

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 RA 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;

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 the 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.

Section 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 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.

Section 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.

Section 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 that 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 shift, 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.

Section 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 of 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.

Section 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.

Section 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.

Section 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.

Section 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 either retirement, separation or unemployment benefit, whichever is applicable under existing retirement/separation laws, without the incentives provided herein.

Section 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, By 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).

Section 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 of either RA 660 or RA 8291.

Section 12. Fasttracking of Data Reconciliation. The GSIS is hereby directed to fasttrack 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.

Section 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.

Section 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.

Section 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.

Section 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.

Section 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 the CSC.

Section 18. Other Impact Mitigation Strategies. Department Secretaries are hereby authorized to seek the assistance of agencies involved in the delivery of skills/livelihood/ entrepreneurial/investment 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 the formation of cooperatives/business enterprises.

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

Section 20. Implementing Rules and Regulations. The DBM shall issue the implementing 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.

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

Section 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.

(Sgd.) GLORIA MACAPAGAL-ARROYO

By the President:

(Sgd.) EDUARDO R. ERMITA
Executive Secretary



IMPLEMENTING RULES AND REGULATIONS OF 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)

Pursuant to Section 20 of Executive Order (EO) 366 dated 4 October 2004, the following rules and regulations are hereby promulgated and adopted:

RULE I POLICIES AND OBJECTIVES

Section 1. Title. The rules contained herein shall be known and cited as the Implementing Rules and Regulations (IRR) of EO 366.

Section 2. Declaration of the Policy. It is the policy of the government to deliver quality public service through the rationalization of the functions and structure of the Departments/Agencies of the Executive Branch.

Section 3. Framework and Objectives. The strategic review of the operations and organizations of the Executive Branch and the rationalization of its functions and agencies shall be guided by the following framework and objectives:

- a. Focusing government efforts on its vital/core functions and the priority programs and projects under the 10-Point Agenda of the Administration, and achieving the poverty-reduction targets under the Millennium Development Goals;
- b. Improving the quality and efficiency of government services by eliminating/minimizing overlaps and duplication, and by rationalizing delivery and support systems, organizational structures and staffing;
- c. Improving agency accountability for performance and results; and
- d. Implementing programs and projects of government within allowable resources.

RULE II COVERAGE

Section 4. Coverage. All Departments of the Executive Branch, including component units/bureaus, government-owned and/or –controlled corporations (GOCCs)/government financial institutions (GFIs), boards, task forces, councils, commissions and all other agencies attached to or under their administrative supervision shall be covered by the guidelines prescribed herein. Subsidiaries of

GOCCs and GFIs shall likewise be covered, subject to the guidelines promulgated by their respective parent corporations.

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

RULE III

DEFINITION OF TERMS ON FUNCTIONAL/ORGANIZATIONAL ACTIONS

Section 5. Actions on Functions/Programs/ Projects/Activities. As used in the EO and in this Implementing Rules and Regulations (IRR), the possible actions on the functions/programs/activities/projects of a Department/Agency are defined as follows:

- ***Scaling down*** – a reduction in the intensity or magnitude of a function, program, activity or project either by eliminating selected components, reducing the geographical, demographic or clientele coverage, the types of services rendered, or the level of outputs.
- ***Phasing out*** – the gradual elimination or discontinuance of a function, program, activity or project through the sequential or selective abolition of its component parts, until such time that said function, program, activity or project ceases to exist.
- ***Abolition*** – the elimination or discontinuance of a function, program, activity or project.
- ***Strengthening*** – the act of increasing the targets of a core function, or its expected goods/services and the desired impact of these, or widening its clientele/geographical coverage by infusing additional physical, financial and other resources to it.

Section 6. Organizational Actions. The abolition, deactivation, merger, consolidation, or regularization of agencies and corporations can be pursued. These shall be defined as follows:

- ***Abolition*** – the dissolution of an agency created through Executive action.
- ***Deactivation*** – the act of making dormant or non-operational an agency created through Legislative action by phasing out its functions or transferring them to other Departments/Agencies. An agency is rendered dormant or non-operational if its operation is terminated but its formal existence continues. A deactivated agency is devoid of any activity, personnel, financial and physical resources.
- ***Merger*** – the combination of two or more agencies, whereby the identity of one is retained; in this case, the other agency/ies which

has/have not survived is/are either abolished, if created through Executive fiat, or deactivated, if created through Legislative action.

- **Consolidation** – the dissolution of two or more agencies to form a new agency; the affected agencies are either abolished, if created through Executive action, or deactivated, if created through Legislative action, and the new agency, created through an Executive action.
- **Regularization** – the conversion of an existing GOCC to a regular agency of government, because the corporate form is no longer relevant for its current operations. This could be pursued in the case of GOCCs which are not undertaking proprietary or business-type operations but rather such functions as regulation, provision of technical assistance and conduct of researches where minimal or no income is derived.

RULE IV CHANGE MANAGEMENT TEAM WITHIN DEPARTMENTS/AGENCIES

Section 7. Creation of a Change Management Team. A change management team (CMT) shall be created in each Department by the Department Secretaries and equivalent Agency Heads to conduct the strategic review of its operations and organization.

The CMT shall have at least one (1) representative of the Department's accredited union sitting in as member. In the absence of an accredited union in the Department, the rank and file employees shall elect from among their ranks their representative/s to the CMT through an assembly organized for the purpose.

Sub-CMTs for different organizational levels or areas of concern may be created. Each sub-CMT should likewise have at least one (1) union or rank and file representative sitting in as member.

The Departments/Agencies may likewise tap technical assistance from the Department of Budget and Management (DBM)/Civil Service Commission (CSC) Rationalization Team. They may also consult with stakeholders such as their clientele, academe and technical experts.

Section 8. Functions of the Change Management Team. The change management team shall perform the following:

- a. Conduct a strategic review of the operations and organization of all component units of the Department;
- b. Identify the core functions, programs, activities and projects of the Department and its agencies;
- c. Identify the functions, programs, activities and projects which (1) can either be scaled down, phased out or abolished; or (2) can be strengthened and where more resources need to be channeled;

- d. Prepare a Rationalization Plan for the whole Department, including the agencies and GOCCs/GFIs attached to or under its administrative supervision, for the review and endorsement of the DBM to, and subsequent approval by, the President;
- e. Conduct consultation meetings with the affected personnel and other stakeholders on the effort;
- f. Oversee the actual implementation of the Rationalization Plan;
- g. Mitigate the impact of the rationalization effort; and
- h. Coordinate and consolidate the processes and outputs of the sub-change management teams.

RULE V RATIONALIZATION PLAN

Section 9. Preparation of a Rationalization Plan. Department Secretaries and equivalent Agency Heads shall take the lead in the preparation of a Rationalization Plan for the whole Department, including the agencies and GOCCs/GFIs attached to or under its administrative supervision. The Department Secretary or his/her equivalent may task the agency heads under his/her supervision to prepare their respective Plans in accordance with the strategic direction of the Department. The Secretary shall coordinate the whole effort.

The Rationalization Plan shall contain the intended shifts in the functions, programs, projects, activities, organizational units, agencies, staffing and personnel of the Department.

The Plan shall include the following:

- a. The core functions, programs, activities and services of the Department and its units/agencies;
- b. The specific shift in policy directions, functions, programs, and strategies, indicating the phasing of these intended shifts, targeted improvements in operations and achievement of sector/sub-sector/organizational outcomes, and the broad organizational strengthening strategies that need to be implemented;
- c. The functions, programs and projects which would be scaled down, phased out or abolished;
- d. The functions, programs, activities and projects where more resources need to be channeled;
- e. The actions on units/agencies/GOCCs/GFIs under/attached to the Department;
- f. The staffing shift, particularly the changes that are proposed to be made in the staffing pattern and personnel of the Department and its agencies, as

well as the broad human resource development strategies that have to be implemented;

- g. The effects of the streamlined set-up on the budgetary allocations of the Department and its agencies and the reallocation of expenditure items in broad terms over the next three (3) years, to maintenance and other operating expenditures and capital outlays;
- h. The dispositive action for the physical assets, specifying which ones will be transferred to other agencies, with or without cost, sold by public bidding or donated, as applicable
- i. The financial restructuring plan of attached GOCCs/GFIs to address existing financial and operational problems to ensure their viability as a corporation;
- j. A draft Executive Order to formalize the intended shifts in mandate, functions and organizations; and
- k. The internal and external communication plan employed/being undertaken by the Department in conveying the rationalization process to the personnel who may be affected and to other stakeholders.

The Plan shall be endorsed by all the members of the CMT. The Plan to be submitted by GOCCs/GFIs shall be approved by their respective Boards.

In case of non-submission of a Rationalization Plan by a Department Secretary or Agency Head, the DBM shall submit to the President the areas for rationalization and improvement in the Department/Agency.

Section 10. Timetable for the Implementation of the Rationalization Program. The Department Secretaries/Agency Heads shall inform the DBM any time within a four-month period from the date of this IRR, when the rationalization efforts would start in their respective Departments/Agencies. From this starting date, they shall have two (2) months to submit their Plan to the DBM. They shall likewise report to the President in the regular Cabinet meetings the progress of the efforts being undertaken in their respective Departments/Agencies.

However, Departments/Agencies which have substantially completed their Rationalization Plans may opt to submit such Plans earlier than the timetable stated above.

The DBM, in close coordination with the CSC, shall review the Plan of the Department/Agency, and with the Department of Finance (DOF), in the case of GOCCs/GFIs, within a period of one (1) month, to ensure consistency with the objectives of this effort, and thereafter submit its recommendation to the President. Should there be a need to solicit inputs in the review, the DBM/CSC/DOF may consult with representatives of public sector unions, academe, experts and other stakeholders. The DBM shall give the Department/Agency Head and the CMT concerned, a copy of its recommendations a week before the submission of its recommendations to the President.

In case the Legislature, the Judiciary and the Constitutional Offices would opt to pursue rationalization efforts, their Plans need only be reviewed by the DBM to ensure consistency with the parameters of the Program.

RULE VI

SPECIFIC FUNCTIONAL, ORGANIZATIONAL AND PERSONNEL ACTIONS

Section 11. Actions on Functions, Programs and Projects. The Rationalization Plan shall include the dispositive actions for the functions, programs and projects of the Department and all its component units/agencies:

- a. The functions, programs, activities and projects which could be scaled down, phased out or abolished such as:
 - a.1 Those that duplicate or unnecessarily overlap with other programs, activities, and projects within the Department and its attached agencies and with other government entities;
 - a.2 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 desired level of physical and economic returns vis-à-vis the resource inputs;
 - a.3 Those that are redundant/outdated or no longer relevant to the accomplishment of the major final outputs of the Department/Agency;
 - a.4 Those that can be appropriately done by private enterprises within a competitive market environment; and
 - a.5 Those which have been devolved to LGUs.
- b. The functions, programs, activities and projects where more resources need to be channeled include:
 - b.1 Those that directly support core/frontline services, the 10-Point Agenda of the Administration and the Millennium Development Goals;
 - b.2 Those that are directly involved in the social, economic and political empowerment of the people, or those that promote private sector initiative;
 - b.3 Those that contribute to the creation of livelihood or employment opportunities, and to an environment conducive to investment, entrepreneurship, and productivity; and
 - b.4 Those that directly contribute to the targeted ultimate societal outcomes of the National Government and/or the targeted sector/sub-sector/organizational outcomes of the Department/ Agency.
- c. In the case of GOCCs/GFIs, the disposition of the functions, programs and projects shall likewise take into consideration the current relevance of the social purpose for which they were created, the profitability of the same and

their potential impact on the stream of resources of the GOCC/GFI in particular, and the National Government in general.

Section. 12. Actions on Units/Agencies. The Plan shall indicate the specific actions on the units/agencies of the Department, such as the following:

- a. The abolition, deactivation, merger or consolidation of units/agencies in the Department to include:
 - a.1 Those whose functions are unnecessarily duplicating/overlapping with other units or agencies of the Department or can be subsumed in other Departments/Agencies;
 - a.2 Those which have low net economic contribution;
 - a.3 Those which have outlived their purpose;
 - a.4 Those whose functions could be better undertaken by the private sector; and
 - a.5 Those whose functions have been devolved to LGUs.
- b. Regularization, in the case of GOCCs not performing proprietary or business-type operations.
- c. The summary of modifications in the organizational structure of the units/agencies of the Department.

Section 13. Personnel Actions. The following guidelines on personnel actions shall be adopted:

- a. Upon publication of the IRR, the following personnel policies shall be adopted/observed in the Departments/Agencies until the Rationalization Plan is approved:
 - a.1 Non-filling of vacant regular/permanent/itemized positions, except in newly-created agencies;
 - a.2 Non-renewal of the contracts/appointments of personnel on temporary/contractual/casual basis; and
 - a.3 Non-hiring of contractual and casual employees.
- b. Personnel assigned to functions, programs, projects and units that will be affected by the rationalization shall be notified at the earliest possible time but not later than ten (10) working days prior to the submission of the Plan to the DBM.
- c. The order of separation and preference established under Sections 3 and 4 of RA 6656 (An Act to Protect the Security of Tenure of Civil Service Officers and Employees in the Implementation of Government Reorganization) shall be followed in identifying personnel within the smallest operating unit who would be retained in the mother Agency in the event that the number of personnel exceeds the number of retained positions. To illustrate, if a section with five (5) data encoders is to be merged with another section and only three (3)

data encoders are necessary, then those data encoders with permanent appointments shall be retained. The most qualified in terms of performance and merit shall be given preference, length of service notwithstanding. All things being equal, seniority may be considered as an additional criterion.

- d. After submission of the Plan to the DBM, the Agency Personnel Officer shall immediately provide the names and records of all affected personnel to the Government Service Insurance System (GSIS) to enable the latter to reconcile its records with the Agency.
- e. Incumbents of positions in functions, programs, projects and units that are affected, if with permanent appointment, shall be given two (2) months within which to decide whether to remain in government service, or avail of retirement/separation benefits, if qualified, plus the allowable incentive. Those with temporary appointment attested by the CSC may opt to remain but are guaranteed tenure up to the expiration of their appointment only.
- f. The CSC and the DBM shall, in consultation with the various Departments and public sector unions, come up with a list of agencies and their required additional personnel/positions for frontline/core services.
- g. As soon as a decision is made by an affected employee, the Agency Personnel Officer shall submit his/her name to the DBM, specifying the option chosen. If the option is placement, three (3) priority agencies for reassignment which will be chosen by the affected employee from the list specified under Section 13.f, shall also be indicated. In case an employee would want to be reassigned to an area outside of his/her present province/region of assignment, the preferred area of reassignment shall be indicated.
- h. In the placement of affected personnel, the following shall be observed:
 - h.1 Affected personnel with permanent or temporary appointment shall submit to his/her Agency Personnel Officer the three (3) priority agencies for reassignment.
 - h.2 The CSC shall then match the position, qualifications and skills of the affected personnel with the needs of the agencies he/she had identified as priority agencies for reassignment, within a period of two (2) months.
 - h.3 In case no match can be found in the priority agencies for reassignment, the CSC shall then look for a match in other agencies within the present province/region of assignment of the affected employee, unless another area of reassignment has been requested.
 - h.4 If an employee is not placed within the two-month period, he/she shall transfer to the CSC and remain therein until a match can be found. The DBM shall likewise transfer his/her personal services budget to the CSC.
 - h.5 After satisfying the requirements of National Government agencies, the CSC may explore the possibility of reassigning affected personnel to local schools and hospitals.
 - h.6 The compensation of the placed personnel, including those from GOCCs/GFIs, shall be transferred to the recipient agency, except for

those reassigned to LGUs, in which case their compensation shall remain with the CSC for subsequent reversion to the General Fund upon retirement/separation, absorption by the LGU or transfer to another LGU, government agency or the private sector. The compensation of placed personnel shall not be considered as savings of the mother agency.

- h.7 In addition, there shall be no diminution in the salary of the placed personnel. They shall have full rights to all the benefits which may be available to other government employees, including the Collective Negotiation Agreement (CNA) incentives. In case there is a difference between the benefits enjoyed by employees in the mother and in the recipient agency of the placed personnel, he/she shall enjoy the larger benefits for a period of one (1) year. However, placed personnel shall no longer be entitled to certain allowances such as those that are given corresponding to the performance of specific functions which would no longer form part of their new functions.
- h.8 The placed personnel shall enjoy security of tenure in the agency where they have been reassigned in accordance with civil service rules and regulations. The position of the placed personnel in the recipient agency shall be co-terminus with the incumbent, i.e., the item shall be abolished only upon vacancy due to appointment to a position in the absorbing agency, transfer to another government agency, LGU or private firm, retirement or separation, at which time the funds corresponding to the vacated position shall revert back to the General Fund.
- h.9 The recipient agency shall be responsible for providing the initial job orientation/familiarization to the placed personnel.
- h.10 If a match has been found by the CSC but the employee objects to it or does not accept it, he/she shall be deemed separated/retired, and shall be paid separation/retirement/unemployment benefit, whichever is applicable under existing laws, without the corresponding incentives.
- i. A funded position shall be offered for abolition for every employee who opted for voluntary retirement/separation. 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.
- j. The Department/Agency Heads shall arrange for livelihood/entrepreneurial, investment development/fund management, job facilitation, and counseling programs with the government agencies concerned that can be availed of by affected personnel.
- k. Personnel who opted to retire/be separated from the service may form themselves into associations, cooperatives, service corporations or the like in the pursuit of livelihood/business opportunities in government agencies, including but not limited to, janitorial or maintenance services, canteen concessions and catering. The government agencies concerned shall provide them assistance to enable them to compete in the award of contracts for services that are outsourced by any agency of government.

- I. The DBM/CSC Rationalization Team, in partnership with public sector unions, may be tapped for assistance regarding livelihood, investment management, and job facilitation programs, including the formation of cooperatives/business enterprises.

RULE VII RETIREMENT/SEPARATION BENEFITS

Section 14. Retirement/Separation Benefits for Personnel Who May Be Affected by the Rationalization of the Functions and Agencies of the Executive Branch. The affected personnel who opt to retire/be separated from government service, whether hired on a permanent or temporary basis and with appointments attested by the CSC, and those hired on a casual or contractual basis, if qualified, shall be given the option to avail themselves of any of the following retirement/separation packages provided under EO 366:

- a. Retirement gratuity provided under **RA 1616** (An Act Further Amending Section Twelve of Commonwealth Act Numbered One Hundred Eighty-Six, as Amended, By 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 GSIS, without the incentive herein provided.
- b. 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:
 - b.1 $\frac{1}{2}$ of the present monthly basic salary for every year of government service, for those who have rendered less than 21 years of service;
 - b.2 $\frac{3}{4}$ of the present monthly basic salary for every year of government service, computed starting from the 1st year, for those who have rendered 21 to less than 31 years of service; and
 - b.3 the present monthly basic salary for every year of government service, computed starting from the 1st year, for those who have rendered 31 years of service and above.

PROVIDED: That for the purpose of computing the total amount of incentive that an affected personnel would receive, only his/her government service up to age 59 and a fraction thereof would be counted. Government service starting at the age 60 would no longer be subject to the incentive herein provided.

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.

PROVIDED FURTHERMORE: That the GSIS shall pay, on the day of retirement/separation, the retirement/separation/unemployment benefits to which an affected employee may be entitled to under RA 660 or RA 8291, subject to the submission of the required documents to the GSIS one (1) month before the set date of retirement/separation, and whenever there is an option, the one which the affected employee has chosen as the most beneficial to him/her. It is understood, however, that the National Government share of the arrears to the GSIS and the unfunded incremental premium contributions shall not adversely affect nor prejudice the computation of the creditable service and the timely and complete payment of the benefits to employees who have opted to retire/be separated.

The incentive of the employee shall be computed as follows:

$$I = IF \times BMS \times Y$$

Where:

- I = Incentive
- IF = Incentive factor of 0.50 mo./y, 0.75 mo./y, or 1.00 mo./y as the case may be
- BMS = Present basic monthly salary of the employee
- Y = Length of government service in years, months and days converted in years

To convert a given number of months into year, divide the number of months by 12 months. To convert a given number of days into year, divide the number of days by 264, which was derived by multiplying 22 days/month by 12 months/year.

- c. Those with less than three (3) years of government service may opt to avail of the separation gratuity under RA 6656, plus the appropriate incentive provided under Section 14.b.

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

In the case of employees of Agencies and GOCCs/GFIs exempted from or not following the Salary Standardization Law, the DBM shall issue separate guidelines on the incentives and related retirement/separation benefits that they would receive from their respective Agency/GOCC/GFI under this Program.

Affected personnel who opted to retire/be separated from the service shall continue to receive their salaries until such time that the GSIS and the government shall have given them their respective retirement/separation/unemployment benefits and incentives, provided that their properly accomplished application for retirement/separation has been approved/attested by the Department/Agency Heads

and they have submitted the complete set of required documents to the GSIS at least one (1) month before the date of retirement/separation. The following conditions shall also be observed:

- a. The affected personnel shall no longer earn commutative and cumulative leave credits for services rendered from the date of the effectivity of their retirement/separation until the time that the GSIS and the government shall have given them their respective retirement/separation/unemployment benefits and incentives; and
- b. The services they rendered during said period shall no longer be credited in the computation of their retirement/separation/unemployment benefits and incentives.

Section 15. Other Benefits of Retired/Separated Personnel. The affected personnel who opted to retire/be separated shall, in addition to the applicable benefits above, be entitled to the following:

- a. ***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 RA 7742 (An Act Amending Presidential Decree No. 1752, as amended), and in accordance with existing rules and regulations of the Home Development Mutual Fund.
- b. ***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. In case affected personnel who opted to retire/be separated have accumulated compensatory overtime credit (COC), they shall be allowed to monetize the same as an exemption from the guidelines provided under DBM-CSC Joint Circular No. 2 dated 04 October 2004. In no case shall the COC to be monetized exceed 120 hours.

Section 16. Effectivity of the Retirement/ Separation Package. The retirement/separation package provided under EO 366 shall be available up to two (2) months after the President's approval of the Plan of the Department/Agency.

The same rule shall apply to personnel who are members of the CMT. Following Section 7 of this IRR, those who would be utilized by the Department/Agency in the conduct of the strategic review and in the preparation of the Rationalization Plan, and whose positions would be declared redundant, would be allowed to choose from the two (2) options provided under EO 366. The Department/Agency Heads may appoint their alternates to the CMT, as necessary.

Their names, however, must be included in the list of retirees to be submitted to the DBM/GSIS for the preparation of their retirement/separation benefits and incentives or in the list of employees seeking transfer to be submitted to the CSC.

Section 17. Policy on Rehiring of Retired/ Separated Personnel.

Government personnel who voluntarily retired/separated as a result of the rationalization efforts of the Department/Agency concerned shall not be appointed or hired in any agency of the Executive Branch, including in GOCCs/GFIs, except in educational institutions and hospitals, within a period of five (5) years. Reemployment in any Branch of Government shall be considered as new entry to the civil service.

Provision of consultancy services by government personnel who voluntarily retired/separated as a result of the rationalization shall be governed by Section 7 of RA 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees dated 20 February 1989.

**RULE VIII
UTILIZATION OF SAVINGS**

Section 18. Use of Savings. The savings from Personal Services which could be generated from this undertaking shall be retained in the Department/Agency and may only be used to fund the priority programs and projects under the Ten-Point Agenda of the Administration and the salary increases/incentives of government personnel, subject to guidelines to be issued by the DBM, without prejudice to the CNA of the Department/Agency.

**RULE IX
APPEALS MECHANISM**

Section 19. General Appeals Mechanism. The CMT shall set up an internal mechanism to address the issues and concerns that may be raised by personnel who may be affected by the effort. It shall likewise devise the appropriate forms to facilitate submission of issues and concerns.

Issues and concerns shall be submitted to the CMT within five (5) working days from notification that a position is affected. The CMT shall resolve the issue(s)/concern(s) within five (5) working days. Unsettled issues must be documented and noted in the Rationalization Plan.

An appeal may be filed by an affected personnel with the Department/Agency Head within ten (10) working days from the submission of the Plan to DBM, with the latter being furnished a copy of said appeal. The Department/Agency Head shall render a decision within fifteen (15) working days from such filing.

The affected personnel may further appeal said decision with the CSC within ten (10) working days from approval of the Plan by the President. The decision of the Department/Agency Head shall be executory pending decision on the appeal. The CSC shall render a decision thereon within thirty (30) working days from filing of the appeal. Its decision shall be final and executory.

Section 20. Subjects of Complaints and Appeals. The following may be the subject of complaints and appeals:

- a. Deviations from Sections 3 and 4 of RA 6656 on the order of placement;
- b. Actions implemented which are not in the approved Rationalization Plan; and
- c. Violations of the provisions of this IRR.

Section 21. Matters Not Appealable. The following are not appealable to the CSC:

- a. The declaration of what functions are to be abolished or merged as a result of the consultations between the management and the union or rank and file representative in the change management team; and
- b. For those who opted to remain in the service, their placement in another agency.

RULE X SUPPORT STRUCTURE

Section 22. Provision of Technical Assistance. The DBM/CSC Rationalization Team shall, upon request, provide technical assistance to the Departments/Agencies to ensure the smooth and successful implementation of the process.

The DBM/CSC may seek the support of technical experts, public sector unions, academe, and other stakeholders to help the Departments/Agencies in the identification of areas for improvement/ streamlining/strengthening, including the appropriate action on functions, units, staffing, personnel, and assets of the Departments/Agencies.

The GSIS shall ensure the reconciliation of records and the timely processing of the benefits that are due to the affected personnel who opted to retire/be separated as a result of this effort.

Upon submission of the list of affected personnel who would opt for retirement/separation as a result of the rationalization, the DBM shall transfer a seed fund to the Department/Agency concerned for the payment of incentives.

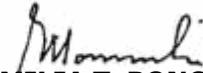
The DBM/CSC shall likewise coordinate with the Departments of Trade and Industry and Labor and Employment, Technology and Livelihood Resource Center, Cooperative Development Authority, GFIs, and other agencies concerned in the provision of livelihood/skills development, fund management and job facilitation assistance to affected personnel.

RULE XI GENERAL REQUIREMENTS

Section 23. Reporting Requirements. The DBM shall submit a report to the Office of the President on the results of the implementation of the strategic review of the operations and organizations of the Executive Branch.

Section 24. Effectivity. This Implementing Rules and Regulations of EO 366 shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

This 11th day of May, 2005 in the City of Manila, Philippines.



EMILIA T. BONCODIN
Secretary of Budget and Management