THIRD DIVISION

[G.R. No. 265163. November 10, 2025]

DEPARTMENT OF BUDGET AND MANAGEMENT AND DEPARTMENT OF BUDGET AND MANAGEMENT-PROCUREMENT SERVICE, PETITIONERS, VS. JOINT VENTURE OF OMNIPRIME MARKETING, INC., 2INTERACT MIDDLE EAST FZ-LLC, AND HEITECH PADU BERHAD, REPRESENTED BY ANNABELLE A. MARGAROLI, RESPONDENT.

D E C I S I O N

SINGH, J.:

This is a Petition for Review on *Certiorari*[1] filed under Rule 19(E) of the Special Rules of Court on Alternative Dispute Resolution (**Special ADR Rules**)[2] by the Department of Budget and Management (**DBM**) and the Department of Budget and Management-Procurement Service (**DBM-PS**) of the Decision,[3] dated March 10, 2022, and the Resolution,[4] dated November 25, 2022, of the Court of Appeals (**CA**) in CA-G.R. SP No. 165569. The CA affirmed the Orders, dated July 12, 2019,[5] and March 13, 2020,[6] of Branch 157, Regional Trial Court, Pasig City (**RTC**), which granted the Petition for Confirmation of the Final Award,[7] dated November 23, 2018, rendered by the Arbitral Tribunal, which essentially ruled in favor of the Joint Venture (**JV**) of Omniprime Marketing, Inc., 2Interact Middle East FZ-LLC, and Heitech Padu Berhad.

The Facts

In 2013, the DBM rolled out the National Payroll System (**Project**), which aimed to reform the payroll system of the government to facilitate the quick and efficient processing of salaries and benefits of government employees.[8] The project is a completely electronic system that will cover all payroll-related activities, including the distribution of monthly salaries, remittances of social security and health insurance contributions, and the withholding of taxes.[9]

The Project underwent public bidding to solicit proposals responsive to the requirements of the government. The DBM-PS conducted the procurement process.[10]

In response to the Request for Expression of Interest published by the DBM-PS, the respondents entered into a Joint Venture Agreement on March 28, 2014.[11]

After bid evaluation and post-qualification, the DBM-PS issued a Notice of Award to the JV. On May 21, 2014, the parties entered into a Contract Agreement[12] for the "Configuration, Installation, Integration, Data Migration and Training for a Government Human Resource Information System/National Payroll System (GHS/NPS) under Public Bidding No. 13-192." Included in the Contract Agreement is a Milestones Schedule, which mapped out how payment to the JV will be made based on the accomplishment of certain payment milestones. The contract price was PHP 348 million.[13]

In May 2014, the parties executed a Supplementary Agreement to revise some provisions of the Contract Agreement.[14] Then, on June 4, 2014, the DBM-PS issued the Notice to Proceed to the JV.

The DBM-PS formed the Comprehensive Human Resource Information System (**CHRIS**) Team to work with the JV. However, in a letter, dated May 15, 2015, the JV notified DBM-PS regarding several delays in the implementation of the Project, such as the lack of data from the CHRIS Team and difficulty in the interpretation of payroll policies. The JV maintained that it was ready and willing to move forward with the execution of the Project.[15]

In another letter, dated June 29, 2015, the JV recognized the delay in the implementation of the Project, but reasoned out that such was beyond its control. The JV claimed that the Terms of Reference (**TOR**) of the Project was vague since it did not contain details on the payroll policies of the government agencies covered.[16]

The DBM-PS issued a letter, dated October 5, 2015, demanding that the JV faithfully comply with its obligations under the Contract Agreement. The DBM-PS stated that the JV failed to deploy a full team of personnel as required under the Contract Agreement, and lacked significant progress in project implementation. The DBM-PS gave the JV seven days to comply with its obligations, otherwise it would consider the Project abandoned.[17]

The JV sent a letter, dated October 8, 2015, where it stressed that the presence of key personnel that the CHRIS Team demanded was superfluous and a waste of resources considering that the Project's office in the DBM has yet to be constructed, and that such personnel could ably perform their duties from abroad.[18] In a follow-up letter, dated November 12, 2015, the JV requested for a meeting with the DBM-PS to iron out the issues concerning the implementation of the Project.[19]

However, on November 24, 2015, the DBM-PS issued a Notice to Terminate based on the following: (**a**) failure of the JV to deploy all 10 required personnel and five senior members of the Project Team to be on site for the duration of the initial project implementation; and (**b**) violation of provisions of the Contract Agreement prohibiting

any software development or customization. The Notice then directed the JV to submit a position paper to show cause why the contract should not be terminated.[20]

On December 2, 2015, the JV submitted its Verified Position Paper, which addressed the findings contained in the Notice to Terminate and demanded that any dispute be amicably settled by the parties.[21]

The DBM-PS issued an Order of Termination, dated January 26, 2016, which cancelled the Contract Agreement based on the two grounds mentioned. The Order also imposed on the JV the penalty of suspension from participating in public bidding of the DBM-PS for one year, and forfeiture of the performance security in the amount of PHP 104.4 million.

On February 3, 2016, the JV sent to the DBM-PS its Formal Demand seeking to refer the dispute to arbitration. In the same document, the JV stated that it appointed Engineer Salvador Recepcion as its nominee in the Arbitral Tribunal. It also demanded the DBM-PS to appoint its nominee not later than 15 days from receipt thereof, and for both parties to name the third nominee.[22]

On March 1, 2016, the DBM-PS sent a letter rejecting the JV's demand to refer the dispute to arbitration since the arbitration clause is permissive and not mandatory in nature. The DBM-PS reasoned out that the law allows the termination of the contract when the supplier defaults in its compliance with or substantially breaches the terms and conditions of the contract.[23]

Since the DBM-PS failed to appoint its nominee to the Arbitral Tribunal, the JV sent a letter, dated March 21, 2016, to the National President of the Integrated Bar of the Philippines (**IBP**) requesting for the appointment of the second and third members of the Arbitral Tribunal.[24] Thereafter, Atty. Salvador S. Panga, Jr. was appointed as the second arbitrator for the DBM-PS.[25]

However, before the constitution of the Arbitral Tribunal, the JV filed with the RTC, on May 3, 2016, a Petition for Interim Measure of Protection, which sought to enjoin the DBM-PS from enforcing its Order of Termination and the blacklisting of the JV from participating in the bidding of all government projects.[26]

In the Order, dated July 4, 2016, the RTC granted the interim measure of protection.[27] The DBM-PS moved for reconsideration but it was denied. The DBM-PS elevated that case to this Court, but it was dismissed in the Resolution, dated February 27, 2017.[28]

Then, the JV requested the IBP National President to appoint the third member of the Arbitral Tribunal.[29] In the meeting on July 18, 2017, which was presided by the IBP National President and attended by representatives from the DBM-PS and the JV, the parties agreed to appoint Atty. Victor C. Fernandez (**Atty. Fernandez**) as the third member of the Arbitral Tribunal.[30]

Thereafter, arbitration proceedings ensued.

The Ruling of the Arbitral Tribunal

In the Final Award, dated November 23, 2018, the Arbitral Tribunal ruled mostly in favor of the JV. The dispositive portion of the said Award reads, as follows:

> **WHEREFORE**, after considering the submissions/pleadings and the evidence presented by the parties, the Tribunal, in full and final resolution of the issues submitted for determination in this arbitration, hereby: -
>
> 1. Denies Claimant's prayer (i) to revoke Respondent's Order of Termination; (ii) to allow Claimant to proceed with the Contract; and (iii) for actual damages.
>
> 2. Directs Respondent to pay Claimant [PHP 80,000,000.00] for works completed before contract termination that have remained unpaid.
>
> 3. Denies the claims for moral damages and attorney's fees.
>
> 4. Directs Respondent to pay Claimant [PHP 200,000.00] as temperate damages for the contract termination.
>
> 5. Directs the arbitrators' fees and costs of arbitration shall be equally apportioned between the parties and considering that Claimant had earlier advanced these amounts, directs Respondent to reimburse Claimant the total sum of [PHP 2,575,000.00], broken down as follows: [PHP 2,475,000.00] as arbitrators' fees and [PHP 100,00.00] as administrative fees.
>
> 6. Directs Respondent to pay legal interest at the rate of 6% per annum on all amounts awarded, counted from the date of the Award.
>
> Any and all claims not addressed in this Final Award are hereby denied.
>
> SO ORDERED.[31] (Emphasis in the original)

The Arbitral Tribunal held that the State waived it sovereign immunity when it expressly stipulated in the Contract Agreement that the parties should settle disputes through arbitration.[32]

The Tribunal also held that, contrary to the claim of the DBM-PS, the Contract Agreement merely required the JV to deploy five senior members of the Project Team on site on a full-time basis, and while the TOR identified 10 other key personnel, they were only required to be made available during the implementation period without all of them being required to be physically present on site.[33]

The DBM-PS insisted on certain modifications to the program being developed by the JV. Thus, it became necessary for the JV to perform numerous customizations on its

software to accommodate the DBM-PS' demands. The Arbitral Tribunal found that the DBM-PS actually wanted a specially-designed system where all government requirements, policies and specifics are incorporated and automated. Thus, it held that the DBM-PS was unable to define and limit the deliverables so as to allow the JV to perform its obligations under the Contract Agreement.[34]

Based on the testimonies of witnesses presented before the Arbitral Tribunal, it was found that no sufficient arrangements were made by the DBM-PS to allow the JV's Project Team to work with basic provisions, such as fast internet access, airconditioned office facilities and a quiet private space.[35]

The Arbitral Tribunal ruled that, based on the evidence offered during arbitration, the JV was able to complete certain payment milestones entitling it to the payment of PHP 180 million. Of this amount, PHP 100 million has been paid to the JV. Consequently, the unpaid balance stands at PHP 80 million consisting of PHP 10 million for the milestone representing the successful validation of the software over two pay periods, and PHP 70 million for the milestone representing the software license payment for the second year.[36]

Lastly, the Arbitral Tribunal held that the Order of Termination was improperly issued by the DBM-PS. However, given the circumstances of the case, and in light of the severely damaged relationship between the parties, the Arbitral Tribunal was not convinced that the JV would be in a position to timely and completely perform its obligations in the Contract Agreement.[37]

On March 11, 2019, the JV filed a Petition for Confirmation of Arbitral Award (With Motion for Execution) before the RTC.[38] The DBM-PS filed two Motions for extension of time to file an Answer or responsive pleading, which were opposed by the JV for being a prohibited pleading under the Special ADR Rules.[39] Subsequently, the DBM-PS filed its Opposition to the Petition for Confirmation.[40]

The Ruling of the RTC

In the Order, dated July 12, 2019, the RTC ruled in favor of the JV. The dispositive portion of the said Order reads, as follows:

> **WHEREFORE**, premises considered, the Court hereby resolves as follows:
>
> 1. Respondent's Motion for Further Extension of Time is **hereby denied** and deems the respondent as having waived its submission of any responsive pleading to the Petition; and
>
> 2. **GRANT** the Petition for Confirmation of Arbitral Award [With Motion for Execution][,] dated March 11, 2019.
>
> Accordingly, let a Writ of Execution issue implementing the Final Award[,] dated November 23, 2018, which is quoted below:

. . . .

Furnish the parties copies of this [O]rder.

SO ORDERED.[41] (Emphasis in the original)

The RTC held that the Special ADR Rules are clear that a motion for extension of time is a prohibited pleading, except where an *ex parte* temporary order of protection has been issued. Moreover, this motion must have been verified. Thus, the RTC did not consider the Opposition filed by the DBM-PS and expunged it from the records. But even if such Opposition was taken into account, the RTC would still rule in favor of the JV. In gist, the RTC held that the DBM-PS failed to raise any valid grounds under the Special ADR Rules that would empower the RTC to vacate the Final Award.[42]

The DBM-PS filed a Motion for Reconsideration,[43] which was denied by the RTC in the Order, dated March 13, 2020. The RTC had earlier issued a writ of execution on July 25, 2019.[44]

The DBM-PS, together with the DBM, filed a Petition for Review[45] with the CA.

The Ruling of the CA

In the assailed Decision, dated March 10, 2022, the CA ruled in favor of the JV. The *fallo* of the CA Decision reads, as follows:

> **WHEREFORE**, the petition is **DENIED**. The Orders[,] dated 12 July 2019 and 13 March 2020[,] of [Branch 157,] Regional Trial Court,[] of Pasig City are hereby **AFFIRMED**.
>
> **SO ORDERED**.[46] (Emphasis in the original)

The CA held that the Contract Agreement explicitly require arbitration in the settlement of disputes concerning the implementation of the Project. Thus, the propriety of the DBM-PS' termination of the Contract Agreement is a dispute that falls within the scope of the arbitration clause.[47]

The CA found that the DBM-PS did not assail the validity and enforceability of the arbitration clause. Thus, it cannot conveniently escape arbitration by invoking the State's sovereign immunity from suit and by insisting that the termination of the Contract Agreement is not an arbitrable dispute.[48]

The CA held that the Arbitral Tribunal had jurisdiction over the case. Resort to arbitration was obligatory under the Contract Agreement. While the DBM-PS initially rejected the JV's Formal Demand to refer the dispute to arbitration, it nonetheless attended the meeting presided by the IBP National President for the purpose of constituting the Arbitral Tribunal. More specifically, the DBM-PS agreed that Atty. Fernandez shall be appointed as the third arbitrator and act as Chairperson of the

Arbitral Tribunal. Thereafter, the DBM-PS actively participated in the proceedings by filing several pleadings and presenting evidence.[49]

The CA ruled that the DBM-PS' contentions regarding the delay allegedly committed by the JV in the performance of its obligations under the Contract Agreement, and the supposed vagueness in the TOR that made it difficult for the JV to comply with its deliverables, are questions of fact that necessitate the reexamination of the evidence presented by the parties before the Arbitral Tribunal. However, these grounds are not valid in vacating an arbitral award under the Special ADR Rules.[50]

Contrary to the DBM-PS' argument that primary jurisdiction over money claims lies with the Commission on Audit (**COA**), the CA held that there is nothing in the Constitution and statute that expressly grants the COA original and exclusive jurisdiction over money claims. The Arbitral Tribunal had jurisdiction to grant the money awards in favor of the JV, and the COA's jurisdiction in approving money claims against the government is only akin to the power of an execution court.[51]

Thus, the DBM and the DBM-PS filed the present Petition.

The Issues

The issues for resolution are:

First, did the Arbitral Tribunal acquire jurisdiction over the dispute?

Second, did the DBM-PS validly terminate the Contract Agreement between it and the JV?

Finally, did the CA err in affirming the monetary awards granted by the Arbitral Tribunal in favor of the JV?

The Ruling of the Court

The Court finds the Petition bereft of merit.

The Arbitral Tribunal has jurisdiction over the dispute; the COA has primary but not exclusive jurisdiction over money claims against the government

The DBM and the DBM-PS assert that the Arbitral Tribunal did not acquire jurisdiction over the controversy. They claim that they did not consent to the arbitration of the case because the JV failed to comply with the form and substance of a demand for arbitration, and that they refused to refer the case to arbitration.[52] Likewise, the DBM and the DBM-PS argue that the primary jurisdiction over the money claim against them must be lodged with the COA and not with the Arbitral Tribunal.[53]

These arguments are specious.

Arbitration is statutorily defined as "a voluntary dispute resolution process in which one or more arbitrators, appointed in accordance with the agreement of the parties, or rules promulgated pursuant to [the Alternative Dispute Resolution Act] resolve a dispute by rendering an award."[54] Although adversarial in character, arbitration is not technically litigation but a voluntary process consented to by the parties effected through an *arbitration agreement* that pre-existed the dispute or subsequently agreed upon.[55]

The arbitration agreement is the product of the autonomy of the parties who consented to have their disputes resolved through such process. "Arbitration agreements manifest not only the desire of the parties in conflict for the expeditious resolution of their dispute. They also represent, if not more so, the parties' mutual aspiration to achieve such resolution outside of judicial auspices, in a more informal and less antagonistic environment under the terms of their choosing."[56]

Arbitration agreements may be classified as *permissive* or *restrictive*. In the recent case of *Poro Point Management Corporation v. Bulk Handler's, Inc*.,[57] the Court described a permissive arbitration agreement as one that "does not mandate that all disputes regarding the enforcement or implementation of the [contract] must be submitted to arbitration to the exclusion of all other recourses including judicial remedies."[58]

Conversely, a restrictive arbitration agreement is one that limits the choice of the parties to the agreed upon mode of dispute settlement. Although an agreement that requires the parties to refer the dispute to arbitrators and to them alone is contrary to public policy as it ousts the courts of their statutorily granted jurisdiction, a stipulation that mandates the parties to refer the dispute to arbitration first before taking court action is nevertheless valid and actually constitutes a condition precedent.[59]

Here, the component documents constituting the Contract Agreement entered into by the DBM-PS and the JV, namely the General Conditions of Contract (**GCC**), Special Conditions of Contract (**SCC**), and the applicable provisions of the TOR, all show that a restrictive arbitration agreement was stipulated on which requires the parties to first resort to arbitration for the settlement of their disputes.

Clause 34 of the GCC provides:

> 34. Dispute Settlement
>
> 34.1 If any dispute or difference of any kind whatsoever shall arise between the Parties in connection with the implementation of this Contract, the Parties shall make every effort to resolve amicably such dispute or difference by mutual consultation.
>
> 34.2 *Any and all disputes arising from the implementation of this Contract shall be submitted to arbitration in accordance with the rules of procedure specified in the SCC.*[60] (Emphasis supplied)

Meanwhile, Clause 34.2 of the SCC reads as follows:

> 34.2 Any and all disputes arising from the implementation of this contract shall be submitted to arbitration in the Philippines according to the provisions of Republic Acts 876 and 9285, as required in Section 59 of the IRR of RA 9184.[61]

Finally, the Clause 11 of the Other Provisions of the TOR provides:

> 11. **Arbitration**. Any violation of the provisions of this Agreement shall be resolved by the DBM and the software provider via proper discussion, mediation, negotiations and similar other peaceful, cooperative and synergistic means. *The DBM and the software provider shall not take any legal action in any court of law of the Republic of the Philippines until all extrajudicial remedies have been exhausted. After the exhaustion of administrative remedies, the dispute or controversy shall be referred to an arbitration committee prior to any litigation in court* where one member of said arbitration committee shall be appointed by the DBM, the other by the software provider, and a third party to be designated by both agencies concerned. The place of arbitration shall be designated by the arbitration committee.
>
> *In cases of failure of the arbitration committee to settle any dispute controversy or claim which necessitates resorting to litigation, the DBM and the software provider hereby agree to submit themselves to the jurisdiction of a court of law*.[62] (Emphasis supplied)

It is a rule in contract interpretation that the various stipulations in the contract should be interpreted together.[63] Indeed, contract provisions "must not be viewed in isolation, but must be harmonized with each other so as to give effect and meaning to the entire contract."[64]

To the Court's mind, there is no other reasonable conclusion than that the parties to the Contract Agreement intended to exclusively refer disputes to arbitration prior to court action. Only when arbitration fails can the parties invoke the jurisdiction of the regular courts. In other words, it is compulsory for the parties to settle, after exhaustion of administrative remedies, controversies through arbitration before there can be court action. The restrictive nature of the arbitration clause found in the component documents of the Contract Agreement all connote one thing—that arbitration is the primary mode of dispute settlement consented to by the parties.

In fact, referral of disputes to arbitration is not only contractually required, but is also statutorily mandated. Section 59 of Republic Act No. 9184[65] provides:

> SEC. 59. *Arbitration*. – Any and all disputes arising from the implementation of a contract covered by this Act shall be submitted to arbitration in the Philippines according to the provisions of Republic Act

> No. 876, otherwise known as the "Arbitration Law": *Provided, however*, That, disputes that are within the competence of the Construction Industry Arbitration Commission to resolve shall be referred thereto. The process of arbitration shall be incorporated as a provision in the contract that will be executed pursuant to the provisions of this Act: *Provided*, That by mutual agreement, the parties may agree in writing to resort to alternative modes of dispute resolution.

This mandate to refer disagreements between the government and a private supplier to arbitration, even if not spelled out explicitly in dispute resolution clauses, "form part of, and are read into contracts."[66]

Thus, the arbitration agreement shall be liberally construed in favor of proceeding to arbitration considering the statutory instruction under Section 59 of Republic Act No. 9184 and the Court's policy of favoring party autonomy in the resolution of disputes.[67] It is within this framework that the Court resolves the issues raised by the DBM and DBM-PS with the end in view of promoting the arbitration process.

The DBM and the DBM-PS contend that the JV failed to comply with the formal requirements of referring a dispute to arbitration. They cite Section 5(a) of Republic Act No. 876, which requires that when the contract between the parties call for the appointment of three arbitrators, the demand to arbitrate shall: (**a**) name the arbitrator appointed by the party making the demand, and (**b**) require that the party upon whom the demand is made shall name his appointed arbitrator within 15 days from notice.[68] In the Order of Termination, dated January 26, 2016, it was stated that:

> A final note on the matter of arbitration. We have reviewed the entire records on file. Pursuant to GCC Clause 3[4], SCC Clause 34.2 and Other Provisions paragraph 11, an Arbitration Committee of the three [arbitrators] shall be formed to settle any disputes including grounds for termination. However, pursuant to RA 876 and RA 9285, the party seeking arbitration should have sent a Notice naming its Arbitrator and at the same time requesting the other party to name its arbitrator within 15 days, and for both arbitrators to agree on a third arbitrator. Since the records do not show that such procedure was complied with, we do not deem that a proper request for arbitration was initiated.[69]

Contrary to this conclusion by the DBM-PS, the Arbitral Tribunal found that the Formal Demand sent by the JV on February 3, 2016 constituted the demand that complied with the requirements of the law. The Arbitral Tribunal found that:

> In the same Formal Demand, petitioner Joint Venture named **ENGR. SALVADOR RECEPCION** as its nominee in the three-member Arbitration Committee provided under Paragraph 11 of the Section on "Other Provisions" of the TOR. It also demanded that respondent DBM-PS appoint its member of the Arbitration Committee not later than fifteen (15) days

from receipt thereof and for both parties to name the third member of the Arbitration Committee.[70] (Emphasis in the original)

It has been held that findings of fact are binding on the parties in an arbitration proceeding since the arbitral tribunal operates through contractual consent.[71] Here, the Formal Demand sent by the JV complied with the requirements of Section 5(a) of Republic Act No. 876, i.e., it named its nominee to the arbitration panel and requested the DBM-PS to name its own nominee within 15 days from receipt of such Demand. This finding of fact by the Arbitral Tribunal, which was confirmed by the CA, belies the contention of the DBM and the DBM-PS that no compliant demand to arbitrate was sent by the JV.

To note, it is only logical that the DBM-PS' Order of Termination precede the Formal Demand sent by the JV. The question of whether the DBM-PS validly terminated the Contract Agreement is an arbitrable dispute. Thus, it necessarily follows that the Formal Demand would be sent by the JV after the Order of Termination was issued by the DBM-PS. The latter cannot now claim that the Arbitral Tribunal lacked jurisdiction just because it decided to unilaterally reject the JV's request to arbitrate.

The CA was correct when it held that the DBM and the DBM-PS had effectively acquiesced to arbitration. In *Umbao v. Yap*,[72] the Court ruled that the parties' act of naming the arbitrator precludes them from questioning the latter's authority. Here, while the DBM-PS initially rejected the JV's Formal Demand to arbitrate, it nonetheless attended the meeting presided by the IBP National President on July 18, 2017 for the purpose of organizing the Arbitral Tribunal, particularly for the nomination of the jointly appointed third arbitrator.[73] This is a clear indication that the DBM-PS consented to arbitration and submitted itself to the jurisdiction of the Arbitral Tribunal notwithstanding its insistence that its appearance before the arbitration proceedings was only *ad cautelam*.

The DBM and the DBM-PS further contend that the payments they are being ordered to make to the JV are money claims against the government which are under the primary jurisdiction of the COA. They maintain that the Arbitral Tribunal does not have jurisdiction to grant such monetary awards.

The Court has resolved this issue in *Taisei Shimizu Joint Venture v. Commission on Audit*,[74] where it was held that the COA's primary jurisdiction over money claims due from the government does not preclude the exercise of jurisdiction over the same subject matter by another adjudicatory body, tribunal, or court, which includes arbitration committees.[75] On this score, the Court categorized the two types of money claims that may be brought before the COA: (**a**) money claims originally filed with the COA or those liquidated claims determined from vouchers, invoices and other accounting records; and (**b**) money claims which arise from a final and executory judgment of a court or tribunal.[76]

The nature of the money claim here falls under the second type. The issue of whether the JV is entitled to receive the unpaid milestone payments is a proper subject of arbitration under the Contract Agreement. Thus, it is the Arbitral Tribunal that has jurisdiction to decide such dispute. Once jurisdiction to decide the claim is validly acquired by a court or adjudicative body, the latter exercises and retains jurisdiction over the subject matter to the exclusion of all other courts or bodies including the COA. In the words of the Court in *Taisei Shimizu*, the COA "cannot interfere with the findings of a court or an adjudicative body that decided an unliquidated money claim involving issues requiring the exercise of judicial functions or specialized knowledge and expertise which the COA does not have in the first place."[77]

Thus, the Court finds that the Arbitral Tribunal has jurisdiction over the dispute in question.

The propriety of the termination of the Contract Agreement and the monetary awards granted to the JV are issues which the Court cannot review under the Special ADR Rules

The DBM and the DBM-PS argue that the CA erred in affirming the Arbitral Tribunal's monetary awards despite the finding that the termination of the contract was valid and justified. They also aver that the CA erred in affirming the said monetary awards which are contrary to law and policy since the DBM-PS did not receive or accept the supposed works completed by the JV, which resulted in substantial prejudice to the government.

Preliminarily, and without going into the substance, the Court notes that the arguments proffered by the DBM and the DBM-PS go into the merits of the Arbitral Tribunal's decision. "Merits" is defined as "a matter of substance in law as distinguished from matter of form, and as the real or substantial grounds of action or defense, in contradistinction to some technical or collateral matter raised in the course of the suit."[78] Here, the DBM and the DBM-PS question the legal and factual basis of the monetary awards granted to the JV, which require the reevaluation of the evidence submitted before the Arbitral Tribunal and the reconsideration of the claims and defenses of the parties.

However, under the current legal framework governing ADR, which includes Republic Act No. 876 or the Arbitration Law, Republic Act No. 9285 or the ADR Act of 2004, and the Special ADR Rules, the review power of the courts is limited and may only be invoked in certain circumstances.

Rule 19.36 of the Special ADR Rules provide that this Court's review of an appeal by *certiorari* is merely discretionary and should raise the grounds listed therein. The Rule reads as follows:

> RULE 19.36. *Review discretionary*. – A review by the Supreme Court is not a matter of right, but of sound judicial discretion, which will be granted only

> for serious and compelling reasons resulting in grave prejudice to the aggrieved party. The following, while neither controlling nor fully measuring the court's discretion, indicate the serious and compelling, and necessarily, restrictive nature of the grounds that will warrant the exercise of the Supreme Court's discretionary powers, when the Court of Appeals:
>
> a. Failed to apply the applicable standard or test for judicial review prescribed in these Special ADR Rules in arriving at its decision resulting in substantial prejudice to the aggrieved party;
>
> b. Erred in upholding a final order or decision despite the lack of jurisdiction of the court that rendered such final order or decision;
>
> c. Failed to apply any provision, principle, policy or rule contained in these Special ADR Rules resulting in substantial prejudice to the aggrieved party; and
>
> d. Committed an error so egregious and harmful to a party as to amount to an undeniable excess of jurisdiction.
>
> *The mere fact that the petitioner disagrees with the Court of Appeals' determination of questions of fact; of law or both questions of fact and law, shall not warrant the exercise of the Supreme Court's discretionary power. The error imputed to the Court of Appeals must be grounded upon any of the above prescribed grounds for review or be closely analogous thereto.*
>
> *A mere general allegation that the Court of Appeals has committed serious and substantial error or that it has acted with grave abuse of discretion resulting in substantial prejudice to the petitioner without indicating with specificity the nature of such error or abuse of discretion and the serious prejudice suffered by the petitioner on account thereof shall constitute sufficient ground for the Supreme Court to dismiss outright the petition.* (Emphasis supplied)

Thus, if a petition for review on *certiorari* filed under the Special ADR Rules does not raise issues that fall under the enumeration in Rule 19.36 or errors analogous thereto, the Court is empowered to dismiss the petition. Even if such issues are raised, but they are mere general allegations that the CA committed errors or acted with grave abuse of discretion, such will not trigger the exercise by the Court of its review power. As further provided in Rule 19.7 of the Special ADR Rules, an arbitral judgment is not subject to appeal or even a petition for *certiorari*, thus:

> RULE 19.7. *No appeal or certiorari on the merits of an arbitral award*. – An agreement to refer a dispute to arbitration shall mean that the arbitral award shall be final and binding. Consequently, a party to an arbitration is precluded from filing an appeal or a petition for *certiorari* questioning the merits of an arbitral award.

Additionally, Rule 19.10 of the Special ADR Rules reads as follows:

> RULE 19.10. *Rule on judicial review on arbitration in the Philippines*. – As a general rule, the court can only vacate or set aside the decision of an arbitral tribunal upon a clear showing that the award suffers from any of the infirmities or grounds for vacating an arbitral award under Section 24 of Republic Act No. 876 or under Rule 34 of the Model Law in a domestic arbitration, or for setting aside an award in an international arbitration under Article 34 of the Model Law, or for such other grounds provided under these Special Rules.
>
> If the Regional Trial Court is asked to set aside an arbitral award in a domestic or international arbitration on any ground other than those provided in the Special ADR Rules, the court shall entertain such ground for the setting aside or non-recognition of the arbitral award only if the same amounts to a violation of public policy.
>
> *The court shall not set aside or vacate the award of the arbitral tribunal merely on the ground that the arbitral tribunal committed errors of fact, or of law, or of fact and law, as the court cannot substitute its judgment for that of the arbitral tribunal*. (Emphasis supplied)

The stringent formulation in the abovementioned Rules is in line with the legal framework governing ADR. Section 2 of Republic Act No. 9285 declares it a State policy to "actively promote party autonomy in the resolution of disputes or the freedom of the party to make their own arrangements to resolve their disputes."[79] Relatedly, the second paragraph of Rule 2.1 of the Special ADR Rules states that the "[c]ourts shall intervene only in the cases allowed by law or [the] Special ADR Rules."[80] Thus, "judicial interference is actively restrained under the Special ADR Rules for arbitration to be a true alternative dispute resolution mechanism, and not merely an added preliminary step to judicial resolution."[81]

Thus, the issues raised in the Petition are, aside from the question on the Arbitral Tribunal's jurisdiction, clear questions that go into the merits of the case. For one, it would require the reexamination of the evidence presented before the Arbitral Tribunal for the Court to rule on whether the DBM-PS validly terminated the Contract Agreement with the JV. For another, the mere characterization by the DBM and DBM-PS that the monetary awards are "contrary to law and public policy" is not a magic wand that would enable the Court to exercise its review power. A perusal of the Petition shows that the arguments of the DBM and DBM-PS involve the propriety of such awards; their claim is centered on the argument that the supposed works the JV has completed were neither received nor accepted by the DBM-PS and that the payment to the JV of the unpaid balance, notwithstanding that nothing came out of the whole Project, would be disadvantageous to the government. These are, at the risk of being repetitive, factual and legal questions that the Court is not empowered to review under the Special ADR Rules.

The Court will not, even in passing, rule on the substance of this case. To do so would defeat the purpose of arbitration and run counter to the policy enunciated in the Special

ADR Rules. As the Court held in *Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation*:[82]

> We have deliberately refrained from passing upon the merits of the arbitral award - not because the award was erroneous but because it would be improper. None of the grounds to vacate an arbitral award are present in this case and as already established, the merits of the award cannot be reviewed by the courts.
>
> Our refusal to review the award is not a simple matter of putting procedural technicalities over the substantive merits of a case; it goes into the very legal substance of the issues. There is no law granting the judiciary authority to review the merits of an arbitral award. If we were to insist on reviewing the correctness of the award [...], it would be tantamount to expanding our jurisdiction without the benefit of legislation. This translates to judicial legislation—a breach of the fundamental principle of separation of powers. [83]

Notwithstanding that the amount involved in this dispute is substantial, and the Project is of national importance as it covered the human resource and payroll system of the entire government, the Court is constrained to uphold the primacy of the arbitration process, which includes the judgment of the Arbitral Tribunal. Thus, "[w]hether or not the arbitral tribunal correctly passed upon the issues is irrelevant. Regardless of the amount, of the sum involved in a case, a simple error of law remains a simple error of law. Courts are precluded from revising the award in a particular way, revisiting the tribunal's findings of fact or conclusions of law, or otherwise encroaching upon the independence of an arbitral tribunal."[84]

In sum, the Court finds no reason to disturb the CA Decision. No ground to vacate the arbitral award has been proven by the DBM and DBM-PS. Thus, it was proper for the RTC to confirm the Final Award rendered by the Arbitral Tribunal.

ACCORDINGLY, the Petition is **DENIED**. The Decision, dated March 10, 2022, and the Resolution, dated November 25, 2022, of the Court of Appeals in CA-G.R. SP No. 165569 are **AFFIRMED**.

SO ORDERED.

Hernando,[*] *Inting,*[**] *Gaerlan*, and *Dimaampao, JJ.*, concur.

---

[*] Designated as additional Member vice Caguioa, J., per Raffle, dated April 5, 2023.

[**] Designated as Acting Chairperson in view of inhibition of Associate Justice Alfredo Benjamin S. Caguioa.

[1] *Rollo*, pp. 10-77.

[2] A.M. No. 07-11-08-SC (2009).

[3] *Rollo*, pp. 79-120. Penned by Associate Justice Raymond Reynold R. Lauigan and concurred in by Associate Justices Mariflor P. Punzalan Castillo and Pablito A. Perez of the Third Division, Court of Appeals, Manila.

[4] *Id.* at 122-125. Penned by Associate Justice Raymond Reynold R. Lauigan and concurred in by Associate Justices Mariflor P. Punzalan Castillo and Pablito A. Perez of the Former Third Division, Court of Appeals, Manila.

[5] *Id.* at 253-260. Penned by Acting Presiding Judge Maria Paz R. Reyes-Yson of Branch 157, Regional Trial Court, Pasig City.

[6] *Id.* at 366. Penned by Acting Presiding Judge Maria Paz R. Reyes-Yson of Branch 157, Regional Trial Court, Pasig City.

[7] *Id.* at 201-252.

[8] *Id.* at 10.

[9] *Id.* at 11.

[10] *Id.* at 81.

[11] *Id.*

[12] *Id.* at 365-367.

[13] *Id.* at 81.

[14] *Id.* at 82.

[15] *Id.* at 83.

[16] *Id.* at 84.

[17] *Id.*

[18] *Id.* at 84-85.

[19] *Id.* at 85.

[20] *Id.*

[21] *Id.*

[22] *Id.* at 86.

[23] *Id.* at 86-87.

[24] *Id.* at 87.

[25] *Id.* at 88.

[26] *Id.* at 87.

[27] *Id.* at 88.

[28] *Id.* at 89.

[29] *Id.*

[30] *Id.*

[31] *Id.* at 252.

[32] *Id.* at 92.

[33] *Id.* at 92-93.

[34] *Id.* at 93.

[35] *Id.*

[36] *Id.* at 94-95.

[37] *Id.* at 95-96.

[38] *Id.* at 97.

[39] *Id.*

[40] *Id.* at 98.

[41] *Id.* at 259-260.

[42] *Id.* at 98.

[43] *Id.* at 348-363.

[44] *Id.* at 98.

[45] *Id.* at 126-195.

[46] *Id.* at 119.

[47] *Id.* at 106.

[48] *Id.*

[49] *Id.* at 115.

[50] *Id.* at 117.

[51] *Id.* at 117-119.

[52] *Id.* at 32-36.

[53] *Id.* at 36-42.

[54] Republic Act No. 9285 (2004), sec. 3(d).

[55] **Fruehauf Electronics Philippines Corporation v. Technology Electronics Assembly and Management Pacific Corporation**, 800 Phil. 721, 741 (2016) [Per J. Brion, Second Division].

[56] **Koppel, Inc. v. Makati Rotary Club Foundation, Inc.**, 717 Phil. 337, 361 (2013) [Per J. Perez, Second Division].

[57] **G.R. Nos. 188034, 188077, 216537 & 217060, and 216589 to 216590**, April 7, 2025 [Per J. Singh, Third Division].

[58] *Id.* at 35. This pinpoint citation refers to the copy of the Decision uploaded to the Supreme Court website.

[59] **Chung Fu Industries (Phil.) Inc. v. Court of Appeals**, 283 Phil. 474, 484 (1992) [Per J. Romero, Third Division].

[60] *Rollo*, p. 384.

[61] *Id.* at 418.

[62] *Id.* at 480.

[63] CIVIL CODE, art. 1374 states:

> The various stipulations of a contract shall be interpreted together, attributing to the doubtful ones that sense which may result from all of them taken jointly.

[64] **Mendoza v. Court of Appeals**, 340 Phil. 634, 636-637 (1997) [Per J. Panganiban, Third Division].

[65] Republic Act No. 9184 (2004). Government Procurement Reform Act.

[66] T**ourism Infrastructure and Enterprise Zone Authority v. Global-V Builders Co.**, 841 Phil. 297, 323 (2018) [Per J. Peralta, Third Division].

[67] **Cagayan de Oro Water District v. Judge Pasal**, 914 Phil. 403, 419 (2021) [Per J. Lazaro-Javier, First Division].

[68] Republic Act No. 876 (1953), sec. 5(a) states:

> In the case of a contract to arbitrate future controversies by the service by either party upon the other of a demand for arbitration in accordance with the contract. Such demand shall set forth the nature of the controversy, the amount involved, if any, and the relief sought, together with a true copy of the contract providing for arbitration. The demand shall be served upon any party either in person or by registered mail. In the event that the contract between the parties provides for the appointment of a single arbitrator, the demand shall set forth a specific time within which the parties shall agree upon such arbitrator. If the contract between the parties provides for the appointment of three arbitrators, one to be selected by each party, the demand shall name the arbitrator appointed by the party making the demand; and shall require that the party upon whom the demand is made shall within fifteen days after receipt thereof advise in writing the party making such demand of the name of the person appointed by the second party; such notice shall require that the two arbitrators so appointed must agree upon the third arbitrator within ten days from the date of such notice.

[69] *Rollo*, p. 34.

[70] *Id.* at 279.

[71] **Dr. Adapon v. Medical Doctors, Inc.**, 903 Phil. 647, 683 (2021) [Per J. Leonen, Third Division].

[72] 100 Phil. 1008 (1957) [Per J. Bengzon].

[73] *Rollo*, p. 115.

[74] 873 Phil. 323 (2020) [Per J. Lazaro-Javier, *En Banc*].

[75] *Id.* at 338.

[76] *Id.* at 344-346.

[77] *Id.* at 347.

[78] **Spouses de Leon v. Spouses dela Llana**, 753 Phil. 692, 701-702 (2015) [Per J. Perlas-Bernabe, First Division].

[79] Republic Act No. 9285 (2004), sec. 2 states:

> It is hereby declared the policy of the State to actively promote party autonomy in the resolution of disputes or the freedom of the parties to make their own arrangements to resolve their disputes. Towards this end, the State shall encourage and actively promote the use of Alternative Dispute Resolution (ADR) as an important means to achieve speedy and impartial justice and de-clog court dockets. As such, the State shall provide means for the use of ADR as an efficient tool and an alternative procedure for the resolution of appropriate cases. Likewise, the State shall enlist active private sector participation in the settlement of disputes through ADR. This Act shall be without prejudice to the adoption by the Supreme Court of any ADR system, such as mediation, conciliation, arbitration, or any combination thereof as a means of achieving speedy and efficient means of resolving cases pending before all courts in the Philippines which shall be governed by such rules as the Supreme Court may approve from time to time.

[80] A.M. No. 07-11-08-SC (2009), Rule 2.1 states:

> It is the policy of the State to actively promote the use of various modes of ADR and to respect party autonomy or the freedom of the parties to make their own arrangements in the resolution of disputes with the greatest cooperation of and the least intervention from the courts. To this end, the objectives of the Special ADR Rules are to encourage and promote the use of ADR, particularly arbitration and mediation, as an important means to achieve speedy and efficient resolution of disputes, impartial justice, curb a litigious culture and to de-clog court dockets.
>
> The court shall exercise the power of judicial review as provided by these Special ADR Rules. Courts shall intervene only in the cases allowed by law

or these Special ADR Rules.

[81] **Dr. Adapon v. Medical Doctors, Inc.**, 903 Phil. 647, 664 (2021) [Per J. Leonen, Third Division].

[82] 800 Phil. 721 (2016) [Per J. Brion, Second Division].

[83] *Id.* at 758.

[84] *Id.* at 760.

Source: Supreme Court E-Library | Date created: April 15, 2026
This page was dynamically generated by the E-Library Content Management System