



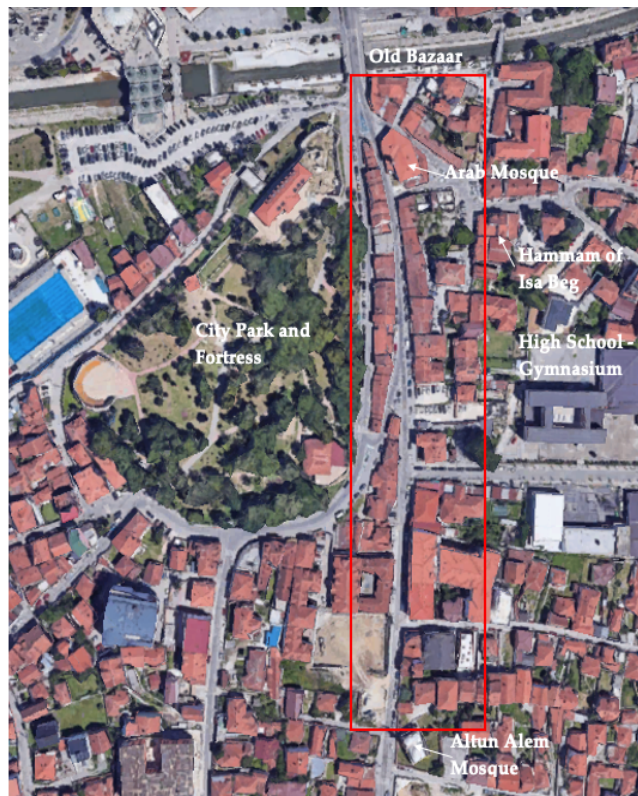
Investment in Stara čaršija (Old Bazaar), Novi Pazar



Location: The "Old Bazaar" of Novi Pazar is a cultural and historical complex located on the right bank of the Raška River, at the crossroads of the town's main streets.



Rationale: The investment in the restoration of the Old Bazaar is the part of extensive works to renovate the historic center of Novi Pazar (on-going activities in restoration of the Novi Pazar fortress). This initiative aims not only to preserve its rich cultural and historical significance, but also to increase its appeal as a must-see tourist destination. Investment activities in the Old Bazaar focus on striking the balance between its historical context and authenticity and the dynamics of the contemporary life and demands. As in the past, the bazaar today is a vibrant center for economic activities such as trade and hospitality kludged with motorised and pedestrian traffic. This restoration project aims to stop the devastation of the location and return the old look of this part of the town, unlocking its tourism potential as a catalyst for sustainable growth and tourism development in the wider down-town area of the city.



By revitalizing its public spaces and infrastructure and supporting private stores refurbishment, Novi Pazar and surrounding has the potential to develop into a premier tourist destination, attracting visitors to experience its unique blend of history, cultures, and heritage.



Tourism activities at the location: The tourist attractiveness of the Old Bazaar is primarily based on the rich cultural and historical heritage, which, in combination with refurbished fortress, offers opportunities for the organization of the various guided tours in the city center. Near the intervention location, (which was once the part of the Constantinople Road), there are two mosques, the Arab Mosque at the entrance and the Altun Alem Mosque at the end of the bazaar. On the west side is the Hammam of Isa Beg, and opposite is, already mentioned, the Novi Pazar fortress. In addition to these attractions, tourists can also visit the local stores - bakeries, goldsmiths, shoemakers, butchers, kebab stores, wool weavers and other craftsmen stores. While many of these ancient trades have gradually disappeared to make way for commercial businesses, the relics of their heritage remain and add to the charm of the place. The hospitality industry developed in Novi Pazar as a complementary activity to trade and crafts, and over time taverns, kebab stores and pastry shops became an integral part of the life of the population and one of the most attractive elements of the city's tourist offer. The Old Bazaar offers numerous gastronomic establishments that are part of the local identity.



Existing service infrastructure: Although the site is crowded with tourists and locals, the direct revenues remain untapped. The **existing infrastructure lacks crucial facilities** for an improved tourist experience. There are no tourist facilities/services such as a visitor info centre and souvenir shop, premises for tourist guides, etc.

A detailed description of the intervention

The investment activities will focus on works to design public spaces in the historic core of Novi Pazar. The investment activities will improve accessibility and pedestrian traffic within the Old Bazaar and create a seamless connection with the Novi Pazar Fortress. They will provide an economic incentive for the restoration of devastated private properties. In addition, the revitalization of the public space will enhance the overall ambience of the Old Bazaar, making it more attractive to tourists while improving the quality of life of local residents.

Above all, the functionality and energy efficiency of the buildings will be significantly improved, while the modernization of the infrastructure will reduce the risks of further deterioration, such as the collapse of buildings or the risk of fire due to outdated electrical systems. The introduction of a pedestrian zone will also contribute significantly to reducing air pollution in the area.



View from the Altun Alem Mosque

View from the Mosque Arab Mosque

Source: Google Earth

Key aspects of the project include:

- Reconstruction of the existing underground infrastructure (water supply and sewage system).
- Laying new underground electricity and telecommunications lines (replacing the old lines for fire safety and aesthetic reasons).
- Conversion of public areas into pedestrian areas to ensure safety, minimise pollution and preserve the historic charm of the bazaar.
- Paving the public areas with stone slabs and cobblestones to restore the original aesthetics of the bazaar.
- Installation of street furniture and appropriate public lighting that blends in with the surroundings and historical context.
- Renovation of facades and repair of tiled roofs to improve energy efficiency and aesthetic appearance. These activities should be supported by subsidies or grant schemes.
- Renewal of shop windows with environmentally friendly materials to improve energy efficiency and visual coherence. These activities should be supported by subsidies or grant schemes.
- Equipping bakery chimneys with philtres to reduce air pollution.
- Installing public fountains and green spaces where possible to enhance the amenity of the bazaar.
- Introduction of tourist signage and object markers to facilitate navigation and enhance the visitor experience.
- Installation of interactive information displays for better tourist guidance, citizen information and marketing initiatives.
- Establishing a high-speed internet connection in the bazaar, fortress and park to support tourism applications, fast photo sharing and overall efficiency of the site.



View of the facade of "Stare Čaršija" - Gradska Street, direction south

Spatial-planning documentation prescriber following facade appearance of the pedestrian area of the Old Town (existing and planned layouts).

Current state - Layout



Planned state - Layout



Source: Plan of detailed regulation of the Old Bazaar with a park in Novi Pazar, Graphic attachment: Facade layout of the pedestrian zone of the Old Bazaar (current and planned state)

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

General data

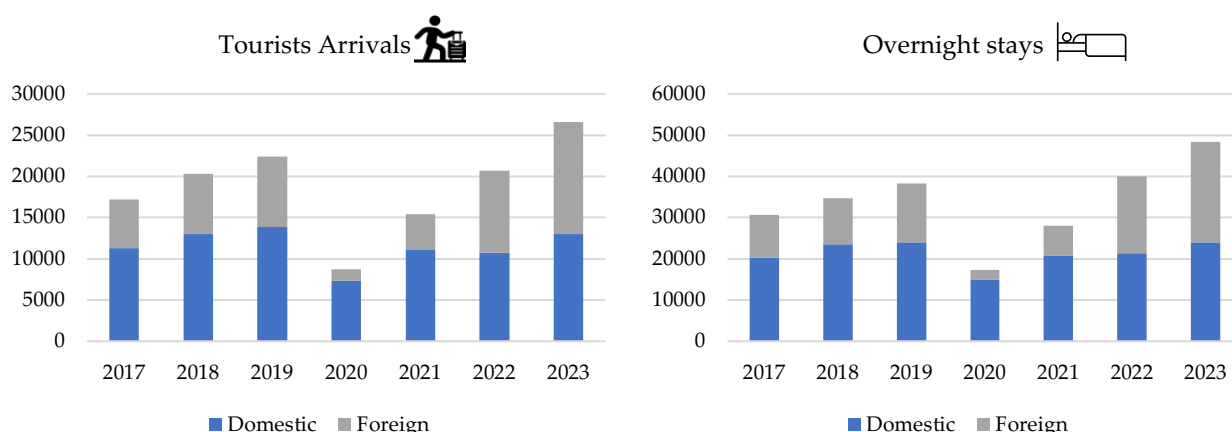


Economy: Novi Pazar has a growing population, dynamic entrepreneurial activity and a relatively stable level of employment. In contrast to other municipalities in Serbia, Novi Pazar has seen a steady upward trend, indicating an overall increase in population and a slight decrease in 2022. Along with demographic growth, the city's economic landscape has proven to be resilient and dynamic, with a relatively stable number of businesses and entrepreneurs. Similar to the number of companies, there has been a general upward trend in the number of entrepreneurs in Novi Pazar over the years, indicating a growing entrepreneurial spirit and increasing business activity in the region. While employment figures have remained relatively stable, Novi Pazar continues to offer opportunities in a developing and dynamic economy.

	2017	2018	2019	2020	2021	2022
Population	105490	106261	107071	107822	108352	106663
Number of companies	1246	1455	1244	1276	1312	1333
Number of entrepreneurs	3413	3591	3680	3777	3976	4177
Employment	20513	21195	21038	20951	21015	20944



Tourism sector: Overall, the trends in tourist arrivals and overnight stays illustrate the resilience of Novi Pazar's tourism industry in the face of challenges such as the pandemic. The positive development of recent years points to opportunities for further development and expansion of the tourism sector, with a focus on attracting domestic and international visitors. From 2017 to 2022, there was a general upward trend in domestic tourist arrivals, with a significant decline in 2020 due to the pandemic and associated travel restrictions. The subsequent recovery in 2021 and 2022 indicates the resilience of the domestic tourism sector. Foreign tourist arrivals are more volatile than domestic tourists, with fluctuations observed over the entire period. The trend in overnight stays by domestic and foreign tourists mirrors the trend in tourist arrivals, with a general upward trend. There is a decline in 2020, but this is followed by a rapid recovery in the following years, indicating the resilience of domestic tourism in Novi Pazar. Novi Pazar sees a significant influx of unregistered tourists, with city officials pointing out that the actual number of tourists in the area can be up to two and a half times higher than the official data.



Potential for development of the tourism industry: Novi Pazar has significant potential for the development and upgrading of its tourism industry through the promotion of cultural heritage, natural attractions and authentic experiences. The therapeutic properties of the Novopazarska and Rajčinovića spas offer a promising opportunity to increase future demand and improve the future demand of Novi Pazar's tourism sector. The cultural monuments on the UNESCO List of Tangible Cultural Heritage, the medieval complex of Stari Ras with St. Peter's Church and the monasteries of Đurđevi Stupovi and Sopoćani, offers the opportunity to position Novi Pazar as a significant cultural and historical destination in Serbia and the entire region. In addition, the proximity to well-known natural attractions such as Kopaonik, Pešter and Golija serves as a basis for the development of tourist offers that combine the charm of cultural and historical heritage with activities such as skiing, hiking, paragliding, hunting and fishing. The town's rich cultural appeal, epitomized by landmarks such as the Old Bazaar, the Isa-Beg Hammam, the Novopazar Fortress and a number of mosques, as well as Novi Pazar's reputation as a culinary haven known for its authentic gastronomy and preservation of traditional craftsmanship, make it even more attractive as a tourist destination.



Strategic framework: Novi Pazar **does not currently have** a strategic document specifically for tourism. However, the city's commitment to this sector is evident in its Sustainable Development Plan 2021-2030, and the Medium-Term Plan of the City of Novi Pazar, 2023-2025, and shows a strategic approach to tourism development. These documents **focus on the preservation of cultural heritage, especially the Old Town**, and the development of tourism infrastructure through detailed planning and coordination of activities in various areas, including urban planning, infrastructure, and cultural programs. **The development of strategic documents in the field of tourism** is proposed to improve special tourist offers and programs for the preservation of cultural and historical heritage and to promote Novi Pazar as an attractive tourist destination.



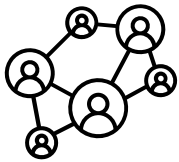
Spatial-planning documentation: Comprehensive **spatial-planning documentation** for the location **has been finalized**. However, the construction process requires obtaining the following project and technical documentation:

- Preliminary Design,
- Obtaining location conditions based on conceptual design,
- Conceptual design,
- Construction permit design,
- Technical control of the project for the building permit,
- 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 Stara čaršija (Old Bazaar) Novi Pazar into a regional tourism highlight: The investment in the Old Bazaar of Novi Pazar includes reconstruction to preserve the architectural integrity of Old Bazaar as cultural heritage protection and tourism development measure, while providing additional services such as SME development, **thematic guided routes, gastronomy routes etc. Cooperation with local craftsmen** to revive traditional crafts and trade in Old Bazaar creates authentic and interactive tourist attractions, complemented by the introduction of guided tours and educational programs to provide insights into the historical significance and cultural heritage of the city. In addition, promoting Old Bazaar as a **venue for cultural events**, festivals and performances not only attracts visitors but also encourages community engagement, with investment in improving infrastructure and facilities ensuring comfort and accessibility for visitors, thus increasing the city's attractiveness as a tourist destination. In addition, working with local businesses to develop **hospitality and dining options** in Old Bazaar offers visitors a taste of traditional cuisine and hospitality. Collaboration with neighboring attractions and destinations will create integrated tourism packages that highlight Old Bazaar as a centerpiece of regional exploration and reinforce its importance, while commitment to sustainable tourism practices and community development initiatives will ensure its long-term viability as a regional tourism highlight.



Expanding tourism impact: Significant natural and anthropogenic resources have been identified around Novi Pazar, which contain special features of tourist attraction and are of great importance for the development of tourism. In addition to the design and promotion of the Old Bazaar, great importance should be addressed to connecting of various individual providers of the tourist offer to create a unique tourist product of this area. Novi Pazar region is home to medieval monuments such as Stari Ras and

Sopoćani, which have been declared a UNESCO World Heritage Site since 1979 and are an integral part of the esteemed Transromanica Cultural Route. The wealth of cultural monuments in Novi Pazar played a decisive role in the city's nomination as a "European Destination of Excellence" in 2017.

Popular tourist destinations in the vicinity of the Stara čaršija (Old Bazaar) Novi Pazar include:

- Đurđevi Stupovi Monastery - 5 km
- Novopazarska spa - 5 km
- Rajčinovića spa - 7 km
- Stari Ras - 11 km
- Mount Rogozna - 12 km
- Sopoćani Monastery - 15 km
- Lake Gazivode - 35 km
- Mount Golija - 38 km
- Uvac river canyon - 50 km
- Kopaonik Mountain - 53 km
- Pešterska plateau - 60 km
- Studenica Monastery - 64 km
- Maglic Fortress – 77 km



Enhancing existing offers: The capacity of the existing tourist infrastructure is relatively low and hinders the development, as important facilities such as a visitor information centre and a souvenir store, etc. are missing. The improvement of the infrastructure and the establishment of additional tourist facilities will increase the attractiveness of the place by

offering guided tours, information stands, souvenir stores, thematic cultural routes, space for cultural events.

Supplementary tourist activities: While preserving the authenticity of Novi Pazar's identity, supplementary tourist activities have been identified to combine elements of the rich cultural and historical heritage in a unique way. These activities include various cultural events with special emphasis on the promotion of local cuisine, as well as entertainment and sports activities in the city park and at the Fortress.

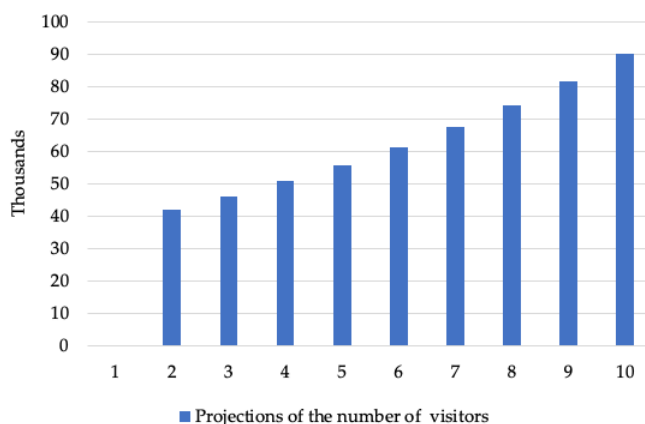
The investment in the Stara čaršija (Old Bazaar) Novi Pazar will enhance the following forms of tourism:

- Cultural and historical tourism
- Religious tourism
- Incentives tourism
- Event tourism
- Business tourism
- Rural tourism.

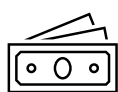
Projections

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

- the visitation trends,
- the number of visitors to the surrounding local self-governments (Vrnjačka banja, Raška, Kraljevo, Novi Pazar i Tutin),
- the influx of tourists to similar sites in the Region (Old Bazaars in Skolje and Sarajevo),
- its strategic location and consideration of transit tourists contribute to a comprehensive understanding of the potential tourist flow.

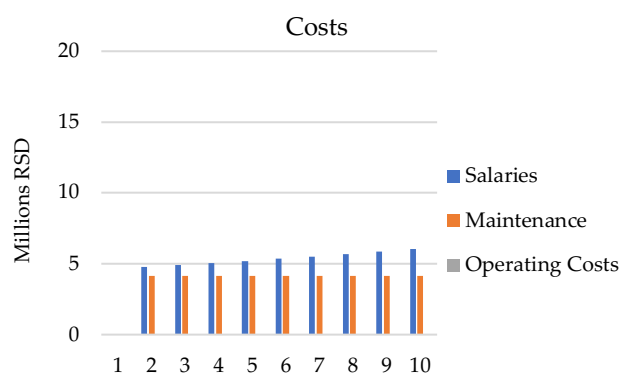
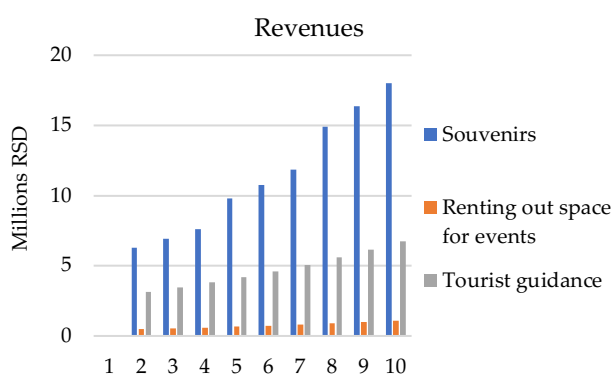


The projected data on visitor numbers show a steady and substantial increase in visitor numbers to Novi Pazar over a ten-year investment period, starting with 42,013 in the second year and rising to 90,059 by the tenth year. The continuous increase in visitor numbers illustrates the potential for sustainable tourism development and economic benefits for the region.



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 Stara čaršija (Old Bazaar) Novi Pazar can generate additional revenues from souvenir sales, renting out space for events, and tourist guidance.

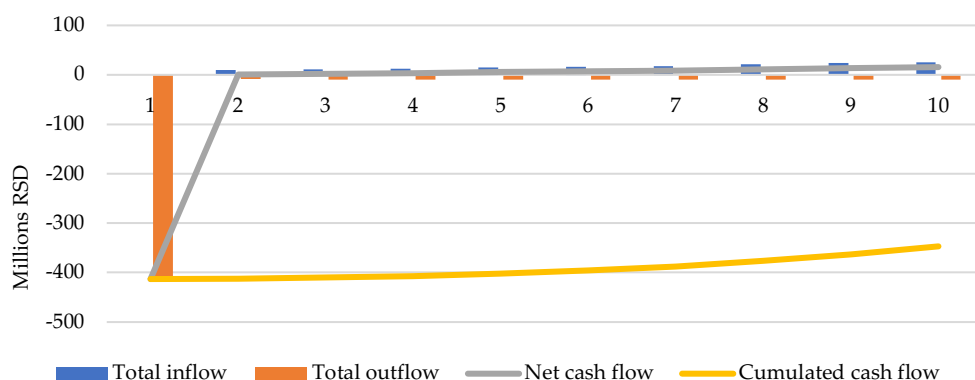
The revenues graph for the "Old Bazaar" project in Novi Pazar shows a significant increase over the 10-year period, particularly in income from souvenirs and the rental of space for events, with the tourist guide services also making a steady contribution. In contrast, the cost chart shows that expenditure 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 increased profitability and economic benefit for Novi Pazar.



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 Stara čaršija (Old Bazaar) Novi Pazar **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -362,017,667) and an internal rate of return of -22.52%, 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.



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.

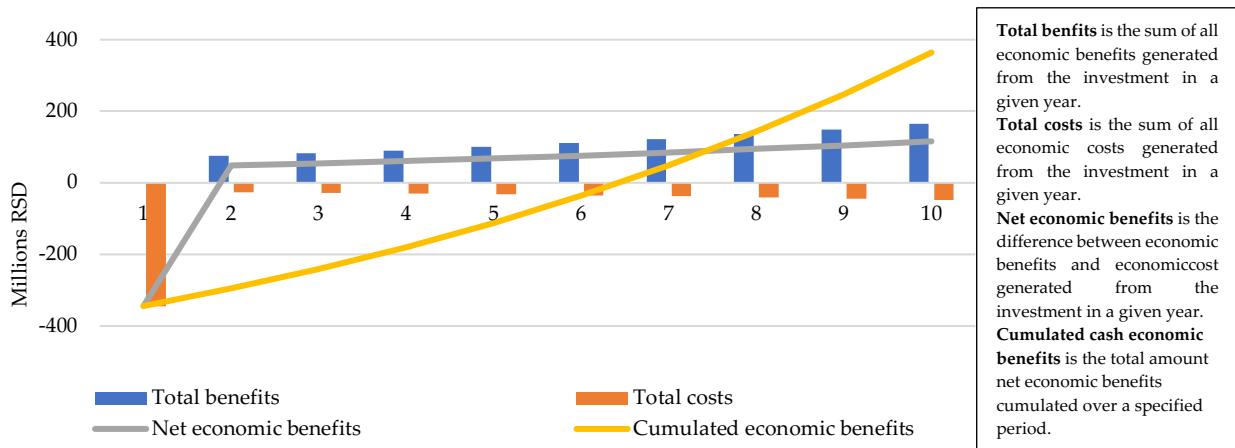
Note: horizontal axis presents year of operation

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 Stara čaršija (Old Bazaar) Novi Pazar. **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 134,892,218) and an economic internal rate of return of 15%. The benefit-cost ratio of 1.25 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.

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.

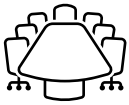
² The reference investment period for calculations spans ten years. The value of the social discount rate used is 7%, in line with the Ministry of Finance guidelines.



Note: horizontal axis presents year of operation

Employment: The project investment will lead to the employment of 4 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: Considering that the area of the Old Bazaar falls under the management of the public space by the city, while the tourist activities are managed by the Novi Pazar Tourist Organization, and most of the objects in the Old Bazaar are privately owned, the management model is very complex. To enable effective communication and coordination between stakeholders, a coherent solution needs to be found. Involving private owners in the reconstruction and maintenance of facades, roofs and shop windows is another challenge. Potential resistance and a negative atmosphere can arise and hinder project implementation without adequate appropriate communication/mitigation measures and local support. Coordination of the various interests and priorities is important, particularly regarding infrastructure and aesthetic improvements, and site accessibility.

The risk of governance gaps includes inefficient resource management, inconsistent stakeholder coordination, insufficient commitment to infrastructure sustainability and difficulties in providing a quality visitor experience. The lack of good governance can lead to neglect of cultural heritage and a lack of maintenance and promotion initiatives, which ultimately impacts on local tourism appeal and economic prosperity. One strategy to address these challenges is to create a management structure or body responsible for the management, conservation, maintenance, and tourism development of the site. This body should be responsible for infrastructure maintenance, adaptation, rehabilitation, ongoing maintenance, and protection to ensure the long-term viability and attractiveness of the site.



Socio-economic effects: The Old Bazaar has the potential to generate positive socio-economic impacts ranging from job creation and economic growth to cultural preservation and community development, ultimately contributing to the prosperity and vitality of Novi Pazar. In addition, the potential creation of new jobs in the wider area of the town should be seen as an important positive social impact. Investment in the tourist infrastructure of the Old Bazaar is expected to increase consumption in commercial and craft businesses, which in turn will increase budget revenues through increased VAT collection.



Risks: The "Investment in Stara čaršija (Old Bazaar) Novi Pazar" project faces **manageable risks that can be mitigated with strategic approaches**, highlighting the **absence of high-impact and high-probability risks**. However, there are **management risks**, as explained in the management model. Key risks include fluctuations in demand, financial constraints, legal constraints, business uncertainties and procurement challenges. Risk mitigation strategies include diversifying the tourism offer, utilizing digital marketing, adopting environmentally friendly practices, tapping into various funding sources, complying with legal regulations, and encouraging community engagement to ensure sustainable development and successful project implementation in the historical and cultural center of Novi Pazar.



Environmental Impact: The proposed investment in Stara čaršija (Old Bazaar) Novi Pazar 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. On the contrary, it is **expected energy efficiency improvement and air pollution reduction** in Novi Pazar. 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 though a conservative approach was taken in the overall assessment, especially in the financial and socio-economic analysis, the results of the valorization of the Old Bazaar tourist site in Novi Pazar show that the investment is not only acceptable, but also desirable from a local and national perspective. The revitalization of the Old Bazaar in Novi Pazar is not only an opportunity for economic growth, but also for the preservation of culture and community development. Investing in its restoration and enhancement will not only preserve the city's rich heritage, but also create new employment opportunities that will stimulate economic activity and foster a vibrant and inclusive community. With careful planning and collaboration between stakeholders, the Old Bazaar has the potential to develop into a thriving center for tourism, trade and cultural exchange, enriching Novi Pazar's tourism offer.