

MID-TERM EVALUATION OF TOHOKU SMALL BUSINESS RECOVERY PROGRAMS



FINAL EVALUATION REPORT - VOLUME I

FEBRUARY 2014

An Evaluation Report by New Frontier Services for Mercy Corps and its Program Partner Planet Finance Japan



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Reader Orientation

When reading this report, please note:

- * Each report section contains a short overview of the content of that section
- * The Mercy Corps-funded Tohoku Small Business Recovery Program (TSBRP) is referred to often as 'the Program', TSBRP, or the Tomodachi Fund (TF).

Acknowledgements

The evaluation team would like to acknowledge the assistance and support provided by the Program partners, Mercy Corps and Planet Finance Japan, as well as Shinkin Central Bank, Kesenuma Shinkin Bank, Miyako Shinkin Bank, and Abukuma Shinkin Bank, in carrying out this evaluation. This support, in particular support from Planet Finance Japan staff in setting up the field interview appointments, has been particularly appreciated. Secondly, we would like to acknowledge the time and warm welcome we received from beneficiaries during the field interview program, as well as the time accorded to us by representatives of the Program partner bank Shinkin Bank. All errors of fact are the responsibility of the evaluation team.

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February 2014



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1. EXECUTIVE SUMMARY

1.1 About the Evaluation

This document sets out the Evaluation Report for the *Mid-Term Evaluation of the Tohoku Small Business Recovery Programs* implemented by Mercy Corps in partnership with Planet Finance Japan and its partner Shinkin Bank. The **overall aim** of this mid-term evaluation is to assess overall effectiveness as well as specific program components which will then be used to assist in program modifications and similar future programs. Regarding **evaluation scope**, the evaluation covers a sample of the more than 300 beneficiaries of the original program in Minamisanriku, Kesenuma, Rikuzentakata and Ofunato and the expansion program in Rikuchu, with cursory coverage of Minami-soma.

Regarding the **evaluation approach**, the evaluation was comprised of: an initial structuring and methodological development phase (inception phase), a desk research component, a field interview phase¹ and limited telephone interviews with other support programs and initiatives. In total, more than 50 stakeholders have been interviewed or consulted, including, in particular, program beneficiaries, but also Program partners, the Programme banks and selected representatives of local government, business federations and civil society. Regarding the evaluation focus content, the table below provides an overview of some of the specific evaluation issues set out in the Terms of Reference (ToR).

Box 1 - Key Evaluation Issues

1. What difference does this program make? Were the participating businesses supported by this program more successful than non-participating businesses? Would participating businesses have re-started their businesses, started new businesses or hired additional staff without this program? What does this program offer that is not otherwise available through commercial lending or other grant programs (including government programs)?
2. Which program component created the best long term support for business sustainability and employment creation (start-up grants, re-employment grants or interest subsidies) and why? Was the size of these grants appropriate? What other resources were leveraged by each participant?
3. Is the beneficiary selection process reaching the intended target population? Was the selection process designed to consider the appropriate criteria? Was this process fair and efficient?
4. How many of the businesses are likely to succeed? How many are currently profitable? Are the sustainability and profitability of the project participants typical for small businesses in Japan? How could the program be adjusted or amended to increase the level of business success?
5. How does this program contribute to the recovery of the communities it serves? What are the social benefits of the program?
6. What was the impact on the partnering banks (KSB, ASB, MSB and SCB)? Why did they agree to participate in this program? What benefits did they derive?
7. Is the administrative structure of the program appropriate? Is it managed effectively?

¹ Field interviews with program beneficiaries have been carried out in Kesenuma, Minami Sanriku, Rikuzen Takada and Ofunato in the original Sanriku program, and Miyako, Yamada, Otsuchi and Kamaishi in the expansion Rikuchu program and Minami Soma in the expansion Minami Soma program.

1.2 Evaluation Findings and Conclusions

At the time of the commissioning of the evaluation, the Program has already provided assistance to over 350 beneficiaries and, overall, the Program is on track to meet its targets and has in some respects exceeded them. Regarding the **Program's contribution to MSMEs, its grants and subsidised loans have made an important contribution to small business recovery and development**, serving as a first critical step for restarting business for many beneficiaries, providing much-needed finance for businesses struggling to finance their plant and equipment repair, reconstruction and/or replacement costs while at the same time finding finance for procuring supplies, production inputs and other key current costs such as labour costs. **TSBRP support filled an important gap** – many beneficiaries simply could not access other support measures as they were simply not eligible (for other government initiatives targeting bigger businesses). TSBRP support was relatively small in scale, yet quick and flexible, and providing a significant 'push' for the first step in business recovery and development, and because of this has earned the profound gratitude of many of the beneficiary MSMEs that it has financed.

The evaluation findings show that the Program assistance, across its three components, has had an important impact on the beneficiary MSMEs interviewed in the loan sample. In the case of the Reemployment assistance component for example, almost all (90+%) of the beneficiaries report that they will be in a position to finance the continued employment of employees hired under the reemployment grant assistance, which is, in itself, a vindication of this program. Regarding **prospects for sustained impact**, the number of beneficiaries reporting that the business has evolved more or less along the lines of original plans is extremely high across all three Program components, with 50% of reemployment assistance beneficiaries and 75% of start-up beneficiaries reporting that business evolution has more or less met (or exceeded) initial plans, and 75%+ of loan subsidy beneficiaries reporting business evolution has more or less met or exceeded initial plans. In the case of start-up beneficiaries, this proportion is extremely high by most standards. Not only are the majority of reemployment grant beneficiaries in a position to finance from own business financing the continued employment of employees [when they will be rehired] after the grant assistance period expires, but a significant majority of loan subsidy beneficiaries state that they will be in a position to meet their full loan repayment obligations after the interest payment holiday period has expired.

The Tohoku Small Business Recovery Program (TSBRP) constitutes a well-designed and appropriate response to the disaster-generated small business recovery challenge. The inclusion of start-up businesses in the target groups means the program also adopted a longer-term view of recovery in addition to tackling the pressing need for helping small businesses get back up and running. Moreover, the program implementation included an innovative bank-civil society partnership between one of Japan's leading banks, Shinkin Bank, and Planet Finance Japan. All in all, from the design perspective, the program is a credit to the stakeholders involved in putting it together.

The evaluation findings have shown high satisfaction levels with a variety of the program's management aspects, in particular, the application process has been efficient and straightforward with MSME grant and loan subsidy applications being reviewed in a short timeframe and much quicker than most comparable grant programs. Moreover, Planet Finance Japan has invested significant effort in meeting applicants, understanding their business's challenges and building a relationship of trust and confidence, with applications retained by the Program for assistance, as well continued follow-up and interaction during the grant assistance that has been appreciated by the beneficiary MSMEs.

The program's implementation arrangements have involved innovative thinking and have used the complementary expertise, assets and skills of Shinkin Bank and Planet Finance Japan. The choice of Shinkin Bank as the Programme Bank has been fundamental to the capacity of the program to quickly and effectively disburse the program's funds – given that this bank was the leading bank for small businesses in the region, they were capable of providing the Program with a ready-made applicant pool of small businesses for the re-employment grant assistance and loan subsidy components. In terms of leveraging partnerships and pairing complementary strengths to achieve faster results, the Program can in many respects be seen as good practice.

It is difficult to say conclusively which program component has had the best **long-term impact**, as we are not only comparing different types of assistance but this also requires using the same comparison metric. However, in terms of longer-term contribution to economic recovery and business development it may well be the start-up component that is creating the best long-term impact, insofar as the high proportion of start-up beneficiaries that claim that business has proceeded as forecasted (if not better) and given the higher level of uncertainty and risk associated with start-up grants than with re-employment grants. While it is difficult to draw hard conclusions from comparing start-up beneficiaries and re-employment beneficiaries, it is interesting to note that a much higher proportion of start-up beneficiaries consider marketing and networking to be a success factor.

Feedback [from the beneficiary sample interviewed under the evaluation field program] suggests that the Program has also been making a **valuable contribution to local communities**, not just through some of the beneficiaries' products or services that some supported MSMEs are providing (e.g. childcare facilities), but also the community-oriented and non-profit orientation means that how they are carrying out their business allows citizens and volunteers to contribute, creates part-time income opportunities, or simply connects citizens together. For a number of beneficiaries collective endeavour or network has allowed them to better deal with personal trauma and loss from the disaster period, while for a significant number of entrepreneurs the Program's assistance has allowed them to start or restart a business and gain in personal confidence in terms of both their individual abilities and their capabilities as a business owner².

While program management at the beneficiary-level and individual grant-level have been widely praised, there is however **scope to improve program-level management and monitoring**. More can be done to collect and collate data on individual beneficiary progress in an overall program tracking tool, in order to more accurately estimate the Program's results and impact. Moreover, the Program currently does not seem to be capturing (or at least leveraging in an optimal sense) feedback and learning on the core business and financial evolution of beneficiaries. While PFJ does collect information on start-up and reemployment beneficiaries' financial and business evolution in the quarterly monitoring reports and this data is duly reviewed by PFJ staff in a timely manner, a key challenge is to put this data into an electronic format and to thus allow greater scope to provide effective feedback to the beneficiaries regarding their specific financial/business situation. Both of these areas also need to be addressed if Mercy Corps is to be able to obtain the learning from the program that it wishes with respect to exploring if and how aspects of the program could be re-applied in other Mercy Corps country programs around the world. However, it should be noted that overburdening the program implementers and beneficiaries had to be avoided when the fund had to be established urgently after 9 months from the disaster, and when the future

² In the evaluation recommendations, Recommendation 1 (R1) is intended to make this dimension of the Programme more explicit.

prospects of recovery was totally uncertain. In disaster recovery, balancing emergency response (i.e. activity to respond to the needs at hand) and monitoring (i.e. activity to improve the future response) is not an easy task. Increased monitoring requirements on PFJ and Shinkin Bank would have increased the operational costs in their limited budget, possibly affecting the beneficiary coverage. The fact that most beneficiaries did not have digitized business management systems, due to their small size, lack of finance, or unfamiliarity with computers, also made it impossible for the program implementers to get the digitized data from the source, making data management more cumbersome. Nevertheless, when the urgency lessens and the program enters a phase to consider a follow-up program, data obtained from program-wide impact assessment would become critical. At present, all that can be said is that while aspects of the program have promising innovation potential (e.g. partnership and implementation approach), much deliberation is required to assess what success factors can be replicable and what may be more specific to the Japanese context and/or to specific enterprises, and how the relevant monitoring and performance data can be collected and analysed in a more efficient manner.

The program has in general been **highly beneficial to Shinkin Banks**, allowing it to offer valuable additional financial assistance products to its core small business customer base that has provided much needed grant-financing and soft loans at a difficult time in these MSME's existence, thereby increasing the bank-customer bond, client gratitude and loyalty. Moreover, the start-up assistance component has provided Shinkin banks with access to new clients and provided new learning, capability and increased confidence to Shinkin Bank with regard to a business sector that it had until then not really targeted. Furthermore, the association with the Program has been valuable for the bank from a corporate social responsibility (CSR) perspective.

Regarding whether a **rationale for a new Program exists**, there are a number of reasons to believe that a new program will be necessary to fully valorise the results of the current program and to build a more sustainable legacy. Firstly, some of the original Program areas will continue to require ongoing small business disaster recovery support. Secondly, there are many businesses that still need support that have not been reached by the program. Thirdly, small business recovery is by nature a long-term endeavour and it is particularly important that start-up enterprises are provided with continued support. Fourthly, the impact of some Program support work can, for specific beneficiaries, only be fully optimised by finding solutions at a broader sub-regional, sectorial or regional level. A fifth reason is that some of the negative impact of the disaster on the Tohoku region will continue to constrain development for at least the medium term (e.g. reluctance of citizens to move back to the region, consumer fears on local produce contamination, labour shortages), which will exacerbate the already existing challenges of the region's relative isolation and lower attractiveness for younger persons. A follow-up program with a significantly enlarged focus on facilitating new start-up enterprises and bringing an increased innovation and entrepreneurial dynamic to the region is likely to be a critical part of the wide response to tackling these challenges. Shinkin Bank, as a close partner to the community, has already started ongoing support for MSMEs with a long-term perspective, and has engaged in various initiatives such as recovery of marketing channels and consultation through business matching support. PFJ also engages in continuous soft support such as business seminars. It would be helpful to develop a follow-up program based on these initiatives.

1.3 Evaluation Recommendations

One of the most important recommendations (**R1**) is to strengthen program-level monitoring and impact assessment to ensure that all available data on beneficiary (paper) records is collated into a consolidated electronic monitoring system by the program implementing partners. A second recommendation (**R2**) is to provide increased advisory and mentoring support for beneficiaries, which will help deliver increased business performance and impact. The Program should also focus more effort on **capturing beneficiary business evolution and performance data** that can contribute to improved Program performance and refinement for the remainder of the program period (**R3**). A fourth recommendation is to develop a short concept document that explains the key approaches and innovation of the Program as this would be valuable in communicating with external stakeholders, particularly in any effort to build support for a follow-up Program (**R4**).

While the current program focus is appropriate, greater distinction should be made in management and support for commercially-oriented MSMEs and more social or community focussed beneficiaries; program support and monitoring should reflect this for example in terms of indicators such as part-time employment creation, turnover/income growth etc. (**R5**). Within this, it would also be recommended that the program partners consider whether some **summary research or vision paper** could be developed on how social enterprises or community enterprises could optimally contribute to small business recovery in the disaster areas. The program can also explore securing increased beneficiary impact by addressing specific area-level or sector-level challenges that are beyond the solution capability of individual MSMEs (**R6**), or in other cases where joint or group action may be more efficient and cost-effective – examples of possible actions include actions to promote local area tourism that can benefit multiple MSMEs and which need to be carried out by local area authorities³.

The **final – and most important - recommendation** is to **continue, as a matter of priority, to consider how a follow-up Program can carry on supporting the Tohoku disaster areas (R7/R7a-7c)** (regardless of whether the current program partners see their own organisation being involved in such a program). Based on the evaluating findings, some tentative orientations are provided below for the discussion process of scoping out a new program, specifically: i) continuing to leverage Shinkin Banks' customer network and branch network; ii) have a much more explicit regional development (strategy) dimension that frames assistance to MSMEs within a wider regional economic development plan; iii) an increased focus on start-ups; iv) an increased systemic focus on a wider entrepreneurship and innovation promotion; v) greater flexibility in MSME assistance financing packages, with a greater focus on blended assistance (e.g. combining different types or sources of funding such as grants and loans) and a general approach of not providing grant assistance where soft loan financing is feasible; vi) more common actions to support specific types of MSMEs or specific common needs; vii) much greater focus on partnering within the region and with other national or extra-Tohoku region initiatives; viii) a clear distinction between what Shinkin Banks can do under standard commercial banking operations, and what services/support might have to be delivered through other structures; and ix) a wide view/open-mind-set on institutional delivery options to deliver the Program's assistance, which could conceivably include a separate fund, possibly with a part revolving fund dimension.

³ Working with local government authorities and Chambers of Commerce to identify joint/common actions to promote the region, increase short-term and longer tourism and visits is one key area and is linked with the need at the MSME level for marketing advice and support and discussion on the core business model (and financial model) and strategy (i.e. Recommendation 2).

2. ABOUT THE EVALUATION



Section guide

This section provides an overview of:

- The objectives and scope of the evaluation (Section 2.1)
- The evaluation approach and component activities (Section 2.2)

This document sets out the Evaluation Report for the *Mid-Term Evaluation of the Tohoku Small Business Recovery Programs* implemented by Mercy Corps in partnership with Planet Finance Japan and Shinkin Bank.

2.1 Evaluation Objectives and Scope

The **overall objective** of the evaluation, as set out in the evaluation Terms of Reference (ToR), is to measure the general effectiveness of the small business recovery programs conducted by Planet Finance Japan (PFJ), financed by Mercy Corps. The **overall aim** of this mid-term evaluation is to assess overall effectiveness as well as specific program components, which will then be used to assist in program modifications and similar future programs. Within this context, the evaluation is expected to provide an analysis and answers to the questions set out in the table below. Regarding **evaluation scope**, the evaluation covers a sample of the more than 300 beneficiaries from the original program in Minamisanriku, Kesenuma, Rikuzentakata and Ofunato and the expansion program in Rikuchu, with cursory coverage of Minami-soma. The table below provides an overview of some of the specific evaluation issues set out in the Terms of Reference (ToR).

Regarding the **evaluation approach**, the evaluation was comprised of an initial structuring and methodological development phase (inception phase), a desk research component, a field interview phase and limited telephone interviews/discussions with other support programs and initiatives. In total, more than 50 stakeholders have been interviewed or consulted, including in particular program beneficiaries, but also including Program partners, the Programme banks and representatives from Chambers of commerce, local government, government and other civil society support programs in Tohoku. Field interviews which have been carried out with program beneficiaries in Kesenuma, Minami Sanriku, Rikuzen Takada and Ofunato from the original Sanriku program in Miyako, Yamada, Otsuchi and Kamaishi from the expansion Rikuchu program and Minami Soma from the expansion Minami Soma program. Regarding the evaluation focus (content), the table below provides an overview of some of the specific evaluation issues set out in the ToR.

Box 2 - Mid-Term Evaluation: Key Evaluation Questions

1. What difference does this program make? Were the participating businesses, supported by this program, more successful than non-participating businesses? Would participating businesses have re-started their businesses, started new businesses or hired additional staff without this program? What does this program offer that is not otherwise available through commercial lending or other

Box 2 - Mid-Term Evaluation: Key Evaluation Questions

grant programs (including government programs)?

2. Which program component created the best long-term support for business sustainability and employment creation (start-up grants, re-employment grants or interest subsidies) and why? Was the size of these grants appropriate? What other resources were leveraged by each participant?

3. Is the beneficiary selection process reaching the intended target population? Was the selection process designed to consider the appropriate criteria? Was this process fair and efficient?

4. How many of the businesses are likely to succeed? How many are currently profitable? Are the sustainability and profitability of the project participants typical for small businesses in Japan? How could the program be adjusted or amended to increase the level of business success?

5. How does this program contribute to the recovery of the communities it serves? What are the social benefits of the program?

6. What was the impact on the partnering banks (KSB, ASB, MSB and SCB)? Why did they agree to participate in this program? What benefits did they derive?

7. Is the administrative structure of the program appropriate? Is it managed effectively?

2.2 Evaluation Approach and Component Activities

The evaluation approach comprised a desk research component, field interviews with beneficiaries in Minami Sanriku, Kesenuma, Rikuzen Takada, Ofunato, Kamaishi, Otsuchi, Yamada, Miyako and Minami-soma and interviews with program partners, partner banks and relevant organisations such as local Chambers of Commerce and Industry, Local Governments and the Reconstruction Agency. It also included follow-up desk research and some telephone interviews with other relevant initiatives. As per the ToR, the evaluation has been participatory in its approach in order to maximise the learning of all partners.

The evaluation activities carried out during the evaluation comprised:

- a. Contact with Mercy Corps to understand the evaluation context and kick off the inception phase.
- b. A series of meetings with Planet Finance Japan to discuss all aspects of the evaluation set-up and evaluation approach.
- c. Review of documentation received from Mercy Corps on program progress, monitoring reports etc.
- d. Review, at Planet Finance Japan's offices, of the data available on the program support to beneficiaries.
- e. Development of the field interview questionnaires⁴ in English and Japanese for the three program components (i. for Start-Up Assistance beneficiaries, ii. for Re-employment Assistance beneficiaries and iii. for Loan Subsidy Assistance beneficiaries)
- f. Development of additional field interview questionnaires for other program stakeholders and target interviewees - specifically Field Questionnaires for i) Programme Banks and ii) for other

⁴ Each of the questionnaires has been developed by the evaluation team over numerous iterations (versions) in close consultation with representatives of Planet Finance Japan. During the inception period 7 meetings have been had between Planet Finance Japan staff and the Japan-based members of the evaluation team Ms Ryoko Iizuka and Mr Katsuya Matsubara, specifically on October 1st, 4th, 8th, 11th, 15th, 18th, and 22nd.

- stakeholders such as local municipal leaders, business representative bodies (e.g. Chambers of Commerce) etc.
- g. Development of a proposed evaluation sample for the field interview program
 - h. Development of the field interview program itinerary.
 - i. Development and approval of the evaluation methodology and tools and the related Inception Report.
 - j. Implementation of the field interview program, with more than 50 program stakeholders and beneficiaries interviewed.
 - k. Telephone interviews and targeted desk research on other small business and economic recovery initiatives.
 - l. Analysis of findings and development of evaluation conclusions and recommendations
 - m. Development of the Evaluation Report.

The finalised questionnaire versions are contained in **Volume II** (Annexes) of this report.

Regarding timing, the proposed evaluation time schedule is set out below. This was based on an effective starting date of the 23rd of September, as opposed to the initially calculated 2nd of September in New Frontier Services' original proposal. The inception phase work was carried out between late September and late October and the fieldwork was carried out from the week of the 29th of October to the week of the 18th of November. Following the field interviews, interview data was logged in a structured Ms Excel template, which allowed the evaluation team to collate beneficiary feedback and findings.

2.3 Evaluation Constraints

The primary evaluation challenge was a limited program wide results and impact monitoring tool which would have collated core beneficiary data against key program indicators. While PFJ collects some data on business performance and financial situations quarterly through individual reporting format and makes use of the data to understand the situations of the beneficiaries and to report to Mercy Corps, it does not digitize all the paper data and manage them through a monitoring tool that analyses detailed impact of the overall program; thus it was not used by the evaluation team for their analysis. This has meant that the main evaluation evidence base (as per the evaluation ToR) has been a field interview sample of beneficiaries.

Another challenge has been the frequent lack of possibility to obtain all of the desired data during field interviews, for a variety of reasons. Firstly, sometimes the beneficiary representative did not know some of the key financials and business KPIs. Secondly, sometimes it took a long time to understand certain aspects of the business (e.g. business model, how the business intended to make money etc.). Thirdly, the finalised interview questionnaires contained a significant number of questions and it was not always possible to raise all questions in the time frame, all the more for very understandable reasons beneficiaries wanted to show the business and its operations, explain how the Tsunami had damaged the business premises etc. Moreover, in a number of cases, the interview work brought back extremely emotional and painful memories for beneficiary interviewees and this required the team to adapt topics of discussion or change the interview program schedule.

3. ABOUT THE TOHOKU SMALL BUSINESS PROGRAMS



Section guide

This section contains:

- The background context to the Tohoku Small Business Recovery Programme (Section3.1)
- An overview of the Tohoku Small Business Recovery Programme and its main components (Section3.2)
- An overview of the Tohoku Small Business Recovery Programme implementation arrangements (Section3.3)
- An overview of the post-Tsunami context in the disaster areas and in particular of the Micro and Small and Medium-Sized Enterprise (MSME) sector in the disaster areas (Section 3.4)

3.1 Programme Background & Rationale

Shortly after the triple disaster in Japan's Tohoku region on March 11th, 2011, Mercy Corps commissioned Planet Finance Japan (PFJ) to study the disaster's impact on small businesses in the tsunami-affected area. The study found that 30% of the small business owners in Kesenuma - a port town of 70,000 devastated by the tsunami - were unable to resume business due to the destruction of their facilities or financial difficulties they were experiencing related to the disaster.

More than 50% of business owners said the largest obstacle they faced was the "reconstruction of business facilities" followed by an inability to "ensure the continuity of employment" of their personnel. Over 75% indicated a readiness to restart their businesses if they were able to access the financial resources to do so. Government business recovery programs have focused on large industries or have been otherwise difficult for small businesses to access. Small businesses, which are cumulatively the largest employers in Tohoku, have faced substantial challenges in accessing the capital needed to recover. Mercy Corps and Planet Finance Japan entered into a partnership with a local cooperative bank, the Kesenuma Shinkin Bank, which was itself affected by the disaster.

3.2 About the Tohoku Small Business Recovery Program

The Tohoku Small Business Recovery Program (TSBRP) - or the Tomodachi Fund in short - was inaugurated on the 1st of September 2011 and is scheduled to run through to December 31st, 2015. The program is funded by Mercy Corps to the tune of just over ¥450 million and is implemented by Planet Finance Japan through operational partnerships with the Kesenuma Shinkin Bank (KSB), the Abukuma Shinkin Bank (ASB) and the Miyako Shinkin Bank (MSB) under the support of Shinkin Central Bank (SCB). The program supports small business recovery in Minami Soma and coastal communities in the Iwate and Miyagi prefectures.

The program includes three elements: 1) start-up grants of up to JPY 1.5 million to support *new* businesses and services in the tsunami-affected towns, 2) reemployment grants providing up to JPY 100,000 per month per employee for one or two employees per business for a year to support the re-employment of those who were laid off by the disaster helping cash-strapped recovering businesses to reemploy staff and quickly revive production, 3) Loan Interest Subsidies which cover the interest on loans, averaging JPY 10 million over a two-year grace period (the need for principal payment during the grace period depends on each case). The table below summarises the three program components.

Table 1 - Overview Tohoku Small Business Recovery Programme (TSBRP)

| Program Component | Total Funding Envelope | Small Business Funding Offer | Objective |
|-------------------------------|------------------------|---|---|
| Start-up Grant Assistance | Approx. \$1,165,000 | JPY 1.5 million (Approx. \$20,000) | Support <i>new</i> businesses and services in the tsunami-affected towns. |
| Reemployment Grant Assistance | Approx. \$2,021,700 | JPY 100,000 (Approx. \$1,250) per month per employee for one or two employees per business for a year | Support the re-employment of persons laid off by the disaster by helping cash-strapped recovering businesses to reemploy staff and quickly revive production. |
| Loan Interest Subsidies | Approx. \$1,311,180 | Covers interest on loans averaging JPY 10 million (Approx. \$125,000) | Provide more affordable small business lending through a 2-year grace period. |

The Start-up Grants and Reemployment Grants require own contributions from the beneficiaries. Applications are thoroughly screened by the Shinkin banks and Planet Finance Japan to ensure solid business plans and the commitment of the entrepreneurs. The original program was initially started in four communities, which also corresponded to the Kesenuma Shinkin Bank's area of operation (Minamisanriku, Kesenuma, Rikuzentakata and Ofunato).

The program has subsequently been expanded to cover two additional geographical areas: 1) Minami-Soma, a town that was also directly impacted by the nuclear disaster (in partnership with the Abukuma Shinin Bank) 2) The Rikuchu area, stretching from Kamaishi to Miyako (in partnership with the Miyako Shinkin Bank). Another expansion of the original Program was to attract small businesses serving people with disabilities. Regarding Program duration, the original program will run through 2013, as will the program to serve people with disabilities, while the expansion to Minami-Soma and Miyako will run through to 2015.

3.3 Programme Implementation Arrangements

The program is implemented through a collaborative arrangement between Planet Finance Japan and the three Shinkin Banks, namely KSB, MSB and ASB. Central Shinkin Bank was primarily involved in the initial stage of the program formulation as the first contact to Planet Finance Japan and the coordinator to other Shinkin Banks. Given the nature of the 100% grant assistance, the Start-up Grant and Reemployment Grant are mainly managed by Planet Finance Japan, while the Loan Subsidy assistance (that has the bulk of Shinkin Bank funds with supplemented interests) is managed

by Shinkin Banks. Nevertheless, Planet Finance Japan and Shinkin Banks are jointly involved in the selection process. For Start-up and Reemployment assistance, Shinkin Banks provide Planet Finance Japan with useful background information on the past business performance of the candidate beneficiaries, based-on-which, whilst also considering other criteria, Planet Finance Japan makes the final decision. For Loan Subsidy assistance, Planet Finance Japan provides Shinkin Banks with advice in the spirit of the program to focus on committed micro enterprises in serious need and not just enterprises with larger business potential. Monitoring on the beneficiaries for Start-up and Reemployment is mainly done by Planet Finance Japan using the set monitoring format, and monitoring for Loan Subsidy assistance is done by Shinkin Banks while sharing the basic monitoring format with Planet Finance Japan.

3.4 Post-Tsunami Disaster Context in the Target Regions

It is important to ensure that this evaluation is context-specific, i.e. that it takes due account of the specific context and conditions in which the TSBRP was launched and implemented and in this respect it is important to briefly describe the conditions in the target areas of the immediate post-disaster period. The Great East Japan Earthquake (GEJE) that hit the Pacific coast of the North East (Tohoku) region of Japan on March 11th, 2011 also caused a massive Tsunami that inflicted a gigantic impact on the infrastructure, the economy and society as a whole in the affected regions. The affected region of Tohoku, in the north-eastern portion of Honshu (the largest island of Japan), consists of six prefectures Akita, Aomori, Fukushima, Iwate, Miyagi and Yamagata.

MSMEs in the Disaster Areas

As MSMEs account for the majority of economic activity in Japan, the impact of the GEJE on the local economy was enormous. Moreover, MSME employment in Tohoku is proportionately more significant than in the rest of Japan, making MSMEs recovery a vital strategy for overall recovery in the region. Broadly speaking, there were two types of MSMEs in the tsunami-affected areas. On the one hand one finds the traditional marine-related industries in the coastal areas that have been operating in the area for many years. The second broad type comprises the relatively new high-tech manufacturing factories that have developed in the last 20 years, which were little affected by the tsunami and were also able to recover quickly. In terms of sector of activity, the largest employer is the retail and services sector, followed by the manufacturing, construction and fisheries sectors. Data obtained from the Japanese Reconstruction Agency Recovery Agency provided us with detailed data about MSMEs in disaster areas. The data was collected in June 2013 and is based on a survey sent by the Agency to some 7,577 companies, from which it received an impressive 5,445 responses. All companies are beneficiaries of the Group Grant program from August 2011 to March 2013.

Table 2 - MSMEs in the Tohoku Region - Distribution by Prefecture and by Industry

| | Total | Manuf-acturing | Fishery/ Fish Products | Retail / Service | Hotel | Const-ruktion | Transp-ortation | Other |
|-----------|-------|----------------|------------------------|------------------|-------|---------------|-----------------|-------|
| Aomori | 121 | 31 | 21 | 15 | 2 | 7 | 22 | 23 |
| Iwate | 792 | 133 | 84 | 311 | 42 | 99 | 42 | 81 |
| Miyagi | 2722 | 388 | 274 | 1059 | 56 | 409 | 244 | 292 |
| Fukushima | 1810 | 493 | 72 | 659 | 149 | 206 | 67 | 164 |
| Total | 5445 | 1045 | 451 | 2044 | 249 | 721 | 375 | 560 |

As can be seen from the table above, there were more than 5,445 MSMEs in the disaster areas, with approx. 50% of MSMEs located in the Miyagi prefecture and a further one-third in the Fukushima prefecture (in other words, more than 80% of MSMEs are concentrated in the Miyagi and Fukushima prefectures), in contrast to the Aomori prefecture, which contains just over 2% of MSMEs in the disaster areas. With regard to the sectors of the Disaster-Affected MSMEs in Tohoku, Wholesale and retail and Construction have the most enterprises (27% and 13.4%). Whereas Wholesale and retail and Manufacturing hire the most employees (19.5% and 15%) in the Tsunami-affected regions.

Disaster Recovery Response

It is worth mentioning that various actors (from the national government, prefectural governments, municipal governments to business associations, MSMEs, big corporations, independent recovery organisations, CSOs, volunteers and individuals), in and outside the affected areas across Japan, have worked hard as one to restore and help Tohoku recover from the catastrophic disaster. The national government set up and implemented various SME support policies, prefectural and municipal governments immediately reached out to the affected MSMEs to identify the needs and put them into action and the local Chambers of Commerce and Industry and other business associations provided quick and effective support to the MSMEs using its robust network.

Impact of the Tsunami on the MSME Sector

As of February 2013, the total damage of the GEJE to the infrastructure and other property was estimated at between 16 – 25 trillion yen (approximately 193 – 300 billion USD). The prefectures most severely and directly affected by the earthquake and tsunami were Miyagi, Iwate and Fukushima, all in the mentioned Tohoku region and to a large extent in Ibaraki and Chiba in the Kanto region. Approximately 120,000 MSMEs were located in the tsunami-affected areas, of which 40,000 were severely affected. Given the preponderance of MSMEs in the local economy, their recovery was considered vital if broader community recovery was to be secured. In the tsunami-affected areas, the damage was immense, destroying factories, shops, industrial facilities and basic community infrastructure. As of May 2011, out of the affected enterprises located at the coastal area, 54% were completely destroyed and 42% partly destroyed, while out of those located at inner land, 3% were completely destroyed and 86% partly destroyed (METI, 2011). The structural damages included damages to buildings that host offices, machines, equipment and other facilities.

Regarding the business recovery rate by industry and area, the fishery industry was by far the hardest hit by the disaster (METI, 2012). According to Teikoku Databank's Survey on the Conditions of SMEs affected by the GEJE in January 2012, two thirds (66.7%) of non-manufacturers and manufacturers (excluding seafood products industry) continued or resumed business, less than half (49.8%) of seafood products industry were able to do so. Furthermore, around 20% of manufacturers (excluding seafood products industry) report a decline of at least 30% in number of employees compared with pre-earthquake levels, whilst 30% of the seafood products industry reports an equivalent decline (METI, 2012). In the same survey, 65.6% of enterprises in the tsunami-affected areas have continued or resumed business as of Jan 2012. The corresponding figures for individual prefectures are 59.3% for Iwate and 66.8% for Miyagi. However, in the 14 districts containing evacuation areas in Fukushima, the resumption rate was 40.6%, indicating more severe consequences facing the enterprises in Fukushima due to the additional NPS accident (METI, 2012).

4. EVALUATION FINDINGS – PROGRAM IMPLEMENTATION



Section guide

This Section considers the evaluation findings w.r.t the following ToR Key Questions:

1. What is the overall level of implementation progress, and have program targets been met? (Section 4.1)
2. Is the selection process reaching the intended beneficiaries?
3. Was the selection process designed to consider the appropriate criteria?
4. Was the selection process fair and efficient?
5. Was the grants size adequate?
6. What were other resources leveraged by beneficiaries?
7. Would the beneficiaries have started / restarted business without the TF support?
8. Was the administrative structure appropriate and managed effectively?

4.1 Program Progress against Target Objectives

As mentioned earlier, the Program includes three elements: 1) start-up grants of up to JPY 1.5 million (\$20,000) support *new* businesses and services in the tsunami-affected towns; 2) reemployment grants providing up to JPY 100,000 (\$1,250) per month per employee for one or two employees per business for a year to support the re-employment of those who were laid off by the disaster helping cash-strapped recovering businesses to reemploy staff and quickly revive production, and; 3) Loan Interest Subsidies which cover the interest on loans averaging JPY 10 million (\$125,000) through a two-year grace period. The table below summarises the three program components targets. At the time of the commissioning of the evaluation the overall program had already provided support to over 350 small businesses, exceeding significantly the total Program targets.

Table 3 - Overview Tohoku Small Business Recovery Programme (TSBRP) Targets

| Program Component | Target Funding Commitment | Target Number of Beneficiaries |
|--------------------------|---------------------------|--------------------------------|
| <i>Original Program</i> | | |
| Start-up Grants | \$787,935 | 40 businesses |
| Reemployment Grants | \$1,583,365 | 50 businesses (100 persons) |
| Loan Interest Subsidies | \$1,093,406 | 80 businesses |
| <i>Expansion Program</i> | | |
| Start-up Grants | \$283,333 | 17 businesses |
| Reemployment Grants | \$333,333 | 13 businesses (25 persons) |
| Loan Interest Subsidies | \$217,778 | 20 businesses |

4.2 Program Management and Administration

4.2.1 Overview

With regard to the various aspects of the program management and administration, the general feedback from beneficiaries was highly positive for all the program components.

As for **reaching the intended beneficiaries**, thanks to the local links of the Shinkin Banks, many micro entrepreneurs were contacted: Shinkin Banks could directly contact the existing clients for re-employment assistance and loan subsidy assistance, while the banks informed its account holders and other potential beneficiaries through personal contacts. While other means of advertisement were attempted, such as local newspapers and Chamber of Commerce and Industry, the majority of the beneficiaries of all the program components were informed of the TF through Shinkin Banks, and those who received the information through other means indicated it was not easy to get the information. Contacts through Shinkin Bank allowed quick outreach, which was critical in the post disaster context, and finding the micro entrepreneurs in need who met the criteria; on the other hand, it might have missed other potential micro entrepreneurs in the region since the information dissemination was not necessarily exhaustive and frequent. Nevertheless, overall, the sample beneficiaries demonstrate that the **selection criteria**, as indicated in the grant advertisement and as emphasized by Planet Finance Japan, is followed and appropriate: many of them were in dire need of grant support, and are highly committed to managing their businesses, and to making contributions and services to the communities.

The feedback indicates that the **application process** was highly efficient, with simple and easy application format and procedures, taking only 1-3 months from application to disbursement. Immediate cash disbursement and flexibility in usage was also appreciated, accurately satisfying the needs of the beneficiaries. Many interviewees compared the TF process with that of the government schemes, which had a lengthy, complicated and inflexible procedure and rules which was a burden on the affected entrepreneurs and ill-fitting for their needs for quick support (though once approved, the amount of support was often enormous). Overall, the process can be considered fair, for it selected the beneficiaries in need following the set criteria, except that there might be more potential beneficiaries who were not informed of the program, for the reasons mentioned earlier. Some beneficiaries received multiple funding with much larger amounts than that of the TF. This indicates two aspects: 1) the TF support helped the first step, and the business attracted other funding and expanded, and 2) the TF supported the enterprises that received / could receive funding from other organizations anyways. The interviews showed both cases. Though it would be difficult to predict which enterprise could get other funding, at least it might have been possible for Planet Finance Japan/Shinkin Banks to give priorities for those who have not received, or are not likely to receive, any other funding, if its main objective is to reach out to those who are in dire need. However, it is also meaningful to support the promising enterprise that can offer great services to the community, even if it gets other funding, since the requirement for funding is normally significant in the post disaster.

With regard to the **size of the grants**, all of the interviewed understood the concept of the self-contribution and thus the rationale for the grants amount. While some strongly felt that the self-

contribution was essential and necessary to motivate and drive the entrepreneurs for success, and to avoid the “dependency syndrome”, others felt that the grant amounts could be bigger since the cost of the damage and recovery was gigantic. Regardless of their expectations of the amounts, all appreciated whatever amounts received as grants. For **self-contribution**, the beneficiaries mostly mobilized their own or family savings, or business income. Importantly, almost all the beneficiaries mentioned that they would have **started/restarted their business even without the TF fund**. This is because they were seriously committed to overcome the most devastating reality caused by the disaster.

4.2.2 Program Management and Administration – Start-up Grants Component

A total of 20 start-up grants beneficiaries were interviewed. When asked about the **first contact with the Tomodachi Fund**, most of the beneficiaries (13 out of 20) replied that they were first informed by the Shinkin Bank, while others found out about the TF through the local newspapers (2/20), word of mouth (4/20) or via information provided by the local Chamber of Commerce & Industry (1/20). Three quarters (14/20) of the interviewees, most of who received information from Shinkin Bank, indicated that the information was easily available. Interestingly, those who received information via non-Shinkin Bank channel, i.e. word of mouth, CCI, and newspaper, indicated that the information was not easily available.

Regarding the **application process**, all the 20 interviewees considered it easy to understand, though one mentioned the difficulty of understanding the judging criteria and the other of defining its own business (i.e. an innovative recovery network). Many indicated that Planet Finance Japan and/or Shinkin Bank explained thoroughly, and the application forms were much simpler than those of the government programs. Furthermore, application and disbursement procedure took only 1-3 months, and most of the entrepreneurs felt the process was quick. Some beneficiaries mentioned that it was good that the program cooperated with the Shinkin Banks who became an excellent link between the beneficiaries and Planet Finance Japan, as Planet Finance Japan was not known in the region.

In relation to **other programs** that the beneficiaries could apply to, half of them (10/20) responded that they applied for other programs and received support, including grants program of private and civil organizations such as Mitsubishi Corporation Disaster Relief Foundation, Nippon Zaidan, and Japan NPO Support Center; the National support program for persons with disability; Recovery reemployment grants from prefectures; and the Cabinet office grants. The grant amounts ranged from 800 thousand yen to 5,000 thousand yen. Others also received loans such as the Municipality loans and bank loans, which ranged from 500 thousand yen to 12,500 thousand yen. The beneficiaries applied and/or received this support either before or after they received the Tomodachi Fund.

However, the other half (10/20) mentioned that there was no other program available, or that there were programs but they were not eligible, indicating that the Tomodachi Fund was critical for them to start up a business.

Notwithstanding the general positive opinion of the interviewed enterprises towards the Tomodachi Fund, it is worth mentioning that most of them (18 out of 20) expressed that **they would have**

started a new business even without the TF. This is because they were determined to break through the extreme hardships imposed by the disaster through whatever means possible, either to survive, feed and support families, help those who suffer, and/or recover their community. There was no other choice but to move forward. Among the remaining two, one mentioned that without TF, he would have restarted his old business on a smaller scale instead of starting a new one, while the other mentioned that he would not have been able to start a business (elderly home) without TF since he could not find any other support and was at a loss. In all cases, the beneficiaries highly appreciated the TF support.

As for the financial **self-contribution** required by the Program, all the interviewees understand the concept and consider it reasonable. About one third (6/20) of the interviewees specifically mentioned that the self-contribution is excellent and necessary since, without it, beneficiaries would get dependent on grants, make less efforts, and/or would not appreciate the support initiative as a whole. Some mentioned examples of people who got dependent on grants and stopped making efforts, emphasizing that dependency was the worst thing that could happen to people. They understood that this counterpart contribution would increase the commitment and leadership towards the business and its success. Some (3/20) were explicit in mentioning that more funding would have been better since the cost of damage and recovery was far greater than the grant amount; nevertheless, they understand the concept and highly appreciate whatever grant amount provided. As for how they managed their self-contribution, about one third managed from their own or family savings, others engaged in part-time jobs, received funds from a financial organization, and managed to reduce costs.

As for the **administrative structure** to manage the Start-up grants, Shinkin Bank advertised the program locally, through personal / business contacts, local newspapers, and a link to the Chamber of Commerce and Industry, which was effective since Planet Finance Japan did not have a local presence or links. PFJ also promoted the Program by attending local business promotion events and visiting Chamber of Commerce and Industry. In addition PFJ also went to local business promotion events and the Chambers of Commerce to advertise the grants. The application forms were directly sent to Planet Finance Japan, who then visited all the potential beneficiaries to interview. Among the selection criteria for start-up beneficiaries, the most important for Planet Finance Japan was whether the applicant was sincerely and seriously committed to starting a business and making it a success in the long run and to contributing to the recovery of the affected area. The selection process was both thorough and appropriate, allowing careful yet flexible selection to capture the most committed applicants with a well thought-out business plan. An application vetting process centred on a review of application forms would not have allowed such a thorough examination of the beneficiaries. Though the start-up beneficiaries were in general not the former clients of Shinkin Bank, the bank was familiar with the community thus actively cooperated in the selection process by providing useful information.

4.2.3 Program Management and Administration – Reemployment Grants Component

A total of 16 Reemployment grants beneficiaries were interviewed. Regarding the **first contact** with Tomodachi Fund, many of the beneficiaries (7/16) received the preliminary information on the TF from the Shinkin Bank, while others found out about the TF via information provided by the local

Chamber of Commerce & Industry (5/16), through the local newspapers (4/16) and word of mouth (1/16). The means of information dissemination is slightly more diverse than that of the Start-up grants, most of which was through personal contacts from Shinkin Bank. 11 out of 16 pointed out that the information was easily available, most of who received information from Shinkin Bank, with a few others via CCI, newspaper and word of mouth. Compared to start-up beneficiaries, re-employment beneficiaries had started business and had business relationships with Shinkin Bank before the tsunami. When they talked with Shinkin Bank about a possibility of an additional loan, the bank introduced the TF to them. As a result, it can be assumed that MSMEs, which previously had business with Shinkin Bank, were more likely to get information about the re-employment grant assistance than non-clients.

In relation to **other programs** that the beneficiaries could have applied to, almost all of them (15/16) applied and received other program support such as individual grants and group grants from the government, re-employment grants from prefectures, and Minami-Sanriku start-up grant. For example, one beneficiary received 500,000 yen grant from another NGO, while another beneficiary received 40 million yen group grant from the government, which was divided among 20 tourism related enterprises. Regarding the **application process**, all of the interviewees considered it not complicated or even easy to understand. Furthermore, all of the enterprises found the disbursement procedure quick, taking only one to three months. Beneficiaries felt that the application process of the TF was easy compared to other programs, many of which, especially the government schemes, require many documents, with lengthy and complicated processes. By and large, it would take 6 months to 1 year or more before the process would be complete.

It is relevant to mention that all of the interviewees stated their willingness to **restart the business even without the TF** because they were determined to revive anyways. However, many pointed out that, without the help of the TF, it would have been much more difficult, and that the grant served as a great help and relief for them. For example, the owner of Takahashi (traditional Japanese apparel shop) in Kesenuma explained that after the disaster, she was afraid of hiring people since the future of her business was totally uncertain and she felt she should not hire people irresponsibly. Yet, with the re-employment grant, she could hire two staff members without any worries, and could indeed hire an additional staff member with her own resources. The immediate monthly payment was an extremely great relief and driver for her to hire staff and restart her business, which would have not been possible with other programs that only reimburse after several months. Sakaeya Glass (glass making business) in Yamada mentioned that he was uncertain about restarting his business, but the grant helped him to make the right decision.

As for the financial **self-contribution** required by the Program, the majority (9/16) of the interviewees, like the start-up grants beneficiaries, understood that it would increase the commitment and leadership towards the business and therefore they considered it a reasonable and/or essential requirement. A few beneficiaries were explicit in pointing out that the grant was not enough (2/16). This is because, as one entrepreneur explained, the businesses would only have come to a starting point 2 years after the disaster, and real recovery starts from now?; the grant support has already ended but it should be longer to support the recovery process.

4.2.4 Program Management and Administration – Loan Subsidy Component

Shinkin Bank manages the loan subsidy program as it would a normal Shinkin Banks loan program. In other words, Shinkin Bank does not have to make any special arrangement for subsidized loans: it provides subsidized loans to MSMEs that match the criteria of the Tomodachi Fund and receives the transfer of subsidy from Planet Finance Japan. Moreover, Shinkin Bank reports to PFJ on a monthly basis regarding which MSMEs have been provided with subsidized loans. This makes the whole component management highly efficient from Shinkin Banks' internal perspective.

Three Loan Subsidy beneficiaries were interviewed, in addition to another three beneficiaries who received both Loan Subsidy support and Start-up Grant assistance and another two beneficiaries who received both Loan Subsidy support and Re-employment Grant support (i.e. a total of eight beneficiaries). Regarding the **initial contact** with the Program, all of them received the information on the TF from the Shinkin Bank, except two who first heard about the reemployment grants via word of mouth and newspaper and then were introduced to the loan subsidy program offer by Shinkin Bank. All beneficiaries considered it easy to obtain the information. All the enterprises regarded the **application procedure** as easy, and considered the disbursement process quick, taking less than a month. All agreed that the loan conditions were good. Of the three interviewees without the TF grants assistance, only one has applied and received **support from another program**, a 2.8 million yen group subsidy from the government and a 5 million yen interest-free loan from Fukushima Industry Recovery Center. All five interviewees with the TF grants assistance have received other program supports such as a municipal loan, Shinkin Bank regular loan, government group loans / advancement scheme loans, and cabinet office grant, ranging from 1.6 to 5 million yen for individual financing, and 40 million yen for group financing.

As an example, Kikuchi Komuten (builder's office) from Miyako was positive regarding the application process for a loan subsidy. The firm heard about the Program from Shinkin Bank, and applied. It found the application process quite straightforward and also received some support and advice from Shinkin Bank. The loan subsidy application was assessed and processed in just over a month, which the firm found a very reasonable timeframe. The firm did consider other loan opportunities but preferred this one, as it was the only one offering a loan subsidy. The loan was used to buy 7 house water boilers machines in bulk, which brought significant savings compared to buying machines individually. No further loan is foreseen for the house business, but the owner may consider a further loan request for his second company (a real estate company). Demand for the company's house related ecological products is now higher since the Tsunami, and he has difficulty in keeping up with orders due to staff shortages. The real problem has been enticing people from outside to come into Miyako to work - while Miyako people generally want to stay in Miyako, people coming from outside prefer to go to a more inland central location like Morioka, rather than come to Miyako. Regarding future prospects, sales are expected to keep increasing, while other core business parameters should stay constant. Mr Kikuchi was however dubious as to whether the prefecture or the municipal government could provide a structured response to tackling the labour shortage, as they are already quite stretched with many projects. The issue is also one of the most challenging for the disaster-affected coastal towns in Tohoku since it is related to overall land use planning which is highly complicated after the disaster, and the wider social phenomena of aging and depopulation in the rural areas.

4.2.5 Program Management and Administration – Partner Banks’ View

In order to **reach out** to potential beneficiaries, Shinkin Banks advertised the program by directly contacting their own business clients and account holders, and through their home pages, national and local newspapers, press conferences, brochures, linking with local Chamber of Commerce and Industry branches, and/or local governments offices. However, even with all these means, Shinkin Banks were uncertain if the information spread was as wide as they wished. A Shinkin Banks staff in Miyako reflected that his office staff should have gone to the Chamber of Commerce and Local Government offices more regularly, once a month for example, but that they were too busy to do so. The same bank representative considered that if bank staff had established closer relationships with the CCI and LG staff, to the extent that they were able to provide frank feedback and advice to each other, it would have helped with a smoother forward movement of the MSME recovery efforts. Nevertheless, a Shinkin Bank staff member in Kesenuma considered that over 100 applications for start-up grants in Kesenuma was enormous, considering the post-disaster situation in the town.

For **selection of beneficiaries**, Shinkin Banks provided Planet Finance Japan with basic information of the candidates, though details could not be shared for confidentiality reasons. One Shinkin Banks staff expressed that the selection process itself was a learning process for the bank since Planet Finance Japan had more of “recovery” perspectives while the bank focused on “business potential / profitability”. For example, the bank would have been happy to support the construction sector given that this sector was essential for disaster recovery and job creation, but Planet Finance Japan preferred not to support the construction sector as it considered that the sector could obtain support from other programs and sources, which the bank agreed with.

With regard to **the size** of the start-up and reemployment grants, Shinkin Banks felt they were appropriate, since it would be better to provide a smaller amount to many. As for the size of the subsidized loans, Kesenuma Shinkin Banks generally made loans averaging 10 million yen per loan, with exceptions, while Miyako Shinkin Bank made the ceiling 5 million in order to reach more enterprises.

4.3 Beneficiary Monitoring and Reporting

For Start-up and Reemployment Grants, Planet Finance Japan asks each beneficiary to fill out a quarterly progress report for one year for the reemployment program and two years for the start-up program. Some write detailed progress and issues, others write roughly. One beneficiary commented during the interview that there should be feedback from Planet Finance Japan on the reports, since it can be a source of motivation and/or hints for improvement (The beneficiary explains that currently there is no feedback so the motivation to write the report is low). Planet Finance Japan staff also makes occasional monitoring visits to the beneficiaries, and informal visits to “chat”, which is highly appreciated by many beneficiaries who feel that the Planet Finance Japan cares about them, and that they have developed a close tie of trust. Through chatting, friendly advice may also be shared. Planet Finance Japan staff also makes sure to show up at the events relevant to the beneficiaries’ enterprises, such as sales events and performance in or outside Tohoku, which are highly appreciated by the beneficiaries, even as a pleasant surprise. Many interviewees expressed that such close

follow-up, even long after the grant disbursement, is great encouragement for the beneficiaries and unique to the program, since there is no such personal ties or follow-ups with other programs.

Shinkin Banks undertake regular monitoring of subsidised loan beneficiaries' business performances, and share some basic information in a simple monitoring format with Planet Finance Japan. Shinkin Banks staff also regularly visit their beneficiaries for monitoring. Unlike other banks, Shinkin Banks have traditionally remained close to the community, determined to help micro and small entrepreneurs, right from the beginning after the disaster hit the region. This sincere attitudes and actions have been greatly appreciated by the disaster-hit micro and small enterprises. Shinkin Banks staff indicated that simple monitoring was important since otherwise it would become a burden on extremely busy staff and enterprises. The monitoring format for loan subsidy was thus mainly focused on sales (total business performance) with three performance levels, where reaching about 80% of the business plan was considered acceptable. However, in general, Shinkin Bank focuses monitoring on the existing business clients; thus, monitoring for non-client beneficiaries and for beneficiaries with small loan portfolios would be an issue for consideration.

4.4 Program Monitoring and Reporting

Regular progress reports on the program are provided by Planet Finance Japan to Mercy Corps. While program management at the beneficiary-level and at the individual grant-level have been widely praised, there is still scope to improve program-level management and monitoring. More can be done to collect and collate data on individual beneficiary progress in overall program tracking tools, in order to more accurately estimate the Program's results and impact. The information and intelligence that will be acquired from such an increased monitoring and impact assessment effort will also be both valuable and necessary in explaining the merits of the program to future partners, stakeholders or funding agencies in any possible follow-up program (see below). Currently, some of the data already exists at Planet Finance Japan and some review and analysis is done by a dedicated staff (for example, business expenditure and income are collected quarterly in the first year of the assistance) – however, there is a need to collate the data in electronic format in order to optimise Program-level analysis.

However, it should be noted that overburdening the program implementers and beneficiaries had to be avoided given that the fund had to be established urgently after 9 months from the disaster and when the future prospects of recovery were very uncertain. In disaster recovery, balancing emergency response (i.e. activity to respond to the needs at hand) and monitoring (i.e. activity to improve the future response) is not an easy task. Increased monitoring requirements on PFJ and Shinkin Bank would have risked increasing the operational costs in their limited budget, possibly affecting negatively the Program's beneficiary coverage. The fact that most beneficiaries did not have digitized business management systems, due to their small size, lack of finance, or unfamiliarity with computers, also made it impossible for the program implementers to get the digitized data from the source, making data management more cumbersome. Nevertheless, when the level of urgency is reduced and the program enters a phase to consider a follow-up program, data obtained from program-wide impact assessment could become very valuable.

Moreover, the evaluation team does not know whether the program effectively captures learning from business and financial development of the beneficiaries and provides feedback to them, though it may be done partly by Shinkin Bank and/or PFJ. While beneficiaries have provided varying feedback on the appropriateness of grant assistance amounts and duration, the evaluation team are not aware of any detailed business and financial analysis that has been carried out on beneficiaries in this regard that could provide 'hard numbers'. For example, i) could some start-up beneficiaries succeed with a small level of grant assistance? Or a blended assistance offer comprising a smaller grant component with a soft loan component with low collateral requirements? What is the cash position of reemployment grant beneficiaries at the end of year 1 in terms of their capacity to support partial or total own payment of the salary costs of the re-hired employees? These are questions to which answers could lead to increased Program refinement and heightened impact.

5. EVALUATION FINDINGS – PROGRAM RESULTS



Section guide

This Section considers the evaluation findings w.r.t the following ToR Key Questions:

1. Beneficiary feedback on the contribution of Program support
2. How many beneficiary enterprises are likely to succeed? How many are profitable?
3. Are the TF beneficiaries more successful than others?
4. What differences does the program make?
5. What is unique about the TF?

This section considers the results obtained by the program.

5.1 Program Results – Start-Up Grant Component

As mentioned earlier, twenty beneficiaries interviewed in the evaluation field sample had received start-up grants of up to JPY 1.5 million (\$20,000) to support new business and services. The field interviews reflected the different motivations of these entrepreneurs to start a new business, ranging from helping other people in need to introducing a new service into the market. These businesses covered a wide range of sectors, including for example bio-diesel production, production of various?, restaurants, services for nursery schools, a swimming school business, and even a Karaoke business.

Regarding the **key achievements** and results that became possible thanks to the Tomodachi Fund, all of the answers reflected a positive beneficiary perception. Among the main achievements pointed out by beneficiaries are the Funds support allowing them to provide valuable and needed services to the community (9/20), supporting others through job creation (3/20), supporting local companies and market (3/20), obtaining higher incomes, production and market demand (3/20), and linking with other TF beneficiaries (1/20). It is important to note that three quarters (15/20) of the interviewees consider “helping others” as their biggest achievements which they feel most proud of (i.e. providing services, job creation, and supporting local companies). It is highly respectable that the beneficiaries, who lost so much after the disaster, feel happiest when they are able to make others happy.

Table 4 - Beneficiary MSMEs Views on Key Achievements and Results of the Program

| Achievements/ Results that became Possible thanks to TSBR | Beneficiary Perception |
|--|------------------------|
| Allowing (beneficiaries) to provide valuable/ needed services to the community | 9/20 |
| Supporting others through job creation | 3/20 |
| Supporting local companies and market | 3/20 |
| Obtaining higher incomes, production and market demand | 3/20 |
| Linking with other TF beneficiaries | 1/20 |

The above beneficiary feedback raises a number of interesting points, highlighting for example the strong community-minded spirit of a significant proportion of the beneficiaries. Regarding **sustainability**, it is also worth mentioning that most of the interviewees (12/14) considered their own business incomes as the main source of additional funding after TF ended, while only 2 out of 14 enterprises utilized a loan, and 2 combined a loan / grant with their own income.

Regarding **business performance and business evolution**, one quarter (5/20) of the interviewees responded that their businesses are going much better than planned, half (10/20) responded that their businesses are more or less as planned, and the remaining one fourth (5/20) responded that it is not going as planned or that they are uncertain about it. Among the businesses that are going better than planned are Ohisama (kids nursery), Kaientai (elderly home), KFS (wool products), Sansho (sushi ingredients) and Yushin (construction). The first three are located in Kesenuma, the rest in Ofunato and Minami soma respectively. Ohisama, Kaientai and Yushin have much more demand than they can handle, while KFS and Sansho have achieved higher levels of profitability than originally forecasted.

However, the evaluation findings also show that not all businesses are going as planned, with these business covering a variety of sectors. One beneficiary for example considered that it would need four times the current customer base if it is to make the business profitable. Another beneficiary needs more space for its business activity, while another MSME has engaged in various activities and is finding it hard to plan the exact future activities. Another beneficiary is finding it difficult to train new employees and manage a company, while another business faces reduced profit margins as it cannot increase selling prices even though the costs of ingredients has increased.

The principal factors identified by beneficiaries in explaining the **success** of the businesses were related to marketing and networking⁵ (8/19), large demand / customers (5/19), making the business marketable and profitable (4/19), and promotion of business via word of mouth and media (3/19). Besides, many have made efforts to improve the quality of their products, while two beneficiaries also mentioned the commitment of staff as a key success factor, and one specifically mentioned the TF grant as the key factor for success.

Table 5 - Beneficiary MSMEs Views on Success in starting up and operating the business

| Success factors in the process of starting up and operating the business | Beneficiary Perception |
|--|------------------------|
| Marketing and networking | 8/19 |
| Large demand / customers | 5/19 |
| Making the business marketable and profitable | 4/19 |
| Promotion of business via word of mouth and media | 3/19 |
| Staff | 2/19 |
| TF grant | 1/19 |

Four beneficiaries strongly emphasized the importance of managing their activities as a sustainable business, and not a charity. Ohisama, a nursery home, mentioned that they adjusted the fees

⁵ This included participating in various events and internet marketing.

according to the ages of children in order to maintain sufficient income to retain the staff, since only by managing it as a business can the services be made sustainable. Peace Jam, who hires mothers for jam making and sewing, decided to make innovations to their products, without engaging a consultant, to make them more attractive and marketable with less cost, since making profits is the most important way to keep paying staff salaries. Some beneficiaries also emphasised that “recovery sympathy” among the general public would not last forever and the products need to be attractive for customers to buy. Machine Parts, a biodiesel producer, also emphasized the importance of making the business survive utilizing the maximum abilities of all staff, with a strong commitment to serve customers in the spirit of Japanese MSMEs.

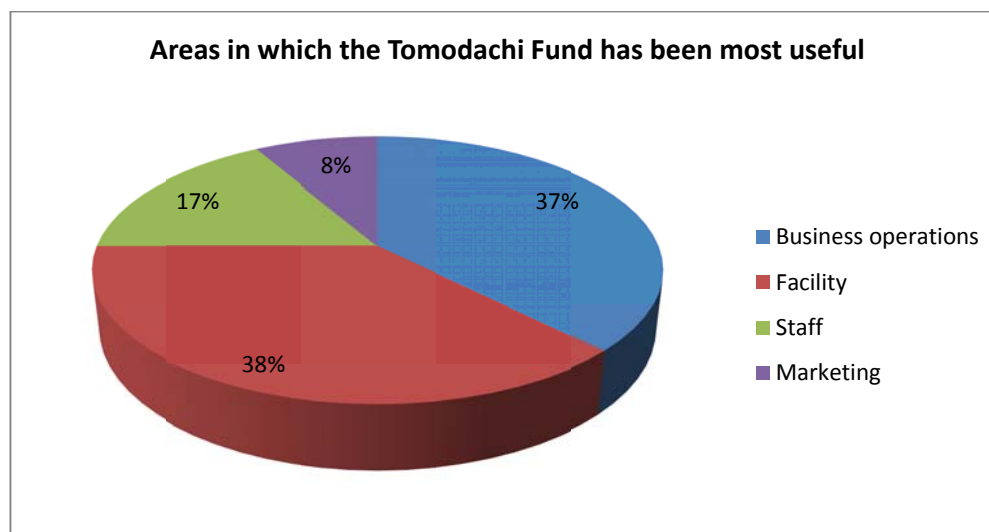
Among the **challenges** involved in starting and operating the business, the most common challenges mentioned are attracting more customers (5/20) and increasing business incomes (4/19) as well as business operations, staff and salaries (3/20), followed by business network (2/20), transport and distance (2/20), business facility (1/20) and marketing (1/20). Two beneficiaries (a hotel in Minami Soma and a food supplier in Ofunato) specifically mentioned the damage caused by harmful rumours regarding the Fukushima Nuclear Plant as one of the challenges to their businesses – while their products and local produce are generally free of any radioactive substance, many customers are still too cautious. Another challenge mentioned by a number of beneficiaries was the difficulty of finding skilled and motivated staff.

Table 6 - Beneficiary MSMEs Views on Challenges faced in starting up and operating the business

| Challenges in starting up and operating the business | Beneficiary Perception |
|--|------------------------|
| Attracting more customers | 5/20 |
| Increasing business incomes | 4/20 |
| Increasing business operations | 3/20 |
| Staff | 3/20 |
| Salaries | 3/20 |
| Business network | 2/20 |
| Transport and distance | 2/20 |
| Business facility | 1/20 |
| Marketing | 1/20 |

With respect to the areas in which the Tomodachi Fund has been **most useful**, business operations (9/19) and facility (9/19) were ranked on top, followed by staff (4/19) and marketing (2/19). Seasonal fluctuations in business demand are also a challenge of varying magnitude for many start-up beneficiaries, with 14/19 stating that they experience small to large **seasonal fluctuations** on average sales, clients as well as business incomes and expenditure (or simply have “busy” and “quiet” times in a year). It is not clear to what extent start-up beneficiaries are finding effective or satisfactory responses to seasonal fluctuations, but the relatively positive picture painted by their business performance to-date suggests that they are. One start-up (a wool products business) faces summer sales that are only one-third of winter sales and tries to cope with the quiet period by attending various sales events and by focusing on production.

Figure 1 - Beneficiary MSMEs Views on areas in which the Grant Assistance has been most useful



Looking to the **future**, the principal needs foreseen by start-up beneficiary interviewees were expanding the customer base (4/10), followed by more sales and better sales channels (2/10), skilled employees (2/10), publicity (1/10) and bigger facilities (1/10).

5.2 Program Results – Reemployment Grant Component

Sixteen beneficiaries from the field sample had received re-employment grants of up to JPY 100,000 (\$1,250) per month per employee for one or two employees for a year, with the aim of supporting their business re-employed (former) staff and to revive production more quickly than might otherwise be possible. The enterprises benefiting from the re-employment grant cover different sectors, including the provision of certain goods such as ice making, sweets, glass, clothing and machine parts; as well as the provision of services such as automobile painting, gastronomic, and hairdressing.

Regarding the **key achievements** and results that became possible thanks to the Tomodachi Fund, most beneficiary feedback is positive. Re-employment grant beneficiaries consider that the primary TSBRP achievements are contribution to the business (7/15), followed by support to local companies and local market (3/16), satisfaction from the customer and job creation (2/16). Other achievements mentioned included increased (owner) self-confidence and motivation (1/16), increase in demand, production and profits (1/16) as well as obtaining another grant (1/16). From the above we can concur that the key Re-employment grant contribution has been a general contribution to the business, and along the lines of the original intended goal of this Programme component. However, further analysis of this feedback is to some extent difficult, as beneficiaries don't always elaborate on what they mean, and it is also difficult to link the contribution or impact of a re-hired staff member to specific results in the business (for example, a re-hired staff member may help revitalise production more quickly but important marketing and sales contributions from the owner or other staff member may be required to translate this into increased sales and customers).

Table 7 - Beneficiary MSMEs Views on key achievements of the TSBRP Reemployment Grant Assistance

| Achievements/ Results that became Possible thanks to TSBR | Beneficiary Perception |
|---|------------------------|
| Contribution to the business | 7/16 |
| Support to local companies and local market | 3/16 |
| Satisfaction from the customer | 2/16 |
| Job creation | 1/16 |
| Self-confidence and motivation | 1/16 |
| Increase in demand, production and profits | 1/16 |
| Obtaining another grant | 1/16 |

The beneficiaries were asked how they would **retain the supported employees** after the TF was completed. Most of the interviewees (14/16) regarded their own business incomes as the principal financing source for paying employees after the grant period had ended, while only 2 considered applying to other grants or loans.

Table 8 - Beneficiary MSMEs Views means of retaining staff after the Reemployment Assistance has ended

| How to retain the supported employees after the TF | Beneficiary Perception |
|--|------------------------|
| Business incomes | 14/16 |
| Loans / other grants | 2/16 |
| Not necessary of additional loan | 14/16 |

This is an extremely important and encouraging message, as it suggests that 90-95% of beneficiaries will retain re-hired staff in the post re-employment grant period. If extrapolated to the wider re-employment grant population it would suggest significant employment maintenance, with the direct benefits to the beneficiary firms and the wider contribution these employees will make to the community (increased local spending and purchasing power etc.). While it is hard to make direct/hard conclusions, it probably also suggests something positive about the selection and vetting of re-employment grant applications. In three cases, the re-employment grant also facilitated an additional bank loan.

In relation to the efforts made by the beneficiaries to hire employees, only 2 out of 15 considered it difficult to find staff in 3 months, while most of the enterprises found it reasonable. Most re-employment beneficiaries did not experience difficulties in hiring one or two workers to benefit from the program because they rehired former employees (4/15), or found staff easily thanks to word of mouth, friends, employment service centre or vocational school assistance. While most beneficiaries therefore did not experience difficulties, they nevertheless did allude to a general **problem of employment** and **mismatch of job-seekers** across sectors in their towns and which in their view is affecting local MSMEs. For the two beneficiaries that did experience difficulties, the above-mentioned lack of skilled people and low wage levels were cited as reasons for the difficulty.

A number of reasons underlie this difficulty. First, there is a lot of recovery related works such as debris removal and clearing work and construction work available in the disaster areas and these jobs offer higher salaries because they receive significant amount of financing from the government. Some large fishery-related industries can offer higher salaries for the same reason. Indeed, half the interviewees (7/15) mentioned that this creates a problem for local micro and small enterprises, who cannot afford to offer the same level of salaries thus cannot attract desired job seekers. Needless to say, this competition to secure job seekers exacerbates the already tough employment situations in the affected towns, which experience fast population outflow after the disaster in addition to the existing problem of aging. Since most entrepreneurs need several staff with relevant skills to maintain or develop their businesses, this reality affects them severely. One beneficiary was explicit in suggesting that the re-employment grant assistance should be longer in duration and slightly more in amount, in order to help the local MSMEs deal with the problem until their businesses are more robust. While the government, through the “Hello Work” initiative, and the Chamber of Commerce and Industry have been trying to solve the problem of shortage of job seekers and employment mismatch, to-date, they have not been able to make significant progress.

Regarding **general business evolution and business performance**, the field findings show a mixed picture – slightly below half of the re-employment beneficiary MSMEs (7/16) consider that the re-start of their own business has gone mainly as planned while half of respondents (8/16) considered that the business has not evolved as planned, and one beneficiary showed uncertainty on the subject.

Table 9 - Beneficiary MSMEs views on whether business performance went as planned

| Business performance and business evolution went as planned | Beneficiary Perception |
|---|------------------------|
| Mainly as planned | 7/16 |
| No / Not really | 8/16 |
| Uncertain | 1/16 |

There are various reasons why businesses have not developed as planned. Four interviewees indicated lower profits due to decreased sales channels, and decreased customers (or tourists) and one beneficiary specifically mentioned that sales in 2013 had declined compared to 2012. Three interviewees indicated prolonged community recovery by the local government including zoning, land-raising, and actual implementation, which caused delay or restriction in their business. Though two years have already elapsed there is still much debris removal and construction work going on, and the issue of zoning is highly complicated and uncertain in many areas for the next few years. This uncertainty continues to cause local MSMEs difficulty, especially in terms of deciding permanent location of their business and building stable customer base. Entrepreneurs in Fukushima prefecture face even more difficulty in this aspect. For example, removal work on radioactive debris has not been done yet in Minami-soma, and this impacts a wide range of businesses, not just in the tourism and services sectors but also in other sectors. Moreover, there is no clear timeframe in place for this to happen, and it is also not clear if businesses and people would come back to the area even after the removal and thorough decontamination. As a result many businesses are having to operate with levels of uncertainty well above a normal business-operating environment, and cannot for example open new factories and office in lower ground areas. One entrepreneur in Minami-soma for example indicated that he has currently severe constraints in meeting his customers located near the nuclear power plant.

Regarding the **success factors** in the process of restarting and operating their business, many of the interviewees considered the positive spirit and attitude fundamental (4/11), as well as the market demand and sales (4/11), followed by marketing and networking (2/11), staff contribution and voluntary support from people (1/11). Regarding the **challenges** (multiple answer options) seven interviewees mentioned uncertain land zoning and thus shortage of appropriate business space. This is a severe problem for beneficiaries who continue to operate at temporary premises. Similarly, seven other interviewees raised decreasing population, customers and tourists as a challenge for their businesses. Four interviewees indicated shortage of skilled staff or inability to pay higher salaries as a challenge, while three others indicated challenges regarding sales and sales channels. Besides hiring employees, **other impacts** that the re-employment grant had on the business were mainly related to the staff stability, the improvement of productivity and business operations as well as the sense of reassurance and relief of financial pressure. While it is difficult to draw hard conclusion from comparing start-up beneficiaries and re-employment beneficiaries, it is interesting nonetheless to note that a much higher proportion of start-up beneficiaries consider marketing and networking to be a success factor.

With regard to **Income, expenditure, average monthly sales** and average monthly clients, 7 out of the 13 enterprises interviewed considered that these business parameters had either developed as expected or had exceeded their expectations, while 6 out of 13 beneficiaries were not satisfied with how their businesses has evolved against these key indicators. Beneficiary views on business performance are also influenced by the beneficiary's sector of activity. For example, an ice-making beneficiary sees one key challenge as turnover being too low, but this is closely connected to the fact that the fish market is still being rebuilt (given the importance of the fish sector for this business's activity). In the case of manufacturing companies, the drop in sales has been due to loss of clients during the period when they suspended operations in the immediate aftermath of the Tsunami. Furthermore, some retail businesses have recorded sales performances that surpassed their expectation, with one contributing factor being some customers purchasing their products out of sympathy. However, this is of course not a sustainable dynamic and given that two years have elapsed since the disaster people are paying less attention to disaster areas. As a result, many retailers do not think monthly sales will increase easily unless they develop a new marketing channel.

Most of the enterprises interviewed (11 out of 16) considered that **seasonal fluctuations** had an impact on average sales, clients as well as business incomes and expenditure. For example, fishery-related businesses, such as fish market and icemakers, experience strong fluctuations in business activity levels. They are busy in the fish harvesting period from June to December. However, from January to May, they do not have enough work to generate revenue. Thus fish related companies face challenges in retaining staff during the quiet season. Marudai, an icemaker in Kesenuma, engages part-time employees, as they would not be able to pay full-time staff throughout the off-season. One of the beneficiaries (Sakana no Eki, a joint market of 9 fishery related enterprises in Kesenuma) tries to overcome the seasonal fluctuation in part by organizing numerous events or creating innovative activities (such as a series of concerts, arts performance, and series of seafood festivals) in the low as well as high seasons in order to keep the business active and generate increased visibility and sales. This kind of continuous proactive effort, together with cooperative efforts with Shinkin Bank to attract tourists, has allowed Sakana no Eki to reach one million

customers in April 2013, yet the business still has to deal with the severe reality of community recovery in Kesenuma and faces continuous challenges in maintaining and developing its businesses.

Some beneficiaries have also succeeded in registering better business performance in specific business parameters or in general, due sometimes to indirect effects of the Tsunami. For one beneficiary (Maruhashi Tofu-ten) good package design has contributed to an increase in tofu consumption among young people. Examples of how indirect effects of the Tsunami have favourable impacts on the beneficiary business's prospects are increased glass demand due to the scale of reconstruction work (Sakaeya Glass) and significant increases in radio usage due to the destruction in telecoms infrastructure (Waity Precision Machines).

5.3 Program Results – Loan Subsidy Component

Eight beneficiaries from the field sample received Loan Interest Subsidies which cover the interest on loans averaging JPY 10 million (~\$125,000) through a two-year grace period during which no interest payments are due. A number of the loan subsidy sample beneficiaries (5/8) were also beneficiaries of one of the other Programme components – three also received start-up grant assistance and two received reemployment grant assistance. The businesses benefiting from the TF Loan Subsidy Assistance cover a variety of sectors, including the manufacturing and provision of certain goods such as an eco-boiler, machinery, sushi ingredients; as well as the provision of services such as gastronomic, artistic, touristic boating and hairdressing.

Out of the eight interviewees, some used the subsidized lending for purchasing inputs (3/8) and others for facilities and equipment (3/8). The remaining two used the loan for production of a promotional video (arts performance enterprise) and for repaying a debt from another bank which enabled restarting of the business (restaurant). Importantly, all the eight interviewees confirmed that they would have restarted the business even **without assistance from the Tomodachi Fund**, though one mentioned the restarting date might have been delayed.

Regarding the **biggest achievements** and results that became possible due to the Tomodachi Fund, most of the interviewees considered that thanks to the program's assistance they were able to restart or start the business (5/8) while others considered local job creation (2/8) and sending important messages from the disaster area (1/8). Regarding **business evolution** since obtaining the loan subsidy, all but two of the eight loan subsidy sample beneficiaries considered that their business has evolved as planned and of these six beneficiaries three considered that their business's performance has been much better than expected (Eco boiler, wool product and sushi ingredient enterprises, in Miyako, Kesenuma and Ofunato respectively). Moreover, the beneficiaries that indicated lower-than-expected business performance have been negatively impacted by an event outside of the business's control⁶. Nevertheless, the high business success rate of the loan subsidy beneficiaries (75%) may indicate that sufficient financing is one key factor. Two interviewees indicated that they are not affected by **seasonal fluctuations**, while the remaining 6 indicated that they have both busy and quiet periods during the year.

⁶ The beneficiary enterprises in question are a machinery enterprise in Minami-soma that was severely affected by closing of a big customer factory because of the nuclear accident, and a tourism-focused enterprise in Miyako that struggles due to overall reduction of tourists into the town.

An important consideration is whether the loan subsidy beneficiaries will be able to meet their full **repayment obligations** once the interest subsidy holiday period has elapsed. Here the feedback is positive, with 6/8 beneficiaries maintaining that they are or will be in a position to meet full repayment. The remaining two beneficiaries who were not explicit in their response have been making efforts to increase profits, one through overseas expansion plans and the other through increased cooperation with enterprises in the same sector. This positive feedback on repayment capacity beyond the interest rate subsidy period is consistent with beneficiary feedback that they would have re-started or started the business without the loan subsidy and with the generally positive feedback on the business's evolution since receiving the loan and loan subsidy. Among the three interviewees who received only subsidized loan support (and no grant support) one indicated that it plans to acquire a **regular bank loan**, while two said no. The five beneficiaries who received both grant assistance and subsidized loans indicated that the grants led to obtaining the subsidized loans.

5.4 Program Results – General Comments

Interviews with Shinkin Banks representatives showed strong satisfaction levels with the results of the three program components, and consider that the start-up grants and reemployment grants greatly served the acute needs of local micro-enterprises in the immediate aftermath of the disaster. Regarding the loan subsidy component that the Bank manages using its own internal processes, the bank considers that the **subsidized interest and the grace period** are highly useful for the affected enterprises that have many things to pay for after the disaster. Freed from having to worry about payment of the interest in the first two years⁷, program loan subsidy beneficiaries can thus focus on reviving their businesses. Shinkin Banks consider that by the end of the grace period many beneficiaries will be in a position to start repaying their loans with interest. However, they also expect that some enterprises will have difficulty in repayment, in which case they are ready to help with a more flexible approach such as reviewing the repayment schedule and reducing monthly repayment levels. Given that the aim of the banks is to help the local enterprises they are willing to support them as constructively as possible. One bank representative commented that Shinkin Banks' own expertise on business sustainability could have contributed to identification of potential enterprises in need that, despite obvious hardships, show longer-term potential to succeed due to a sound business plan and approach.

It is interesting to consider the **business performance and business evolution** of the different Program component beneficiaries. Three quarters (15/20) of the start-up grant sample beneficiaries responded that their business is going as planned (10/20) or better than planned (5/20), while about half of the re-employment grant sample beneficiaries indicated business as planned (9/16) and the other half not as planned or uncertain (7/16). As for the eight loan subsidy sample beneficiaries, all except one indicated business as planned, out of which three indicated much better than expected (Eco boiler, wool product and sushi ingredient enterprises, in Miyako, Kesenuma and Ofunato respectively). These results indicate that, overall, the start-up and loan subsidy components have contributed to developing moderately-to-highly successful beneficiary business operations, while the

⁷ The grace period can be shorter depending on the amount of a loan.

re-employment component appears to have recorded a more mixed result. One reason for this may be the duration / size of the support, which was pointed by some beneficiaries as either too short or too small. However, it should be noted that all the re-employment grant beneficiaries except one have received other loans or grants of rather significant amounts, and thus their business performance cannot be assumed to have been over-influenced by the re-employment grant.

It is difficult to answer accurately **whether the TF beneficiaries are more successful** in starting / restarting business than others; however, the findings show that many beneficiaries are highly appreciative of the immediate cash disbursement in the early stage, which enabled them to start the recovery process quickly. As many beneficiaries indicated that there were no similar grants available that micro enterprises could apply to at that time, it can be assumed that those who could not get TF support would have had to search further or wait longer to get similar support. Moreover, Miyako Shinkin Bank indicated that many MSMEs in small towns such as Taro and Yamada have not recovered at all yet since land planning is still underway and, living in temporary shelters, entrepreneurs are uncertain as to when to go back to their previous business premise. Some have multiple debts. SB also indicated that those who have recovered or have moved to inner land are better off than those who are left behind. This would imply that the TF beneficiaries are certainly more successful, yet at the same time, it shows that the TF selection process could have paid more attention to micro enterprises in the small towns (although it is uncertain if the limited cash alone could solve their problem without solving the wider land issue).

What is **unique about the TF** is that it supported not only traditional enterprise beneficiaries but also beneficiaries in the social sector, such as elderly homes and nursery homes. Due to lack of such services in the affected area, there has been a huge demand for some of these services and their enterprises are doing much better than originally expected. Also, as mentioned in the earlier section, the quick disbursement of financing and its flexible use were highly appreciated, and compared favourably to other programs. Targeting micro enterprises starting a new business after the disaster was also a unique feature of the TF, as the micro-enterprise sector is generally not covered by existing financial institutions. Paying salaries of staff immediately every month without strict rules for terms of employment was also appreciated. Flexibility of allowing beneficiaries to have both grant and loan subsidy is appropriate and meets the needs of the beneficiary well.

6. EVALUATION FINDINGS – PROGRAM IMPACT AND SUSTAINABILITY



Section guide

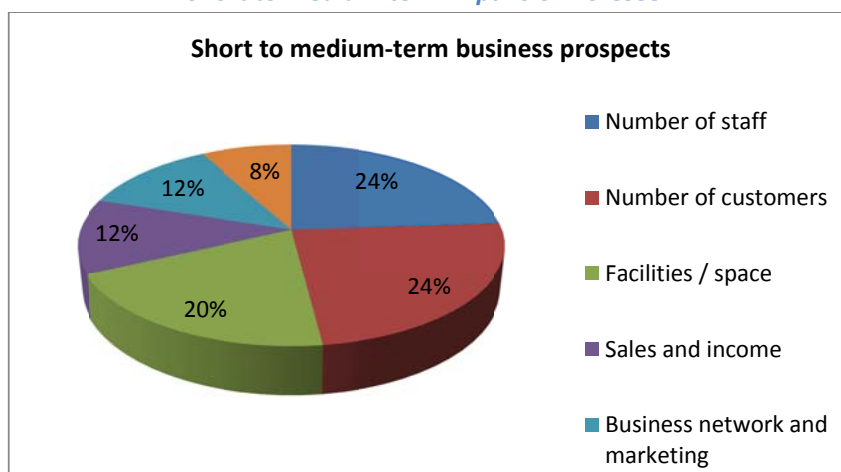
This Section considers the evaluation findings w.r.t the following Key ToR Questions:

1. Which program component created long term support? Why?
2. What are the contributions of the TF beneficiaries to community recovery?
3. What are the social benefits of the TF?
4. What is the impact of the program on the partner banks? Why did they agree to collaborate, and what benefits did they derive?
5. Has the TF support led to other program support or some positive developments?

6.1 Program Impact and Sustainability – Start-Up Grant Component

Regarding the short to **medium-term business prospects**, most of the enterprises interviewed (16/20) expect their business to expand, whereas only 4 foresaw that their business would remain the same or would not experience significant expansion. Interviewees especially plan to expand (or would like to) various dimension of their business over the coming 6-12 months – expand i) number of staff (6), ii) number of customers (6), iii) facilities/space (5), iv) sales and income (3), v) followed by business network and marketing (3)⁸. Two interviewees are considering overseas expansion (sales of jam and art performance).

Figure 2 - Beneficiary MSMEs Views on Areas of the Business where Short to Medium-term Expansion Foreseen



When asked if the enterprise would **move to another location**, 11 out of 20 interviewees did not expect to change location, while 9 indicated a plan to move, out of which 7 would like to proactively

⁸ It should be borne in mind that this interview question was a multiple answer options question (i.e. with multiple answers possible) and numerous interviewees mentioned that these areas are linked to each other.

move to expand their business or operate at a better location and 2 has to move, unwillingly, since they operate in a temporary space with a limited contract duration, e.g. the land is subject to land raising in March 2016.

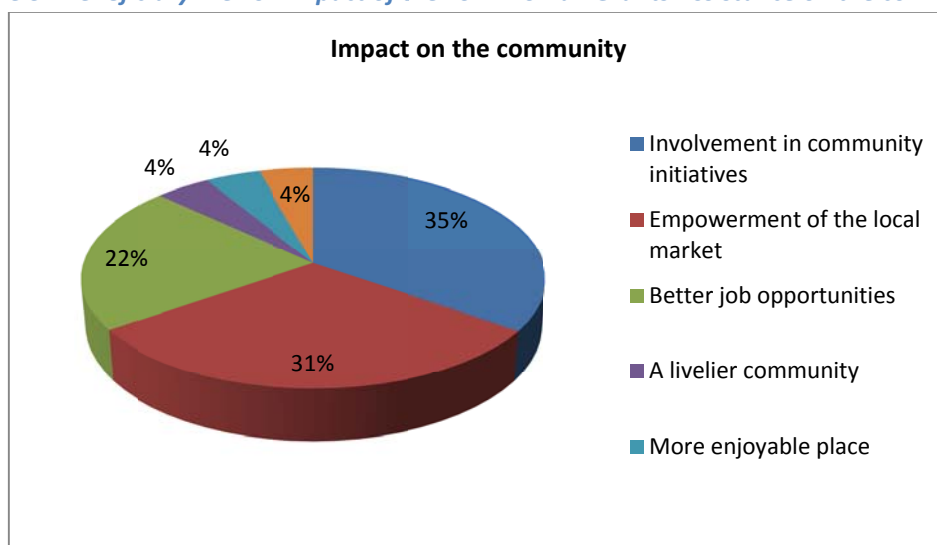
With regard to the **future expectations** of achieving the original goals set at the application stage, many of the enterprises (14/19) considered it possible, out of which four mentioned that they are already going beyond the original goals (kids nursery, wool products shop and elderly home in Kesenuma, and sushi ingredient wholesale in Ofunato). The main reason for good business performance is mainly the huge demand for their products / services. On the other hand, five interviewees regarded it difficult or uncertain to achieve the goals (cake shop and tea shop in Kesenuma, reconstruction related enterprise in Minami-sanriku, craft and accessory shop in Kamaishi, and hotel in Minami-soma). The cake shop in Kesenuma explained that, in the first 1-2 years after the disaster, there was lots of attention on the affected region with substantial media coverage thus many customers from outside the region visited and bought their products; yet, as the attention decreased, the sales decreased, and thus there is a need to focus on local market. The hotel in Minami-soma mentioned that the business would pick up once the harmful rumour ceases and customers return; however, it would be difficult in the foreseeable future.

Besides the business impact, almost all of the answers reflected a positive **personal impact** that resulted from starting the respective new businesses. The most important impacts pointed out were a deeper and more active involvement with the community to serve others and contribute to their welfare, building more cohesive relations (8/14). For example, one entrepreneur has been making public speeches on recovery and wider social issues, another has been volunteering for community services. Many indicated that interaction with people from all walks of life, and the spirit of caring and helping each other in the post disaster has been truly inspirational and has made them deeply grateful and motivated to break through the extreme hardships. In fact, two entrepreneurs (craft and accessory shop in Kamaishi and wool products shop in Kesenuma) have moved to the Tohoku region only after the disaster hit, in order to support the affected local people, which have changed their lives. In addition, six interviewees indicated positive attitude toward life and increased self-confidence as an important personal impact. The power stone shop owner described that she had been depressed from the huge loss she suffered in the tsunami, but starting the business with the TF support has gradually made her more forward looking, and she now simply loves her work and interaction with many people, feeling simply happy and satisfied. The entrepreneur running the swimming school in Ofunato describes that his children couldn't sleep well due to great distress after the tsunami, but now they enjoy swimming and sleep well.

Regarding the **impact of the Start-Up Grants Program on the community**, all of the answers from interviewees reflected a positive impact. The enterprises pointed out that the start-up of their business supported by the TF have contributed significantly to the involvement in community initiatives (8/20), empowerment of the local market (7/20) and the creation of better job opportunities (5/20), followed by a livelier community, a more enjoyable place, more friendly with the environment (1/20). Many of the TF supported enterprises have been making great contributions to the local communities. Ohisama nursery school and Kaientai elderly home in Kesenuma, provide the most needed services to their community, thus both of them are running at full capacity, with many more on the waiting list. Since they are non-recognized facilities, they can provide more

flexible services tailored to the needs of the community members, which is one of the reasons for their high popularity.

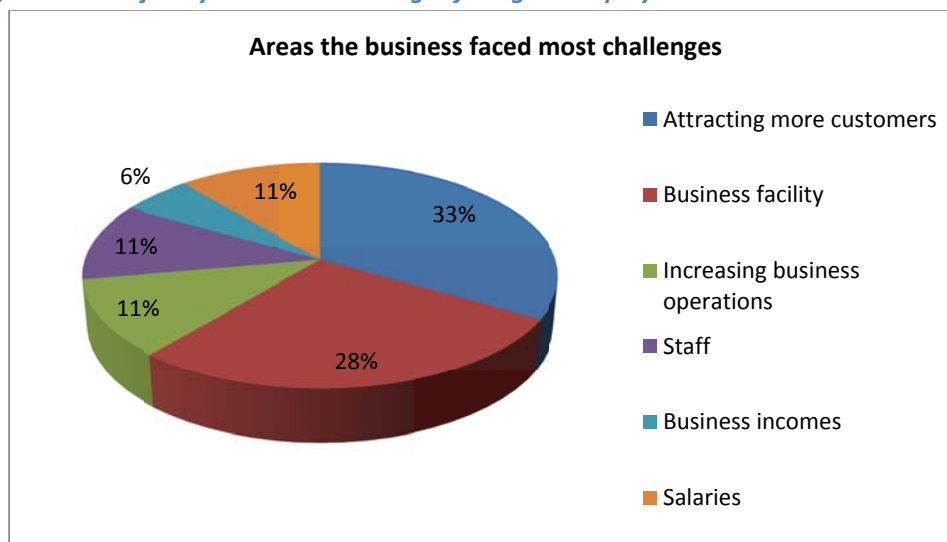
Figure 3 - Beneficiary Views - Impact of the TSBRP Small Grants Assistance on the community



They demonstrate that some TF supported enterprises provide most needed services in the community, which are insufficiently provided by the municipality or other entities. Peace Jam (jam making), Ohisama (nursery school), KFS (wool products), Kaientai (elderly home) and Sansho (sushi ingredients) among others have created much-needed jobs for local people. For example, Sansho, seeing that many were fired by their previous company, started the new business to rehire all of them who remained in the community and now has 13 staffmembers. Machine Parts, an innovative enterprise in Kesenuma that collects waste edible oil from households and restaurants and recycles it to produce bio diesel for heavy machines and trucks, collects some 80% of oil wastes from local restaurants and greatly contributes to CO2 reduction from recycling 13 tonnes of waste oil annually. Minami-sanriku Reconstruction Network, through its educational activities, empowers local youth and children and provides them with opportunities to learn about the environment.

6.2 Program Impact and Sustainability – Reemployment Grant Component

Regarding the impact of the TF on the business, it is relevant to mention that among the areas currently considered to face most challenges in the process of restarting and operating the business, the ones mainly mentioned were attracting more customers (6/16) and business facilities (5/16), followed by business operations (2/16), employees (2/16), business incomes (1/16) and dealing with salaries (2/16). Compared to start-up beneficiaries, re-employment beneficiaries previously had business and had larger operation. They had already established their core business in their area of activity, and their biggest problem was that they needed to repurchase their equipment and facility because most of them were washed away or destroyed by the tsunami - hence they needed more financing and also needed to regain customers whom they had lost while they had suspended their business.

Figure 4 - Beneficiary Views on challenges facing Re-employment Assistance aided MSMEs

In relation to the **short to medium-term business prospects**, the same quantity of MSMEs interviewed (7/14) did not expect their business to expand. In addition, the areas of future expansion were evenly distributed among personnel (2/14), business operations (2/14), business facilities (2/14), customers (2/14), business income (2/14), and products (1/14), while business reductions included staff. They mentioned that they would very much like to develop their business. Nevertheless, they do not have enough facilities and equipment on hand and are not sure whether they can get more customers in the future. Thus their priority is to keep their business during the unstable period.

Table 10 - Beneficiary MSMEs Views on the short to medium-term business prospects

| Short to medium-term business prospects | Beneficiary Perception |
|---|------------------------|
| Staff | 2/14 |
| Business operations | 2/14 |
| Business facilities | 2/14 |
| Customers | 2/14 |
| Business income | 2/14 |
| Products | 1/14 |

When asked if the enterprise would move to another location, 7 out of 17 interviewees did not expect to change location, while 5 considered moving location as an option and 2 were not certain. Some enterprises' offices or factories were destroyed by Tsunami and moved to new areas. Thus they mentioned they do not plan to move. However, some enterprises work at temporary office or location and the current offices are not best choice. So they would like to move to new location once construction and rezoning of land are done. Furthermore, some of them work at temporary shopping market and it would be gone around 2015. Thus they need to move to another location anyway.

Regarding future expectations of achieving the original goals set at the application stage, the majority of the enterprises (9/15) considered it possible whereas 6 out of 15 regarded it as difficult or

uncertain. In relation to future business sustainability, most of the interviewees (12 out of 14) considered their own business incomes as the main source to collect additional funding after TF ended, while only 4 out of 14 enterprises considered the possibility to apply to a future loan or grant.

Besides the business impact, all of the interviewees expressed to have experienced a positive personal impact that resulted from starting this new business. The main impact that pointed out was a more positive attitude, motivation and self-confidence (6/14), followed by the increase in interaction with people (4/14) and more active involvement in community issues (4/14). Takahashi, a traditional apparel shop entrepreneur in Kesenuma, described that the devastation from 311 made her realize that there is nothing to fear anymore, and with a positive and proactive mind she can overcome anything. Furthermore, she describes that her relationships with people are very different after 311 – there is mutual trust with staff, with frank and open communications without hesitation. She also tries to live up to her own ideal self-image, or own philosophy, and tries to feel shameful when deviated from it. She believes that “the most important is that you are wanted by others, that you do things for others and not for yourself. If your business goes down, that means it is not wanted by the community”. Takahashi has increased staff from 5 to 13, has established its own factory in summer 2013 (with two loans), will be able to repay all the debts from the disaster next year, i.e. in 3 years instead of 10 years which was originally expected. Takahashi is one of the most successful TF supported enterprises.

Turning to the **impact of the Re-Employment Grants Assistance Program on the community**, all of the answers from interviewees reflected a positive beneficiary perception. Some of the enterprises pointed out that the grant assistance component has contributed to the development of the local community (4/15) as well as the chance of better involvement in community initiatives (4/15). Some beneficiaries also considered that the program had been helpful in allowing them to develop a better business network (3/15) and a better connection to the local market (3/15). Another impact considered was the creation of better job opportunities (1/15).

6.3 Program Impact and Sustainability – Loan Subsidy Component

Among the **challenges** indicated by loan subsidy beneficiaries are increasing sales and customers (3/8) and reducing costs for staff and procurement (3/8). One beneficiary indicated finding a proper land in the city, and another indicated finding the right skilled-staff. Regarding the **short to medium-term business perspective/areas of future expansion** (multiple answer question), four interviewees indicated sales and customers, three indicated hiring more staff or increasing salary, two indicated obtaining better facilities / location, and one indicated to maintain the current business level.

When asked if they would **move to another location**, five indicated a plan to move, out of which two indicated a strong desire to move to a better location in the same town, while two indicated a wish, and one indicated a need to move as the land on which the business operates is subject to rezoning. Three indicated no move. Regarding future expectations of **achieving the original goals** set at the application stage, all interviewees except one responded that they can achieve the goal, of which three have already surpassed the goals. An entrepreneur in Minami-soma indicated that there is a need to find new customers to maintain the business.

The interviewees have experienced various **personal impacts** from the program. For example, one indicated that he was touched by the fact that so many people want to support the affected enterprises and felt stronger ties to people, while another indicated starting the new enterprise changed her life (she moved from another city after the disaster to support those affected by the disaster). Another interviewee indicated that the fact that she got the TF support gave her confidence that her business was recognized as useful to the community, since up to then, she was turned down by all other support. As for the **impact on the community**, two have greatly contributed to local job creation, the rest is providing good products / services to the local communities.

6.4 Program Impact and Sustainability – Partner Banks

While less visible to third parties, one of the more significant impacts of the program has been the financial intermediary-NGO collaboration between Shinkin Banks and Planet Finance Japan in supporting post-disaster recovery of MSMEs. This kind of partnership is considered to be a first of its kind in Japan. When asked about the **risks** foreseen in the initial stage of the collaboration, Shinkin Banks indicated commitment of funding to support the clients for the agreed timeframe, and sustainability of businesses. However the benefits foreseen were greater, given that the Program offered a unique support, which no other banks were providing in the post-disaster period. Shinkin Banks felt that all the three program components were greatly needed by affected MSMEs, and would greatly serve its goal of directly helping local MSMEs. Public programs tend to have many restrictions and fixed standards, sometimes not fitting the reality on the ground; in contrast, the Program is highly flexible and efficient, serving the most needy and “ineligible” micro enterprises.

Another impact of the Program has been the increased confidence that Shinkin Banks has gained through collaboration with Planet Finance Japan. Prior to the TSBPR Shinkin Banks had never worked with an NGO before and it took time to work out collaboration between the two. However, once Kesenuma Shinkin had worked with Planet Finance Japan and created a positive and complementary working relationship other Shinkin Banks (Miyako and Abukuma) were then willing to work with Planet Finance Japan. Today, Shinkin Banks view the partnership with Planet Finance Japan positively and look forward to continued Planet Finance Japan collaboration in the future. The fact that Shinkin Banks staff reconfirmed that even small Shinkin Banks branches can contribute greatly to the community, and that it is needed by the community, is a very important impact, which has led to increased confidence among bank staff. Furthermore, a Shinkin Banks representative mentioned that the knowledge transfer from Planet Finance Japan to Shinkin Banks is another impact; for example, joint assessment of business plans of start-up grants beneficiaries was hands-on learning for Shinkin Banks.

Most of the **re-employment grant** beneficiaries are the customers of Shinkin Bank, and with which Shinkin Bank therefore had a business relationship prior to the tsunami. When bank staff talked about additional lending possibilities after the tsunami and other business issues and when MSMEs in turn talked about the anxiety of daily business operation and employment, Shinkin Banks introduced MSMEs to the TSBPR re-employment grant. Shinkin Bank viewed this grant as a valuable help to MSMEs as well as highly complementary, because most of MSMEs spent lots of money on reconstructing facility and repurchasing business equipment such that they did not have enough money to cover employee salary costs.

Similarly to the reemployment grant, **loan subsidy** beneficiaries also had an existing business relationship with Shinkin Banks and thus knew the applicants very well. As with the re-employment grant, Shinkin Bank representatives considered the Programme loan subsidy to be a valuable and complementary offer for MSMEs' business operations. In the immediate two-year period following the disaster MSMEs needed significant financing to reconstruct their business facilities and repurchase business equipment, yet they also needed financing for sales activities. The TSBRP loan subsidy allowed MSMEs to reduce the extent of their outlay.

However, of the three program components, it is interesting to note that Shinkin Bank has considered the **start-up program** to be of most value from its own internal corporate perspective. From Shinkin Bank's perspective, the start-up program grant facility differed in a number of important respects. Firstly, it did not have a prior existing business relationship with the companies seeking assistance. Secondly, lending to a start-up company has high risk, and requires careful assessment, in particular regarding assessing business potential and sustainability. Collaboration with Planet Finance Japan has enabled Shinkin Bank to help start-ups, and this is attractive to the bank in a number of respects. Firstly, it has allowed the bank to differentiate itself and become more visible, as well as enhancing its corporate social responsibility profile. Secondly, start-ups that succeed in making their business sustainable can be excellent long-term business clients of the bank. All this, in addition to the learning that the bank has acquired in seeing how Planet Finance Japan assess loan applications from start-ups and their financial sustainability prospects has made collaboration in the program valuable for Shinkin Bank

When asked whether Shinkin Banks would be able to fund the program or a similar program from **its own resources**, the answer was negative. Since financial resources of Shinkin Banks are deposits of the clients and some public funding that includes tax, Shinkin Banks cannot give away its fund to particular individuals as grants. Fund raising from its clients, individual or corporate, would also be not realistic since they were affected by the disaster themselves. Moreover, one staff member indicated that external funding would be better in terms of objective usage.

Importantly, Shinkin Banks would like to **continue this program in the future** in one form or another. Shinkin Central Bank and Kesenuma Shinkin specifically pointed out that a key challenge would be how to mainstream the program approach in the bank's core business. Insufficient number of Shinkin Banks staff, reducing administrative costs, and creating a light and effective monitoring are among the challenges that Shinkin Banks needs to work out. Shinkin Banks is not yet sure about how to continue the program, but one staff feels that the most effective support with wide impact is subsidized loans since many more people can benefit from loans compared to grants. Another staff member indicated, considering the community recovery, that the start-up grants should be promoted if more external funding is available, followed by re-employment grants. Regarding the disaster recovery dimension of the program, another staff member indicated that it is difficult to plan a program for the next disaster as the needs will be different – while Shinkin Banks cannot say what a future program will look like, it will be based upon local needs. Nevertheless, Shinkin Banks feels that it is important to provide advice to MSMEs from the business planning stage, and given that it is difficult for Shinkin Banks to give specific advice to specific businesses it can try to bring in professionals from relevant sectors. In fact, Shinkin Banks is already trying to link MSMEs in the region with experts in marketing, sales, and other critical business functions.

Shinkin Banks consider that the Tomodachi Fund has had a real and positive impact on the disaster areas, and see people starting to return to the disaster areas and launch new business. There is demand for such programs such as Tomodachi Fund. Also, in order for MSMEs to have sustainable growth, they need help in areas such as business networking and marketing their products / service in addition to financial assistance. One constraint is that it is difficult for Shinkin Bank alone to raise funding. In order for the bank to provide loan financing to MSMEs, these MSMEs need either to be profitable, able to continue on their own, or show potential to become profitable and sustainable. On the other hand the Tomodachi Fund's major objective is to help MSMEs in need and provide grants to MSMEs, which is difficult for Shinkin Banks alone to do. Furthermore, the Tomodachi Fund has fewer constraints compared to other government programs and business grants, which allows it to work more flexibly.

Another positive sustainability outcome at the beneficiary level has been the creation by Abukuma Bank of the 'Friends Network', a network organization Tomodachi Fund beneficiaries. Shinkin Bank views the network of beneficiaries as an important business benefit, as it allows MSMEs to share business information and problems while also facilitating the development of vendor-seller relationships with Shinkin Bank, which can lead to further business collaboration and other opportunities for the bank to help MSMEs growth and development.

As implied above, the Program has impacted positively on Shinkin Banks. While it has not led to new bank products, it has given the bank experience in working in some kind of public-private partnership where business objectives have been married to wider community recovery and social objectives. It has also impacted on bank culture, making the bank more aware of the importance and potential to start-up enterprises and the importance of ensuring such start-ups are supported (regardless of whether this support comes from within the bank or from other parties). It has also provided the bank with exposure to Planet Finance Japan's approach to assessing grant applications and business sustainability, and it is probable that this will have at least an indirect impact over time. Regarding innovation in bank processes, it does not seem that there has been significant innovation as the loan subsidy component is managed using standard Shinkin Bank loan management work practices.

6.5 Program Sustained Impact – Other Actors Views & Regional Factors

Feedback from local government and representative business stakeholders in the region, specifically the Chamber of Commerce and Industry (CCI) and local government, on the contribution and impact of the Programme is positive. As resources and manpower constraints mean that government organizations cannot address all challenges in the disaster areas, and the first focus has had to be on tackling residential issues and environment problems. Moreover, much of the government's support for business recovery has focussed on helping large companies recover, and thus the Programme's focus on the MSME sector has addressed a need.

Government assistance is also constrained by the need to provide any grant assistance in a fair and equal manner, and it cannot favour one industry over another. Another area of feedback has been the higher flexibility, which NGO-managed programs such as the Tomodachi Fund can work. On the other hand, sustainable business recovery and development requires a favourable business

environment removed of the many challenges and uncertainties in a post-disaster area, and thus continuing government work to remove debris, repair or replace damaged general and business infrastructure (e.g. local fish markets) and address any radio-activity challenges is fundamentally important. For local government and CCI stakeholders, the shortage of job seekers is a problem, with many people preferring to move to other prefectures after the tsunami. The local government has been making efforts to attract people to come back, including a local reemployment grant program for former employees that were living in the region before the disaster. Another challenge that the local government is trying to address is to get persons working again that have not worked as a result of the shock of the tsunami, as is CCI's promotional work to promote local business's products and selling them in the Kanto and Kansai areas.

A key problem facing business recovery (and business development) in the disaster areas is ongoing rumours and fears of radioactivity, with Japanese consumers in other areas hesitating to purchase products from the disaster areas because of fear that they might have some radioactive contamination. For example, Minamisoma - located 25 km from the nuclear plant - has experienced significant difficulties in selling its products⁹. Even though the level of radioactive substances of local products is not harmful to the human body, and Minamisoma suppliers and sellers provide all the necessary information to show that products are safe, there is still reluctance on the part of consumers in other areas to purchase them. Even machine products are feared by consumers in other areas to contain radioactivity. In order to solve rumours of the radioactive problem, local MSMEs and government would like that civil society plays a role in informing people in other areas that the products in disaster areas are safe. Delays in the government's time plan for removal of radioactive materials from Minamisoma, initially scheduled to be completed by the end of 2013, is an area that needs to be addressed as part of the above drive to persuade consumers that local products are safe and to entice people to come back and work in the region.

A somewhat similar situation exists in Kesennuma where, as mentioned, a key need to facilitate local business recovery is to complete reconstruction of the fish market, as well as to complete land-filling and debris removal work in the areas surrounding the market. Given that most of the businesses in Kesennuma are fish-related addressing these needs is critical in order to bring about sustainable business recovery. Most disaster areas are also trying to deal with a lack of space, which is for instance a particularly acute problem in Rikuzentakada. Though the government has been encouraging locals to move to higher ground, there is not enough space available at higher ground. As residential needs have a higher priority for local government, local business needs such as access to adequate office space and higher rents and thus an uncertain short-term business environment.

6.6 Post-Programme Future – Initial Partner Views

While the program has achieved some impressive results, it is not at all clear whether there can be a robust follow-up program due to uncertainty in funding a post-Program phase. Feedback from Planet Finance Japan shows a strong commitment to ensure that the Program should continue, and PFJ explores ways to continue providing support to the Program beneficiaries with resources provided

⁹ The lack of storage capacity for radioactive waste prevents radioactive removal work being carried out. The city of Minamisoma is creating the large storage of radioactive waste storage in a restricted area.

from corporate donors in and outside Japan. Although the beneficiaries have managed to start-up/restart their businesses they still face various obstacles in their business management. PFJ considers various possibilities to provide non-financial support such as business seminars and networking opportunities (4 business seminars have been held in Kesenuma this year for the beneficiaries and over 200 beneficiaries attended in total). PFJ is seeking additional funding in order to be able to continue providing continuous support to the beneficiaries.

Similarly, for Mercy Corps this is also not its core mission focus, in terms of working with the poorest segment of society in the world's most difficult and impoverished regions, and a key rationale for its involvement has been to explore innovative partnerships in the model and how it possibly look at applying these partnership and implementation models in some of its other country programs. For Shinkin Bank, while it has valued its involvement in the program, it does not have a clear view at this point in time of what any future involvement on it part might look like, apart from raising some issues and boundary conditions for consideration.

7. EVALUATION FINDINGS – EVALUATION AND SUGGESTIONS BY BENEFICIARIES AND PARTNERS



Section guide

This Section considers the evaluation findings with respect to:

1. General beneficiary assessment and suggested improvement areas for the start-up assistance component (Section 7.1);
2. General beneficiary assessment and suggested improvement areas for the re-employment assistance component (Section 7.2);
3. General beneficiary assessment and suggested improvement areas for the loan subsidy assistance component (Section 7.3)

7.1 Beneficiary Evaluation and Suggestions – Start-up Grants Component

When asked to give an evaluation on the overall Tomodachi Fund program regarding content, administration and support system, most of the enterprises (15/20) rated it as very good while only 5 considered it good. As for the reasons for the good rating (multiple answers possible) about half of the interviewees (8) raised the availability of the TF grants at an early stage after the disaster and its flexible terms. Many beneficiaries looked for financial support but they could not find any or they were not eligible (e.g. many programs targeted larger enterprises that could have bigger economic impact, or supported recovery of existing businesses and not new ones). Thus the TF grants greatly helped the beneficiaries in taking the first step in starting up a business. This demonstrates that the TF filled the gap of recovery support for MSMEs in Tohoku, providing a critical support for micro entrepreneurs. The beneficiaries also mentioned that it was extremely helpful that the grants have little restrictions for usage and that they could use it for the most needed aspect of their business.

Following the availability, timeliness and flexibility of the TF support, the same number of interviewees raised close and sympathetic communications and follow-up received from Planet Finance Japan as the reason for their good rating, through which they have developed a friendly relationship of trust. They explained that such open communications and interaction is not seen in other programs and is unique to the TF. Minna no Shirushi, an arts performing group in Ofunato, mentioned that Planet Finance Japan shows up at every performance of theirs and stops by their office once in a while, which is great mental support in addition to the occasional advice they provide. Follow-up seminars are also appreciated by many. Moreover, some of the enterprises considered it very positive that the application procedure of the TF (3) was simple, compared to the government support schemes that requires large and complicated application forms and process, with a much longer waiting period (often more than one year). The fact that it was given in cash immediately was also appreciated by many.

All the interviewed enterprises (20) were asked for suggestions to improve the Tomodachi Fund program. Feedback from those field interviews showed that many enterprises considered it important that TF provided a better follow-up and assessment (6/20), including feedback after

submitting monitoring reports, periodical surveys to understand needs of beneficiaries, a long term support (since often a new business has a fine start but faces challenges after a few years). In addition, 8 out of 20 of the interviewees suggested that the TF should facilitate external networking with enterprises and potential clients, especially from the same sector. Moreover, the interviewed enterprises suggested that there should be initiatives to put in contact the different beneficiaries of TF for a better exchange of experiences and encouragement. It is worth mentioning that 4 out of the 20 enterprises implied that the quarterly reports should be simplified. A few enterprises (2/20) wish to receive another grant or additional funding support.

Further feedback from the field interviews outlined other improvements to the TF, including the provision of direct management advice for investment sustainability (2/20) as well as a wider presence of Planet Finance Japan staff in town for a more flexible support (1/20). Furthermore, a tea selling enterprise asked the TF to provide support in publicity. Besides, some other suggestions included reviewing the selection criteria, prioritizing those businesses which imply wider community benefits. With regard to the counselling and monitoring activities voluntarily provided by Planet Finance Japan, 9 out of 19 interviewees were not able to attend to the seminars organised due to lack of time. However, 71% from those who attended these activities considered them useful for the business.

Table 11 - Summary of Suggestions for Improvement by Start-up Beneficiaries

| | Suggestions | Number responded |
|----|---|------------------|
| 1 | Gathering with other beneficiaries and/or other entrepreneurs in the same sector, would be highly useful for experience sharing, networking, and mental support. Facilitation of external network, exposure to possible clients and enterprises in the same sector. | 9 |
| 2 | Seminar: can't attend seminar because too busy / offered in working hours (should offer differently) | 8 |
| 3 | Needs-based, practical business management advice would be helpful, such as how to invest sustainably and strategically, how to deal with tax affairs, and how to manage business efficiently. Some are not sure if they are doing well, so professional feedback is highly appreciated. Young and senior entrepreneurs would both benefit from such advice. | 5 |
| 4 | Seminars are very useful: successful person's experience is stimulating. Also listening to someone with broad view / similar perspectives is useful. Good information sharing and thinking together. | 4 |
| 5 | Frequent needs survey for entrepreneurs should be done, then Planet Finance Japan/SB would know more about their situations which are useful to consider further support. Also, checking on business performance would reveal who has potential and is trying hard, for which additional financial support should be considered. There should be feedback on quarterly reports – it will become motivation and hints for improvement for entrepreneurs. | 3 |
| 6 | Too busy to prepare quarterly reports | 2 |
| 7 | Want additional grants | 2 |
| 8 | Want support in publicity of their products | 2 |
| 9 | Seminar: can't find new things in content. Topic useful for someone starting new but not for those who know the business already. | 2 |
| 10 | There should be long term support since a business is normally fine at a start-up | 2 |

| | Suggestions | Number responded |
|----|---|------------------|
| | but is most likely hit the wall after a few years. | |
| 11 | If Planet Finance Japan staff were in town, it would be able to provide more flexible support. | 1 |
| 12 | Review selection criteria – some enterprises benefit only themselves, without wider community benefits, though receive the same amount of grants. Those who have wide community benefits should be prioritized. | 1 |
| 13 | Wanted to be updated with the application process (timing of result) to be able to plan | 1 |

7.2 Beneficiary Evaluation and Suggestions – Reemployment Grants Component

Regarding the evaluation by the beneficiaries of the overall Tomodachi Fund program regarding content, administration, support system, all of the enterprises rated it as good or even very good. Moreover, as for the reasons for the rating, most of the interviewees expressed their conformity with the general terms of the grant (9/17), while some highlighted the Shinkin Banks and Planet Finance Japan assistance (2/17) as well as the simplicity of the process (2/17) and the fact that the grant was in cash (1/17).

All the interviewed enterprises (17) were asked for suggestions to improve the Tomodachi Fund program. Feedback from those field interviews showed that many enterprises considered important that the TF facilitate a wider networking with other enterprises (2/17) and the possibility of receiving another grant or additional funding (2/17). In addition, other areas of improvement mentioned included a more direct management advice, support in finding more customers, TF review of grant's selection criteria, as well as better follow up and assessment and a broader contact initiative among TF beneficiaries. With regard to the additional support from the program, 6 out of 14 interviewees were not able to attend to the seminars organised due to lack of time. It is worth mentioning that many of the beneficiaries (3/7) that attended the seminars considered them useful.

Table 12 - Summary of Suggestions for Improvement by Reemployment Beneficiaries

| | Suggestions | Number responded |
|---|---|------------------|
| 1 | Seminars: Can't attend seminar because too busy / offered in working hours. Kesenuma is far from other towns so it should be done via video /YouTube. If the seminar is offered in town, it's better. Want to know the content in advance. | 8 |
| 2 | There should be longer support, more than one year, since it takes times for the affected enterprises to recover and develop. | 2 |
| 3 | Advice on how to utilize the group subsidy well, on how to manage business from now on (since recovery starts from now). Advice / information on available land would be extremely needed and useful, since the land is the most critical element for many entrepreneurs (only if suitable land is available, many are ready to develop their business) | 1 |
| 4 | Any events (seminars, gatherings) that raise motivation of entrepreneurs would be | 1 |

| | Suggestions | Number responded |
|----|--|------------------|
| | great, because when mind is not forward looking, people can't move on (people are still hurt). The more events, the more chances for people to attend. (Technical needs are different per enterprise, but raising motivation is common). | |
| 5 | Info sharing gatherings with enterprises in the same sector for more practical networking (there is not much in common with enterprises in different sectors). | 1 |
| 6 | Closer assessment of beneficiaries: there are people who say they will do it but don't, and people who actually try and do things. Planet Finance Japan/SB should identify the latter, and support them further. | 1 |
| 7 | Want help in home page making. | 1 |
| 8 | Want to attract tourists but individual effort is limited, and would like support. | 1 |
| 9 | Big companies should come to disaster areas to do business. | 1 |
| 10 | Some people may not notice TF via newspaper, thus Planet Finance Japan/SB should change how to reach potential beneficiaries. | 1 |
| 11 | Grants to purchase facilities would be helpful. | 1 |
| 12 | Constant support is needed since moving to a new location in the future would require another such support. | 1 |

7.3 Beneficiary Evaluation and Suggestions – Loan Subsidy Component

With regard to the evaluation on the overall Tomodachi Fund program, out of the eight beneficiaries in the evaluation field sample five rated very good, and four rated good. The suggestions given by the interviewees to improve the Tomodachi Fund Program are set out in the table below.

Table 13 - Summary of Suggestions for Improvement by Reemployment Beneficiaries

| | Suggestions | Number responded |
|---|--|------------------|
| 1 | If the ceiling of a loan is increased with the same subsidy, it would be appreciated. | 1 |
| 2 | If one is not a Shinkin Bank client, s/he would not know about the program, so better advertisement is needed. | 1 |
| 3 | Seminars are offered during working hours, thus difficult to attend. Seminars on how to rebuild the community, tourism, etc. would be interesting. | 1 |
| 4 | Private-led recovery support is better than the government-led, which takes too long and was not successful in the past. | 1 |

The above suggestions and comments are consistent with a number of other comments from beneficiaries under the other Program components, as well as more general feedback from the field interviews work, for example feedback on need to market the Program more outside of the Shinkin Bank customer base, alternative timings for seminar and the advantages of business-led recovery.

8. CONCLUSIONS & RECOMMENDATIONS



Section guide

This Section sets out the evaluation conclusions and recommendations:

1. Evaluation Conclusions are set out in Section 8.1
2. Evaluation Recommendations are set out in Section 8.2
 - Seven recommendations are provided, with each denoted by the symbol 'R' (e.g. R2, R2 etc.).
 - For each recommendation a lead partner is suggested and relevance to current or future program is mentioned.

8.1 Evaluation Conclusions

This section sets out the evaluation conclusions

1. **Programme design:** The Tohoku Small Business Recovery Program (TSBRP) constitutes a well-designed and appropriate response to the disaster. The program's development was informed by a detailed fact-finding and feasibility study, and comprised a three-way offering of grant assistance and subsidised loans that targeted different small business needs. The inclusion of start-up businesses in the target groups mean the program also adopted a longer-term view of recovery in addition to tackling the pressing need of helping small business get back up and running. Not only that, but the program implementation included an innovative bank-civil society partnership between one of Japan's leading banks, Shinkin Bank, and Planet Finance Japan. From the design perspective, the program is a credit to stakeholders involved in putting it together.
2. **Programme management – application process and applicant selection:** The evaluation findings have shown high satisfaction levels with a variety of the program's management aspects. The application process has been efficient and effective, with MSME grant and loan subsidy applications being reviewed in a short timeframe and much quicker than most comparable grant programs. Beneficiaries expressed their general satisfaction not just with the speed of decision but also with an application process that they found to be relatively straightforward. Importantly, the rapid turnaround of applications did not in any way compromise the quality and rigor of application and application vetting and assessment, and the focus on selecting applications with strong prospects for financial sustainability is a strength of the program. Moreover, Planet Finance Japan has invested significant effort in meeting applicants, understanding their business's challenges and in building a relationship of trust and confidence with applications retained by the Program for assistance. Moreover, in terms of **grantee monitoring and support** the close follow-up and interaction with Planet Finance Japan after the grant disbursement is highly appreciated, since the beneficiaries feel they matter and also they get some occasional

friendly advice. If there is an area where there is scope for improvement, it is visibility and awareness of the Program among MSMEs outside of Shinkin Banks' client base.

- 3. Programme focus:** The evaluation has shown the program's focus on MSMEs to be well-considered and value-adding. It has helped, and continues to help, address pressing needs in the MSME sector and is complementary to government disaster recovery efforts that for the most part have had to first prioritise reconstruction and recovery work related to debris removal, residential reconstruction and repair, decontamination and environmental remediation, and business support aimed at getting larger businesses back on an operational footing. Only one similar program has been identified during the fieldwork, and which operates with longer and more complicated application processes and restricted to re-employing former pre-disaster residents of the region.
- 4. Programme implementation arrangements:** The program's implementation arrangements have involved innovative thinking and have brought the complementary expertise, assets and skills of Shinkin Bank and Planet Finance Japan. The choice of Shinkin Bank as the Programme Bank has been fundamental to the capacity of the program to quickly and effectively disburse the program's funds – given that this bank was the leading bank for small business in the region has provided the Program with a ready-made applicant pool of small businesses for the re-employment grant assistance and loan subsidy components. In terms of leveraging partnerships and complementary strengths to achieve faster results the Program can in many respects be seen as good practice.
- 5. Programme implementation experience:** Implementation of the program appears to have gone relatively smoothly in many respects. The Start-Up grants component has involved a greater complexity challenge due to the intrinsic nature of start-ups (no business history against which to assess future potential) and to Shinkin Bank's traditional non-focus in this area. Regarding the loan subsidy component, this has been implemented using Shinkin Bank's standard loan portfolio internal management processes. Beyond the seriousness of purpose underlying each partner's approach to the implementation role an important factor in explaining this relatively smooth implementation process is the use of each partner's complementary strengths and avoiding placing additional management burdens on Shinkin Bank.
- 6. Program progress against targets:** To-date the Program has provided assistance to more than 350 businesses and is meeting its targets and in some cases exceeding them.
- 7. Program Contribution/Difference for MSME Beneficiaries:** The Program's grants and subsidised loans have made an important contribution to small business recovery and development, serving as a first critical step for restarting business for many beneficiaries, providing much-needed finance for businesses struggling to finance the plant and equipment repair, reconstruction and/or replacement costs while at the same time finding finance for procuring supplies and production inputs and other key current costs such as labour costs. **TSBRP support filled an important gap** – many beneficiaries simply could not access other support measures, as they were simply not eligible (for other government initiatives targeting bigger businesses). TSBRP support was relatively small in scale, yet quick and flexible, and providing a significant 'push' for

the first step in business recovery and development, and because of this has earned profound gratitude of many of the beneficiary MSMEs, which it has financed.

- 8. Programme Impact on Beneficiary MSMEs:** The evaluation findings show that the Program assistance across its three components has had an important impact on the beneficiary MSMEs interviewed in the loan sample. Not only has it provided an important boost to these MSMEs business restart and recovery (or start-up in the case of the Start-up support component), but it has also put MSMEs on a sustainable footing. In the case of the Re-employment assistance component for example, almost all of the beneficiaries report that they will be in a position to finance the continued employment of employees hired under the reemployment grant assistance, which is of itself a vindication of this program.

Regarding **prospects for sustained impact**, the number of beneficiaries reporting that the business has evolved more or less along the lines of original plans is extremely high across all three Program components, with 50% of reemployment assistance beneficiaries and 75% of start-up beneficiaries reporting that business evolution has more or less met or exceeded initial plans, and 85% of loan subsidy beneficiaries reporting business evolution has more or less met or exceeded initial plans. In the case of start-up beneficiaries, this proportion is extremely high by most standards. Not only are the majority of re-employment grant beneficiaries in a position to finance from own business financing the continued employment of employees rehired after the grant assistance period expires, but a significant majority of loan subsidy beneficiaries state that they will be in a position to meet their full loan repayment obligations after the interest payment holiday period has expired.

- 9. Best Long-Term Impact:** It is difficult to say conclusively, which program component has had the best long-term impact, as we are not only comparing different types of assistance (general multi-purpose start-up grant vs. reemployment grant vs loan subsidy) and it also requires using the same comparison metric?. In some respects, loan subsidies may have had the highest short-term impact as they immediately make finance available to MSMEs for pressing capital expenditure (plant and equipment) or procuring key supplies or other work inputs. On the other hand, the high level of forecasted retention by MSMEs of rehired employees suggests that the re-employment grants component has recorded significant success in terms of job (re)-creation. However, in terms of longer-term contribution to economic recovery and business development it may well be the start-up component, insofar as the high proportion of start-up beneficiaries that claim that business has proceeded as forecasted (if not better) and given the higher level of uncertainty and risk associated with start-up grants than with re-employment grants.

- 10. Social and community contribution:** Feedback from the beneficiary sample interviewed under the evaluation field program suggests that the Program has been making a valuable contribution to local communities across the region. This is happening not just through some of the products or services that some supported MSMEs are providing (e.g. childcare facilities) but also the community-oriented and non-profit orientation means that how they are carrying out their business allows citizens and volunteers to contribute, creates part-time income opportunities, or simply connects citizens together. For a number of beneficiaries, collective endeavour or network has allowed them to better deal with personal trauma and loss from the disaster period, while for a significant number of entrepreneurs the Program's assistance has allowed them to start or

restart a business and gain in personal confidence in terms of both their individual abilities and their capabilities as a business owner.

- 11. Networking activities and business advisory support:** Beneficiary feedback has shown high levels of appreciation for Planet Finance Japan's availability to provide advice to beneficiaries on issues and challenges that they face. Beyond this, some limited networking activities have been organised by Shinkin Bank and Planet Finance Japan, although in some cases holding seminars during weekdays seems to have made it difficult for some beneficiaries to attend. Moreover, there is interest not only among beneficiaries but also within Shinkin Bank to increase this dimension, and this should be encouraged. The field interview program contact with beneficiaries (Peace Jam, Minna no Shirushi, MAST Hanpu, Kaientai, Sansho, KFS - Uemura Martina) suggested that a greater focus on advisory support for beneficiaries can increase individual MSME performance and development potential over the short and medium term, in particular a more systematic and proactive support, for example including dedicated mentoring support. In a number of cases for example, discussion with MSMEs showed that there was a need for greater deep thinking on the business and/or financial model, the core mission of the MSME and taking an in-depth look at current marketing and possible new marketing actions to grow business income. While it is hard to draw hard conclusions it is interesting nonetheless to note that a much higher proportion of start-up beneficiaries consider marketing and networking to be a success factor.
- 12. Program-level monitoring and impact assessment:** While program management at the beneficiary-level and individual grant-level have been widely praised, there is scope to improve program-level management and monitoring. More can be done to collect and collate data on individual beneficiary progress in an overall program tracking tools, in order to more accurately estimate the Program's results and impact. While the difficulty of balancing program delivery and monitoring in the post-disaster context is recognized by the evaluation team, data obtained from program-wide impact assessment would be highly useful in considering the scope for program improvement. The information and intelligence that will be acquired from such an increased monitoring and impact assessment effort will also be both valuable and necessary in explaining the merits of the program to future partners, stakeholders or funding agencies in any possible follow-up program (see below). Some of the data already appears to exist at Planet Finance Japan, but needs to be collated into electronic format.
- 13. Financial and business analysis of beneficiaries:** Beyond the need to strengthen Program-level monitoring and impact assessment, the Program currently is not fully capturing feedback and learning on the core business and financial evolution of beneficiaries. Some financial data such as business expenditure and income is collected through the Program's quarterly monitoring during the first year of the assistance but is primarily analysed on an individual basis and does not seem to be consolidated or analysed in a way that reflects overall program results or in a sharable format. While some beneficiaries have provided varying feedback on the appropriateness of grant assistance amounts and duration, the evaluation team is not aware of any detailed business and financial analysis that has been carried out on beneficiaries in this regard that could provide 'hard numbers'. For example, i) could some start-up beneficiaries succeed with a small level of grant assistance? Or a blended assistance comprising a smaller grant component with a soft loan component with low collateral requirements? What is the cash position of

reemployment grant beneficiaries at the end of year 1 in terms of their capacity to support partial or total own payment of the salary costs of the re-hired employees?

- 14. Providing learning for Program Funder:** Both of the above areas (strengthened program-level monitoring and impact assessment and financial and business analysis of beneficiaries) also need to be addressed if Mercy Corps is to be able to obtain the learning from the program that it seeks, with respect to exploring if and how aspects of the program could be re-applied in other Mercy Corp country programs around the world. At present, all that can be said is that while aspects of the program having promising innovation potential (e.g. partnership and implementation approach), much deliberation is required to assess what success factors can be replicable and what may be more specific to the Japanese context.
- 15. Impact on Shinkin Bank:** The program has in general been highly beneficial to Shinkin Banks. It has allowed it to offer valuable additional financial assistance products to its core small business customer base that have provided much needed grant-financing and soft loans at a difficult time in these MSME's existence, thereby increasing the bank-customer bond and client gratitude and loyalty. Moreover, the efficient implementation process has allowed applications to be processed in a rapid manner that reflected well on Shinkin, and compared favourably with at least one comparable government grant program. Most importantly, the start-up assistance component has provided Shinkin banks with access to new clients and provided new learning, capability and increased confidence to Shinkin Bank with regard to a business sector that it had little business connection with until then. The same learning benefit has accrued to Shinkin Bank with regard to working with more socially oriented businesses and community businesses. Furthermore, the association with the Program has been valuable for the bank from a corporate social responsibility perspective.
- 16. Accommodating Differing Types of Beneficiary MSMEs:** At present the program caters for both more classical commercial/profit-making business beneficiaries and MSMEs of a more social and community-focussed orientation. This is, in some respects, a strength of the program, but more clarity needs to exist at the program level regarding rationales for assisting both and understanding that both may need different support. For example, the field interviews suggest that some of the more community-focussed or non-profit type beneficiaries could benefit from more in-depth advisory and mentoring support on their core business and financial models, while a dedicated program of support for this category of beneficiaries would also help (e.g. showing different models of community enterprise etc.).
- 17. Addressing sector-level and regional/area-level constraints and opportunities:** The current program may be able to do more in some cases in addressing sector-level and regional-level constraints, but in particular this would need to be a more dedicated component of any future follow-up program. Shorter-term sectorial-level constraints include for example the impact of the still pending completion of the fish market in Kesenuma, in order to provide a wider multiplier impact to both Program beneficiaries and other MSMEs in the fish produce sector. Regional-level constraints (or opportunities) include developing co-ordinated marketing and promotional actions in other parts of Japan to alleviate consumer fears about buying produce from the disaster areas, or collaborative actions to promote a variety of MSMEs as part of wider area or regional promotion (e.g. in particular for tourism and hospitality-focussed MSMEs). Some of

these actions are invariably of a more complex nature and require significant research and co-ordination activity and may produce returns over medium-term timeframes.

- 18. Beyond the TSBRP:** While the program has achieved some impressive results, there is no consolidated view as to whether there should be some kind of follow-up program, and if yes what that program might look like. As mentioned earlier, Mercy Corps for understandable reasons does not see this program as 'core mission', given that their geographic focus to some extent sector/population focus is elsewhere. For Shinkin Bank, while it has valued its involvement in the program, it does not have at this point in time a clear view of what any future involvement on its part might look like, apart from raising some issues and boundary conditions for consideration. While at one level this is fine, what is of concern is that there appears to be no process mapped out for assessing the rationale for a follow-up program, what such a program should seek to do and how it might best be done and by whom. This risks leaving a leadership vacuum in the immediate post-program period and may lead to a loss of momentum.

Regarding whether a **rationale for a new Program exists** there are a number of reasons to believe that a new program will be necessary to full valorise the results of the current program and build a more sustainable legacy. Firstly, some of the original Program areas area still will require ongoing small business disaster-recovery support. Secondly, there are many businesses that still need support that have not been reached by the program. Thirdly, small business recovery is by nature a long-term endeavour, and it is particularly important that start-up enterprises are provided with continued support. Fourthly, related to conclusion point 15 above, the impact of some Program support work to specific beneficiaries can only be fully optimised by finding solutions at a broader sub-regional, sectorial or regional level. A fifth reason is that some of the negative impact of the disaster on the Tohoku region will continue to constrain development for at least the medium term (e.g. reluctance of citizens to move back to the region, consumer fears on local produce contamination, labour shortages), which will exacerbate the already existing challenges of the region's relative isolation and lower attractiveness for younger persons. A follow-up program with a significantly enlarged focus on facilitating new start-up enterprises and brining an increased innovation and entrepreneurial dynamic to the region is likely to be a critical part of the wide response to tackling these challenges.

8.2 Evaluation Recommendations

Recommendations are set out below. As mentioned above, seven recommendations are provided, with each denoted by the symbol 'R' (e.g. R2, R2 etc.). For each recommendation a suggested lead partner (or partners) is provided at the end of the recommendation that would appear best placed to lead the recommended action (where the program partners accept the recommendation and decide that it is an action that they wish to implement).

- 1. R1 - Strengthened Program-level monitoring and impact assessment:** The program implementing partners Planet Finance Japan and particular, as well as Shinkin Bank) need to ensure that all available data on beneficiary (paper) records is collated into a consolidated electronic monitoring by the program implementing partners (Planet Finance Japan and Shinkin Bank). This could include both MSME initial target data/objectives (income growth, no. staff etc.)

and updated information from beneficiary monitoring reports. Where core data of importance to the program is not available for certain beneficiaries, they should then be contacted and requested to provide some. One option to carry this out might be to create an online reporting mechanism where each application updates its core numbers, in addition to answering some more qualitative multiple-choice questions. This would greatly extend the evidence base for assessing the wider Program's performance and impact, and would be important in any possible follow-up phase that required bringing in partners or in particular fundraising. Any potential concerns about bank-customer confidentiality can be addressed by only using data in an anonymous and/or aggregate manner. **Addressed to:** *Planet Finance Japan, Shinkin Bank.* **Relevant to:** *Current and Future program.*

2. **R2 – Increased Beneficiary Advisory Support and Mentoring:** Related to the above recommendation on improved monitoring, systematic discussion and feedback should be provided to beneficiaries with the framework of a proactive mentoring and advisory support program. While beneficiaries are in part already benefitting from support and advice from both Planet Finance Japan and Shinkin Banks, a more proactive mentoring program can deliver increased business performance and impact (e.g. additional employment growth and jobs). This kind of dedicated mentoring program would therefore go beyond ad-hoc support and works with the business in target-setting, trouble-shooting, finding solutions and identifying growth opportunities, as well as having an increased focus on promoting MSME networking and linkages. A number of delivery options exist, including providing a dedicated mentoring and advisory support structure i) through the core program or ii) using outsourced/external parties, or iii) a mix of both. **Addressed to:** *Planet Finance Japan.* **Relevant to:** *Current and Future program.*
3. **R3 - Financial and business analysis of beneficiaries:** The Program should focus more effort on capturing beneficiary business evolution and performance data that can contribute to improved Program performance and refinement for the remainder of the program period, and also feed into any design process for a follow-up program (this recommendation is complementary to Recommendation 1 above on strengthening Program-level monitoring and impact assessment, but here the focus is on an intensive review of beneficiaries evolution with the aim of deriving enhanced learning from this). Should Shinkin Bank not have the staff resources to do this, it is recommended that Planet Finance Japan do so, or source another solution (e.g. 2 MBA finance students work experience placement). This analysis would also be highly valuable to Shinkin Bank at an internal level. **Addressed to:** *Shinkin Bank.* **Relevant to:** *Future program.*
4. **R4 - Develop Core Program Concept Document for External Communication:** In carrying out this evaluation the enthusiasm and belief of the program partners and sponsors in what they are doing has been clear to see. However, the evaluation team has not seen any (English-language) document that summarises what they consider the core Program innovations and strengths. It is recommended that such a document be developed, as this would be valuable in communicating with external stakeholders, particularly in any effort to build support or a follow-up Program. It is understood that Mercy Corps has already developed a Program document that can be an excellent starting basis for such external communication. **Addressed to:** *Mercy Corps, Planet Finance Japan.* **Relevant to:** *Future program.*

5. **R5 - Programme Focus and mixing commercial and non-profit MSMEs:** The current program focus is appropriate but greater distinction should be made in management and support for commercially-oriented MSMEs and more social or community focussed beneficiaries, and program support and monitoring should reflect this, for example in terms of indicators such as part-time employment creation, turnover/income growth etc.). Within this, it would also be recommended that the program partners consider if some **summary research or vision paper** could be developed on how social enterprises or community enterprises could optimally contribute to small business recovery in the disaster areas. This is essential now that the two program components have been completed and details of a possible follow-up programme need to be considered. **Addressed to:** *Planet Finance Japan, Mercy Corps.* **Relevant to:** *Future program.*

6. **R6 - Regional/Area-level and Sector-Level Solutions and Action Areas:** The field interviews suggest that there is scope to increase program impact by finding addressing specific area or sector-level challenges that are beyond the solution capability of individual MSMEs, or in other cases where joint or group action may be more efficient and cheaper. Working with local government authorities, Chambers of Commerce to identify joint/common actions to promote the region and increase short-term and longer tourism and visits is one key area, and is linked with the need at the MSME level for marketing advice and support and discussion on the core business model (and financial model) and strategy (i.e. Recommendation 3). **Addressed to:** *Planet Finance Japan.* **Relevant to:** *Future program*

7. **R7 - Proceed as priority to consider how a follow-up Program can continue to support the Tohoku disaster areas:** The evaluation team's provisional general recommendation is that the program partners should as a priority start considering what kind of future program would be needed and how this program could be set up (regardless of whether the current program partners see their own organisation being involved in such a program). **Addressed to:** *All Partners, with lead from Mercy Corps.* **Relevant to:** *Future program*
 - a. **New Programme Visioning and Strategy:** As mentioned in the conclusions, there are a number of reasons to believe that a new program will be necessary to fully valorise the results of the current program and build a more sustainable legacy. Following from the general recommendation above it is recommended that the current program partners' work on creating a first program follow-up vision paper, as a first input into a structured dialogue process for the post-program future. **Addressed to:** *Mercy Corps, Planet Finance Japan, and Shinkin Banks.*

 - b. **Shinkin Bank New Programme Visioning and Strategy:** A number of outline reflection axes are set out below for a new Program. One specific recommendation is that, just as with the current TSBRP, Shinkin Banks should be at the core of such a program. The Bank has benefitted significantly from the current program, and can benefit from continued involvement in a future Program. Working on its own views, ambitions and boundary conditions for future involvement, through a strategic development process, would be an important and necessary contribution to designing a new Program. **Addressed to:** *Shinkin Banks*

- c. Selected Orientations/Reflection Axes for Future Program:** Based on the evaluating findings, some tentative orientations are provided below for the discussion process on scoping out a new program. Within this process, input from Recommendation 1 and Recommendation 3 above is very important, as will input from Recommendation 7b.
- i. Continuing to leverage Shinkin Banks' customer network and branch network
 - ii. Have a much more explicit regional development (strategy) dimension
 - iii. An increased focus on start-ups
 - iv. An increased systemic focus on a wider entrepreneurship and innovation promotion
 - v. Greater flexibility in MSME assistance financing packages, with a greater focus on blended/combined funding assistance and a general approach of not providing grant assistance where soft loan financing is feasible, as well as the possibility of mixing different types of assistance (e.g. reemployment grants, soft loans etc.
 - vi. More common actions to support specific types of MSMEs or specific common needs
 - vii. Much greater focus on partnering within the region and with other national or extra-Tohoku region initiatives
 - viii. A clear distinction between what Shinkin Banks can do under standard commercial banking operations, and what services/support might have to be delivered through other structures
 - ix. A wide view/open-mind-set on institutional delivery option, which could conceivably include a separate Tohoku Fund, possibly with a part revolving fund dimension.

END