

**PROGRAM CONVERGENCE BUDGETING FRAMEWORK FOR
THE SUSTAINABLE DEVELOPMENT GOALS**

**IMPLEMENTATION GUIDELINES ON THE UTILIZATION OF THE TWENTY PERCENT ALLOCATION FROM
EXCISE TAX REVENUES ON ALCOHOL PRODUCTS, HEATED TOBACCO PRODUCTS AND VAPOR
PRODUCTS PURSUANT TO SECTION 9 OF REPUBLIC ACT NO. 11467**

1. BACKGROUND AND RATIONALE

Despite the country's progress in the attainment of the 2030 Agenda and its Sustainable Development Goals (SDGs), overall progress remains slow. Based on the Philippine Statistics Authority's (PSA) Pace of Progress Report, only 16.7 percent of the SDG targets are on track given their current pace while the remaining targets require exponential acceleration of progress or reversal of negative trends to achieve the 2030 targets.

With seven years remaining until the 2030 Sustainable Development Agenda, a holistic approach to better steer domestic resource flows amidst limited fiscal space is crucial in accelerating the implementation of the SDGs. Given the interlinkages and indivisible nature of the SDGs, the implementation guidelines shall utilize the Program Convergence Budgeting (PCB) strategy.

The PCB is an approach that aims to focus government resources on key programs and projects, which shall be coordinated in a holistic approach across Departments/Agencies working towards the same goals.

2. PURPOSE

These implementation guidelines shall serve as guide in the provision of financing to programs, activities, and projects (PAPs) to be funded from the 20% SDG allocation from excise tax revenues on alcohol products, heated tobacco products, and vapor products pursuant to Section 9 of the Republic Act No. 11467. In particular, these guidelines shall set forth the guiding framework, evaluation, and prioritization criteria, administrative processes involved in determining key PAPs supportive of achieving the SDGs, and monitoring mechanisms to facilitate the utilization of the 20% allocation.

3. SCOPE AND COVERAGE

These implementation guidelines cover all national government agencies (NGAs), including departments, bureaus, offices and instrumentalities, government-owned or controlled corporations, and members of the Constitutional Fiscal Autonomy Group (CFAG).

Excise tax collections on alcohol, heated tobacco, and vapor products starting fiscal year 2023 shall be utilized for the implementation of the identified SDG convergence programs. The PAPs to be funded through these guidelines shall be implemented starting fiscal year 2025.

4. THE SDG PROGRAM CONVERGENCE BUDGETING (SDG PCB) FRAMEWORK



Figure 1. SDG Program Convergence Framework

The identification of flagship programs for implementation shall be guided by this framework. In particular, the flagship programs must be responsive to the existing needs and intended outcomes of SDG targets and indicators which are aligned with the national development objectives, priorities, and strategies reflected in the Philippine Development Plan 2023-2028. Along with the list of key investment projects and activities, the flagship programs must address the SDGs where the country is lagging behind the most to accelerate the 2030 Agenda: *Leave No One Behind* and help us achieve our *AmBisyon Natin 2040* of a *“Matatag, Maginhawa at Panatag na Buhay Para Sa Lahat.”*

At the heart of the 2030 Agenda are five critical dimensions that inform development policy decisions: People, Planet, Prosperity, Peace, and Partnership, also known as the 5Ps. These dimensions shall serve as the main pillars in developing appropriate flagship programs and necessary interventions to achieve the country’s collective goal and vision:

- a. **People.** End poverty and hunger, in all their forms and dimensions, and ensure that all human beings can fulfill their potential in dignity and equality and in a healthy environment.

- b. **Planet.** Protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.
- c. **Prosperity.** Ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social, and technological progress occurs in harmony with nature.
- d. **Peace.** Foster peaceful, just, and inclusive societies which are free from fear and violence. There can be no sustainable development without peace and no peace without sustainable development.
- e. **Partnership.** Mobilize the means required to implement this Agenda through a revitalized Global Partnership for Sustainable Development, based on a spirit of strengthened global solidarity, focused in particular on the needs of the poorest and most vulnerable and with the participation of all countries, all stakeholders and all people.

5. GENERAL GUIDELINES

5.1. Eligible PAPs

PAPs that are responsive to the intended outcomes of SDG targets and indicators lagging behind, and aligned with the country's Philippine Development Plan 2023-2028 priorities and strategies may qualify for funding, except:

- a. PAPs of NGAs that fall within the devolved functions and services of the LGUs; ***provided, however,*** that if a project is within the devolved functions of LGUs, the LGU/s should have counterpart funding;
- b. Existing PAPs of NGAs that are funded under Tier 1 of the GAA; and
- c. PAPs that are already enrolled in other existing PCBs, funded by development partners, and other government funding; ***provided, however,*** that expansion of projects currently enrolled in PCBs may be considered for funding under Tier 2 classification.

Further, proposed PAPs may include multi-year projects subject to the provisions under Section 3 of Executive Order No. 91, s. 2019, Section 32 of the General Provisions of the FY 2023 General Appropriations Act, and DBM Circular Letter No. 2023-7, among others.

5.2. Sustainable Development Goals and Indicators

The list of SDGs lagging behind shall be based on the most recent Pace of Progress Report of the PSA. Regressing SDGs with sufficient data will be prioritized.

SDG indicators adopted by the Philippines in its Indicator Framework and/or the PDP shall serve as basis for identifying specific areas that need acceleration for each SDG target.

- 5.3. Evaluation Process.** The projects to be enrolled under the identified flagship programs of the SC-SDG TWGs shall go through a three-step evaluation process, as follows:

STEP 1. Determine whether the proposed project falls within scope of eligible PAPs.

Based on the agency's submission, it shall be determined whether the proposed project falls within the scope of eligible PAPs as defined in item 5.1. It shall likewise be determined whether the project falls under any of the exceptions. Only PAPs that satisfy the requirements of item 5.1 will proceed to Step 2.

STEP 2. Assess inclusiveness and sustainability.

The PAPs identified by each agency shall be assessed based on the following criteria:

- A. **Inclusiveness.** The projects to be enrolled under the flagship programs shall be aligned with the guiding principle of the SDGs: *Leave No One Behind*. The projects must meet the needs of the most vulnerable population such as children, women, elderly, persons with disabilities (PWDs), farmers and fisher-folks, indigenous peoples (IPs) and informal settler families (ISFs), among others. It shall also cover vulnerable communities such as geographically isolated and disadvantaged (GIDA) areas, conflict-affected areas, and hazard-prone areas. In evaluating the inclusiveness of the projects, the following components will be assessed:
 - a. **Target Beneficiaries.** The project should enumerate its target beneficiaries from the most vulnerable population and the expected outputs/outcomes.
 - b. **Engagement and participation of different stakeholders during the planning, implementation and follow-up processes.** The project should include how stakeholders such as non-government organizations, civil society organizations, development partners, state universities, target beneficiaries, community members, etc. are involved in terms of the planning, implementation, and/or monitoring of the project.
- B. **Sustainability.** The projects shall aim to fulfill the needs of the current generation without compromising the needs of future generations, while ensuring a balance between economic growth, environmental protection and conservation, and promotion of social well-being. The projects shall present a viable and sustainable implementation and monitoring plan, with supporting analysis derived from existing data and emerging trends. In evaluating the sustainability of the projects, the following shall serve as guiding parameters:
 - a. **Economic growth.** The program/project supports long term and sustained economic growth.
 - b. **Environmental protection and conservation.** Highlights efforts for sustainable and responsible use of natural resources towards environmental protection and conservation.

- c. **Promotion of social well-being.** Ensures great value on living in safe and supportive communities.
- d. **Monitoring and implementation plan.** The program/project shall present a monitoring and implementation plan that would showcase the status of accomplishments of measurable and quantifiable outcomes.
- e. **Sustainability plan.** This shall contain the proponent’s sustainability mechanisms to ensure that the project will have the lowest environmental impact and greatest economic and social benefits. The plan should also discuss the means for the continued implementation of the project even after the provision of the fund.

STEP 3. Prioritize based on responsiveness to SDGs and geographical areas that are most lagging behind.

Projects that have successfully passed Step 2 will be prioritized based on a cumulative point system that awards points in accordance with their responsiveness to the most regressing SDGs, the highest number of SDGs addressed, and the geographical areas that exhibit the greatest lag.

To evaluate the level of SDG responsiveness, we will utilize a point-based system that takes into account the total number of regressing SDGs. Priority will be given to SDGs for which we have sufficient PSA data. The allocation of scores will follow a reverse order, starting with the highest score assigned to projects that address the most regressing SDG. The scores will gradually decrease for projects addressing lesser regressing SDGs. For instance, in a set of 8 regressing SDGs, a project addressing the most regressing SDG will receive a maximum score of 8. The succeeding SDG will be assigned a score of 7, and so on, in a decreasing manner. Finally, the least regressing SDG will be given a score of 1.

In terms of geographical areas, the point system will be determined by calculating the percentile rank of the regions that are lagging behind for each SDG indicator level. The scores will be assigned in reverse order, where projects that benefit the bottom 30% of the regions will receive the highest score of 10; projects benefitting the middle 30% will receive a score of 7; while those benefitting the top 40% will get a score of 3.

A premium of 20 points will be given to projects that involve members of the Stakeholders’ Chamber on the SDGs, whether in planning, implementation, M&E, or in any or all aspects of the project.

Using the PSA’s Pace of Progress Report as of January 2023, below is an application of the point-based system:

Prioritization Criteria	Points	Remarks
SDG Responsiveness		The SDGs’ order of regression is based on the Current Status Index (CSI) of the PSA.

<p>Ranking of SDGs lagging behind (as of 2023):</p> <ol style="list-style-type: none"> 1. Goal 11 2. Goal 13 3. Goal 2 4. Goal 8 5. Goal 9 6. Goal 10 7. Goal 5 8. Goal 7 	<p>8</p> <p>7</p> <p>6</p> <p>5</p> <p>4</p> <p>3</p> <p>2</p> <p>1</p>	<p>Maximum of 8 points will be given to projects that focus on the most regressing SDG. Lowest score of 1 for the least regressing SDG.</p> <p>Points are cumulative based on the most regressing SDG and highest number of SDGs addressed.</p>
<p>Geographical Location (by SDG indicator level)</p> <p>Points will be cumulative based on the ranking of regions per SDG indicator tagged under the proposed project.</p>	<p>10</p> <p>7</p> <p>3</p>	<p>The project aims to benefit the bottom 30% among the regions in terms of performance in SDG implementation.</p> <p>The project aims to benefit the middle 30% among the regions in terms of performance in SDG implementation.</p> <p>The project aims to benefit the top 40% among the regions in terms of performance in SDG implementation</p>
<p>Stakeholders' Chamber Participation</p>	<p>20</p>	<p>Twenty points shall be awarded to projects that involved members of the Stakeholders' Chamber on the SDGs, whether in planning, implementation, M&E, or in all aspects.</p>

5.4. Administration Process

5.4.1. Needs Assessment. To grasp the needs of the country in terms of SDG implementation and attainment, a national and regional assessment shall be conducted by the respective Technical Working Groups (TWG) under the DBCC Subcommittee on SDGs (SC-SDG). The assessment will be based on SDGs that are lagging behind based on the most recent PSA's SDG Pace of Progress report, and other official assessment or progress reports (e.g., Regional Development Council progress reports, LGU reports, etc.). Gaps in existing programs as well as new and innovative interventions must be identified.

5.4.2. Planning Workshop. Following the needs assessment, a planning workshop shall be conducted by the SC-SDG TWG on Economics, Social, Environment, and Peace, Security and Governance to identify the needed interventions, and the flagship programs and outcomes for each SDG pillar, and the lead agencies thereto. The TWGs shall endorse the

identified flagship programs and outcomes with corresponding lead agencies to the SC-SDG for approval.

- 5.4.3. Government-Non-Government Synergy.** The Stakeholders' Chamber on the SDGs shall come up with a list of possible areas of cooperation and/or collaboration by identifying the flagship programs they will be able to contribute to. The said list will be shared with the SC-SDG TWGs for dissemination to their attached agencies as reference in engaging the members of the Stakeholders' Chamber in the preparation of their project proposals.
- 5.4.4. Approval of the Flagship Programs and Outcomes.** Upon recommendation of the SC-SDG, the DBCC shall approve the list of flagship programs and outcomes.
- 5.4.5. Submission of proposed projects.** Based on the approved list of flagship programs and outcomes, NEDA as SC-SDG Secretariat shall call for project proposals that will be enrolled under a specific flagship program. The proponent agency shall prepare a project proposal for funding under the SDG PCB. The SC-SDG TWG member agencies shall consolidate the submissions of their attached agencies and forward a priority list of proposed projects to the SC-SDG Secretariat for technical evaluation.

The project proposal shall include, among others, the corresponding key annual targets and funding requirements, target outputs, strategies/approaches, geographical locations, including regions, provinces, cities, municipalities, and barangays that will benefit from the proposed project.

The proponent agency shall submit to the SDG Secretariat, among others, a complete set of the following documentary requirements:

- a. **Certification** signed by the head of agency, indicating that the proposed project falls within the scope of eligible PAPs as defined in item 5.1. of these guidelines;
 - b. **Project Proposal** which shall provide the project objectives and outcomes and its alignment with the guiding framework of this guidelines; and
 - c. **Endorsement letter** signed by the Head of Agency.
- 5.4.6. Project evaluation.** The SC-SDG Secretariat shall evaluate the proposed projects in accordance with the evaluation process set forth in item 5.3 of these guidelines. To this end, the SC-SDG Secretariat shall prescribe the appropriate forms, templates, certifications, among others, to be submitted by proponent agencies. The proposed projects that meet the evaluation criteria shall be endorsed to the respective SC-SDG TWGs for review and validation.
- 5.4.7. Review and Approval.** The SC-SDG TWGs shall review and validate the submitted list of proposed projects, and submit the same to the SC-SDG. Thereafter, SC-SDG shall endorse the list of PAPs to the DBCC for approval.

5.4.8. Submission of approved list PAPs to DBM. The DBCC shall submit the approved list of PAPs to the DBM for budget appropriation and funding release.

5.4.9. Modification in fund utilization. During the implementation, any modifications by the implementing agency in the utilization of the fund shall require the prior approval of the DBCC. Any such modification shall be communicated in writing to the NEDA Undersecretary for Policy and Planning as Chair of the SC-SDG.

6. APPROPRIATION AND FUND RELEASE

The DBCC-approved flagship programs and list of PAPs shall serve as a reference document for the DBM in the identification of key projects that shall be included in the budget allocation under the SDG PCB.

The approved flagship programs and list of PAPs enrolled under the SDG PCB shall undergo the same budget review and process and be subject to existing budgeting and accounting laws, rules, and regulations as non-PCB PAPs. Specifically, the proposed PAPs shall be reflected in the Budget Preparation Forms 202 and 206 of the proposing agency. Further, each proposed PAP shall be reviewed against the criteria stated in the annual Budget Call and the Budget Priorities Framework (BPF).

The release of funds for the qualified PAPs shall follow the annual National Budget Circular issued on the matter. The fund released through these guidelines shall not be used for money market placement, time deposit, purchase of real property, or other forms of investment not related to the project.

7. MONITORING AND REPORTING

The lead agency for every flagship program shall monitor its implementation and submit annual reports to the SC-SDG Secretariat in April of the succeeding year, covering the status of implementation of the PAPs. The SC-SDG Secretariat shall thereafter prepare a consolidated annual report on the PAPs and the status of expenditure of the earmarked taxes for the SDGs for submission to the Congressional Oversight Committee every first week of August pursuant to Section 11 of RA No. 11467. The reports shall likewise be published in the Official Gazette and the official NEDA or SDG website.

The lead agency and implementing agencies shall provide the SC SDG Secretariat with the relevant information and presentation materials, as necessary.

The SC-SDG Secretariat may undertake field validation and ocular of the PPAs being implemented, as needed.

8. RESOLUTION OF ISSUES

Issues and concerns arising from the implementation of these guidelines shall be resolved by the DBCC's Sub-committee on the SDGs (SC-SDG).

9. SEPARABILITY CLAUSE

If any provision of these Guidelines is declared unconstitutional or invalid, such parts which are not affected thereby shall remain in force and effect.

10. EFFECTIVITY

These guidelines shall take effect immediately.