

Investment Framework for Action Area 2-1 – Exploiting the Science and R&D Base of the Region

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 2 "*Exploiting Innovation & Knowledge*" which will target performance change within the region's businesses and institutions by driving forward the take-up of knowledge and innovation.
- 1.4 At present the indicative resources covered by this Investment Framework amount to around €112m (or around £76m) over the life of the programme comprising £23m to be spent on enterprise support activities in the Merseyside phasing-in area and £53m in the rest of North West¹.
- 1.5 This Investment Framework and its associated Action Area will build the region's capacity to produce and exploit commercially valuable Research & Development relevant to the North West business base. The emphasis should be on near market technologies which can be translated into economically valuable products & processes, generating turnover, market share, new clients for North West businesses, and new employment opportunities for North West residents. Although the ultimate beneficiaries must be North West-based businesses the Action Area could support links to R&D activity based outside the region where no existing regional partner is able to deliver.

¹ These figures include an element of resources which will be delivered via a regional Venture Capital and Loan Fund (VCLF) Investment Framework. Note: based on an assumed exchange rate of €1.4845 to £1.00.

- 1.6 The North West has a substantial and in many cases world-class base of science and research institutions, with varying degrees of relevance to, and contact with, businesses in the region. There are some excellent assets within the knowledge base to build upon and much more can be done to encourage, enable and develop knowledge transfer activity given the emerging international status of our regional HEIs. There are real economic and institutional barriers standing in the way of greater exploitation of these facilities and the knowledge they generate and facilitate.
- 1.7 There are five strands of activity supported under this Investment Framework:
- **Strand 1** - Grant for Research & Development (GRAND)
 - **Strand 2** - Science Council Initiatives
 - **Strand 3** - Business –HE/FE Collaborative Working
 - **Strand 4** - Knowledge Transfer Partnerships+ (KTPs+)
 - **Strand 5** - HEI Specific Schemes.
- 1.8 In addition, Venture Capital and Loan Fund (VCLF) support for R&D and innovation activities, which is an eligible activity for this Action Area, is supported via the Programme-wide Investment Framework for VCLF activity.
- 1.9 This draft Investment Framework has been produced for consultation with Sub-Regional Partnerships and other partners, prior to being submitted to the new NWOP Programme Monitoring Committee (PMC) in March 2008.

2. Partner Engagement

- 2.1 This document has been circulated to all sub-regional partners , North West University Association and North West HEIs . Following this , meetings were held between NWDA and each of these groups, followed by the issue of a further draft for consultation.

3. Linkages to Other Strategies

- 3.1 The Investment Framework sits squarely inside the UK's 10-year "*Science & innovation investment framework 2004-2014*" published by HM Treasury and the then DTI and DfES. This framework has several strands, the two most relevant are the aim to get:
- Greater responsiveness of the publicly-funded research base to the needs of the economy and public services:
 - Increased business investment in R&D, and increased business engagement in drawing on the UK science base for ideas and talent:
- 3.2 The recent review of government science & innovation policies (*Sainsbury Review: The Race to the Top, October 2007*) has been fully accepted by government. The report discusses a move away from "service vs. manufacture" to "high value and low value businesses" where the UK has made the most significant progress in the last 10 years compared to its major rivals. It recognises that although service industries don't do R&D, they still innovate, and that manufacturing also has high hidden innovation (e.g. Lean, 6 Sigma etc which are not R&D) .
- 3.3 A new role was announced for the Technology Strategy Board to lead Innovation activity for the UK, by coordinating the efforts of RDAs, Research Councils and Government Departments. The

TSB is expected to expand from its current technology driven agenda to a wider Innovation role, particularly in service industry areas with high technology content. This will be driven forward by a package of support worth £1 billion over the next 3 years and using significant new resources drawn from Central Government, Research Councils and RDAs. RDAs will be running and funding a new High Tech nationally approved proof of funding scheme, funding a doubling in Knowledge Transfer Partnerships (KTPs) and introducing new schemes to support high technology entrepreneurs. They will be expected to concentrate on 4 areas of Innovation

- 1/ User driven collaborative R&D
- 2/ Knowledge Transfer
- 3/ Clusters; and
- 4/ Start up and growth of new businesses.

Regional Policy

3.4 The current Regional Economic Strategy (RES) states *"Research & Development spend is concentrated in just a few large companies, with a significant number of companies investing little in this area. To improve productivity, there is a need to encourage all companies to understand and get involved in innovation in its widest sense"*. The RES commits the region to two Transformative Actions under the Science/Research and Development (R&D) umbrella.

- 15. Implement the Northwest Science Strategy with a focus on:
 - Developing the capability in the region to attract a larger share of non HEI government funding
 - Promotion of science
 - Support for science based clusters/sectors
 - Enhances the knowledge base and increases HEI/business interaction, including supporting the three Northern Science and Industry Councils to establish priorities and joint research centres (as part of the Northern Way)
- 16. Support the development of major research concentrations and knowledge nuclei.
 - Provide opportunities to develop knowledge businesses in the region and attract inward investment. Major research concentrations include: Manchester Knowledge Capital/ Science City, Daresbury, Alderley Park, Liverpool Science Park, Lancaster Infolab21 and Environment Centre and NHS research programmes

3.5 The North West Science Council Strategy's Vision is:

"England's Northwest will be renowned as an area of world-class scientific achievement, creating a magnet for talent and science investment, a powerful driver for innovation and enterprise, and an effective force for delivering benefits to health, the environment and society. This will involve:

- *Growing and maintaining world-class infrastructure.*
- *Stimulating the creation and exploitation of knowledge.*

- *Developing, attracting and retaining talented people.*
- *Closing the R&D funding gap between the private and public sector.*
- *Promoting the image of the Northwest as a vibrant hotbed of scientific endeavour.*

The strategy has three Foundations: 1. Internationally Excellent Science Base; 2. Exploitation of Science and 3. Skills. These are relevant across six Areas of Strategic Focus:

- *Aerospace*
- *BioHealth*
- *Chemicals*
- *Nuclear*
- *Plus Emerging Opportunities.*

4. Key Principles to Support Project Prioritisation and Design

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 majority of activity under this Investment Framework is to be organised and procured through regionally organised projects to maximise efficiencies and overall impact with appropriate and sufficient sub –regional delivery built in. Strand 5 provides scope for competitive bidding and local specification of projects.
- These initiatives will target all businesses with scope to improve productivity and profitability through better use of knowledge borne out of R&D activities, though businesses which target a low carbon economy may receive priority.
- The activity supported needs to be coordinated with and be complementary to Higher Education Innovation Fund and relevant research council investments.
- Those aspects of this Investment Framework which fall within the scope of the Business Support Simplification Programme will accord closely with its priorities and principles. In practical terms this means:
 - Business Link North West is the primary access channel for these services: all services will be maximised 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, duplication and waste are all 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: they will support the stated objective of that product(s) and be underpinned 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.
- 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.

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

- **Innovation Finance** – Help to develop and commercially exploit innovative ideas.
- **Innovation collaborations** – Help for companies to work together with the science and research base to increase innovation.
- **Business Collaboration Networks** – helping businesses to work together to improve performance and exploit market opportunities and new knowledge.

4.3 The current national summary of these products is included as Appendices A to C.

5. Investment Framework targets

5.1 The main objective of this Action Area of the NWOP is to improve regional GVA, rather than employment creation per se. The businesses and activity supported therefore need to have the potential to make a significant contribution to net additional regional GVA through the better use of knowledge in the business base.

5.2 The focus of what the Investment Framework is trying to achieve can be summarised as:

- Build the region's capacity to produce and exploit commercially valuable Research & Development relevant to the North West business base
- Developing and exploiting near market technologies which can be translated into economically valuable products & processes.

5.3 The indicators that will be used to measure progress are as follows²:

- **Outputs:** No. of businesses assisted to improve their performance; businesses in the region engaged in new collaborations with the UK knowledge base (Nos.); Private sector investment levered (£m).
- **Results:** No. of gross jobs created; No. of gross jobs safeguarded; No. of businesses with improved performance; New or upgraded floorspace built/upgraded to BRE EAM excellent or very good at current standards (sq m); Reduction in annual CO² emissions from Programme interventions (tonnes pa).
- **Impacts:** Net additional GVA overall in region (£m); Net additional employment overall in region; Net change in overall CO² emissions (tonnes pa). [Note these impact indicators are programme-wide impact indicators, the contribution of all Investment Frameworks to these overall targets will need to be measured].

² Unless otherwise stated the indicators all are consistent with the national set of indicators and definitions produced by CLG and the RDAs

6. Investment Framework Approach

6.1 As stated above five strands of activity are proposed under this Investment Framework:

- **Strand 1** - Grant for Research & Development (GRAND)
- **Strand 2** - Science Council Initiatives
- **Strand 3** - Business-HEI/FE Collaborative working
- **Strand 4** - Knowledge Transfer Partnerships+ (KTPs+)
- **Strand 5** - HEI Specific Schemes.

6.2 These are described in more detail below. There may be scope for a small number of inter-regional projects to be supported under this Investment Framework, provided the project has developed from the region's participation in an EU Fast Track network or inter-regional or trans-national networks of regional significance.

Strand 1 - Grants for Research And Development (GRAND) Scheme

6.3 Description of activity supported. Support to small and medium-sized businesses to research and develop technologically **innovative** products and processes with a focus upon:

- **Micro projects** - simple, low-cost development projects lasting no longer than 12 months up to £20k for businesses with fewer than ten employees.
- **Research projects** to investigate the technical and commercial feasibility of innovative technology of six to 18 months duration and up to £75,000 for businesses with fewer than 50 employees.

6.4 Design principles. A regional £5m initiative is currently in place and supported by NWDA's Single Programme. This strand will supplement that existing investment by adding to the volume of supported projects.

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

6.6 Match Funding. The NWDA Single Programme Investment of £5m will provide adequate match funding for this regional initiative.

Strand 2 - Science Council Initiatives

6.7 Description of activity supported. Support for the agreed vision and project priorities of the region's Science Council which include:

- **Northwest Composites Centre:** regional centre of excellence in composite materials,
- **National Centre for Zoonosis Research:** world's first centre to undertake research into infections transmissible between animals and humans
- **The Northwest Laser Engineering Consortium:** to ensure the Northwest is at the forefront of this technology.
- **Northwest Stem Cell Centre:** Central Manchester and Manchester Children's University Hospitals NHS Trust in partnership with the University of Manchester will help place the Northwest at the cutting edge of embryonic stem cell research.
- **UK Tissue Regeneration Centre:** University of Manchester to develop a world-class contribution to UK research into tissue regeneration. The centre will help develop small calibre artificial arteries, skin repair products, cartilage regeneration and nerve repair

techniques. An example of the application of this research includes the development of arteries for use in coronary patients and also smokers with blocked arteries.

- **4 GLS:** a successful prototype to prove the technical feasibility of the Fourth Generation Light Source (4GLS) concept.

6.8 Design principles. There are currently six supported schemes and up to eight pipeline initiatives though more may of course emerge, plus an emergent programme of priorities from BERR's Technology Strategy Board. The NW Science Council will continue to play an advisory role, commending investment priorities to partners in the region using its established prioritisation criteria which state that initiatives must:

- Support first-class science, engineering and technology which transform regional businesses
- Demonstrate consistency with the broad aims of the NW Science Strategy (see www.northwestscience.co.uk)
- Demonstrably support increase in GVA
- Demonstrate additionality, so supporting projects that are not easily fundable from other funding sources
- Deliver added value in the long term to give sustainable activities with a lifetime beyond the initial funding period

6.9 Other criteria that will need to be met are that projects involve:

- Collaboration or formation of consortia across HEIs and HEI/Industry
- Interdisciplinary research, demonstrating the benefits to be gained by combining more than one area of knowledge
- Leverage of funds and resources from other sources
- The potential to attract and retain world class and young scientists into the region
- A unique and timely opportunity
- Good fit with other facilities, projects or initiatives to make a greater impact

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

6.11 Match Funding. The NWDA Single Programme Investment plus that provided by HEIs and other delivery partners will provide adequate match funding for this regional initiative.

Strand 3 - Business HE/FE Collaborative Working

6.12 Description of activity supported. This is a new fund to support inter-business collaboration by supporting the early stages of collaborative research projects. These projects will need to involve several businesses, connected by common supply chains or technological processes. This early developmental investment will be expected to be the seed-corn which permits subsequent longer term collaborative research involving a regional HEI/FEI or private research centre.

6.13 Design principles. NWDA has an existing proposed programme under RES Action 14. This will ask groups of SMEs who have little or no experience of working with HE/FE to formulate a major issue facing them all. Sector/cluster led, they will then ask HE/FE to bid for the funding allocated to tackle that issue. This project will add to that funding to expand the range of activity that can be carried out.

- 6.14 Outputs. At present there are no specific targets for this Strand, these will need to be developed
- 6.15 Match Funding. This would be expected to come from the collaborating businesses in cash terms.

Strand 4 – Knowledge Transfer Partnerships +

- 6.16 Description of activity supported. KTPs are a long-established tool to assist businesses to acquire the support of a recent graduate on a year-long research project. This well-regarded scheme will be expanded to provide additional KTP placements and mini-KTPs which run for a shorter duration and to target regional and sub-regional priorities.
- 6.17 Design principles. This will be a regional initiative which sits alongside the existing Northern Way top-up scheme for the national KTP programme and will purchase additional KTP placements, including more flexible short-term arrangements.
- 6.18 Outputs. At present there are no specific targets for this Strand, these will need to be developed
- 6.19 Match Funding. Existing KTPs investments can be used as match-funding for this initiative.

Strand 5 - HEI Specific Schemes

- 6.20 Description of activity supported. There is an array of existing valuable schemes being delivered by the region's HEIs which support and encourage SME interaction with the knowledge base. Specifically this strand should focus on encouraging Business-HEI collaboration, Knowledge Transfer, graduate placement, spin-out activities and support for businesses in high intensity environments e.g. Incubators. This strand will support competitive bidding from among the HEIs to extend and continue those initiatives which support the NWOP's objectives.

- 6.21 Design principles. This strand will be a competitively bid for pot. A set of criteria will need to be established to ensure the services stay within the parameters of the BSSP and deliver the NWOP objectives. There will be an emphasis on encouraging collaboration between HEIs with a view to spreading demonstrable good practice and successful models of intervention.
- 6.22 Outputs. At present there are no specific targets for this Strand, these will need to be developed
- 6.23 Match Funding. HEIs will be expected to provide the match funding from their core resources or Higher Education Innovation Fund (HEIF).

7. Procurement Method for the Investment Framework

- 7.1 The proposed procurement methods will vary by Strand as follows:
- *Strand 1 Grant For Research & Development (GRAND)*: non-competitive selection: existing scheme will be supplemented.
 - *Strand 2 Science Council Initiatives*: limited bidding among the Science Council's priorities and based upon advice from the Science Council on the optimal spread.
 - *Strand 3 Business HE/FE Collaborative Working*: Limited bidding, led by the sectors chosen in the NWDA funded scheme
 - *Strand 4 KTPs +*: non-competitive selection - existing scheme will be supplemented.
 - *Strand 5 HEI Specific Schemes*: competitive bidding from the region's HEIs (either individually or collectively).

8. Spatial Level of Delivery

- 8.1 The principle of most of these schemes will be to add to existing Regional and National programmes. This will avoid duplication and additional bureaucracy, for instance GRAND is regionally led. The Business/HEI collaborative working strand will be sector led and the Science Council programme will be institutionally led. In each case, the delivery organisation will be tested to ensure that appropriate sub-regional delivery is included and there will be scope for sub regional delivery. Those responsible for designing and delivering the regional programmes of activity will need to work closely with appropriate /relevant sub-regional bodies to ensure relevant input into design and management).

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 In summary, potentially these are:
- The NWDA Single Programme
 - HEI core funding
 - Higher Education Innovation Fund
 - Research Council resources
 - Private sector.

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 project applicants will be contractually required to:
- Complete an environmental assessment at the 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 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 business assisted 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 the 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
 - Use of renewable resources
 - Use of low carbon technologies
 - Development of new environmental product / business stream

Equality & Diversity Cross Cutting Theme

- 10.9 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.

- 10.10 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.
- 10.11 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.
- 10.12 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.
- 10.13 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 against³:
- Gender
 - Race and ethnicity
 - Age
 - Disability
- 10.14 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.

³ 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.

- 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.

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 Policy Lead for this investment Framework is Dr George Baxter. Further information is available from the NWDA ERDF Programme Executive 01925 400 121 or www.erdfnw.co.uk

28 February 2008

Appendix A Innovation Finance - Finance to assist a business to develop and exploit new ideas

Purpose

1. To stimulate productivity, environmental sustainability and economic competitiveness through increased UK innovation (i.e. exploitation of 'new' ideas) within businesses; and to encourage businesses to innovate and realise the benefits of innovation for the business, and more widely for the economy and the environment.

How will this be achieved?

2. By providing financial assistance to increase businesses ability to engage in a range of early-stage research and development (R&D) activities in potentially important fields, but where there are significant risks and uncertainties around the expected results and ability to secure commercial benefits.

Why offer public sector support?

3. Government funding can act to extend the UK's portfolio of research or development projects by supporting firms directly with promising lines of development, which have fallen at the risk aversion or due diligence hurdles in private capital markets, and where the problem is not rectified by the debt and risk finance interventions. That is, the state takes on a limited risk pooling function to increase the share of national resources devoted to innovation progress, but distributed across a wide range of relatively small firms, increasing the spread of opportunities "sampled".

What will be offered?

4. Grants / loans will be available for single UK-based businesses (mainly SMEs) who are unable to bear the full cost and to secure sufficient finance to develop technology based product, process, or service innovations. Grants / loans will assist with the cost of:
 - research and development by the business, including obtaining intellectual property rights, 'proof of concept', market research, and capital expenditure linked to prototyping and large scale demonstrators;
 - using third parties, such as consultants, patent agents to undertake the above activities;
 - demonstration projects involving the early adoption of new technologies with a potentially significant environmental benefit, such as to promote low-carbon energy technologies and the better use of energy.

Who will be eligible?

5. Grants / loans would be given to UK-based pre start, start ups and SMEs engaging in Research and development projects in technologies or applications of national or regional importance.
6. Although grants / loans are available mainly to SMEs, larger companies with environmental demonstration projects are also eligible. Assistance will be provided as a grant / loan to reduce administration costs and allow businesses to pursue projects that have the most benefit to the economy and the environment.

Appendix B Innovation Collaborations - Finance to assist collaboration to develop and exploit new ideas

Purpose

1. To stimulate productivity and economic competitiveness through increased UK innovation within businesses.

How will this be achieved?

2. By incentivising and facilitating increased knowledge exchange and encouraging technological diffusion between businesses and knowledge base institutions (see [Note 1](#)) through increased collaborations.

Why offer public sector support?

3. The UK lags behind its major competitors in capitalising on scientific discovery and technological advancements by turning them into successful commercial products and services. Through its support to knowledge institutions Government has a responsibility and role to play in supporting research and development in technologies that are at a very early stage of development, or which mainly benefit society as a whole.
4. In addition, businesses can under-invest in certain types of research and development due to concerns about spillovers and being able to capture the wider benefits. There are potential external benefits from collaborative research and development. However, many businesses often lack effective mechanisms to develop collaborative working relationships with other businesses and knowledge institutions which leads to the under-development of new ideas.

What will be offered?

Networking for Innovation

5. Funding for business-facing networks to encourage businesses to build relationships with other businesses, intermediaries and universities to improve knowledge exchange and innovation. Interventions will be proportionate and time limited through well defined exit strategies.

Partnerships for Innovation

6. Placement and funding of an under-graduate or graduate from a knowledge base institution in a business to share skills and expertise of value to the business via a strategic project.
7. Exchange of staff between businesses and knowledge base institutions.

Collaborative research and development

8. Collaborative research and development activities where a business works with another business and/ or with knowledge base institutions, to develop key technologies for future needs or for radically new products involving the embedding of key technologies.
9. Large scale demonstrator projects that promote the potential of key technologies to a regional or national business audience.

Who will be eligible?

10. SMEs, larger companies and knowledge base institutions engaging in placement and exchange secondments (see above), collaborative research and development activities or collaborative demonstration projects;
11. Intermediaries to reduce set up and administration costs of networks which allow businesses to pursue innovation collaboration projects that have the most benefit to the economy.
12. [Note 1](#). Includes UK Public Sector Research Establishments (PRSE) or equivalents, Research and Development Organisations (RDO), Research and Technology Organisations (RTOs), Higher Education and Further Education Institutions.

Appendix C Business Collaboration Networks - Helping businesses to work together to improve performance and exploit market opportunities

Purpose

1. To bring together businesses, to work on common challenges in fields of commercial activities that are essential for developing and strengthening regional economies.

How will this be achieved?

2. By providing a grant to set up and facilitate business collaboration that would:
 - raise awareness of the benefits of collaboration;
 - identify potential participants;
 - facilitate a meeting based discussion forum on a specific topics;
 - facilitate collaborative work groups on particular topics;
 - recording and dissemination of discussion, information and conclusions reached by the group;
 - facilitate inter-linking of similar collaborative groups in other parts of England.

Why offer public sector support?

3. There may be network externalities and spill-overs from collaboration and at the same time barriers to entering collaboration because:
 - potential participants may be unaware of the benefits from collaboration;
 - there may be problems internalising the benefits of the collaboration; and
 - participants may not be able to agree how to divide up the benefits of collaboration (because they don't know what the benefits are).

What will be offered?

4. The subsidy will be to intermediaries to facilitate bringing together groups of new and more established small or medium sized enterprises and relevant key partners in high growth, or sectorally important, or deprived areas to discuss commercial opportunities or ventures.

Who will be eligible?

5. Intermediaries – in general, private sector firms or organisations with relevant experience and a proven track record of successful facilitation of business collaboration. Network participants must centre around small-to medium sized firms to attract any public subsidy to the collaboration.
6. Interventions will be restricted to projects where:
 - focus is on activities highlighted in Regional Economic Strategies;
 - market failure and difficulty in achieving collaboration is identified at the project level;
 - collaboration is necessary to develop and commercialise a business proposition that is outside the scope of supported activities elsewhere (e.g. under the 'Innovation Collaboration' product);
 - business case demonstrates the absence of subsidy to participating large companies; and

- such networks will not support anti-competitive behaviour.
7. Interventions when they are time limited, will have a clear exit strategy established at project inception and will be at a proportionate level of subsidy. The exit strategies will establish how the benefits of collaboration will become apparent and the networks will be able to become self sustaining. Where benefits are not apparent then there will be no value in maintaining the network. In either case the networks can be expected to have a limited time in which government funding is necessary. Timing of exit would be determined by exit criteria and monitoring results.