สำนักงานหลักประกันสุขภาพแห่งชาติ
NATIONAL HEALTH SECURITY OFFICE
เลขที่ 200 หมู่ 4 อาคารจัสมิน อินเตอร์เนชั่นแนล ชั้น 27-28 ถ.แจ้งวัฒนะ อ.ปากเกร็ด จ.นนทบุรี 11120 โทร. 0-2831-4000 โทรสาร 0-2831-4004

ที่ สปสช. 05/ว729

ครม. 2/264
6 มิ.ย. 48
9.20 น.

6 มิถุนายน 2548

เรื่อง ความร่วมมือระหว่างประเทศไทยและสหภาพยุโรปในโครงการ Health Care Reform Project

เรียน เลขาธิการคณะรัฐมนตรี

จัดเข้าวาระ - 7 มิ.ย. 2548

สิ่งที่ส่งมาด้วย Financing Agreement for the Health Care Reform Project จำนวน 20 ชุด

ด้วยสหภาพยุโรป (The European Commission – EU) ได้ให้เงินช่วยเหลือโครงการ Health Care Reform Project in Thailand เป็นจำนวน EUR 5,000,000 โดยได้มีการลงนามในข้อตกลงทางการเงิน รายละเอียดตาม Financing Agreement for the Health Care Reform Project โดย Mr. Christopher Palten, The Commissioner ของ EU และฝ่ายไทยโดยรัฐมนตรีว่าการกระทรวงสาธารณสุข นั้น

สำนักงานหลักประกันสุขภาพแห่งชาติพิจารณาแล้วว่า เนื่องจากโครงการนี้เป็นเรื่องที่มีความสำคัญต่อนโยบายการสร้างหลักประกันสุขภาพถ้วนหน้า จึงเห็นควรรายงานความร่วมมือในโครงการ Health Care Reform Project ดังกล่าวให้คณะรัฐมนตรีทราบต่อไป รายละเอียดโครงการตามสิ่งที่ส่งมาด้วย

จึงเรียนมาเพื่อโปรดพิจารณา นำเสนอคณะรัฐมนตรีต่อไป

ขอแสดงความนับถือ

(นายสุชัย เจริญรัตนกุล)
รัฐมนตรีว่าการกระทรวงสาธารณสุข
ประธานกรรมการหลักประกันสุขภาพแห่งชาติ

ทราบ 1/6
สงม.ได้นำเสนอคณะรัฐมนตรี
เมื่อวันที่ -7 มิ.ย. 2548 ลงมติว่า
ทราบ(เพื่อเป็นข้อมูล)

สำนักงานหลักประกันสุขภาพแห่งชาติ
โทรศัพท์ 0 2831 4000 ต่อ 8303
โทรสาร 0 2831 4004

จัดอยู่ในประเภทเรื่อง ฯ ที่เสนอคณะรัฐมนตรีได้โดยตรง

(นางสาวสิบพัน วนวิสุทธิ์)
ผู้อำนวยการสำนักบริหารการประชุมคณะรัฐมนตรี ปฏิบัติราชการแทน
เลขาธิการคณะรัฐมนตรี

FINANCING AGREEMENT

between

THE EUROPEAN COMMUNITY

And

THE KINGDOM OF THAILAND

Title of project	*Health Care Reform Project*
Project number	*THA/AIDCO/2002/0411*

FINANCING AGREEMENT

The European Community, hereinafter referred to as "the Community", represented by the Commission of the European Communities, hereinafter referred to as "THE COMMISSION", represented in turn by the Member with special responsibility for External Relations,

of the one part, and

The Kingdom of Thailand represented by the Government of the Kingdom of Thailand hereinafter referred to as "THE BENEFICIARY", represented by the Ministry of Foreign Affairs

of the other part,

HAVE AGREED AS FOLLOWS:

ARTICLE 1: FINANCING AGREEMENT, GENERAL TERMS AND CONDITIONS AND TECHNICAL AND ADMINISTRATIVE PROVISIONS.

The project described in Article 2 shall be implemented in accordance with the Financing Agreement, the General Terms and Conditions set out in Annex 1 and the Technical and Administrative Provisions in Annex 2. The Annexes form an integral part of this Agreement.

The Financing Agreement and the Technical and Administrative Provisions amend or supplement the General Terms and Conditions and, in the case of conflict, take precedence over the latter.

ARTICLE 2: NATURE AND PURPOSE OF THE OPERATION

THE COMMISSION shall provide a grant to contribute to the financing of the project referred to below:

Project number: THA/AIDCO/2002/0411

Title: Health Care Reform Project

Hereinafter referred to as "the project" which is described in the Technical and Administrative Provisions in Annex 2.

ARTICLE 3: *THE COMMUNITY'S COMMITMENT*

The total cost of the project is estimated to be 5,300,000 EUR (five million three hundred thousand euro).

The commitment of the Community is fixed at a maximum of 5,000,000 EUR (five million euro), hereinafter referred to as the EC Grant.

This Financing Agreement is subject to an expiry date, after which any balance of funds remaining available under the EC Grant shall be automatically cancelled. THE COMMISSION may however, depending on the circumstances, agree to an appropriate extension of this expiry date, should such an extension be requested and properly justified by THE BENEFICIARY.

For the present project, the expiry date of the Financing Agreement is hereby set at 30 June 2009.

ARTICLE 4: *THE BENEFICIARY'S COMMITMENT*

The Beneficiary will make in-kind and financial contributions to the Project to the counter value of 300,000 EUR (three hundred thousand euro) as indicated in the Technical and Administrative Provisions in Annex 2.

ARTICLE 5: *CORRESPONDENCE*

Correspondence relating to the implementation of this Agreement should be marked with the number and title of the project and be sent to:

(a) ***for the EUROPEAN COMMUNITY***

Kian Gwan House II, 19th floor
140/1 Wireless Road
Bangkok 10330
Thailand
Fax: 00.66.2.255.9113

(b) ***for the BENEFICIARY***

Ministry of Public Health
Tiwanond Road
Amphoe Muang,
Nonthaburi 11000
Tel. 02-590 1000, 02-591 8300-29

ARTICLE 6: *ORIGINALS*

This Agreement shall be drawn up in triplicate, two for the Commission and one for the Beneficiary, the three texts being equally authentic.

ARTICLE 7: *ENTRY INTO FORCE*

This Agreement shall enter into force on the date on which it is signed by the later of the two Parties. Any Party may rescind the Agreement by notifying the other Parties in writing. In that case, it shall continue to apply in respect of the obligations deriving from agreements or contracts concluded under this Agreement.

SIGNATURES

In witness whereof, the undersigned representatives, duly empowered to this effect, have signed this Agreement.

For the Beneficiary	*For the Commission*
Name:	*Name:*
Signature: MRS. SUDARAT KEYURAPHAN	*Signature:*
Date: 07/5/2003	*Date:* 08. 01. 2003

Annex 1: *General Terms and Conditions*
Annex 2: *Technical and Administrative Provisions*

ANNEX 1

GENERAL TERMS AND CONDITIONS

TITLE I - PROJECT FINANCING

ARTICLE 1: THE COMMUNITY'S COMMITMENT

The Community's commitment for the project, which is specified in the Financing Agreement, shall determine the level of the Community's contribution.

The Community's financial commitment must be implemented by the time limit specified for the project in the Financing Agreement.

ARTICLE 2: THE BENEFICIARY'S COMMITMENT

If the Financing Agreement stipulates that the implementation of the project requires the Beneficiary to make a financial contribution, disbursement of the Community contribution shall be conditional on the Beneficiary's obligations being fulfilled.

ARTICLE 3: COST OVERRUNS

Cost overruns are incurred where, at the time the contract is awarded or the estimate for a project is drawn up, the amount of a contract or estimate exceeds the initial budget.

Cost overruns are also incurred where, in the course of implementation of a contract or estimate, as a result of an increase in the volume of work or change or adjustment to the project, taking into account the known or likely impact of price variations, the costs provided for in the contract or estimate, including contingency reserves, are likely to be exceeded.

Any cost overruns shall be borne by the Beneficiary.

ARTICLE 4: COVERING COST OVERRUNS

Once it appears that cost overruns are likely to be incurred, the Beneficiary shall inform the Commission and notify them of the measures which he intends to take in order to cover such cost overruns, either by reducing the scale of the project or calling on his own resources.

If the project cannot be scaled down or the overruns cannot be covered by the Beneficiary's own resources, the Commission may, exceptionally, at the Beneficiary's substantiated request, adopt an additional Community financing decision. If the request is approved, the relevant costs shall be financed, without prejudice to the relevant Community rules and procedures, by an additional contribution to be set by the Commission.

TITLE II - IMPLEMENTATION

ARTICLE 5: GENERAL PRINCIPLE

The project shall be implemented by the Beneficiary in close collaboration with the Commission in accordance with the provisions of this Agreement.

ARTICLE 6: HEAD OF DELEGATION

The Head of Delegation shall represent the Commission vis-à-vis the Beneficiary's government for the purposes of implementing this Agreement and in respect of the funds for which the Commission acts as authorising officer.

ARTICLE 7: DISBURSEMENT

1. Where appropriate, the Beneficiary shall authorise and validate any expenditure covered by this Agreement against appropriations committed by the Commission. The Beneficiary shall remain financially liable to the Commission until the Commission clears the operations for the execution of which the Beneficiary is responsible.

2. For payments in currencies other than that of the Beneficiary's national currency the Commission shall make direct payment for services provided.

3. For payments in the Beneficiary's national currency at least two accounts must be opened in the sole name of the project:

- one account in euro or in the currency of a Member State of the Community;
- one account in the Beneficiary's national currency.

These accounts shall be opened in the Beneficiary's country with a commercial financial institution recognised by the Beneficiary and approved by the Commission.

4. The accounts referred to in paragraph 3 shall be replenished to meet actual cash requirements. Transfers shall be made in euro or, exceptionally, in the currency

of a Member State, and shall be converted into the Beneficiary's national currency as payments fall due at the exchange rate applying on the date of payment.

5. Interest on the deposits in the accounts referred to in paragraph 3 shall be used exclusively for the project. The interest, which should be entered under a separate heading in the accounts, and the charges on these accounts shall accrue to or be borne by the project. However, the Commission's prior approval is required before the interest can be used for the project.

6. At regular intervals, and, at least once every quarter, the Beneficiary shall send the Commission a statement of actual expenditure and revenue, together with supporting documents. These documents and all accounts shall be kept for five years following the last date of payment.

ARTICLE 8: PAYMENT PROCEDURES

1. Payments to contractors shall be made in euro, directly by the Commission, for contracts made out in euro. Payments for contracts in the Beneficiary's national currency shall be made in this currency.

2. Contracts signed under this Agreement shall be eligible for payment only if they have been concluded before the date of expiry for activities under this Agreement. The last payment for such contracts must be effected no later than the final date for financial commitments set in Article 3 of the Financing Agreement.

TITLE III - AWARD OF CONTRACTS

ARTICLE 9: GENERAL RULE

Notwithstanding Articles 12 and 13, works and supply contracts shall be awarded after open invitations to tender and service contracts shall be awarded after restricted invitations to tender.

ARTICLE 10: ELIGIBILITY

1. Tendering procedures for works, supply and service contracts shall be open on equal terms to all natural and legal persons of the Member States of the Community and to all natural and legal persons of the Beneficiary country.

2. For jointly financed projects, the Commission, treating each case on its own merits, may agree to allow nationals of countries other than the partner countries concerned to bid for tenders and contracts. In such instances, firms from third countries shall be eligible only if there are reciprocal arrangements.

ARTICLE 11: EQUALITY OF CONDITIONS

The Commission and the Beneficiary shall take the necessary steps to ensure the widest possible participation on equal terms in tendering procedures and in works, supply and service contracts financed by the Community.

To this end they shall:

- ensure invitations to tender are published far enough ahead in the Official Journal of the European Communities and the official gazette of the Beneficiary's country;

- remove any discriminatory practice or technical specifications which could prevent wide participation, on equal terms, by any natural or legal person referred to in Article 10.

ARTICLE 12: WORKS AND SUPPLY CONTRACTS

Works and supply contracts shall be awarded on the basis of the general terms and conditions applying to such contracts and approved by the Commission.

Exceptionally, in urgent cases or where the nature, small scale or particular features of certain work or supplies warrant, the Commission or the Beneficiary, with the Commission's agreement, may authorise:

- contracts to be awarded on an open invitation to tender restricted to tenderers from particular geographical areas;
- contracts to be awarded on restricted invitation to tender;
- contracts to be concluded by direct agreement;
- contracts to be performed by direct labour.

ARTICLE 13: TENDER DOSSIER

1. For works and supply contracts, the Beneficiary shall submit the tender dossiers for the Commission's approval before invitations to tender are issued. On the basis of the decisions approved, and in close collaboration with the Commission, the Beneficiary shall issue invitations to tender, receive and assess tenders, and select the successful tenderer.

2. The Commission shall always be represented when tenders are opened. The Commission has the right to be present, as an observer when the tenders are assessed.

3. The Beneficiary shall submit the results of the scrutiny of the tenders and the name of the proposed contractor to the Commission for approval. With the Commission's prior approval the Beneficiary shall sign contracts, riders thereto and estimates and shall notify the Commission thereof. The Commission shall, if

necessary, make individual commitments for contracts, riders thereto and estimates. Individual commitments shall take precedence over commitments under the Financing Agreement.

ARTICLE 14: SERVICE CONTRACTS

1. As a general rule, service contracts shall be prepared, negotiated and concluded by the Commission on the Beneficiary's behalf.

2. The Commission shall draw up, if necessary after prequalification, a short list of candidates on the basis of criteria which guarantee the qualifications, professional experience and independence of bidders, and their availability for the operation in question.

3. If express provision is made in the Agreement, the responsibilities referred to in paragraph 1 shall be delegated to the Beneficiary with the Commission's approval and under a representative's supervision. In that case the general specifications for public service contracts financed by the European Community shall apply.

ARTICLE 15: PROCEDURES APPLYING TO LOCAL CONTRACTS

The procedures for service, supply and works contracts in the Beneficiary country are set out in the Technical and Administrative Conditions to the Agreement.

ARTICLE 16: CRITERIA FOR THE SELECTION OF CONTRACTORS

For each operation the Commission and the Beneficiary shall ensure that the tender selected is the economically most advantageous in terms of the price of the services provided, costs, technical value, qualifications and guarantees provided by tenderers, and the type of the works or supplies and the conditions of performance. These criteria must be mentioned in the tender document and the notice of contract award.

TITLE IV - PERFORMANCE OF THE CONTRACT

ARTICLE 17: ESTABLISHMENT AND RIGHT OF RESIDENCE

Natural and legal persons participating in tendering and works, supply or service contracts shall be granted equal and provisional right of establishment and residence in the Beneficiary's country where this is justified by the nature of the contract. This right shall remain valid for one month after the contractor is selected.

Contractors and natural persons and members of their family whose services are required for the contract shall enjoy similar rights for the duration of the contract up to one month following the final acceptance of work performed under the contract.

ARTICLE 18: ORIGIN OF SUPPLIES

The supplies required for the performance of works, supply and service contracts must originate in countries allowed to participate pursuant to Article 10, unless an exception is authorised by the Commission.

ARTICLE 19: TAX AND CUSTOMS ARRANGEMENTS

1. No tax, duties or other charges shall be financed from the Community's contribution.

2. In context of the co-operation, the Beneficiary government shall apply to contracts financed by the Community tax and customs arrangements no less favourable than those applied to the most-favoured State or most-favoured international organisation.

ARTICLE 20: FOREIGN EXCHANGE ARRANGEMENTS

The Beneficiary's government shall undertake to authorise the import or acquisition of foreign exchange required for implementation of the project. It shall also undertake to apply its national rules on foreign exchange on a non-discriminatory basis to the countries authorised to participate pursuant to Article 10.

ARTICLE 21: INTELLECTUAL PROPERTY

If studies are financed under this Agreement the Commission and the Beneficiary shall be entitled to use the data contained in such studies, and to publish it or pass it on to third parties.

ARTICLE 22: DISPUTES BETWEEN THE BENEFICIARY AND CONTRACTOR

1. Without prejudice to paragraph 2 any disputes which arise between the Beneficiary and a contractor during implementation of a contract financed by the Community shall be settled in accordance with the conciliation and arbitration rules of the International Chamber of Commerce in Paris.

2. The Beneficiary shall undertake to reach agreement with the Commission before a final position is taken on any request for compensation, irrespective of

whether it is justified, from the contractor. If no agreement can be reached, the Commission shall not provide a financial commitment for any amounts granted unilaterally including those by the Beneficiary.

TITLE V - GENERAL AND FINAL PROVISIONS

ARTICLE 23: VISIBILITY

The project shall be implemented in such a way to ensure maximum visibility for the European Community's involvement at all times. Actions of communication and information shall be determined in close collaboration with the EC Delegation.

Special attention shall be devoted to implementing these rules at events and in all public or official written material connected with the project. Objects, equipment and documentation connected with the project shall carry the European Community flag with the text in the language of the Beneficiary. The symbols identifying the European Community shall be of the same size and appearance as any symbols identifying the Beneficiary, should the latter be present.

ARTICLE 24: AUDITING OF ACCOUNTS

1. The Commission shall have the right to send its own agents or authorised representatives to undertake any technical, accounting or financial assignments it may consider necessary to monitor the implementation of the project.

2. The Court of Auditors, in the accomplishment of its responsibilities under the Treaty establishing the European Community, shall have the right to undertake a full audit, if necessary, on the basis of supporting documents of accounts and accounting documents and any other documents relating to the financing of the project and on the spot.

3. The Beneficiary shall be notified if agents appointed by the Commission or the Court of Auditors are sent to the project site.

4. To this end the Beneficiary:

- shall undertake to provide any information or documents requested, and to take any measures to facilitate the work of persons undertaking such audits;

- shall keep the dossiers and accounts required to identify the work, supplies or services financed under this Agreement and the supporting documents relating to local expenditure in accordance with the best accounting practice;

- shall assist the Court of Auditors, in the accomplishment of its responsibilities under the Treaties establishing the European institutions, in auditing the project's accounts, if necessary, on the spot;

- shall ensure the Commission's representatives can inspect any accounting or other documents relating to projects financed under this Agreement and shall assist the Court of Auditors in monitoring the use made of Community funds.

ARTICLE 25: CONCILIATION

1. Any matter relating to the implementation or interpretation of this Agreement shall give rise to consultation between the Beneficiary and the Commission. This procedure may, if necessary, lead to this Agreement being amended.

2. If any obligation under the Agreement is not met, the Commission may suspend financing after consulting the Beneficiary.

3. The Beneficiary may decide to withdraw wholly or partially from the project with the Commission's approval.

4. Any decision taken by the Commission to suspend financing or by the Beneficiary to withdraw totally or partially from a project shall be notified to all Parties in writing.

ARTICLE 26: ARBITRATION

Any dispute between the Community and the Beneficiary, arising from the implementation of this Agreement which is not settled by common accord by the Parties in due time, shall be settled by arbitration, in accordance with the Permanent Court of Arbitration's Optional Rules for Arbitration involving International Organisations and States (The Hague).

ARTICLE 27: NOTIFICATION – ADDRESSES

Any communication or agreement between the Parties shall be recorded in writing giving the number and title of the project. This shall be sent by letter to the authorised addressee at the latter's address. In emergencies, communications by fax, telegram or telex shall be allowed provided they are immediately confirmed by letter. The addresses shall be set out in the Financing Agreement.

ANNEX 2: TECHNICAL AND ADMINISTRATIVE PROVISIONS

Health Care Reform Project

(Project No THA/AIDCO/2002/0411)

Beneficiary: Royal Kingdom of Thailand

1 OBJECTIVES

1.1 Overall objectives

The overall objective of the Health Care Reform (HCR)is to increase the equity, efficiency, quality and social accountability of health care delivery in Thailand, with a view to contributing to sustainable development and the alleviation of poverty.

In response to well researched and identified health needs, the Thai government has now embarked on a hugely ambitious reform programme addressing all the major components of the health sector. The reform package spans the entire health system and is not restricted to curative care. The main threads of the Ministry of Health (MOPH) reform programme include Universal Coverage, Family Medicine (including health education and health promotion), Decentralisation, Civil Society, Accreditation, Financing Systems and Management.

1.2 Project purpose

To improve institutional capacities to effectively implement key aspects of the reform policy, especially the policy on universal coverage of health care.

While significant elements of the reform programme are under way, much more remains to be done which requires expertise and technical inputs which are not readily available in-country.

The project seeks to assist in the development of institutional capacity to convert the policies of the reform process into practice.

This assistance would address four main areas of the reform process, namely (i) family medicine as the first point of contact with health services, (ii) the financial management of the sector in order to accommodate the new capitation system; (iii) the development of hospital management skills and techniques and (iv) the provision of clear information to the health professionals and key policy makers and to the public about the health reform as well as the consolidation of civil society involvement in the health planning process.

1.3 Main Results

The envisaged results of the HCR project are:

a) Family medicine will be improved and expanded as the first point of contact for health services

a) Financial management will be improved at strategic and operational levels

b) Hospital management will be improved in selected teaching hospitals, provincial hospitals and district hospitals

c) Improved knowledge and understanding of the health reform programme by health professionals, medial and civil society groups

1.4 Location

The Project will be implemented across Thailand, in health facilities at community level and at provincial and central levels. University Medical Schools, professional organisations and consumer groups in different locations will also be actively involved in elements of the project.

A Project Management Unit (PMU) will be established in the National Health Insurance Office of the Minister of Public Health (MOPH). The MOPH will provide office accommodation to house the PMU central office, which will be located within MOPH premises in Nonthaburi as well as office accommodation and meeting rooms for national and international consultants.

2. PROJECT DESCRIPTION

The concept of a reform programme started in the health services in the 1990s through a Ministry of Public Health Initiative. Despite a growing economy the epidemiological picture in Thailand indicated an growing problem with lifestyle-related illnesses and diseases, as well as an increase in tuberculosis and malaria. The massive HIV education programmes implemented in Thailand had curbed the increase in HIV and Aids but incidence remained high. Inequities in access to health care were clear from the picture of health facility mapping. These inequities worsened during the recent economic crisis due, in part, to the continuation of a hospital oriented health system and increased poverty which meant that many people could not afford to access health care even where it was available. With an ageing population and the problems associated with reduced mobility and elderly diseases, as well as increasing inability to pay for health care, the epidemiological picture was worrying, in terms of long term sustainability and development.

The political context for reform of the health system was favourable. The new constitution of 1997 guarantees the right of access to quality health care for all Thai citizens, including the poor. Decentralisation, community participation in public administration and the involvement of the civil society in policy development became mainstream political values and goals. Reforms were started in various social sectors, with the Eighth National Economic and Social Development Plan (1997-2001). These factors culminated in the recognition that a policy of family medicine providing the full range of primary health care, health education and health promotion was necessary to meet the health needs of the population, in addition to secondary and tertiary hospital services. The government views the development and establishment of family medicine as the first point of contact for the health system as a very necessary step. Access to health care was guaranteed when the Universal Coverage Scheme was implemented in October 2001.

The economic context for reform also seemed favourable. In 1997 Thailand's economic growth, after three decades at an average of 7% per year, ended abruptly with a severe and unexpected economic crisis. Although the economy is slowly recovering, the crisis has had profound consequences for the entire social sector. The average household income dropped by 19% and around 3 million people lost their jobs. Household budgets diminished, while health care became more expensive, as cost-recovery became more compelling for the continuation of services. Government spending on social services and subsidy programs for the poor and unemployed were reduced. Access to essential health services diminished as the

financial barriers increased. All this led to a widespread demand for sustainable society development and a self-sufficient economy.

In this context consumer protection, and particularly protection of the poor, became a major concern. The developing involvement of civil society and of consumers in the debate on health care priorities, financing and management thus corresponds to a political evolution as well as to a response to the economic challenges.

The main thrust of the HCR project is to provide practical technical assistance to four key components in the health sector and so facilitate a move towards a more sustainable health system. EU assistance will provide practical support to ease the process towards sustainability.

The assistance will be directed at a range of recipients.

At central level the EU programme will facilitate the development and appropriate use of a cadre of trained and accomplished personnel in the four main programme focus areas of family medicine, health care financing, health management and civil society.

At operational level the project would significantly enhance both the training of personnel and institutional development leading towards more sustainable implementation of some key health development issues.

Transfer of skills and knowledge and development of mutual understanding of health systems between EU nations and the Thai health system will underpin the support programme. Much of what is currently taking place in the health sector in Thailand has been undertaken, albeit in a much more piecemeal way, in many European countries. Lessons, cautionary tales, knowledge, hands-on experience and expertise can be shared.

Significant inputs have been made over a number of years, not least in the earlier EU project, to undertake research and model development to help establish the principles and policies of the reform process. The results of research and evaluation assessment will be of great interest to the programme team, and co-ordination with the full range of researchers will be necessary.

This project plans to use the building blocks developed over the preceding years and to offer very practical implementation support to be provided by people who have experience in actually delivering, managing and planning health care. It is the translation of policies into action in the provider units, at the provincial level and at central level, action which directly impacts on delivery of care, which is now needed.

2.1 Activities

The project is focused on four main components which are shown below, together with an indication of the activities that could be envisaged under each component. (see annex 6 for implementation bar chart)

2.1.1 Family Medicine development

First and foremost, the objective is to encourage the use of family medicine as the first point of contact with the health system. In this approach Thailand is joining with most European countries in recognising the need for a much enhanced continuous primary care service which provides health education, health promotion and curative care.

In order to meet this ambition there is a need to significantly augment the numbers of accredited family doctors to start to address the goal in Thailand of one family doctor per 10,000 population. With such an ambitious programme, there is a transition period between implementation of the policy and the achievement of the policy process. Much of the HCR project activities are aimed at accelerating that transition period. This would be implemented in tandem with the development of appropriate post-graduate curricula with the College of Family Medicine and the university medical schools, and the training of a growing number of career family doctors over the life of the project. The implementation of the post graduate curriculum and the training of a year on year cadre of family doctors would set the scene for continued rigorous and appropriate training programmes.

A key objective will be the development of the family medicine team, whereby doctors and nurses develop mutual understanding and respect for the relative skills of each profession in a family medicine setting. Nurse practitioners would be recognised and acknowledged as having a range of skills which enable them to act independently in many areas. Paramedics, who currently provide most community based care, of a limited standard, would be included in development training programmes for family medicine, as part of the family medicine team.

The development and encouragement of champions of family medicine, people who will actively promote and encourage the development of it, both within the health professions and in civil society would be nurtured under the project, reinforcing the need for the fourth component foreseen in the project. This advocacy would be directed specifically at hospital specialists who view the development of the speciality of family medicine with some concern that the initiative could undermine the supremacy of hospital specialities.

The project will provide technical support to the improvement and expansion of family medicine. The specific activities of this component are

- To facilitate the establishment of a central mechanism, through the Thai Medical Council or the Deans of the Faculties of Medicine, to co-ordinate and oversee family medicine development (strategy and policy)
- To arrange study visit for influential and vocal medical and nursing leaders in Thailand to visit European models of family medicine and better acquaint them with the concepts, philosophies and organisation of family medicine.
- To select a cadre of future teachers/leaders in family medicine and send abroad on attachment for up to 8 weeks to be exposed to different European models of family medicine. Attachments to include: experience in medical education techniques; curriculum development and design; assessment methodology; accreditation and re-accreditation mechanisms. As far as practicable, arrangements are to made (with explicit MOPH support) to engage all those trained in lead training roles either in existing or potential Departments of Family Medicine or in other training institutions.
- To facilitate the establishment of Departments of Family Medicine in 9 public medical schools where does not currently exist.
- To form a Curriculum Working Group (CWG), with representation from all medical schools, the Thai College of Family Practitioners and the Thai Medical Council. In collaboration with CWG and with those returning from the European attachments assist in development and implementation of a robust family medicine programme for

undergraduate medicine. Existing curricula to be examined for the possibility of adaptation.

- To work with Thai College of Family Practitioners (and in collaboration with Thai Medical Council) to help with the development of a common national three-year residency programme. Help to develop the College's skills in medical education and assessment methodology, modern methods of examining (i.e. practical as well as written examinations), and accreditation and re-accreditation mechanisms.
- To work with the Thai College of Family Practitioners to assist in developing more structured, appropriate and robust training programmes for converting hospital based specialists to Family Medicine doctors.
- To establish a network of training posts for Family Medicine residents, wherever possible using centres developed during the first HCR Project.
- To develop distance-learning modules for rural doctors unable to get time away from their practices to attend more residential programmes. Whenever possible coordinate these programmes through established training practices and resource centres.
- To work with Thai Nursing Council to assist in developing family medicine modules in the nursing curricula.
- To develop and run a course to "Train the Trainers" for an initial cohort of (English-speaking) 9 doctors (and nurses if at all possible) and then supervise this initial cohort during subsequent courses to train other doctors and nurses.
- To monitor by international and national technical advisers of training undertaken by the trained trainers
- To investigate the potential of establishing a network of training practices/regional training centres (for postgraduate CPD/CME) basing them wherever possible in centres developed under the first EU Health Care Reform Project.
- To support the Institute of Health Manpower Development in upgrading of family medicine modules for paramedics

2.1.2 Financial management

Financial management skills are key to the sustainable implementation and ongoing operation of the health reform process. Significant expansion of those skills, at central level and at operational level, will be key to creating a more knowledgeable and sensitive long term financial management culture within health care. The use of robust and trusted common data sets as the basis for exchange of information between operational and strategic levels will be critical to the successful development and sustainability of such a culture.

The inputs proposed for health care financing should be viewed in the context of a series of initiatives which would be undertaken in concert, so addressing the range of operational, management and strategic issues affecting the health reform process. The MOPH sub committee for financial management is actively involved in finalising a financial management system strategic plan. The establishment of a 'Chief Financial Officer' post at hospital level is potentially a major step forward in addressing the need for specific financial skills and expertise at provider level. A reform of the accounting system (from cash basis to accrual basis) as well as new financial management arrangements, developed through assistance contracted from an external consultant, are being piloted in three hospitals. The development

of financial management skills and expertise at hospital level is a key priority of the sub committee for financial management.

There are a very small number of people within the health system at central level who are proficient in accounting, financial information, and financial management and finance strategy. This group needs to be expanded both in numbers of people and in their skills, in order to provide a robust basis for financial management and planning at strategic level. Significant input will be required over the lifetime of the project to develop a culture of financial management, control and monitoring among provider units, and the skills to support that culture among the Chief Financial Officers.

The activities proposed under the HCR project span both central financial services and provider units. Given the pace of change and the momentum for financial management development within the system, the need for a flexible approach to this component cannot be overemphasised. As an example, it is likely that the draft proposals for a completely revised financial management infrastructure will be agreed and in place by the time this project starts. The activities identified here will still need to be done and, indeed, some of them may have been started prior to implementation of this programme. Responsiveness and sensitivity to those developments will be important success factors for those implementing the programme.

Activities under this component will include:

- To support the technical skills development of a Central Financial Management Unit
- To develop software for use by the central financial management unit and provider units
- To carry out a training programme for Chief Finance Officers at provider level

Activities in each of these sub components would include:

Development of a central Financial Management Unit

- To train a cadre of up to 4 senior finance officers at MOPH/National Health Insurance Office level (up to two in year 1 and up to two in year 2) through approved international health financing programmes. (International TA and international courses)
- To start a programme of annual actuarial review of the universal coverage scheme (international TA, International Health Policy and Plan Unit - IHPP, MOPH)
- To consolidate skills and expertise in financial analysis, planning and monitoring and in producing relevant reports for different management needs (international TA, IHPP, and MOPH)
- To further develop in-house expertise in financial management tools and techniques. Responsibility for the annual actuarial review taken on by the central Financial Management Unit (IHPP, MOPH)

Development of software for use by the central financial management unit and provider units

- To develop Software for accrual accounting and annual actuarial analysis, including all necessary data sets for collection at provider level, for analysis and use at provider level and for transfer to central level for further or more specialist analysis. The software should allow for accrual accounting and should have sufficient flexibility built in to allow ad-hoc

analyses at provider level, flexibility to respond to changes in information, management and planning needs at provider level and central level. (International TA, IHPP, MOPH).

- To disseminate the software to all providers, with appropriate training for end users and provision of a help desk for up to 6 months (International TA, IHPP, MOPH)

Training programme for Chief Finance Officers at provider level

- To develop a financial management training course appropriate to the needs of provider Chief Finance Officers (CFOs), including accrual accounting, analyses, information production, financial planning (international TA, IHPP)
- Writing of the training manual (international TA, national consultants)
- Publication of training manuals (to be disseminated to all CFOs during the regional training courses) (National sub-contract)
- Training by international TA of 16 trainers in financial management skills and techniques, using the manual as the teaching tool. National trainers to be selected from regional universities' departments of accountancy and health economics (international TA, IHPP)
- Training up to 16 regional/provincial senior staff to develop of purchasing capacity.
- To train all CFOs in financial management and accounting. International TA to provide ongoing monitoring and evaluation (QA) of the implementation of the training programme, and additional training and upgrading of teaching skills where necessary (international TA, IHPP, regional universities)

It is proposed to contract directly with ILO to provide the bulk of the financial management inputs to this project (using EU Grant Agreement with an International Organisation). The ILO is recognised as a respected UN agency providing objective advice and support in the field of social health insurance, which the universal coverage scheme aims to be. It has well established associations with the Ministry of Labour and Social Welfare and with many of the senior players in the Ministry of Public Health. The ILO has long term respected involvement in providing assistance in planning and implementing the social security scheme in Thailand, and has ongoing involvement in providing actuarial TA support to the Social Security Office and in supporting the establishment of an actuarial unit within the Social Security Office. The ILO has also been involved, at the request of the MOPH, in the actuarial assessment of the capitation proposals to support the universal coverage scheme for fiscal year 2003.

The ILO will develop the software and training programme for the central financial management, as part of the project.

Separately, and in addition to the financial management training component, technical assistance will be provided by the European consultant for ongoing capacity building and technical input on financial techniques and management. Many of those involved in financial management at central and operational levels will not have direct access to the training programme. Dissemination of knowledge and transfer of skills to other financial management officers will be an important aspect of this component. In addition, follow up and further development of those who have benefited from the intensive training programme will be important. Activities under this sub-component of the project include provision of technical assistance to support the financial analysis and presentation of capitation rate budget requests and support at operational level for implementing the new financial management arrangements.

There will be a need for close liaison throughout the life of the project between the project management team and the ILO actuarial and accounting team providing the financial training programme as specified above. Liaison should be maintained through the ILO office in Bangkok.

2.1.3 Hospital management

Hospital management has not progressed in terms of using modern management techniques, primarily due to the fact that clinicians are appointed as hospital directors, without professional training in management techniques.

General hospital management skills training will be an essential ingredient in the move towards sustainable reform. The massive culture changes experienced during the early stages of the reform process may help to accelerate the recognition of the need for qualified managers and encourage some hospital directors and middle managers to seek and / or accept appropriate skills training. There are risks associated with this approach and a high degree of sensitivity will be required to achieve a sustainable outcome.

As well as providing hospital management skills and technical training programmes for existing managers, the initiatives under this component will promote the concept of qualified management. The component allows for twinning of hospital managers between Thai and European hospitals, so that each can experience the different circumstances and facilitate the adoption of best practice.

The hospital management training programmes will be targeted to address issues in the specific context of the Thai hospital environment: personnel management, financial management, operational planning, bed management, management of multiple payment mechanisms. Hospitals should be chosen to undertake the provisions of this component from across the range of public hospitals, in terms of size and type, ranging from community hospitals to teaching hospitals. Clearly, willingness and enthusiasm for the initiative will be a key factor in which hospitals are chosen to join the hospital management programme. Up to four hospitals per year could join the initiative, with up to four managers from each hospital participating in the training programme.

Specific activities in this component include:

- To develop and execute appropriate hospital management programmes for 20 hospital directors and other senior hospital managers, to include financial management, recruitment and selection of staff, retention of staff, bed management, personnel management and planning, use of information for management, education and training programmes etc
- To develop and implement of an advocacy programme for a revised approach to hospital director appointments
- To expose hospital managers to European models of hospital management

2.1.4 Advocacy for health sector reform

The main aim of this component will be to continue the good work of the earlier EU project and to work in tandem with and in partnership with other organisations assisting in this huge initiative. The direct involvement and soliciting of inputs from civil society groups and communities in relation to the drafting of the National Health Act has jump-started the civil

society initiative. This needs to be reinforced and firmly embedded in the health reform process, so that it becomes a natural and expected aspect of the health system rather than the relative novelty it currently is.

Collaboration with and support to existing initiatives will be a crucial feature of this component. Mapping of current initiatives should be undertaken early in the programme and networking arrangements drawn up. The EU programme will support a range of initiatives to encourage the sustainable growth and development of community based empowerment programmes, using existing trusted and respected community based organisations.

The component will develop advocacy programmes to publicise family medicine and public participation in health issues for hospital specialists, medical school undergraduates, community groups and policy makers. A range of leaflets and other professional promotional materials, such as a video on family medicine for example, should be developed and opportunities sought for well targeted presentations to be made and to speak to professional groups at regular academic or workplace based meetings.

The public relations capacity within the MOPH is low, specifically in responding to media queries and demands about the health reform process and its policies. It is fair to say that the public relations aspects of the health reform process were significantly underestimated and were afforded little preparation or training. Public relations training will be provided to a small number of key MOPH personnel, specifically those who are regularly interviewed by the media for 'sound bite' comments on health reform issues. The ability to present policies and news succinctly and positively is important.

An objective arbitration service is needed for people aggrieved or with serious complaints about health services, where those complaints cannot be resolved satisfactorily by the provider unit. The concept of a health 'ombudsman' or watchdog should be cultivated among consumer groups and professional groups. Sensitisation to the concept should start from the early stages of the programme, moving towards exposure to European models of similar schemes and hence to the training and establishment of an ombudsman role by the end of the programme.

Specific activities of this component include:

- To develop an advocacy programme on family medicine for hospital specialists, undergraduate medical students, community groups and policy makers
- To expose a small number of key personnel to the concept of a health ombudsman or watchdog
- To map relevant civil society initiatives with whom collaboration networks can be developed
- To develop a programme of community based empowerment activities, in association with respected community groups.
- To develop a range of tools and materials for use in civil society programmes, based on early consultations to determine local needs
- To develop a training programme for key individuals at MOPH for public relations and media management

2.2 Project inputs

Financial resources provided by the Commission: 5 million Euro to carry out the project activities.

In-kind contributions of the Royal Thai Government specifically agreed for the HCR project are estimated at approximately 300,000 Euro, including:

- National Co-Director (60 months, approx. € 120,000)
- Full suite of offices for local and European consultants (at approximately €2,000 per month for 5 years = €120,000)
- Office supplies and equipment including furniture, computer equipment and office software (approximately €4,000)
- Utilities, such as air conditioning, telephones, electricity (150€/month/5years ie €9000)
- Vehicle.(1) (approx €25,000)
- Significant staff inputs from various the Health Systems Research Institute, the International Health Policy and Planning Unit, the Hospital Accreditation Institute, the Health Sector Reform Office, the National Health Insurance Office, University Medical Schools, Nursing Schools, the Institute of Manpower Development, the Decentralisation Office, the Bureau of Policy and Planning and the People's Movement (instigators of the Health Insurance legislation). (Estimated valuation of input based on approximately 10 person days per organisation over five years = €22,000)

The Thai government will cover all costs related to the participation of officials in meetings, workshops and other events in country, as part of the normal functioning of the public services.

A EU Technical Assistance team for advice, training, development, planning, monitoring and reporting on project components, and for the general management of the project. The team will consist of:

EU Expertise	**Duration (PM)**
One EU International Co-director, providing programme management and technical assistance	50
Short-term International Technical assistance to the various components:	
- Family medicine	30
- Financial management *	6
- Hospital management	12
- Advocacy	8
Unallocated short-term specialists **	6
TOTAL	112

* Significant person months would also be provided under the financial management training component by the ILO in the proposed Grant agreement to International Organisations (see justification at 2.1.2).

** It provides the means to respond to particular opportunities or, indeed, constraints which present themselves during the project, for which additional technical expertise can be specifically identified and programmed. Terms of reference for these inputs should be prepared by the Project Management Unit (PMU) and agreed by the MOPH and the EU Delegation, as and when necessary.

Local Technical Assistance for advice, training, development and project management:

Local Technical Assistance	**Duration (PM)**
- Thai Specialist/Primary Health Care/family medicine	60
- Thai Specialist/Financial management	30
- Thai Specialist/Hospital management	30
- Thai Specialist/Advocacy	60
Short-term expertise	18

Provision is also made under the Project budget for the local PMU office support staff required to work alongside the TA team (such as Senior Programme Managers, Project Officers, Accounting Officer, Information / Secretary and Drivers), as is provision for per diems payable to national consultants during the undertaking of training and education programmes when away from their home bases.

Seconded Government Staff from a wide range of departments and government institutes will be made available as and when required to contribute to decision making, developments and execution of elements of each of the components (see page 12).

2.3 Time schedule

The Project will be implemented over a period of 5 years, starting from the commencement date of the service contract for EC Technical Assistance. The first three months of the Project will include an inception phase to confirm the content and specific locations of each Project activity and to draw up a detailed timetable for implementation. The last six months of the project will be dedicated to phasing out activities and to preparing for the post-Project situation.

2.4 Project Costs and Financing

The total cost of the Project is estimated at €5,300 millions, of which the EC contribution is €5 million. The Thai government will provide in-kind contributions to the counter-value of approximately € 300,000.

Note that the Thai government inputs into the whole health reform implementation process are estimated (by MOPH) as B 24 billion, (roughly equivalent to € 600 million) for 2001 and B 27 Billion for 2002. This is in addition to the B 22 billion (~€ 550 million) allocated for human resources.

The table below summarises the project budget:

Category Breakdown	EC	Thai Government (in kind contribution)	Total
1. Services	**3,876.000**	**0**	**3,876,000**
1.1 European TA (incl. TA, project mgt, backstopping and TA pool)	1,916,000		1,916,000
1.2 Financial management programme ILO	460,000		460,000
1.3 Local TA (incl. project management, monitoring and evaluation, local TA and perdiems)	476,000		476,000
1.4 Training/study visits	700,000		700,000
1.5. Monitoring and auditing	224,000		224,000
1.6. External evaluation	100,000		100,000
2. Supplies	**160,000**	**25,000**	**185,000**
2.1 Vehicle(x2), insurance, maintenance etc	50,000	25,000	75,000
2.2 Equipment (for regional resource centres and civil society initiatives)	110,000		110,000
3. Operating Costs	**864,000**	**275,000**	**1,139,000**
3.1 Local personnel (counted under project management 1.2)	564,000	142,000	706,000
3.2 Other costs (PMU running costs, local transport, communications, office supplies)		133,000	133,000
3.3 Travel (incl. international and national flights, local road travel, car hire where necessary)	300,000		300,000
6. Contingencies	**100,000**		100,000
TOTAL	**5,000,000**	**300,000**	**5,300,000**

- Contingencies can only be used after written agreement of the Commission.
- The breakdown of the budget is indicative only and may be adjusted according to needs, subject to prior written agreement between the Thai government and the European Commission.
- The headings "European TA" and "External evaluation" will be managed directly by the European Commission.
- "Monitoring and auditing" can be used by the Commission and by the PMU with the prior approval of the Commission.
- The heading "Local TA" includes long- and short-term specialist technical personnel, hired with the European TA or locally by the PMU to assist with the design, supervision and implementation of the Project. The personnel contracted under this line are not considered permanent PMU staff.
- The heading "Local personnel" covers PMU support staff (e.g. secretaries, accountant, drivers, etc.).
- The heading "vehicle": EC budget covers cost of one (1) vehicle and maintenance, insurance costs for five years. The Thai Government budget item covers mainly maintenance costs for five years for a second vehicle to be made available by the Ministry of Public Health.

2.5 Contributions Details

The Thai government contributions will include funding for Offices which are contributing to the strategy development, policy development and implementation planning and execution of various elements of the HCR project.

The in-kind contributions of the Thai government specifically for the HCR project have already been mentioned in point 2.2

The Thai government will cover all costs related to the participation of officials in meetings, workshops and other events as part of the normal functioning of the public services.

The participating agencies (including Ministry of Public Health, provincial health authorities, hospitals, consumer groups, University Medical Schools, Nursing Schools and others) will cover all the salaries and all the operational costs related to the participation of their staff in the Project, provide appropriate office facilities, including furniture, electricity and communication lines free of charge for EU and Thai experts.

In general, the Thai government will cover any project-related operating costs not included in the EC contribution.

In the cases where EC and the Thai government are both providing financial contributions to the same activity category, the specific actions to be covered by each party will be clearly identified in the Annual Workplan and Budget concerned.

The Thai government will be responsible for facilitating constructive and effective co-operation of the concerned Ministries and other public authorities.

2.6 Reallocation of EC Funds

Any reallocation of the funding provisions for individual components within the Project budget which might become necessary to take account of the relative progress and achievements of the different components shall be proposed for the agreement of the Executing Authority and the Commission in the annual revisions of the project Work Plan.

2.7 Implementation

The Ministry of Public Health is the Counterpart Agency for the Project. The Executing Authority for the Project is the National Health Insurance Office (created by order of the Prime Minister to take the lead in implementing health reform issues associated with universal coverage).

The Executing Authority will establish a Project Steering Committee (PSC) with responsibility to ensure adequate co-ordination of the HCR project activities in the context of the overall health reform process between all institutions and groups involved in the Project, as well as with the Project Management Unit.

The PSC will meet twice a year and will assist the Executing Authority by providing direction and guidance about elements of the project, taking into account the need for flexibility in terms of timing of technical input and the need to respond quickly to opportunities which present and which would contribute to the execution of the project.
The PSC will review the PMU's six-monthly reports, as well as the policy and strategic implications of Project Work Plans and budgets drafted by the PMU before they are sent to

the Executing Authority and Commission for approval. The PSC will also assist in facilitating overall Project implementation.

The PSC will be chaired by the Minister for Public Health and membership will include representatives of key players in the reform process, including representatives of a number of the organisations already mentioned above. Membership of the PSC will be kept as small as practicable to allow real decisions to be taken and to facilitate regular meetings. EC representatives will be invited to the PSC meetings as Observers with the right to speak. Representatives of other donor agencies may be invited to the PSC, as necessary, in the interest of co-ordination. The Project Co-Directors will constitute the secretariat of the PSC.

The PMU will be based in the offices of the National Health Insurance Offices. The PMU will be jointly headed by a full-time Thai national Co-Director appointed by the Ministry of Public Health and endorsed by the Commission, and an EU Co-Director, appointed by the Commission and endorsed by the Thai government. The EU Co-Director will also be the Team Leader of the EC technical assistance team. Both Co-Directors will have joint and equal authority for the management of the Project, co-signing all technical and financial documents.

Since the international project management team will not necessarily be in-country throughout the life of the project a required activity during the inception period will be to establish appropriate mechanisms for the national Co-Director to access resources to pursue ongoing project activities.

Within the framework of the Overall and Annual Work Plans and disbursement schedules approved by the Executing Authority and by the Commission, the PMU will have operational autonomy to cover the technical, administrative, financial and human resources aspects related to the Project co-ordination, implementation and management. The Co-Directors will be jointly and equally responsible to the Executing Authority for delivering the Project results and for using resources made available to the Project, irrespective of their nature (human, technical or financial resources and equipment) or their origin.

The PMU will, in particular, undertake the following tasks:

- prepare the Initial Plan of Activities (IPA), the Overall Work Plan and Budget (OWP), and the Annual Work Plans and Budgets (AWP) for the approval of the Executing Authority and the Commission;
- ensure the management of the financial, personnel and administrative affairs;
- execute the activities as approved by the Executing Authority and by the Commission in accordance with EC procedures
- assist and support the implementing staff and beneficiaries with technical and planning know-how;
- ensure that Project activities are well co-ordinated and that necessary pre-conditions are met concerning post-project ownership, operation, maintenance and sustainability;
- prepare standardised six-monthly progress reports to monitor all technical, financial and administrative aspects on the utilisation and impact of all resources made available to the Project;
- prepare and attach to the final year AWP a proposed blueprint for the phasing out of Project activities and preparation for the post-project situation.

- inform the Executing Authority and the Commission of any event which might jeopardise the success of the Project.

The EC-financed experts will work under terms of reference agreed by both the Executing Authority and the Commission. These will reflect in particular the shared responsibility for co-signature, accountancy and utilisation of the EC funds.

2.8 Donor Co-ordination

In order to preserve the necessary coherence between the activities of the present Project and those activities undertaken by other donors in the sector, regular meetings will take place with all interested parties to ensure an open exchange of information, to avoid overlapping of activities and/or financing and to incorporate the lessons learnt by these other actors into the work of the Project.

2.9 Planning and Reporting

Workplans and reports to be submitted by the PMU shall conform to the EC standard format and include at least:

- an Initial Plan of Activities (IPA), including activities to be undertaken in the inception phase, to be submitted within two weeks of arrival of the European co-director.
- the Overall Work Plan and Budget (OWP) as well as the first Annual Work Plan and Budget (AWP) to be submitted within six weeks of arrival of the EU co-director,
- a Project Progress Monitoring Plan, including objectively verifiable indicators, to be submitted together with the OWP,
- An inception report which will define clearly the objectives and planned outputs of the programme. It will also set out objectives in relation to these terms of reference together with justification for any changes considered appropriate (given the lead time between preparation of the TORs and the beginning of the programme). The inception report will present a logframe for the contract period, indicating staff to be appointed locally and their CVs. The report should also indicate arrangements for local disbursement of resources, particularly in the absence of international team leader or deputy team leader. A summary of main activities and milestones should be prepared, in bar chart format, against which progress can be measured throughout the life of the programme.

  The contractor should note that the inception report will need to be accepted and approved by the contracting authority prior to payment of the first invoice, after the advance payment.

- successive Annual Work Plans and Budgets (AWP),
- six-monthly technical and financial progress reports, to be submitted within 10 working after the end of each period. These reports are in addition to technical reports submitted by consultants at the end of each mission. They must include
  - clear financial statements
  - progress against targets
  - priority activities for the next reporting period
  - updated barchart containing the planned activities and milestones, showing actual progress against intended progress
  - summary of inputs and those planned for the following quarter
  - summary of equipment and supplies purchased

- summary of training activities
- a brief analysis of how the project is contributing to sustainability of the health reform process

- any special reports related to priority issues,
- a final Project completion report.

Any deviation in the AWP from the OWP has to be clearly presented and justified. If approved, it initiates automatically a procedure for the approval of a revised OWP prior to the approval of the AWP and its start up.

Except for the initial activities indicated in the approved IPA, expenditure can only take place in strict compliance with an approved AWP and in conformity with the OWP.

2.10 Monitoring and Evaluation

Day-to-day technical and financial monitoring will be a continuous process as part of the Co-Directors' responsibilities.

Independent consultants recruited directly by the Commission on specially established terms of reference will implement the external monitoring and evaluation.

The Project shall, in accordance with EC procurement guidelines, appoint a reputable chartered accountant whose role shall include monitoring the Project's expenditure and annual auditing of the Project's accounts for submission to the European Commission at the end of each financial year.

2.11 Financial Management

The EC disbursements for the implementation of the present Project will be executed after verification of the conformity of the expenses with the needs established in the work programme and in accordance with the availability of annual budgetary appropriations.

For expenditure funded under the EC grant and involving direct payments in currencies other than Thai Baht, payment shall be made directly by the Commission in Euro using its own procedures.

For local expenditure funded under the EC grant in Thai Baht, payment shall be made as follows:

- The PMU shall establish for this sole purpose appropriate interest bearing bank accounts in Thailand, one in Euro, denominated as the 'Euro Savings Account' and one in Thai Baht, denominated as the 'Local Currency Account';
- The accounts shall be operated with the joint signatures of the two Co-Directors. Subordinate accounts will only be opened with the express agreement of the Commission;
- The Commission shall make an initial advance of 250,000 Euro following notification of the opening of the accounts in order to cover the personnel and recurrent costs of the starting-up of the Project as well as the inception phase activities;
- The Commission shall, on the basis of the agreed Overall and first year Work Plans and budgets, make a further advance of up to 80 % of the estimated expenditure of the PMU during the first year of implementation, decreased by the amounts already transferred;

- For the second and subsequent years of implementation, the outstanding advance of the preceding year shall be adjusted to reflect the agreed estimates of expenditure for the current year. This adjustment will be effected by providing a supplementary advance, or by decreasing subsequent payment instalments made in respect of the reimbursement request during that current year;
- Disbursement from the PMU accounts shall be made jointly by the two Co-Directors of the PMU, in line with requirements of the Project and the agreed plan on implementation and estimates. Transfers from the Euro Savings Account to the Local Currency Account shall be made in line with the monthly requirements of the Project. The total balance in the Local Currency Account shall not normally exceed two months' estimated expenditure, nor fall below one month's estimated expenditure. The exchange rate applied to transfers from the Euro Savings Account to the Local Currency Account shall be the regular market exchange rate applicable on the day on which the transfer is made. Bank certificates of exchange rate on the date of transfer will be retained for auditing purposes;
- All expenses of the Project covered by the EC grant will be supported by records such as bills, receipts and bank statements. Such documents as well as the book accounting and the inventory logbook shall be kept for at least five years from the last payment. The Project's bookkeeping will be in accordance with the double-entry system and shall include the registration of each receipt and each expense. The accounting results of these books must appear in a general book of the Project, including the interest accounting. Even if the national legislation does not foresee it, the Commission may request the application of minimum criteria of analytical accounting, according to the nature and the needs of the Project;
- The two Co-Directors shall prepare expenditure reports on a six-monthly basis. On and annual basis, these reports shall be submitted for inspection to a qualified firm of auditors to be hired by the Project for this purpose. Once certified by the auditors as being in conformity with Project progress and the agreed Work Plan estimates, these six-monthly reports shall be the basis of requests by the two Co-Directors of the PMU through the Executing Authority to the Commission for the transfer of additional funds. Such requests shall normally be made every six months;
- In case of urgency, duly justified by the two Co-Directors, the Commission may be requested to make a temporary partial reimbursement on the basis of a non-audited request. Any such temporary reimbursement will be recovered from subsequent audited requests;
- Interest generated by the bank accounts will be accounted separately and utilisation will require prior written authorisation from the Commission;
- All funds in the Project accounts, including any interest generated thereon, shall remain the property of the Commission. Any unused balances remaining available on the termination of the Project shall revert to the Commission.

2.12 Procurement Procedures

Contracts for services, works and supplies will be awarded throughout the Project implementation period. All contracts required to implement this project/programme must be awarded using the procedures and standard documents defined and published by the Commission for the implementation of external actions.

If an entity of the beneficiary government is the Contracting Authority

As concerns local contracting, the procurement of services, goods and works in Thailand will be undertaken by the PMU on behalf of the Ministry of Public Health of the project (Contracting Authority).

2.13 Visibility

Public relations and awareness raising will be designed to increase the visibility, and thus the effectiveness, of the Project. They will also serve to give European Commission co-operation maximum visibility.

Particular attention will be given to the promotion of the Project at exhibitions, conferences and similar events, as well as in all public and official written material connected with the Project. All such activities shall be conducted in close collaboration with the Commission Delegation to Thailand. All equipment and documentation connected with the Project shall carry the European Community flag.

3. SPECIAL CONDITIONS

- Equipment and vehicles will be purchased locally and/or imported by the Project free of any taxes and duties under the procurement procedures stipulated in section 2.12. These supplies can only be used for activities foreseen in the approved Project work plans. In the interest of the sustainability of the Project, equipment and vehicles will be handed over to the appropriate authorities at the end of the Project, based on a detailed proposal prepared by the Co-Directors and approved by the Executing Authority and the Commission.
- The Ministry of Health will appoint and assign, prior to Project commencement and at an appropriate professional level, the counterpart staff required for the implementation of the project. The Thai government is also committed to maintaining line staff in their posts where the Project has invested training and other resources in them.
- The Thai government will invite the EC to take part in meetings with the Government and other international donors, which focus on the co-ordination of programmes being implemented in health care.
- The Thai government will grant to the EU staff of the Project - and to their families - benefits, privileges and exemptions which are no less favourable than those granted to expatriates under other bilateral or multilateral agreements or arrangements for technical co-operation.