



Република Србија  
Министарство туризма и  
омладине



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ЗА ТЕБЕ



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## Investment in Visitor/Scientific Research Centre Drenovac



**Location:** Visitor/ Scientific-Research Centre Drenovac, near the village of Drenovac, Central Pomoravlje region, approx. ten kilometres south from Paraćin.



**Rationale:** Archaeological site Drenovac is one of the most **significant Neolithic sites** on Balkans. It is under protection of Institute for the Protection of Cultural Monuments Kragujevac as a cultural asset.



Drenovac archaeologically stands as one of **Europe's foremost Neolithic discoveries**, encompassing about 60 hectares with excavation depths reaching up to seven meters.

The site serves as a hub for archaeological exploration, historical material gathering, and educational initiatives for students and researchers.



**Tourism activities at the location:** At the moment weakly recognized as part of the tourism offerings, the site lacks valorisation and full inclusion in the tourist portfolio of the destination.

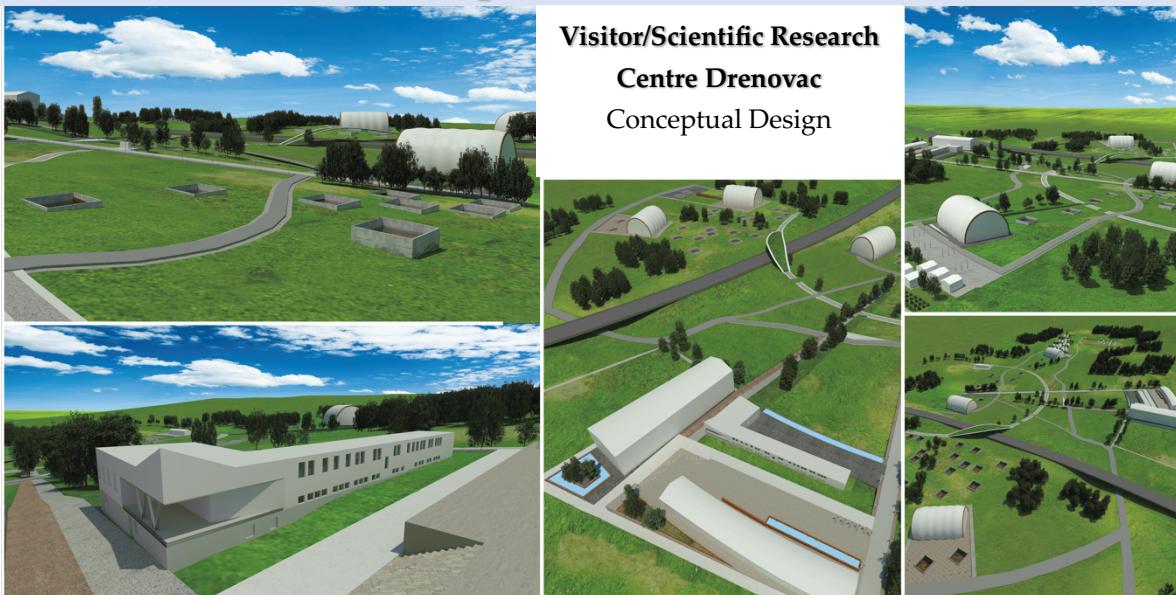
Currently, archaeological site Drenovac is visited by approximately 500 visitors annually, requiring advance notice for visits. Tourist guidance is currently provided by staff from the Archaeological Institute and their collaborators.

**Existing infrastructure:** Presently, part of the location is covered by a protective membrane structure - "balloon". Balloon 1 is covering the remains of four Neolithic houses. Foundations for Balloon 2 are built on the western side of the site to protect five out of six revealed objects, Balloon 2 has not been finished yet.

Main building planned to host the scientific and tourism activities has been built in the immediate vicinity, together with access paths leading to the site. However, it has not yet been utilized for its intended purpose since the final construction works are not finished.



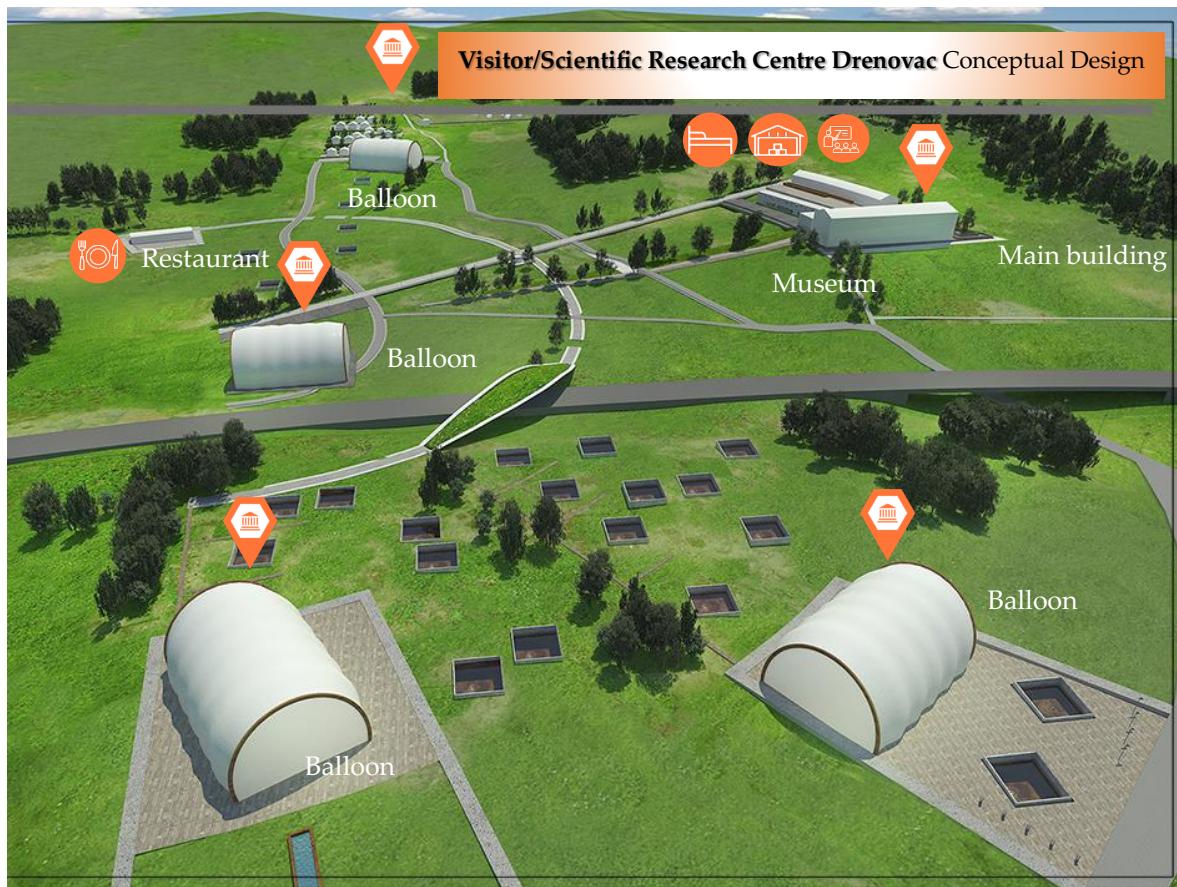
## Detail description of the intervention



**Visitor/Scientific Research  
Centre Drenovac**  
Conceptual Design

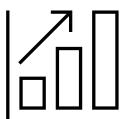
**Investment activities** outlined in this project relate to the finalizing the construction of the centre complex including:

- construction of a **parking facility** on the highway E75 in the vicinity of the site,
- the **finalization of the main building** with surrounding landscaping,
- construction of a new area for **visitor refreshment** equipped with sanitary facilities,
- construction of a new building of **Neolithic Museum** building for the Central Pomoravlje region,
- the **completion protective cover "Balloons 2"**,
- additional work **including geodetic work, utilities** (water supply/waste-water system, electrical works), and a **surveillance system for the whole complex**.



*The projected funds for this investment are estimated on RSD 330.720.000 (~ EUR 2.8 million).*

## General data



**Economy:** Paraćin is facing evident demographic challenges, fluctuations in the number of active companies and employment levels, and a generally upward trend in the number of entrepreneurs. These trends suggest potential economic challenges and shifts in the local business landscape, highlighting the need for solutions to support the region's economic growth and employment opportunities.

|                                | 2017  | 2018  | 2019  | 2020  | 2021  | 2022  |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| <b>Population</b>              | 51356 | 50798 | 50262 | 49596 | 48756 | 45746 |
| <b>Number of companies</b>     | 782   | 843   | 683   | 645   | 642   | 630   |
| <b>Number of entrepreneurs</b> | 1647  | 1678  | 1804  | 1872  | 1945  | 1956  |
| <b>Employment</b>              | 11131 | 11058 | 11172 | 11468 | 11594 | 11336 |

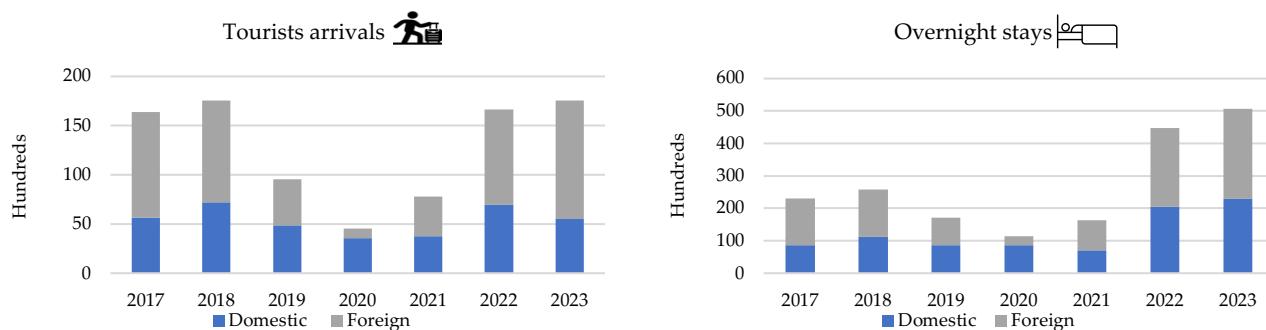


**Tourism sector:** Paraćin's tourism sector has experienced **fluctuations in tourist arrivals** and overnight stays, particularly evident in 2019 and 2020. The decline in tourist numbers in 2019 can be attributed to the closure of a major company, leading to a decrease in overall tourist arrivals and the influx of business travellers. Subsequently, in 2020 and 2021, the poor results are consequence of the covid-19 pandemic, which caused global travel disruptions. These fluctuations emphasize Paraćin's vulnerability to internal and external factors impacting tourism.

Despite these challenges, the municipality has demonstrated **resilience**, as evidenced by the **strong recovery** observed in 2022 and 2023. This rebound suggests the potential for growth in Paraćin's tourism sector, underlining its capacity to adapt and recover from adverse circumstances.

The municipality of Paraćin, home to the locality of Drenovac, **has a favourable geographical position** and a **rich cultural-historical heritage**, making it an ideal candidate for tourism development. Keeping in mind potential economic challenges in the municipality, tourism has the ability to act as a catalyst for economic growth by stimulating local businesses, creating job opportunities, and attracting investment into the region.

**Potential for developing the tourism industry:** Paraćin benefits from its **favourable geographic location (on the route E-75)** and **excellent connectivity** to other parts of the country. Leveraging a rich variety of **natural resources**, diverse fauna, and **anthropogenic elements**, Paraćin's tourism portfolio has attractions, including churches, monasteries, and archaeological sites offering opportunities for **various tourism segments**, encompassing cultural-historical, transit, excursion, educational, hunting and fishing, sports, rural, and religious tourism.



**Strategic framework:** While the municipality lacks well-defined tourism policies and strategic documents, its proactive stance towards tourism development and substantial efforts to enhance local sites are evident.

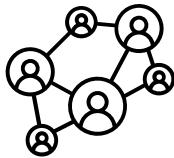


**Spatial-planning documentation:** Comprehensive **spatial-planning documentation** for the location has been finalized, a **conceptual design** was created.



**Accommodation capacities:** The municipality encompasses a variety of structures designed to meet the requirements of different market segments and anticipated surges in demand.

**Investment opportunities - Transforming archaeological site Drenovac to a tourism hub:** The investment option for the Drenovac Archaeological Site aims to transform the site into a **contemporary hub of tourism and cultural significance**. The site has the potential to become the new attraction for visitors allowing them to engage with the historical context of the site and a platform for educational and scientific programs. With the goal of optimizing the site's potential, the investment activities outlined in this project are directed towards establishing a **state-of-the-art Visitor/Scientific-Research Center**.



**Expanding tourism impact:** To build a unique tourism product for this destination, focus should be made on connecting numerous attractions of the tourism offer in addition to development and promotion of Drenovac locality. Well-known tourist destinations including Felix Romuliana, Niš fortress and Medijana, Rajačke pimnice, number of historical monasteries and natural heritage sites, are all located near the archaeological site at Drenovac. Archaeological sites may be included in the programme for round trips that comprise different group visits. Archaeological Site Drenovac's potential for integration with neighbouring sites within the destination, such as the **Petruški Monks Trail**, **Wine Routes**, and the **Roman Emperors' Route**, underscores its significance in the broader tourism landscape. Among other things, 85 Neolithic settlements have been recorded in the "Srednje Pomoravlje" region, from Pojate to Bagrdan, which represents a significant tourist potential.

Popular tourist destinations in the vicinity of the Drenovac archaeological site include:

- Lazarev Grad, Kruševac – 27km,
- Grza (excursion near Paraćin) – 31 km,
- Monasteries: Ravanica - 33km, Manasija - 51km, Ljubostinja - 55km, Žiča - 85km,
- Veliki Buk (Lisine) and Resavska Pećina – 63 km,
- Prskalo waterfall – 67 km,
- Krupajsko vrelo – 70 km,
- Niš fortress and the remains of the imperial palace – 72 km,
- Natural History Center of Serbia, Svilajnac – 73 km,
- Felix Romuliana – 92 km.

All locations, with significant tourism potential, are reachable by bus or vehicle in one hour.



**Enhancing existing offers:** The development of the traffic and utility infrastructure will enable more convenient access to the site. The tourist content would be enhanced with an info centre, a modern museum, and a souvenir shop. There would also be a designated area for relaxation and catering services (restaurant and cafe) on the premises. Additionally, we have identified **supplementary tourist activities** which foster initiatives that contribute to the holistic development of the locality. These initiatives, designed with a keen awareness of the cultural and natural heritage, include cultural events at the site, immersive visits to local rural households, specialized tours, guided theatrical tourism experiences, and more.

The following forms of tourism will be enhanced by the investment in Archaeological Site Drenovac:

- Archaeo-tourism
- Educational tourism
- Transit tourism and shorter visits to the locality
- Incentives tourism
- Event tourism

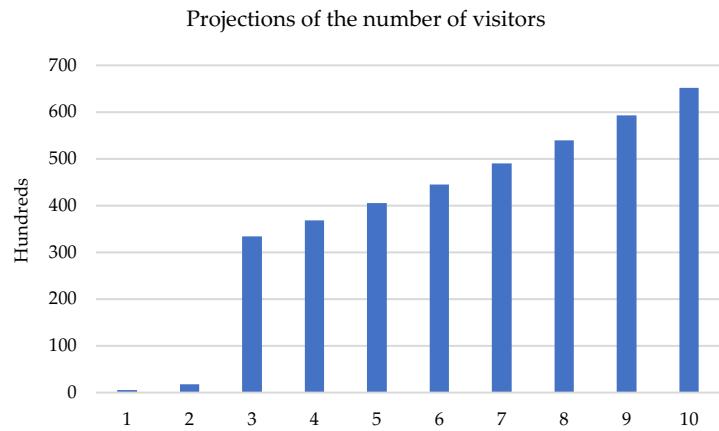


**Introducing new tourism services:** Ensuring easy access to the site, the project seeks to increase the site's attractiveness by offering diverse tourist activities, including guided tours, workshops, and demonstrations.

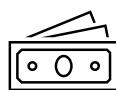
## Projections

**Number of tourists:** Considering the **dynamics of tourist visits** over the next ten years, the study takes into account:

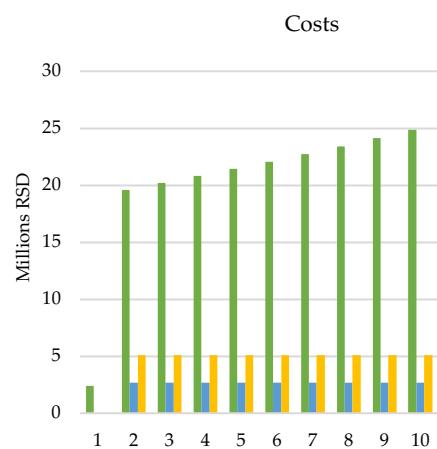
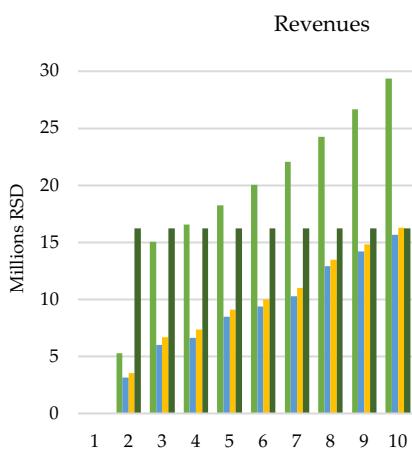
- the historical visitation trends,
- the influx of tourists to similar sites in Serbia,
- the unique appeal of Drenovac as a novel destination on the tourism map,
- proximity to the E-75 highway and consideration of transit tourists contribute to a comprehensive understanding of the potential tourist flow.



Projection on the number of visitors suggests an upward trend in the referenced period, reaching over 65.000 visitors in ten years. Such **consistent growth forecasts** a promising outlook for the tourism industry, indicating increasing interest and demand for the destination's attractions and services. This trend highlights the potential for economic growth, business opportunities and local prosperity.



**Costs and Revenues:** After the initial investment, starting from the second year of the exploitation, in all subsequent years of the reference period, total benefits exceed total costs, indicating a **favourable financial outlook for the project**. With new tourist infrastructure archaeological site Drenovac can generate revenues from ticket and souvenir sales, restaurant consumption, archaeological, and scientific tourism.

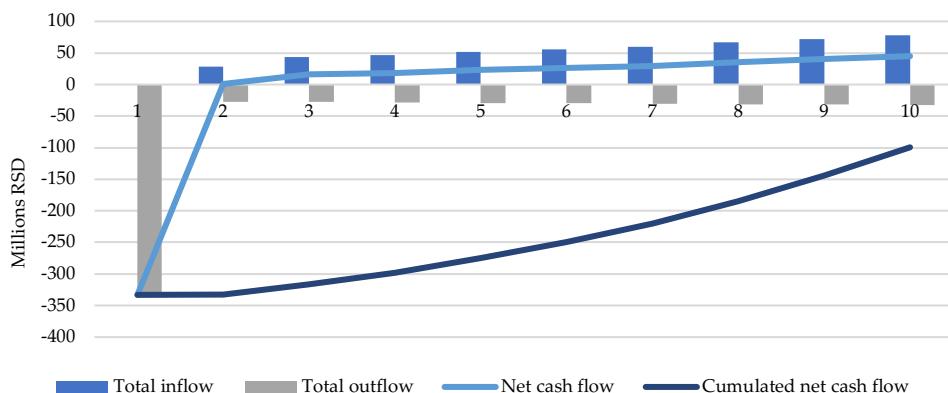


Note: horizontal axis presents year of operation

The data on income shows a steady increase over the ten years, with ticket sales making a significant contribution. Income from restaurant consumption, souvenirs and science tourism also shows steady growth, albeit to a lesser extent than ticket sales. On the cost side, salaries represent the largest and steadily increasing expense. Overall, the increase in income exceeds the increase in costs, indicating a healthy financial outlook and sustainable growth for the Drenovac archaeological site. This trend suggests that the site will be able to attract more visitors and manage its expenses effectively to ensure long-term profitability and viability.



**Sustainability of the investment:** Considering revenues, initial investment, and operating costs, financial analysis (under defined assumptions<sup>1</sup>) indicates that the investment in the Drenovac archaeological site **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD - 149,451,985) and an internal rate of return of -5.41%, the study emphasizes **the need for alternative funding sources supporting socio-economically relevant projects**. Sensitivity to changes in discount rates and market interest underscores the importance of flexible financial strategies.



**Total inflow** is the sum of all income generated from the investment in a given year.  
**Total outflow** is the sum of all costs generated from the investment in a given year.  
**Net cash flow** is the difference between inflow and outflow generated from the investment in a given year.  
**Cumulated cash flow** is the total amount net cash flow cumulated over a specified period.

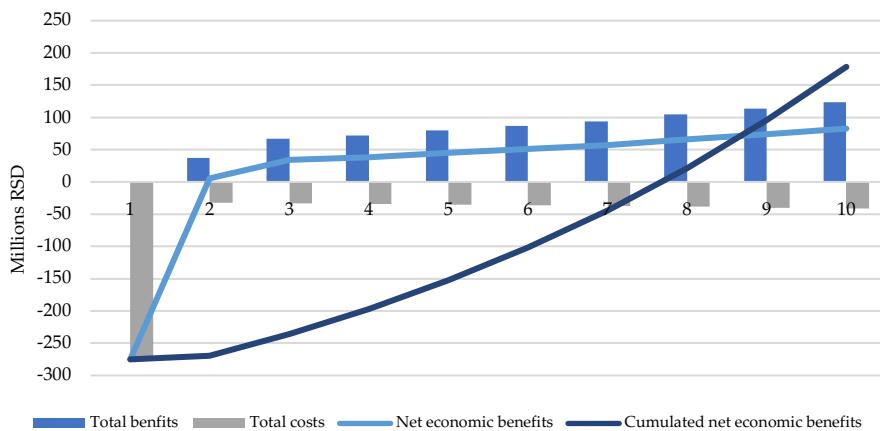
Note: horizontal axis presents year of operation

Acknowledging the tourism attractiveness of the destination and its potential for attracting more tourists, the investment can be completed with additional sources of financing, primarily from EU funds designed to provide financial support to projects that may lack financial viability. Socio-economic analysis (under defined assumptions<sup>2</sup>) unequivocally demonstrates the financial sustainability of investing in the Drenovac archaeological site. **Financing this investment is not only deemed acceptable but is also considered desirable and economically justified from a broader socio-economic standpoint.** The study indicates the project's socio-economic viability with a positive economic net present value (RSD 26,991,129) and an economic internal rate of return of 8.90%. The benefit-cost ratio of 1.06 underscores the project's overall positive socio-economic impact.

As for Socio-economic analysis, the break-even point, where revenues match costs, is projected to occur in the seventh year of the project implementation.

<sup>1</sup> Key Assumptions: The analysis excludes depreciation, provisions, or other accounting positions that do not correspond to actual cash flows of the period; all costs and revenues are expressed in Serbian Dinars (RSD) at constant prices with VAT included; the reference investment period for calculations spans ten years. The discount rate used is 4%, in line with the Ministry of Finance guidelines.

<sup>2</sup> The reference investment period for calculations spans ten years. The value of the social discount rate used is 7%, in line with the Ministry of Finance guidelines.



**Total benefits** are the sum of all economic benefits generated from the investment in a given year.

**Total costs** are the sum of all economic costs generated from the investment in a given year.

**Net economic benefits** are the difference between economic benefits and economic cost generated from the investment in a given year.

**Cumulated cash economic benefits** are the total amount net economic benefits cumulated over a specified period.

Note: horizontal axis presents year of operation

**Employment:** The project investment will lead to the employment of 17 new workers in the tourism sector. Furthermore, it's essential to consider the potential creation of job opportunities in the surrounding area as a positive social outcome.

## Considerations



**Management model:** The Archaeological Institute oversees the management of the archaeological site Drenovac, leveraging its extensive experience in managing archaeological sites throughout Serbia. Additionally, this institution is responsible for the management of Viminacium, contributing to the development of the site under its supervision. The management model employed by the Archaeological Institute for Archaeological site Drenovac showcases its capacity to effectively manage archaeological sites, as evidenced by its successful track record with the Viminacium project. Through the Viminacium project, the Institute demonstrated its ability to enhance and develop archaeological locations, elevating them to the global recognition as significant sites for tourism, scientific research, and cultural heritage presentation. Archaeological Institute has established the Center for the Study of the Neolithic Balkans, further emphasizing its commitment to sustainable manage the site. By leveraging its experience, expertise, and proven track record from past projects, particularly with Viminacium, the Archaeological Institute presents solid proof of its capacity to manage the Drenovac archaeological site effectively.



**Socio-economic effects:** Strategic investment in the Drenovac Archaeological Site will not only enrich local tourism offerings but will also elevate the region's overall competitiveness. Beyond tourism, the socio-economic impact encompasses an expanded array of tourism services, active engagement of the local population in the vicinity, boosting agricultural production to supply food products to tourists and visitors, encouragement of local craftsmanship, and the revival of traditional trades.



**Risks:** A comprehensive examination of potential risks associated with the project reveals that it does **not carry risks** characterized by a high impact and a high probability of occurrence. The identified primary risks include demand, financial and procurement risks. However, these risks are manageable and can be effectively controlled by implementing well-designed mitigation strategies.



**Environmental Impact:** The proposed investment in the Drenovac archaeological site has been thoroughly evaluated from an environmental perspective and is deemed **environmentally acceptable**. Implementing the investment is not anticipated to significantly compromise the existing environmental quality. Despite the expected minimal impact on environmental factors, **comprehensive measures for environmental protection** are meticulously outlined, aligning with prevailing regulations, standards, and industry best practices.

## Final remark

Despite a conservative approach, the investment in the Drenovac Archaeological Site is projected to yield significant socio-economic benefits, including job creation, enhanced tourism, and regional development. The project is not only acceptable but also desirable from a local and national perspective. The project's overall viability and potential to promote economic growth and prosperity in the Central Pomoravlje region are highlighted by the positive socio-economic impact, as demonstrated by the economic net present value and benefit-cost ratio, despite the financial analysis indicating a negative net present value.