



Investment in Niš Fortress Summer Stage



Location: The Summer Stage in Niš Fortress is located in the city center of Niš, within the Nišavski Region.



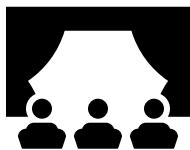
Rationale: Niš Fortress was built in the first half of the 18th century, during Ottoman rule, on the foundations of fortifications from the ancient and medieval periods.

Niš Fortress is under the protection of the state as a cultural asset of great importance.

The Summer Stage is an important open-roof multifunctional venue hosting various events ranging from music concerts and theatrical performances to cinema screenings. It serves as a vibrant hub of cultural and artistic expression. The location of the Summer Stage in Niš Fortress is very suitable for cultural events, as it is surrounded by cultural and historical content. Also, the proximity of the city centre and other tourist attractions further increase its value.



Summer Stage events are often cancelled or postponed due to bad weather conditions. Construction of a roof structure would enable the use of the Stage in different conditions during warmer and colder periods of the year, extending the event season and potentially attracting various types of visitors.



Tourism activities at the location: Summer Stage is an important part of the summer tourism offer in Niš, but the site **lacks a roof structure** that would improve its versatility and ensure that events can proceed regardless of weather conditions. A variety of activities are held at The Summer Stage, including as theatre productions, music concerts, and movie screenings., all of which enrich the cultural and artistic events of the city that draw a substantial audience from both the local and the international community. Noteworthy festivals like the Festival of Actors' Achievements, the Nashville Jazz Festival, and the International Choral Festival are among the prominent cultural events hosted here, attracting visitors and participants alike.

Throughout 2023, the Summer Stage hosted 12 events from June to September, occupying the Stage for 34 days.

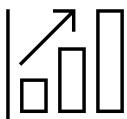
Existing infrastructure: The location comprises a Stage, seating area, and a toilet block, all enclosed within a fenced-off area. Additionally, there are nearby catering facilities close to the Summer Stage.

A detailed description of the intervention

Investment activities outlined in this project are directed towards constructing a roof structure to facilitate the use of the Stage in different weather conditions, extending the event season and diversifying potential visitor demographics. The existing electrical installations are appropriate, and heating is not necessarily due to the site's seasonal nature. The sanitary facilities are in place, and fire protection measures will not require alteration. Alongside the roof, the investment includes acquiring essential equipment to optimize space functionality. This equipment ensures high-quality performances, enhances visibility and acoustics, and enriches audience and performer experiences.

The projected funds for this investment are estimated on RSD 374.000.000 (~ EUR 3.2 million).

General data

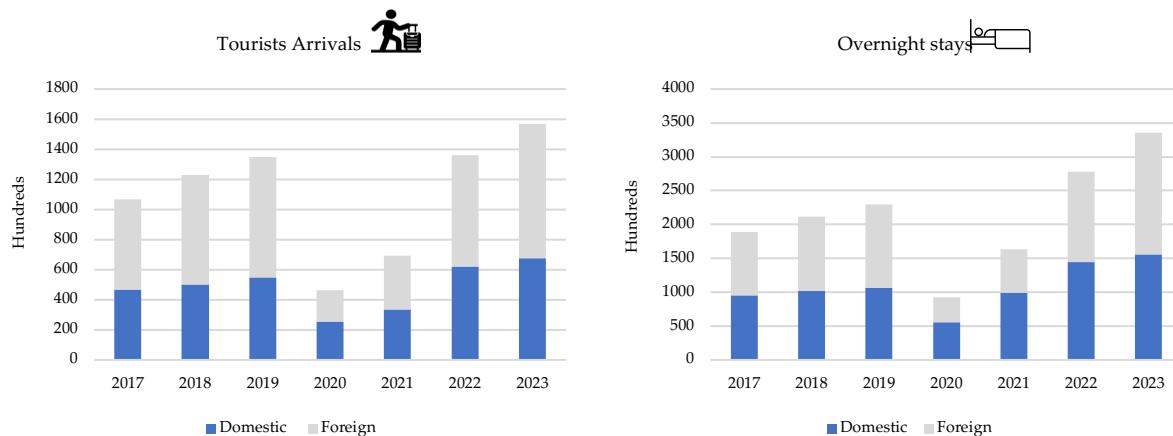


Economy: Despite demographic challenges, Niš has notable growth in economic indicators such as the number of companies, entrepreneurs, and employment opportunities, suggesting resilience and development within the local economy.

	2017	2018	2019	2020	2021	2022
Population	256825	256381	255901	254723	252655	250091
Number of companies	3275	3813	3509	3538	3869	3891
Number of entrepreneurs	8770	9400	9884	9941	10349	10907
Employment	77226	79283	82197	84629	87711	89785



Tourism sector: Tourism indicators for the Niš indicate **significant changes**, especially in the context of the effects of the pandemic. After initial growth in the pre-pandemic period, the number of tourists and overnight stays declined in 2019 and 2020. Although foreign tourist arrivals dominate Niš, domestic tourists generate a higher overall number of overnight stays. Higher number of foreign tourist arrivals can be attributed to the presence of major multinational companies operating in Niš, which draws business travellers. Furthermore, the local airport, with its low-cost carriers, attracts transit passengers, contributing to the influx of visitors. In 2023, the tourism sector **fully recovered** and surpassed the levels achieved in the pre-crisis period. This rebound suggests the potential for growth in Niš tourism sector, underlining its capacity to adapt and recover from adverse circumstances.



Potential for developing the tourism industry: Niš has **natural and anthropogenic resources** that are ideal for the development of tourism. Its geographical connectivity positions it as an important hub, while its proximity to the Stara and Suva mountains and its hydrographic potential open up opportunities for versatile tourism, including **spa, recreational and cultural experiences**. Niška Banja emerges as a pivotal spa destination. The city's cultural attractions, such as Ćele Kula, Medijana and the Concentration Camp Red Cross, and Niš's reputation for event tourism contribute to the city's appeal.



Strategic framework: The city of Niš has policies and strategic documents, and city representatives have a positive approach towards tourism development, making significant efforts to enhance the locality.

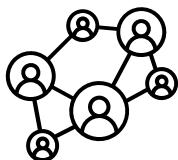


Spatial-planning documentation: Comprehensive **spatial-planning documentation** for the location **has been finalized**. The Institute for the Protection of Cultural Monuments in Niš produced the study of the protection of the Fortress of Niš in 2021. Although it is not a planning document in the sense of the Law, it has the function of increasing the tourist potential of the city of Niš.



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

Investment opportunities - Transforming Summer Stage into an event tourism hub: The investment in the Summer Stage at Niš Fortress encompasses two key components: constructing a covering structure for the Stage and acquiring essential equipment. Together, these initiatives aim to **enhance the functionality and appeal of the venue**, ultimately transforming it into a top cultural event/performance destination. While the equipment will improve **visibility and acoustics**, raising the whole experience, construction will improve the cultural space's **optimal utilization**, prolonging the season for hosting different events. The Summer Stage will become a more attractive cultural facility with this investment. Niš Fortress will be positioned to attract tourists, providing them with unique experiences and adding to the region's lively cultural scene.



Expanding tourism impact: To build a unique tourism product for this area, the focus should be on the connection of numerous tourist attractions and development and promotion the Summer Stage at Niš Fortress. In addition, expansion of the Summer Stage programme will consequently increase the number of visitors (events performers and their support teams, spectators etc), which can be directed to visit other historical and cultural attractions, including Medijana Archaeological Site, Ćele Kula (Skull Tower), Čegar, Bubanj Memorial Park, and remnants of the Second World War Concentration Camp. Additionally, visitors can explore the diverse offerings of the National Museum, numerous churches, monasteries, and monuments. Moreover, for the ones who intend to stay longer, there are several noteworthy tourist spots in the surrounding areas, such as the Sicevačka NaturePark, Jelašnička Gorge, Suva Planina, Stara Planina, Cerjanska Cave, Kamenički Vis, Lazarev Grad in Kruševac, and the Neolithic settlement of Drenovac. Each of these attractions forms a solid foundation for the creation of a unified and innovative tourist product, particularly within the framework of cultural and historical circular tours. By linking these sites and offering immersive experiences that showcase the rich heritage of the region, Niš Fortress and its surrounding areas have the potential to attract a diverse range of visitors and establish themselves as a prominent cultural and historical destination.



Enhancing existing offers: The tourist content would be enhanced by extending the cultural season beyond the traditional summer months. This would allow for more diverse events and attract visitors throughout the whole year.

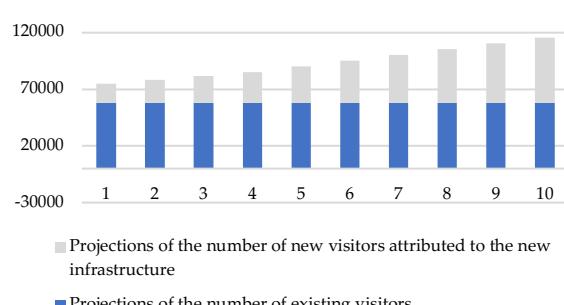
The investment in the Summer Stage at Niš Fortress will enhance the following forms of tourism:

- Event tourism and
- Shorter visits to the locality.

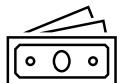
Projections

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

- the historical visitation trends,
- number and type of existing events,
- capacity of the stage.



Projection on the number of visitors suggests an upward trend in the referenced period, reaching nearly 120.000 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 first 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

Summer Stage at Niš Fortress can generate additional rental revenues, as well as additional revenues from the difference in price due to infrastructure improvements and, on that basis, higher rental prices of Summer Stage.

Over a period of 10 years, the summer stage in Niš shows a steady potential trend in maintenance costs, which initially remain constant and then increase from year 6 onwards. The operating costs remain stable and minimal throughout the entire period. New rental income shows a strong upward trend, indicating significant growth each year. The difference in rental income shows a moderate increase while contributing to revenues. Overall, the financial trends for the Summer Stage in Niš are positive, as rental income is increasing significantly while costs remain under control.

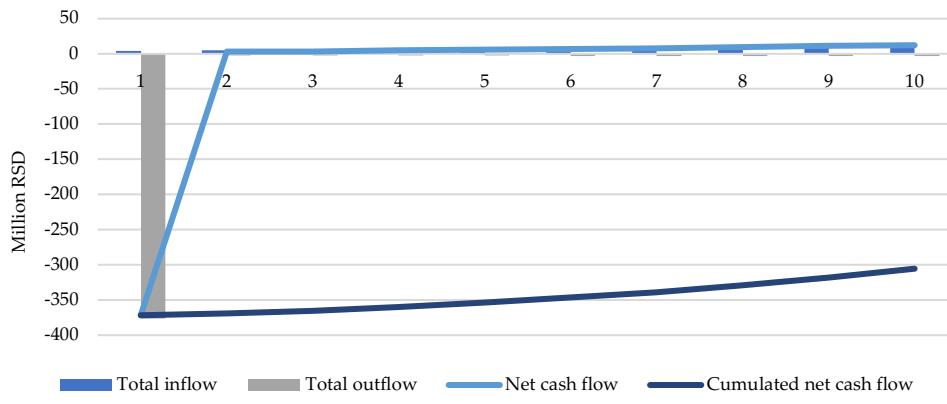


Note: horizontal axis presents year of operation



Sustainability of the investment: Considering revenues, initial investment, and operating costs, financial analysis (under defined assumptions¹) indicates that the investment in the Summer Stage **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -319,216,811) and an internal rate of return of -22.68%, 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.

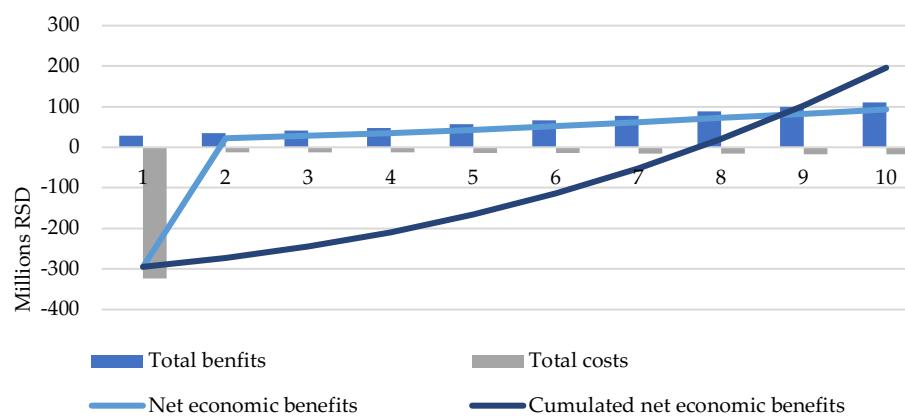
¹ Key Assumptions: The analysis excludes depreciation, provisions, or other accounting positions that do not correspond to actual cash flows of the period; all costs and revenues are expressed in Serbian Dinars (RSD) at constant prices with VAT included; the reference investment period for calculations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



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

Socio-economic analysis (under defined assumptions²) unequivocally demonstrates the financial sustainability of investing in the Summer Stage. **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 32,270,393) and an economic internal rate of return of 9.12%. The benefit-cost ratio of 1.43 underscores the project's overall positive socio-economic impact.



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

Note: horizontal axis presents year of operation

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.

Employment: The project investment does not involve direct employment. However, it's essential to consider the potential creation of job opportunities in the surrounding area as a positive social outcome.

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.

Considerations

 **Management model:** The management structure for the Niš Fortress, including the Summer Stage, involves multiple entities, each with distinct responsibilities. The Niš Tourist Organization oversees the development and promotion of the tourist site within the Fortress, operating under the Sector for the Development and Promotion of the Niš Fortress Tourist Site.

Meanwhile, the Institute for the Protection of Cultural Monuments in Niš is tasked with safeguarding the Fortress's cultural heritage and ensuring its preservation. Responsibility for managing facilities within the Fortress lies with the City of Niš, specifically the Administration for Property and Sustainable Development. The absence of a designated manager for the location of Niš Fortress 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 be established, possibly by creating a dedicated organization or institution tasked with overseeing the management, preservation, maintenance, and tourism development of the Fortress.

 **Socio-economic effects:** Strategic investment in the Summer Stage and Niš Fortress will enrich the local tourism offer and promote new business opportunities, primarily in the hospitality and tourism sector, which may influence socio-economic effects by creating new business opportunities and creating new jobs. Greater tourism activity may lead to the need for infrastructure development (including better roads), landscaping (improved parks, more places for recreation and shared use of cultural and historical assets) and an increase in the quality of services for residents. The project can provide a platform for cultural development, artistic performances, festivals, and other events to boost the creative industry.

 **Risks:** A comprehensive examination of the potential risks associated with the project reveals that it does **carry certain risks** characterized by a high impact and a high probability of occurrence. The identified primary risks include the risk of coordination, the risk of lack of management, and the risk of lack of documentation. Adequate strategies for controlling and mitigating business risk are necessary.

 **Environmental Impact:** The proposed investment in the Summer Stage in the Niš Fortress site 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

Despite a conservative approach in the valuation, the project's financial and socio-economic analysis reveals its long-term viability, with positive economic net present value and an economic internal rate of return. Additionally, the project enhances cultural enrichment, fosters community engagement, and positions the region as a vibrant cultural destination, further reinforcing its socio-economic significance.