



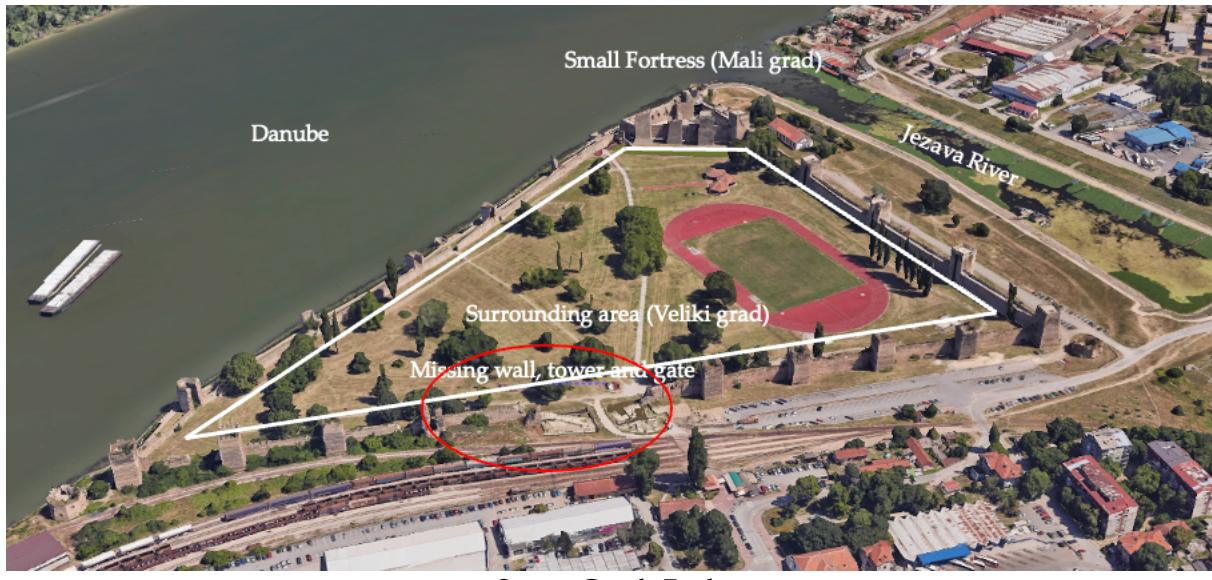
## Investment in Smederevo Fortress

 **Location:** The "Smederevo Fortress" is located at the confluence of the Danube and Jezava rivers, in the city center of Smederevo. The city is located on the two important European corridors: "Corridor 10" by land (E-75 highway) and "Corridor 7" (Danube Corridor) by water.

 **Rationale:** The Smederevo Fortress is an important tourist attraction, a cornerstone of Smederevo's identity and a valuable cultural monument (on the tentative UNESCO list). The fortress consists of the reconstructed Small Fortress (Mali grad), which is open for tourist with admission fee, and the surrounding area (Veliki grad), which is open for public as a rest and recreation area. The surrounding area (Veliki grad) is currently an open structure because the part of the city walls, main gate and one of the towers were destroyed in the devastating explosion in 1941. It embodies both historical and remembrance significance for the community.

Despite some interventions fortress still do not have appropriate presentation programs able to offers visitors a more in-depth insight into the site's fascinating heritage.

The intervention serves to enrich the visitor experience with a variety of attractions and ensures continued interest and engagement from tourists and locals. At the same time, it will generate much-needed funds for the preservation and long-term sustainability of the fortress through entrance fees to the presentation facilities. The current underutilization of this landmark represents a missed opportunity for Smederevo and the region. Improving the attractiveness and functionality of the fortress can unlock its full potential as a cultural, educational, and economic asset.



Source: Google Earth



**Tourism activities at the location:** Smederevo Fortress is part of the city's tourist offer. The Small Fortress (Mali grad) is open to the public with an entrance fee. The service of local tourist guides is organized on the premises. In addition to these services, Smederevo Fortress charges for space rental services for various activities (promotions, filming, performances, photography, etc.).

The surrounding area (Veliki grad) occupies a larger surface and is rented on-demand for concerts, theater performances, festivals, exhibitions, filming, promotions, fairs, exhibitions, corporate events, sports and recreational events and photography.

In 2023, the Small Fortress (Mali grad) had 45,638 visitors.

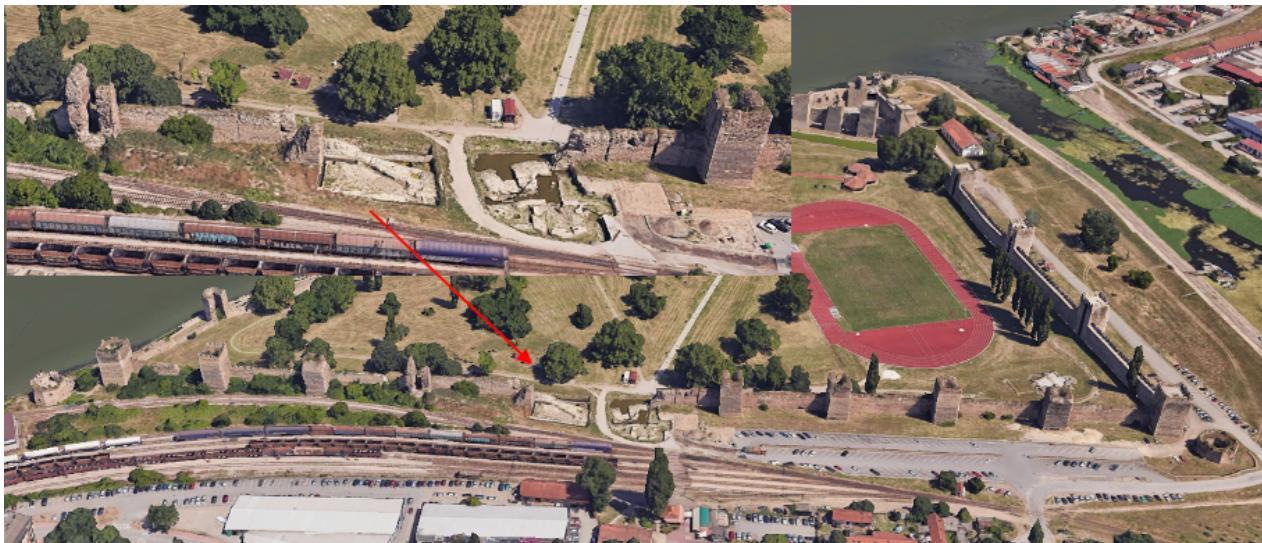
**Existing service infrastructure:** The Small Fortress (Mali grad) has a space where numerous cultural events are held (as mentioned above). At the entrance there is a souvenir shop, a ticket office, and premises for tourist guides. In the summer season, there are sales points for refreshments in the surrounding area (Veliki grad). The town museum is located in the immediate vicinity of the fortress. There is a parking space for cars and buses in front of the fortress. The capacity of the parking lot is currently sufficient, based on current tourist activity. However, if tourist activity increases, it will be necessary to expand the accompanying tourist infrastructure to ensure an adequate welcome for tourists.

## A detailed description of the intervention

**Investment activities:** The investment in the Smederevo Fortress includes the construction of:

- new infrastructure along the route of the demolished fortress walls,
- Tower 16 and
- the Varoš Gate.

The investment in the Smederevo Fortress is following the contemporary concept of the cultural heritage restoration (design prepared by the Republic Institute for Protection of Cultural Heritage), which will provide an original view of this part of the Smederevo Fortress, destroyed in the explosion in 1941.



Source: Google Earth

The reconstruction of the destroyed area will restore the visual continuity of the Fortress walls and the main entrance. The new infrastructure will serve also as a visitor/presentation center and will include:

- memorial to the victims of one of Smederevo's greatest tragedies,
- information center,
- presentation space on the history and heritage of the fortress,
- space for permanent and thematic exhibitions and cafeteria.

View from the direction of the inner courtyard



Source: Conceptual Design, Institute for the Protection of Cultural Monuments of Serbia

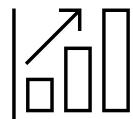
View from the direction of the city of Smederevo



Source: Conceptual Design, Institute for the Protection of Cultural Monuments of Serbia

***The projected funds for this investment are estimated on RSD 413,000,000 (EUR 3.5 million).***

## General data

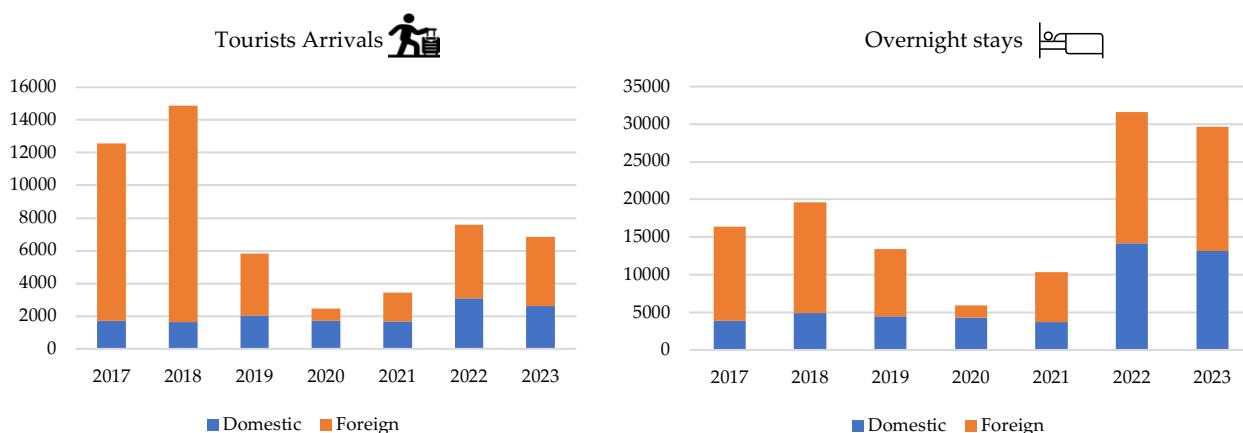


**Economy:** Smederevo has recorded a decline in population over the last six years. The number of businesses has remained relatively stable, and the number of entrepreneurial ventures has steadily increased, indicating a growing business community and an increased interest in entrepreneurship and small business development, possibly due to initiatives to promote innovation and economic diversification. Employment figures show a steady upward trend, reflecting a resilient labor market despite demographic shifts and fluctuations in business activity and ongoing efforts to create jobs.

	2017	2018	2019	2020	2021	2022
<b>Population</b>	104125	103180	102288	101332	100155	98258
<b>Number of companies</b>	1122	1273	1064	1060	1064	1053
<b>Number of entrepreneurs</b>	3134	3359	3507	3602	3844	4044
<b>Employment</b>	24723	25543	25931	26772	28610	29102



**Tourism sector:** The tourist indicators show a **dynamic development of tourist activity** in Smederevo. The total number of tourists has increased until 2019, but during the pandemic period there was a drastic decrease in the number of visitors, with the current tendency for a potential shift in travel patterns. The decline in tourist numbers in 2019 is due to the significantly lower number of registered arrivals and overnight stays by foreign tourists from China, who make up the majority of business travellers due to the largest company in the city. The pandemic also had a negative impact on the total number of overnight stays, but from 2021 this indicator increased and in 2022 far exceeded the number of overnight stays before the pandemic began. The number of overnight stays by domestic tourists was relatively stable throughout the period, while there was a significant increase in 2022. There was a decline in the number of overnight stays by foreign tourists during the pandemic, but this parameter also exceeded pre-crisis levels in 2022. The aforementioned tourism indicators point to the significant tourism potential of Smederevo.



**Potential for development of the tourism industry:** Smederevo has **favourable natural and cultural-historical contents**, which represent a significant potential for the development of tourism. The cultural heritage of Smederevo is one of the most important factors for the positioning of the city on the tourism market. The Smederevo Fortress, the Church of St. George, the Church of the Assumption of the Blessed Virgin Mary, Obrenović's summer house (Villa "Zlatni breg") and other sites are important cultural and historical monuments that attract many tourists. The favourable geographical position and traffic connectivity of the city, along with the construction of a new marina on the Danube represent excellent potential for the development of various tourism types including **nautical tourism**. The quality of the agricultural land and the climate are the base for the development of viticulture, autochthonous grape varieties (Smederevka) **wine tourism**.



**Strategic framework:** Smederevo's city officials have **adopted policies and strategic initiatives** that are crucial for the development of tourism. They are taking a proactive stance to promote tourism prospects with concerted efforts aimed at enhancing the city's appeal and infrastructure. This reflects their commitment to promoting tourism growth and improving the overall visitor experience. Smederevo's strategic framework in the field of tourism aims to make Smederevo a major medieval cultural tourist destination and an important Danube nautical tourism port.



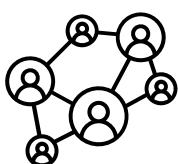
**Spatial-planning documentation:** Comprehensive **spatial-planning documentation** for the location **has been finalized**. However, the construction process requires obtaining the following project and technical documentation:

- Geo-mechanical tests and geodetic survey of the location.
- Location conditions based on conceptual design.
- Drafting of the project for the approval of the Audit Committee of the Ministry of Construction.
- Development of a project for a building permit.
- Technical control of the project for the building permit.
- Development of a project for Detail design.



**Accommodation capacities:** Smederevo has a **limited accommodation offer** that is unable to meet the requirements of the various market segments and anticipated surges in demand. Given the possibility that the current supply of accommodation could fall short of demand, both quantitatively and qualitatively, the risk associated with accommodation capacity is significant. Proactively managing this risk and promoting the conditions for sustainable tourism development requires several key strategies. These include incentivizing new investments in accommodation facilities, promoting partnerships with local providers to improve quality standards, and diversifying the supply of accommodation.

**Investment opportunities - Transforming Smederevo Fortress to a regional tourism highlight:** The investment in Smederevo Fortress encompasses the construction of new tourist infrastructure, which would enable **additional amenities** such as memorial center, information center, an exhibition space, a cafeteria. By capitalizing on these investment opportunities, the transformation of Smederevo Fortress into a regional tourism landmark will not only enhance its historical and cultural significance, but also create a diverse range of attractions that will appeal to a wider audience of tourists and locals alike. This revitalization will boost economic activity, create employment opportunities, and establish Smederevo as a **prominent destination on the tourist map**.



**Expanding tourism impact:** To improve the tourist value of the locality, it is necessary, in addition to restauration and promoting the fortress, to **connect it with the attractions in the area**, such as: Danube cruises, Danube Fortresse, cultural-historical routes, sports and recreational routes, wine routes, which will emphasise the importance of Smederevo Fortress on the broader tourism market.

Popular tourist destinations in the vicinity of the Smederevo Fortress include:

- Viminacium - 44km
- Silver Lake (Srebrno jezero) - 59 km
- Ramska fortress - 60 km
- Kalemegdan - 67 km
- Golubac fortress - 75 km
- Tumane Monastery - 76 km
- Derdap National Park - 78 km

 **Enhancing existing offers:** Given the current limitations of the tourist infrastructure of Smederevo Fortress, there is significant potential for improvement to enhance the visitor experience and attract more tourists. Improving the infrastructure of the fortress, including the construction of a multifunctional building that will serve as a visitor center with a memorial, information center, exhibition areas and cafeteria, will improve the appearance and accessibility of the fortress and make it a more attractive destination. Various tourist activities such as guided tours, interactive presentations and interpretation services, together with improved security measures and information desks, will ensure a safe, informative and enjoyable experience for visitors.

**Supplementary tourist activities:** Building on the characteristics of this unique tourist site, **supplementary tourist activities** have been identified to enhance the overall visitor experience. Danube as a key resource can be used to develop and promote **river cruises** that offer a unique perspective of the fortress and the surrounding landscapes. In addition, the establishment of **sports and leisure routes**, such as cycling and hiking trails, would connect the fortress with natural attractions and recreational areas. In particular, the integration of cycling routes along EuroVelo 6 (EV6) will connect Smederevo with Pozarevac and Viminacium, providing cyclists with scenic and historical trails to explore. These routes would attract adventure and nature lovers and offer tourists a variety of activities. Gastronomy will also play a crucial role in the expanded offer. By promoting **local cuisine** and organizing culinary festivals and guided tours, the fortress can attract food lovers. The creation of **wine tours**, which combine visits to vineyards and wineries with a historical tour of the fortress, will promote the region's famous viticulture. These tours will attract wine lovers and offer a unique blend of cultural and culinary experiences that will enrich the overall tourist offer. Another focus can be **children's tourism**, with special programs and activities that appeal to younger visitors. Educational tours, interactive exhibitions and historical re-enactments can make the fortress an exciting and educational destination for families with children.

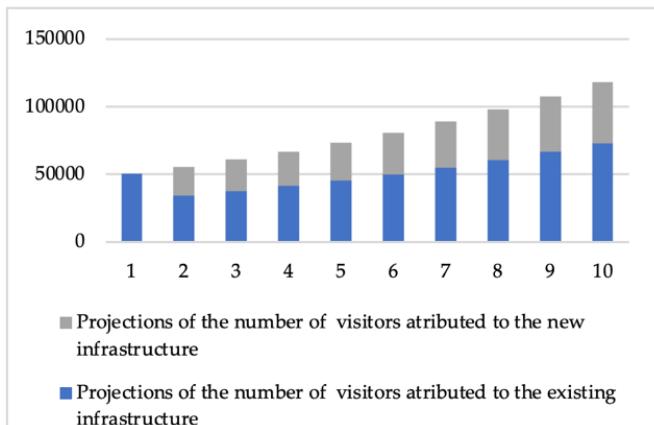
The investment in the Smederevo Fortress will enhance the following forms of tourism:

- Educational tourism;
- Cultural and historical tourism;
- Incentives tourism;
- Event tourism;
- Nautical tourism;

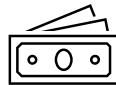
## Projections

**Number of visitors:** 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 in Donje Podunavlje region,
- potential for nautical tourism due to the new infrastructure for river traffic.

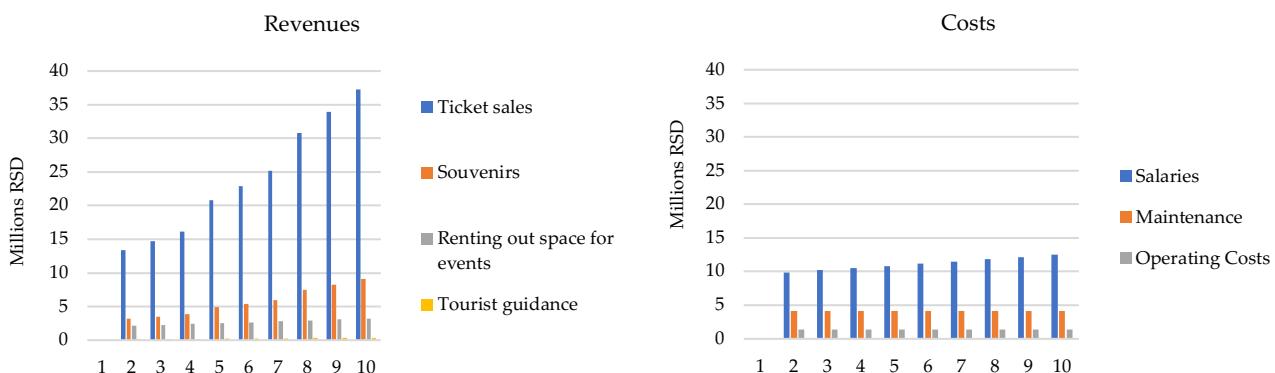


Projection on the number of visitors suggests an upward trend in the referenced period, **reaching over 100,000** visitors in ten years, with over 45,000 visitors attributed to the new infrastructure. Such consistent growth forecasts a promising outlook for the tourism industry, indicating increasing 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 revenues exceed total costs, indicating a favourable financial outlook for the project. With new tourist infrastructure Smederevo Fortress can generate additional revenues from ticket and souvenir sales, renting out space in Small Fortress and surrounding area for events, and tourist guidance.

The projected revenues of Smederevo Fortress show a significant increase over the 10-year period, especially in revenues from the sale of admission tickets, but the sale of souvenirs, the rental of premises for events and the services of tourist guides also make a steady contribution. In contrast, the cost chart shows that expenditure on salaries, maintenance and operating costs has remained relatively stable over the same period. This suggests that while revenues are increasing significantly due to effective tourism initiatives, costs are remaining constant, likely resulting in higher profitability and greater economic benefits for the city of Smederevo.

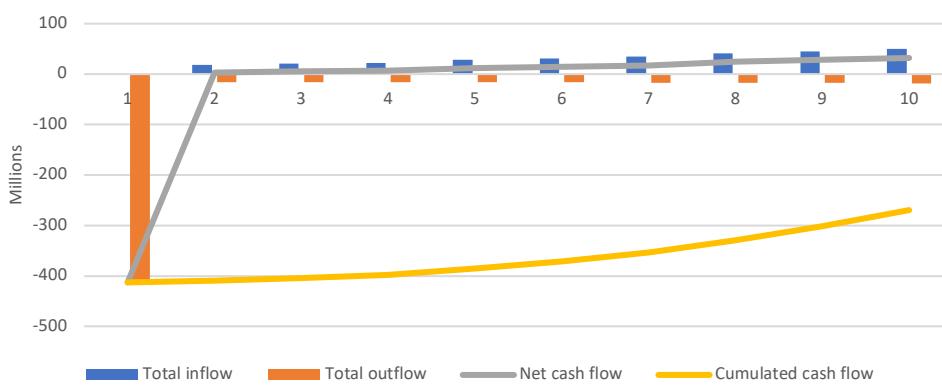


Note: horizontal axis presents year of operation



**Sustainability of the investment:** Considering revenues, initial investment, and operating costs, financial analysis (under defined assumptions<sup>1</sup>) indicates that the investment in Smederevo Fortress **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -301,712,827) and an internal rate of return of -14.24%, 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.

<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.



Note: horizontal axis presents year of operation

**Total inflow** is the sum of all income generated from the investment in a given year.

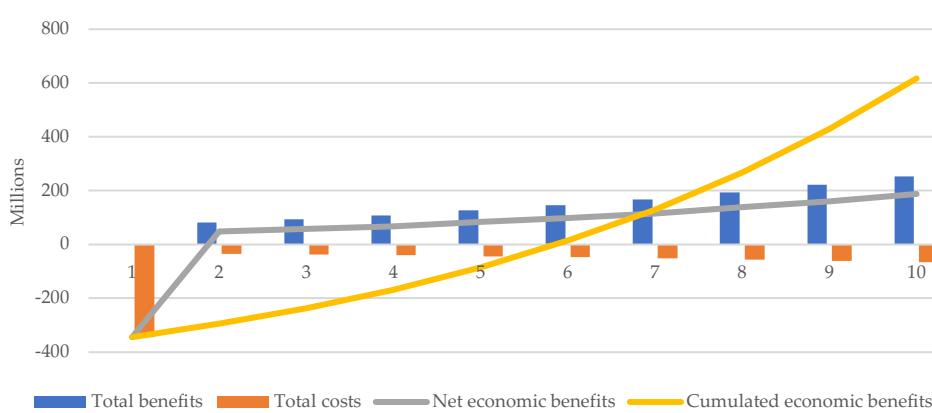
**Total outflow** is the sum of all costs generated from the investment in a given year.

**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.

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 Smederevo Fortress. **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 282,236,866) and an economic internal rate of return of 21%. The benefit-cost ratio of 1.47 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 sixth year of the project implementation.



Note: horizontal axis presents year of operation

**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 economic benefits** is the total amount net economic benefits cumulated over a specified period.

**Employment:** The project investment will lead to the employment of 9 new employees 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.

<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.

## Considerations



**Management model:** The Smederevo Fortress is managed by the public company JP Smederevo Fortress, whose main task is to preserve, protect, maintain and promote this cultural and historical monument. In addition, the company takes over tasks previously performed by the now defunct Smederevo Tourism Organization, whose aim was to promote tourism and cultural and artistic activities in the town. The company also runs the tourist information center that offers services such as tourist guidance and the sale of souvenirs. The company generates revenue through the sale of tickets, tour guide services, the rental of premises in the fortress and the use of fortress areas for events.



**Socio-economic effects:** The investment in Smederevo Fortress will stimulate tourism, attract more visitors to the city and increases spending on accommodation, restaurants, shopping and other tourism-related activities, thereby stimulating the local economy. The construction of new facilities such as visitor center, exhibition spaces and amenities not only enhances the visitor experience, but also improves the quality of life for residents. These modern facilities contribute to the overall attractiveness and quality of life of the city and make it an attractive place to live, work and visit.



**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. Key manageable risks include imbalances between supply and demand, as well as financial, legal, operational, and procurement challenges, all of which can be effectively controlled through strategic mitigation measures. In addition, delays in investment process may occur due to lack of project and technical documentation.



**Environmental Impact:** The proposed investment in Smederevo Fortress 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

Even with the use of conservative approach in the overall assessment, particularly in the financial and socio-economic analysis, the results of the valorization of the tourist location Smederevo Fortress indicate that the investment is not only acceptable but also desirable from a local and national perspective. The investment in Smederevo Fortress is the proof of the city's commitment to preserving its rich cultural heritage while stimulating economic growth, tourism activities and improving the overall quality of life of its inhabitants. This investment underlines the city's importance as an important player in the national tourism landscape.