

# Malacañang

Manila

EXECUTIVE ORDER NO. 421

## IMPLEMENTING THE REFOCUSING OF FUNCTIONS AND ORGANIZATIONAL STRUCTURE OF THE LOCAL WATER UTILITIES ADMINISTRATION UNDER EO 279 AND PROVIDING OPTIONS AND BENEFITS FOR EMPLOYEES WHO MAY BE AFFECTED THEREON

**WHEREAS**, it is the policy of government to adopt institutional reforms and effect functional, operational and organizational adjustments in the bureaucracy to continuously improve the quality and efficiency of public service delivery and transform it into an efficient and results-oriented structure;

**WHEREAS**, Executive Order (EO) No. 279 provides for the rationalization of LWUA's organizational structure and refocusing its objectives to fully implement the reforms in the financing policies in the water supply and sewerage sector and water service providers;

**WHEREAS**, Section 79 of the General Provisions of RA 9336 (General Appropriations Act of 2005) mandates, among others, the adoption of institutional strengthening measures to improve service delivery and enhance productivity; identification of areas where improvement are necessary; and implementation of corresponding structure, functional and operational adjustments that will result in streamlined organization and operation and improved performance and productivity.

**NOW, THEREFORE, I, GLORIA MACAPAGAL ARROYO**, President of the Philippines, by virtue of the powers vested in me by law, do hereby order the following:

**SECTION 1. Core functions.** – LWUA shall provide institutional development services, and strengthen its lending practices and policies on granting financial assistance grounded on sound development banking principles aimed at graduating water districts (WDs) and other water service providers (WSPs); allowing efficient use of financial resources, extend technical assistance to WDs/WSPs and addressing the need for a greater number of WDs/WSPs.

**SECTION 2. Specific Shifts in Policy Directions, Functions, Programs, Activities and Strategies.** – To fully implement the reform objectives/policies in the water supply and sewerage sector, LWUA shall:

- a) Improve investor's confidence in the water supply and sewerage sector;



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- b) Rationalize the allocation of financial resources in the water supply and sewerage sector through classification and graduation initiatives;
- c) Expand the freedom of choice of water service providers in sourcing their funding requirements;
- d) Increase the participation of Local Government Units (LGUs), Government Financial Institutions (GFIs), and Private Financial Institutions (PFIs) in financing the water supply and sewerage sector;
- e) Stimulate improved service and create financial self-sustainability for water service providers;
- f) Encourage initiatives aimed at self-sufficiency of water service providers, including, but not limited to, amalgamation, private sector participation, cost recovery tariffs, and resource pooling;
- g) Grant initiatives for the improvement and graduation of water service providers;
- h) Educate consumers towards treating water as a scarce economic good; and
- i) Perform such other functions as are necessary for the implementation of the foregoing objectives/policies.

**SECTION 3. Organizational Structure.** – LWUA's rationalized organization and management structure shall be composed of the following:

3.1 **Board of Trustees.** – The LWUA Board of Trustees (BOT) shall formulate policy direction for the over-all development of the country's water supply program. It shall be composed of a Chairman and four members with at least three (3) trustees coming from National Government, provided that DOF shall always be represented in the LWUA-BOT. The Administrator of LWUA shall be an ex-officio Vice-Chairman of the LWUA-BOT. There shall be a Board Secretariat, a Legal Counsel and an Internal Audit Department under the Board of Trustees.

3.2 **The LWUA Administrator.** – The LWUA shall be headed by an Administrator to be appointed by the President. As chief executive officer of LWUA, the Administrator shall direct and supervise the operation of LWUA and its corporate performance, execute and administer policies and guidelines approved by the Board of Trustees.



3.3 **Deputy Administrators.** – There shall be a Deputy Administrator for each of the following major Groups:

- 1) Water Development Group (WDG) (Luzon),
- 2) WDG-Visayas/Mindanao,
- 3) Water Financier Group, and
- 4) Administrative Service Group.

3.3.1 **Water Development Group (WDG).** – There shall be two WDGs: one group for Luzon and another for Visayas/Mindanao.

The WDG shall be primarily responsible for the continuation of LWUA's current institutional development services aimed at graduating WDs/WSPs, as well as the classification of the credit worthiness of WDs/WSPs for purposes of determining the appropriate source of financing; it shall develop a graduation plan for semi-creditworthy, pre-creditworthy and non-creditworthy WDs/WSPs based on the graduation initiatives provided under EO 279; and, it shall also monitor the implementation of the graduation plan and evaluate the effectiveness of the graduation initiatives undertaken by WDs/WSPs and other functions undertaken by WDs/WSPs.

The WDG shall operate in four (4) areas, as follows:

- 1) WDG-Luzon shall be handling Areas 1 and 2:  
Area 1 (covers Regions 1, 2, 3 and CAR), and  
Area 2: (covers Regions 4 and 5).
- 2) WDG-Visayas/Mindanao shall be handling Areas 3 and 4:  
Area 3 (covers Regions 6, 7 and 8),  
Area 4 (covers Regions 9, 10, 11, 12 and ARMM region).

Each Area shall be composed of the following divisions namely:

- 2.1 Corporate Governance Division
  - 2.2 Cost Recovery Tariff Division
  - 2.3 Special Coordination Division
  - 2.4 Engineering Division
- 3) **Technical Assistance Department (TAD)** – The TAD shall continue LWUA's program of providing technical assistance to WDs/WSPs. Consistent with applicable laws, rules and regulations on government procurement, the TAD shall extend project-related technical assistance to GFIs and creditworthy



WDs/WSPs on a competitive basis: provided that above a certain value threshold, LWUA shall extend project related technical assistance to semi-creditworthy WDs/WSPs on a competitive basis. The TAD shall also extend project related assistance to non-creditworthy, pre-creditworthy WDs/WSPs which may be with or without charge within a certain value threshold. The TAD shall have three divisions, to wit:

- 3.1 Project Development Division
- 3.2 Water Services Training Division
- 3.3 Research/Water Laboratory Division

3.3.2 **Water Development Finance Group (WDFG).** – The WDFG shall enhance and/or strengthen LWUA's lending policies and functions for the purpose of carrying out and implementing its mandate in providing financing, particularly to non-creditworthy, pre-creditworthy and semi-creditworthy WDs/WSPs, grounded on sound development banking principles. It shall develop its own procedure for the monitoring of its loan portfolio; it shall strengthen the collection functions from WDs/WSPs as well as enhance its payment of loans to LWUA creditors. The WDF shall have three departments, to wit:

- 3.3.2.1 Treasury Department
- 3.3.2.2 Loan Portfolio Management Department
- 3.3.2.3 Accounting Department

3.3.3 **Administrative Services Group (ASG).** – The ASG shall provide the requisite support and ancillary services to the organization, with the following departments:

- 3.3.3.1 Human Resource Management Department
- 3.3.3.2 Property Management Department
- 3.3.3.3 General Services Department

3.4. **Abolition of the Office of the Senior Deputy Administrator.** – The Office of the Senior Deputy Administrator is hereby abolished and its functions subsumed under the Office of the Administrator and the Deputy Administrators for each WDG.

**SECTION 4. Staffing Pattern.** – Within 30 days after the issuance of this Order, the staffing pattern of LWUA shall be submitted to the Department of Budget and Management (DBM) for review and approval.

LWUA is given the flexibility to make changes in its staffing pattern; Provided, that the number of plantilla positions is maintained; Provided further, that the same shall be subject to the approval of DBM.



**SECTION 5. Options for Personnel Who May Be Affected by the Rationalization of Functions.** – Personnel who may be affected by the rationalization of functions shall have the following options:

- 5.1 Remain in government service, provided that their appointments, whether permanent or temporary, shall be attested by the Civil Service Commission (CSC); Provided further, that those with temporary appointments shall be guaranteed tenure up to the expiration of their appointment only, or
- 5.2 Avail of the retirement/separation benefits herein provided.

**SECTION 6. Personnel Who Would Opt to Remain in Government Service.** – Affected personnel who would opt to remain in government service shall either be:

- a) placed by the CSC in other agencies where additional personnel are required; or
- b) transferred to CSC, if not placed within two (2) months, to remain therein until a match could be found.

Their compensation shall be transferred to the recipient agency or to CSC, as the case may be.

Affected LWUA personnel who choose to remain in government service but would later object to his/her new job assignment, without justifiable meritorious reasons approved by the CSC, shall be deemed separated/retired and shall be paid the appropriate retirement, separation or unemployment under existing retirement/separation laws, without the incentives provided herein.

**SECTION 7. Benefits of 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 pursuant to Section 5 hereof 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:

- 7.1 Retirement gratuity provided under RA 1616, as amended, payable by the last employer of the affected personnel, plus the refund of retirement premiums payable by the Government Service Insurance Service (GSIS), without the incentive herein provided.



7.2 Retirement benefit under RA 660 or applicable retirement, separation or unemployment benefit provided under RA 8291, if qualified, plus the following applicable incentives:

7.2.1  $\frac{1}{2}$  month of the present basic salary for every year of government service, for those who have rendered 20 years of service and below;

7.2.2  $\frac{3}{4}$  month of the present basic salary for every year of government service, computed starting from the 1<sup>st</sup> year, for those who have rendered 21 – 30 years of service; and,

7.2.3 one (1) month of the present basic salary for every year of government service, computed starting from the 1<sup>st</sup> year, for those who have rendered more than 30 years of service.

For purpose of Section 7.2.1 to 7.2.3, employment for a fraction of the year shall be considered as employment for the whole year.

**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 on the day of separation, the GSIS shall pay the amount of retirement/separation/unemployment benefits payable by the GSIS, to which an affected employee may be entitled to under the provisions of this Order, subject to the submission of the required documents to the GSIS one (1) month before the set date of retirement/separation.

7.3 Those with less than three (3) years of government service may opt to avail of the separation gratuity under RA No. 6656; plus the appropriate incentive provided under Section 7.2.



No affected employee who opted for retirement/separation shall 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.

**SECTION 8. *Return by the GSIS of the National Government's Share in the Retirement Premiums of Personnel Who Cannot Avail of RA No. 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.

**Section 9. *Other Benefits of Retired/Separated Personnel.*** – LWUA affected personnel who opted to retire or be separated shall, in addition to the applicable benefits above, be entitled to the following:

- 9.1 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;
- 9.2 Commutation of Unused Vacation and Sick Leave Credits. All LWUA affected personnel shall be entitled to the commutation of unused vacation and sick leave credits in accordance with existing rules and regulations. They are also allowed to monetize their accumulated compensatory time-off credits, if any.

**Section 10. *Resulting Staffing Pattern and Personnel.*** – To ensure that the new rationalized organization is staffed with competent and dedicated civil servants, the LWUA Management shall draw up the deployment of personnel to the new OSSP with utmost care, subject to all pertinent Civil Service rules and regulations. Further, LWUA Management shall ensure the implementation of appropriate personnel action on affected employees in accordance with the corresponding guidelines as may be issued by the DBM.

**SECTION 11. *Transition Plan.*** – Towards the smooth and expeditious implementation of its plan, the LWUA Management shall prepare and implement a step-by-step action plan for the transition from the old structure to the new rationalized organization. In this regard, it shall closely supervise and properly document turnover of responsibilities and accountabilities.

**SECTION 12. *Funding.*** – Funds needed to implement this rationalization, as well as the payment of the separation/retirement benefits, not covered by the GSIS, shall be taken from available LWUA corporate funds, subject to the



usual accounting and auditing rules and regulations. In case of funding deficiency, the National Government may provide assistance in the payment of incentives to affected personnel, in accordance with applicable laws, and subject to the usual accounting and auditing rules and regulations.

**SECTION 13. Effectivity of the Retirement/Separation Package.** –

The option to avail of the retirement/separation package shall be available up to two (2) months after the DBM approval of the LWUA staffing pattern, provided that such period may be extended only in exceptional circumstances upon the recommendation of the LWUA Administrator and approval by the DBM. LWUA shall ensure that there is a smooth transition from the old to the new rationalized organization. Affected employee who opted to avail of the retirement/separation package shall not be included in the selection and placement process of employees in the new staffing pattern. However, they shall not be considered retired/separated from the service until their actual receipt of the benefits provided herein.

**SECTION 14. Prohibition on Rehiring of Personnel Retired/Separated from the Service.** –

A 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, except in educational institutions and hospitals, within a period of five (5) years. Reemployment in any other Branch of Government shall be considered as new entry to the civil service.

**SECTION 15. Repealing Clause.** – All issuances, orders, rules and regulations or parts thereof that are inconsistent with this Executive Order are hereby revoked, amended or modified accordingly.

**SECTION 16. Effectivity.** – This Executive Order shall take effect immediately.

DONE in the City of Manila, this 13th day of April, in the year of our Lord two thousand and five.

*Jose Ruy*



By Authority of the President:

*Eduardo R. Ermita*

**EDUARDO R. ERMITA**  
Executive Secretary



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