

EMPIRICAL RESEARCH ON THE GRANT
FOR GROUPS OF SMALL AND MEDIUM ENTERPRISES
TOWARD THE RECOVERY AFTER THE GREAT EAST JAPAN EARTHQUAKE
- POTENTIAL BENEFIT OF FORMING GROUPS -

A Thesis

by

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ABSTRACT

On March 11, 2011, the Great East Japan Earthquake hit the northeastern part of Japan and the following tsunami caused devastating damage to the broad area. The recovery of small and medium enterprises (SMEs) is one of the important aspects of the recovery of the whole region as they are key drivers of the economy. After the Great East Japan Earthquake, “the grant for groups of SMEs towards the recovery” (hereinafter referred to as “the grant for groups”) was newly installed by the national government. While the assistance for the management of funds (e.g. special loan, interest subsidy, credit guarantee) was the main governmental supporting scheme for disaster-affected SMEs in the past disasters such as the case of the Great Hanshin Awaji Earthquake, “the grant for groups” is the completely new scheme to directly grant the disaster-affected SMEs.

Eligible grantees are groups of enterprises. Any kinds of groups (any industry, any combination, either newly formed or existed before the disaster) are acceptable. The grant can be utilized for fixing or buying damaged equipment and buildings of the individual enterprises. The grant called applications seven times since June, 2011, till March, 2013, and 390 billion yen, which is very large amount as the grant for SMEs, were attached to it.

The most of the current research interests focus on the direct economic effects of “the

grant for groups” focusing on the individual enterprises (such as Kaneko, 2012; Matsunaga, 2012). Neither of them focuses on the meaning of forming groups, even though forming a group is a particular feature of the grant. Therefore, it is needed to understand if there are potential benefits or functions of forming groups.

This study aims at finding out the function of “the grant for groups” in terms of forming a group by investigating what enterprises do or did as a group while applying and implementing “the grant for groups”. This study has set the study area in Iwate Prefecture, one of the most severely damaged prefectures. The semi-structured interview surveys were conducted with 17 groups out of 77 groups which have received “the grant for groups” in Iwate Prefecture (as of January, 2013). Those interviewed groups belong to different industries and located in different regions in Iwate Prefecture. Complementary interviews were also conducted with the related organizations such as the prefectural government and the supporting agencies

The results showed that there are actually the benefits and functions which “the grant for groups” can provide at the different stages of the process (i.e. forming a group, preparing for the application, implementing the reconstruction plan) as a consequence of requesting enterprises to form a group. The benefits found from the interview survey, are summarized in the following three points:

- 1) Drive SME owners engaged in the recovery process while forming a group and

preparing for the application

- 2) Encourage mutual support among the enterprises within the group while preparing for the application
- 3) Encourage the collaborative project

This study provided a new aspect of the function of “the grant for groups”. As a consequence of requesting enterprises to form a group, above-mentioned software benefits were provided in addition to the hardware support (providing the reconstruction cost). Especially, benefits provided while forming groups and preparing for the application are important new findings which should be taken into consideration by the academia and the policy makers as the important functions of “the grant for groups” in the context of the post disaster policy.

Since this study conducted interview survey only with the leader or a few members of 17 groups which have received “the grant for groups”, it is recommended to conduct the survey with more members from each group in order to understand the functions more holistically.

(619 words)

Key Words: Disaster reconstruction, Forming a group, Governmental financial support, Small and medium enterprises

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LIST OF TERMS

The Grant for Groups of Small and Medium Enterprises Toward the Restoration and

Reconstruction (“the Grant for Groups”): this grant was newly installed after the Great

East Japan Earthquake to assist the recovery of enterprises, especially the recovery of small

and medium enterprises. This grant is called in different ways by the national government

and the different Prefectural governments. For instance, it is called as *Chuushou-kigyuu-tou*

group-shisetsu-tou fukkyu-seibi-hojo-jigyuu by the Small and Medium Enterprise Agency,

Japan, and called as *Iwate-ken chuushou-kigyuu-tou fukkyu-fukkou-shien-hojo-jigyuu* by

Iwate Prefectural government.

Small and Medium Enterprises (SMEs): this study uses this term as defined in the Small

and Medium-sized Enterprise Basic Act of Japan (see pp.15 for the detail).

1 INTRODUCTION

1.1 The Great East Japan Earthquake

On March 11, 2011, 2:46 pm, the 2011 earthquake off the Pacific coast of Tohoku (*Tohoku-chiho Taiheiyō Oki Jishin*) occurred with the epicenter approximately 70 km east of Oshika Peninsula, Miyagi Prefecture, Japan. It was a magnitude 9.0 undersea megathrust earthquake and known as the most powerful earthquake ever occurred in Japan (Japan Meteorological Agency, 2011). The earthquake and the following massive tsunami caused the damage mainly in the northeastern part of Japan. The personnel, property, and infrastructure damage caused by the Great East Japan Earthquake is summarized in Table 1. Especially, the coastal area of Iwate Prefecture, Miyagi Prefecture and Fukushima Prefecture suffered the devastating damage by the tsunami.

The disaster caused by the 2011 earthquake off the Pacific coast of Tohoku, the following tsunami and the aftershocks is referred to as the Great East Japan Earthquake (Prime Minister of Japan and His Cabinet, 2011).

Table 1: Damage situation associated with the Great East Japan Earthquake

Prefecture	Type of damages		Personnel damages					Property damages							Damaged roads	Damaged bridges	Landslides	Break of dikes	Damaged railways
	Killed	Missing	Injured			Total collapse	Half collapse	Total burn	Partial burn	Inundated above	Inundated below	Partially damaged	Non-dwelling						
			Severely injured	Slightly injured	Total									Door					
Person	Person	Person	Person	Person	Door	Door	Door	Door	Door	Door	Door	Door	Place	Place	Place	Place	Place		
Hokkaido	1			3	3		4			329	545	7	469						
Aomori	3	1	25	86	111	308	701					1,006	1,402	2					
Iwate	4,673	1,146			212	18,370	6,558	33			6	14,146	5,412	30	4	6			
Miyagi	9,537	1,307			4,145	82,889	155,107	135			7,796	222,748	28,736	390	12	51	45	26	
Akita			4	7	11							3	3	9					
Yamagata	2		8	21	29							21	96	21		29			
Fukushima	1,606	210	20	162	182	21,175	72,980	77	3	1,061	338	166,599	1,117	187	3	9			
Tokyo	7		20	97	117	15	198	1				4,847	1,101	295	55	6			
Ibaraki	24	1	34	678	712	2,624	24,216	31		1,799	779	185,203	19,812	307	41				
Tochigi	4		7	126	133	261	2,118					73,084	295	257		40		2	
Gunma	1		13	26	39		7					17,246		36		9			
Saitama			7	38	45	24	199	1	1		1	1,800	33	160					
Chiba	21	2	29	229	258	801	10,117	15		157	731	54,870	660	2,343		55		1	
Kanagawa	4		17	120	137		39					454	13	162	1	3			
Niigata				3	3							17	9						
Yamanashi				2	2							4							
Nagano				1	1														
Shizuoka			1	2	3						5	13	9						
Gifu														1					
Mie				1	1					2			9						
Tokushima										2	9								
Kochi				1	1					2	8								
Total	15,883	2,667			6,145	126,467	272,244	297		3,352	10,218	742,068	59,176	4,200	116	208	45	29	

Source: Emergency Disaster Countermeasures Headquarters, National Police Agency of Japan, 2013 (Modified by author)

Note: Unidentified information is included.

1.2 Damage and Recovery of Enterprises

The Great East Japan Earthquake caused the severe economic damage. A lot of facilities and equipment belonging to the enterprises were devastated by the tsunami and the earthquake of the northeastern part of Japan.

1.2.1 The industrial structure of the affected areas

Table 2 shows the number of the business establishments and the composition rate by the industrial sectors in the most severely affected prefectures including Iwate prefecture, Miyagi prefecture and Fukushima prefecture. The higher composition rate in the agriculture, forestry and fisheries sector characterize the industrial structure of those three prefectures. Also, all the three prefectures have the higher composition ratio in the accommodations and food services sector as well as the living-related, entertainment and recreation services sector. Meanwhile, all the three prefectures have the lower composition ration in the manufacturing sector (Okada, 2011).

Table 2: Number of the business establishments and the composition rate by the industrial sectors in the most severely affected prefectures including Iwate prefecture, Miyagi prefecture and Fukushima prefecture

	Iwate Prefecture		Miyagi Prefecture		Fukushima Prefecture		Whole Japan
	# of establishments	Composition rate	# of establishments	Composition rate	# of establishments	Composition rate	Composition rate
Agriculture, forestry and fisheries	1,024	1.54%	707	0.65%	812	0.80%	0.56%
Construction	6,281	9.46%	11,693	10.70%	12,079	11.95%	9.72%
Manufacturing	4,228	6.37%	6,020	5.51%	8,254	8.17%	8.94%
Wholesale, retail trades	18,074	27.22%	31,111	28.48%	27,035	26.75%	25.91%
Accommodations and food services	8,172	12.31%	12,900	11.81%	12,206	12.08%	13.02%
Living-related, entertainment and recreation services	7,013	10.56%	10,057	9.21%	9,714	9.61%	8.57%
Others	21,599	32.53%	36,750	33.64%	30,969	30.64%	33.27%

Source: Statistics Bureau, Ministry of Internal Affairs and Communications, 2011
(Modified by author)

Table 3 shows the number of the employees by industrial sectors in tsunami and quake affected regions. Compared to Japan as a whole, more people are employed in agriculture and forestry and manufacturing in the quake affected regions. Meanwhile, more people are employed in fisheries, construction, and the wholesale and retail trades in tsunami affected regions (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011).

Table 3: Number of the employees by industrial sectors in the regions affected by the tsunami and earthquake

	Tsunami affected regions	Quake affected regions (excluding Tokyo)	Quake affected regions (Tokyo)	Whole Japan
	Composition rate	Composition rate	Composition rate	Composition rate
Agriculture and forestry	4.4%	8.4%	0.4%	4.5%
Fisheries	2.1%	0.1%	0.0%	0.4%
Construction	10.7%	8.9%	6.7%	8.8%
Manufacturing	15.0%	18.6%	12.0%	17.3%
Wholesale, retail trades	19.5%	16.7%	18.0%	17.9%
Others	48.3%	47.4%	62.9%	51.2%

Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Japan. 2005; Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan. 2011 (Created by author)

Note 1: Industries are classified according to the Japan Standard Industry Classification (revised March 2002).

“Others” represents the total for the following major categories of industry: mining; electricity, gas, heat supply, and water; information and communications; transport; finance and insurance; real estate; eating and drinking services and accommodations; medical, health care, and welfare; education and learning support; compound services; services (not elsewhere classified), government services; and unclassifiable industries.

Note 2: “Tsunami-affected regions” are the 39 municipalities in the prefectures of Aomori, Iwate, Miyagi, and Fukushima subject to the Disaster Relief Act due to the Great East Japan Earthquake (as of March 24, 2011) that were reported to have suffered flooding caused by the tsunami according to Approximate Estimates of the Extent of Flooding Caused by the Tsunami (Report No. 5) published by the Geographical Survey Institute on April 18. The figures for Sendai City are for the wards of Miyagino, Wakabayashi, and Taihaku.

Note 3: Figures for the “Quake-affected regions” are for the Aoba and Izumi wards of Sendai City and municipalities subject to the Disaster Relief Act due to the Great East Japan Earthquake (as of March 24, 2011) excluding the 39 municipalities in the prefectures of Aomori, Iwate, Miyagi, and Fukushima that suffered flooding caused by the tsunami according to Approximate Estimates of the Extent of Flooding Caused by the Tsunami (Report No. 5) published by the Geographical Survey Institute on April 18.

1.2.2 The damage to the enterprises

Table 4 shows the estimation of the direct damage to the stock capital in the most severely affected prefectures including Iwate prefecture, Miyagi prefecture and Fukushima prefecture. It can be recognized that the damage was much bigger in the coastal area.

Manufacturing sector in coastal areas received the 1.3 times bigger damaged than that in the inland areas.

Table 4: Estimation of the direct damage to the stock capital in the most severely affected prefectures including Iwate prefecture, Miyagi prefecture and Fukushima prefecture

		Estimated capital stock A	Estimated damage to the capital stock					Damage ratio B/A
			Basic amenities and social infrastructure	Residences	Manufacturers	Others	Total B	
Iwate Prefecture	Inland area	26,369	457	22	64	211	754	2.9%
	Coastal area	7,449	1,943	607	191	781	3,522	47.3%
	Total	33,818	2,400	629	255	992	4,276	12.6%
Miyagi Prefecture	Inland area	31,443	856	40	148	551	1,595	5.1%
	Coastal area	23,182	2,031	1,446	290	1,130	4,897	21.1%
	Total	54,625	2,887	1,486	438	1,681	6,492	11.9%
Fukushima Prefecture	Inland area	34,314	630	7	263	370	1,270	3.7%
	Coastal area	15,941	1,244	145	151	319	1,859	11.7%
	Total	50,254	1,874	152	414	689	3,129	6.2%
Total	Inland area	92,126	1,943	69	475	1,132	3,619	3.9%
	Coastal area	46,572	5,218	2,198	632	2,230	10,278	22.1%
	Total	138,697	7,161	2,267	1,107	3,362	13,897	10.0%

(Unit: billion yen)

Source: Development Bank of Japan, 2011 (Modified by author)

Table5 shows the cost of damage in industry, commerce, and tourism sector in Iwate prefecture, Miygai prefecture and Fukushima prefecture. It can be recognized that industry, commerce, and tourism all suffered heavy damage.

Table 6 shows the state of damage suffered by member enterprises in the prefectures of Aomori, Iwate, Miyagi and Fukushima. The data was ascertained by the local chambers of commerce and industry. It is clearly recognized that the impact of the tsunami was felt most seriously by members of chambers of commerce and industry in coastal regions¹ (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011).

¹ Hardly any responses were obtainable from coastal areas of Fukushima Prefecture due to the impact of the nuclear power plant accident.

Table 5: Cost of damage in industry, commerce, and tourism sector in Iwate prefecture, Miyagi prefecture and Fukushima prefecture

	Iwate prefecture	Miyagi prefecture	Fukushima prefecture
Industry	89.0	590.0	219.8
Commerce	44.5	120.0	139.9
Tourism	32.6	20.0	N/A
Total	166.1	730.0	359.7

(Unit: billion yen)

Source: Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011 (Created by author)

Note 1: As for Iwate Prefecture, figures indicate the aggregate cost of damage to property swept away or flooded by the tsunami. Damage such as the collapse of structures due to the earthquake is not included.

Note 2: As for Fukushima Prefecture, Total cost of damage caused by the earthquake and tsunami. Estimates do not include damage due to the accident at the Fukushima Daiichi Nuclear Power Plant.

Note 3: In the case of Aomori Prefecture, only the cost of damage reported by chambers of commerce and industry and societies of commerce and industry is included. Damage to the industry in the prefectures of Iwate, Miyagi, and Fukushima was estimated based on industry statistics taking into consideration the state of damage in each region. Damage to commerce was estimated based on commerce statistics for stores (buildings and goods) in coastal municipalities taking into consideration the state of damage in each region. Damage to tourism was estimated based on statistics on construction starts (using the unit prices of buildings for accommodation) of facilities in coastal municipalities taking into consideration the state of damage in each region.

Note 4: The state of damage is as of the time of publication and is subject to future change.

Table 6: State of damage suffered by member enterprises in the prefectures of Aomori, Iwate, Miyagi and Fukushima

	Number of member enterprises	Number of enterprises ascertained	Damage to member enterprises					
			The number of enterprises that suffered damage and the percentage of all ascertained					
			Buildings and houses completely destroyed	Buildings and houses partially destroyed	Buildings and houses partially damaged	Equipment and facilities damaged	Indirect damage	No damage
Coastal areas	18,560	6,142	3,344 (54.4%)	783 (12.7%)	1,763 (28.7%)	175 (2.8%)	77 (1.3%)	0 (0.0%)
Inland areas	48,596	7,566	191 (2.5%)	205 (2.7%)	6,256 (82.7%)	468 (6.2%)	446 (5.9%)	0 (0.0%)
Total	67,156	13,708	3,535	988	8,019	643	523	0

Source: Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011

Note 1: Compiled based on reports from the Central Federation of Societies of Commerce and Industry, Japan.

Note 2: Only societies of commerce and industry that reported on damage by May 14, 2011, are included.

Note 3: It should be noted that societies of commerce and industry as a rule cover the same areas as towns and villages.

Note 4: Hardly any responses were obtainable from coastal areas of Fukushima Prefecture due to the impact of the nuclear power plant accident.

Moreover, in the tsunami affected regions, In Iwate Prefecture, 64.9 % of the business establishments were located in the tsunami covered area, while 46.3 % in Miyagi Prefecture and 23.8 % in Fukushima Prefecture were located in the tsunami covered area. Especially, 99.8 % of the business establishment in Rikuzentakada town (Iwate Prefecture) were located in the tsunami covered area, while 98.0 % in Ohtsuchi town, 99.2 % in Onagawa town, 98.3 % in Kesenuma city, and 85.9 % in Shinchi town were located in the tsunami covered area (Tohoku Bureau of Economy, Trade and Industry, 2012a).

1.2.3 The situation on the recovery of the enterprises

Table 7 shows the state of the recovery of the enterprises in the tsunami affected regions approximately 9 to 10 months after the disaster. The table shows the speed of the enterprise reconstruction was faster in Miyagi in 2011, in terms of the ratio of the resumed enterprises.

Table 7: State of the recovery of the enterprises in the tsunami affected regions approximately 9 to 10 months after the disaster

		# of enterprises	Compostion rate
Iwate Prefecture	Resumed	2,787	66.8%
	Suspended	682	16.3%
	Closed	438	10.5%
	Unknown	266	6.4%
Miyagi Prefecture	Resumed	16,044	85.7%
	Suspended or closed	1,213	6.5%
	Unknown	1,460	7.8%
Fukushima Prefecture	Resumed	1,114	40.6%
	Not resumed	1,630	59.4%

Source: Tohoku Bureau of Economy, Trade and Industry, 2012a (Created by author)

Note: The timing when the data was collected varies because of the variety of the data source. As for Iwate Prefecture, the survey was mainly conducted by the chambers of commerce and industry and organized by the Tohoku Bureau of Economy, Trade and Industry, and shows the status of days between Noember 4, 2011, and January 4, 2012. As for Miyagi Prefecture, the data is based on the survey conducted by the Miyagi Prefecture and shows the status on November 20, 2011. As for Fukushima Prefecture, the survey was conducted by the chambers of commerce and industry and shows the status on January, 20, 2012.

Some of the local governments in the disaster affected regions have periodically conducted the survey on the damage and the state of the recovery of the disaster-affected industries and enterprises. For instance, Iwate prefecture has conducted the survey on the state of the recovery of the disaster-affected enterprises in February 1, 2012, August 1, 2012, and February 1, 2013 (Iwate Prefecture, 2012a; Iwate Prefecture, 2012b; Iwate Prefecture, 2013a). Miyagi prefecture has conducted the survey on the business conditions of the disaster affected commerce and industry in November 30, 2011, March 31, 2012, and March 31, 2013 (Miyagi Prefecture, 2012a; Miyagi Prefecture, 2012b; Miyagi Prefecture, 2013a).

Table 8 shows the state change of the recovery of the enterprises in Iwate Prefecture, in terms of the resuming of the business. Table 9 shows the state change of the recovery of the enterprises in Iwate Prefecture, in terms of the recovery of the business establishments (facilities and equipment).

As for the place to restart the business, 45.7 % of the respondents, who answered in the survey conducted by Iwate prefecture in February 2013, resumed or planned to resume their business in the same place as before the disaster, while 44.5 % at the different location in the same town/city as before the disaster and 2.7 % at the different town/city (Iwate Prefecture, 2013a).

Table 8: State change of the recovery of the enterprises in Iwate Prefecture, in terms of the resuming of the business

	Date	# of respondents	Resumed	Partially resumed	Have a plan to resume	Considering	Closed	No answer
Total	February 1, 2012	2,045	46.2%	27.2%	7.2%	9.0%	8.5%	2.0%
	August 1, 2012	1,779	51.5%	26.3%	4.7%	5.3%	10.9%	1.2%
	February 1, 2013	1,803	55.7%	23.2%	3.3%	3.7%	12.4%	1.6%
Construction	February 1, 2012	219	67.1%	26.0%	1.4%	2.3%	1.8%	1.4%
	August 1, 2012	176	75.0%	19.9%	1.1%	0.6%	2.3%	1.1%
	February 1, 2013	180	73.3%	20.0%	1.1%	0.6%	3.3%	1.7%
Seafood processing	February 1, 2012	75	28.0%	28.0%	21.3%	14.7%	6.7%	1.3%
	August 1, 2012	101	49.5%	25.7%	10.9%	6.9%	5.9%	1.0%
	February 1, 2013	94	55.3%	22.3%	8.5%	4.3%	7.4%	2.1%
Manufacturing (excluding seafood processing)	February 1, 2012	150	43.3%	29.3%	10.7%	7.3%	8.0%	1.3%
	August 1, 2012	117	53.8%	25.6%	6.0%	4.3%	10.3%	0.0%
	February 1, 2013	137	65.0%	19.7%	2.9%	0.7%	11.7%	0.0%
Wholesale, retail trades	February 1, 2012	576	43.4%	28.1%	4.9%	10.8%	10.8%	2.1%
	August 1, 2012	506	45.1%	27.5%	3.0%	8.9%	14.2%	1.4%
	February 1, 2013	515	47.0%	26.8%	2.9%	6.0%	15.9%	1.4%
Others	February 1, 2012	961	45.6%	26.0%	8.2%	9.7%	8.8%	1.7%
	August 1, 2012	879	50.5%	27.1%	5.6%	4.2%	11.4%	1.3%
	February 1, 2013	877	55.9%	22.3%	3.5%	3.4%	12.9%	1.9%

Source: Iwate Prefecture, 2012a; Iwate Prefecture, 2012b; Iwate Prefecture, 2013a;
(Created by author)

Table 9: State change of the recovery of the enterprises in Iwate Prefecture, in terms of the recovery of the business establishments (facilities and equipment)

	Date	# of respondents	Almost fully recovered	Almost 75 % recovered	Almost half recovered	Almost 25 % recovered	Less than 25 % recovered	Resumed at temporary facilities	Not at all	No answer
Total	February 1, 2012	2,045	19.2%	9.7%	10.6%	4.9%	4.7%	19.1%	24.9%	6.9%
	August 1, 2012	1,779	23.9%	11.5%	10.5%	4.4%	4.7%	19.6%	21.4%	3.9%
	February 1, 2013	1,803	27.8%	10.8%	9.4%	4.2%	3.0%	20.4%	20.9%	3.5%
Construction	February 1, 2012	219	21.9%	13.7%	18.7%	6.4%	5.0%	20.1%	8.7%	5.5%
	August 1, 2012	176	30.7%	14.2%	16.5%	5.1%	6.8%	16.5%	8.0%	2.3%
	February 1, 2013	180	28.3%	16.7%	12.2%	5.0%	5.0%	21.7%	6.1%	5.0%
Seafood processing	February 1, 2012	75	14.7%	13.3%	14.7%	14.7%	5.3%	5.3%	29.3%	2.7%
	August 1, 2012	101	25.7%	17.8%	11.9%	10.9%	5.0%	7.9%	19.8%	1.0%
	February 1, 2013	94	29.8%	26.6%	8.5%	7.4%	6.4%	3.2%	17.0%	1.1%
Manufacturing (excluding seafood processing)	February 1, 2012	150	20.0%	16.0%	12.7%	4.0%	6.7%	10.7%	21.3%	8.7%
	August 1, 2012	117	29.9%	13.7%	12.8%	6.0%	4.3%	11.1%	20.5%	1.7%
	February 1, 2013	137	38.7%	13.1%	13.1%	5.1%	1.5%	10.9%	14.6%	2.9%
Wholesale, retail trades	February 1, 2012	576	17.2%	8.2%	8.3%	5.2%	3.8%	20.0%	29.7%	7.6%
	August 1, 2012	506	18.6%	9.7%	9.3%	3.0%	5.3%	22.7%	26.9%	4.5%
	February 1, 2013	515	22.1%	7.8%	10.1%	3.7%	3.1%	23.5%	26.8%	2.9%
Others	February 1, 2012	961	20.3%	8.6%	9.1%	4.2%	4.2%	20.8%	26.4%	6.5%
	August 1, 2012	879	14.7%	11.0%	9.6%	4.2%	3.9%	20.9%	21.3%	4.4%
	February 1, 2013	877	29.1%	9.4%	7.9%	3.9%	2.4%	21.7%	21.9%	3.9%

Source: Iwate Prefecture, 2012a; Iwate Prefecture, 2012b; Iwate Prefecture, 2013a;
(Created by author)

1.3 Recovery of the Small and Medium Enterprises and Governmental Supporting Scheme

1.3.1 The importance of the small and medium enterprises

The recovery of the small and medium enterprises² is important for the economic recovery since more than 99 % of enterprises and more than 90 % of business establishments in the disaster affected area are categorized into the small and medium enterprises (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011, Table 10). Seki (2012) pointed out the importance of the small and medium enterprises as a driver of the revitalization of the disaster affected area and a provider of the employment.

² This study uses the term, small and medium enterprises (or SMEs), as defined in the Small and Medium-sized Enterprise Basic Act of Japan (Small and Medium Enterprise Agency, Japan, Website):

- (1) Any entity which is a company whose capital or total amount of investment does not exceed three hundred million yen (300,000,000 yen), or a company or an individual whose regular workforce does not exceed three hundred persons, and which is principally engaged in manufacturing, construction, transportation or any other category of business (except those categories of business mentioned in any of items (2) to (4) below);
- (2) Any entity which is a company whose capital or total amount of investment does not exceed one hundred million yen (100,000,000 yen), or a company or an individual whose regular workforce does not exceed one hundred persons, and which is principally engaged in the wholesale trade;
- (3) Any entity which is a company whose capital or total amount of investment does not exceed fifty million yen (50,000,000 yen), or a company or an individual whose regular workforce does not exceed one hundred persons, and which is principally engaged in the service industry;
- (4) Any entity which is a company whose capital or total amount of investment does not exceed fifty million yen (50,000,000 yen), or a company or an individual whose regular workforce does not exceed fifty persons, and which is principally engaged in the retail trade.

Table 10: Breakdown of the enterprises in terms of the size of the enterprises

	Enterprises	SMEs	Large enterprises	% of SMEs
Tsunami affected regions	38,005	37,972	33	99.9%
Quake affected regions	779,261	774,058	5,203	99.3%
Nuclear evacuation zones	5,341	5,339	2	100.0%
Whole Japan	4,213,190	4,201,264	11,926	99.7%
	Business establishments	SME business establishments	Large enterprises business establishments	% of SMEs business establishments
Tsunami affected regions	46,089	41,816	4,273	90.7%
Quake affected regions	978,722	850,386	128,336	86.9%
Nuclear evacuation zones	6,476	5,845	631	90.3%
Whole Japan	5,853,886	5,795,161	58,725	99.0%

Source: Statistics Bureau, Ministry of Internal Affairs and Communications. 2011; Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011 (Modified by author)

Note 1: Survey divisions containing areas of flooding identified from Summary Maps of the Extent of Flooding published by the Geographical Survey Institute on April 18, 2011.

Note 2: Districts of municipalities subject to the Disaster Relief Act due to the Great East Japan Earthquake (as of March 24, 2011) excluding survey districts containing areas of flooding identified from Summary Maps of the Extent of Flooding published by the Geographical Survey Institute on April 18, 2011.

Note 3: Control zones, planned evacuation areas, and emergency evacuation-ready zones established under the Act on Special Measures Concerning Nuclear Emergency Preparedness. Note 4: Figures are for the following prefectures: Tochigi, Gunma, Ibaraki, Saitama, Chiba, Tokyo, Kanagawa, Yamanashi, and Shizuoka (east of Fuji River).

Note 5: Summary Maps of the Extent of Flooding summarizes the results of identification of areas flooded by the tsunami as determined using aerial photographs taken after the earthquake by the Geographical Survey Institute and satellite photo observations. It is therefore possible that some areas of flooding may not have been properly identified due to cloud cover, etc.

Note 6: Survey districts are the smallest geographical units used in the Economic Census: Basic Survey, and represent the districts handled by statistical surveyors. The figures for survey districts corresponding to areas of flooding (including those affected by partial flooding) are aggregated based on these aggregate results.

Note 7: Compiled by Naomi Kodama, Senior Analyst for Industry Research in the Service Affairs Policy Division of the Commerce and Information Policy Bureau, Ministry of Economy, Trade and Industry.

1.3.2 The importance of the governmental supporting scheme for the recovery of the small and medium enterprises

Literatures argued that the governmental support is essential to the recovery of the small and medium sized enterprises because those enterprises have the smaller management power including the human capital, the fund and the equipment and, therefore often face the obstacles compared to the larger enterprises (Beniya, 2007; Beniya, 2010; Seki, 2011).

However, it is pointed out that the government tended to prioritize the support for the infrastructure or the living at the past disaster cases (Beniya, 2007; Seki, 2011). Tsukui (2012) pointed out that by reviewing the law related to the industrial reconstruction and found out that there are not many permanent laws with regard to the enterprise recovery from disasters. Kaneko (2012) argued that, especially in the case of disasters in rural areas, it is a challenge to establish the governmental supporting scheme towards the recovery of disaster affected small and medium enterprises after the Great East Japan Earthquake.

1.3.3 The review of the governmental supporting scheme for disaster-affected small and medium enterprises after the Great East Japan Earthquake and the Great Hanshin Awaji Earthquake

The national and local government installed the supporting scheme for the disaster affected small and medium enterprises after the past disasters and the Great East Japan Earthquake. In this section, those schemes prepared or newly installed after the Great East Japan Earthquake in order to support the small and medium enterprises are reviewed and compared with the governmental supporting scheme available after the Great Hanshin Awaji Earthquake.

The contents of the supporting scheme for the disaster affected small and medium enterprises available after the Great East Japan Earthquake are basically same as the ones available after the Great Hanshin Awaji Earthquake. But some of them are expanded in accordance with the particular feature of the damage from the Great East Japan Earthquake (Uchida and Nakanishi, 2011).

The Great Hanshin Awaji Earthquake occurred in January 17, 1995 and caused severe damage to Kobe city, Hyogo prefecture, Japan. The Great East Japan Earthquake is often compared to the Great Hanshin Awaji Earthquake in terms of the size of the earthquake, the

size of the damage and the impact to the economy and the society (Table 11).

Table 11: Comparison between the Great East Japan Earthquake and The Great Hanshin Awaji Earthquake

	The Great East Japan Earthquake	The Great Hanshin Awaji Earthquake
Date	March 11, 2011	January 17, 1995
Epicenter	Off the coast of Miyagi Prefecture	Awaji Island in Hyogo Prefecture
Magnitude of the earthquake	9.0	7.3
Confirmed death	18,131	6,434
Missing	2,829	3
Injured	6,194	43,792
Totally collapsed houses	129,391	104,906
Partially collapsed houses	265,096	274,182
Fire	330	293
Economic damage	16.9 trillion yen	10 trillion yen
Related national budget	23.65 trillion yen	4.36 trillion yen
Breakdown (unit: billion yen)	2011 S I : 4015.3 2011 S II : 1910.6 2011 S III : 9243.8 2012 : 3775.4 2012 S : 317.7 2013 : 4384	1994 R : 14.8 1994 S II : 1022.3 1995 : 132.8 1995 S I : 1429.3 1995 S II : 778.2 1996 : 288.5 1996 S : 294.5 1997 : 282.9 1997 S : 120.8

Source: Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications, Japan, 2006; Fire and Disaster Management Agency, Ministry of Internal Affairs and Communications, Japan, 2013; Cabinet Office, Government of Japan, 2011; Hyogo Prefecture, 2013; Fujimoto, 1999; Reconstruction Agency, Japanese Government, 2012; Reconstruction Agency, Japanese Government, 2013a; Reconstruction Agency, Japanese Government, 2013b (Created by author)

The governmental supporting scheme for the disaster affected small and medium enterprises can be categorized into three types, i.e assistance for the management of funds, preferential tax treatment, and support for the recovery of facilities. Table 12 presents main schemes provided after the Great East Japan Earthquake and Great Hanshin Awaji Earthquake.

As for the assistance for the management of funds, Special loan for the reconstruction from Great East Japan Earthquake, Emergency loan guarantee after the Great East Japan Earthquake (both established in May, 2011), and Capital subordinated loan were provided through government-affiliated financial institutions (Kamata, et al., 2012). Also, local governments such as Aomori, Iwate, Miyagi, Fukushima, and Ibaraki Prefectures, installed the special loan and special loan guarantee scheme to complement the national scheme (Mashita, et al., 2011). The preferential tax treatment is provided based on the disaster-related acts promulgated and came into effect on April 27, 2011. Among the support for the recovery of facilities, the grant for groups of small and medium enterprises toward the recovery (hereinafter referred to as “the grant for groups”) and the grant for the recovery of Chamber of Commerce and Industry were newly installed.

Table 12: Main supporting schemes available for the disaster-affected small and medium enterprises after the Great East Japan Earthquake and the Great Hanshin Awaji Earthquake

		The Great East Japan Earthquake	The Great Hanshin Awaji Earthquake
Management of funds	Loan	● ex) - Special loan for the reconstruction from Great East Japan Earthquake - Special reserves in the loan for the small scale enterprises policy	● ex) - Expansion in the loan for the reconstruction from disasters - Special loan to strengthen the financial content of the small and medium enterprises - Expansion in the loan for the business improvement of the small scale enterprises policy
	Interest subsidy	● ex) Special interest subsidy scheme	● ex) Interest subsidy scheme provided by Great Hanshin Awaji Earthquake Reconstruction Fund
	Credit guarantee	● ex) Emergency loan guarantee after the Great East Japan Earthquake	● ex) Expansion in the loan guarantee after the disaster
	Mutual aid	●	●
	Others	ex) Moratorium of repayments, Capital subordinated loan	ex) Moratorium of repayments
	Preferential tax treatment	Extention on filling of return, payment, etc.	● ex) National tax, Local tax
Reduction and exemption		● ex) Income tax, Individual inhabitants tax, Sole proprietorship tax, Fixed assets tax, City planning tax, Automobile weight tax, Automobile acquisition tax, Automobile tax, Light vehicle tax, Income tax exemption applied to donation	● ex) Income tax, Individual inhabitants tax, Sole proprietorship tax, Fixed assets tax, City planning tax
Others		ex) Accelerated depreciation, Refund of corporation tax, Casualty loss deduction	ex) Accelerated depreciation, Refund of corporation tax, Casualty loss deduction
Support for the recovery of facilities	Construction of temporary shops / factories	● Free rent of temporary shops and factories constructed by SME support, Japan	● - Rent (not free) of temporary shops and factories constructed by Japan Small Business Corporation - Rent (not free) of common shops and factories constructed by the local government
	Grant for the recovery of groups of enterprises	● The grant for groups of SMEs towards the recovery ("the grant for groups", grant rate: up to 75%)	N/A
	Grant for the recovery of cooperative associations	● The grant for the recovery of the common facilities of cooperative associations (grant rate: up to 75%)	● The grant for the recovery of the common facilities of cooperative associations (grant rate: up to 75%)
	Grant for the recovery of Chamber of Commerce and Industry	● The grant for the recovery of the facilities of local Chamber of Commerce and Industry (grant rate: up to 50%)	N/A
	Others	ex) Business innovation loan for disaser reconstruction, Grant for the shopping street cooperative associations	ex) Business innovation loan for disaser reconstruction, Grant for the shopping street cooperative associations

Source: Uchida and Nakanishi, 2011

1.4 The Grant for Groups of Small and Medium Enterprises towards the Recovery (the Grant for Groups): Newly Installed Supporting Scheme for Disaster-Affected Small and Medium Enterprises

1.4.1 The outline of “the grant for groups”

In the very simple description, “the grant for groups” is the grant provided to groups of enterprises. There are not so many official documents explaining “the grant for groups” in detail except for the application guideline provided by the prefectures. In this section, the outline of “the grant for groups” will be explained by reviewing the documents officially provided by the national and Prefectural government as well as the materials provided by researchers. The explanation will be provided in terms of the objective, the targeted areas, the requirements, the project term, the grant rate and expense to be covered, the application document, the implementation and the size of the budget.

Objective

The Small and Medium Enterprise Agency explains that the outline of “the grant for

groups” is:

If groups of small and medium enterprises, which form the center of the local economy and can lead the recovery process, create the reconstruction plan and the plan is accepted by the prefectural government, the grant would be given to them to support the recovery of the facilities and the equipment (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan and Japan Small Business Research Institute, 2011).

Prefectures, which operate “the grant for groups”, including Aomori, Iwate, Miyagi, Fukushima and Ibaraki, explain the objective of “the grant for groups” in the guidelines for applicants. The explanation is similar or same to each other. For example, Iwate Prefecture, Miyagi Prefecture and Fukushima Prefecture explain that:

The objective is to achieve “the revitalization of the industrial”, “the reconstruction of the disaster affected area”, “the recovery of the community” and “the maintenance of the employment”, as well as to promote the rehabilitation and the reconstruction of the industry in the prefecture, by giving the grant

provided by the national and prefectural government to groups of enterprises whose plan was accepted by the prefectural government (Iwate Prefecture, 2013b; Miyagi Prefecture, 2013b; Fukushima Prefecture; 2013).

In the public relations magazine (Ministry of Economy, Trade and Industry, 2011), “the grant for groups” was explained:

As a whole region suffered the damage, it is impossible that enterprises achieve the reconstruction respectively by their effort. Therefore, the grant focus on the connections of enterprises. The grant aims at fastening the speed of the reconstruction by supporting groups of enterprises.

Targeted areas

“The grant for groups” was provided to groups of enterprises in Aomori, Iwate, Miyagi, Fukushima, Ibaraki and Chiba prefectures (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan, 2013). In the following sections, as an example, the case of Iwate Prefecture is reviewed. Basically, there is no big difference among the

prefectures as “the grant for groups” scheme was designed by the Small and Medium Enterprise Agency and the prefectures are responsible only for the operation.

Requirements

Groups of more than two small and medium enterprises are eligible to apply the grant. Groups can consist of large enterprises within the groups. Large enterprises could receive the grant until the fourth round of offering, but not after the fifth round. Groups can also consist of the non-small and medium enterprises such as cooperative associations. It is also allowed to contain enterprises which do not receive the grant but join the group reconstruction plan (Iwate Prefecture, 2013b). In the fiscal year 2011 and 2012, enterprises located at the area damaged by the Great East Japan Earthquake (either by tsunami or earthquake) are eligible to receive the grant, while it is limited to enterprise located at cities or towns damaged by the tsunami in the fiscal year 2013 (Iwate Prefecture, 2012c; Iwate Prefecture, 2013b).

Groups have to have the designated types of functions. For example, as for Iwate Prefecture and Fukushima Prefecture, those functions include the supply chain type, the economy and employment enhancement type, the basic industry type, and the shopping

street type (Iwate Prefecture, 2013b; Fukushima Prefecture; 2013). As for Miyagi Prefecture, they include the supply chain type, the economy and employment enhancement type, the basic industry type, the seafood (or food) processing type, and the shopping street type (Miyagi Prefecture, 2013b). Table 13 shows the description of each type and the important point to be explained provided by Iwate Prefecture (Iwate Prefecture, 2013b). The same or similar description is used in other prefectures.

Table 13: Application requirements of “the grant for groups”

Type of the group	Function of the group	Damage situation	Points to be carefully evaluated
Common for all the types			<ul style="list-style-type: none"> • Characteristics of the group (role or importance of the enterprise network) • Members of the group (role of member enterprises, participation of enterprises) • Damage situation, Contents of reconstruction plan (development potential of the plan towards the reconstruction, ripple effect to the whole region, implementation structure of the plan) • Restoration plan of facilities and equipment (demand and urgency of the restoration of the facilities and equipment) • Income and expenditure plan (consistency between business plan and income/expenditure plan)
Supply chain type	• Take an important role for the enterprises outside of the group or industries in different area.	<ul style="list-style-type: none"> • Part or all of the enterprises belonging to the group were affected by the Great East Japan Earthquake in the both senses written below. <ol style="list-style-type: none"> 1. Those affected enterprises suffered the huge damage with part or all of the business establishments, or could not continue the business due to the damage. 2. Those affected enterprises' sales of the last month were significantly decreased compared to the same month before the disaster, or those affected enterprises suffer the severe damage on the function they in the group. • Those damages caused the disruption of the required functions of the group. 	<ul style="list-style-type: none"> • Importance for the enterprises outside of the group or industries in different area.
Economy and employment enhancement type	• Have a big scale in business or employment, and contribute much to economy and employment in Iwate Prefecture.		<ul style="list-style-type: none"> • Contribution to the economy and employment in Iwate Prefecture
Basic industry type	• Take a role for the industry which is the key of the regional society and economy in Iwate Prefecture, and be essential to advance the reconstruction and maintain the employment in the region.		<ul style="list-style-type: none"> • Contribution to the reconstruction and maintenance of the employment in the region.
Shopping street type	<ul style="list-style-type: none"> • The shopping street improves the residents' convenience of life and shopping, and have the social function of encouraging local residents to interact with each other. • Population and commercial volume of the region indicate that the shopping street has high probability to act as the commercial center in the region. • Regional redevelopment plan indicates that the region has high probability to maintain the commercial accumulation. 	<ul style="list-style-type: none"> • Part or all of the facilities belonging to the members of the shopping street were suffered severe damage or became unusable, and therefore enterprises could not continue the business. 	<ul style="list-style-type: none"> • Commercial and social function which is essential to the maintenance of the community

Source: Iwate Prefecture. 2012c (Created by author)

Grant rate and expense to be covered

The grant rate is up to 75 % for the small and medium enterprises and up to 50 % for the large enterprises. There is no amount limit for the expense. Large enterprises could receive the grant until the fourth round of offering, but not after the fifth round (Iwate Prefecture, 2013b).

The facilities and the equipment which belong to the enterprises (group members), which were destroyed by the Great East Japan Earthquake, and which are essential to the implementation of the projects based on the submitted reconstruction plan. The grant covers facilities including warehouses, production facilities, processing facilities, sales facilities, testing facilities, collaborative workspace, material yard, and other facilities which are essential to the implementation of the submitted reconstruction plan within a scope of “the objective of the business”. It covers the equipment which is utilized for the projects based on the submitted reconstruction plan and which would be recorded on as assets of the group of enterprises or the individual enterprise. It also covers the expense of material cost, construction cost, procurement and relocation cost, demolition cost, cost for leveling of the ground, and excavation cost. Basically, it does not cover those facilities and equipment which are thought to be able to be utilized for outside of the objective of the business, such

as passenger cars, office machines, utensils, office fixtures, and so on (Iwate Prefecture, 2013b). It was newly announced that the support for the shopping street type groups would be expanded in the fiscal year 2013, i.e. after the eighth round invited in June, 2013. More specifically, the construction of new collaborative shops (shopping mall), the relocation of the commercial zone and the related construction (such as community space, parking lots, arcade, street lights, security camera, and pavement of private road), and the cost to hold events (Iwate Prefecture, 2013c).

If the enterprises were already adopted to the Half Aid Grant³ provided by Iwate Prefecture and also adopted to “the grant for groups”, the adoption to the Half Aid Grant is canceled and the enterprises can receive “the grant for groups” (Iwate Prefecture, 2013b).

³ Iwate Prefecture and the coastal municipalities installed and have expanded the grants which covers up to the half of the reconstruction and repair cost of the facilities and the equipment. At first, it only covered the repair cost and did not cover the construction cost of the fully destroyed facilities. The grant was called “the Grant for the Repair of the Disaster-affected Assets of Small and Medium Enterprises (*Chushou-kigyou Hisai-shisan Shuzen-jigyouchi Hojokin*)” and “the Grant to Support the Recovery of the Disaster-affected Factories (*Hisai-koujou Saiken-shien-jigyouchi Hojokin*)” (Matsunaga, 2012). However, later, it was decided to cover both types of the cost by revising or newly installing the grant. The grant is called as “the Grant for the Recovery of the Disaster-affected Assets of Small and Medium Enterprises (*Chushou-kigyou Hisai-shisan Fukkyu-jigyouchi Hojokin*)”. The grant has the amount limit as 20 million yen for the construction of the fully destroyed assets, 2 million yen for the repair of wholesales, retail, and service industry except for the accommodation industry and 20 million yen for the repair of other industries. It also requires to recover the same amount of the employment as before the disaster by the end of the fiscal year of three years after the restart of the business. Those grants are collectively called as Half Aid Grant in this thesis. The date of the enforcement of the grant varies among the municipalities. For instance, in Yamada town, enforced the first one in June 27, 2011(Yamada town, 2011), and latter one in April 27, 2012 (Yamada town, 2012).

Project term

Basically, the projects utilizing the grant have to be completed within the same fiscal year. But the projects can be carried forward to the next fiscal year as an exception.

Therefore, the applicants were required to complete the project until the end of the next fiscal year after they applied for the grant, i.e. applicants who applied the grant in the fiscal year of 2011 have to finish the construction of the facilities and the equipment by the end of the fiscal year 2012 and applicants who applied in the fiscal year of 2012 have to finish by the end of the fiscal year 2013 (Iwate Prefecture, 2013b). However, it was announced that the Small and Medium Enterprise Agency decided to allow applicants to carry forward to the next fiscal year since many enterprises could not complete the construction by the deadline (Yomiuri Shinbun, 2013).

It was also allowed to receive the grant for the construction which started after the disaster and completed before the application if the construction can be confirmed by pictures, documents, etc. and Iwate prefecture approves it (Iwate Prefecture, 2013b). However, it was announced that it would not be allowed to receive the grant for the completed construction anymore in the fiscal year 2013, i.e. after the eighth round invited in June, 2013 (Kahoku Shinpou, 2013; Iwate Prefecture, 2013c).

Application document

Applicants are required to submit the eight types of documents. First and second one are about the group. The applicants write the name, purpose and category of the group, the amount of the requested budget, the group reconstruction plan, and the simple description and the role of each member. Third one is the individual reconstruction plan. Each enterprise has to write the simple description of its business, the damage, the planned schedule of the reconstruction, and the value and place of the facilities and equipment to be recovered. Fourth one is the statement of accounts. Fifth and sixth one are different types of certificates including the tax payment certificate and the victim's certificate. Seventh one is the company profile. The last one is the estimate for the construction of the facilities and equipment to be recovered (Iwate Prefecture, 2013b).

Implementation

As Table 14 shows, there were seven rounds of offering for the application by the end of the fiscal year 2012. The third round of the offering granted the biggest amount of money because it includes the half of the amount of the grant for the first round. At first,

due to the lack of budget, only 25 % of requested amount were attached to the groups applied in the first round, but the rest (50 % of the total expense) was finally granted then (Matsunaga, 2012). The third round was right after the third supplementary budget was determined by the national government. Two hundred and four groups were granted 220.2 billion yen in the fiscal year 2011, while three hundred and sixteen groups were granted 169.43 billion yen in the fiscal year 2012.

Table 14: Results of the adoption of “the grant for groups”

	1st round	2nd round	3rd round	4th round	5th round	6th round	7th round	Total
Application period	2011.6.13 - 6.24	2011.9.5 - 9.22	2011.10.19 - 11.8	2012.1.10 - 1.31	2012.5.1 - 5.31	2012.11.9 - 2013.1.11	2013.2.1-2.15	
Result announcement	2011.8.5	2011.11.8	2011.12.17	2011.12.17, 2012.3.21	2012.7.31, 2012.8.31	2013.1.16, 2013. 3.18	2013.3.18	
Applied (Total)	275 groups 185.2 billion yen	298 groups 158.8 billion yen	313 groups 302.2 billion yen	93 groups 34.6 billion yen	350 groups 224.9 billion yen	N/A N/A	N/A N/A	
Selected (Total)	28 groups 17.9 billion yen	38 groups 23.4 billion yen	106 groups 165.1 billion yen	32 groups 13.8 billion yen	134 groups 70.4 billion yen	129 groups 87.69 billion yen	56 groups 11.34 billion yen	523 groups 389.6 billion yen
Selected groups in Aomori Pref.	6 groups 3.7 billion yen		4 groups 4.9 billion yen					10 groups 8.6 billion yen
Selected groups in Iwate Pref.	8 groups (22 groups) 7.7 billion yen	3 groups 4.9 billion yen	19 groups 31.1 billion yen		21 groups 14.0 billion yen	37 groups 16.7 billion yen	7 groups 0.9 billion yen	95 groups (109 groups) 75.3 billion yen
Selected groups in Miyagi Pref.	14 groups 6.5 billion yen	16 groups 5.8 billion yen	31 groups 104 billion yen	4 groups 3.2 billion yen	24 groups 27.5 billion yen	44 groups 57 billion yen	25 groups 5.7 billion yen	158 groups 209.7 billion yen
Selected groups in Fukushima Pref.		15 groups 10.3 billion yen	43 groups 18.0 billion yen	28 groups 10.6 billion yen	54 groups 19.9 billion yen	42 groups 12.4 billion yen	22 groups 4.7 billion yen	204 groups 75.9 billion yen
Selected groups in Ibaraki Pref.		4 groups 2.4 billion yen	8 groups 5.7 billion yen		33 groups 7.8 billion yen	5 groups 1.5 billion yen		50 groups 17.4 billion yen
Selected groups in Chiba Pref.			1 groups 1.4 billion yen		2 groups 1.2 billion yen	1 groups 0.09 billion yen	2 groups 0.04 billion yen	6 groups 2.73 billion yen

Source: Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan, 2011a, 2011b, 2011c, 2012a, 2012b, 2013a, and 2013b; Kamata et al., 2012 (Created by author)

Size of attached budget

The amount of budget attached to the main supporting scheme for the recovery of the small and medium enterprises is summarized in Table 15. The size of the budget attached to “the grant for groups” is third biggest among the supporting scheme. Since many more enterprises applied for “the grant for groups” compared to the provided budget (Kamata, et al., 2012) and the prefectures requested the national government to continue “the grant for groups” scheme (e.g. Iwate Prefecture, 2011), the national government decided to continue “the grant for groups” and attached the certain amount of the budget also for the fiscal year 2013.

Table 15: Amount of budget attached to the main supporting scheme for the recovery of the small and medium enterprises

	Type	Name	Attached budget
Management of funds	Loan	Special loan for the reconstruction from Great East Japan Earthquake (<i>Higashinohon-daishinsai Fukkou-tokubetsu-kashitsuke</i>)	2011 I : 178.6 billion yen 2011 III: 217.5 billion yen 2012: 49.0 billion yen
	Credit guarantee	Emergency loan guarantee after the Great East Japan Earthquake (<i>Higashinohon-daishinsai Fukkou-tokubetsu Hoshou</i>)	2011 I : 320.9 billion yen 2011 III: 270.3 billion yen 2012: 39.2 billion yen
Support for the recovery of facilities	Construction of temporary shops / factories	Free rent of temporary shops and factories constructed by SME support, Japan (<i>Kasetsu-koujou Kasetsu-tenpo-tou Seibi-jigyou by Chusho Kikou</i>)	2011 I : 1.0 billion yen 2011 II: 21.5 billion yen 2011 III: 4.87 billion yen 2012: 5.0 billion yen 2013: 3.0 billion yen
	Grant for the recovery of groups of enterprises	"The grant for groups" (grant rate: up to 75%) (<i>Chushou-kigyuu-tou Group Shisetsu-tou Fukkyuu-seibi Hojo Jigyuu, or Group Hojokin</i>)	2011 I : 15.4 billion yen 2011 II: 10.0 billion yen 2011 R: 124.9 billion yen 2012: 50.0 billion yen 2013: 25.0 billion yen
	Others	Business innovation loan for disaster reconstruction (<i>Hisai Chushou-kigyuu Shisetsu-setsubi Shien Jigyuu</i>)	2011 III: 40.0 billion yen 2012: 10.0 billion yen, etc.

Source: Ministry of Economy, Trade and Industry, Japan, 2013; Kamata, et al., 2012
(Created by author)

Note: 53.0 billion yen were attached as the budget for the fiscal year 2013 to the assistance for the management of funds of the disaster-affected small and medium enterprises, such as the special loan, the special loan guarantee, etc. (Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, Japan, 2013c)

1.4.2 Why there was no grant for the disaster affected small and medium enterprises at the past disasters

As reviewed in Section 1.3.3, the governmental supporting scheme for disaster affected small and medium enterprises only consisted of the interest-free or low interest loan at the past disasters (Inaba and Takada, 2012). It is based on the idea that the private sector should be responsible for the risks they face while doing business including the natural disaster which is not occurring due to the government's fault and is not under the government's responsibility. Therefore, basically, government does not compensate the damage the private sectors received as a result of the natural disaster (Inaba and Takada, 2012; Hayashi, 2011). It also came from the idea that the public money should not be directly given to the profit-making enterprises (Tsukui, 2011). Tomiichi Murayama, who was the Prime Minister of Japan when the Great Hanshin Awaji Earthquake occurred in 1995, mentioned that "when individuals are affected by natural disaster, the recovery should be basically done through self-reliant efforts of themselves" in response to the question in the diet (Hayashi, 2011).

On the other hand, the primary industries, i.e. agriculture, forestry and fishery could receive the government compensation or subsidy to recover the facilities and equipment

(Inaba and Takada, 2012; Tsukui, 2011). This is because the agriculture, forestry and fishery are considered to be more important and serving the common good because it provides the food and the nationals cannot survive without the food (Inaba and Takada, 2012).

Abe (1995) also argued that the government sometimes gives a strong support to the specific company (e.g. the special loan for Yamaichi Securities provided by the Bank of Japan in 1960s), but it is aiming at stabilizing financial order rather than helping a specific company, and, therefore, it cannot be applied to the small and medium enterprises affected by disasters.

1.4.3 Why and how “the grant for groups” was installed after the Great East Japan Earthquake

Inaba and Takada (2012) argued that “the grant for groups” was installed based on the idea that the governmental support including the grant can be given to the local small and medium enterprises in the case of widespread and large-scale disasters because the size of the impact, which local small and medium enterprises has on the local economy and the whole Japanese society, can be considered huge enough to be supported by the government in a comparison to the common good provided by supporting them and the case of

agriculture, forestry and fishery. It is also pointed out that there is the fact that agriculture, forestry and fishery are supported by the government even though the damage to the agriculture, forestry and fishery at very small-scale or localized disasters does not have the serious impact on the national scale (Inaba and Takada, 2012).

Kaneko (2012) pointed out that the various types of ad-hoc supporting schemes, including the special loan, “the grant for groups”, and the free rent of the temporary factories, were installed by the government in response to the limitation of the institutionalized scheme and the particular feature of the Great East Japan Earthquake, i.e. the basis of the society, living, and industry was destroyed by the tsunami.

Togashi (2013) conducted an interview survey with a chief officer at the Tohoku Bureau of Economy, Trade and Industry in December, 2012, and revealed why and how “the grant for groups” was installed in detail:

The scheme was developed by the division of the management assistance, the department of the management assistance, the Small and Medium Enterprise Agency. As the damage was huge, the government decided to install the new scheme. After the comparison between possible different types of supporting scheme such as raising a fund, giving 100 % support for the cost of recovery, etc.,

the government decided to install “the grant for groups”. The national government also considered the huge damage of the seafood processing enterprises while developing “the grant for groups”. Even though the primary industry could gain the support from the Ministry of Agriculture, Forestry and Fisheries including the grant with high rate, seafood processing companies, the very important part of the fishery related industry, could not gain any support. Therefore, the government thought the scheme to solve this problem. The framework of “the grant for groups” scheme was decided in April, 2011, and compared to the information about the situation of the damaged areas collected by the Tohoku Bureau of Economy, Trade and Industry (Togashi, 2013).

“the grant for groups” scheme was developed by easing the requirements of the grant installed at past disasters which is called the grant for the cooperative associations. The grant for cooperative associations was installed in disasters such as the Great Hanshin Awaji Earthquake and Chuetsu Earthquake. The grant covered up to 75 % of the cost to recover the facilities of the cooperative associations. The grant was only for the (officially registered) cooperative associations and it only covered the cost to reconstruct exactly the same facilities as the ones the cooperative associations had before the disaster. In addition, the

grant for the cooperative associations was under the direct control of the national government, while “the grant for groups” is an indirect aid by the national government with the bigger discretion of the Prefectural government (Togashi, 2013).

The target of the grant is not set as an individual enterprise but a group in order to make sure that the benefit of the grant is shared with the public, i.e. groups create the synergistic effect and a ripple effect to the local society. By forming a group, it is avoided to give the grant or the money directly to the individual enterprises, but, actually, the money goes to the individual enterprise (Togashi, 2013).

1.4.4 Targeted enterprises

Kaneko (2012) argued that the exact purpose of the ad-hoc schemes installed after the Great East Japan Earthquake including “the grant for groups” is not clear in relation to the governmental reconstruction plan as a whole and other governmental supporting scheme. Based on the interview survey to the officer of the Small and Medium Enterprise Agency conducted in August, 2011, Kaneko (2012) pointed out that 1) “the grant for groups” aimed

at or prioritizes supporting medium or large enterprises, and 2) since this aim was not well recognized in the disaster affected area, there was such a confusion that the groups of small enterprises applied for “the grant for groups” and got rejected. Based on the interview survey to the chief officer of the Tohoku Bureau of Economy, Trade and Industry conducted in December, 2012, Togashi (2013) also pointed out 1) “the grant for groups” was mainly targeted on the strong groups in the local area, but 2) since the number of the applications were much more than expected, the government decided to have another round of offering. In addition, Matsunaga (2012) pointed out that the groups selected in the first round of the offering (applied in June, 2011) were mainly seafood processing and ship building businesses, while the groups selected in the second and third round (applied in September, 2011 and October, 2011) included manufacturing, food processing and accommodation businesses, and the groups selected in the fifth round (applied in May, 2012) included wholesale, retail, construction, service and shopping street businesses. It can be recognized that the target of “the grant for groups” has been expanded.

1.4.5 Current study and investigation related to “the grant for groups”

The current studies are either focus on the origin of “the grant for groups” or how it is

utilized by the individual enterprises rather than focusing on groups.

Inaba and Takada (2012) reviewed the disaster related laws and empirically analyzed the problem of those laws. Inaba and Takada (2012) argued why “the grant for groups” was newly installed and claims the importance of the research on the operation of “the grant for groups”.

Hiro Yoshi (2012) discussed the importance of the seafood processing and transport industries and the obstacle to their recovery. Hiro Yoshi (2012) argued that “the grant for groups” functioned well on the recovery of those industries because the grant provided speedy support to those who felt difficulty on the reconstruction by themselves. Meanwhile, Hiro Yoshi (2012) pointed out several problems of the grant, such as 1) enterprises need to raise their own fund, 2) lease assets are not covered, 3) the grant only covers the existing facilities, and 4) the deadline for the completion of the grant project is too early.

National Institute for Research Advancement (2013) created the rehabilitation and recovery index after the Great East Japan Earthquake by analyzing the various statistical data. National Institute for Research Advancement (2013) argued that a relatively large number of enterprises could resume the business before one year has passed after the disaster because “the grant for groups” was installed in the early stage after the disaster.

Matsunaga (2012) conducted the case study on the recovery process of the enterprise

which receive “the grant for groups”, and gave a descriptive overview of “the grant for groups”. Matsunaga (2012) categorized the process of the enterprise recovery into the three types as explained below and argued that “the grant for groups” was helpful especially for the type 2 enterprises. Type 1 is enterprises whose offices or factories were damaged but was not fully destroyed or swept away. In this case, it was the key if those facilities could be repaired and utilized again. Then, if it was repairable and the owner wished to repair them and continue the business, it was likely to restart the business by the end of 2011. For the repair of the facilities, the Prefectural grant for the repair (subsidy rate up to 50%, the Half Aid Project explained in pp.30) took a huge role. Type 2 is enterprises whose facilities were fully destroyed or swept away and which wished the restart of the business by constructing new facilities. Many of them restarted the business at the different place from before the disaster. In this case, it seems that “the grant for groups” worked most effectively. Around one year after the disaster, some enterprises completed the construction of the new facilities built with “the grant for groups”. Type 3 is enterprises whose facilities were fully destroyed or swept away and which had no plan or prospect to construct the new facilities. In this case, many enterprises restarted the business by utilizing the temporary shops or factories provided by the SME Support, Japan (Matsunaga, 2012).

The Tohoku Bureau of Economy, Trade and Industry has conducted the questionnaire

survey to the enterprises which receive “the grant for groups”. The results were provided on their website in April, 2012, and January, 2013. The survey investigated the type of the business, the capital stock, the progress of the granted construction, the employment situation, the sales situation, and the challenges the enterprises faced (Tohoku Bureau of Economy, Trade and Industry, 2012b; Tohoku Bureau of Economy, Trade and Industry, 2013).

Togashi (2013) conducted the interview survey with the 15 enterprises which receive “the grant for groups” with a focus on the individual reconstruction and the group activities. Togashi (2013) also conducted the interview survey to the related organizations.

Kaneko (2012) reviewed the governmental supporting scheme for the small and medium enterprises installed after the Great East Japan Earthquake, conducted the interview survey with the government to identify the target of the scheme, conducted the interview survey with the disaster affected small and medium enterprises to reveal the gap between the idea of the policy makers and those enterprises, and discussed the potential improvement of the scheme. Kaneko (2012) pointed out that 1) “the grant for groups” aimed at or prioritizes supporting medium or large enterprises, and 2) since this aim was not well recognized in the disaster affected area, there was such a confusion that the groups of small enterprises applied for “the grant for groups” and got rejected. Then, Kaneko

(2012) argued that the supporting scheme for the small and medium enterprises are lacking and should be installed.

It can be recognized that “the grant for groups” attracts the research interests from the different aspects. But, until now, almost all of the research focuses on the individual enterprises rather than focusing on groups. It seems that forming or being a group might be recognized as the formal procedure to avoid the direct input of the money to the individual enterprises. The only one exception is the research conducted by Togashi (2013), which revealed what enterprises did as groups, but it did not analyze the function of the group.

Needless to say, as reviewed in above sections, being a group or forming a group is the core of “the grant for groups”. According to the interview with a chief officer of the Tohoku Bureau of Economy, Trade and Industry conducted by Togashi (2013), the officer said one of the purpose of “the grant for groups” is to create the synergistic effect and a ripple effect with the members of the group and to share it with the public or the local society. The president of the Small and Medium Enterprises strongly requires groups to implement not only the individual reconstruction plan, but also the group reconstruction plan (Togashi, 2013). Therefore, it is needed to understand if there is the function or potential value of “being or forming groups” from the social and economic aspects.

1.4.6 Research questions and objectives

This research raised research questions as below:

“What kind of the potential value or function “the grant for groups” can provide in terms of being or forming a group? Or is it just a formal procedure?”

To answer the research question raised above, this research set the objective as below:

“Find out the function of “the grant for groups” in terms of being or forming a group by investigating what enterprises do or did as a group while applying and implementing “the grant for groups”.”

More specific objectives of this research is to:

“Investigate the facts and the actions (not the perspective) which are taken as groups or which consist of interactions between group members at the different steps of “the grant for groups”, i.e. 1) how groups were formed, 2) what small and medium enterprises did while preparing for the application of “the grant for groups”, and 3) what small and medium enterprises did while implementing the group

reconstruction plan and the individual reconstruction plan⁴.”

⁴ The detail of the different steps of “the grant for groups” is explained in the results section (Section 3.2)

2 METHODOLOGY

2.1 Overview of Section 2

This study has set the study area in Iwate Prefecture, named as one of the most severely damaged three prefectures along with Miyagi Prefecture and Fukushima Prefecture. The interview survey to the small and medium enterprises and related organization were conducted in order to investigate the situation with regard to “the grant for groups”.

Section 2.2 is about the basic information of the study area, Iwate Prefecture. Section 2.3 is about the main part of the study, the interview surveys to small and medium enterprises which receive “the grant for groups”. Section 2.3 is about the complementary interview surveys to related organizations, including an officer who was in charge of “the grant for groups” in the Iwate Prefectural government and agency officers who supported disaster-affected enterprises which applied for “the grant for groups” in Iwate prefecture.

2.2 Study Area

This research has set Iwate Prefecture as a study area. Iwate Prefecture is located in the

northeastern part of Japan. Figure 1 shows the location of Iwate Prefecture. The coastal region was heavily damaged by the tsunami and the inland region was affected by the earthquake at the time of the Great East Japan Earthquake. Figure 2 shows all the cities in Iwate Prefecture and the towns located along the coast. The damage and the reconstruction situation are as summarized in Section 1.1 and Section 1.2.

As shown in Table 14 in Section 1.4.1 Implementation, Iwate Prefecture offered six rounds of offering, while the Japanese government offered seven rounds of offering. Therefore, the 4th, 5th, 6th round in Iwate Prefecture equals to the 5th, 6th, 7th round of the Japanese government's offering, while the 1st, 2nd, 3rd round in Iwate Prefecture equals to the 1st, 2nd, 3rd round of the Japanese government's offering. In order to avoid the confusion, in Section 2, Section 3, and the latter sections, the rounds of the Iwate Prefecture are used since Iwate Prefecture was set as the case study area.

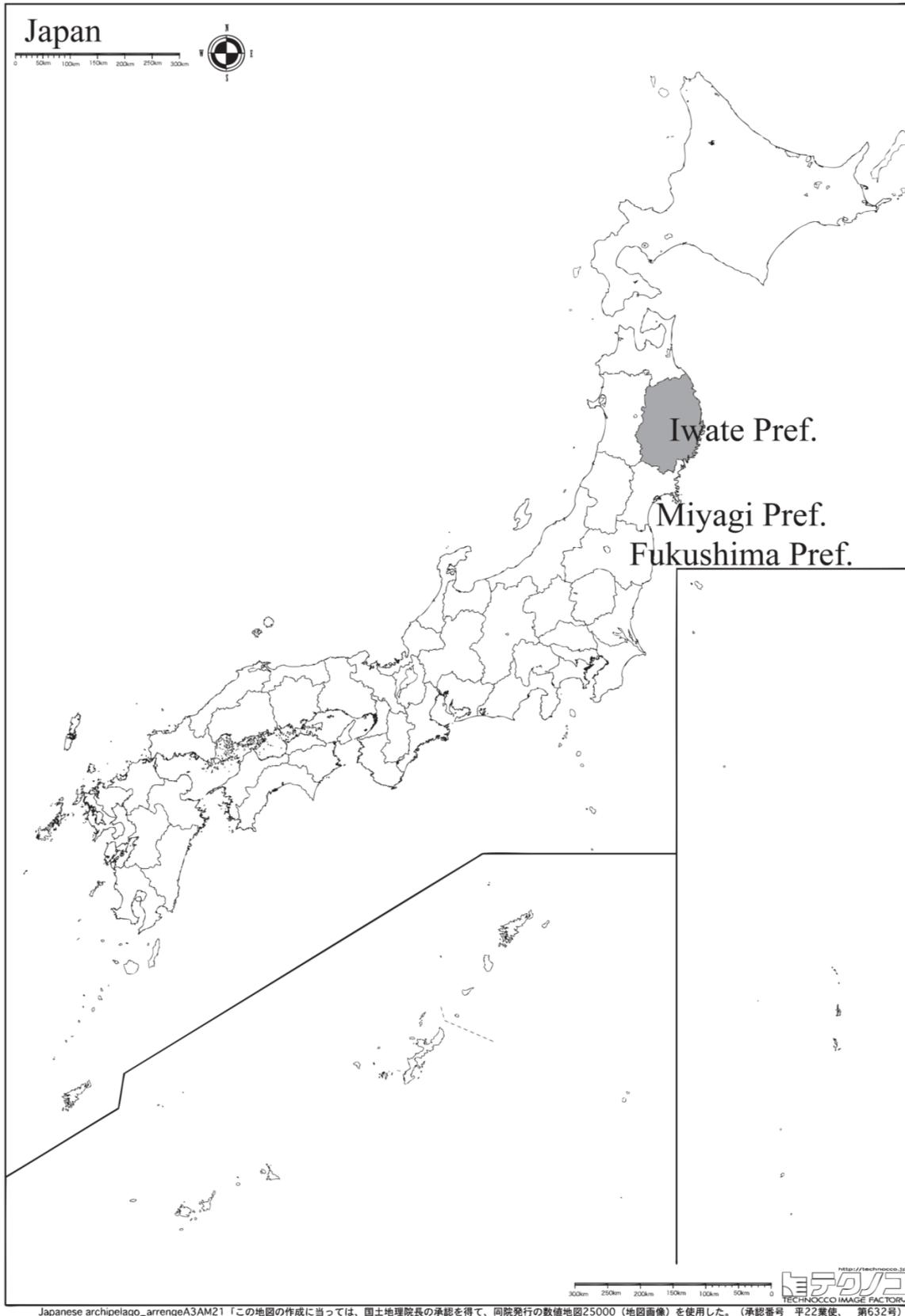


Figure 1: Location of study area, Iwate Prefecture



Figure 2: All the cities in Iwate Prefecture and the towns located along the coast

As of January 16, 2013, 77 groups were selected as “the grant for groups” receivers in Iwate Prefecture through the 6 rounds of offerings. Meanwhile, 1,192 enterprises belong to those groups and 884 of them actually received or would receive “the grant for groups”. The average of the number of enterprises belonging to one group is 15.48 and the average of the number of enterprises which actually receive the grant per one group is 11.48 (Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h). The distribution of the leader of those groups and the enterprises which receive “the grant for groups” are summarized in Table 16. The size of those 77 groups of enterprises is summarized in Table 17.

Table 16: Distribution of the leader of those groups and the enterprises which receive “the grant for groups”

City or town	The number of the leaders of those 77 groups	The number of the enterprises which belong to each of those 77 groups and receive "the grant for groups"
Hirono town	0	6
Kuji city	3	22
Noda town	0	2
Fudai town	0	1
Tanohata town	0	2
Iwaizumi town	1	6
Miyako town	13	199
Yamada town	7	64
Otsuchi town	7	62
Kamaishi town	18	202
Ofunato city	17	212
Rikuzentakada city	4	56
Morioka city	2	2
Hanamaki city	0	2
Ichinoseki city	3	25
Other cities or towns	2	21

Source: Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h

Table 17: Size of those 77 groups of enterprises

The number of enterprises (members) which receive the grant	The number of group members						
	Less than 10	10 to 19	20 to 29	30 to 39	40 to 49	50 to 59	More than 60
Less than 10	37						
10 to 19	7	15					
20 to 29	3	5	1				
30 to 39	1	1	1	1			
40 to 49	1				1		
50 to 59			1				
More than 60						1	1

Source: Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h

2.3 Interview Survey to the Small and Medium Enterprises Which Receive “the grant for groups”

2.3.1 Interview design

This research conducted interview survey to small and medium enterprises which receive “the grant for groups”. The objective of the interview survey is 1) to understand the process which enterprises go through either as groups or as individual enterprises while applying and implementing “the grant for groups”, and 2) to understand the function of being or forming a group while applying and implementing “the grant for groups” by

identifying what enterprises did as a group through the process. It should be noted that although interview survey was conducted with enterprises, the interview survey was mainly focused on groups. Semi-structured questions were asked to collect the data of groups such as 1) how enterprises were gathered as “groups” and 2) what groups of enterprises did as “groups” at different stages from application to “the grant for groups” through implementation of the reconstruction plan. Complementary unstructured questions were also asked to collect the data of individual enterprises such as 3) how and for what each enterprise utilizes “the grant for groups” and 4) how each enterprise progresses the recovery from Great East Japan Earthquake.

2.3.2 Interviewee selection

This research has chosen 17 target “groups” of enterprises as cases out of 77 groups which passed the selection and receive “the grant for groups” in Iwate Prefecture (as of January 16, 2013). Interview survey was actually conducted with 22 enterprises (owners or officers in charge of “the grant for groups”) belonging to those 17 groups. Interviewees were selected from the list of selected groups and grant receiving enterprises provided by Iwate prefectural government (Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate

Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h). Although there are limited access to those groups and companies, in order to reduce the bias of the sampling, the author covers groups formed by different industries, located in different areas in Iwate Prefecture, and selected at the different timings (different rounds of offering). The author contacted 13 enterprises of 23 interviewed enterprises by searching the phone number on the internet and directly calling them, while 5 enterprises of them were introduced by Iwate prefectural government and 4 enterprises of them were introduced by a bank officer with whom the author conducted interview. Each interview session lasted approximately 30 minutes to 2 hours depending on the availability of interviewees. The number of the interview sessions for each enterprise also varies among enterprises dependent on their availability. Table 18 summarizes the condition of interview survey to groups of small and medium enterprises which receive “the grant for groups”.

Table 18: Condition of interview survey

The Number of Selected Groups in Iwate Pref.	77 groups (as of Jan. 16, 2013)
The Number of Enterprises Selected as members of Groups in Iwate Pref.	884 enterprises (including large enterprises and SMEs, as of Jan. 16, 2013)
The Number of Interviewed groups	17 groups
The Number of interviewed SMEs	22 SMEs
Types of questions	<ul style="list-style-type: none"> ▪ Semi-structured questions on group activities ▪ Unstructured questions on individual reconstruction process
Data collection method	<ul style="list-style-type: none"> ▪ Interview by visiting factory/shop ▪ Follow-up interview by phone call

The characteristics of the investigated groups will be summarized in following Tables and Figures. The characteristics shown in this section are based on the information gained before the interview survey. Table 19 shows the basic information of the 17 interviewed groups. Table 20 shows the size of the groups.

Table 19: Characteristics of the 17 interviewed groups of enterprises

Group Name	Type of Groups	Application (Rounds in Iwate Pref.)	The Number of Interviewed Members (Enterprises)
Group A	Retail, service, shopping mall, etc.	1	1
Group B	Ship building, etc.	1	1
Group C	Seafood processing, etc.	1	2
Group D	Seafood processing, restaurant, etc.	1	2
Group E	Business hotel, etc.	3	1
Group F	Food processing, supermarket etc.	3	1
Group G	Automobile servicing, recycling, etc.	3	1
Group H	Food processing, etc.	3	2
Group I	Hotel, etc.	3	1
Group J	Seafood processing, transport, etc.	3	1
Group K	Seafood processing, etc.	3	1
Group L	Shopping street, etc.	4	1
Group M	Shopping street, etc.	4	2
Group N	Shopping street, etc.	4	1
Group O	Infrastructure, service, etc.	5	1
Group P	Automobile servicing, etc.	5	1
Group Q	Retail, gas station, service, etc.	5	2

Source: Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h

Table 20: Size of the 17 interviewed groups of enterprises

The number of enterprises (members) which receive the grant The number of group members	Less than 10	10 to 19	20 to 29	30 to 39	40 to 49	50 to 59	60 to 69
Less than 10	5						
10 to 19	2	3					
20 to 29		3					
30 to 39	1			1			
40 to 49					1		
50 to 59							
60 to 69						1	

Source: Iwate Prefecture, 2013d; Iwate Prefecture, 2013e; Iwate Prefecture, 2013f; Iwate Prefecture, 2013g; Iwate Prefecture, 2013h

The characteristics of interviewed enterprises are summarized in following Figures and Tables. The characteristics shown in this section are based on the information gained before the interview survey. Figure 3 shows the geographical distribution of interviewed enterprises. Table 21 shows the characteristics of interviewed enterprises. The interview was conducted mainly at the end of the November, 2012. In addition, for some enterprises, some complementary interview were conducted before or after that period. As for some specific enterprises, the author conducted interview several times, since the author joins the disaster relief project called Oishii Sanriku Ouendan⁵ (Saving the Taste of Tohoku Project)

⁵ Oisii Sanriku Ouendan (Saving the Taste of Tohoku Project) is a disaster relief project started and initiated by students of the University of Tokyo including the author with a tremendous support of professors and faculties of Graduate Program in Sustainability Science, the University of Tokyo and the Coastal Bureau of Iwate Prefectural Government, as well as the financial support provided by the Mitsui & Co., Ltd. The project has been continuously reporting the reconstruction process of small and medium enterprises in Iwate Pref.

and has been conducting interviews.

from the Great East Japan Earthquake since October, 2011. (<http://oishiisanriku.com/>)

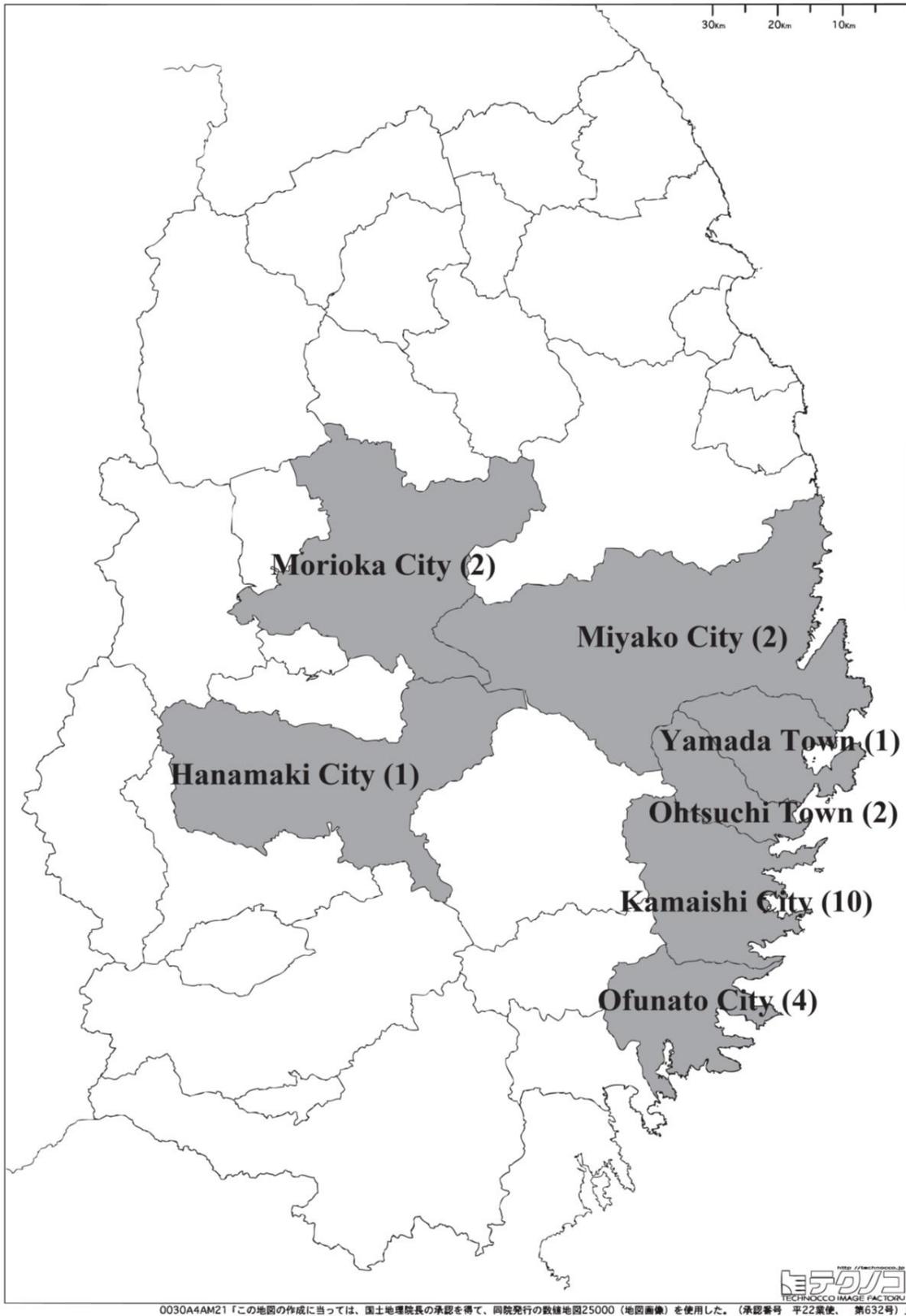


Figure 3: Geographical distribution of the 22 interviewed enterprises (numbers in parentheses are the number of enterprises interviewed in each town/city)

Table 21: Characteristics of the 22 interviewed enterprises

Enterprise Name	Business Type	How the Author Contacted the Interviewee
Enterprise A-1	Shopping mall management	Directly make an appointment
Enterprise B-1	Ship building	Directly make an appointment
Enterprise C-1	Fish processing	Directly make an appointment
Enterprise C-2	Fish processing	Introduced by Pref. Government
Enterprise D-1	Oyster processing	Introduced by Pref. Government
Enterprise D-2	Seaweed processing, Restaurant	Introduced by Pref. Government
Enterprise E-1	Hotel	Directly make an appointment
Enterprise F-1	Supermarket	Directly make an appointment
Enterprise G-1	Automobile recycling	Directly make an appointment
Enterprise H-1	Sake makers association	Directly make an appointment
Enterprise H-2	Sake brewery	Introduced by Pref. Government
Enterprise I-1	Hotel	Directly make an appointment
Enterprise J-1	Seafood processing, retail	Introduced by Pref. Government
Enterprise K-1	Seafood processing	Introduced by Pref. Government
Enterprise L-1	Welfare-related business	Directly make an appointment
Enterprise M-1	Taxi company	Directly make an appointment
Enterprise M-2	Bread shop	Directly make an appointment
Enterprise N-1	Shopping street association	Directly make an appointment
Enterprise O-1	Gas company	Directly make an appointment
Enterprise P-1	Car sales, automobile servicing	Directly make an appointment
Enterprise Q-1	Driving school	Introduced by bank officer
Enterprise Q-2	Gas station	Introduced by bank officer

2.4 Complementary Interview Survey to Related Organizations

2.4.1 Iwate Prefectural Government

An open-ended interview was conducted with an officer of Iwate prefectural government on November 26, 2012. The interviewed officer belonged to *Shoukouroudoukankou-bu* (Commerce, industry, labor, and tourism division) *Keieisien-ka* (Business supporting section), which is in charge of “the grant for groups” at the prefectural level. The purpose of the interview was to understand the role of Iwate prefectural government with regard to the operation of “the grant for groups” scheme, and to ask the prefectural government officer’s perception on the problem and potential improvement of “the grant for groups”. The interview session was conducted in approximately two hours.

2.4.2 Organization for Small & Medium Enterprises and Regional Innovation,

JAPAN (SME Support, JAPAN), Iwate branch office

An open-ended interview was conducted with an officer of Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN) on

November 22, 2012. Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (SME Support, JAPAN) is an incorporated administrative agency aiming at providing support to small and medium enterprises in Japan. As a reaction to the Great East Japan Earthquake, SME support, JAPAN provides various supports for SMEs under reconstruction process, e.g. providing professional free consulting service, establishing reconstruction fund, and building temporary shop and factory (Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, n.d.). The purpose of the interview was to get an insight of “the grant for groups” by asking the officer’s perception on the problem and potential improvement of “the grant for groups”. The interview session was conducted in approximately one hour.

2.4.3 Iwate Prefectural Federation of Small Business Associations

An open-ended interview was conducted with an officer of Iwate Prefectural Federation of Small Business Associations on October 31, 2012. Iwate Prefectural Federation of Small Business Associations is aiming at supporting SMEs through giving advice on institutionalization and organization reinforcement. As a reaction to the Great East Japan Earthquake, Iwate Prefectural Federation of Small Business Associations

provided various supports for SMEs under reconstruction process, e.g. opening free consultation desk, providing briefing sessions on supporting scheme for disaster-affected SMEs at different places in the coastal area, sending a request and proposal to the national government, prefectural government, political parties, etc. The purpose of the interview was to get insight of “the grant for groups” by asking the officer’s perception on the problem and potential improvement of “the grant for groups”. The interview session was conducted in approximately one hour.

2.4.4 A branch of a private bank in Kamaishi city

An open-ended interview was conducted with an officer of a branch of a private bank in Kamaishi city. The purpose of the interview was to get insight from of “the grant for groups” from the bank officer’s perspective and ask the officer to introduce enterprises which applied or tried to apply “the grant for groups”. The interview session was conducted in approximately one hour.

3 RESULTS

3.1 Overview of Section 3

The interview survey attempted 1) to understand the process which enterprises go through either as groups or as individual enterprises while applying and implementing “the grant for groups”, and 2) to understand the function of being or forming a group while applying and implementing “the grant for groups” by identifying what enterprises did as a group through the process.

Section 3 can be divided into three sections. In Section 3.2, the author presents 1) the process which enterprises go through either as individual enterprises or as groups, and 2) what enterprises did as groups at each step of the process basic feature of the surveyed groups. The latter one is presented separately for each group first and also summarized by comparing different groups at the end. In Section 3.3, the author presents the results with a focus on individual enterprises are presented. In Section 3.4, the author presents the summary of the interview survey conducted with other related organizations.

3.2 Application and Implementation process of the Grant for Groups of Small and Medium Enterprises toward the Recovery

3.2.1 Steps of the application and implementation process

The process, which enterprises go through either as groups or as individual enterprises while applying and implementing “the grant for groups”, is summarized in Figure 4. In this section 3.2, each process is briefly explained.

First step for enterprises is to gain the information about “the grant for groups”. The way enterprises gain the information is varied among enterprises (see Section 3.3.2).

Second step is to form a group in order to apply “the grant for groups”. There are different patterns on how groups were formed (see Section 3.2.3.1). Groups can be either the one which is newly formed after the Great East Japan Earthquake or the one which had existed before the disaster.

Third step is to make a reconstruction plan and prepare the required documents in order to apply for “the grant for groups”. Groups are required to submit eight types of the documents when they apply for “the grant for groups”. Among those eight documents, two of them are about the group, i.e. the name, the purpose, the categories and the

reconstruction plan of the group. The rest of the documents are about the individual enterprises, i.e. the basic information, the individual reconstruction plan, the list and the value of facilities and equipment recovered with the grant, the quotation for the reconstruction fee and other required certificates (see Section 1.4.1 for the detail of the requirement for the application of “the grant for groups”). While making a plan, there were interactions within the group or with organizations outside of the group (see Section 3.2.3.2).

Fourth step is to apply “the grant for groups” by submitting the documents including individual and reconstruction plan and other required documents.

Fifth step is the selection by Iwate prefectural government. If the group passes the document screening, then the group goes to the presentation and interview session. In the presentation and interview session, the groups make a presentation about their plan in front of the internal and external board of Iwate Prefectural Government (*Fukkou-Jigyuu-Keikaku Shinsakai*, Board of reviewing the planned reconstruction project).

Sixth step is to implement the submitted reconstruction plan.

The last step is the completion inspection by the Iwate prefectural government, which checks if enterprises implement the project according to the submitted reconstruction plan.

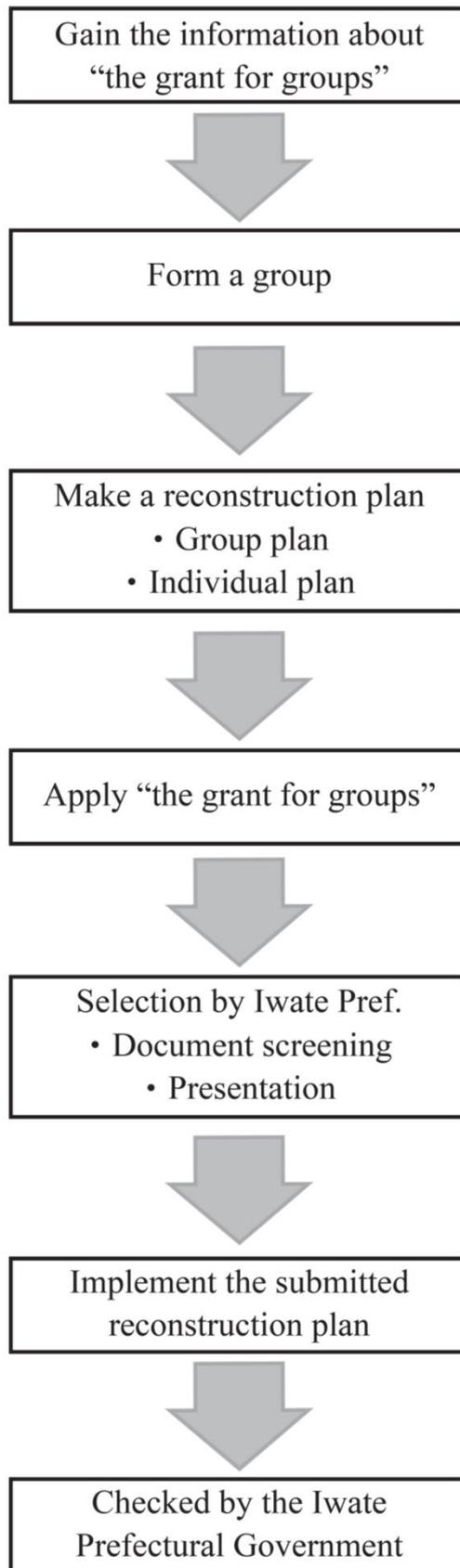


Figure 4: Summary of the process of “the grant for groups”

3.2.2 Situation of interviewed groups

3.2.2.1 Group A: “shopping mall group”

Interviewee profile

Group A is “shopping mall group”. Interview was conducted with the leader of Group A, an officer of a developer company (Enterprise A-1) which has been doing the management of the shopping mall. The shopping mall was fully damaged by the tsunami.

Formation of the group

As mentioned above, the leader of Group A is an officer of a developer company which has been doing the management of the shopping mall devastated by the disaster. The members of Group A are tenants of the shopping mall.

In the middle of May, 2011, the leader found the information about “the grant for groups”. Almost at the same time, the town officer told him about “the grant for groups” and suggested him apply for that. As the grant rate is high (up to 75%), the leader thought

they could recover the shopping mall with utilizing “the grant for groups” and decided to apply for “the grant for groups”. The leader started calling for the tenants of the shopping mall by holding the briefing session with a support from a commerce and industry association. Finally, 29 enterprises became members of the group including the leader. Half of the members had shops in the shopping mall from before the Great East Japan Earthquake (original members), while another half of them had shops at the shopping street in the town which are devastated by the disaster and restarted shops in the shopping mall.

Preparation of the required documents (group reconstruction plan and other required documents) and application

Because it was difficult for small business owners to understand the system of “the grant for groups”, the leader explained to the members in person so that they could understand that correctly. Also, the leader suggested members that the developer company would create all the required documents and do all the required procedure until with regard to the application of “the grant for groups”. The leader thinks that it was good for both the developer company and the members as the group could create the documents quickly and the members could save time to prepare the documents and focus on individuals’

reconstruction. The leader communicated with the Iwate prefectural government officer often while creating the documents. He repeatedly submitted the draft of the document and asked the officer for check. The group applied for the first round of the offering in June, 2011, and successfully selected as the grant receiver.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The first is recovering the shopping mall and improving the convenience of shopping. The second is setting the rent for the group members (tenants) lower than usual. The third is improving the community function and the disaster prevention function of the shopping mall. They planned to create a community space and free meeting room, hold community events regularly, and build a depot to stock the food, blanket, etc. as disaster prevention.

Implementation of the submitted plan and check by the Iwate prefectural government

Even though “the grant for groups” covers the part of the expense and they are grateful for that, they had to prepare two third of the expense by their own fund. The developer company and other members could fully restart the shopping mall at the end of December,

2011 at the same place. They held a big ceremony for a few days. The developer company managed the grant money. Rather than giving money directly to the members, they utilized it for rent reduction and the reconstruction of the shopping mall. They built a community space, a free meeting room, and a depot. Also, they held different types of events every week.

The group submitted the completion report at the beginning of January, 2012. The Iwate prefectural government conducted the inspection for completion of construction in April, 2012. The officer carefully checked what the grant was used for. If the equipment has the serial number, they also checked the number.

Challenges they face as the group or as the individual enterprise with regard to “the grant for groups” and the reconstruction process

The interviewee raised three challenges. The first one is the population decline. The shopping mall has to provide the service which matches the needs of the residents in order to keep the sales. The second one is to keep the business good and pay debts steadily. The third one is the delay of the reconstruction of the town.

3.2.2.2 Group B: “ship building group”

Interviewee profile

Group B is “ship building group”. Interview was conducted with the leader of Group B, an owner of a ship building company (Enterprise B-1) which was fully damaged by the tsunami.

Formation of the group

As mentioned above, the leader of Group B is an owner of a ship building company. The members of Group B are enterprises in the same businesses and the leader’s acquaintances.

The leader heard of “the grant for groups” at the middle of May, 2011. Later, the leader decided to apply for “the grant for groups” and started inviting other members. Finally eight enterprises became members of the group including the leader.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The leader had experience of receiving the grant in the past. Therefore he knew the flow of the grant, such as planning, creating the documents, implementing the project, receiving money, and being checked by the government. Therefore he could easily imagine what to do to utilize “the grant for groups”. As the leader thought that they could make group reconstruction plan clearer if one person created everything, he suggested members that the leader would be in charge of creating the group reconstruction plan. He asked to the members what are the needed equipment and facilities for each one’s reconstruction. Based on that, he created the group reconstruction plan. As Iwate prefectural government and national government consider the recovery of the fishery-related business as a symbol of the recovery from the Great East Japan Earthquake, he emphasized, in the group reconstruction plan, that recovery of the ship building industry is a key for that. Therefore, the group reconstruction plan became pretty simple.

Implementation of the submitted plan and check by the Iwate prefectural

government

After the group was selected as the grant receiver, the ship building company started considering where to restart the business and how to raise funds to restart the business. While making a financial plan, he was told that the amount of the grant to be paid was reduced to one third. Although it was decided that the grant would be fully paid later on, this change made him confused and once forced him to make the plan smaller. Around the autumn of 2011, he could find the place to restart his business at the different location with the original place. The construction started around December, 2011. The construction did not go as smoothly as planned. Due to the lack of human resource and high material price, the actual expense became higher than the estimate. As the amount of the grant is set up to three fourth of the submitted estimate, he had to prepare much more money with his own fund. The construction completed in May, 2012 and he submitted the completion report soon. But the completion inspection was conducted by the Iwate prefectural government in September, 2012 and the grant money was paid in November, 2012. As it was very late, he asked the Iwate prefectural government, but the answer was that the prefectural government lack human resources. Since he has to borrow money and pay the interest until the grant

money is paid, it was tough for him.

The personal opinion of the owner of Enterprise B-1

He suggested installing the 10 years tax exemption such as corporate tax exemption and fixed asset tax exemption whose amount is equals to the amount of the grant. If the enterprises chose tax exemption instead of the grant, they could not get the grant and need to borrow a lot of money. Therefore, he thinks the enterprises would seriously make effort on maintaining and improving the business. And at the same time, they could save certain amount of money thanks to the exemption.

3.2.2.3 Group C: “seafood processing group”

Interviewee profile

Group C is “seafood processing group”. Interview was conducted with the leader of Group C, a manager of a seafood processing company (Enterprise C-1) which had two factories. The one those two factories was fully damaged and the other was partially

damaged by the tsunami. Another interviewee is the owner of a seafood processing company (Enterprise C-2) which is a member of the group.

Formation of the group

As mentioned above, the leader of Group C is an officer of a seafood processing company. After the leader made up his mind to restart his business at the end of April, 2011, he looked for the information on the supporting scheme every day and he also talked to the prefectural officers. Later, Iwate Prefectural government announced that “the grant for groups” was installed. At the same time, the prefectural government asked some local enterprises owners including him to come to the prefectural government office and told them to form a group and told them to take initiative for the reconstruction of the area and to utilize “the grant for groups”. Considering the high grant rate of “the grant for groups” (up to 75%) and possibility to borrow money without interest with utilizing the business sophistication scheme, he decided to apply it and started preparation for the application with six enterprises including a seafood processing company, a seafood wholesale company, a transport company, etc. Those six enterprises had connection with the leader from before the disaster. He was not sure how big the size (the number of the members) of the group

should be and asked about it to the Iwate prefectural government. But since the Iwate prefectural government answers they are also not sure, the leader decided to start with those six enterprises. Later, some more enterprises joined the group and, finally, 17 enterprises became members of the group including the leader. Six of them receive “the grant for groups” and the others only join the group reconstruction plan and don’t receive “the grant for groups”. Those who don’t receive “the grant for groups” includes six enterprises in Iwate Prefecture such as a fishery association, a fish market, and a food sales company, as well as five enterprises outside of Iwate Prefecture such as a food trading company and a supermarket. Some of the added members had the business relationship with those six enterprises before the disaster and others are the enterprises which gained the connection with them after the disaster.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The leader was in charge of almost everything on creating the documents about the group reconstruction plan and the individual reconstruction plan. He asked to the members what are the needed equipment and facilities for each one’s reconstruction. Also, he asked

the members to show him the estimate, the certificate, etc. He created almost everyone's documents about the individual reconstruction plan based on that information. He had experience of receiving the grant in the past and was used to this kind of paper work. Since some of the group members cannot create documents by themselves and the group had only ten days until the deadline, he decided to do everything he could do "for them and for himself". The group applied for the first round of the offering in June, 2011, and successfully selected as the grant receiver.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. First, the group members are divided into producing part (e.g. fishery co-op and fish market), processing part (e.g. seafood processing company), supporting part (e.g. transport company and packing company), and selling part (e.g. wholesale and retail). Those different divisions create a supply chain. Second, they planned to share equipment and facilities in order to reduce the construction cost, share raw materials, and develop a new product together. They also planned to share channels for sale in order to explore new business opportunities and build a powerful local brand.

Implementation of the submitted plan and check by the Iwate prefectural

government

The seafood processing company (Enterprise C-1) decided to repair one of the two factories and started construction in May, 2011, because he wanted to catch up the season of saury beginning in September. It was before the group was selected as “the grant for groups” receiver. At that time, he had no prospect for the fund. After the group was selected as “the grant for groups” receiver, it was announced that the amount of the grant to be paid was reduced to one third. Therefore, he needed to rearrange the individual reconstruction plan and gave up some equipment. In September, 2011, the repair of the building and the install of a minimum of the processing machine for saury finished. In November, 2011, it was announced that the grant would be fully paid. Therefore, he wanted to install all the equipment planned to install again, but as he already installed some equipment by lease at that time, he needed to prepare his own fund to pay cancellation fee of the lease if he wanted to utilize the grant for the equipment. Enterprise C-1 also utilized the project for supporting the seafood processing enterprises funded by Yamato Welfare Foundation. He utilized the payment by rough estimate for ninety percent of the expense. All the construction completed in May, 2012. Enterprise C-1 submitted the completion report to the

Iwate prefectural government in July, 2012. But the completion inspection has not been conducted yet (as of November, 2012). As Enterprise C-1 has book closing in December, he said it was very tough for the company.

The seafood processing company C-2 utilized the temporary factory provided by SME support, Japan. The construction of the temporary factory started reconstruction of the factory in September, 2011 and started operating in January, 2012. “The grant for groups” was utilized to install the equipment. Enterprise C-2 also utilized the project for supporting the seafood processing enterprises funded by Yamato Welfare Foundation.

Group C is implementing the group reconstruction plan almost the same as planned. They developed new products together and established new distribution network as a result of the group project. Even though the members were already in the business relationship from before the disaster and sometimes co-developing products, the role of each company became much clearer after the disaster and after forming a group.

The personal opinion of the officer of Enterprise C-1

It was very important for the company to catch up the season of saury and continue the business and business relationships. Therefore, it was very helpful for the company to

utilize “the grant for groups” in the summer of 2011. He suggested relaxing the limits of changing the plan. As the situation changes while planning, implementing and completing reconstruction project, the grant cannot be utilized well if the change of the plan is not allowed at all.

3.2.2.4 Group D: “seafood processing group”

Interviewee profile

Group D is also “seafood processing group”. Interviews were conducted with two different members of the Group D (Enterprise D-1 and Enterprise D-2). Enterprise D-1 is a seafood processing company and its factory was fully damaged by the tsunami. Enterprise D-2 is a restaurant and sea weeds processing company and its building (restaurant and seaweed processing) was fully devastated by the tsunami.

Formation of the group

The leader of the Group D is a seafood processing company. The group is mainly

formed by the members of the voluntary association which existed before the disaster. The association aimed at researching on the development and sales of the seafood products and had local fishery related businesses as members. The leader initiated the group, the members of the association talked to each other, and decided to form a group within those who could restart early. Finally, twelve enterprises became members including the leader. The members were fixed in the middle of May, 2011.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The members started preparing for the application in the middle of May, 2011. As each member worked on his/her company's individual recovery, they gather at night and had study session. The group asked the Iwate prefectural government officer to come and explain "the grant for groups". The group also asked a consultant to support. The members supported with each other while creating the documents. The group applied for the first round of the offering in June, 2011, and successfully selected as grant receivers.

Enterprise C-1 could not prepare the estimate for the reconstruction of the facility as the factory was fully devastated. Therefore, he could only include equipment and could not

include the facility in the list in the application form of “the grant for groups”.

At the beginning, the group planned to propose the new joint project as a part of the group reconstruction plan. The plan was that seafood processing companies develop new products together with fishery by utilizing the unused seafood. But as the members thought it was more important to submit the solid reconstruction plan of each enterprise, rather than proposing a new joint project.

Implementation of the submitted plan and check by the Iwate prefectural government

Enterprise D-1 decided to restart his business in the different town in order to restart earlier. It seemed impossible to build the factory at the original town at least within the year 2011. In the end, he decided to utilize the rental factory which could be used with free of charge for two years as the reconstruction support. Also, he started to sell the advance reservation ticket for the product on the website, so that he could gather operating funds. After the group was selected as “the grant for groups” receiver, it was announced that the amount of the grant to be paid was reduced to one third. Therefore, he needed to rearrange the individual reconstruction plan and gave up some equipment. Since Enterprise D-1 could

utilize the project for supporting the seafood processing enterprises funded by Yamato Welfare Foundation as well, he decided to install some equipment which he gave up because of the reduction of the amount of the grant. But later, it was announced that the grant would be fully paid. Since he already installed the equipment listed in “the grant for groups” application, he could not fully utilize “the grant for groups”. He didn’t utilize the payment by rough estimate because he could borrow operating funds from the bank and the paper work to apply for the rough estimate was too complicated. In the summer in 2013, he is planning to move back to the original town. He already constructed the temporary factory with utilizing support from SME support, Japan. The difficulty he faces is the cost for moving which is not covered by the grant.

He finished all the construction by March, 2012, because basically the deadline of the grant is March, 2012, and it is troublesome to create application documents for carryover. He submitted completion report as soon as he completed the construction, but the completion inspection has not been conducted by the government at the end of April, 2012. As he has little amount of his own fund, he asked the Iwate prefectural government to do it early. Finally, the completion inspection was conducted at the beginning of May, 2012, and the money was paid two weeks after that.

In April, 2012, five enterprises including some members of the group established a new

company for joint sales.

The personal opinion of the owner of Enterprise D-1

Small equipment is exempt from “the grant for groups”, but he needed to buy a lot of such kind of small equipment to restart the business. Therefore, he faced difficulty to prepare large amount of money to buy those equipment. It would be better if those could also be covered by the grant.

3.2.2.5 Group E: “business hotel group”

Interviewee profile

Group E is “business hotel group”. Interview was conducted with the leader of Group E, a manager of the business hotel (Enterprise E-1) which was partially damaged by the tsunami.

Formation of the group

As mentioned above, the leader of Group E is a manager of the business hotel. The leader knew “the grant for groups” since the summer of 2011, but he did not apply for it because he thought it was too difficult to create the plan. In October, 2011, since an officer of the local chamber of commerce and industry suggested him to apply for it, he finally decided to apply for it. The leader firstly thought about forming a group with shops around the shopping street where the hotel is located. But as the shops around the shopping street were not ready to apply for “the grant for groups” and the Iwate Prefectural government officer suggested forming a group with hotels around the city, the leader decided to form a group with four business hotels around the city. They had a good relationship from before the disaster as they provided joint service.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The leader and an officer of the local chamber of commerce and industry created the group reconstruction plan. When the leader started preparing for the application, he only

had three weeks until the deadline of the third round offering. Therefore the group created the draft in one week and revised it with utilizing advice from a consultant introduced by the officer. It was not so difficult for him to create the document, because he already started the construction and it was easy for him to prepare a required estimate and certificate. In addition, since the function of the group is very clear, i.e. to provide accommodation for the supporters from outside who is engaged in the reconstruction process, it was also easy to create the group reconstruction plan.

Some of the other members had less damage and thought of applying for another grant provided by Iwate prefecture, but the leader convinced them to apply for “the grant for groups” together with him as “the grant for groups” is better. The group applied for the third round of offering in November, 2011, and successfully selected as the grant receiver.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the joint projects. The first one is to function as the center of the town with utilizing facilities including banquet rooms and restaurants. The second one is to provide accommodation for the supporters from outside who are engaged in the reconstruction process. The hotels in the group account for 70 percent of the capacity in the town. The third one is to contribute to the vitalization of the surrounding shopping street. The group planned to spread the information of restaurants or temporary shops around the

town. The group also planned to implement the joint service they did before the disaster again.

Implementation of the submitted plan and check by the Iwate prefectural government

The business hotel (Enterprise E-1) decided to repair the hotel and started construction in May, 2011. It was before he formed a group for “the grant for groups”. At that time, he had no prospect for the fund. Enterprise E-1 completed repairing in November, 2011 and opened the hotel again in December, 2011.

The group started spreading the information of restaurants or temporary shops around the town at the special corners in each hotel.

The personal opinion of Enterprise E-1

Small equipment is exempt from “the grant for groups”, but he needed to buy a lot of such kind of small equipment to restart the business. Therefore, he faced difficulty to prepare large amount of money to buy those equipment. It would be better if those could

also be covered by the grant.

3.2.2.6 Group F: “food processing group”

Interviewee profile

Group F is “food industry group”. Interview was conducted with an officer of the supermarket (Enterprise F-1) which is a member of the group. The supermarket had 16 shops around the coastal area of Iwate prefecture. Six of those were fully damaged by the tsunami and five of those were partially damaged by the earthquake. In addition, another eight facilities were fully damaged by the tsunami, including the head office, a delivery center, a food processing factory, etc.

Formation of the group

The leader of the Group F is a food processing company. The leader found the group, talked to strong local companies including Enterprise F-1, and organized the group. The members include the enterprises related with food production, food processing, food

manufacturing, transport and sales. Finally seventeen local enterprises became the members.

Many of the members were in the business relationship with each other from before the disaster.

Preparation of the required documents (group reconstruction plan and other required documents) and application

Enterprise F-1 actually applied for “the grant for groups” with one supermarket in the different group than Group F at the first round of offering in June, 2011, and was selected as the grant receiver. Also, Enterprise F-1 applied for “the grant for groups” with five facilities with Group F members at the third round of offering in November, 2011, and again was selected. As it is not allowed to receive both, Enterprise F-1 decided to decline the first one.

At the first round, they had very limited time until the deadline. Each enterprise needed to create the document about individual enterprise in almost one day. In addition, as there was no format specified by the Iwate prefectural government, they created the document while calling and asking to the Iwate prefectural government officer. Therefore the documents were pretty simple one.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The target of the group is to improve the local food brand and to provide safer food. As the group consists of the representing enterprises of the town and can provide huge employment, the group can contribute to the local society by working together on the process of production and sales.

Implementation of the submitted plan and check by the Iwate prefectural government

As Enterprise F-1 decided to restart their shops no matter if they could gain the grant or not, they started construction before they were selected as the grant receiver. The enterprise submitted the completion report to the Iwate prefectural government in September, 2012. But the completion inspection has not been conducted yet (as of the end of November, 2012). The enterprise utilized the payment by rough estimate in March, 2012.

The personal opinion of an officer of Enterprise F-1

As he was very busy with the work related to the reconstruction and the application for

“the grant for groups”, he had no time to be sad. That was good for him.

3.2.2.7 Group G: “automobile servicing co-op group”

Interviewee profile

Group G is “Automobile service group”. Interview was conducted with a member of Group G, an automobile recycling company (Enterprise G-1) whose factory was partially damaged by the tsunami.

Formation of the group

The leader of Group G is a local automobile service co-op. The head of the automobile service co-op also has his automobile service company which belongs to the group. The local automobile service co-op started preparation for applying “the grant for groups” on September, 2011. The co-op asked enterprises in the same businesses around the city, mainly members of the co-op if they want to apply for “the grant for groups”. Finally, nine enterprises from the co-op and one enterprise from outside of the co-op became the

members of the group.

Preparation of the required documents (group reconstruction plan and other required documents) and application

After the group was formed, the group held the meetings many times to discuss the group reconstruction plan. The group created almost all the document without the support from outside of the group. The group only asked an organization to create documents which contains the information of each enterprise. The group applied for the third round of the offering in November, 2011.

The reconstruction plan was developed based on the challenges the local town faced, such as handling of the discarded cars damaged by the tsunami, the improving number of rate of disabled car due to the bad road condition, and the job security of the auto mechanics. The group reconstruction plan was composed of different aspects such as the function that the group achieves and the new joint projects. The function of the group is to contribute to the safety of the traffic environment and the environmental sustainability by developing the collaboration among automobile-related companies, including sales, maintenance, painting, and recycling. The group planned to restart joint projects which they

did before the disaster and start new joint projects. The existed project includes restarting the auto recycling center, sharing of the equipment, and holding study session for the professionals and customers. The new project includes starting 24 hours road-service within the group and making a system to share the information of the available secondhand cars.

Implementation of the submitted plan and check by the Iwate prefectural government

Enterprise G-1 restarted a part of its business in July, 2011 after cleaning the factory and installing minimal equipment. Enterprise had already finished recovering the equipment. The enterprise had trucks and big leased equipment, but those were not covered by “the grant for groups”.

3.2.2.8 Group H: “food production co-op group”

Interviewee profile

Group H is “sake (Japanese rice wine) production co-op group”. Interviews were

conducted with the leader and a member of Group H. The leader of the group is an officer of a sake production co-op (Enterprise H-1) which was not damaged by the disaster but has been supporting the affected co-op members. The member interviewed is the manager of a sake producing company (Enterprise H-2), whose office and factory were fully damaged by the tsunami.

Formation of the group

As mentioned above, the leader of Group H is an officer of a sake production co-op. He started considering about applying “the grant for groups” on August, 2011, because he was informed about “the grant for groups” by the members of co-op, Iwate prefectural government, and another governmental organization. He invited all the co-op members to join the group, and all the co-op members (23 enterprises) and the co-op itself became the members of the group. Some of them received the grant.

Preparation of the required documents (group reconstruction plan and other required documents) and application

Although it was two weeks before the deadline of the second round of the offering, he contacted with co-op members, gathered required documents and created the group reconstruction plan. The group did not have a meeting as a whole group. As he thought it was important to apply once even if the group could not pass the coming round, the group applied for the second round of the offering in September, 2011. Six of them requested the grant and the others did not at that time. Unfortunately, the group could not pass the selection. The group was not informed why they could not pass. To challenge again at the third round, he revised the documents. At that time, as the official investigation on the amount of economic damage of each enterprise, the amount of economic damage was increased. Accordingly, the number of enterprises which requested to receive the grant increased to twelve. Finally, the group again applied the second round of the offering in November, 2011, and was selected as the grant receivers.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The first one is that the sake industry contributes to the revitalization of the local economy. The second one is to work together to

inherit the traditional way of producing sake and secure the employment of the sake producers. The third one is that each sake producer produces “sake made of all the ingredients produced in Iwate”.

Implementation of the submitted plan and check by the Iwate prefectural government

Enterprise H-2 restarted its business in different town than the original place. He could rent the factory for free as a support for reconstruction and start the production of liqueur there in August, 2011. Also, he asked another sake producing company to produce his sake in their brewery. After the group was selected as the grant receiver, the manager of Enterprise H-2 looked for the place to build the factory in the original place, but as the town was damaged hard and the reconstruction plan of the town was not set yet, he could not find the place to build the factory. Therefore, he decided to build the factory in the city where he rented the factory. Although he made up his mind to build the factory in the new place, it took long time to start the construction because the construction cost became much higher than expected and he needed to rearrange the plan. The deadline to use the grant was set in March, 2013, but he could not meet the deadline.

In the spring of 2012, “sake made of all the ingredients produced in Iwate” was produced in each sake producing company and sold.

The personal opinion of Enterprise H-1

The manager of Enterprise H-1 pointed out three difficulties he faced. The first one is that it took very long time to investigate the economic damage of the fully damaged enterprises. It was very difficult to create the plan without enough information on the damage. The second one is that enterprises needed to rearrange the reconstruction plan because the construction cost increased after the disaster and the amount of economic damage increased as time passed and the investigation on it proceeded. The third one is that the application for the business sophistication scheme was too difficult and some enterprises gave up applying for it.

3.2.2.9 Group I: “hotel group”

Interviewee profile

Group I is “hotel group”. Interviews were conducted with a member of Group I, a hotel (Enterprise I-1) which was fully damaged by the tsunami.

Formation of the group

The leader of the group is another hotel. Enterprise I-1 joined the briefing session held by the city government at the end of May, 2011. He talked with another hotel and started networking to apply for the grant with hotels. Later, the leader organized a group only with hotels.

Preparation of the required documents (group reconstruction plan and other required documents) and application

A consultant supported the group create the group reconstruction plan, the individual

reconstruction plan and other documents. The owner of Enterprise I-1 knew him from before the disaster. The group applied for the first round of offering in June, 2011, and failed. Then, the group applied for the second round of offering in September, 2011, and again failed. Before applying for the third round, the group added other members such as sweet shop, restaurant, hotel, etc. The group finally consisted of sixteen enterprises. The group again applied the third round of the offering in November, 2011, and successfully selected as the grant receivers.

Implementation of the submitted plan and check by the Iwate prefectural government

Enterprise I-1 first planned to reconstruct the hotel with repairing, but later he decided to build another hotel in different place. The new hotel will be smaller than original one. At first, he did not know that it was allowed to build new building at the different place with “the grant for groups”, but later it was found out that it is possible as the hotel located at the area where the tsunami severely damaged. The hotel tries to raise his own fund for 25 percent of the expense which is not covered by “the grant for groups” (as of November, 2012). He already decided the place to build the hotel.

3.2.2.10 Group J: “seafood processing group”

Interviewee profile

Group J is “seafood processing group”. Interview was conducted with a member of the group, a seafood processing company (Enterprise J-1). Enterprise J-1 had a factory which was fully damaged by the tsunami and two shops which were not damaged.

Formation of the group

Enterprise J-1 joined the briefing session on “the grant for groups” hold by Iwate Prefectural Federation of Small Business Associations. After that, Industrial Research Development and Training Center talked to enterprises and try to organize a group. The manager of Enterprise J-1 was also asked to join. In the end, five enterprises gathered and form a group. The group consists of those five enterprises including the seafood processing companies and a transport company.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The group started to hold meetings to discuss the group reconstruction plan in July, 2011. Industrial Research Development and Training Center supported the group while making the application documents. The group applied for the second round of the offering in September, 2011, and failed. The group again applied the third round of the offering in November, 2011, and successfully selected as the grant receivers.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. Since the group consists of enterprises who do primary processing and secondary processing as well as the transport company, the group functions as the small supply chain. The group also planned to share the customers and hold sales events. In addition, the group planned to share the technique on the processing and to join the event at the department store.

Implementation of the submitted plan and check by the Iwate prefectural

government

Enterprise J-1 started repairing the factory in September, 2011, because she wanted to catch the season of the salmon. At that time, it was allowed to repair the factory, but it was suggested not to build a new one. It was allowed to build temporary factories, but if the enterprise wanted to build it early, it had to be the enterprise's own expense. She also thought about renting a factory, but then the factory locates at the inconvenient place far away from the coast. By considering those factors, she made a decision to repair the factory even though she did not have prospect on fund raising at that time. The construction completed in late October. Only a minimum of the needed equipment was installed.

After the group was selected as the grant receives, another problem occurred. The problem was that the place the factory locates was designated as the "green belt", which means that the factory would have to move away three years later. Even though there is compensation, it will be paid based on written off price. Also, it is not allowed to utilize the grant three years later when the factory moves. Small equipment is exempt from "the grant for groups", but he needed to buy a lot of such kind of small equipment to restart the business. The construction cost became much higher than expected and he needed to

rearrange the plan.

The group has not yet started the group joint project (as of November, 2012).

3.2.2.11 Group K: “seafood processing group”

Interviewee profile

Group K is “seafood processing group”. Interview was conducted with the leader of the group, the owner of a seafood processing company (Enterprise K-1), whose factory was fully damaged by the tsunami.

Formation of the group

The group was formed by the four seafood processing companies including Enterprise K-1. Three of them joined the briefing sessions about the temporary factory at the end of May and in the middle of June, 2011, and decided to work together with each other for the reconstruction. Those three people were friends from before the disaster. Later, another seafood company asked to join the three. The group was not formed specifically to apply “the grant for groups”.

Preparation of the required documents (group reconstruction plan and other required documents) and application

After the last company joined the group, the network of the group became widened as it was bigger than the other three and had more experience. Therefore, the preparation for the application of “the grant for groups” is mainly lead by that owner. It took more than three years to write and improve the documents. Once the group submitted the document, the government checked it and asked for the revision and the group again revised it and submitted it. The group repeated this process for more than three months. The group gathered many times and created the documents together. The group applied for the first and second round of the offering, but failed. At the third round of the offering submitted in November, 2011, the group was finally accepted as the grant receivers.

Implementation of the submitted plan and check by the Iwate prefectural government

Apart from “the grant for groups”, the group applied for the temporary factories. The construction was finished in December 27, 2011, and after that the group started the

construction of the interior and the installation of the equipment with utilizing the project for supporting the seafood processing enterprises. They could start operating the temporary factory in March, 2012. Later, two of members constructed the permanent factories with utilizing “the grant for groups” and other grants (as of June, 2013).

Also, the group started the supporter system in August, 2011, before it was decided that the group could receive “the grant for groups”. The system is that the group request for the monetary support (10,000 yen as a unit) and the group send back the seafood as a token of appreciation when they could recover. The group gained the support from around 10,000 people. They stopped the request for the monetary support in March, 2012 because they thought they could not return the appreciation if another earthquake and tsunami hit the area.

The group established the co-op in March, 2012 because they were told that it is easier for the co-op to gain the grant, but the group has not yet received the grant as a co-op. The groups works as a group or a co-op in a way, but basically every members are too busy to work on their own business and it is difficult to take time to collaborate and start something new as a group. The owner of Enterprise K-1 wanted to have deeper collaboration with each other and build the common facilities. But, either as a co-op or a company, it is a problem that they don't have enough own fund because they need some amount of their

own fund even though they utilize the grant. Since the owner of Enterprise L-1 is very old (70 years old), he does not want to borrow money from the bank and he thinks that the bank also doesn't want to.

The personal opinion of the Enterprise K-1

Another problem is the delaying recovery of the fishery business. As he mainly processes the local fish, it is a problem for him. Also, many fish processing companies want to recover with utilizing the grant, but they cannot decide the place to recover as the town reconstruction plan is not going well.

3.2.2.12 Group L: “shopping street group”

Interviewee profile

Group L is “shopping street group”. Interview was conducted with the leader of the group, a manager of the welfare-related business (Enterprise L-1), whose offices were fully damaged by the tsunami. Enterprise L-1 does not receive “the grant for groups” as it

receives a different type of grant, which is designed for welfare-related business.

Formation of the group

The group is formed with the shops belonging to the four different shopping streets in the town. Those four shopping streets are close to each other. As many of shop owners, including core members of the shopping street promotion association, decided to give up restarting the business and moved out, there was no leaders who could take initiative at first. But later, some shop owners decided to apply for “the grant for groups” together as the group of four shopping streets. In 2012, the leader joined the group and started taking initiative, because some young members of the group asked him to be a leader. The leader was one of the core members of the shopping street before the disaster. Even though his company (Enterprise L-1) did not plan to receive “the grant for groups”, he decided to support the group voluntarily. At first, in March, 2012, the group consisted of only twelve enterprises. But, in April, 2012, when the group finalized the members, the group was composed of 66 enterprises. Seven of them don't receive the grant. The group established an organizing committee, when they fixed the members. Two members from each shopping street, eight members in total, became corporate officers of the committee.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The organizing committee created the group reconstruction plan and asked each enterprise to submit the individual reconstruction plan and required documents. But since it was first time for many of the members to apply for the grant or write these types of documents, they were not able to do that by themselves. Therefore, members of the organizing committee and officers of the local Chamber of Commerce and Industry supported them. The group applied for the fourth round of the offering in May, 2012, and successfully selected as the grant receivers.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The projects the group raised are aiming at improving the convenience of shopping and the standard of living, improving of the local community, establishing the town revitalization company, diffusing the local traditional food culture, etc. Members of the organizing committee became the leader of each project.

Implementation of the submitted plan and check by the Iwate prefectural

government

After the group was selected as the grant receiver, each enterprise again needs to submit the final version of the individual reconstruction plan. But, as of October, 2012, few members have already submitted it because many of them don't understand the flow of the grant or they could not have clear idea of the reconstruction of them as the reconstruction of the surrounding area is delayed. Some of the enterprises already restarted business with utilizing a temporary shop provide by the SME support, Japan, and using the grant to install the equipment there. In that case, the enterprise move the equipment to the permanent shop when they build it.

Many of the group projects have not started yet (as of December, 2012). The one already started is the support for the event. The group held the meetings more than 30 times in 8 months since the group started preparation for the application in April, 2012.

The personal opinion of Enterprise L-1

The manager of Enterprise L-1 raised four problems of the reconstruction of the group

and “the grant for groups” scheme. The first one is the motivation of the enterprises. They can pass the selection of the grant as a group, but the one who does the reconstruction of each enterprise is an individual. The leader or the organizing committee cannot support everything. The second one is the difficulty to support different types of industry with one scheme. Especially, shopping street members have their private life and business very close. Many of the assets they had were already written off. Also, a lot of equipment could not be covered by the grant including cars, home appliances, etc. The third one is the ambiguity of guidance for application. It was decided by the prefectural government that a lot of the equipment on the list of the application cannot be covered by the grant, although the enterprise owners thought it would be covered. The fourth one is the organization of the group. The organizing committee continues to support members, and serve as mediator between enterprises, the city government and the Chamber of Commerce and Industry.

3.2.2.13 Group M: “shopping street group”

Interviewee profile

Group M is “shopping street group”. Interview was conducted with two members of

the group. The one is the owner of the bread shop (Enterprise M-1), whose building (shop and factory in one building) was fully damaged by the tsunami. Enterprise M-1 did food van business with the bread as well. The other one is the owner of the taxi company (Enterprise M-2), whose office and taxis were fully damaged by the tsunami.

Formation of the group

The group was formed with 31 enterprises mainly from a shopping street or shops built along the main road in the district. The group composed of a bread shop, a drug store, a bicycle shop, a taxi company, a beauty shop, a construction company, etc. The leader is a drug store, but the leader said that he would take initiative until the application but not after the application since he did not plan to restart the drug store in the same area.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The group started the preparation for the application for “the grant for groups” in May or June in 2011. The group held meetings at night after everybody finished their own work.

The group decided not to apply for the third round of the offering. They thought it is difficult to be selected because only big enterprises were selected in the former rounds. But, finally the group applied for the fourth round of the offering in May, 2012 because they were told that the fourth round is the last chance to apply for the grant, and successfully selected as the grant receivers. While creating plans and documents, the local Chamber of Commerce and Industry supported them. Some enterprises gave up applying while preparing for it.

The group proposed some joint projects within the group. They form sub-groups in the group and each group has the joint project. In the application documents for “the grant for groups”, each of them wrote what he or she is planning to do.

Implementation of the submitted plan and check by the Iwate prefectural government

The information in this section describes the situation in November, 2012.

Enterprise M-1 restarted its business with utilizing the temporary shop provided for free by the SME support, Japan. Firstly, he installed the equipment by his own fund, but that would be covered by “the grant for groups” when he submits the receipt. It was

allowed to utilize the grant to buy the food van, but for the time being, he would lease the van from the local Chamber of Commerce and Industry. It was also allowed to utilize the grant to build the factory, but he had no idea where to build the factory. He thinks of building the factory in the higher place which is safe from tsunami if he could find the available land. But at the same time, he thinks of building the factory in the shopping street or in the common facility if the group or the shopping street builds the one because he realized the benefit of having the shop in the shopping street. He said he might build the factory wherever available if the he is said the grant is available only within this fiscal year.

Enterprise M-2 already restarted taxi business. He would build the office with utilizing “the grant for groups”. He did not apply the taxies as he though the group could not pass the selection. After the group was accepted, he needed to take time for the group joint project, e.g. joining the event, promoting the new product by making fliers, etc.

Some of the sub-groups in the group already conducted the joint project. For instance, the sub-group which Enterprise M-1 joins does the food van business with in the sub-group (e.g. the bread shop, the house hold goods shop) and drive around temporary houses.

Enterprise M-1 also created new bread made of local food as the collaboration with local farmers and fisheries. Another sub-group which the day service company and the beauty salon join held an event.

The owner of Enterprise M-1 thinks that the joint project is like a festival and might be only temporary. He hopes it would be continuous and helpful for their future business. The owner of Enterprise M-2 was not happy to be forced to take time and do the joint project because he thought it was causing trouble rather than helpful for each one's own business.

The personal opinion of the owners of Enterprise M-1 and Enterprise M-2

Both mentioned that it is very difficult to make the clear future plan until the city government decides the reconstruction plan. "Tentative" plan was proposed again and again but as they are not sure whether it will happen or when the construction starts and completes, they cannot make a future plan and utilize the grant.

As the leader of the group only took initiative until the group applied the grant. They were not sure who could take an initiative while implementing the plan. Also, it seemed some of the group members lacked the motivation.

3.2.2.14 Group N: “shopping street group”

Interviewee profile

Group N is “shopping street group”. Interview was conducted with the one who supported the group, i.e. a member of the shopping street co-op (Enterprise N-1) who is the owner of the seafood processing company.

Formation of the group

The leader of the group is the owner of a seaweed shop. The leader gained the information of “the grant for groups” in April, 2011 at the briefing session co-organized by the local Chamber of Commerce and Industry and the SME support, Japan. The leader talked to 15 enterprises around the town and formed a group. At first, the group was thinking of restarting their business at his relative’s land with utilizing temporary shops provided by SME support, Japan, but later they decided to stop it and apply for the first round of the offering as they could build permanent shops with “the grant for groups”.

Preparation of the required documents (group reconstruction plan and other required documents) and application

As a member of the shopping street co-op already prepared the documents to apply for “the grant for groups”, they already knew how to write application documents. This member also supported the group create the group reconstruction plan. The group applied for the first round of the offering, but failed. The group also applied for the second round of the offering, but again failed. Therefore, they again decided to restart their business with utilizing the temporary shops (two story buildings and one story buildings). The construction started in September, 2011, and completed it and restarted the shopping street in December, 2011 with 30 shops. The group decided not to apply for the third round of the offering.

In May, 2012, it was announced that there would be the fourth round of the offering and it would be the last chance to apply for “the grant for groups”. At that time, they thought of discussing the future reconstruction plan in two years, but the group decided to apply for “the grant for groups” because they thought it was the last chance. The group finally became consisting of 52 enterprises which had shops in or around the shopping street before the disaster.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The group planned to build the new shopping mall-styled building as the new shopping street. The group is divided into five sub-groups, i.e. fishery-related group, restaurant group, beauty group, etc. Each sub-group has its own plan and contributes to the reconstruction of the group.

Implementation of the submitted plan and check by the Iwate prefectural government

The group held some events already. The group newly established the shopping street co-op and all the members were required to join it. The group are also planning to establish a company to manage the new shopping street and its facility.

Eighteen of them already restarted their business at the temporary shops (as of January, 2013). But many of the rest have not started their business yet (as of January, 2013). Some members of the group planned to have their shops in the new shopping street which is planned to be built in the next few years. Others planned to build their own shops. If the enterprise owners want to construct a building which is composed of a shop and a house, it would be in the residential zone and, therefore, it would take more time to build compared

to the shops in the commercial zone due to the priority of the land bring-up plan. Then, there would be a possibility that the deadline for the grant would come sooner and the enterprise owner has to change the plan.

The personal opinion of the interviewee

The interviewee raised three challenges the group faces. The first one is the lack of shared vision of the future of the shopping street. The group is planning to build a new shopping mall-styled building as the new shopping street. Therefore, the shops should be more competitive. Otherwise they might be requested to move out. Some members are wondering if they want to have their shops in the mall or they do not fit in the mall. The second one is the members' lack of the understanding of "the grant for groups". Some members tried to request too big or too small amount of money when they applied. Many members could not write the application documents by themselves. Therefore the interviewee worked not only as a coordinator but also as an advisor. The third one is the decreasing number of the visitors. In 2012, a lot of tourist or volunteers came from outside of the area. But as time passes, the number of visitors decreased.

3.2.2.15 Group O: “Infrastructure group”

Interviewee profile

Group O is “infrastructure group”. Interview was conducted with the leader of the group, the manager of a gas company (Enterprise O-1). Enterprise O-1’s office and gas facilities were fully damaged by the tsunami.

Formation of the group

The leader, the manager of Enterprise O-1 gained the information of “the grant for groups” in 2012. In 2011, Enterprise O-1 was so busy with the emergency response to the disaster and reconstruction. Therefore he had not time to think about the full scale recovery of his company. As the work related to emergency response to the disaster became less in 2012, he started thinking of the full scale recovery of the company by utilizing the grant or other support in 2012.

At first, he talked to a few enterprises in the same business (gas companies), and later, he talked to other enterprises such as other gas companies, gas retail shops, electric

construction companies, sheet-metal processing companies, etc. Those enterprises were in the business relationship before the disaster. He made a rule that only enterprises, which would recover by themselves and join the group activity even if the group would fail to gain “the grant for groups”, can join the group. Also, he made a rule that members can request the grant only based on list of fixed asset submitted to the tax office because he thought the grant is public money and therefore the receivers how to follow the rule strictly, and he knew that there would be strict inspection on the usage of the grant a few years later. But at the same time, the leader invited the small retail shops which could not have restarted their business because the owner or the owner’s family members have died because of the tsunami. It is because the gas company can do business thanks to the small retails and customers, and he was grateful for the support they gave his company from before the disaster.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The group started preparation to apply for the fourth round of the offering. The leader worked as a coordinator while creating and putting the documents together. The group

applied for the fourth round of the offering in May, 2012, but failed. Later, the group was requested by the government to add two more companies. The group accepted that because the groups can support them and be benefit from having those two companies in the group. Also, to apply the fifth round of the offering, the group asked a person, who supported other groups, to be a coordinator and advisor of the groups. The group held meetings and improved the group reconstruction plan. The group applied for the fourth round of the offering in May, 2012, and successfully selected as the grant receiver.

The group reconstruction plan sets the purpose of the group as providing the stable gas supply, promoting domestic solar power generation system and domestic fuel battery system, and having mutual support within the group.

Implementation of the submitted plan and check by the Iwate prefectural government

Since Enterprise O-1 has to follow the national regulation when they build the new gas facility, they cannot decide the place and build the facility soon even though it was decided that the group and Enterprise O-1 receive the grant.

The personal opinion of the manager of Enterprise O-1

The manager of Enterprise O-1 claimed that even though the gas-related companies have been serving as the backbone of the infrastructure, they were not prioritized to gain support from the government. He said, if the government continues not prioritizing those enterprises next time as they did this time, those companies cannot restart their business again.

3.2.2.16 Group P: “automobile servicing group”

Interviewee profile

Group P is “automobile servicing group”. Interview was conducted with the leader of the group, the manager of an automobile servicing and sales company (Enterprise P-1), which was partially damaged by the tsunami.

Formation of the group

The leader gained the information on “the grant for groups” at the briefing session organized by the local chamber of commerce and industry for the first time in April, 2012. Until then he was too busy with the reconstruction and the increasing number of work, and did not know it. He started forming a group with another automobile servicing company and an electric construction company. He was in the business relationship with those two enterprises. Later, he talked other enterprises including a sheet-metal processing company and a gas station, which were in the relationship before the disaster. Finally, seven enterprises became the members of the group.

Preparation of the required documents (group reconstruction plan and other required documents) and application

When the group was formed, it was only one month until the deadline of the fourth round of the offering. They hired a consultant to support the application. But the consultant was too busy with supporting other customers, and was not able to spend much time to support the group. Almost all the required documents were created by him and another group member. The group applied for the fourth round of the offering in May, 2012, and failed. Based on the advice from the Iwate prefectural government office, the group revised the plan. Also, the two more companies joined the group. This time, the group did not utilize the consultant, but often ask the chamber of commerce and industry to check the documents. The group applied for the fifth round of the offering in December, 2012, and was successfully selected as the grant receivers.

The group reconstruction plan is composed of different projects including the collaborative purchase of goods, sharing information on techniques and customers, and community events on disaster prevention and safety driving.

Implementation of the submitted plan and check by the Iwate prefectural

government

Enterprise P-1 already completed the reconstruction of the facility and the equipment in August, 2011. Since the group has just selected as the grant receiver (as of January, 2013), they has not started the group joint project.

The personal opinion of the manager of Enterprise P-1

He pointed out the information gap. When the group first applied “the grant for groups”, he did not know which supporting agencies were available. Therefore, he hired a consultant with paying much money. He also asked the city office, but the office said there is no supporting desk available in the city office. Finally, it was found out that the consultant the group hired was available for free if he utilized the supporting scheme a supporting agency provided.

3.2.2.17 Group Q: “sightseeing group”

Interviewee profile

Group Q is “sightseeing group”. Interview was conducted with the leader and a member of the group. The leader of the group is a real estate company (Enterprise Q-1) which was fully damaged by the tsunami. An interviewed member of the group is a gas station company (Enterprise Q-2) which had two gas stations. One of them was fully damaged and the other was not damaged.

Formation of the group

The leader started forming a group based on the advice given by an advisor to apply for the fourth round of the offering. The leader talked to the enterprises which he thought reliable. Finally, twenty four enterprises became the members of the group including restaurants, hotels, a driving school, taxi companies, gas companies etc.

Preparation of the required documents (group reconstruction plan and other required documents) and application

The leader created almost everything of the group reconstruction plan based on the advice from an advisor. The group first applied for the fourth round of the offering in May, 2012, and failed. The reason why the group failed was not announced. The group again applied for the fifth round of the offering in December, 2012, and successfully selected as the group receivers.

The group reconstruction plan is composed of different aspects such as the function that the group achieves and the new joint projects. The group has different division with regard to the sightseeing, i.e. food, accommodation, experience, transportation and the nature. As the group joint project, the group planned to develop new food products with utilizing the local food resource, spread the sightseeing information, share the customer and increase mobility of employment.

Implementation of the submitted plan and check by the Iwate prefectural government

Since the group has just selected as the grant receiver (as of January, 2013), they has not started the group joint project. Enterprise Q-2 is planning to recover the fully damaged gas station with utilizing the grant.

3.2.3 Summary of the survey on the situation of “the group activities”

In this section, findings from the survey on the situation of “the group activities” are summarized. The group activities only include the facts or actions which are taken as groups or which consist of interactions between group members and, therefore, they do NOT include the facts or actions of the individual enterprises which are not related to the group or other members of the group. It should be also noted that the findings presented here only include the facts or actions and, therefore, do NOT include the perception of the interviewees. The reason why the author focuses on the group is that 1) the objective of the research is to find out the function of “the grant for groups” in terms of being or forming a group by investigating what enterprises do or did as a group while applying and

implementing “the grant for groups”. The findings related to the situation of individual enterprises or enterprise owners' perception are presented in the section 3.3.

3.2.3.1 Formation of the group

The patterns of how groups were formed can be categorized into two types, i.e. Pattern A and Pattern B (see Figure 5).

Almost all of the surveyed groups (16 groups, n=17, Groups A to J, L to Q) belong to Pattern A. With Pattern A, groups were started with the leaders' initiative, which means the first step of forming a group was the leaders' action to talk to or invite other members. In some cases, the leader invited all the members of the group (e.g. Group A, E, H, O, P, Q), while, in other cases, members invited by the leader also invited other members. In addition, in many cases in Pattern A, the leader gained the information about “the grant for groups” and decided to start forming a group by himself (or herself), while, in other cases, the leader start forming a group because he (or she) was asked or encouraged by supporting agency or the local government (e.g. Group E, H).

Meanwhile, only one of the surveyed groups (n=17, Group J) belongs to Pattern B. In Pattern B, a supporting agency asked enterprises to form or join the group. In other words,

all the members were invited by the supporting agency.

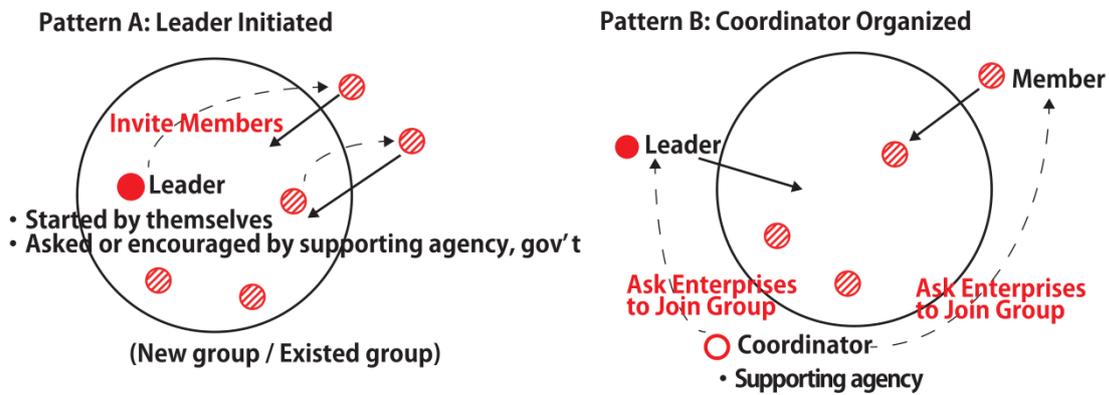


Figure 5: Two different patterns of how groups were formed

The characteristics of each group are summarized in Table 22 and Table 23 with the simple descriptions of each group, the leader, the members, how the members were gathered, and the number of the members. In most cases, the leader or the members invited other members through personal connections or business relationships from before the disaster. But, some groups consist of members with whom the leader or other members did not have the strong connection. Group A, for instance, the leader, a shopping mall management company, called for the group members, i.e. the tenants of the shopping mall, by utilizing the supporting agency. The parameter, “Added members after the group was once formed”, means that the group originally started with fewer members and later invited

more members. In 6 groups (n=17), more members were invited after the group was once formed. But it should be noted that there is no clear definition of the state where the group is formed. Therefore, in some cases, the group invited more members after the group applied for the grant and failed, but in other cases, some enterprise owners talked with each other, decided to form a group, and invited other members.

In some groups, some enterprises listed as members of the group don't receive the grant. There are some different reasons for that, such as 1) because they are important members of the group to achieve the role or the function of the group written in the application documents but they were not damaged by the disaster, they declined to receive the grant, they decided to receive a different type of the grant, or they decided to receive "the grant for groups" in a different group, 2) because they were not accepted as "the grant for groups" receiving enterprises even though the group was accepted, etc.

Table 22: Characteristics of the interviewed groups in terms of the leader and the members

Group Name	Description	Leader	Members
Group A	Shopping mall group	Developer (shopping mall management)	Tennants of the shopping mall and the shops located around the town *1
Group B	Ship building group	Ship building	Enterprises in the same businesses and acquaintances of the leader
Group C	Seafood processing group	Seafood processing	Enterprises in the business relationships from before the disaster
Group D	Seafood processing group	Seafood processing	Members of the voluntary association which existed before the disaster
Group E	Business hotel group	Business hotel	Business hotels in the same city (in the good relationship before the disaster)
Group F	Food processing group	Food processing	Strong local companies (many of them were in the business relationships before the disaster)
Group G	Automobile servicing group	Automobile servicing co-op	Nine enterprises from the automobile servicing co-op and one from outside
Group H	Food production co-op group	Food processing co-op	Members of the sake production co-op
Group I	Hotel group	Hotel	Basically hotels. Sweet shop, restaurant, etc. joined later.
Group J	Seafood processing group	Seafood processing	Seafood processing and transport company
Group K	Seafood processing group	Seafood processing	Seafood processing (three of them were acquaintances before the disaster)
Group L	Shopping street group	Shopping street member	Shops belonged to the four different shopping streets in the town
Group M	Shopping street group	Shopping street member	Shops belonged to the shopping street or shops built along the main road in the district
Group N	Shopping street group	Shopping street co-op	Enterprises which had shops in or around the shopping street before the disaster
Group O	Infrastructure group	Gas company	Gas companies, gas retail shops, electric construction companies, sheet-metal processing companies, etc. (in the business relationship before the disaster)
Group P	Automobile servicing group	Automobile selling and servicing	Automobile servicing company, electric construction company, sheet-metal processing company, gas station, etc. (in the business relationship before the disaster)
Group Q	Sightseeing group	Real estate	Restaurants, hotels, a driving school, taxi companies, gas companies, etc. (The leader's acquaintances)

*1 Half of them had shops in the shopping mall before the disaster (original members), another half of them are new members

Table 23: Characteristics of the interviewed groups in terms of the way of gathering and the number of members

Group Name	How the members were gathered.	The number of members	The number of members which receive the grant	Added members after the group was once formed
Group A	The leader called for members through the supporting agency*2	30	9	
Group B	The leader invited	8	8	
Group C	The leader invited	17	6	●
Group D	The leader invited	12	9	
Group E	The leader invited	4	4	
Group F	The leader invited	17	11	
Group G	The leader invited	11	11	
Group H	The leader invited	24	10	
Group I	The leader invited	16	16	●
Group J	The supporting agency coordinated the group	5	5	
Group K	Started with three enterprises. Later, another one joined.	6	6	
Group L	Started with 12 enterprises. Later others joined.	66	59	●
Group M	The leader's initiative	38	34	
Group N	Started with 15 enterprises. Later others joined.	49	48	●
Group O	The leader invited	20	13	●
Group P	The leader invited	9	7	●
Group Q	The leader invited	24	16	

*2 Original members were prioritized

3.2.3.2 Preparation of the required documents (group reconstruction plan and other required documents) and application

The findings with regard to the preparation of the documents and application are summarized in this section. As mentioned above, the findings shown here only include the facts focused on the groups not individual enterprises. Also, those findings focus on the action and, therefore, do not include the perception. Findings presented in this section are summarized in Table 24.

Firstly, within this step, 88.2 percent of the surveyed groups (15 groups, n=17, groups except for Group F, M) mentioned that some members supported other members while creating the documents, e.g. help creating the document, help making the reconstruction plan, did consulting etc.

Secondly, 64.7 percent of the surveyed groups (11 groups, n=17) mentioned that there were some specific members who took initiative to create the group reconstruction plan.

Thirdly, 82.4 percent of the surveyed groups (14 groups, n= 17) proposed group joint project as a part of the group reconstruction plan, even though it was not required to create the group joint project (it was only required to propose the function of the group).

Lastly, 47.1 percent of the surveyed groups (8 groups, n=17) mentioned that they failed

when they applied for “the grant for groups” for the first time, improved their plan, and finally were selected.

Table 24: Characteristics of the interviewed groups in terms of what they did while preparing for the application

Group Name	Some members supported other members while creating the documents	Some specific members took initiative to create the group reconstruction plan	Include the group joint projects in the group reconstruction plan	Once failed and tried again at another round
Group A	●	●	●	
Group B	●	●		
Group C	●	●	●	
Group D	●			
Group E	●	●	●	
Group F			●	
Group G	●	●	●	
Group H	●	●	●	●
Group I	●			●
Group J	●		●	●
Group K	●		●	●
Group L	●	●	●	
Group M			●	
Group N	●	●	●	●
Group O	●	●	●	●
Group P	●	●	●	●
Group Q	●	●	●	●

3.2.3.3 Implementation of the submitted group reconstruction plan

Among the fourteen groups which have the group joint project, seventy one percent of them already started the project (10 groups, n=14). But four of them have not started yet.

(As of December, 2012)

Some of them created a new product together (Group C, H, M). Some of them established the new co-op (Group K, L). Some of them started new services (Group A, E). Some of them held the events (Group L, M, N). Five enterprises including the members of Group D established a new company for joint sales even though they did not plan it when they applied for “the grant for groups”.

On one hand, some groups appreciated the benefit of the new initiative. But, on the other hand, while implementing the project, some people faced the difficulties such that a group had the conflict within the members and some are not happy about taking too much time on events which are not very contributing to their core business or making benefit.

It should be noted that, at this moment, it is too early to evaluate if the group joint project is successful or not.

Table 25: Characteristics of the interviewed group in terms of what they did while implementing the group joint projects (first half)

Group Name	Include the group joint projects in the group reconstruction plan	Already started some of the group joint projects (as of December, 2012)	Contents of planned or conducted group joint projects
Group A	●	●	Create a community space and free meeting room, hold community events regularly, and build a depot to stock the food, blanket, etc. as disaster prevention.
Group B			
Group C	●	●	Share equipment and facilities, share raw materials, develop a new product together, share channels for sale and build a powerful local brand.
Group D		●	Five enterprises including some members of the group established a new company for joint sales. (not in the plan but implemented).
Group E	●	●	Spread the information of restaurants or temporary shops around the town, and implement the joint service they did before the disaster again.
Group F	●		Work together on the process of production and sales.
Group G	●		Restart the auto recycling center, share the equipment, and hold study session for the professionals and customers (existed project from before the disaster). Start 24 hours road-service within the group and make a system to share the information of the available secondhand cars (new project).
Group H	●	●	Work together to inherit the traditional way of producing sake. Each sake producer produces “sake made of all the ingredients produced in Iwate”.
Group I			

Table 26: Characteristics of the interviewed group in terms of what they did while implementing the group joint projects (second half)

Group Name	Include the group joint projects in the group reconstruction plan	Already started some of the group joint projects (as of December, 2012)	Contents of planned or conducted group joint projects
Group J	●		Share the customers, share the technique on the processing, hold sales events, and join the event at the department store.
Group K	●	●	Request for the monetary support (10,000 yen as a unit) and send back the seafood as a token of appreciation when they could recover. Establish the co-op and build the common facilities.
Group L	●	●	Establish a co-op. Create sub-groups within the group. Sub-groups conduct the projects aiming at improving the convenience of shopping and the standard of living, improving of the local community, establishing the town revitalization company, diffusing the local traditional food culture, etc.
Group M	●	●	Create sub-groups within the members. Sub-groups conduct the projects such as running a collaborative food van business (e.g. the bread shop and the house hold goods shop drive around temporary houses together with one van), developing a new bread made of local food as the collaboration with local farmers and fisheries, holding a beauty event (the day service company and the beauty salon), etc.
Group N	●	●	Build a new shopping mall-styled building as the new shopping street. Create sub-groups, i.e. fishery-related group, restaurant group, beauty group, etc. Each sub-group has its own plan (e.g. holding events).
Group O	●		Promote domestic solar power generation system and domestic fuel battery system, and have mutual support within the group.
Group P	●		Make a joint purchase of goods, share information on techniques and customers, and hold community events on disaster prevention and safety driving.
Group Q	●		Create sub-groups with regard to the sightseeing, i.e. food, accommodation, experience, transportation and the nature. Develop new food products with utilizing the local food resource, spread the sightseeing information, share the customer and increase mobility of employment.

3.3 Individual Enterprises' Recovery Process

3.3.1 Why enterprise owners made up their mind to start putting the effort to restart the business again

Among the 19 damaged enterprises interviewed⁶, 10 enterprises mentioned the human connection was a key to make up their mind to start putting an effort to restart their business, including the connection with the local residents (Enterprise A-1, L-1, Q-1), friends (Enterprise C-2), and customers and business partners (Enterprise C-2, D-1, D-2, E-1, H-2, J-1, Q-1, Q-2).

3.3.2 How enterprises gained the information about “the grant for groups”

As a very first step to apply for “the grant for groups”, enterprises need to gain the information about “the grant for groups”. From the survey, it is revealed that the information source varied among enterprises. Some enterprises gained the information

⁶ Nineteen enterprises include the listed enterprises except for Enterprise F-1, Enterprise H-1, and Enterprise N-1. As for Enterprise F-1, the interviewee was not in the position such as the owner or the manager who decided to restart the business. Enterprise H-1 is a sake production co-op which was located inland and was not damaged by the disaster. Enterprise N-1 is a shopping street co-op established after the disaster.

through website or internet (e.g. Enterprise A-1). Some were informed by the town government, the city government, the prefectural government or the supporting agency when they visited the government or agency office, when they made a phone call with the officers, or when they attended the briefing sessions hold by those officers (e.g. Enterprise A-1, C-1, D-1, F-1, H-1, I-1, J-1, N-1, P-1). Others gained information from acquaintances or business partners (e.g. Enterprise C-2, G-1, H-1, M-1).

3.3.3 Patterns on the enterprise's recovery process and the use of “the grant for groups”

Figure 6 shows the patterns of how the surveyed enterprises recovered or are recovering, and how “the grant for groups” was utilized. White circles with red boundaries represent that the grant is utilized for installing the equipment at each stage of the recovery. Red dots represent that the grant is utilized for constructing the facilities at each stage of the recovery.

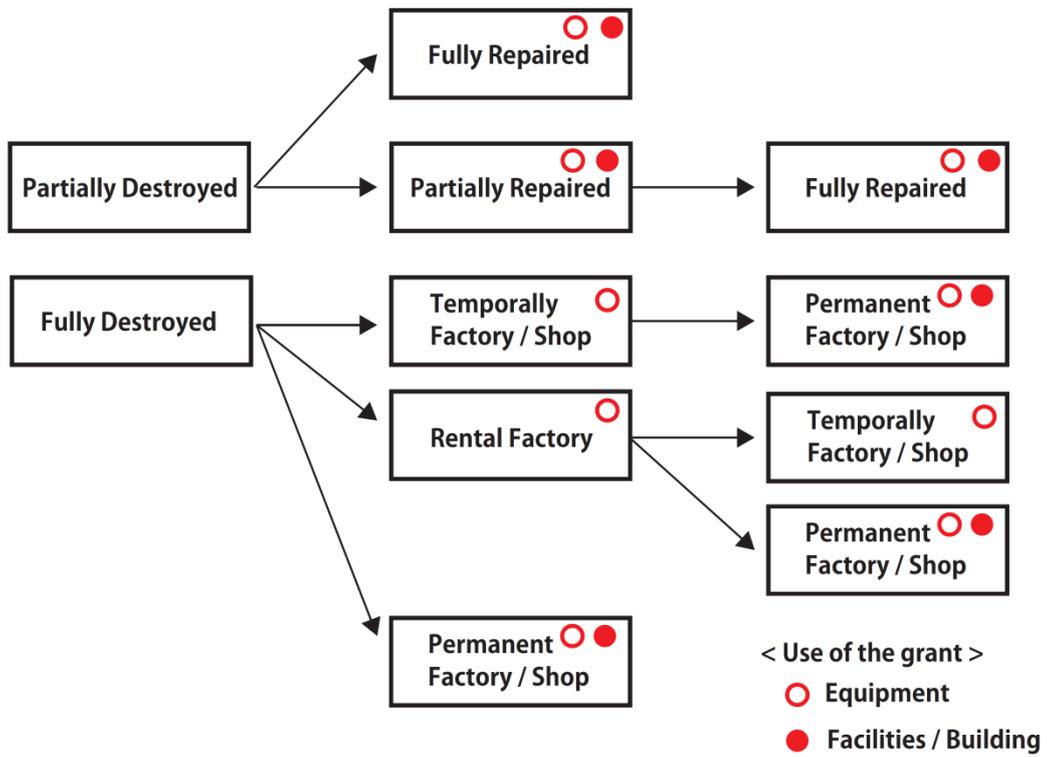


Figure 6: Patterns of how the surveyed enterprises recovered or are recovering, and how “the grant for groups” was utilized

3.4 Related Organizations

3.4.1 Iwate Prefectural Government

Origin of “the grant for groups”

“The grant for groups” is established after the Great East Japan Earthquake. This scheme is based on the precedent at the time of the Great Hanshin Awaji Earthquake and the Nigata-Chuetsu Earthquake which is three-fourths support for cooperative associations for reconstructions. This is written on the Disaster Relief Act. In this system, the officials from the national government visit the disaster area, and examine what should be supported, while in “the grant for groups”, due to the vast damage to the area, the damaged people or business office themselves apply what property to be reconstructed.

About the relationship between the adopted groups and the industrial categories

Iwate prefecture examined the applied project on the content and the budget and then decided whether each one was adopted or not. From the first to the third offering, the

projects of the companies of the seafood processing industry, the invited companies from the prefecture, and the local big companies were adopted. The reasons why the seafood processing industry was among the first choice were the following two factors. First it is the symbolic industry of Iwate, especially of the coastal area, so the revival of the seafood processing industry at the early stage would be the symbolic mark of all the reconstruction. Second, the seafood processing companies have to acquire fish in the autumn and the winter when the fish are plenty, if not they cannot run the business until the next year, so they had to be restored by the autumn of 2011. The reason why the latter two was adopted was because the local employment had to be secured.

From the third to fourth offering, the adopted groups shifted toward travel and service industry such as hotels. The revival of these industries was thought to help boom the local economy and advance the reconstruction, so after the imminent restoration was finished, many groups regarding these travel and service industries were adopted at this time. The groups of the local shopping streets were adopted in the fourth offering, and among them were Miyako, Kamaishi and Ofunato because the government reached the conclusion on the usage of the land of that area at this time.

About the land usage

The big problem of the groups considering to apply “the grant for groups” was the usage of the land. If the company is selected to receive the grant but the usage of the land is not yet decided, they cannot start the business and the plan should be transferred to the next year. However, the duration which the projects can be transferred is not clearly stated, so it is possible that the adoption may be no longer effective in the future. In Iwate, there is no rule that the place should be the same as before the earthquake. In fact, one company which was based in Rikuzentakata city has moved to Kitakami city, and it received “the grant for groups”.

The budget compilation is based on the single fiscal year, so after 2013, it is not certain whether the current “grant for groups” scheme will be maintained or not. The business supporting section predicts that the offering aiming the whole prefecture will be quit in the fiscal year 2012 and the scheme will be changed to more flexible to local communities as the advancement of the reconstruction varies according to the places. The staff of the section has no right to decide the budget, but strongly feel the granting system as it is now will be needed.

About the budget

“The grant for groups” is given status as a national indirect supporting project which means the system is designed by the national government and run by the local government. The money flow of the system is as follows: up to three-fourths of the project money are initially distributed to the group by the prefecture, and later half is given to the prefecture from the country. In the first round offering in Iwate, the prefecture tried to support as many groups as possible based on the policy of wide but thin support. The budget of both the national and local government together was 7.7billion yen, while the number of applied groups was 51, so they ran short of the money. The prefecture grouped the applied groups into 8 groups from the adopted 22 groups as a desperate resort. One-third of the grant was given at the first round offering and the rest was added at the third round offering.

The prefecture encouraged the adopted groups to apply for the grant from the program by Public Interest Incorporated Foundation Yamato Foundation “The donation fund for the reconstruction of life and industry form the Great East Japan Earthquake” to make up for the shortage at the first round offering. Yamato Foundation was founded in 1993 by Mr. OGURA Masao, the founder of Yamato Holdings Inc. based on his donation of his personal property and is now run by Yamato Holdings Inc. and other affiliated companies.

About a rough estimate claim

One characteristic of the group support is that a rough estimate claim is accepted. The normal grant is given in the way that the enterprises pay first the cost of the project and then claims to the prefecture or the country. This time, however the damaged amount was huge and it was thought that it was impossible for the enterprises or the group to pay in advance, so the claim based on the bill was made accepted up to 90% of all the cost. The remaining 10% can be claimed and granted after the project is finished and the inspection is completed. This system was accepted from the first round offering on paper, but at that time, the prefecture itself was damaged so, it was virtually impossible. After the national government started to accept the claim from the prefecture, this system started to work. It was from the third round offering around October 2011.

Especially at the coastal area, the cost of some projects was elevated to 1.5 times as the expected amount due to the sudden rise in prices of building materials. But even in that case, the decided amount of grant could not be changed, so the prefecture recommended that the group uses “Fund for reconstruction of small businesses from the Great East Japan earthquake”, which is tlong low interest rate loan.

Other regulations

The group intended to be supported should not necessarily be the group originally associated with each other before the disaster, it can be a new group for doing some projects together for reconstruction in the rule set by Iwate prefecture. The asset that can be applied in this system is the ones practically used before the earthquake. Strictly speaking, the asset had to be registered on the list for property tax. But, some business owners lost the register book by Tsunami or used the property which had already been depreciated to no value on the register. For these situations, as an exception, the receipts of the maintenance fee or equivalent document which could prove that the business actually used the property were accepted. However the applied amount should be within the amount needed to regain the status before the earthquake, not beyond.

Work of Business Supporting Section

The business supporting section dealt with a lot of tasks regarding “the grant for groups”. The first thing was letting those who needed the support know that the system existed. To achieve this, it held the information sessions all over Iwate with Iwate

Prefectural Federation of Small Business Associations. In these sessions, the aim of the scheme, how to set a group, what should be done after selected, and other regulations and rules were explained. Also, they opened up the dial to answer the questions from the groups or gave information on the Internet. In the period of the application the phone rang throughout the day and the content of the questions varies from basic questions such as how to write an application to more detailed questions such as carry-over rules, the property or the asset that can be applied.

To examine the applied document is another major task of the section. All the documents were sent to the central prefectural office, and each paper was checked all by the staffs in the section. They could not outsource this task because of the regulation regarding the duty of confidentiality.

The adoption or rejection is decided by the examination board which consists of 9 experts. The examination meeting is made up of briefing from the group and question and answer sessions. The examination is based on the rules made public in the time of application. The section is on the side of examining the application, so it could not support the group to be selected. After the decision is made, the application to the national government is also the job of the section.

The flow chart after the completion of the reconstruction work to the distribution of the grant is as follows: The group notifies the completion of the work to the prefecture, then the staff members in the section visit the site and examine the new property and the bill and so on to check whether there are differences between the plan and the reality. These tasks are especially difficult if the group involves many people such as the shopping street groups. Because of the shortage of manpower in the section, in some cases this process took more than a few months after the completion, and some even cannot receive the grant now. The shortage of manpower in the prefecture is one of the major problems now.

The group who received the grant is regularly inspected by the prefectural staff to check whether the plan is properly executed. This inspection is done on demand from the national government. One of the aim of “the grant for groups” is the synergetic effect between the business, so if the plan is not properly executed, the return of the grant may be imposed. The division explained this point in the session in details including the management of the plan.

About “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake”

The staff of the section understands that most of the small business owners have never experienced applications for the grant aid, and have difficulty in dealing with the application, but the scheme uses the money from the national government which is based on the tax from all Japan, so the application cannot be too simplified not to overlook the injustice. To solve this problem, Iwate prefecture set up the system called “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake”. It gives the grant to the four Business-related Institutions such as 3.4.2

Iwate Prefectural Federation of Small Business Associations and Iwate Industry Promotion Center for the expenses needed to support the applicant to make an application and to manage after selected. The budget is secured mostly for 3.4.2 Iwate Prefectural Federation of Small Business Associations because it has a lot of know-how in supporting cooperative associations which are groups of small business similar to the applicants of “the grant for groups”. There are several groups which used this system and advanced its project. One example is “Koishi-kesen” group based in Ofunato city and Rikuzentakata city which is now developing new travel commodities with the support from a major travel

agency. Other examples are that “Domannaka-Ootuschi” in Otsuchi town and other local constructing businesses form a group to do the project together, and several fishery companies form a stock company called “Gotokumarusuisan” Like these examples, this new system work as grouping small businesses, which has many advantages in management of businesses, so this system are thought to continue to grow.

Problems in Business Support Division

We asked the interviewee, the chief of the section about the problems they are currently having dealing with “the grant for groups”. The biggest problem is an imbalance of work distribution in the Prefectural office. After the earthquake, the task regarding “the grant for groups” is all done by the section with a small number of people. The reason why this role is assigned to this section is first of all, a shortage of manpower and money. The prefecture had to concentrate their sources and in this process, had to execute the project in a smaller scale.

As stated before, the Business Supporting Section deal with “the grant for groups” from the first to now including holding information sessions, selection, after-support and so on. There are three reasons why the section takes charge of this project. The first reason is

that the Grup Grant aims to help the small business which this section had been dealing with in the past, so it was thought appropriate. The second reason is that the other divisions had been dealing with this kind of task in a specialized area, while the Business Support Section had not specialized in any field, so it was thought effective for this division to take charge and gather the information in one division. The third reason is the Business Support Section dealt with the similar system of supporting small business for the damaged property (the Half Aid Grant provided by Iwate Prefecture, see pp.30 for the detail). Also, it was thought to be just temporary, so one division was thought enough to do the task. At first, only a small number of businesses in limited fields are thought to apply to this system, but in reality hundreds of groups regardless of fields applied for several times, so the work the section had to deal with became huge amount. However, the division in charge did not change nor get reinforcement. While the work of the other divisions are made back to normal as the time passes, the work of the Business Support Section continues to grow. Now it is apparent that distributing the projects to each specialized division is more efficient and beneficial for the people who need help, but at the time of the launching this project it was not expected, and it has not been changed since.

Because of the shortage of manpower in the Business Support Division, some groups have not been inspected, therefore has not received the grant. These business groups have

to borrow money from the bank, which is a heavy burden for them. Staffs of the “New Business and Group Support Section” is 6 people, and in November 2012, one temporary supporting staff from Chiba prefecture, and two to three from other divisions of the same department, but even so the total number is less than 10. That is far less than needed.

The personal opinions of the interviewee

The interviewee raised three points which he thinks important.

The first one is the limit of “the grant for groups” scheme. At this moment, there are not so many schemes which can support enterprises to reconstruct the facilities. Therefore, many enterprises from different industries have to apply for “the grant for groups”, which means that all the industries are in the competition. If the group could not be adopted, they might feel inequality or even think that their industry was abandoned. However, it ends up with the situation because of the prefecture has limited budget and therefore has to prioritize some industries or groups. In addition, grouping works well for some industries, while it does not work well for other industries. For instance, seafood processing industry is a good example with which the grouping worked well. Everything was decided by the seat-of-the-pants approach in that business before the disaster, but in order to work as a

group they started to consider objectively and became able to make a reasonable decision. Moreover, by forming a group, they could share the customers and develop new products together. On the other hand, there are enterprises without a strong network in the area such as enterprises invited by the prefecture which has the supply chain outside of the area. There was an enterprise which was in this situation and took a lot of time to form a group. The interviewee thinks that if there is a grant which allows enterprises to apply individually, it enables enterprises to achieve the quick reconstruction even with the lower grant rate.

The second one is that the business support after “the grant for groups” project is completed is important. It is because if the business does not work well after the enterprise completed the reconstruction of facilities, the reconstruction ends up with the fail. Iwate Prefecture installed Multilayered Support for Small Business Damaged from the Earthquake to provide this type of the support, but the interviewee thinks that this type of support should be established at the national level.

The third one is the lack of the human resources and manpower in the prefectural government. There are many new initiatives happening in the disaster-affected area, such as the establishment of the new co-op or the new company within the group which applied

“the grant for groups”, the change of the business type after the disaster, the business startups, etc.

There are not enough human resources in the prefectural government who can make advice to them and support them. In addition, even though it is needed to establish the new support scheme to assist those initiative or make proposal and request more support from the national government, there are limited number of prefectural officer who are capable to do that.

3.4.2 Iwate Prefectural Federation of Small Business Associations

The main institution for supporting “the grant for groups”

In Iwate prefecture, Iwate Prefectural Federation of Small Business Associations was chosen as the main institution for supporting “the grant for groups” for the following three reasons. The first reason is that the main target of “the grant for groups” is the small business. The second reason is that the department in charge of “the grant for groups” in Iwate prefectural office is the commerce, industry, labor and tourism division, which had close contact with Iwate Prefectural Federation of Small Business Associations long before

the disaster. The third reason is that Iwate Prefectural Federation of Small Business Associations had a long history of supporting groups of small business such as cooperative associations and possesses know-hows for the support, therefore, it was expected to complete the job successfully.

Activity after the earthquake

Iwate Prefectural Federation of Small Business Associations has been supporting the reconstruction of the enterprises since right after the earthquake. On March 14, 2011, it held the emergency meeting, and in that meeting it was decided to open up “Special Inquiry Desk for Damaged SMEs” as well as to start to collect information. Also, the central office was requested by Tohoku Regional Bureau of Economy, Trade and Industry to collect information on the damage inside Iwate, and reported according to the information given by the member companies. From April 13th 2011, they held “Circuit Sessions for Correspondence with the damage from the Great East Japan Earthquake” (Circuit Sessions) around Iwate. In these sessions, it gives consultation to advise to the damaged companies and institutions, and delivered the relief supplies from other prefectures. The circuit

sessions were held 32 times in total until September 2011, advised more than 110 companies.

The content of the consultation changed as the time passed. Right after the earthquake, it was about the office procedure on the general assembly, or liquidation of the association, rescheduling of the existing debt and so on. Around September, 2011, it changed to the contents more related to reconstruction such as financing of the reconstructing work, the usage of supporting scheme, set-up of the new association and so on. After the second offering of “the grant for groups” started, at the circuit sessions, it started to put more time and effort on the explanation of “the grant for groups”, and the Half Aid Grant provided by Iwate Prefecture (see pp.30 for the detail) from Iwate prefecture.

Activity after 2012

In 2012, Iwate prefecture established the “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake”, and allocated 40 million yen to the Commerce, Industry, Labor and Tourism Division. It was then allocated to four commerce-related institutions, and used for the expenses for reconstruction support including the support related to “the grant for groups”. Iwate Prefectural Federation of

Small Business Associations has a lot of know-hows in supporting groups of enterprises such as cooperative associations, and it was thought to be immediately effective in dealing with “the grant for groups”. So, bigger budget than any other institutions was allocated to this institution.

About Circuit Sessions

The support project by Iwate Prefectural Federation of Small Business Associations based on the “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake” consists of 4 parts. One of them is “Circuit Sessions for Correspondence with the Damage from the earthquake for Small Business” (Circuit Sessions). The major content of the sessions from 2012 has been explanation and individual support about the group support. The circuit sessions have been held in major cities in the coastal area such as Miyako city, Kamaishi city, Ofunato city. The timing of the holding these sessions is before or during the application periods of “the grant for groups”

About Support of Application for the Applying Groups

The second support delivered by Iwate Prefectural Federation of Small Business Associations based on “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake” is “Support of Application for the Applying Groups”. In this system, the group who is trying to apply for “the grant for groups” can receive support by specialists in planning the projects and filling in the planning and application documents. Iwate Prefectural Federation of Small Business Associations has been supporting application process from the first offers. The group which has passed the screening of the documents goes on to the second examination done by a group of 10 specialists. The central office also gives lectures on the presentation for this examination. There is no definite rule on which group asks for which institution, but to avoid double support from different institutions, these institution members regularly exchange information. The groups which Iwate Prefectural Federation of Small Business Associations supports are ones which visited the circuit sessions, or ones whose members are in high position in the local Chamber for Commerce and Industry and which is not appropriate to receive support from the Chamber and others. These groups are located in all around Iwate. It also supports the group of the shopping street type which consists of many members with

the help of the local Chamber of Commerce and Industry. Some groups go through the application process all by themselves, but even in these cases Iwate Prefectural Federation of Small Business Associations sometimes checks the application forms.

Support after Selected

The third support by Iwate Prefectural Federation of Small Business Associations based on “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake” is “Support for Selected Group”. The groups selected for “the grant for groups” are eligible to apply for this support, and the applied group received the continuous support to advance the reconstruction with the help of specialists. The expenses for reward, travel and other things of specialist are paid by Iwate Prefectural Federation of Small Business Associations (later paid by the prefectural government), so the applied group has no financial burden.

The fourth support by Iwate Prefectural Federation of Small Business Associations based on “Multilayered Support for the Small and Medium Enterprises Damaged from the Great East Japan Earthquake” is “Support for Establishment of New Business Association” and “Model Project for Advancing Reconstruction for Damaged Business Association”. The

former project is giving seminars for setting up the new business association which is easy tool for opening up a new business. The latter project is to help the business association to set up new projects such as joint sales to enlarge the sales scale and to give support in accordance with their individual needs.

4 DISCUSSION

As summarized in Section 3.2.3 “the grant for groups” process, from the application to the implementation, can be divided into three stages with a focus on “the group activities”, including Stage 1) the formation of the group, Stage 2) the preparation of the required documents and application, and Stage 3) the implementation of the submitted group reconstruction plan.

4.1 Potential Benefit of “the Grant for Groups” in terms of Forming Groups

4.1.1 Drive SME owners engaged in the recovery process

In order to apply for “the grant for groups”, enterprises have to form a group. Thus, if one enterprise owner becomes interested in it, s/he started inviting other enterprises (Stage 1). After forming a group, member enterprises including invited ones start engaged in the recovery process to prepare for the application including creating the individual reconstruction plan, gaining an estimate for the construction, and so on (Stage 2). The results show that in all the interviewed groups, members were invited by the leader or other

members (see Section 3.2.3.1). The results also show that some enterprises actually did not have enough practical skills to complete all the application documents by themselves (e.g. mentioned in interview with Group A, L, M) or did not have a motivation strong enough to apply for “the grant for groups” at the very beginning (e.g. mentioned in interview with Group E, O). They decided to apply and could apply for “the grant for groups” possibly because they were invited by the leader or other members and could get support from them or supporting agencies. In other words, by being invited and trying to prepare for the application by the deadline, they took the first step (if they had not started putting efforts on the reconstruction yet) or went one step further (if they had already started) for the reconstruction.

In addition, among interviewees from the 19 damaged enterprises⁷, 10 interviewees mentioned that the human connection was a key to make up their mind to start putting an effort to restart their business, including the connection with the local residents (Enterprise A-1, L-1, Q-1), friends (Enterprise C-2), and customers and business partners (Enterprise C-2, D-1, D-2, E-1, H-2, J-1, Q-1, Q-2). Thus, there is also potential that the connection made or strengthened through those steps becomes a key for them to make up their mind to

⁷ Nineteen enterprises include the listed enterprises except for Enterprise F-1, Enterprise H-1, and Enterprise N-1. As for Enterprise F-1, the interviewee was not in the position such as the owner or the manager who decided to restart the business. Enterprise H-1 is a sake production co-op which was located inland and was not damaged by the disaster. Enterprise N-1 is a shopping street co-op established after the disaster.

start putting an effort on the reconstruction.

Therefore, it can be said that enterprises were driven into the recovery process through that process.

4.1.2 Encourage mutual support among the enterprises within the group

In order to apply for “the grant for groups”, enterprise owners need to create the group reconstruction plan together. When they gather together, they naturally interact with each other and support with each other physically and psychologically. As presented in Section 3.2.3.2, actually, 88.2 percent of the interviewed groups (15 groups, n=17, groups except for Group F, M) mentioned that some members supported other members while creating the documents, e.g. help creating the document, help making the reconstruction plan, did consulting etc. Also, 64.7 percent of the interviewed groups (11 groups, n=17) mentioned that there were some specific members who took initiative to create the group reconstruction plan. In many cases, the leader or some skillful members supported other members who are not skillfull or did not have experience in applying for the grant.

Also, the selection committee decides if they adopt the group or not, which means that they can be adopted as a group, but cannot be adopted as individuals. Thus, if some or even

only one of the group members cannot complete the application documents, the group cannot apply for it. Moreover, if some members' documents are not qualified or matured enough, the whole group might lose the chance. Therefore, there are incentives for enterprises to support with each other. The manager of Enterprise C-1, for instance, mentioned:

Since some of the group members cannot create documents by themselves and the group had only ten days until the deadline, he decided to do everything he could do “for them and for himself”.

4.1.3 Encourage the collaborative project

“The grant for groups” not only asks for the individual reconstruction plan, but also the group has to submit the group reconstruction plan including how all the group member could be involved and could work together. Through these meetings and discussions on those plans with their group members, the human relationship networks were created or strengthened, consciously or unconsciously. Those human networks could be utilized for

the reconstruction or the business in the future.

As a result, 82.4 percent of the interviewed groups (14 groups, n= 17) proposed group joint project as a part of the group reconstruction plan, even though it was not required to create the group joint project (it was only required to propose the function of the group).

This could be partially because the human relationship networks were created and strengthened. This also could be because the group members thought that they needed distinct projects to be selected from a number of candidate groups. But, anyway, the results show that “the grant for groups” provided opportunities for the collaboration between the group members and the group joint project such as developing new products together, initiating new services, holding events, establishing a new co-op or company, etc. Actually, 10 groups (n=14, i.e. 14 groups out of 17 interviewed groups created plans for the group joint projects) started some of the planned group joint projects.

On one hand, some groups already appreciated the benefit of the new initiative. But, on the other hand, while implementing the project, some people faced the difficulties such that a group had the conflict within the members and some are not happy about taking too much time on events which are not very contributing to their core business or making benefit. The collaborations between group members sometimes might even become a burden to some enterprises. In addition, although over half of the groups already started to initiate the group

joint projects as a group, there are still 36% of the groups which couldn't have implemented the project yet. The main reason could be considered as the difference in the speed of reconstructions between different enterprises within a group (such as Group J).

Also, as pointed in Section 3.3.1 and Section 4.1.1, those human connection could become the key for enterprise owners to make up their mind to start putting an effort to restart their business.

Considering the long term and dynamic feature of the reconstruction process, it is difficult to judge whether the those group joint projects are successful or not, or moreover judge whether it was succeeded or failed to let enterprises form groups, at this moment. The long term study and deeper case study of each group is needed.

4.2 Who Can Be Benefited from Each Stage

The successfully selected groups and enterprises, of course, can be benefited from “the grant for groups”. One of the most obvious benefits that “the grant for groups” can provide is the money provided for supporting the reconstruction processes of those selected groups and enterprises. Although, this is not the main focus of the research, the results show that some of them, especially adopted at the early rounds of offering, already finished the

reconstruction of the facilities and equipment by utilizing “the grant for groups”.

Furthermore, in the above sections, Section 4.1 and 4.2, it was discussed that there were other benefits that “the grant for groups” could provide to those adopted groups and enterprises, such as driving SME owners engaged in the recovery process, create/strengthen human relation networks and providing opportunities for the collaboration among the group members (enterprises).

Apparently, only those selected groups and enterprises can appreciate the benefits of “the grant for groups”, as the results proved. However, the benefits could also be provided to the groups who could not pass the selection. It is because all the applicants went through the process of Stage 1 and Stage 2 no matter if they finally get the grant or not. Therefore, all of the applicants could enjoy the benefits provided at Stage 1 and Stage 2, such as the ones discussed in Section 4.1, from those stages.

The first potential benefit is the human network. Even if the group could not pass the selection of “the grant for groups” at that time, they already created or strengthened the human relationship networks. “The grant for groups” not only asks for the individual reconstruction plan, but also the group has to submit the group reconstruction plan including how all the group member could be involved and could work together. Therefore for all “the grant for groups” applicants, no matter if they thought being a group or forming

a group is really helpful or just a matter of the formal procedure, they had to hold and actually had hold several group meetings and discussions with their group members. Through these meetings and discussions with their group members, the human relationship networks were created or strengthened, consciously or unconsciously. Those human networks could be utilized for the reconstruction or the business in the future. Group K, for example, started a project as a group to collect the fund before they passed the selection of “the grant for groups”. Group A was planning to restart their business with their own fund with the group members who wished to restart if the group failed the selection. Furthermore, in the survey, eight groups (n=17) once failed the selection, but later had more discussion, revised the proposal, applied again and finally passed the selection. In addition, as presented in Section 3.3.1, those human connection could become the key for enterprise owners to make up their mind to start putting an effort to restart their business in any ways.

The second potential benefit is that even if the group could not pass the selection of “the grant for groups” at that time, they might already get deeper involved in the reconstruction process. Also, enterprises supported with each other while preparing for the application of “the grant for groups”. The results imply that some enterprises actually did not have enough practical skills to complete all the application documents by themselves or did not have a motivation strong enough to apply for “the grant for groups” at the very

beginning. But, they decided to apply and actually could apply for “the grant for groups” possibly because they were invited by the leader or other members and could get support from them or supporting agencies. In that sense, it can be said that enterprises encouraged each other to get involved in the reconstruction process. Unfortunately, there are no data about the afterwards situations of the enterprises which applied, failed and gave up receiving “the grant for groups”, but it might be possible that enterprises got deeper involved in the reconstruction process by going through application process even though they failed, and could find other chances in the future.

Since the survey was only conducted to the groups which could pass the selections and receive “the grant for groups”, we don’t have enough evidence that the groups or enterprises which failed the selection of “the grant for groups” could also be benefited from it by going through Stage 1 and Stage 2. But those examples presented above somehow support the idea. The investigation of the groups which could not pass the selection is also important as a future study.

5 LIMITATION OF THE RESEARCH

This research conducted the interview survey which covers the 17 groups that receive “the grant for groups”. The interview survey was conducted with 22 enterprises, i.e. one or two interviewees (either or both of the leader and the members) from each group. Since the survey covered different industries from different location to reduce the bias and covered 17 groups of all the selected groups in Iwate Prefecture (77 groups were selected as “the grant for groups” receivers in Iwate Prefecture as of January 16, 2013), the results about facts and actions with regards to group activities can be generalized to some extent, especially at Stage 1) the formation of the group and Stage 2) the preparation of the required documents and application (See Section 4.1.1 and Section 4.1.2).

However, it should be noted that, at this moment, it is too early to evaluate if the group joint projects are successful or not (Stage 3). Also, the situation of the individual enterprises within the groups or the perception of the enterprise owners cannot be generalized since the sample size is not enough. To cover that, individual case studies or bigger size of the interview or questionnaire survey is needed. In addition, since the groups which applied “the grant for groups” and could not pass the selection were not covered in this study, while

the results imply that they might also be benefited from Stage 1 and Stage2, study on those enterprises or groups are needed in the future.

6 CONCLUSION AND IMPLICATIONS

The results showed that there are actually the benefits and functions which “the grant for groups” can provide at the different stages of the process (i.e. forming a group, preparing for the application, implementing the reconstruction plan) as a consequence of requesting enterprises to form a group, while the most of the current research interests focus on the direct economic effects of “the grant for groups” focusing on the individual enterprises (such as Kaneko, 2012; Matsunaga, 2012).

The main benefits of “the grant for groups” associated with forming groups, which we found from the interview survey, are following three points.

1) Drive SME owners engaged in the recovery process while forming a group and preparing for the application

In order to apply for “the grant for groups”, enterprises had to form a group. Thus, if one enterprise owner became interested in it, s/he started inviting other enterprises (Stage 1). After forming a group, member enterprises including invited ones became engaged in the recovery process while preparing for the application including creating the individual

reconstruction plan, gaining an estimate for the construction, and so on (Stage 2). The results show that in all the interviewed groups (n=17), members were invited by the leader or other members. In addition, 10 interviewees (out of 19 damaged enterprises interviewed, n=19) mentioned that the human connection was a key to make up their mind to restart their business. Thus, there is also potential that the connection made or strengthened through those steps becomes a key for them to make up their mind to start putting an effort on the reconstruction.

2) Encourage mutual support among the enterprises within the group while preparing for the application

In order to apply for “the grant for groups”, enterprise owners need to create the group reconstruction plan together. When they gather together, they naturally interact with each other and support with each other physically and psychologically. Actually, 88.2 percent of the interviewed groups (n=17) mentioned that some members supported other members while creating the documents, e.g. help creating the document, help making the reconstruction plan, did consulting etc. Also, 64.7 percent of the interviewed groups (n=17) mentioned that there were some specific members who took initiative to create the group

reconstruction plan. In many cases, the leader or some skillful members supported other members who are not skillfull or did not have experience in applying for the grant. It is also implied that there were incentives for enterprises to support with each other because the whole group might lose the chance if some members' documents were not qualified or matured enough, as some interviewee mentioned.

The results also show that some enterprises actually did not have enough practical skills to complete all the application documents by themselves or did not have a motivation strong enough to apply for “the grant for groups” at the very beginning. They decided to apply and could apply for “the grant for groups” possibly because they were invited by the leader or other members and could get support from them or supporting agencies. They are exactly the people who appreciated the benefit of “the grant for groups” in terms of forming a group.

3) Encourage the collaborative project

Even though it was not required to create the group joint project (it was only required to propose the function of the group), 82.4 percent of the interviewed groups (n= 17) proposed group joint project as a part of the group reconstruction plan. Those projects

include developing new products together, providing new services together, holding events together, establishing new cooperative associations or companies, and so on. Some groups already took advantage of being a group while implementing those projects. Meanwhile, other groups faced trouble and difficulties while implementing the project or even could not have started implementing any of their group joint projects yet. From the current stage of research, it is still difficult to evaluate if those group joint projects are successful or not, or moreover it was helpful for the enterprises that “the grant for groups” requested enterprises to form groups, due to the long term and dynamic feature of the reconstruction process and the business. Therefore, the long term study and deeper case study of each group are needed.

Another aspect is who could appreciate those three benefits. Apparently, those selected groups and enterprises can appreciate those benefits of “the grant for groups”, as the results proved. However, it is also implied that some of those benefits could also be provided to the groups who could not pass the selection because all the applicants went through the process of Stage 1 and Stage 2 no matter if they finally get the grant or not.

For the implications, firstly, this study provided the evidences that there are actually the benefits and functions which “the grant for groups” can provide at the different stages of

the process (i.e. forming a group, preparing for the application, implementing the reconstruction plan) as a consequence of requesting enterprises to form a group. This study provided a new aspect of the function of “the grant for groups”. As a consequence of requesting enterprises to form a group, above-mentioned software benefits were provided in addition to the hardware support (providing the reconstruction cost). Especially, benefits provided while forming groups and preparing for the application are important new findings which should be taken into consideration by the academia and the policy makers as the important functions of “the grant for groups” in the context of the post disaster policy.

Since this study conducted interview survey only with the leader or a few members of 17 groups which have received “the grant for groups”, it is recommended to conduct the survey with more members from each group in order to understand the functions more holistically. In addition, it is highly recommended to conduct surveys with enterprises which applied “the grant for groups”, failed the selection, and gave up receiving the grant, because, as discussed above, there is a possibility that they were also benefitted by going through the process of forming a group and preparing for the application.

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