SECOND DIVISION

[G.R. No. 222423, February 20, 2019]

METROPOLITAN MANILA DEVELOPMENT AUTHORITY, PETITIONER, V. D.M. CONSUNJI, INC. AND R-II BUILDERS, INC., RESPONDENTS.

D E C I S I O N

CARPIO, J.:

The Case

This petition[1] assails the 10 July 2015 Decision[2] and the 12 January 2016 Resolution[3] of the Court of Appeals in CA-G.R. CV No. 95506. The Court of Appeals dismissed the appeals filed by petitioner Metropolitan Manila Development Authority (MMDA) and respondents D.M. Consunji, Inc. (DMCI) and R-II Builders, Inc. (R-II Builders), and affirmed the 9 June 2010 Decision[4] and 30 August 2012 Order of the Regional Trial Court of Makati City, Branch 133 in Civil Case No. 07-942. The Court of Appeals denied the MMDA's motion for reconsideration.

The Facts

As narrated by the Court of Appeals, the facts of the case are as follows:

MMDA, in coordination with the Greater Metro Manila Solid Waste Management Committee, conducted a selection process for the development and operation by a private entity of a new sanitary landfill for the next 25 years under the Build-Operate-Own (BOO) scheme. The facility was intended to replace the San Mateo landfill after it was closed on 31 December 2000.

The process, however, was stymied by legal actions filed by some concerned sectors of the society, particularly, those groups in the affected area. MMDA was thus restrained from proceeding with the new sanitary landfill project.

In the meantime, MMDA and the Metro Manila mayors agreed to choose the interim waste disposal site (controlled dump site) and the possible contractor/proponent therefor for a period of two (2) years. To implement this interim project, then MMDA Chairman Jejomar C. Binay (Binay) endorsed the matter to the Presidential Committee on Flagship Programs and Projects for favorable recommendation. The matter was then endorsed for approval by the Committee, through its then Chairman Roberto N. Aventajado, to the Office of the President.

MMDA's request was approved by then President Joseph E. Estrada in an undated memorandum subject to the condition that "the negotiated contract to be entered by MMDA shall be subject to the approval of the Office of the President," among others.

The project was then opened for public bidding and was awarded to respondents as winning joint bidders.

In their bid, respondents proposed the construction of an integrated solid waste management facility/sanitary landfill in Barangay Semirara, Semirara Island, Caluya, Antique. This would entail the ferrying out of garbage from a temporary transfer station in Pier 18 Vitas, Tondo, Manila to a pre-arranged site in the northernmost part of Semirara Island.

Consequently, the parties executed a contract denominated as "Contract for the Development, Operation and Maintenance of Interim Integrated Waste Management Facility for Metropolitan Manila" on 4 January 2001. The contract was signed by then MMDA Chairman Binay, Isidro A. Consunji for respondent DMCI and Leopoldo T. Sanchez for respondent R-II Builders. The contract was also signed by Roberto N. Aventajado.

Thereafter, then MMDA Chairman Binay allegedly instructed respondents to proceed with the preparation of the transfer station in Vitas and the landfill site in Semirara although the contract had not yet been approved and signed by then President Estrada.

Allegedly, from 2 to 5 January 2001, respondents worked under the contract with the supervision of the MMDA's Office of the Assistant General Manager for Operations.

Meanwhile, two temporary restraining orders (TROs) were issued by the Regional Trial Court, Antique placing the operation on hold. Pending hearing on the prayer for the issuance of a writ of injunction, then President Estrada resigned from office.

To recover their alleged incurred expenses under the contract, respondents formally demanded from the MMDA the amount of P20,123,190.00 as reasonable reimbursement, claiming that they spent said amount until they were forced to stop their operations due to the TROs.

When respondents' claim for reimbursement was addressed to the MMDA's legal service, then MMDA consultant, Atty. Vincent S. Tagoc (Atty. Tagoc), opined that respondents may be compensated based on the principle of *quantum meruit*. Notably, in his Opinion dated 28 March 2001, Atty. Tagoc opined that the benefit which allegedly inured to the government, particularly the MMDA, must be considered in applying said principle. Pertinently, he observed that the records failed to show any benefit derived by the MMDA from respondents' performance.

Further, in his Opinion dated June 13, 2001, Atty. Tagoc noted that while respondents were able to unload Metro Manila of 5,449.80 tons of garbage, they nevertheless brought back the same to Metro Manila. Thus, respondents tossed back the same problem to Metro Manila, and to that extent, Metro Manila suffered damages. He concluded that full payment for the amount claimed was improper.

However, Director Leopoldo V. Parumog, Head of the Solid Waste Management Office of the MMDA, recommended that respondents be reimbursed of their expenses.

When the recommendation of the Solid Waste Management Office was sent to the Office of then MMDA Chairman Bayani F. Fernando for his approval, the latter rejected the same citing the following reasons: (1) MMDA is not obliged to pay for mobilization expenses; (2) Stipulation No. 13 of the negotiated contract states that

failure to perform the terms of the agreement due to mass/court actions shall not give rise to any claim by any party against each other; and (3) Stipulation No. 16 of the negotiated contract requires the approval of the President of the Philippines. Without the President's signature, the contract is invalid and ineffective.

Respondents filed with the trial court a Complaint dated 12 September 2007 for sum of money based on *quantum meruit* with damages against MMDA. The case was docketed as Civil Case No. 07-942. Respondents prayed for (1) P19,920,936.17 representing expenses incurred for the partial execution of the project with 6% legal interest; (2) attorney's fees; and (3) expenses of litigation.

On 15 January 2008, the MMDA, thru the Office of the Solicitor General, filed an Answer. The MMDA averred that the contract involves a project under the BOO scheme for which the approval of the President of the Philippines is required pursuant to paragraph (d), Section 2 of Republic Act No. 7718. Corollarily, paragraph 16 of the negotiated contract provides that it shall be valid, binding and effective upon approval by the President pursuant to existing laws. Since the negotiated contract was not signed and approved by the President, the same never became effective and binding. Furthermore, the validity of the negotiated contract is dependent upon the fulfillment of the conditions stated in the Notice of Award dated 21 December 2000 which includes the submission of proof of social acceptability of the project from the Department of Environment and Natural Resources under paragraph 7.9 thereof. Respondents allegedly failed to comply with such condition.

Moreover, paragraph 13 of the negotiated contract provides that the failure to carry out, observe and/or perform any of the terms of the contract caused by or arising from mass actions and/or court actions shall not give rise to any claim by one party against the other. Assuming *arguendo* that the claim for reimbursement may be recognized under the principle of *quantum meruit*, the direct enforcement of liability against MMDA would violate the law because (1) disbursement of public funds must be covered by a corresponding appropriation as required by law; and (2) the present case is a suit against the State which has not given its consent to be sued. Accordingly, the remedy of the respondents is allegedly to file their money claim with the Commission on Audit (COA) as prescribed under Act No. 3083 and Commonwealth Act No. 327. The determination of State liability, and the prosecution, enforcement or satisfaction thereof must be pursued in accordance with the rules and procedures laid down in Presidential Decree No. 1445.

On 1 February 2008, respondents filed a Reply. Respondents alleged that MMDA was in bad faith when it denied paragraph 10 of the Complaint which was their basis in acting upon the explicit instruction of the MMDA Chairman. The matters are supposed to be within the knowledge of the MMDA because of the Memorandum dated 25 July 2001 by Leopoldo Parumog to Rogelio Uranza recommending the payment of P19,920,936.17 to respondents. Respondents claimed that MMDA was aware of the services they rendered prior to the approval of the contract in light of its admission in paragraph 16. The defenses raised by MMDA based on contract are irrelevant because respondents' cause of action is based on *quantum meruit* . Respondents countered that upon the final determination by the trial court of MMDA's liability to them, they would file their claims with the COA. Respondents stressed that MMDA is a public corporation created under Presidential Decree No. 824 which can sue and be sued.

On 28 February 2008, respondents filed a Motion for Judgment on the Pleadings which was granted by the trial court in its Consolidated Order dated 17 May 2010.

On 9 June 2010, the trial court rendered a decision, the dispositive portion of which reads:

> WHEREFORE, judgment is hereby rendered in favor of the plaintiff and against the defendant ordering the latter to pay the plaintiff the amount of PhP 19,920,936.17 representing the expenses the plaintiffs incurred for the partial execution of the Project, with 6% legal interest from the date of extrajudicial demand until fully paid.
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> No costs.
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> SO ORDERED.[5]

The MMDA filed a Notice of Appeal dated 29 June 2010. On the other hand, respondents filed a Motion for Partial Reconsideration of the decision on the ground of failure by the trial court to award litigation expenses in the amount of P450,977.06 in their favor despite the fact that they were compelled to file the case to protect their interests. This was denied in an Order dated 30 August 2012. Respondents then filed their Notice of Partial Appeal dated 14 September 2012.

The Ruling of the Court of Appeals

In affirming the trial court's decision, the Court of Appeals held that judgment on the pleadings is proper. It ruled that "[b]ased on the admissions in the pleadings and documents attached, we find that the issues presented by the complaint and the answer can be resolved within the four corners of said pleadings without need to conduct further hearings."[6] The Court of Appeals cited *Pacific Rehouse Corporation v. EIB Securities, Inc.*,[7] which held that "when what is left are not genuine issues requiring trial but questions concerning the proper interpretation of the provisions of some written contract attached to the pleadings, judgment on the pleadings is proper."[8]

The Court of Appeals found that respondents are entitled to reimbursement. It ruled that they have the right to be compensated for the partial execution of the project applying the principle of *quantum meruit*. The Court of Appeals held that "even granting for the sake of argument, that the contract was invalid, payment should have been allowed based on the principle of '*quantum meruit*.' It should be noted that the services rendered by the [respondents] were neither denied nor rejected by the government. We agree that [MMDA] should not be allowed to avoid its obligation to [respondents] because it already derived benefit from the waste disposal operations conducted from January 2 to 5, 2001. It would be the height of injustice to order the [respondents] to shoulder the expenditure when the government had already received and accepted benefits from the project."[9]

The Court of Appeals rejected the defense of state immunity from suit, citing *EPG Construction Co. v. Vigilar*.[10] It held that "the doctrine of governmental immunity from suit cannot serve as an instrument for perpetrating an injustice to a citizen."[11]

The Court of Appeals also ruled that respondents are not entitled to litigation expenses. It held that "[n]o premium should be placed on the right to litigate and not every winning party is entitled to an automatic grant of costs of litigation."[12] It further held that "there is no sufficient showing of [MMDA's] bad faith in refusing to pay the expenses for the waste disposal operations as it relied on Section 2 of RA 7718, Act No. 3083, CA 327 and PD 1445."[13]

The dispositive portion of the Court of Appeals' decision reads:

> WHEREFORE, the appeals are DISMISSED. The assailed Decision dated June 9, 2010 and Order dated August 30, 2012 issued by the Regional Trial Court of Makati City, Branch 133 in Civil Case No. 07-942 are AFFIRMED.
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> SO ORDERED.[14]

The Issues

MMDA raises the following issues: (1) whether judgment on the pleadings is proper; (2) whether DMCI and R-II Builders are entitled to recover the expenses they incurred based on *quantum meruit*; and (3) whether the COA has primary jurisdiction over the present case.

The Court's Ruling

The resolution of the issue of whether the COA has primary jurisdiction over the present case will determine whether there is a need to resolve the first two issues. Thus, the Court deems it necessary to settle first the issue of jurisdiction.

Respondents posit that "[o]nce the decision holding petitioner liable to respondents on the basis of *quantum meruit* and unjust enrichment becomes final, and on the further assumption that petitioner will not volunteer payment of the judgment award, then that will only be the time that respondents should file their money claim with the COA to enforce the final judgment."[15] They argue that "even if the trial court's decision in this case becomes final, the settlement of [their] money claim is still subject to the primary jurisdiction of the COA."[16] They further claim that assuming the doctrine of primary jurisdiction applies, this case falls under the exceptions to this doctrine, namely, alleged unreasonable delay and official inaction on the part of MMDA, and this case allegedly involves only a purely legal question.

Respondents' arguments are untenable. There is no dispute that MMDA is a government agency in charge of "those services which have metro-wide impact and transcend local political boundaries or entail huge expenditures such that it would not be viable for said services to be provided by the individual local government units (LGUs) comprising Metropolitan Manila."[17] There is also no dispute that respondents are claiming from MMDA the total amount of P19,920,936.17 representing expenses allegedly incurred for the partial execution of the interim waste management project for Metro Manila. Since what is involved is a specific money claim against a government agency, it is clearly within the jurisdiction of the COA.

Under Commonwealth Act No. 327, as amended by Section 26 of Presidential Decree No. 1445, it is the COA which has primary jurisdiction over money claims against