



Bangladesh Investment  
Development Authority



# Healthcare & Medical Device Industries



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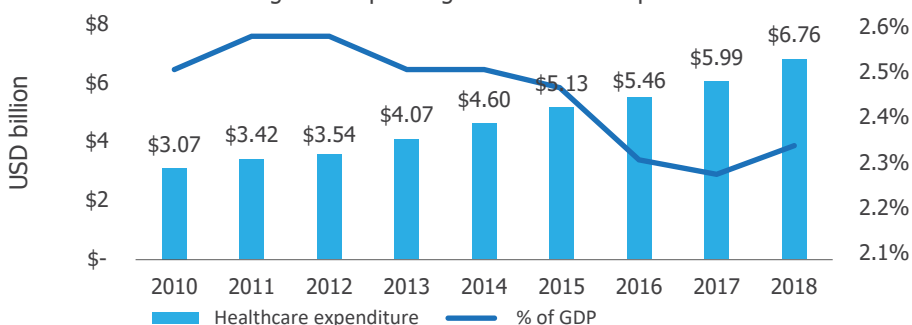


## Market Overview

An important contributor to the economy and wellbeing of the society, the Bangladesh healthcare industry has been progressing swiftly in recent years. Growing at a CAGR of 10.3% percent since 2010, the size of the healthcare industry has reached USD 6.76 billion in 2018 (in terms of spending on the healthcare expenditure). The sector consists of healthcare services by hospitals, clinics, diagnostic centers, including digital healthcare services, clinical researches, as well as medical device manufacturing and trade/ distribution.

**Bangladesh healthcare industry has more than doubled in the last 8 years**

Bangladesh spending on healthcare expenditure

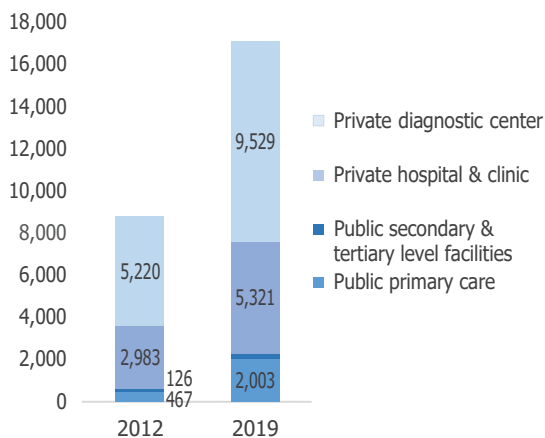


Source: WHO

**Private sector led healthcare service:** In Bangladesh, the private sector plays a major role in delivering quality healthcare services and has been running the majority of tertiary healthcare institutions that are largely concentrated in the capital city of Dhaka followed by Chattogram. On the other hand, public healthcare system focuses on basic healthcare facilities in the form of primary healthcare centres throughout the nation with limited availability of secondary and tertiary institutions in the cities. In addition, the government operates community clinics providing basic healthcare services such as childcare, immunization, and maternal healthcare.

As of the end of 2019, there were 255 public hospitals, 5,054 private hospitals and clinics, and 9,529 diagnostic centers under the registration of Directorate General of Health Services (DGHS). The number of hospital beds available in public hospitals amounted to 54,660 whereas the same figure in private ones amounted to 91,537 bringing the total number of beds to 143,394 at the end of 2019.

Types of Healthcare delivery channel



Source: Health Bulletin 2019



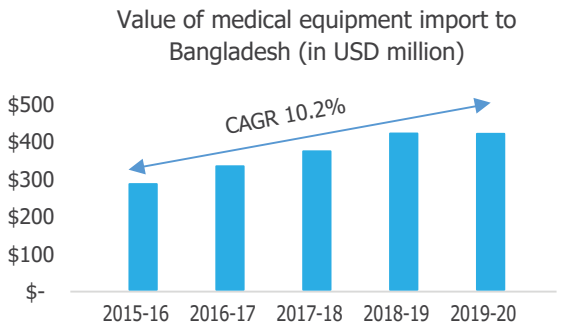
Private hospitals consist of several large-scaled multi-specialty hospitals with 250 plus beds (such as Evercare, Square, United, Labaid, Ali Asgar Hospitals), that primarily serve affluent and upper-middle class segments and account for around 11% of total beds available in Dhaka; foundation/ non-profit hospitals which offer specialized services with discounted pricing (such as Kidney & Heart Foundation, Ahsania Mission Cancer Hospital); general hospitals/ clinics/ nursing homes as well as private medical college hospitals. Diagnostic centers provide diagnostic testing facility and outpatient services only.

**Digital/ online healthcare services:** Currently, there are over 50 startups in healthcare business space providing digital/ online healthcare related services such as tele-medicine, e-pharmacy, online doctor directory/ appointment, healthcare-related information provision, personal medical history recording, and production of health monitoring device, etc. The COVID pandemic is propelling the use of tele-medicine services in the country.

**Medical equipment:** At present, over 4,000 medical devices and equipment are in use in the country, about 5-7% of which are manufactured in the country. Among the locally produced items, majority are consumables such as disposable/ precision safety syringes, needles, blood bags, blood transfusion set, cannula, blood collection tube, etc. Consumables have an estimated annual market size of USD 55-60 million in Bangladesh. Aside from consumables, Bangladesh also produces orthopedic products (bone-hook, drill machine, spine retractor), surgical sterilizers, hospital furniture, home care devices such as blood pressure/ glucose monitoring devices, compressor nebulizer, imaging film, electrocardiogram and other small instruments, albeit at a small scale.

The COVID outbreak has enhanced local production of personal protection equipment (PPE) including protective masks/ clothing, respirator, hospital gowns. According to USAID research, however, Bangladesh remains largely dependent on import for almost 85% of the demands of medical equipment in terms of value with import amounting to over USD 400 million in FY 2019-20. There is a huge demand for equipment related to diagnosis and treatment of cardio disease such as electrocardiograph (ECG) machine, stents, balloon, reflecting the rise of incidence in the country. While the medium price range ECG machine is assembled locally at a small scale, high-end machine along with other diagnostic devices like magnetic resonance imaging (MRI), x-ray machine, ultrasonic scan, computed tomography (CT) scan are imported.

Some of locally produced items are being exported to various countries. Bangladesh with the production capacity and experience in readymade garments has been successfully repurposing to produce PPE by expanding or converting existing production facilities in response to the shortage as a result of the COVID pandemic.

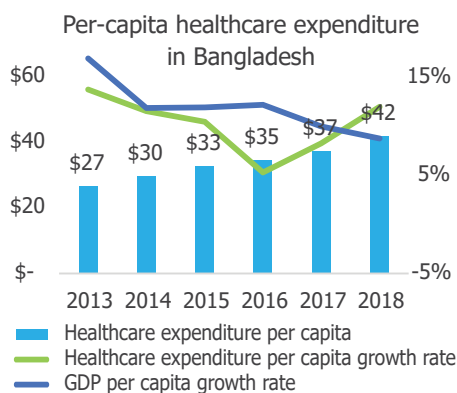


Source: Bangladesh Bank



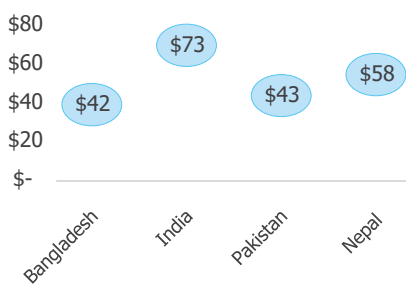
## Growth Potential

**Large domestic market with increased affordability:** Driven by increasing purchasing power, the demand for healthcare services is expected to expand rapidly in Bangladesh. According to the Boston Consulting Group, around 30 to 40 million people are forecasted to graduate from poverty to the entry-level of the middle-income class by 2025, and another 30 million would move up the income ladder and reach the higher standard of living. This increase in affordability, coupled with the current low per-capita spending on healthcare indicates future opportunity for growth in healthcare sector. While per-capita spending on healthcare services in Bangladesh has been growing at a CAGR of 9% since 2013, it still remains only USD 42 as of 2018, which is low compared to regional peers, implying potential to increase healthcare spending as income rises.



Source: The World Bank Group

Regional comparison of per capita healthcare spending as of 2018 (current prices)

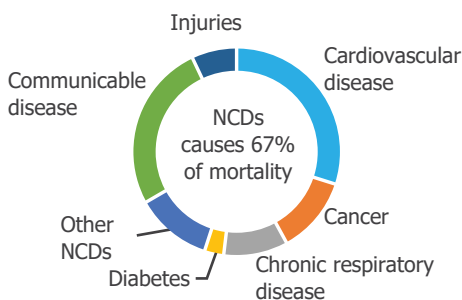


Source: The World Bank Group

**Sustained demand with population growth:** As birth rates gradually fall and life expectancy increases, the senior population is projected to increase over time requiring much higher need for healthcare. As of 2019, over 13 million people in Bangladesh were aged over 60. This age group is projected to increase to 42 million by 2050 (BBS, 2015).

**Changing disease profile:** Bangladesh has been experiencing a rapid shift in disease pattern where non-communicable diseases (NCDs) has become the leading causes of mortality, generating additional need for healthcare services. In 2016, 67% deaths were caused by NCDs. Cardiovascular disease was the leading cause of mortality (30%) followed by cancer (12%). Every year, around 200,000 patients are estimated to be newly diagnosed with cancer. Diabetes is another major disease with a prevalence rate of 9% among the population (the World Bank Group) and is projected to increase to 13% by 2030 (according to the research by International Diabetes Federation). Furthermore, mental health has become a unignorable issue in Bangladesh.

Causes of mortality in Bangladesh (2016)



Source: Bangladesh Health Bulletin 2019



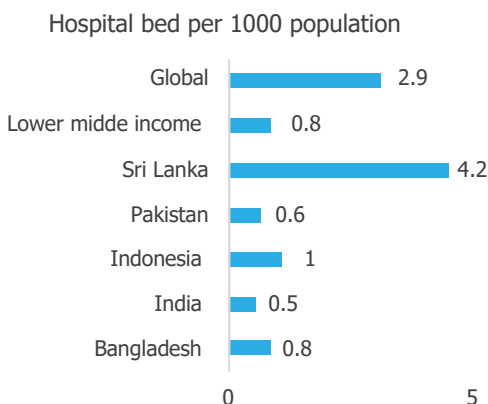


## Investment Opportunities

**Establishment of tertiary/ specialized hospitals:** In spite of the increase in the number of healthcare facilities during the last decade, the demand for hospital beds has consistently outpaced the supply in Bangladesh. Available bed density per 1,000 population was 0.8 in 2016, which is low compared to the global standards. This fact indicates the untapped need for tertiary/ secondary hospital establishment, to which foreign investors are welcome to contribute.

In addition, the changing disease profiles in Bangladesh is generating further demand for tertiary or specialized hospitals catering to the treatment of non communicable diseases. There is a high demand for specialized care for cardiac and oncology treatment at tertiary institutions. According to Bangladesh NCD Risk Factor Survey 2018, around 16% Bangladeshis, aged 40-69 years, are at risk of suffering from cardiovascular diseases. While several tertiary hospitals for cardiac treatment has recently developed in the country, they operate at high capacity with limited availability of pediatric cardiology. In addition, Bangladesh has nearly 20 million people suffering from various kidney and urological problems and a large gap currently exists in available cancer treatment facilities.

The shortage of quality medical services in the country has driven many people to seek treatment or check-up abroad. It is estimated that around 700,000 Bangladeshis travel abroad every year to India, Malaysia, Thailand or Singapore for medical treatment, where they spend around USD 3.5 billion annually. This also provides opportunity for foreign healthcare service providers to establish quality healthcare facilities in Bangladesh and encourage such patients to avail of healthcare services in the country.



Source: The World Bank Group, data retrieved on June 2021

**Medi-tech services:** With over 112 million internet users in the country, tele-healthcare has a great potential to reach out to a vast majority of the population, both in cities and regional towns. A research by a local digital health service provider suggests 80-90% of consultation cases in primary care can be solved through online-consultation. Several startups have begun providing online services for doctor directory/ appointment, personal medical history recording for such needs. Moreover, the COVID pandemic has amplified the need for tele-medicine/ e-pharmacy by bringing changes to consumers' behavior and making online consultations acceptable. Another research (by Light castle) found that medi-tech. business stands as one of the most promising investment segments in Bangladesh.

The government of Bangladesh initiated to drafting the National Digital Health Strategy in accordance with the resolution made at the World Health Assembly (WHA). Draft version of the strategy was shared among the stakeholders in December 2020.



**Manufacturing of medical equipment:** Needless to mention, the demand for medical equipment is driven by the development of healthcare facilities. Bangladeshi medical sector has experienced annual growth rate of 14.6% between 2016-19, recording the fastest growth in the world, and is expected to sustain this growth (according to Business Monitor International Research). Changing disease profiles with shift to NCDs which require surgery and long-term treatment is expected to boost the demand for medical devices. While local production of medical devices and equipment is currently at a nascent stage and limited to lower risk products, there is a huge potential to extend local manufacturing of medical devices. In addition to domestic usage, local producers of devices and equipment can also explore the export market, benefiting from preferential access to as many as 52 countries for export.

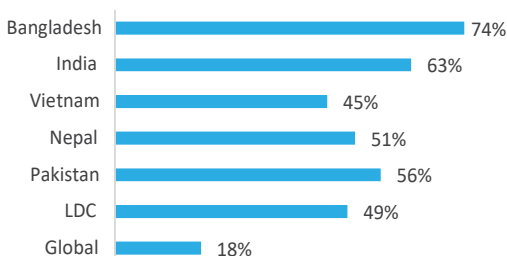
**Consumables & surgical instruments:** The demand for consumable and surgical instruments such as disposable/ precision safety syringes, needles, catheters, suturing kits, scalpel, scissors, bandages/ dressing, gloves, masks, endotracheal tubes, other disposable items is expected to continue growing along with the growth in number of healthcare service providers.

**Equipment required in ICU/OT:** With the number of healthcare institutions expected to continue growing, the demand for equipment used in intensive care unit and operation theatre such as diathermy machine, OT light/ table, ICU monitor, ventilator, suction, electrocardiograph, oxygen mask, etc. are expected to increase in the future. In addition, demand for hospital furniture is also expected to increase rapidly.

**Diagnostic imaging and In-Vitro Diagnostics (IVD) devices:** Increased incidence of NCDs such as cancer, diabetes, cardiovascular disease, kidney disease is expected to rise in Bangladesh as diets and lifestyle of the population changes. This changing disease profiles will subsequently lead to increased demand for devices used for screening, diagnosis, treatment and monitoring of NCDs which includes diagnostic imaging equipment, testing kits and lab equipment, home monitoring devices used to monitor such disease, etc. For instance, with diabetes prevalent among 9% of the population (the World Bank Group, 2019), domestic demand for glucose monitor, diabetic strip, insulin-pen might increase. Foreign investors can consider contributing to the localized production of these devices.

**Health insurance:** Bangladesh has one of the highest out-of-pocket expenditure rate (as a percentage of total healthcare expenditure) in the world, where almost 74% of total health expenditure is met by the households. Besides, the overall insurance penetration in Bangladesh (according to Swiss Re, a global insurer) stood at 0.6% in 2018, one of the lowest among Asian countries. With the government planning to increase universal healthcare coverage by 2032, there is possibility for health insurance industry to grow in Bangladesh. Foreign investors have the opportunity to play a key role in developing health insurance service.

Out-of-pocket expenditure rate against total healthcare expenditure , 2018



Source: The World Bank Group

## Policies related to Healthcare/ Medical Equipment Industries

- National Health Policy 2011
- Fourth Health, Population and Nutrition Sector Program (HPNSP) 2017-2022
- Healthcare Financing Strategy 2012-2032: Expanding social protection for health towards universal coverage
- Registration Guidelines for Medical Devices Bangladesh 2015
- \* Healthcare/ clinic is designated as one of priority industries in the existing National Industry Policy 2016.

## Sector-specific Investment Incentives and Restriction

Incentive	<ul style="list-style-type: none"> <li>- 10 year corporate tax exemption to general &amp; specialized hospitals, established outside Dhaka, Narayanganj, Gazipur &amp; Chittagong effective from July 1, 2021 (subject to conditions) SRO 169/Law/Income tax/2021.</li> <li>- 10 year corporate tax exemption to institutes providing technical training to healthcare related skills development such as nursing, pharmacy, etc. (SRO 168/Law/Income Tax/2021).</li> </ul> <p><u>Medical equipment manufacturer:</u></p> <ul style="list-style-type: none"> <li>- Concessional import duty on raw material import of medical equipment ( SRO 117/AIN/2021/06/Customs). In addition, in response to the COVID pandemic, the government has been waiving import duties for all raw materials used for production of PPE, face mask, hand sanitizer.</li> </ul> <p><u>Medical equipment exporter:</u></p> <ul style="list-style-type: none"> <li>- 50% tax exemption for income derived from export,</li> <li>- No VAT imposition on export goods,</li> <li>- 10% cash incentive on export value, etc.</li> </ul>
Restriction	<p>Establishment of private hospitals/ clinics needs to be licensed by Directorate General of Health Services (DGHS).</p> <p>Medical equipment for local trading or production needs to be registered with Directorate General of Drug Administration (DGDA).</p>

## Regulatory Agencies concerned with Healthcare/ Medical Equipment

Ministry of Health & Family Welfare (MOHFW)	MOHFW is responsible for formulation of policies and regulations for the development and administration of healthcare sector and implements the policies and regulations through its subordinate advisory and regulatory bodies, such as Bangladesh Medical & Dental Council, Directorate General of Health Services (DGHS), Directorate General of Drug Administration (DGDA), Bangladesh Pharmacy Council.
DGHS	DGHS renders technical advice to the health ministry and is a licensing authority for establishment and operation of any medical service institutions including private hospitals, clinics, diagnostic centers, blood banks, nursing homes in the country.
DGDA	DGDA, being a regulatory body for medicines and drugs, also deals with registration and administration of medical equipment through the Registration Guidelines for Medical Devices 2015.

## Industry Associations

Private Clinic & Diagnostic Owners Association (BPCDOA)	BPCDOA advocates policy and regulatory improvement for the interests of private clinics/ diagnostic centers, disseminates information/ data and arranges activities for the relevant development of healthcare sector.
Medical Instrument, Hospital Equipment Dealers & Manufacturers Association (BMIHEDA)	BMIHEDA advocates policy and regulatory improvement for the interests of medical equipment manufacturers/ dealers and conducts promotional activities for the industry.

## Notable healthcare organizations in Bangladesh



*Disclaimer: This document has been prepared for informational purpose only and does not intend to promote any product.*

BIDA undertakes the functions of investment promotion and facilitation, and policy advocacy in accordance to the Industry Policy and provides inquiry/ consultation/ licensing facilitation services to the investors outside the jurisdiction of other investment authorities (BEZA, BEPZA, High-tech Park Authority). Those investors registering with BIDA for their investment projects are able to benefit from the following key incentives and privileges:

Category	Notes
Tax holiday	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 32 designated sectors/ products (as per the Finance Act 2020), depending on location of factories</li> <li>- Phased CIT exemption for private IPPs (which construct powerhouse after June 2016) and full CIT/ capital gain tax exemption for PPP projects</li> <li>- Full CIT exemption for ICT/ software industry</li> </ul>
Tax rebate	Applicable for manufacturing industries of which factories i) are located, ii) move, iii) have already operated, outside Dhaka City
Import duty exemp.	<ul style="list-style-type: none"> <li>- On capital machinery/ spares</li> <li>- VAT exemption for imported capital machinery/ spares</li> </ul>
Other tax exemption	<ul style="list-style-type: none"> <li>- On interest payable on foreign loans</li> <li>- On royalty/ technical license fees obtained from foreign company/ expert</li> <li>- On personal income tax for foreign technician</li> <li>- One capital gain from the transfer of shares of listed public companies</li> </ul>
Non-tax incentives	- Accelerated depreciation for newly established industries in lieu of tax holiday on their factory, machinery and plant

\* The above may be subject to revision upon annually enacted Finance Act and individual regulations. Export-oriented industries regardless of their locations can benefit from additional privileges and facilities.

### Bangladesh Economic Zones Authority "BEZA is a smart way for business in Bangladesh"



BEZA develops and manages economic zones (EZs) in view of generating more spillover effects of investment for industrialization. Currently a number of EZs are being developed throughout nation to cater for investment needs of both foreign and local investors, utilizing a variety of development schemes including BEZA's own initiative, private initiative, public-private-partnership and bilateral agreement with foreign government. The investors tenanted in EZs are able to benefit from the following key incentives/ privileges:

Fiscal incentive	<ul style="list-style-type: none"> <li>- Phased Corporate Income Tax (CIT) exemption for 10 years</li> <li>- VAT exemption for imported machinery/ const. material, utility expense</li> <li>- Duty exemption for imported vehicle</li> <li>- Duty exemption for import/ export of goods/ materials with bonded warehouse facility</li> <li>- Personal Income Tax exemption for expatriate salary</li> <li>- Tax exemption for dividend/ royalty and technical license fees, etc.</li> <li>- Exemption of local government tax/ land development tax</li> <li>- Exemption from registration fee on land transfer/ loan document, stamp duty on loan document/ lease of land and space</li> </ul>
Non-fiscal incentive	A variety of privileges and facilities are available. (see the website of BEZA: <a href="http://www.beza.gov.bd/">http://www.beza.gov.bd/</a> )

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