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# **KOSOVO**

## **CLUSTER AND BUSINESS SUPPORT PROJECT**

### **Sales and Marketing Support Activities**

Contract #AFP-I-00-03-00030-00, TO# 800

Submitted to:  
USAID/Kosovo  
Cognizant Technical Officer: Timothy Hammann

Submitted by:  
**Chemonics International Inc.**

Submitted: July 13, 2005

This report was written by the KCBS team of Chemonics International Inc. based on a Final Report prepared by Short Term Technical Advisor, Mr. Roman Herchak.

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The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

## PURPOSE OF ASSIGNMENT

The consultant will advise on sales and marketing to all cluster teams and in particular will form a business support team that will match market demand with Kosovo products from the three target clusters. The business support team will play the intermediary in the buyer-producer relationship, motivating local producers to focus on demand and offering technical assistance in marketing and sales. They will cross clusters to chase and close deals in all product areas, while the cluster teams themselves focus on supply-responses to meet demand, once deals are struck. These supply responses may include efforts such as increasing product quality, expanding production volumes, introducing new products, and strengthening inter-cluster cooperation.

## BACKGROUND

KCBS is the primary program through which USAID will attain its Strategic objective SO 1.3, Accelerated Private Sector Growth. KCBS committed in its first year Work Plan to show results by June 2005 that would give Kosovars a reason to believe that their lives and livelihoods were improving. The driver of KCBS is increased jobs, sales and deals and everything we do should contribute directly to those results. Resources are too scarce to do just “good” things; we need to do cost-effective things. If a proposed use of resources has a high probability of delivering sales and jobs, we will do it; if not, we will not.

KCBS anticipated that the activities described in the Work Plan would have a demonstrable impact on increased jobs, sales and deals, but we cannot be certain of that until we have a better understanding of effective demand within the cluster or value chain. We will undertake these activities only if they respond directly to market demand, which, as a practical matter, means buyers.

KCBS recognized that they would be held accountable only for higher-level results measured by increased jobs, sales and deals (trade and investment). In the final analysis, everything else is subordinate to that end. Considering the other objectives of the program on which the three cluster teams would also be concentrating, it was agreed that a senior advisor on sales and marketing to all cluster teams would be employed as a short term technical advisor with responsibility for forming a business support team to search out opportunities that will match market demand with Kosovo products from the three target clusters.

# EXECUTIVE SUMMARY

Although the original Work Plan did not include a marketing and sales team, it was set-up in the first quarter of 2005 to provide advisory and support services to cluster groups by identifying and facilitating contacts between buyers and cluster groups in niche markets, chasing new sales and business development opportunities for current and new products, facilitating the organization of buyer-seller discussion forums through associations' supply groups and potential buyers, by marketing strategies to improve the sales potential at individual enterprises, and by identifying and following through on business development opportunities within, and beyond, the demand identified by the cluster groups themselves. During set-up procedures, the consultant recommended Mr. Musli Berisha to KCBS as a supportive and trainee member to the team, which KCBS approved. Because of an unexpected medical leave required throughout most of the first quarter, the team did not begin to show any results until the second quarter. With the consultant's return at the beginning of the second quarter, the marketing and sales team proceeded to assist the cluster groups. These results are described below.

Persistent communication with the United Nations Mission in Kosovo (UNMIK) by the consultant on behalf of the animal cluster concerning European Commission restrictions since 1999 on export sales of lamb from Kosovo resulted in the removal of these restrictions and the European Commission issued Kosovo an Export Code. With the participation of the KCBS animal cluster, the lamb industry in Kosovo can be revived to be a major agricultural activity similar to its historical status, creating hundreds of new jobs through exports throughout the European Union (EU).

While on a personal visit to Tirana, Albania the consultant was presented with sales opportunities for Kosovo peppers, beans, okra, blueberries, and strawberries. These opportunities were passed on to the fruit and vegetable cluster and have started to show results with a sale of up to 3000 tons of peppers for a value of 450,000 Euros and a pending sale of up to 60 tons of blueberries at a price yet to be established.

The consultant conceptualized and arranged a workshop, in coordination with the construction materials cluster and the communications specialist, for the Association of Kosovo Municipalities (AKM) and the Road Contractors Association of Kosovo (RCAK) to develop an initiative by ministerial and municipal public authorities for creating jobs in Kosovo by using Kosovar products and services of the RCAK. The workshop consensus was that that its success should be extended as a model to market other products, particularly those required by Municipalities, on both a national and regional basis.

The consultant initiated discussions and maintained communication with "Kremikovtzi Trade LLC" of Bulgaria, the new owner of Newcom Llamkos, as a potential supplier of waste containers for both the Kosovo and export markets, with potential for 60-70 jobs. The firm is prepared to consider a complete modern production line for waste containers in their investment plan to be developed in August-September, 2005 to meet the annual demand.

The consultant prepared an action plan for marketing "Silcapor". He initiated several of the recommendations, including a significant marketing and public relations event signifying that Silcapor's product meets EU standards, and organizing regional forums for architects, designers, builders, and investors for Silcapor to present its product's features. The results indicate a strong increase in domestic sales in the very near future.

The consultant has assisted the newly privatized firm “Pista-Ekoplast” in Rahovac, to establish waste collection procedures for its feedstock requirements to manufacture construction and irrigation pipe from recycled Kosovo waste PVC, polyethylene, plastic, and rubber materials.

The consultant has identified the potential for Kosovo’s decorative and building stone resources to be developed into a major employment and poverty reduction activity. To stimulate growth in this industry the consultant has initiated investment and market linkages, mostly in Turkey, and including the Head of Mission of the Turkish Coordination Office in Pristina who has a wide range of Turkish business interests in this economic activity.

# FIELD ACTIVITIES TO ACHIEVE PURPOSE

## **1. Initiated removal of restrictions to export Kosovo lamb to the EU**

The consultant initiated and maintained communication with UNMIK to remove the impediments within the EU, which prevented the sales of lamb from Kosovo to the European Union. These impediments have been recognized by the European Commission to be of a technical nature, which can be resolved, and has issued Kosovo with an export code. This will permit the lamb industry in Kosovo can be revived to be a major agricultural activity similar to its historical status, creating hundreds of new jobs through exports throughout the European Union (EU).

## **2. Identified potential exports markets for Kosovo cheese**

At the Novi Sad Agricultural Fair the consultant identified a potential buyer of cheese manufactured by the “Lahor-Brezovica” dairy in Strepce. Details of this contact were provided to the dairy cluster. “Lahor-Brezovica” intends to follow this lead with intensity. The Team has also identified a potential buyer in Turkey of cheese produced by Rona Dairy in Ferizaj.

## **3. Initiated buyer contacts for the Fruit and Vegetable Cluster**

The largest fruit and vegetable freezing processor in Albania, “Alcred Food Processing Co.” with sales in the EU, was contacted by the consultant, with initial meetings held in Tirane at the end of April, concluding with an expressed demand in 2005 and beyond for Kosovo peppers, beans, okra, blueberries, and strawberries. Preliminary arrangements were made for “Alcred” directors to visit Kosovo. At the end of May they arrived to pursue possible transactions with the assistance of the fruit and vegetable cluster, which is following through with possible sales. A contract for up to 3000 tons of peppers at a value of 450,000 Euros has been signed, and another one for up to 60 tons of blueberries is pending. At the Novi Sad Agricultural Fair the consultant identified the Macedonia firms “Vitalia Nikola” and “Konimex” in Skopje with interests to purchase Kosovo juniper berries, sour apples, a variety of medicinal and tea herbs and leaves (especially rosehip), wild blueberries, and wild mushrooms. Together with the fruit and vegetable cluster the consultant met with representatives of these firms in Skopje. The fruit and vegetable cluster will maintain communications with these potential buyers.

## **4. Workshop for Association of Kosovo Municipalities (AKM) and the Road Contractors Association of Kosovo (RCAK)**

The consultant conceptualized this workshop to not only advertise USAID KCBS but to also develop an initiative by the ministerial and municipal public authorities for creating jobs in Kosovo by using Kosovar products and services of the RCAK. The team, in coordination with the construction materials cluster and the communications specialist, arranged for the two associations to hold a workshop on May 19, 2005. The workshop attracted approximately 100 participants, with a consensus that its success should be extended as a model to market both road construction materials and other products, particularly those required by Municipalities, on both a national and regional basis.

## **5. Waste container import substitution initiative**

All 7 Kosovo regional publicly owned enterprises (POEs) for waste collection and disposal import all their 1.1 cubic meter waste containers. The consultant initiated discussions with these POE's, and from information provided, it is estimated that Kosovo POEs present an annual demand of approximately 5000 of these units. Import substitution can create 50-60 annual jobs. Recently privatized "Newcom Llamkos" in Vrushtrri was identified by the consultant as a potential supplier, for not only the Kosovo market, but can also be export competitive. The Kosovo Trust Agency (KTA) requested tenders for 1000 of these units by July 5. While the consultant has maintained communication with the new owners "Kremikovtzi Trade LLC" of Bulgaria to bid on this tender, the firm is not prepared to meet the technical and financial requirements for this tender. They are prepared however, to consider a complete modern production line for waste containers in their investment plan to be developed in August-September, 2005.

## **6. Publicized Silcapor's €2.0 million contract to supply products to Greece**

This was the first sales contract for Silcapor to a EU member, signifying that Silcapor's product meets EU standards. The consultant immediately recognized the contract-signing event as a significant marketing and public relations opportunity for Silcapor by capitalizing on Silcapor's award for quality at an international business convention in Paris in 2004. The event resulted in a turnout of approximately 100 major Kosovo business and public sector leaders, including the Minister of Trade and Industry. The Greek buyer stated that this was the first stage of a much wider program of his firm and associates to purchase and export other Kosovo construction materials, which meet EU standards. This event was highlighted by Kosovo broadcast and print media. Silcapor management has followed up on this public relations initiative by meeting with potential direct buyers in the public and private sectors.

## **7. Organized state and regional forums for marketing Silcapor**

The consultant has directed the team in organizing and attending meetings between the Kosovo Ministry of Education's architects and designers, and for architects, designers, builders, and investors at regional forums in Ferizaj and Pristina for an opportunity for Silcapor to present the features and benefits of their thermo-insulated energy saving porous cement building blocks. The Ministry of Education has indicated there is a strong possibility to use the Silcapor blocks in future school designs all over Kosovo starting with the new secondary school being built in Ferizaj. Ground and foundation characteristics at this location require a lighter weight block than clay blocks. The Silcapor blocks are about 300 kg. lighter per cubic meter than other blocks. The forums dispelled many of the negative concerns of the designers and builders concerning Silcapor's products when it was an SOE, and indicate a strong interest by these decision makers to incorporate Silcapor blocks into their future designs.

## **8. Completed a "Suggested Action Plan for Marketing Silcapor"**

The consultant completed a document entitled a "Suggested Action Plan for Marketing Silcapor" which provides guidelines and recommended actions to the new owners and management of Silcapor on how to address the market demands on their product.

## **9. Assisting in the feedstock supply of Kosovo waste materials for manufacturing construction pipes.**

The newly privatized firm "Pista-Ekoplast" in Rahovac recycles waste PVC, polyethylene, plastic, and rubber materials to manufacture construction and irrigation pipes, among other products. An annual supply of 740 tons of waste material would provide full capacity operations and would increase the employment from the current 20 employees to 80 employees. Ekoplast management estimates that ample raw material exists in Kosovo to meet this supply requirement. The consultant is assisting this firm, through support by the Kosovo Ministry of Environment, and EAR and private technical capabilities in Macedonia, to establish waste collection procedures for its construction pipe manufacturing requirements.

## **10. Exploring Kosovo decorative and building stone resources as a major new employment activity**

The consultant has identified the potential for Kosovo's decorative and building stone resources to be developed into a major employment and poverty reduction activity. On numerous occasions the team visited four quarries, two in each of Malishev and Kline municipalities, which manually and primitively excavate decorative and construction stone. Approximately 60 families with a labour pool of 250-300 workers excavate and sell limestone, granite, quartz, and volcanic decorative and construction stone of about 12,000 tons monthly. The domestic market buys about 80%, and the balance is sold to buyers from Western Europe, all at prices far below world prices. The team sees potential in marketing these products at a competitive market level in Europe and Turkey. KCBS contracted the services of a geologist, Dr. Sabedin Kastrati, who is also Deputy Dean of the Faculty of Minerals and Metallurgy of the University of Pristina, to report on ten most common decorative stones in Kosovo with photos, names, technical characteristics, locations and ownership. This report recommends that the Kosovo decorative stone potential be developed to its full potential at approximately 22 locations of existing and undeveloped quarries by upgraded technology, including block cutting.

As one of the first steps to stimulate growth in this industry it is necessary to develop investment and market linkages. Accordingly, the team has communicated with numerous firms, mostly in Turkey, concerning their potential interest to participate in this opportunity of sales and investment. The Head of Mission of the Turkish Coordination Office in Pristina has also offered to assist by presenting information received from KCBS concerning the opportunity to participate in the development of this industry to a wide range of Turkish business interests.

# TASK FINDINGS AND RECOMMENDATIONS

The following tasks were included in the original SOW.

- Within 10 business days of arrival. Prepare and present a detailed action plan, in close collaboration with each of the cluster teams, indicating feasible, measurable targets on how sales and employment will be facilitated for the targeted cluster groups through June 30, 2005.
- 20 days. Conduct a market demand analysis for Silkapor, including identification of potential buyers of current or possible new Silkapor products. Initiate contacts to facilitate potential transactions.
- 25 days. Conduct a market demand analysis for Aragonit, including identification of potential buyers of current or possibly new Aragonit products. Initiate contacts to facilitate potential transactions.
- 30 days. Deliver a mid-term review in written and oral form to USAID.
- 45 days. Working with the construction cluster team, the enterprise, and its clients, initiate contacts and facilitate potential transactions for at least two other firms in the construction materials cluster.
- 50 days. Identify at least two transactions (trade, investment, privatization, acquisition, etc) that can be concluded by June 30, 2005, in each of the Dairy-Livestock-Poultry-Feed and Fruit-Vegetable clusters.
- 55 days. Draft an action plan for concluding at least two transactions in each of these non-construction clusters, describing specifically how KCBS assistance will facilitate the finalization of these transactions.
- 60 days. Deliver a final assignment report in written and oral form to USAID.

However, experience on the ground led to mid-term report (Annex 1) with a revised set of tasks. The results of the work done for the revised tasks have been presented above in Field Activities to Achieve Purposes.

## CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE ACTIVITY

The consultant quickly adapted the original SOW to actual ground conditions of the project enabling the results shown above to be achieved.

It is recommended that the consultant's assignment be renewed with the SOW to provide advisory and support services to cluster groups by identifying and facilitating contacts between buyers and cluster groups in niche markets, chasing new sales and business development opportunities for current and new products, facilitating the organization of buyer-seller discussion forums through associations' supply groups and potential buyers, by marketing strategies to improve the sales potential at individual enterprises, and by identifying and following through on business development opportunities within, and beyond, the demand identified by the cluster groups themselves.

It is recommended that considerable time of the consultant's renewed assignment be expended to develop the potential for Kosovo's decorative and building stone resources into a major employment and poverty reduction activity, concentrating on investor and sales interests in Europe and Turkey.

**KOSOVO**

**CLUSTER AND BUSINESS SUPPORT PROJECT**

**Sales and Marketing Support Activities**

**Annexes**

Annex 1 – Sales and Marketing Team – Mid Term Report

**KOSOVO CLUSTER AND BUSINESS SUPPORT**

**SALES AND MARKETING TEAM**

**MID-TERM REPORT**

**PREPARED FOR**

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT  
(USAID)**

CONTRACT No. AFP-1-00-800-03-000130

*Submitted by:*

Roman Herchak,  
Senior Marketing Advisor  
**Chemonics International Inc.**

**May 20, 2005**

## **A. Tasks Achieved**

1. **Detailed Action Plan** - Within 10 business days of arrival, the consultant presented a detailed action plan (Annex 1). Because of required medical evacuation and recuperation from surgery to a broken arm, tasks could not be resumed until April 7, 2005. In his absence, the COP employed a Kosovar as suitable for understudying and working with the consultant to provide for local continuity when the consultant's SOW is completed.

### **2. Construction Materials Cluster**

**2.1 Newco Silcapor LLC Market Demand Analysis** - Delays in completing the contract between KTA and Silcapor did not permit the consultant to meet with the senior management of Silcapor until April 21 to discuss the information required by the consultant to assist Silcapor in preparing a Marketing Action Plan. Because the Silcapor management team will not have access to its first month operational costs until the end of May, 2005, a realistic sales price could not be provided for marketing their product until then. In the meantime, on a private visit to Tirane, Albania on the holiday weekend of April 30-May 2, the consultant observed a 9 story and a 23 story building in Lezhe and Tirane, respectively, where Silcapor products were applied. Two of the largest builders in Albania, who are currently constructing apartments and hotels in Tirane and Durres, have been identified as a potential market for Silcapor, and this information has been provided to the General Manager of Silcapor. In addition, three large apartment buildings in each of Pristina, Ferizaj, and Kamenica, and a large school in Ferizaj have been identified by the KCBS Sales and Marketing Team as markets for Silcapor products. The consultant also arranged for KCBS Construction Cluster to meet with the new owners of the Silosi flour mill and pasta plant. These facilities will be reconstructed, beginning in July, at a cost of approximately 6 million €. The owners have indicated that they will use Kosovo building materials, providing they meet EN standards, as much as possible. This project provides Silcapor especially with a large target market. By the end of May, it is expected that the assistance of KCBS will result in product sales by Silcapor's management to no less than one of these markets. The consultant has also introduced the owner of Silcapor to a potential Macedonia-wide distributor of Silcapor products, and negotiations between them will be initiated within the next two weeks.

**2.2 Aragonit Market Demand Analysis** – Financial requirements by Aragonit's prospective partner could not be met by May 15, so the consultant has been advised by the Construction Materials Cluster to not proceed with any market demand and contact initiation activities until the financial requirements for starting production of reinforced steel bars are met by Aragonit.

### **2.3 Market Development for Other Construction Materials**

**2.3.1 Workshop for Association of Kosovo Municipalities (AKM) and the Road Contractors Association of Kosovo (RCAK)** - In coordination with the Construction Materials Cluster since April 9, the consultant conceptualized and assisted the two associations to hold a workshop on May 19, 2005. The objective of this workshop was to not only advertise USAID KCBS but to also develop an initiative by the ministerial and municipal public authorities for creating jobs in Kosovo by using Kosovar products and services of the RCAK. The workshop attracted approximately 100 participants, with a consensus that its success should be extended as a model to market both road construction materials and other products, particularly those required by Municipalities, on both a national and regional basis.

**2.3.2 Waste Containers** - All 7 regional publicly owned waste collection and disposal enterprises import all their 1.1 cubic metre waste containers. From discussions with these POE's, and subsequent information provided, it is estimated that Kosovo presents an annual demand of approximately 5000 of these units. Import substitution can create 50-60 annual jobs. Recently tendered "Newcom Llamkos in Vrushtrri was identified as a potential supplier, for not only the Kosovo market, but can also be export competitive. While the consultant has initiated

communication with the successful tenders “Kremikovtzi Trade LLC” of Bulgaria, KTA has asked KCBS to discuss this market and job creation opportunity with the successful tender only when the privatization contract is signed, expected before the end of May.

**2.3.3 Water and Sewerage Non-Concrete Pipes** - Discussions were held and information was provided by 6 of the 7 Kosovo regional water and effluent public owned enterprises for the demand for non-concrete pipe materials. Most of the PVC, polyethylene (PE), and similar materials purchased by the POE’s are imported. If these materials could be produced in Kosovo to meet European norms, it is estimated that meeting 25% of the POE’s demand for non-concrete products could result in 125-150 new jobs. “Firplast” in Ferizaj, “Pista-Ekoplast” in Rahovec, and “LimiPlast” in Malashevo are three plants which KCBS visited to explore supply possibilities for this market. “Pista-Ekoplast” signed its privatization contract with KTA only on May 12, and will begin production of both PE and PVC on May 23 with 20 employees for both the waste plastic recycling and the pipe production lines. With an investment of an additional 300,000 € for which the firm’s management is searching, an additional 60 jobs can be created. “Pista-Ekoplast” has identified a market in Kosovo for sales of all its products at full operational capacity with 80 employees. The consultant arranged for “Eko-Plast”’s management to meet with the Kosovo Deputy Minister of Environment and Spatial Planning on May 12 to initiate regulatory procedures to assist the firm with collection of waste plastic materials as feedstock requirements for their recycling operations. At the Novi-Sad Agricultural Fair on May 16 the consultant identified a Plastics and Rubber Cluster “JAT0” operating in Subotnica, Serbia, which has partnerships with the First Hungarian Packaging Cluster and the Slovenian Plastechnics Cluster, as a potential cluster advisory and partnership resource to the plastic (PVC, PE, etc) pipe manufacturers of Kosovo, and this information is being presented to the Construction Materials Cluster.

**2.3.4 Decorative and Building Stones** – The consultant has visited four quarries, two in each of Malishev and Kline municipalities, which manually and primitively excavate decorative and construction stone, to initiate export market analysis for these products. Approximately 60 families with a labour pool of 250-300 workers excavate and sell mostly sandstone construction stone, but also decorative granite, quartz, limestone, and volcanic stone, of about 12,000 tons monthly. The domestic market buys about 80% and the balance is sold to buyers from Western Europe, at prices far below world prices. The consultant is exploring the export demand for these products at competitive world market prices, with potential to double the jobs currently provided. To date, a large supplier-seller in Canada has indicated a strong interest. Further interest is expected from buyers in Western Europe, Turkey, and the Middle East.

### **3.0 Dairy-Livestock-Poultry-Feed Cluster**

**3.1 Export of Kosovo Lambs** - In mid-April this cluster identified to the consultant a market for Kosovo produced live lamb in Macedonia. However, this market, as well as the larger European Union one, was impeded by UNMIK regulations. The consultant researched the documentary restraints, and assisted this cluster by arranging meetings over a period of 4 weeks with UNMIK’s legal, policy, and veterinarian experts to arrange for removal of these restraints. Pillar 4 of UNMIK is currently processing the requirements to remove these restraints, with communication expected directly to the cluster with positive results by the end of May.

**3.2 Potential Sales for Cheese Producer in Strpce** - At the Novi Sad Fair the consultant identified a dairy firm “Jermencic” in Resnik village, Sokobanja municipality in Serbia (north of Nis) which wishes to communicate with the cheese producer in Strpce, Kosovo to purchase products for their market area. This information has been provided to the Cluster.

#### **4.0 Fruit and Vegetable Cluster**

**4.1 Market Identification in Albania** - On April 25 the cluster provided the consultant with a contact in the firm “Alcred Food Processing Co” in Tirane. This firm is Albania’s largest frozen vegetable and fruit processor, with rapidly expanding markets in Europe, but with fresh product supply restraints within Albania. While in Tirane on April 29-30, the consultant met with Alcred’s General Manager and Marketing Director. They identified Alcred’s strong interest in buying fresh Kosovo peppers, okra, and green string beans, as well as blueberries and strawberries. This information in more detail has been provided to the cluster, who are arranging for meetings in Kosovo in the near future for Alcred to explore possible exports of these products from Kosovo to Alcred’s operations in Tirane.

**4.2 Market Identification at Novi Sad Agricultural Fair** – Discussions were held with the supplies purchasing manager of “Konimex”, a large medicinal herb and tea, mushroom, spices, forest fruits, and essential oils processing firm located in Skopje, Macedonia about the firm’s interest in receiving supplies from Kosovo for their requirements. He expressed a strong interest especially in Kosovo juniper berries, as the firm is focusing on this product in 2005 because of an identified large market in both Europe and North America, and is planning to require no less than 100 tons. The firm is also interested in Kosovo sour apples (apples picked while green) for the firm’s dried fruit market. A variety of medicinal and tea herbs and leaves (especially rosehip) were also of interest, as were wild blueberries and wild mushrooms. The consultant also had discussions with a representative of the Skopje, Macedonia firm “Vitalia Nikola”, which is a large health food production and trading company. It supplies both the domestic and export market (as distant as East and South Asia) with a variety of health food products. The firm is especially interested in supplies of rosehip leaves and herbal medicinal products from Kosovo. This information has been provided to the Fruit and Vegetable Cluster.

#### **B. Tasks to Complete**

Continued assistance, within the original and modified if required Scope of Work of the consultant, to each of the three clusters as requested by the Cluster Heads to facilitate sales transactions, with resultant increased employment, by mid-July, 2005. Included will be a draft action plan describing the KCBS assistance required to finalize these transactions. The consultant will continue to train and work with his Kosovar understudy in product marketing and sales operatives to strengthen his capability in local continuity of this function in the absence of the consultant.

## ANNEX 1.

### **Action Plan For Sales and Marketing Team January 27-June 30, 2005** **Kosovo Cluster and Business Support Project**

**Objective:** Increase job opportunities for Kosovo's labor force through expanded and new local product suppliers.

**Method:** Identify market demand for products within clusters and facilitate transactions between buyer and seller, as directed by the contracted Scope of Work.

#### **Tasks:**

**1.0 Initial market research:** Review available on-line and printed information available from KCBS and other sources, including collaboration with Senior Cluster Team Leaders generally, and specifically with the Construction Materials Team, to frame an action plan for subsequent tasks.

**1.1 Identify immediate potential market demand.** Initiate immediately available contacts among potential product buyers in the public and private sectors of Kosovo. Establish KCBS Intranet on-line data base source to identify potential buyers from Kosovo public and private tender requests, and from NACE (European Union classification of economic activities) codes.

**1.2 Action plan preparation and approval:** In compliance with the KCBS Year 1 Work Plan and Performance Based management System, compile Task 1.0 into a descriptive time frame to achieve targets.

**1.3 Identify and contract a suitably qualified Kosovar** as soon as possible to work with the Senior Marketing Advisor to observe and absorb product marketing operatives to permit local continuity and strengthening of the product sales component on KCBS.

**1.4 Initiate potential buyer contacts for meetings.** Contacts will initially be concentrated towards potential buyers for building and infrastructure (especially road) construction materials through the Construction Materials Team and Business Services Support Team. From previous experience in Kazoo and new opportunities, these initial contacts will include appropriate representatives from the Public Owned Enterprises (Poe's) of KTA and Kosovo's larger cities and municipalities. Contacts will also be initiated with SOE's, which have been, or soon will be, privatized. Throughout this work plan, technical and financial specifications will be obtained from these potential buyers as a basis for identifying appropriate Kosovo existing and potential suppliers.

**2.0 Identify existing and potential suppliers** through the appropriate Cluster Teams within KCBS to facilitate identified buyers' technical and financial requirements and specifications. Because the Construction Materials Team had previously identified the firms Bejta Commerce, Unio-Commerce (Silcapor), and Aragonit as existing and potential suppliers of construction materials, which, with facilitated buyers, may increase significant job opportunities in the very near future, initial efforts will be directed towards these three firms. However, other opportunities, which may unexpectedly arise, not only in the Construction Materials Cluster for wood products but also for products from the other 2 sectors to facilitate potential transactions, will be monitored and acted upon as appropriate for meeting KCBS objectives.

Within the first 45 days of work, an additional no less than two other firms in the Construction Materials Cluster, including wood products, will be addressed to facilitate product sales. No later than after 50 days, no less than two potential transactions between identified buyers and suppliers in each of the Dairy-Livestock-Poultry-Feed Cluster and the Fruit and Vegetable Cluster will be identified as

deals which may be concluded no later than June 30, 2005. Included in this stage will be a draft action plan describing how KCBS assistance will facilitate the finalization of these transactions.

**3.0 Report tasks progress** on a weekly and monthly basis in written form for internal KCBS requirements. In addition, no less than after 30 days of work, a mid-term review in both written and oral form will be presented to USAID. No later than after 60 days of work, a final assignment report in both written and oral form will be presented to USAID.

**Results:**

No.	Description	Milestone	Target date
1.0	Initial market research	Review and discuss data	Feb 4/05
1.1	Identify immediate market	Initiate contacts with immediate potential buyers	Feb 4/05
1.2	Action plan preparation	Approval to achieve targets	Feb 7/05
1.3	Contract qualified Kosovar marketing counterpart	Counterpart to provide local continuity of product marketing	Feb 11/05
1.4	Initiate buyer contacts for Construction Materials Cluster priority, without exclusion of other Clusters	Construction Materials priority Dairy, Livestock, Poultry, Feed and F&V Clusters priority	Mar 24/05 Mar 31/05 Mar 31/05
2.0	Identify suppliers for buyers and complete transactions	Construction Materials (5+deals) Other Clusters (4+ deals)	Mar 31/05 June 30/05
3.0	Write and present tasks progress to USAID	Mid-term review report Final assignment report	Mar 10/05 Apr 14/05

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## Annex II – Lamb Exports Communication

Tuesday, April 19, 2005 5:33 PM

Andreas Wittkowsky,  
Head of Economic Policy, Pillar Four, UNMIK

Dear Andreas,

Re: Export of lamb from Kosovo

Thanks for receiving my call late yesterday afternoon re the above subject.

In its efforts to assist Kosovo to rebuild and expand its rural economy, KCBS ([www.usaidkcbs.com](http://www.usaidkcbs.com)) has identified the opportunity for Kosovo farmers to market their lambs outside of Kosovo. Specifically, in the first instance, Macedonia's lamb industry has expressed a strong desire to receive Kosovo produced lambs as soon as possible to supplement their limited supply for the EU market. In the second instance, KCBS envisions the rebuilding and development of the Kosovo lamb industry in Kosovo's rural areas to supply the EU market as a major economic thrust.

KCBS has investigated the procedures for exporting Kosovo lamb, and does not see any problem to meet certificate of origin requirements. However, the constraint of marketing Kosovo lamb, which we have identified, deals with phytosanitary controls. Specifically, reference is made to "Part 1 of Annex II to the EU Council Decision 79/542/EEC of 21 December 1979 drawing up a list of third countries or parts of third countries, and laying down animal and public health and veterinary certification conditions, for importation into the community of certain live animals and their fresh meat sets out a list of third countries and parts of third countries from which Member States are authorized to import certain live animals and their fresh meat".

As recently as 18.3.2005, this "List of Third Countries or Parts Thereof" has included the whole country of Serbia and Montenegro, but "not including Kosovo as defined by United Nations Security Council Resolution 1244 of 10 June 1999".

In an earlier meeting today with Mr. Ernst Tschoepke, Senior Legal Advisor at UNMIK, it was agreed with him that the problem to be resolved was a technical matter, and referred our KCBS team to you for assistance.

KCBS would very much appreciate the assistance of your good office, while the lamb supplies in Kosovo are still viable for the 2005 season, to arrange for a meeting as soon as possible between appropriate UNMIK personnel and KCBS to resolve this phytosanitary control marketing constraint which Kosovo has faced since Resolution 1244 was passed.

Thank you.

Roman Herchak

Senior Marketing Advisor  
USAID Kosovo Cluster & Business Support  
tel: + 381-38-243-361/62/63  
fax: + 381-38-243-365  
mobile: 377 (0) 44-219-954

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Wednesday, June 1, 2005

Dear Roman,

I have received a first reply from the EC that more or less confirms what you suspected might be the way ahead (see below). I have now requested the DG SANCO people for the paper mentioned in the last para, and would suggest we meet again after we have received it from them.

The listing of Serbia and Montenegro has been made with the mention "not including Kosovo as defined [by UNSCR 1244]".

The reason is the fact that the veterinary services of Serbia and Montenegro are not on the spot responsible for Kosovo. In these conditions a possible solution would be a specific listing of Kosovo.

However, we have to warn that this listing requires that numerous conditions are fulfilled. The first one would be a FVO visit to assess the competent veterinary authorities.

As the requirements are pretty stringent, it is important that UNMIK's assesses from a cost/effectiveness point of view, what would be the most opportune moment for them to ask the Commission to start the entire procedure and if the procedure is actually appropriate and proportionate.

Also, it would be important that (UNMIK ? PISG ? Both ?) make an analysis of the situation for example in the field of controls, identification of sheep and goats, registration of their movements etc...

DG SANCO can provide, on request, a document explaining the different steps. Please contact Mrs Houins-Roulet or Mr Quigley.

Best regards:

Andreas Wittkowsky  
Head, Economic Policy Office

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**USAID's KCBS Team  
Program Weekly Update  
Week Ending 08 July 2005**

**HIGHLIGHTS OF THE WEEK**

- Kosovo got an external trade code, which is XK095, for export of lamb meat to EU.
-

## Annex III – Alcred’s Interests

May 5-05

To File: From Roman Herchak

While planning a personal trip to Tirane for Apr 29-May 2-05, I was provided with a contact by Muhamed Disha on April 25 for a potential buyer of Kosovo fruits and vegetables, namely Alcred Food Processing Co. ([www.alcred.com](http://www.alcred.com)) General Manager, Agim Hasani.

Our communication resulted in a meeting with Mr. Hasani and Alcred’s Marketing Director, Ms. Aida Nani, in Tirane on April 29. They identified Alcred’s interest in buying Kosovo peppers, okra, and green string beans, as well as blueberries and strawberries. In September of 2004 they met with individual sellers at Xerxe, but were unable to conclude any transactions. While the quality, quantity, and prices of Kosovo’s products are acceptable, the major restraint to receive this supply is the supply is the transportation of it. The “creative” option of Alcred paying transport costs equal to road transport costs to US forces’ for supply transport on Hercules cargo planes was discussed. I was invited to visit the plant and offices of Alcred the following morning, April 30. Alcred exports their products to the European market, meets all standards, and the demand is unlimited. Their current supply of raw products from Albania and Macedonia requires significant added products from Kosovo.

I was provided a tour of the plant and offices. Photos are attached. Details of Alcred’s interests within Kosovo were then discussed, with the following supply requirements:

- Pepper of select varieties, 40-60 tons (2-3 truckloads) per day, from July.
- Okra, unlimited quantities;
- Green string beans, unlimited quantities;
- Fresh blueberries, unlimited quantities of select varieties;
- Fresh strawberries, unlimited quantities of select varieties.

Last year’s prices in June and July for green string beans from Macedonia was 0.13 €/kg.FOB origin. Transport costs were 0.0015 €/kg., approximately 1% of the raw product cost.

Alcred can receive supplies in quantities smaller than one truckload, with storage in their facilities for up to 7 days at 4 C., but require a minimum of one truckload (20 tons) for line operational efficiency. Economies of scale dictate, therefore, that transport be aggregated to a minimum of 20 tons daily.

Mr. Hasani and Ms. Nani would like meet with KCBS in Pristina in about one week, and request KCBS assistance to meet potential sellers in Kosovo for the above named raw products. They would also like to visit the Progress plant in Prizren to discuss mutual interests

Safo Musta and Mentor Thaqi from Business Services Support have provided the Business Plan for “Anadrini” as a possible marketing service to meet Alcred’s needs.

## Annex IV--Novi Sad Fair Contacts

### **Sales and Marketing Fruit and Vegetables Contacts from Agricultural Fair in Novi Sad, Serbia, May 16-17, 2005**

**Objective:** To assist USAIDKCBS Fruit and Vegetable Cluster to identify export market opportunities, with specific targeting of “niche” products such as juniper berries and rosehip, as discussed with Matt Tokar and Muhamed DishaCluster prior to attending the fair.

#### **Results:**

**1. Konimex Holding Co. Ltd.** is a large medicinal herb and tea, mushroom, spices, forest fruits, and essential oils processing and trading firm located at in Skopje, Macedonia. It is a member of the Macedonian Association of Processors. Discussions were held in English with Mr. Viktor Kolovski, the firm’s Assistant General Manager for Product Purchase. The firm has been operating since 1993, and has not previously been contacted by any Kosovo supplier of products. He expressed a strong interest especially in Kosovo juniper berries, as the firm is focusing on this product in 2005 because of an identified large market in both Europe and North America, and is planning to require no less than 100 tons, of which only about 50 tons can be supplied within Macedonia. The firm is also interested in Kosovo sour apples (apples picked while green) for the firm’s dried fruit market. A variety of medicinal and tea herbs and leaves (especially rosehip) were also of interest, as were wild blueberries and wild mushrooms.

. Konimex Holding Co. Ltd.  
Prvomajka – 9, No 10  
1000 Skopje, Macedonia  
Mr. Viktor Kolovski, Assistant General Manager  
Tel: ++389 (02) 246-1218 / 5953 / 5954  
Fax: ++389 (02) 246-9472  
Email: [vkolovski@konimex.com.mk](mailto:vkolovski@konimex.com.mk) [www.konimex.com.mk](http://www.konimex.com.mk)

**2. Vitalia Nikola d.o.o** is a large health food production and trading company operating in Skopje, Macedonia. It is a member of the Macedonian Association of Processors. It supplies both the domestic and export market (as distant as East and South Asia) with a variety of health food products. The firm’s Export Manager, Goran Adamovic, (who is fluent in English) is especially interested in supplies of rosehip leaves and herbal medicinal products from Kosovo.

Vitalia Nikola d.o.o  
Commercial Dept., Production, and Warehouse  
Str. 516 bb, 1000 Skopje, Macedonia  
Mr. Goran Adamovic, Export Manager  
Tel: ++389 (02) 321-7177  
Fax: ++389(02) 321-7176  
Email: [gorana@vitalia.com.mk](mailto:gorana@vitalia.com.mk) [www.vitalia.com.mk](http://www.vitalia.com.mk)

**3. EKO**poracija Export-Import  
EKO-AGRIKULTURA d.o.o.  
Andelic Maja – Agronomist (interested in organic fruits/vegetables/herbs)  
Tel: (mobile) ++381 (0) 64-143 – 6132  
Email: [majamisa@panline.net](mailto:majamisa@panline.net)

Annex V - Letter to Turkish Interests for Decorative Stone

**Keser Mad.Ltd.Sti.**

Karaman Ciftlik Yolu Kurucular Sitesi D Blok D:16

Ýstanbul, Icerenkoy 81120

Turkey

Dear Sirs,

By way of introduction, I am the Senior Marketing Advisor for a US government aid project in Kosovo. The project's website is [www.usaidkcbs.com](http://www.usaidkcbs.com). The objective of the program is to stimulate private sector economic growth in identified industries in Kosovo. We have identified decorative and building stones in Kosovo as one of these industries. As one of the first steps to stimulate this growth, it is necessary to develop market linkages. Because your firm is engaged in the decorative and building stone industry and may potentially have an interest in the supply of decorative and building stones from Kosovo, I am pleased to present you with the following.

The decorative stone industry is one of the oldest activities in the construction field in Kosovo, with skills transferred from generation to generation for centuries. For example, during the period of the Ottoman Empire, very many government and religious buildings used decorative and building stones from Kosovo. Until 1991, this industry in Kosovo was technologically active in both extraction and finishing, with sales throughout the Balkans and in parts of Western Europe and Turkey. While the industry has not recovered since then, it now provides a niche opportunity for significantly supplying a growing and competitive regional market.

Approximately 12,000 tons monthly of decorative slate, granite, quartz, limestone, sandstone and volcanic stone, samples of which are shown on the attached photos, are extracted with primitive methods from 4 major quarry locations, and sold at prices far below world prices. Both locals and exporters buy the products on sight at roadsides. The domestic market buys about 80% and the balance is purchased by individual non-Kosovars, mostly from Western Europe. The quarries do not have any western style marketing or sales system, and this is something our project will be attempting to establish for them in order to improve their results both technologically and financially. Your firm may wish to participate in this opportunity.

Please do not hesitate to contact me for further information concerning this opportunity to increase and expand your supply sources. Of course, should you wish to see the quarry operations and a much wider range of products available than shown by the samples in the attached photographs, we would be pleased to assist you when you arrive in Kosovo.

Best regards,

Roman Herchak

Senior Marketing Advisor

USAIDKCBS

rherchak@usaidkcbs.com

office: +381 38 243 361/362

fax: +381 38 243 365

mob: +377 44 219 954

## Annex VI – Turkish Office Communication for Decorative Stone

June 28, 2005:

Mr. Metin Kilic.  
Head of Mission,  
Turkish Coordination Office  
Pristina, Kosovo

Dear Mr. Kilic,

By way of introduction, I am the Senior Marketing Advisor for a US government aid project in Kosovo. The project's website is [www.usaidkcbs.com](http://www.usaidkcbs.com). The objective of the program is to stimulate private sector economic growth in identified industries in Kosovo. We have identified decorative and building stones in Kosovo as one of these industries. As one of the first steps to stimulate this growth, it is necessary to develop market linkages. Many firms in Turkey are engaged in the decorative and building stone industry both as producers and international traders, and they may potentially have an interest in the supply of decorative and building stones from Kosovo.

The decorative stone industry is one of the oldest activities in the construction field in Kosovo, with skills transferred from generation to generation for centuries. For example, during the period of the Ottoman Empire, very many government and religious buildings used decorative and building stones from Kosovo. Until 1991, this industry in Kosovo was technologically active in both extraction and finishing, with sales throughout the Balkans and in parts of Western Europe and Turkey. While the industry has not recovered since then, it now provides a niche opportunity for significantly supplying a growing and competitive regional market.

Approximately 12,000 tons monthly of decorative slate, granite, quartz, limestone, sandstone and volcanic stone, samples of which are shown on the attached photos, are extracted with primitive methods from 4 major quarry locations, and sold at prices far below world prices. Both locals and exporters buy the products on sight at roadsides. The domestic market buys about 80% and the balance is purchased by individual non-Kosovars, mostly from Western Europe. The quarries do not have any western style marketing or sales system, and this is something our project will be attempting to establish for them in order to improve their results both technologically and financially.

I would be pleased to meet with you at your earliest convenience to discuss the assistance your office may provide to KCBS to identify and communicate with potentially interested companies in Turkey which may wish to participate in this opportunity.

Roman Herchak  
Senior Marketing Advisor  
USAIDKCBS  
[rherchak@usaidkcbs.com](mailto:rherchak@usaidkcbs.com)  
office: +381 38 243 361/362  
fax: +381 38 243 365  
mob: +377 44 219 954

From: Turkish Office [mailto:tco\_prishtina@yahoo.com]  
Sent: Thursday, June 30, 2005 1:10 PM  
To: Roman Herchak

Subject: Re: Decorative stone supplies from Kosovo for interested  
Turkish companies

Dear Mr. Herchak,

I will be pleased to meet you next week regarding Turkish contribution to your project. Please let me know about the suitable dates to you for the next week.

Best regards

Metin Kilic  
Head of Mission

Dear Mr. Kilic,

Thank you for your quick reply.

I look forward to discussing the subject with you, and suggest either Tuesday, July 5, or Wednesday, July 6, at a time convenient to you.

Best regards,

Roman Herchak  
Senior Marketing Advisor  
USAIDKCBS  
rherchak@usaidkcbs.com  
office: +381 38 243 361/362  
fax: +381 38 243 365  
mob: +377 44 219 954

Annex VIII – Decorative Stone Report from Dr. Kastrati

**UNIVERSITY of PRISTINA**  
**FACULTY OF MINERALS and METALLURGY**  
**MITROVICA**

**REPORT**

Concerning Basic Information on Decorative Stones in Kosovo

Mitrovica, July 2005

Representatives of USAID-KCBS, Mr. Roman Herchak (Senior Marketing Advisor) and Mr. Musli Berisha (Marketing & Sales Specialist ), met on June 1, 2005 with the representatives of the Faculty of Minerals and Metallurgy. The subject of meeting was:

- Opportunities of decorative stone development in Kosovo and the possibility of export in regional market.
- Opportunities of expanded employment in this industry.
- Opportunities of decorative stone sales with competitive European prices.

Discussions concluded that a proposal request from KCBS would be very convenient, especially as far as employment and development of Kosovo decorative stone industry.

The Services Agreement presented by USAID-KCBS was signed between Chemonics International Inc(Chemonics) and Dr.Sc.Sefedin Kastrati, “the Contractor” for basic information for ten dominant decorative stone varieties in Kosovo. To conduct the required study, a working group was formed consisting of

1. Dr.Sc.(Geology)Sefedin Kastrati,
2. Dr.Sc.(Geology) Islam Fejza, and
3. Dr.Sc.(Geology) Kadri Berisha,

This group is pleased to present the following report.

### **WORK REPORT**

The Services Agreement for professional services set out the terms of reference as:

- 1.1 - Identification of ten dominant types of decorative stones in Kosovo;
- 1.2 - Identifying locations of these decorative stone sources;
- 1.3 - A short description of the geological features and mineral characteristics of these decorative stones; and
- 1.4 - The possibility of their use in the construction industry.



## **LIMESTONE COBBLESTONE**

In the above photo, limestone cobbles with high compacted dimensions of 2 – 15 cm. Dark gray color, but can also be presented in rose, yellow, light gray, etc color, colors. They are applied in construction, used as a decorative stone in wall facing, siding, flooring, and also in the industry of metallurgy, chemical cement etc. They have good physical-mechanical features.

Limestone is located in different places in Kosovo, but mainly in the Western part, in the area of Gllareva, Baja e Malishevës, Theranda.

Deposits are in considerable amounts (millions of tons).



## **SANDSTONE**



In the photo above are sandstone slate, compacted and finished, with dimensions from 0.5 to 5 cm.

They are available in light yellow, red, green, and dark brown colors.

They are extensively applied in construction. They are used as decorative stone, wall facing, and flooring, and also in the cement industry. Sandstone has good physical-mechanical features.

They are located in different regions of Kosovo, mainly in the western part, particularly in Gllareva, Baja e Malishevës, Theranda, Skenderaj (Lybovec) area.

Deposits are in a considerable amounts (millions of tons) in both social and private ownership



## **BRECCIA MARBLE**

Breccia marble is available in the area between Gryka e Rugovës and Bistrice e Loçanit, in the western part of Deçan, and near Manastiri, respectively. In the past they were used a lot as decorative stones.

Breccia consists of marble pieces with a micro-granule structure and carbonic cement mass. The cemented mass consists of tiff, and a little of quartz, dolomite, sericite and hamatite which gives the cemented mass a red color.

Because of good decorative features (color and face), they are classified as very desirable decorative stones.

Deposits are in considerable amounts in social ownership.



## **MARBLES**

Marbles are located among carbonated rocks between Gryka e Rugovës and Bistrica e Loçanit, in the western part of Deçan, near Manastiri, and in Ostrozub, Malisheva municipality.

Because of good decorative features (face and color) they are classified as very desirable decorative stones.

Deposits are in a considerable amount under social ownership.



## **MARBLE DOLOMITIC LIMESTONES**

They are located near Theranda, in the Biraça massif, not far from the Theranda-Prishtina road.

These stones have heterogeneous color, which gives them an important role for practical use in construction, mainly in terrace and blocks construction.

In this massif are a mix of three colors: copper, white and light grey.

There are considerable deposits in owned by Theranda Municipality.



## **ANDESITE**

They are located in different parts of Kosovo, although mainly in the Kopaunik area (Leposaviq, Mitrovica, Avjali, Kishnica, Artana, and Dardana).

The left photo above shows andesite with micro-granule porphyritic structure, in grey, from the Dardana location (Krilevë). The right photo shows andezite from Hajkobilla village near Prishtina, in grey to light brown.

Because of good physical-mechanical features they can be used as decorative stones for siding and flooring, and as an aggregate for asphalt and concrete.

Deposits are in considerable amounts in both private and social ownership.



## **DIABAS**

Diabas with a slate structure and good mechanical features are found in natural forms in the slate massifs in Rahoveci and Gjakova.

They are grey and can be used as decorative material for siding and flooring as slates. Deposits are in considerable amounts under both private and social ownership.



## **VERLITE**

These are located in the southern part of Rahoveci massif and in the north-western part of Drenoci village, respectively. They are strong and fresh rocks, easily polished and with a good face.

Because of good physical-mechanical features they can be used as decorative stones for both for interior and exterior construction

Deposits are in considerable amounts under both private and social ownership.



## **GRANITE**

In Kosovo granites can be found in the area of upper Shipashnica, Dardana Municipality, in light grey colors.

Because of their beauty and good physical-mechanical features, they can be used as valuable decorative stones in a variety of presentations in the construction industry. Deposits are in considerable amounts (millions of tons) under social ownership.



## **GNEISS**

These are located in the eastern part of Kosovo, in the area of Dazhnica - Dardana. They are in light to dark grey and consist of regional granite metamorphosis. Because of their beauty and good physical-mechanical features, they can be used as valuable decorative stones in the construction industry. Deposits are in considerable amount (millions of tons) under social ownership.



## **SERPENTINITE**

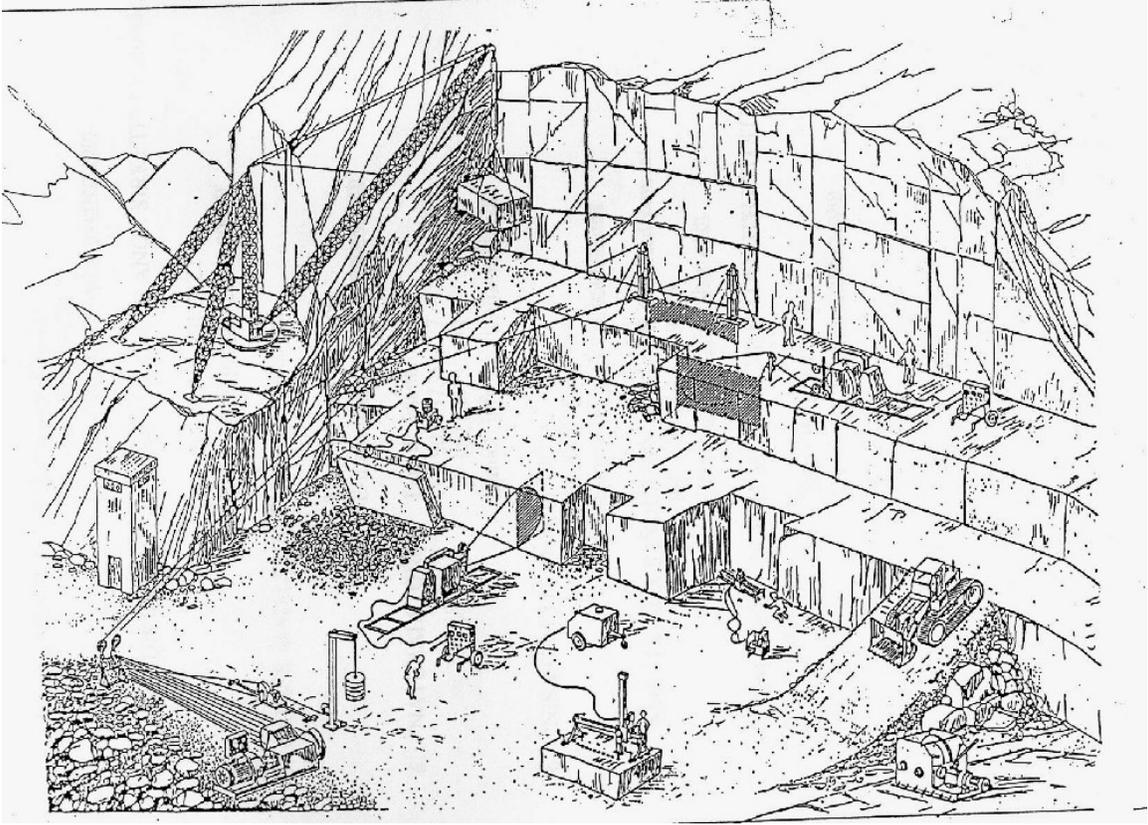
They are located in the Rahoveci massif, near Zatriq village.

Their color ranges from dark green to black.

Because of their beauty, they can be used as decorative stones for wall siding and interior finishes.

Deposits are in a considerable amount.

Under both social and private ownership.



**Example of block cutting natural and decorative stone**

## CONCLUSION

Since we had limited time we couldn't research all regions of Kosovo, but concentrated in those locations where decorative stones are mainly located. Including the above mentioned types, there are many other types in Kosovo that could be used as commercial decorative stones. Based on the results presented, as a working group we think that it is worthwhile to invest in the extraction of these valuable rocks to use them as decorative stones in interior and exterior application by the construction industry.

This report was compiled by:

1 Dr.Sc.(Geology) Sefedin KASTRATI

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2 Dr.Sc.(Geology)Islam FEJZA

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3 Dr.Sc.(Geology) Kadri BERISHA

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Mitrovica

04/07/2005

Annex VIII – Suggested Action Plan for Marketing Silcapor

**SUGGESTED ACTION PLAN**

**for**

**MARKETING “SILCAPOR”**

**Prepared by Kosovo Cluster and Support Services**

**Marketing and Sales Development Team**

**July, 2005**

## **SUGGESTED ACTION PLAN FOR MARKETING “SILCAPOR”**

### ***A. Introduction***

Unlike a business plan, a marketing plan focuses on the buyer. It is a plan of action for what you will sell, to whom you will sell it, how often, at what price, and how you will get the product to the buyer. It also covers technical information about the product or service, especially its uniqueness, and where and when it will be promoted. After a brief overview of Silcapor’s history, an action plan for marketing “Silcapor” is presented. This action plan recommends the activities required to produce integrated results in advertising, sales, and public relations.

### ***B. A Brief History of Silcapor***

Market analyses by governments and businesses throughout the world, including those in former Yugoslavia, since the mid-east oil crisis in the early 1970’s indicated long-term world trends of increasing energy costs. A technology was developed to manufacture light porous cement blocks with special thermal insulation characteristics to save energy within buildings. The government of Yugoslavia established SOE “Shar/Sharri”, also known as the Socially Owned Enterprise (SOE) “Silcapor” in the municipality of Kacanik, Kosovo to manufacture these thermo insulated concrete blocks. The SOE operated at full capacity from 1989 to 1991 and at about 10% of capacity since 1999 when the conflict ended.

Unio-Commerce is a large, financially sound Kosovo company with experience in supplying construction and energy materials. It won the tender for privatization of SOE Newcom Silcapor over a year ago. The purchase was finalized with the Kosovo Trust Agency (KTA) only in March 2005. Well before Silcapor was privatized, however, Unio-Commerce management recognized that building with insulating concrete forms (ICF) is gaining momentum globally over other building methods for residential, commercial, institutional, and industrial structures because of their energy efficiency at prices comparable to traditional block forms. Unio-Commerce began purchasing the thermo-insulated blocks from the SOE and from June to December, 2004, Unio-Commerce sold almost 3500 cubic meters of Silcapor blocks to builders and trading firms in Kosovo, Macedonia, and Albania, and approximately 20,000 cubic meters in the domestic Kosovo market. In the autumn of 2004, the owner of Unio-Commerce, Mr. Zelqif Berisha, was presented the International Quality Star Award for the Silcapor product at the 21st World Quality Commitment Convention in Paris. SOE Newcom Silcapor terminated production in December, 2004, and did not resume manufacturing and marketing these blocks under the Silcapor trademark until the beginning of April, 2005 through the new ownership of Unio-Commerce. Since then, export sales of € 2 million have been made to Building International of Tessaloniki, Greece, which was the first sale to a EU member, and which established that Silcapor blocks meet the quality standards required by an EU member. The second export sale was for 40,000 cubic meters of Silcapor blocks to “Kambitov-ISIN”, located in Blagoevgrad, Bulgaria. Silcapor is still waiting for a reply from the Bulgarian Ministry of Finance for exemption for this buyer of the 10% customs tax.

The new owners and management of Newcom Silcapor now wish to address the market demands on their newly acquired facility and its product, the Silcapor porous concrete insulated building block. The basic marketing question is how should Silcapor address this market demand? The following provides some guidelines and recommended actions.

### ***C. Recommended Actions***

#### ***1. Create and maintain a strong company and brand name.***

**1.1** Building on the awards it received in both Paris and New York for its internationally recognized product quality under the “Silcapor” name, Unio-Commerce should maintain this name for the Sicapor company and factory. its thermal-insulated porous cement block **only as** “Silcapor” for both the Kosovo and export markets.

**1.2** A product’s brand name establishes a set of perceptions, impressions and feelings about a product in its target market. Silcapor’s market positioning should be based on its most competitive advantage. Silcapor’s most important competitive advantage is that its product **provides a solution** to the increasing world shortage and high cost of energy problem, and **people buy solutions**. The new name for the product and the company should be synonymous so that the new product and Silcapor factory name is reinforced in the public’s mind as being a solution to a problem.

**1.3** Because the former SOE Silcapor’s thermo-insulated porous cement building block “Syporex” did not carry a strong positive image to the Kosovo market, Unio-Commerce should establish a **new brand name** under the theme of “Saving energy - saving money!” as its **major marketing focus** for both the Kosovo and export markets. This name should be created with the assistance of an internationally recognized public relations and advertising firm. Until the new name is established, however, the balance of this Action Plan will refer to the company, factory and the product as “Silcapor”.

**1.4** Unio-Commerce should immediately request that none of the Silcapor current employees refer to the previously known Silcapor product of “Syporex”, and that in future all production and marketing activities refer only to the new brand and factory name. In future, any reference to Unio-Commerce concerning the new factory and product name should be only for legal requirements, and where used for public relations, logo, and advertising purposes, should place Silcapor in a position above Unio-Commerce, for example **“SILCAPOR”** - a Unio-Commerce Company.

#### ***2. Market positioning the product***

**2.1** Unio-Commerce should select its market niche under the new brand and factory name. This market niche will be different from its competitors because its product is distinctly different (better and faster to build with, lighter to transport, much higher insulation capabilities). The market niche should always, however, be addressed under the theme **of providing a solution saving money**.

**2.2** Silcapor's market positioning should be communicated with a consistent approach of product design, price performance and marketing communications. Silcapor should be flexible enough in certain segments of its market positioning to respond to different value propositions and which may require different positioning strategies.

### **3. Build a strong customer base.**

Being in the start-up phase of its operations, Newcom Silcapor has not yet defined its sales strategies. The executive management continues to market similar to the strategies of the parent firm, Unio-Commerce, that is, by working as both the executive management and chief sales-person. This section outlines the options available to Silcapor to build a strong customer base for both domestic and export markets.

**3.1 Networking** is by definition a supportive system of sharing information and services among individuals and groups having a common interest. Networking is a two-way street, an exchange and sharing of information, and requires much more than exchanging business cards. This option should be especially applied to establishing and maintaining a strong customer base in Kosovo. The most recent successful example of Silcapor's networking effort was the sales contract-signing public event with Construction International of Greece on May 25. This quickly organized event resulted in a turnout of approximately 100 major Kosovo business and public sector leaders to witness the event and with whom Silcapor networked after the signing at the reception. Each of these leaders is now a potential base for customer development in Kosovo, because they witnessed the reality that Silcapor's product meets EU quality standards. It is recommended that Silcapor's CEO and Director of marketing maintain direct communications with these potential product buyers.

**3.1 Sell selectively.** Silcapor's selling strategy should be directed towards developing and maintaining the "best" customers. These are customers who will request large orders in advance of construction. By prioritizing which markets offer the best opportunities will enable Silcapor to be much more efficient in production planning and operations, and to be much more cost control effective. It is recommended that Silcapor concentrate its sales efforts with market focus groups and targets who influence and make decisions on product purchases, especially architects, designers, and builders. In this respect, there are two major market focus groups in Kosovo, the public sector and the private sector. The public sector includes all state and local government authorities, which require construction of public buildings such as schools and hospitals, and administrative, cultural, and recreational buildings. With the assistance of KCBS, Silcapor has already significantly influenced the Ministry of Education to consider using Silcapor blocks in all its future designs of schools throughout Kosovo. Silcapor should use this same model for marketing with other state and local authorities throughout Kosovo. Similarly, with the assistance of KCBS, Silcapor has made a presentation to the Ferizaj regional focus group of architects, designers, and builders. It is recommended that Silcapor continue on the basis of this model with marketing to this focus group in the other regions.

**3.2 Establish a distribution process.** Some of the more common channels available to Silcapor include direct sales, manufacturer's wholesale distributors, brokers, and retail distributors. The type of distribution process Silcapor chooses should depend on pricing trends in the industry, the size of the orders, and how its competition distributes. In order for Silcapor to establish itself with large volume sales within the two major market focus groups identified in **3.2** above, it recommended that sales to both of these groups be concluded with direct sales from Silcapor's factory. To meet the general consumer market demand for residential, commercial, and industrial buildings throughout Kosovo, it is recommended that Silcapor distribute its product through contractual agreements with wholesale distributors, one only in each of Kosovo's 5 regions. Both the direct sales and wholesale distribution processes will permit Silcapor to control its pricing structure in accordance with its cost structure, perceived market value, profit objectives, and the competition's pricing.

**3.3 Incorporate affiliate marketing.** Wholesale distributors are only as effective as the support they provide to the manufacturer for reaching the retail market. Silcapor should request its wholesale distributors to provide affiliate-marketing services in Kosovo to retailers and independent sales persons. Affiliate sales programs enable wholesalers to offer a creative strategy for retailers and independents to sell the Silcapor blocks either from the retail floor or from their own websites. The wholesalers would provide the affiliate marketing services with some type of commission structure for sales, leads, or website visits. Affiliates would be paid only for actual sales, and their commissions would be a small percentage of the total sale.

**3.4 Focus on Customer Retention:** Customer retention is a matter of business survival, as getting a new customer is five times more expensive than retaining a current one. Silcapor should wisely use its successes with current customers to attract new referral business. However, Silcapor should always understand that not every customer is worth keeping, and it cannot be all things to all people. Sometimes Silcapor will have to let customers go, and refocus energies on those clients who are a better fit for its business and reputation.

#### **4. Maintain a consistent pricing policy**

**4.1 Pricing policy should always be consistent with the major marketing theme.**

Although Silcapor's sales will depend a great deal on a market responsive pricing strategy, the policy directing this strategy, however, must be consistent, and the direct sales customers and wholesale distributors must always be aware of this policy. The policy should always be based on the theme presented in **2.** above.

**4.3 Pricing strategy should reflect Silcapor's competitive position.** Because Silcapor's theme reflects its competitive position of providing a product of higher quality and greater savings to buyers, Silcapor should not adjust prices lower because the competitors lower theirs. Rather, Silcapor should be more sensitive to the "value-added" component of "saving energy-saving money" in adjusting its prices to increase buyer demand or cover unanticipated revenue shortfalls on particular sales. Silcapor's pricing strategy should be differentiated from its competitors by its premium product commanding a higher price at time of purchase, but saving money to the purchaser over time by saving energy.

**5. Create a Consistent and Professional Communications Strategy:** The primary goal of Silcapor's communications strategy should be to sell its product by creating awareness, delivering information, educating the market and advancing a positive image. Communications in marketing will work best for Silcapor by the way it presents a consistent and persuasive message through its public relations and advertising strategy, and by the attitude its marketing and sales force.

**5.1 Advertising Strategy.** Advertising will be Silcapor's most expensive investment in its marketing program. Silcapor's marketing department should thoroughly research all options for advertising requirements towards its target market(s). Because of the high costs involved, this is not an area for amateurs, and a professional service with an international, or at least a strong Balkan, reputation should be contracted. The professional service undertakes to describe with a simple slogan and simple clarity of text, graphics, photos, layout, and design what Silcapor's product does, how it works, what features it offers and most importantly what problem it solves. The Silcapor block's physical characteristics such as size, weight and color should be described, and its benefits should be defined in emotional as well as functional terms to appeal to different market segments.

**5.2 Advertising Options.** Silcapor's investment in advertising should be directed only to those venues that have an impact on creating and increasing sales, and budgeted accordingly.

**5.2.1 Joint public relations and advertising with KEK** would create strong customer awareness among the general Kosovo public that energy savings through the application of Silcapor's product saves money not only for both Silcapor's customers, but also for KEK. The impact on decreasing KEK's annual costs through Silcapor's products would be very significant.

**5.2.2 Advertising by association with other resources.** Silcapor's product can reduce the use of wood, for example, and therefore every opportunity to advertise with industries which associate the same objective of saving energy as Silcapor should be exercised.

**5.2.3 Television** advertising remains the most costly advertising instrument, and it is unlikely that this media will have a major impact on sales for Silcapor. A poorly crafted Silcapor commercial placed on television in the wrong time may be worse than no commercial, and certainly will be negative on its advertising budget. However, Silcapor can receive considerable free television advertising with significant potential sales impact by ensuring that the news components of television broadcasters attend and show major events as feature news items. This process then turns "advertising" into "public relations". The May 25, 2005 contract signing between Silcapor and Building International of Greece on May 25, 2005 is an example of a "little cost-high value" television public relations event, and Silcapor should continue to publicize its achievements and major events in this manner.

**5.2.4 Radio** advertising offers Silcapor an opportunity to reach Kosovo markets with a rate schedule far below television advertising. Radio advertisements can reach Silcapor's domestic markets during business hours as well as personal time, during commute time, and mudday programming. Since many businesspeople and other potential buyers of Silcapor blocks spend inordinate amounts of time driving from meeting to meeting, or in traffic congestion, and others keep a radio on in the background while they work, radio advertising for Silcapor can be very effective.

**5.2.5 Print** advertising is most effective when a single focal point, a distinctive picture, or an explicit headline message of nine words or less is presented in newspapers, magazines, periodicals, and professional or trade journals that are of interest to Silcapor's target market (s).

**5.2.6 Press coverage opportunities** present excellent opportunities to Silcapor for publicizing its accomplishments and undertaking effective public relations through timely and simple press releases, and interviews with reporters.

**5.2.5. Brochures** in multi color presentations (4 color brochure printing is a standard throughout the brochure printing industry worldwide) and can help Silcapor get very effective results for its advertising investment if they are designed and printed professionally. The distribution of these brochures can be by mail, and as handouts at trade shows, retailers, and corporate events.

**5.2.6 Extreme advertising** includes billboards, bus wraps, and any other form of oversize outdoor ads. Extreme advertising is most effective when the message is straightforward and simple, without complex graphics and extended narratives. This form of advertising by Silcapor can be very effective to build and maintain brand awareness by the general public of the Silcapor block. For example, Silcapor should insure that any contractor building with Silcapor blocks displays an extreme advertising presentation stating that fact.

**5.2.7 Website advertising** provides a public relations and advertising vehicle for Silcapor that its competitors without an online presence can't imitate. A Silcapor website should be designed in such a format that will allow individuals with an interest in building materials to receive and share information about Silcapor and its product. The website design and format should be professionally contracted so the application and use of banner ads and vortels (which offer access to niche markets on a large scale, and would be most effective for Silcapor to reach the large export market) are most effective at the least cost for Silcapor's advertising and communications budget.

## **6.0 Community Commitment**

Silcapor's involvement in the community can be very effective for both Silcapor's public relations corporate image and personal satisfaction of Silcapor's management and employees. Support of civic, student, and charitable organizations will create a positive, lasting impression that the company does "good things" and is not just a business with profit motives, but also shares some of its benefits with various components of the community. One example is for Silcapor to financially undertake

to build a kindergarten or orphanage, using its product. The publicity would have a major positive public relations impact for sales.

Another example is for Silcapor to employ one student to serve a two-month internship in each of the 5 regions of Kosovo during the summer non-school season to undertake the following:

- collecting market data on possible projects for Silcapor and competitors;
- conducting site visits across Kosovo to promote Silcapor products;
- establishing accounts in various industries including construction companies, design companies, retail and wholesalers, government (ministries and municipalities);
- relationship building with customer contacts;
- creating and improving a client database;
- obtaining feedback and comments on the company's products;
- identifying obstacles to sales, and recommending solutions;

assist in the preparation of brochures and product price lists, including reports of "success stories".

These activities also fit directly with the objectives of section **3- Build a strong customer base**.

**7. Develop a Marketing Budget:** A product, or a new company, that is launching, such as Silcapor may have to allocate more than 20% of their expenditures on marketing, whereas established business-to-business products and services, including those of Silcapor's established competitors, can spend as little as 2% of their expenditures on marketing. To develop a realistic budget, Silcapor should consider such things as the type of distribution for selling the Silcapor blocks, (business-to-consumer or business-to-business), the production budget and time frame, and lifecycle of marketing from launch, through growth, and to maturity.

**8. And finally, measure marketing effectiveness:** Keeping track of results is the only way for Silcapor to improve its marketing efforts. The key is determining which data should be collected. Silcapor's marketing results may be measured in sales (Euros or units), market share, number of product and sales inquiries, along with tracking instruments. Effective measurement lays the groundwork for future plans and marketing adjustments.













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