

FIRST DIVISION

[G.R. No. 157860, December 01, 2003]

GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS), PETITIONER, VS. THE PROVINCE OF TARLAC, RESPONDENT.

DECISION

YNARES-SANTIAGO, J.:

This is a petition for review under Rule 45 of the Rules of Court, seeking the reversal of the Decision of the Court of Appeals dated November 28, 2002^[1] and Resolution dated April 8, 2003.^[2]

The facts are undisputed.

On March 26, 1996, the Sangguniang Panlalawigan of Tarlac passed Resolution No. 068-96, which authorized and approved the conversion of Urquico Memorial Athletic Field into a Government Center, as well as the segregation and donation of portions of said land to different government agencies for the purpose of constructing or relocating their office buildings. After receiving two letters of invitation regarding the project, the Government Service Insurance System (GSIS) decided to put up an office at the site.^[3]

Thus, Tarlac Governor Margarita Cojuangco issued a Notice of Construction on December 13, 1996, for the building of the GSIS office on the designated lot.^[4]

The Province of Tarlac and the GSIS then executed a Memorandum of Agreement (MOA) on December 13, 1997, whereby the Province of Tarlac donated the said lot to the GSIS subject to the conditions stipulated therein. On the same date, the Province executed a Deed of Donation over the subject lot in favor of the GSIS, which was duly accepted by the latter. As stipulated in the MOA, the GSIS donated P2,000,000.00 to the Province of Tarlac as financial assistance.^[5]

On September 17, 1997, the City of Tarlac issued a building permit to the GSIS for the construction of its office. The Sangguniang Panlalawigan then passed Resolution No. 013-97, which reiterated the authority granted to Gov. Cojuangco by Resolution No. 068-96.^[6]

Subsequently, Gov. Jose Yap was elected as the new chief executive of Tarlac, and he officially entered upon his duties on July 1, 1998. He wrote a letter to the GSIS, inviting the latter to reevaluate their respective positions with respect to the MOA of December 13, 1997. Evidently, Gov. Yap was of the opinion that the provisions of the Deed of Donation were unfair to the Province. Later, the Provincial Administrator wrote the GSIS, demanding the payment of P33,590,000.00 representing the balance of the value of the lot donated, which the GSIS refused to

pay.^[7]

On March 11, 1999, the Province of Tarlac then filed a Complaint against the GSIS for declaration of nullity of donation and memorandum of agreement, recovery of possession and enforcement of Article 449 in relation to Articles 450 and 451 of the Civil Code, and damages, before the Regional Trial Court of Tarlac City, Branch 63.

^[8] During the pre-trial, the parties agreed to submit the case for decision on the basis of the pleadings and annexes submitted by the parties, since only legal issues were involved.

On August 25, 1999, the trial court rendered its decision in favor of the validity of the donation to the GSIS and dismissed the complaint for declaration of nullity of donation and memorandum of agreement, recovery of possession and enforcement of Article 449 in relation to Articles 450 and 451 of the Civil Code, and damages filed by the Province of Tarlac.

Respondent Province of Tarlac appealed to the Court of Appeals,^[9] which rendered a decision on November 28, 2002, the dispositive portion of which states:

WHEREFORE, the assailed decision is hereby REVERSED and SET ASIDE. The deed of donation and Memorandum of Agreement both dated April 30, 1997 between the parties is hereby declared NULL and VOID. Petitioner is ORDERED to reimburse respondent all the necessary and useful expenses respondent incurred on the property.

SO ORDERED.^[10]

Petitioner GSIS filed the instant petition raising a sole assignment of error:

WHETHER THE COURT OF APPEALS ERRED IN HOLDING THAT THE DEED OF DONATION AND MEMORANDUM OF AGREEMENT ARE NULL AND VOID.
^[11]

In deciding the instant case, the Court of Appeals relied on Section 381 of Republic Act No. 7160, better known as the Local Government Code of 1991, which provides:

SECTION 381. *Transfer Without Cost.* — Property which has become unserviceable or is no longer needed may be transferred without cost to another office, agency, subdivision or instrumentality of the national government or another local government unit at an appraised valuation determined by the local committee on awards. Such transfer shall be subject to the approval of the *sanggunian* concerned making the transfer and by the head of the office, agency, subdivision, instrumentality or local government unit receiving the property.