Strategic Performance-Based Budgeting (SPBB)

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Strategic Performance – Based Budgeting : SPBB

-**Performance-Based Budgeting** is a budgeting system that establishes a direct link between financial allocations and performance indicators.

Performance-Based Budgeting

Entrepreneurial Budgeting

Results Budgeting (or Budgeting for Results)

Mission-Based Budgeting

Performance Budgeting

Strategic Performance – Based Budgeting : SPBB

The Traditional Budgeting System of Thailand

Thailand's budgeting suffers from a disconnect between fiscal allocation and national strategies.

Thailand transitioned to Strategic Performance-Based Budgeting (SPBB), a framework that prioritizes national strategic goals through the decentralization of budgetary authority.

It mandates clear service delivery targets and holds agency heads strictly accountable for defined outputs and outcomes.

Public Expenditure Management : PEM

First Maintaining Fiscal Discipline

- A Medium-Term Expenditure Framework (MTEF) is utilized to establish and enforce fiscal discipline.
- Economic assumptions used in setting fiscal targets must be realistic and achievable.
- Fiscal targets are continuously monitored and reviewed.
- The government is held accountable for long-term fiscal targets.

Public Expenditure Management : PEM

Second: Effective Resource Allocation (Allocative Efficiency)

- Establishing a National Strategic Plan as a guiding framework.
- Prioritizing resource allocation based on effectiveness and strategic value.
- Utilizing a Medium-Term Expenditure Framework (MTEF) to differentiate between "existing policy" and "new policy" budget requirements.
- Adopting a Top-down Budgeting approach to ensure alignment with national priorities.

Public Expenditure Management : PEM

Third: Operational Efficiency (Technical Efficiency)

- Shifting the focus toward performance and results rather than the strict control of inputs.
- Establishing a government organizational structure that appropriately decentralizes authority, with clear accountability at every level.
- Implementing robust monitoring and evaluation (M&E) systems.

Key Principles and Components of Thailand's Current Budgetary System

The Strategic Performance-Based Budgeting (SPBB) system is a results-oriented framework designed to align national resource management with government priorities and public needs.

Strategic Alignment
Prioritizing national strategies and policy objectives to drive budget allocation.

Operational Efficiency
Ensuring cost-effective management and the optimal use of public resources.

Empowerment and Accountability
Enhancing the administrative authority of ministries while enforcing strict standards of transparency and performance responsibility.

Key Principles and Components of Thailand's Current Budgetary System

Objectives of the Budgeting System

- To serve as a tool for efficient resource allocation that aligns with national development policies and strategies.
- To empower ministries and departments by increasing their roles and decision-making authority in resource allocation.
- To establish a monitoring and auditing system that is both effective and transparent.

Key Principles and Components of Thailand's Current Budgetary System

Key Components of the Strategic Performance-Based Budgeting (SPBB) System

The SPBB system integrates a results-driven framework with strategic alignment across all administrative levels.

It emphasizes multi-tier target achievement—from national to local—while enforcing strict accountability for all responsible stakeholders.

Functional Dimensions of Budget Management under the New Paradigm

Budget Management

- Government administrations leverage annual budgeting to operationalize policy frameworks and fulfill national strategic objectives.

Budget Management

Agenda-based goals address cross-ministerial policies by establishing a collaborative structure between lead and supporting agencies to drive urgent government initiatives.

Functional Dimensions of Budget Management under the New Paradigm

Agency Service Delivery Targets focus on providing public goods and services, with performance measured across four key dimensions:

Quantity, Quality, Timeliness, and Cost-efficiency

Area-based Strategic Goals

Area-based Strategic Goals involve localized strategies aligned with national policies. These address specific geographic needs, ranging from provincial clusters and individual provinces to international missions.

Strategic Dimensions of Thai Public Sector Development through the Balanced Scorecard (BSC) Framework

Internal Organizational Components Strategy 1: Restructuring Work Processes and Methodologies Strategy 2: Improving the National Public Administration Structure Strategy 4: Reforming the Personnel and Compensation Systems	External Stakeholders and Public Engagement Strategy 7: Opening the Bureaucracy and Promoting Public Participation
Financial Perspective Strategy 3: Re-engineering Financial and Budgetary Systems	Innovation and Digital Transformation Strategy 5: Shifting Paradigms, Culture, and Values of the Bureaucracy Strategy 6: Enhancing Modernization through Electronic Government (e-Government)

The Budget Preparation Process

Priority-Driven Allocation: Budgetary resources are allocated based primarily on strategic priorities.

Process Optimization: The workflow was restructured to prioritize strategic planning over technical budget preparation.

Developing a responsive budgeting system capable of managing rapid change and uncertainty.

The Budget Preparation Process

Administrative Empowerment:
- Streamlining central controls and updating regulations to grant agencies and local authorities greater autonomy.

Decentralized Authority:
- Delegating decision-making power from the central government to regional and local administrations.

Performance Monitoring
- Establishing systematic tracking to ensure the attainment of results and strategic targets.

Medium-Term Expenditure Framework (MTEF)

MTEF

- utilizes a three-year rolling expenditure plan to ensure programmatic stability.
- It integrates top-down policy directives with bottom-up operational assessments, prioritizing top-down alignment to ensure budget allocations effectively fulfill national target group objectives.

The 7 Standards of Financial Management

1. Budget Planning initiates with an Agency Strategic Plan

2. Output Specification and Costing involves analyzing both direct and indirect expenses based on quantity, quality, and timeliness.

3. Procurement Management focuses on developing a high-efficiency system integrated with performance-based budgeting.

The 7 Standards of Financial Management

4. Financial Management mandates structured accounting and robust disbursement controls.

5. Financial and Performance Reporting requires clear KPIs, systematic evaluation frameworks, and a fixed audit schedule.

Central to this process is demonstrating the direct correlation between resources and results through Value for Money (VFM) analysis to inform future strategic planning.

The 7 Standards of Financial Management

6. Implementation of a robust system to ensure optimal asset utilization.

7. Agencies must establish an independent audit unit with clearly defined mandates, supported by a transparent and accountable governance structure.

Advantages of Strategic Performance-Based Budgeting (SPBB)

The Parliament (Legislative Branch)

Policy-Budget Alignment
Approving budgets consistent with declared government mandates.

Strategic Scrutiny
Monitoring national performance based on strategic objectives.

Service Accountability
Auditing agency outputs to ensure delivery of public services.

Advantages of Strategic Performance-Based Budgeting (SPBB)

The Government (Executive Branch)

Policy Delivery
Enhancing the capability to achieve policy commitments pledged to the public and Parliament.

Accountable Governance
Institutionalizing a transparent governance system open to rigorous scrutiny.

Resource Optimization
Ensuring efficient utilization of national resources to maximize Value for Money (VFM) and public benefit.

Advantages of Strategic Performance-Based Budgeting (SPBB)

Government Agencies (The Implementers)

- Ability to manage operations with greater flexibility and efficiency.
- Ensuring that missions and targets are successfully accomplished as planned.

The Citizens (The Beneficiaries)

- Receiving better, faster, and more effective problem-solving and services.
- Achieving an overall better standard of living and well-being.

Problems with performance-based strategic budgeting

Ministry Service Delivery Goals: Challenges and Gaps

Service delivery goals fail to align with or support National Strategic Goals.

Failure to integrate the specific needs and characteristics of target groups into the planning process.

Objectives are unrealistic or lack practical possibility for achievement.

Performance metrics do not comprehensively cover or reflect the intended service delivery goals.

Vague definitions of indicators hinder accurate and objective measurement.

Problems with performance-based strategic budgeting

Ministry Strategy: Structural and Conceptual Flaws

- Ambiguous strategic direction hinders resource optimization, while the reliance on routine mandates—rather than transformative goals—stifles organizational progress.

Agency-Level Goals: Implementation Gaps and Operational Misalignment

- The process suffers from a misalignment between agency and ministerial targets, compounded by a failure to integrate beneficiary needs into strategic planning.
- The agency faces critical planning gaps, characterized by unrealistic goals that exceed operational capacity and poorly defined KPIs that lack both strategic alignment and objective verifiability

Problems with performance-based strategic budgeting

Agency Strategies: Ambiguity and Misclassification

- The agency lacks strategic alignment with ministerial goals and erroneously presents routine operational tasks as high-level strategies.

Problems with performance-based strategic budgeting

Outputs: Inconsistency and Measurement Issues

Goal Misalignment
Outputs lack direct contribution or alignment with Agency and Ministry targets.

Fragmented Impact
Incoherent output types fail to generate a unified impact on Ministry-level goals.

Measurement Weaknesses
Limited capacity for accurate quantification and verification of output indicators.

Chapter Review Questions

1. Why does Thailand implement Strategic Performance-Based Budgeting (SPBB) ?
2. What are the advantages of SPBB ?
3. What do the 7 Financial Management Standards (7 Hurdles) consist of ?

Do you have any Questions?

Thank you.