

SECOND DIVISION

[G.R. No. 193796, July 02, 2014]

LAND BANK OF THE PHILIPPINES, PETITIONER, VS. ATLANTA INDUSTRIES, INC., RESPONDENT.

DECISION

PERLAS-BERNABE, J.:

This is a direct recourse^[1] to the Court from the Decision^[2] dated September 3, 2010 of the Regional Trial Court of Manila, Branch 21 (Manila RTC) in Civil Case No. 09-122643 which declared null and void the results of the re-bidding for the supply of water pipes conducted by the Bids and Awards Committee (BAC) of the City Government of Iligan due to the use of bidding documents outside of the rules and procedures prescribed under Republic Act No. (RA) 9184,^[3] otherwise known as the "Government Procurement Act."

The Facts

On October 3, 2006, Land Bank of the Philippines (Land Bank) and the International Bank for Reconstruction and Development^[4] (IBRD) entered into Loan Agreement No. 4833-PH^[5] for the implementation of the IBRD's "Support for Strategic Local Development and Investment Project" (S2LDIP). The loan facility in the amount of JPY11,710,000,000.00 was fully guaranteed by the Government of the Philippines and conditioned upon the participation of at least two (2) local government units by way of a Subsidiary Loan Agreement (SLA) with Land Bank.^[6]

On February 22, 2007, Land Bank entered into an SLA^[7] with the City Government of Iligan to finance the development and expansion of the city's water supply system, which had two (2) components, namely: (a) the procurement of civil works; and (b) the procurement of goods for the supply and delivery of various sizes of PE 100 HDPE pipes and fittings.^[8] **The SLA expressly provided that the goods, works, and services to be financed out of the proceeds of the loan with Land Bank were to be "procured in accordance with the provisions of Section I of the 'Guidelines: Procurement under IBRD Loans and IDA Credits' x xx, and with the provisions of [the] Schedule 4."**^[9] Accordingly, the City Government of Iligan, through its BAC, conducted a public bidding for the supply and delivery of various sizes of PE 100 HDPE pipes and fittings **using the IBRD Procurement Guidelines.**^[10]

Respondent Atlanta Industries, Inc. (Atlanta) participated in the said bidding and came up with the second to the lowest bid in the amount of P193,959,354.34.^[11] However, in a letter^[12] dated July 27, 2009, the BAC informed Atlanta that the bidding was declared a failure upon the recommendation of Land Bank due to the

IBRD's non-concurrence with the Bid Evaluation Report. Moreover, in a letter^[13] dated August 28, 2009, the BAC informed Atlanta of its disqualification from the bidding because it lacked several documentary requirements.

In response, Atlanta, through a letter^[14] dated September 8, 2009, sought to correct the BAC's erroneous assumption that it failed to submit the necessary documents and to have its disqualification reconsidered. It expressed its objection against the BAC's declaration of a failure of bidding, asserting that had it not been improperly disqualified there would have also been no need to declare the bidding a failure because its tender would be the sole responsive bid necessary to save the bid process.^[15]

However, in a Resolution^[16] dated September 25, 2009, the BAC deemed it futile to reconsider Atlanta's disqualification in view of the fact that the bidding had already been declared a failure because of noted violations of the IBRD Procurement Guidelines and that, unless the BAC conducts a new bidding on the project, it would not be able to obtain a "no objection" from the World Bank. Atlanta did not pursue the matter further with the BAC and opted, instead, to participate in the re-bidding of the project, the notice of which was published anew on October 30, 2009.^[17]

This notwithstanding, Atlanta, in a letter^[18] dated November 16, 2009, called the BAC's attention to its use of Bidding Documents^[19] which, as it purported, not only failed to conform with the Third Edition of the Philippine Bidding Documents for the Procurement of Goods (PBDs)^[20] prescribed by the Government Procurement Policy Board (GPPB) but also contained numerous provisions that were not in accordance with RA 9184 and its Implementing Rules and Regulations (IRR). During the pre-bid conference, the BAC declared that the project was not covered by RA 9184 or by any of the GPPB's issuances. It further announced that the bid opening would be conducted on December 14, 2009.^[21]

Apprehensive of the BAC's use of bidding documents that appeared to be in contravention of RA 9184 and its IRR, Atlanta filed on December 10, 2009 a Petition for Prohibition and Mandamus^[22] with an urgent prayer for the issuance of a temporary restraining order (TRO) and/or writ of preliminary injunction to enjoin the re-bidding of the project against the City Government of Iligan, the BAC, and Land Bank before the Manila RTC, docketed as Civil Case No. 09-122643 (Petition for Prohibition).

In their separate comments on the said petition, Land Bank and the BAC asserted that the case was dismissible for improper venue, mootness, non-exhaustion of administrative remedies, failure to implead an indispensable party, and the inapplicability of RA 9184.^[23]

In the meantime, with Atlanta's Urgent *Ex Parte* Motion for the Issuance of a 72-Hour TRO and Special Raffle^[24] having been denied,^[25] the re-bidding of the project was conducted (as scheduled on December 14, 2009), with four (4) bidders participating and submitting the following bids:

1. Atlanta Industries, Inc.

P141,289,680.50

2. Moldex Products, Inc.	P172,727,052.49
3. Dong Won Plastics, Inc.	P189,184,599.74
4. Thai-Asia/Junnie Industries	P191,900.020.00 ^[26]

Thereupon, the case proceeded with the parties' submission of their respective memoranda^[27] and the denial of Atlanta's prayer for the issuance of an injunctive writ.^[28]

The Manila RTC Ruling

In a Decision^[29] dated September 3, 2010, the Manila RTC declared the subject bidding null and void on the ground that it was done contrary to the rules and procedure prescribed in RA 9184 and its IRR. Consequently, it enjoined the City Government of Iligan and its BAC from entering into and/or implementing the contract for the supply of water pipes with Moldex Products, Inc.^[30]

The Manila RTC also ruled that the City Government of Iligan cannot claim exemption from the application of RA 9184 and its IRR by virtue of Loan Agreement No. 4833-PH with the IBRD because it was Land Bank, and not the City Government of Iligan, which was the party to the same. Moreover, it held that the IBRD could not have passed on its status as an international institution exempt from RA 9184 simply because it loaned money to Land Bank.^[31] It added that the SLA subsequently executed by Land Bank with the City Government of Iligan cannot validly provide for the use of bidding procedures different from those provided under RA 9184 because the said SLA is not in the nature of an international agreement similar to the Loan Agreement with the IBRD.^[32]

The Manila RTC finally concluded that in view of GPPB Resolution No. 05-2009 (September 30, 2009) which requires "all branches, agencies, departments, bureaus, offices and instrumentalities of the Government, including x xx local government units x x x to use the Philippine Bidding Documents Third Edition for all their procurement activities," the City Government of Iligan and its BAC exceeded their jurisdiction in conducting the public bidding using the questioned bidding documents.^[33]

Dissatisfied, Land Bank elevated the matter directly to the Court, vigorously asserting, among others, that: (a) venue was improperly laid; and (b) the public bidding for the supply of water pipes to the City of Iligan's Water Supply System Development and Expansion Project is exempt from the application of RA 9184 and its IRR by virtue of the SLA being a related and subordinate covenant to Loan Agreement No. 4833-PH.^[34]

The Issues Before the Court

The main issues presented for the Court's resolution are: (a) whether or not the Manila RTC has jurisdiction over the instant prohibition case and eventually issue the writ prayed for; and (b) whether or not the SLA between the Land Bank and the City Government of Iligan is an executive agreement similar to Loan Agreement No. 4833-PH such that the procurement of water pipes by the BAC of the City

Government of Iligan should be deemed exempt from the application of RA 9184.

The Court's Ruling

The petition is meritorious.

The Court first resolves the procedural issues of this case, then proceeds to its substantive aspects.

A. PROCEDURAL ISSUES:

THE MANILA RTC'S LACK OF JURISDICTION TO ISSUE THE WRIT OF PROHIBITION SUBJECT OF THIS CASE; AND ATLANTA'S FAILURE TO EXHAUST ADMINISTRATIVE REMEDIES.

Preliminarily, Land Bank asserts that the Petition for Prohibition was improperly filed before the Manila RTC considering that the acts sought to be enjoined, *i.e.*, the public bidding for the supply of water pipes, are beyond the said court's territorial jurisdiction.^[35] Atlanta, for its part, counter-argues that the acts of Land Bank are as much to be enjoined for causing the City Government of Iligan and its BAC to continuously violate the provisions of RA 9184, its IRR, and the PBDs in the conduct of the public bidding^[36] and that the filing of the prohibition case in the City of Manila was in accordance with the rules on venue given that Land Bank's main office is in the City of Manila.^[37]

The Court finds for Land Bank.

A petition for prohibition is a special civil action that seeks for a judgment ordering the respondent to desist from continuing with the commission of an act perceived to be illegal. Section 2, Rule 65 of the Rules of Court (Rules) reads:

Sec. 2. Petition for Prohibition. - When the proceedings of any tribunal, corporation, board, officer or person, whether exercising judicial, quasi-judicial or ministerial functions, are without or in excess of its or his jurisdiction, or with grave abuse of discretion amounting to lack or excess of jurisdiction, and there is no appeal or any other plain, speedy, and adequate remedy in the ordinary course of law, a person aggrieved thereby may file a verified petition in the proper court, alleging the facts with certainty and **praying that judgment be rendered commanding the respondent to desist from further proceedings in the action or matter specified therein**, or otherwise granting such incidental reliefs as law and justice may require.

x x x x (Emphasis supplied)

While the Court, Court of Appeals and Regional Trial Court have original concurrent jurisdiction to issue writs of *certiorari*, prohibition and mandamus, if what is assailed

relates to "acts or omissions of a lower court or of a corporation, board, officer or person," the petition must be filed "in the Regional Trial Court exercising jurisdiction over the territorial area as defined by the Court." Section 4 of the same Rules provides that:

Sec. 4. *When and Where to file the petition.* - The petition shall be filed not later than sixty (60) days from notice of the judgment, order or resolution. In case a motion for reconsideration or new trial is timely filed, whether such motion is required or not, the petition shall be filed not later than sixty (60) days counted from the notice of the denial of the motion.

If the petition relates to an act or an omission of a municipal trial court or of a corporation, a board, an officer or a person, it shall be filed with the Regional Trial Court exercising jurisdiction over the territorial area as defined by the Supreme Court. It may also be filed with the Court of Appeals or with the Sandiganbayan, whether or not the same is in aid of the court's appellate jurisdiction. If the petition involves an act or an omission of a quasi-judicial agency, unless otherwise provided by law or these rules, the petition shall be filed with and be cognizable only by the Court of Appeals.

x x x x (Emphasis supplied)

The foregoing rule corresponds to Section 21 (1) of Batas PambansaBlg. 129,^[38] otherwise known as "The Judiciary Reorganization Act of 1980" (BP 129), which gives Regional Trial Courts original jurisdiction over cases of *certiorari*, prohibition, *mandamus*, *quo warranto*, *habeas corpus*, and injunction but lays down the limitation that the writs issued therein are enforceable only within their respective territorial jurisdictions. The pertinent provision reads:

Sec. 21. Original jurisdiction in other cases.- Regional Trial Courts shall exercise original jurisdiction:

(1) In the issuance of writs of *certiorari*, prohibition, *mandamus*, *quo warranto*, *habeas corpus* and injunction, which **may be enforced in any part of their respective regions;**

x x x x (Emphasis supplied)

The Court already ruled in numerous cases, beginning with the very early case of *Castaño v. Lobingier*,^[39] that the power to administer justice conferred upon judges of the Regional Trial Courts, formerly Courts of First Instance(CFI), can only be exercised within the limits of their respective districts, outside of which they have no jurisdiction whatsoever. Applying previous legislation similar to the present Section 21 of BP 129 and its complementary provision, *i.e.*, Section 4, Rule 65 of the Rules, the Court held in said case that the CFI of Leyte had no power to issue writs of injunction and *certiorari* against the Justice of the Peace of Manila, as the same was outside the territorial boundaries of the issuing court. Also, in *Samar Mining Co.*,