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The Government announces c.€4 billion emergency plan to support startups

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In response to the unprecedented health crisis affecting the country and its economic consequences on our companies, the Government is taking strong action to ensure the continuity of economic activity and the sustainability of companies and jobs. The Ministry of State for Digital Affairs, the General Secretary for Investment and Bpifrance, the French public investment bank, are joining forces to provide a specific support for French startups.

The French tech ecosystem has experienced a very strong acceleration in recent years. However, many startups are still vulnerable SMEs due to their development model, based on substantial investments, strong growth, an ability to generate profit only after several years of operation, and a positioning on innovative products and services.

Cédric O, Minister of State for Digital Affairs, has declared: "*Startups have a growing importance in the economy, particularly in terms of jobs. They are also developing innovative products and services whose usefulness is particularly acknowledged by people in the current context of confinement, notably for teleconsultation, telework or delivery. Because of the specificity of their development model, dedicated emergency measures had to be taken to support, alongside their shareholders, the companies whose activity is strongly affected by COVID-19. Overall, startups will benefit from nearly 4 billion euros to improve their cash position*".

Startups' financing mainly relies on venture capitalists such as business angels and investment funds. In their capacity of shareholders, both should continue to play a central role in these challenging times. **To complement this support from private investors and in addition to the measures already available to all companies ([here](#)), startups can benefit from specific measures:**

1) An €80 million package, financed by the *Programme d'investissements d'avenir* (PIA) and managed by Bpifrance, to finance bridges between two fund-raising rounds

This scheme is targeted at startups that were in the process of raising funds or were expected to raise funds in the coming months and are unable to do so due to the contraction of venture capital activity. These funding will be provided in bonds with possible access to capital and are intended to be co-financed by private investors, for a total amount of at least €160 million.

2) State-guaranteed treasury loans of up to twice the 2019 wage bill for France or, if higher, 25% of the annual revenue, as for other companies

Backed by the €300 billion state guarantee adopted in the dedicated finance bill, these loans are distributed by both private banks and Bpifrance, startups' primary contact, with a dedicated product. They should represent a total of almost €2 billion. The guarantee can cover up to 90% of the loan and is priced at a low cost, depending on the maturity of the loan. More details about this guarantee in the press kit [here](#).

3) An accelerated refund by the State of corporate tax credits refundable in 2020, including the research tax credit (CIR) for the year 2019, and VAT credits

As announced by Gérald Darmanin, Minister of Public Action and Accounts, (see the press release [here](#)) all companies have the possibility to apply for an early refund of corporate tax claims refundable in 2020 and an accelerated processing of VAT credit refund claims by the Public Finances Directorate General (DGFIP). Startups as SMEs and/or Young Innovative Enterprises (JEI) are eligible for immediate refund of the CIR. They can therefore apply now, without waiting for the filing of their annual financial statements ("*liasse fiscale*"), for a refund of the CIR for the year 2019, which amounts to a cash advance of around €1.5 billion. The corporate tax services (SIE) are mobilised to process the companies' refund requests as soon as possible, within a few days.

4) An accelerated payment of the PIA innovation support grants already allocated but not yet released, for an estimated total amount of €250 million

Following a government request, Bpifrance and Ademe automatically accelerate the payment of innovation support grants from the PIA, such as innovation contests, by paying in advance the instalments not yet released for projects that have already been validated. Concurrently, for companies receiving subsidies in the form of repayment advances or grants accompanied by fees, the next repayment deadlines are postponed for up to six months.

Finally, the State maintains, through Bpifrance, its support for innovative companies with nearly €1.3 billion planned for 2020 (grants, repayable advances, loans, etc.). Bpifrance will also continue its direct equity investments and investments in fund of funds, alongside private investors.

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