

Background Paper

Wilton Park Conference, 30 January – 1 February 2004

A POST-INDUSTRIAL FUTURE?

ECONOMY AND SOCIETY IN MITROVICA AND ZVECAN

This paper presents an overview of 18 months of research by ESI into the economy and society of Mitrovica and its surrounds. The material is presented here as background information for the Wilton Park event beginning on 30 January. We have supplemented the limited official data on Mitrovica with our own fresh research, and many of our conclusions challenge the official picture and common perceptions. We welcome comments and additions from the participants at Wilton Park.¹

1. POPULATION

Our research shows that both North and South Mitrovica have faced a steadily declining population over the past decade.

The last complete census in Kosovo took place in 1981. At the time, the municipality of Mitrovica comprised what is now three municipalities: Mitrovica, Zvecan and Zubin Potok. It had a population of 105,322 inhabitants. Two-thirds were Albanian and a quarter were Serbs and Montenegrins.²

Most Kosovo Albanians did not participate in the 1991 census. Their numbers were estimated by the census makers, based upon extremely high growth rates. In Mitrovica, they assumed

Table 1: 1981 Census for Mitrovica
(inc. Zvecan and Zubin Potok)

Albanians	66,528
Serbs & Montenegrins	27,929
Bosniacs, Roma, Others	10,865
Total	105,322

¹ This research was carried out by ESI in the framework of the Lessons Learned and Analysis Unit of the EU Pillar of UNMIK, a joint project of the Pillar and ESI. For more information, see www.esiweb.org.

² In 1987, Zubin Potok (with a 90 percent Serb population) became a separate municipality, followed in 1990 by Zvecan.

that the Albanian community had increased by 30.5 percent over the decade, at an annual rate of 2.7 percent. This estimate seems excessively high. Scholars have estimated average population growth among Kosovo's Albanians during the 1980s at 2.54 percent.³ The 1991 census also revealed a sharp drop in the number of Serbs and Montenegrins in Mitrovica during the 1980s, from 13,544 to 10,698 (a fall of 21 percent).

There has been no census since 1991. The 1990s brought heavy emigration of Kosovo Albanians, culminating in the war of 1999 which generated not just massive refugee flows, but also movements of population between rural and urban areas and between the north and south of Kosovo. Many Serbs from other parts of Kosovo fled to Northern Mitrovica.

Table 2: 1981 and 1991 census figures for Zvecan & Mitrovica according to current boundaries

	Zvecan		Mitrovica	
	1981	1991	1981	1991
Albanian	1,043	1,934	63,464	82,837
Serb & Montenegrin	8,409	7,882	13,544	10,698
Bosniacs, Roma, Others	210	214	10,540	11,350
Total	9,662	10,030	87,548	104,885

Our estimate for the total resident population of North and South Mitrovica today (not counting foreigners or some 2,000 students in North Mitrovica) is 82,264. This is well below the estimates in the 1991 census, and also lower than the 1981 figure.

Table 3: Resident population in 2003 according to ESI estimates

	Zvecan	Mitrovica	Mitrovica
		South	North
Albanian	470	65,012	2,100
Serb & Montenegrin	7,016	300	13,402
Bosniacs, Roma, Others	380	600	850
Total	7,866	65,912	16,352

Officials in Mitrovica use estimates of up to 130,000 people in North and South Mitrovica in their own policy documents. Why are our figures different?

We begin from one of the few reliable sources of administrative data available in Kosovo today: enrolment figures in primary schools. As most children attend primary school close to home, there is strong correlation between the number of primary school students and the resident population. Across Kosovo, different surveys have shown that the proportion of the population below the age of 16 is consistently around 33 percent (the proportion is lower among the Serb community and in urban areas, with their lower population growth, and higher in rural areas). We use primary school enrolments to extrapolate the population under 16, and from that derive our estimates of the resident population. Our figures suggest that both the Albanian and the Serb communities have substantially declined during the past decade.

³

Karl Kaser, *Familie und Verwandtschaft auf dem Balkan* (Vienna, 1995), p. 139.

Table 4: Primary school pupils and population (2003)⁴

Location	Primary school pupils	Pop'n under 16 yrs old	Est. % of total pop'n	Estimated total pop'n
Mitrovica South	11,810	22,144	32.8	67,512
Mitrovica North	1,940	3,638	25.0	14,552
Zvecan	986	1,849	25.0	7,396

The conclusion that there has been a significant drop in population over the past two decades is borne out strongly by a corresponding decline in school enrolments. In 1981, there were 18,781 primary school students in Mitrovica, Zvecan and Zubin Potok, rising to 19,578 in 1988. Today, this number has declined by 20 percent, to 15,791.

2. CASH INCOMES IN SOUTHERN MITROVICA

To create a profile of the economy and society of contemporary Mitrovica, we set out to quantify the main sources of income for the two communities. How do the 66,000 inhabitants of South Mitrovica live today?

The socially owned enterprise (SOE) sector – once the backbone of the local economy – has all but disappeared as a source of income. The units of the Trepca complex located in the South employed more than 7,000 people in 1989. They have now almost entirely ceased to operate, providing only 779 maintenance jobs, financed directly from the Kosovo budget.⁵ The former mining workforce is aging steadily; according to an assessment by IOM in 2002, their average age is now 49 years.

Table 5: The remains of Trepca in South Mitrovica, 2003

Unit	Employees	
	1989/90	2003
Star Trg/Stan Terg (mine and flotation)	3,061	528
Battery factory	1,379	50
Zinc metallurgy	1,146	87
Chemical industry	1,094	42
Equipment factory	380	31
Management and Security		41
Total	7,060	779

The remaining SOEs are largely inactive. The biggest employer is the trading company “Lux”, which has ceased trading but manages to pay some 300 of its workers from revenues generated by renting out its premises to private traders. The second biggest employer is “IMB”, a large bakery with 160 employees. “Kosovatrans”, the town’s bus transport company (sister company of “Kosmet prevoz” in the North) formally employs 300, but is able

⁴ The number of pupils in South Mitrovica include the children of an estimated 2,100 Albanians living in the North. The figures for the North include all children attending school in Serbian (Montenegrins, Bosniaks, Gorani and Roma).

⁵ Source: Trepca management South.

to pay only half of its workers. The “Hotel Adriatic”, long occupied by French KFOR, is still not open for visitors. Altogether, in addition to the budget-financed maintenance jobs in Trepca, barely 1,000 workers earn a salary from employment in the SOE sector.

In short, the former industrial centre of South Mitrovica has become a post-industrial community. As one enters the meeting room of the “Business Development Centre Mitrovica”, located on the downtown square opposite the main shopping mall, a display cabinet offers an exhibition of local produce. It contains the goods of 13 producers: doors and windows, children’s furniture, detergents and shampoos, packaged soups, writing chalk, nylon bags, hand-made clothes and leather products. In total, these 13 firms employ fewer than 100 people. In all of Southern Mitrovica, fewer than 350 workers are formally registered as employed in manufacturing,⁶ and the true figure is probably lower still. Survival as a private producer is difficult. For example, the machinery of “Irutex” for making nylon products needs three hours to heat up before production can begin. Frequent electricity cuts, in winter often on a four-hours-on/four-hours-off basis, render effective production impossible.⁷

After 1999, the only significant investment in South Mitrovica was in residential housing. While construction was a growth sector in the aftermath of the war, financed by international reconstruction aid and private remittances from abroad, this trend is clearly reversing. According to data provided by the municipality, by March 2003 40 construction companies had ceased operating, leaving 304 workers without a job.⁸ The rest of the private sector consists largely of shops, cabs and a few restaurants, often serving foreigners.

A study by UNMIK dating from 2001 found that 72.5 percent of micro-enterprises are family based. Nearly half of all enterprises are categorised as “on survival level”, meaning that “small market fluctuations may immediately cause the discontinuity of their activity.” According to the study, in Mitrovica 30.8 percent of micro-enterprises operate outdoors, 38.5 percent have no electricity and 46.2 percent have no water supply.⁹

In total, the most optimistic assumption is that there are now some 5,400 people engaged in the private sector, generating an estimated €1 million per month in cash income from private-sector salaries.

Given the decline of the SOEs and the small scale of the private sector, the importance of the public sector has increased further. Some 4,000 people are employed in schools, health institutions, police, administration and – as already mentioned – subsidised Trepca jobs.

In addition to wage income, there are 4,310 “Albanian-speaking” pensioners in Mitrovica and 3,780 social assistance recipients. Welfare payments are very modest. Pensions are at a flat rate of €38 per month for each person over 65 years, regardless of their employment history. Social assistance varies between €34 and €62 per month, depending on the size of the household. The total of 8,090 people receiving social welfare or pensions is nearly as high as the total number in employment.

⁶ Source: Municipality Mitrovica; ESI calculations.

⁷ Business Development Centre Mitrovica.

⁸ Source: Municipality Mitrovica, Economics Department.

⁹ UNMIK – Administrative Department of Labor and Employment, *Mitrovica. The Bridge to the Future. Micro Enterprises. Situation and Perspectives*, February 2001, pp. 4, 7, 10, 12, 29, 21. (Data are based on a sample of 305 enterprises in the municipalities of Mitrovica/a, Vushtrri/Vucitn and Skenderaj/Srbica).

If South Mitrovica has a population of 66,000, this yields an average monthly *per capita* cash income of €38 (higher population estimates would of course give an even lower figure). There seems very little prospect that either the total number of jobs or the level of salaries will increase in the foreseeable future. In fact, both international jobs and the private sector are steadily declining.

There are three other sources of support for households: subsistence agriculture in the villages; remittances from the Albanian diaspora abroad; and rent paid by international officials. In rural areas, when cash income declines, people return to a life of subsistence farming, living largely outside the cash economy. South Mitrovica, however, contains a large urban community. For these people, a further decline in cash income would lead to higher rates of poverty and only one possible escape route: emigration.

Table 6: South Mitrovica: Sources of cash income 2003

Income source	Number of individuals	Total monthly income (€)	% of total
Private sector	5,400	1,074,600	42.6
SOEs	969	145,350	5.8
International community jobs	450	233,550	9.3
Public employment (Kosovo budget)	3,997	699,676	27.8
Pensions, social assistance (Kosovo budget)	8,090	368,027	14.6
Total income		2,521,203	100.0

3. NORTHERN MITROVICA AND THE SUBSIDY BUBBLE

Our calculations show that monthly income in the North of Mitrovica stands at €102 per person – more than two and a half times the level in the South. Yet the economic profile of the North is even more bleak than that of the South. The private sector is small and weak, and the former SOEs are almost entirely inactive. Barely 2,000 people earn a living in the economic sector, which generates only 15 percent of the total income of the local community.

Life in the North is sustained almost entirely by external subsidies from both Belgrade and Prishtina. Ending either one of these transfers would have dramatic consequences for the local economy.

The Serbian budget supports 4,100 employees, many of them receiving an additional salary supplement (*kosovski dodatak*), as well as providing social transfers to 2,400 people. This constitutes more than 60 percent of total cash income. But crucially, the community has also become heavily dependent on transfers from the Kosovo budget, which provides another 22 percent of its income. In fact, *per capita* the mainly Serb North appears to receive considerable more from the Kosovo budget than the South. This has obvious political implications for the divided city.

Walking the streets of North Mitrovica today, there is little left to show that this was once a proud, socialist industrial centre. Along the main streets *King Peter*, *Knjaza Milosa* and *Lole Ribara*, the sidewalks are lined with hundreds of small kiosks, while meagre farming produce

from the villages of Zvecan and Zubin Potok is sold from cars double-parked along the street. Operating without licenses, these micro-traders are now the most visible feature of a post-industrial economy.

The 300 kiosks make up for more than half of all private businesses in the North. The remainder consists of some 160 shops inside buildings, and around 50 cafés, bars and fast-food restaurants. There are also 5 small hotels, 2 internet cafés, and a handful of small construction companies and tradesmen like locksmiths, carpenters and plumbers. Altogether, we calculate optimistically that the private sector in North Mitrovica and Zvecan provides 1,600 jobs.

Table 7: Northern Mitrovica & Zvecan: Sources of cash income in 2003¹⁰

Income source	Number of individuals	Total monthly income (€)	% of total
<i>Economic sector</i>			
Private sector employment	1,600	208,000	8.4
SOE employment	302	36,240	1.5
International community jobs	215	111,585	4.5
<i>Total</i>		355,825	14.3
<i>Kosovo budget</i>			
Public employment	1,767	276,075	11.1
Pensions, social assistance & Trepca stipends	7,171	267,232	10.8
<i>Total</i>		543,307	21.9
<i>Serbian budget</i>			
Public employment	4,105	1,391,450	56.0
Social transfers	2,396	193,280	7.8
<i>Total</i>		1,584,730	63.8
Total income		2,483,862	100

Very little is produced in North Mitrovica. A document compiled by the UNMIK Administration Mitrovica lists 22 “production companies”, but these include 10 small bakeries and pastry shops, 3 butchers, 2 locksmiths and 2 carpenters. In terms of real production, there is one metal-processing company with 34 employees that was once an SOE, and one small textile company with 9 employees. The service sector is extremely small in scale, limited to a handful of lawyers, hairdressers, car mechanics and carwashes. Last but not least, there is a fleet of irregular cabs, ferrying passengers between North Mitrovica and Zvecan for half a Euro.

In Zvecan, the picture is very similar. The same kiosks and taxis line the main streets, and the miners’ houses that the British travel writer Rebecca West admired in the 1930s have fallen into disrepair. A new business park has established up in Doljane, four kilometres from Zvecan, with assistance from USAID. More than €250,000 have been invested and eleven buildings rehabilitated, but currently only five are used, two by a company producing doors and windows and the other three by the “Danish Production School”, training young people as locksmiths, carpenters, textile workers, cooks and IT technicians.

¹⁰ North Mitrovica receives additional income from international rents and from the attendance of students from outside Mitrovica at the University. These sources of income are impossible to quantify.

The SOE sector is almost entirely derelict. Trepca, the massive mining complex around which Mitrovica and Zvecan were constructed, has practically ceased to operate. In North Mitrovica and Zvecan, there are still 600 people on Trepca's payroll and another 1,300 receive a monthly stipend of €35. However the debt-laden company is practically not producing anything, and its salaries and stipends are direct subsidies from the Kosovo Consolidated Budget.

The remaining SOEs, many of them traditionally dependent on the Trepca complex, have also declined drastically. Perhaps no other industrial centre in the former Yugoslavia has faced a collapse as severe as Mitrovica. In a socialist industrial economy that provided more than 19,000 jobs in 1986,¹¹ only 1,300 workers are still receiving a salary, of which only 280 are in the North. Only four former socialist companies are still operating in the North : "Kosmet Prevoz", the "Serbian" successor to "Kosovotrans", which operates buses to Serbia as well as local lines; "Minel Enim", a construction company based in Belgrade; "Auto Moto Drustvo", the automobile association; and an improvised successor to "Mlinpek", the industrial bakery. The Northern half of the trading company "Lux" still keeps 98 workers on its payroll, but hardly any receive a salary.¹²

The surviving employment base of 1,900 jobs has to service an estimated population of 22,000. If it lived solely from its local economy, North Mitrovica and Zvecan would rate as one of the poorest parts of a poor region.

However, we estimate that monthly cash income *per capita* stands at €102. There are 220 people earning an excellent salary with international organisations. More important still are the 1,767 public-sector jobs financed from the Kosovo Consolidated Budget, including teachers, municipal officers, policemen, firemen and the subsidised Trepca workers. Another 7,171 receive transfers from Prishtina in the form of pensions and social assistance. The total monthly spending of Kosovo institutions on salaries and transfers amounts to over half a million euro. This far exceeds the income from local economic activity.

On top of this, the most significant economic factor in the North are transfers from the Serbian budget. There are 1,460 employees in health care, 815 in higher education, 649 in primary and secondary education, and another 630 in municipal and "national" public-utility companies. Together with the local outlets of Serbian ministries and other institutions, we come to a total figure of 4,100 salaries financed from the Serbian budget. In addition, some 1,300 people receive a Serbian pension in Mitrovica and an estimated 750 in Zvecan. There are some 350 beneficiaries of social assistance financed by the Serbian budget. Altogether, an estimated €1.6 million flows in from Serbia to Northern Mitrovica and Zvecan every month in the form of public sector salaries and transfers.

In addition, most employees of Serbian institutions receive a "Kosovo supplement" (*kosovski dodatak*), introduced by Milosevic after the war as an incentive for Serbs to remain in Kosovo. The legal act introducing the supplement had the form of a "recommendation" of the Serbian government and appears never to have been published in the Serbian official gazette. This might explain why it is inconsistently applied – not all officials receive this supplement, and for those who do it varies between 40 and 100 percent of their base salary.

¹¹ SAP Kosovo, Pokrajinski zavod za statistiku, "Kosovo u brojkama", Pristina, 1987 (data from 30 September 1986).

¹² Source: Okrug, various interviews.

As a result, most civil servants in Northern Mitrovica are considerably better paid than either their Kosovo Albanian colleagues or public servants in Serbia proper. A doctor at the Mitrovica hospital earns, including duty supplement and Kosovo supplement, some €5-600, and a higher position can bring up to €1,000. Doctors in Kraljevo hospital in Central Serbia are paid at half this rate. An average schoolteacher's salary is €290, supplemented by UNMIK with another €150-160, bringing the total to nearly €450, compared to teachers in Kraljevo who make barely €150.

The administrative sector in North Mitrovica and Zvecan is larger than the entire socialist administration in the whole of Mitrovica in 1978,¹³ which at the time serviced a population of 105,000. While the North of Mitrovica is well supplied with public servants, the level of public services they provide is not commensurate with the expenditure.

In the 1990s, the Mitrovica hospital serviced a large area of Kosovo and neighbouring Serbia with only 670 staff.¹⁴ Today, its 1,100 employees service a population of only 50-60,000:¹⁵ a ratio of 1:54, compared to 1:291 in the rest of Kosovo.¹⁶ The university in Northern Mitrovica with 1,056 employees has the same budget (€10.1 million) as the University of Pristina, with 2,500 staff.¹⁷

The funds from both the Serbian budget and the Kosovo consolidated budget are spent almost exclusively on consumption, salaries and transfers. The only substantial investment in recent times has been the University (formerly the University of Pristina), which operated in exile in Serbia after the war before settling in Northern Mitrovica as the "University of Mitrovica". Five of its ten faculties are located in North Mitrovica. In the past 18 months, two single-story buildings have been constructed, hosting the rectorate and the philosophical faculty. In addition, there has been investment in students' dormitories and accommodation for professors.

Despite their heavy dependence on the public expenditure, Serbs in Mitrovica contribute almost nothing either to the Kosovo or the Serbian budget. Due to the lack of any executive agency, no taxes, social security contributions, fees or utility payments were collected between 1999 and 2002. In mid-2002, Serbian Telecom connected North Mitrovica to the Serbian system and began to distribute phone bills, but collection rates for other taxes and other utilities remain dismal. The economy of Northern Mitrovica and Zvecan is a bubble that can burst at any moment.

¹³ In 1978, administrative institutions in Mitrovica (then including also Zvecan and Zubin Potok) employed a total of 3,854 people; see: *Product of Kosova: Business economic-propagandistic guide*, Pristina, n.y., pp. 133-134.

¹⁴ Interview with Dr. Marko Jaksic, 28 August 2002.

¹⁵ This is the estimated population of the "Serbian" municipalities in the north of Kosovo.

¹⁶ The New Kosovo Government, *2002 Budget*, p. 88 (figure for 2002). In early 2002, Prishtina University employed about 1,800 people, but the 2002 budget provided for an increase of 750 employees. Note that employees of the University of Mitrovica work not only in Mitrovica and Zvecan, but also in Leposavic and Zubin Potok.

¹⁷ Georg Woeber, "Status Report on the University of Mitrovica, Kosovo", February 2003, p. 16. Budget of North Mitrovica University provided by the Republic of Serbia.

4. AN UNCERTAIN FUTURE

Mitrovica and Zvecan are facing an extremely grim future. The decline of the Trepca complex and the socially owned industrial sector which grew up around it have caused an economic collapse as drastic as that experienced anywhere in South Eastern Europe.

The new private sector is a realm of small, family businesses, operating at bare survival level. There is no significant investment, either public or private, underway in either community. There is no sign that the private sector is developing new products or changing its primitive trade and service orientation. In short, there is no development underway.

Both communities are heavily dependent on public subsidies and the continuing presence of the international community. The North depends both on the Serbian and the Kosovo budget, and in fact benefits from support from Prishtina at a higher rate *per capita* than the South. For its part, the South has the benefit of diaspora remittances, which provide a substantial but somewhat unreliable boost to household income.

If forced to depend solely on their own economic base, both communities would face real hardship, with the likelihood of a substantial exodus of the population. Both are therefore extremely vulnerable to changes in the political environment, which might affect the level of subsidies from one or more sources. In both cases, their most urgent challenge is to find a way to convert this external support into real development, before the opportunity is lost.