6 The economic dimension

Learning objectives

- **Understand the role of the budget as a strategic tool** for planning, controlling and coordinating cultural event projects.
- **Distinguish between the economic plan and the financial (treasury) plan** and analyse their interdependence throughout the event life cycle.
- **Identify and classify the main sources of revenue for cultural festivals**, including public, private, international and commercial funding.
- **Analyse the structure and dynamics of public funding for festivals in Italy**, with particular reference to the National Fund for Live Entertainment (FNSV, formerly FUS).
- **Evaluate the main categories of expenditure in a cultural event budget** and apply realistic estimation criteria, including risk margins and cash-flow considerations.
- **Assess the strategic importance of sponsorship, fundraising and tax incentives** in ensuring the financial sustainability of cultural events and festivals.

Budget

The economic plan and the financial plan are a crucial part of the planning phase of a cultural event. How they are managed can contribute to the success or failure of the event. Although they have different implications and structures, the two plans are closely linked. The economic plan, whose tool is the budget, identifies the costs and expenses of the project, while the financial plan, represented by the treasury plan, highlights, during the event cycle, the cash inflows related to revenues and outflows related to costs (Argano *et al*., 2006). The budget is the forecast balance sheet and is one of the fundamental tools for project planning and control. The budget essentially consists of a list of revenues, such as public and private funding, ticketing, merchandising and any other type of revenue, and a forecast of expenditures, i.e., expenses of any kind, both variable and fixed, such as production, administrative and