

# 2017 SBA Fact Sheet

France



## **Key points**

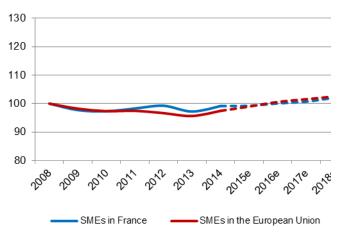
Past & future SME performance<sup>1</sup>: In 2012-2016, SME employment rose by 0.8 %, while SME value added declined by 1.7 %. SME value added dropped substantially in 2014, predominantly in micro firms, but has since risen steadily, as has SME employment. The outlook for SMEs in France is favourable. SME value added is predicted to rise by 5.4 % in 2016-2018, while the forecast for SME employment is an increase of 2 %. As a result, over 197 000 jobs are likely to be created by SMEs in this period.

Implementing the Small Business Act for Europe (SBA): France's SBA profile continues to be balanced, performing broadly in line with the EU average in most areas. It performs slightly above the EU average in the SBA principles on state aid & public procurement, skills & innovation and internationalisation. Conversely, on 'responsive administration' and single market, France scores below the EU average. On the single market principle, the country scores the third lowest in the EU. On 'responsive administration' there is still room for further improvement, despite recent progress.

**SME policy priorities**: A comprehensive impact assessment framework and a culture of supporting SMEs need to be strengthened among government officials. France should focus on a smaller number of legislative and administrative changes, prioritising those that simplify matters a lot, including by state agencies and at local and regional levels. Cooperation between educational institutions and businesses could be increased to better prepare students for entering the workforce. Public support schemes for innovation should be simplified and improved to benefit even more SMEs.

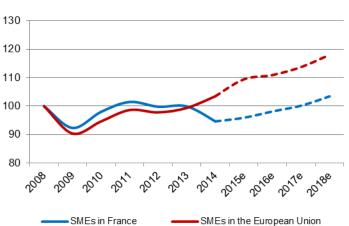
#### Number of persons employed in SMEs

(Index: 2008=100, estimates as from 2015 onwards)



#### Value added of SMEs

(Index: 2008=100, estimates as from 2015 onwards)



#### **About the SBA fact sheets**

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

Internal market, industry, entrepreneurship and SMEs



## Table of contents

	Key points	1
1.	SMEs — basic figures	2
2.	SBA profile	4
3.	SBA principles	6
	3.0 'Think Small First'	6
	3.1 Entrepreneurship	7
	3.2 'Second chance'	8
	3.3 'Responsive administration'	9
	3.4 State aid & public procurement	10
	3.5 Access to finance.	11
	3.6 Single market	11
	3.7 Skills & innovation	12
	3.8 Environment	13
	3.9 Internationalisation	15
4	Interesting initiative	16
• •	microsing micros	

# 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	France		EU-28	France		EU-28	France		EU-28
	Number	Share	Share	Number	Share	Share	Billion€	Share	Share
Micro	2 958 722	95.7 %	93.0 %	4 982 386	31.9 %	29.8 %	214.3	23.1 %	20.9 %
Small	110 746	3.6 %	5.8 %	2 749 510	17.6 %	20.0 %	155.3	16.7 %	17.8 %
Medium- sized	17 643	0.6 %	0.9 %	2 142 033	13.7 %	16.7 %	136.4	14.7 %	18.2 %
SMEs	3 087 111	99.9 %	99.8 %	9 873 929	63.2 %	66.6 %	506.0	54.5 %	56.8 %
Large	3 929	0.1 %	0.2 %	5 754 668	36.8 %	33.4 %	422.1	45.5 %	43.2 %
Total	3 091 040	100.0 %	100.0 %	15 628 597	100.0 %	100.0 %	928.2	100.0 %	100.0 %

These are estimates for 2016 produced by DIW Econ, based on 2008-2014 figures from the Structural Business Statistics Database (Eurostat). The data cover the non-financial business economy, which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities<sup>2</sup>.

SMEs play a slightly less significant role in the non-financial business economy in France than the EU average. They generate 54.5 % of value added compared to the EU average of 56.8 %, and 63.2 % of employment compared to the EU average of 66.6 %. SME productivity, defined as value added per person employed, is nearly EUR 51 300, about 18 % higher than the EU average. The average number of persons employed in SMEs is 3.2, lower than the EU average of 3.9.

In 2012-2016, SME value added declined by 1.7 %. The 0.8 % rise in SME employment occurred gradually throughout this period (except for 2012-2013, when it fell). SME value added developed in a rather unstable manner, with a substantial drop

in 2013-2014 in several sectors (e.g. in construction and real estate), predominantly in micro firms, and subsequent growth in 2014-2016. By comparison, large firms in the non-financial business economy experienced stronger growth in value added, 13.1 % in 2012-2016, with employment also rising, by 2.2 %. In 2015-2016, SME growth improved moderately, with value added increasing by 2.3 % and employment by 0.8 %.

In the construction sector, SME employment fell by 7.9 % and SME value added declined by 14.8 % in 2012-2016, in contrast to the substantial growth of large firms in the same period. Large firms in this sector comprise some of the world's biggest construction companies and are responsible for 29.7 % of value



added in the sector. They mostly provide engineering services for large domestic and international projects. In contrast, SMEs are mostly active in the domestic residential market, which has faced difficulties over the past few years. In 2013-2014, SME value added in construction and in real estate activities declined by 10 % and 9.3 %, respectively. Reasons for this were the rising costs of construction for residential buildings in 2009-2013³ and legislative changes, in particular the increase in capital gains tax on second homes and the introduction of rent controls. Those measures acted as a disincentive to invest in housing⁴ and resulted in low business confidence in construction⁵.

In 2012-2016, the information and communication sector showed strong growth of 17.1 % in SME value added and 7.8 % in SME employment. The dynamic development of IT-related activities was a strong growth driver<sup>6</sup>, contributing to almost half of this sector's value added. Since 2007, the share of government and private investment in software and database products has increased steadily, so that in 2014, it represented 16 % of total non-residential fixed investments<sup>7</sup>. Steady growth in motion picture, video and television programme production, sound recording and music publishing activities further contributed to overall growth in this sector. French cultural productions are heavily subsidised and supported via government quotas for French movie and TV shows, which is a significant factor in this steady growth<sup>8</sup>.

The accommodation and food services sector also contributed to SME growth in 2012-2016 with rises in employment of 6.1 % and value added of 2.8 %. France continues to be a popular tourist destination<sup>9</sup>, despite a slump in 2016<sup>10</sup>. The increasing use of online booking sites has contributed to dynamic growth in

this sector, with websites such as Airbnb in direct competition with the traditional hotel industry. As a result, around 20 % of overnight stays in France in 2016 were in apartments and houses owned by private individuals  $^{11}$ . This increased competition contributed to the relatively modest growth in value added in this sector.

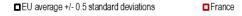
In recent years, business registrations have risen consistently, growing by 67.2% in the 2008-2016 period, to a total of 554 031 new businesses. Most recently, in 2015-2016, growth has continued to be strong, at  $5.5\%^{12}$ . The total for business insolvencies in 2016 was 58 057, 8.0 % less than in the previous year<sup>13</sup>. Overall, 11 % of all employment in France was self-employment in 2016<sup>14</sup>. This is lower than the EU average of 14 %.

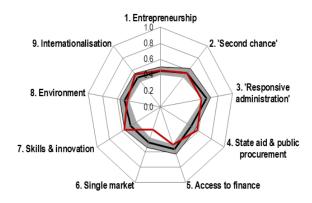
In 2014, 13 102 firms —  $8.5\,\%$  of all firms with at least 10 employees in the 'business economy' — were high-growth firms, on a par with the EU average of  $9.2\,\%^{15}$ . As is the case throughout the EU, the sectors with the largest shares of high-growth firms with at least 10 employees were information and communication ( $16.4\,\%$ ) and administrative activities ( $13.8\,\%$ ).

The outlook for SMEs in France is favourable. SME value added is predicted to rise by  $5.4\,\%$  in 2016-2018, while the forecast for SME employment is a  $2\,\%$  increase. As a result, over 197 000 jobs are likely to be created by SMEs in this period.



# 2. SBA profile<sup>16</sup>





France's SBA profile continues to be balanced, performing broadly in line with the EU average across most areas. It performs slightly above the EU average in state aid & public procurement, skills & innovation and internationalisation. Conversely, on 'responsive administration' and single market France scores below the EU average. On the single market principle, it scores the third lowest in the EU.

France's SBA profile has remained relatively constant compared to last year, slightly improving over recent years. Progress is generally just above the EU average. Despite its continuing poor performance on single market, on this principle France has seen improvements since 2008 well above progress at the EU level for the same period. Skills & innovation also showed high growth over the years, particularly noteworthy given the slightly negative development for this principle at EU level. Conversely, performance in entrepreneurship has remained relatively stable since 2008.

Since 2008, France has implemented many policy measures addressing all policy areas of the Small Business Act. Policy

activity mainly focused on improving the business environment. Several measures therefore exist to stimulate business creation; but more efforts are required on business transfers.

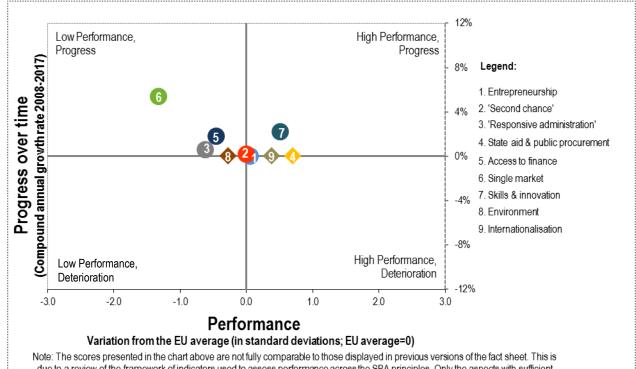
In 2016 and the first quarter of 2017, which is the reference period for this year's SBA fact sheet, France implemented 10 policy measures addressing policy areas under the Small Business Act. Overall, SME stakeholders acknowledge that progress in implementing the SBA has been limited. There is widespread consensus that the areas that saw the most significant progress in 2016 were in the fields of 'responsive administration' and access to finance.

The reform of the labour law, adopted in August 2016, brings a substantial number of improvements for SMEs such as the possibility for more flexible working times (to reflect the workload of SMEs) and company agreements rather than industry-wide ones. It also includes provisions that set out economic reasons for redundancy in law. In addition, SMEs will benefit from a reduced corporate tax rate from 33 % to 28 %, and from improved access to finance through inter-company loans, fiscal incentives for corporate ventures, and an 'innovative SME account' providing tax breaks as long as capital gains are reinvested. The government is also pushing hard for stronger enforcement of rules against late payments through a combination of fines and name-and-shame practices. Additional changes to the labour law are expected after the new government came into office in June 2017.

France has not adopted a specific strategy to implement the SBA, but a series of policy measures have been implemented in line with SBA recommendations. During the reference period, many positive signs provided great hope to SMEs (such as the labour law). But there is also room for improvement on a comprehensive impact assessment framework and for better consultation of SMEs during the legislative process.



### SBA performance of France: state of play and development from 2008 to 2017<sup>17</sup>



Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review. http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/



# 3. SBA principles<sup>18</sup>

### 3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. It also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

France still needs to put some fundamental aspects of the 'Think Small First' principle in place. Most importantly, the government still lacks a comprehensive SME test and assessment of impacts on business competitiveness.

The SME test is part of the impact assessment required for laws, orders and decrees proposed by the government. However, the depth of the assessment remains limited and there is no independent institution checking the quality of the impact assessment (unlike many other EU countries). In addition, impact assessments are rarely made before drafting a legislative text; more often, they are made during drafting or just before the parliamentary debate.

An extended SME test has been introduced. The decision to conduct an extended SME test is up to the department in charge of the law or decree. It complements impact studies with additional information requested from SMEs through a qualitative assessment when deemed necessary. However, no extended SME test was conducted in 2016 or the first quarter of 2017, despite the number of laws and decrees passed in relation to SMEs. For example, the tax reform requiring companies to withhold salary taxes directly did not undergo an extended SME test although it concerns SMEs that will have to change their accounting software and explain to employees why their net salary is lower.

The extended SME test should be systematically implemented and applied to relevant legislative texts. The Senate proposed several recommendations to improve its quality and make better use of impact assessments<sup>19</sup>.

The government should better take into account the impact of all policies on SMEs, even if those policies do not exclusively target SMEs (for instance taxation or environmental policies). For example, 52 new taxes have been adopted since 2010 according to Ernst and Young's Observatory (while 9 have been cancelled) with only a limited impact assessment having been done. Another example is the ban on most polluting diesel vehicles in cities such as Paris, adopted in June 2016 and effective from January 2017 onwards. This will have an impact on all craftspeople and traders who have not yet fully depreciated their vehicles (5 years in France).

SMEs still find that they have to deal with a fast-changing legal environment and complex administrative procedures due to the large number of regulations approved over recent years.

More generally, spreading a culture of SME needs among government officials should be encouraged.

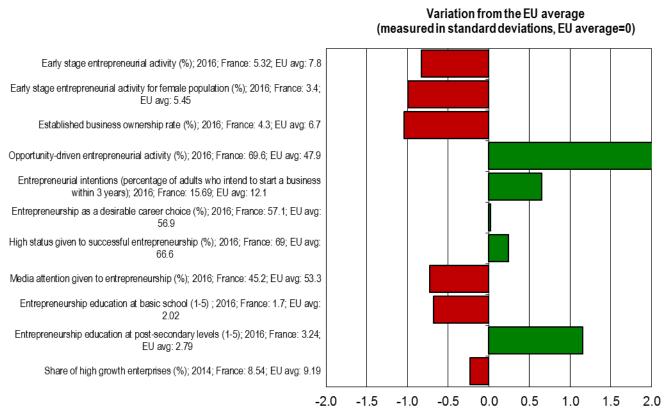
On the positive side, all parliamentary debates are public and the Senate created a specific Delegation in 2014 to better understand the environment in which businesses operate, support entrepreneurship and simplify the rules governing economic activity.

Among the newly adopted measures, the simplified public aid (APS) uses a company's registration number to obtain all necessary information related to this business through other public administrations. An increasing number of services are using it, such as the simplified public procurement procedure (marché public simplifié).

Finally, the government has launched a public service to help SMEs adapt to the new labour law and has pursued its simplification programme.



## 3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Like last year, France performed in line with the EU average in this area. The country continues to perform below the EU average on actual entrepreneurial activity. Early stage female entrepreneurial activity deteriorated the most, going from 4.0 % in 2014 to 3.4 % in 2016. France's early stage entrepreneurial activity and its business ownership rate are among the lowest in the EU. This goes hand in hand with the drop in performance on entrepreneurship being seen as a desirable career choice from 59.1 % in 2014 to 57.1 % in 2016. In addition, the level of entrepreneurship education at basic school remains below the EU average. Nevertheless, opportunity-driven entrepreneurial activity is still the highest in the EU and entrepreneurship education at post-secondary level continues to perform well above the EU average. Moreover, though still below the EU average, media attention given to entrepreneurship — measured by the percentage of people who confirm that they often see stories in the media about successful new businesses improved from 39.0 % in 2014 to 45.2 % in 2016.

Since 2008, the promotion of entrepreneurship has been one of the most active SBA areas. A key policy measure implemented is the creation of 'micro-entrepreneur' status in 2008 (formerly called 'auto-entrepreneur'). This aims to promote self-

employment by simplifying administrative tasks. Start-ups or people willing to take over a company are supported by schemes such as ARCE/ARE providing funds to job seekers entitled to benefits, or NACRE/ACRE providing advice, a 0 % interest rate loan, and tax breaks. Job seekers now create one out of every two companies<sup>20</sup>, and about one million micro-entrepreneurs are registered<sup>21</sup>. However, there is still room for improvement. Cooperation between education institutions and industry is still weak despite entrepreneurship continuing to gain attention among students and workers. A key policy measure implemented was the creation of the student hub for innovation, transfer and entrepreneurship (PEPITE initiative) which aims to develop student entrepreneurship in France by offering a shared and comprehensive entrepreneurial framework, including access to existing resources (such as access to co-working spaces.). Moreover, most cities and higher-education institutions are offering infrastructure to support start-ups. They usually host start-ups and provide access to counselling but access to finance is often the main issue hindering scale-up.

During 2016 and the first quarter of 2017, one significant measure was implemented. The simplification of the EIRL (Entreprise Individuelle à Responsabilité Limitée) status allows

7

2017 SBA Fact Sheet — France



self-entrepreneurs to separate their personal assets from their business assets. Professional creditors can then only claim against business assets leaving an entrepreneur's personal property immune from prosecution. The new law on 'Transparency, fight against corruption and modernisation of economic life' makes it easier to assess the business assets assigned to an activity under the EIRL status.

On a smaller scale, the labour law (adopted in August 2016) makes it possible to obtain training funds for starting a business

through a personal training account (CPA). In November, the government launched a ten-day awareness campaign on business takeovers and transfers called 'Reprendre, c'est aussi entreprendre' (taking over is also being an entrepreneur). The young innovative enterprises (JEI) status has also been extended until 31 December 2019, providing exemption from taxes and social security contributions for enterprises identified as innovative and with high-growth potential (R&D at least 15 % of expenditure; created less than 8 years ago).

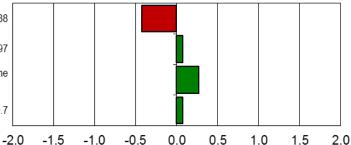
## 3.2 'Second chance'

Strength of insolvency framework index (0-16); 2017; France: 11; EU avg: 11.88

Time to resolve insolvency (in years); 2017; France: 1.9; EU avg: 1.97

Cost of resolving insolvency (cost of recovering debt as percentage of the debtor's estate); 2017; France: 9; EU avg: 10.25

Fear of failure rate (%); 2016; France: 40.26; EU avg: 40.7



Variation from the EU average (measured in standard deviations, EU average=0)

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

'Second chance' ensures that honest entrepreneurs who have gone bankrupt get a second chance quickly. France's performance in this area is in line with the EU average. Overall, it has stagnated since 2008. But there was a drop in the fear of failure rate, which has gone from 52 % in 2008 to 40.3 % in 2016. The country's insolvency framework leaves room for improvement.

Moderate progress has been made in this area over the past few years. Most legal procedures to wind up a business require less than two years. However, according to the EU Justice Scoreboard, court bankruptcy proceedings in France last at least 2 years (twice as long as in Germany). Protection against the seizure of individual entrepreneurs' main residence was introduced in 2003 and further simplified in 2015. In 2013 a major improvement was the central bank's scrapping of the

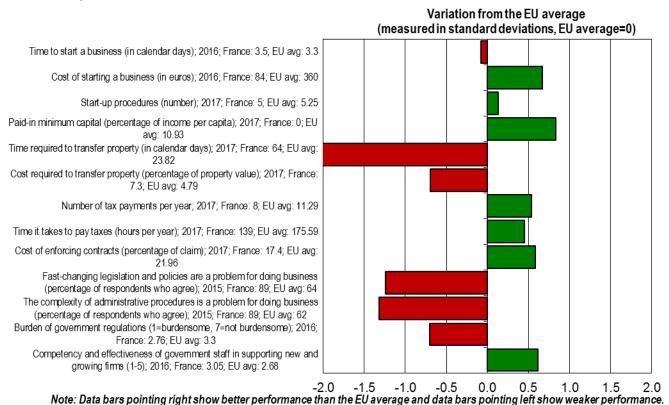
'040' list (of entrepreneurs who went bankrupt for the first time). However, even though honest entrepreneurs are discharged if they record just one bankruptcy proceeding (which previously earned them the indicator '040'), they still have difficulty securing new loans because commercial banks keep a record of all past incidents (even if the '040' indicator has been deleted). Failed entrepreneurs are still not well perceived.

There is still no real difference in the treatment of entrepreneurs committing fraud and honest entrepreneurs. If an entrepreneur has been in charge of more than one bankrupt company, their name is recorded by the national bank (*Banque de France*) for three to five years (using the '050' or '060' indicators).

No major policy measures on 'second chance' were implemented or announced in 2016 or the first quarter of 2017.



## 3.3 'Responsive administration'



'Responsive administration' refers to public administration being responsive to the needs of SMEs. France performs below the EU average in this area, with a slight deterioration compared to previous years' average performance. This is due, among other factors, to slightly poorer performance on burden of government regulations and to the greater cost of registering a property. This went up from 6.1 % of the property value in 2016 to 7.3 % in 2017, due to a legislative change in the finance law for 2014 allowing counties ('départements') to raise their share of the tax on property transfers ('droits de mutation'). The time required to transfer property is the longest in the EU.

Moreover, the perceived competency and effectiveness of public administration staff in supporting growing firms has worsened relative to the previous edition of the SBA fact sheet. In 2015, 89 % of businesses believed that fast-changing legislation and the complexity of administrative procedures were a problem for doing business. Nevertheless, the country has experienced a marginal improvement since 2009, with the time to start a business declining (from 4 to 3.5 days) and government regulations being perceived as slightly less burdensome. According to the EU Justice Scoreboard, the French justice system suffers from several problems such as long delays in resolving civil and trade law cases (300 days on average), long court proceedings for bankruptcy law and lack of digitalisation.

Since 2008, moderate progress has been made in the 'responsive administration' area. Public administrations now use a company's registration number to obtain all necessary information related to the business directly through other public administrations. Another important measure is the 'silence is consent' principle, which is now gradually being introduced. However, many additional laws and amendments have also been approved while legislation was being simplified. This limits the positive impact of simplification. SMEs highlight the unwanted burden of and constant changes in the regulatory environment, most of which are not preceded by a comprehensive or even extended SME test (see the 'Think Small First' section). The most controversial is the 'drudgery account' ('compte pénibilité') which gives employees who are exposed to professional risks' factors the opportunity, amongst others, to retire early. It obliges employers to examine their workers' daily tasks and report the number of factors they are exposed to and whether these exceed the annual pre-defined ceilings. However, there are plans to turn it into a simpler 'professional prevention account' in

During 2016, several important policy measures were adopted — among them the reformed labour law mentioned above, which is expected to be amended by the new government.

2017 SBA Fact Sheet — France



## 3.4 State aid & public procurement

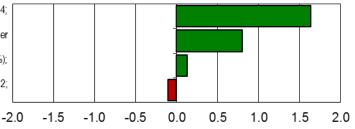
# Variation from the EU average (measured in standard deviations, EU average=0)

Percentage of businesses participating in public tenders (%); 2015; France: 54; EU avg: 37

Percentage of businesses submitting proposals in a public electronic tender system (e-procurement) (%); 2013; France: 18.61; EU avg: 12.85

Percentage SMEs account for in the total value of public contracts awarded (%); 2013; France: 31; EU avg: 29

Average delay in payments from public authorities (in days); 2016; France: 12; EU avg: 10.73



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France's performance in this area continues to be above the EU average. Compared to last year, payments from public authorities have improved, with the average payment delay falling from 2015 to 2016 more sharply than the EU average. Moreover, France continues to have the EU's second-highest proportion of businesses taking part in public tenders.

Overall, progress has been made in this area since 2008. One of the most significant policy measures has been the change in public procurement law, to allow more SMEs, especially those recently set up, to participate in public tenders. Since the simplified public procurement procedure ('marché public simplifié') was introduced in 2014, more than 20 000 simplified procurement procedures have been carried out.

Several ombudsmen have been appointed, including one for subcontractors to improve their relationship with large companies and spread good practices across public services to increase SME participation in public procurement. However, despite the ombudsmen's efforts, many companies (particularly subcontractors) are still paid late.

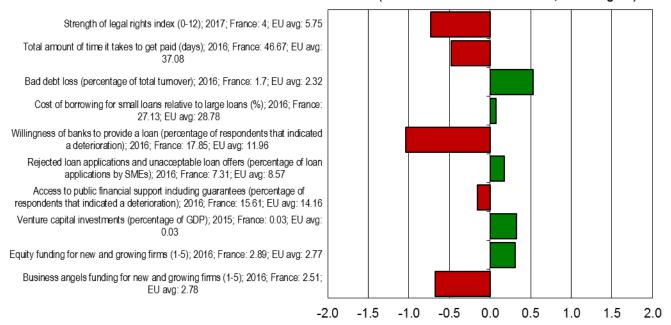
During the reference period, the orders and decrees on the simplification and modernisation of public procurement rules entered into force (in April 2016), as provided for by the three EU public procurement directives of February 2014. Local, regional and national authorities are slowly using the possibilities offered by these new rules to promote the participation of SMEs in public procurement.

Moreover, this new legal framework is leading to changes in buyers' behaviour through innovation partnerships, and the possibility for buyers to meet companies upstream from the competitive bidding process (sourcing).



### 3.5 Access to finance

# Variation from the EU average (measured in standard deviations, EU average=0)



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France continues to perform in line with the EU average in this area, although it has experienced significant improvements both relative to last year and since 2008.

Access to loans has improved since 2009, in particular in the cost of borrowing for small loans relative to large ones, which fell from 31.6 % in 2009 to 27.1 % in 2016, and the proportion of rejected SME loan applications and unacceptable loan offers, which fell from 14.3 % in 2009 to 7.3 % in 2016. The willingness of banks to provide loans has also improved, with 17.9 % of respondents reporting deterioration in 2016 against 30 % in 2009. Furthermore, only 15.6 % of respondents indicated deterioration in access to public financial support (including guarantees) in 2016, against 21 % in 2015.

Since 2008, access to finance has seen significant improvements due to the implementation of the 2008-2009 recovery plan and the 2011-2015 large national loan of EUR 47 billion, the introduction of funding for unemployed people starting businesses (which is widely used), and the creation of Bpifrance, a public bank for entrepreneurs. Bpifrance's lending capacity has been increased several times since, both for guaranteed loans and equity.

Commercial banks have become more supportive (notably through an increasing amount of loans provided<sup>22</sup>) and they are also more likely to implement a voluntary code of conduct to

better explain the reasons behind a loan rejection to SMEs and to find mitigating actions<sup>23</sup>. The competitiveness and employment tax credit (*CICE — Crédit d'impôt pour la compétitivité et l'emploi*), was introduced in 2013, reducing labour costs for SMEs. Several tools are available for start-ups and innovative firms under the 'French Tech' initiative (such as funding for business incubators and accelerators).

The government is pushing hard for stronger enforcement of late payments with stronger rules, and a combination of fines and name-and-shame practices. Ombudsmen also help subcontractors to recover late payments from large companies.

The 'Industry for the Future' policy framework adopted in May 2015 is an important step towards modernising the French industrial base and making companies, especially SMEs, more competitive. The aim is to modernise the industrial base and turn traditional business models into disruptive ones. Under this measure, targeted loans up to EUR 2.2 billion and tax incentives over 6 years are envisaged to accelerate the transformation of firms. The nine industrial solutions cover sectors such as green mobility, the internet of things and future medicine with set objectives and roadmaps.

Over the period 2017 to 2020, the corporate income tax rate should be progressively reduced for SMEs from the current 33.33 % to 28 % and extended to apply to all companies subject to this tax.

2017 SBA Fact Sheet — France



Additional measures were implemented during 2016 and the first quarter of 2017 covering improved access to finance through inter-company loans, tax incentives for corporate ventures, and an innovative SME account providing tax breaks if capital gains are reinvested.

Since the credit mediation scheme was set up in 2008, more than 48 000 businesses have sought mediation. More than 2 000 of them were supported, releasing EUR 6.2 billion in loans and saving 379 634 jobs<sup>24</sup>.

There have also been positive developments since 2008 in regulation encouraging alternatives to bank financing and the availability of equity and business angel funding. Since 2008, the value of venture and growth capital invested has grown consistently (with an exception in 2012) reaching EUR 4 727 million in 2016<sup>25</sup>. In addition, between 2015 and 2016, the amount of funds collected via crowdfunding grew from EUR 166.8 million to EUR 233.8 million<sup>26</sup>.

Variation from the EU average

## 3.6 Single market

# (measured in standard deviations, EU average=0) Number of single market directives not yet transposed: 2016; France: 11; EU

avg: 15.5

Average transposition delay for overdue directives (in months); 2016; France: 5.6; EU avg: 7.1

Number of pending infringement proceedings; 2016; France: 44; EU avg: 24

Public contracts secured abroad by SMEs (percentage of total value of public contracts); 2013; France: 1; EU avg: 2.6

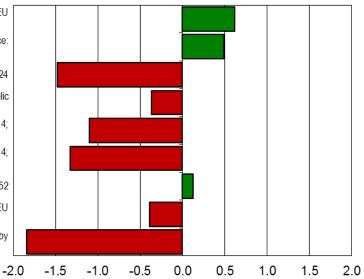
SMEs with intra-EU exports of goods (percentage of SMEs in industry); 2014; France: 7.5; EU avg: 17.12

SMEs with intra-EU imports of goods (percentage of SMEs in industry); 2014; France: 6.22; EU avg: 25.77

Intra-EU online exporters (% of SMEs); 2015; France: 7.94; EU avg: 7.52

Easy market access for new and growing firms (1-5); 2016; France: 2.62; EU avg: 2.77

Market access for new and growing firms without being unfairly blocked by established firms (1-5); 2016; France: 1.97; EU avg: 2.76



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France's performance in this area is well below the average, being the third lowest in the EU. It scores particularly poorly on the number of pending infringement proceedings and on market access for new firms, which is hindered by more established companies. However, the number of pending infringement proceedings dropped from 94 in 2008 to 44 in 2016,<sup>27</sup> and the proportion of SMEs with intra-EU online exports increased from 3.7 % in 2009 to 7.9 % in 2015.

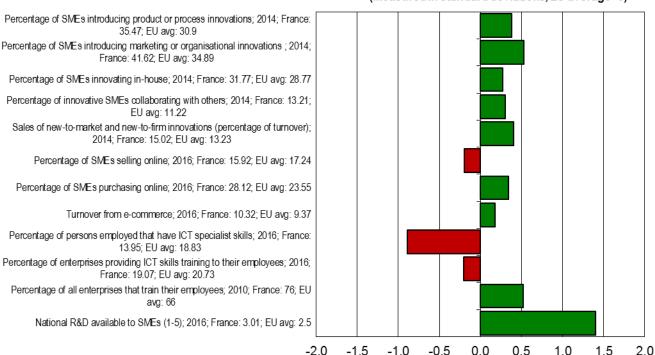
A number of administrative services exist to help SMEs expand across national borders. However, the multiplicity of administrative services and the general lack of coordination among these services could explain the poor supporting environment. The support system is complex, which means that it is harder for SMEs than for large companies to do cross-border business.

No significant new single market policy measures were implemented in 2016 or the first quarter of 2017.



### 3.7 Skills & innovation

# Variation from the EU average (measured in standard deviations, EU average=0)



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France continues to score just above the EU average in this SBA principle, although it has made good progress across most indicators in recent years. The proportion of SMEs innovating inhouse increased from 28.8 % in 2012 to 31.8 % in 2014. The share of SMEs collaborating with others and introducing product or process innovations increased from  $11.1\,\%$  to  $13.2\,\%$  and from 30.6 % to 35.5 % over the 2010-2014 period, respectively. Sales of innovations accounted for 15.0 % of turnover, compared to 11.3 % in 2010. Similarly, for IT capacities, the share of SMEs purchasing and selling online has been increasing over recent years and turnover from e-commerce is also growing. Indicators on training and skills have also improved, with the share of employees having ICT specialist skills increasing slightly from 13.5 % in 2012 to about 14 % in 2016, and the proportion of SMEs providing ICT skills training growing from 18.4 % in 2012 to 19.1 % in 2016.

Since 2008, progress has been made in this SBA area. Substantial funds for research and innovation were provided through the 2010-2015 'investment for the future' plan, the public investment bank 'Bpifrance', the 2000 'research tax credit' and 'young innovative company' status (2004). SMEs can also

find support from 'competitiveness clusters' to form innovation partnerships. They increasingly use 'research tax credit' and the 'young innovative company status'. The government is pursuing the 'industry for the future' policy framework launched in May 2015, to modernise the industrial base and turn traditional business models into disruptive ones. More than 3 400 industrial SMEs have benefited from individual assessments, 20 companies have been labelled 'showcases of the industry of the future'28 ('vitrines de l'industrie du futur').

However, the vocational training system does not meet SMEs' needs. Trainees and apprentices are not sufficiently prepared in terms of skills and their level of understanding of the business environment. France continues to lag behind the innovation leaders despite the adoption of the 'Industry for the Future' policy framework and the provision of considerable public support for innovation.

In 2016 and the first quarter of 2017, no significant new policy measures were adopted or announced. Progress is limited in this area because support is not equal to the issues faced. The '500 000 vocational training contracts by 2017' scheme is aimed at training jobseekers in areas where available jobs have

13



been identified. Some 640 000 job seekers<sup>29</sup> were trained in 2016 (or are in the process of being trained). However, most of them are taking short training courses that do not necessarily correspond to their needs.

In 2017 the new government announced a multibillion investment plan, in particular to develop skills over the five-year period 2017-2022. This skills plan will focus on youth training and training for jobseekers.

### 3.8 Environment

# Variation from the EU average (measured in standard deviations, EU average=0)

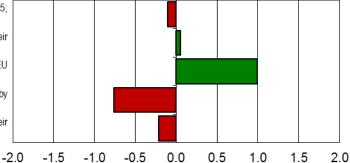
Percentage of SMEs that have taken resource-efficiency measures; 2015; France: 94; EU avg: 95

Percentage of SMEs that have benefited from public support measures for their resource-efficiency actions; 2015; France: 31; EU avg: 30

Percentage of SMEs that offer green products or services; 2015; France: 34; EU avg: 26

Percentage of SMEs with a turnover share of more than 50% generated by green products or services; 2015; France: 12; EU avg: 18

Percentage of SMEs that have benefited from public support measures for their production of green products; 2015; France: 20; EU avg: 23



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France performs within the EU average in this SBA area. Despite the above-average proportion of SMEs offering green products and services, the country had the second-lowest share in the EU of SMEs with more than half of their turnover generated by green products or services.

Progress on the environment principle has also been limited by the lack of measures taken for SMEs. The 'Grenelle' 1 and 2 laws provided momentum for environmental initiatives. The 'Grenelle 2' law, adopted in 2010, aims to stimulate green growth through support to activities fostering sustainable development. The 'Ecotech Ambition 2012' programme is intended to encourage the growth of environmentally friendly industries by providing

funding and advising green SMEs. The 'Law on Energy Transition for Green Growth' was adopted in August 2015 based on goals set out by the EU for the 2015 United Nations Climate Change Conference in Paris. SMEs in the construction sector should benefit from this law through incentives to renovate buildings. SMEs in the circular economy will also benefit from new obligations to collect used materials.

In 2016 and the first quarter of 2017, no significant new policy measures were adopted or announced. The government has ambitious targets for energy transition and insulating buildings through tax breaks for households but these have not yet translated into significant benefits for SMEs.



### 3.9 Internationalisation

#### Variation from the EU average (measured in standard deviations, EU average=0) Information availability (0-2); 2015; France: 1.61; EU avg: 1.57 Involvement of trade community (0-2); 2015; France: 1.6; EU avg: 1.57 Advance rulings (0-2); 2015; France: 2; EU avg: 1.69 Form alities - automation (0-2); 2015; France: 1.57; EU avg: 1.59 Formalities - procedures (0-2); 2015; France: 1.57; EU avg: 1.32 Border Agency Co-operation (0-2); 2015; France: 1.25; EU avg: 1.44 Extra-EU online exporters (% of SMEs); 2015; France: 5.15; EU avg: 4.33 SMEs with extra-EU exports of goods (percentage of SMEs in industry); 2014; France: 8.55; EU avg: 9.96 SMEs with extra-EU imports of goods (percentage of SMEs in industry); 2014; France: 7.7; EU avg: 11.24 -0.5 0.0 2.0 -20 -15 -10 0.5 10 15

Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

France performs in line with the EU average in internationalisation. Because of methodological changes (replacement of most of the indicators in this year's edition), overall performance in this area cannot be compared to last year's. The country performs among the top three Member States on advance rulings (i.e. binding decisions by customs on details of the intended import or export of goods), which facilitate the declaration, release and clearance process. It also ranks among the top three countries for the procedures indicator, giving an indication of the good state of trade facilitation. Nevertheless, France's share of SMEs exporting goods outside the EU has been decreasing, from 11.6 % in 2009 to 8.6 % in 2014, with performance still below the EU average.

Since 2008, 'Business France,' the main French agency for export promotion, has been strengthened with additional resources to support 10 000 companies (in 2009), the merger with similar departments located abroad from the Ministry of the Economy (in 2011), and the merger with the French Agency for International Investment (in 2015). These measures helped increase the number of exporting companies by 4 000 in 2015.

However, the overall number of companies exporting to foreign markets remained relatively low, at 125 000 in 2015.

In addition, there is no single helpdesk but a number of operators and public agencies helping SMEs to go global (Business France, Bpifrance, Chambers of Commerce and regional authorities). Many SMEs do not have access to public support because these operators have limited resources. The lack of fluency in foreign languages also prevents SMEs from expanding across national borders. Finally, production costs and unfavourable regulations are still major obstacles to internationalisation<sup>31</sup>.

In 2016 and the first quarter of 2017, no significant new policy measures were adopted or announced. Bpifrance, the public bank for entrepreneurs, took over the public export guarantee from COFACE. The government is also pursuing its action plan for the internationalisation of SMEs but there are still too few exporting companies in France (125 000, against 350 000 in Germany and 240 000 in Italy<sup>32</sup>) and the net trade balance deteriorated in 2016 after several years of improvement.



# 4. Interesting initiative

Below is an example of an initiative from France to show what governments can do to support SMEs:

#### La French Tech

The 'French Tech' is an initiative funded by the government to create networks of French start-ups under a single brand. Launched in 2013, the French Tech initiative is equally spread across the country. It helps French start-ups get access to finance. It has started to increase their visibility both nationally and internationally as reflected through the launch of the French Tech initiatives outside France (for instance the private 'French Tech Brussels' initiative launched in December 2016).

The 'French Tech' is based on three funding pillars:

- the 'Métropoles French Tech', a label for a territory focusing on sectors such as e-health or clean technologies;
- investment of EUR 200 million in private initiatives (such as business incubators and accelerators) helping digital companies to grow faster and become international champions; and
- investment of EUR 15 million to support 'Fablabs' and to attract talents, entrepreneurs and foreign investors.

One of the main achievements of the initiative is the number of stakeholders it has brought together as well as the positive results as reflected by the high number of French businesses showcased at the Consumer Electronics Show. Another key performance indicator is the growing number of unicorns (i.e. tech start-up companies that reach a USD 1 billion-dollar market value as determined by private or public investment) starting to emerge, such as BlaBlaCar and OVH.

#### References:

http://www.lafrenchtech.com/en-action/le-label-metropoles-french-tech http://bonjourlafrenchtech.com

http://proxy-pubminefi.diffusion.finances.gouv.fr/pub/document/18/21279.pdf



### Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\_en.htm

European Small Business Portal:

http://ec.europa.eu/small-business/index en.htm

#### **Endnotes**

- <sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 figures from Eurostat's Structural Business Statistics Database. The data cover the non-financial business economy, which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <a href="http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/">http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/</a>
- <sup>2</sup> These statistics use the Eurostat definition of a company, which focuses on the 'legal entity'. This differs from France's definition, which uses the concept of 'economic groups'. Differences between statistics provided by France's National Institute for Statistics and Economic Studies (INSEE) and the data above are due to the different concepts.
- <sup>3</sup> Institut national de la statistique et des études économiques (Insee): Indice du coût de la construction des immeubles à usage d'habitation (ICC), available at:

 $\frac{https://www.bdm.insee.fr/bdm2/affichageSeries?periodeDebut=4\&anneeDebut=2008\&periodeFin=4\&anneeFin=2015\&recherch}{e=criteres\&codeGroupe=1\&idbank=000008630}, last accessed 22.5.2017.$ 

- <sup>4</sup> Price Waterhouse Coopers (2015): Emerging Trends in Real Estate, A balancing act, Europe 2015.
- <sup>5</sup> Cour des Comptes 2011: Les aides à la pierre; and Cour des Comptes 2012: Rapport public annuel 2012.
- <sup>6</sup> Institut national de la statistique et des études économiques (Insee): Trente-cinq ans de services d'information et de communication L'essor des logiciels. Insee première N° 1575, 11/2015. <a href="https://www.insee.fr/fr/statistiques/1560260#encadre1">https://www.insee.fr/fr/statistiques/1560260#encadre1</a>, last accessed 30.3.2017.
- 7 Ibid.
- 8 Ibid, page 6.

<sup>&</sup>lt;sup>9</sup> Insee: Hébergement et restauration: augmentation de l'emploi mais repli de la richesse dégagée. Insee Analyses Pays de la Loire No 43, 21.2.2017. <a href="https://www.insee.fr/fr/statistiques/2577053">https://www.insee.fr/fr/statistiques/2577053</a>, last accessed 30.3.2017.



- <sup>10</sup> Insee: Au deuxième trimestre 2016, la fréquentation touristique recule fortement (-4,8 % sur un an). Informations rapides No 213, 19.8.2016. <a href="https://www.insee.fr/fr/statistiques/2123526">https://www.insee.fr/fr/statistiques/2123526</a>, last accessed 30.3.2017.
- <sup>11</sup> Le Monde: Dans un secteur touristique en berne, le boom des locations entre particuliers sur Internet, 22.2.2017. http://www.lemonde.fr/les-decodeurs/article/2017/02/22/dans-un-secteur-touristique-en-berne-le-boom-des-locations-entre-particuliers-sur-internet 5083860 4355770.html and Insee: <a href="https://www.insee.fr/fr/statistiques/2589218">https://www.insee.fr/fr/statistiques/2589218</a>, last accessed 30.3.2017.
- 12 Insee business demography.

https://www.bdm.insee.fr/bdm2/choixTheme?code=38&request\_locale=en#arbo:montrerbranches=theme38/theme40, last accessed 30.3.2017.

- <sup>13</sup> Banque de France: Les défaillances d'entreprises en France, January 2017. <a href="https://www.banque-france.fr/sites/default/files/medias/documents/obs17">https://www.banque-france.fr/sites/default/files/medias/documents/obs17</a> 014 stat info defaillances 201701 vfinale.pdf, last accessed 30.3.2017.
- <sup>14</sup> Persons employed and self-employed persons refer to persons aged 15-64. Source of the data is Eurostat. To calculate the 2016 value, quarterly data from the LFS series was averaged over all quarters for which information was available on 20.3.2017.
- <sup>15</sup> In line with the Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a 3-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (<a href="http://ec.europa.eu/eurostat/web/products-datasets/-/bd 9pm r2">http://ec.europa.eu/eurostat/web/products-datasets/-/bd 9pm r2</a>, last accessed 10.4.2017). Due to data availability on Eurostat, the data on high-growth firms refers to the 'business economy', which covers sections B-N including section K (financial activities, except activities of holding companies). The non-financial business economy excludes section K.
- <sup>16</sup> The 2017 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.
- <sup>17</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2017. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <a href="http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/">http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/</a>.
- <sup>18</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2017 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.
- <sup>19</sup> https://www.senat.fr/notice-rapport/2016/r16-433-notice.html, see pages 96-100.
- <sup>20</sup> http://www.pole-emploi.fr/candidat/les-aides-financieres-a-la-creation-d-entreprise-@/article.jspz?id=60775
- <sup>21</sup> https://www.insee.fr/fr/statistiques/2562977#titre-bloc-1
- <sup>22</sup>https://www.banque-france.fr/sites/default/files/webstat\_pdf/cre\_tai\_ent\_2169\_fr\_si\_credits\_taille\_entreprises\_201705.pdf, and information from the last SAFE survey: <a href="https://ec.europa.eu/docsroom/documents/24481">https://ec.europa.eu/docsroom/documents/24481</a>.
- <sup>23</sup> http://www.fbf.fr/fr/files/A92 JFJ/Financement-PME-premiere-priorite-strategique-banques-francaises-18072017.pdf
- <sup>24</sup> Médiateur du crédit, 2015.



- <sup>25</sup> http://www.afic.asso.fr/fr/etudes-statistiques/les-statistiques-du-capital-investissement/activite.html
- <sup>26</sup> https://assets.kpmg.com/content/dam/kpmg/fr/pdf/2017/02/fr-barometre-crowdfunding-financement-participatif.pdf
- <sup>27</sup> The data for 2016 were compiled in December 2016, while the 2015 data were collected in May 2015.
- <sup>28</sup> http://allianceindustrie.wixsite.com/industrie-dufutur/vitrine-industrie-du-futur
- $^{29}$  http://travail-emploi.gouv.fr/grands-dossiers/plan-500-000-formations-supplementaires/article/prolongation-du-plan-500-000-formations-supplementaires-en-2017
- <sup>30</sup> All World Bank indicators (time and cost to export and import) have been replaced by six OECD trade-facilitation indicators (following a scale where 0 is the worst and 2 is the best score). Please see Moïsé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No 118, OECD Publishing, Paris. <a href="http://dx.doi.org/10.1787/5kg6nk654hmr-en">http://dx.doi.org/10.1787/5kg6nk654hmr-en</a> for more information on the methodology applied to construct the indicators; further information is available at: <a href="http://www.oecd.org/trade/facilitation/indicators.htm">http://www.oecd.org/trade/facilitation/indicators.htm</a>, last accessed 06/07/2017.
- <sup>31</sup> Etude Business France/Kantar public, *Le rapport des entreprises à l'export*, 2016, available at: <a href="http://www.businessfrance.fr/Media/Default/BlogPost/Dossier%20de%20presse%20Etude%20BF-Kantar%20Export\_VF.PDF">http://www.businessfrance.fr/Media/Default/BlogPost/Dossier%20de%20presse%20Etude%20BF-Kantar%20Export\_VF.PDF</a>.
- <sup>32</sup> Etude Business France/Kantar public, *Le rapport des entreprises à l'export*, 2016, available at: http://www.businessfrance.fr/Media/Default/BlogPost/Dossier%20de%20presse%20Etude%20BF-Kantar%20Export\_VF.PDF.