

****Title:**** Central Bay Reclamation and Development Corporation vs. Commission on Audit and the Philippine Reclamation Authority

****Facts:****

This case revolves around the joint venture agreement (JVA) between the Philippine Reclamation Authority (PRA), formerly Public Estates Authority (PEA), and Central Bay Reclamation and Development Corporation (Central Bay), once named Amari Coastal Bay and Development Corporation (AMARI). The agreement, amended on March 30, 1999, aimed to develop three reclaimed islands known as “Freedom Islands” and to reclaim around 592.15 hectares of foreshore and submerged areas of Manila Bay, granting Central Bay ownership of certain portions upon completion.

The Supreme Court nullified this Amended JVA on July 9, 2002, citing its violations of the 1987 Constitution, specifically the regulatory prohibitions against the alienation of natural resources other than agricultural lands and the acquisition by private corporations of any kind of alienable land of the public domain. Central Bay’s motions for reconsideration were denied on May 6, 2003, yet the Court allowed for the recovery of costs on a quantum meruit basis in proper proceedings.

Subsequently, Central Bay filed a petition for a money claim against PRA before the Commission on Audit (COA) in COA CP Case No. 2010-350, seeking reimbursement for costs. Both parties entered into a compromise agreement, which proposed the settlement of Central Bay’s claim through the transfer of a specified reclaimed land portion to a qualified assignee selected by Central Bay. However, the COA, in a decision dated May 23, 2019, disapproved the compromise agreement, asserting it was a circumvention of the constitutional prohibition against corporate ownership of alienable land of the public domain.

****Issues:****

1. Whether the Compromise Agreement between Central Bay and PRA, seeking to transfer reclaimed land to Central Bay’s qualified assignee, contravenes the constitutional prohibition against corporate ownership of alienable lands of the public domain.
2. Whether the COA correctly disallowed certain money claims filed by Central Bay for reimbursement of costs incurred under the void JVA.

****Court’s Decision:****

The Supreme Court dismissed Central Bay's petition, affirming the COA's decision. It ruled that the Compromise Agreement sought a circumvention of the 1987 Constitution's stipulation that private corporations may not hold alienable lands of the public domain except by lease. The Court noted that allowing Central Bay to confer rights to a "qualified assignee" effectively grants it beneficial ownership, which the Constitution prohibits. Moreover, the Court upheld the COA's authority in disallowing the other money claims for lack of proper documentation and legal bases, except for the amount of P714,937,790.29 directly connected to the project's implementation.

****Doctrine:****

The transaction or arrangement that circumvents the constitutional prohibition against corporate ownership of alienable lands of the public domain is void. The principle of quantum meruit allows for the recovery of reasonable costs incurred in implementing a void contract, provided the claims are substantiated with complete documentation.

****Class Notes:****

- ****Alienable Lands:**** Only Filipino citizens and, in certain cases, Filipino corporations or associations (60% Filipino-owned) can acquire alienable public lands.
- ****Quantum Meruit:**** Permits the recovery of the reasonable value of services rendered or costs incurred in connection with a void contract, subject to proper substantiation.
- ****Prohibitions on Corporate Ownership:**** Private corporations are barred from acquiring any kind of alienable land of the public domain, except through a lease agreement not exceeding 25 years, renewable for not more than 25 years, and under 1,000 hectares in area (1987 Constitution, Article XII, Sections 2 and 3).
- ****Documentation for Government Claims:**** Claims against government funds must be supported by complete and proper documentation to be valid.

****Historical Background:****

This case highlights the stringent constitutional protections against the indiscriminate alienation of the Philippines' natural resources, ensuring these lands are preserved for future generations of Filipinos. It underscores the State's role in safeguarding public domains from unlawful privatization and exploitation, thereby maintaining balance and equitable distribution among the populace.