Lessons Learned in Establishing a Health Promotion Fund

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While public health is traditionally considered the ambit of ministries of health, given the inter-linkages between various social sectors and the growing trend of globalization and international cooperation, public health should more realistically be deemed a responsibility of all. It is thus of great significance that the United Nations is convening a historic high-level meeting on the prevention and control of non-communicable diseases (NCDs) this September 2011, where the roles of governments, civil society, the private sector, and the media will hopefully be defined in relation to a common public health objective.

Common to all the four main NCDs (heart disease, lung disease, cancer, and diabetes) is tobacco use. Fortuitously, tobacco control is among the most well researched areas in public health with a growing body of evidence as new regulatory interventions are introduced across the globe.

International evidence shows that one of the most cost-effective measures to reduce tobacco consumption and its attendant morbidities is raising tobacco taxes and prices in order to reduce affordability and subsequent consumption, especially among vulnerable populations, such as youths and the poor.

In support of Article 6 (tax and price measures) of the WHO Framework Convention on Tobacco Control (FCTC), SEATCA has undertaken a five-year Southeast Asia Initiative on Tobacco Tax (SITT) in five countries (Cambodia, Indonesia, Lao PDR, Philippines, and Vietnam) to provide research-based evidence and examples of international best practice to policy makers in order to assist them to develop tobacco tax policies that are just and effective in their country context.

Together with the WHO Tobacco Free Initiative in the Western Pacific Regional Office (WPRO), SITT has also organized regional forums on sustainable funding for tobacco control and health promotion in order to build much-needed financial and human resource capacity within countries. In this context, SEATCA often promotes the Thai Health Promotion Foundation (ThaiHealth) model. Funded solely from a 2% tobacco and alcohol tax surcharge, ThaiHealth’s financial and programmatic success over the past 10 years has opened the eyes of government officials outside of Thailand to the possibility of sustainable funding for health and social development in their own countries.

Given the tsunami of NCDs that is facing our world today, all our countries’ leaders need to commit strongly to preventing and controlling NCDs and their risk factors. This will require enormous financial resources, particularly for low and middle-income countries, but such an investment will be much better than paying the catastrophic price of the growing NCD burden. Thankfully, successful health promotion foundations based on tobacco (and alcohol) taxes have shown the way forward, and political leaders everywhere can assure themselves, “If others can do it, so can we!”

Ulysses Dorotheo, MD
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LESSONS LEARNED IN ESTABLISHING A HEALTH PROMOTION FUND

INTRODUCTION

The prevalence of non-communicable diseases (NCDs) has drastically increased over recent decades to become the leading cause of deaths around the world and represents the greatest global disease burden. In 2008, 36 million or 63% of global deaths were attributable to NCDs. An estimated 80% of these diseases occurred in low- and middle-income countries where most of the world’s one billion smokers live.¹

According to a World Health Organization (WHO) report, tobacco use is one of the six risk factors associated with NCDs aside from high blood pressure, high blood glucose levels, physical inactivity, overweight or obesity, and high cholesterol levels.² Of these risk factors, tobacco use is widely acknowledged as the single most preventable cause of death. It accounts for 5.4 million of global premature deaths every year. The current mortality rate is projected to scale up to 80% in developing countries by 2030 unless urgent action is taken to curb the epidemic.³

Health promotion programmes specifically can be used as a tool to diminish the impact of smoking-related diseases and all major NCDs and thus help to mitigate economic and social burdens. As a result, millions of premature deaths and disabilities can be prevented over the years. Tobacco control, however, has never been placed as a top priority in the public health agenda of most countries in the world. Over the last decade, public health practitioners and advocates, particularly those involved in chronic disease prevention, have been growing more concerned about the lack of adequate and sustained funding for health promotion activities. It has been a less-than-promising journey as most health promotion budgets are solely dependent on the annual government budget allocations that are often limited and vary from year to year. In addition, government funding for preventive health promotion initiatives often pales in comparison to that provided for curative acute health care. As a result, tobacco control and health promotion programmes are inadequately staffed and severely under-resourced in most nations.

An effective way to address this concern is to raise tobacco taxes and introduce a surcharge tax or dedicated tax policy, whereby additional revenues can be generated and “earmarked” to support health promotion, including tobacco control programmes, through a health promotion fund or foundation.

Many countries with health promotion foundations have led the way, and their people are reaping the health benefits of accelerating the implementation of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC) and other initiatives to reduce other NCDs risk factors. Countries around the world should consider progressing towards this sustainable funding mechanism as a long-term investment for a healthy nation.
A prime example of this is the Thailand Health Promotion Foundation, which the government has successfully funded since 2001 with an additional 2% surcharge tax (i.e. 2% on top of excise tax) imposed on tobacco and alcohol products.

The term “surcharge tax” used in the context of this toolkit specifically refers to requiring the industry to pay a percentage of “additional tax” on top of the excise tax. The term “dedicated tax” can refer to tax that has been collected by the Ministry of Finance and is set aside for health promotion.

This document aims to provide approaches, including best practices and lessons learned, in setting up a health promotion foundation. Countries may use these in developing practical tools and protocols to set up their own health promotion foundation. It also presents common concerns raised by policy makers, and these can be used as points of reference for health advocates when they are planning to formulate their national policy to introduce such measures. Specific steps taken to develop a health promotion foundation have been well discussed in other publications and are not included in this report.

**WHY DO WE NEED SUSTAINABLE AND DEDICATED FUNDING FOR HEALTH PROMOTION?**

- **LIMITED BUDGET FOR HEALTH PROMOTION AND TOBACCO CONTROL**

Traditionally, health promotion and tobacco control programmes are given ‘low priority’ in most countries. Despite recognizing the benefit of promoting health and the need to reduce the harmful health effects of tobacco use, they receive little or no funding through regular channels. Instead of having it compete within health ministry budgets for disease prevention and control distributions, government should consider introducing a sustainable and predictable source of funding for health promotion, whose processes and effects take place over years and decades and thus need secure and long-term support. The funding from a dedicated levy means that long-term investment in health promotion initiatives is possible. Dedicated tobacco tax serves as the best measure to fund a health promotion foundation and also is the most practical long-term solution to support under-funded activities of tobacco control.

- **TO DIMINISH SOCIAL AND ECONOMIC COSTS FROM NON-COMMUNICABLE DISEASES (NCDs)**

The increasing incidence of mortality and morbidity of non-communicable diseases (NCDs) imposes a high social, economic, and health cost to government and society. An enormous budget is needed to address this national health burden through integrated and holistic health care and control programmes. To slow down the escalating health care cost from NCDs, government can impose a percentage of dedicated tax for health promotion to support prevention and control programmes. The cost-effective benefits of such funding for health promotion activities is seen in reduced health care costs stemming from tobacco and alcohol consumption, accidents, and other NCDs. In summary, this new funding mechanism contributes to an immediate direct financial gain for the government, providing savings in the country’s health care budget through unspent allocations for preventable diseases.

- **SECURING LONG-TERM INVESTMENT FOR IMPROVING HEALTH**

Health promotion and tobacco control programs require regular funding over long periods of time and therefore need a sustainable revenue base. This can be achieved through the implementation of dedicated taxes to effectively support short- and long-term tobacco control and health promotion programmes. The availability of such funding can help significantly reduce tobacco use in the country.
and create supportive environments that promote healthy behaviors and improve the quality of life and well-being of all ages of society. Moreover, dedicated funding for health promotion readily provides financial resources to respond promptly to unanticipated health threats to communities.

- **FUNDING A RANGE OF HEALTH-RELATED INITIATIVES**

Stable funding generated from dedicated tax revenues enable implementation of both short-and long-term health promotion projects. These include promoting good and healthy lifestyles through health education and media campaigns to reduce tobacco and alcohol use and other NCD risk factors. It can also be used to fund researches pertaining to the health, social, and economic impacts on society, provide sponsorship of sports, recreation, arts and cultural activities, and a variety of other health-related initiatives.

In addition, it is essential to emphasize that “Prevention is better than cure”, “Prevention is cheaper than treatment”, and “Promoting or building health is better than repairing health”.

- **THE POLLUTER MUST PAY: NO COST TO GOVERNMENT**

It is worth considering that the social, economic, and health costs of tobacco consumption should be shifted to tobacco companies by introducing an additional surcharge tax on their products dedicated for use in health promotion to lessen the government’s health cost burdens. In adopting a policy to increase tobacco taxes and dedicating a small surcharge to fund health promotion, governments have not suffered any loss or reduction in revenue (based on the definition of a surcharge tax) but rather have gained from health care cost savings.

Government has a legitimate right to impose a dedicated tax on the tobacco industry that can be directed to health promotion programmes. Depending on the size of the health promotion fund, a proportion of this funding can be devoted to promote or finance smoking cessation services and quit clinics. It should be the responsibility of tobacco industry to pay extra taxes to support such services.

- **LESS SUSCEPTIBLE TO DIVERSION OF FUNDING FOR OTHER PURPOSES**

Tobacco taxes dedicated for the funding of health promotion programmes are less vulnerable to diversions to competing needs and being channeled for other purposes.

- **COUNTERING TOBACCO INDUSTRY STRATEGIES**

With funds derived from dedicated tobacco taxes, it is possible for the government to finance relevant tobacco control policy research and health promotion programmes. Such research generates local evidence that can be applied to support and strengthen tobacco regulatory policies and counter the industry’s advertising and marketing strategies to lure potential smokers particularly young women and youth.
SETTING UP A HEALTH PROMOTION FUND:
COMMON QUESTIONS OF POLICY MAKERS

In campaigning for dedicated taxes for health promotion, health advocates should be prepared to respond to any concerns likely to be raised by policy makers in relation to using tobacco tax measures to generate additional funding for health promotion.

The common questions and arguments presented below, relating to setting up a health promotion foundation, were raised by Thailand’s policy makers and legislators during the journey of the Health Promotion Bill through parliament. They are shared here to serve as lessons learned from Thailand.

1) WHY IS A HEALTH PROMOTION FOUNDATION NEEDED?

The main reason to establish a health promotion foundation is to address the need of securing a sustainable funding for health promotion programmes including tobacco control. This budget line is lower in the priority agenda and is under-resourced under the national budget. Setting up a health promotion foundation is the most cost-effective strategy for government to secure long-term funds for supporting health promotion and tobacco control activities. Previously, there was also no budget line or agency responsible for prevention and control of other NCD risk factors such as alcohol control, traffic accident control, and promoting physical activity.

Many countries have reaped enormous benefits from the establishment of a health promotion foundation. It has been found that instituting an effective and successful funding system prioritizing health promotion programmes including tobacco control and other non-communicable diseases prevention that reduce burden of health care cost of a country is the solution. Similar foundations have been introduced in many parts of the world including Australia, Switzerland, Austria, and, in Southeast Asia, Singapore.

2) WHY DOESN’T THE MINISTRY OF HEALTH (MOH) REQUEST FOR A BIGGER BUDGET AND CONDUCT HEALTH PROMOTION ACTIVITIES?

Requesting for more funds to support health promotion and tobacco control through the conventional budgeting system has proven to be difficult and less efficient. The current small amount of annual health promotion budget varies much from year-to-year and is also subject to the changes in policy direction from government to government.

It is believed that health promotion programmes within MOH alone would not be implemented in an effective manner. The reason is that the administrative policy of MOH may restrict its partnership with other concerned ministries and external agencies that are not directly affiliated with government institutions. The bureaucratic system in the government structure may also delay the implementation of health promotion activities. Political interferences from individuals who have vested interests and strong influence in the decision making process are another consideration.

3) THERE IS NO NEED TO SET UP A NEW AGENCY (HEALTH PROMOTION FOUNDATION), THE GOVERNMENT WILL PROVIDE ADDITIONAL BUDGET TO MINISTRY OF HEALTH TO FUND HEALTH PROMOTION.

Having to request an annual budget specifically for health promotion from the national health budget is not a long-term and sustainable funding means. It would be more effective to have an additional fund sourced from the collection of tobacco and alcohol taxes to support health promotion. In the case of Thailand, the budget for the health promotion fund that has been proposed is only about 1-2% of the...
national health budget. The use of these funds for health promotion will be further enhanced if it is managed by an autonomous health promotion foundation. Such a foundation has the advantage of flexibility in terms of fund management and can support activities that are unlikely or difficult to conduct under a national health budget.

4) A SURCHARGE TAX IS AGAINST FINANCIAL DISCIPLINE/TRADITIONAL PRACTICE.

An additional or surcharge tax can be viewed as a new mechanism, and in the case of Thailand it is not against any financial regulation. Most countries probably do not have any regulations or law that prohibits the implementation of a surcharge tax. It was a “financial discipline” or “traditional practice” in Thailand as regard to a surcharge or dedicated tax before the Thailand Health Promotion Act was enacted in 2001.

Basing on Thailand’s experience in defending the 2% surcharge (i.e. 2% additional excise tax), dedicated for a health promotion foundation, known as Thailand Health Promotion Foundation (ThaiHealth), the arguments used by tobacco control advocates stressed on the fact that:

a) Health promotion programmes including tobacco control require collaborative partnership from both government and non-government sectors. It also promotes inter-sectoral action and inter-organizational partnerships at all levels including community engagement in planning and decision-making. Most of the health promotion programmes are innovative and strategically created. The existing funding system is focused primarily on health care services and has much less emphasis on health promotion programmes.

b) A health promotion fund will be used to support implementation of governmental health-related policies and priorities in the country. In this respect, the organization or agency that is established to manage the fund is still accountable to the government and thus not different from other government agencies. The only difference is that the source of funding is derived from a surcharge tax on tobacco and alcohol products collected directly from tobacco and alcohol producers and transferred directly to the health promotion fund.

c) The health promotion fund is managed differently from government agencies but is audited by designated government agencies and parliament.

A similar argument against a surcharge tax is that “imposing a surcharge will set a precedent and may disrupt the country’s “financial discipline”. The answer to this question may be found in the experience of Australia, for example, which has implemented a sin tax for health promotion for many years but has not had any other case of the same nature occurring. The parliament will be the one to decide whether to enact other similar laws in the future.

Another way to convince policy makers is by asking, “What other alternatives do we have? Either we retain the existing financial procedure, which neglects health promotion, and face the consequences of a growing healthcare burden, or we impose a surcharge tax on the industry, with the opportunity to gain additional government revenue to fund health promotion. The tax can be used to support short- and long-term health promotion and tobacco control programmes, and as a result, the health and well-being of the public will improve, while health care expenditures will decline over time.

If the government does not support a surcharge tax, it will have to bear the increasing burden of health care costs in the absence of the right funding mechanism to support health promotion activities. This new funding system also has a different management approach that is more liberal and allows greater flexibility as compared to the more bureaucratic government agencies.
5) WHY DO WE NEED NEW FUNDS SINCE MANY EXISTING FUNDS DO NOT WORK WELL? HOW CAN ANYONE GUARANTEE THAT IT IS GOING TO WORK IN THE COUNTRY?

This argument is based on the premise that there are various types of funds established in Thailand which are generally small but with the same objective of generating funds for its cause. Some of these funds are set up within the government departments, while others are created for service or charity purposes. Most of these funds are set up by executive order or decree and lack oversight by the public or other auditing agency. They also fail to secure long-term funding to support their activities, and there are other issues concerning transparency in the use and administration of many of the existing funds.

The establishment of health promotion foundations has been proven to be effective in countries such as Australia, Switzerland and Singapore.

To ensure that the new agency will work, the health promotion foundation’s objectives and its means to manage the fund effectively should be clearly stipulated in the legislation, specifically:

a) what are the objectives of this fund
b) what are the means of administering this fund
c) how can the foundation be transparent and accountable
d) where are the sources of funding

All of these must be legislated for the security, transparency, accountability, effectiveness and sustainability of the fund.

6) WHAT WERE THE ARGUMENTS THAT CONVINCED A POSITIVE DECISION IN THE PARLIAMENT?

The government collects a large amount of taxes from tobacco and alcohol, which have significant negative social and economic impacts on society, and it is therefore the moral responsibility of the government to try lessening these impacts through health promotion programmes.

While the Thai government was proposing a bill on universal health care (insurance) coverage for all Thais, the health group simultaneously advocated for the health promotion bill to the government and parliament for the reason that setting up a health promotion fund is necessary to deal with the escalating health care costs that the universal coverage scheme has to shoulder.

The Ministry of Finance, however, often opposes a dedicated tax because it is against the ministry’s traditional practice. The health group then proposed changing from “dedicated tax” (asking for 2% of all tobacco and alcohol taxes collected by the Excise Department) to “surcharge tax” instead, which would require the tobacco and alcohol industries to pay an additional 2% of excise taxes to the Ministry of Finance whenever they pay their excise taxes and to put the surcharge revenues into the health promotion foundation account.

This small surcharge tax on tobacco and alcohol would not take anything away from government coffers, since it will be paid by the industry on top of the excise tax it pays the government. Such an approach will enable the Ministry of Finance to collect the full amount of excise taxes paid and, at the same time, the extra 2% surcharge tax is channeled to the health promotion fund. In addition, effective health promotion would save the government money by limiting tobacco and alcohol use, which will decrease the disease burden and health care expenditure. It would also provide desirable and sustainable funding for a broad range of health promoting initiatives that could clearly continue to bring immediate and major benefits.
Lessons Learned in Establishing a Health Promotion Fund

7) WHY IS TOBACCO TAX USED TO ADDRESS PROBLEMS CAUSED BY OTHER RISK FACTORS?

Tobacco tax is in fact already being used for purposes other than smoking-related issues, considering the fact that tobacco tax goes to the government coffer, mixing with other taxes and government income from all other sources. The centralized fund is then allocated to various government departments to run day-to-day activities. To use tobacco taxes to fund health promotion is most appropriate as tobacco products impair health, while health promotion improves health.

8) WILL A SURCHARGE TAX HARM THE INDUSTRY?

Imposing a surcharge tax, dedicated to health promotion and tobacco control, on products that can cause harmful health impacts to users should be considered as a legitimate action taken by a responsible government to improve health and decrease health care costs.

Still, the impact on the industry will be very small, if any, since the amount of additional tax intended for health promotion is very little compared to the total taxes that the industry has to pay. Of course, taxes on tobacco and alcohol need to be increased regularly to keep pace with inflation; otherwise, consumption will increase, which will more negatively impact society.

9) TO WHAT EXTENT DID THE PUBLIC SUPPORT THE ESTABLISHMENT OF THE HEALTH PROMOTION FOUNDATION?

In Thailand, a public polling revealed that the general public strongly supported the government’s proposal to set up a health promotion foundation funded by additional tobacco and alcohol taxes that focus on main health promotion areas including tobacco and alcohol control, road safety, exercise and nutrition. The poll also showed that civil society and non-governmental organizations fully supported tobacco control and other health promotion initiatives.

10) WHAT DATA ARE NEEDED FOR THE PURPOSE OF ADVOCACY AND LOBBYING TO SET UP A HEALTH PROMOTION FOUNDATION?

The following data is pertinent in building up a case for the establishment of a health promotion foundation:

- Information and statistics on the disease burden of major NCDs, including total health care cost of treating NCDs and tobacco-related diseases,
- Current budget for health promotion and tobacco control in the country.
- It is also important to refer to examples of health promotion foundations established in other countries together with recommendations stated in Article 26 of the World Health Organization Framework Convention on Tobacco Control (WHO FCTC): each Party shall provide financial support for its national activities intended to achieve the objectives of the convention.

11) WHAT SHOULD BE THE SIZE OF THE BUDGET FOR AN INTENDED HEALTH PROMOTION FOUNDATION?

In the case of ThaiHealth, the initial proposed budget was 1% of the annual government health budget. This figure was proposed to make it easier to convince policy makers to agree to setting up a health promotion fund. In addition, the proposed small percentage will be paid by the tobacco and alcohol industries without affecting existing excise tax revenue collections, which made it possible for policy
makers to agree to break away from the “traditional practice” of discouraging the implementation of a dedicated tax. In 2011, the budget of ThaiHealth amounted to USD100 million or 1.07% of annual health government budget.

Certainly 1% of the national health budget is not enough for health promotion, but it is sufficient to fund projects aimed at controlling major NCD risk factors. A proposal for a higher percentage of tax can be made, but this has to be balanced against political acceptability.

12) WHO SHOULD BE THE DRIVING FORCES BEHIND THE PROCESS FOR A HEALTH PROMOTION FOUNDATION?

Those who are instrumental in driving the process are those thinking about how health promotion needs could be adequately addressed by a new autonomous agency through a sustained funding source. They include tobacco control advocates, health system experts with public health and health promotion knowledge, and a number of finance experts and technocrat politicians. Such technocrat politicians lend their knowledge and political skills in support of the movement for a flexible health promotion agency addressing non-communicable disease problems.

13) IS NOW THE RIGHT TIME TO SET UP A HEALTH PROMOTION FOUNDATION?

In September 2011, the United Nations (UN) General Assembly will hold a high-level meeting to strengthen global, regional, and national efforts in the prevention and control of NCDs. Securing financial support to implement measures to reduce NCD risk factors, particularly tobacco use will be set high on the global priority agenda. This provides an excellent opportunity for health promotion and its funding. Article 26 of the WHO FCTC also requires all Parties to secure and provide financial support for the implementation of various tobacco control programmes and activities to meet the objectives of the Convention.

Experience has shown that there will never be adequate external sources of funding to address NCD control for a particular country. Donors generally support or fund “pilot” or “innovative” projects for a defined period of time, particularly in projects and programmes that interest them but may not necessarily be the recipient country’s need or priority. Financial resources for health promotion are already available in all countries, and a mechanism to secure those resources to fund health promotion and tobacco control is most needed. The Thailand Health Promotion Foundation is one of the models that should be emulated by other countries.


Purpose of the Fund

The funds obtained from taxes on tobacco and other harmful products can be allocated primarily for health promotion or tobacco control. A country has the option to choose either one and the information presented below explores various aspects of each to help a legislator or tobacco control advocate to make an informed decision.

Health Promotion Fund or Tobacco Control Fund

a) Health Promotion Fund

A health promotion fund is created to provide resources and funding to support a wide range of health promotion programmes including tobacco control to enhance protective and reduce risk factors with the rising number of global death toll related to non-communicable diseases (NCDs) in the country. The establishment of a health promotion fund will provide secure, long-term, and recurrent funding to support entire health promotion activities throughout the country. The use of such fund is meant for promoting the health of the population through holistic, innovative and targeted programmes. It also provides an opportunity for undertaking vigorous researches pertinent to the promotion of good health, risk factor prevention, and control of health safety as well as early detection of diseases. Up-to-date, evidence-based information can be generated to strengthen national health policy for the wellness of the individual and the country. Sustained health promotion efforts will succeed in reducing health care expenditures in the long-term, and therefore, will limit the future liability of the government in this regard.

ThaiHealth for example, is taking on dual roles in financing its health promotion programmes. The health promotion programme provides preventive and promotive care with services to individuals, groups and communities. It also takes on the role of an activator by creating and coordinating health promotion activities of related sectors, activating these mostly through policy advocacy and social mobilization.

It has been recognized that lobbying for a health promotion fund will be more appealing to policy makers as it also addresses emerging NCDs problems in the country and therefore, will generate more allies when advocating for such funding measure. Furthermore, setting up a health promotion fund will help to weaken any opposition by the tobacco industries. This is because the fund is used for promoting health in a wider scope including healthy lifestyle, improving health and wellness, thereby reducing preventable diseases (particularly through tobacco use) in the country.

A health promotion foundation does not burden the government with a need for additional resources besides an allocated budget, since it is supported by the dedicated surcharge taxes.

b) Tobacco Control Fund

As the name applies, a tobacco control fund is established particularly to finance tobacco control programmes including prevention and control, and policy-driven research to advance tobacco control policies in the country. In other words, the funding is used solely for providing resources to support tobacco control measures from community to national levels. It is aimed to diminish smoking prevalence, addiction, health, social and economic costs as well as prevent smoking uptake among the young including children and women. However, this type of funding system limits its role from financing other health promotion activities apart from tobacco control.
This constraint fails to:

- address other non-communicable disease problems which contribute to the growing number of deaths every year
- attract and convince policy makers because of its limited scope in addressing health promotion and restriction to tobacco control
- win wider support from other health promotion allies when advocating for the fund

This approach is likely to meet with strong opposition from the tobacco industry lobby and other vested interest groups because they will perceive that the fund is a direct threat to their interest and existence. They will try to undermine the tobacco control fund after it has been established. The resistance will be less if the fund is for health promotion, although tobacco control is one of its objectives.

**SOURCES OF FUNDING**

Governments should take advantage of the great public health opportunity by adopting surcharge on tobacco. Levying other harm producing substances such as alcohol and foods with high fat, sugar and salt contents may also be considered.

**Why is a surcharge dedicated tax a better mechanism for health promotion?**

In most countries health promotion and tobacco control are usually funded from the general health budget. There are several limitations in relying on this funding source:

1. To obtain funding from the general health budget, there is a need to compete directly in the same budget bidding processes
2. Funding may not be stable and sufficient
3. Change in policy and government may affect allocation of fund for health promotion

Establishing a health promotion foundation with funds derived from a surcharge tobacco and alcohol levy is an effective way of taxing disease-causing products to promote health. Taxing tobacco and alcohol also have immediate health promotion benefits because it increases cigarette and alcohol price thus discouraging smoking and drinking among young people.

**Types of funding source for health promotion foundation**

<table>
<thead>
<tr>
<th>Health Promotion Foundation</th>
<th>Annual Total Budget (per person) in USD</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>ThaiHealth</td>
<td>100m (2)</td>
<td>2% (surcharge tax tobacco and alcohol)</td>
</tr>
<tr>
<td>Austrian Health Promotion Foundation</td>
<td>9m (1.09)</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>VicHealth (from Tobacco Tax 1987-1996)</td>
<td>27m (4.6)</td>
<td>Treasury budgets</td>
</tr>
<tr>
<td>Healthway (from Tobacco Tax 1990-1996)</td>
<td>20m (9.09)</td>
<td>Treasury budgets</td>
</tr>
<tr>
<td>Malaysian Health Promotion Board</td>
<td>7m (0.26)</td>
<td>Treasury budgets</td>
</tr>
<tr>
<td>Health Promotion Switzerland</td>
<td>16.7m (2.20)</td>
<td>Health Insurance ($2/head)</td>
</tr>
</tbody>
</table>

Source: International Network Health Promotion Foundations (INHPF), 2011⁴
WHAT GOVERNANCE MECHANISM WILL WORK IN YOUR COUNTRY?

A number of organizational structures may be employed to administer funds for health promotion and tobacco control. Generally, the fund can be administered through an independent statutory body/foundation or a unit under the health department.

1) As an autonomous agency

An independent statutory body or health promotion foundation model

A health promotion foundation is defined as an independent statutory body which has, as its major purpose, the promotion of health. It is established according to some form of legislation that provides long-term and continuous budget for the purpose of health promotion. Governed by an independent board, the organization exercises a high level of autonomous decision-making about policies, programmes, and funding independent from government. Autonomy is required to ensure effective administration and distribution of funds. It promotes health by working with governmental, non-governmental, and community-based organizations, facilitating and empowering them to carry out health promotion programmes and initiatives.

ADVANTAGES of a health promotion foundation model include the ability to:

- operate independently of government while supporting government priorities and directions for health promotion and contributing to government policy
- plan and implement long-term health promotion/tobacco control programmes because of guaranteed funding
- utilize its independence to advocate to government in relation to health promotion policy
- operate openly, equitably, accountably and quickly react to emerging needs without bureaucratic constraints
- gain support from all political parties because it is not aligned to any political group
- mobilize public support for health promotion through its prominent board members who have access to a range of high-level networks that can influence both the public and the government for health policy movement in the country
- cement a multi-sectoral collaboration across a range of government departments, non-governmental and community-based organizations from different sectors including health, sport, education, and others
- provide rapid response to new research findings, threats, or opportunities because of its independent management structure which is not restrained by a large bureaucracy

DISADVANTAGE of the health promotion foundation model:

Difficulty in setting up a health promotion foundation with a dedicated, sustainable source of funding through legislation is its only disadvantage.

Countries which adopted this model:
Australia (Victoria, Western Australia), Estonia, Switzerland, Thailand.

2) As a unit within the government structure

A health promotion arm is set up as a separate unit within the government structure such as in the health department. Other possibilities are when it is established as a unit within the Ministry of Finance or as an independent statutory body but under the purview of the Prime Minister or the Ministry of Health.
ADVANTAGES of establishing a unit within a government department include the ability to:

- fully support and implement government public health policies, priorities and strategies because of close working relationship with other areas within the department
- gain direct access to government through the Minister and Departmental Head and thus influence policy and direction for health promotion
- reduce potential for duplication of funding or effort
- access the resources and expertise of a range of other departmental units

DISADVANTAGES of placing the health promotion unit within a government department

- reduced independence because of direct ministerial control and thus considerably limited flexibility to undertake innovative and perhaps controversial programmes and activities that may be disagreeable to the government
- possibility that it may be politically influenced in relation to decisions about grants and sponsorships
- potential competition from within the department for resources.
- capacity may be limited by the bureaucratic requirements of a government department, thus affecting the ability of the unit to collaborate with other ministries and especially with other sectors outside of the government to respond quickly to emerging health issues or to provide grants in a timely manner

Countries which adopted this model:
Finland, Iceland, Slovenia, Qatar, USA (Arizona).

3) A hybrid or composite model (combination of an autonomous body and a unit within government structure)\(^5\)

This model merges elements of both an autonomous body and a unit within government structure. To understand how this is done and how it works, it is best to scrutinize an actual establishment of a HPF with this structure such as the New Zealand Health Sponsorship Council, the Singapore Health Promotion Board, and TongaHealth.

RECOMMENDATION

From the experiences of countries that have health promotion foundations, they generally agree that an independent Health Promotion Foundation model is better than that of a Health Promotion Unit within the government structure, primarily because the former allows greater flexibility and autonomy in fund management to work with all other agencies within and outside of the government. Moreover, with its autonomy comes greater freedom in conducting a wider range of health-related programmes and freedom from political influences and bureaucratic deficiencies.
APPLICATIONS OF ORGANIZATIONAL AND FUNDING MODELS

Below are examples of states and countries that have dedicated tobacco and/or alcohol taxes or funds from consolidated government revenue and their organizational structures established to administer the funds for health promotion and tobacco control.

(Source: Adapted from Appendix Tables of “Steps in Setting up Health Promotion Foundations”. Draft technical document of Tobacco Free Initiative (TFI), Western Pacific Regional Office (WPRO), World Health Organization⁶, and from appendix tables of “The Establishment and Use of Dedicated Taxes For Health”. Western Pacific Regional Office (WPRO), World Health Organization, 2004.)⁶

<p>| Model 1: Health promotion foundation (independent statutory public body with autonomous management) |</p>
<table>
<thead>
<tr>
<th>State/ Country</th>
<th>Organization</th>
<th>Legislation</th>
<th>Funding Sources</th>
<th>Amount (USD)</th>
<th>Population</th>
<th>Purpose of Fund</th>
</tr>
</thead>
</table>
| 1. Austria      | Austrian Health Promotion Fund | Health Promotion Act 1998 | Value Added Tax distributed by the Ministry of Finance | $10.3 million | 8.4 million | 1. Project funding  
2. Promote competence in health promotion  
3. Information and awareness raising |
| 2. Western Australia | West Australian Health Promotion Foundation (Healthway) | Tobacco Products Control Act 2006 (replaced Tobacco Control Act 1990) | Regulated annual transfer from Treasury (formerly a percentage of tobacco tax) | $23.1 million (in 2010-2011) | 2.3 million | To provide grants and sponsorships to advance health promotion through health promotion programmes and research as well as sports and arts activities. |
| 3. Victoria (Australia) | The Victorian Health Promotion Foundation (VicHealth) | Tobacco Act 1987 | Initial funding via tobacco levy (Tobacco Act 1987). Funded now by direct grant | $36.4 million | 5.5 million | 1. To fund activity related to the promotion of good health, safety or the prevention of disease.  
2. To increase awareness of programmes for promoting good health in the community through the sponsorship of sports, the arts and popular culture.  
3. To encourage healthy lifestyles in the community and support activities involving participation in healthy pursuits.  
4. To fund research and development activities in support of these activities. |
<table>
<thead>
<tr>
<th>State/Country</th>
<th>Organization</th>
<th>Legislation</th>
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<th>Purpose of Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Canada</td>
<td>Lucie et André Chagnon Foundation</td>
<td>Act to establish the fund for the promotion of a healthy lifestyle</td>
<td>A charitable organization, the Chagnon Foundation Trust, which has assets of USD 1.325 billion</td>
<td>Up to $71 million per annum between 2008 and 2012</td>
<td>7.8 million</td>
<td>To contribute to the development and improvement of health through poverty and disease prevention by focusing primarily on children and their parents. The primary focus is the educational success of young Quebeckers, enabling them to become independent, fulfilled parents. Interventions involve mobilizing local communities and mobilizing society.</td>
</tr>
<tr>
<td>5. Switzerland</td>
<td>Health Promotion Switzerland</td>
<td>Health Insurance Act, 1994 (Article. 19 in the health care/insurance law)</td>
<td>Recurrent budget through health insurance levy of around USD 2.25 per insured person annually</td>
<td>$17 million (in 2010)</td>
<td>63.8 million</td>
<td>1. To promote good health of Swiss people according to National Public Health Policy. 2. To raise awareness of health issues through social marketing campaigns and sponsorship of sports, the arts and popular cultures. 3. To encourage a healthy lifestyle. 4. To fund community initiatives to promote better health conditions.</td>
</tr>
<tr>
<td>6. Thailand</td>
<td>Thai Health Promotion Foundation (ThaiHealth)</td>
<td>Thai Health Promotion Foundation Act, 2001</td>
<td>Foundation receives 2% of alcohol and tobacco excise tax annually</td>
<td>$100 Million (2011)</td>
<td>663.8 million</td>
<td>1. To promote good health of Thai people according to National Public Health Policy. 2. To raise awareness of health issues through social marketing campaigns and sponsorship of sports, the arts and popular cultures. 3. To encourage a healthy lifestyle. 4. To fund community initiatives to promote better health conditions.</td>
</tr>
<tr>
<td>7. Estonia</td>
<td>Health Promotion Commission</td>
<td>Tobacco Act, 1994; Alcohol Tax, 2000 &amp; Health Insurance Fund</td>
<td>Tobacco tax (0.5%) Alcohol (0.5%) Health Insurance Fund</td>
<td>1.4 million</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
## Model 2: Unit within government department

<table>
<thead>
<tr>
<th>State/ Country</th>
<th>Organization</th>
<th>Legislation</th>
<th>Funding Sources</th>
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<th>Population</th>
<th>Purpose of Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Finland</td>
<td>Government Agency</td>
<td>Act on the Measures for recreation of Tobacco Smoking (Amended 1999)</td>
<td>Tobacco tax, 0.45% per annum</td>
<td>-</td>
<td>5 million</td>
<td>Health promotion, including tobacco</td>
</tr>
<tr>
<td>9. Iceland</td>
<td>Tobacco Control Board</td>
<td>Tobacco Control Act, 1996</td>
<td>Tobacco tax (0.9%)</td>
<td>-</td>
<td>282 000</td>
<td>Tobacco control</td>
</tr>
<tr>
<td>10. Slovenia</td>
<td>Health Council</td>
<td>Restriction on the use of Tobacco Products, 2002</td>
<td>Tobacco tax</td>
<td>-</td>
<td>1.9 million</td>
<td>Public Health Initiatives against the harmful effects of tobacco products</td>
</tr>
<tr>
<td>11. Qatar</td>
<td>Ministry of Health</td>
<td>The Law of Tobacco Control, 2002</td>
<td>2% of overall Tobacco Sales Taxes</td>
<td>-</td>
<td>77 000</td>
<td>Health promotion</td>
</tr>
<tr>
<td>12. USA (Arizona)</td>
<td>Health Department</td>
<td>Tobacco tax and Health Care Act</td>
<td>Tobacco tax (23 cents of every dollar)</td>
<td>-</td>
<td>-</td>
<td>Programmes for reduction of the use of tobacco, through public education, cessation and evaluation</td>
</tr>
</tbody>
</table>
### Model 3: An alternative hybrid model

<table>
<thead>
<tr>
<th>State/Country</th>
<th>Organization</th>
<th>Legislation</th>
<th>Funding Sources</th>
<th>Amount (USD)</th>
<th>Population</th>
<th>Purpose of Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. New Zealand</td>
<td>New Zealand Health Sponsorship Council</td>
<td>Smoke-free Environments Act 1990 No 108</td>
<td>Funded annually by the New Zealand government through a purchase agreement with the Ministry of Health</td>
<td>$8 million  Per capita $1.9</td>
<td>4.2 million</td>
<td>Promotes health and encourage healthy lifestyles with a long-term focus on reducing the social, financial and health sector costs of smoking, skin cancer, problem gambling, and obesity.</td>
</tr>
<tr>
<td>14. Malaysia</td>
<td>Malaysian Health Promotion Board (MySihat)</td>
<td>Act 651 of the Malaysian Parliament 2007</td>
<td>Triennial allocation from government based on application by the Board (The Treasury of Malaysia has deemed that there is no provision to directly divert tobacco tax to the board - also political and religious limitations regarding the earmarking of tobacco and other “health-damaging goods” tax)</td>
<td>2007-2010 $20 million  (Average $6.6 million per annum)  Per capita $.707</td>
<td>28.6 million</td>
<td>1. To develop the capacity of organizations, including health related and community based, for health promotion.  2. To plan and implement health promotion programmes and activities for the benefit of the community, with a particular focus on youth.</td>
</tr>
<tr>
<td>State/Country</td>
<td>Organization</td>
<td>Legislation</td>
<td>Funding Sources</td>
<td>Purpose of Fund</td>
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<tr>
<td>15. Singapore</td>
<td>Singapore Health Promotion Board</td>
<td>Health Promotion Board Act 2001</td>
<td>Mainly funded from Ministry of Health budget</td>
<td>To promote health by forming sustainable partnerships with other government agencies, the community, private and corporate entities to implement programmes to all age groups (children, youth, adults, elderly) in various settings (schools, community, workplaces, healthcare institutions). These programmes encompass health promotion (smoking control, nutrition, physical activity, mental health, non-communicable and communicable disease prevention and management), screening for chronic diseases (for adults), health screening for children (weight/height status, myopia, hearing status, scoliosis, and dental), and immunization.</td>
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<tr>
<td>16. Mongolia</td>
<td>Mongolian Health Promotion Foundation</td>
<td>Mongolian National Law on Government’s Special Fund, 2% of tobacco tax since 2005</td>
<td></td>
<td>Tobacco and alcohol control through: 1. Health promotion project 2. Supporting activities to prevent diseases caused by tobacco smoking and alcohol consumption, alcohol control and its monitoring 3. Organization of IEC activities on tobacco and alcohol use. 4. Research into economic impacts on health of tobacco and alcohol use. 5. Improving and increasing access to health and social welfare services for those suffering from alcohol abuse. 6. Supporting activities of individuals, non-government organizations and legal entities that are actively involved in alcohol control and prevention activities. 7. Supporting activities to promote the health of the general population.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State/ Country</td>
<td>Organization</td>
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</table>
| 17. Tonga      | Tonga Health Promotion Foundation (TongaHealth) [www.tongahealth.org.to](http://www.tongahealth.org.to) | Health Promotion Foundation Act 2007 | Funded by 3 different sources including government, Secretariat Pacific Community (SPC) and private donor | Government: $222,222.22 (2010) 
SPC: $279,463.43 (2010) 
Private donor: $378,378.37 (2010) | 101,991 | To promote health and reduce harm from non-communicable diseases (NCDs) such as Diabetes, High Blood Pressure, Heart problems and smoking related illnesses. |
| 18. Republic of Korea | Korea Health Promotion Foundation [www.khealth.or.kr](http://www.khealth.or.kr) | Civil Law of Republic of Korea 
Per capita $.05 | 49 million | 1. To support developing the National Health Promotion Plan based on the National Health Promotion Act. 
2. To operate training programmes for health care professionals. 
3. To plan and evaluate researches regarding health promotion. 
4. To carry out initiatives related to health promotion programmes assigned by the Ministry of Health and Welfare. |
About Southeast Asia Initiative on Tobacco Tax (SITT)

The Southeast Asia Initiative on Tobacco Tax (SITT) is a five-year, multi-country project on tobacco control policy led by the Southeast Asia Tobacco Control Alliance (SEATCA) with funding support from the Bill and Melinda Gates Foundation. SITT primarily aims to develop a framework that is grounded in research and analysis for improved tobacco taxation systems to institute effective tax policies and to allow for sustainable funding mechanisms for tobacco control in the five project sites, namely: Cambodia, Indonesia, Lao PDR, Philippines, and Vietnam. Main strategies involve:

• translating and disseminating existing evidence and international best practice.

• undertaking new regional and country-level research which will help policy makers develop and implement more progressive policies on tobacco taxes.

• establishing a Tobacco Tax Policy Center that will engage senior economists, tax lawyers and other experts from the region. This expert group will provide technical assistance and training, including study visits to country partners, tailored to the needs of each country.

In addition to effective tobacco tax policies, SITT’s project objectives also include the development and implementation of prominent graphic health warnings for tobacco product packaging in Indonesia, as well as sharing the lessons learned by SEATCA with other existing and emerging regional tobacco control alliances in the developing world.
Vision
Towards a healthy, tobacco-free ASEAN

Mission
Working together to save lives
by accelerating effective implementation of
the FCTC in ASEAN countries