (of 11) to manage the process.

Second, a Local Development Council was created to review proposals and make funding decisions. Finally, Goal Teams were established. These are groups of stakeholders who come together because of their common interest in one or another development area. In housing, 15-20 people take part because of their work in renovation, downtown development, and rehabilitation. It is the Goal Team’s responsibility to develop proposals that will implement the strategies and realize the outcomes listed in their program areas. Southern, in a new role as staff resource to this local infrastructure, assists the Goal Teams in creating funding applications for submission to the Local Development Council.
Outcomes To Date

In communities with a history of distrust and apathy, producing tangible results that people could readily see and witness was absolutely critical to the success of the overall project. Therefore, the Steering Committee has sought to fund projects that could deliver outcomes in the short-term as well as initiatives with intermediate and long-term impacts.

This strategic grant-making is a form of venture philanthropy that, when combined with Southern’s development lending program, can yield tremendous results. WFF’s grant has served as a source of seed capital and matching funds to attract other regional investments. To date, those funds have been leveraged at a 1 to 20 ratio.

Here are some examples. The Project financed a $30,000 study that has led to a $25 million investment in a biodiesel manufacturing plant. A $400,000 investment has led to the development of a $1.6 million Sweet Potato Distribution Facility that will allow small farmers to stay on the farm and potentially create a new industry in the region. A local “Dial a Ride” transportation provider is using a Delta Bridge strategic grant to start a fixed-route mass transportation system that will remove the barriers that separate many citizens from medical, retail, and work facilities. In addition, over 100 units of dilapidated housing have been cleaned up and a 25-unit housing complex is now under construction.

In an area that has only seen businesses close and people leave for the last three decades, any one of these projects would garner attention. Collectively they constitute an unmistakable shift in economic fortune and social direction. The Chamber of Commerce recently experienced record attendance at their annual banquet. Main Street Helena conducted a fundraiser that grossed higher than any predecessor. Many civic organizations report increased attendance. All these serve as indicators that residents are starting to re-engage and play an active part in the fortunes of their town.

What we wanted to know was, could these programs from different service providers be co-ordinated? Could they...

Community development is far more risky than lending. It requires leaving our desks to actively engage the community, create expectations, develop strategies to achieve them, create a common vision, get people to work together to achieve that vision.

(above) Exercise class at the Delta Area Health Education Center, funded by Southern through a $1.4 million USDA Government Guarantee Loan. (inset) Southern provided the core funding for KIPP Middle School and is now seeking to make it a K-12 institution through the Delta Bridge Project. After two years, KIPP students who tested at the 18th percentile on the SAT 9 test are achieving in the 80th percentile.
leverage one another? Would it be possible to attract more resources to the area and increase the overall scale and scope of all programs operating in the target market? So far, the answers have been yes, yes, and yes.

An Inexact Science

Despite all of Southern’s efforts to make the process more precise and measurable, at its core, community economic development is an inexact science. The perceptions of residents in the target area, their beliefs, and their willingness to change (despite a restrictive social order put into place to support plantation agriculture and resist change) – all these factors greatly impact the success or failure of a development initiative. That's why communities with no assets sometimes succeed and communities with seemingly everything in their favor fail.

Time, however, is one essential. The Delta does not lend itself to a quick fix. Fortunately, the Delta Bridge Project is not a 3-5 year program managed by well-intentioned individuals and organizations that live outside the region. Southern’s institutional presence in the market makes it possible to commit to 15-20 year time horizons. (Having finished the Project’s first 3-year cycle, WFF has approved its funding of the project for a second cycle.)

Access to capital is also essential, but it is not the end-all and be-all in every situation. It works best in markets that have a solid economic base to leverage. In highly distressed markets with little or no economic activity, by contrast, development lending is a passive tool incapable of catalyzing large and sustainable development initiatives. The many gaps in housing, education, and health care so characteristic of these distressed markets make it impossible to leverage created or retained jobs into sustained development.

Southern’s loan officers might argue differently, but community development is far more risky than lending. It requires leaving the safety and security of our desks to go out and actively engage the community, create expectations, develop strategies to achieve those expectations, create a common vision, and get people to work together to achieve that vision.

It’s no wonder that examples of successful community development are few and far between. But when you witness an individual, neighborhood, or community take charge of its destiny and say, “This is not all that I am, I can be more and I can do more” – that has to be one of the most exhilarating experiences known to humanity.

References


2 The poverty rate is the percentage of the population living in households in which the members’ total income falls below the level set by the U.S. Census Bureau for families of their particular size and age range. In 2004, for example, the poverty threshold for a household with two children, two parents, and a senior citizen was US$23,108.

JOE BLACK is Senior Vice President for Southern Financial Partners. Contact him at 870-816-1113 or jblack@southernfp.org. All photos courtesy of Southern Bancorp.