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Centre for Policy Dialogue (CPD)



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THE PROGRAMME

The Independent Review of Bangladesh's Development (IRBD), Centre for Policy Dialogue's flagship programme, is a comprehensive assessment of the country's economic development agenda prepared by a group of Bangladeshi experts. Launched in 1995, it is Bangladesh's first civil society initiative to analyse the trends in the economy linking economic policies to development efforts. IRBD attempts to provide voice to marginalised stakeholders.

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Health Budget of Bangladesh *Optimising Resources for Improved Health Outcomes*

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Key Findings

1. The proposed budget allocation for health in the FY2025 budget is 5.20 per cent of the total budget and 0.74 per cent of the GDP.
2. Expenditure on health as a share of GDP in Bangladesh was the lowest among 45 LDCs in 2021.
3. In 2021, out-of-pocket expenditures were 73 per cent of total health expenditures in Bangladesh.
4. An excise duty of BDT 10 per cigarette stick and BDT 100 per litre on soft drinks may generate BDT 733 billion and BDT 95 billion in tax revenue per year, respectively.

Key Recommendations

1. The budget for FY2025 should increase the health budget allocation to prevent people from being pushed into poverty due to out-of-pocket health expenditures.
2. Simple, specific, and universal excise duties are needed to reduce the consumption of cigarettes, other tobacco products, soft drinks, and energy drinks.
3. Improved governance is required to increase the efficiency of utilisation of the health budget

1. Introduction

Health spending has become a vital area of public investment regardless of a nation's economic standing. The United Nations' 2030 Sustainable Development Agenda recognises the paramount significance of healthcare. Specifically, Sustainable Development Goal (SDG) 3 emphasises the need to ensure healthy lifestyles and promote well-being for all individuals, regardless of age, on a worldwide scale (UN, 2015). The health system of Bangladesh is in a critical state due to a lack of government prioritisation and lack of good governance. The health sector's infrastructure is weak, and its governance is in disarray. In 2017, the nation had one hospital bed for every 1,196 individuals (BBS, 2019). As of 2017, only 5.1 per cent of health facilities in Bangladesh had emergency transportation, 21.5 per cent had alcohol-based disinfectant, 27.5 per cent had medical masks, 34.5 per cent had lab facilities, 43.1 per cent had regular electricity, 55.1 per cent had soap and water, 83.7 per cent had paracetamol oral suspension, 86.3 per cent had thermometers, and 90.1 per cent had improved water sources (NIPORT, ACPR, and ICF, 2018). In addition to insufficient funding and tools, healthcare institutions in Bangladesh lacked sufficient personnel to give proper treatment. In 2018, the nation had 1 registered physician for every 1,581 individuals (BBS, 2019). As of 2017, 28 per cent of health facilities in Bangladesh had specialists, 59.1 per cent had general practitioners, and 79.7 per cent had nurses (NIPORT, ACPR, and ICF, 2018). Therefore, substantial investment from the government, private sector and international development partners is required to transform the health sector and build a healthy future for Bangladesh. Without such investments, the ambitious goals outlined in SDG 3 will remain unfulfilled. Along with higher allocation for the health sector, effective utilisation of resources is also crucial. In this context, this policy brief examines the proposed health sector budget for FY2025 and makes a set of recommendations.

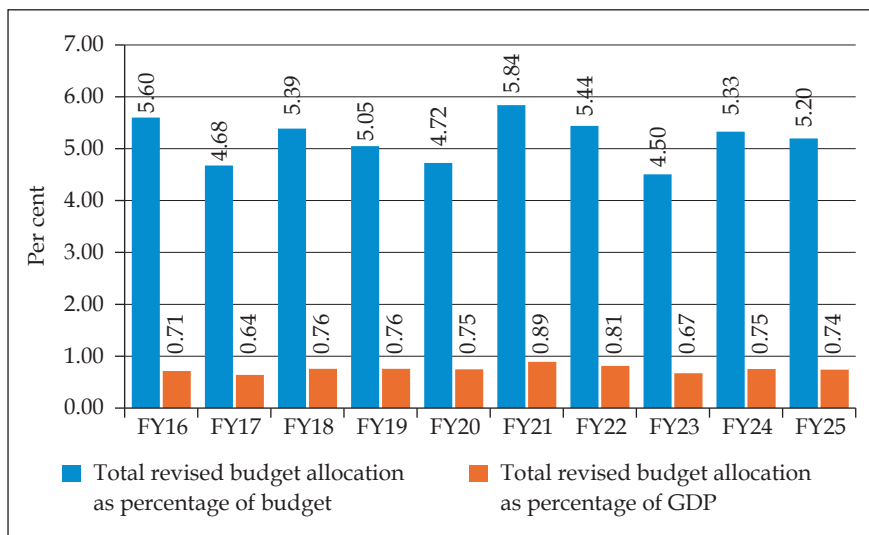
2. Budget Allocation, Actual Expenditure, and Utilisation

Figure 1 shows Bangladesh's health budget allocation from FY2016 to FY2025 as a percentage of the total revised budget and as a percentage of the Gross Domestic Product (GDP). The allocation for health as a share of the total budget decreased from 5.33 per cent in FY2024 to 5.20 per cent in

FY2025 (MOF, 2024a). The allocation for health as a share of GDP has declined slightly from 0.75 per cent in FY2024 to 0.74 per cent in FY2025 (MOF, 2024a). Such allocation is marginally lower than the average allocation of 0.75 per cent of GDP during FY2016 to FY2024 (MOF, 2024a).

Budget allocation for health has been less than 1 per cent of GDP for the past 20 years (MOF, 2024a), indicating that healthcare has been one of the least prioritised sectors for the government. The budget allocation on health per person has increased by only BDT 186, from BDT 2,227 in 2023 to BDT 2,413 in 2024 (MOF, 2024a). The Urban Primary Health Care Services Delivery Project, a government social safety net

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).

programme (SSNP) initiative aimed at ensuring the delivery of quality primary health care (PHC) services to urban populations, had its budget allocation drastically reduced from BDT 439.38 crore in FY2024 to BDT 180.13 crore in FY2025 (MOF, 2024b).

Figure 1 visually represents Bangladesh's health budget allocation between non-development and development expenditures from FY2010 to FY2025. Non-development expenditures, which are the amount of money not spent on development projects, have been increasing over the years. This could include things like salaries for health workers, medication, and building maintenance. On the other hand, development expenditures have also increased, but not at the same rate as non-development expenditures. This figure is significant as it shows the shift in budget allocation over time, with a larger proportion going towards non-development expenditures.

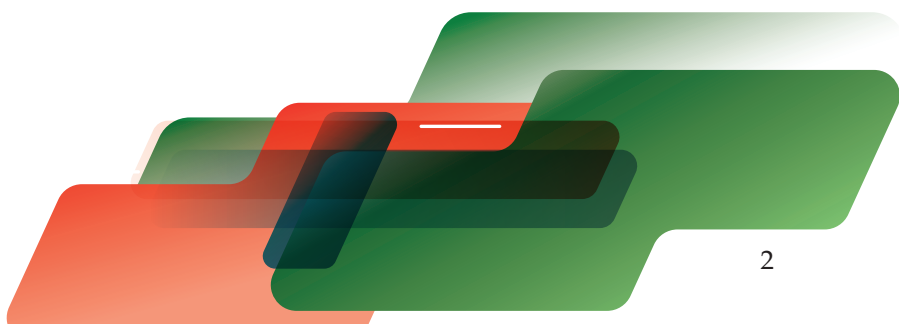
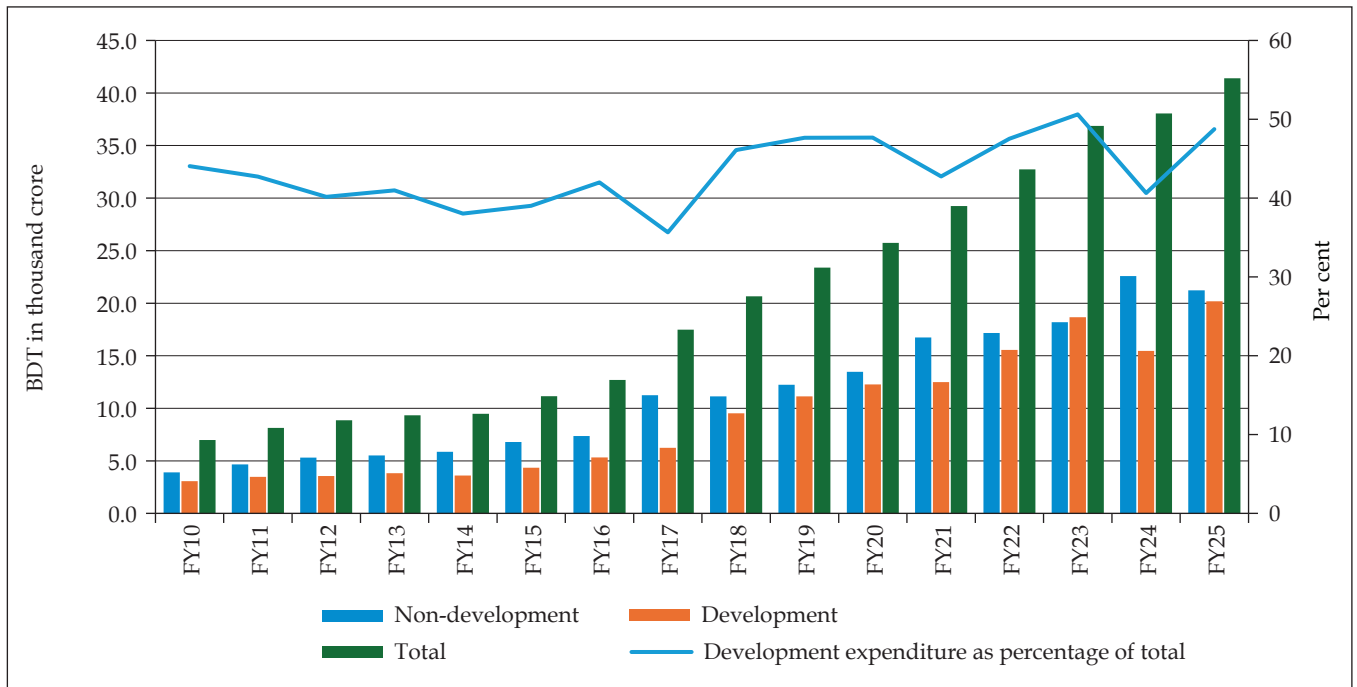


Figure 2: Budget Allocation for Health



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

Figure 2 shows that non-development expenditures have increased steadily over the time period, from BDT 3,905 crore in FY2010 to BDT 22,587 crore in FY2025 (MOF, 2024a). Development expenditures have also increased, from BDT 3,075 crore in FY2010 to BDT 15,463 crore in FY2025 (MOF, 2024a). However, the rate of increase in development expenditures has not kept pace with the rate of increase in non-development expenditures. As a result, the portion of the total budget allocated to non-development expenditures has increased over time. In FY2010, 44 per cent of the total budget was allocated to non-development expenditures. By FY2025, this figure had risen to 61 per cent (MOF, 2024a).

Total budget allocation for health has been increased by 9 per cent, from BDT 38,050 crore in FY2024 to BDT 41,408 crore in FY2025 (MOF, 2024a). Development budget allocation has increased by 31 per cent, whereas non-development budget allocation has decreased by 6 per cent (MOF, 2024a). The share of development budget allocation in total health budget allocation has increased from 41 per cent in FY2024 to 49 per cent in FY2025 (MOF, 2024a). The share of revised development budget allocation in total health budget allocation has decreased from 41 per cent in FY2023 to 38 per cent in FY2024 (MOF, 2024a).

It is crucial to note that the portion of the budget allocated to non-development expenditures has consistently been

higher than that allocated to development expenditures. This trend suggests that a larger share of the health budget is directed towards operational costs rather than improvements to the healthcare system itself. This could potentially impact the health system's capacity to invest in infrastructure, technology, and other areas that directly contribute to improved health outcomes, highlighting the need for a more balanced approach to budget allocation.

Figure 3 shows Bangladesh's revised health budget allocation from FY2010 to FY2024. It details the allocation of funds between non-development and development expenditures, along with the total budget and the annual change in total expenditure. The data reveals a steady rise in both non-development and development expenditures over the fifteen-year period. Non-development expenditures have grown from BDT 4,004 crore in FY2010 to BDT 18,446 crore in FY2024 (MOF, 2024a). Development expenditures have also risen significantly, from BDT 2,829 crore in FY2010 to BDT 11,336 crore in FY2024 (MOF, 2024a).

However, it is important to note that the rate of increase for non-development expenditures has outpaced that of development expenditures. Consequently, the portion of the total budget allocated to non-development expenditures has grown over time. In FY2010, 41 per cent of the budget was directed towards non-development expenditures

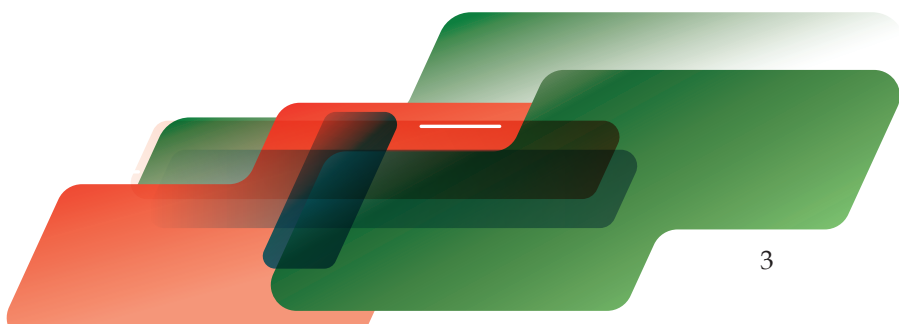
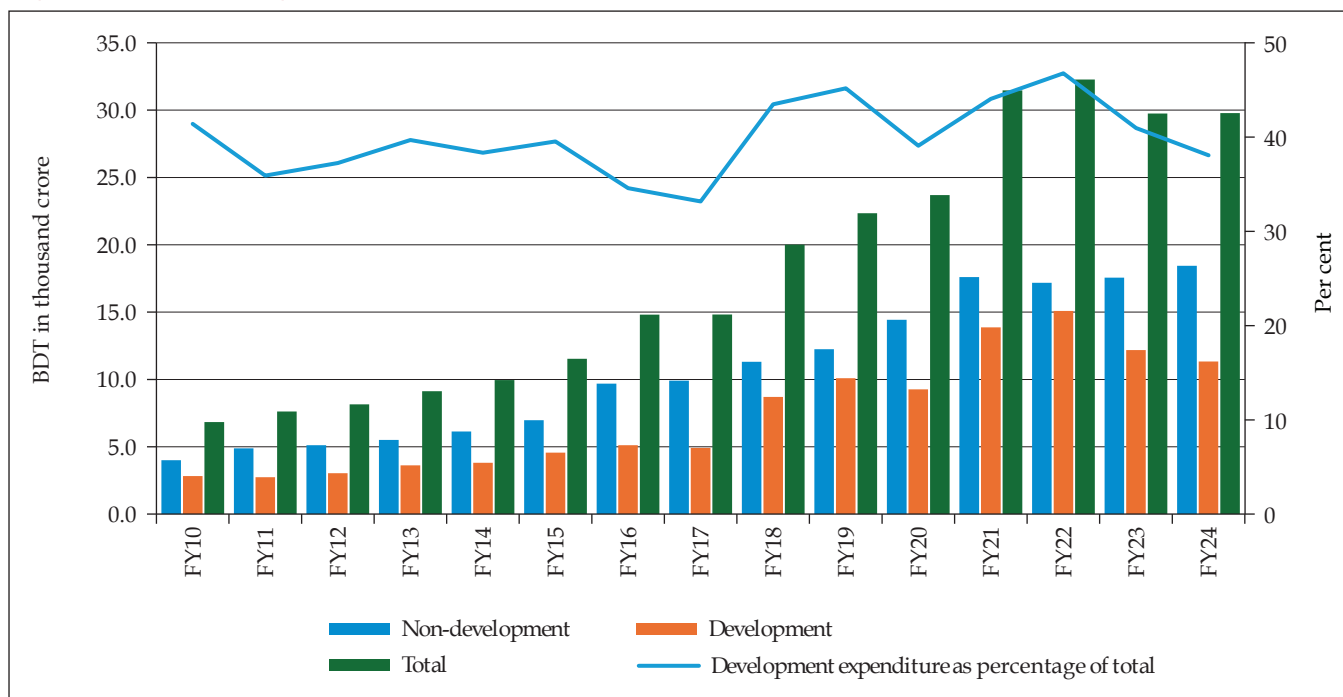
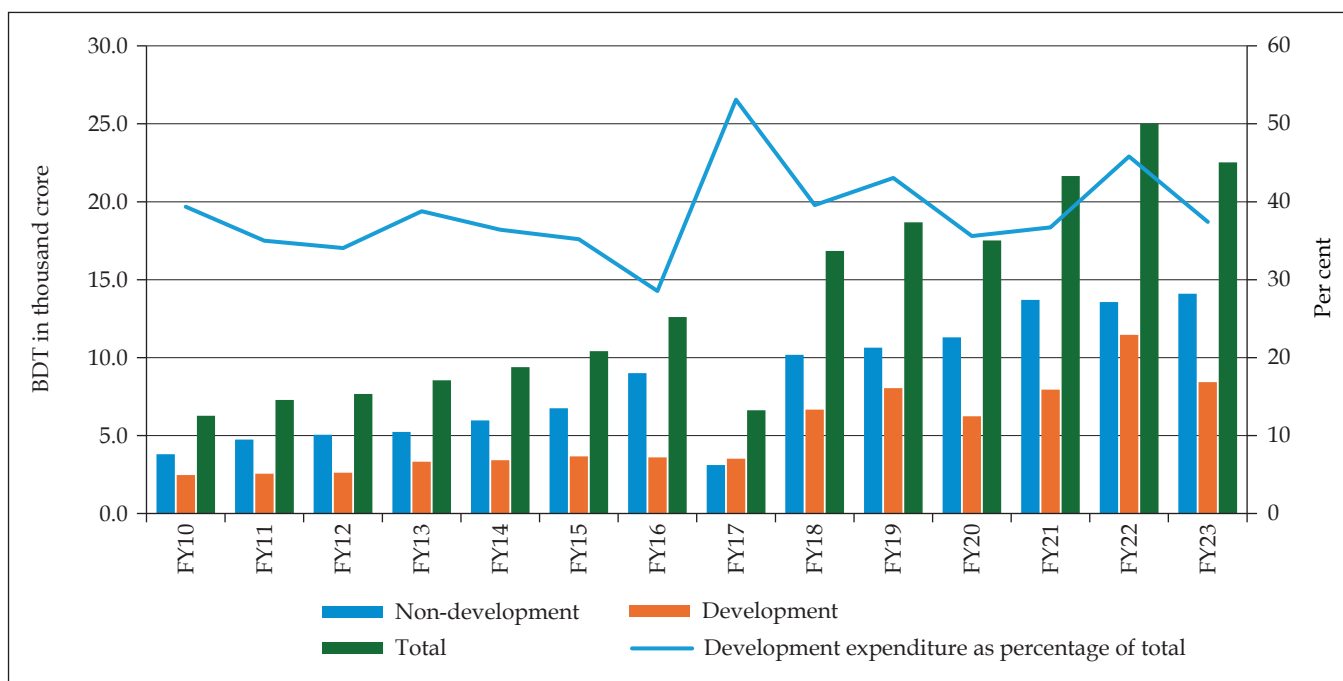


Figure 3: Revised Budget Allocation for Health



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

Figure 4: Actual Expenditure on Health



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

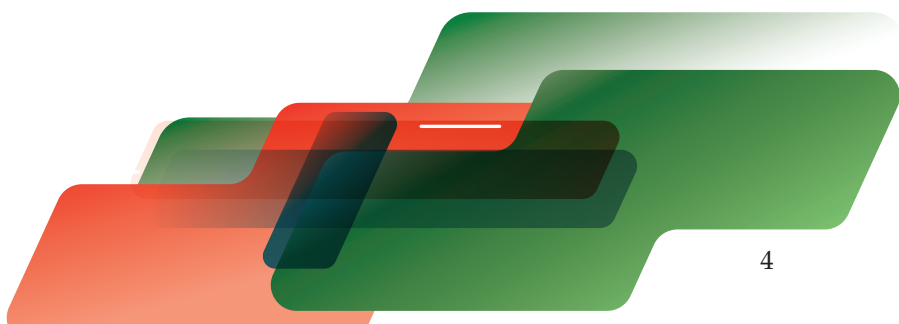
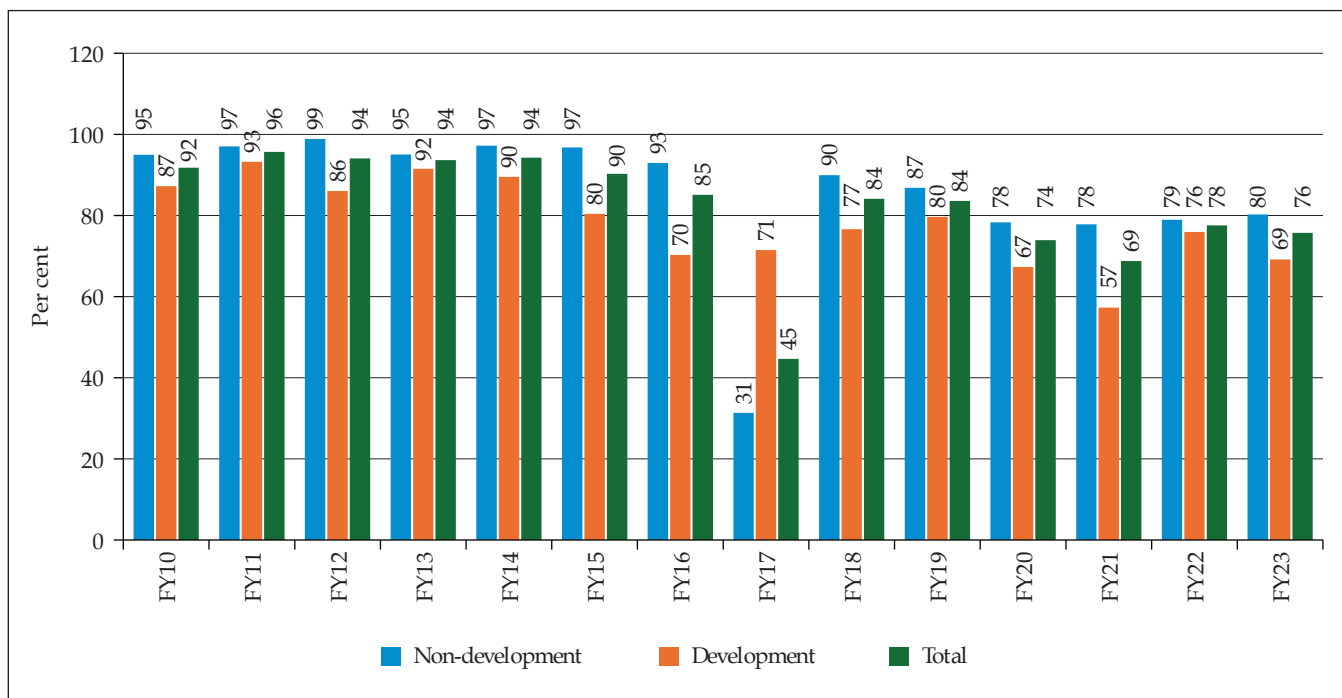


Figure 5: Health Budget Utilisation



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

(MOF, 2024a). This figure has risen to 62 per cent by FY2024 (MOF, 2024a).

Figure 4 shows the actual expenditure on health in Bangladesh, classified between non-development and development expenditures from FY2010 to FY2023. Figure 4 shows that non-development expenditures have increased steadily over the time period, from BDT 3,803 crore in FY2010 to BDT 14,095 crore in FY2023 (MOF, 2024a). Development expenditures have also increased, from BDT 2,468 crore in FY2010 to BDT 8,426 crore in FY2023 (MOF, 2024a). However, the increase in development expenditures has not kept pace with the increase in non-development expenditures. As a result, the portion of the total budget allocated to non-development expenditures has increased over time. In FY2010, 59 per cent of the total budget was allocated to non-development expenditures (MOF, 2024a). By FY2023, this figure had risen to 63 per cent (MOF, 2024a). Actual expenditure decreased by 10 per cent from BDT 25,028 crore in FY2022 to BDT 22,521 crore in FY2023 (MOF, 2024a).

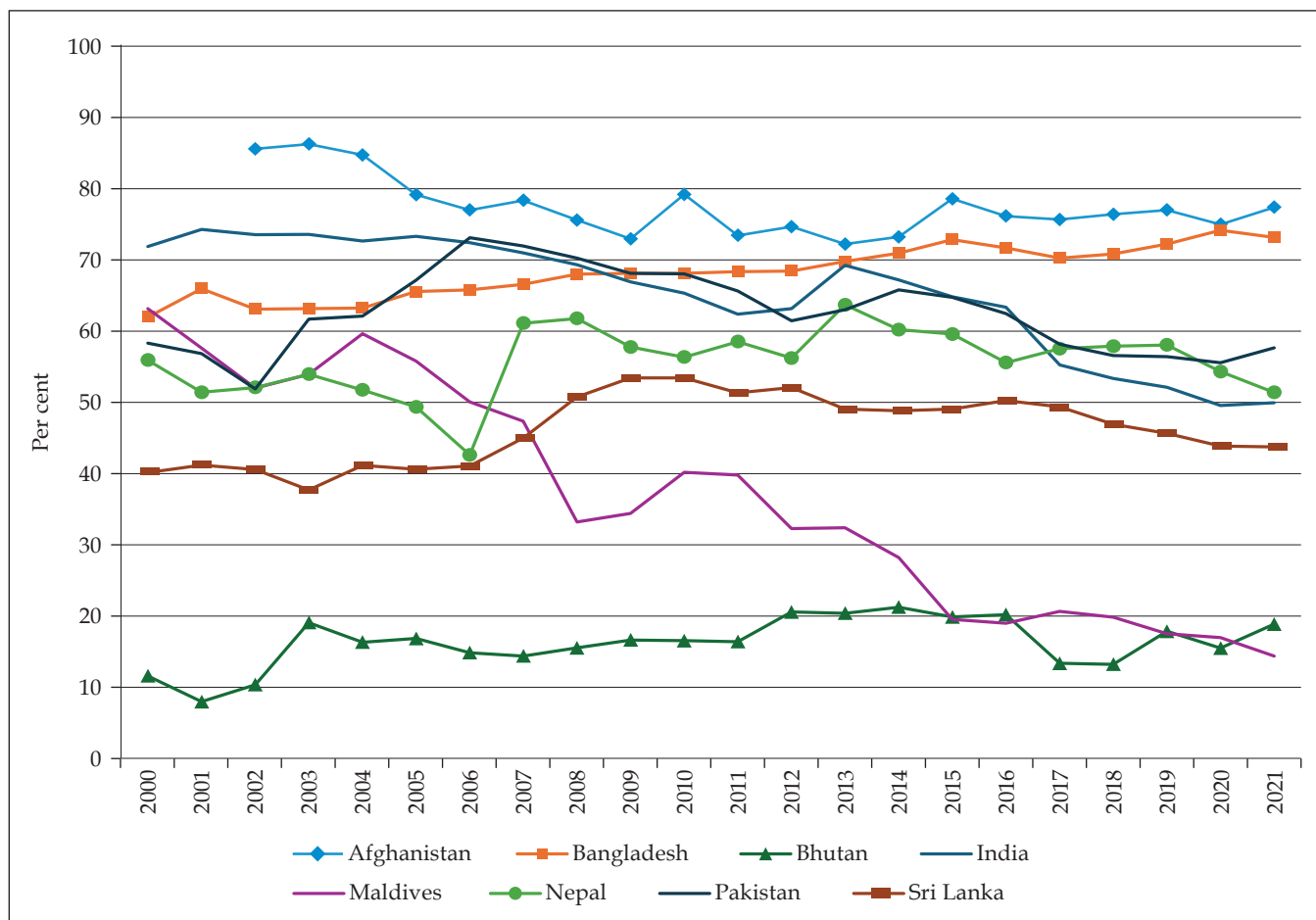
Figure 5 shows the health budget utilisation in Bangladesh as a percentage of the revised budget allocation for 16 fiscal years, ranging from FY2010 to FY2023. Health budget utilisation is a measure of how much of the allocated budget is actually spent on healthcare.

Budget utilisation has worsened over the past decade, as seen in Figure 5. Non-development budget utilisation decreased from 95 per cent in FY2010 to 80 per cent in FY2023 (MOF, 2024a). Development budget utilisation also decreased from 92 per cent in FY2010 to 69 per cent in FY2023 (MOF, 2024a). Total budget utilisation decreased from 94 per cent in FY2010 to 76 per cent in FY2023 (MOF, 2024a). Over the past several years, non-development budget utilisation has been consistently higher than development budget utilisation.

3. International Comparison of Government Expenditure on Health

A comparison of Bangladesh's government expenditure on health with that of its regional neighbours or other least developed countries (LDCs) reveals a rather gloomy picture. Figure 6 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 2000 to 2021. 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 2000, Bangladesh had an out-of-pocket expenditure equal to 11.54

Figure 6: Out-of-pocket Expenditure (as a percentage of current health expenditure)



Source: Authors' illustration based on data from the World Bank (World Bank, 2024).

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.

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). 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). 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).

4. 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

Table 1: Proposed Tax Structure for Cigarettes

Proposed tax structure for cigarettes in FY2025						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	5.0	60.0	30.00	3.00	Universal	Market based	Market based	100	10
Medium	70	7.0	65.5	45.85	4.58					
High	120	12.0	65.5	78.60	7.86					
Premium	160	16.0	65.5	104.80	10.48					

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

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 standardised 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 1). This tax should be increased by at least BDT 5 per stick each year to account for annual inflation and income growth.

Cigarette prices around the world can be used as a measure of global comparison to understand where Bangladesh stands globally in effectively using taxation strategies to reduce smoking. The worldwide variation of cigarette prices reflects

differences in public health policies and taxation strategies across countries.

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). 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). 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 2 illustrates the estimated potential revenue from a specific excise duty of BDT 10 per cigarette stick if this tax was implemented in 2017. Tax revenue of BDT 733.7 billion would have been raised if a specific excise duty of BDT 10 per cigarette stick had been implemented in 2017 as per our recommendation, assuming that there was no change in cigarette consumption due to the imposition of such a tax.

In line with the proposed tax structure for cigarettes, the tax structure for Bidi, Jarda, and Gul should also be reformed. This will protect low-income groups from health hazards

Table 2: Estimated Potential Revenue from Specific Excise Duty of BDT 10 per Cigarette Stick

Year	Population	Share of smokers (in per cent)	Average daily intensity of smoking	Estimated potential revenue from a specific excise duty of BDT 10 per cigarette stick (in BDT)
2017	161,750,000	0.1518	8.21	733,771,098,060

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

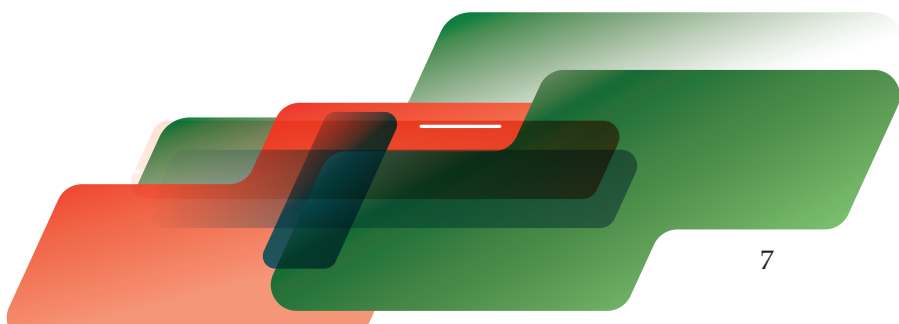


Table 3: Proposed Tax Structure for Bidi

Proposed tax structure in FY2025						CPD's recommendation				
Type of bidi	Retail price		SD			Type of bidi	Retail price		Specific excise duty	
	Per pack (in BDT)	Per stick (in BDT)	Per pack (in per cent)	Per pack (in BDT)	Per stick (in BDT)		Per pack (in BDT)	Per stick	Per pack (in BDT)	Per stick (in BDT)
Non-filtered 25 stick handmade bidi	18	0.72	30	5.40	0.22	All	Market based	Market based	75	3
Non-filtered 12 stick handmade bidi	9	1.33	30	2.70	0.23				36	
Non-filtered 8 stick handmade bidi	6	1.33	30	1.80	0.23				24	
Filtered 20 stick handmade bidi	19	1.05	40	7.60	0.38				60	
Filtered 10 stick handmade bidi	10	1.00	40	4.00	0.40				30	

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

and reduce the burden of health expenditure on the government. Instead of the current tier classification of Bidi into filtered and non-filtered, and additional groupings based on the size of the pack, CPD proposes a specific excise tax of BDT 3 per stick for all Bidi to be implemented in FY2025 and allow the price of Bidi to be determined by the market (Table 3). Such a uniform specific tax on all Bidi should be increased by at least BDT 1 each year to account for annual inflation and income growth.

Finally, the existing tax structure on Jarda and Gul should also be reformulated in cognisance of the severe health risks posed by the long-term consumption of such items. CPD proposes a BDT 6 specific excise duty per gram (gm) of Jarda and Gul to be implemented in FY2025 and to allow the price of Jarda and Gul to be determined by the market

(Table 4). Such a specific tax on Jarda and Gul should be increased by at least BDT 1 each year, to account for annual inflation and income growth.

The Health Development Surcharge Management Policy 2017 states that a 1 per cent surcharge must be charged to tobacco companies in Bangladesh, which is also in accordance with the WHO Framework Convention on Tobacco Control (FCTC), to which Bangladesh is a ratified member (NTCC, 2017). A Statutory Regulatory Order (SRO) issued by the Bangladesh government provides more information on how the funds collected via the Health Development Surcharge should be used. CPD advocates for a further increase in the Health Development Surcharge to strengthen the National Tobacco Control Cell (NTCC) in achieving the goals and reaching the goal of a tobacco-free

Table 4: Proposed Tax Structure for Jarda and Gul

Proposed tax structure in FY2025						CPD's recommendation				
Type of product	Retail price		SD			Retail price		Specific excise duty		
	Per 10gm (in BDT)	Per gm (in BDT)	Per 10 gm (in per cent)	Per 10 gm (in BDT)	Per gm (in BDT)	Per 10gm (in BDT)	Per gm (in BDT)	Per 10gm (in BDT)	Per gm (in BDT)	
10gm jarda	48	4.8	55	26.40	2.64	Market based	Market based	60	6	
10gm gul	25	2.5	55	13.75	1.38					

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

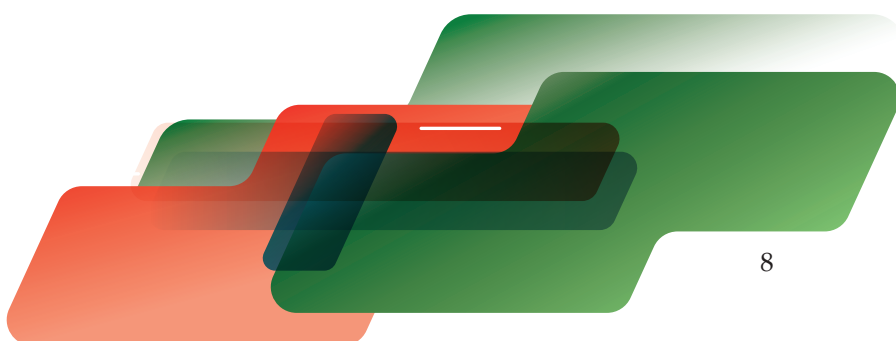


Table 5: Proposed Health Development Surcharge and VAT on Cigarettes and Other Tobacco Products

Proposed tax structure in FY2025			CPD's recommendation	
Type	Health Development Surcharge (in per cent)	VAT (in per cent)	Health Development Surcharge (in per cent)	VAT (in per cent)
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).

Table 6: Corporate Tax on Tobacco Product Manufacturing Companies

Type of company	Proposed tax structure in FY2025		CPD's proposed tax structure for FY2025		CPD's proposed tax structure for FY2026	
	Corporate tax (in per cent)	Surcharge (in per cent)	Corporate tax (in per cent)	Surcharge (in per cent)	Corporate tax (in per cent)	Surcharge (in per cent)
All companies manufacturing tobacco products, such as cigarettes, bidi, chewing tobacco, jarda, and gul	45	2.5	50	5	55	7.5

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

Bangladesh by 2040. In this connection, CPD proposes that the Health Development Surcharge on cigarettes and other tobacco products be increased from 1 per cent to 5 per cent and the VAT on cigarettes and other tobacco products be increased from 15 per cent to 20 per cent in FY2025 (Table 5).

CPD believes that corporate taxes should be raised incrementally to achieve a tobacco-free Bangladesh by 2040. In the budget for FY2024, companies manufacturing tobacco products were subject to 45 per cent corporate tax, which was the same corporate tax rate as non-publicly traded mobile operator companies. Since companies manufacturing tobacco products are directly causing severe public health hazards, it is necessary to ensure that such companies pay corporate tax at a rate which is above the corporate tax rate for all other types of companies. Therefore, in addition to the aforementioned tax reforms, we also propose that the corporate tax on all companies manufacturing tobacco products, such as cigarettes, bidi, chewing tobacco, jarda, and gul, be increased from 45 per cent in FY2024 to 50 per cent in FY2025. The associated

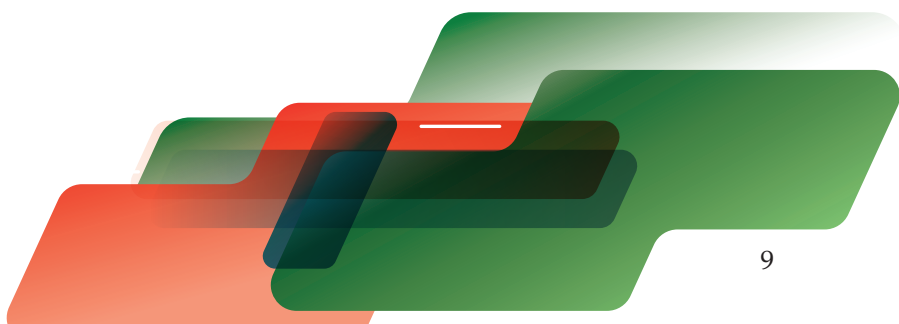
surcharge should be increased from 2.5 per cent in FY2024 to 5 per cent in FY2025 (Table 6).

To achieve the government's long-term goal of a tobacco-free Bangladesh, we also propose that the corporate tax on all companies manufacturing tobacco products, such as cigarettes, bidi, chewing tobacco, and jarda, to be increased to 55 per cent in FY2026. The associated surcharge should be increased to 7.5 per cent in 2026 when Bangladesh graduates from the LDC group.

5. Fiscal measures related to health: A hard tax for soft drinks

Carbonated soft drinks and energy drinks are a significant health concern in Bangladesh. Such beverages have a substantial amount of sugar, which is a significant cause of obesity, diabetes, and tooth decay. Typically, a single can of a soft drink, which is around 355 millilitres, contains 39 grams of sugar (Coca-Cola Company, n.d.). This is equivalent to roughly 10 teaspoons of sugar, while the World Health Organization (WHO) recommends that adults should not consume more than six teaspoons of sugar daily to lead a healthy lifestyle (WHO, 2017). In the budget for FY2025, the beverage and carbonated industry is subjected to a 30 per cent SD for carbonated soft drinks, 40 per cent SD for energy drinks, and 15 per cent VAT applicable for both (NBR, 2024). However, a minimum tax on sales revenue of carbonated beverage producers has been reduced from 5 per cent in FY2024 to 3 per cent in FY2025. In Bangladesh, carbonated soft drinks and energy drinks are widely available. Hence, it is necessary to decrease the consumption of such beverages to reduce the associated health risks.

Therefore, the CPD recommends that the government should 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 the FY2025 (Table 7). Since sweetened beverages are demerit goods, placing a specific excise duty will reduce consumption and provide the government with substantial revenue. CPD also recommends that the government stop giving high tariff protection to local sugar-sweetened

the economy to achieve SDG target 3.4, which aims to reduce non-communicable diseases by one-third by 2030 (UN, 2015). We also propose that the VAT on soft drinks and energy drinks should be increased from 15 per cent in FY2024 to 20 per cent in FY2025.

Table 7: Proposed Tax Structure for Soft Drinks and Energy Drinks

Proposed tax structure in FY2025			CPD's recommendation		
Type	SD (%)	VAT (%)	Specific excise duty (BDT per ml)	Specific excise duty (BDT per litre)	VAT (in per cent)
Soft drinks	30	15	0.10	100	15
Energy drinks	40	15	0.10	100	15

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

Table 8: Estimated Potential Revenue if BDT 100 Excise Duty was Implemented on Soft Drinks and Energy Drinks over the Years

Year	Soft drink consumption (in litres)	Energy drink consumption (in litres)	Estimated potential revenue from BDT 100 excise duty on soft drinks (in BDT)	Estimated potential revenue from BDT 100 excise duty on energy drinks (in BDT)
2011	413,300,000	11,800,000	41,330,000,000	1,180,000,000
2012	432,100,000	11,800,000	43,210,000,000	1,180,000,000
2013	482,200,000	12,300,000	48,220,000,000	1,230,000,000
2014	520,700,000	13,200,000	52,070,000,000	1,320,000,000
2015	564,400,000	14,200,000	56,440,000,000	1,420,000,000
2016	607,500,000	15,400,000	60,750,000,000	1,540,000,000
2017	652,500,000	16,400,000	65,250,000,000	1,640,000,000
2018	700,000,000	17,400,000	70,000,000,000	1,740,000,000
2019	749,600,000	18,400,000	74,960,000,000	1,840,000,000
2020	800,600,000	19,300,000	80,060,000,000	1,930,000,000
2021	853,100,000	20,300,000	85,310,000,000	2,030,000,000
2022	903,700,000	21,400,000	90,370,000,000	2,140,000,000
2023	951,100,000	22,400,000	95,110,000,000	2,240,000,000

Source: Authors' calculation based on data from the World Health Organization (WHO) (WHO, 2021).

Note: Actual consumption data for 2011 to 2018 and forecasted consumption data for 2019 to 2023.

beverages (SSB) manufacturers through VAT exemptions for imported raw materials (NBR, 2024). This will give respite to our shrinking fiscal space.

Furthermore, limiting sugary beverage intake will help Bangladesh minimise the risks of related diseases and health expenditures of the general population. This will also allow

Table 8 illustrates the estimated potential revenue if BDT 100 excise duty was implemented on soft drinks and energy

drinks over the years. If an excise duty of BDT 100 were implemented on soft drinks in 2023 as per our recommendation, BDT 95.1 billion would be generated from it, assuming there was no change in soft drink consumption due to the imposition of such a tax. In addition, if an excise duty of BDT 100 were implemented on energy drinks in 2023, it would generate an additional revenue of BDT 2.2 billion, assuming that there was no change in energy drink consumption due to the imposition of such a tax.

6. Fiscal Measures: Bangladesh's LDC Graduation and Tax on Medicine

In Bangladesh, the expenditure on pharmaceutical products and health services accounts for a large proportion of people's monthly income. Under the new VAT and Supplementary Duty Act 2012, the government imposed 2.4 per cent VAT on pharmaceuticals,

including medicines at the local trading stage and 15 per cent VAT on the import of pharmaceutical products and raw materials for the production of medicines (GoB, 2019). As an LDC, Bangladesh's pharmaceutical industry is enjoying the facilities under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) pharmaceutical waiver,

which exempts the country from obligations to enforce patent protection for pharmaceutical products (WTO, 1994). Unless Bangladesh gets an extension on the transition period of the TRIPS waiver after it graduates from the LDC group in 2026, the waiver will be withdrawn starting from 2026. So, Bangladesh will lose the LDC-specific international support measures under this agreement.

Therefore, we propose that the VAT on medicines should be exempted starting from FY2026 to ensure that medicines continue to be affordable to all, even after the loss of the TRIPS waiver in 2026. Beyond 2026, the government must implement a plan to protect the local pharmaceutical industry and help retain its competitiveness in the global market. This will also benefit people from low-income groups by allowing them to access medicines and other pharmaceutical products at an affordable price.

7. Policy Recommendations

In light of the analysis of the proposed health budget for FY2025, this policy brief make the following recommendations:

- Adopting a more balanced approach to budget allocation between developmental initiatives and operational needs of the health sector.
- Establishing an extensive monitoring and evaluation framework to track the progress and impact of development initiatives, ensuring that funds are used effectively and efficiently.
- Simplifying Bangladesh's tobacco tax system to decrease the affordability of cigarettes through price rises caused by taxes.
- Replacing the ad valorem tax, calculated based on a percentage of the retail price, with a specific tax set per pack to streamline the government's administrative process significantly.
- Allowing the market to determine 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 and implementing a uniform specific excise duty of BDT 10 per cigarette stick on all cigarettes in FY2025.

- Implementing a specific excise tax of BDT 3 per stick for all Bidi instead of the current tier classification based on filtering and pack size, allowing the price of Bidi to be determined by the market.
- Imposing a BDT 6 specific excise duty per gram (gm) of Jarda and Gul in FY2025, allowing the market to determine the price of Jarda and Gul.
- Increasing the Health Development Surcharge on cigarettes and other tobacco products from 1 per cent to 5 per cent and the VAT on cigarettes and other tobacco products from 15 per cent to 20 per cent in FY2025.
- Increasing the corporate tax on all companies manufacturing tobacco products from 45 per cent in FY2024 to 50 per cent in FY2025, with the associated surcharge increasing from 2.5 per cent in FY2024 to 5 per cent in FY2025.
- Increasing the corporate tax on all companies manufacturing tobacco products to 55 per cent and increasing the associated surcharge to 7.5 per cent in 2026 when Bangladesh graduates from the LDC group.
- Removing the supplementary duty on soft drinks and energy drinks and replacing 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.
- Increasing the VAT on soft drinks and energy drinks from 15 per cent in FY2024 to 20 per cent in FY2025.
- Stopping high tariff protection to local sugar-sweetened beverages (SSB) manufacturers through VAT exemptions for imported raw materials.
- Exempting the VAT on medicines starting from FY2026 to ensure that medicines remain affordable to all, even after the loss of the TRIPS waiver in 2026.
- Implementing a plan to protect the local pharmaceutical industry and help retain its competitiveness in the global market after the LDC graduation in 2026, allowing low-income groups to access medicines and other pharmaceutical products at an affordable price.

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