



French public policies for entrepreneurship and startups

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DGE

DIRECTION GÉNÉRALE DES ENTREPRISES



Summary

- I. Facts and figures about innovation in France
- II. Startup financing
- III. Entrepreneurship culture and ecosystems

International rankings on innovation : a French paradox ?

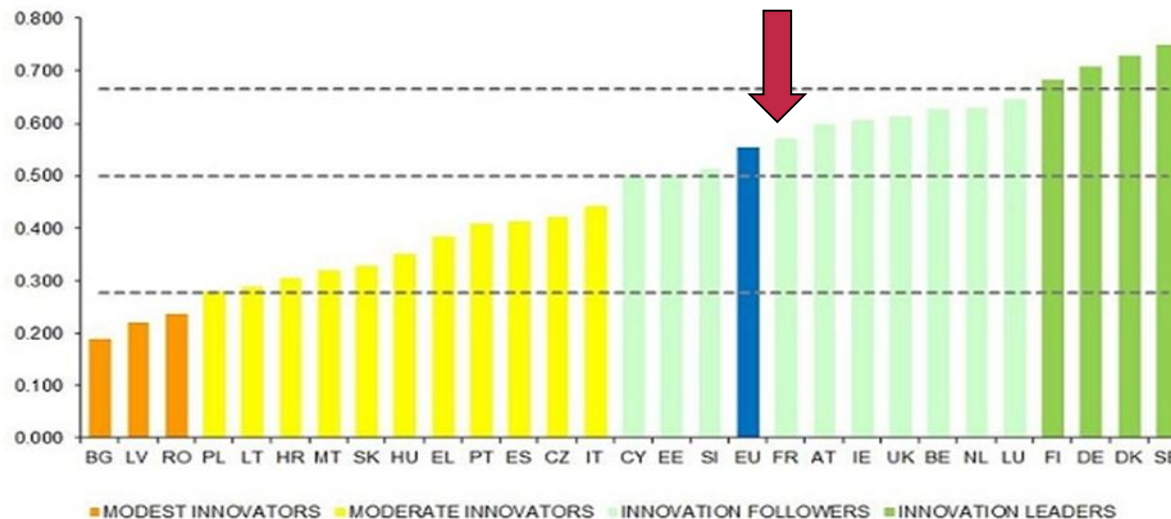
▶ Worldwide ranking :

- GDP : No. 5
- Research : between No. 6 and 7 (volume of science publications and quotations)
- Innovation : No. 16

▶ European ranking :

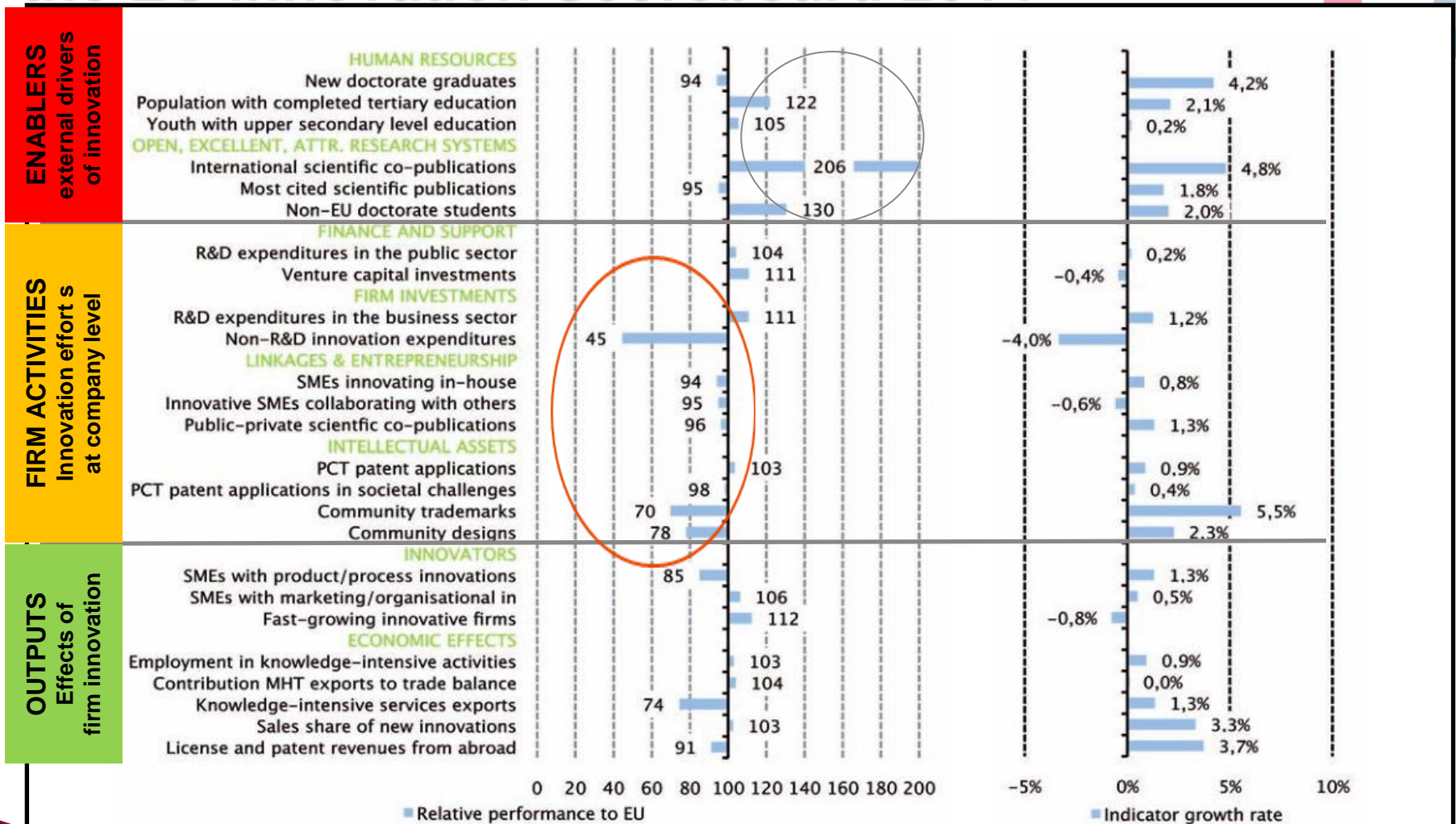
- France belongs to the "innovation followers" with an innovation performance just above the EU average (No. 11).

EU Member States' innovation performance



Source : Innovation Union Scoreboard 2014

French strengths & weaknesses according to the EU Innovation Scoreboard 2014

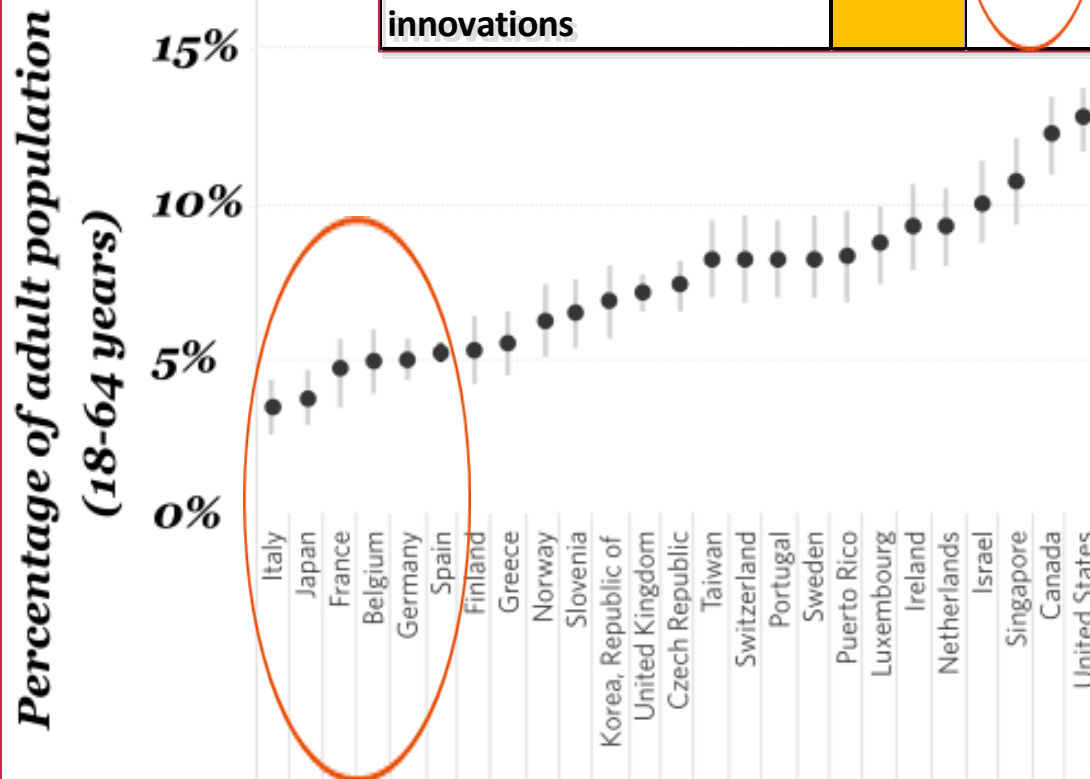


Note: Performance relative to the EU where the EU = 100.

Source : Innovation Union Scoreboard 2014

Innovation and entrepreneurship : a cultural challenge

	EU27	FR	DE	UK	IT	NL	DK
SMEs introducing product or process innovations	38,4%	32,7%	57,0%	21,3%	39,8%	46,0%	41,6%
SMEs introducing marketing / organisational innovations	40,3%	42,8%	60,5%	30,6%	43,0%	36,9%	42,6%



Source : Innovation Union Scoreboard 2014

Total Early-stage Entrepreneurial Activity (TEA) : rate of individuals actively involved in business startups (in advance of the birth of the firm or until 42 months after the birth of the firm)

Source : Global Entrepreneurship Monitor 2013

The new French Innovation Strategy





The New Deal for Innovation - La Nouvelle Donne pour l'Innovation November 2013

- ▶ Key issue : to design a global policy to help build the new French model
- ▶ 4 strategic priorities :
 - Organize and evaluate the innovation public policy
 - Develop entrepreneurship and innovation culture
 - Increase technological transfer
 - Help enterprises grow through innovation



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The fiscal environment in France

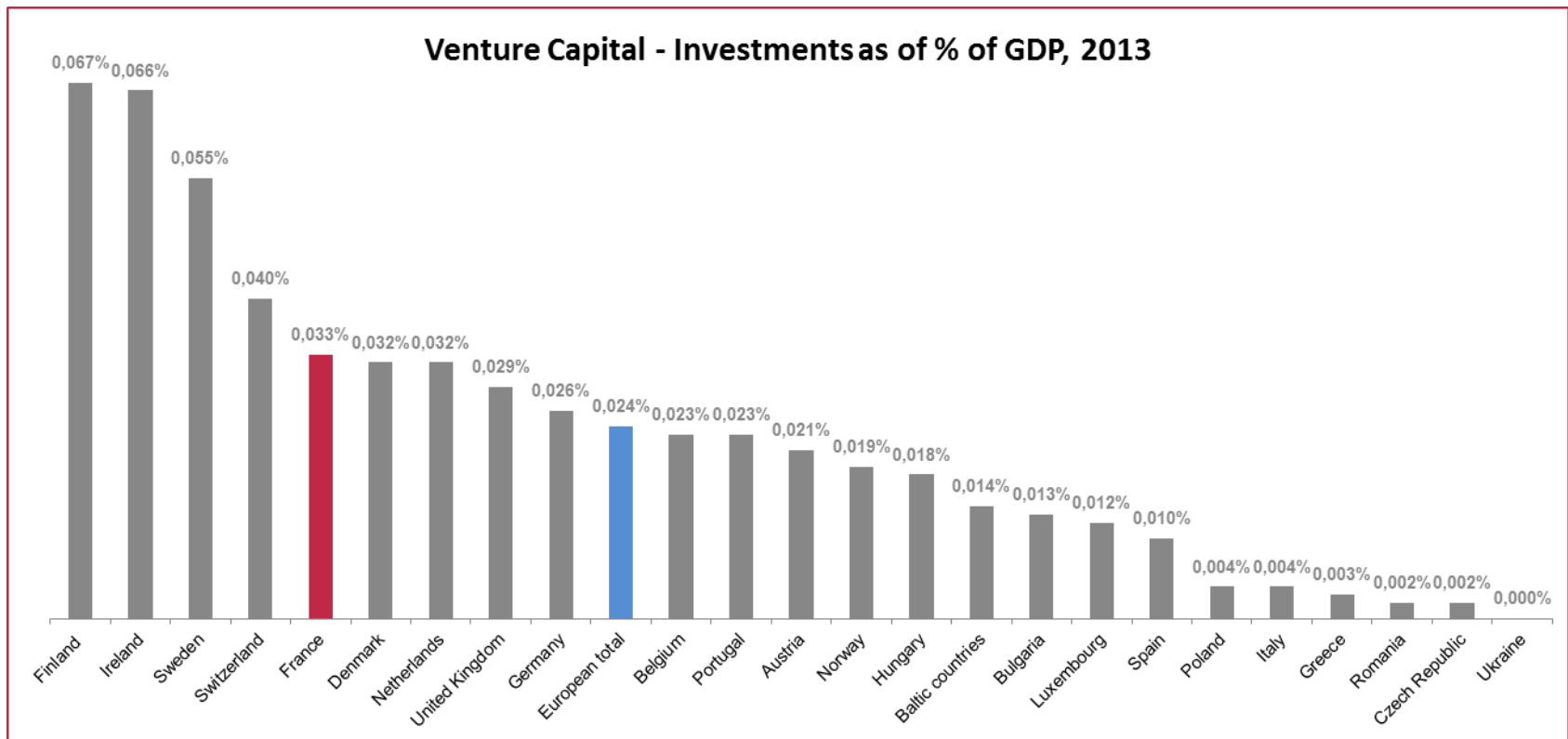
- ▶ The Innovation Tax Credit : an extension of the Research Tax Credit to innovation expenditures for SMEs
 - Tax credit of 20 % of innovation expenditures (design of new products and processes)
 - Maximum base of € 400,000
 - 2014 estimate : 12,000 companies for an amount of tax credit of € 300m

- ▶ SMEs also benefit from the Research Tax Credit :
 - Tax credit of 30 % of R&D expenditures up to € 100m (5 % above € 100m)
 - 2012 : 15,300 companies for an amount of tax credit of € 5.3bn
 - Share of SMEs : 11,300 companies (76 %) for an amount of tax credit of € 1,3bn (25 %)

- ▶ The Young Innovative Enterprises scheme (JEI) :
 - Independent SMEs, up to 8 years old, R&D expenditures above 15 % of total expenditures
 - Social security contribution exemption for R&D staff, extended to innovation staff
 - Corporate income tax exemption (2 years)
 - 2012 : 2,800 companies (1,300 in 2004) for an amount of social security contribution and tax exemption of € 110m

Venture capital in France

- ▶ VC investment intensity (0,033 % of GDP) is above the European average (0,024 %).

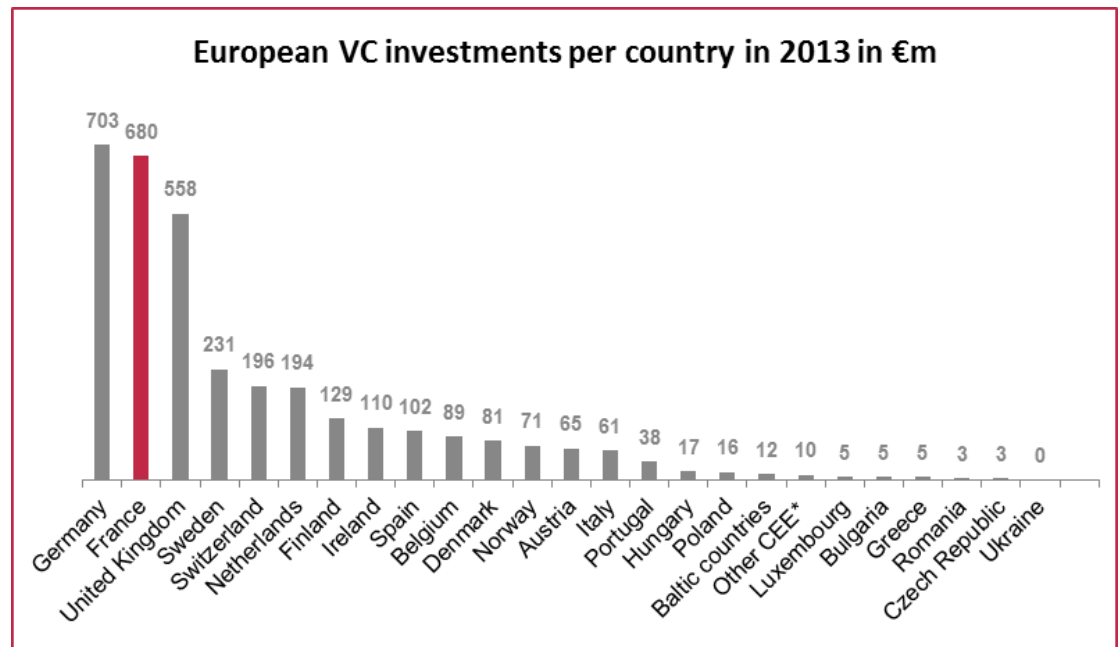


Source : *European Venture Capital Association, 2013*

Venture capital definition : subset of private equity dedicated to pre-launch, launch and early stage development phases of a business.

Venture capital in France

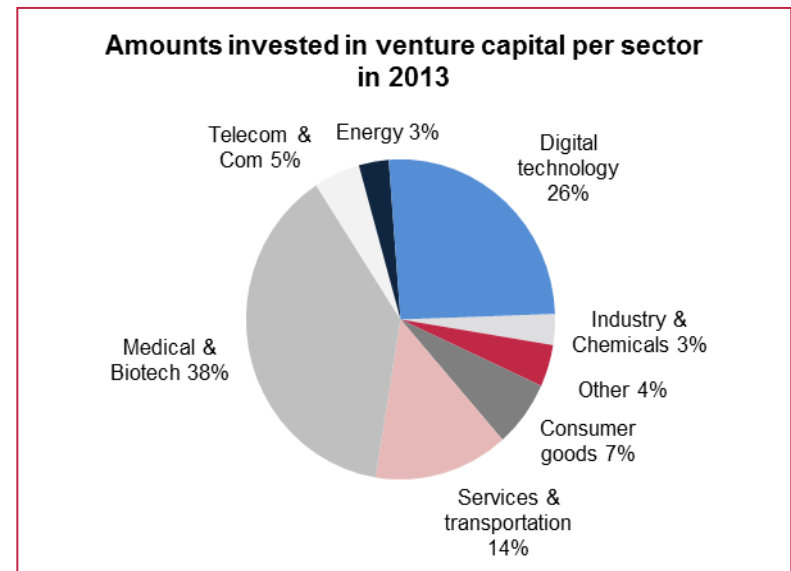
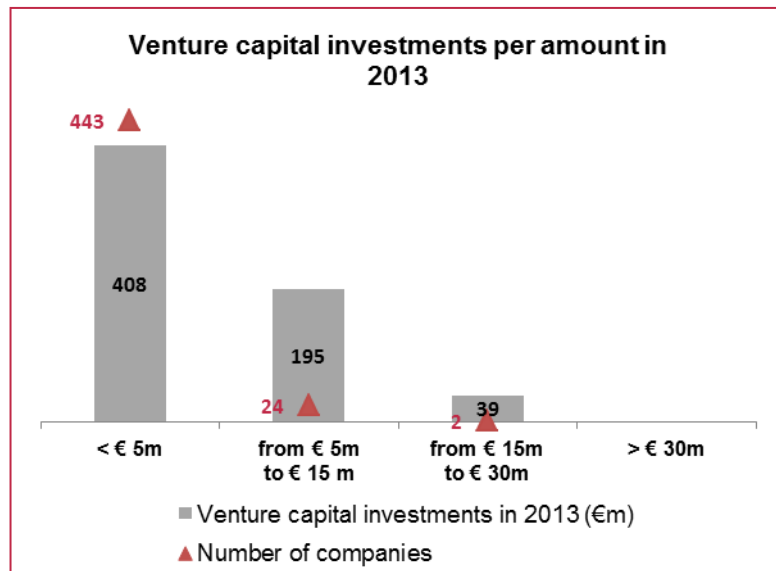
- ▶ In 2013, French companies are the second recipient of VC investment in Europe (€ 680m).
- ▶ However, private equity asset managers stress the structural issue of fund raising.



Source : *European Venture Capital Association, 2013*
These figures cover VC investments in European companies.

Venture capital in France

- ▶ 94 % of the companies funded by VC received less than € 5m.
 - Public support now focuses on late-stage investment.
- ▶ Prevailing sectors in French VC investments :
 - Medical and Biotech (38 %)
 - Digital technology (26 %)



Source : Association française des investisseurs pour la croissance, 2013

Angel investors in France

	France	Germany	UK
Number of angel investors	8,000	5,000 to 10,000	25,000

Source : *Evaluation of EU Member State Business Angel Markets and Policies, European Commission, October 2012*

▶ Amount invested per angel investor :

- France : € 114,000
- USA : \$ 400,000 (≈ € 315,000)

▶ A national network for angel investors : France Angels



Fédération des réseaux de Business Angels

▶ Tax incentives for angel investments :

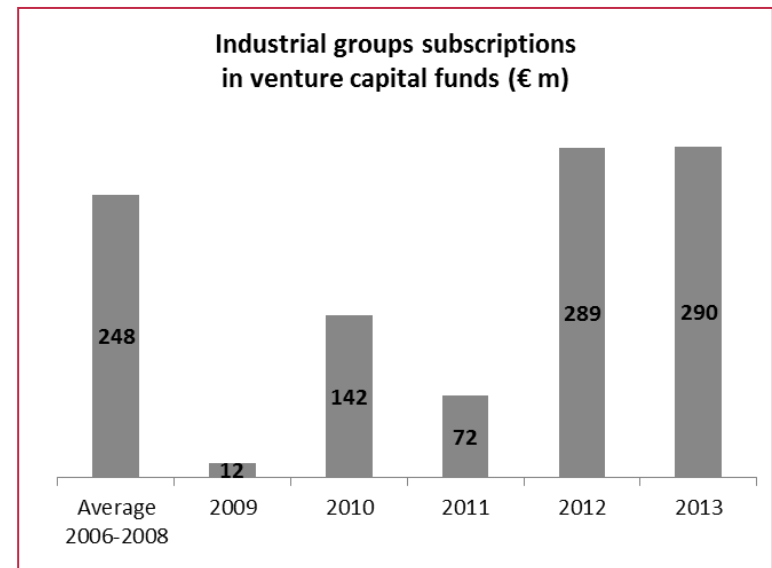
- Personal Income Tax Credit of 18 % up to € 9,000 per person, per year for investment into up to 5-year-old SMEs
- Wealth Tax Credit of 50 % up to € 45,000 per person, per year for investment into SMEs

	USA
Number of angel investors	265,400
Financed companies	61,900
Amount	\$ 20.1bn (€ 15.9bn)

Source : *Center for Venture Research, New Hampshire University*

Corporate venture capital in France

- ▶ New Corporate Income Tax incentive for direct or indirect minority investment of industrial companies in SMEs : 5-year depreciation (currently under European Commission State aid control)

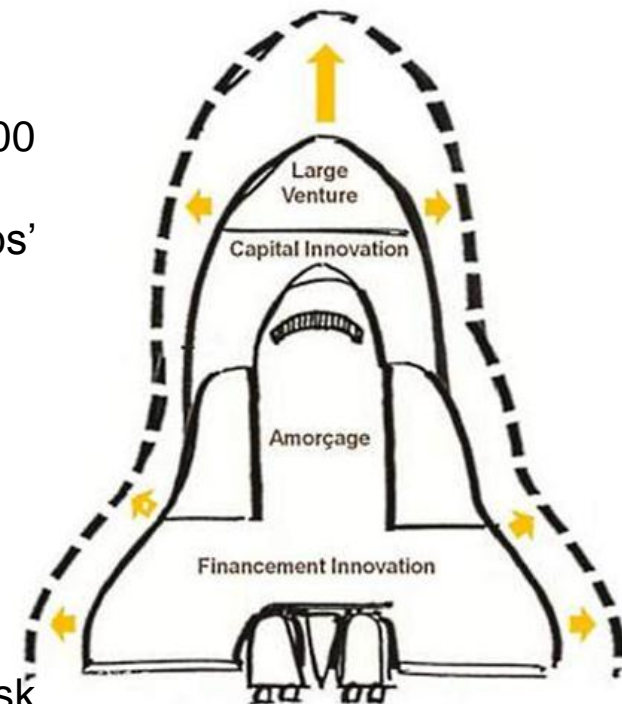


Source : Association française des investisseurs pour la croissance, 2013

Bpifrance : public support to startup financing at every stage

- ▶ Bpifrance provides subsidies and loans for R&D and innovation :
 - Individual aids : € 364m
 - Individual loans : € 140.5m
 - Collaborative programs : € 178.2m
- ▶ Specific products tailored for startups :
 - French Tech Grants (€ 10m in 2014) : grants up to € 30,000 for innovative entrepreneurs
 - Seed Loans (€ 40m in 2014) : loans strengthening startups' cash record
- ▶ Bpifrance provides support in equity :
 - National Seed Fund (FNA, € 600m)
 - Ecotechnologies Fund (€ 150m)
 - Innobio Fund (€ 139m)
 - Large Venture Fund (€ 500m)
- ▶ Bpifrance takes part in French private equity :
 - Participation in fundraising in seed capital (€ 133.5m), risk capital (€ 143.5m), venture capital (€ 167.5m)

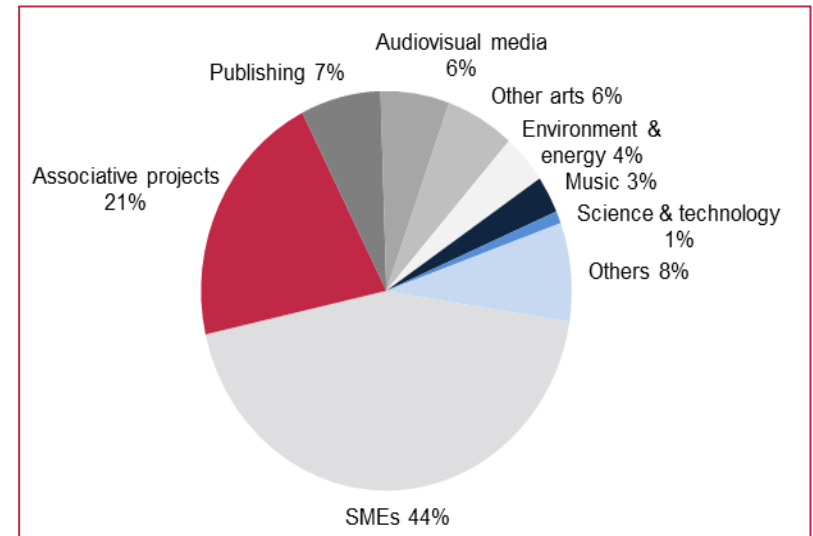
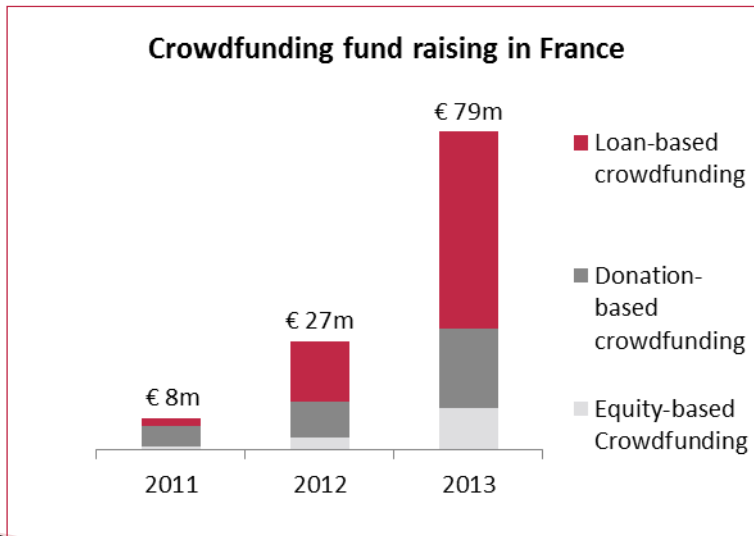
bpifrance



2013 figures

Crowdfunding in France

- ▶ In 2013, crowdfunding in France amounted to € 79m.
- ▶ 32 000 projects financed in 2013
- ▶ New regulatory framework by Oct. 2014 :
 - National quality label for crowdfunding platforms
 - Specific status without minimum capital requirements
 - Access to crowdfunding for simplified liability corporations
 - Transparency rules for lending and equity crowdfunding



Source : Financement participatif France, 2013

Innovative public procurement

- ▶ Use public procurement as a leverage for innovation :
 - 2020 goal of 2 % of purchases of the State, operators and hospitals to innovative businesses (€ 1,6bn per year)
 - Transcription of the “innovation partnership” into public procurement regulations
 - “A to B” meetings and virtual marketplaces
 - Development of the innovation culture of public procurers



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The development of entrepreneurship and innovation culture

▶ Education :

- Promoting risk-taking and the acceptance of failure
- Teaching of computer programming
- Initiation to entrepreneurship
- Encouraging entrepreneurship in higher education : creation of the « Etudiant entrepreneur » status enabling students to integrate their project in their curriculum



▶ Entreprises :

- Suppression of the Banque de France specific credit rating for entrepreneurs having undergone liquidation

▶ Society :

- Make entrepreneurship better known to the public



Call for expression of interest “Innovation Culture and Entrepreneurship” launched on June 19, 2014 (20 M€) : 100 answers

“La French Tech” program

- ▶ A program fostering ecosystems in several major cities, bringing together startups, R&D centers, venture capital funds, fab labs...
 - The French Tech label : awarded to French cities sustaining world-class digital ecosystems
 - The Startup Accelerator program : public support to entrepreneur-led initiatives accelerating the growth of selected digital startups
 - International marketing and promotion : enhancing the attractiveness of France’s digital ecosystems





Thank you for your attention