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25 March 2009

Mr. Francisco C. Soares,
Director of Procurement Services
Ministry of Finance
Administration Office
Edificio 5, Res Chao, Palacio do Governo
Dili, Timor-Leste
By email to: fmartins@mof.gov.tl

Re: Invitation to Submit Expression of Interest and Proposal for the Construction Supervision Works of the Nationwide Electrical Power Grid and Power Plant and its Facilities

Dear Mr. Soares,

I am an engineer with more than 30 years experience, and my company (Peaceful Systems) has consulted on projects for many companies and institutions in the United States. Over the years, I have come to know a number of engineers and consulting companies who may be interested in the Invitation to Submit Expression of Interest and Proposal regarding the supervision of the construction of the electric grid and power plant project circulated by the Ministry of Finance on February 27, 2009.

As you may know, I am currently also a researcher with La'o Hamutuk, the Timor-Leste Institute for Development Monitoring and Analysis. As a consulting engineer who has long been involved in supporting Timor-Leste's development, I would like to help Timor-Leste find the most qualified and effective company to supervise this project, and La'o Hamutuk shares this goal. However, we require additional information in order to fully understand what is involved.

Based on information in the above mentioned-document and its annexes, we have a few questions regarding the responsibilities and activities of the supervising consultant (hereinafter "Consultant"). We would appreciate it if you could reply by email as quickly as convenient, as the deadline for submitting proposals is fast approaching. If there are documents which we can pick up in your or another office in Dili, we will send someone to get them.

Thank you very much. Our questions are as follows:

1. Is the Consultant expected to supervise construction at all three power plant sites (Manatuto, Same and Hera), or only two? If it is three, are there other changes in the number of substations, transmission lines, or other items which may impact on the amount of work involved?

2. Which laws, regulations and treaties are the Contractor expected to comply with? Without more specifics than are in the Invitation, it is difficult to know how much work is involved. Regarding the testing and inspection discussed in paragraphs 4.22 and 4.23 of the Terms of Reference, are there specific regulations or engineering standards which are to be applied?
3. Please provide a text of the Contractor's "Proposal on the Technical Measures to Improve Environment Quality of the Heavy Fuel Generator Plant" so that we can know what is necessary to require the Contractor to adhere to it.
4. Are any specific language skills – in Timorese or Chinese languages – required of the Supervising Consultant, or will all documents be in English and all relevant Contractor and Government personnel be able to communicate in English?

Appendix I (Terms of Reference)

5. Please provide the text of the EPC contract referred to in paragraph 2 of Appendix I (TOR) so that we may know what needs to be supervised.
6. Regarding paragraphs 4.3 and 4.4, please provide any available "detailed design" documents so that we may understand how much additional work is likely to be involved.
7. What quality standards are to be used to fulfill paragraph 4.8?
8. What standards or guidelines are to be used to "assess the adequacy of all inputs" as required in paragraph 4.9? What is meant by "all inputs" – does this include components and facilities imported from elsewhere, as well as construction materials? Does it include the ability of design and construction workers to perform their tasks?
9. Does "act appropriately" in paragraph 4.10 assign responsibility to the Consultant to redesign or remediate Contractor's errors in design or implementation if significant problems occur or are expected?
10. In terms of "maintaining representatives at the project site at all times" (paragraph 4.15) does this mean only the two (or three) power plant sites, or all ten substations and 630 km of transmission lines while they are being worked on? We need to know how many personnel will be required.
11. Regarding the responsibility to propose changes (paragraph 4.16), is this to include all changes necessary to assure adequacy in areas of health, safety, reliability and environment? What about design or construction which has already been done prior to the Supervising Consultant being in place?
12. We are uneasy with the open-endedness of paragraph 4.26; is any more information available?
13. Is the Supervising Consultant responsible to prepare the "as-built drawings" in paragraph 4.29, or only to check those done by the Contractor?
14. Is the Contractor required to cooperate with the Supervising Consultant regarding data and information, as the Government is in paragraphs 7.1 and 8.2? What language(s) will the data be in?
15. Although paragraph 9.1 specifies a 12-month period, we understand that the Government has budgeted for the Supervision Consultant for three years, and that

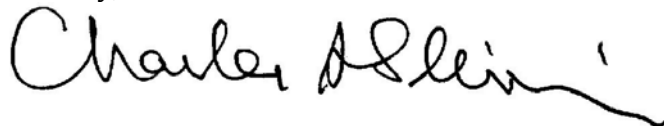
project construction and testing is likely to take longer than one year. What will be expected of the Supervision Consultant after the initial twelve months, assuming that the Consultant's work is satisfactory?

Appendix II (Environmental Management Plan)

16. Regarding the Consultant's responsibility to write and ensure compliance with the Environment Management Plan (EMP) referred to in Annex I paragraph 4.24, we require more information. It will take time to develop this plan, in cooperation with the Contractor and the Government, and to secure all parties' agreement that it is adequate and implementable. What will be the process for getting the EMP approved? What authority will the Consultant have to compel compliance, especially with regard to design decisions or construction work which have been done before the EMP is finalized?
17. If there is an Environmental Impact Assessment for the project, please provide it so that we can better understand what the EMP will involve?
18. What standards should be used to determine "acceptable levels" in paragraph 2?
19. Under paragraph 3, is the Supervision Consultation also expected to review the design phase of the project?
20. Regarding the implementation described in paragraph 4, will the Government provide a description of the existing and anticipated infrastructure and human capacity for response to spills, accidents, pollution and other natural and man-made incidents which can impact on the environment? It is difficult to know how much work is required to prepare this part of the EMP without understanding what resources and systems are in place to deal with environmentally-related consequences of activities.
21. Regarding paragraph 6, whose capacity is the Supervising Consultant expected to build, and what prior education and experience will they have?
22. Regarding paragraph 7, ensuring the Contractor's commitment to implement mitigation measures, we believe that the Government will be more effective in securing the Contractor's commitment than a Consultant can be. Will the Government be responsible to obtain the Contractor's signature to this letter?

Thank you very much for your cooperation and information, and please ask if any of our questions require clarification. If it is easier to supply some of these answers and documents in a meeting than by email, I am happy to meet with you in Dili.

Sincerely,



Charles Scheiner
President, Peaceful Systems
Researcher, La'o Hamutuk