

CPD-IRBD Policy Brief

June 2026



সেন্টার ফর পলিসি ডায়ালগ (সিপিডি)
Centre for Policy Dialogue (CPD)



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Health Budget of Bangladesh *A Promising Allocation Amid Persistent Utilisation Challenges*

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Key Findings

1. Health budget allocation in FY2027 is 6.70 per cent of the total budget and 0.92 per cent of the GDP, nearing the long-standing target of 1 per cent of GDP after remaining below this threshold for nearly two decades.
2. Development expenditure overtook non-development expenditure for the first time since FY2017, shifting the development share of total health budget from 42 per cent to 56 per cent.
3. Positive fiscal measures in FY2027, including VAT and advance tax exemptions on dialysis filters, coronary stents (heart rings), and intraocular lenses, are undercut by a fragmented and inadequate tobacco, bidi, and sugar-sweetened beverage tax structure that keeps such products comparatively affordable.

Key Policy Recommendations

1. Ensuring that the FY2027 health budget translates into improved health outcomes through stronger project implementation, monitoring, and enhanced accountability mechanisms of public health spending.
2. Introducing simple, specific, and universal excise duties to reduce the consumption of cigarettes and other tobacco products, soft drinks and energy drinks.
3. Protecting households from the financial burden of healthcare by maintaining tax exemptions on essential medicines and life-saving medical imports and by reducing reliance on out-of-pocket expenditure.

1. Introduction

Health spending is 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). In Bangladesh, however, the health sector remains one of the most consequential yet historically underfunded areas of public expenditure. Despite repeated commitments to strengthen the health system, budgetary allocations for the sector have consistently fallen short of both domestic policy targets and regional benchmarks, leaving the healthcare infrastructure ill-equipped to meet the needs of a growing population.

Budget allocation for health has remained below 1 per cent of GDP for the past two decades, indicating that health has consistently been one of the least prioritised sectors for the government (MOF, 2026a). At the same time, Bangladesh's out-of-pocket healthcare expenditure stood at 79.31 per cent of current health expenditure in 2023, the highest in South Asia, while the country's health expenditure as a share of GDP was the second lowest among 44 least developed countries (World Bank, 2026). This reflects a health system in which the financial burden of healthcare falls disproportionately on individuals and households rather than being borne by the state. The FY2027

budget marks a notable departure from this longstanding pattern, with health allocation rising as a share of both the total budget and GDP, and development expenditure exceeding non-development expenditure for the first time since FY2017 (MOF, 2026a).

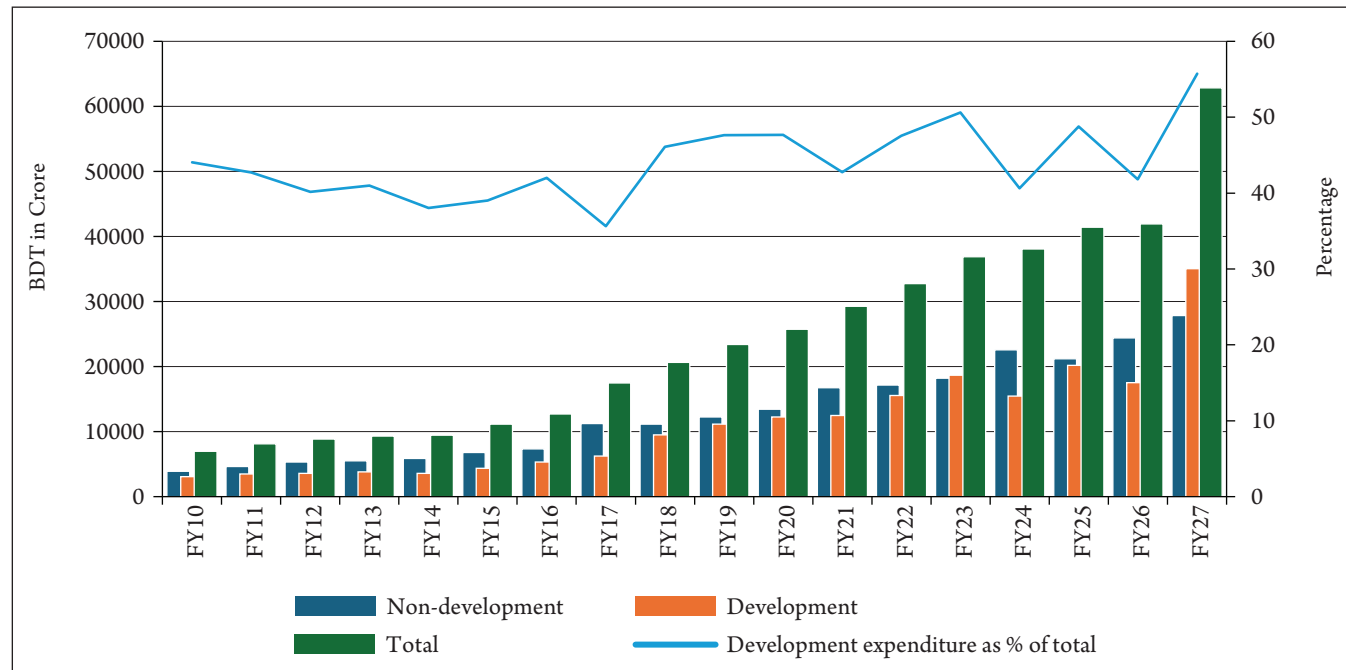
Yet higher allocation alone is insufficient. Budget utilisation, particularly of the development budget, has worsened over the past decade, falling to 30 per cent in FY2025 (MOF, 2026a), while widening coverage gaps in health-linked social security programmes and the discontinuation of initiatives such as the Urban Primary Healthcare Programme continue to leave vulnerable populations exposed. Without sustained public investment, efficient resource utilisation, and stronger social protection, Bangladesh is unlikely to entirely realise the ambitious goals outlined in SDG 3. In this context, this policy brief examines the proposed health sector budget for FY2027 and makes recommendations to enhance resource allocation, strengthen accountability and implementation and ensure financial protection and the desired level of health outcomes.

2. Budget Allocation, Actual Expenditure, and Utilisation

2.1 Budget Allocation

Non-development expenditure in healthcare followed a steady upward trajectory between FY2016 and FY2027 (Figure 1). Non-development expenditure primarily finances recurrent

Figure 1: Budget Allocation for Health (in crore BDT)



Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2026a).

spending such as salaries and allowances for healthcare personnel, medicine and medical supply procurement, utility costs, and the operation and maintenance of healthcare facilities. This trend reflects the government's continued commitment to financing the day-to-day functioning of the health system and ensuring the delivery of essential health services. Development expenditure, which supports long-term investments in the health sector, including the construction and renovation of healthcare infrastructure, the procurement of medical equipment, digital health initiatives, and other capital projects, also increased during the period.

However, its growth was comparatively slower and more volatile than that of non-development expenditure. Consequently, non-development spending remained the dominant component of the health budget for most of the period, indicating a greater emphasis on meeting recurrent operational needs than on expanding or modernising the health system.

A notable shift occurred in FY2027. Following a decline in FY2026, the development expenditure increased sharply, doubling from BDT 17,519 crore in FY2026 to BDT 35,026 crore in FY2027 (MOF, 2026a), representing a 100 per cent year-on-year increase. In contrast, non-development expenditure increased at a more moderate pace, rising by 14 per cent from BDT 24,389 crore in FY2026 to BDT 27,826 crore in FY2027 (MOF, 2026a). Consequently, development expenditure surpassed non-development expenditure for the first time since FY2017, accounting for 56 per cent of the total health budget, up from 42 per cent in the previous fiscal year. This reversal marks a significant departure from the expenditure trends of the past

decade, indicating a renewed policy emphasis on strengthening the healthcare system through increased capital investment.

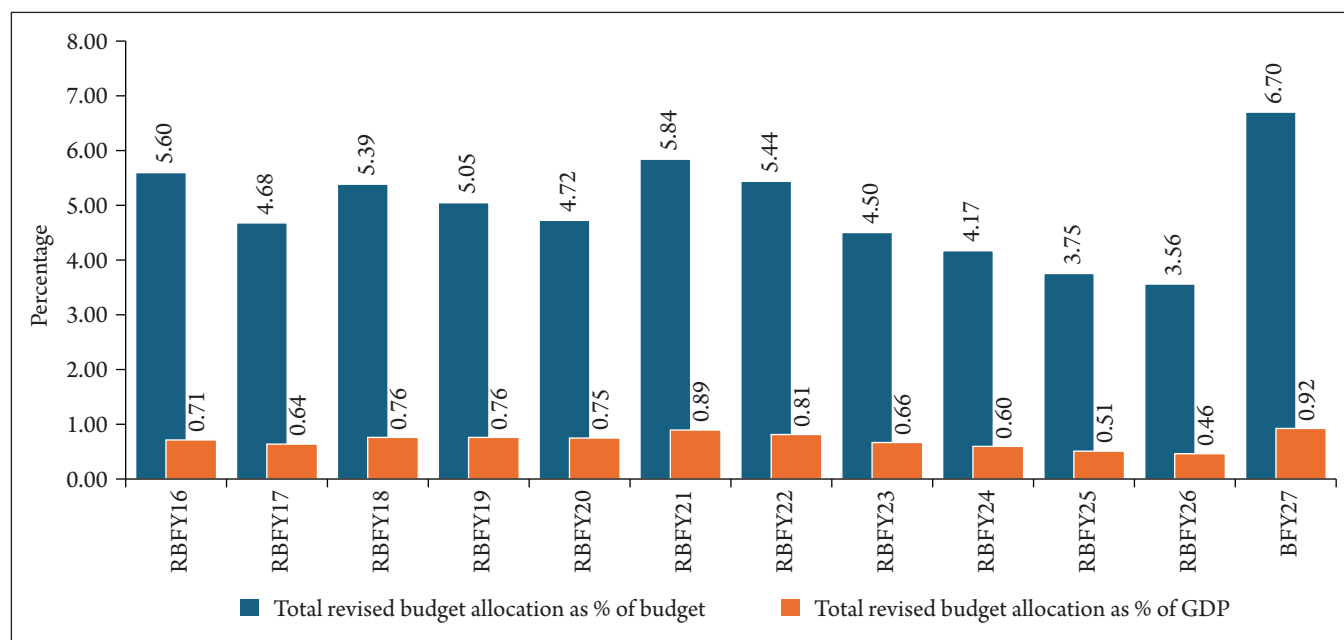
The sharp increase in development spending also contributed significantly to the overall expansion of the health budget in FY2027. Total health sector allocation increased by 50 per cent, rising from BDT 41,908 crore in FY2026 to BDT 62,852 crore in FY2027 (MOF, 2026a). The substantial rise in development expenditure was the primary driver of this increase, accounting for nearly all of the additional allocation provided to the sector. This pattern suggests that the government has prioritised investments in health infrastructure, medical technologies, specialised facilities, and other long-term capacity-building initiatives to enhance service delivery and improve the resilience of the healthcare system.

The substantial increase in FY2027 therefore represents not only a recovery from the previous year's contraction but also a significant reorientation of expenditure priorities. Whether this shift translates into improved healthcare outcomes, however, will depend on the timely and effective implementation of development projects, the efficient utilisation of allocated resources, and the government's ability to ensure that these investments address longstanding gaps in health infrastructure, service quality, and access to care.

2.2 Health Budget as a Share of Total Budget and GDP

The allocation for the health sector as a share of the total budget increased from 5.30 per cent in FY2026 to 6.70 per cent in FY2027 (MOF, 2026a) (Figure 2). Similarly, health expenditure

Figure 2: Health Allocation as a Share of the Total Budget and GDP



Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2026a).

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as a share of GDP has increased from 0.67 per cent in FY2026 to 0.92 per cent in FY2027 (MOF, 2026a) (Figure 2).

Despite this improvement, budget allocation for health has been less than 1 per cent of GDP for the past 20 years (MOF, 2026a), indicating that health has been one of the least prioritised sectors for the government; however, in the FY2027 budget, it has increased to 0.92 per cent, close to the 1 per cent target. The budget allocation on health per person has increased by only BDT 1268, from BDT 2,537 in 2026 to BDT 3,805 in 2027 (MOF, 2026a) (GoB, 2022).

2.3 Revised Budget Allocation

There is a steady rise in both revised non-development and development expenditures between FY2010 and FY2026 (Figure 3). Non-development expenditures have grown significantly from BDT 4,004 crore in FY2010 to BDT 23,592 crore in FY2026 (MOF, 2026a). Development expenditures have also risen, from BDT 2,829 crore in FY2010 to BDT 4462 crore in FY2026 (MOF, 2026a).

However, it is important to note that revised non-development expenditure has grown at a faster rate than development expenditures over the years. For instance, the share of revised non-development expenditure in the total revised health budget allocation increased substantially from 59 per cent in FY2010 to 84 per cent in FY2026 (MOF, 2026a). At the same time, the share of revised development

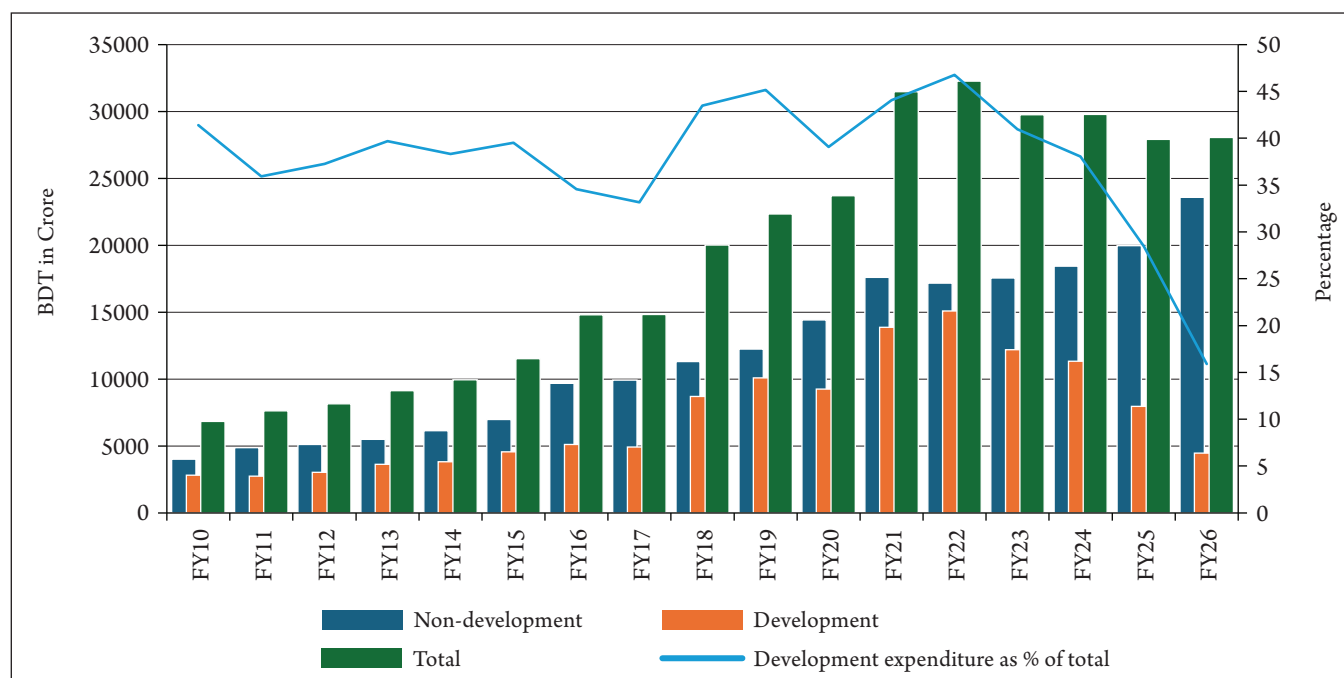
expenditure in the revised health budget fell from 41 per cent to 16 per cent during the same period (Figure 3).

2.4 Actual Expenditure and Budget Utilisation

Between FY2010 and FY2025, actual non-development expenditures have increased steadily, from BDT 3,803 crore to BDT 16,618 crore (MOF, 2026a) (Figure 4). Actual development expenditures also increased substantially, rising from BDT 2,468 crore in FY2010 to BDT 8,554 crore in FY2024, but declined significantly to BDT 2413 crore in FY2025 (MOF, 2026a). 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 actual budget allocated to non-development expenditures has increased over time. In FY2010, 61 per cent of the total actual budget was allocated to non-development expenditures (MOF, 2026a). By FY2025, this figure had risen to 74 per cent (MOF, 2026a). Actual expenditure decreased by 5 per cent from BDT 23,726 crore in FY2024 to BDT 22,522 crore in FY2025 (MOF, 2026a). This decline, aligned with the sharp contraction in development expenditure, raises concerns about the effective implementation and utilisation of allocated health sector resources.

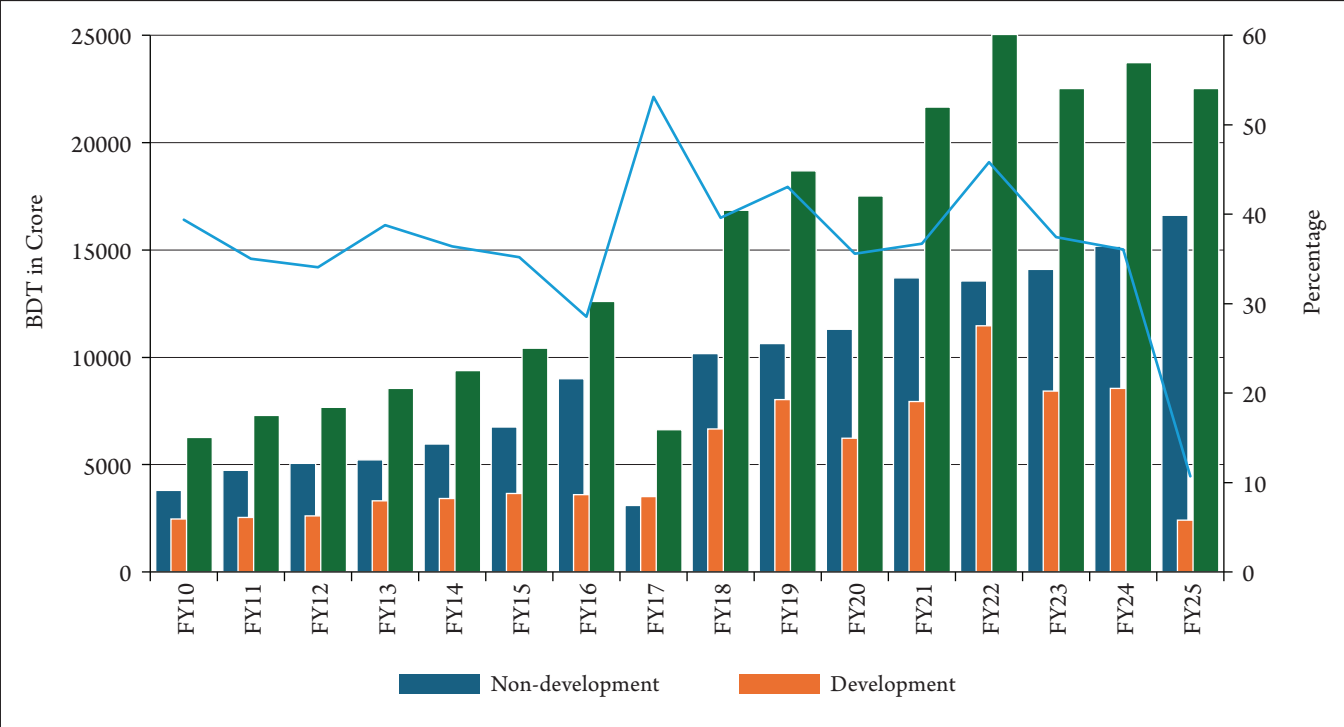
On the other hand, budget utilisation has worsened over the past decade (Figure 5). Health budget utilisation measures the proportion of the allocated budget spent on health. Non-

Figure 3: Revised Budget Allocation for Health (in crore BDT)



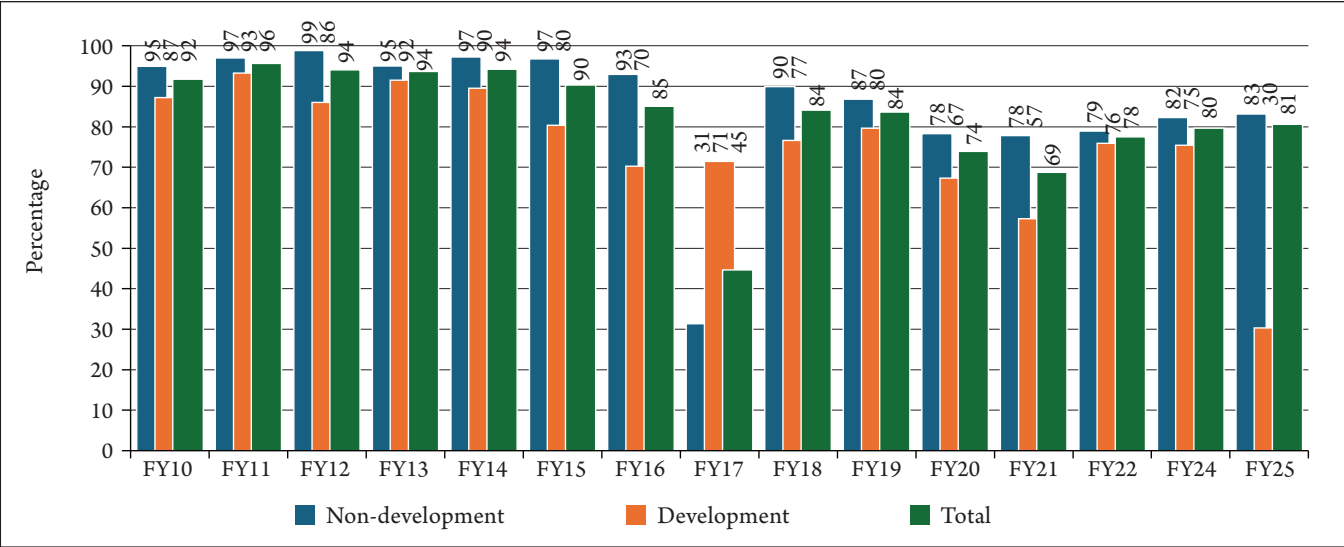
Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2026a)

Figure 4: Actual Expenditure on Health (in crore BDT)



Source: Authors' illustration based on data from the Ministry of Finance (MOF, 2026a).

Figure 5: Health Budget Utilisation



development budget utilisation decreased from 97 per cent in FY2015 to 83 per cent in FY2025 (MOF, 2026a).

Development budget utilisation also decreased from 80 per cent in FY2015 to 30 per cent in FY2025, while total budget utilisation decreased from 90 per cent to 81 per cent during the same period (MOF, 2026a). Over the past several years, non-development budget utilisation has been consistently higher than development budget utilisation.

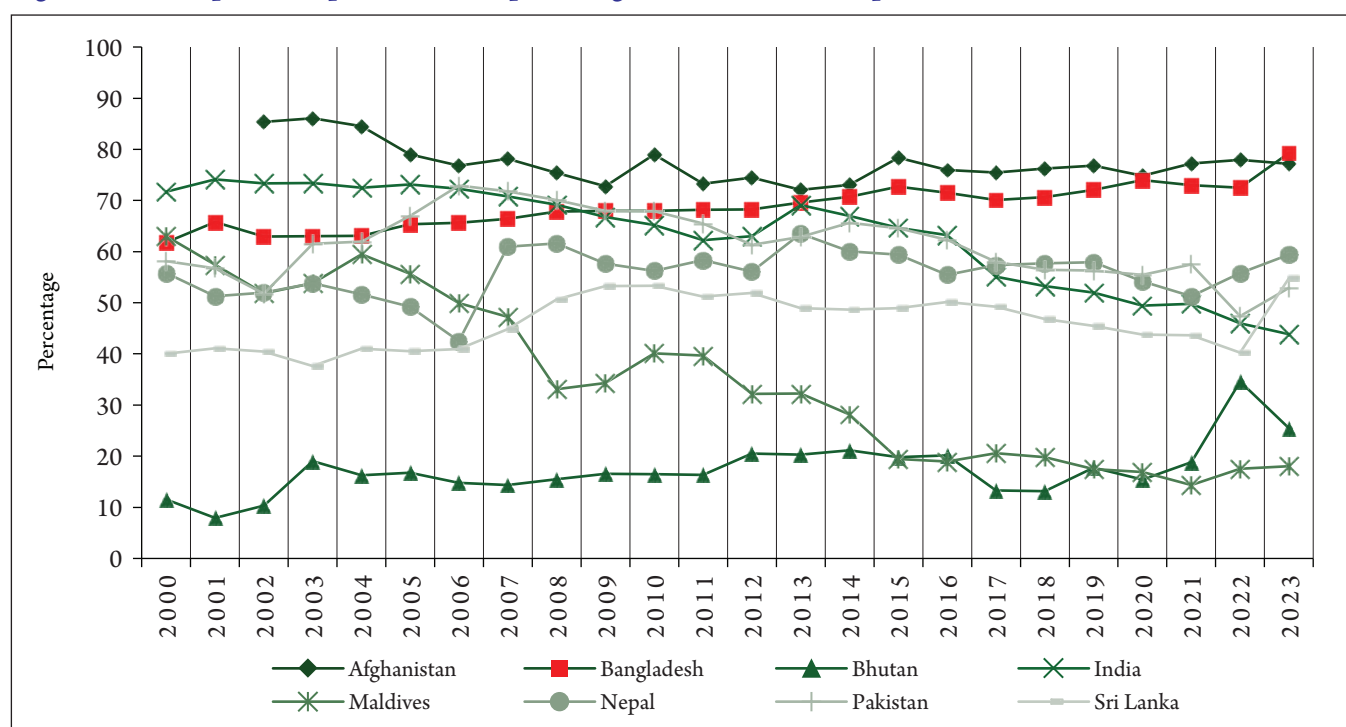
3. International Comparison of Government Expenditure on Health

A comparison of Bangladesh's government health expenditure with that of its regional neighbours or other Least Developed Countries (LDCs) presents a concerning picture. At the same time, out-of-pocket healthcare expenditure as a share of current health expenditure varies considerably across the eight South Asian countries, involving Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka, over the 2000–2023 period (Figure 6). Bangladesh consistently records one of the highest levels of out-of-pocket spending in the region, increasing from 61.82 per cent of current health expenditure in 2000 to 79.31 per cent in 2023 (World Bank, 2026). This indicates that a substantial portion of healthcare costs in

Bangladesh is borne directly by individuals, bypassing public or private health insurance mechanisms, ultimately placing a significant financial burden on households and raising risks of financial hardships among vulnerable communities.

Although out-of-pocket expenditure has fluctuated across countries over time, a common downward trend is evident over the past two decades. This may indicate expanded health insurance coverage and publicly funded healthcare initiatives in some countries. However, the data for Bangladesh show a slight upward trend in recent years, warranting further investigation. In 2023, Bangladesh's out-of-pocket expenditure on health per capita at purchasing power parity was the 7th highest among 44 LDCs (World Bank, 2026). Bangladesh's out-of-pocket expenditure as a percentage of current health expenditure was 79 per cent in 2023. This was the highest in South Asia 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, 2026). Bangladesh's health expenditure as a share of GDP was the second lowest among 44 LDCs in 2023 (World Bank, 2026). Moreover, in Bangladesh, the proportion of the population pushed below the USD 2.15 per day poverty line due to out-of-pocket expenditure on health increased from 3.11 per cent in 2010 to 3.74 per cent in 2016

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, 2026).

(World Bank, 2026). These trends underscore the persistent weaknesses of Bangladesh's health financing system and highlight the need for greater public investment and enhanced financial protection mechanisms.

4. Fiscal Measures Related to Health: Tax on Tobacco and Related Products

In Bangladesh, the price strategy of the tobacco industry promotes the consumption of relatively cheaper tobacco products, including cigarettes. The complexity of the tiered tobacco tax system creates substantial price differentials across various tobacco products. Differential pricing undermines the original objective of tobacco taxation, which is to achieve favourable public health outcomes. Therefore, it is necessary to simplify Bangladesh's tobacco tax system to strengthen the impacts of tobacco taxation. Tax-driven price increases should reduce cigarette affordability. The government should replace the current tiered taxing structure for tobacco and tobacco-related items with a unified scheme. In addition, it is recommended that the ad valorem tax, which is calculated as a percentage of the retail price, be replaced by a specific tax per stick. 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 appropriate pricing and generate tax revenue by implementing a uniform specific tax that is not influenced by the price of the tobacco product but is based solely on the number of sales. CPD therefore proposes introducing and implementing a uniform specific excise duty of BDT 10 per cigarette stick on all cigarettes (Table 1). This tax should be increased by at least BDT 10 per

stick each year to account for annual inflation and income growth, and to bring cigarette prices in Bangladesh closer to those in developed countries like Australia and New Zealand.

International cigarette prices can be used as a measure to understand where Bangladesh stands globally in effectively using taxation strategies to reduce tobacco consumption and smoking. The worldwide variation of cigarette prices reflects differences in public health policies and taxation strategies across countries.

In the comparative analysis of 100 countries, Bangladesh emerges with the 76th lowest price for cigarettes (Numbeo, 2026b), with a pack priced at approximately BDT 400 as of 21 July 2026 (Numbeo, 2026a). On the other hand, in India, the price is much higher at BDT 540 (Numbeo, 2026a). Developed countries like Australia, New Zealand and the United Kingdom have much higher cigarette prices (Numbeo, 2026a). 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 as seriously.

In line with the proposed reform of the cigarette tax structure to increase prices, the tax structure for Bidi, Jarda, and Gul should also be reformed. Such reforms could help reduce tobacco consumption among low-income populations, while reducing the associated healthcare expenditure borne by 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 and allow the price of Bidi to be determined by the market (Table 2). 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

Table 1: Proposed Tax Structure for Cigarettes (per pack of 10 cigarettes)

Tier	Proposed tax structure for cigarettes in FY2027					CPD's recommendation				
	Retail prices in 2025		Retail prices in 2026		SD	Tier	Retail price		Specific excise duty	
	Pack of 10 (in BDT)	Per stick (in BDT)	Per 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)
Low	60	6	62	6.2	67	Universal	Market based	Market based	100	10
Medium	80	8	92	9.2	67					
High	140	14	160	16	67					
Premium	185	18.5	210	21	67					

Source: Authors' compilation based on data from the Ministry of Finance (MOF, 2025c).

Table 2: Proposed Tax Structure for Bidi

Type of bidi	Proposed tax structure in FY2027					CPD's recommendation				
	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 eight-stick handmade bidi	6	1.33	30	1.80	0.23				24	
Filtered 20-stick hand-made bidi	19	1.05	40	7.60	0.38				60	
Filtered 10-stick hand-made bidi	10	1.00	40	4.00	0.40				30	

Source: Authors' compilation based on data from the Ministry of Finance (MOF, 2025c).

by the long-term consumption of such items. CPD proposes a BDT 6 excise duty per gram (gm) of Jarda and Gul, allowing the price of Jarda and Gul to be determined by the market (Table 3). 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 Government of Bangladesh 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 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 (Table 4).

CPD believes that corporate taxes should be raised incrementally to achieve a tobacco-free Bangladesh by 2040. Under the FY2027 budget, 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 tobacco product manufacturing companies are directly causing severe public health hazards, it is necessary to ensure that they pay corporate tax at a rate which is above the regular corporate

Table 3: Proposed Tax Structure for Jarda and Gul

Type of product	Proposed tax structure in FY2027					CPD's recommendation			
	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	1.37				

Source: Authors' compilation based on data from the Ministry of Finance (MOF, 2026c).

Table 4: Proposed Health Development Surcharge and VAT on Cigarettes and Other Tobacco Products

Type of product	Proposed tax structure for FY2025		CPD's recommendation	
	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 5: Corporate Tax on Tobacco Product Manufacturing Companies

Type of company	Proposed tax structure in FY2026		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)
All companies manufacturing tobacco products, such as cigarettes, bidi, chewing tobacco, jarda, and gul	45	2.5	55	7.5

Source: Authors' compilation based on data from the Ministry of Finance (MOF, 2026c).

tax rate for all other types of companies. Therefore, in addition to the aforementioned tax reforms, CPD also proposes 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 FY2026 to 50 per cent in FY2027. The associated surcharge is to be increased from 2.5 per cent in FY2026 to 5 per cent in FY2027 (Table 5).

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

5. Fiscal Measures Related to Health: A Hard Tax on Soft Drinks

Carbonated soft drinks and energy drinks are a significant health concern in Bangladesh because they have a substantial amount of sugar, which is a significant cause of obesity, diabetes, and tooth decay. A typical 355-millilitre can of a soft drink contains 39 grams of sugar (Coca-Cola Company, n.d.), 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). Currently, the beverage and carbonated

soft drink industry is subject to a 30 per cent supplementary duty (SD) on carbonated soft drinks, a 40 per cent SD on energy drinks, and a 15 per cent VAT applicable to both (NBR, 2026). The minimum tax on the sales revenue of carbonated beverage producers has remained unchanged at 5 per cent from FY2025 to FY2027. 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, CPD recommends that the government remove the existing SD on both soft 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 domestically produced soft and energy drinks (Table 6). 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 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 diet-related diseases and health expenditures of the general population. This will also allow the economy to achieve SDG target 3.4, which aims to reduce non-communicable diseases by one-third by 2030 (UN, 2015). CPD

Table 6: Proposed Tax Structure for Soft Drinks and Energy Drinks

Beverage	Proposed Tax Structure for FY2026		CPD's recommendation		
	SD (%)	VAT (%)	Specific excise duty (BDT per ml)	Specific excise duty (BDT per litre)	VAT (%)
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, 2026).

also proposes increasing the VAT on soft drinks and energy drinks from 15 per cent to 20 per cent.

6. Fiscal Measures Related to Health: Positive Tax Reforms in Medical Imports and Tobacco Control

The FY2027 budget seeks to advance public health goals by easing the tax burden on life-saving medical imports while tightening taxes on tobacco and nicotine products. These measures span both indirect and direct tax exemptions (MOF, 2026c).

On the tax exemption side, the FY2027 budget has removed the 5 per cent advance tax previously levied on the import of kidney dialysis filters. It has also withdrawn the existing 15 per cent VAT and 5 per cent advance income tax on the import of dialysis filters in FY2027 (MOF, 2026c). In addition, the 10 per cent VAT at the supplier stage on imported heart rings and intraocular lenses, which was in effect in FY2026, has been exempted in FY2027 (MOF, 2026c). Together, these measures are expected to lower healthcare costs, broaden access to essential medical treatments, and foster improved public health outcomes.

On the imposition side, the FY2027 budget has proposed a minimum retail price of BDT 500 per 10 grams for nicotine pouches, along with a supplementary duty of 40 per cent (MOF, 2026c). It has also proposed a maximum retail price of BDT 210 per 10 bars for heated tobacco products, with a supplementary duty rate of 67 per cent (MOF, 2026c). These measures are intended to reduce tobacco consumption, strengthen public health outcomes, and increase government revenue from tobacco taxation.

Nicotine pouches contain a powder made of nicotine, flavourings, and other ingredients, which dissolves in the mouth and is absorbed through the gums and oral mucosa. Nicotine is a highly addictive chemical that poses particular risks to youth, young adults, and pregnant women (CDC, 2026a). Although nicotine pouches are marketed as smoke-free alternatives to conventional tobacco products, they can still cause harm, including effects on brain development and the risk of nicotine

addiction (CDC, 2026a). According to the WHO, global sales of nicotine pouches exceeded 23 billion units in 2024, with the fastest growth observed among adolescents and young adults, and the global market for these products was valued at nearly USD 7 billion in 2025 (WHO, 2026).

While the 40 per cent supplementary duty on nicotine pouches is a positive step by the Government of Bangladesh, higher prices could also push some consumers towards cheaper alternatives such as cigarettes. It is noteworthy that formally taxing nicotine pouches could inadvertently legitimises them as commercially recognised products, potentially increasing their legal availability and consumption. A similar concern applies to heated tobacco products, which are heat-processed tobacco leaves that generate an aerosol containing nicotine, allowing users to inhale it into their lungs (CDC, 2026b). While imposing a supplementary duty on heated tobacco is a welcome measure, bringing these products into the formal tax framework similarly risks lending them greater commercial legitimacy.

7. Social Security in the Health Sector: Rising Allocations, Widening Coverage Gaps

The overall budget allocated for health-related social security programmes increased in FY2027 compared to FY2026. These programmes include the Financial Support Programme for Cancer, Kidney and Liver Cirrhosis, Paralysis Caused by Stroke, Heart Disease, and Thalassemia; the Mother and Child Benefit Programme (MCBP); and the Maternal, Neonatal and Child Health (MNCH) and Health Improvement Project (MOF, 2026b). Under the MCBP, the number of beneficiaries had been targeted to reach 6 million by July 2026, in line with the National Social Security Strategy (NSSS) Phase II (2021–2026). However, the FY2027 budget records only 1.89 million beneficiaries, falling significantly short of this target coverage (GoB, 2023). This shortfall carries direct implications for maternal and child welfare outcomes, as millions of eligible mothers and children who were meant to receive cash support and nutritional assistance under the NSSS framework will likely remain outside the safety net, undermining progress towards

the strategy's own coverage goals. Compounding this concern, the Urban Primary Healthcare Programme (UPHP), which had been in place during FY2025 and FY2026 and served as a key channel of primary healthcare access for the urban poor, has been discontinued altogether in the FY2027 budget (MOF, 2026b). This risks widening the healthcare access gap for low-income urban populations, particularly women and children who rely on such services for maternal and child health, immunisation, and basic curative care.

In light of these gaps, CPD recommends that a comprehensive needs assessment survey be conducted to update and expand the MCBP beneficiary list, so that coverage can be brought closer in line with the NSSS Phase II target, and that the UPHP be reinstated to safeguard continued access to primary healthcare for the urban poor.

8. Policy Recommendations

In light of the analysis of the proposed health budget for FY2027, this policy brief makes the following recommendations:

- Adopting a more balanced approach to health sector budget allocation to appropriately address both developmental initiatives and operational needs of the sector.
- Establishing an extensive monitoring and evaluation framework to track the progress and impact of development initiatives, ensuring that funds are used effectively, efficiently and transparently.
- Simplifying Bangladesh's tobacco tax structure to decrease the affordability of all sorts of tobacco products through price rises caused by taxes.
- Reinstating the UPHP to ensure continued access to affordable primary healthcare, maternal and child healthcare, immunisation, and basic curative services for low-income urban populations.
- Conducting a comprehensive needs assessment survey to update and expand the beneficiary list of the MCBP and bring coverage closer to the target established under the NSSS Phase II.
- Strengthening health-related social security programmes to ensure that eligible individuals suffering from cancer, kidney disease, liver cirrhosis, stroke, heart disease, and thalassemia receive adequate financial support.
- Allowing the market to determine appropriate pricing for cigarettes and implementing a uniform specific excise duty of BDT 10 per cigarette stick on all cigarettes.
- Implementing a specific excise tax of BDT 3 per Bidi stick 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, 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.
- Increasing the corporate tax on all companies manufacturing tobacco products from 45 per cent to 55 per cent, with the associated surcharge increasing from 2.5 per cent to 7.5 per cent.
- Strengthening regulation of emerging nicotine products, including nicotine pouches and heated tobacco products, to prevent their wider commercialisation and the creation of new forms of nicotine dependence, particularly among young adults.
- 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.
- Increasing the VAT on soft drinks and energy drinks from 15 per cent to 20 per cent.
- Stopping high tariff protection to local sugar-sweetened beverages (SSB) manufacturers through VAT exemptions for imported raw materials.
- Maintaining tax exemptions on import of essential medical items, including dialysis filters, heart rings, and intraocular lenses, to reduce the cost of life-saving treatments and improve access to essential healthcare services.
- Developing a medium-term health financing strategy with clear targets for increasing public health expenditure, improving budget utilisation, reducing out-of-pocket expenditure, and expanding access to quality healthcare services.

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