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# Malawi

## Private Health Sector Assessment



**BRIEF**

**SHOPS**

Strengthening Health Outcomes  
*through* the Private Sector

**Summary:** This brief is a summary of the Malawi Private Health Sector Assessment, May 2011, conducted by the SHOPS project. Emily Sanders prepared this brief which presents the assessment methods, findings, and the following key recommendations:

1. Promote the sustainability of the Christian Health Association of Malawi
2. Expand the commercial sector
3. Build an enabling policy environment for private sector health care.

The overall goal of these recommendations is to build a vibrant mixed health care system in Malawi that maximizes the unique capabilities of both the public and private health care sectors.

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**Keywords:** Malawi, private sector health, insurance, NGO sustainability, private sector assessment, policy

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**Cover photo:** Jessica Scranton

**Project Description:** The Strengthening Health Outcomes through the Private Sector (SHOPS) project is USAID's flagship project in private sector health. SHOPS focuses on increasing availability, improving quality, and expanding coverage of essential health products and services in family planning and reproductive health, maternal and child health, HIV/AIDS and other health areas through the private sector. Abt Associates leads the SHOPS team, which includes five partners: Banyan Global, Jhpiego, Marie Stopes International, Monitor Group, and O'Hanlon Health Consulting.

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# Malawi Private Health Sector Assessment

In May 2011, the United States Agency for International Development (USAID)/Malawi commissioned the Strengthening Health Outcomes through the Private Sector (SHOPS) project to conduct a private health sector assessment in Malawi to determine the business needs of private providers, assess the overall policy environment for private health care, and present a roadmap for greater public-private coordination. This brief is a summary of the methods, findings, and key recommendations of the assessment.<sup>1</sup>

While the public sector is the largest provider of health services in Malawi, approximately 40 percent of services are provided by private actors including the Christian Health Association of Malawi (CHAM), commercial providers, and other nonprofit actors. These private actors are crucial for expanding access to essential health services in rural areas of Malawi. However, the assessment found that there are enormous challenges facing the sustainability of CHAM as a network and while there is a growing commercial health sector (constituting less than 3 percent of total health services in Malawi), it needs to be better organized, engaged, and financed. Moreover there is limited, insufficient, and unorganized private sector representation at key policy decision-making bodies and high barriers to entry for private practice. At the same time, the assessment found tremendous opportunities for collaboration with the private sector and outlines a series of recommendations to promote CHAM sustainability, expand the commercial health sector, and build an enabling policy environment for private sector health care.

## Background

Located in southern Africa, Malawi is home to just under 14 million people (World Health Organization, 2011), 72 percent of whom live in poverty (United Nations Development Programme, 2010). It is ranked 153rd in the Human Development Index, with a life expectancy of just 44 years (World Health Organization, 2011). Although Malawi is well known as the “Warm Heart of Africa,” its people contend with poor economic and health indicators.

The macroeconomic situation in Malawi is dire, as the country has few exploitable resources. Shortages in fuel and electricity are commonplace. Suspensions in foreign aid (representing about one fifth of total government spending) and a recent slump in the price of tobacco (an industry that provides livelihoods to nearly 80 percent of Malawians), coupled with an increasingly uncompetitive exchange rate, have caused significant shortages in foreign exchange.

While poverty levels and ill health remain high, recent results of key health surveillance surveys suggest reason for some optimism. For instance,

*Although Malawi is well known as the “Warm Heart of Africa,” its people contend with poor economic and health indicators.*

<sup>1</sup> Ron Levey, Ilana, Nelson Gitonga, Meaghan Smith, Dawn Crosby, Jasmine Baleva, Emily Sanders, and Alison Wakefield. May 2011. *Malawi Private Health Sector Assessment*. Bethesda, MD: SHOPS Project, Abt Associates.



according to Malawi Demographic and Health Surveys (MDHS), between 2004 and 2010, Malawi experienced a significant reduction in the under-five child mortality rate, from 133/1,000 live births to 112/1,000. Similarly promising is the recent increase in the percentage of women whose last delivery took place in a health facility, which grew from 57 percent in 2004 to 73 percent in 2010. Use of modern family planning is also on the rise, with the modern contraceptive prevalence rate increasing from 28 to 33 percent between 2004 and 2010.

Nonetheless, other indicators have shown less promise. For example, Malawi continues to have one of the highest maternal mortality rates in the world. The 2010 estimate did not differ significantly from the 2006 estimate of 807/100,000. In addition, the 2010 HIV prevalence rate of 11 percent of the adult population indicates a generalized epidemic. Not surprisingly, tuberculosis (TB) and HIV/AIDS are closely linked in Malawi with 72 percent of all TB patients co-testing as HIV positive. The overall number of new TB cases reported in 2009 was 48,144 (USAID/Malawi, 2009).

Some key health indicators remain virtually unchanged. The percentage of chronically malnourished children aged zero to 59 months has been nearly the same since 1999. According to the MDHS, “malnutrition is one of the most important health and welfare problems among infants and young children in Malawi,” and stems from inadequate food intake and illness—especially related to lack of sanitation—which is reflective of underlying social and economic conditions (MDHS, 2004). While the nutritional status of children has improved since the 2004 survey, the improvement has been slight. The percentage of children who are stunted has decreased from 53 to 47 percent, wasting has decreased from 6 percent to 4 percent, and the percentage of underweight children has decreased from 17 percent to 13 percent (MDHS, 2010).

On a more positive note, Malawi is on track to achieve five of its eight Millennium Development Goals. These are eradicating extreme poverty and hunger; reducing child mortality; combating HIV and AIDS, malaria, and other diseases; ensuring environmental sustainability; and developing global partnerships for development. The three MDGs that Malawi is unlikely to achieve are achieving universal primary education, promoting gender equity, and improving maternal health (MDPC, 2010). While we can take encouragement from the many positive developments in Malawi, continued efforts are necessary to help combat extreme poverty and poor health conditions.

## Scope of the Assessment

The scope of the assessment included the following elements:

1. Reviewing the impact of stakeholders' perceptions regarding private sector involvement in the health system on Malawi's current policy environment
2. Analyzing the private commercial sector's involvement in providing essential health services
3. Examining opportunities for the expansion of private sector provision, including current initiatives in health financing
4. Determining the financing needs of the private health sector, the extent to which access to credit could improve quality of care or expand service provision, and training needs in business management
5. Identifying opportunities to promote the sustainability of CHAM

## METHODS

The assessment began with a scan of available literature, from both published and gray sources. The goal was to better understand how the social, political, and economic landscape in Malawi functions and how the private sector operates within the health system. In doing so, information gaps that could be addressed via the assessment were identified. The literature review revealed several potential opportunities for increased stewardship of the public sector and involvement of the private sector.

Moving forward, stakeholder interviews were critical to understanding the prevailing and salient attitudes held by public and private sector actors, donors, and implementers. Between May and June 2011, the SHOPS team developed interview guides tailored to each stakeholder group and conducted over 80 key informant interviews in Malawi. Stakeholders included government officials, donors present in Malawi, USAID implementing partners, financiers, private health providers, CHAM staff and board members, nongovernmental organization representatives, and industry representatives.

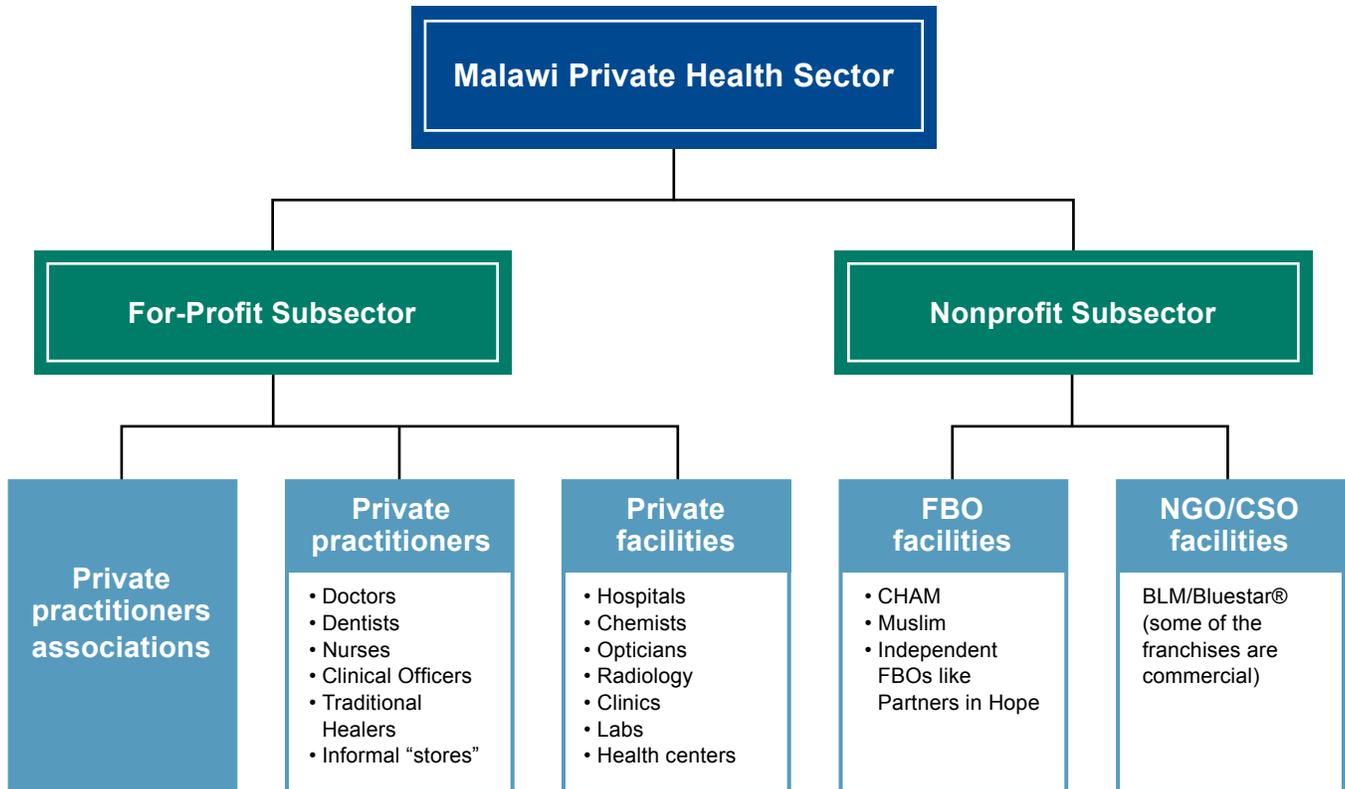
*The SHOPS team conducted over 80 key informant interviews tailored to each stakeholder group.*

## FINDINGS

### Overview of the Private Health Sector

The private health sector in Malawi consists of three main actors: the private nonprofit subsector, the private for-profit subsector, and professional associations. The organization and structure of the private health sector in Malawi can be summarized in the figure below.

### Private Health Sector Actors in Malawi



The private nonprofit sector in Malawi consists of CHAM (the largest nonprofit in Malawi, providing services to about 4 million Malawians annually), nongovernmental (including Banja La Mtsogolo operated by Marie Stopes International that runs 31 “static” clinics and 364 community outreach sites), and hybrid facilities that mainly provide HIV services.

Overall, the private nonprofit sector is much larger and better organized than the private for-profit sector. In fact, CHAM provides approximately 37 percent of the health care in the country while the private for-profit sector provides less than 3 percent. The private for-profit sector mainly consists of private hospitals, health centers and clinics, company clinics (for

example, employer-sponsored clinics), private chemists and drug stores, private laboratories and opticians, individual private practitioners, and traditional healers and “stores” (as part of the wider informal care sector). Several associations representing the range of health care professional cadres exist in Malawi, most of which have both public and private sector practitioner members and are not exclusively for private providers. These fledgling professional associations, although not as well organized or strong as CHAM, present an opportunity to organize the key private sector actors, including both providers of health care services and of medicines and health commodities.

In terms of service delivery, overall the primary source of health services is the public sector, with CHAM providing another significant secondary source. Nonetheless, the private sector is an important and growing source of maternal and child health services. According to aggregated data from the 2004 MDHS, 58.7 percent of caregivers sought treatment for illnesses in a child under five (diarrhea and fever/cough) from the private sector, compared to 41.3 percent from the public sector. The majority (82 percent) of private sector services for child health are delivered by non-formal providers, of which “stores” represent the largest provider at 70.4 percent of non-formal services (Montagu et al., 2011). Slightly more than half of all deliveries occur in the woman’s home or that of a traditional birth attendant (Montagu et al., 2011). Private sector provision of HIV/AIDS care and treatment is growing. As of 2010, 59 private facilities were providing antiretroviral therapy (ART), treating 3.9 percent of total ART patients in Malawi (Montagu et al., 2011). The Malawi Business Coalition against HIV/AIDS bears primary responsibility for coordinating the scale-up of the private sector ART program; including facilitating training with the Ministry of Health and supervising accredited private sector clinics.

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### **Ensuring the Sustainability of CHAM**

CHAM was established by missionaries in 1966, originally as the Private Hospital Association of Malawi. Currently, CHAM operates 172 facilities (comprising 20 major hospitals, 30 community hospitals, 10 training institutions, and 112 health centers), most of which are located in rural areas. CHAM’s physical infrastructure is its largest asset and what allows CHAM to create high social value. Indeed CHAM has a larger footprint in rural areas than does the Ministry of Health. Many CHAM facilities are assets acquired from previous donor support (e.g., church donations). The accumulation of these assets not only offers high value to CHAM, but to the entire country. As the major private provider of health services in Malawi, CHAM’s capacity and long-term sustainability are vital to maintaining and improving health service delivery in Malawi.

CHAM and the Ministry of Health have a mutually dependent relationship. The Ministry contracts out to CHAM to provide Essential Health Package services, including 32 maternal and child health services, through service level agreements (SLAs) in areas where it does not have sufficient coverage—predominantly rural areas. According to Ministry figures,

there are 78 SLAs in place with 74 of CHAM's 172 health facilities, as several facilities have multiple SLAs (Lungu, 2011). Additionally, CHAM training institutes are critical to addressing Malawi's health sector human resources shortage as they enroll nurses, nurse midwife technicians, laboratory technicians, clinical officers, and psychologists. In fact, CHAM trains approximately 70 percent of all nurses in Malawi.

In implementing Essential Health Package services, CHAM has faced several capacity constraints, including a weakened secretariat, poor contract negotiation skills, an over-reliance on public sector drug supply, and poor financial management, as CHAM depends on the Ministry for an average of 50 percent of its income across the various levels of the network.



Jessica Scranton

In 2002, CHAM and the Ministry of Health signed a memorandum of understanding to structure their partnership. The agreement outlines general terms for CHAM staff subsidization, other personnel support, and SLAs. While the SLAs were conceived to expand coverage of the Essential Health Package, currently only two CHAM facilities fully cover them. The rest of the SLAs with CHAM facilities only cover maternal and newborn health services (60 facilities) or services for children under age five (12 facilities) (Lungu, 2011). Moreover, the SLAs have had enormous operational challenges, including disagreements over costing and reimbursements; decentralized and inconsistent oversight; and an insufficient policy framework supporting the administration

of SLAs. These challenges, along with allegations of ghost employees (Chapulapula, 2011), have engendered a negative image of CHAM to many stakeholders. This includes the general public. As such, establishing a new memorandum of understanding to guide the relationship between CHAM and the Ministry of Health is of paramount importance to the future of Malawi's health system. That agreement must structure new SLAs to accurately capture costs for both entities.

Given that CHAM is a layered network, improving its overall sustainability will require strengthening CHAM at various levels of the organization. This would include improving secretariat and facility-level sustainability, in addition to bolstering CHAM's service delivery performance and improving its position, both in public perception and reality, within the overall health system in Malawi.

### **Opportunities and Challenges for the Private Sector**

The commercial health sector in Malawi is relatively new and as a result, small. Despite its size, all key stakeholders and most private providers interviewed believe that the private health sector has been

growing—particularly in the last three years—and will continue to do so. Moreover, opportunities exist to help shape the private health sector as it grows to expand the delivery of priority public health services. Indeed, the assessment identified several key opportunities for expanding the commercial sector. These include expanding access to finance for private providers to grow businesses; improving business and management practices for private providers; identifying commercially viable health products with prospects for local manufacturing; and utilizing networking and franchising to organize and strengthen service delivery by private providers.

With these opportunities, however, come key constraints. The assessment revealed that private providers in Malawi are isolated and the private health sector is highly fragmented. There is incomplete information regarding the location of commercial providers (as compared to public and CHAM facilities) as well as insufficient knowledge concerning the demand for commercial services (which is likely limited due to high levels of poverty). In addition, providers interviewed cited limited opportunities for networking and sharing information. Private provider associations are weak and have limited membership, and the assessment found no examples of group practice. In addition, it found only a few examples of provider networks or other types of organizationally complex business models that provide scale and efficiency gains. Moreover, there is a very limited market for private financing mechanisms including private health insurance and micro-health insurance.

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### **Policy Landscape**

Overall, the policy and enabling environment in Malawi is conducive to private sector growth. There is no direct policy or legal limitation of private sector investments in the health sector, except for the common regulatory requirements that may present challenges to establishing a private practice.

While adequate policy mechanisms are in place to support the utilization of the private health sector in national health objectives, there is limited, unorganized, and insufficient private sector representation at key policy decisionmaking bodies. Regulatory bodies themselves face many obstacles. Regulation and oversight of the private health sector, specifically private health practice, is the mandate and responsibility of the regulatory boards established under various acts of the Malawi Laws and Constitution. These boards, including the Medical Council of Malawi, the Nursing Council, and the Pharmacy, Medicines and Poisons Board, regulate both public and private health sectors. During the assessment, representatives from these boards identified several challenges to fulfilling their governance mandate, including inadequate funding, inadequate number of inspectors, a growing number of unlicensed providers, a weak re-licensing system, inadequate resources and capacity to regulate training institutions, confusing quality and accreditation standards, and delays in revising outdated laws and new acts.

There are high barriers to entry for private practice, and the regulatory environment can hinder the emergence of new commercial providers. Key informant interviews revealed policy and regulatory obstacles to the growth of the private health sector. These included a work requirement of several years before starting a private practice, lack of access to capital to comply with Ministry regulations regarding equipment and infrastructure requirements, market competition with free services, and a small target market.

At the same time, key informant interviews also revealed supporting factors that lead to a greater private sector role in health care. These factors include:



Jessica Scranton

1. Clear guidelines governing dual practice, where health workers in the public sector are allowed to engage in part-time private practice on the condition that the Ministry gives a “no-objection” letter to the Medical Council before licensing
2. Consolidating regulatory functions, where the government of Malawi is in the process of merging all the health regulatory boards into one National Health Service to streamline regulation of the health sector
3. Movement toward performance-based quality standards
4. Consumer advocacy to address quality concerns in the private sector
5. The use of continuing professional education (CPE) that requires all health professionals to undergo accredited CPE activities annually and obtain the minimum CPE points required for re-licensing

The assessment found numerous opportunities to further foster an enabling policy environment by establishing regulatory and market conditions more conducive to commercial practice; strengthening the Ministry’s capacity to provide effective stewardship over the private health sector; revitalizing public-private dialogue through a reinvigorated public-private partnership technical working group; and improving private sector capacity to partner with the public sector through organization, representation, and better contract negotiation skills.

## RECOMMENDATIONS

The assessment provides multiple recommendations to promote the sustainability of CHAM; improve the relationship between the Ministry of Health and CHAM; expand the role of commercial health providers in Malawi; and foster an enabling policy and regulatory environment conducive to well-functioning partnership with private providers. The government of Malawi and its development partners could pursue many of these recommendations to strengthen the participation of the private sector in the provision of essential health services. The Ministry's new Health Sector Strategic Plan makes clear that improvements are necessary in the way that it works with the private sector and affirms that the private sector is a critical service provider in health care in Malawi.

Key overarching recommendations include building the capacity of CHAM as a self-sufficient network and organization. Once CHAM achieves sufficient financial and organizational capacity, it can better partner with the Ministry to provide life-saving health services in rural areas. Likewise, improving the Ministry's ability to steward the private sector and effectively implement clear and well-structured contracting arrangements is essential.

While the assessment focused heavily on the role of CHAM, given that the network provides 37 percent of health services in Malawi, other innovative private, nonprofit models were identified. For instance, some nongovernmental organizations providing HIV care and treatment expressed a desire to pursue their own SLAs with the Ministry to increase the number of individuals receiving HIV/AIDS care and treatment services at their clinics. Strengthening the Ministry's overall policy framework for partnering with the private sector should allow for more effective contracting with other non-CHAM private actors, as well as improve the implementation of SLAs with CHAM.

The assessment outlined many of the steps needed to expand the commercial health sector in Malawi. These steps include reforming the regulatory and policy environment to better allow the emergence of private practice; organizing disparate private providers through networks and franchises to improve service delivery quality; revitalizing private provider associations to play a key role in health policy decisionmaking; expanding access to finance for commercial providers; identifying opportunities for sustainable, commercial product supply of essential health commodities; and reducing barriers to the development of a large private health insurance market. However, these recommendations must be evaluated against the backdrop of Malawi's high levels of poverty and low demand for commercial health services. Growing the commercial health sector in Malawi requires both the types of interventions suggested in the assessment as well as overall economic development and reduction in poverty in the country.

*The new Health Sector Strategic Plan makes clear that improvements are necessary in the way that the Ministry of Health works with the private sector, a critical service provider.*

The key recommendations from the assessment are summarized below:

1. Promote CHAM sustainability
  - Improve the sustainability of CHAM facilities through an organizational benchmarking exercise leading to technical assistance in financial and business management; improving service and product offering; strengthening governance and oversight; and increasing contracts negotiation skills
  - Strengthen the CHAM secretariat's management capacity so that it can effectively offer value-added coordination and oversight to member units, and strengthen its relationship to facilities and the Ministry
  - Improve CHAM's service delivery performance through expanding standards-based management recognition to CHAM facilities; incorporating zinc into diarrhea treatment at all CHAM facilities; and improving the distribution and use of micro-nutrients throughout the CHAM network
2. Expand the commercial health sector
  - Strengthen the BlueStar social franchise by improving the business and financial management capacity of BlueStar clinics and strengthening the social franchise model
  - Strengthen other commercial providers by building the capacity of private provider associations; training commercial providers in business and financial management skills; and adding essential health services to the services offered by non-networked providers
  - Work with financial institutions to expand lending in Malawi to the private health sector and consider utilizing a Development Credit Authority guarantee
  - Promote the development and scale-up of innovative financing mechanisms including micro-health insurance, community insurance, provider-based prepaid plans, and medical savings accounts
  - Review and create a regulatory framework for health insurance
  - Build consensus on the future development of a social health insurance scheme that has clear roles for the private sector both in financing and provision of services
  - Examine prospects for local manufacturing of hygiene and sanitation products

3. Build an enabling policy environment for private sector health care
  - Strengthen the policy and regulatory framework by supporting the development of a strong and standardized public-private partnership policy in health; reviewing and updating the legal and regulatory framework, resulting in a roadmap of reforms; building capacity of the regulatory boards to promote and enforce accreditation and quality standards in service delivery; and promoting involvement of private sector associations in identifying and enforcing standards and quality among their members
  - Build capacity and systems in the Ministry of Health to engage the private sector by strengthening the Public-Private Partnership Technical Working Group to carry out its mandate of promoting and overseeing public-private partnerships in health; assisting the Ministry to establish, operationalize, and train a public-private partnership unit; and strengthening Ministry contracting capacity
  - Strengthen private sector capacity to dialogue and partner with the public sector through stronger organization and support for public-private engagement and dialogue



Jessica Scranton

*The goal of these recommendations is to build a more vibrant private sector role in Malawi's health care system.*

## CONCLUSION

The goal of these recommendations, and ultimately of the assessment, is to build a more vibrant private sector role in Malawi's health care system. Malawi's high levels of poverty, reliance on CHAM for rural health services, strong history of free health care, and low demand for commercial services should shape the types of solutions implemented to improve health indicators for Malawians. Throughout the health system, particularly in the case of CHAM, there are strong public sector elements and financing mechanisms guiding the provision of private health care and many of the models discussed in the assessment are hybrid models with both public and private elements. The true test of success for the innovations and recommendations proposed by the assessment is not whether they are purely "public" or "private" but whether they improve access to essential health care for all Malawians in an efficient manner.

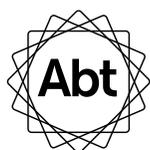
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Abt Associates Inc.  
4550 Montgomery Avenue, Suite 800 North  
Bethesda, MD 20814 USA  
Telephone: 301.347.5000 • Fax: 301.913.6019  
[www.abtassociates.com](http://www.abtassociates.com)