



Source: Šabac Tourist Organization, available at <https://sabacturizam.org/tvrdava-stari-grad/>

Investment in Šabac Fortress



Location: The "Šabac Fortress" is located on the right bank of the Sava River, one kilometer from the city center of Šabac, the cultural, economic and administrative center of the Mačvanski region. It is located 1 km from the M-21 highway, which is directly connected to the E-70 highway.



Rationale: The Šabac fortress stands as cultural and historical landmark of the city. Situated within the Sava Park, Šabac fortress is nestled among various recreational amenities, including the largest river beach, and sports facilities. Investment activities will increase the number of visitors to Sava Park, enriching the appeal of its promenades, swimming facilities, and shoreline. Further development of the location should prioritize its preservation while transforming it into a site that combines characteristics of protected cultural object and a park with cultural and memorial contents. Following the investment activities, the fortress should be closed facility with a single entrance, ensuring controlled access and use. Šabac fortress with its immediate surroundings is protected as immovable cultural heritage - a cultural monument.





Tourism activities at the location: The Šabac Fortress is open to the public as one of the city's tourist attractions. However, it lacks basic tourist services/infrastructure, such as a souvenir shop or an info center. In the immediate vicinity of the fortress is the city beach on the Sava River and the Stari grad tourist and recreational complex, which offers various sports, recreational and entertainment activities.

As the Fortress is open and part of the walls are missing, it is difficult to determine the number of visitors. Official data or estimates of visitor numbers are therefore not available.

Existing service infrastructure: Considering the current open construction of the Fortress, there is no additional content on the site in the form of an info center, souvenir shop, premises for tourist guides, etc. There is a public toilet nearby that can be used by visitors.

A detailed description of the intervention

Investment activities: Investment activities aim to restore the Fortress to its former shape and appearance, so that it is suitable and safe for tourism.

Partial conservation and restoration works have already been undertaken to preserve and showcase the monument. The forthcoming investment activities include further reconstruction efforts for the fortress. The activities include:

- The restoration of the western, southern, and eastern ramparts of the fortress, including reconstruction of walkways with a suitable waterproofing layer, parapets, cannon openings and loopholes.
- Reconstruction of the casemates, and partial reconstruction of the southeastern and northeastern towers, as well as the northern rampart.

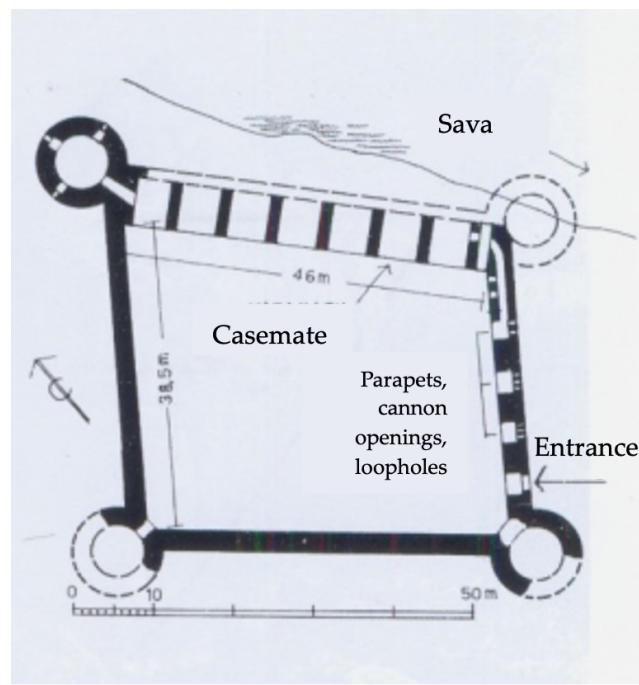
These activities will facilitate visitor access and unrestricted movement throughout the fortress via the walkway level. All activities concerning the fortress and its surrounding cultural heritage are to be conducted strictly in accordance with the directives outlined by the competent institute for cultural monument preservation.



Source: Google Earth

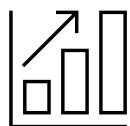


Source: Google Earth



The projected funds for this investment are estimated on RSD 141,600,000 (EUR 1.2 million).

General data

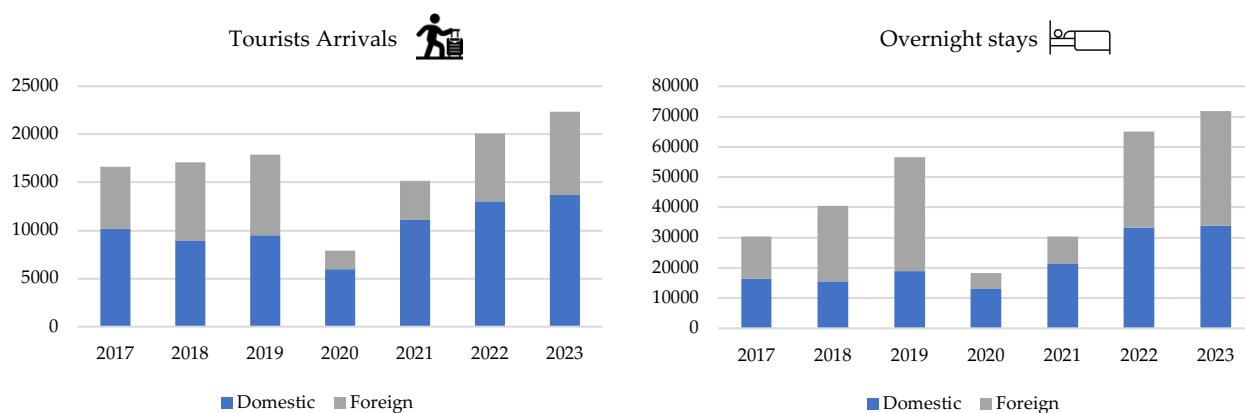


Economy: Šabac recorded a slight decline in population during the observed period. However, the local business landscape proved to be resilient, and the number of companies remained stable possibly reflecting economic conditions of local business environment. Despite population decline and stagnation of number of companies, the number of entrepreneurs in Šabac consistently increased each year, suggesting a growing interest in entrepreneurship and potentially emergence of startups community. Entrepreneurs may introduce innovative tourist services such as unique accommodations, cultural experiences, or guided tours, which could enhance the appeal of Šabac to visitors. In addition, employment figures have developed positively, indicating growing employment opportunities, and promoting the potential for further economic growth. This indicates a degree of resilience in the local job market despite other changes in population and business activity.

	2017	2018	2019	2020	2021	2022
Population	111709	110918	110148	109340	108187	105768
Number of companies	1561	1767	1510	1533	1549	1544
Number of entrepreneurs	3329	3483	3577	3705	3910	4141
Employment	30921	32978	34334	34728	35723	35545



Tourism sector: Tourism indicators for Šabac record **an upward trend**, apart from pandemic period with significant drop in the number of tourist arrivals and overnight stays. In terms of visitor numbers, both domestic and foreign, there is increase from 2017 to 2019, suggesting a growing interest in Šabac as a tourist destination during this period. Despite the challenges posed by the pandemic in 2020, city tourism bounced back and continuing to thrive from 2021. Both domestic and foreign visitor numbers experience growth, surpassing pre-pandemic levels in some instances. The data on overnight stays show similar trends. Based on the analysed data, further increase in tourist arrivals and overnight stays could be anticipated.



Potential for development of the tourism industry: The revitalization of the Šabac fortress will enhance its appeal as a tourist attraction and facilitate improved access, drawing more visitors to the area. The investments create conditions for the integration of tourist products of Šabac, making them more accessible to both tourists and visitors alike. Improved infrastructure within the locality will lead to an increase in tourist demand and the activation of new tourist segments. The construction of an international pier for cruise ships along the Sava River is anticipated to catalyze the popularization and growth of nautical tourism. This initiative will expand the scope of the tourist services, opening up opportunities within this market segment.



Strategic framework: Šabac has adopted policies and strategic documents relevant for the tourism development. These documents highlight tourism as one of the priorities for economic development, demonstrating the local government's proactive approach to promoting tourism.



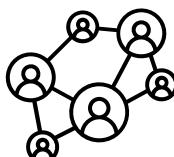
Spatial-planning documentation: Comprehensive **spatial-planning documentation** for the location **has been finalized**. However, the construction process requires obtaining the following project and technical documentation:

- Preliminary Design for the rehabilitation and restoration project of the ramparts
- Obtaining location conditions
- Conceptual design
- Building approval
- Development of a project for Detail design.



Accommodation capacities: The city has well-balanced structure of accommodation facilities capable to meet the requirements of different market segments and anticipated surges in demand.

Investment opportunities - Transforming Šabac Fortress to a regional tourism highlight: Investment opportunities should transform the Šabac Fortress into a dynamic tourism site, leveraging its rich historical significance and strategic location within the Sava Park. By developing tourism infrastructure, diversifying attractions, and fostering public-private partnerships, investors can drive economic growth, preserve cultural heritage, and create sustainable tourism experiences for visitors.



Expanding tourism impact: In the wider tourist area that gravitates towards the town of Šabac, adequate cultural-historical heritage and mountain centers with special attributes of tourist attractiveness have been identified. Efforts should be directed towards connecting several individual providers of the tourist offer to create a unique tourist product for this area. It is crucial to recognize and exploit the distinctive features of individual heritage sites and mountain centers and combine them into a unified and compelling tourist experience.

Efforts should be directed towards collaborative initiatives that promote synergies between the different tourist destinations and encourage visitors to go beyond the boundaries of a single attraction. It is possible to integrate the Šabac Fortress with neighboring attractions such as sports and recreational routes, nautical and urban routes, cultural-historical routes, religious routes and rural tourism.

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

- Memorial complex on Mišar, 7 km
- Memorial complex Tekeriš, 31 km
- Memorial ossuary in Prnjavor, 30 km
- Ashiko's grave, Miletić, 30 km
- Đaković's house in Nakučani, 22 km
- Mount Cer, 33 km

 **Enhancing existing offers:** The capacities of the existing tourist infrastructure are relatively low and hinder the development of the location. Improving appearance and ensuring access to the site, the project seeks to increase the site's attractiveness by offering diverse tourist activities, including guided tours, information desks, souvenir shop, memorial centre/museum.

Supplementary tourist activities have been identified while respecting the natural, cultural, and historical characteristics of the Šabac Fortress. These activities include **cultural and other events, night tours** of the Fortress, as well as **sports and recreational activities** in the park such as walking and cycling tours, nautical and water sports, picnic excursions and visits to historically significant sites such as the battles of Mišar and Cer, visits to horse races in the hippodrome and viewing murals on the facades of buildings in Šabac.

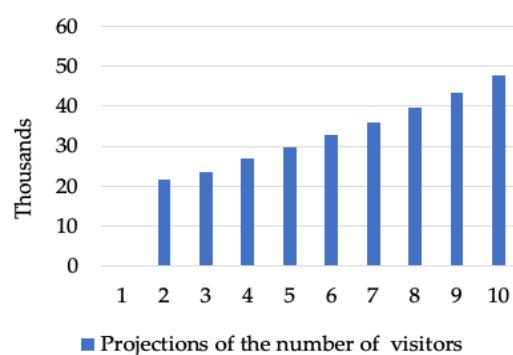
The investment in the Šabac Fortress will enhance the following forms of tourism:

- Educational tourism;
- Incentives tourism;
- Event tourism;
- Fishing and nautical tourism;
- Rural tourism.

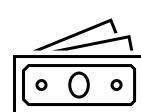
Projections

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

- the visitation trends,
- the influx of tourists to similar sites in Serbia,
- the number of visitors to the surrounding local self-governments,
- synergy with natural and recreational activities at Sava Park,
- potential for nautical tourism due to the declaration of the port area as an international passenger pier.

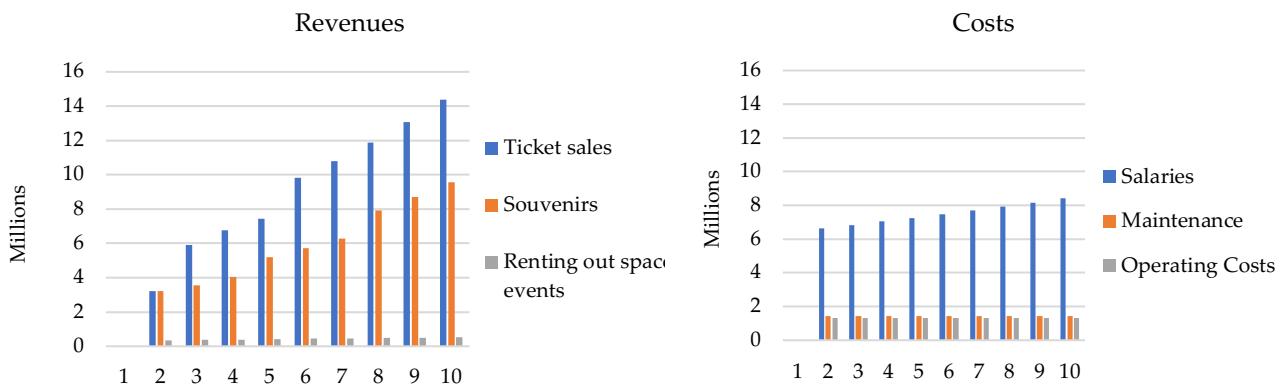


Projection on the number of visitors suggests an upward trend in the referenced period, reaching almost 50.000 visitors in ten years. This **growth forecast** shows a promising outlook for the tourism industry, indicating increasing interest and demand for the destination's attractions and services. 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 favorable financial outlook for the project. With new tourist infrastructure Šabac Fortress can generate additional revenues from ticket and souvenir sales and renting out space for events.

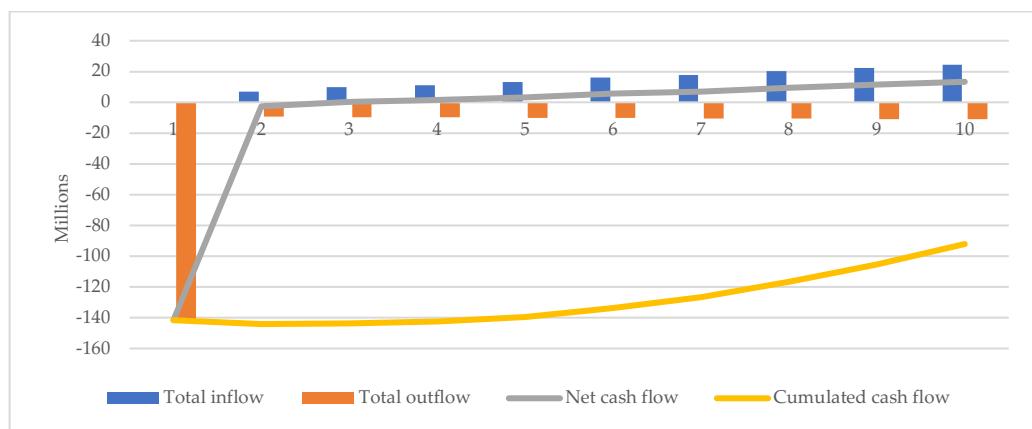
The income shows a steady increase in revenue from the sale of tickets and souvenirs over the 10-year period, with the rental of premises for events making a consistently modest contribution. In contrast, the cost graph shows relatively stable expenditure on salaries, maintenance and operating costs with minimal fluctuations over the years. This suggests that while income is steadily increasing, costs remain constant, which is likely to lead to improved net profitability over time.



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 Šabac Fortress **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -104,509,791) and an internal rate of return of -13.14%, 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.

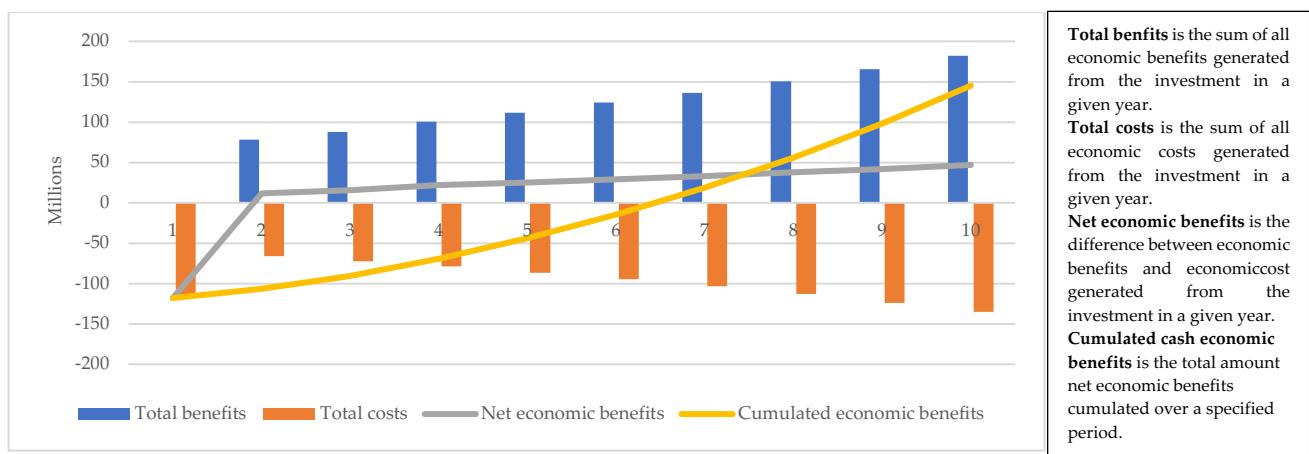
Net cash flow is the difference between inflow and outflow generated from the investment in a given year.

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 Šabac 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 55,928,635) and an economic internal rate of return of 16%. The benefit-cost ratio of 1.08 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.



Note: horizontal axis presents year of operation

Employment: The project investment will lead to the employment of 6 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.

Considerations



Management model: The absence of a designated managing organization for the Šabac Fortress poses a significant risk to its effective management. This governance gap may result in inefficient resource allocation, inadequate coordination among stakeholders, and a lack of commitment to sustainable infrastructure. Insufficient management could compromise the preservation of cultural heritage, hinder maintenance efforts, and delay promotional activities, ultimately impacting tourist attraction and local economic benefits. Currently, Šabac Fortress is overseen by the Tourist Organization of Šabac, with city administration managing different aspects of the development of the Fortress, under their competencies. To mitigate management risks, it is imperative to establish a clear management structure, assigning responsibility to an organization or institution for management, conservation, maintenance, and tourism development.

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 investments in Šabac Fortress have potential to enhance the local tourism experience and elevate the region's competitiveness. Beyond tourism, the socio-economic impact extends to the diversification of tourism services, fostering active participation from the local community, expanding accommodation choices, promoting local craftsmanship, and revitalizing traditional trades.



Risks: The Investment in Šabac Fortress is subject to **manageable risks, with no threats of major significance or high probability**. However, management risks exist as explained in the management model. In addition to this risk, the main challenges include discrepancies between supply and demand, financial constraints and business and procurement risks. Delays in the investment process may occur due to a lack of project and technical documentation. Through proactive management and diversified strategies, these risks can be effectively controlled to support the sustainable development and cultural enhancement of Šabac Fortress.



Environmental Impact: The proposed investment in Šabac 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 Šabac Fortress indicate that the investment is not only acceptable but is also desirable from a local and national perspective. Investments in tourist infrastructure at Šabac Fortress have the potential to improve the tourist location. Anticipated outcomes include increased visitor numbers, the emergence of new business ventures in the area, and a boost to local economic vitality.