

French Free-tax Zones ('ZFU's): A Tool for Improving Declining Neighborhoods?

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This article examines the French free-tax zone ('zones franches urbaine', or ZFU) policy that was launched in 1996 by the center-right government of Alain Juppé. The aim was to develop a new policy for declining urban neighborhoods in French cities, with the purpose of lowering high local unemployment rates. Over the first years of the policy, the tool was contested nationally by various socialist parties and governments, because some argued the policy gave too many advantages to entrepreneurs. However, at the local level it was popular with both socialist and conservative mayors, many of whom simply accessed the funding and adapted it to suit their own policy objectives. Since 1996, 100 sites have been designated ZFUs, with local stakeholders using the tool to re-develop neighborhoods, create new business parks, or expand and rejuvenate declining city centers. In many cases the results have been fragmented: areas with geographic advantages (e.g., proximity to a major highway or city center) have often benefited the most, while more isolated neighborhoods have continued to decline. The article concludes by noting that the ZFU policy has indeed brought benefits at the city level, but not necessarily at the level of the local neighborhoods that were the original focus of the initiative.

Keywords: France, public policy, zones franches urbaine/ZFU, declining neighborhoods, renewal, economic and social development.

Tax-free policies are an important development tool in many parts of the world. In France, tax-free zones (in French, 'zones franches urbaines', or ZFUs) have been implemented to improve the situation of deprived urban districts across the country. The main objective of ZFUs is to provide jobs within, or in close proximity to, neighborhoods in decline. The policy is based on a five year exemption from land, building, profit and production taxes, and the waiver of a variety of social security fees for enterprises. In the European Union (EU) this model is unique in that the ZFU policy includes fiscal measures for job creation in neighborhoods at its

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center, even though revitalization strategies using tax incentives for job creation in depressed industrial districts has a long history in the EU.

In France, declining neighborhoods are residential areas generally built between the mid 1950s and the 1970s and characterized by high density apartment tower blocks, largely designed according to the functionalist principles of the Athens Charter. In the French cities they are usually located within the first or the second urbanized zone or in peripheral locations within the central municipality. Since the 1970s, and in some cases earlier, these neighborhoods have deteriorated. For example, the National Observatory for Deprived Neighborhoods reports an average unemployment rate of about 22 percent, and in some districts or for young males of “minority status”¹ the rates are higher, from 30 to 40 percent (ONZUS, 2003).

Urban and social policies addressing deprived neighborhoods in French Cities were launched at the end of 1970s and more widely developed during the 1980s (Green, et al., 2001). The free-tax zones or ZFU policy was launched in 1995 as a new attempt to improve the integration of this type of neighborhood, reconciling the territorial issues facing diverse places with the functional organization of the principal stakeholders. The conservative government of Alain Juppé attempted a more market-based solution, as opposed to the government-centered policies proposed by the French socialist parties. Although national debate on the issue continued during most of the following ten years, at the local level debate was rare. Municipalities adopting this social and economic device have concentrated on developing strategies to access funding. Thus, inclusion objectives are not the only ones, as the tool works for development of a larger space-- the city and its new tertiary territories.

FRENCH FREE-TAX ZONES: ON-GOING DEBATES

Usually, French policy towards declining neighborhoods is defined as a ‘territorial affirmative action’ (in French, “*discrimination positive territoriale*”), which results in spatially discriminating policies that target the disadvantaged area under the direction of the central government. Directing specific fiscal and social measures to declining areas is similar to the policy suggestions of Peter Hall (1992), who argued that tax-free incentives were an important deregulation initiative useful for redirecting former industrial areas in crisis. His ideas influenced Margaret Thatcher’s policy (Deakin and Edwards, 1993) over the 1980s; but, in France, Thatcher’s governments are considered anti-community-policy-based (or anti-social capital-based).

ZFUs: A Controversial Tool

Since the 1980s, the traditional French policy towards declining neighborhoods was focused on social issues. Juppé’s new, market-oriented policy was considered as entrepreneur-oriented, i.e. a policy to increase their profits. However, the policy was gradually getting started because entrepreneurs were apprehensive that political rea-

lignment to socialist governments (i.e., 1997-2002) might change the nature of the policy in mid-stream. Debate regarding the very large housing estates began during the late 1960s (Bachmann and Leguennec, 1996). Following the publication of two white papers (Barre, 1976), a conservative government launched the first policy for these neighborhoods that argued they were too far from city centers, did not have enough public services and needed refurbishing. After riots in Lyon city (Jazouli, 1992; Chignier-Riboulon, 1999) and the election of a French socialist president, a strong central state public policy towards declining neighborhoods was developed by 1981. The policy-makers and their advisors operated from a political culture far removed from market-based strategies of French conservatives. During the 1980s, a profit-oriented approach within public policies was alien to the culture of most French policy-makers; they thought the unique motivation of entrepreneurs was profits, without any interest for the unemployed and poor people. Furthermore, during the 1980s, there was a clearly defined division of responsibilities between the *'Délégation Interministérielle à la ville'* (*'DIV'*), responsible for urban policy, and the *'Délégation à l'Aménagement du Territoire et à l'Action Régionale'* (*'DATAR'*), responsible for the French economic planning. Eventually, the main official reports on deprived urban areas were based on educational, safety, housing and social issues (for example Dubedout, 1982); entrepreneurial activities, jobs and business were only linked to professional training opportunities or social integration. The private sector was not viewed as a potential redevelopment partner.

During the 1995 presidential campaign Jacques Chirac, the conservative candidate, spoke about a French 'social break' as part of a political strategy to win votes from the political center and left. This narrative was adopted because some of the other conservative candidates were to his political right. He proposed a new 'Marshall plan' to enlarge his electorate and to reaffirm 'Republican' principles of equality. After his election, the Prime Minister Alain Juppé was tasked with the implementation of Chirac's policy and the first 44² 'free-tax zones' (Figure 1) were defined as part of his 'Urban Revival Pact' (*'Pacte de Relance pour la Ville, Act 96-987'*). The act was innovatively linking, for the first time, urban policy and local economic development (André, 2002). The program began in January 1997, but socialist parties won legislative elections in April of that year and the new government of Lionel Jospin asked for an information report from the *Inspection Générale des Affaires sociales (IGAS)*, an evaluation service of the Ministry of Social Affairs. The report (IGAS, 1998) noted that the fiscal incentives were not adequately linked to employment conditions, arguing that the degree of permanency and quality of jobs created was unclear, it didn't take into account persons creating their own business, costs were calculated only with regard to employees and the cost of each job created (30,000 Euros) was too high (Chignier-Riboulon and Guelton, 2000). The report also accused the Chirac's conservative administration of being influenced by the 'ideology' of Margaret Thatcher and/or by the U.S. Clinton Administration. In response, Claude Bartolone, the socialist Minister for Urban affairs, decided to

change the terms and conditions of the policy to impart a greater ‘morality’ to the program. Thus, for instance, the ‘Solidarity and Urban Renewal’ act (*la loi Solidarité et Renouveau Urbain*, 2000), introduced new rules, including the elimination of financial penalties for enterprises that laid off employees during the previous financial year and for those enterprises where employees did not work a minimum of 16 hours per week. The real aim of the Jospin government was to phase out the policy after five years. Specifically, exemptions were to decrease by 40 percent in the sixth year, 60 percent for the seventh and eighty percent in the eighth year and zero after nine years, depending on the size of the company (plus or minus 5 employees). However, the re-election of Jacques Chirac in 2002 negated this strategy.

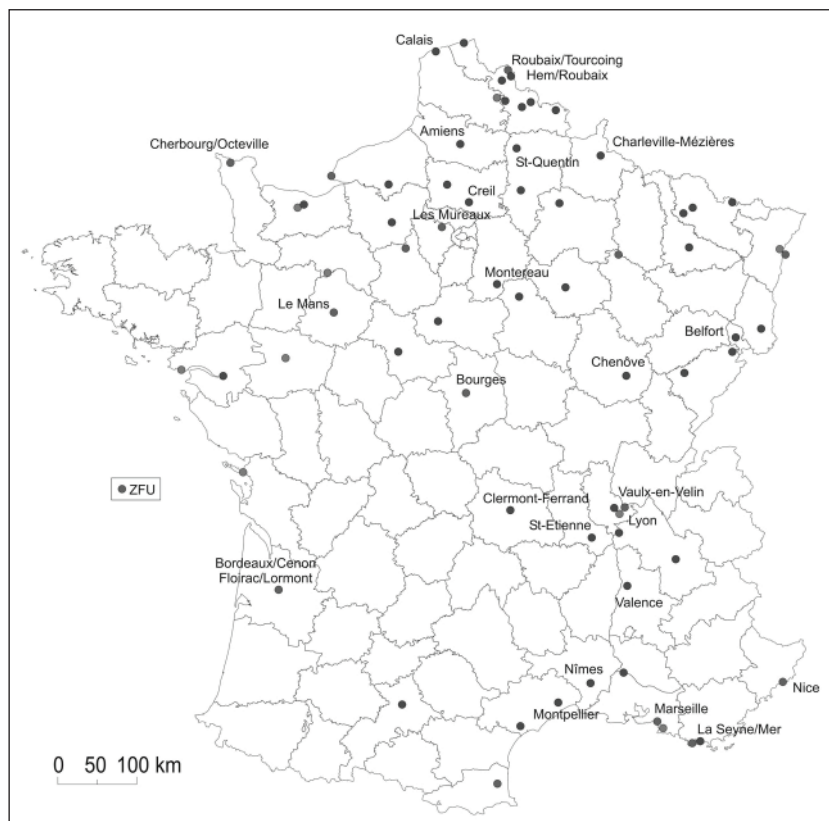


Figure 1: National Map of French Free Tax Zones (ZFUs).

ZFUs and EU Structural Policies

The re-election of Jacques Chirac in 2002 revived the ZFU concept. The new Prime Minister, Jean-Pierre Raffarin, expanded the policy by designating an additional forty-one new sites as ZFUs. The minister of Social Affairs included the

policy within a new law directed toward degraded neighborhoods (*loi sur la ville et la rénovation urbaine*, or the 'Urban Renovation Act', August, 1, 2003). Reducing fiscal and social charges in declining urban territories was one of the three pillars of his policy, along with the demolition of 250,000 flats (and re-building of new ones in more mixed neighborhoods) and measures to improve social equality. For example, efforts were made to improve the grades of students in the schools of these zones, by offering more credits to finance more courses and/or for tutors to help children with their homework. Finally, as a result of the most important French riots (fall 2005) in 'banlieues'³; the government created an additional fifteen sites (*Loi sur l'égalité des chances*, or the 'Equal Chances Act', March, 31, 2006) bringing the total number of ZFUs to 100 .

The goal of European Union policy is to maintain fair competition between member countries. Nevertheless, depressed areas (or the least developed ones) can benefit from an inflow of public resources, either from the EU directly or/and by each member state. Indeed, revitalizing areas facing structural and social difficulties is even a key component of European Union development policy. Regeneration policies supported by EU can be oriented to economic conversion or renewal, the provision of new amenities, upgrading transportation infrastructure etc. Currently, fiscal concessions for declining urban neighborhoods are only used in France (subject to certain conditions), except for four former coalfield regions in England.

A Specific Policy: Privileging the Smallest Enterprises

The changes made by the socialist government of Lionel Jospin were maintained by the succeeding government after the 2002 elections. As a result of this continuation of government influence, employees in ZFUs often have better job contracts than people elsewhere, with about 88 percent of them having long term contracts (André, 2006). For example, almost 100 percent of the employees of Valence free-tax zone had a long term contract by 2006, according to David Drapier, the local manager of the policy (per com. Jan. 13th 2007).

The ZFU policy has achieved considerable consensus across the French political spectrum: it provides local economic (tax free) opportunities for entrepreneurs located in these zones and the central state reimburses the municipalities for the loss of local taxes. Even mayors from the communist and socialist parties are in favor of the policy, despite being discrete in their support at the national level.

ZFU exemptions are also the result of European Union policy regarding parameters of competition and equality between enterprises. In order to comply with the EU legislation, the smallest enterprises (less than fifty employees) must be privileged and the exemptions authorized for a limited number of years (see Table 1). For socialist politicians, the policy is attractive because they believe it is better to help small enterprises than large ones. For conservatives, the measures provide an opportunity for growth of new businesses.

Table 1: Current tax exemptions within French free-tax zones (ZFUs).

Exemptions on	Limits	Conditions	Durations
Land, building, profits	Up to 79,300 dollars of annual profits + Enterprises with less than 50 employees	Engaging at least one third of new employees within zone or other deprived zones of the city	General case: 5 years + Leaving slowly device after three years, with a declining exemption (60%, 40, 20) + A longer transition (9 years) for less than 5 employees enterprises
Personal contributions for social security of shopkeepers and craftsmen	Until 28,434 dollars a year		
Social security charges paid for employees	Up to 1,5 time of the official minimal wage		

STRATEGIES OF LOCAL STAKEHOLDERS: BETWEEN OPPORTUNITY AND URBAN PROJECTS

The visions and decisions of mayors are central for successful local development policies. Many mayors are interested in the ZFU policy, but want to apply it to more broadly based urban development policies (Chignier-Riboulon, 2005). Over the last three decades the institutionalization of the policies for declining neighborhoods, has changed perceptions of the local policy-makers. The first programs required municipalities to designate sites for evaluation by the national government (Estèbe, 2001). Over the 1980s and, particularly, the 1990s, the situation evolved such that mayors have laid claim to ZFU policies and have lobbied for funds for neighborhoods in their jurisdictions. More widely, urban policies for declining neighborhoods are viewed as strategies to leverage funds and subsidies via partnership with the central state. After ten years of ZFU policy we can identify two main attitudes among the mayors: first, opportunism, the so-called "*logique de guichet*" where mayors apply to every new program; second, the development of concrete projects for their neighborhood or their city.

The Political Process of Negotiating ZFU Boundaries

Defining the boundary of a ZFU by a municipality's service and administrative jurisdiction helps establishing the potential value of that territory as an ZFU site. It provides information about the quality of the application and the potential for economic growth and urban regeneration. However, territorial boundary is only one

factor. Size is also important. Marseille, Bordeaux, and Roubaix, for instance, have large ZFU zones and the potential for real growth. In addition, political proximity is an advantage. For example, the mayor of Marseille was minister of national planning and urban affairs within Alain Juppé's government, Alain Juppé was previously the mayor of Bordeaux, and the mayor of Roubaix is member of the socialist party. Indeed, by 1996, 50 percent of ZFUs were in cities run by socialist mayors (Chignier-Riboulon, 2006).

In contrast, the smallest sites have less potential, particularly if the zones are limited to large housing estates (Tourcoing, Nice for example). To adapt their ZFUs to declining locations within the city but outside the housing estates or to provide land to entrepreneurs, local stakeholders at small sites proposed zones outside the housing districts (Amiens, for example, see Figure 5 also). An additional aim of ZFU policy may be redeveloping former industrial districts (Saint-Etienne, Bourges, Belfort) or to re-use old plants (Creil, Chenôve); ZFU boundaries can also include such sites. Finally, the territorial strategy can include amenities (shopping centers, universities...) to involve greater synergy (Calais, Roubaix) and to increase the potential to achieve positive results. As a result, however, a spatial mismatch between declining residential space and future job opportunities exists in some cases.

The mayors and their administrations work on ensuring local involvement and the quality of the projects. Often, however, the planning and development strategies are not necessarily focused on the issues of social housing inclusion or social improvement, particularly at the early stages. Rather, it is hoped that positive social effects occur later. In most cases, the development projects are in relation to wider city planning objectives; thus, declining neighborhoods are included as part of a broader strategy-- ZFU neighborhoods are viewed more as a means to a broader end rather than an end, in and of, themselves. In order to highlight this issue, Table 2 presents the main ZFU inclusion strategies, along with examples of places where these strategies have been employed.

Table 2: Types of stakeholder involvement.

	Weak involvement	An additional tool of development	A tool focused to regenerate a place	A tool used for a general development	A central device for a renewal of the city
Examples of cities/towns	Charleville, Nice, Le Mans	Valence, Vaulx-en-Velin, Vénissieux, Montereau	Saint-Etienne, Bordeaux, Lille	Amiens, Saint-Quentin, Calais	Roubaix

While all zones can work without strong local involvement because the free-tax device attracts potential businesses by itself, the first category 'weak involvement' describes the interaction between the ZFU and the local municipality in a few instances (Table 2). For example, the authorities of Charleville do not believe in the policy; they think they are in a depressed region and their ZFUs perimeter is too

small. While this is true, Cherbourg has quite similar conditions but the dynamics of their interaction are much stronger. In Nice the free-tax zone is too small (Figure 2) and too far from the main development axis (along the sea shore). Moreover, the mayor is not really interested in this part of the municipal territory; as such the development of a ZFU is not a priority. In Le Mans, the mayor doesn't want to distinguish, officially, between economic zones; for ideological reasons, he does not speak about ZFUs. However, in reality, municipal authorities manage the business areas according to their economic characteristics with the free-tax zone generally proposed for new and/or very small enterprises.

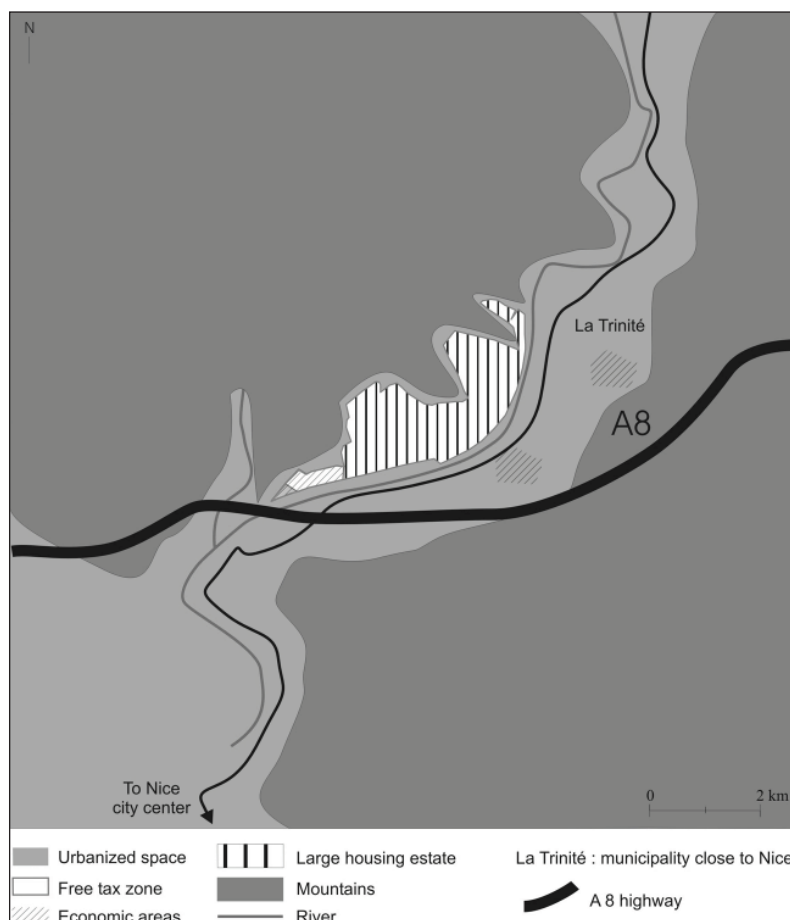


Figure 2: The Nice Free Tax Zone.

The second category ('an additional tool of development') accounts for cities with substantial prior experiences with social and urban policies directed at deprived

neighborhoods. In these cases, each new policy proposed by the government is simply added to their existing policies (Vaulx-en-Velin, especially) and used to develop a new aspect of their local planning. For example, the ZFUs of Montereau and Valence are located close to important highways and, in the case of Montereau, the national metropolis of Paris (see Figure 1). As a result, the growth of ZFUs in these places is rapid and, in the Valence case, the economic activity is now concentrated in surrounding hillsides, whereas the traditional economic axis is along Rhône valley.

The third category, focused on regeneration, includes cities with renewal projects designed specifically for deteriorated neighborhoods. Saint-Etienne was a classic industrial city (coal, steel, metallurgy, and textiles) and since the 1970s has experienced economic and social crisis. Montreynaud, one of the large housing districts of Saint-Etienne, is included within the ZFU policy but there are two places within the ZFU, linked by a road (Figure 3): the social housing area is in the hills to the north of the economic zones, while the remainder is close to the city center and surrounded by other economic areas. Economic renewal began in the latter area while more recent economic projects were developed in the deteriorated residential area.

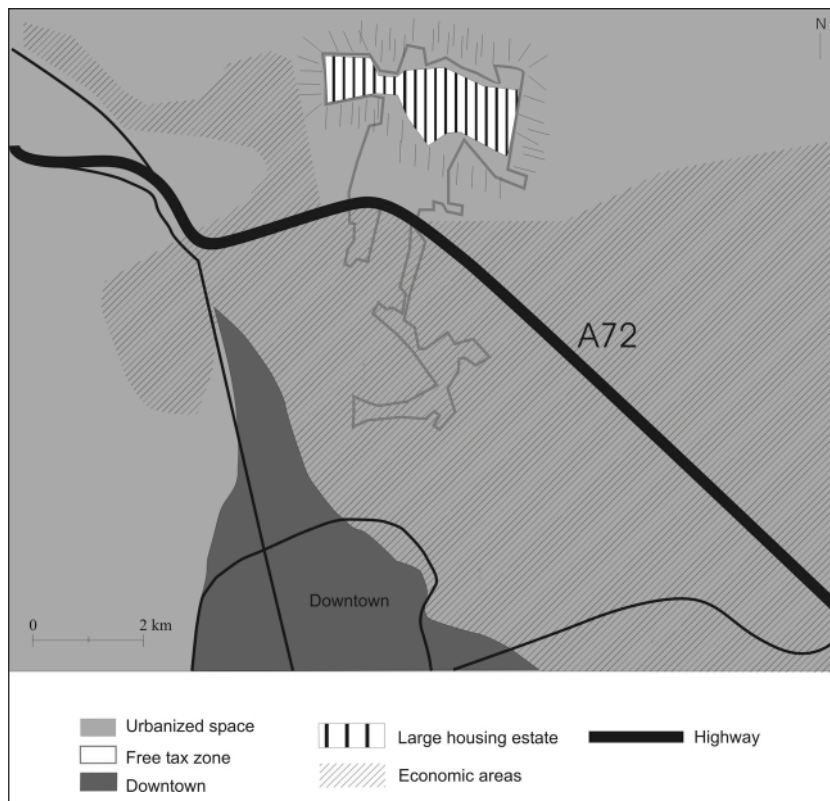


Figure 3: The Saint-Etienne Free Tax Zone.

The perimeter of the ZFUs of Bordeaux was negotiated by the central government, Bordeaux city authorities and socialist mayors of the conurbation council (Figure 4). The mayor of Bordeaux was especially interested in the renewal of the former industrial neighborhood of La Bastide, on the right bank of the river (la Garonne). La Bastide, a working class neighborhood, was long forgotten by the local stakeholders. Its associated industrial port was to be transformed into greenfield sites. Since it is close to the downtown, just on the other side of the river, extending the downtown to include La Bastide became a central project of the city. This combination of operations to regenerate the La Bastide zone with public subsidies (including, new parks, a university of management, the tramway, free-tax device at the former port location, etc.,) will transform this working class neighborhood into a middle-class one. The port itself will include a botanical park, tertiary activities, and new residential blocks. In this case, the ZFUs' was not a necessity; renewal would have occurred in any case because of the interest of the Mayor. Social housing projects located within municipalities governed by socialist parties would likely have received financial assistance anyway.

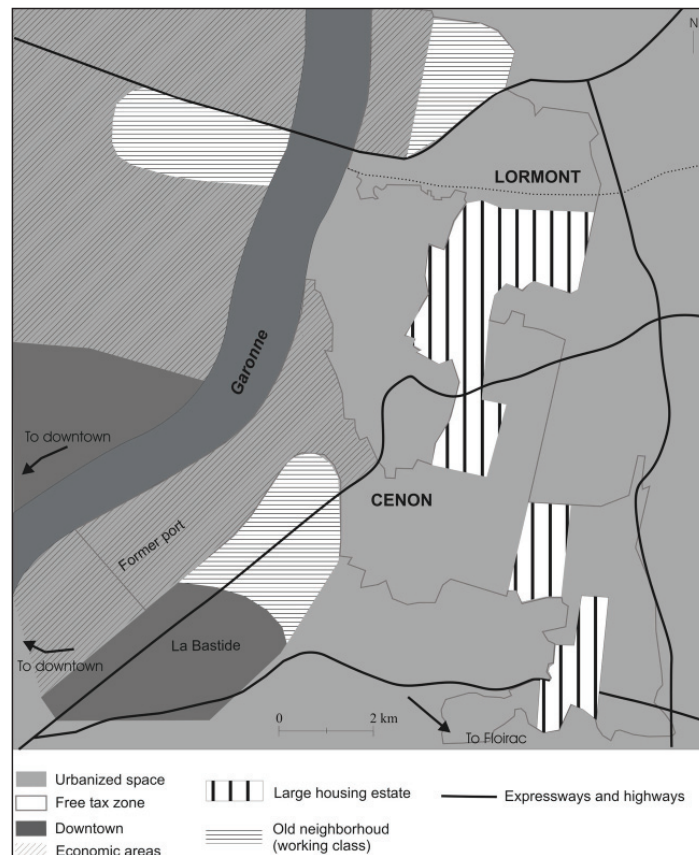


Figure 4: The Bordeaux Free Tax Zone.

In the fourth case, relating to general development, the most prominent examples involve smaller cities. Saint-Quentin is a medium-size town (60,000 inhabitants); its mayor is a conservative Senator and the chairman of the committee evaluating free-tax zones, during the Chirac administration. He is very interested in this policy: compared to the size of the city, the zone is vast, and is located close to the main expressways and highways. The mayor launched an attractive high technology park hosting start-ups. In Amiens (Figure 5), the logic was quite similar with much of the ZFU zone linked to expressways and highways to host future enterprises. Similarly Calais, which is managed by a communist council, considers free-tax zones as a tool for development of the Eastern part of the city. The zone includes a technological institute, a shopping center and economic areas planned before the adoption of the free-tax zone policy. In addition, the zone is close to the highway going to the North of France and beyond to Northern Europe. Currently, the zone is full and the municipality has obtained permission to extend the zone.



Figure 5: The Amiens Free Tax Zone.

Lastly, Roubaix provides the best example of the most advanced model. It is a city within the Lille conurbation and is close to Belgian border. For almost two centuries it was a textile city, specializing in wool. The zone includes the historical part of the city and the former industrial inner city. In this case, the policy is used as an additional tool for city regeneration. Consequently, a number of different municipal subsidy policies have developed, including a commercial policy for the downtown, a transportation policy for the conurbation, a cultural policy (creating museums within former nice industrial blocks), and a refurbishment policy for social housing estates.

ZFU PRIORITIES AND SPATIAL STRATEGIES

Thanks to the exemption of taxes and social security contributions for at least five years, every ZFUs is successful, even if local involvement is low, as in the Chenôve example (southern municipality of the Dijon agglomeration). But what is the priority: creating jobs within these social districts, or incorporating the districts into the city?

Successful economic growth does not necessarily translate into employment growth. According to the last official reports published by 2006, around 13,500 enterprises and 68,600 employees benefited from the ZFU policy in 2005 (*Ministère des Finance et du Budget*, 2006). Enterprise and job growth is strongest in areas that include ZFUs (p. 38). For 2004, senator André reports approximately 11,930 new jobs in 3,664 enterprises; a rate of increase of 42 percent between 2003 and 2004 (André, 2006). Létard (2006) argues that while there is a 'positive dynamic' associated with the ZFU strategy, unemployment rates continue to be higher (22 percent) than French national average (about 9 percent, officially), especially for young people (42 percent for 15-24 years). Moreover, while these figures are averages compiled by the National Agency for Deprived Neighborhoods (ONZUS), unemployment is even higher within some ZFU districts.

The policy has been used further for redeveloping cities, expanding city centers or changing population dynamics within areas, with new jobs expected later. It is very difficult to compare the success of the ZFU policies in France with that of other countries (Hall and Hickman, 2002); even though some of the policies are quite similar (e.g., refurbishment and regeneration of the physical environment), the ZFU fiscal policy dimension of ZFUs is relatively unique to France. Even the comparison to British Enterprise Zones is not a direct one, because of the different economic and social structures, size, social history, and economic potential of each context.

Diversification and Economic Dynamism

Today, free-tax zones are generally considered in France to be a very useful tool

to develop new business parks or brownfield regeneration. According to official and local surveys, mayors and entrepreneurs are satisfied with the policy⁴ (Vautrin, 2006). Over time mayors have come to view ZFUs as an efficient tool for economic development. This is particularly the case if it makes business operations look more attractive, or when parks have a nice location, close to the city center or to highways loops, and when public and private investments are paid off more rapidly.

With the exception of economic planning, public policy-makers organize their ZFU based policies to achieve three goals: make the area more attractive; using the free tax zone tool to attract young or very small enterprises; and try to develop economic activities within social housing districts. In particular, improvement of the physical environment to enhance the safety and quality of urban landscape, especially when the offices are located within the social housing estates is promoted. In this regard the policy is close to general European policies towards deprived neighborhoods: they want to give the specific role hosting or developing young or small enterprises, and entrepreneurs to their 'ZFUs'. This strategy evolved slowly during the development of the first zones but now the strategy of hosting the smallest enterprises occurs at the beginning. Specifically, places like Valence, Clermont-Ferrand, and La Rochelle build 'business blocks' (or *'hôtels d'entreprises'*) to provide start-up enterprises with lower cost locations and facilities and, at reduced service costs, by sharing services like office secretaries or meeting rooms. This adaptation to EU policies has become very popular among the ZFUs' actors. These business blocks are built within or outside social housing districts. Developing activities within social housing districts is the most difficult element of the strategy, especially in relation to safety and the lack of land; co-operation between social landlords and services of municipalities involves transformations of flats. Operations are often focused on the first floors (in Les Mureaux, for example), which are the least safe but the easiest to be transformed due to vacancies. After their transformation, they host small enterprises (architects for example), public services or medical activities (e.g., dentists).

On the whole, free-tax zones are an economic success: the parks are full. Thus, the European Commission accepted (by June 2006) the extension of 32 zones (including in Calais and Montpellier). However, the positive consequences of this policy cannot be evaluated only in terms of new companies established or new jobs created: renewal processes are ongoing, private investments are returning, and land values become sometimes higher than downtown (in Valence's ZFUs, for example). Nevertheless, people living in the zones are not sure that the ZFU policy is useful for them.

ZFUs: Contributing to an Improvement in the Quality of Life of Inhabitants?

In spite of the success of ZFUs, the unemployment rate in these zones is still high (for example, around 40 percent within Les Mureaux zone, around 50 percent in La Mosson, Montpellier (ONZUS 2003; communication with the Les Mureaux local ZFU manager). Social and spatial exclusion continues to be a key problem affecting

sustainable urban development. People, especially the youngest, continue to feel frustration. The risk of riots re-starting is high. In spite of such high unemployment rates, entrepreneurs sought to expand the zone boundaries arguing that they could not find enough skilled persons within current ZFUs perimeters. As a result, the 'Urban Renovation Act' (August, 1, 2003) allowed business owners to employ persons from other declining neighborhoods (defined as "Zone urbaine sensible"), within the city, but 30 percent⁵ of the new jobs were reserved for inhabitants of the ZFU. However, a large part of the working population of 'ZFUs' is 'unemployable' according to entrepreneurs' associations (André 2002). A number of publically funded programs have emerged to try to improve the 'employability' of ZFU job seekers. One of the most recent initiatives is *'les Maisons de l'emploi'*, a new structure pooling resources in the same place: unemployment public services, training enterprises or associations, services of Chambers of commerce, entrepreneurs' associations. The strategy has been to improve the social inclusion of jobless with only one program for each person. Currently, more than 200 *'Maisons de l'emploi'* have been developed, but it is too soon to evaluate their progress.

A few policy makers have focused on providing jobs that are adapted to the skill levels of ZFU residents. For instance, in Valence, a section of the industrial park focuses on packaging activities, a traditional local economic sector; in Amiens, the city hosts call-centers; in Vaulx-en-Velin, jobs are focused on the building and gardening sectors. Although employment is a priority, at the beginning evaluations were not really interested in single-employee enterprises (Chignier-Riboulon and Guelton, 2000). However, creating self-employed jobs is important and the policy is particularly focused upon small and very small businesses: about two-thirds of companies concerned by the policy are new firms (Létard, 2006: 44), 6,000 enterprises were established by 2005, 5,400 by 2004 and 3,200 by 2003. The most recent statistics show that the building and commercial sectors are the most important for creating businesses. The new entrepreneurs are often craftsmen or stall keepers because such activities require little start-up capital. Finally, policy-makers and managers of ZFUs are more and more interested in creating business, and some of them were pioneers (Valence for example), particularly by helping initiatives of inhabitants.

Lastly, free-tax zone policy has another aim, often forgotten (because creating jobs have been the main objective: that is, maintaining or improving the quality of local stores and services provided (especially medical services). This issue is important because, on the one hand, the resident population has fewer cars than elsewhere and, on the other small businesses are characterized by higher insecurity and lower purchasing power. The emerging trend was thus growth of social public services but the decline of private activities in spite of public revitalization of small shopping centers (Vénissieux, for example). Thanks to the ZFU fiscal policy, parts of these declining neighborhoods are regenerating.

CONCLUSIONS

The ZFU is a policy formulated to encourage public involvement in declining neighborhoods, by developing economic activities and employment. Thanks to the funding mechanism of the policy, it may be considered a success. The most involved stakeholders have experienced quite positive results, in spite of continued high unemployment rate.

However, the development of new businesses and new jobs are not the only effects to note. Judged from the perspective of the mayors, for the best ZFUs the aim is the broader regeneration of declining neighborhoods. Thus, these urban districts are going to experience changes in activities, populations and physical aspects, specifically gentrification, growth of tertiary employment and the expansion of traditional city centers. Therefore, ZFUs can become a tool to accelerate urban re-conquest by the urban and social movements of, as often these gentrifying neighborhoods are close to city-centers.

The main geographical consequence of the policy is (and will be) more fragmented neighborhoods. Some parts of the neighborhoods will be reconnected with previously attractive places in the city whereas others will remain lost to urban decay. For instance, in Les Mureaux in the northern part of the free-tax area, which is both in close proximity to the city center and linked by a highway to Paris, is becoming more attractive while the southern part, which is linked to high density social housing, remains less attractive.

Similarly, the policy helps some individuals express their entrepreneurial initiatives and thus is becoming empowered from an economic perspective. However, for others, particularly the most excluded persons, there is very little participation. In conclusion, the outcomes are often positive, particularly if there is cooperation between local partners and an effort to put in place sustainable practices to improve employability. As such, in spite of its political critics, ZFUs should be seen as successful primarily in encouraging economic development. Although social development was an important part of the original rationale for ZFU policy, it is clear that many mayors plan to use ZFUs to regenerate urban territories first, with the expectation that social improvements will follow.

NOTES

1. Officially, there are no minority groups in France.
2. Including 6 sites for French overseas territories.
3. The literal translation is 'suburbs' but the term has a number of definitions and, over the last two decades often designates 'functionalist declining neighborhoods'.
4. Surveys of local public offices of city or conurbation councils, i.e. Lyon, Le Mans, Valence, and personal surveys in Vaulx-en-Velin or Clermont-Ferrand by

Chignier-Riboulon.

5. Until January 2004, the rate was 20 percent of new jobs for inhabitants of the zone. Since January 2004, the rate increased to 30 percent.

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