

**\*\*Title: EPG Construction Co., et al. vs. Hon. Gregorio R. Vigilar (G.R. No. 123625)\*\***

**\*\*Facts:\*\***

In 1983, the Ministry of Human Settlement, through the BLISS Development Corporation, initiated a housing project on a government property along the east bank of the Manggahan Floodway in Pasig City. For this purpose, the Ministry of Human Settlement entered into a Memorandum of Agreement (MOA) with the Ministry of Public Works and Highways (MPWH), wherein the latter undertook to develop the housing site and construct 145 housing units.

Pursuant to the MOA, the MPWH entered into individual contracts with several construction companies for the construction of these housing units. These companies included EPG Construction Co., Ciper Electrical and Engineering, Septa Construction Co., Phil. Plumbing Co., Home Construction Inc., World Builders Inc., Glass World Inc., Performance Builders Development Co., and De Leon Araneta Construction Co. (collectively, the “petitioners”). These contracts only covered around two-thirds of each housing unit’s construction.

Despite fulfilling their contractual obligations and being paid accordingly, petitioners, upon the verbal assurances of then DPWH Undersecretary Aber Canlas that additional funds would be forthcoming, undertook additional construction to complete the housing units without written contracts or appropriations. Consequently, the petitioners ended up with an unpaid balance of PHP 5,918,315.63 representing the expenses for these additional works.

On November 14, 1988, petitioners sent a demand letter to the DPWH Secretary. The DPWH Assistant Secretary recognized the claim but suggested that payment be based on quantum meruit and referred the matter to the Commission on Audit (COA). The COA returned the matter to the DPWH, asserting that funds must first be made available.

Despite subsequent referrals and recommendations, including a request made by the DPWH Secretary to the Secretary of Budget and Management, requesting the release of public funds, the matter remained unresolved. The amount of PHP 5,819,316.00, though once released under Advise of Allotment No. A4-1303-04-41-303, was still not paid to the petitioners.

Frustrated, the petitioners filed a Petition for Mandamus with the Regional Trial Court of Quezon City (RTC) to compel the DPWH Secretary to release the funds and pay for the additional work done. On November 7, 1997, the RTC dismissed the petition. The petitioners

then brought the matter before the Supreme Court via Petition for Certiorari.

**\*\*Issues:\*\***

1. Whether the petitioners are entitled to compensation for additional construction work done without written contracts or appropriations under the principle of quantum meruit.
2. Whether the doctrine of non-suability of the State bars the petitioners' claim for compensation.

**\*\*Court's Decision:\*\***

The Supreme Court ruled in favor of the petitioners.

1. **\*\*Entitlement to Compensation on Quantum Meruit Basis\*\***:

- The Court agreed that while the "implied contracts" covering the additional constructions were void for violating applicable laws and auditing rules, the principle of quantum meruit would still apply. This principle posits that compensation can be awarded based on the reasonable value of services rendered, even without a formal contract, as long as the services were accepted and beneficial.
- The Court noted that petitioners performed in good faith under the verbal assurances from the DPWH Undersecretary.
- Other precedents, such as *Eslao vs. COA* and *Royal Trust Construction vs. COA*, were cited where recovery on the basis of quantum meruit was allowed despite the absence of formal written contracts and appropriations.

2. **\*\*Non-Suability of the State\*\***:

- The Court refuted the respondent's claim that the State could invoke immunity from suit. It reiterated the doctrine laid down in cases such as *Amigable vs. Cuenca* and *Ministerio vs. CFI of Cebu*, where the principle of State immunity was not allowed to perpetuate injustice.
- The Supreme Court emphasized that an express prohibition by law, in this case, the requirement of appropriations for contracts involving public funds, must not defeat a contractor's right to compensation where the benefits of the work were received by the government and public.

**\*\*Doctrine:\*\***

- **\*\*Quantum Meruit\*\***: The doctrine allows recovery of the reasonable value of services rendered when a formal contract is absent or void but one party has benefitted from the

other party's performance.

- **Non-Suability of the State**: This is not absolute and cannot be invoked to perpetrate injustice, especially where the state has accepted and benefited from the services provided.

**Class Notes:**

- **Quantum Meruit**:

- Defined as: "as much as he deserves."

- Applicable in absence of a formal contract.

- Allows compensation based on the reasonable value of services rendered.

- **Case Examples**: Eslao vs. COA, Royal Trust Construction vs. COA.

- **Non-Suability of the State**:

- Not absolute.

- Exceptions exist to prevent injustice.

- **Legal Basis**: Section 3, Article XVI, 1987 Constitution; Section 10, Book I, Chapter 3, E.O. 292.

- **Case Examples**: Amigable vs. Cuenca, Ministerio vs. CFI of Cebu.

**Historical Background:**

This case highlights the complexities of public construction projects in the Philippines during the 1980s and early 1990s, emphasizing the bureaucracy and delays that contractors faced in securing payments for completed work. The case also underscores the evolution of judicial doctrines ensuring that contractors are compensated fairly, balancing the stringent requirements of public fundraiser expenditures with equitable considerations.