

Malacañang
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER No. 366

DIRECTING A STRATEGIC REVIEW OF THE OPERATIONS AND ORGANIZATIONS OF THE EXECUTIVE BRANCH AND PROVIDING OPTIONS AND INCENTIVES FOR GOVERNMENT EMPLOYEES WHO MAY BE AFFECTED BY THE RATIONALIZATION OF THE FUNCTIONS AND AGENCIES OF THE EXECUTIVE BRANCH

WHEREAS, in the midst of challenges facing the public sector such as globalization, increasing demographic pressures and scarce resources, the government has to define its proper role in society, focus its efforts on its core governance functions and improve its performance on the same;

WHEREAS, to attain improved government performance, there is a need to institute reforms that would transform the bureaucracy into an efficient and results-oriented structure;

WHEREAS, as an initial effort, the rationalization of agencies in the Office of the President has been effected;

WHEREAS, Sections 77 and 78 of the General Provisions of Republic Act No. 9206 (General Appropriations Act of 2003), as reenacted, authorize the President of the Philippines to direct changes in the organizational units or key positions in any department or agency, and require all departments/agencies of the Executive Branch to conduct a comprehensive review of their respective mandates, missions, objectives, functions, programs, projects, activities and systems and procedures, identify areas for improvement and implement structural, functional and operational adjustments to improve government's service delivery and productivity, respectively;

WHEREAS, the Administrative Code of 1987 has vested the President with residual powers to reorganize the Executive Branch; and

WHEREAS, the Supreme Court had, in numerous cases, upheld the authority of the President to reorganize the Executive Branch;

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order the strategic review of the operations and organizations of the



Executive Branch to improve public service delivery, in accordance with the following provisions:

SECTION 1. Coverage. This Executive Order shall cover all Departments of the Executive Branch and their component units/bureaus, including all corporations, boards, task forces, councils, commissions and all other agencies attached to or under the administrative supervision of a Department.

The Constitutional Offices, Legislature, Judiciary, and State Universities and Colleges (SUCs) may, on a voluntary basis, apply the parameters contained herein if they opt to review their respective operations and organization.

SEC. 2. Strategic Review of Agency Operations and Organizations. All Department Secretaries are hereby directed to take the lead in the conduct of a strategic review of the operations and organization of all component units, including agencies attached to or under the administrative supervision, of the their respective Departments for purposes of:

- a. Focusing government efforts and resources on its vital/core services; and
- b. Improving the quality and efficiency of government services delivery by eliminating/minimizing overlaps and duplication, and improving agency performance through the rationalization of service delivery and support systems, and organization structure and staffing.

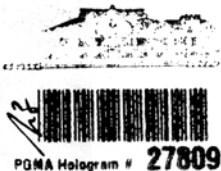
SEC. 3. Rationalization and Service Delivery Improvement Framework. The conduct of the strategic review by the Department Secretaries of their respective operations and organization shall be guided by the following framework:

- a. Focus government efforts on the exercise of its fundamental functions of establishing and providing the appropriate social, political and economic environment within which development can prosper;
- b. Transform the bureaucracy into an effective and efficient institution for the delivery of core public services; and
- c. Ensure the long term sustainability of core government services through resource mobilization and cost-effective public expenditure management.



SEC. 4. Preparation of a Rationalization Plan. The Department Secretary shall prepare a Rationalization Plan for the whole Department, including the agencies and government-owned and/or-controlled corporations (GOCCs) attached to or under its administrative supervision. The Plan shall be prepared in accordance with the strategic plan of the Department and shall contain the disposition of its functions, programs, projects, activities, organizational units, agencies, staffing and personnel. Such Plan shall indicate the following information:

- a. The core functions, programs, activities and services of the Department and its units/agencies;
- b. The specific shift in policy directions, functions, programs, projects, activities and strategies, indicating the phasing of the intended shifts;
- c. The functions, programs and projects which would be scaled down, phased out or abolished such as:
 - Those that duplicate or unnecessarily overlap with other programs, activities, and projects within the Department and its attached agencies and with other government entities;
 - Those that are not producing the desired outcomes, no longer achieving the objectives and purposes for which they were originally designed and implemented, and/or not cost efficient and do not generate the level of physical and economic returns vis-à-vis the resource inputs;
 - Those are redundant/outdated or no longer relevant to the accomplishment of the major final outputs of the department/agency;
 - Those that directly compete with those of the private sector that can be done more efficiently and effectively by said sector; and
 - Those which have been devolved to local government units.
- d. The functions, programs and projects where more resources would be channeled such as:
 - Those that directly support core/frontline services;

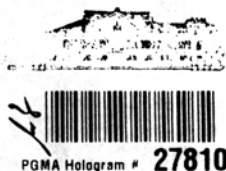


- Those that are directly involved in the social, economic and political empowerment of the people, or those that promote private sector initiative;
 - Those that contribute to the creation of livelihood or employment opportunities, and an environment conducive to investment and entrepreneurship, and productivity; and
 - Those that directly contribute to the ultimate societal outcome objectives of the National Government and/or the intermediate/sector/sub-sector/organizational outcome objectives of the agency.
- e. The resulting structural and organizational shift, stating the specific changes in the units/agencies of the Department;
- f. The staffing unit, highlighting the changes to be made in the staffing pattern and personnel of the Department and its agencies, as well as the organizational strengthening strategies that need to be implemented.
- g. The resource allocation shift, specifying the effects of the streamlined setup on the budgetary allocations of the Department and its agencies; and
- h. The internal and external communication plan, indicating the specific methods and strategies employed/being undertaken in conveying the rationalization process to the personnel who may be affected and to other stakeholders.

SEC. 5. *Submission of the Rationalization Plan.* The Rationalization Plan shall be submitted to the Department of Budget and Management (DBM) for review, to ensure its consistency with the objectives of this effort, and subsequent submission to the President for approval.

In case non-submission of a Rationalization Plan by the Department Secretaries, the DBM shall submit to the President the areas for rationalization and improvement in the departments/agencies concerned.

SEC. 6. *Timetable for the implementation of the Rationalization Program.* The DBM, together with the Civil Service Commission (CSC), shall coordinate the implementation of the Program. They are authorized to prepare a timetable for its implementation, including the phasing of activities and availment of the incentive package as provided under Section 10 of this Order.



SEC. 7. Prohibition on Hiring/Rehiring of Personnel During Plan Preparation. Except for newly created agencies, the hiring of additional personnel (permanent, temporary, contractual or casual), and the renewal of contracts/appointments of all employees hired on contractual, casual, or temporary basis is hereby prohibited during the preparation of the Rationalization Plan.

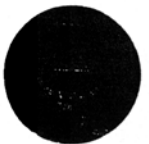
SEC. 8. Options for Personnel Who May Be Affected by the Rationalization of the Functions and Agencies of the Executive Branch. Personnel who may be affected by the rationalization of the functions and agencies of the Executive Branch shall have the option to:

- 8.1 Remain in government service, if with permanent appointment attested by the CSC. Those with temporary appointment attested by the CSC may opt to remain but are guaranteed tenure up to the expiration of their appointment only; or
- 8.2 Avail of the retirement/separation benefits as herein provided.

SEC. 9. Personnel Who Would Opt to Remain in Government Service. Affected personnel with permanent or temporary appointment who would opt to remain in government service shall be placed in other agencies by the CSC where additional personnel are required. However, the position of the transferred personnel in the recipient agency shall be co-terminus with the incumbent. Such affected personnel shall not suffer any diminution in pay, except for certain allowances that used to be given corresponding to the performance of specific functions which would no longer form part of their new functions.

Personnel who would choose to remain in government service but would later object to his/her new job assignment shall be deemed separated/retired and shall be paid retirement, separation or unemployment benefit, whichever is applicable under existing retirement/separation laws, without the incentives provided herein.

SEC. 10. Personnel Who Would Opt to Retire or Be Separated from the Service. Affected personnel, with appointments attested by the CSC, whether hired on a permanent or temporary basis, who would opt to retire or be separated from the service, and those hired on a casual or contractual basis, if qualified, shall be given the option to avail themselves of any of the following, whichever is beneficial to them:



- 10.1 Retirement gratuity provided under RA 1616 (An Act Further Amending Section Twelve of Commonwealth Act Numbered One Hundred Eighty-Six, as Amended, Prescribing Two Other Modes of Retirement and for Other Purposes), as amended, payable by the last employer of the affected personnel, plus the refund of retirement premiums payable by the Government Service Insurance System (GSIS), without the incentive herein provided.
- 10.2 Retirement benefit under RA 660 (An Act to Amend Commonwealth Act Numbered One Hundred and Eighty-Six entitled "An Act to Create and Establish a Government Service Insurance System, to Provide for its Administration, and to Appropriate the Necessary Funds Therefor," and to Provide Retirement Insurance and for Other Purposes) or applicable retirement, separation or unemployment benefit provided under RA 8291 (An Act Amending Presidential Decree No. 1146, as Amended, Expanding and Increasing the Coverage and Benefits of the Government Service Insurance System, Instituting Reforms Therein and for other Purposes), if qualified, plus the following applicable incentives:
- 10.2.1 $\frac{1}{2}$ month of the present basic salary for every year of government service and a fraction thereof, for those who have rendered 20 years of service and below;
- 10.2.2 $\frac{3}{4}$ month of the present basic salary for every year of government service and a fraction thereof, computed starting from the 1st year, for those who have rendered 21-30 years of service; and
- 10.2.3 1 month of the present basic salary for every year of government service and a fraction thereof, computed starting from the 1st year, for those who have rendered 31 years of service and above.

PROVIDED: That the GSIS shall pay, on the day of separation, the retirement/separation/unemployment benefits to which an affected employee may be entitled to under RA 660 or RA 8291 and whenever there is an option, the one which the affected employee has chosen as the most beneficial to him/her.

PROVIDED FURTHER: That for the purpose of complying with the required number of years of service under RA 8291, the portability scheme under RA 7699 (An Act Instituting Limited Portability Scheme in the Social Security Insurance Systems by



Totalizing the Workers' Creditable Services or Contributions in Each of the Systems) may be applied, subject to existing policies and guidelines.

- 10.3 Those with less than three (3) years of government service may opt to avail of the separation gratuity under RA 6656 (An Act to Protect the Security of Tenure of Civil Service Officers and Employees in the Implementation of Government Reorganization), plus the appropriate incentive provided under Section 10.2.

No affected employee who opted for retirement/separation shall receive less than an aggregate of Fifty Thousand Pesos (P50,000) as his retirement/separation gratuity benefit from both the National Government and the GSIS.

In the case of employees belonging to agencies and GOCCs exempted from or not following the Salary Standardization Law, the total amount of incentives to be received shall not exceed One Million Five Hundred Thousand Pesos (P1,500,000).

SEC. 11. Return by the GSIS of the National Government's Share in the Retirement Premiums of Personnel Who Cannot Avail of RA 660 or RA 8291. The GSIS shall return to the National Government the corresponding share of the government to the retirement premiums, with interest, of employees who are not yet entitled to avail either RA 660 or RA 8291.

SEC. 12. Fast-tracking of Data Reconciliation. The GSIS is hereby directed to fast-track the reconciliation of the records of all GSIS members with the Departments/agencies of the Executive Branch to ensure the release of the retirement/separation benefits of personnel concerned on the day of retirement/separation.

SEC. 13. Other Benefits of Retired/Separated Personnel. The affected personnel who opted to retire or be separated shall, in addition to the applicable benefits above, be entitled to the following:

- 13.1 Refund of Pag-IBIG Contributions. All affected personnel who are members of the Pag-IBIG shall be entitled to the refund of their contributions (both personal and government), pursuant to existing rules and regulations of the Home Development Mutual Fund;
- 13.2 Commutation of Unused Vacation and Sick leave Credits. All affected personnel shall be entitled to the commutation of unused



vacation and sick leave credits in accordance with existing rules and regulations.

SEC. 14. Abolition of Positions. For every employee who would opt for voluntary retirement/separation, a funded position shall be offered for abolition by the Departments/agencies concerned. Unless otherwise approved by the DBM, there shall be no instance that the number of positions to be offered for abolition shall be less than the number of personnel who availed themselves of the voluntary retirement/separation benefit.

SEC. 15. Prohibition on Rehiring of Personnel Retired/Separated from the Service. Government personnel who would opt to retire or be separated as a result of the rationalization efforts shall not be appointed or hired in any agency of the Executive Branch, including in GOCCs/ Government Financial Institutions (GFIs), except in educational institutions and hospitals, within a period of five (5) years.

The Constitutional Offices, and the Judicial and Legislative Branches may adopt the same hiring policy.

The assistance of the CSC and the Commission on Audit (COA) is hereby sought to implement this directive.

SEC. 16. Funding Source of Incentives of Affected Personnel. Funds necessary to pay the incentives of affected employees in all regular government agencies shall be provided by the National Government.

Incentives of affected personnel of GOCCs/GFIs shall be sourced from their respective corporate funds. In case of funding deficiency of GOCCs not exempted from the Salary Standardization Law, the National Government may provide assistance in the payment of incentive benefits.

SEC. 17. Period of Availability of the Benefit Package. The availment of the retirement/separation package provided herein shall be based on the implementation timetable of the Program to be prepared by the DBM and CSC.

SEC. 18. Other Impact Mitigation Strategies. Department Secretaries are hereby authorized to seek the assistance of agencies involved in the delivery of skills/livelihood/entrepreneurial/investments/development/enhancement programs, business management training and counseling programs to better prepare affected employees in deciding on the option most beneficial to them. For functions which are to be privatized, Secretaries shall assist affected personnel in formations of cooperatives/business enterprises.



SEC. 19. Appeals Mechanism. Any appeal shall be resolved following the pertinent provisions of RA 6656.

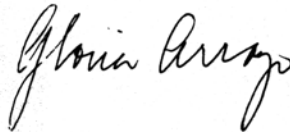
SEC. 20. Implementing Rules and Regulations. The DBM shall issue the guidelines for the effective implementation of this EO, including the mechanism for the agency utilization of savings, provided that savings shall not be used for the creation of new positions and hiring of additional personnel, either on contractual, casual, consultancy or job order basis.

SEC. 21. Repealing Clause. All executive orders, rules, regulations and other issuances or parts thereof, which are inconsistent with the provisions of the Executive Order, are hereby revoked or modified accordingly.

SEC. 22. Effectivity. This Executive Order shall take effect upon its publication in a newspaper of general circulation.

DONE in the City of Manila, this 4th day of October, in the year of our Lord, two thousand and four.

By the President:



EDUARDO R. ERMITA
Executive Secretary

