

## New law to boost French biotech industry

The Paris Senate has adopted a new "Innovation Law" that, by relaxing legislation and providing financial and tax incentives, is aimed at encouraging scientists in France to create start-up companies. Although some people think the French mindset is a hurdle to entrepreneurship, the general consensus is that the measures in the Innovation Law are a step in the right direction for France to jump start its practically nonexistent biotechnology industry.

The 1999 budget for the Innovation Law totals FF995 million (US\$162 million), FF395 million of which will be devoted to life sciences, including biotechnology. FF43 million was already awarded to six bioincubator projects in September through a national challenge. Following another competition, the most innovative start-up projects will receive up to FF3 million to cover 35% development costs. And there are further incentives, such as an up to 50% tax reduction on R&D expenses during the first few years.

This setup is similar to Germany's BioRegio program (*Nat. Biotechnol.* 16, 614), but differs in that individual projects, rather than regional initiatives, compete for funding. In the long term, "the effects will be less immediate than in the German BioRegio program," says Pascal Brandys, chairman of France's biggest biotechnology firm Genset (Paris). "But they will be more deep-rooted."

The government has also set up a FF100 million "BioAmorçage" fund—seed capital specifically for biotechnology. Until now, getting new ventures off the ground has been tough because biotech business angels are virtually nonexistent in France, says Antoine Papiernik, partner at Sofinnova, France's lead venture capital investor in biotechnology. "France is still at the first generation of biotechnology entrepreneurs, in contrast with the US, which is reaching its third generation," he explains.

But the key measure in the Innovation Law focuses on Sociétés par Actions Simplifiées, a relaxing of the existing legislation regulating the creation of start-ups. Participating scientists can now retain their academic status for as long as six years. "This is a very important reform," says Philippe Pouletty, chairman of transplant company SangStat and a French entrepreneur based in Fremont, CA. Before the Innovation Law, civil servants—including most scientists—were forbidden to take part in the managing board of a company.

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Moreover, crossing over from academia to industry has never been a good career move in France because "Public money is clean whereas private money is dirty," says Nicole Tannières, head of the biomedical sector at ANVAR, the government agency for research development.

Now, science minister Claude Allègre has daringly suggested it is not shameful for researchers to make money. He has proposed a tax scheme that is an attractive alternative to stock options for French entrepreneurs. In France, national insurance and tax are deducted from stock options as if they are

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salary. However, such penalties can be avoided by this scheme—the Bons de Souscription de Parts de Créateurs d'Entreprises (BSPCE)—which was previously only applicable to companies more than 15 years old.

The innovation law, which was adopted in July, has been one of the pet projects of Allègre since the national conference on innovation held in Paris last year. According to Ernst & Young, 23 life-science start-ups were created in 1998 in France, compared to 56 in the UK, and 81 in Germany. The government realized that, with only 1 in every 1,000 scientists creating their own company each year, France is not making the most of the scientific knowledge it produces.

But once up and running, would new biotechnology companies be able to attract further funding to survive? Experience elsewhere suggests that \$2–5 million per year is needed in follow-on financing for each start-up. Thus the creation of just 50 companies generates a continuing demand for \$100–200 million per year.

There is confidence that France can fulfill that financial expectation. "For the follow-on financing stages, we are rather well equipped," maintains Brandys. "This year, there is FF2 billion venture capital available, which is a lot."

Part of this comes from a FF600 million venture fund that was set up last year by French finance minister Dominique Strauss-

Kahn from privatization of national telecommunications company France Télécom. The fund is backed by a FF300 million allocation from the European Investment Bank—more than the £68 million (FF690 million) venture capital invested in the UK biotechnology sector last year.

Not only is venture capital available, but there is also the sense that it is accessible to biotechnology. "It is actually easier to find funding for a biotechnology start-up in Europe than in the US [and UK] because of the strong competition with the Internet sector in the US," says Papiernik.

In France, "biotechnology represents 25–30% of the total venture capital invested in new technologies," says Marie-Annick Peninon, general delegate of the French capital investors' association AFIC. In the UK, the corresponding figure is only about 10% for 1998, according to the British Venture Capital Association.

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