



German
Economic
Team

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POLICY STUDY
KOSOVO

Green Card membership of Kosovo - implications for transport business

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Outline

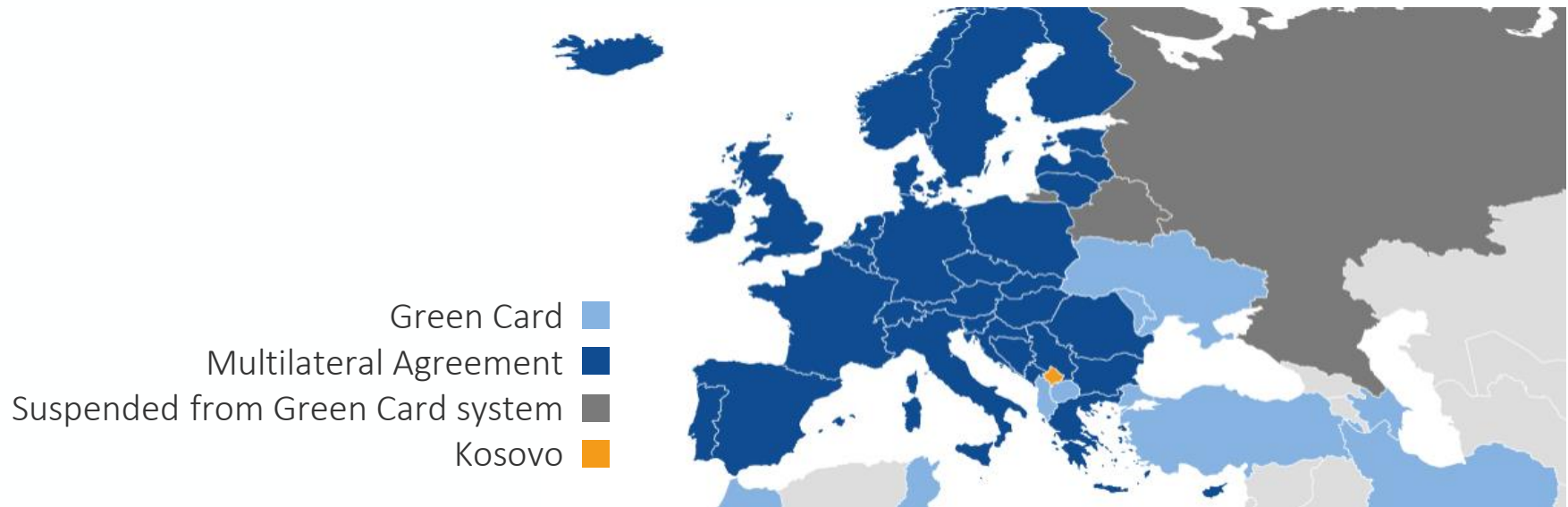
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1. Current situation: the Green Card system

- » Upon stimulation by the United Nations Economic Commission for Europe, the Green Card system was set up in 1949
 - Goal: regulate cases of cross-border road traffic accidents caused by foreign vehicles
- » The Green Card is also known as the International Motor Insurance Certificate and is issued by a Green Card bureau established in each participating country
- » The certificate shows that a visiting vehicle has at least the minimum compulsory Motor Third Party Liability Insurance cover as required by the law of the country visited
- » It 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 the visited country
- **Ensures that victims of an accident caused by a foreign vehicle are properly compensated**

1. Current situation: the Green Card system

- » So far 50 countries across Europe, North Africa and the Middle East are members in the system
- » 36 of these additionally signed the Multilateral Agreement
 - No requirement of physical green card document anymore
 - Recognises insurance on the basis of the origin of the vehicle
 - Speeds up border procedures



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1. Current situation - why is Kosovo not a member?

- » Currently, Kosovo is the only European country that is not a member of the Green Card system
- » Prior to 1999, Kosovo was part of the Green Card system as a constitutional part of Yugoslavia
- » In 2000, the United Nations Interim Administration in Kosovo (UNMIK) agreed on the following procedures for cross-border motor traffic
 - Kosovar vehicles leaving Kosovo need to purchase extra insurance via authorised insurers
 - Foreign vehicles entering Kosovo need to buy an extra insurance at the Kosovar border
- » Kosovo officially applied for membership in 2011 but ended up being unsuccessful
- » Key conditions for Green Card membership unmet:
 - High number of unregistered vehicles in Kosovo (e.g. expired registration and insurance, usage of faked license plates)
 - Lacking ratification of international transport agreements such as the Vienna Convention on Road Traffic and the Vienna Convention on Road Signs and Signals
 - UN membership

1. Current situation - why is Kosovo not a member?

- » Recent progress:
 - Drastic reduction in the number of unregistered vehicles from 35% in 2020 to 4.6% in 2022
 - 2023: number of unregistered vehicles is expected to be reduced to 2.3%
- » Key measures in this regard:
 - Digitalisation of the vehicle registration process
 - Execution of an MoU between the Kosovar Central Bank, the Insurance Bureau and the Ministry of Environment, Social Planning and Infrastructure regarding the placement of stickers on unregistered vehicles
- » Progress in this regard acknowledged internationally, although ratification of international transport agreements is still pending
- » Key criterion still unmet: Kosovo not being a UN member state
- Despite recent progress, Kosovo has not yet fulfilled all criteria for a Green Card membership, with the UN membership remaining as the main obstacle

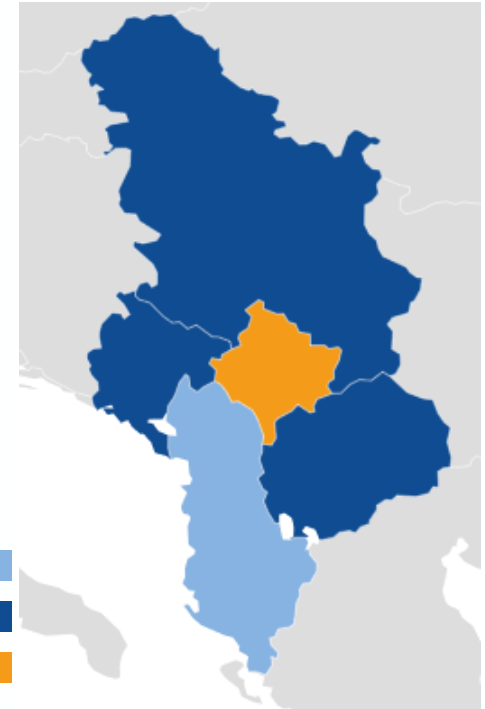
1. Current situation - bilateral agreements

- » To facilitate cross-border traffic despite the non-membership in the Green Card system, Kosovo initiated several **bilateral agreements** on cross-border motor traffic with neighbouring countries
- » With these bilateral agreements, the countries declare their mutual recognition of motor third-party liability insurance certificates with Kosovo
- » Kosovo has concluded such bilateral agreements with almost all WB6 countries:
 - Albania in 2002
 - North Macedonia in 2003 (renewed in 2012)
 - Serbia in 2015
 - Montenegro in 2021
- » The Memorandum of Understanding with Croatia became invalid with Croatia's EU membership in 2015

1. Current situation - bilateral agreements

- » Kosovo recognises the TPL policies of all countries with which it has bilateral agreements
- » However, recognition is mutual only in the case of Albania
- » Kosovars need to purchase TPL⁺ in order to have a valid insurance in North Macedonia, Serbia, and Montenegro
- » Causes additional costs amounting to 30% of Kosovar TPL, which is around 180 EUR/year for a truck

TPL policies recognised mutually ■
TPL⁺ required for Kosovar vehicles ■
Kosovo ■



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- **Bilateral agreements with almost all WB6-countries facilitate cross-border traffic for Kosovar vehicles within the region, but insurance requirements remain**

1. Current situation – Case study

- » Key implication of the lacking membership of Kosovo in the Green Card system for the transport business: Kosovar carriers exporting goods from Kosovo need to purchase insurance at every border crossing point
 - Incurs costs in the form of financial costs and waiting times
- » Especially relevant in this regard: destinations in the region and the European Economic Area (EEA) as main destination countries of Kosovar exports
- » Insurance required:
 - MKD, SRB and MNE: TPL+
 - EEA: EEA motor insurance policy which is valid for the whole EEA and Switzerland
- » To illustrate costs incurred on Kosovar carriers when exporting goods to these countries, the following case study compares financial costs of insurance for the current situation with the hypothetical case of a Green Card membership

2. Case study – transporting goods from KOS to GER

- » Exemplary route of a truck from Pristina, Kosovo to Stuttgart, Germany
- » Cost of **route A** via Croatia:
 - Shortest policy period is 15 days
 - TPL+ would proportionately be at EUR ~7
 - Truck insurance for the period costs EUR 1,213
- Total cost of **EUR 1,323**
- Border crossing points: 5

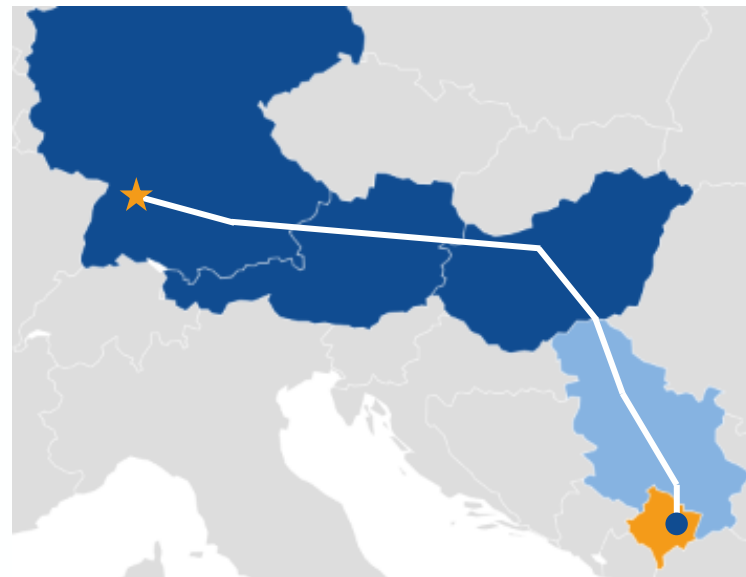
- CEFTA and MoU with Kosovo
- EEA
- Kosovo



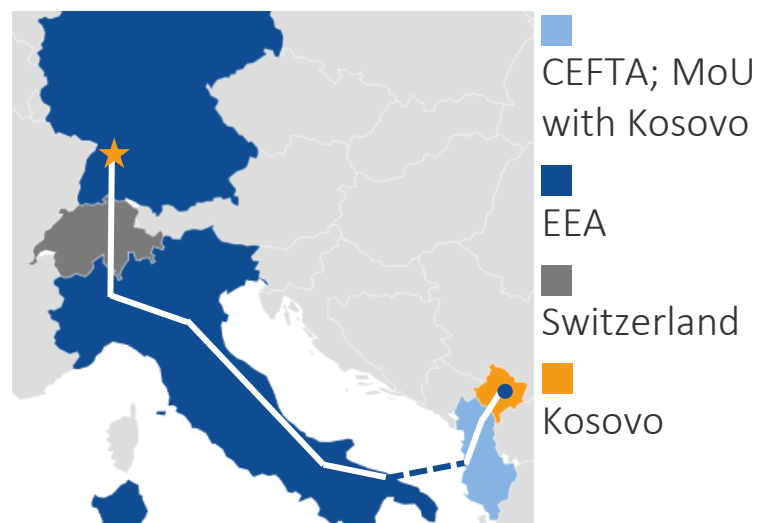
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2. Case study – transporting goods from KOS to GER

- » Cost of **route B** via Hungary:
 - Shortest policy period is 30 days
 - TPL+ would proportionately be at EUR ~15
 - Truck insurance for the period costs EUR 447
 - Total cost of **EUR 594**
 - Border crossing points: 4



- » Cost of **route C** via Italy:
 - Shortest policy period is 15 days
 - TPL+ would proportionately be at EUR ~7
 - Truck insurance for the period costs EUR 375
 - Ferry from Albania to Italy costs EUR 500
 - Total cost of **EUR 1,073**
 - Border crossing points: 4



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2. Case study – transporting goods from KOS to GER

- » The case study indicates that route B via Hungary is the most cost effective
- » Nevertheless, costs are significantly higher without membership in the Green Card system, even without taking into account transaction costs
- » Transport costs generally are composed of the cost for the truck driver, petrol, motorway toll, and leasing
 - For back-and-forth Kosovo – Germany this amounts to about EUR 2050
 - With additional costs for a Green Card, total costs increase by another ~30%

Cost category	Green Card tariffs (EUR)	Case study (all values in EUR)		
	15 days	Route A	Route B	Route C
Truck (>3T)	150	1,213	447	375
TPL+ (proportionate)	/	7	15	7
Ferry	/	/	/	500
Total	175	1,323	594	1,073
Border crossing points	N.A.	5	4	4

Source: own display

- Green Card membership would significantly reduce financial burden of Kosovar carriers and make them more competitive

3. Potential solutions: agreement with EEA

- » EU as a key trading partner for Kosovo: finding a solution for the EU Economic Area of paramount importance
- » However: not possible to negotiate bilateral agreements with individual EU member states, a potential agreement would have to be concluded with the whole EEA
- » Problem: Five EEA countries do not recognize Kosovo
- » This makes a bilateral agreement with the whole EEA unlikely
- » Going down this route would require significant advocacy efforts to convince these countries of the practical and thus unpolitical nature of a Green Card membership for Kosovo

3. Potential solutions: Green Card issued by another country

- » In 2022, Kosovo launched negotiations to obtain the Green Card through another country that is a member in the system
 - Even though a country was found that was willing to do this, the negotiations ended up being unsuccessful
- » Reason: Green Cards can only be issued to third party states if the state is recognised by the UN
- » The committees of the COB held multiple consultations on whether to make an exception for Kosovo to enter the Green Card system
- » All resulted in Kosovo being unable to join until it is a member of the UN
- » Additional practical complication: even in case of an exemption for Kosovo, Green Card system member countries that do not recognise Kosovo might not accept the Green Cards issued for Kosovo

3. Potential solutions: expand bilateral agreements

- » Kosovo already has bilateral agreements with most WB6 countries, this could be expanded
- » Especially an agreement with Bosnia and Herzegovina is important to cover the whole West Balkan region
- » Through an agreement with Bosnia and Herzegovina, Kosovo would expand its area with facilitated cross-border road traffic to EU borders
- » Would cover whole CEFTA area except Moldova
- » Could help to negotiate agreements with EEA countries



- CEFTA and MoU with Kosovo
- EU
- CEFTA without MoU
- Kosovo

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3. Potential solutions: amendment of COB statute

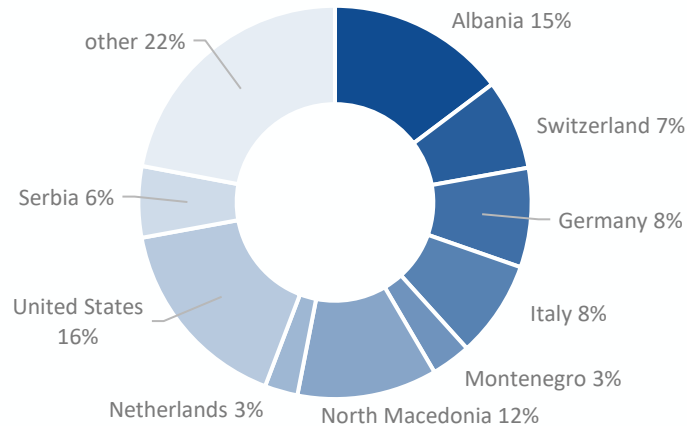
- » Key condition in the statutes of the Council of Bureaux currently not permitting Kosovo to become a member of the Green Card system: requirement to be a UN member
- » Dropping this requirement and thus removing the last obstacle for Kosovar membership in the Green Card system would require a change in the statutes of the Council of Bureaux
- » Such a change needs to be approved by at least 70% of the member states (no veto right)
 - If all countries recognizing Kosovo would vote in favour of this change, this threshold would almost be reached
 - Support from at least one non-recognizing country would be key for initiating this process and could have important signaling effects for other non-recognizing countries

4. De-facto situation - implications for business

- » Kosovo not being in the Green Card system poses challenges and limitations for businesses in the country, negatively affecting international competitiveness
- » This is especially relevant for the transport sector
- » Key costs for businesses operating in the transport sector:
 1. Transaction costs: higher waiting times at border crossing
 2. Financial costs: need to purchase additional insurance at border crossings
- » These costs impose a burden for the transport sector, leading to adverse effects such as relocation of companies
- » Also negatively affects the government budget through tax losses

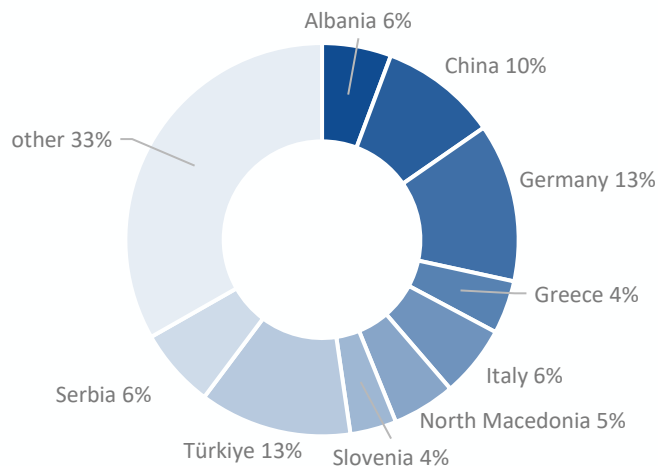
4. De-facto situation: financial costs

Main destinations of Kosovar goods exports (2021)



Source: Kosovo Agency of Statistics

Main destinations of Kosovar goods imports (2021)



Source: Kosovo Agency of Statistics

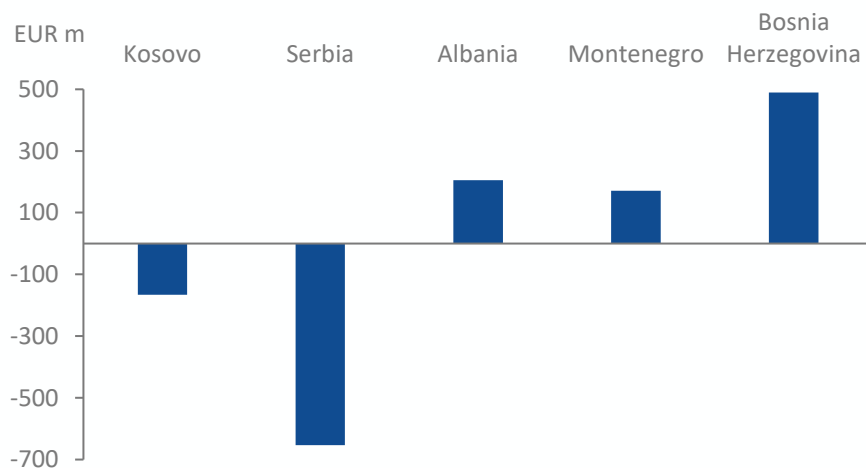
- » Key implication of non-membership: transport companies must pay additional insurance at every border crossing point
- » Exception: countries with a bilateral agreement on mutual recognition of motor third party liability insurance certificates
 - Albania (15% of exports)
 - Montenegro (3% of exports)
 - Serbia (6% of exports)
 - North Macedonia (12% of exports)
- » About **65% of exports** are destined to countries that require additional insurance for Kosovar vehicles
- » For imports, the share is at 70%, which has even bigger implications considering Kosovo's negative trade balance
- **Non-Green Card membership incurs additional financial costs upon transport business**

4. De-facto situation: transaction costs

- » The cross-border motor insurance can only be purchased in person at the border
- » As all foreign vehicles need to purchase the insurance, this causes long waiting times at the border-crossing points
- » These waiting times imply transaction costs for companies and thus translate into economic consequences for the country
- » Anecdotal evidence of high waiting times at Kosovar borders:
 - World Bank Time Release Study on Kosovo in 2021 found an average waiting time of **3h 19m** between the arrival of a truck at a border crossing point until the issuance of the release order
 - Real-time data published by the National Center for Border Management reveals waiting times of up to **7 hours** during the summer months when there is a high inflow of both private vehicles and trucks
- **Non-membership in the Green Card system has economic consequences by increasing transaction costs for businesses**

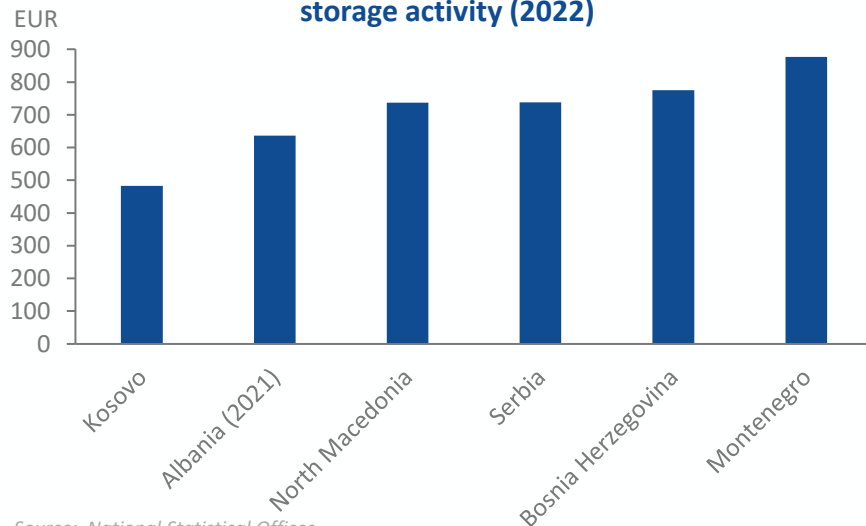
4. Implications - relocation of transport companies

Net transport services (2022)



Source: National Central Banks

Gross average monthly wage for transport and storage activity (2022)

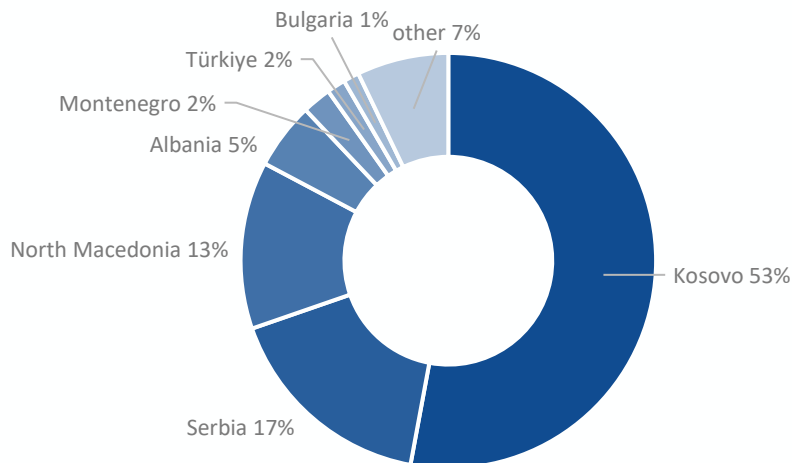


Source: National Statistical Offices

- » Green card system makes it unattractive for transport companies to settle in Kosovo
 - Higher costs when transporting goods to countries with which Kosovo has no bilateral agreement in place
- » Kosovo is one of only two WB6 countries with a trade deficit in transport services (EUR 166 m)
- » In contrast: surplus in neighbouring countries ALB, BIH and MNE
- » Higher cost causes relocation of Kosovar transport companies to neighbouring countries
- » Negative effects in terms of government budget: loss in tax revenue
- » Without insurance costs, relocation would be counterintuitive due to low labour costs
 - Monthly wage in Kosovo's transport sector is EUR 225 below WB6 average
- **Kosovar transport companies relocate to neighbouring countries that are within the Green Card system**

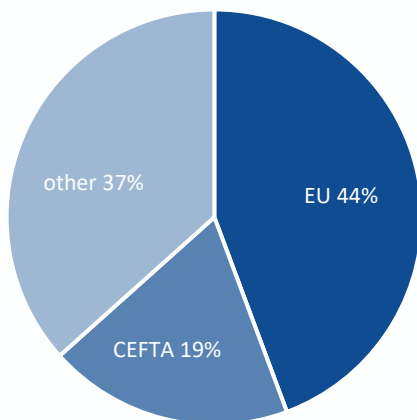
4. Implications - transport service imports

Origin of transport means for goods (2020)



Source: German-Kosovar Business Association

Grouped goods import partners of Kosovo (2021)



Source: Kosovo Agency of Statistics

- » Almost half of the transport means for imported and exported goods originated from outside Kosovo in 2020
 - Almost one third of the transport means were from Serbia (17%) and Montenegro (13%)
- » More specifically, only 20% of imports of goods from the EU to Kosovo were transported by Kosovar vehicles in 2021
 - Goods imports from the EU accounted for 44% of Kosovo's total goods imports in 2021
- » ALB and MKD, who recognise Kosovar motor vehicle liability insurance certificates, had a share of 84% and 66% respectively of Kosovar carriers for imports to Kosovo
- Strong dominance of foreign carriers for Kosovo goods trade

4. Implications - transport service imports



Source: Central Bank of Kosovo

- » As a result: Kosovo is a net importer of transport services
 - Kosovar companies rely on service providers from abroad to meet a significant portion of their transport needs
- » 2022: Imports of transport services reached EUR 290.5 m while exports were at EUR 124.9 m
 - Transport service imports exceed exports by more than 100%
- » The deficit grew by EUR 34 m from 2021 to 2022
- » Large number of imports exceeds exports every year
- **Persistent and growing deficit in trade in transport services reflecting a structural reliance on foreign freight forwarders**

5. Conclusion

- » Kosovo is the only European country that is not a member of the Green Card system, a system regulating cross-border traffic accidents caused by foreign vehicles
 - Despite progress over the past years in terms of fulfilling conditions for Green Card membership
 - UN membership remaining as the last obstacle
- » Facilitation of cross-border traffic currently only in the form of bilateral agreements between Kosovo and four neighboring countries
 - Insurance requirements remain, even within the region
- » Potential solutions in the absence of UN membership are scarce:
 - Negotiate an agreement with the EEA as main trade counterpart
 - Another country issuing Green Cards for Kosovo
 - Negotiate further bilateral agreements with countries in the region
 - Amendment of the COB statutes
- » In the absence of a solution: severe implications for transport business that face additional financial and transaction cost
 - Relocation of transport companies
 - Persistent and growing deficit in trade in transport services due to reliance on foreign carriers
- » Impedes upon the development of the Kosovar transport sector

6. Outlook

- » Promising current developments related to FDI trends
 - FDI to Kosovo grew remarkably surpassing EUR m 700 in 2022 and 2023
- » More export-oriented businesses in Kosovo provide grounds for the development of a strong transport sector
 - Increasing exports would lower the number of one-way trips for Kosovar carriers to import goods to Kosovo without exporting anything
 - Higher regional competitiveness of the Kosovar transport sector
- » However, Green Card remains as a key obstacle for the development of the sector
- » Sectoral problem extrapolates to other sectors, thereby posing an impediment to developing value chains across the region and establishing trade links

About the German Economic Team

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.*

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