

FRANCE, HOME TO FOREIGN R&D INVESTMENT

TO RETAIN R&D CAPACITIES AND SKILLS, ENCOURAGE CORPORATE RESEARCH

The new measures of the [France Relance \(“Relaunch France”\)](#) economic recovery plan **to help businesses retain their R&D capacities and skills** in the context of the post-Covid19 crisis, as well as the measures of the Research Programming Act 2021-2030 **to encourage corporate research**, are designed to consolidate the attractiveness of France in an increasingly competitive ecosystem of innovation and R&D.

➔ THE MEASURES OF THE RECOVERY PLAN TO RETAIN R&D CAPACITIES AND SKILLS

❖ Retention of R&D skills and jobs

To retain R&D skills, the “Relaunch France” plan is launching new schemes (€300 million) specifically for private companies engaged in a collaborative research contract with a public research operator. The aim is twofold:

- Keeping private R&D personnel in employment and developing their skills, with the State paying 80% of the remuneration of those who are **posted to public laboratories on a part-time and temporary basis** (for 80% of their working time over a period of 12 to 24 months), which cannot be combined with the State paying 50% of the remuneration of those who undertake doctoral training.
- Supporting young Masters graduates and young PhD holders hired by a public laboratory and **posted to businesses on a part-time and temporary basis** (for 80% of their working time over a period of 12 to 24 months), with 80% of their remuneration paid by the State.

❖ Measures designed to encourage the hiring of young people and training in strategic professions

New measures to promote the **apprenticeship and employment of young people entering the labor market** have been introduced as part of the recovery plan, with **€6.5 billion** being set aside (Plan #1jeune1solution). **Recruitment premiums** are being put in place to provide a concrete and immediate boost to youth employment and thus contribute to the objective set by the government of **creating 160,000 jobs in 2021**:

- **€4,000 for the recruitment of a young person under the age of 26 on a permanent or fixed-term contract of more than three months** (pro rata system that is dependent upon the length of the contract and open until January 31, 2021).
- **From €5,000 to €8,000 for the recruitment of an apprentice or a day release student** (scheme open until February 28, 2021). Within the framework of “Relaunch France”, a matching contribution to the Personal Training Account of 100% of the remaining amount (for the employee) was introduced for training courses for a strategic sector (digital, ecological transition, sectors concerned by relocations...).

❖ Launch of the fourth National Investment Program

The National Investment Program, which has been in place for 10 years, provides long-term financing for the life cycle of innovation by supporting innovative products and services, from the experimental phase through to marketing. The fourth National Investment Program, with a target size of €20 billion over five years, will draw on **€11 billion between now and 2022** in two areas of intervention:

- Financing exceptional investments in **certain strategic sectors and technologies** for competitiveness, ecological transition and resilience (digital, healthcare, space, etc.).
- Providing structural and predictable financing for **higher education, research and innovation ecosystems** to speed up the transfer of technology from the world of academia to business.

Between now and 2022, the new National Investment Program will focus on – **green technologies** (€3.4 billion), **digital technologies** (€2.6 billion), **grants for innovation** (€2 billion), **equity-type financing** (€0.5 billion) and **technology transfer** (€2.5 billion). Selecting the projects and awarding funds will be done mainly through calls for projects [published on a regular basis](#).

❖ **Support for startups that develop disruptive technologies (€2.2 billion in total)**

“Relaunch France” is the concrete expression of the government’s strong commitment to the **development of disruptive digital technologies** (i.e. artificial intelligence, cloud, quantum) via the provision of financial support of €500 million between now and 2022 to startups operating in these areas, via various levers of intervention – equity financing; entry into the capital of startups; matching funds in investment structures.

❖ **Long-term part-time activity during a downturn in activity**

In addition to the new gateways planned specifically for R&D jobs, and in line with the structural reform of the French social environment carried out in 2017, the recovery plan also adapted and completed the **part-time activity system** to provide security for employers and employees suffering from a drop in activity. This skills preservation mechanism is aimed at all businesses in all sectors of activity, as long as the existence of the business is not threatened. It aims to support employment, while allowing the employer to rethink its strategy and to reposition itself sustainably on the market. It takes the form of an **allowance paid to the employer** corresponding to 56% or 60% of the employee’s gross remuneration prior to the implementation of the scheme, up to a maximum of 4.5 times the statutory national minimum wage. The allowances paid by the employer to employees are exempt from social security and tax contributions.

➔ **THE MEASURES OF THE RESEARCH PROGRAMMING ACT 2021-2030 IN SUPPORT OF R&D**

On November 20, 2020, the Research Programming Act was definitively adopted by the Senate and will enter into force in 2021. The act has three main purposes – to **better finance public research** (€25 billion over the next 10 years), to **improve the attractiveness of research professions** and to **develop public-private partnership research**. Within the framework of the Research Programming Act, the government wishes to encourage businesses and public research laboratories to invest in partnership research activities by strengthening mechanisms that have proven their relevance and effectiveness:

- The number of **CIFRE agreements**, that support the work of a doctoral student hosted by a company, a local authority, a foundation recognized as being of public utility or an association, in conjunction with a public laboratory, will **increase by 50% by 2027**. The number of **industrial chairs** supporting private sector R&D investment in connection with the academic sector, **will also be doubled**, as will the **Labcom program**, which supports the creation of joint laboratories between a public laboratory and a PME or mid-size company.
- The **Carnot Institutes** initiative, which singles out public laboratories for the excellence and professionalism of their contract research work with businesses, will be subject to a similar effort – the **amount of the credits will be more than doubled** over the period of the Research Programming Act. Consideration will also be given to selectively strengthening the public technological platforms, in conjunction with the regions, and developing their links with SMEs and mid-size companies. Tailor-made financing formulae, such as vouchers, may also be defined to support the development of doctoral students’ expert missions with small and medium-sized enterprises.
- A new **“industrial convention for the mobility of researchers in companies” (CIMEC)** initiative will be launched. In a way playing for researchers the part that CIFRE agreements play for doctoral students, the CIMECs will promote the mobility of researchers and teacher-researchers wishing to work part-time in businesses in the framework of a partnership with a public laboratory.

For more than three decades, the French State has been steadily increasing its support for businesses that undertake research and development (R&D) activities on its territory. For example, the total amount of the **research tax credit** granted to businesses increased from €5 billion in 2010 to nearly €7 billion in 2019. This flagship scheme allows businesses to deduct 30% of their R&D expenses up to €100 million, and 5% beyond that, based on an **attractive basis of calculation** designed to encourage the **employment of young PhDs in particular**.

➔ *As the leading component of France's policy in support of innovation, the research tax credit ranks France at the head of OECD countries for R&D funding (OECD, 2019).*

Intensifying interactions between public research and businesses is a priority for the French government, via:

- **The promotion of partnership-based research**, for which the government is setting up mechanisms designed to encourage partnerships and strengthen research agreements on offer for businesses – Carnot Institutes, Technological Research Institutes, Industrial Agreements for Training through Research (CIFRE) enabling doctoral students to carry out their research programs in businesses.
- **Facilitating the exploitation of public research results by existing businesses**, particularly through technology transfer acceleration companies (SATT), experiments in adding value and revising the legal and regulatory framework to speed up the transfer.
- **Supporting innovative business creation project initiators**, in particular via public research incubators, the i-Lab competition which provides financial support for the creation of deeptech companies, or the i-PhD competition to enhance the entrepreneurial potential of doctoral students.

These efforts to promote competitiveness and the maintenance of a strong innovation policy have borne fruit, since France has for many years been the leading European destination for international R&D investment projects. In total, 2019 saw France welcome 157 R&D investment decisions, compared with 129 projects in 2018 (+22%). Jobs associated with the creation and extension of R&D centers increased by 35% in 2019, with 3,775 jobs (2,793 jobs in 2018).

➔ *Business France, June 2020: <https://investinfrance.fr/france-top-european-fdi-destination/>*

The steady increase in the number of R&D projects in France is due in particular to the vision that international investors have of the French innovation ecosystem and the attractiveness of the French tax incentive system, notably via the research tax credit and the innovation tax credit. Thus, according to the EY/CSA survey of international leaders (February 2020), the reform and public policy that has made the greatest difference over the last 10 years for **France's attractiveness and competitiveness is without doubt investment in R&D, on a par with labor flexibility**.