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RIO Country Report 2017: France

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Executive Summary

Key findings

At €48.6 billion, research and development (R&D) investments in France represented 2.22% of gross domestic product (GDP) in 2015. The stable increase over time is mainly driven by increasing R&D expenditure in manufacturing industry. The government aims to support R&D through tax incentives, synergies between research centres, enterprises and teaching institutions, and efficient transfer of the results of publicly performed R&D to private companies.

In 2017, the French economy was recovering, with its highest growth rate since 2011 (+1.6%), mainly led by household and company investments. The trade deficit, including that with continental European partners, remains stable and the unemployment rate is continuing to fall (9.7%). Inflation rate remains low (1.2%) and the French central State deficit decreased from January 2017, reaching €67.8 billion at the end of December. France public administrations' global deficit will remain under 3% maximum of GDP[1].

The main challenge for the French government is to reduce a too high unemployment rate and to get the economy moving again through the introduction of concerted and effective reforms focusing on modernising, simplifying and supporting the economy.

Challenges for R&I policy-making in France

Simplification of Innovation policies: In recent years, the French government has made significant efforts to improve the coordination of innovation policy. These efforts mainly consist in concentrating competences in some key operators and giving incentives to improve the coordination between these central players and other institutions (local or national) to ensure that they have a role in this field. Assessment of these policies is still partial, probably because the new orientations were implemented less than two years ago.

Fostering R&D and innovation in SMEs: Despite continuous efforts to improve their involvement in R&I systems and their participation in regional or national programmes, small and medium-sized enterprises (SMEs) remain the weakest links of the R&I cycle. The French government put two major programmes in place ("SME innovation savings plan" – Compte PME innovation, or CPI – and "Fonds d'innovation de rupture") to facilitate investments made by these companies. These supply-side policies have not yet been formally assessed, but the preliminary information available tends to suggest that they have not reached their objective.

A more efficient funding system for higher education and research: The French research and innovation system has undergone profound reforms since 2013 to develop more consistent systems, reinforce public and private partnerships, and optimise the use of human and financial resources. These mainly consist in the creation of the third round of the Investments for the Future Programme ("Programme d'investissement d'avenir", or PIA3) Excellence Initiatives, which aim to improve cooperative behaviour in R&D-related areas but represent a small part of the budgetary endowments. This policy lacks

[1] Ministère de l'Action et des comptes publics, communiqué de presse du 16 janvier 2018: https://minefi.hosting.augure.com/Augure_Minefi/r/ContenuEnLigne/Download?id=DD7F9A41-CA39-4C47-BDC0-0DFC848B8113&filename=153.pdf

empirical evidence and assessment is still incomplete, mainly because of some disagreements among experts about the proper method to be used.

Promote R&I evaluation: Policy evaluation is a continuous challenge in France. A dedicated organism, the National Commission for the Evaluation of Innovation Policies (CNEPI), has been created to assess R&D and Innovation policies and identify their economic impact. The first empirical evaluation was published last year.

Main R&I developments in 2017

- Formation of the Ministry for Higher Education, Research and Innovation (MESRI)
- Creation of university graduate schools
- Call for funding for disruptive innovation
- Ministry of Defence (DOD) funding for growth in high-tech SMEs
- Joint laboratories between research organisations and SMEs or intermediate-sized enterprises (ETIs) (LabCom)
- extension of R&D tax credit.

Focus on R&I in national and regional smart specialisation strategies

The national smart specialisation strategy covers the general principles defined at European level. This strategy concentrates the financial resources devoted to research, innovation and economic development on priorities and key industries determined in line with major regional characteristics. The General Commissariat for Territorial Equality "commissariat général à l'égalité des territoires" (CGET) – an agency attached to the Prime Minister's Office responsible for government coordination to ensure balanced regional development – is responsible for monitoring the Smart Specialisation Strategy (S3). The recent S3 exercise has had a variety of results: some regions (here named as until end of 2015) chose to specialise in very few technologies (Alsace, for example), whereas others (Auvergne-Rhône-Alpes and Brittany) opted for a more general approach. However, all regions specialise in certain sectoral activities (e.g. health, energy). It is still too early to provide evidence of the impact of the French national and regional smart specialisation strategies on economic activity. Assessment of the effects of S3, mainly at the local level, are often hindered by a lack of quantitative data.

JRC Mission

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