



Investment in “Stari Grad” (Old Town) in Užice



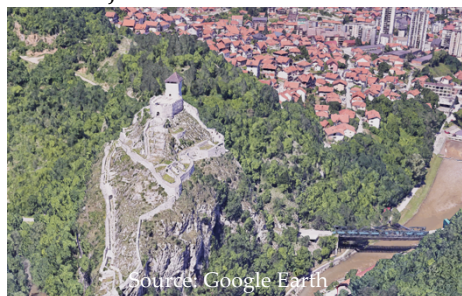
Location: The “Stari Grad” is a central city park in Užice, with “Stari Grad” Fortress and “Pod gradom” hydroelectric power station (industrial heritage) as the main highlights. It is located in the Zlatibor Region.



Rationale: Complex “Stari Grad” is recognized as an immovable cultural heritage of great importance. The park is a remarkable historical site and one of the main tourist attractions of the city. The “Stari Grad” fortress, a visual symbol of Užice, has been extensively revitalized in recent years as part of a project developed by the Institute for the Protection of Cultural Monuments in Kraljevo.



Investment activities in constructing new tourist infrastructure at the “Stari Grad” site encompass the development of new facilities that would transform and improve the city's visual identity. These developments complement the existing tourist offer, encouraging visitors to explore additional attractions, such as the hydroelectric plant on Đetinja and the Neolithic settlement accessible through the Green Path. The new



bridge and additional infrastructure will link the “Stari Grad” Fortress and the surrounding landscape, facilitating pedestrian access and enhancing visual exposure. Additionally, it provides convenient access to the site. Positioned strategically, the bridge becomes a new tourist attraction, adding to the area's visual attractiveness.



Although the site is open for visitors, the direct revenues remain untapped. The **existing infrastructure lacks crucial facilities** for an enhanced tourist experience. There are no tourist facilities/services such as a visitor information centre and souvenir shop. Despite its proximity to the city centre, the accessibility of the site by all means of transport (including parking) and on foot needs to be enhanced. Currently the only access is from the city center through narrow, steep city streets, which makes vehicle access to the complex difficult.



Tourism activities at the location: Complex “Stari Grad” is integral part of current tourism offer, but the site **lacks additional tourism services**. Tourists can explore the history, architecture and cultural heritage supported by guide services provided by Užice Tourist Organization. The Fortress hosts small-size cultural events, exhibitions, festivals and concerts, contributing to the city's attractiveness for different visitor profiles. Currently, admission to the Fortress is free of charge.

From the beginning of 2023 and by the end of November, the “Stari Grad” **Užice Fortress welcomed 9,670 visitors**.

Existing tourism infrastructure: The basic infrastructure of the complex has been revitalized. However, there is no permanent toilet facility within the Fortress, while a mobile toilet is available at the base. Additionally, there is no information desk, working facilities for guides and other personnel, souvenir shop as well as interpretation exhibition.

A detailed description of the intervention

Investment activities in constructing new tourist infrastructure at the “Stari Grad” are related to the construction of a pedestrian bridge (from the regional road Uzice-Zlatibor). The bridge will connect the two sides of the Djetinja river and will act as a path between the regional road and the Old Town. The bridge will solve accessibility issue and will speeds up pedestrian movement. Moreover, due to its position over the 100-meter-deep canyon of the Djetinja River, the bridge becomes a viewpoint and a new tourist attraction. Due to its location, the bridge will be noticeable, especially from the regional road. According to the conceptual design, the bridge is intended exclusively for pedestrian traffic. It spans 102 metres and has a width of 3.8 metres.

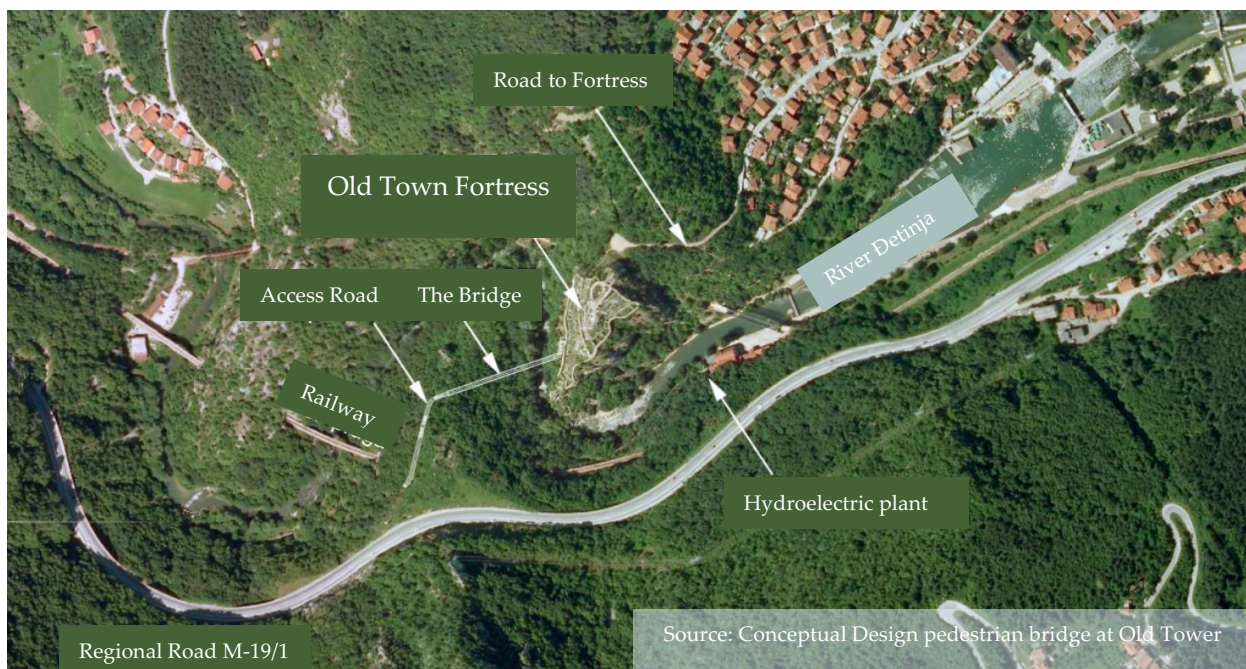


Source: Google Earth

Additional planned infrastructure include:

- reconstruction of pedestrian paths (from the base and hydropower plant to the fortress),
- parking lot construction,
- installation of an information desk with a souvenir shop,
- provision of visitor toilets and
- installation of lighting and video surveillance on the Fortress.

The projected funds for this investment are estimated on RSD 134.459.729 (~ EUR 1.1 million).



General data



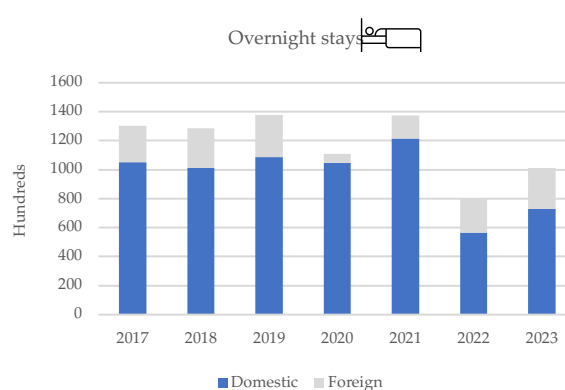
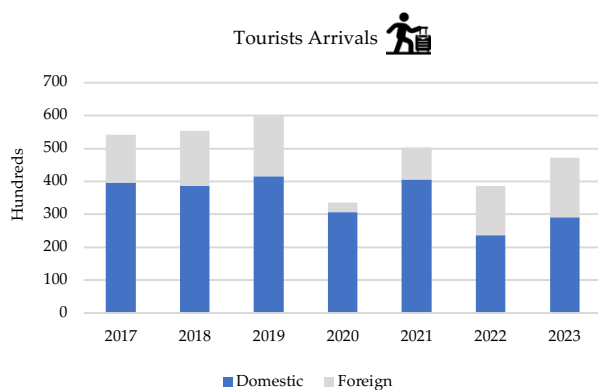
Economy: Despite downward trend in demography, Užice has seen a noteworthy increase in economic indices that show the liveliness and diversity of the local economy, such as the number of businesses, entrepreneurs, and job possibilities. It reflects a robust entrepreneurial spirit and substantial interest and activity among business owners and entrepreneurs in the region.

	2017	2018	2019	2020	2021	2022
Population	74371	73667	72940	72096	71039	70270
Number of companies	867	891	827	838	847	908
Number of entrepreneurs	2928	3072	3205	2974	3089	3175
Employment	23262	23455	23614	23865	24051	24131



Tourism sector: Tourist indicators in Užice shows that tourism is **important** to the city's cultural and social development. The data suggests the resilience of Užice's tourism sector, with fluctuations influenced by various factors such as economic conditions, travel restrictions, and promotional efforts. While the pandemic posed challenges for the tourism sector nationwide, Užice witnessed a swift recovery in 2021, setting it apart from many other localities in Serbia. In recent years, tourist indicators fluctuated, with a peak in 2021, a significant decline in 2022 and a notable recovery in 2023, indicating Užice's growing allure for visitors. The constant increase in foreign tourist arrivals and overnight stays indicates growing interest in Užice as a tourist destination. Investments in tourism infrastructure further enhance the city's appeal, signalling a commitment to improving services and bolstering its attractiveness to tourists.

Potential for developing the tourism industry: Užice is characterized by a **diverse topography** enriched by the picturesque Đetinja, Drina, Moravica and Rzav rivers. The environment offers the opportunity for a variety of tourist activities. With 17 registered cultural assets, Užice combines **historical and cultural heritage**. The proximity to the popular mountain resort of Zlatibor and the traditional **local cuisine** further enhance the town's tourist appeal. Užice offers opportunities for various tourism segments, including **educational, transit, cultural-historical** and **sports-recreational tourism**. With the construction of the bridge and additional infrastructure, opportunities for private investments in the surrounding area will increase. These investments could include additional tourist accommodation, restaurants, cafes, souvenir shops, and recreational facilities, catering to the increased flow of tourists who consider to a stop in Užice. Additionally, there may be opportunities for adventure tourism businesses, guided tours, transportation services, and cultural experiences aimed at enhancing the overall visitor experience along this route. Užice has been designated as the Cultural Capital of Serbia for 2024.



Strategic framework: Representatives of the City of Užice demonstrate a **proactive stance with clearly defined local policies and strategic documents** demonstrating their commitment to improving their tourism profile.

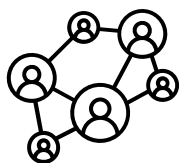


Spatial-planning documentation: Relevant **spatial planning documentation** for the “Stari Grad” site is in place, with the local self-government providing a clear development path for the “Stari Grad” location and the future bridge as a major tourist attraction.



Accommodation capacities: Diversely structured **accommodation** facilities cover the various needs of the different market segments and thus offer the possibility of a potential increase in demand.

Investment opportunities - Transforming Užice to a tourism hub: The proposed project seeks to **enhance the tourist experience by completing the tourist infrastructure around “Stari Grad”**. The bridge will be a functional link to the “Stari Grad” Fortress and the surrounding area, providing pedestrian access, visual enhancement as a unique picturesque tourist attraction and accessibility to the planned facilities. Investments in the infrastructure of “Stari Grad” will enrich the local tourist offer, increase the city's overall competitiveness, and make Užice an attractive cultural and leisure tourist destination.



Expanding tourism impact: Although “Stari Grad” is already a tourist site in the city, it has the potential for **connection with numerous nearby locations as part of round trips** (city routes, cultural-historical routes, including Pottery Village - Zlakusa, Prophet's Village - Kremna, Kustendorf - Drvengrad, sports and recreational routes, religious routes). Additionally, a significant opportunity arises from the **connection with the region encompassing Užice, Zlatibor (municipality of Čajetina), Tara (municipality of Bajina Bašta), and Zlatar (municipality of Nova Varoš), which constitutes a unique mountainous area in western Serbia.**

Popular tourist destinations in the vicinity of “Stari Grad” in Užice include:

- Zlatibor mountain - 24 km
- Zlatar mountain - 80 km
- Tara Mountain - 49 km
- Ovčarsko-Kablar gorge - 39 km
- Divčibare mountain - 53 km
- Mokra Gora, Drvengrad and Šarganska osmica - 45 km
- Višegrad, Andrićgrad - 72 km
- Memorial complex Kadinjača - 15 km
- Guča - 46 km.

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



Enhancing existing offers: The tourist content would be enhanced with an information desk with a souvenir shop, stationary visitor toilets and resting areas, reconstruction of pedestrian paths, the establishment of a parking lot and the installation of lighting on the Fortress.

Following the site's unique characteristics, **supplementary tourist activities** have been identified to 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 recreational and excursion tourism in the Đetinja River gorge, incorporating adventurous elements, periodic historical reconstructions and cultural events hosted at the Fortress.

The investment in the “Stari Grad” site will enhance the following forms of tourism:

- Educational tourism;
- Visits to the locality;
- Incentives tourism;
- Cultural and historical tourism;
- Sports and recreational tourism;
- Event tourism.

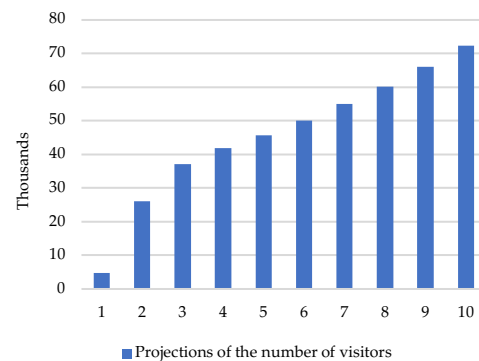


Introducing new tourism services: Ensuring easy access to the site, the project seeks to increase the site's attractiveness by offering diverse tourist activities, including souvenirs and cultural events held at the Fortress.

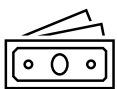
Projections

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 number of visitors to the surrounding local self-governments (Čajetina, Požega, Nova Varoš, Bajina Bašta, Priboj and Prijepolje) and the surrounding mountain centres (Zlatibor, Tara and Zlatar),
- its strategic location at the crossroads of national and traffic routes and consideration of transit tourists contribute to a comprehensive understanding of the potential tourist flow.

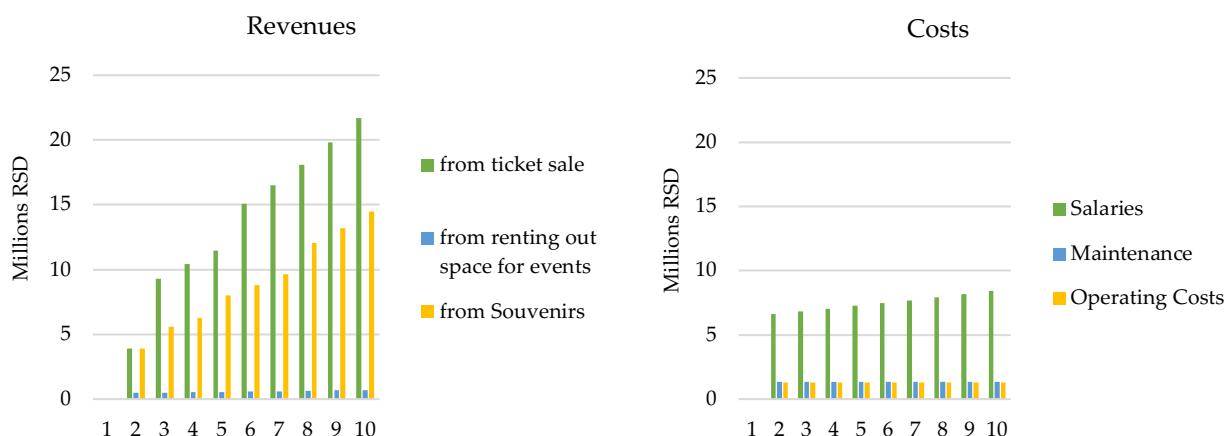


Projection on the number of visitors suggests an upward trend in the referenced period, **reaching over 70.000 visitors** in ten years. Such consistent growth forecasts a **promising outlook for the tourism industry**, indicating increasing interest and demand for the destination's attractions and services. This trend highlights the potential for economic growth, business opportunities and local prosperity. During 2022, Zlatibor was the most visited mountain tourist place in Serbia (with 216,787 arrivals and 673,852 overnight stays) and the third most visited location in Serbia. The bridge's position along the regional road between Zlatibor and Užice, coupled with its scenic appeal, will increase the number of passing tourists from Zlatibor who consider to a stop in Užice.



Costs and Revenues: After the initial investment, starting from the third year of the exploitation, in all subsequent years of the reference period, total revenues exceed total costs, indicating a favourable financial outlook for the project. With new tourist infrastructure “Stari Grad” can generate additional revenues from ticket and souvenir sales and renting out space for events.

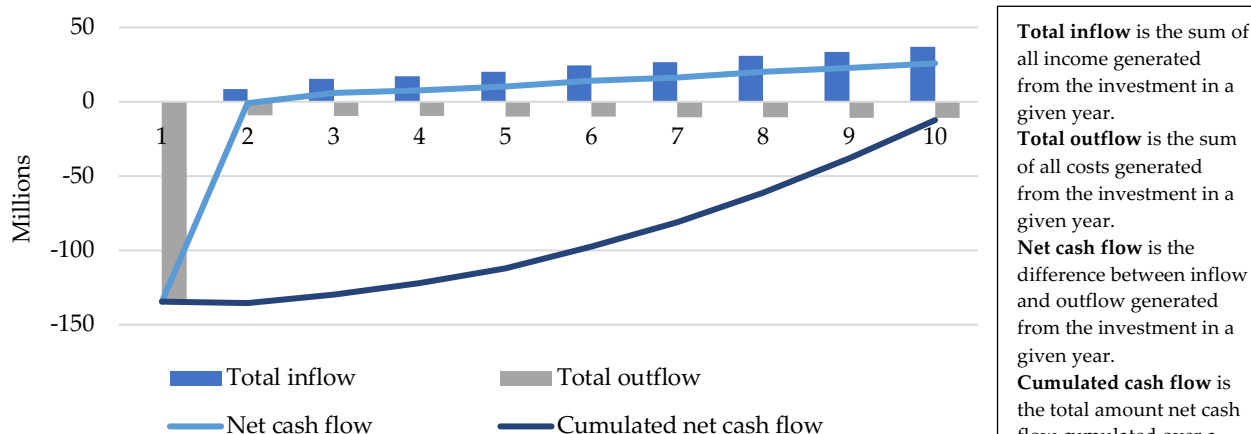
Over the 10-year operating period, “Stari Grad” can record a significant increase in revenue, mainly from the sale of tickets and souvenirs, with operating and maintenance costs remaining stable. Income from the rental of premises for events is growing more modestly but steadily, contributing to the overall positive financial performance. This positive relationship between rapidly increasing revenues and controlled costs indicates robust financial health. Consequently, the “Stari Grad” in Užice has the potential to increase its net revenues and improve its profitability over this period.



Note: horizontal axis presents year of operation



Sustainability of the investment: Considering revenues, initial investment, and operating costs, financial analysis (under defined assumptions¹) indicates that the investment in “Stari Grad” in Užice **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -39,736,686) and an internal rate of return of -1.45%, 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.



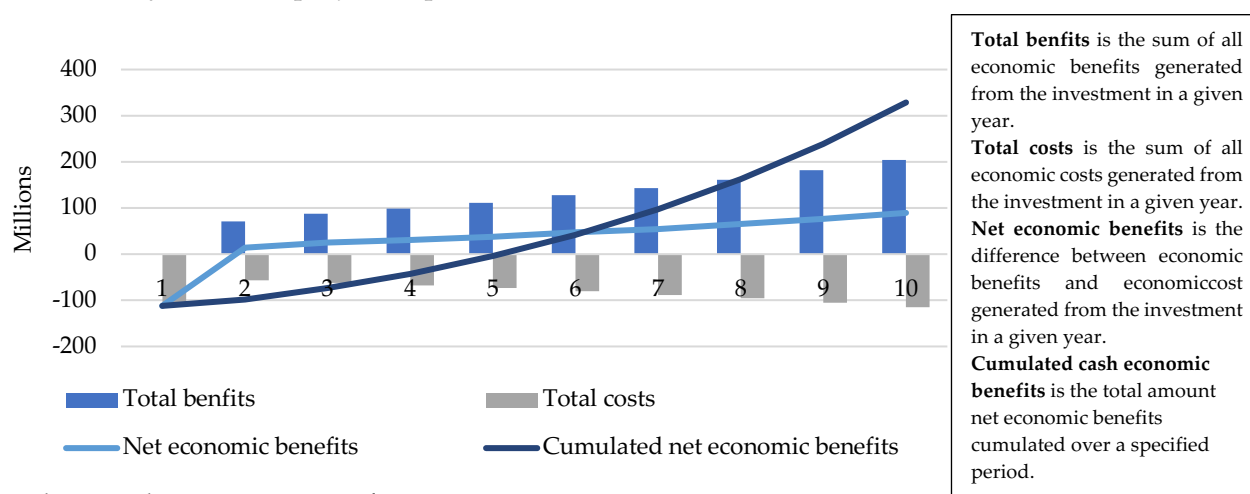
Note: horizontal axis presents year of operation

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.

¹ 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.

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 assumptions²) unequivocally demonstrates the financial sustainability of investing in the “Stari Grad” in Užice. **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 168,826,503) and an economic internal rate of return of 28%. The benefit-cost ratio of 1.29 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 fourth year of the project implementation.



Note: horizontal axis presents year of operation

Employment: The project investment will lead to the employment of 6 new workers. 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 location “Stari grad” management lacks a clearly defined structure. Under their competencies, city administrations manage different aspects of the development of the Fortress. The local tourism organization plays a crucial role in shaping, planning, and promoting tourist activities at the Fortress, which is essential for attracting visitors and fostering regional tourism growth. The absence of a designated manager for the location “Stari grad” poses risks to its effective management. Without clear leadership, decisions may lack coherence, activities may lack coordination, and the maintenance and functioning of the site may become unpredictable. It is recommended that a clearly defined management structure should be established, possibly by creating a dedicated organization or institution tasked with overseeing the management, preservation, maintenance, and tourism development of the Fortress.

² 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.



Socio-economic effects: Strategic investment in the “Stari grad” in Užice will enrich local tourism offer and 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, expanding accommodation options, encouragement of local craftsmanship, and the revival of traditional trades. In the immediate vicinity of the Old Town on the regional road in the direction of Zlatibor, there are plans to build a hotel and restaurant from a private investor. This investment would further increase the accommodation capacity in the territory of the city of Užice.



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 financial and procurement risks related to the implementation of the project. However, these risks are manageable and can be effectively controlled by implementing mitigation strategies.



Environmental Impact: The proposed investment in the “Stari grad” site in Užice has been thoroughly evaluated from an environmental perspective and is deemed **environmentally acceptable**. It is not expected that the implementation of the investment will significantly affect 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

Investment in the “Old Town” in Užice aims to enhance the city's historical and cultural heritage by developing new tourist infrastructure. This includes the construction of a pedestrian bridge to improve accessibility to the “Stari Grad” fortress and surrounding attractions. Additional planned infrastructure improvements such as pedestrian paths, parking lots, information desks, souvenir shops, visitor toilets, and lighting installations will enrich the tourist experience. Despite a conservative approach, the project's positive socio-economic impact, including increased tourism, job creation, and cultural revitalization, makes it a acceptable and desirable investment for Užice's overall development.