



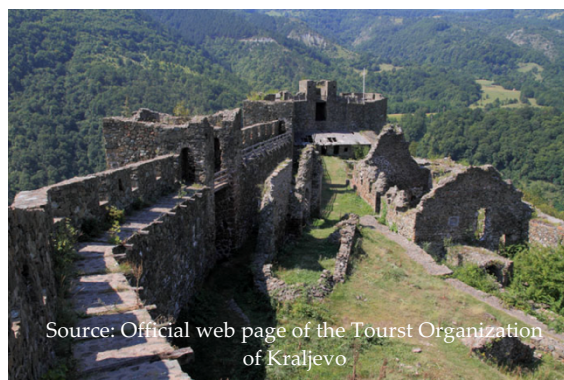
Investment in Maglič Fortress



Location: The medieval fortress of Maglič is situated 20 kilometers south of the city of Kraljevo, in the Raška Region. It is enthroned on a high hill above the Ibar Valley, on the main road leading to Novi Pazar and Montenegro.



Rationale: Maglič is an outstanding tourist destination both because of its architecture and its location. The fortress has been partially restored, but the work has not yet been completed. Part of the fortress is not secured and poses a danger to visitors. Access to the fortress is currently difficult as the bridge that connects the fortress to the regional road was washed away in 2019. Despite these challenges, access to the fortress is open to public free-of-charge.



Source: Official web page of the Tourist Organization of Kraljevo



Source: Official web page of the Tourist Organization of Kraljevo

Investment in Maglič Fortress can support further development of sustainable tourism, diversify the local economy and reduce dependence on traditional industries. By offering unique experiences such as guided tours, cultural and other events and interactive presentations, the Fortress can attract a wide range of visitors. As visitor numbers increasing, so does the potential for ancillary businesses such as green tourism products, rural accommodation, restaurants, handicrafts and souvenirs shops and transportation services.



Tourism activities at the location: Maglič Fortress is part of the tourist offer of the Kraljevo Tourist Organization. However, due to the collapse of the bridge, there are no organized/official tourist services provided at this location. However, visitors can benefit from the guided tours offered by the local community, especially by members of the Maglič Grad Civic Association. Tourists can also explore the history, architecture, and cultural heritage on their own, which presents safety risk both for them and for the integrity of the location.

At the base of the fortress there is a property with a **rural cultural center** where numerous events related to the Fortress are organized by the local citizens group. There is basic infrastructure such as electricity and water as well as modest accommodation (camp). In the immediate vicinity of Maglič, events such as rafting on the Ibar River, Days of the Lilac, music concerts and the Maglič Festival take place, making the fortress an important site and resource for cultural and event tourism.

Estimates by the Kraljevo Tourist Organization and the Maglič Guard Association show that during the peak season (spring and summer), between 100 and 200 tourists on average visit the fortress on weekdays, while on weekends around 500 to 600 visitors explore the Fortress.

Existing service infrastructure: While significant progress has been made in the fortress's restoration, ongoing work continues. There is no permanent or mobile toilet facility within the Fortress. Additionally, there is no information desk, working facilities for guides and other personnel, souvenir shop as well as interpretation exhibition. Walking paths (without fences) were built and arranged along the southern walls and towers, offering views of the surrounding landscapes. The fortress path and exterior are equipped with lighting but insufficient strength. In the vicinity to the Fortress, across the regional road, there is a restaurant and parking lot.



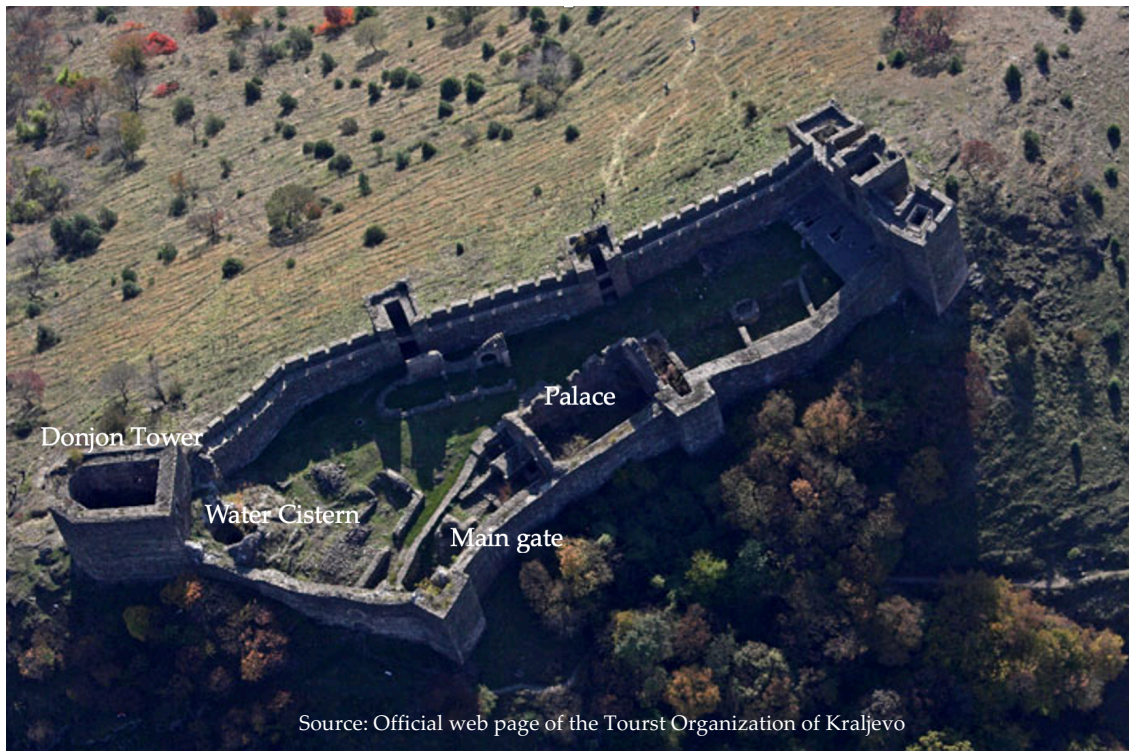
Source: Official web page of the Tourst Organization of Kraljevo
<https://www.kraljevoturizam.rs/maglic.html>

The primary challenge facing visitors to Maglič Fortress is the lack of a bridge spanning the Ibar River, which restricts access and compromises safety. To address this issue, Maglič Grad Civic Association took proactive measures by organizing a temporary scaffolding system, facilitating the transport of people and goods across the river. However, this limits the number of visits and poses risks to tourists. Recognizing the critical need for improved access to the location, the City Administration of Kraljevo took measures for the development of the technical documentation, as well as the execution of construction works (in collaboration with Ministry of Construction). The planned activities address the accessibility challenges by constructing essential infrastructure elements: parking lot, the installation of a footbridge across the regional road, and the construction of a permanent bridge over the river Ibar.

A detailed description of the intervention

Investment activities include a series of restoration, conservation and modernization measures aimed at increasing the tourist potential:

- Rehabilitation of Towers 7 and 8 and the walls between them to restore their structural integrity and historic character.
- Reconstruction of the Palace and the cistern.
- Conservation of the Donjon Tower. Restoration work will be carried out to ensure its preservation and possibly repurpose it for new presentation purposes.
- Restoration of the walls and ramparts. The completion of the conservation work on the walls also includes the restoration of the rampart between towers 7 and 8.
- Modernization of the electrical installations and lighting. The introduction of decorative lighting will improve the security and ambience within the fortress and contribute to the presentation and interpretation of the site for visitors.



Source: Official web page of the Tourist Organization of Kraljevo

Before implementation, it's essential to establish clear guidelines for access to the fortress, identify a suitable location for a visitor center, establish maintenance services and develop a comprehensive presentation and interpretation program.

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

General data

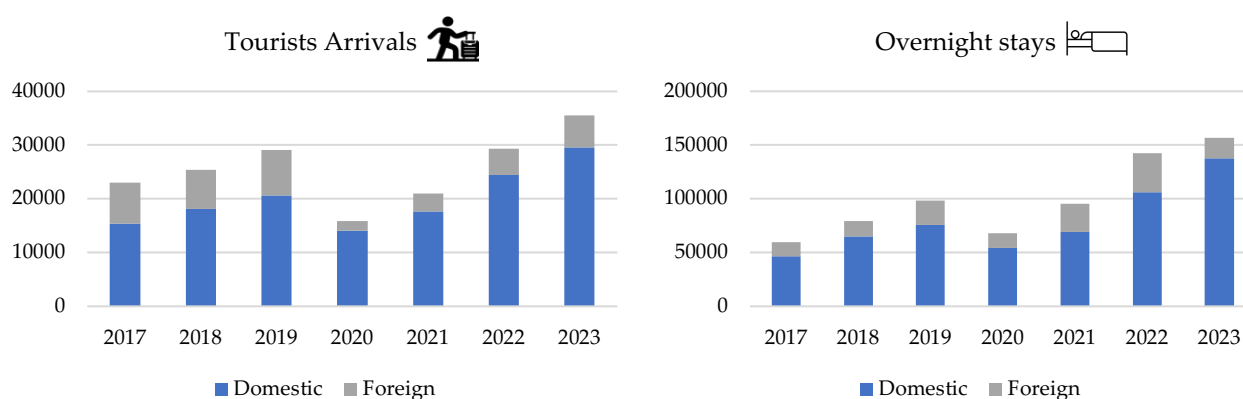


Economy: Kraljevo has faced **demographic challenges** such as population decline but has demonstrated its resilience and potential for economic growth through entrepreneurial activity and employment growth. The **number of businesses has remained relatively stable**, with a slight increase in recent years. The steady **increase in the number of entrepreneurs** in Kraljevo indicates a growing entrepreneurial community in the city, with more people taking the initiative to start their own business. Despite the decline in population, the number of jobs in Kraljevo grew, followed by a **positive trend in employment**.

	2017	2018	2019	2020	2021	2022
Population	119585	118363	117168	115921	114.424	110545
Number of companies	1502	1653	1459	1466	1506	1507
Number of entrepreneurs	4130	4468	4803	4882	5021	5257
Employment	29157	29938	30674	31728	32345	35298



Tourism sector: Kraljevo has experienced **growth in the tourism sector**, with an increase in tourist arrivals and overnight stays from both domestic and foreign visitors. Domestic tourism has been the driving force behind this growth, as the number of domestic tourist arrivals has steadily increased. The data shows that both domestic and foreign tourists are not just passing through, but opting for **longer stays**, as evidenced by the increase in overnight stays. While domestic tourism remains strong, there have been fluctuations in foreign tourist arrivals, which have seen peaks and troughs over the years. Factors such as the economic situation, geopolitical stability and global travel trends can influence fluctuations in foreign tourism. Despite these fluctuations, foreign tourism has recovered significantly after the pandemic, indicating a renewed interest in Kraljevo from international travelers.



Potential for development of the tourism industry: The tourist offer in Kraljevo is based on **natural and anthropogenic factors** that favour various forms of tourism. The landscape of Kraljevo, surrounded by mountains and water, supports **sports and recreational tourism**, while the **rich cultural heritage**, including the Žiča and Studenica monasteries, attracts visitors interested in history and tradition. Kraljevo hosts **numerous events** that preserve intangible cultural heritage by promoting music, gastronomy, traditions, and customs, as well as medieval chivalric culture.

The revitalization of Maglič Fortress will increase the number of visitors, but also promote the development of **rural tourism** in the immediate vicinity. Kraljevo has considerable potential for rural tourism, with several destinations such as the villages of Lopatnica, Rudno, Bogutovac, Popovići, Žiča and Meljanica. These places offer tourists an authentic insight into rural life and the opportunity to immerse themselves in local culture, traditions, and activities such as gastronomy, agriculture, folklore, and cultural events. By investing in the revitalization of Maglič Fortress, tourists will be attracted to explore the historical significance of the fortress and venture into the rural landscapes surrounding it. Furthermore, the increased tourist appeal of Maglič will position it as a hub for **excursions, weekend getaways** and **short breaks** in the region. Travelers looking for a break from city life can enjoy the calmness and authenticity of Maglič and the surrounding rural communities.



Strategic framework: Local policies and strategic documents **emphasize the importance of tourism**, especially the medieval Maglič Fortress as the main attraction. Their focus is on the systematic revitalization and promotion of tourist sites such as Maglič.



Spatial-planning documentation: Spatial planning documentation for the site are **available**. However, to advance the implementation of the activities outlined in the spatial-planning documentation, it is recommended to develop a Study detailing the arrangement and reconstruction of the site, accompanied by a proposal outlining compatible contents and purposes. Additionally, further elaboration through an urban planning project is desirable, as it encompasses the furnishing plan, ensuring comprehensive development aligned with regulatory guidelines and strategic objectives.

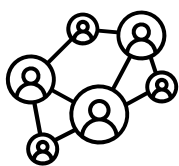
The construction process requires obtaining the following project and technical documentation:

- Conceptual design for rehabilitation of ramparts and towers, conservation of the Donjon Tower, Cistern and Palace
- Obtaining location conditions
- Development of a conceptual project
- Building approval for the execution of works
- 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. In addition to hotel accommodation, other forms of accommodation are also available to tourists, as well as a significant offer of accommodation in rural tourist households in the immediate vicinity of Maglič.

Investment opportunities - Transforming Maglič to a regional tourism highlight: The investment in the Maglič Fortress includes revitalization measures and the construction of new tourist infrastructure that would enable **additional amenities** such as presentation/interpretation, interactive exhibitions, cultural events and new experiences. The transformation of Maglič into a regional tourism highlight opens up the opportunity to develop **visual communication**, audio guides and guided tours that provide insights into the history, architecture and strategic importance of Maglič. **Interactive exhibitions** within the fortress walls will bring history to life through multimedia presentations, virtual reality experiences and hands-on activities. **Cultural events** showcasing local traditions, music, dance and crafts may be part of the regular activities. Visitors can enjoy **hiking trails, nature walks and viewpoints** around Maglič Fortress that offer views of the surrounding countryside.



Expanding tourism impact: Maglič Fortress offers an authentic ambience that extends beyond its walls, providing an ideal setting for various outdoor events and immersive historical experiences that take visitors back in time to the Middle Ages. In addition, Maglič is centrally located on the Valley of Centuries route, which includes significant historical and cultural sites such as the Valley of the river Ibar (Ibarska dolina), the Valley of Serbian Kings and the Lilac Valley. The revitalization of Maglič will contribute to the strengthening of educational, cultural-historical, event, active and leisure tourism, as well as rural tourism, and will promote the growth and diversification of the tourism sector in the region. In addition, the potential for linking Maglič with nearby tourist sites and attractions such as, Monasteries Žiža, Gradac and Studenica, Mataruška, Jošanička and Vrnjačka Spa, tourist complex Krstovgrad, village famous for rural tourism Lopatnica, Mountain Goč, City of Novi Pazar, underlines its importance within the broader tourism offer and promises enriching experiences for visitors exploring the region.

Popular tourist destinations in the vicinity of Kraljevo site include:

- Žiča Monastery - 6 km
- Mataruska Spa - 10 km
- Krstovgrad - 15 km
- Bogutovačka Spa - 23 km
- Vrnjačka Spa - 24 km
- Lopatnica - 27 km
- Mount Goč - 39 km
- Studenica Monastery - 59 km
- Aleksandrovac - 65 km
- Novi Pazar – 75 km
- Rudno - 75 km
- Jošanička Spa - 75 km
- Gradac Monastery - 83 km



Enhancing existing offers: The capacities of the existing tourist infrastructure are low and hinder the development of the location. Improving appearance and ensuring access to the site, the project seeks to increase visitors' safety and improve the site's attractiveness by offering diverse tourist activities, including guided tours presentation/interpretation services and information desks.

Supplementary tourist activities: Respecting the rich cultural and historical heritage, natural beauty of the Kraljevo region, and the uniqueness of the Maglič Fortress site, supplementary tourist activities have been identified with the aim of enhancing the tourist offer and providing visitors with a unique experience. These activities include various cultural and historical events, gastronomic festivals, as well as recreational, sports, and adventurous activities in the Ibar River Valley, along with excursions to surrounding sites such as the Žiča and Studenica Monasteries.

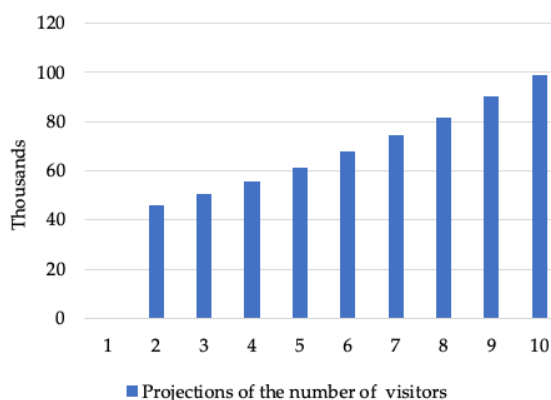
The investment in the Maglič will enhance the following forms of tourism:

- Educational tourism;
- Green and active tourism;
- Incentives tourism;
- Event tourism;
- Sports and leisure tourism;
- Rural tourism.

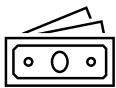
Projections

Number of tourists: 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,
- synergy with surrounding tourist attractions.

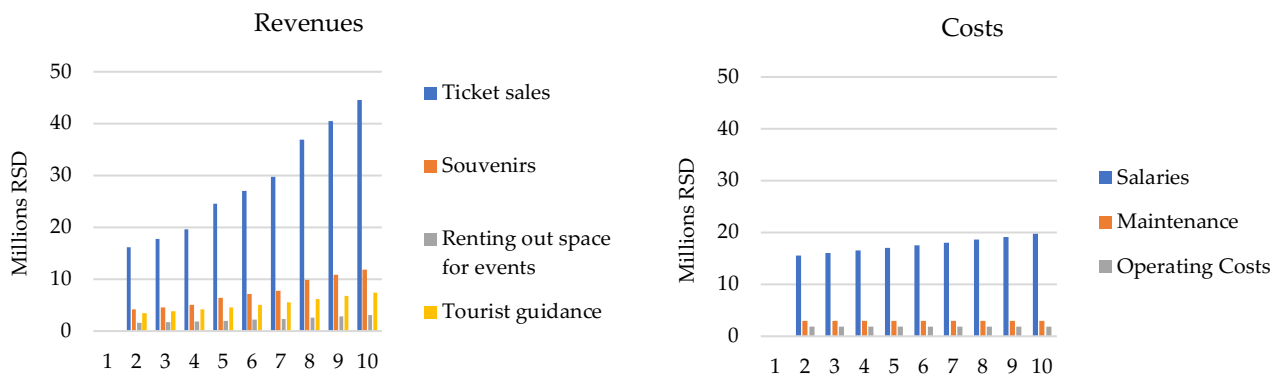


The projections show a constant and steady increase in visitor numbers over the 10-year investment period, starting at 46,224 in the second year and rising to 99,085 by the tenth year. This upward trend indicates growing popularity and successful efforts to attract more visitors each year.



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 Maglič can generate additional revenues from ticket and souvenir sales, renting out space for events, and tourist guidance.

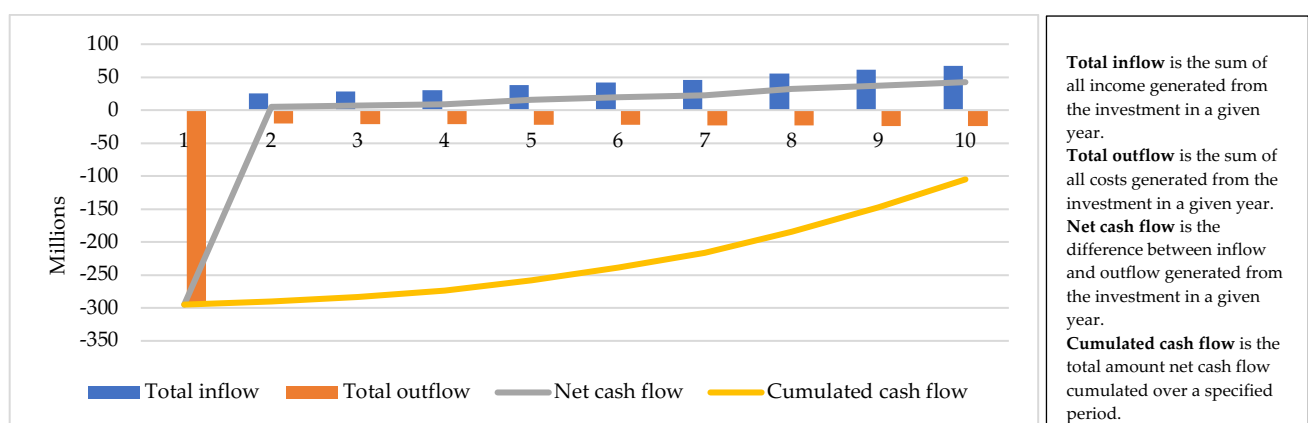
Revenues show a clear and steady increase in ticket sales over the 10-year period, with additional modest growth in souvenirs, renting out space for events and tourist guiding. Conversely, the data on costs shows that expenditure on salaries, maintenance and operating costs has remained relatively stable, with no significant increases over the same period. This suggests that while income is increasing significantly, costs are remaining relatively constant, which could lead to increasing profitability.



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 Maglič **does not yield financial returns**, making it financially unacceptable for a private investor. Despite a negative financial net present value (RSD -147,471,925) and an internal rate of return of -6.37%, 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.



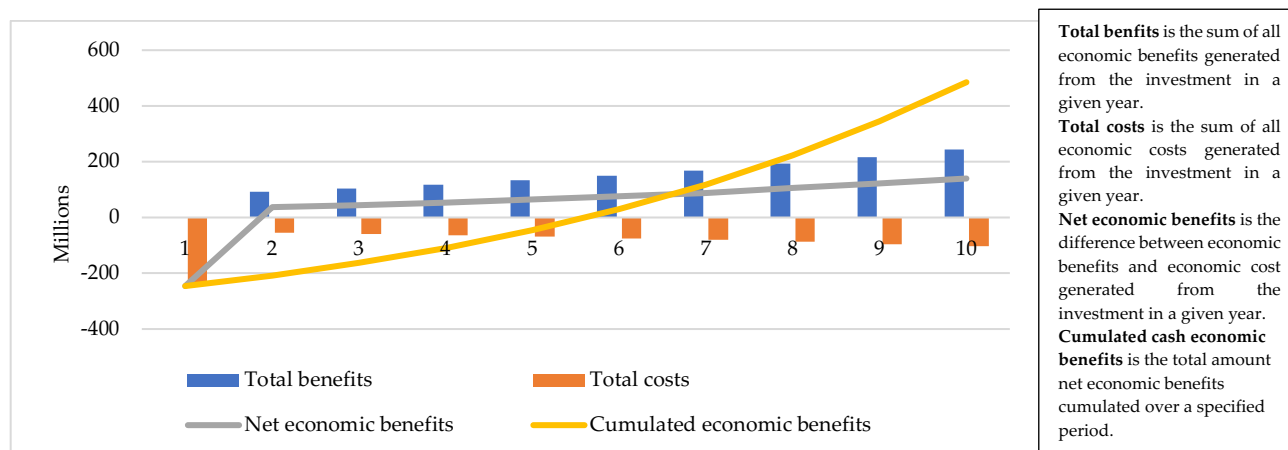
Note: horizontal axis presents year of operation

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-

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.

economic analysis (under defined assumptions²) unequivocally demonstrates the financial sustainability of investing in Maglič. **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 230,383,337) and an economic internal rate of return of 22%. The benefit-cost ratio of 1.34 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

Employment: The project investment will lead to the employment of 11 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 Maglič Fortress poses a significant risk to its effective management. This governance gap may result in inefficient resource allocation, inadequate coordination between stakeholders, and a lack of commitment to maintaining sustainability of the tourism operation as well as preservation of the heritage. Insufficient management capacities could compromise the preservation of cultural heritage, hinder maintenance efforts, and delay promotional activities, ultimately impacting tourist attraction and local economic benefits. Currently, the Tourist Organization of Kraljevo oversees the development promotion of the tourist site Maglič Fortress. However, since the bridge was swept away by the Ibar river, no visits are organized and no guides are available, visitors now explore Maglič independently. The Institute for the Protection of Cultural Monuments of Serbia is responsible for reconstruction and conservation of the fortress. To mitigate management risks, it's 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: Investment in the Maglič Fortress serves as a catalyst for economic growth, but also creates opportunities for the development of rural tourism. Beyond tourism, the socio-economic impact extends to the diversification of tourism services, the promotion of active participation of the local community, the expansion of

the accommodation offer, the promotion of local crafts and the revitalization of traditional trades. In addition, the preservation and promotion of Maglič makes an important contribution to the cultural heritage and gives residents a sense of pride and identity. By diversifying the tourism offer to include rural experiences such as farm visits, craft workshops and cultural festivals, Maglič attracts a wider audience and promotes a deeper understanding of history, culture, and the environment, while offering rural communities the opportunity to showcase their traditions and way of life.



Risks: Investing in Maglič Fortress involves manageable risks, **none of which are classified as high impact or high probability risks**. However, there are **management risks**, as explained in the management model. In addition to this risk, the most important challenges include discrepancies between supply and demand, financial constraints and

business and procurement risks. Given that the bridge has been washed away by the Ibar river and access to the Fortress is restricted, investment activity is largely dependent on the efforts of the local government **to restore the bridge and associated infrastructure**. Demand risks, financial stability, procurement processes and the business environment pose challenges that can be effectively mitigated through defined strategies. These risks could be offset by comprehensive mitigation measures such as demand forecasting, diversified financing, reliable supplier networks and sound project management practices to ensure the successful execution and long-term viability of the project.



Environmental Impact: The proposed investment in Maglič has been thoroughly evaluated from an environmental perspective and is deemed **environmentally acceptable**. It is not expected that the implementation of the investment will significantly affect the existing environmental quality. Despite the expected minimal impact on

environmental factors, **comprehensive measures for environmental protection** are meticulously outlined, aligning with prevailing regulations, standards, and industry best practices.

Final remark

Despite the use of a conservative approach in the overall assessment, especially in the financial and socio-economic analysis, the results of the valorization of the Maglič Fortress indicate that the investment is not only acceptable, but also desirable from a local and national perspective. Maglič is strategically located on the route of the Valley of Centuries and is surrounded by picturesque landscapes. It offers visitors a unique opportunity to experience medieval history and culture. Through strategic investment, Maglič can become a regional tourism highlight, attracting visitors from all over the world, shaping the future of tourism in the region and contributing to economic growth, community development and cultural exchange.