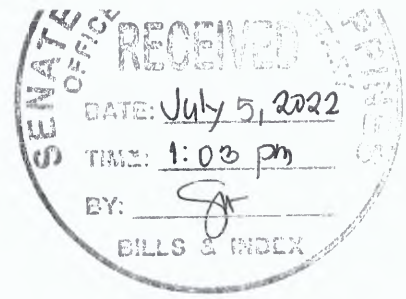


NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



**SENATE**

S. No. 13

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Introduced by Senator **PIA S. CAYETANO**

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**AN ACT  
PROVIDING A FRAMEWORK FOR SUSTAINABILITY-BASED BUDGETING**

EXPLANATORY NOTE

The Philippines adopted *Ambisyon Natin 2040*, which represents the collective long-term vision and aspirations of the Filipino people for themselves and for the country.

As a party to the United Nations 2030 Agenda for Sustainable Development, the Philippines is committed to the achievement of the seventeen (17) Sustainable Development Goals (SDGs). The SDGs are a universal call to action to end poverty, promote inclusiveness, build peaceful societies, and protect the planet. They are an integration of the three dimensions of sustainable development: economic, social, and environmental.

However, disasters and unforeseen events, such as the COVID-19 pandemic, hinder our achievement of these goals and aspirations. As of the first half of 2021, the number of impoverished Filipinos surged to 26.14 million.<sup>1</sup> The report on the Futures of Education by the Committee on Sustainable Development Goals, Innovation, and Futures Thinking, which was adopted by the Senate in the 18th Congress, also found that addressing issues on education such as the lack of classrooms and other facilities,

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<sup>1</sup> Caraballo, M.U. (2021, December 18). Number of poor Pinoys surge to 26M. Retrieved from <https://www.manilatimes.net/2021/12/17/news/number-of-poor-filipinos-up-26m-in-mid-2021-psa/1826303>.

including access to technology, shortage of quality school textbooks and equipment, and the need to improve teacher quality, among others, will lead to graduates who are more competitive in the global workplace, and bring the country towards its most desirable future. Meanwhile, providing quality, accessible, and affordable healthcare for all Filipinos should remain a priority. It is important to act on these and many other issues as they can only be aggravated by the effects of climate change, which has been described as a “‘crisis multiplier’ that has profound implications for international peace and stability”<sup>2</sup> and “the most systemic threat to humankind”.<sup>3</sup>

The deliberations on national and local budgets and the use of public funds should be done with sustainability in mind and should be considered as an important tool for achieving sustainable development. Sustainability or sustainable development is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

Currently, the annual budget process that Congress and local governments go through does not have any mechanism to establish and later monitor the sustainability of public spending and investments. Now more than ever, it is important for decision-makers and the public to know the effects of the national and local budgets on sustainable development given our limited resources and how this can impact future generations.

Recognizing our long-term goals and vision for the country and acknowledging the urgency to address the threats against them, it is imperative to ensure that national and local appropriations are aligned with the objectives of sustainable development. This can be done by taking an approach to the budget process that prioritizes sustainability in resource allocation and ensuring that budget implementation moves the country towards sustainable development.

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<sup>2</sup> United Nations Security Council. (2021, February 23). *Climate change 'biggest threat modern humans have ever faced', world-renowned naturalist tells security council, calls for greater global cooperation*. <https://www.un.org/press/en/2021/sc14445.doc.htm>

<sup>3</sup> Somini, S. (2018, March 29). Biggest threat to humanity? Climate change, U.N. chief says. *The New York Times*. <https://www.nytimes.com/2018/03/29/climate/united-nations-climate-change.html>

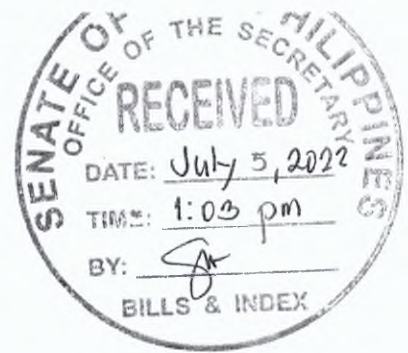
This measure, thus, seeks to create a framework for sustainability-based budgeting to be used during the preparation and monitoring phases of national and local government budgets. The Framework shall have components that ensure sustainable development is at the forefront of the budget process, such as the use of tools and methodologies for evidence-based decision-making, defined roles and responsibilities and timelines, and an emphasis on transparency and accountability. The Framework shall also include various aspects of sustainable development based on the SDGs and other priorities and goals of the national and local governments related to sustainability.

This bill is based on existing guidelines on sustainable financing by the Department of Finance and green budgeting principles from the Organization for Economic Co-operation and Development and the European Union.

In view of the foregoing, the approval of this bill is earnestly sought.

*Pia S. Cayetano*  
PIA S. CAYETANO *for*

NINETEENTH CONGRESS OF THE )  
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*First Regular Session* )



**SENATE**  
**S. No. 13**

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Introduced by Senator **PIA S. CAYETANO**

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**AN ACT**  
**PROVIDING A FRAMEWORK FOR SUSTAINABILITY-BASED BUDGETING**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

1           Section 1. *Short Title.* – This Act shall be known as the "*Sustainable Budgeting*  
2 *Act.*"

3           *Sec. 2. Declaration of Policy.* – The 1987 Constitution mandates the State to  
4 protect and advance the right of the people to a balanced and healthful ecology in  
5 accord with the rhythm and harmony of nature.

6           The State also remains committed to achieving *AmBisyon Natin 2040*, which  
7 represents the long-term vision and aspirations of the Filipino people for themselves  
8 and for the country, and remains as a guide for the future and the anchor of the  
9 country's plans.

10           As a party to the United Nations 2030 Agenda for Sustainable Development,  
11 the State upholds its commitment to the seventeen (17) Sustainable Development  
12 Goals (SDGs), and to achieving sustainable development in its economic, social and  
13 environmental dimensions in a balanced and integrated manner.

14           The State also affirms its commitment to the United Nations Framework  
15 Convention on Climate Change in the stabilization of greenhouse gas concentrations  
16 in the atmosphere at a level that prevents dangerous anthropogenic interference with  
17 the climate system, achievable within a time frame sufficient to allow the natural  
18 adaptation of the ecosystem to climate change, to ensure food production and food  
19 security, and to secure sustainable economic development. Further, the State remains

1 committed to the 2015 Paris Agreement, which includes making finance flows  
2 consistent with a pathway towards low greenhouse gas emissions and climate-resilient  
3 development.

4 The State also recognizes the urgency of climate change (SDG 13) and the  
5 need to consider investments addressing the same, and the imperative to transform  
6 into a more sustainable and environmentally mindful society, and move towards a low  
7 carbon economy which uses all resources to their fullest extent while creating  
8 opportunities for investments, growth, and employment.

9 It shall, therefore, be the policy of the State to establish a framework for  
10 sustainability-based budgeting, which shall be used during the annual preparations for  
11 both national and local appropriations. Incorporating sustainability into the budgetary  
12 process shall make both the national and local governments more accountable to their  
13 commitments towards sustainable development and support their transformation into  
14 sustainable and resilient communities.

15 *Sec. 3. Definition of Terms.* – For purposes of this Act, these terms are defined  
16 as follows:

17 (a) *Sustainability or sustainable development* refers to development that  
18 meets the needs of the present without compromising the ability of  
19 future generations to meet their own needs.

20 (b) *Sustainability-based budgeting* refers to the budgetary process and  
21 policymaking that helps achieve sustainable development. This includes  
22 evaluating the sustainability impacts of budgetary and fiscal policies and  
23 assessing their coherence towards the delivery of national and  
24 international commitments towards sustainable development. It can also  
25 contribute to informed, evidence-based debate and discussion on  
26 sustainable growth.

27 *Sec. 4. Sustainability-Based Budgeting Framework.* – The Development Budget  
28 Coordination Committee (DBCC), in coordination with relevant government agencies,  
29 shall develop a framework for sustainability-based budgeting, which shall include the  
30 components stipulated under Section 5 of this Act.

31 The Framework shall provide guidance for the national and local governments  
32 in their budgetary process and policymaking in ensuring that resource allocation takes

1 into account the sustainability of resources, environmental impacts and the interests  
2 of future generations. Further, the Framework shall help redirect public investment  
3 and consumption towards more sustainable priorities and practices and away from  
4 harmful subsidies.

5       Sec. 5. *Components of Sustainability-Based Budgeting.* – The Sustainability-  
6 Based Budgeting Framework shall have the following components:

7       (a) *Alignment with national and local development plans and strategic*  
8       *priorities and goals.* – Sustainability-based budgeting should encompass  
9 various aspects of sustainable development based on the SDGs and  
10 other priorities and goals related to sustainability, as may be applicable  
11 to the national and local governments. This includes but is not limited to  
12 land and water preservation, waste management, climate mitigation and  
13 adaptation, development of quality, reliable, sustainable and resilient  
14 infrastructure, and shifting to sustainable practices and the use of  
15 innovations that promote sustainability.

16       Budgetary items both favorable and unfavorable to sustainable  
17 development should be tagged accordingly to provide a comprehensive  
18 picture on how the national and local budgets contribute to  
19 sustainability.

20       (b) *Use of tools and methodologies that contribute to evidence-based*  
21       *decision-making and policy coherence.* – Sustainability-based budgeting  
22 shall promote the use of tools and methodologies that produce relevant,  
23 accurate and timely data and evidence to guide decision-making in the  
24 budget process. Such tools and methodologies should likewise  
25 strengthen monitoring, reporting and accountability.

26       The Framework shall also provide methods for determining, as far  
27 as practicable, the budget execution's impact on sustainable  
28 development.

29       These tools can include but shall not be limited to budget tagging,  
30 environmental impact assessments, modeling and forecasting, spending  
31 review and performance setting with a perspective on sustainability.

1 (c) *Inclusion of clearly-defined responsibilities and a timeline for actions.* –

2 The Framework shall provide clearly defined roles and responsibilities for  
3 relevant agencies to ensure the objectives of sustainable development  
4 and sustainability-based budgeting are met, and that the required  
5 human and administrative resources are allocated. Close collaboration  
6 and coordination among all agencies and stakeholders to ensure the  
7 timeline of objectives are met shall be encouraged.

8 (d) *Use of transparent reporting and independent oversight to ensure*  
9 *openness and accountability.* – The Framework shall provide measures  
10 for openness and accountability to ensure the accuracy of budgetary  
11 assessments in attaining sustainable development. This includes citizens'  
12 participation in the budget process.

13 Sec. 6. *Separability Clause.* – If any provision of this Act is declared  
14 unconstitutional or otherwise invalid, the validity of the other provisions shall not be  
15 affected thereby.

16 Sec. 7. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or  
17 parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

18 Sec. 8. *Effectivity.* – This Act shall take effect after fifteen (15) days from its  
19 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*