



# EXPORT SUPPORT SCHEMES

Enhance effectiveness, rethink the model

Thematic Public Report

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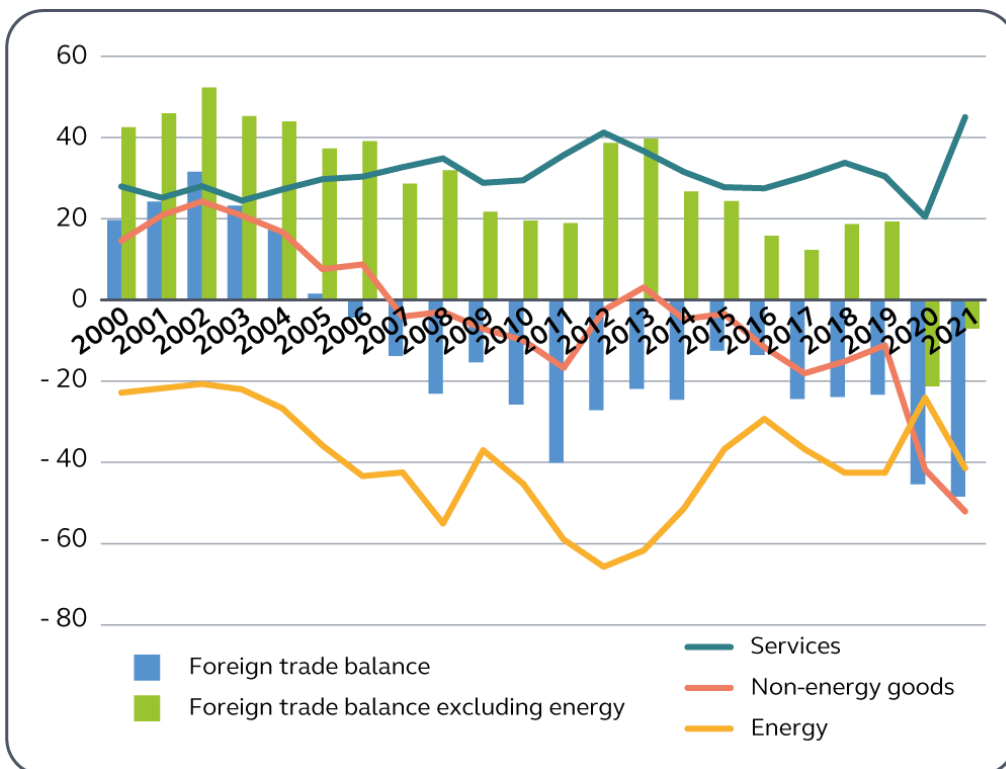
# Executive Summary

In response to the decline in its foreign trade over the last 15 years (€84.7bn trade deficit in 2021), France is implementing a specific public policy that, in addition to macroeconomic policies aimed at increasing the competitiveness of the economy, includes numerous measures designed to foster access to foreign markets for businesses. Although this public support for exports, which remains limited in scope, cannot by itself increase the performance of foreign trade, it does pursue the objective of supporting businesses wishing to export and providing them with useful financial tools.

## A decline in French performance due to insufficient competitiveness

Since the mid-2000s, France's poor performance in exporting goods, particularly industrial goods, has continued to worsen the trade balance. This situation is exacerbated by a stronger tendency in France than in any other European country to relocate production sites. Despite having the advantage of bringing production closer to end consumers and being a source of other income (dividends, in particular), this choice is a factor in exacerbating the trade deficit and reducing tax and social security revenues.

**Change in the foreign trade balance and its components (€bn)**

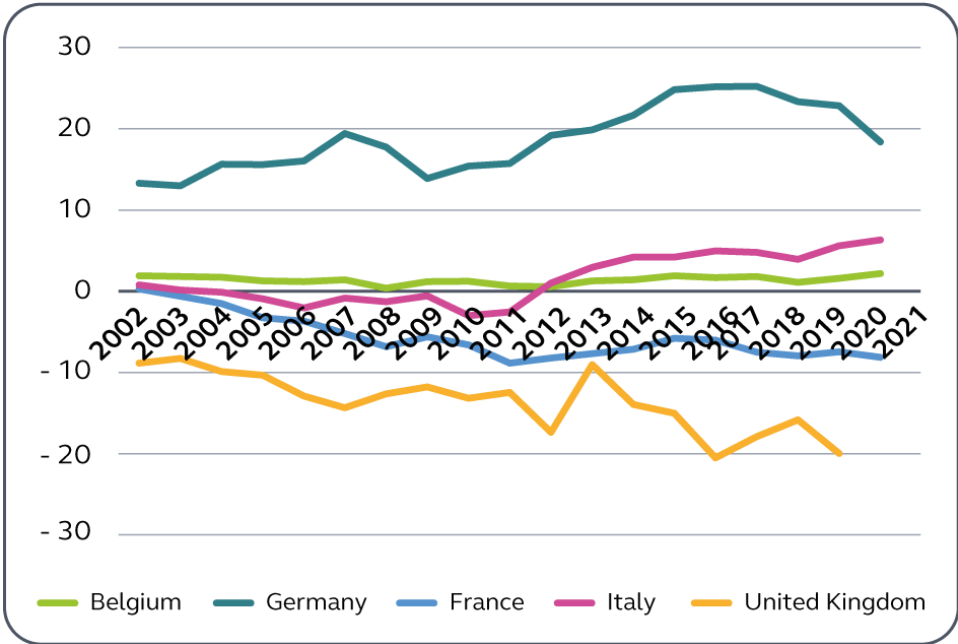


Source: INSEE, Court of Accounts processing

The French economy's structural weakness and its insufficient competitiveness have been and continue to be handicaps in the face of competition from its main European and Western partners. This comes on top of the growing trade power of emerging economies,

notably China, which France has been unable to withstand, unlike other G7 countries such as Germany and Italy.

**Change in the trade balances of several European countries (in €bn, CAF/FAB value)**



Source: Eurostat (Court of Accounts processing)

France’s low price competitiveness has accentuated its poor export performance, due to high labour costs, despite reforms that have reduced them, and a tax system that keeps them higher than in other European countries.

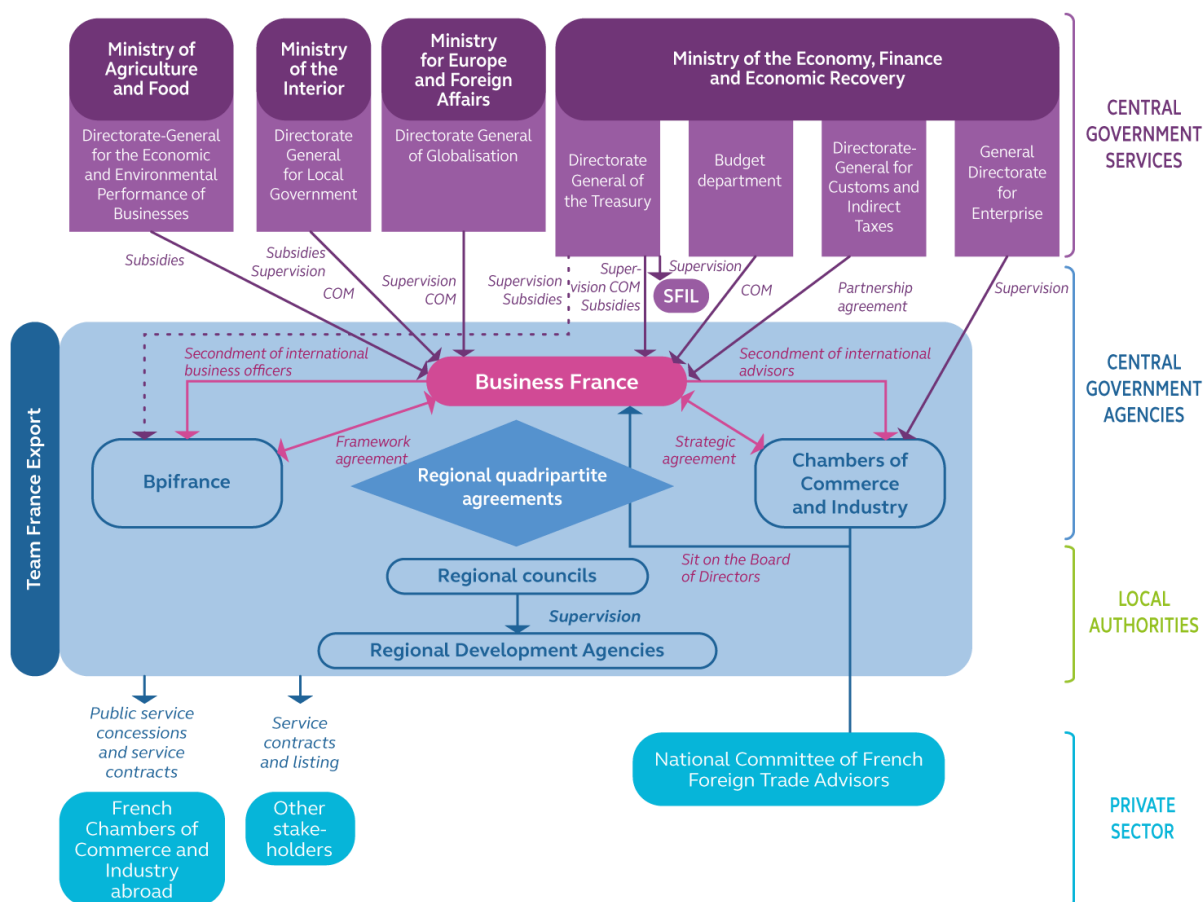
The non-price competitiveness of French production has not enabled it to make up for this handicap, due to being positioned too much in the middle of the range, workforce qualifications that do not always meet needs and insufficient investment by businesses in their production facilities in France.

**A public export support policy with multiple ambitions**

In addition to macroeconomic policies aimed at acting on the factors that determine competitiveness, France is implementing an export support policy consisting of actions to accompany and help finance businesses wishing to export.

This policy, which was previously the jurisdiction of the Minister for the Economy, has been led since 2014 by the Minister for Europe and Foreign Affairs. It is implemented by many public and private stakeholders, in France and abroad: Business France, the chambers of commerce and industry (CCI), the regions, Bpifrance, the ambassadors, the departments of the Treasury and the French chambers of commerce and industry abroad (CCIFI). A support offering is proposed to businesses wishing to export, usually on a paid basis, with the exception of the more occasional support offered by central government departments (customs, embassies, regional economic services, etc.).

## Overview of French export support stakeholders



Source: Court of Accounts

The foreign trade support strategy adopted in 2018, known as the “Roubaix strategy”, aimed to improve France’s trade balance by promoting competitiveness and placing a priority on very small enterprises (VSEs) and intermediate-sized enterprises (ISEs), with the objective of significantly increasing the number of exporting businesses. The objective was also to set sectoral priorities with the main economic and industrial sectors and highlight a geographical priority, Africa. Lastly, this strategy aimed to set up a one-stop shop for businesses wishing to export. This one-stop shop, called “Team France Export” (TFE), was intended to group together all public stakeholders involved in exporting and to assemble their offering to make it more complementary, clearer and more accessible.

### A strategy with insufficiently defined or questionable priorities

The export support policy struggles to clearly state its geographical priorities, partly for diplomatic reasons. The only geographical priority stated, namely Africa, contrasts with the weakness of real export flows in comparison with the size of trade within the number one export zone, the European Union, where France needs to consolidate its market share. Similarly, the rise of new markets in Asia and the Americas requires sustained attention.

In terms of sectors, no priorities were ultimately set, which is all the more regrettable given the unanimous agreement on the need to give more support to certain businesses or sectors. Conversely, stakeholders remain divided as to how these priorities should be determined, with some believing that the sectors should be the sole decision-makers, while

other stakeholders stress the need for priorities to be aligned with other public policies, such as industrial policy or innovation support policy, and with the plans recently launched in these areas (France 2030, acceleration strategies for innovation).

Lastly, the priority placed on first-time exporting SMEs and ISEs seems questionable, as it does not allow for action on French export performance, which requires more targeted support for SMEs and ISEs with the greatest potential for international expansion. The excessive focus on objectives regarding the number of exporters – without considering their export revenue – does not seem relevant in steering the performance of this support policy, as shown by the fact that 2021 saw both a record number of exporting businesses and an unprecedented trade balance deficit.

### “Team France Export” has enhanced synergies

The Roubaix strategy has improved the coordination between the two main stakeholders of this public policy in France, Business France and the CCI. These two entities now offer businesses a more complementary range of support. Each business is also monitored by a single advisor, who may be an employee of Business France or the CCI, in order to limit the effects of competition and multiple contacts. The profile of the businesses monitored, as well as their needs and the progress of their approach, are recorded in customer relations management (CRM) software called One Team, shared by Business France and the CCI.

Some regions that are leaders among local authorities in economic development are also more effectively integrated into the rest of the ecosystem of public export stakeholders. The public support for exports offered by national stakeholders and that offered by the regions and their regional development agencies (*agences régionales de développement*, ARD) appear to be more coordinated.

Abroad, progress has also been made to more effectively coordinate the three main public export stakeholders, namely embassies, regional economic services (*services économiques régionaux*, SER) and Business France. Interconnectedness has also been sought with private stakeholders. This resulted in Business France withdrawing from certain countries and setting up service contracts or public service concessions in these areas, making private stakeholders, and in particular the French chambers of commerce and industry abroad (CCIFI), TFE’s representatives instead of the public operator.

### Governance reform stopped in midstream

Over four years later, and despite the progress made in coordinating these stakeholders, both in France and abroad, the far-reaching reform of governance that should have been possible with the establishment of TFE has not been completed.

Public stakeholders still appear to be too often in competition with each other, one example being the difficulties that can arise in coordinating the ministries in charge of foreign affairs and the economy. Some stakeholders are also less involved within TFE. This is the case, for example, with Bpifrance, which does not coordinate its action with the other public stakeholders. The regions have also integrated themselves into TFE in different ways, with some wishing to maintain a broad range of export support services managed and steered by their ARD, instead of promoting the services provided by Business France and the CCI and working with them to adapt them to the reality of their territory.

In France, it appears that coordination between Business France and the CCI has much room for improvement. For example, the international advisors, who work with businesses in the territories, are comprised of staff from Business France firstly and the CCI secondly, with different hierarchical chains and remuneration terms, which complicates matters.

Abroad, while ambassadors seem to have adopted their coordination role on the whole, their investment still varies from one territory to another. Outside the areas in which Business France has concluded partnerships or conceded all or part of its activity, competition with the CCIFI has been observed. Bpifrance also has a few offices abroad, the added value of which is unproven and which confuse TFE's organisation abroad.

### **Taking the one-stop-shop approach to its logical conclusion**

To remedy these difficulties, the Strategic Export Council, which brings together all the relevant stakeholders, should be reformed to play a more strategic role. In addition, considering the importance of the regional level for informing and monitoring businesses wishing to export, regional strategic committees should be set up to facilitate coordination between stakeholders at a local level.

Bpifrance should also become more integrated within TFE by sharing, through the customer relations software, certain information on the businesses it meets and that may be interested, in addition to a financial offer, in support from Business France or a CCI.

Abroad, it would be useful to take stock of the delegation by Business France of all or part of its activity in certain countries to the private sector and in particular to the CCIFI. Given the results obtained since 2019 in terms of quality of service and volume of activity, it could be envisaged to continue this movement and focus Business France's staff on certain territories considered more strategic. This streamlining would also make it possible to limit the effects of competition between Business France and private stakeholders involved in supporting exports abroad, primarily the CCIFI.

Lastly, although there is a TFE website listing the entire public export offering, a telephone number and a single form are still needed in order to truly simplify the process for businesses wishing to export by sparing them the task of identifying the appropriate contact person according to their needs.

### **A comprehensive but insufficiently known financial offering**

The public stakeholders involved in export support receive a total of €1.1bn in central government funding (LFI 2022). However, central government's commitments to support certain businesses or certain export operations are much higher, amounting to €61bn at the end of 2021.

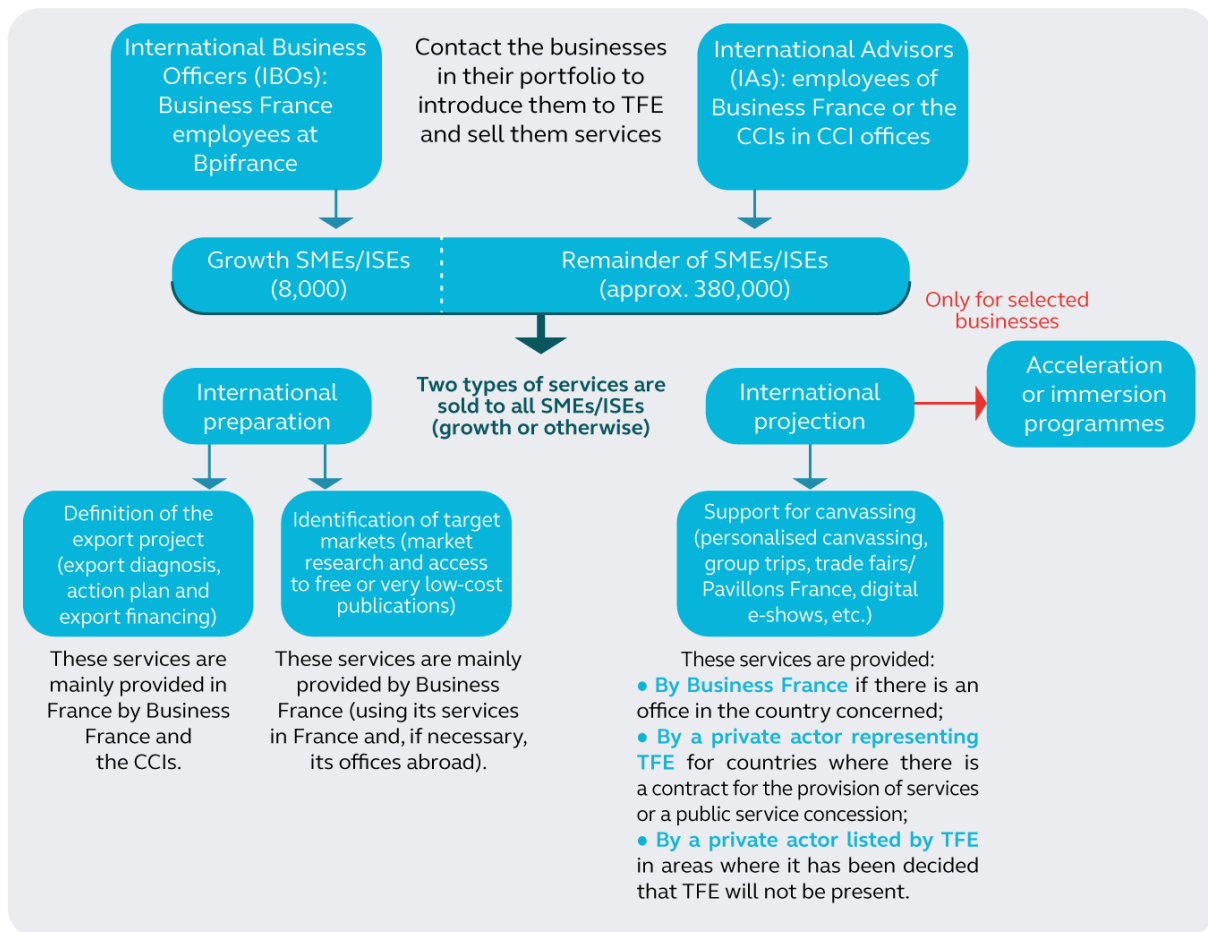
In terms of financing, businesses can apply for public guarantees, such as credit insurance. They can also apply for export credit and direct funding from central government, for example in the form of Treasury loans or through the fund for private-sector studies and aid (FASEP). Although the financial support offered in France appears to be comprehensive and very similar to that offered by most of our main competitors, its effects remain modest: just 27% of recipient businesses believe they have seen their international development facilitated by the mobilisation of public export financing.

However, it would be wrong to conclude that these tools are ineffective. Indeed, the primary purpose of these instruments is not to give businesses a comparative advantage, which would breach European competition rules, but to ensure that the offering available to them is comparable to that of their main competitors in Europe. Lastly, it was noted that the Bpifrance offering was not yet well known among businesses and that the complexity of the applications could put some of them off and encourage them not to go through with their application.

## Low awareness of the support offering and modest impact in terms of business flows generated

In terms of support, businesses can take up an offering enabling them to prepare for their international journey (export diagnosis, analysis of market potential, etc.) or to travel internationally to sound out new markets and establish commercial relations with customers or distributors (attending foreign trade fairs etc.). They can also recruit a young professional on an international business volunteer (*volontariat international en entreprise*, VIE) contract to help them develop new markets. By 2021, around 11,500 businesses had benefited from one of these services, i.e. just over 8% of the total number of exporting businesses (136,400 in 2021), and nearly 12,000 companies had hosted a VIE.

### The current support by TFE



Source: Court of Accounts

To help them finance the cost of these services, most of which carry a fee and are offered by private market stakeholders or public stakeholders (Business France and the CCIs, in particular), businesses can benefit from financial aid from the regions, as well as instruments set up in connection with the recovery policy (export recovery voucher and VIE recovery voucher).

While the offering as a whole seems to satisfy the recipient businesses overall, the impact rate of the schemes is more often than not below 50%, meaning that fewer than one in two businesses has seen new business flows as a result of these services.

Above all, with the exception of support for canvassing (ability to exhibit at trade fairs within Pavillons France, organisation of trips) and the VIE, the businesses surveyed by the Court were not familiar with the export support offering.

To increase awareness of the public export offering, both in terms of financial support and accompaniment, it would undoubtedly be useful to form partnership agreements with the main organisations representing businesses and professional federations so that they can play a greater role in creating awareness of TFE and its services.

### **Business France's weakened business model**

Business France's funding is based almost equally on public support, which has been steadily decreasing for several years (€104.5m in 2019 and €85.1m in 2022), and commercial revenue (€58.1m in commercial revenue excluding VIE and €47.9m in management fees invoiced to businesses that had a VIE in 2019).

The operator, which has signed an objectives and resources contract (*contrat d'objectifs et de moyens*, COM) with central government covering the 2018-2022 period, has been assigned objectives in terms of net income, encouraging it to maximise its commercial revenue. However, the services it offers do not generate profits, with the exception of VIE, on which Business France's financial equilibrium is based.

This model does not allow optimal allocation of Business France's resources, as it encourages the operator to sell as many services as possible, without necessarily directing its support to the businesses best equipped to expand internationally. In addition, the staff responsible for canvassing businesses (some 200 international advisors and international business managers, employees of Business France or the CCIs) spend more time on these commercial missions than on free advice to businesses wishing to export.

This quest for commercial resources for Business France does not enable long-term support for businesses either, instead fostering a "piecemeal" approach that is not conducive to structuring businesses' export projects, even though the transition from occasional to regular exporter is one of the drivers for strengthening French export performance.

### **Make the support offering free of charge for priority businesses**

To ensure that the support offering has a greater impact on French export performance, the proposal is to reconfigure it under a two-level system. A first-level offering, free of charge, would be available to all businesses (notably all SMEs and ISEs), thus enshrining TFE's public service mission.

For certain businesses deemed priorities, more customised support, free of charge or at very low cost, would be offered to limit any crowding-out effect. These businesses could be selected, in conjunction with the economic sectors, from among the 8,000 growth SMEs and ISEs and within the strategic sectors already identified by recent initiatives (France 2030, innovation acceleration strategies, etc.). This free support could include a range of services depending on the needs of the business, its sector and the target countries (exhibition at a trade fair, organisation of an individual or group trip, conduct of a market study, promoting the company's offering in a digital marketplace, etc.). A target of 1,000 priority businesses supported each year could be set.

Non-priority businesses could either be offered a fee-based offering by TFE or be directed to market stakeholders with an equivalent offering.

### **Advance Business France's business model**

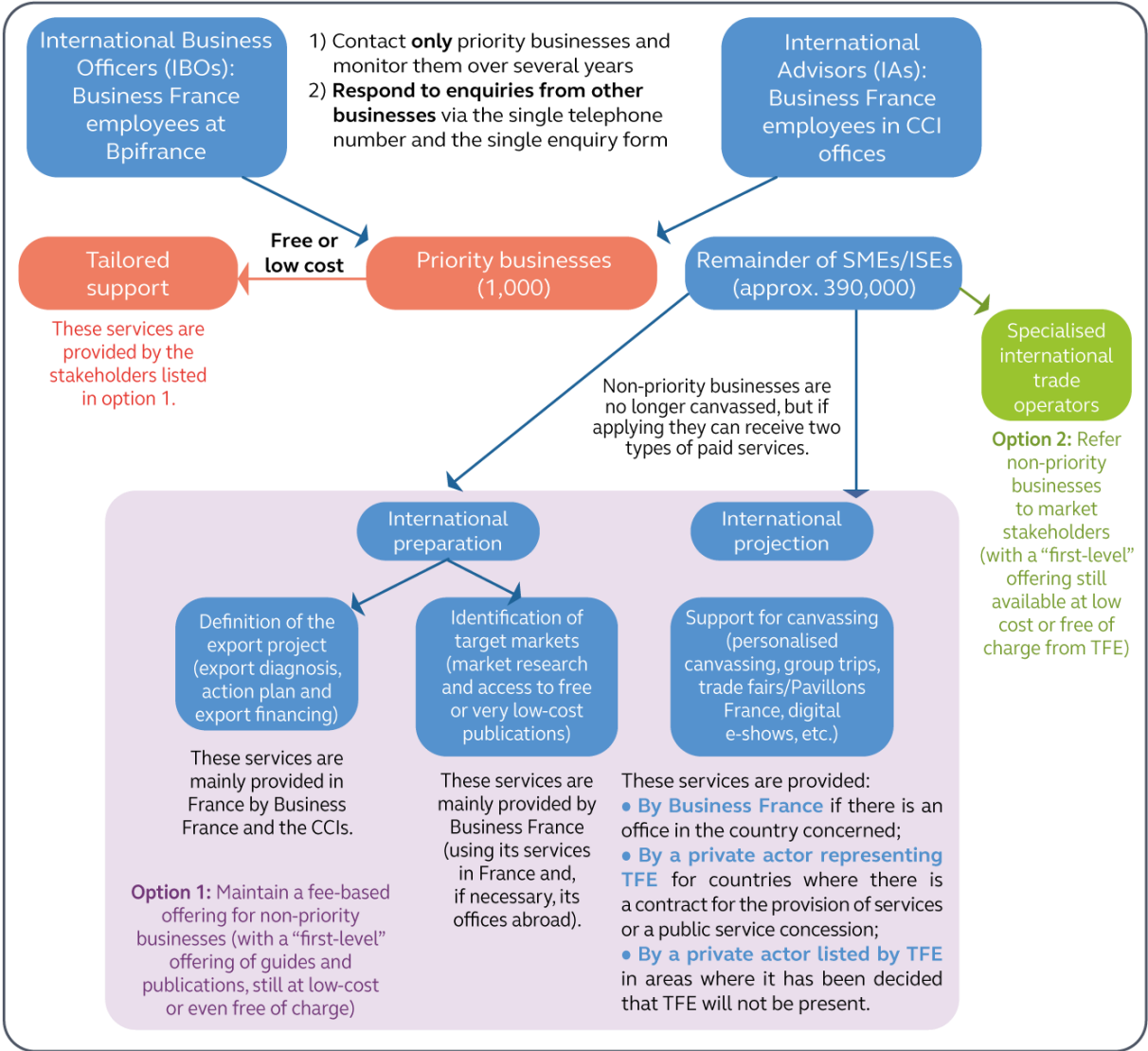
Such a transformation would have an effect on the organisation of the activity and business model of Business France, which would rely less on commercial revenue and more – like many of its counterparts abroad – on public resources.



To align with this new strategy geared towards targeted businesses, new objectives should also be assigned to the operator, for example in terms of the export revenue generated by its support.

International advisors and international business officers would see their missions evolve. They would stop canvassing businesses and focus on supporting priority businesses. This could free them up to respond to enquiries from businesses via the single telephone number or the single form mentioned above.

**Proposed change to the TFE support**



Source: Court of Accounts

## Summary of audit recommendations

1. Make the Strategic Export Council responsible for ensuring that the export support offering is linked to measures to support competitiveness, industrial policy and changes in export conditions (*Ministry for Europe and Foreign Affairs, Ministry of the Economy, Finance and Industrial and Digital Sovereignty*).
2. Transfer the international advisors managed by the CCIs to the staff of Business France (*Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Ministry for Europe and Foreign Affairs, Business France, CCI France*).
3. Define, by the end of 2023, the information concerning Bpifrance's customers that can, in compliance with applicable regulations, be sent to the partners of Team France Export via the joint digital platform One Team (*Bpifrance, Business France*).
4. Conduct a full review of public service concessions and service provision contracts before issuing new calls for tender, where necessary (*Business France, Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Ministry for Europe and Foreign Affairs*).
5. Form partnership agreements with the main organisations representing businesses and professional federations so that they can play a greater role in creating awareness of Team France Export (TFE) and the public export support offering (*Business France*).
6. Define and implement a free first-level service offering for all businesses wishing to export (*Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Ministry for Europe and Foreign Affairs, Business France, CCI France*).
7. Offer free or low-cost personalised support to businesses deemed priorities (*Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Ministry for Europe and Foreign Affairs, Business France, CCI France*).
8. In Business France's next objectives contract, set a trajectory for the evolution of the central government subsidy and the employment ceiling that is consistent with the operator's new, more targeted service offering (*Ministry of the Economy, Finance and Industrial and Digital Sovereignty, Ministry for Europe and Foreign Affairs, Business France*).