

The Triple Win of Health Taxes to Navigate Funding Crises

State of Play: A Growing Financing Gap

Low- and middle-income countries, particularly across Africa, are navigating a major funding crisis. Official Development Assistance (ODA) is declining at a time when many African countries remain highly dependent on external aid (sometimes financing up to 60% of Ministries of Health budgets). At the same time, rising debt burdens are absorbing increasing shares of national budgets, crowding out investments in development. Today, 3.4 billion people live in countries spending more on interest payments than on health or education¹.

Meanwhile, health needs are intensifying. Many countries face a double burden of disease: persistent infectious diseases and hunger on one hand, and a rapid rise in non-communicable diseases (NCDs) on the other. These pressures are compounded by demographic growth. Africa's population is projected to exceed 3 billion people by 2070, making health both a moral imperative and a strategic investment.

The conclusion is clear: **additional, sustainable sources of financing are urgently needed** to secure universal health coverage (UHC) and broader development goals.

A Solution: Health Taxes

Health taxes are not new instruments: many countries already apply excise taxes levied on unhealthy products such as tobacco, alcohol, and sugar-sweetened beverages. However, they **remain underutilized**.



"Saving lives, reducing healthcare costs, and raising revenues for public good: this is the triple win of health taxes."

Dr Adam Karpati, Senior Vice President of Public Health Programs at Vital Strategies.

Unlike many financing mechanisms, health taxes can produce significant health gains at the individual and societal level. They are also able to support long-term structural transformation in health systems and human capital development by lowering out-of-pocket payments for households and reducing healthcare spending over time.

¹<https://unctad.org/news/global-public-debt-hit-record-102-trillion-2024-striking-developing-countries-hardest>

Lessons Learned

Health taxes are both financing tools and health interventions in their own right. They must be at the heart of the One Health financing agenda and integrated into broader discussions on sustainable development and financial architecture reform.

Effective tax design is crucial. Rates must be high enough to meaningfully reduce consumption. Taxes should be indexed to inflation to maintain their real value over time.



“Taxation is central to development because it can help strengthen the social contract between a government and its citizens.”

Ms Ceren Ozer, Global Tax Program Manager at **The World Bank**.

Successful implementation requires strong intersectoral collaboration between Ministries of Health, Ministries of Finance, and other relevant sectors. Civil society engagement is essential to build public support and counter misinformation. Strengthening revenue administration is equally critical, particularly to address illicit trade, which is often cited as a barrier to reform.

A Momentum to Seize across Africa and Globally

If all low- and middle-income countries increased the prices of these products by 50%, they could generate an estimated \$2.1 trillion over five years (equivalent to 180% of current ODA flows) and cover roughly 40% of their health budgets². These resources could finance critical priorities such as training and retaining health workers, strengthening resilient health systems, and developing regional manufacturing capacity for medical countermeasures, while also delivering transformative health gains, including the prevention of an estimated 50 million premature deaths over 50 years. In this context, the World Health Organization's 3 by 35 initiative is a positive and well-underway international effort coordinating partners to mobilize resources for health through taxation of unhealthy products.



“An important number of health taxes reforms are taken very seriously across the continent”

Mr Linstrom Marangu, Tax Specialist at **The African Tax Administration Forum**.

² <https://www.cgdev.org/article/increasing-health-taxes-could-raise-us37-trillion-over-next-five-years>

Over the past decade, 85% of government revenues in Africa have come from taxes, and reliance on domestic resources continues to grow.

- South Africa's Health Promotion Levy raised approximately \$300 million in its first two years.
- Cape Verde's annually increasing cigarette tax led to a 355% rise in revenue;
- Ghana has achieved the lowest tobacco prevalence on the continent through sustained tax policy.

Regionally and globally, political commitment is strengthening. Health taxes represent a concrete tool to advance the health sovereignty envisioned in the Lusaka Agenda and the Accra Reset.



"It is strategically important for the African Union to invest in health taxes and ensure that the international financial architecture evolves to support this effort"

Dr Patrick Olomo, Head of Economics and Social Policy at **The African Union Commission**.

Health taxes are also a key element of the reform of the international financial architecture.



"The question of health taxes will be at the heart of France's agenda this year, including at the One Health Summit and the Africa Forward Summit"

Ms Agnès Soucat, Head of the Health and Social Protection Department at **The French Development Agency**.

Scaling up **well-designed health taxes** is not only a fiscal necessity: it is a **strategic investment** in sovereignty, human capital, and **sustainable development for all regions**.

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