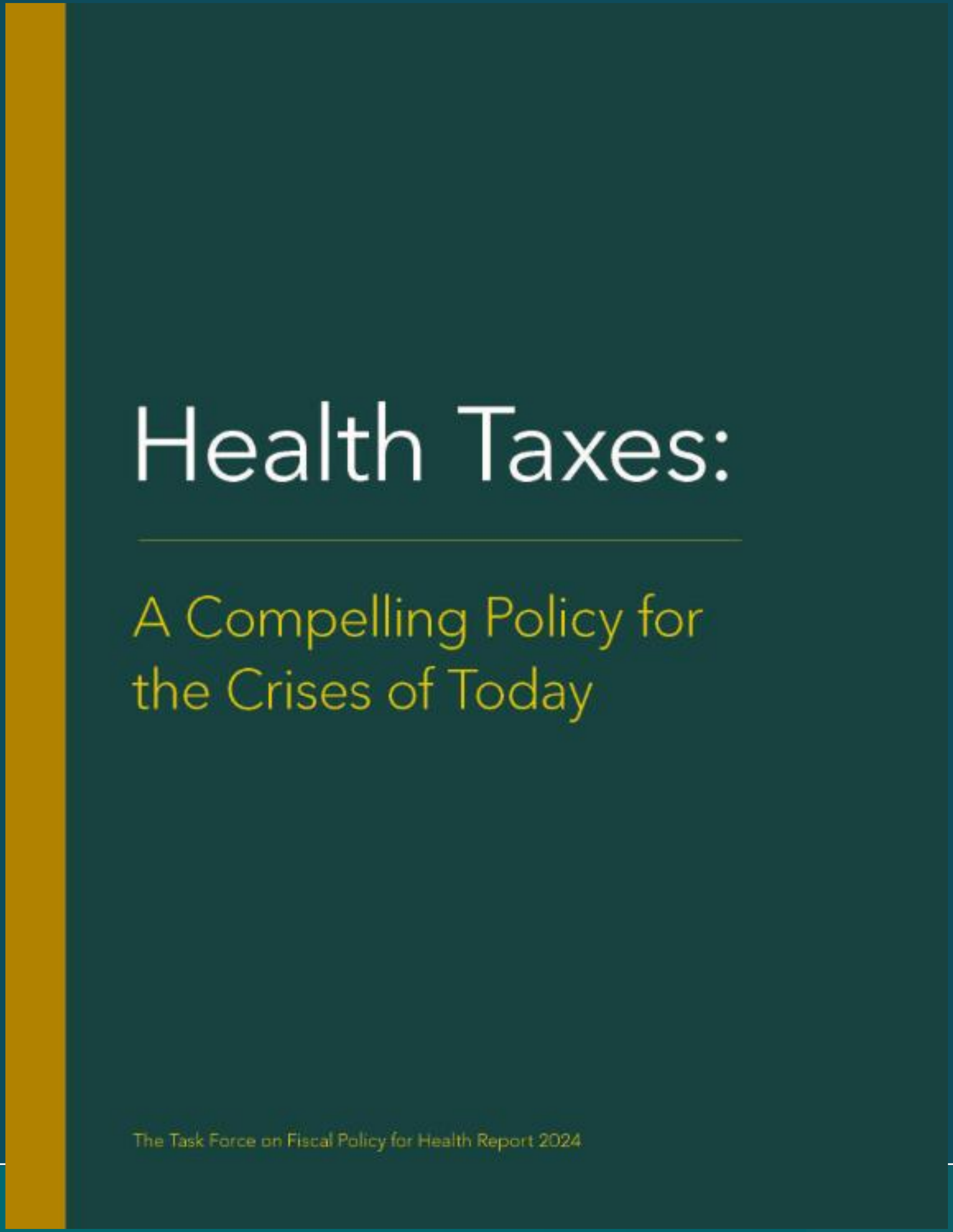

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Health Taxes & Sustainable Health Financing

Katherine Klemperer | 23 July | CGDev.org

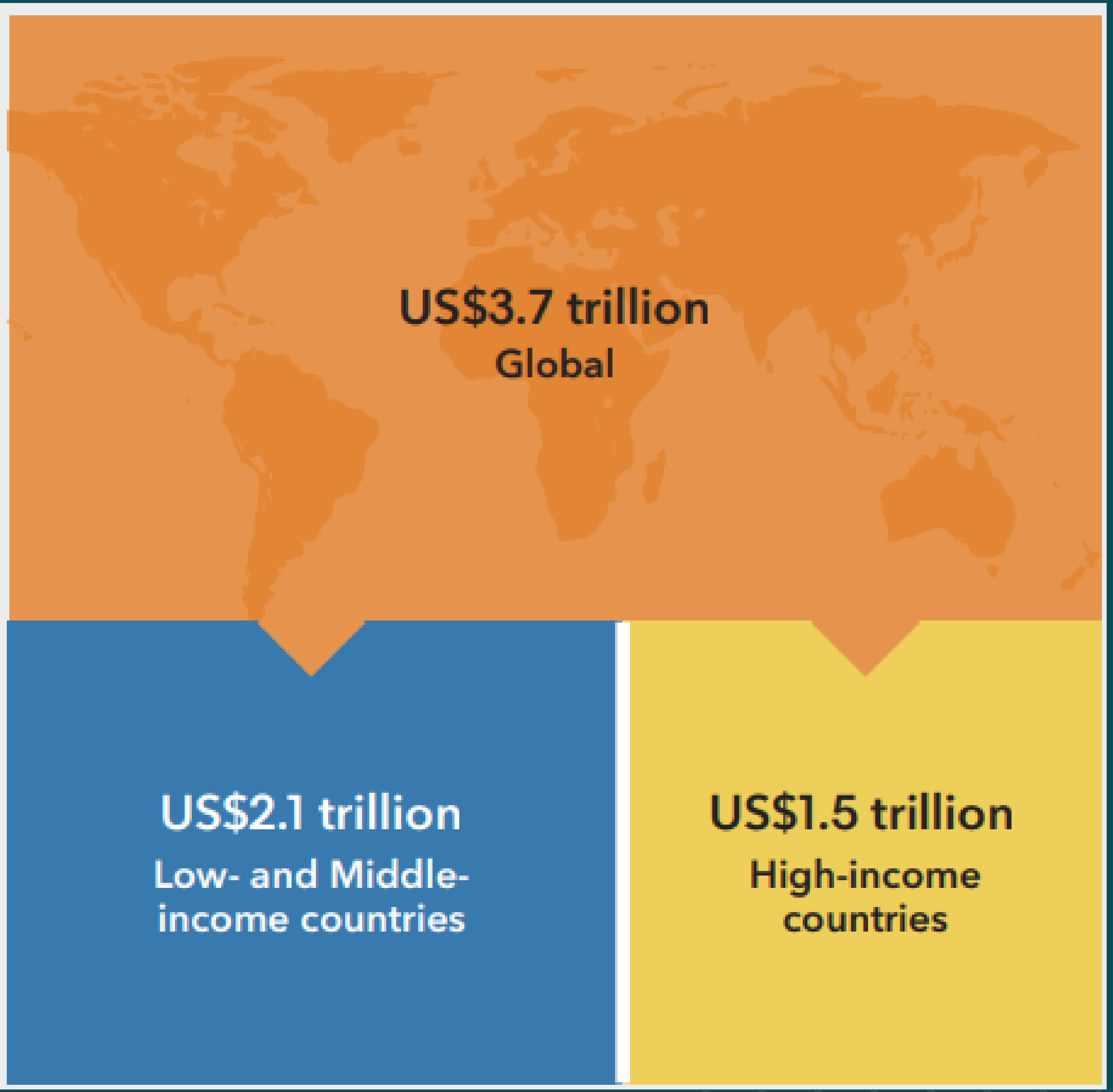
Health financing crisis

- Aid cuts from most major donors
  - 23% cut from DAC members from 2024 - 2025
- Debt repayments constrain fiscal space
  - 60% of LICs in/ at risk of debt distress
  - 3.3billion people live in countries which spend more on interest payments than on health or education
- >70 developing economies collect <15 % of GDP in taxes

➔ *Countries urgently need to increase domestic resource mobilisation*

Health taxes are a quick and efficient revenue source

- Raising health taxes enough to generate a 50 percent increase in prices would generate $3.7 trillion over just 5 years.
- If allocated to health, this would increase global government health budgets by 12% and in LMICs by 40%.



Health taxes improve health

- Reduce pressure on health systems
  - Tobacco use accounts for >5% of total health expenditure in India
  - Alcohol consumption results in additional health care costs equivalent to 2.4% of total health care expenditure in OECD countries
  - High BMI accounts for 13 percent of global health care expenditure
- Health impacts disproportionately benefit lower-income groups → progressive

Health taxes compare favourably against other taxes

- Non-distortionary on the supply side
- Distortions on the demand side are intentional: discourage harmful consumption & encourage healthier alternatives
- On aggregate, don’t negatively impact labour markets
  - Consumer spending moves to more labour intensive sectors
- Don’t slow growth growth

Health taxes are not a partis issue

- Governments that raise health taxes span the ideological spectrum.
- Substantial support for health taxes – including from consumers of the products.

	Tobacco	Alcohol	High-sugar drinks
Colombia	66%	61%	61%
India	59%	63%	60%
Jordan	66%	91%	59%
Tanzania	74%	74%	69%
USA	65%	55%	47%
Average	**66%**	**69%**	**59%**

Source: Gallup Measuring Public Perceptions of Noncommunicable Diseases survey, 2021-2022; Dugan 2022.

Earmarking

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- Can improve political palatability
  - Public support is often higher when revenue is earmarked to popular programs such as health or education.
- E.g. Sin Tax Reform Law in Philippines:
  - 85% of incremental tobacco tax revenues & 100% of incremental alcohol tax revenues earmarked for health

  → Finances 90% of PhilHealth insurance premiums

Countries are using health taxes to fill gaps

Tanzania turns to domestic taxes to close HIV and health funding gaps

Tanzania aims to raise Sh586.4 billion through new domestic taxes to close HIV and health financing gaps, as global donor support declines. The move marks a strategic shift in health financing.

Egypt raises cigarette, alcohol taxes to boost revenue

PM Sonko reveals essential measures to enhance the economy: Taxes on online gaming, tobacco, and an increase in the age limit for imported vehicles.

Nigeria plans public health tax on sugar, cigarettes, and alcohol to combat NCDs

Nigeria proposes a public health tax on sugar, alcohol, and tobacco to fund non-communicable disease (NCD) programmes, alongside the WHO-backed PEN-Plus strategy for severe NCD care.

Recommendations

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- Countries should:
  - Significantly increase health taxes, improve their design, and strengthen enforcement to reduce consumption, prevent unnecessary death and disease, and raise revenue.
  - Prioritize raising & reforming tobacco excise taxes given they have the greatest impact on lives saved.
  - Regularly increase health taxes above the level of inflation and economic growth to ensure that the taxes rise in real terms and products become less affordable over time.
  - Counter industry resistance through framing the debate, mobilizing support, and enacting legislation and policies to limit the influence of companies that manufacture and market unhealthy products, particularly to youths.
  - Ensure wider policy coherence by reducing production subsidies and limiting marketing & availability.
  - Utilize technical and financial resources from the International Monetary Fund, World Bank, World Health Organization, regional health authorities and development banks.
- Multilaterals institutions should: proactively promote effective health tax increases whenever they engage countries in fiscal policy dialogues.