



Investment in Borin grad Vranje (Old Town complex)



Location: New complex Borin grad is a planned to be built in the town of Vranje, the administrative center of the Pčinjski Region. The city itself is located on a transit route to/from Greece and has a very good opportunity to attract some of the transit passengers to have a short stay in the city.



Rationale: The investment in the development of a new ambient unit and multifunctional complex in Vranje represents a compelling opportunity with multiple benefits. The development of the multifunctional complex with accommodation capacities, shops, restaurants, and other amenities within the complex will allow local businesses to thrive. This investment will create employment opportunities in various sectors,



Source: Conceptual Design

such as arts, culture, and creative industries, promoting economic resilience and vitality. The creation of the ambient unit will aesthetically enhance the city and increase its tourist appeal. This enhancement is expected to attract more visitors, which in turn will boost tourism and contribute to the economic growth of the region. The complex is dedicated to the legacy of the prominent Serbian writer Bora Stanković and adds a cultural dimension that enriches the experience for residents and visitors alike.



Source: Conceptual Design

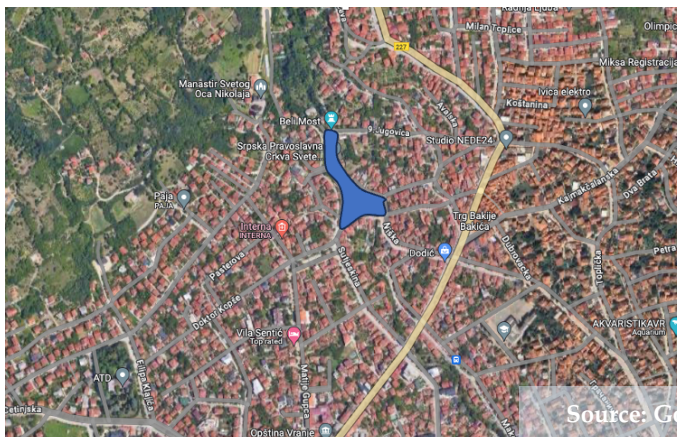


Tourism activities at the location: The site of Borin Grad has yet to be developed, addressing the need for more tourist attractions/activities in the area. The construction of this unique complex would expand the current tourist offer of Vranje, which already includes a number of cultural, art and entertainment events dedicated to the birthplace of the well-known Serbian writer Borisav Stanković.

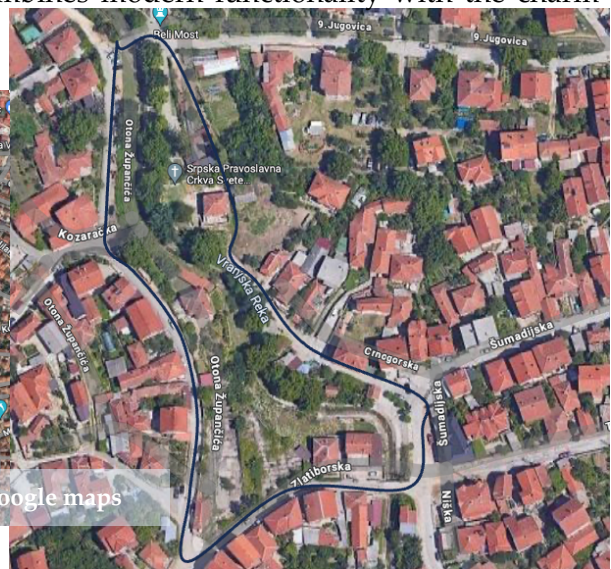
Existing service infrastructure: The site of Borin Grad is not yet developed, there is no tourist infrastructure on the site. Other communal infrastructure is available since the location is in the city center.

A detailed description of the intervention

The investment activities encompass the construction of the **complex of old buildings** replicas for public use that blend in with the ambient and the architectural features of the city. The complex outlined in the project consists of several buildings that are intended to reflect the essence of the historic old town settlement. Together they form a complex that combines modern functionality with the charm and character of bygone eras.



Source: Google maps



The complex areas are intended for the tourist, cultural, gastronomic and commercial activities.

- The construction of a **main gate** with security and a **souvenir shop** is planned at the main entrance.
- A three-level **exhibition space** is planned to showcase a permanent exhibition on history of Vranje, focusing on the life and works of Bora Stanković, along with other relevant historical sites.
- One of the buildings will host **five artisan shops** with a diverse array of old crafts, enriching the cultural tapestry of the complex.
- **Restaurant, the patisserie, and the café patisserie** are housed in three distinct buildings.
- **Accommodation options** will be available featuring rooms with terraces and private bathrooms.
- A **multifunctional hall** located in the basement will serve as a venue for cultural events, entertainment shows, artistic exhibitions, and business gatherings.
- **Stands equipped with stages** will be positioned for performances and concerts, enhancing the entertainment offerings of the complex.
- To accommodate visitors, amenities such as a **parking lot, sanitary facilities**, and adjacent storage areas are planned as integral components of the complex.
- The complex will enhance visitor experience with plateaus, relaxation zones, green spaces, sitting gazebos, footpaths.

The project includes measures to develop the infrastructure network, including the development of water supply and sewage systems, electricity, telecommunications, public lighting and provisions for hot water, gas, or other alternative energy sources.



The projected funds for this investment are estimated on RSD 295,000,000 (EUR 2.5 million).

General data



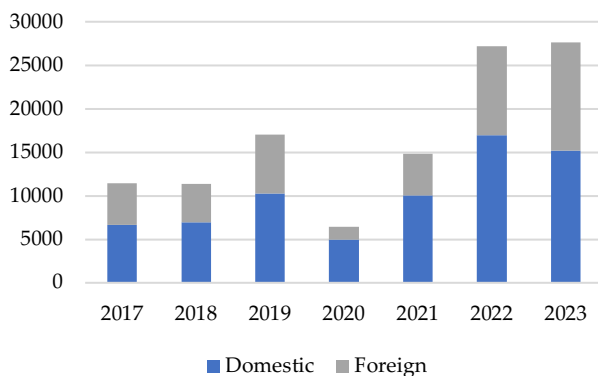
Economy: While Vranje faced challenges related to population decline, the city demonstrated resilience and growth in its entrepreneurial and business sectors. The number of entrepreneurs steadily increased over the years and the number of companies also exhibited an upward trajectory. Vranje has a positive trend in entrepreneurial activity and overall growth and development in the business sector possibly driven by economic incentives and local initiatives, favourable business environment and increased investment. However, there have been fluctuations in employment figures, which have been offset by a steady increase in the number of entrepreneurs. This dynamic landscape reflects Vranje's resilience and potential for economic growth amid demographic change.


	2017	2018	2019	2020	2021	2022
Population	80961	80402	79782	79068	78094	74631
Number of companies	970	1140	999	1021	1035	1122
Number of entrepreneurs	2271	2374	2508	2345	2420	2501
Employment	21391	21595	22130	21926	21433	21187

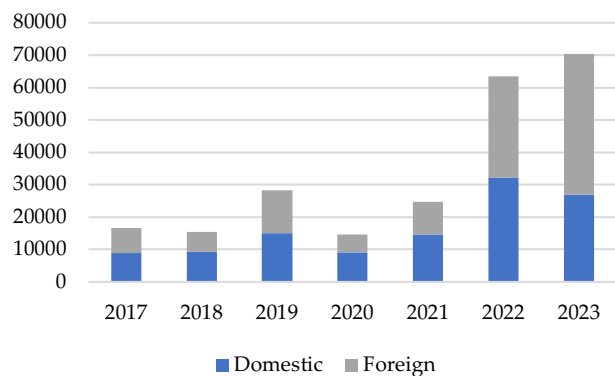


Tourism sector: Tourism indicators in Vranje point to a growth path for tourism, with both the domestic and foreign visitors showing signs of resilience and recovery, especially in the years following the pandemic. The number of domestic tourist arrivals and overnight stays in Vranje has increased, indicating a strong interest in exploring and experiencing the city. There have been fluctuations in foreign tourist arrivals and overnight stays, probably influenced by external factors such as the economic situation and travel restrictions. However, there has been a recovery and growth in foreign tourism, particularly evident in 2021 and 2022, signalling interest in Vranje as a destination. A significant number of foreign visitors, especially from neighbouring North Macedonia and Bulgaria, visit Vranje for day trips without staying overnight. Even though this segment is not captured in the tourism statistics, it contributes significantly to the overall tourism activity and economic impact. The data shows promising prospects for tourism in Vranje and highlights the city's potential to attract and accommodate a wide range of visitors, including day-trippers from neighbouring countries. This growth provides opportunities for further development and investment in Vranje's tourism infrastructure to capitalize on the growing interest of domestic and foreign visitors.

Tourists Arrivals 



Overnight stays 



Potential for development of the tourism industry: The envisioned construction of the Borin Grad complex in Vranje represents an **opportunity to transform the city's tourism landscape**. It would encourage further development of tourism, increase the number of day visitors and overnight stays, as well as the development of excursion, educational, cultural-historical, event and transit tourism. The complex, with its planned exhibition spaces, artisanal shops, culinary delights, and accommodation options, will emerge as a vibrant cultural hub. The potential for development of the tourism industry in Vranje received a boost when Millennium Resorts and Marriott International signed a contract in May 2021 to construct a hotel complex in Vranjska Spa by 2026. This partnership promises to further elevate Vranje's appeal as a tourist destination, offering luxurious accommodation options and world-class hospitality services to visitors. With the addition of this hotel complex alongside the planned Borin Grad cultural landmark, Vranje is poised to become an even more attractive destination for both domestic and international tourists.



Strategic framework: The City of Vranje continuously strives for a **strategic approach to tourism development** by adopting long-term and medium-term development plans and a brand strategy. Although the existing tourism planning document expired in 2022, **significant efforts** by city representatives **to improve the tourist offer and infrastructure** can be seen, with a focus on the enhancement of cultural heritage and the construction of the historical complex.



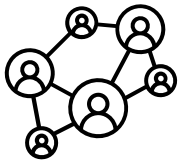
Spatial-planning documentation: Comprehensive **spatial-planning documentation** for the location **has been finalized**. Property and legal issues have been resolved on all plots except one for which the proceedings are still ongoing. The construction process requires obtaining the following project and technical documentation:

- Obtaining location conditions based on conceptual design.
- Construction permit design
- Technical control of the project for the building permit.
- Detail Design



Accommodation capacities: The city has diversified structure of accommodation options. However, it is unbalanced and does not meet the requirements of modern tourism. Many of the existing facilities, including rooms, apartments, lodgings and unclassified accommodation, are of lower quality and do not offer suitable choices for different types of visitors and their preferences. However, as mentioned above, Millennium Resorts and Marriott International are planning to build a new hotel complex in Vranjska Spa and thus balance the offer.

Investment opportunities - Transforming Borin grad Vranje to a regional tourism highlight: The investment in the Borin Grad in Vranje encompasses the construction of entirely new tourist infrastructure, which would enable **additional amenities** such as tourism content and hospitality facilities, event spaces, accommodation capacities. This could involve the development of cultural attractions, such as interactive exhibits showcasing Bora Stankovic's life and works, as well as the establishment of artisanal shops, culinary delights, and accommodation options within the complex.



Expanding tourism impact: Borin Grad will be a must-see location in the city and will become an important stop on tourists' itineraries, both as a regular attraction in the city and as a major highlight on tours exploring the cultural, historical, religious, and natural beauties of the region. Strategically located, Borin Grad offers the opportunity to explore the diverse beauty of its surroundings. Visitors can easily reach nearby attractions such as Markovo Kale, Kale Krševica, Vranjska Spa, Besna Kobilica, Devil's

Stone, Prvonek Lake, Vlasina Lake and numerous monasteries, enriching their experience with a variety of cultural, scenic, and spiritual encounters. By integrating Borin Grad into the wider tourist network of Vranje and its surroundings, the town can use its historical significance and cultural charm to attract a steady stream of visitors and position itself as a hub for exploration and discovery in the region.

Popular tourist destinations in the vicinity of the Borin grad and Vranje include:

- Markovo Kale - 5 km
- Kale Krševica - 16 km
- Vranjska spa - 11 km
- Besna kobilica mountain - 46 km
- Lake Prvonek - 24 km
- Prohor Pčinjski Monastery - 34 km
- Monastery of Saint Stephen - 22 km
- Panteleimon Monastery - 21 km
- Devil's stone (Vražji kamen) - 42 km
- Vucje Hydroelectric Power Plant - 51 km
- Strojkovce textile museum - 81 km
- Vlasina Lake - 61 km
- Empress city (Caričin grad), Lebane - 92 km



Enhancing existing offers: The site of Borin Grad has yet to be developed as an add-on to the existing offer of the city. By introducing high quality services and facilities, such as state-of-the-art exhibition spaces, interactive presentation centers, artisanal boutiques, and upscale dining options in the traditional environment, Borin Grad can offer a comprehensive and immersive experience to tourists.

Supplementary tourist activities: Given the rich cultural and historical heritage of the city, as well as local customs and traditions, **supplementary tourist activities** have been identified to enhance the attractiveness of the site. These initiatives include outdoor cultural activities such as theatre and film screenings, poetry and drama evenings, exhibitions and thematic events that promote the rich historical heritage, local traditions and customs of Vranje. The colourful melos of Vranje, which includes songs, dances and costumes, offers opportunities for organizing music festivals and concerts. Special attention should be paid to the local culinary festivals that highlight the unique blend of Balkan and Oriental cuisine, with themed days presenting famous local dishes like samsa, secenica, banica, and propeć. There are also recreational and sightseeing opportunities in places such as Prvonek and Aleksandrovac Lakes, the City Park, Vranjska Banja, Vlasina Lake and the Prohor Pčinjski Monastery.

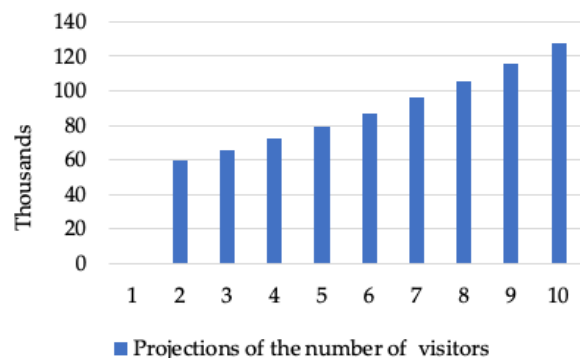
The investment in the Borin grad Vranje will enhance the following forms of tourism:

- Culture tourism;
- Gastronomy
- Incentives tourism;
- Event tourism;
- Educational tourism;

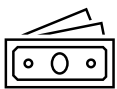
Projections

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

- visitation trends,
- the influx of tourists to similar sites (Drvengrad (Serbia) and Andrićgrad (Bosnia&Herzegovina),
- the number of visitors from neighbouring North Macedonia and Bulgaria.

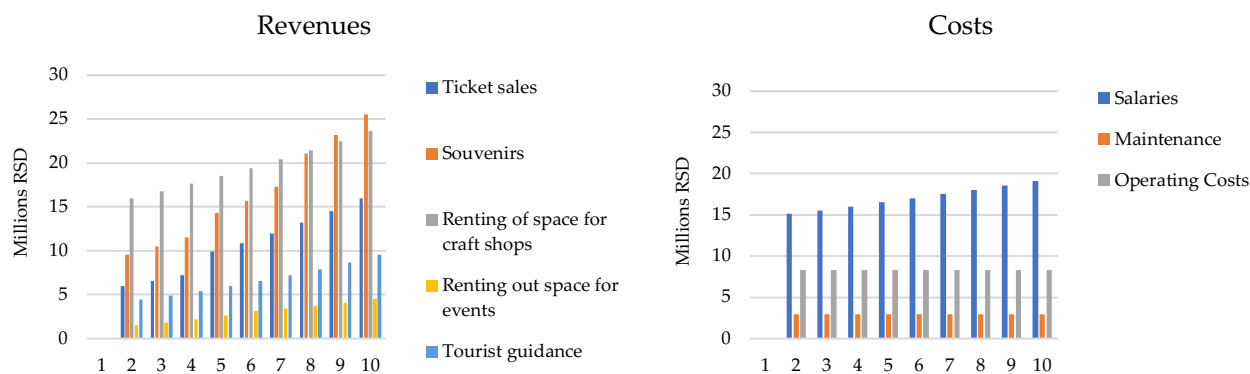


The data indicates a steady and significant increase in visitor numbers over the ten-year investment period, ranging from 59,538 in the second year to 127,624 in the tenth year. This steady growth indicates a successful attraction strategy, suggesting increasing popularity and strong potential for sustainable tourism development in Vranje.



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 the new tourist infrastructure Borin grad Vranje can generate additional revenues from ticket and souvenir sales, renting of space for craft shops, renting out space for events, and tourist guidance.

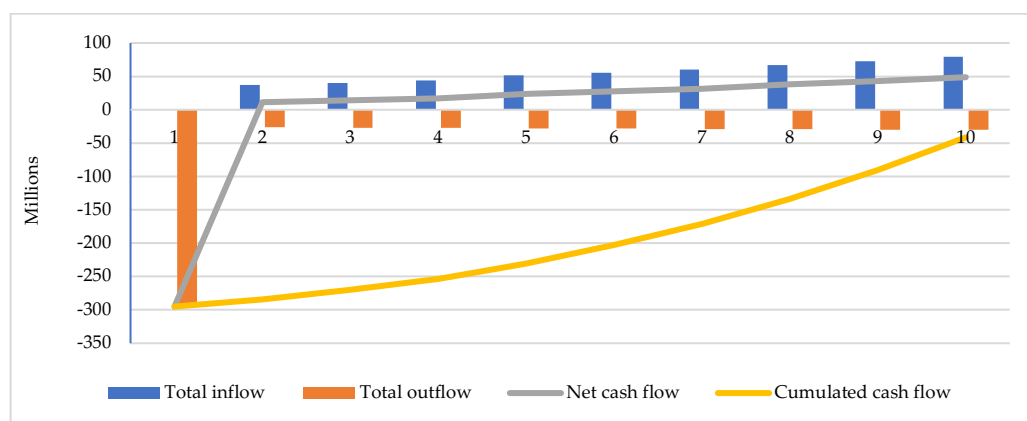
The revenue graph shows a steady increase in income from souvenirs and the rental of space for craft stores over the 10-year period, with ticket sales and tourist guidance contributing modestly throughout. The rental of premises for events also contributes to income. Costs, on the other hand, show relatively 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 should 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 Borin grad Vranje **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -94,838,723) and an internal rate of return of -2.41%, 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.



Note: horizontal axis presents year of operation

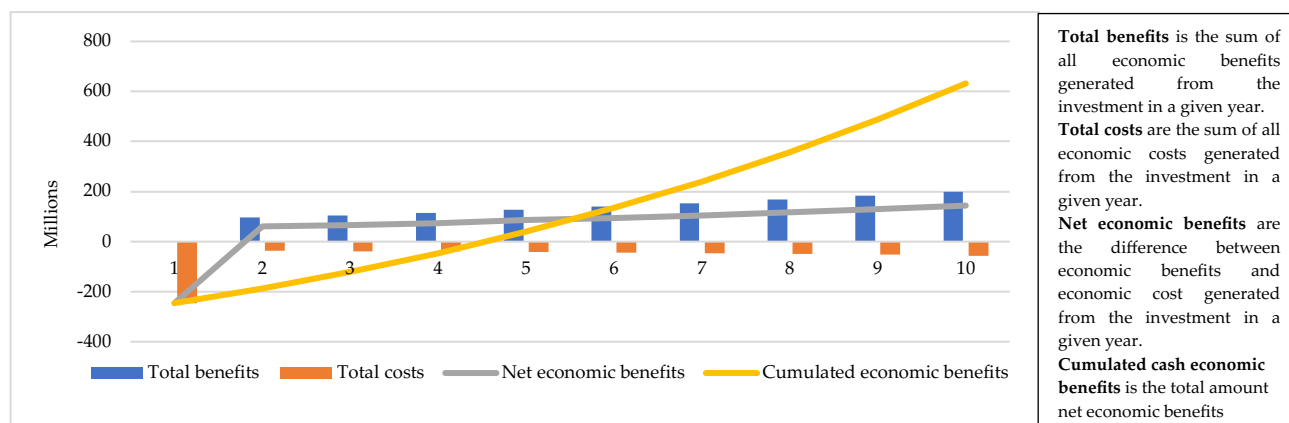
Total inflow is the sum of all income generated from the investment in a given year.
Total outflow is the sum of all costs generated from the investment in a given year.
Net cash flow is the difference between inflow and outflow generated from the investment in a given year.
Cumulated cash flow is the 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 assumptions²) unequivocally demonstrates financial sustainability of investing in Borin grad Vranje. **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 335,547,000) and an economic internal rate of return of 30%. The benefit-cost ratio of 1.68 underscores the project's overall positive socio-economic impact.

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.

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.

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



Note: horizontal axis presents year of operation

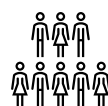
Employment: The project investment will lead to the employment of 7 new employees in the tourism sector and about 80 new employees of different profiles who would be engaged in the Borin grad complex. Furthermore, it's essential to consider the potential creation of job opportunities in the surrounding area as a positive social outcome.

Considerations



Management model: Borin Grad has not yet been constructed and development of the locality is currently managed by the local self-government. The administrator of the complex should be established as a newly appointed legal entity capable of benefiting directly from the investment. However, if no administrator is appointed for the Borin Grad Complex, there is a risk of inconsistencies in planning and execution, which could lead to delays.

Borin Grad is attractive for private sector investment, particularly in the retail and hospitality sectors. Although the city will build facilities in the complex, it is recommended that business development and management of hospitality, crafts and other facilities should be left to third parties from the private sector. Generally, private sector can develop and manage this content much more efficiently and has greater capacity and incentives to do so. In addition, the private sector is more innovative in attracting tourists, which can lead to the introduction of new and interesting tourist attractions and services. Another option for the management of the facilities could be a public-private partnership.



Socio-economic effects: The effects of the development of Borin Grad go beyond cultural enrichment and bring tangible economic benefits. From job creation during construction to sustained employment opportunities in managing the complex and supporting businesses, the project is set to contribute to Vranje's economy. The increase in the number of tourists will lead to the development of local businesses, strengthening the city's entrepreneurial spirit and economic resilience. Furthermore, the construction of Borin Grad is anticipated to catalyze infrastructure improvements, enhancing the city's overall appeal and accessibility.



Risks: Investment in Borin grad Vranje is subject to **manageable risks**, and it faces manageable challenges such as supply and demand imbalance, financial risks, operational uncertainties, and procurement issues. Management risk is present as explained in the management model. These risks, if **proactively addressed with strategic measures**, including the development of diverse tourism content and the quality of accommodation, **can be mitigated** to ensure the success and sustainability of the project.



Environmental Impact: The proposed investment in Borin grad Vranje 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 Borin grad Vranje indicate that the investment is not only acceptable but also it is desirable from a local and national perspective. An investment in Borin Grad, Vranje, offers the opportunity to contribute to the revitalization and enrichment of the cultural and tourist landscape of Vranje. With its commitment to preserving the authentic craft traditions of Vranje and commemorating the legacy of Bora Stanković, Borin Grad will become a vibrant centre for cultural heritage and tourist experiences. By harnessing the expertise, innovation, and efficiency of the private sector, as well as strategic collaborations and partnerships, Borin Grad can thrive as a tourist destination, delivering memorable experiences, economic growth and lasting value to investors and visitors alike.