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# Covering Cross-Border Insurance Fees from the State Budget



September 2021

KOSOVO 2.0

INSTITUTI GAP  
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## Introduction

Kosovo is the only country in Europe that is not a member of the Green Card system, a common protection mechanism for victims of cross-border road traffic accidents consisting of 48 countries.<sup>1</sup> Triggered by the United Nations Economic Commission for Europe, the Green Card system was founded in 1949.<sup>2</sup>

Kosovo is not a member of the United Nations nor of the Economic and Social Council and relevant working bodies such as the Inland Transport Committee, and this has been cited as a common reason why Kosovo, through the Kosovo Insurance Bureau (KIB), is not a member of the Green Card system. However, in the 106th session of the Inland Transport Committee, held in October 2011, the possibility was left open for Kosovo, though formally not recognized as a state, to accede to the Green Card system.<sup>3</sup>

However, one of the practical barriers to applying for membership in the Green Card system is the high number of unregistered vehicles in Kosovo. According to KIB, 30% of vehicles in Kosovo are unregistered and before applying for membership this number should be reduced to 5%.<sup>4</sup> Aiming to reduce the number of unregistered vehicles, state institutions have taken various measures, such as adopting a Regulation on Additional Fees for Late Vehicle Registration,<sup>5</sup> or even public calls for tenders for the supply of stickers for easier identification of unregistered vehicles.

As Kosovo is not part of the Green Card system, vehicle insurance issued in Kosovo is not valid in other countries and vehicles entering Kosovo are subject to additional insurance fees, regardless of whether or not they hold a Green Card.

Paying at the border for motor third party liability insurance has been one of the constant complaints of the diaspora, primarily due to border crossing delays and relatively high costs.<sup>6</sup> Seeking to moderate border waiting times for the diaspora and as a measure to motivate the diaspora to visit at the time of greatest economic crisis in the postwar period, resulting from restrictions to contain the Covid-19 pandemic, in 2020, Kosovo institutions committed to pay the insurance fees for the diaspora and all those entering Kosovo with foreign plate vehicles via land border crossings.

Based on statistics on cross-border motor insurance, this brief will examine the government decisions regarding exemption from cross-border motor insurance requirements, budgetary impacts, and procedures for implementing such policy decisions.

1 Council of Bureaux. The Green Card System. Source: <https://bit.ly/3kgf1hu>

2 United Nations Economic Commission for Europe (UNECE)

3 United Nations – Economic and Social Council, Inland Transport Committee of Economic Commission for Europe. Working Party on Road Transport, 106<sup>th</sup> session. Geneva, 17–19 October 2011. Source: <https://bit.ly/3Eppjnv>

4 Radio Free Europe. Nadie Ahmeti&Luljeta Veseli-Krasniqi. Aplikimi për Kartonin e Gjelbër, vetëm pas shtatorit 2021. Pristina, 23 November 2020. Source: <https://bit.ly/3lxEOFG>

5 Central Bank of the Republic of Kosovo. Regulation on the Implementation of Bonus-Malus System. 12 June 2020. Source: <https://bit.ly/3IBweBl>

6 Germin. Analizë e shkurtë e politikave mbi sigurimin kufitar për mërgimtarët. May 2018. Source: <https://bit.ly/3CnAkDY>

## Cross-Border Insurance Revenues and Expenditures

From 2002 to 2020, on average, the revenues of insurance companies from cross-border motor insurance fees reached EUR 9 million per year.

**Chart 1.** Annual revenues from cross-border motor insurance for period 2002 - August 2021

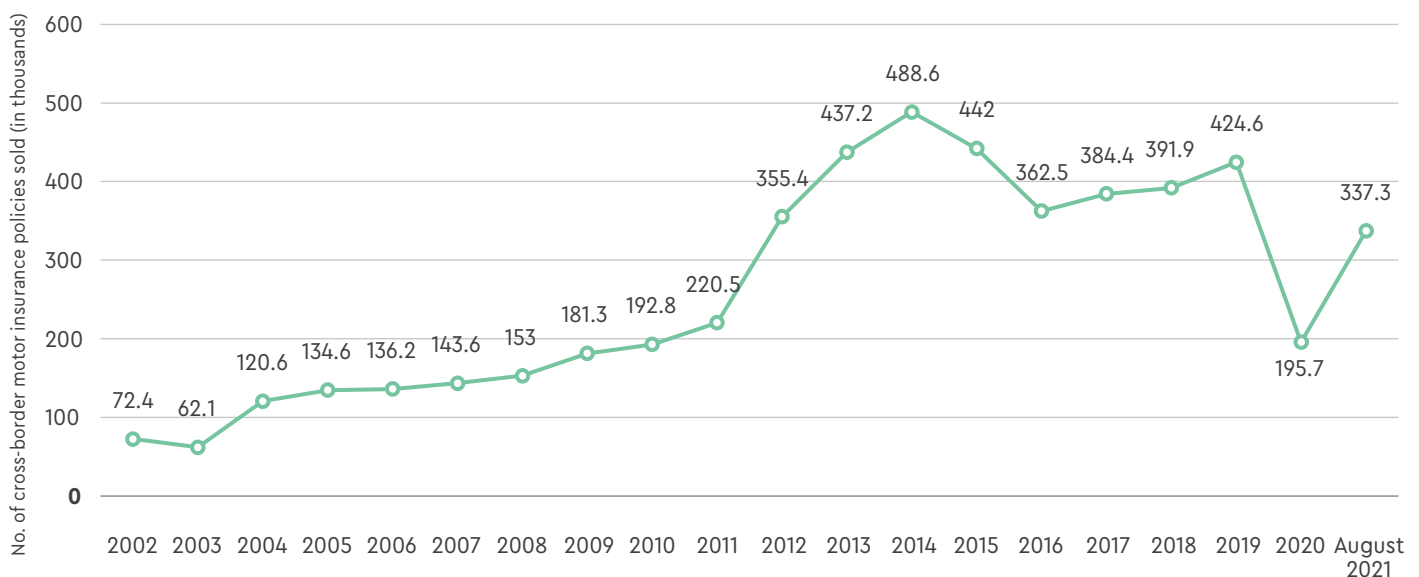


Source: GAP, based on CBK time series and KIB data for August 2021

On average, revenues from cross-border motor insurance account for about 8% of annual revenues of insurance companies.

Since 2002, insurance companies sell an average of 260,000 cross-border motor insurance policies per year. As Chart 2 shows, in one year this number has gone up to over 480 thousand cross-border motor insurance policies sold, or more than the number of vehicles registered domestically.

**Chart 2.** Number of cross-border motor insurance policies sold for period 2002 - Aug 2021

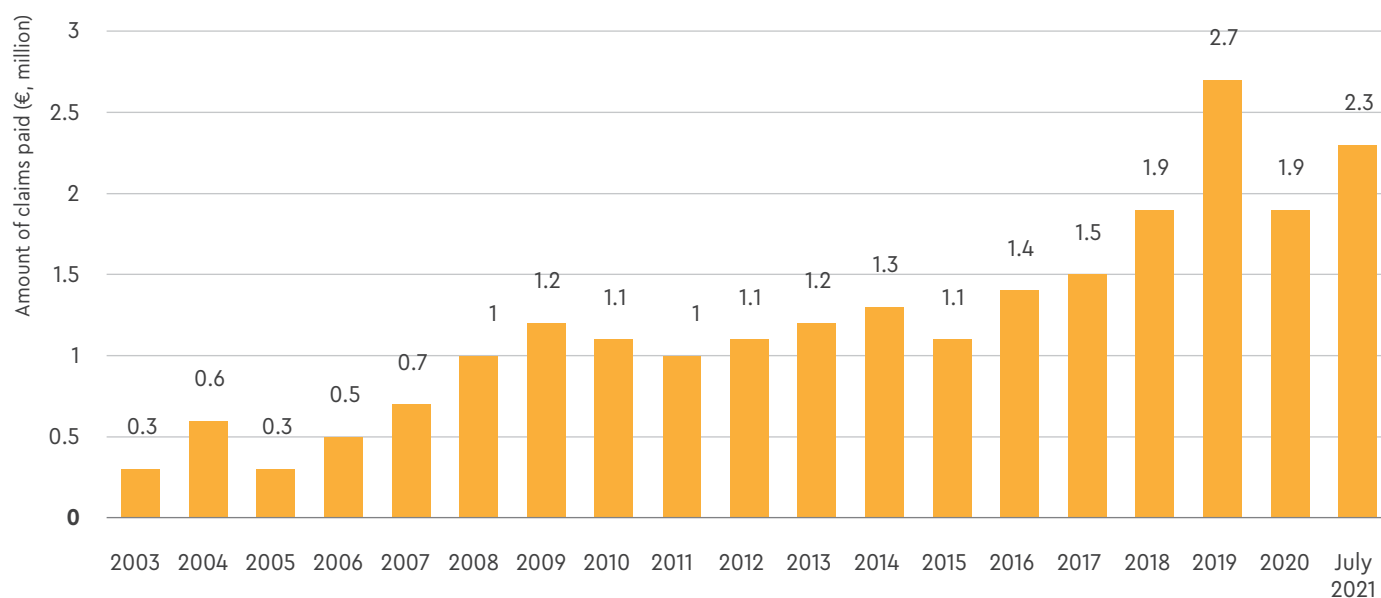


Source: GAP, based on CBK time series and KIB data for August 2021

In terms of claims paid, on average, insurance companies expend about EUR 1.2 million per year. Recently, there has been an increase in claims paid and based on payments as of July 2021, it seems that this year will be a record year in terms of expenditures to cover damages caused by vehicles insured through cross-border motor insurance policies.

Delays in payment of claims resulting from lengthy court proceedings are also a concern for the diaspora regarding cross-border motor insurance policies.<sup>7</sup>

**Chart 3.** Claims paid on cross-border motor insurance policies for period 2003 - July 2021



Source: GAP, based on CBK time series

## Diaspora Support and Remittances

In 2020, at the last meeting of the Kurti 1 Government, it was decided to initiate procedures for establishing a mechanism for covering cross-border insurance fees by the Government of Kosovo for all compatriots and foreigners who are subject to cross-border motor insurance requirements and traveling to Kosovo in 2020.<sup>8</sup> There were EUR 3 million allocated for the implementation of this Decision. The first cross-border motor insurance policy according to the Government Decision was issued on 1 August 2020 and by 31 December 2020, expenditures reached about EUR 2 million.

In its election platform for the snap parliamentary elections, Lëvizja Vetëvendosje had promised that during their term in Government 'there will be no more Green Card requirements for the Diaspora.'<sup>9</sup>

Upon assuming office (22 March 2021), the Kurti 2 Government in its meeting held on 22 June 2021, approved the request of the Ministry of Finance, Labor, and Transfers (MFLT) for full coverage of border insurance premium fees, for all compatriots and foreigners who are subject to cross-border motor insurance requirements and traveling to Kosovo by the end of 2021.<sup>10</sup>

<sup>7</sup> Germin. Analizë e shkurtë e politikave mbi sigurimin kufitar për mërgimtarët. May 2018  
Source: <https://bit.ly/3CnAkDY>

<sup>8</sup> Office of the Prime Minister. 39<sup>th</sup> Meeting, Decision No. 5, Date: 3 June 2020. Source: <https://bit.ly/3hnQhJl>

<sup>9</sup> Lëvizja Vetëvendosje. Prioritetet për krejt qytetarët dhe drejt së ardhmes, February 2021.  
Source: <https://bit.ly/3k64CFb> (accessed on 13 September 2021).

<sup>10</sup> Office of the Prime Minister. 16<sup>th</sup> Meeting, Decision No. 19, Date: 22 June 2021. Source: <https://bit.ly/3C7Sqd7>

By the same Decision, the Government authorized the MFLT and the Ministry of Interior Affairs (MIA) to sign a Memorandum of Cooperation, on behalf of the Government, with the Central Bank of the Republic of Kosovo (CBK) and the KIB. The Memorandum of Cooperation was signed two days later, on 24 June 2021. According to the Memorandum, the Government shall cover 100% of the cross-border motor insurance policy premium amount, while CBK and KIB reduced tariffs by 35%. All types of insurance are issued for a period of one month.<sup>11</sup>

On 14 July 2021, the Government of Kosovo approved the Economic Recovery Package, a plan to help revive the economy hit by the Covid-19 pandemic.<sup>12</sup> The total price tag of the Economic Recovery Package is EUR 420 million, of which EUR 190 million are funded from the state budget and EUR 230 million from borrowing.

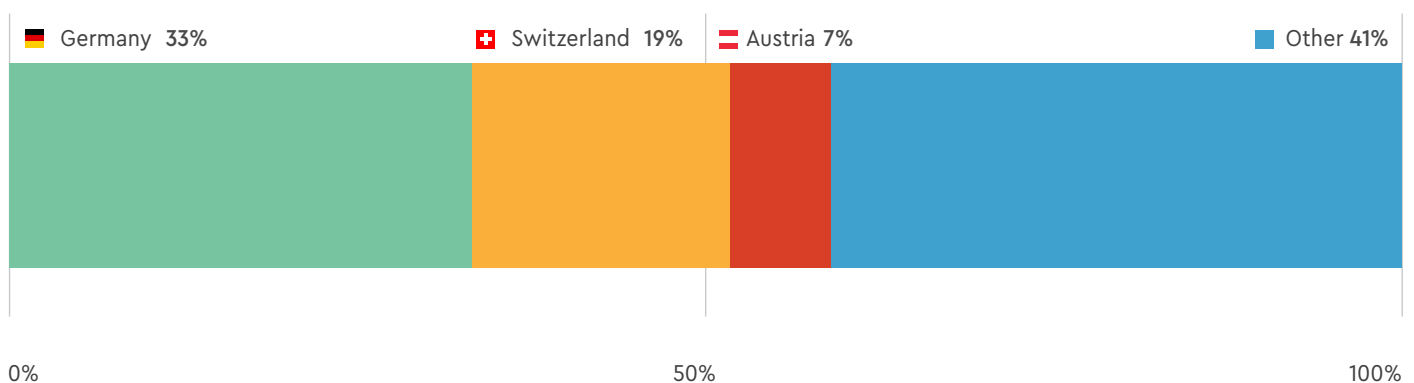
The Economic Recovery Package provides: (Measure 1) Support to Employment (EUR 50 million); (Measure 2) Economic and Production Recovery (EUR 108 million); (Measure 3) Support to Households (EUR 50 million); (Measure 4) Support to Public Sector (EUR 112 million); and (Measure 5) Investment in Infrastructure and Environment (EUR 100 million).

Measure 4 includes Support to Diaspora in the amount of EUR 5 million. After the adoption of the Economic Recovery Package, the Government of Kosovo in its 24th Meeting, on 11 August 2021, officially allocated EUR 5 million for the implementation of Measure 4.5 – Support to Diaspora.<sup>13</sup> According to the Decision, the funds shall be taken from the budget code of the Package and transferred to the Treasury, to be subsequently wired on a monthly basis to a special account of the Insurance Bureau, according to the invoice submitted by the latter.

According to data provided by KIB, as of August 2021, invoices submitted by KIB to the Treasury on cross-border motor insurance reach EUR 2.4 million, or almost half of the amount of EUR 5 million allocated by the Government of Kosovo.<sup>14</sup>

According to country of origin, majority of the vehicles came from Germany, Switzerland, and Austria.

**Chart 4.** Cross-border motor insurance policies issued for foreign vehicles by country of origin



Source: GAP, based on KIB data

<sup>11</sup> Kosovapress. Nënshkruhet marrëveshja për mbulimin e polisës së sigurimit për diasporën, July 2021.

Source: <https://bit.ly/3hXlj42>

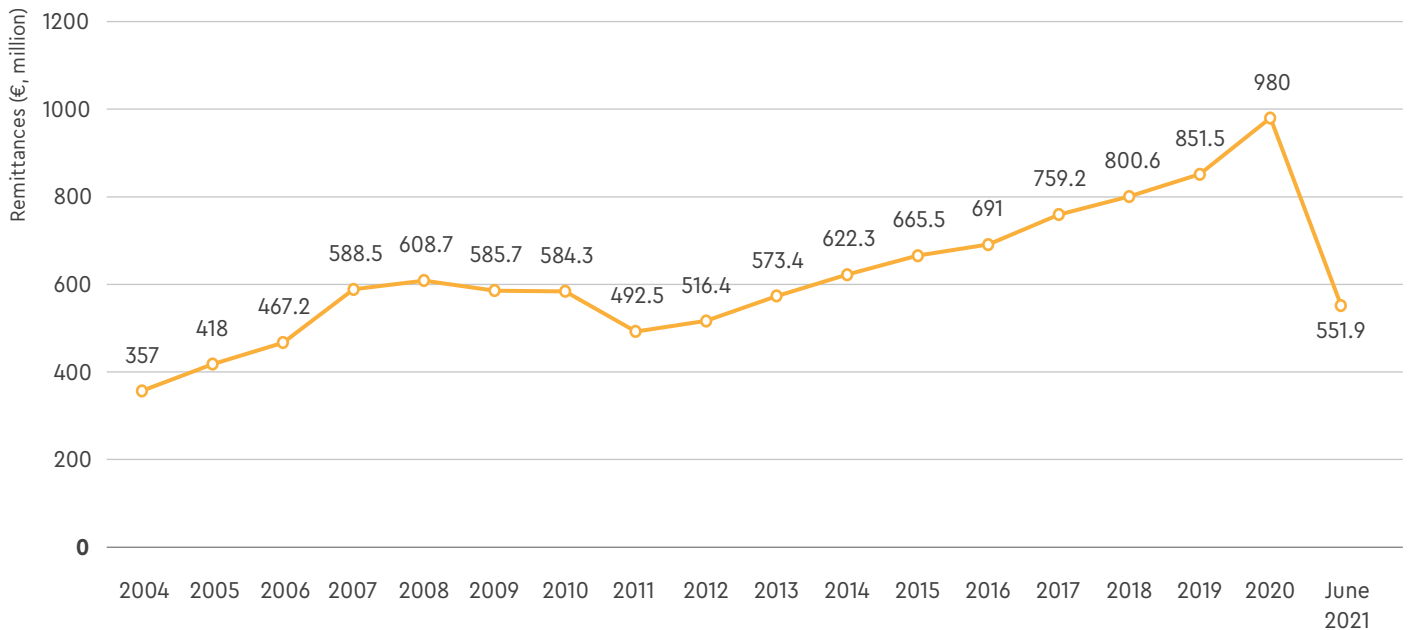
<sup>12</sup> Office of the Prime Minister. 19<sup>th</sup> Meeting, Decision No. 13, Date: 14 July 2021. Source: <https://bit.ly/395TbHf>

<sup>13</sup> Office of the Prime Minister. 24<sup>th</sup> Meeting, Decision No. 15, Date: 11 August 2020. Source: <https://bit.ly/3hLUPTh>

<sup>14</sup> Gap Institute. Information provided by KIB upon request for access to information, 23 September 2021.

In non-pandemic conditions, more than one half of the Diaspora make three to four visits during the year to Kosovo, staying from two to four weeks, spending hundreds of millions equivalent to about 4.6% of Kosovo's Gross Domestic Product, or EUR 328 million.<sup>15</sup> This does not include remittances, averaging EUR 621 million per year.

**Chart 5. Remittances for period 2004-June 2021**



All-time high remittances were recorded in 2020, with a total of EUR 980 million. While in the first six months of 2021 alone, there were EUR 552 million remitted, or EUR 117.4 million more than the same period of 2020. Considering average annual expenditures, Diaspora expenditures on cross-border motor insurance amount to about 3% of all their spending in Kosovo.

<sup>15</sup> Gap Institute. Diaspora's impact on Kosovo's economy during COVID-19 pandemic. November 2020. Source: <https://bit.ly/3hMjxm8>

## Conclusion

One of the sub-measures of the Economic Recovery Package is Support to Diaspora in the amount of EUR 5 million. This support also involves covering the costs of border insurance premium fees for all compatriots and foreigners who are subject to cross-border motor insurance requirements and traveling to Kosovo by the end of 2021. Civil Society Organizations have opposed the payment of cross-border insurance fees from the state budget, considering it unreasonable and misuse of budget funds raised from poor taxpayers to pay for private vehicle insurance.<sup>16</sup> Representatives of private sector trade unions also opposed the Decision.<sup>17</sup>

Paying for border insurance from the state budget should not become practice in the coming years. This is due to the fact that it represents an unfair allocation of taxpayer money, subsidizing a category of the population that is financially sound.

Instead, in the short term, the Government of Kosovo, CBK and KIB should allow members of the diaspora and foreigners entering Kosovo to pay for cross-border insurance online to shorten the waiting times at the border.

In the long term, institutions should ensure that the number of unregistered vehicles in circulation drops from 30% to 5%, consequently removing the practical barrier to applying for membership in the Green Card system.

16 Group for Legal and Political Studies, Institute for Development Policy, etc. Reagim: Kundërshtim ndaj vendimit të Qeverisë për subvencionimin e sigurimit të automjeteve të huaja që hyjnë në Kosovë me përfitues individët privat, 23 June 2021. Source: <https://bit.ly/3zAeCuZ>

17 Epoka e Re. Azemi: Punëtori me pagë 170 euro të paguajë për polisën kufitare, e papranueshme, 23 June 2021. Source: <https://bit.ly/3CrtrS5>









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