

**Tohoku Small Business Recovery Program
“Sanriku Tomodachi Fund for Economic Recovery”**

Final Report (November 2011 – December 2013)

1/31/2014

Contacts

Kazuo Tanaka

Executive Director

ktanaka@planetfinance.org

Tel. +81 3 5809 1306

Fax. +81 3 5809 1406

Hanako Nishigori

hnishigori@planetfinance.org

Tel. +81 3 5809 1306

Fax. +81 3 5809 1406

Chie Maruo

cmaruo@planetfinance.org

Tel. +81 3 5809 1306

Fax. +81 3 5809 1406

Katsunori Takahashi

ktakahashi@planetfinance.org

Tel. +81 3 5809 1306

Fax. +81 3 5809 1406

Table of Contents

Table of Contents	3
Executive Summary	5
I. Over view of the recovery	6
I.1. Housing	6
I.2. Population	7
I.3. Removal of Debris	7
I.4. Industrial Recovery	8
I.5. Employment	10
I.6. Government support program	10
II. Activities Undertaken	11
II.1. Partnership Development	11
II.2. Program Structure	11
II.3. Application Process	11
II.4. Selection Process	12
II.5. Monitoring	12
II.6. Business Development Services	13
II.7. External Evaluation	15
III. Results Achieved Versus Performance Benchmarks and Indicators	15
III.1. Overview of the achievement	15
III.2. Start-up Program	16
III.3. Reemployment Program	18
III.4. Interest Subsidy Program	20
IV. Program Impact	22
IV.1. Economic Impact	22
IV.2. Social Impact	22
IV.3. Enhancing Financial Access	23
IV.4. Ensuring Sustainability	24

IV.5. Awards, Recognitions, and Media Coverage	24
V. Lessons learned	26
V.1. Partnership with Mercy Corps	26
V.2. Partnership with Shinkin Bank	26
V.3. Structure of Three Granting Mechanisms	27
V.4. Operational Challenges	27
VI. Conclusions	27

Executive Summary

Tohoku Small Business Recovery Program, “Sanriku Tomodachi Fund for Economic Recovery” (Sanriku Tomodachi Fund) was established through a unique partnership between Mercy Corps (MC), PlaNet Finance Japan (PFJ), Shinkin Central Bank (SCB) and Kesennuma Shinkin Bank (KSB) with an aim to reinforce financial access of the Micro, Small and Medium Enterprises (MSMEs) that were severely affected by the March 2011 Great East Earthquake and Tsunami, as well as to support the creation of new businesses that respond to the needs of the affected society.

Sanriku Tomodachi Fund was implemented through three granting mechanisms; Start-up grants, Reemployment grants, and Loan Interest Subsidies. Start-up grants provide up to JPY 1.5 million (about \$15,000) to support new businesses and services in the tsunami-affected towns. A rigorous selection process was applied and grants were matched by the entrepreneur’s capital. Re-employment grants provide up to JPY 100,000 (about \$1,000) 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. The grant covers roughly half of the salary of the employee. These grants help cash-strapped recovering businesses to re-employ staff and quickly revive the business operation. Loan Interest Subsidies pay the interest on loans averaging JPY 10 million (about \$100,000) through a two year grace period during which no principle payments are due. The loans are provided to the businesses with less than 20 employees. The program helps existing businesses – many of which are still paying off loans for businesses that were destroyed in the tsunami – to borrow the capital necessary to re-build.

The program started its operation in November, 2011 and has been implemented effectively through collaboration of PFJ, SCB and KSB. As of December, 2013, a total of 333 grants (49 new start-up grants, 116 reemployment grants, 168 companies taking out subsidized loans) have been provided and the number of direct beneficiaries was close to 1,300 people in terms of job creation. Including the household level beneficiaries, close to 3,500 people have benefited from the program. These numbers exceeded the target set prior to the inauguration by about 10%. 98% of the new start-ups and 100% of the re-employment grant and interest subsidy grant recipients continue to be in business as of December, 2013.

The program has had enormous economic and social impact on the severely affected area. The grant recipients are not only committed to succeeding in their businesses, but they are also committed to the revitalization of the affected area. A number of socially oriented businesses focusing on women, children and elderly have been created through the grant. Moreover, the effective collaboration of PFJ and KSB was recognized as a first-ever partnership of a nonprofit organization (NPO) and a banking institution in Japan. The substantial value of the program was highly appreciated not only by the grant recipients but also by the local municipality as well as by the Financial Service Agency of the Japanese government.

While a series of detailed paper work and administrative procedures were necessary for the secure disbursement of the funds, PFJ and KSB mutually developed an effective structure and the administrative work was carried out through close collaboration. Also the capacity of KSB to provide financial access to particularly small businesses with pressing needs, and new start-ups often without track record, has been significantly enhanced through the collaboration with PFJ.

Sanriku Tomodachi Fund was successfully implemented and created a larger impact than originally estimated. The idea that “financial access/microfinance and employment creation play a vital role in the social and economic revitalization of devastated communities” was proved through the implementation.

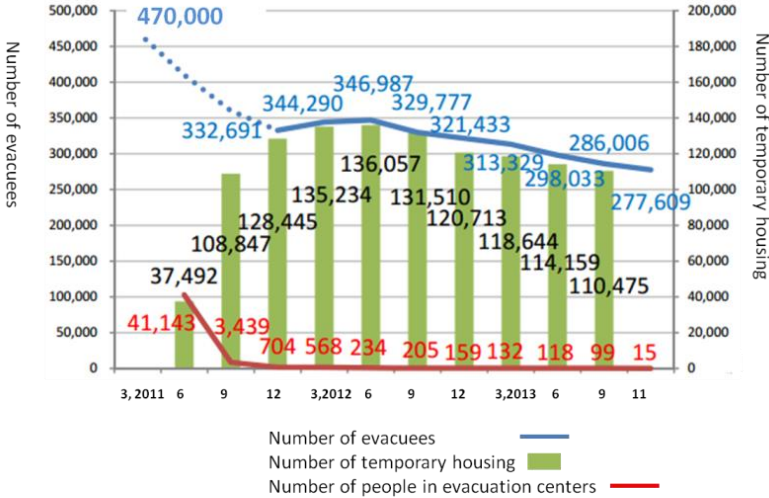
I. Over view of the recovery

I.1. Housing

Immediately after the earthquake and tsunami, some 470,000 people were evacuated, and over 330,000 people have been displaced on a longer-term basis. About 127,000 houses/buildings were completely destroyed and over 272,000 were partially destroyed. Responding to the needs of these people was a task of critical importance in the period following the disaster and temporary housing units were provided to those who lost their homes.

Figure I.1-1 shows the transition of the number of evacuated people, the number of temporary housing units, and the number of people in evacuation centers. While number of people in temporary housing units has been gradually decreasing, there are still over 110,000 temporary housing units and close to 278,000 people have not been re-settled and continue to live as evacuees in temporary housing units. Reconstruction of housing in the affected area has been a critical issue, however, the process has been rather slow due to various challenges including establishing the safety of the land and acquiring sufficient land for the number of people who lost their houses. The government estimates that over 21,500 housing lots are needed in Miyagi and Iwate prefectures. As of October 2013, the land for 12,800 lots (60% of the total) has been identified. However, only about 400 lots (1.9%) have completed construction.

Figure I.1-1



*Figures include the total numbers in all affected area.
As of November, 2013, Reconstruction Agency

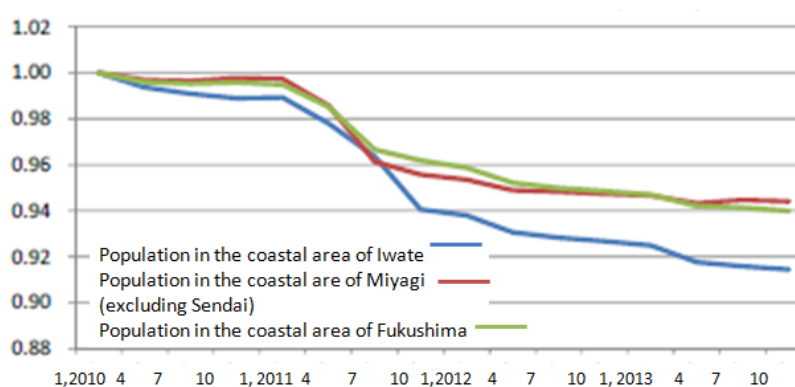
Reconstruction Agency Report, November, 2013

Regarding how this situation relates to the Sanriku Tomodachi Fund, there are a number of start-up businesses which aim to respond to the needs of the people who are living in temporary housing, such as a mobile supermarket which provides fresh fish, vegetables and other consumer goods to the people who live in temporary housing.

I.2. Population

According to the statistics of the Reconstruction Agency, the population of the three most affected prefectures decreased significantly after March 2011. However the level of the decrease has slowed down gradually. Figure I.2-1 shows the index number of the population in the coastal area of Iwate, Miyagi and Fukushima prefectures. (The numbers are processed into index in order to demonstrate the degree of the decrease. The population of January 2010 is set to be 1.00 and the graph shows the trends of population.)

Figure I.2-1



Reconstruction Agency Report, November, 2013

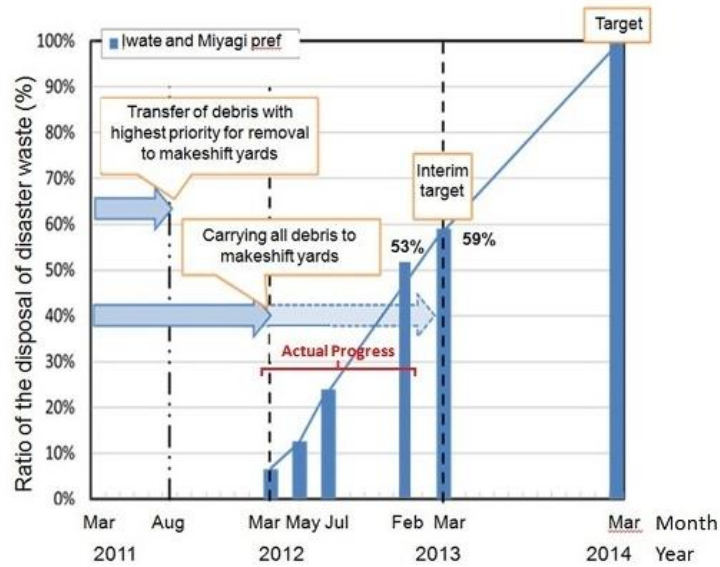
(The figures are based on the statistics of 12 municipalities in Iwate, 15 municipalities in Miyagi and 10 municipalities in Fukushima which are along the coast.)

The population in the coastal municipalities in the three prefectures has continued to decrease but the degree of decrease has become moderate since around April, 2012. It is often discussed that maintaining the population of the affected area is critical for the revival of the affected communities and especially maintaining the youth population would play an essential role. The Sanriku Tomodachi Fund contributed to that respect as a number of young people started new business, restarted their original businesses, or were employed by them through the program. (Details are described in Section III)

I.3. Removal of Debris

More than 16 million tons of debris was left in the wake of the earthquake/tsunami disaster. By August 2011, five months after the incident, debris classified as high priority was removed from the three most affected areas, the coastal municipalities of Iwate, Miyagi and Fukushima prefectures, and transferred to makeshift yards for treatment. Figure I.1-3 indicates the progress of the removal and treatment of the debris in Iwate and Miyagi prefectures as of March, 2013.

Figure I.1-3



Reconstruction Agency Report, March 2013

According to the updated data of Reconstruction Agency as of October, 2013, the removal of over 90% of the debris in Iwate and Miyagi prefectures has been completed. The processing and treatment of the debris has been close to 80% completed. The government plans to complete all the removal and treatment of the debris by the end of March, 2014. (This data does not include the radioactive contaminated debris in Fukushima prefecture.)

The pictures below shows the status of an example of debris removal in Akasakicho in Ofunato



Status as of May, 2012



Status as of November, 2013

Ministry of Environment

I.4. Industrial Recovery

While significant progress has been made for the recovery of industry in the affected area, the the economy still seems to be struggling.

<Agriculture>

21,480 ha of agricultural land in Iwate, Miyagi, Fukushima and 3 other prefectures in Kanto region were affected by the incident and became unfit for cultivation. As of November 2013, 13,470 ha

(63%) of the affected agricultural land had undertaken salt removal treatment and became cultivatable. On the other hand 10,100 agricultural management entities were forced to stop their operation due to the incident and 5,070 of them have resumed their operation or started the preparation for re-starting the production. (Data from Reconstruction Agency Report, Nov, 2013)

<Fishery>

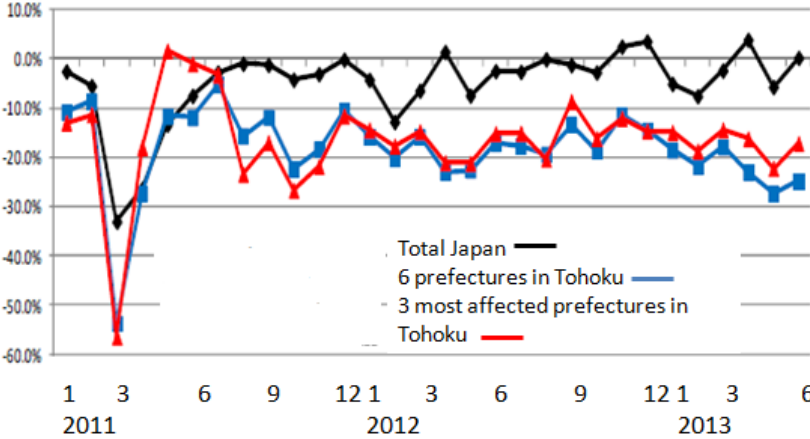
The damage caused to fishery-related facilities was massive. According to the data from Fisheries Agency, the damage in three prefectures, Miyagi, Iwate, and Fukushima, was particularly large, causing damages of 668 billion yen, 397.3 billion yen, and 82.4 billion yen, respectively. Fishery-related facilities suffered massive damage, including: fishing ports; fishing vessels; aquaculture facilities and products; communal facilities (markets, fueling stations, ice making and refrigeration facilities, seedling production facilities, etc.); and fishery processing plants. (Data from Reconstruction Agency Report, Nov, 2013)

As of July, 2013, the catch landing in the major fishing ports in Iwate and Miyagi prefectures has recovered up to 70% of the amount before the March, 2011. (The data compares the total amount of catch landing from August, 2012 to July, 2013 and March, 2010 to February, 2011). Due to the nuclear disaster in Fukushima, fishing and aqua-farming along the coast of Fukushima has been entirely banned voluntarily. Regarding the fishery processing plants, out of 830 plants that were severely affected by the disaster, 626 plants (75%) resumed operation as of July, 2013.

<Tourism>

The tourism industry was also severely affected by the disaster. Figure I.4-1 shows the transition of the number of tourists from January 2011 to June 2013. The numbers are shown as an index compared to the same month of 2010. It indicates that even 2 years after the disaster, the number of tourists continues to be much fewer than before the disaster. The number of tourists in the first quarter of 2013 is -4.8% as compared to the total for Japan, and -15.9% in the three most affected prefectures.

Figure I.4-1



Reconstruction Agency Report, November, 2013

In relation to the Sanriku Tomodachi Fund, among the beneficiaries of re-employment grants there are a number of hotels and restaurants dedicated to tourism. Since the recovery of those hotels and restaurants is critical for the revitalization of the industry and the increase in the number of tourists, the program has contributed to that respect.

I.5. Employment

As of October, 2013 total number of job offers in the three most affected prefectures are about 125,000 positions and exceeds the total number of job seekers in the same area which is 107,000 persons. However there is a significant mismatch of the industry. While there is a high demand in construction and technical engineering, there is a scarcity of skilled people who can apply for those positions. Also there are many more offers for fishery processing positions than job seekers for such work. On the other hand, job seekers for office work/ administrative work by far exceeds the job offers for those positions.

Due to the decrease in population and this mismatch, it was often claimed by the re-employment grant recipients that it had been difficult for them to find the right applicant to hire.

I.6. Government support program

In the aftermath of the disaster, it was widely claimed that MSMEs' recovery was a vital strategy for overall recovery in the region as MSME employment in Tohoku is proportionately more significant than in the rest of Japan. Japanese government created so called "Group Grant program" to support the recovery of the affected MSMEs. Although the objective of the program was to speed up the revitalization of the economy by supporting the MSMEs, unfortunately its structure did not match the pressing needs of the affected MSMEs for the reasons listed as follows:

First, the program required the affected businesses to form a "group" with similar type of businesses/industries and solicit the grant as a group. This structure made it inaccessible for many small businesses without strong linkages to major industries. Second, the application process required a great amount of complicated paperwork. While relatively large companies managed to form a group, prepare all the paperwork to solicit the grant, it was impossible for small businesses that lost everything to go through such long and complicated procedure. Third, it was often claimed by the businesses that the screening criteria was unclear and many MSMEs with most pressing needs were often declined. Fourth, the program did not provide any support to the entrepreneurs who strived to start-up new businesses to contribute to the revitalization. Fifth, the use of the grant was limited to the development of hard infrastructure such as building or facilities, and could not be utilized for employment. And finally, the timing of actual cash disbursement occurred after submitting the bill of receipt to the government agency, which means the grant recipient would have to pay for the facilities by themselves first and then the money would be disbursed later.

While the Group Grant program failed to meet the needs of the most affected MSMEs, the Sanriku Tomodachi Fund effectively responded to them. The simple application process, clear screening criteria, flexibility in the use of the funds for new start-ups and funding for employment, and the fast disbursement were highly appreciated by the affected businesses. Details of the program structure are described in Section II.

II. Activities Undertaken

II.1. Partnership Development

The first step of the implementation of the Sanriku Tomodachi Fund was the effective partnership development between PFJ, SCB and KSB. PFJ made it clear that securing an established professional partnership with SCB and KSB before the inauguration of the fund was crucial for effective execution of the contract with MC over the two years implementation period. Therefore PFJ decided to sign a business collaboration agreement between PFJ and KSB. PFJ approached Mr. Kunio Aoki a Partner of Baker & Mackenzie, a leading international law firm, to develop the contract and he provided support on pro bono basis. SCB and KSB added detailed points utilizing their financial administrative knowhow as well as legal perspective. Thus PFJ and KSB signed a business collaboration agreement on November, 11th, 2011. The development of this contract in the beginning was crucial for partnership between PFJ and KSB, enhancing the professional role of each party and securing mutual commitment for the long term implementation of the program.

II.2. Program Structure

Sanriku Tomodachi Fund has been implemented through the following three granting mechanisms.

Start-up grants: grants of up to JPY 1.5 million (about \$15,000) support new businesses and services in the tsunami-affected towns. A rigorous selection process is applied and grants must be matched by the entrepreneur's capital.

Re-employment grants: provides up to JPY 100,000 (about \$1,000) 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. The grant covers roughly half of the salary of the employee. These grants help cash-strapped recovering businesses to re-employ staff and quickly revive the business operation.

Loan Interest Subsidies: pays the interest on loans averaging JPY 10 million (about \$100,000) through a two year grace period. The loans are provided to the businesses severely affected by the disaster, with less than 20 employees. The program helps the businesses – many of which are still paying off loans for businesses that were destroyed in the tsunami – to borrow the capital necessary to re-build.

II.3. Application Process

Unlike government assistance schemes, which had a lengthy, complicated and inflexible procedure and rules, the application process of Sanriku Tomodachi Fund was established in a highly efficient manner, with simple application format and procedures, taking only 1~2 months from application to disbursement. Although the application forms were simple and accessible for affected people, they collected critical information about the applicant so that PFJ could conduct the screening effectively.

For example, the application form of the start-up program asked for the following information:

- 1) Personal information of the applicant (name, age, gender, address, etc),
- 2) Educational background,
- 3) Previous experience,
- 4) Business plan and objectives including the target customer, target region, and how the business would contribute to the recovery of the affected society,
- 5) Concrete plan of action, concrete financial plan including information about other source of funds,

- 6) Medium and long term vision of the business,
- 7) Plan of employment and information about other participants if any

The information of the program was widely disseminated through local newspapers, local chamber of commerce, as well as through the wide network of KSB.

Considering the fact that most of the potential applicants had limited or no access to the internet and some of them were more used to handwriting than using a computer, PFJ accepted the applications both electronically and in paper format.

II.4. Selection Process

The selection process was conducted through an effective collaboration between PFJ and KSB. For the start-up program, the application forms were directly submitted to PFJ. The selection was conducted based on the following screening criteria mutually agreed with MC and PFJ prior to the inauguration:

- Potential level of impact of the business towards related value chain, employment or consumers/markets in the target cities.
- The soundness of the business plan and its activities plan
- Business owner's willingness to commit to the development of the business as well as contributing to the revitalization of the local communities.
- Priority was given to the businesses led by young persons or women and the businesses with potential impact to children, elders or disabled people.

PFJ placed great importance in understanding each of the business models, former experience of the entrepreneur, the personality and their willingness to commit to the revitalization of the local community. After reviewing the application forms PFJ staff conducted telephone interviews as well as detailed interviews in person by visiting the applicants at their business sites. PFJ also place importance in the comments from KSB as they are well informed about the local context.

For reemployment grants, PFJ asked KSB to attach their recommendation letter to every application. Since the reemployment grants were provided to the businesses that existed before the disaster and were severely affected, KSB's knowledge of past business performance and experience with the applicant provided valuable information to PFJ in selecting the most viable and highly committed business owners.

The interest subsidy grant was provided through KSB's banking operation. KSB conducted the banking assessment (assessment of their ability to repay the loans) of each business that applied for a loan. PFJ provided KSB with advice about the spirit of the program to focus on committed small businesses in serious need, and not just enterprises with larger business potential.

II.5. Monitoring

Quarterly monitoring was conducted through collaboration of PFJ and KSB. PFJ conducted the monitoring based on the criteria and indicators mutually agreed with MC prior to the inauguration. Information including general business trends, financial trends, the number of employees, and the achievements and challenges of each beneficiary were collected through monitoring formats. Quarterly monitoring of the interest subsidy program was conducted in collaboration with KSB based on a format mutually agreed with PFJ, which collected information of general business trends and the number of employees.

PFJ reviewed the quarterly monitoring forms to understand the up-dated situation and needs of each beneficiary. Also, the information was utilized for writing “Beneficiary Stories” as well as quarterly report submitted to MC.

II.6. Business Development Services

While the Sanriku Tomodachi Fund effectively responded to the financial needs of the affected businesses, it was recognized through the implementation that the businesses supported by the fund struggle with a variety of obstacles and non-financial support was also needed. In order to respond to the needs, PFJ planned and implemented several seminars in Kesenuma (Table II.5-1). After every seminar PFJ organized a networking hour which was also highly appreciated by the beneficiaries. Although many beneficiaries live close by each other, often times they did not know about each other’s businesses or personalities due to lack of networking opportunities. Therefore, the seminars and networking hours organized by PFJ played a valuable role in connecting the businesses and creating a sense of community.

Table II.5-1: Business seminars

Date	Speaker	Content	Participants
May, 2013	Mr. Minoru Hachimine Shinkin Central Bank	“The strength of MSMEs and new start-ups that overcame the disaster” Words of encouragements and ideas to enhance business recovery.	54
July, 2013	Mr. Hiroaki Saito CEO of iLink corporation	“Revitalizing Tohoku through Oysters” Sharing the experience of revitalization of the severely affected oyster farming industry in Tohoku and development of innovative business enhanced with new ideas to make the situation even better than before the disaster.	32
Sept, 2013	Prof. George Olcott Prof. of Tokyo University, Board member of several Japanese major companies	“What the world expects from the recovery of Tohoku” Strategies to attract more tourists from abroad and contribute to the revitalization of the affected economy.	55
Dec, 2013	Mr. Takayuki Hongo Specialist of product branding and patent	“How to enhance the MSMEs with innovative ideas” Ways and techniques to create new ideas in business. Basic ideas of product branding and patents.	55

In order to extend the benefits of the program to as many beneficiaries as possible, the seminars were open to all the recipients of the Sanriku Tomodachi Fund, regardless of which program they were supported by. (Start-up, Re-employment or Interest subsidy). About 200 businesses participated in the seminars in total. Figure II.5-2 demonstrates the feedback collected after the seminars through written questionnaires. According to the answers, about 90% of the participants answered either “Very satisfied” or “Satisfied” with the content of the seminars.

Figure II.5-2: Participant feedback on business seminars

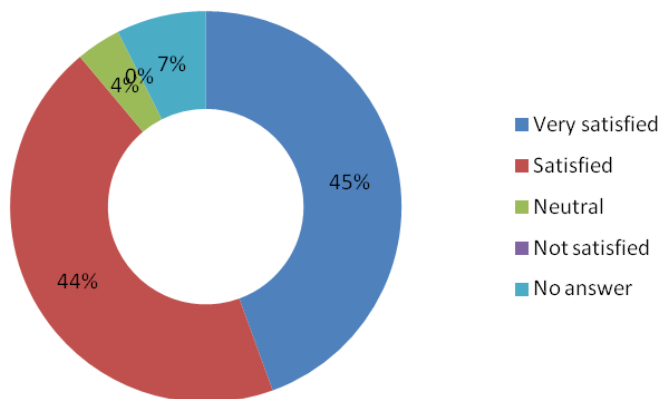
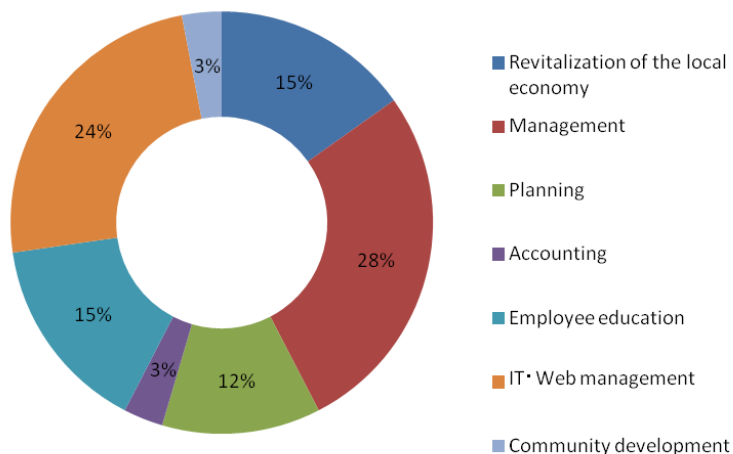


Figure II.5-3 indicates the answers collected through the questionnaires regarding their further needs and themes that they would like to learn more about. The results indicate that there is a high demand for themes related to effective management of their businesses and utilization of IT/Web. Many businesses mentioned that they face obstacles in conducting effective business promotion and dispatch of information through the internet. There was an especially high demand for effective use of social media such as Facebook and Twitter. In addition, it is noted that themes related to the revitalization of the economy and education of employees also have high demand.

Figure II.5-3: Participant further needs



II.7. External Evaluation

In order to understand the impact of Tohoku Small Business Recovery Programs, MC and PFJ agreed to conduct an external evaluation by a third party organization. The evaluation covered Sanriku Tomodachi Fund and two extension programs initiated in Rikuchu area and Minami-soma in Fukushima prefectures; named Rikuchu Tomodachi Fund and Minami-soma Tomodachi fund respectively. The evaluation was conducted by a Belgian consulting company named New Frontier Service (NFS) which MC and PFJ jointly selected among 8 applicants who responded to the call for bids. The evaluation process started in late September, 2013 and concluded in February, 2014. The content of the evaluation was rather extensive including detailed assessment of the implementation process, effectiveness of the three program components, impact of the program in the recovery of MSMEs, long term viability of supported businesses, etc. Through a series of meetings, PFJ provided all the necessary information and explanation to NFS so that they can understand the whole picture of the program; including the background and thinking behind the program structure, the severe condition at the aftermath of the disaster, detailed implementation procedures, selection criteria, partnership with KSB, etc. PFJ also facilitated the field interviews of NFS by making all the interview arrangements with the grant recipients that were objectively selected by NFS as interviewees.

The evaluation findings have shown high satisfaction levels with a variety of the program's management aspects. It indicated that the program played a significant role in the recovery of MSMEs that were severely affected by the disaster and contributed to the revitalization of the affected communities. Also, the evaluation suggested that a follow up program will be necessary to fully valorize the results of the current program and build a more sustainable legacy. PFJ is currently considering various possibilities for a follow up program to further enhance the recovery of the MSMEs.

III. Results Achieved Versus Performance Benchmarks and Indicators

III.1. Overview of the achievement

Table III.1-1 indicates the overall number of direct and indirect beneficiaries for the three programs. The total number of direct and indirect beneficiaries exceeded the target by about 10%. The following sections analyze the breakdown of the results of the each program from several viewpoints including gender, age, region and business sector.

Table III.1-1: Beneficiary numbers

Programs	Number of grants	Number of direct* beneficiaries	Number of indirect* beneficiaries
Start-up	49	212	572
Reemployment	116	116	313
Interest subsidy	168	967	2,611
Total	333	1,295	3,497

(Target:220) (Target: 1,190) (Target: 3,213)

*Direct beneficiaries are the number of jobs created by the grant.

**The number of indirect beneficiaries is based on the assumption that the entire household of the employee will benefit from each job created. It is calculated based on the current average number of family members per household in Miyagi, which is 2.7

III.2. Start-up Program

<Overall achievement>

Table III.2-1 indicates the results achieved of the start-up program versus the performance benchmarks mutually agreed with MC and PFJ prior to the inauguration of the program. (The target numbers are adjusted to match the revised amount of the grant after the additional funding from Nvidia.) The “Achieved” column indicates the numbers achieved as of December 2013.

Table III.2-1: Start up program results

Indicator	Achieved	Target
Number of Startup grants	49	40
Number of full and part time jobs created	212	160
Percent of businesses making a profit	64%	70%
Percent of grant recipients who are still in business	98%	80%

The number of start-up grants indicates the number of new businesses created with the support of the program and the results exceeded the target by about 20%. This is due to that fact that the demand for start-up grants was greater than expected. Also, the exchange rate of dollar versus yen evolved over the two years of the program, enabling PFJ to issue more grants in yen with the same amount of funding in dollars.

Regarding the numbers of full and part time jobs created, the results exceeded the target by about 30%. The target number was set based on the calculation that each start-up business will employ 4 people. In reality, the number of employees range widely among the start-up businesses depending on the business sector as well as the prior network of the entrepreneur. While retail shops or small restaurants tend to hire small number of people (less than 3), nurseries, elderly care home, and fishery businesses tend to hire more employees. Also some of the entrepreneurs were able to utilize their personal network they had developed prior to the disaster and quickly gathered appropriate employees who could contribute to their businesses.

As of December, 2013, 64% of the grant recipients were making a profit. This percentage is slightly lower than the target percentage. This is due to the fact that many of the start-up businesses are still at the developmental stage and haven't been able to reach the point where they can actually make a profit. Also the severe economic condition in the affected area and all over Japan has been a heavy burden on the grant recipients.

On the other hand, the result of the “percent of grant recipients who are still in business” exceeded the target percentage by about 20%. This reflects the high level commitment of the grant recipients. During the selection process, PFJ carefully examined the will of the applicants to contribute to the revitalization through their businesses, their personal and professional background, and the viability of the business models. As a result, 98% of the grant recipients are in business as of December 2013. (Unfortunately, there was one business that was forced to close. This was an orthopedic clinic in Kesenuma. The entrepreneur was renting a house where he operated the clinic, but due to some issues with the owner, he had to leave the house and couldn't find another place to operate.)

<Female beneficiaries>

Table III.2-2 indicates the number and percent of female beneficiaries of the start-up program. Considering the fact that traditional Japanese culture especially in rural areas still tend to be male-dominated, those numbers shows a remarkable contribution of women, taking a lead in the economic and social recovery of the affected area. The 15 businesses initiated and managed by women include;

nursery, beauty salon, handicraft production and sales, natural bakery, confectionery store, restaurant, etc.

Table III.2-2: Number and percent of female beneficiaries in Start-up businesses

Number of female entrepreneurs	15
Percent of female entrepreneurs	31%
Number of female employees	121
Percent of female employees	57%

<Age distribution>

Table III.2-3 indicates the age distribution of the grant recipients. More than 80% of the grant recipients are under the age of 59.

Table III.2-3: Age distribution of Start-up Recipients

Age group	Number
0-14	0
15-24	2
25-59*	39
60+	8
total	49

* Among the 39 people between 25-59, 16 of them are under 49.

<Geographic distribution>

Table III.2-4 indicates the regional distribution of the grant recipients. About half of the businesses were initiated in Kesenuma since a large portion of economic activity is concentrated there and the industrial recovery of the area is stronger compared to the rest of the target region.

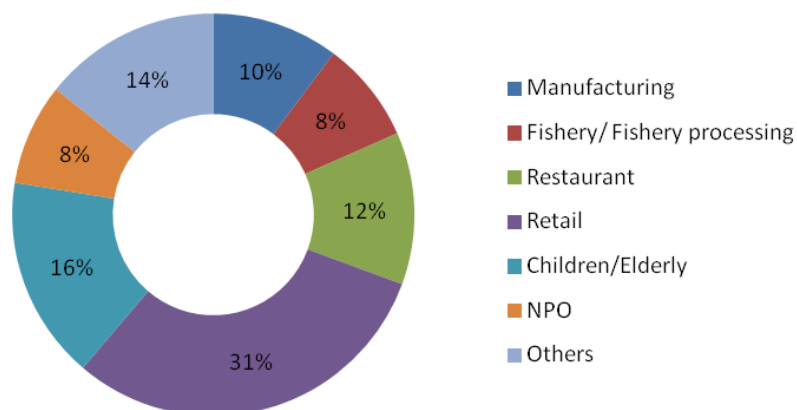
Table III.2-4: Geographic distribution of Start-up grant recipients

Region	Number
Ofunato	8
Rikuzen-Takata	8
Kesenuma	27
Minami Sanriku	6
Total	49

<Type of industry>

Figure III.2-1 indicates the distribution by type of industry of the start-up businesses. The grant recipients are widely distributed in various industries. Retail businesses account for the largest 31%, many of them are engaged in both production and sales of unique products, such as mulberry tea, handmade souvenirs and fashion goods, food products utilizing local ingredients, etc. Also it is important to note that NPOs and businesses related to children or elderly account for 24% in total, reflecting the social focus on the Sanriku Tomodachi Fund. 14% of the grant recipients categorized as "Others" include IT, renewable energy, hotels and art entertainment.

Figure III.2-1: Type of businesses supported by Start-up grants



III.3. Reemployment Program

<Overall achievement>

Table III.3-1 indicates the results achieved of the reemployment program versus the performance benchmarks mutually agreed with MC and PFJ prior to the inauguration of the program. The “Achieved” column indicates the numbers achieved as of December 2013.

Table III.3-1: Results of Re-employment grants

Indicator	Achieved	Target
Number of people employed	116	100
Number of businesses supported	83	50
Number of people employed 3 months after the grant end	112 (92%)	100
Percent of recipient in business	100%	90%
Percent of businesses either maintained or increased profit	73%	70%

The number of people employed exceeded the target number by 16%. Although the overall employment situation is rather severe due to the decrease in population and the mismatch problem described in Section I, the Sanriku Tomodachi Fund was able to respond to the needs of those who managed to find a qualified employee and restarted their business operation. 83 businesses restarted their businesses with the support of the program, exceeding the target by 66%. This reflects the reality that many of the businesses applied grant for only one employee, while the target number was set with an assumption that each business would hire 2 employees. Since the program targeted small businesses, oftentimes addition of one employee had great impact on their business operation.

According to the follow up monitoring of the beneficiaries, 92% of the people employed under the grant continued to be employed 3 months after the end of the grant period. All the business supported by re-employment grants are in business as of December 2013, which indicates their resilience and commitment. Despite of the severe economic condition in the affected area, 73% of the business either maintained or increased profit in the latest quarter compared to the previous quarter.

<Female beneficiaries>

Table III.3-2 indicates the number and percent of women employed by the grant as well as that of business owners. The fact that 47% of the people employed with the support of the grant are women, reflects great contribution of the program for providing employment for women. On the other hand, the percent of female business owners is rather limited. Many grant recipients own businesses with long history and those tend to be owned by men. It is also interesting to see the contrast in percentage of female business owners of re-employment grants and that of start-up grants, while the former resulted in only 10%, the latter resulted in 31%.

Table III.3-2: Number and percentage of female beneficiaries in Re-employment grant businesses

Number of women employed	54
Percent of women employed	47%
Number of female business owners	8
Percent of female business owners	10%

<Age distribution>

Table III.3-3 indicates the age distribution of the business owners and employees of the grant recipients. Often times they hired relatively young people as 37% of the people employed are under the age of 39, contributing to the creation of employment for young people in particularly aging communities.

Table III.3-3: Age distribution of Re-employment beneficiaries

Age	business owner	employee	Total
0-14	0	0	0
15-24	0	4	4
25-59	44*	103**	147
60+	39	9	48
total	83	116	199

* Among the 44 business owners between 25-59, 6 are under the age of 39.

**Among the 103 employees between 25-59, 38 of them are under the age of 39.

<Geographic distribution>

Table III.3-4 indicates the regional distribution of the grant recipients. While Kesenuma accounts for the largest number of businesses, the beneficiaries are widely distributed throughout the whole target region.

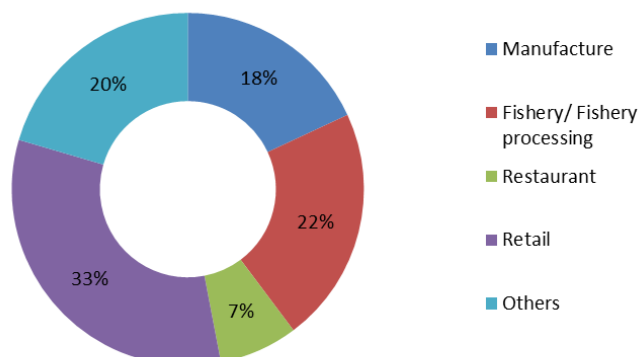
Table III.3-4: Geographic distribution of Re-employment grant recipients

Region	Number
Ofunato	11
Rikuzen-Takata	15
Kesenuma	39
Minami Sanriku	18
Total	83

<Type of industry>

Figure III.3-1 indicates the distribution by type of industry of the re-employment grant recipients. About 30% of the businesses are dedicated to retail businesses. Many of them have a long history of providing quality goods and services in the local communities. Among those categorized as "Others", there are printing companies, construction businesses, beauty salon, photo studio, laundry service, sewing factory, automobile related businesses, etc.

Figure III.3-1



III.4. Interest Subsidy Program

<Overall achievement>

Table III.4-1 indicates the results achieved of the interest subsidy program versus the performance benchmarks. The target of “Number of business taking out a subsidized loan” was calculated based on an assumption that the size of the loan would be average 10 million yen. However, many businesses took out smaller loans, resulting in a number of beneficiaries more than twice the target number. Close to 1,000 people are employed by those businesses.

As of December, 2013, all the businesses supported by the interest subsidy grant continue to be in business, reflecting their resilience and commitment.

Table III.4-1: Results for interest subsidy grants

Indicator	Achieved	Target
Number of business taking out the subsidized loan	168*	80
Percent of loan recipients still in businesses	100%	80%
Percent of businesses that maintained or increased employment after starting to receive the grant	73% (122)	70%
Number of employees	967	560

*Total of 209 loans with interest subsidy were taken out, but 41 companies took out more than one loan, so the number of business taking out a subsidized loan is 168.

<Total loan and outstanding value>

Table III.4-2 indicates the total amount of loan, outstanding value of loan and repayment as well as the average loan size. The interest subsidy grant leveraged a total of JPY 1.7 billion (about USD 17 million) of KSB’s loan capital. While the loan size and the length of payback period varies among the loans, about 60% of the loans had been paid back as of December 2013. The provision of interest subsidy is still continuing and it will be finished by the end of Nov 2014.

Table III.4-2: Loan size

Total amount of loan	¥1,726,860,000
Amount of loan repaid	¥1,105,964,000

Outstanding value of loan as of Dec, 2013	¥620,896,000
Average loan size	¥8,657,679

<Female business owners>

Table III.4-3 indicates the number and percentage of female business owners. The percentage is the lowest among the three programs. Since most of the grant recipients of interest subsidy program are relatively large businesses (less than 20 employees) with longer history, they tend to be owned by men.

Table III.4-3: Number and percentage of female business owners in Interest Subsidy Program

Number of female business owners	13
Percent of female business owners	8%

<Geographic Distribution>

Table III.4-4 indicates regional distribution of the grant recipients. Since interest subsidy grant was provided to larger businesses compared to start-ups and reemployment grants, the majority of the loans were taken out by businesses in Kesenuma, where the economic revival is the strongest in the target region. Also, the banking operation of KSB is the strongest in Kesenuma with more branches there than in other target cities. Another reason is that the loans were often taken out to rebuild facilities of fishery processing businesses which are mostly concentrated in Kesenuma.

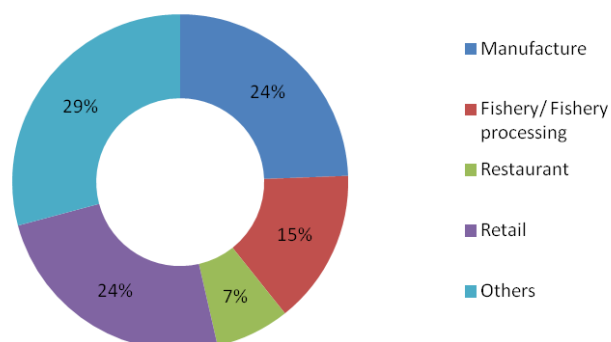
Table III.4-4: Geographic distribution of Interest Subsidy recipients

Region	Number
Ofunato	10
Rikuzen-Takata	3
Kesenuma	142
Minami Sanriku	13
Total	168

<Type of Industry>

Figure III.4-1 indicates industrial distribution of the industry subsidy recipients. Loans were provided to a wide range of sectors. Among those categorized as “others” are, transportation companies, real estate businesses, medical companies, tax accountant office, hotels, construction companies, funeral companies, etc.

Figure III.4-1: Type of industry supported by Interest Subsidies



IV. Program Impact

IV.1. Economic Impact

As indicated in section III, Sanriku Tomodachi Fund had an enormous economic impact on the economy of the devastated area. The economic impact is not limited to any particular sector but extended widely to a range of business sectors and industries including, shops, restaurants, hotels, manufacturing, fishery, handicraft production, energy, food production, printing, construction, education, nursery, elder care facilities, and theater company.

Also, the age of the business (years of experience) differs significantly among the grant recipients. The beneficiaries of the interest-subsidy program tend to be larger SMEs (less than 20 employees) and have more years in their businesses compared to those supported by the new start-up program. Moreover, the program contributed to the development of some new industries. One of the grant recipients initiated a business to produce biodiesel from used oil. He collects used cooking oil from local restaurants and hotels, produces biodiesel out of the collected cooking oil, and delivers it to the businesses in need. His business is highly appreciated not only by the users of biodiesel but also by the restaurants and hotels, creating a new environmentally friendly business cycle.

IV.2. Social Impact

In addition to the economic impact, the program has had significant social impact. It is important to note that the grant recipients are not only committed to making their businesses successful, but they have strong will to contribute to the recovery of the affected communities. Also, many of the grant recipients are engaged in businesses with particular social focus such as woman, children, and the elderly.

<Social commitment of the grant recipients>

Many business owners are taking a leading role in social activities in their local communities. For example, a recipient of re-employment grant who also takes out the interest subsidy loan, named Ms. Takahashi who owns a kimono shop has organized a series of events to cheer up the affected people. The kimono, a beautiful traditional garment, is a source of pride for Japanese. It is often worn for special celebrations and passed along to family members for generations and are attached with personal memories. When Ms. Takahashi found out that many women were left in sorrow as they lost their own precious kimonos with memories of their families and couldn't acquire a new one, she decided to collect donated kimonos from all over Japan and hold events to hand them out to the affected women for free. She periodically holds such events and it is deeply appreciated. She thinks that it is important for those who suffer from deep sorrow to obtain something beautiful. Even though she doesn't gain any profit from such activities, she is dedicated to the social cause.

<Focus on woman>

As indicated in section III, about 30% of the start-up businesses are initiated, owned and managed by women, and close to 50% of the people employed by re-employment grants are women, showing the program's high level of direct contribution to women's empowerment. Also some of the businesses have particular focus on creating employment for women. For example, there are two handicraft production businesses both owned by women, one in Kesenuma and the other in Rikuzentakata. They are committed to create employment for women who were severely affected by the disaster through the production and sales of originally designed handmade crafts, fashion goods, and souvenirs. Also, a jam producing and selling business in Kesenuma named Peace Jam has a particular focus on creating employment for mothers with babies.

<Focus on children>

Among the grant recipients of the start-up program, there are several organizations that are committed to well-being of the children in the affected area. As a great number of schools, libraries, sports facilities, and community centers were damaged or destroyed by the disaster, children in the affected area face significant lack of educational and recreational opportunities. Currently many playgrounds are used for temporary housing units. Therefore those start-up organizations that create opportunities for children play a valuable role. For example, a swimming school called "Horizon Activities" in Ofunato provides swimming classes for children in elementary schools in Ofunato. Since it is the only swimming school in the area, Horizon Activity organizes pick up buses for the children living in distant areas. The classes play a vital role in the physical and mental well-being of the children living under severe conditions. Another example is an NPO in Minami-sanriku which organizes a variety of recreational and educational programs for children and young people. Mr. Oikawa, the founder of the organization is strongly committed to the cause and conducts a number of unique experiential learning activities by themselves as well as in collaboration with major corporations and universities. Since more than half of the children who regularly participate in the program still live in temporary housing units and suffer from limited places to play, those events are in high demand. In addition to those organizations, there are two nurseries in Kesenuma among the grant recipient. While many nurseries were closed down or severely damaged by the Tsunami, the two nurseries has been providing high quality day care services for babies and children, allowing their parents to work.

<Focus on elderly>

While aging is one of the most critical issues in Japan, the problem is especially prominent in the affected area. More than 30% of the population is over the age of 60 in the target area of Sanriku Tomodachi Fund. A great number of care homes and other facilities for elderly people were damaged or destroyed by the disaster and the elderly people face particularly difficult conditions, resulting in significant needs for facilities and services for elderly people. Responding to the serious needs, several grant recipients started up businesses to serve the elderly. One example is "Kaientai", located in the suburbs of Kesenuma and provides quality nursing service for the elderly people severely affected by the disaster. Another example is "Kikuya" in Kesenuma Oshima island also providing day-care services to elderly people. Kesenuma Oshima island is 30 minutes off shore of Kesenuma with serious aging problem and was severely affected by the disaster. Therefore the organization plays a critical role in the community.

Also some of the businesses aim to create employment for elderly people. Employment is not only meaningful economically but also provides the elderly people a place to share their thoughts and feelings. Since many lost their family members and friends, isolation is a serious problem. Therefore, those businesses play a critical role as they create a sense of community. One example is "Anshin Seikatsu" in Rikuzen-takata. The organization employs elderly people to produce and sell fishery products. All the products are originally made in local area. Their specialty is in processing wakame (a type of seaweed) and prepared food such as tempura and fritters.

IV.3.Enhancing Financial Access

Throughout the two years implementation, PFJ worked very closely with KSB sharing all kinds of information related to the grant recipients or other activities in the local area through daily communication. PFJ continuously emphasized the importance of enhancing financial access to the most affected people who may have high risk seen from pure banking perspective but have strong potential to contribute to the revival of the community. Throughout this process the capacity of KSB to provide financial access to socially oriented businesses that are often not the most profitable businesses or new start-ups with high potential but with limited or no track record, has been enhanced significantly. In fact over 14% of the start-up beneficiaries also took out an interest subsidy loan. Mr. Sugawara, the President of KSB mentioned that the implementation of Sanriku Tomodachi Fund with PFJ improved their capacity of providing financial access to small businesses or new start-ups. The

spirit of the program, “contributing to the revival of the affected economy by providing financial access to MSMEs with most prominent needs” has been deeply understood by KSB through continuous communication with PFJ.

IV.4. Ensuring Sustainability

While the Sanriku Tomodachi Fund has had significant economic and social impact to the severely affected MSMEs, it is important to ensure that the impact will be sustained after the program ends. It can be said that the sustainability of the program is ensured by the following ways.

First, the main objective of the program, “improving the financial access to the most affected MSMEs” will be sustained through the enhanced capacity of KSB as described in section IV 3. Even after the end of the program, KSB will continue to provide financial services to the most affected small businesses as well as to the new start-ups. Since long before the disaster, KSB has always been committed to serving the local SMEs, but the implementation of Sanriku Tomodachi Fund strengthened their focus on serving the small and micro businesses with greatest needs.

Secondly, as described in IV 2, the grant recipients of Sanriku Tomodachi Fund are not only committed to making their business successful but also to contribute to the revitalization of the affected area. Many of them play leading roles in their communities to speed-up the recovery and moreover they try to make the affected cities even a better place to live than before the disaster. The objective of the program to “revitalize the affected economy and communities by supporting the MSMEs” will be sustained by the grant recipient businesses striving for revitalization.

IV.5. Awards, Recognitions, and Media Coverage

As described above, Sanriku Tomodachi Fund played a unique and crucial role in the revitalization of the affected MSMEs with most serious needs. Moreover, the effective collaboration of PFJ and KSB was recognized as a first-ever partnership of a NPO and a banking institution in Japan. The substantial value of the program was recognized not only by the grant recipients but also by the local municipality as well as by the Financial Service Agency of the Japanese government.

In September 2012, PFJ was awarded a testimonial by Mr. Shigeru Sugawara, the Mayor of Kesenuma city which recognized the substantial value of the program in enhancing the revitalization of the local economy by supporting the most affected MSMEs. Also, in March 2012, the Financial Service Agency of Japan recognized the activities undertaken by Sanriku Tomodachi Fund as an outstanding case of “community based finance” and KSB received an award from the Head of the Tohoku Bureau of Financial Service Agency. Also the city of Kesenuma awarded testimonials to MC and Nvidia for providing generous grants that created the Sanriku Tomodachi Fund.

Also, the activities of the beneficiaries of the program were so impressive that they often received attention from both domestic and international organizations. In December 2012, Mr. Ken Sato the founder and President of “Peace Jam” received the “International Microentrepreneurship Award” by PlaNet Finance, an international NGO headquartered in Paris engaged in poverty alleviation in countries around the world through Microfinance. (PFJ is the Japanese office of PlaNet Finance) International Microentrepreneurship Award is organized by PlaNet Finance annually and selected five most outstanding entrepreneurs from around the globe in 2012. Mr. Sato is one of the first recipients of a start-up grant and founded Peace Jam. “Peace Jam” creates employment for the mothers with babies who were severely affected by the disaster, and produces and sells organic jam made of locally harvested fruits and vegetables. His business model was praised as an innovative sustainable social

business that serves the most pressing needs of the affected communities and was recognized internationally through the award.

In addition to those awards and recognition, the program had wide media coverage. The major articles and broad casts are listed in Table IV-5.1. Since it's inauguration in November, 2011, the program gained continuous media coverage both by local media and nation-wide media.

Table IV-5.1

Date	Name	Type of media
12-Nov-11	Nikkei Shinbun	Nation-wide Newspaper
14-Nov-11	Sanriku Shinpo	Local Newspaper
15-Nov-11	Yomiuri Shinbun	Nation-wide Newspaper
17-Nov-11	Kahoku Shinpo	Local Newspaper
21-Nov-11	Tokai Shinpo	Local Newspaper
12-Jan-12	Nikkei Shinbun	Nation-wide Newspaper
14-Jan-12	Sanriku Shinpo	Local Newspaper
19-Jan-12	TBS News	Nation-wide Broadcasting
20-Jan-12	Tokai Shinpo	Local Newspaper
25-Jan-12	Nikkei Shinbun	Nation-wide Newspaper
12-Apr-12	Sanriku Shinpo	Local Newspaper
14-Apr-12	Sanriku Shinpo	Local Newspaper
21-Apr-12	Sanriku Shinpo	Local Newspaper
02-May-12	Nikkei Shinbun	Nation-wide Newspaper
06-May-12	Nikkei Shinbun	Nation-wide Newspaper
03-Jun-12	Kahoku Shinpo	Local Newspaper
03-Sep-12	Aljazeera English	International internet media
05-Sep-12	Tokai Shinpo	Local Newspaper
07-Sep-12	Kahoku Shinpo	Local Newspaper
24-Jan-13	Nikkei Shinbun	Nation-wide Newspaper
25-Jan-13	Mainichi Shinbun	Nation-wide Newspaper
19-Feb-13	Nikkei Shinbun	Nation-wide Newspaper
15-Feb-13	Iwate Nippo	Local Newspaper
15-Feb-13	Yomiuri Shinbun	Nation-wide Newspaper
20-Feb-13	Kamaishi Shinbun	Local Newspaper
20-Feb-13	Nikkei Shinbun	Nation-wide Newspaper
02-Oct-13	Sanriku Shinpo	Local Newspaper

Although most of the media coverage is in Japanese, the report by Aljazeera English in September, 2012 was done in English and broadcasted internationally through the internet. The video can be found in the following link with Japanese subtitles added by PFJ.

http://www.youtube.com/watch?feature=player_embedded&v=Ad5wuzF1vmQ

V. Lessons learned

V.1. Partnership with Mercy Corps

The innovative concept and structure of Sanriku Tomodachi Fund were created based on the understanding of MC and PFJ that, “strengthening financial access to MSMEs and creating employment in the devastated economy will contribute to the revival in a sustainable way”. In other words, MC and PFJ both knew from experience in developing countries that “financial access/microfinance” and “employment creation” plays a vital role in the revitalization and sustainable long term development of devastated communities. While there were a variety of serious needs at the aftermath of the disaster, mutual agreement of MC and PFJ lead to the development of the first-ever “microfinance” project within Japan. Obviously the context of developing countries is different from that of Tohoku, but the spirit of microfinance to “provide financial access to small businesses or new start-ups that were outside of the conventional financial structure” is relevant in the concept of Sanriku Tomodachi Fund. Throughout the implementation of the program, PFJ kept close contact with MC and received valuable feedback on a continuous basis, which contributed to the smooth implementation of the program. For the grant recipients, getting directly in touch with officials of MC during MC’s occasional visits to Tohoku, has been very encouraging experience as they could really feel that they are supported by so many people not only within Japan but also from abroad.

V.2. Partnership with Shinkin Bank

As mentioned above, collaboration of PFJ, SCB and KSB played a fundamental role in the concept and structure of the program. In the early stage of the partnership development, SCB played a critical role. Since there was no precedent of a partnership between a NPO and a Bank, a great effort was needed to have the officials of the bank understand the credibility of PFJ and the importance of the program. Through a series of discussion, SCB recognized the significance of the program and agreed to collaborate with PFJ throughout the implementation process and continuously provided valuable advice both to KSB and PFJ. The partnership with SCB was also critical in the development of extension programs, in Minami-soma and Rikuchu in the later phase.

While a series of detailed paper work and administrative procedures were necessarily for the secure disbursement of the funds, PFJ and KSB mutually developed an effective structure and the administrative work were carried out through close collaboration. Especially for the implementation of interest subsidy program, KSB’s banking expertise played a major role. Also KSB’s knowledge and experience with the local businesses as well as the local branch network were valuable for selecting the most viable businesses.

From KSB’s perspective, the partnership with PFJ was the first-ever partnership with an NPO. PFJ’s social orientation provided KSB with a new perspective. Mr. Fujimura, the director of Reconstruction Support Division of KSB mentioned that KSB benefited from the learning of how PFJ approached the assessment of grant applications and the detailed analysis of the financial viability as well as the social value of the applicant’s businesses. Especially the implementation of start-up grant has provided KSB with a new perspective and opportunity to serve a sector that it had until then not really targeted. Moreover, since the success of Sanriku Tomodachi Fund was widely recognized, KSB received offers from large corporations to develop similar kind of programs with additional funding.

V.3. Structure of Three Granting Mechanisms

As described in section III and IV, the three granting mechanisms enabled the program to serve a wide variety of businesses in terms of industry, sector, and age; making a substantial economic and social impact. It is hard to say which program was the most effective since each of them played a different role. Or rather, the combination of the three leveraged the impact. While the program did not allow any business to receive both start-up and re-employment grants, it allowed the businesses to take out the loan with interest subsidy in addition to receiving either start-up or re-employment grant. This structure enabled some of the recipients to utilize the start-up grant to cover their initial cost and take out the interest subsidy loan to expand their business. Or some others utilized reemployment grant to hire an employee and utilize the loan to further enhance their commercial recovery.

V.4. Operational Challenges

In order to secure the effective implementation, it was necessary for PFJ to manage all the details of the program with a limited number of staff. Since PFJ did not have an office in the target region in the beginning, it was necessary for the staff to make business trips to the target region very frequently. Also, as the program was implemented in the way that matches the local context and pressing needs of the target population, the selection process was very labor intensive. For example, in order to shorten the time between the application and cash disbursement of new start-up grants, a total of 9 rounds of call for applications were executed. In August 2013, one of the staff was placed in Kesenuma in order to enhance PFJ's capacity on site, contributing significantly to the smooth implementation.

VI. Conclusions

As described in the previous sections, Sanriku Tomodachi Fund was implemented successfully through a first-ever partnership between a NPO and a bank and created a significant impact both socially and economically. Over 330 grants were disbursed, close to 1,300 people were employed through the support of the program and the number of household level beneficiaries is estimated to be about 3,500 people. The unique structure of three granting mechanisms mutually enforced the value of the program and provided substantial support to the affected businesses and new start-ups that boldly stood up for the recovery.

The grant recipients of the program are self-selected individuals who are strongly committed to their businesses as well as to the overall revitalization of the affected area. In other words, they are not only “beneficiaries” but rather “contributors” to the program’s objective. Working with a local bank with a long history of serving local MSMEs has not only enabled the effective implementation of the program but also ensured the sustainability of the program’s impact. The program supports a wide variety of business sectors including the major industries as well as NPOs and socially oriented businesses. Many of them are taking a leading role in their communities and striving for the revitalization through their businesses day by day.

While the program has contributed to the revitalization of the target area, there is still a long way to go for the economic and social revival of the whole affected region. Sanriku Tomodachi Fund covered one of the most devastated areas; however, other parts of the affected region remain unsupported. As indicated in the Section I, despite of the significant progress thorough out the past three years, the current outlook of the industrial recovery still seems to be struggling.

PFJ has realized that the grant recipients face a variety of challenges including a shortage of human resources, effective marketing of their products/services, and development of wider sales channels. As noted in the previous sections, many businesses claim that they cannot find an adequate employee, reflecting the fact that there is a significant decrease in population as well as employment mismatch problem. For the further recovery of the affected area, having more young people is critical. While Sanriku Tomodachi Fund has created many employments for relatively young people a number of new start-ups were initiated by young people, PFJ recognizes that further support for the youth is necessary going forward.

While responding to the needs of the local market is a necessary task, the demand in the local market is not large enough to enhance the sustainable growth of the businesses. In order to speed-up the recovery, it is critical for the businesses to either develop further sales channels to a wider area or to bring in more people (customers) to the affected area. For manufacturing and retail businesses, promoting their products to customers in all over Japan as well as overseas and exploring new sales channels would be critical for their further recovery. However many face difficulties in effective PR and especially many lack capacity to promote their products in English. Also many businesses face obstacles in marketing utilizing the internet including, development of an effective website or utilization of social media. Touristic promotion is rather weak; especially the dispatch of information in English to attract tourists from abroad has been particularly limited.

Reflecting on those challenges, PFJ is considering various possibilities to provide further support. As the external evaluation rightly pointed out, development of a follow up program would be necessary to fully valorize the results of the current program and enhance the sustainable growth of the grant recipients. While acquiring additional funding would be necessary, PFJ seeks possibilities in a range of entities including both Japanese and foreign corporations and private foundations.