

Investment Framework for Action Area 1-3 – Increasing Sustainable Production and Consumption

1. Introduction

Generic Purpose of IFs

- 1.1 The NWOP Programme Monitoring Committee has agreed to the development of a series of Investment Frameworks. The purposes of these are to:
- Develop further the context for each of the Action Areas within the NWOP and focus on specific investments which the ERDF Programme will support
 - Encourage all project sponsors to seek guidance from the relevant policy leads and/or the European Programme Team before embarking on the development of a project idea
 - Provide guidance for projects sponsors when developing their ideas and projects in relation to the NWOP
 - Set out what outputs and results are expected to be delivered.
- 1.2 All Investment Frameworks (IFs) have been developed with input from regional and local stakeholders across the region during late 2007. The IFs will be subject to a monitoring and evaluation process to ensure that they continue to be fit for purpose and aligned with the NWOP and relevant regional and sub regional strategies. The NWOP Programme Executive will be able to provide further guidance in relation to the IFs.

Specific Purpose of this Investment Framework

- 1.3 This Investment Framework is designed to guide the use of the resources under the NWOP that have been indicatively allocated to this Action Area as part of Priority 1 "*Stimulating Enterprise and Supporting Growth in Target Sectors and Markets*". At present these resources amount to €41m over the life of the Programme comprising £8m in the Merseyside phasing-in area and £19m in the rest of North West.
- 1.4 This Investment Framework supports interventions that will help reduce the carbon and environmental impact of all SMEs, prepare SMEs for the business opportunities/threats arising from climate change, prepare for future environmental legislation and policies and improve resource efficiency, waste treatment, new forms of energy production and other aspects of environmental improvement. The Investment Framework is a critical area of the NWOP aimed at reducing the environmental impact of the Programme as a whole. In doing so, it also supports the Northwest Climate Change Action Plan vision of a low carbon and well-adapted Northwest by 2020. The clear emphasis is on SMEs. However, specific projects will engage with and potentially fund activity in large firms due to the nature of business operational relationships e.g. large firms' participation will be required to embed environmental and wider Corporate Social Responsibility (CSR) responsibilities in SMEs across the region.
- 1.5 There are five strands of activity supported under this Investment Framework
- **Strand 1** – Support for innovative approaches to changing culture and embedding sustainable behaviours and management practices
 - **Strand 2** – Support for improving Sustainable Consumption and Production (SCP) within key and enabling sectors

- **Strand 3** – Support for Sustainable procurement
- **Strand 4** – Expanding the development, demonstration and market development for low carbon technologies and processes in the NW
- **Strand 5** – Supporting the installation and use of current low carbon/low-resource technology and processes

2. Partner Engagement

2.1 A draft framework was developed through analysis of relevant regional and national strategies and actions plans, supplemented with regionally specific studies where available. This draft was circulated to sub-regional partnerships and member organisations of two regional partnership Boards, the Northwest Climate Change Partnership and the Northwest Business Resource Efficiency and Waste Partnership. Feedback was received from the constituent members of these Boards including: Northwest Regional Assembly; Government Office North West; Northwest Development Agency; Sub-Regional Partnerships; The Carbon Trust; Environment Agency; Envirolink Northwest; Envirowise; ENWORKS; NISP; WRAP; and the Northwest Centre of Excellence; plus feedback from: The Lake District National Park Authority; Merseyside Waste Disposal Authority and the NW Universities Association. Eligible feedback received from these partners was then used to produce the final Investment Framework.

3. Linkages to Other Strategies

- 3.1 The Regional Economic Strategy (RES) sets out a **low carbon economy** as a cornerstone of the economic vision for the Northwest. Increasing production and consumption growth patterns, combined with population growth, are leading to unsustainable resource use and intensifying the threat to regional competitiveness and productivity. Climate change and decreasing landfill space are clear evidence of the declining ability of our natural environment to maintain a steady state, putting at risk the human systems which have developed around the goods and services that the environment provides. This Investment Framework will make a significant contribution to achieving RES Action 23 (Improve Business Resources Efficiency and Waste Minimisation (BREW) support to business) and RES Action 24 (Develop and implement a Regional Climate Change Action Plan).
- 3.2 The rationale for investing to increase sustainable production and consumption is supported by a range of national and regional policy, strategy, research and evaluation. The UK's Sustainable Development Strategy (2005) promotes a vision for the UK based on One Planet Economics. The unsustainable and inefficient use of resources is a burden on the region's economy and businesses. In 2003, the benefits to UK manufacturing businesses from low cost, no cost resource (waste) efficiency improvements were estimated to be between £2 billion and £2.9 billion¹. In addition, it has been estimated that in 2002, the cost effective potential for energy efficiency in all sectors of the economy (net of taxes) was £12.3 billion (Domestic £5bn, Service £1.2bn, Industry £1.4bn and Transport £4.7bn).

¹ Source: Environment Agency (2003) *The benefits of greener business*

- 3.3 The 2006 Stern Review concluded that the benefits of strong, early co-ordinated action against climate change far outweigh the economic costs of doing nothing. It is estimated that the cost of not taking action could be equivalent to losing between 5% and 20% of annual global GDP whereas the costs of taking action can be limited to around 1% of annual global GDP, if the World pursues the optimum policies.
- 3.4 The market failure case for public sector intervention in helping businesses to improve their own resource productivity is strong. The environmental justification is based on environmental externalities; however the broader case is made on information failure grounds. Evidence suggests that businesses are not installing low carbon and resource efficient measures despite the potential savings to be realised.

4. Key Principles to Support Project Prioritisation

- 4.1 There are a number of important principles which will inform project selection and how the resources allocated under this Investment Framework will be used:
- The Investment Framework will seek to adopt a regional procurement approach with co-ordinated sub-regional delivery activity, integrated into the existing delivery frameworks for business and environment support.
 - Those aspects of this Investment Framework which fall within the scope of the Business Support Simplification Programme (BSSP) will accord closely with its priorities and principles². In practical terms this means: that projects offering direct support to businesses will need to operate within the new principles of business support simplification.
 - The principles of the BSSP can be summarised as follows:
 - Business Link North West (BLNW) is the primary access channel for these services: all services will maximise access through Business Link's brokerage service to ensure an efficient and effective customer journey.
 - Any Information, Diagnostic and Brokerage (IDB) service, including the highly specialised, will either be delivered through Business Link North West, or with their agreement by other delivery organisations.
 - Marketing of the services will need to be co-ordinated by and compatible with BLNW's own marketing programme so confusion and duplication are minimised.
 - Where a range of providers is involved, there will be a regional approach to branding across each service/strand.
 - Services will be located in one (or more) of the approved business support products (see Appendices A and B): they will support the stated objective of that product(s) and be under-pinned by an appropriate market failure assessment.
 - All services will be based on a clear and convincing rationale, with supporting evidence on effectiveness and business demand: BLNW will help ensure services respond to identified needs.

² BSSP is led by the Department for Business and Regulatory Reform (BERR) and has involved the RDAs. The latest guidance (published with the Pre-Budget Report in October 2007) is available from the BERR web site see <http://www.dti.gov.uk/bbf/enterprise-smes/streamlining-government/index.html>

- NWDA will coordinate business support to ensure on-going consistency with BSSP and promote fit to regional economic strategic priorities.
- Legacy schemes which are not consistent with the portfolio but which cannot be immediately terminated for wider strategic reasons will cease as soon as is reasonably practicable.
- Within all programmes, preferential support will be given to activity that is focused higher up the waste and energy hierarchies:
 - Waste hierarchy (reduce, re-use, recycle, energy recovery, disposal)
 - Energy hierarchy – (minimise demand for energy, maximise energy efficiency, use renewable energy, efficient fossil fuel use).
- Preferential support will be given to major strategic projects which fit within the regional programmes and that have a demonstrable positive impact in the Northwest rather than smaller unconnected projects.
- Activity that supports businesses to use resources efficiently, minimise waste and respond to climate change should enhance and extend existing regional programmes e.g. Enworks, Envirolink, BREW Northwest etc.
- Activity will target all SMEs; the majority of interventions with a specific sectoral nature are included in Investment Framework AA1-2 "Developing Higher Added Value Activity in Target Regional Sectors".
- Activity must support regional businesses to identify and implement the best opportunities to reduce their CO₂ and waste contributions.
- Investment in technology development will focus resources on near-market and commercial demonstration stages.³
- Activity will encourage the installation of micro-generation, energy efficient and resource-efficient technologies to reduce upfront costs for commercial property owners.⁴
- Activity in relation to environmentally preferable goods and services will encourage manufacturers, suppliers and contractors to develop, supply and use them.⁵
- Where feasible the project, or end recipient business, should track carbon and resource efficiency savings in the ENWORKS Resource Efficiency Online Toolkit.
- Projects must demonstrate sound value for money especially in terms of environmental outputs.
- Projects must have a sound forward/exit strategy for when the project ends.

³ NWDA, GONW, NWRA & Environment Agency (November 2006) *Rising to the Challenge: a climate change action plan for England's Northwest 2007-09*

⁴ NWDA, GONW, NWRA & Environment Agency (November 2006) *Rising to the Challenge: a climate change action plan for England's Northwest 2007-09* and (July 2006) *Northwest sustainable energy strategy*

⁵ DEFRA (June 2006) *Procuring the future – sustainable procurement national action plan: recommendations from the Sustainable Procurement Taskforce* and Chamber of Commerce East Lancashire (March 2007) *Co-ordinated sustainable procurement for Northwest supply chain*

General exclusions include:

- Bids related to the natural environment habitat and habitat management.
- Projects which should more naturally be funded by the Rural Development Programme for England (RDPE).
- Projects aimed directly at working with domestic consumers of energy and producers of waste.

4.2 There is a potential overlap between some of the activity to be support under this Investment Framework and other Investment Frameworks for the NWOP. This is inevitable given the overlapping and complex nature of the issues. The main potential links are summarised as follows:

- Action Area 1.2 has a sector focus and will support a programme of activity aimed at strengthening the energy/environmental technologies sector in the region. There is a potential overlap with Strand 4 of the Investment Framework. The expectation is that Action Area 1.2 will not be supporting development of environmental technology demonstration or prototypes, rather this Action Area will do that. However, given that both Action Areas are in the same priority, if necessary there may be projects developed across both Investment Frameworks if they contribute to the overall aims of the NWOP.
- Action Area 2.1 supports the development and transfer of R&D and University expertise in technology, sustainable practice, design etc. Again there is a potential overlap with this Investment Framework. However, the intention is that this Investment Framework will focus on direct work with SMEs and better environmental practices within SMEs, rather than working with HEIs. However, it is possible that HEIs may be involved in the development and delivery of some of the projects.
- Any activity that covers innovation in products or processes related to sustainable production must not overlap with projects supported under Action Area 2.2 (Action Area 2.2 supports the development of innovation within SMEs).
- Any activity to ensure more sustainable property and business areas must not overlap with projects supported under Action Areas 3.2 and 4.3.

4.3 Business support activity supported under this Action Area sits within the draft national Business Support Simplification Product Framework and relates to two of the products:

- **Resource Efficiency and Sustainable Waste Management** – help and incentives to create a low carbon economy and tackle climate change.
- **Business Expertise For Growth** – expert knowledge and specialist input for targeted small-medium businesses to grow.

4.4 The current national summary of these products is included as Appendices A and B.

5. Investment Framework targets

5.1 This Investment Framework will aim to generate:

- A low carbon, low-resource, sustainable and efficient Northwest as evidence of a move to more sustainable consumption and production by 2020.
- An increased number of NW businesses that have embraced low carbon economics and embedded resource efficiency within their processes.
- A Northwest that has adapted well to the challenges of climate change by 2020.

- A reduction in commercial waste going to landfill as result of an increase in the uptake in cleaner design, re-manufacturing, re-use, recycling and waste exchange.
 - An increase in the regional demand for, and use of low carbon, sustainable and recycled products.
 - The Northwest as a key UK region for the development and provision of sustainable products.
 - Increase deployment of low carbon technologies including an increased regional supply of renewable energy.
 - Improved regional awareness of the opportunities and risks associated with Climate Change, Sustainable Consumption and Production (SCP) and Corporate Social Responsibility (CSR).
- 5.2 The key desired outcome is to reduce the environmental footprint of economic activity in the North West, with a focus on reducing total CO₂ emissions.
- 5.3 The main objective of this Investment Framework is to improve regional GVA and reduce CO₂ emissions. The indicators that will be used to measure progress are as follows⁶:
- **Outputs:** No. of businesses assisted to improve their environmental performance.
 - **Results:** No. of gross jobs created; No. of gross jobs safeguarded; No. of businesses with improved environmental performance; Number of businesses with sustainable procurement policies*; Number of applications of low carbon technologies*; Reduction in annual CO₂ emissions from Programme interventions (tonnes pa).
 - **Impacts:** Net additional GVA overall in region (£m); Net additional employment overall in region; Less waste produced per unit of GVA*; More waste diverted from landfill (tonnes)*; Raw materials saved (tonnes)*; Higher % energy generated from renewables*; Water saved (cubic metres)*; Fewer CO₂ emissions per unit of GVA.
 - [Note *: indicators with an asterisk are ones not covered by the CLG/RDA list of indicators].

6. Investment Framework Approach

- 6.1 The main focus of the Investment Framework is to reduce the environmental impact of SMEs – in particular by decreasing CO₂ emissions, the use of water and resources – whilst also helping businesses secure cost savings, improve productivity and increase competitive advantage.
- 6.2 ERDF investment will support actions to: increase the use of low carbon technologies and processes; grow the market for these products and services; increase understanding and uptake in all businesses of the cost and benefits of resource efficiency and energy reduction; and develop a strong low carbon, low resource technology supply chain.
- 6.3 This Investment Framework supports 5 strands of activity:
- **Strand 1** – Support for innovative approaches to changing culture and embedding sustainable behaviours and management practices
 - **Strand 2** – Support for improving Sustainable Consumption and Production (SCP) within key and enabling sectors
 - **Strand 3** – Support for Sustainable procurement

⁶ Unless otherwise stated the indicators all are consistent with the national set of indicators and definitions produced by DCLG(Department of Communities and Local Government) and the RDAs

- **Strand 4** – Expanding the development, demonstration and market development for low carbon technologies and processes in the NW
- **Strand 5** – Supporting the installation and use of current low carbon/low-resource technology and processes.

6.4 Each strand is described in turn in more detail below.

6.5 There is scope for the development of regionally strategic territorial (inter-regional) co-operation projects linked to this Investment Framework provided the project has been developed from the region's participation in an EU Fast Track network or inter-regional or trans-national networks of regional significance. These projects should influence programme delivery.

Strand 1: Support for innovative approaches to changing culture and embedding sustainable behaviours and management practices

6.6 Description of activity supported. There is a disjoint in the market place between awareness of climate change and its impacts and action taken to improve sustainable consumption and production in the NW. To truly have an impact on this in the region, we need to focus on turning awareness of the risk and issues into desire to change and actual action taken by NW business (especially SMEs).

6.7 The activity supported will be:

- Development of a regional behaviour change programme that: presents a compelling case for SCP and renewable energy to NW business (especially SMEs); raises awareness of and increases Corporate Social Responsibility in NW businesses; increases advocacy in low carbon and low resource use via those that have regular contact with NW businesses (especially SMEs) e.g. Environment Agency, Local Authority representatives, plumbers, heating engineers and builders⁷ and; optimises the impact of the different initiatives in the region.

6.8 Design principles: The intention is that ERDF will be used to develop and deliver a regional behaviour change umbrella programme with integrated sub-regional innovative projects that support the sub regional economic strategies. In addition to this a small number of high-impact projects that demonstrate innovative use of media and demonstrate a measurable impact on behaviour/awareness may also be funded. Projects must enhance existing regional and national initiatives and, must be targeted.

6.9 Outputs: At present there are no specific targets for this Strand, these will need to be developed

6.10 Match funding: There are various potential sources of match funding including: NWDA, Lake District National Park Authority, Energy Savings Trust, Business in the Community and BREW NW partners e.g. Environment Agency, Envirowise, BREW Centre for Local Authorities etc. and, private sector match.

⁷ Where relevant this will focus on increasing referrals through to the environmental advice available via Business Link

Strand 2: Support for improving sustainable consumption and production within key and enabling sectors

Description of activity supported. In the UK, up to 45% of CO₂ emissions are generated by business yet it is estimated that around 30% of this energy is wasted through inefficient practices. The typical cost of wasted raw materials, water and energy is around 10 times the cost of waste disposal. Change within business to reduce this wastage has a vital role to play in the transition to a more sustainable Northwest economy. There is an immediate imperative to invest in reducing waste as the Northwest is predicted to run out of landfill capacity in the next 5-6 years.⁸ This strand will invest to reduce emissions, design out resource use, design out waste production and increase resource efficiency.

6.11 The activity supported will be:

- Targeted activity on business resource efficiency including: resource efficiency clubs and supply chain influence; carbon management; renewable energy; Corporate Social Responsibility and; travel planning.
- Assessment of the economic risks and opportunities associated with climate change and actions to minimise/capitalise on these.

The primary focus of activity will be on SMEs. In addition, to maximise the impact of this strand and to influence SMEs, a small number of projects that focus on reducing the energy / resource use of significant energy and/or resource using companies within the Northwest⁹ may also be funded.

6.12 Design Principles: Projects should focus on reducing the use and waste of energy and resources, especially Defra's seven priority waste materials: textiles, plastics, paper/card, glass, wood, aluminium and food waste¹⁰. Businesses will be supported in key sectors (advanced engineering and materials; biomedical; digital and creative; food and drink; tourism; business and professional services and; environmental technology sector) and enabling sectors (construction; transport; and appliances) plus regional businesses that are significant users of energy and/or resources. Projects must enhance existing regional and national initiatives and must be targeted to maximise impact. Projects must show evidence of working within the Business Link and ENWORKS programmes and (as appropriate) all projects will be expected to track resource savings in the ENWORKS Resource Efficiency Online Toolkit. Projects that fail to comply with the design principles will be excluded.

6.13 Outputs: At present there are no specific targets for this Strand, these will need to be developed

6.14 Match funding: There are strong links to existing and/ or planned region-level programmes. Potential sources of match funding include: NWDA, ENWORKS resource efficiency programme; Envirowise; WRAP; the Carbon Trust; NISP; the BREW Programme; and private sector match.

⁸ Source: Chamber of Commerce East Lancashire (March 2007) *Coordinated Sustainable Procurement for Northwest Supply Chain*, p4

⁹ For example a significant energy using company is one with a bill of over £1 million (based on January 2008 prices - this level is subject to revision depending on sub-regional variations and unforeseen changes in the market place).

¹⁰ From DEFRA (2007) *Waste Strategy for England – these priorities may be subject to change*

Strand 3: Support for Sustainable Procurement

- 6.15 Description of activity supported. Recent evidence indicates a rising awareness of the principles, mechanisms and value of sustainable procurement (65% of NW purchasers claim to consider environmental impact). However, there is a widely accepted need for improvement in purchasing and procurement within the region. More than half (56%) of respondents to a recent survey had not heard of sustainable procurement. There is an explicit need for "reconciliation between bulk-price optimisation, sustainable procurement and SMEs' ability to participate faced with the barrier of higher value contracts." According to research undertaken by the NWRA, 83% of professional buyers admitted the profession lacked a clear understanding of sustainable procurement.¹¹ The concept of Sustainable Procurement immediately raises barriers towards its implementation and development within organisations; these include the perceived higher cost of more sustainable products and services and the up stream and down stream integration of systems and procedures.
- 6.16 The activity supported will be the development of a regional support programme, with regional and sub regional delivery projects for organisations or groups of organisations in the following areas:
- **Guidance** - to raise awareness of the principles of sustainable procurement; to provide access to sustainable procurement solutions i.e. recycled products.
 - **Specialist Support** - to assist organisations to develop and implement sustainable procurement policies; to increase the levels of competencies within organisations to undertake sustainable procurement activities (including supply chain development).
- 6.17 Design Principles: A regional umbrella programme with sub-regional project delivery – with the aim of removing barriers to the take-up of sustainable procurement. In addition to this a small number of high-impact projects may also be funded. Activities must support the NWOP programme's target of a low carbon economy. Awareness raising should be targeted throughout organisations i.e. specifiers and buyers will not succeed in applying a sustainable procurement strategy to procurement specifics without the understanding and support of the senior management. Projects must enhance existing regional and national initiatives and must be targeted to maximise impact. Projects must show evidence of working within the Business Link and ENWORKS programmes and (as appropriate) all projects will be expected to track resource savings in the ENWORKS Resource Efficiency Online Toolkit. Exclusions are: support for organisations to develop an EMS (environmental management system); and skills projects which are eligible for European Social Fund (ESF) funding.
- 6.18 Outputs: At present there are no specific targets for this Strand, these will need to be developed.
- 6.19 Match funding: Potential sources of match funding include: NWDA, NW Sustainable Procurement Forum and Envirolink 'Buy Recycled' programme; and private sector match.

¹¹ NWRA (May 2007) Identification of Nationally, Regionally and Sub-Regionally Significant Waste Management Facilities in the North West

Strand 4: Expanding the development, demonstration and market development for low carbon technologies and processes in the NW

- 6.20 Description of activity supported. Sustainable consumption and production is not the business norm and there is a need to improve this at the very core of the way that products and services are produced in order to design lower carbon technologies and ensure the region reduces the environmental footprint of the goods and services. There is a strong market failure case to justify public investment in the demonstration of environmental technologies to assist in bringing new environmental technologies to the commercial market. It is unlikely that private innovators will undertake the investment necessary to bring it to commercial production due to:
- Prohibitively high cost of action relative to the uncertainty of private returns for individual firms; and
 - The relatively high risk of failure and newness of the technology.
- 6.21 The activity supported will be:
- A programme to stimulate the development of innovative products and services that significantly demonstrate progress towards the goal of achieving a more efficient and responsible use of natural resources, including energy. The aim of this programme is to reduce the footprint of goods and services by using lower carbon/resource intensive materials, designing out waste and developing markets for such goods and services.
 - Demonstration of near-to-market commercial technologies. Investment will be made across the following areas: energy efficiency, demand reduction, climate change adaptation, energy from waste, energy generation techniques (i.e. renewable energy) and resource/water efficiency.
- 6.22 Design Principles: The programme to stimulate and encourage innovative products and services (eco-design) is seeking: genuine innovation in products where a clear route to market can be demonstrated and; knowledge transfer between organisations such as Universities and research institutes. The intention is that investment in demonstration will be made in near-to-market technologies and new-to-market technologies, with the total maximum ERDF and other public sector match funding for individual demonstration projects generally fixed at €200,000 over 3 years¹². Demonstrable carbon savings or environmental protection benefit will be required to secure investment. Applications are encouraged from collaborations, particularly between industry and universities. Pure R&D projects which cannot demonstrate a clear route to market are not eligible for support..
- 6.23 Outputs: At present there are no specific targets for this Strand, these will need to be developed.
- 6.24 Match funding: Potential sources of match funding include: NWDA existing projects and programmes (including GRAND), Envirolink Northwest, Envirowise, WRAP, the Joule Centre, HEIs and the private sector.

¹² As of 1 January 2007 this is the de minimis aid level granted by the Commission. In addition projects which fall within any other Block exemption may be eligible for a higher level of funding.

Strand 5: Supporting the installation and use of current low-carbon/ low-resource technology and processes.

- 6.25 Description of activity supported. There is a clear need to ensure that low-carbon, renewable, energy efficiency, recycling and, waste minimisation products and services are applied across the Northwest. This will support installation and implementation of these technologies and services in order to assist in improving business performance and competitiveness, and enable businesses to adapt to climate change and reduce their environmental footprint.
- 6.26 The activity supported will be:
- Invitation for bids to manage a Programme to provide small grants to SME businesses for the implementation of low-carbon, energy-efficient, renewable, waste and water minimisation technologies, processes and services – no minimum grant requirement.
 - Applications for grants to support larger individual projects to install low carbon technologies, resource efficient infrastructure, recycling services and, renewable energy at locations that provide for or are used by SMEs e.g. business parks, incubation units etc. or, which will provide exemplars in the integration of low carbon technology or processes. There are clear links to Investment Framework AA3-2 (Developing High Quality Sites and Premises of Regional Importance) and IF AA4-3 (Employment Creation for Areas of Regeneration Need) both of which support the development of sustainable site development. Activity under this strand will focus on existing sites and premises or new developments where these activities are not being supported under AA3-2 or AA4-3.
- 6.27 Design Principles: Eligible activities must use current and proven technologies, processes or services and must have a demonstrable benefit for SMEs. Infrastructure bids for funding must be for additional low carbon investment (i.e. above current sustainable construction commitments). Infrastructure projects should also be phased to include an initial review of the technical viability and the low-carbon, low-resource impact. A maximum grant threshold of ERDF and other public sector match funding for individual demonstration projects generally fixed at €200,000 over 3 years¹³ will apply. Applications for grants outside of the stated minimum and maximum thresholds will usually be excluded. Exceptions to this maximum grant threshold may be made in the case of an outstanding, innovative project demonstrating high impact. Eligible activities include transport technologies but exclude the provision of transport services
- 6.28 Outputs: At present there are no specific targets for this Strand, these will need to be developed.
- 6.29 Match funding: Potential sources of match funding include: NWDA's existing Selective Finance for Investment (SFI) programme, infrastructure grants (linked to Action Area 3-2); Low Carbon Buildings Programme; the Carbon Trust; the current BREW programme including WRAP and BREW Centre for Local Authorities; Waste Disposal Authorities; Local Authorities; and private sector match .

¹³ As of 1 January 2007 this is the de minimis aid level granted by the Commission. In addition projects which fall within any other Block exemption may be eligible for a higher level of funding.

7. Procurement Method for the Investment Framework

- 7.1 The proposed procurement method for each of the strands is either **limited bidding** or **non-competitive selection**. The non-competitive bidding will be to run an umbrella regional programme which will, inter alia, support sub regional programmes. Limited bidding is where a limited number of project sponsors (applicants) will be identified and invited to bid into the NWOP under this Investment Framework to run the activities in the different stands. Potential project sponsors will be identified on the basis of relevant projects in current sub-regional action plans or regional networks/organisations that can operate across and enhance existing and future regional programmes of activity. If limited bidding is found to be inappropriate for certain activities, Open Bidding will be considered.
- 7.2 Once a contract for managing a grant programme has been agreed under Strands 4 and 5, then any bids into each programme will be on a competitive bidding basis against the agreed criteria for the programme.
- 7.3 In summary, the proposed procurement method for each strand is as follows:
- Strand 1 – Support for innovative approaches to changing culture and embedding sustainable behaviours and management practices. **Non-competitive selection**.
 - Strand 2 – Support for improving Sustainable Consumption and Production (SCP) within key and enabling sectors. **Limited bidding**.
 - Strand 3 – Support for sustainable procurement. **Non-competitive selection**.
 - Strand 4 – Expanding the development, demonstration and market development for low carbon technologies and processes in the North West. **Limited bidding**.
 - Strand 5 – Supporting the installation and use of current low carbon/low-resource technology and processes. **Limited bidding**.

8. Spatial Level of Delivery

- 8.1 This Investment Framework will, wherever possible, adopt a regional approach to procurement of activity, covering the whole of the North West region, although delivery may be at the sub-regional level.

Merseyside

- 8.2 In the case of the regional programmes that are to be enhanced under this Investment Framework, the design of these programmes will need to ensure that the relevant outputs, activity and spend linked to the ring-fenced Merseyside allocation is delivered. This means that there will need to be separate targets for Merseyside.

9. Financial Context

- 9.1 The NWOP has a total allocation of approximately €755m or around £521m. This is split between Merseyside as a 'phasing in' area (approximately €308m or £210m) and the rest of the NW region (€448m or £308m). The NWOP also fixes an allocation for each priority, including Technical Assistance, which cannot be changed. The NWOP is subject to a fixed financial profile and strict spend targets which must be met.

- 9.2 The NWOP overall and priority level intervention rate is set at 50%, but this is likely to vary according to individual projects. Match funding is expected to come from a variety of sources, both public and private, depending on the action area.

Sources of Match Funding

- 9.3 There are a number of possible sources of match funding including: the NWDA's Single Programme, Low Carbon Buildings Programme, the Carbon Trust, the current BREW programme, Envirolink Northwest, Envirowise, Enworks, the Joule Centre, HEIs and private sector match funding. These are detailed more above under each proposed strand of activity.

10. Guidance Documentation, Including Cross Cutting Themes

- 10.1 The NWOP has two agreed cross cutting themes: environmental sustainability and equality & diversity. The intention is to mainstream the delivery of the themes, building on best practice. The cross cutting themes should not be seen as an add-on, and be used in the design and the delivery of each project. All projects funded by ERDF will be expected to deliver against Cross-Cutting Theme (CCT) related outputs and results, some of which have been embedded into the NWOP

Environmental Sustainability Cross Cutting Theme

- 10.2 The NWOP aims to grow the economy of the region providing for more value added activities and securing current and additional jobs. The inclusion of the Environmental Sustainability CCT in the programme is central to ensuring that negative environmental impacts are minimised, or mitigated, and that positive impacts are maximised.
- 10.3 Key messages of the CCT are to improve:
- Energy efficiency and related carbon mitigation measures;
 - Air and water quality;
 - Protection of the local environment (green spaces, biodiversity, quality of life);
 - Resource efficiency to minimise waste and encourage recycling;
 - Sustainable transport; and
 - Sustainable construction.
- 10.4 All potential projects will be evaluated via the appraisal process to determine the perceived benefit to the region against both the Action Area objectives and consistency with the messages of the CCT. Projects will be supported that can demonstrate they have taken all practicable measures to reduce or eliminate negative environmental impacts arising as a result of the project and measures to enhance positive environmental impacts. Projects, which can demonstrate a positive contribution to environmental sustainability under the themes above, are more likely to be successful on application for funding.
- 10.5 To ensure delivery of the Environmental Sustainability CCT all projects will be contractually required to:
- Complete an environmental assessment at Development and Appraisal stage. This will include evidence of the existence of a Green Transport Policy and a Sustainable Procurement Policy/Plan/Strategy as well as evidence of an implementation of both within the applicant organisation.

- All business assist projects will be contractually required to refer companies that they have assisted (that meet the requirements of agreed criteria) to Enworks and collect evidence that the end business has contacted Enworks.
 - All Appropriate infrastructure projects will be required to comply with the NWDA Sustainable Buildings Policy.
- 10.6 As well as the initial assessment of project benefits as highlighted, a specific global target to support a 25% reduction in additional CO₂ emissions generated by the NWOP has been defined. Therefore the Carbon emissions of all projects will be monitored and aggregated up so that the impact of the programme as a whole can be measured.
- 10.7 The following set of six generic indicators has also been established to track delivery of the cross Cutting Theme throughout the life of each project:
- Energy (tonnes CO₂)
 - New Green Infrastructure Created / Ha
 - % of projects with Green Travel Plans and evidence of implementation and practice change
 - % of Projects with Sustainable Procurement Policies / Plans / Strategy evidence of implementation and practice change
 - Number of new environmental products supported
 - Number of Environmental Business supported
- 10.8 Not all of indicators may be applicable to each project and at the evaluation stage the relevant indicators will be chosen for the project. However for this Investment Framework this may include incorporating the following into the project design:
- Waste Minimisation
 - Water efficiency
 - Sustainable procurement
 - Use of renewable resources
 - Green Travel Plans
 - BREEAM Assessment of buildings
 - Use of low carbon technologies
 - Development of new environmental product / business stream.

Equality & Diversity Cross Cutting Theme

Equality and Diversity Cross Cutting Theme

The diversity of the Northwest's people and communities is an economic as well as cultural and social asset. In spite of the great strides made some equality groups are still subject to discrimination and experience exclusion from the benefits of economic growth. This is reflected in low levels of skills, educational attainment, employment and entrepreneurship among certain communities in the Northwest. This is an economic as well as social concern as poverty and lack of opportunity inhibits the region's potential growth and threatens community and social cohesion.

Promoting Equality and Diversity plays a fundamental role across the programme's priority and action areas. The guiding principle is that all policies, programmes and projects should be designed, developed and

monitored with the diversity of the region in mind, and should proactively tackle barriers to economic participation and success.

The programme will also actively promote Equality and Diversity amongst all the agencies it works with in order to encourage wider engagement with the principles of equality and diversity beyond the programme itself.

The key messages of the Equality and Diversity CCT are to ensure that all potential projects:

- are designed and delivered in a way that promotes equality and diversity with specific indicators and measurable targets set.
- recognise the business case for promoting equality and diversity not only in terms of social and economic impact, but also how it can help to increase the number of businesses.
- reflect current and likely future changes in legislation.
- make equality and diversity integral to the project throughout its life cycle.
- take responsibility for having access to expertise and resources designed to further the programme's equality objectives.
- have robust monitoring and evaluation processes that include assessing the Programme's key Equality and Diversity objectives.

Using the current evidence base and taking into account relevant legislative requirements, the following Equality and Diversity strands have been identified as constituting priorities with regard to the NWOP and to which all potential projects will be expected to have established key performance targets against¹⁴:

- Gender
- Race and ethnicity
- Age
- Disability

Not all of the above equality strands may be relevant or applicable to each project and at the appraisal/evaluation stage the relevant indicators will be chosen for the project. However for this Investment Framework this may include incorporating the following principles into the project design:

- Demonstration of how equality and diversity are integral to the design of the project.
- Demonstrate how the project will, where relevant, meet the needs of women, black and minority ethnic (BME) communities, disabled people and people aged 50 and over.
- A clear understanding of the needs of the targeted group(s), the barriers that they face and how the project links into established best practice with regard to promoting equality and diversity.
- Ensuring that the management body for the project are sensitive to the needs of the targeted group(s) and that it ensures the accessibility of the project to disabled people, older people, women and the ethnic communities that they are targeting.
- How the project will be monitored, reviewed and evaluated to ensure that it promotes equality and diversity.
- Demonstrate that the applicant has in place steps to address any negative impact identified as a consequence of conducting an Equality Impact Assessment.

¹⁴ Although not identified as part of the priority groups for which we will be collating monitoring information on; we would encourage projects and programmes where appropriate and applicable to take into consideration the needs of Lesbian, Gay, Bisexual and Transgender people as well as faith and religious communities. However currently the priority within the programme in relation to the collection of monitoring data will be Race, Age, Gender and Disability. We will not therefore be expecting monitoring data for the other two strands.

11. Compliance

- 11.1 All projects being taken forward within this Investment Framework will be required to comply with EU and national rules such as state aids, public procurement and publicity underpinning any ERDF application. The implementing provisions of the NWOP sets out a number of such compliance issues. The ERDF offer letter will specify the detail. Additional advice and guidance will be available from relevant experts within the NWDA - please contact the European Programme Team in the Agency.

12. Evaluation and Monitoring for Investment Frameworks

- 12.1 All the Investment Frameworks will be evaluated during 2009-10 to ensure that learning and best practice can be identified. This will allow the PMC to change, amend and update all or any of the Investment Framework to fit with delivery of the NWOP, EU and government policy at the mid term. If there are significant policy changes in an area covered by the Investment Framework which requires an earlier review and evaluation, this will be carried out by the European Programme Team and then brought forward for approval by the PMC.
- 12.2 The NWDA Policy Lead for the Investment Framework is Mark Atherton. Further information is available from the NWDA ERDF Programme Executive 01925 400 121 or www.erdfnw.co.uk

28 February 2008

Appendix A Promoting Resource Efficiency and Sustainable Waste Management -

To encourage the efficient use of energy and resources, including through the uptake of efficient (including low carbon) technologies and practices and improved waste management

Purpose

1. To reduce the impact of businesses on the environment and contribute to tackling climate change in cost effective ways that can also help business efficiency and long term competitiveness.

Why offer public sector support?

2. Provision of support to business to encourage or enable reductions in business sector emissions, the use of water, energy and raw materials procured, consumed, and produced improve waste management and minimization practices and promote the move toward a low-carbon economy.
3. Evidence from the Stern report and elsewhere, suggests that businesses are not installing energy and resource efficient measures despite the potential savings to be realised. The reasons for this include lack of time, the perceived small return at the firm level, higher priority calls on a limited budget, and lack of expertise within the company. These are examples of possible mismatch between private and social benefits and costs to due to external costs and benefits to others from private actions. This is often the result of businesses being unaware of the environmental risks, how best to reduce waste and improve energy efficiency in ways that minimise costs, without having a negative impact on business operations. There are significant cost and efficiency gains that businesses can take advantage of through improved resource use.

What will be offered?

4. Promotion of the business investment benefits of resource and energy efficiency and improved waste management through offering practical help and highlighting the effects of waste crime. Provision of support to networks (such as trade and professional bodies), intermediaries and businesses is intended to achieve the following outcomes:
 - stimulate a decrease in the amount of energy, natural resources and raw materials used;
 - reduce the amount of waste created;
 - encourage reuse of materials considered as waste;
 - increase recycling;
 - encourage take-up of environmental standards;
 - increase understanding of, and compliance with, relevant environmental legislation and deployment of new and emerging environmentally friendly technologies.
5. The specific support provided is as follows:
 - specialist information and advice delivered through for example events, networking, technical articles, web-based information; online self-assessment tools; telephone helpline and hard copy information packs.
 - expertise provided through for example on-site visits, networking.
 - finance entailing grants or loans

Who will be eligible?

6. It is aimed at all those whose business activities which use water, energy and raw materials and produce waste, in all sectors. Target audiences are those with significant potential for reduced energy consumption, resource use and waste generation (e.g. construction, manufacturing, retail, the recycling sector). In addition, process industries; food and drink; catering; glass and glazing; facilities management .and social enterprises that own or manage assets, such as leisure trusts and development trusts. This will be tailored to ensure small and medium sized businesses are able to benefit fully from the offer.

Appendix B - Business expertise for Growth Product - Expert knowledge and specialist input for targeted small-medium businesses to grow

Purpose

1. To improve the performance and productivity of businesses in the UK by providing expertise to help small-medium sized enterprises (SMEs) realize their full potential for growth and success.

How will this be achieved?

2. Through mentoring and coaching:
 - at a national level, to meet a national market failure;
 - at a regional or local level to meet market failures that would differ between regions or localities.

Why offer public sector support?

3. The rationale for this intervention varies depending upon whether the underlying problem is national or sub-national.
4. At the national level the intervention would fill in a missing market in business expertise. The intervention would be designed to rectify infrequent but possibly important instances where:
 - there are major advances in business technologies and processes which radically alter the competitiveness of companies, e.g. lean manufacturing;
 - yet markets for UK SMEs to acquire this knowledge are missing; e.g. due to the uneven geographical distribution of new technology and the industrial concentration of some industries;
 - the intervention provides a means for UK SMEs to acquire knowledge of the technology or process until such time as UK based consultants and others make the knowledge available.
5. At the regional and local level there may be specific geographically defined reasons why business expertise is not available. The intervention would be directed to rectifying the local market failure. Since the market failure might vary by locality the required type of expertise might differ from those provided nationally. For this reason the type of expertise will be determined locally after appraisal at regional and local levels to determine the existence of a market failure (as set out in the Treasury 'Green Book'), additionality and value for money.

What will be offered?

6. Subsidised access and provision of quality assured business expertise and specialist and advanced skills to SMEs which they would otherwise not have. The expertise would enable the take up of new technologies, techniques and processes. Broader benefits might include:
 - lower costs;
 - higher productivity; and
 - creation of a market for the supply of mentoring and coaching services in new areas.
7. The expertise would be provided by an external person or organisation most appropriate to meeting the individual businesses' needs. The expertise would vary and might be highly technical or specialist including advanced coaching for managing the growth of the business.

Who will be eligible?

8. National programmes would target SMEs where there is a:
 - new technology or business process which is commercially important and materially affects the competitiveness of enterprises;
 - barrier to acquiring that new technology or process, and where
 - the intervention would be successful in creating a market for the type of expertise and the intervention would be time limited.
9. SMEs would be eligible for programmes targeted at regional and local needs where:
 - local or regional appraisal identifies a market failure;
 - there is a well defined set of monitored exit criteria which would limit the duration of the intervention; and either
 - the recipients are located in a deprived area, or
 - the recipients are high growth or high potential companies, or
 - the recipients are one of the selected few priority sectors in the region.