



# Tonga

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Cyclone Ian Reconstruction and Climate Resilience Project

## Redacted Report

June 2019

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## **Executive Summary**

This report provides the findings of an administrative inquiry by the World Bank Group Integrity Vice Presidency (“INT”) into allegations of misconduct in connection with the Cyclone Ian Reconstruction and Climate Resilience Project (the “Project”) in Tonga.

A company (the “Company”) was awarded a Project contract. Evidence indicates that the company repeatedly misrepresented the extent of Contract work completed to bill for more than the actual value of the Company’s completed works under the Contract. Further evidence indicates that Project representatives approved the Company’s payment claims knowing that they misrepresented what work was completed.

The World Bank imposed the sanction of debarment with conditional release on the Company. The debarment extends to any legal entity that the Company directly or indirectly controls.

## **Background**

In January 2014, Tropical Cyclone Ian hit the South Pacific region. It had a devastating impact on the Kingdom of Tonga (“Tonga”), including the Ha’apai Island Group. As part of the response to the cyclone, in June 2014, Tonga and the International Development Association (“IDA”) signed a Financing Agreement for the Tonga Cyclone Ian Reconstruction and Climate Resilience Project (the “Project”). Project financing provided a combined US Dollars (“US\$”) 12 million in IDA credits and grants, US\$ 1.8 million in Trust Funds, and a US\$ 2.09 million contribution from the Government of Tonga. The Project became effective on July 2014 and closed in November 2018.

The Project sought to: (i) restore housing, community facilities, and basic services to the affected population of Ha’apai; and (ii) strengthen Tonga’s resilience to natural disasters. This was to be achieved, in part, through the construction of new climate resilient housing.

A company (the “Company”) bid for and was awarded a Project contract (the “Contract”).

## **Allegations**

Following an administrative review, the Bank’s Task Team found evidence of significant overbilling by the Company. The Task Team alerted INT to the Company’s potential misconduct.

The Project Implementing Entity (“PIE”) terminated the Company Contract due to a fundamental breach of its terms.

Based on the Task Team’s preliminary findings, INT opened an inquiry into the Company.

## **Findings**

***Evidence indicates that the Company repeatedly misrepresented the extent of Contract work completed so as to overbill by more than Tongan Pa’anga 650,000.***

The Contract provided that the Company would be compensated for the value of work completed. To that end, the Company was supposed to provide the Project Manager at the PIE with monthly statements estimating the value of work executed.

Evidence indicates that the Company submitted five claims to the PIE. Evidence indicates that these claims were all paid. Evidence indicate that, with the exception of its request for advanced payment, the Company misrepresented the work completed in its claims for payment.

Evidence indicates that all of the Company’s payment claims to the PIE included supporting documents detailing work the purportedly completed and that these documents were signed by Project representatives prior to payment. Evidence indicates that while some Project representatives were aware of the discrepancy between the Company’s work completed and work billed for, the claims were nonetheless approved.

Evidence indicates that, in total, the Company over-invoiced and was paid more than Tongan Pa'anga 650,000 in excess of the actual value of the Company's completed Contract work.

**Corrective Actions**

The World Bank imposed the sanction of debarment with conditional release on the Company. The debarment extends to any legal entity that the Company directly or indirectly controls.