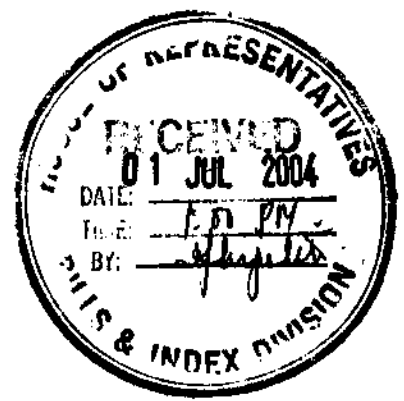


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila



THIRTEENTH CONGRESS
First Regular Session

House Bill No. 193

Introduced by **HONORABLE JOSE C. DE VENECIA, JR.**

EXPLANATORY NOTE

The government spends more than 60-70% of the national budget (net of debt service) simply to support the salaries of over 1.5 million civil servants. This leaves very little amount of government's resources for Maintenance and Other Operating Expenses (MOOE) and Capital Outlay (CO). In the past six years, no other expense item in the government budget has grown so fast as the provision for salaries and wages of government people. In 1995, some P 109 billion was budgeted for personnel salaries. By year 2000, this has grown to P 224 billion.

Indeed, the government has become unwieldy and at various levels ineffective, inefficient, and corruption-ridden. Past studies by the Congressional Planning and Budget Office (CPBO) indicated that there are many instances of bureaucratic redundancy, and the simple lack of clear mandates.

The need for a more effective bureaucratic streamlining is made more apparent by the government's inability to provide decent and competitive salaries to civil servants. Often, it is low pay that is blamed for the persistence of corruption in the public sector. The 1997 World Development Report found that across countries, the level of corruption is lowest where the salaries of civil servants are high. Also, salaries are highest among those countries that have the lowest ratios of civil servants to population.

Past administrations have had at least five various attempts to reorganize and streamline the country's bureaucracy. Yet, each time the number of government personnel has all the more increased. By 1995, the Civil Service Commission reported around 1.47 million government workers.

Because of the relatively large amount of details and particulars of any proposed government reorganization, there is a strong clamor for a transparent, well-studied but comprehensive plan. The proposed bill provides for a multi-year process of bureaucratic re-engineering to allow for a thorough studies and public consultations on which agencies and government functions are vital and necessary and which ones not. The results of the studies shall be announced well in advance to prevent surprises.

Civil servants in agencies and/or units that are deemed non-vital will be offered the attractive gratuity package. Employees of such agencies who wish to remain in government may be re-assigned to other surviving entities. Agencies and services, on the other hand that are deemed important will have the option to undertake the gratuity package for not more than 20% of their employees, subject to management approval.

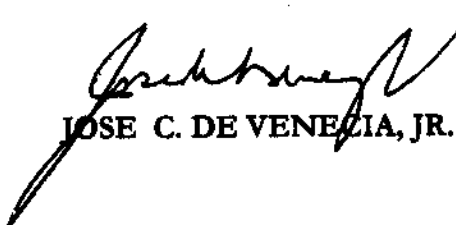
The Early Retirement Program under the Cory Administration was widely believed to have failed due to the low benefits granted and expectations of salary standardization. By contrast, the Voluntary Early Disengagement Program proposed in this bill shall compensate the affected civil servants up to two times of their monthly salaries for every year of government service.

To finance the program, however, special Treasury Bills shall be issued to the affected employee with face value equivalent to his/her total cash benefits. A portion of these T-bills will mature yearly equivalent to the budgeted salaries and benefits of the specific employee for the year and succeeding years until fully paid.

In 1994, CPBO conducted a mailed survey on these same proposal to 40,000 government employees nationwide out of which 7,000 responded. Of this 7,000, 46% unconditionally agreed to the concept of high benefits but with staggered payments. Extrapolating on this, it means that out of our 1.5 million civil servants, 690,000 or 46% of 1.5 million might just be interested to retire under this Program. It will be easy to target 100,000 early retirees under this measure.

It is a must that any government re-engineering or reorganization measure provides for safety nets to take care of the welfare and income earning status of the affected civil servants. The re-training and business assistance programs provided for in this bill supplements the gratuity package that the employee gets.

In view of the foregoing, may I appeal for urgent consideration and approval of this bill.



JOSE C. DE VENEZIA, JR.

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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THIRTEENTH CONGRESS
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House Bill No. 193

Introduced by **HONORABLE JOSE DE VENECIA, JR.**

AN ACT
TO REENGINEER THE GOVERNMENT BUREAUCRACY BY AUTHORIZING
THE PRESIDENT TO IMPLEMENT THE RE-ENGINEERING PLAN,
CREATING THE COMMISSION ON GOVERNMENT RE-ENGINEERING, AND
PROVIDING FUNDS THEREFOR

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

SECTION 1. *Short Title.* - This Act shall be known as "the Re-Engineering Act of 2004."

Sec. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to promote efficiency, effectiveness, and economy in government service in order to ensure social equity and transparency by focusing its functions and resources on the essential role, scope, and level of governance through a bureaucracy that has a well-defined structure and operating systems.

Sec. 3. *Coverage.* - This shall cover all entities of the Executive Branch, including all Departments and their attached agencies, commissions, boards, councils, authorities, offices, government-owned and -controlled corporations, state universities and colleges, and other instrumentalities of the Executive Branch; and all their appointive officials and employees who are on a permanent, temporary, casual, or contractual status, as attested to by the Civil Service Commission (CSC).

The Legislature, the Judiciary, Constitutional Offices, and local government units (LGUs) may, within their respective authorized appropriations and in coordination with the Executive branch, likewise re-engineer their respective offices.

Sec. 4. *Re-engineering Principles and Guidelines.* - The re-engineering shall be carried out in accordance with the following principles and guidelines:

- a) The role of government and the scope, level, and prioritization of government activities shall be determined in accordance with the Constitution, specifically, the principles of social justice, democracy, sustainability, transparency and accountability, the political and socio-economic objectives of the government, and the available resources;

- b) The national government shall assist and monitor LGUs in order to complement the greater autonomy granted to them. The delineation of responsibilities between the national government and LGUs in the provision, production, and delivery of goods and services shall be clearly defined and agreed upon.
- c) A structural framework shall be adopted that will define the vertical and horizontal compartmentalization of the Executive Branch, including its basic structural and functional configuration;
- d) A standard typology of government organization and personnel ranks which will guide the determination of the organizational configuration and proper grouping of agencies shall also be adopted;
- e) All government systems and procedures shall be rationalized, streamlined, and designed within the context of decentralized decision-making authority within the Executive branch and its departments, agencies, bureaus, offices and other instrumentalities.

Sec. 5. Authority of the President to Implement Re-engineering Plans. - The President is hereby granted the authority to review, approve, and implement re-engineering plans for specific agencies or sectors submitted to him by the Commission on Government Re-engineering, herein created and referred to as the Commission.

The President may propose any modification on re-engineering plan or parts thereof submitted to him by the Commission only once. Within a period not exceeding six (6) months from his receipt of the plan, he shall forward his proposed modification to the Commission which, in turn, shall submit its recommendation to the President within three (3) months from its receipt hereof. If the President fails to act on a re-engineering plan at the end of the same six-month period, the said plan shall be deemed approved and executory.

All decisions of the President in this Act may be appealed to the Court of Appeals and finally to the Supreme Court only on errors or questions of law.

Sec. 6. Creation of the Commission on Government Re-engineering.- A Commission on Government Re-engineering is hereby created. The Commission shall be the primary agency of government that shall formulate the re-engineering plans for the Executive Branch.

The Commission shall be organized within ninety (90) days from the effectivity of this Act and shall exist for a maximum period of (6) years.

Sec. 7. Powers and Functions. - The Commission shall have the following powers and functions:

- a) To conduct studies and review policies, programs, and models relevant to the re-engineering of the government bureaucracy;
- b) To determine the social relevance, economic contribution, and general significance of the activities, programs, functions, roles, units, departments, agencies and instrumentalities of government and to classify them as either vital/essential or non-vital/non-essential;
- c) To consult with experts, affected government employees, union or other labor groups, and constituencies of government instrumentalities regarding the functions, roles, and general contribution of these instrumentalities to public welfare and socio-economic development;
- d) To develop a monitoring and evaluation mechanism that would enable comprehensive and participative determination of the effects of re-engineering program, implemented to see

what the gains are from these programs, to immediately mitigate any adverse effects which it may have, and to address areas which still require improvements.

- e) To formulate, within a period not exceeding three (3) years from the effectivity of this Act, re-engineering plans for the Executive Branch, its sectors, or its specific agencies. The plans may contain any or all of the following:
 - 1) Structural, sectional, and operating systems and frameworks which define the overall hierarchical and functional structures of the Executive Branch; national-local responsibilities; the mandates and functions of sectoral departments; and the strategy to streamline and upgrade the operating systems of government;
 - 2) Alternatives such as the creation, abolition, merger, integration, or restructuring of departments, bureaus, offices, agencies, government-owned and/or - controlled corporations, and state universities and colleges, that will eliminate overlapping, duplication, proliferation and diffusion of functions, programs, and activities, as well as the transfer of appropriations, equipment, properties, records, personnel, and transaction from one agency to another;
 - 3) A government staffing and compensation policy and a human resource development strategy that shall include: the creation, classification and abolition of positions, hiring of personnel, and upgrading of compensation structures, incentives, and rewards systems;
 - 4) Safety net mechanisms and their implementation strategies for employees who may be affected by the re-engineering; and
 - 5) Standards, parameters, guidelines, and corresponding budget that will be adopted in the implementation of the plan.
- f) To submit, at any time within three (3) years from the effectivity of this Act, the re-engineering plans for the President's review, approval, and implementation.
- g) To oversee the implementation of the re-engineering plans.

Sec. 8. Composition. - The Commission shall be composed of a Chairman and six (6) regular members, as follows:

- a) an expert on government operations,
- b) an expert on organization and management,
- c) an expert on financial management,
- d) an expert on human resource management,
- e) the Chairperson of the Public Sector Labor Management Council (PSLMC), and
- f) the representative of the employees' union of the government agency currently under consideration by the Commission.

The experts on organization and management, financial management, and human resource management must also be knowledgeable in government operations. They may come from the public or private sector. Provided, that if an expert from the public sector is appointed to the Commission, he shall be deemed resigned/separated from his mother agency. However, this does not preclude him from applying to his former position, if available, or to any other government post after his term in the Commission has been completed.

The experts shall serve the Commission on a full-time basis. The Chairperson of the PSLMC shall be on an ex-officio basis. During the period that a particular agency is under consideration by the Commission, its union representative shall serve the Commission on a full-time basis until the completion of the deliberations. All the members of the Commission shall have equal voting rights.

The President shall appoint the Chairman and the full-time members of the Commission. The representative of the employees union' shall be chosen by the union members themselves.

Sec. 9. *Term of Office and Compensation of the Members of the Commission.* – The full-time members of the Commission shall have a term of office of five (5) years. However, the President may extend their term of office for another year.

Should a full-time member of the Commission fails to complete his or her term, the President shall appoint a successor who is also an expert in the same field as that of the member to be succeeded.

All successors shall serve only the unexpired portion of the term of the members whom they succeeded.

The Chairman shall be entitled to the same compensation as that of a Department Secretary while a full-time member shall be entitled to the same compensation as that of an Undersecretary.

The ex-officio member of the Commission and the union representative shall be entitled to reimbursement of actual transportation, and other expenses actually incurred in the performance of their functions.

Sec. 10. *Removal from Office.* – The President may remove for cause any full-time member of the Commission before the expiration of his or her term.

Sec. 11. *The Secretariat.* – The Commission shall organize a Secretariat that shall assist the Chairman and the members in the performance of their functions and shall serve as the technical arm of the Commission. The Secretariat shall be headed by an Executive Director who shall be appointed by the President and who shall be responsible for the efficient and effective day-to-day management of the operations of the Commission.

The CSC and the Department of Budget and Management (DBM) shall provide the necessary technical and clerical personnel, either on detail or secondment basis. As the need arises, technical personnel from other government agencies may be tapped to augment the Secretariat personnel. The Commission is also authorized to hire consultants who will provide additional technical support to the Commission.

The term of office of the Secretariat shall be co-terminus with that of the Commission.

Sec 12. *Benefits For Personnel to be Separated from the Service.* Affected personnel, whether hired on a permanent, temporary, casual or contractual basis, if qualified, shall be entitled to the following gratuity package:

- a) 1 ¼ months of the present basic salary for every year of government service and a fraction thereof for those who have rendered 10 years of service and below;
- b) 1 ½ months 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 11-20 years of service;

- c) 1 $\frac{3}{4}$ months 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
- d) 2 months of the present basic salary for every year of 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 Government Service Insurance System (GSIS) shall pay, on the day of separation, for the retirement/separation/unemployment benefits to which an affected employee may be entitled to under RA 660 (An Act to Amend Commonwealth Act No. 186 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 RA 8291 (An Act Amending Presidential Decree 1146, as Amended, Expanding and Increasing the Coverage and Benefits of the Government Service Insurance System, Instituting Reforms Therein and for Other Purposes), and whenever there is an option, the one which the affected employee has chosen as the one most beneficial to him/her, with the difference between the gratuity authorized herein and the payment made by the GSIS to be shouldered by the National Government. The affected personnel if qualified, shall still be entitled to pension to be paid by the GSIS.

Provided, further, That the National Government shall pay for the entire amount of the gratuity when the employee, because of age and service requirements under RA 8291, would not receive any benefit from the GSIS on the day of separation, without prejudice to the payment by the GSIS of the advanced benefit at the appropriate time.

Provided, furthermore, That in case the retirement/separation benefit that an affected employee would receive under RA 660 or RA 8291 is more than the gratuity authorized herein, said employee shall be entitled to an incentive, as follows:

- a) $\frac{1}{2}$ month basic salary for every year of service for the first 20 years;
- b) $\frac{3}{4}$ month basic salary for every additional year of service from the 21st to the 30th year of service; and
- c) 1 month basic salary for every additional year of service from the 31st year of service and onwards.

In no case shall an affected employee receive less than an aggregate amount of Fifty Thousand Pesos (P50,000.00) as his retirement/separation gratuity benefit from both the National Government and the GSIS.

Sec 13. 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.

Sec. 14. Period of Applicability and Effectivity of Retirement, Separation, and Incentive Benefits. - The President shall commence to implement the provisions for retirement, separation, and incentives benefits of affected employees within one (1) year from his/her approval of the re-engineering plans.

Sec. 15. Options for Retirees. - To provide a sense of fulfillment and a source of livelihood after their retirement from government service, affected employees can avail of the following opportunities:

- a) Be part of a pool to be formed in cooperation with the Civil Service Commission which may be tapped by both the government and the private sector as resource speakers, consultants, and the like;
- b) Join a cooperative whose membership and management shall be limited to retirees, with technical assistance from the Cooperative Development Authority;
- c) File membership with the SSS and avail of special benefits for retirees such as lower interest rates; and
- d) Pool their resources for business ventures and receive technical assistance from the agencies concerned.

Sec. 16. Restriction of the Employment and Replacement of Retired or Separated Personnel. - Affected employees shall not be eligible for appointment to, or employment in any branch, division, instrumentality or agency of the government, including government-owned and/or -controlled corporations, whether on a permanent, temporary, casual, contractual, or emergency status, within a period of five (5) years after separation, unless they refund the benefits they received. Those that will be re-employed in the government shall be treated as new entrants insofar as GSIS coverage is concerned.

Sec. 17. Report to Congress. - The President shall submit a written report to Congress within three (3) months after the completion of the implementation of the re-engineering plan for each department/agency.

Sec. 18. Formulation of Implementing Rules and Regulations. -

- a) Within one (1) month after the approval of this Act, the President shall convene the Oversight Committee as herein provided for. The said Committee shall formulate and issue the appropriate rules and regulations necessary for the efficient and effective implementation of any and all provisions of this Act.
- b) The Committee shall be composed of the following:

The Executive Secretary, who shall be the Chairman;

- 1) The Executive Secretary, who shall be the Chairman;
- 2) Secretary of the Department of Budget and Management; and
- 3) Chairperson of Civil Service Commission

- c) The Committee shall submit its report and recommendation to the President within two (2) months after its organization. If the President fails to act within thirty (30) days from receipt hereof, the recommendation of the Oversight Committee shall be deemed approved.
- d) The services of a technical staff shall be enlisted from among qualified employees of the Government.

Sec. 19. Continuing "Scrap-And-Build" Policy of the Government. - After the re-engineering of the Executive Branch is fully implemented, the National Government shall adopt a continuing "scrap-and-build" policy, subject to review and approval by Congress, for organization and staffing changes in accordance with the following principles and guidelines:

- a) The proper scope, level, and focus of government interventions, distribution of functions among levels of government, design of the administrative structure and level of manpower complement of the Executive branch shall be established and fixed after the implementation of the re-engineering under this Act;
- b) An agency may be created provided an existing equivalent organizational unit is abolished; and
- c) Increases in the personnel and staffing complement of any department of the Executive branch shall be allowed only for population-sensitive positions, such as teaching and related teaching, uniformed, and medical and allied-medical positions.

For this purpose, the Commission shall provide the detailed guidelines on the continuing implementation of the "scrap-and-build" policy.

Sec. 20. *Funding Requirement.* - The amount necessary for the initial implementation of this Act shall be charged against the contingent fund and/or any applicable appropriation items under the current General Appropriations Act (GAA). Subsequent amount needed to continue the implementation of the re-engineering program shall be included in the annual GAA.

Sec. 21. *Repealing Clause.* - All laws, decrees, orders, rules and regulations, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

Sec. 22. *Separability Clause.* - If for any reason any section or provision of this Act is declared unconstitutional or invalid, other sections or provisions hereof which are not affected thereby shall continue to be in full force and effect.

Sec. 23. *Effectivity.* - This act shall take effect immediately upon its approval.

Approved,