

NEWSLETTER

KOSOVO

Marie-Aimée Salopiata

Green Card membership – economic implications for Kosovo

Kosovo is currently the only European country that is not part of the Green Card system, an international system regulating cases of cross-border traffic accidents caused by foreign vehicles. As a consequence, Kosovars traveling abroad by car are required to purchase insurance at every border crossing point, while foreign vehicles entering Kosovo must purchase additional insurance at the Kosovar border. The lack of Green Card membership impacts the Kosovar economy, with the transport and the tourism sector being especially affected. Given that UN membership is one of the prerequisites for joining the Green Card system, a long-term solution will have to be found on the political level. In the short term, practical approaches to mitigating implications such as long waiting times at the border for incoming vehicles can be pursued, for instance, by digitalising the border procedures or advertising possibilities to purchase insurance online.

The Green Card system

Upon stimulation by the United Nations Economic Commission for Europe, the Green Card system was set up in 1949 with the goal of regulating cases of cross-border road traffic accidents caused by foreign vehicles. Issued by a Green Card bureau in the respective participating countries, the Green Card provides a guarantee for the visited country that the insurer of the vehicle's country of origin will reimburse a potential victim's damage in accordance with the rules applicable in this country. So far, 50 countries across Europe, North Africa and the Middle East are members in the system.

Member countries of the Green Card system



■ Green Card membership ■ Suspended ■ Kosovo

Source: own display

Membership status of Kosovo

Kosovo is currently the only European country that is not a member of the Green Card system. As such, Kosovar vehicles leaving Kosovo need to purchase extra insurance via authorised insurers, while foreign vehicles entering Kosovo are required to purchase extra insurance at the Kosovar border. In 2011, Kosovo officially applied for membership in the Green Card system. However, at that time, a number of conditions for Green Card membership were not met, including a high number of unregistered vehicles in the country (e.g. with expired registration or faked licence plates). Since then, progress has been made in fulfilling the conditions for Green Card membership. Especially, the number of unregistered vehicles was reduced drastically, reaching 4.6% in 2022. However, the statutes of the Council of Bureaux as the responsible institution for the Green Card system also require UN membership as a condition for joining the Green Card system, which remains the final criterion still unmet today.

Bilateral agreements

To facilitate cross-border traffic despite the non-membership in the Green Card system, Kosovo initiated several bilateral agreements on the mutual recognition of motor third-party liability insurance certificates with neighbouring countries. Between 2002 and 2021, Kosovo has concluded such bilateral agreements with all Western Balkan-6 countries, the only exception being Bosnia and Herzegovina. For these countries, Kosovo recognizes the local third-party liability (TPL) insurance. Kosovars travelling to these countries are only required to purchase one additional insurance package (referred to as "TPL+"), which is valid for all countries covered by the bilateral agreements.

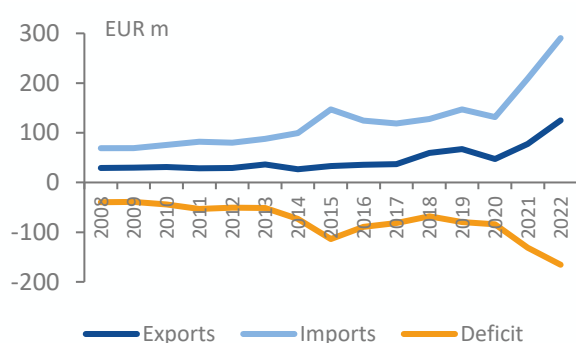
Economic implications – the transport sector

When travelling beyond the neighbouring countries with which Kosovo has concluded bilateral agreements, Kosovar vehicle holders are required to purchase additional insurance at every border crossing point. This also applies to trucks transporting goods. Thereby, the lack of Green Card membership incurs additional costs for the Kosovar transport sector, both in terms of financial costs for the purchase of insurance and transaction costs in the form of longer waiting times at the border. To exemplify these additional costs and assess their impact on the development of the Kosovar transport sector, the German Economic Team has analysed the illustrative case of a goods transport from Pristina (Kosovo) to Stuttgart (Germany) to compare the costs under the current situation (no Green Card membership) with the hypothetical case of Kosovo being part of the Green Card system. As the results show, costs for such a transport are significantly higher without membership

in the Green Card system. That is, even when considering the most cost-effective route with only four border crossing points, the additional costs for the purchase of insurance amount to up to 30% of the total costs of a back-and-forth transport from Pristina to Stuttgart, excluding the transaction costs due to waiting times.

Given that countries with which Kosovo has no bilateral agreement in place account for the majority of Kosovo's trade in goods (65% of exports; 70% of imports), these additional costs make Kosovo an unattractive location for transport companies to settle. This is also visible in the trade data, which reveals that Kosovo is one of only two WB6-countries with a trade deficit in transport services (2022: EUR 166 m).

Trade in transport services in Kosovo



Source: Central Bank of Kosovo

In 2020, almost half of the transport means for imported and exported goods originated from outside of Kosovo. Indicative evidence points to the hypothesis that this might also be driven by a relocation of Kosovar transport companies to neighbouring countries.

Economic implications – the tourism sector

In addition to the transport sector, tourism as one of the key sectors of the Kosovar economy is also affected by the lack of Green Card membership, mainly by incurring costs upon diaspora visitors. The Kosovar diaspora is the main driver of Kosovo's tourism sector. The three most popular diaspora destination countries (DEU, CHE, AUT) alone already account for about one third of the total visitors to Kosovo and, given their large spending levels, for two thirds of the revenues from service and travel exports, respectively.

However, exactly this important group of tourists is often traveling to Kosovo by car given the geographic proximity of their residence countries and is thus affected by the obligation to purchase additional insurance at the Kosovar border. In this regard, it is estimated that spending on cross-border motor insurance accounts for 3% of the total spending of the diaspora during their stay in Kosovo. More importantly, real-time

data published by the National Center for Border Management reveals that waiting times at the Kosovar border reached up to seven hours in peak times, indicating severe transaction costs for the Kosovar diaspora linked with the insurance purchase requirement.

Aside from the diaspora, the Kosovar government is also following an ambitious agenda of attracting new groups of international tourists, as outlined in Kosovo's first tourism strategy. For successfully implementing this agenda and expanding the country's tourism sector, finding practical solutions to mitigating the financial and transaction costs for inbound tourists associated with the lacking Green Card membership will be key.

Outlook

The lack of Green Card membership is associated with negative effects on the Kosovar economy, mainly implicating the development of the Kosovar transport and tourism sector. Potential solutions to the problem, however, remain scarce: with a UN membership for Kosovo currently not in sight, an amendment of the statutes of the Council of Bureaux remains as the only viable option for Kosovo to join the Green Card system. To this end, 70% of the Green Card member states would have to vote in favour of the change, thus also at least some countries which do not recognize Kosovo. A similar problem emerges when considering an agreement with the European Economic Area - the most important trading partner of Kosovo - on the mutual recognition of third-party liability insurance. Apart from solutions on the political level, practical approaches to resolving the waiting time issue for the Kosovar diaspora and potential new tourist groups, especially during the peak season in summer, can be pursued to mitigate the effects on the tourism sector. These include, for instance, digitalising the border procedures or advertising possibilities to purchase insurance online.

This newsletter is based on the Policy Study "[Green Card membership of Kosovo – implications for transport business](#)" and the Policy Briefing "[Green Card membership and tourism – challenges and solutions](#)".

Financed by the Federal Ministry for Economic Affairs and Climate Action, the German Economic Team (GET) advises the governments of Ukraine, Belarus*, Moldova, Kosovo, Armenia, Georgia and Uzbekistan on economic policy matters. Berlin Economics has been commissioned with the implementation of the consultancy.

*Advisory activities in Belarus are currently suspended.

Editors

Dr Ricardo Giucci, Marie-Aimée Salopiata

German Economic Team

www.german-economic-team.com



Implemented by
BE Berlin Economics GmbH
Schillerstraße 59 | 10627 Berlin
+49 30 / 20 61 34 64-0

[Contact](#) | [Imprint](#) | [Data Protection](#)