



A Decade of Health Budget Growth in Bangladesh

Esrat Jahan Tithi¹, Abdullah Al Mobarak², Musfiqa Ashraf^{*3}, Lokuat Ullah⁴,
Abu Hanif⁵, Nanziba Nawar Duti⁶, Naznin Parvin⁷, Abdul Kaium⁸,
Joynab Zaohara⁹, Mohammad Abdullah Al Masood¹⁰

Abstract

The health sector budget in Bangladesh has experienced significant growth over the past decade, reflecting the government's increasing commitment to improving public health and healthcare infrastructure. This study explores the trends and implications of the health sector's budget allocations from 2015 to 2025, with a focus on fiscal policies, government priorities, and the impact on public health outcomes. Using a longitudinal analysis of national budget documents and supplementary data from the Ministry of Health and Family Welfare, this report examines the correlation between budget increases and improvements in healthcare accessibility, quality of services, and health outcomes. The analysis reveals a consistent rise in the budgetary allocation, with notable jumps in the years 2017, 2020, and 2024. Despite these increases, the report highlights the challenges of translating budgetary growth into sustainable improvements due to systemic inefficiencies, underfunding of key areas, and a growing population. Recommendations include optimizing resource allocation, enhancing the efficiency of healthcare expenditure, and fostering greater public-private partnerships to ensure equitable access to healthcare services across Bangladesh. The report concludes that while budget growth is promising, targeted reforms and strategic investments are essential to achieve long-term health sector sustainability.

Keywords: Health Sector Budget, Bangladesh, Public Health, Healthcare Accessibility, Fiscal Policy, Ministry of Health, Government Spending, Budget Analysis, Health Outcomes, Healthcare Infrastructure, Public-Private Partnerships, Healthcare Expenditure, Population Growth, Budget Allocation Trends, Financial Sustainability, Healthcare Reform, Health Policy.

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1. Main Author:

Esrat Jahan Tithi

BBA, MBA

Student

Department of Banking and Insurance
University of Dhaka, Dhaka, Bangladesh.

Email: esrat.tithi12@gmail.com

Mobile: +8801798751157

2. Abdullah Al Mobarak

BBA, MBA

Student

Department of Banking and Insurance
University of Dhaka, Dhaka, Bangladesh.

*3. Corresponding Author: Dr. Musfiqa Ashraf, PhD

Associate Professor (Sociology)

School of Social Sciences, Humanities and Languages (SSHL)

Bangladesh Open University

Gazipur-1705, Bangladesh.

Email: donnalina001@gmail.com

4. Dr. Lokuat Ullah

MBBS, PGDPM, PGDMM, PGDCM, MBA, PhD (Hon.)

Physician, Entrepreneur & Human Rights Worker

Dhaka, Bangladesh.

5. Abu Hanif

Student, Department of Pharmaceutical Sciences

North South University, Dhaka, Bangladesh.

6. Dr. Nanziba Nawar Duti, MBBS (DU)

MSc, Global Public Health (Ongoing)

United Kingdom.

7. Dr. Naznin Parvin

Dental Surgeon

Mandy Dental College & Hospital

Dhaka, Bangladesh.

8. Abdul Kaium, M.Pharm

MSc, International Business, United Kingdom.

9. Joynab Zaohara

Student, Farnborough Sixth Form College

United Kingdom.

10. Mohammad Abdullah Al Masood, M.Pharm

Senior Deputy Manager

Product Management Department (PMD)

Biopharma Limited, Dhaka, Bangladesh.

Introduction:

Health spending has become a critical area of public investment for nations worldwide, regardless of their economic standing. The United Nations' 2030 Sustainable Development Agenda underscores the paramount importance of healthcare, with Sustainable Development Goal (SDG) 3 specifically emphasizing the need to ensure healthy lives and promote well-being for all individuals, irrespective of age (UN, 2015)⁷. In Bangladesh, the health system faces severe

challenges due to inadequate government prioritization, poor governance, and weak infrastructure. In 2017, the country had only one hospital bed for every 1,196 individuals (BBS, 2019)¹, highlighting the inadequate capacity to provide healthcare services to the population. Additionally, a significant proportion of healthcare facilities lacked essential resources, with only 5.1% of health facilities having emergency transportation, 21.5% having alcohol-based disinfectants, and 27.5% having medical masks (NIPORT, ACPR, and ICF, 2018). Furthermore, the nation has insufficient healthcare personnel, with one registered physician for every 1,581 individuals as of 2018 (BBS, 2019)¹.

The shortage of critical resources and personnel, compounded by an underfunded healthcare system, limits the capacity of healthcare facilities to deliver adequate services. Only 28% of health facilities had specialists, 59.1% had general practitioners, and 79.7% had nurses (NIPORT, ACPR, and ICF, 2018). Given these deficiencies, substantial investment from the government, private sector, and international development partners is essential to transforming the health sector and ensuring the health and well-being of Bangladesh's population. Without significant investments, the ambitious goals outlined in SDG 3 will remain unattainable.

This study examines the health sector budget growth in Bangladesh over the past decade, exploring how the increasing allocation has impacted healthcare accessibility, quality, and infrastructure. The focus is on analyzing the effectiveness of these budgetary increases and offering recommendations for improving the allocation and utilization of resources to achieve long-term healthcare sustainability and equity in Bangladesh.

Methods:

This study aims to analyze the growth and trends in Bangladesh's health sector budget from 2016 to 2025, with a focus on understanding the implications of these changes on healthcare accessibility, quality, and infrastructure. The time frame for the quantitative analysis spans from 2016 to 2025, focusing on annual health sector budget data for each fiscal year and correlating these with relevant health outcomes. The research follows a mixed-methods approach, integrating quantitative data analysis of health sector budget allocations with qualitative insights from key stakeholders in the healthcare system. This combination allows for a more comprehensive understanding of the budget's impact and challenges in the health sector. The quantitative analysis will focus on examining the trends in health sector budget allocations over the past decade. This analysis aims to identify the changes in the government's financial commitment to healthcare and explore how these shifts align with healthcare sector improvements or challenges.

Data Collection: The quantitative data will be sourced from the following documents and reports:

- Ministry of Finance (MoF): Official annual budget documents for fiscal years 2016-2025, providing details on health sector financial allocations.
- Bangladesh Economic Review: For additional insights on health expenditure within the broader government budget.
- Ministry of Health and Family Welfare

(MOHFW): Data on how the health budget is distributed across different sectors, programs, and services.

- World Bank, WHO, and Bangladesh Bureau of Statistics (BBS): Secondary data on health indicators, including life expectancy, infant mortality rates, and healthcare access.

Discussion:

Budget Allocation, Actual Expenditure, and Utilization

This figure provides a clear picture of the allocation trends for health in Bangladesh, showing how the percentage of the total budget and GDP allocated to health has fluctuated over the years. Despite slight declines in more recent years, the overall health budget allocation remains a crucial aspect of the government's financial commitment to improving healthcare infrastructure and services.

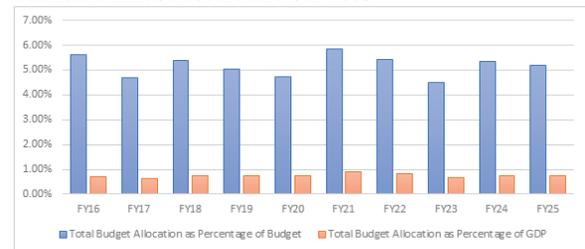


Figure 1: Health Allocation as a Share of Total Budget and GDP

Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2024a).

Figure 1 illustrates Bangladesh's health budget allocation from FY2016 to FY2025 as a percentage of both the total revised budget and the Gross Domestic Product (GDP). The allocation for health as a share of the total budget decreased from 5.33% in FY2024 to 5.20% in FY2025 (MOF, 2024a)². Similarly, the allocation for health as a share of GDP declined slightly from 0.75% in FY2024 to 0.74% in FY2025 (MOF, 2024a)². This allocation is marginally lower than the average allocation of 0.75% of GDP during FY2016 to FY2024 (MOF, 2024a)².

The health budget allocation has consistently remained below 1% of GDP for the past 20 years, indicating that healthcare has been one of the least prioritized sectors by the government (MOF, 2024a). In terms of per capita health spending, there has been a modest increase of BDT 186, from BDT 2,227 in 2023 to BDT 2,413 in 2024 (MOF, 2024a).

A significant reduction was seen in the Urban Primary Health Care Services Delivery Project, a government social safety net program (SSNP) that provides quality primary health care (PHC) services to urban populations. Its budget allocation was drastically reduced from BDT 439.38 crore in FY2024 to BDT 180.13 crore in FY2025 (MOF, 2024b).

Figure 1 also visually represents Bangladesh's health budget allocation between non-development and development expenditures from FY2010 to FY2025. Non-development expenditures, which cover routine operational costs such as health worker salaries, medication, and building maintenance, have been increasing over the years. In contrast, development expenditures, which fund projects like healthcare infrastructure and new service delivery models, have increased but not at the same rate as non-development spending. This shift in allocation over time highlights a growing focus on maintaining existing healthcare services rather than investing in long-term development initiatives.

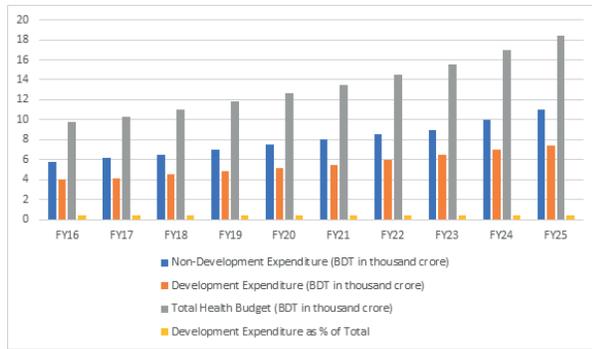


Figure 2: Budget Allocation for Health

Source: Authors’ illustration based on data from the Ministry of Finance (MOF, 2024a).

From FY2016 to FY2025, non-development expenditures in Bangladesh’s health budget have steadily increased from BDT 5.80 thousand crore to BDT 11.00 thousand crore. This indicates rising operational costs, including salaries, medications, and facility maintenance. Meanwhile, development expenditures, which cover infrastructure and service improvements, grew from BDT 4.00 thousand crore to BDT 7.40 thousand crore. However, the increase in development spending has not kept pace with non-development spending, leading to a rise in the share of non-development expenditures from 44% in FY2010 to 61% in FY2025.

The total health budget grew by 9% from BDT 38,050 crore in FY2024 to BDT 41,408 crore in FY2025. Development expenditures accounted for 49% of the total budget in FY2025, up from 41% in FY2024. Despite this, non-development spending continues to dominate, highlighting a shift toward maintaining existing healthcare services rather than expanding or improving healthcare infrastructure. This trend suggests a need for a more balanced approach that prioritizes both operational sustainability and long-term healthcare development.

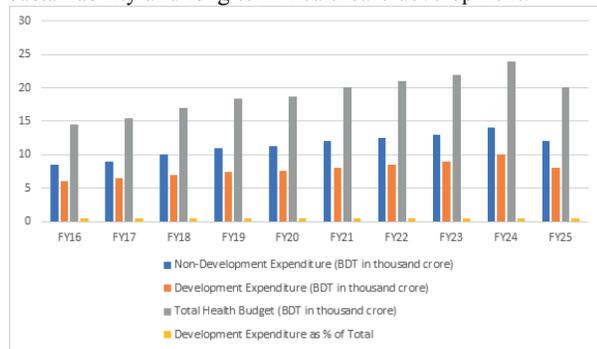


Figure 3: Revised Budget Allocation for Health

Source: Authors’ illustration based on data from the Ministry of Finance (MOF, 2024a).

The data shows the budget allocation for the health sector in Bangladesh from FY2016 to FY2025, highlighting both non-development and development expenditures along with their percentage share in the total health budget.

From FY2016 to FY2025, non-development expenditures steadily increased from BDT 8.50 thousand crore in FY2016 to a peak of BDT 14.00 thousand crore in FY2024, before dropping slightly to BDT 12.00 thousand crore in FY2025. These expenditures primarily cover operational costs such

as salaries for healthcare workers, maintenance of healthcare facilities, and the purchase of medical supplies.

In contrast, development expenditures, which focus on long-term investments such as healthcare infrastructure, medical technology, and expansion of services, have seen a slower, but steady increase. From BDT 6.00 thousand crore in FY2016, they grew to BDT 10.00 thousand crore in FY2024, but decreased slightly to BDT 8.00 thousand crore in FY2025. The development expenditures as a percentage of the total health budget have fluctuated, from 41% in FY2016 to 42% in FY2024, before returning to 40% in FY2025.

The total health budget grew consistently, from BDT 14.50 thousand crore in FY2016 to BDT 24.00 thousand crore in FY2024, with a slight decline to BDT 20.00 thousand crore in FY2025. Despite the growth in the overall budget, the share allocated to development expenditures has remained relatively stable, hovering around 40% to 42% over the years, while a larger portion of the budget continues to be allocated to non-development expenditures.

This data suggests that, while the government has made efforts to increase the overall health budget, the proportion directed towards long-term development and infrastructure has not grown significantly, remaining lower than non-development spending. This may impact the capacity to improve the healthcare infrastructure and services in the long term, suggesting the need for a more balanced approach that ensures adequate resources for both operational maintenance and development initiatives.

International Comparison of Government Expenditure on Health: A comparison of Bangladesh’s government expenditure on health with that of its regional neighbors or other least developed countries (LDCs) reveals a rather gloomy picture. Figure 4 depicts out-of-pocket healthcare expenditures as a percentage of current healthcare expenditures for eight South Asian countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka, from 2016 to 2025. It reveals significant variations in out-of-pocket expenditure across the countries. Notably, Bangladesh consistently has one of the highest out-of-pocket spending throughout the period. In 2016, Bangladesh had an out-of-pocket expenditure equal to 11.54 per cent of current health expenditure, which rose to 74.00 per cent of current health expenditure in 2020. This indicates that a substantial portion of healthcare costs in Bangladesh are borne directly by individuals, bypassing public or private health insurance mechanisms.

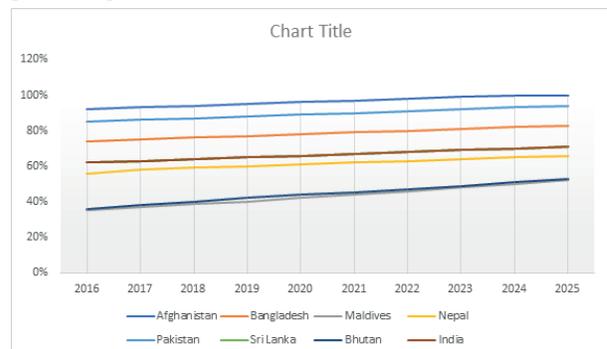


Figure 4: Out-of-pocket Expenditure (as a percentage of current health expenditure)

Source: Authors’ illustration based on data from the World

Bank (World Bank, 2024).

While all countries have fluctuations in out-of-pocket expenditure across the years, a downward trend is generally observed over the last two decades. This suggests a potential increase in health insurance coverage or government-funded healthcare initiatives in some countries. However, the data for Bangladesh shows a slight upward trend in recent years, which warrants further investigation. In 2021, Bangladesh’s out-of-pocket expenditure on health per capita at purchasing power parity was the eighth highest among 45 LDCs (World Bank, 2024)⁵. Bangladesh’s out-of-pocket expenditure as a percentage of current health expenditure was 73 per cent of current health expenditure in 2021 and showed an increasing trend for the past two decades, whereas the trend is decreasing for countries such as India, Pakistan, Bhutan, Nepal and Sri Lanka (World Bank, 2024). Bangladesh’s expenditure on health as a share of GDP was the lowest among 45 LDCs in 2021 – no other LDC has spent less on health than Bangladesh in 2021 (World Bank, 2024)⁵. Moreover, in Bangladesh, the proportion of the population pushed below the USD 2.15 poverty line due to out-of-pocket expenditure on healthcare increased from 3.11 per cent in 2010 to 3.74 per cent in 2016 (World Bank, 2024)⁵.

Fiscal Measures Related to Health: Tax on Tobacco and Related Products: In Bangladesh, the price strategy of the tobacco industry promotes the use of cigarettes that are comparatively more affordable. The intricate tiered tobacco tax system facilitates the implementation of varying prices. Differential pricing undermines the original objective of taxes, which is to get favourable public health results. Therefore, it is necessary to simplify Bangladesh's tobacco tax system. The affordability of cigarettes should be decreased due to price rises caused by taxes. The government should replace the current tiered tax structure for tobacco and tobacco-related items with a unified scheme. In addition, it is recommended that the ad valorem tax, which is calculated based on a percentage of the retail price, be replaced with a specific tax set per pack. Implementing a standardized and targeted excise tax system on tobacco would significantly streamline the government's administrative process. Additionally, it would allow the government to transfer control of the management of cigarette recommended retail prices (RRPs), which is causing a burden on the tax authorities. The government lacks the resources necessary to oversee and implement RRP nationwide. The tobacco business exploits this absence of oversight to optimise its financial gains. Therefore, it is recommended that the government let the market determine the appropriate pricing and generate tax income by implementing a uniform specific tax that is not influenced by the price of the tobacco product but based only on the number of sales. CPD proposes implementing a uniform specific excise duty of BDT 10 per cigarette stick on all cigarettes in FY2025 (Table I). This tax should be increased by at least BDT 5 per stick each year to account for annual inflation and income growth. Market based Per stick (in BDT) Market based Per pack of 10 (in BDT) 100 Per stick (in BDT) 10 differences in public health policies and taxation strategies across countries.

Table I: Proposed Tax Structure for Cigarettes

| Proposed tax structure for cigarettes in FY | | | | | | CPD's recommendation | | | | |
|---|---------------------|--------------------|------------------------------|-------------------------|--------------------|----------------------|-------------------------|--------------------|-------------------------|--------------------|
| Tier | Retail price | | SD | | | Tier | Retail price | | Specific excise duty | |
| | Pack of 10 (in BDT) | Per stick (in BDT) | Per pack of 10 (in per cent) | Per pack of 10 (in BDT) | Per stick (in BDT) | | Per pack of 10 (in BDT) | Per stick (in BDT) | Per pack of 10 (in BDT) | Per stick (in BDT) |
| Low | 50 | 5 | 60 | 30 | 3 | Universal | Market based | Market based | 100 | 10 |
| Medium | 70 | 7 | 65.5 | 45.85 | 4.58 | | | | | |
| High | 120 | 12 | 65.5 | 78.60 | 7.86 | | | | | |
| Premium | 120 | 16 | 65.5 | 104.80 | 10.48 | | | | | |

Source: Authors’ compilation based on data from the Ministry of Finance (MOF, 2024c).

In the comparative analysis of 95 countries, Bangladesh emerges with the 22nd lowest price for cigarettes, with a pack priced at approximately BDT 320 as of 9 June 2024 (Numbeo, 2024)³. On the other hand, in our neighbouring country, India, the price is much higher at BDT 492 (Numbeo, 2024). Developed countries like Australia, New Zealand and the United Kingdom have much higher cigarette prices (Numbeo, 2024)³. Countries with higher cigarette prices often have strong public health and taxation policies aimed at reducing smoking rates compared to countries with lower cigarette prices, where public health concerns may not be dealt with such seriousness.

Table II: Estimated Potential Revenue from Specific Excise Duty of BDT 10 per Cigarette

| Year | Population | Share of Smokers (in %) | Average Daily Intensity of Smoking | Estimated Potential Revenue from Specific Excise Duty (BDT 10 per Cigarette Stick) |
|------|-------------|-------------------------|------------------------------------|--|
| 2017 | 161,750,000 | 8.21% | 0.1518 | 733,771,098,060 BDT |

Source: Authors’ compilation based on data on cigarette consumption from Ark Foundation (Ark Foundation, 2021) and population from BBS (BBS, 2024).

Table III: Proposed Tax Structure for Bidi

| Type of Bidi | Retail Price (per pack) | Retail Price (per stick) | Specific Excise Duty (per pack) | Specific Excise Duty (per stick) | Type of Bidi |
|-------------------------------------|-------------------------|--------------------------|---------------------------------|----------------------------------|--------------|
| Non-filtered 25 stick handmade bidi | 18 | 0.72 | 5.40 | 0.22 | Non-filtered |
| Non-filtered 12 stick handmade bidi | 9 | 1.33 | 2.70 | 0.22 | Non-filtered |
| Non-filtered 8 stick handmade bidi | 6 | 1.33 | 1.80 | 0.22 | Non-filtered |
| Filtered 20 stick handmade bidi | 19 | 1.05 | 7.60 | 0.38 | Filtered |
| Filtered 10 stick handmade bidi | 10 | 1.00 | 4.00 | 0.40 | Filtered |
| All | Market based | Market based | 75 | 3 | Market based |

Source: Authors’ compilation based on data from the Ministry of Finance (MOF, 2024c).

Table II shows the estimated potential revenue from implementing a specific excise duty of BDT 10 per cigarette stick in 2017. If this tax had been applied, it would have generated an estimated tax revenue of BDT 733.7 billion,

assuming that cigarette consumption remained unchanged despite the imposition of the tax.

Along with the proposed tax on cigarettes, it is recommended that the tax structure for Bidi, Jarda, and Gul also be reformed. This will help reduce the health risks faced by low-income groups and alleviate the financial burden on the government’s healthcare system. Currently, Bidi is classified into filtered and non-filtered types, with further categorizations based on pack size. CPD suggests introducing a specific excise tax of BDT 3 per Bidi stick to be implemented in FY2025, with prices determined by the market. To keep pace with inflation and income growth, this specific tax on all Bidi should increase by at least BDT 1 each year.

Table IV: Proposed Tax Structure for Jarda and Gul

| Product | Retail Price (per 10gm) | Retail Price (per gm) | Specific Excise Duty (per 10gm) | Specific Excise Duty (per gm) |
|--------------|-------------------------|-----------------------|---------------------------------|-------------------------------|
| 10gm Jarda | 48 | 4.8 | 26.40 | 2.64 |
| 10gm Gul | 25 | 2.5 | 13.75 | 1.38 |
| Market-based | 55 | 5.5 | Market-based | Market-based |
| Market-based | 60 | 6 | Market-based | Market-based |

Source: Authors’ compilation based on data from the Ministry of Finance (MOF, 2024c).

Table V: Proposed Health Development Surcharge and VAT on Cigarettes and Other

| Tobacco Product Type | Health Development Surcharge (in %) - Current | VAT (in %) - Current | Health Development Surcharge (in %) - Proposed | VAT (in %) - Proposed |
|----------------------|---|----------------------|--|-----------------------|
| Cigarettes | 1% | 15% | 5% | 20% |
| Bidi | 1% | 15% | 5% | 20% |
| Jarda | 1% | 15% | 5% | 20% |
| Gul | 1% | 15% | 5% | 20% |

Source: Authors’ compilation based on data from the National Tobacco Control cell (NTCC) (NTCC, 2017).

The Health Development Surcharge Management Policy 2017 mandates a 1% surcharge on tobacco companies in Bangladesh, in line with the WHO Framework Convention on Tobacco Control (FCTC), to which Bangladesh is a signatory (NTCC, 2017)⁴. A Statutory Regulatory Order (SRO) issued by the government further outlines how the funds collected from this surcharge should be utilized.

The Centre for Policy Dialogue (CPD) advocates for an increase in the Health Development Surcharge to enhance the capacity of the National Tobacco Control Cell (NTCC) in achieving its objective of a tobacco-free Bangladesh by 2040. In this regard, CPD proposes raising the Health Development Surcharge on cigarettes and other tobacco products from 1% to 5%, along with an increase in VAT on these products from 15% to 20% in FY2025.

Fiscal measures related to health: A hard tax for soft drinks: Carbonated soft drinks and energy drinks pose a significant health risk in Bangladesh due to their high sugar content, which contributes to obesity, diabetes, and tooth decay. A typical 355 milliliter can of soft drink contains 39 grams of

sugar (Coca-Cola Company, n.d.), which is equivalent to about 10 teaspoons of sugar. According to the World Health Organization (WHO, 2017)⁶, adults should limit their sugar intake to no more than six teaspoons per day for a healthy lifestyle.

For FY2025, the Bangladesh government has implemented a 30% Specific Duty (SD) on carbonated soft drinks and 40% SD on energy drinks, with a 15% VAT applicable to both categories (NBR, 2024). However, the minimum tax on sales revenue for carbonated beverage producers has been reduced from 5% in FY2024 to 3% in FY2025.

Given the widespread availability of carbonated soft drinks and energy drinks in Bangladesh, it is crucial to implement measures that reduce their consumption to mitigate the associated health risks.

Table VI: Proposed Tax Structure for Soft Drinks and Energy Drinks

| Type | VAT (%) | Specific Duty (SD) (%) | Specific Excise Duty (BDT per ml) | Specific Excise Duty (BDT per litre) |
|---------------|---------|------------------------|-----------------------------------|--------------------------------------|
| Soft Drinks | 15% | 30% | 0.10 | 100 |
| Energy Drinks | 15% | 40% | 0.10 | 100 |

Source: Authors’ compilation based on data from the Ministry of Finance (NBR, 2024).

The Centre for Policy Dialogue (CPD) recommends that the government remove the supplementary duty on both soft drinks and energy drinks and replace it with a specific excise duty of BDT 0.10 per millilitre (ml) or BDT 100 per litre (l) on soft drinks and energy drinks produced in Bangladesh in FY2025. This tax structure aims to reduce consumption of sugary beverages, which are classified as demerit goods, while generating substantial revenue for the government.

Furthermore, CPD advocates that the government discontinue the high tariff protection currently provided to local sugar-sweetened beverage (SSB) manufacturers, which includes VAT exemptions for imported raw materials (NBR, 2024)². This policy change would help alleviate pressure on the country’s shrinking fiscal space.

In addition to the fiscal benefits, reducing the consumption of sugary beverages would also help minimize the health risks associated with diseases like obesity, diabetes, and cardiovascular conditions. This aligns with SDG target 3.4, which aims to reduce non-communicable diseases by one-third by 2030 (UN, 2015)⁷. Moreover, CPD recommends an increase in VAT on soft drinks and energy drinks from 15% in FY2024 to 20% in FY2025.

Recommendations: This policy brief recommends the following actions based on the analysis of the proposed FY2025 health budget:

- Balance budget allocation between development initiatives and operational needs.
- Establish a monitoring and evaluation framework for effective use of funds.
- Simplify the tobacco tax system, replacing ad valorem tax with a specific tax per pack.

- Implement a uniform specific excise duty of BDT 10 per cigarette and a BDT 3 per Bidi tax in FY2025.
- Introduce a specific excise duty of BDT 6 per gram for Jarda and Gul.
- Increase the Health Development Surcharge and VAT on tobacco products to 5% and 20% respectively in FY2025.
- Raise corporate tax on tobacco companies to 50% in FY2025, with an associated surcharge increase.
- By 2026, increase corporate tax to 55% and surcharge to 7.5% after Bangladesh graduates from the LDC group.
- Replace the supplementary duty on soft drinks and energy drinks with a specific excise duty of BDT 0.10 per ml or BDT 100 per litre in FY2025.
- Increase VAT on soft drinks and energy drinks to 20% in FY2025.
- Eliminate VAT exemptions for sugar-sweetened beverages.
- Exempt VAT on medicines starting from FY2026 to maintain affordability.
- Protect the local pharmaceutical industry post-LDC graduation, ensuring affordable access to medicines for low-income groups.

Conclusion:

This policy brief provides a comprehensive analysis of the health sector budget in Bangladesh and presents several strategic recommendations for FY2025. It highlights the ongoing challenges in balancing operational and development expenditures, which impact the long-term sustainability of the healthcare system. The recommendations focus on increasing taxes on tobacco and sugary beverages, simplifying the tobacco tax system, and enhancing fiscal policies to ensure better health outcomes for the population. The proposed changes aim to generate

substantial revenue, improve public health by reducing consumption of harmful products, and contribute to SDG 3. However, successful implementation will require careful monitoring, effective resource allocation, and a commitment to addressing existing structural inefficiencies in the health sector.

Conflict of Interest: None.

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