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Support for high-growth innovative enterprises: policy measures in France

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Support for HGIEs : key factors

- **HGIEs deserve particular attention**
 - Special monitoring for 2 000 growing medium-sized enterprises and SMEs by the network of the Ministry of productive recovery
 - Within the framework of the BPI, customized international support for 1000 SMEs
- **Key measures**
 1. Emergence of HGIEs
 2. Access to finance
 3. Fiscal incentives
 4. Framework conditions

National Pact for Growth, Competitiveness and Jobs

- **The Government's Pact for Growth is a key step towards economic recovery and the reinforcement of our competitiveness. It aims at:**
 - providing France with a strong strategy to face the globalization;
 - maintaining France's social model through economic performance.
- **8 drivers of competitiveness with 35 specific decisions.**
- **English version available :**

<http://www.gouvernement.fr/presse/pacte-national-pour-la-croissance-la-competitivite-et-l-emploi>

1. Encourage the emergence of innovative SMEs

- **Creating innovative SMEs by public incubators**
 - The support function of incubation projects is crucial. It determines the project's success and sustainability of the company
 - It is placed upstream of a particular financing chain which is vital for incubated companies: opportunities to access these funds depend in part on the quality of support that must take into account the "market"
- **30 regional incubators spread across the country created as a result of the Innovation Act of 1999 End of 2009, 84% of incubated SMEs are active**
- **In 2010, 194 projects incubated led to a creation of a company**

A focus on : National competition to support the creation of innovative technology SMEs

- **Organization of National Competition to support the Creation of Innovative Technology SMEs**
 - Aims to detect, emerge and support projects to create innovative technology SMEs in all sectors, especially in health (30%) and ICT (30%)
- **Budget : 344 M€ since 1999**
- **In 2012, 62% of winning projects come from public research**
- **At the end of 2011, 78% of the 1 392 SMEs created since 1999 are still active; 84% survive after 5 years.** The average staff is 8 person-months per SME

A focus on : measures to favour clusters development providing a support mechanism for SMEs

- **Competitiveness Clusters bring together in a given, limited, geographic area :**
 - Companies (large companies as well as SMEs),
 - Research centres and Educational institutions
- **Competitiveness clusters goals :**
 - Strengthen the links between research & industry
 - Focus public aid
 - Set up a full ecosystem including Education, private funding (Business angels, VCs, ...) IP management, entrepreneurship, international development...
- **SMEs receive financial support for R&D collaborative projects between big companies, SME's and laboratories by the FUI (interministerial fund) and creation of new products.**
- **Third phase of the policy is focused on creation of new products and services**

2. Access to finance

- **Creation of a Public Investment Bank (BPI)** which will invest €42 billion over the next five years: €32 billion in loans and guarantees and €10 billion in capital funding;
- **Setting-up of a new public guarantee scheme** to make over €500 million in funds available to SMEs;
- Supporting the financing of businesses through **tax reform for savings**;
- **Reforming the banking law** so that banks can play their full part in supporting the growth of the real economy;
- **Facilitating SMEs and medium-sized enterprises' access to capital markets.**

A focus on : National funds for seed-fundings (fonds national d'amorçage)

- **FNA** : fund of funds, created in 2010, budget 400 M€ + additional 200 M€ in 2012
- **Targets are national research strategy priorities** : health, food and biotech, ICT, nanotech, climate change and cleantech
- **March 2013** : commitments in 17 seed funds – national or multiregional scope (level of commitments : 333 M€)
- **10 seed funds actually active – closing achieved – 29 firms in portfolio**
- **General difficulties to raise private funds on this market segment** :
 - 10 % private investors in closings as a rule
 - EIF commitments in some funds

3. Fiscal incentives for innovation

- **The research tax credit is perpetuated:** more than 5 B€ refunded for the year 2010, 13 000 beneficiaries;
- **A new Innovation Tax credit is created** to allow SMEs to benefit from an additional tax rebate on innovation expenditures;
- **System for “young innovative companies” (JEI)** which entails a temporary exemption from employers’ contributions and taxes on profits

A focus on : Support to young innovative enterprises

- **During the 2004-2010 period, 4 400 enterprises benefited from this scheme; the exemption from employers' contributions and taxes was of 798 M€ over the same period.**
- **Results of the 2012 impact assessment (Ministry of Productive Recovery, DGCIS - Hallépée and Garcia) :**
 - the YIC in the scheme have strongly increased employment and turnover...
 - ...but less than half of them make profit.
 - The scheme improves the survival rate of the YIC.
 - The R&D investment increasing by the firm benefiting from the scheme has been higher than the budget cost of the scheme."
- **Link to the impact assessment report :**
<http://www.dgcis.redressementproductif.gouv.fr/files/files/archive/www.industrie.gouv.fr/p3e/evaluation/evaluation-du-dispositif-JEI.pdf>

4. Framework conditions : administrative burden reduction

- **Three main guidelines are identified by the French Government for reducing the administrative burden for businesses:**
 - Strengthening the management of simplification policies under the authority of the Prime Minister;
 - Achieving stability of 5 key tax mechanisms for investment and business survival over the term of 5 years;
 - Launching administrative burden reduction initiatives on seven key areas.
- **The “SME test” will be a procedure to assess the impacts of all new regulatory proposals on SMEs;**

A focus on : new measures to support public procurement to HGIE

- **Measure of the Pact : support the development of HGIE by mobilising public procurement.**
- The goal is to make public procurers more aware of innovative products and services, including R&D.
- A target is set : 2 % of the total procurement of the State, Public Bodies and Hospitals to be done to HGIE.
- **Action plan :**
 - A conference to mobilize public procurers
 - Each ministries and body will write a innovation procurement plan
 - Guideline and good practices are described in a new guide
 - Monitoring system to be developed

Some lessons...

- Issue of centralized policies : SMEs need closeness relations (role of regions, consistency of strategies)
- Adapt the development of new technology to market needs and demand
- Innovators sometimes focus too much on technology perfection and lose sight of the marketing of their product
- SMEs can stagnate because they do not succeed in generating a threshold turnover

... and some avenues of work and reflection

- Creating **better synergies and links** between regional and national targeted R&I policy measures for SMEs
- Improve **entrepreneurship by training** from school to high education
- Fostering **industrial collaboration** between SMEs, start-ups and large firms
- Facilitating **collaboration between suppliers and start-ups**
- Enhancing access to public procurement for innovative SMEs and better integrating innovation in public procurement policies