

PN-ACB-465

**ASSESSMENT OF CURRENT  
STATUS OF LAPROMED**

May 27-30, 1997

Guatemala City, Guatemala

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Humberto Zardo

BASICS Technical Directive: 000 GU 01 029  
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## ACRONYMS

BASICS	Basic Support for Institutionalizing Child Survival
EDC	Community Oriented Training (division of University of San Carlos)
IGSS	Guatemala Social Security Administration
INCAP	Institute of Nutrition for Central America and Panama
I PROFASA	Importadora de Productos Farmaceuticos
LAPROMED	Pharmaceutical Production Unit
NGO	Nongovernmental Organization
ORS	Oral Rehydration Salts
PASMO	Pan American Social Marketing Organization
PATH	Program for Appropriate Technology in Health
QC	Quality Control
UNICEF	United Nations Children's Fund
USAC	University of San Carlos
USAID	United States Agency for International Development

## **EXECUTIVE SUMMARY**

Mr. Mervyn Hamer, technical director for Program for Appropriate Technology in Health (PATH) and Mr. Humberto Zardo, consultant to PATH, visited Guatemala City, Guatemala, for the purpose of assessing the current status of LAPROMED. Mr. Carlos Rafael Anzueto, also a consultant to PATH, visited LAPROMED a week prior to the visit of Messrs. Hamer and Zardo in order to collect current data regarding LAPROMED's quality and business status. LAPROMED is the pharmaceutical production unit of the community-oriented training (EDC) of the University of San Carlos (USAC). In particular, the assessment was focused on production of oral rehydration salts (ORS), which accounts for approximately 80 percent of LAPROMED's sales. The USAID Mission in Guatemala City had requested that BASICS undertake this evaluation in order to determine whether LAPROMED was meeting the objectives set forth in Project No. 520-0339, which concluded in December 1995. BASICS in turn contracted with PATH to perform the assessment.

The assessment team developed a five-point scope of work, covering the full range of production, quality, financial, marketing, and distribution issues currently facing LAPROMED. Detailed findings for each objective can be found in the main body of this report. The team's activities consisted of a series of meetings with key individuals within LAPROMED, USAC, the Government of Guatemala, private industry, and various NGOs and international organizations. The LAPROMED production and quality control facilities were also inspected to assess the physical status of the manufacturing operation and to determine what changes had been made in facilities or personnel since completion of the project.

Overall, the team found LAPROMED's production and quality control operations in excellent shape. The facility and equipment are being well maintained, and the product quality has been consistently high. The addition of a new quality control chief has strengthened the organization, allowing the prior QC chief to concentrate on improving and expanding the liquids production area. However, as indicated in the project summary documents in 1995, LAPROMED continues to struggle in the critical areas of marketing, sales, customer service, business development, and distribution. A change in the Ministry of Health's procurement policy from a centralized to decentralized system has further exacerbated the problem in that LAPROMED must now deal with 27 regional health areas, instead of just the central procurement group in the MOH. This results in difficulties in receiving orders from and in delivery to these customers. Product costs have also increased, making LAPROMED's ORS less competitive in comparison to other products available on the market.

In summary, the team found that LAPROMED is fully capable of producing adequate quantities of high quality product, but lacks expertise and resources in the pre-manufacturing areas of sales and marketing and the post-manufacturing areas of distribution and customer service. Further assistance to LAPROMED should focus on these deficiencies and could take the form of developing partnerships with private organizations which are already marketing and distributing pharmaceuticals or other medical products. Some additional technical assistance would also be useful in reducing raw material costs and improving product stability.

## **PURPOSE OF VISIT**

From October 1992 through December 1995, PATH assisted in the establishment of ORS production capacity at LAPROMED, under contract with USAID. The goal of the project was to make high quality ORS available to the Government of Guatemala's health programs, while providing training opportunities for USAC pharmacy students. A production facility for ORS was constructed and equipped, personnel trained, and financial models for sustainability developed. At the conclusion of the project, LAPROMED had clearly demonstrated the ability to manufacture consistently a product meeting national and international standards of quality. It was recognized at that time, however, that additional effort would be required to maintain sales to the MOH, as well as to develop additional customers in both the public and private sectors to achieve self-sufficiency and sustainability. This challenge was made more difficult by the government's decision to decentralize procurement to the regional health areas. As a result of this change, and in light of LAPROMED's inability to identify and cultivate additional customers, sales have declined from approximately 1.1 million sachets in 1995 to 537,000 in 1996. Sales for the first four months of 1997 are on a similar pace as in 1996.

Based on the downward trends in sales, and the potential impact on long-term viability of LAPROMED ORS production, USAID requested that an assessment be performed, in order to identify what organizational, technical, or financial constraints that are preventing LAPROMED from achieving sustainability. The scope of work is provided in Appendix A.

## **BACKGROUND**

Beginning in October 1992, and ending in December 1995, PATH provided technical assistance to establish ORS production capacity at LAPROMED under USAID Contract No. 520-0339-C-00-2234-00, Project No. 520-0339. A summary of the activities, accomplishments, and recommendations of the project can be found in "A Plan for LAPROMED Form-Fill-Seal Production Sustainability" (December 8, 1995) and "Final Substantive and Administrative Reports" (February 27, 1996). These documents detail the attainment of reliable production of high quality ORS product at LAPROMED, but also warn of the challenges to be faced with respect to establishing and maintaining a market for the ORS. Various recommendations were made regarding mechanisms by which LAPROMED could further expand and diversify the customer base for its products, ranging from sales/marketing assistance from the USAC business school, to establishing collaborations with NGOs and private-sector companies to provide "private label" ORS product. Expansion of the product line to tap the sports drink and similar markets was also suggested. For a variety of reasons, none of these recommendations has been acted upon (although there have been some minor product line extensions in the liquids area), with the result that sales of ORS have declined significantly since 1994/95. LAPROMED's biggest customer, MSPAS (Ministry of Health), has eliminated its central procurement function, allowing the regional health areas to procure medicines and medical supplies directly from manufacturers or distributors. As LAPROMED has no infrastructure for servicing a widespread customer base, from either the sales or distribution perspective, the areas that are not near the

capital of Guatemala City are not purchasing ORS from LAPROMED. For example, sales records for 1996 show sales were made to only 5 of the 27 health areas, and to only 6 thus far in 1997.

LAPROMED's second largest customer, IGSS (Guatemalan social security administration), has also recently made a significant purchase from a commercial ORS producer, further eroding current and potential future sales. A third customer, ADAMED (a private company), has indicated an intention to switch from sachet packaging for ORS to a bottle package, which will reduce LAPROMED's production requirements, even if ADAMED decides to continue to contract with LAPROMED for bulk ORS (without packaging).

In summary, all three of LAPROMED's primary customers either have already reduced or are in the process of reducing their purchases from LAPROMED. Without immediate and significant steps to reverse this trend, it is likely that demand for LAPROMED's ORS product will be insufficient to justify continued production.

## **TRIP ACTIVITIES**

The assessment team conducted a series of meetings and interviews to assess the current status and future potential for LAPROMED ORS production. A summary of these activities is as follows, with a complete list of contacts included as Appendix B.

- Mr. Carlos Rafael Anzueto visited LAPROMED prior to the arrival of Messrs. Hamer and Zardo in order to gather background information regarding the current status of production, staffing, and ORS sales. Mr. Anzueto's report is included as Appendix C. Mr. Anzueto also made preliminary contacts with representatives of USAID, BASICS, UNICEF, and INCAP in order to gather general information regarding ORS usage and to arrange for more detailed meetings with the assessment team.
- Upon arrival in Guatemala, the team first met with USAID and BASICS staff to confirm the overall objectives of the mission and to outline the week's schedule of activities.
- The next meeting was at USAC with the Dean of the School of Pharmacy and senior EDC/LAPROMED staff. Discussion centered around the challenges faced by LAPROMED since PATH assistance ended in 1995 and the continuing conflict within the university regarding the intended focus of LAPROMED, i.e., training and "social work" vs. a business orientation.
- The UNICEF nutrition officer was consulted regarding the current level of ORS donations in Guatemala in order to assess to what degree these donations were competing with LAPROMED sales. UNICEF's interest in local purchase of ORS was also explored, with the key issues being quality and price.

- A full day was spent at the LAPROMED production facility. Activities included:
  - Inspection of the facilities, equipment, and production operation in progress.
  - A review of quality control records.
  - An analysis of current production costs.
  - Discussions with LAPROMED staff on production, maintenance, and quality issues.
  - A discussion with a representative of the MOH concerning current procurement regulations and how LAPROMED can become a "qualified provider" of ORS to the government programs.
- A meeting was held with representatives of the Guatemala Pharmaceutical Manufacturers Association to assess the potential for other manufacturers to contract with LAPROMED for private label ORS, or utilize LAPROMED's capacity for contract manufacture and packaging of other powder/granular pharmaceutical products.
- The representative of PASMO (Pan American Social Marketing Organization) was interviewed to determine whether ORS might be a viable product line for the social marketing activity, in conjunction with other family planning and maternal/child health products.
- IPROFASA, a private distribution company, was asked about their interest in a partnership with LAPROMED. IPROFASA, which currently distributes family planning products primarily, could provide some combination of marketing, sales, or distribution services to LAPROMED, taking advantage of IPROFASA's existing sales and distribution network throughout the country. Another option would be a private label ORS product which LAPROMED could manufacture with an IPROFASA specific brand name.

## **RESULTS AND CONCLUSIONS**

### **Objective 1: Evaluate the current production process, quality control systems, and quality of product.**

The current production process at LAPROMED continues to follow the outline provided by PATH during the technology transfer phase of the project. Documentation practices were found to be satisfactory, and the overall appearance of the facility and equipment was excellent. Quality control practices were also found to be in accordance with established procedures regarding sampling, assays, and disposition of batches.

QC results were also well within specification, with the exception of three rejected batches over the past 18 months, for which assignable causes were found, and appropriate corrective actions taken. A new QC chief, who joined LAPROMED in June 1996, has brought additional private sector experience to the organization and appears to have a solid grasp of all quality issues. ADAMED, LAPROMED's private-sector customer, also tests batches of ORS which they receive and report that all 1996/97 batches have passed USP XXIII specifications. ADAMED

further stated that they are quite satisfied with LAPROMED's quality of product, including packaging quality.

Other than the ADAMED testing, there has been no independent analysis conducted on LAPROMED product since project completion. This will be further discussed under Objective 5.

One opportunity for product quality enhancement is in the area of shelf life. LAPROMED's ORS product currently bears a two-year expiration date, while many organizations desire at least two years of remaining shelf life when product is received. While it appears that LAPROMED ORS is chemically stable beyond two years, it has been observed that the powder tends to cake or clump, which, while having no effect on the potency or efficacy of the product, is perceived by many consumers as indicating that the product is not usable. This condition is likely due to either inadequate moisture barrier properties of the sachet foil laminate or to the use of powdered glucose rather than a granular form. LAPROMED may need technical assistance to design and implement studies to address this issue.

LAPROMED appears to be able to maintain an adequate supply of spare parts, but has had difficulty in procuring *replacement* parts that fail unexpectedly. A recent example of a clutch-brake on the powder filler that failed due to age and use highlighted the problem that the current mechanism for obtaining financial authorization to purchase a replacement for this relatively expensive part through the USAC procurement hierarchy is slow and cumbersome. A complicating factor was LAPROMED's inability to contact the United States manufacturer with accurate information as to what part was required. Fortunately, another filler was available, from which the clutch-brake could be taken to replace the one that had failed, allowing production to resume. Nevertheless, a replacement clutch-brake must still be purchased to avoid future shutdowns. PATH provided recommendations to contact the filler manufacturer directly, rather than through the form/fill/seal equipment manufacturer.

LAPROMED currently employs a full-time technician to perform preventive maintenance and general repairs on equipment. The technician, who is also studying engineering at the university in the evenings, is capable of mechanical, electrical, and electronic maintenance tasks, as well as routine activities such as filter changes. He could also be trained in how to contact equipment vendors for replacement parts and should also compile a formal inventory of all spare parts required to keep production running.

LAPROMED also maintains a service contract with Ciraire for maintenance and servicing of the compressors and air handling system, which also appeared to be well maintained.

## **Objective 2: Evaluate the current manufacturing and technical personnel and capabilities.**

Based on observation of LAPROMED's current production output using the automatic form/fill/seal machine, there is capacity to produce two million ORS one-liter sachets per year on a single-shift basis. Additional capacity could be accommodated by employing the semi-automatic fill/seal system (one million sachets per year) or by adding a second shift. As stated

previously, however, the need for this level of capacity is not evident in the foreseeable future, as sales are decreasing rather than growing. In summary, LAPROMED has more than sufficient physical capacity for any realistic demand scenario.

With the return of Licda. Alba Nory de Barrera, the relocation of Licda. Arriaza to liquids production, and the hiring of Licda. de la Roca as QC chief, LAPROMED has strengthened its technical capabilities, and has the technical resources to develop and produce other forms of oral rehydration therapy such as liquid ORS or flavored ORS for private-sector customers (e.g., sports drinks). The addition of the aforementioned full-time technician for maintenance is also a positive step for reliable and consistent production.

The management team also appears to have implemented an effective training regimen to address the rotation of students through the program every six weeks. The retention of a core group of full-time technicians has been key to the success of the program.

One concern is the potential change in USAC and EDC administration with the retirement of the director of EDC (Lic. Avila) later this year, and the likely election of a new USAC rector (president) and decano (dean) of the School of Pharmacy in 1998. While the rector has been very supportive of LAPROMED, it is unknown what effect a new administration would have on funding or policy decisions. For example, many professors in the School of Pharmacy advocate a social service oriented program for students (e.g., working in hospitals), rather than the industrial pharmacy training they currently receive at LAPROMED. If a new rector were to be persuaded of the social service point of view, the current staffing mechanism of utilizing students at LAPROMED could be jeopardized.

### **Objective 3: Evaluate the current marketing capability and status of sales.**

LAPROMED currently has neither the infrastructure nor the expertise to market and distribute ORS effectively to the public or private sectors. Yet several significant opportunities exist in both of these areas, some of which have been identified previously, and were further explored during the assessment team's visit.

- **UNICEF:** UNICEF currently distributes approximately 700,000 sachets of ORS per year in Guatemala, primarily to religious organizations, NGOs, and a small quantity directly to the government. Currently, the product is imported from UNICEF's Copenhagen distribution center, but UNICEF has indicated that they would procure product locally if quality and price requirements were met. UNICEF has concerns about the caking problem mentioned under Objective 2, and would need pricing close to their current cost (\$0.09/sachet). If LAPROMED had a sufficiently wide customer base, it would be possible and beneficial for them to supply UNICEF at marginal cost, only covering their material costs and labor.
- **PASMO:** The Pan American Social Marketing Organization is very interested in establishing a portfolio of family planning and maternal/child health products. ORS clearly fits into this

category, and the PASMO representative expressed strong interest in exploring further the possibility of LAPROMED supplying product in PASMO-specific packaging.

- **I PROFASA:** I PROFASA (Importadora de Productos Farmaceuticos) is a private organization which markets and distributes medical products, primarily contraceptives. The company already has a network of representatives and distribution points throughout the country and could either be a contract distributor for LAPROMED, or might also be interested in purchasing product from LAPROMED with I PROFASA-specific packaging to market to the private sector (pharmacies and hospitals) themselves.
- **Private Pharmaceutical Manufacturers:** In a meeting with representatives of the Guatemalan Pharmaceutical Manufacturers Association, it was discovered that the capacity at LAPROMED to produce form/fill/seal packaging of powdered products could be in demand from private companies. The meeting participants had no prior knowledge of LAPROMED, but at least one company (Laboratorios Laprin) expressed immediate interest in LAPROMED's powder and liquid manufacturing capabilities. A few small contract manufacturing agreements would help LAPROMED's financial situation considerably.

Although LAPROMED has documents that indicate it is exempt from registration as a merchant (Appendix D), and that it also may supply products to the government without obtaining the usual "qualified provider" status, it may still be possible and advantageous to pursue qualified provider status. This would put them on an equal footing with other commercial entities and therefore avoid confusion on the part of the health areas, which are instructed to procure supplies only from qualified providers. Therefore, the assessment team recommends that LAPROMED should pursue official provider status vigorously; they appear to have all the information required for them to do so, but should call upon additional resources (such as legal) as necessary to achieve this status. For 1997, the rector of USAC intervened directly with the Vice President of Guatemala to allow LAPROMED to continue to supply to the government, but this special waiver cannot be counted on in the future, and in any event, has not been totally effective in maintaining LAPROMED's market share.

**Objective 4: Analyze the current financial situation and compare it against the original financial model that was developed in December 1995 toward reaching self-sustainability.**

LAPROMED's current price to the government per sachet of ORS is 0.92 Quetzales, or US\$0.154, compared to a UNICEF delivered price of approximately US\$0.09. This indicates that LAPROMED's price is significantly higher than the international benchmark.

A comparison of current direct costs with those used in the financial model of December 1995 is as follows:

	<u>Variable cost, Quetzales/sachet</u>	
	12/95	5/97
Raw materials	0.270	0.366
Pkg. material (foil)	<u>0.140</u>	<u>0.187</u>
Total	0.410	0.553

Therefore, at an exchange rate of Q 5.95/US\$, LAPROMED's current direct costs are \$0.093/sachet, which is higher than the UNICEF *sale price*. If LAPROMED's fixed costs are assumed to be unchanged from 1995 at approximately Q 550,000/year, the total cost per sachet at a production volume of one million sachets per year is Q 1.103, or \$0.185. Thus, the current sale price to the government of Q 0.92/sachet is not truly covering all costs, even if production volumes were approaching one million sachets per year, which they are not presently. (It should be noted, though, that the fixed costs contain an element of depreciation, which is a calculated figure based on the facility construction cost and equipment purchase cost, which were not borne by LAPROMED. Nevertheless, it is important that these costs be accounted for in some fashion, since they will eventually become real costs as the facility and equipment age and require significant repair, upgrading, or replacement.)

Therefore, it is clear that LAPROMED must lower the cost of products by two means:

- Reduce the cost of raw materials through international procurement.
- Spread the fixed costs over a larger denominator (i.e., sales).

LAPROMED currently does not have the expertise to address either of these issues in a formal and comprehensive way and will need assistance if they are to achieve the level of sustainability that was envisioned in 1995.

**Objective 5: Develop recommended plan of action for technical assistance to LAPROMED in conjunction with USAID and LAPROMED staff.**

LAPROMED has significant needs for assistance if the current downward trend in sales is to be reversed. Despite clear recommendations in the past to expand the customer base, virtually no action has taken place, and consequently no significant customers have been added. To make matters worse, government policy changes (decentralization of procurement) have further eroded the existing base of sales that had been established, and recent indications are that IGSS sales are also being lost to competitors. The assessment team therefore recommends that the following actions be taken in the order of priority indicated, although many of the actions can be carried out concurrently. LAPROMED will need assistance with many of these activities, and a

comprehensive scope of work and proposal will need to be developed, identifying the required skills, specific objectives, time lines, and costs for assistance.

### **Highest Priority**

1. Explore marketing and distribution partnerships with private sector partners such as IPROFASA in order to establish the capability to deliver product to government facilities in outlying health areas.
2. Simultaneously, submit the necessary documents to become a qualified provider to the government, and notify each health area of the status, preferably by in-person visits to each area. Obtain orders for ORS during the meetings.
3. Meet with IGSS procurement officials to determine why a recent purchase was made from a private-sector ORS manufacturer. Based on information received, determine what steps are required to meet IGSS requirements for future orders (quality, price, delivery, etc.).
1. Meet with PASMO, UNICEF, and private sector manufacturers to explore opportunities for ORS sales or contract manufacturing of other powder or liquid products.
1. Evaluate raw and packaging material costs and identify opportunities for savings.

### **Secondary Priority**

1. Evaluate alternate foil laminates and granular glucose for impact on shelf life and expiration dating, especially with regard to caking.
2. Conduct a thorough inventory of spare parts and identify shortages. Provide training in parts inventory management and procurement of replacement parts from international or overseas manufacturers.
3. Develop costs to utilize private trucking firms for delivery of ORS to health areas not immediately adjacent to Guatemala City, and publish a "delivered price list" to the areas. This option may be necessary until a formal partnership is established with a distributor who can assume this role.
4. Conduct an independent comparative quality study of all ORS products being sold in Guatemala, including LAPROMED's. It is possible that this study will demonstrate significant quality differences among products, which will lead to an improved market position for LAPROMED.
5. Provide business management training to LAPROMED staff, especially in relation to budget preparation (e.g., for equipment and facility repair and maintenance), and for product cost tracking.

### **SUMMARY**

While LAPROMED continues to demonstrate a high level of technical capability, their business development, marketing, sales, and distribution capabilities are virtually nonexistent. Assistance has not been forthcoming from other parts of the university, such as the School of Business, so LAPROMED will need to form partnerships or contract for these skills. However, the process of

establishing such partnerships and contracts is itself complex, so LAPROMED needs immediate and focused assistance in these areas if it is to recapture lost customers and develop new ones. Some additional technical assistance in product quality enhancement would also be useful, but it is primarily the business aspects that require the most attention.

## **APPENDIXES**

**APPENDIX A  
SCOPE OF WORK**

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**BASICS**  
**SCOPE OF WORK DESCRIPTION**

- A) Name: PATH
- B) Account Code: 000-GU-01-029
- C) Destination: Guatemala
- D) Dates: o/a 05/26/97 to o/a 05/30/97
- E) Fee days: 5
- F) Scope of Work

PATH's assistance to LAPROMED under a USAID/Guatemala-funded contract ended in December, 1995. No reports have been received by PATH to-date on the current situation with the facility. In order to develop a plan of action, one PATH staff member and one consultant would travel to Guatemala City to meet with LAPROMED managers and USAID staff to assess the current situation and needs. An in-country consultant who previously provided sales and marketing expertise would join the team at LAPROMED. The following topics would be covered.

- Evaluate the current production process, quality control systems, and quality of product.
- Evaluate the current manufacturing and technical personnel and capabilities.
- Evaluate the current marketing capability and status of sales.
- Analyze the current financial situation and compare it against the original financial model that was developed in December 1995 toward reaching self-sustainability.
- Develop recommended plan of action for technical assistance to LAPROMED in conjunction with USAID and LAPROMED staff.

**Deliverables**

Site visit report, draft plan of action, budget, and timeline

**APPENDIX B  
LIST OF CONTACTS**

**Appendix B  
Contacts List**

**BASICS DC**

Dick Nelson

**BASICS Guatemala**

Mr. Carlos Kwan, Country Representative

Mrs. Claudia Borrayo, Administrator

**I PROFASA**

Jorge Mario Ortega M., General Manager

**LAPROMED**

Mrs. Alba Nory de Barrera, LAPROMED Chief

Mr. Luiz Galvez, ORS Production Chief

Mrs. Azucena de la Roca, QC Chief

**Ministry of Health**

Mr. Oscar Rosal

**PASMO (Pan American Social Marketing Organization)**

Michèle R. Cato, Marketing Manager

**UNICEF Guatemala**

Mrs. Nicté Ramirez, Nutrition Officer

**USAID Guatemala**

Dr. Baudillio Lopez, Health and Education Officer

**University of San Carlos (USAC)**

Lic. Jorge Pérez Folgar, Dean

Mr. Carlos Avila, Director EDC/LAPROMED

**Pharmaceutical Products Manufacturers Association**

Lic. Luis Anibal Blanco, Attorney and Notary

David Cuevas, Sales Manager, Guatemala, Hoechst Marion Roussel

Pablo Salguero, Supervisor of Antimicrobial Line, Hoechst Marion Roussel

Otto F. Rehwoldt, Commercial Director, Laboratorios Laprin, S.A.

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**APPENDIX C**  
**ORS-LAPROMED PRELIMINARY FACT FINDING REPORT**



**ORS-LAPROMED  
PRELIMINARY FACT FINDING REPORT  
Guatemala, May 1997**

**Carlos Rafael Anzueto**

**ORS-LAPROMED  
PRELIMINARY FACT FINDING REPORT  
Guatemala, May 1997**

**OSMOSIS/Carlos Rafael Anzueto**

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**ORS-LAPROMED  
PRELIMINARY FACT FINDING REPORT  
Guatemala, May 1997**

**OSMOSIS/Carlos Rafael Anzueto**

**INTRODUCTION**

Several fact finding interviews and visits were conducted with people related to the ORS operation at Lapromed in Guatemala as a means to collect updated information about its operation during the January '96-May '97 period. Collected information was requested and defined by PATH previous to its representatives visit to Lapromed on May 27-29. In addition to the areas of organization; administration; new products; changes in the MOH business relation; sales/market development, and production volume vs sales behavior, as originally requested, some information was also gathered in the technical areas of production and quality control.

The following people were contacted to gather the requested information: Mr. Carlos Ávila, Lapromed/EDC Program Director; Mrs. Alba Nori de Barrera, Lapromed Chief; Mrs. Azucena de la Roca, Lapromed Quality Control Chief; Mr. Luis Gálvez, ORS Production Chief; Mrs. Lesbia Arriaza, Liquids Production Chief; Mrs. Claudia Borrayo, Administrator, BASICS Guatemala; Dr. Baudilio López, Health and Education Officer, USAID Guatemala; Mrs. Nicté Ramírez, Nutrition officer, UNICEF Guatemala; Dr. Francisco Cheu, Mother/Child Care Coordinator, INCAP.

Although the work done did not pretend to be a profound diagnostic of the situation, but a preliminary fact finding instead, some recommendations are included in this report, which may be useful to consider as part of the overall discussion that will probably take place during and after Mr. Zardo and Mr. Hamer's visit.

**MAIN FINDINGS**

**1. EDC/Lapromed's Autonomy and Business Assistance:**

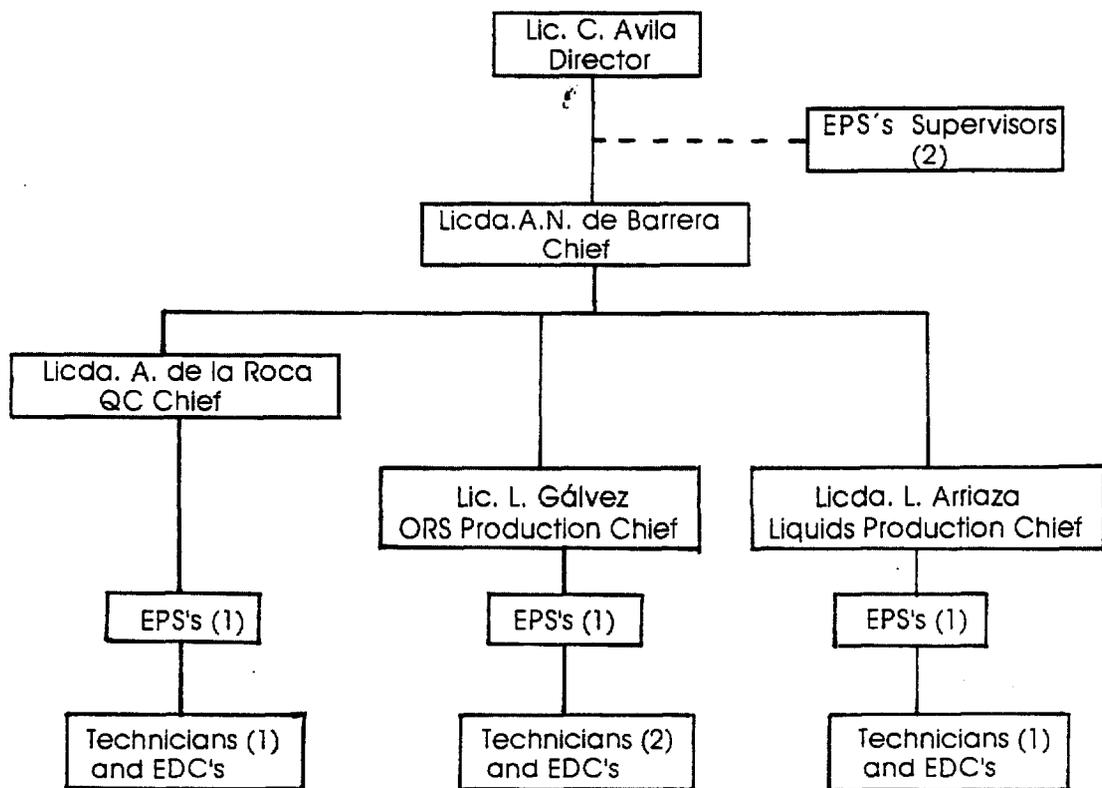
No changes have occurred around the autonomy of the EDC program or Lapromed, nor for the appointment of a person for business assistance to it. According to Mr. Avila, Mr. Gálvez and Mrs. Barrera, this is impossible to occur due to "structural, conceptual and/or ideological" reasons on the University side. In the case of a support person, they also mentioned there is no budget to cover such possibility and that it is practically impossible that the University will create a job opening in such (or any) direction at this time. Mr. Avila even mentioned he is considering reducing the personnel count in ORS Production since volumes are too little. The only improvement mentioned regarding Lapromed's autonomy is that Lapromed was authorized to do sales and issue

corresponding invoices after 11:00 am, when the treasurer finishes working at Lapromed's premises.

As it will be discussed later, lack of a support person have also negatively affected all possibilities for market and sales development. In this respect, there is no person in charge of this function, and therefore, nothing has been done in this area. Although at some point this was an assignment thought for Mrs. Barrera after returning from her leave in January of '96, such responsibility was never given to her. Mr. Avila and Mrs. Barrera argue that this would have been impossible since the latter works only part time (7:00 to 11:00 am), which is not even enough for performance of her administrative duties. She also mentioned she has no experience in the sales area. (In this respect, it was also perceived that sales is not an area she would like to work on).

## 2. Heads/Organization at EDC and Lapromed:

The following diagram illustrates current organization at Lapromed and the EDC program:



- Notes:
- 1) Due to low production volumes, EPS's were reduced from 2 to 1 in the ORS operation.
  - 2) A total of two EDC's alternate in each division for a month.

An important issue to consider is that Mr. Avila is retiring sometime during next semester. This situation may be accentuating his lack of interest and commitment to the program, as well as his pessimistic/negative attitude towards any improvement or proposed solution in Lapromed's operation.

Movement of Mrs. Arriaza from the Quality Control Department to the Liquids Division of Lapromed occurred around June 1996, when Mrs. de la Roca started at the QC Department. Mrs. de la Roca was previously in QC at Hoechst for around 9 years.

### **3. Product lines/Sales mix:**

Lapromed has expanded its product line only in the "liquids" division with 3-4 new products. According to Mrs. Arriaza, Production Chief of this division, she started a process of product revision, elimination of obsolete products and production of new ones. She mentioned there was an annual sales growth from US \$500.00 to US \$6,000.00 from 1995 to 1996. Nothing has happened in terms of product line expansions at the Salts Division of Lapromed, where only the traditional ORS are being produced. Mrs. Arriaza mentioned they have done some publicity for their products through flyers and the University radio station. Some of their customers have been organizations like "Medecin sin frontiers", HOPE, "Fundación contra el Hambre" and other NGO's.

Mr. Avila reported sales during 1996 of Q. 40,602.00 and Q. 179,907.00 for liquids and ORS, respectively, representing a mix of around 20% : 80%.

### **4. The MOH situation:**

With the change of government in January of 1996, the MOH decentralized purchases of all products during first semester of that year. This meant that the primary warehouse is no longer operating, and that each regional Health Area in the country (one per province, i.e. 22) is free to buy directly from suppliers. As reported by Lapromed officials, initially, the Areas started buying ORS from other suppliers, even if price was higher than Lapromed's (sometimes because there were "commissions" involved, they stated). During second semester of 1996 Lapromed officials met with the University Dean, MOH representatives and the VP of the Republic and were able to get their support requesting Areas, in a mandatory way (a ministerial accord), to purchase the ORS from Lapromed since they offered the best price and approved quality product. This did not necessarily mean that sales at Lapromed significantly improved or that all Areas purchased salts from them during 1996 (See Table I in Appendix I of this report). Lapromed believes some Areas have distributed salts donated by international organizations, and others may have continued buying from other companies. UNICEF and the EU were mentioned as possibilities.

Regarding donations, Mrs. Nicté Ramírez, Nutrition officer at UNICEF Guatemala, confirmed that they have donated ORS to several NGO's and to the MOH. She promised a complete report showing amounts and beneficiaries.

Some irregularities prevail, even now in 1997. As of May 13, Lapromed only reports sales to 6 Areas (See Table II in Appendix I of this report), although expects this situation to change in the short term under the argument that the rainy season is about to begin and the Areas should have product in their warehouses to face any outbreaks of cholera. They also recognize, however, that the incidence of cholera has decreased in the country.

Lapromed is using around 7 EPS students working in 7 Areas to gather information about ORS inventories in their warehouses, as well to identify origin of such product. This information should be at Lapromed by the end of May.

Under the decentralized scheme, Lapromed has been requested by Areas to deliver the product to their regional warehouses. Since Lapromed does not count with a distribution system, quotations and sales conditions have been on the basis of order pick-up by customer at Lapromed warehouse. So far, Areas have agreed, although Lapromed recognizes this to be a threat for losing sales and a disadvantage vs the competition. An advantage of the direct purchase system now is that Areas pay cash upon product pick-up, avoiding the burden and time delay normally involved with centralized purchases by the MOH.

Lapromed is receiving support from two advisors of the Minister of Health, whom are now the contact persons regarding ORS issues and other medications. These are Mr. Lezana and Mr. Oscar Rosal. Letters have been sent to the Areas, both by Mr. Lezana and by Lapromed/Mr. Avila, "requesting" purchase from and offering ORS from Lapromed, respectively.

Regarding Clapp & Mayne work, Lapromed said they never received any feedback or information about it. Dr. Baudillo López from USAID Guatemala informed Clapp & Mayne finished operations in Guatemala on September of 1996. He recommended to contact Dr. Francisco Cheu, Mother/Child care Coordinator at INCAP (471-5655 to 9) to get some information about the work done by Clapp & Mayne related to distribution and procurement of medications in Health Areas. Confirming Dr. López's information, Dr. Cheu indicated there was not a final report summarizing Clapp & Mayne's work, since some of its findings and recommendations were communicated and implemented along the way. Some of these are documented though, apparently in isolated reports. Dr. Cheu mentioned INCAP is in charge of a project managing USAID funds in four geographical areas, i.e. San Marcos, Totonicapán, Quetzaltenango and Sololá. These funds include purchases of ORS, for which the areas are informed about Lapromed, Dr. Cheu concluded.

##### **5. Lapromed results/advances:**

Tables and corresponding graphs showing production forecast, real production volumes and real sales for 1995, 1996 and 1997 to date are presented in Appendix II of this report. Table below summarizes total sales of ORS (in units/sachets) during mentioned years.

TOTAL SALES ORS -LAPROMED  
(in thousands)

	1995	1996	1997 (Jan-May 6)
Sachets	1,083.5	401.3	201.5
Quetzales (5.95 x US\$)	815.4	352.5	183.8

Note: Some inconsistencies exist between sales figures reported by Mr. Gálvez in tables in Appendix I vs tables in Appendix II. When he was asked to clarify/correct them, he mentioned some points confirming and recognizing the inconsistency. Due to time constraints, I am sending such information as originally received.

The table above shows the severe decline in sales and revenues from 1995 to 1996 and a similar trend for 1997.

As indicated by Mr. Luis Gálvez, ORS Production Chief at Lapromed, production forecasts were calculated on the basis of 4 working days per week, one batch per day, during the working days available from January to November each year. Fridays are used for cleaning and maintenance activities. As an average, this scheme allows for around 2 million sachets per year. Real production volumes are originated from sales forecasts and minimum inventory levels. As opposed to 1995 and 1996 when Lapromed met with the MOH in January of each year to define Ministry consumption and delivery needs, in 1997 no meetings were held due to the decentralization of purchases. Both Mr. Avila and Mr. Gálvez mentioned that during 1996 the MOH failed to comply with the initial agreement and that no sales were occurring until they requested University and MOH support to have the Health Areas buy from Lapromed. As it can be seen from the 1996 table and graph (Appendix II), no major changes occurred even then, and sales to the MOH areas were minimum that year (120,476 sachets vs 909,500 in 1995). In brief, big differences are found among the three parameters (i.e. production forecast, real production and real sales) during 1996, a trend that seems to persist so far in 1997.

An important issue regarding sales and revenues is the prices Lapromed has been handling for a sachet of SueroVida. The table below summarizes the situation comparing prices handled by main customers in 1995, 1996 and 1997.

PRICES OF A SACHET OF SUEROVIDA  
(in Q.)

	1995	1996	1997
MOH	0.75 (Jan-Jun) 0.85 (Jul-Dec)	0.75	0.85 (Jan-Mar) 0.92 (Mar- )
IGSS	0.85	0.85	0.92
ADAMED	0.75(*)	0.75 (Jan-Jun) 0.95* (Jul-Dec)	0.95

(\*) ADAMED provides packaging material

The decrease in price for the MOH from 1995 (Q.0.85) to 1996 (Q.0.75) was due to an error in the first quotation Lapromed gave to the Ministry in 1996, which, according to Mr. Gálvez, neither Mr. Avila nor Mrs. Barrera wanted to face and correct before their client. Therefore, they kept that price year long, even knowing they were selling below cost. As stated by Mr. Gálvez, the new and actual prices of 0.92 and 0.95 reached such values because raw materials and labor have increased. He estimates that total cost for a sachet is around Q.0.85 (US\$ 0.14) now. There is the fear that SueroVida may be losing its price advantage before clients vs other actual and potential suppliers.

For informational purposes, the Disasters Unit does not exist anymore within the MOH/Dirección General, only the Materno-Infantil Department, with Dr. Ernesto Velásquez in charge. However, due to the decentralization scheme, no purchases are done by them and no communication is kept with them.

The other "traditional" client for SueroVida is the Social Security (IGSS). Sales through this channel in 1996 amounted 199,500 sachets as reported in Table presented in Appendix II (6,500 more than those reported in Table I, Appendix I). This figure compares favorably against the 50,000 units sold in 1995. An order of 200,000 sachets was recently placed, which should be delivered by the end of May. Lapromed officials mentioned IGSS purchases have happened as open transactions, out of any contract or formal agreement. In this respect, Mrs. Barrera indicated it has not been attempted to get a formal contract with them, and that IGSS has been very late with payments (still have not cancelled a 115,000 unit order delivered last November) and very complicated in related paperwork, demanding a lot of her time to follow-up.

Sales to ADAMED (Litrosal) accounted for 59,370 sachets in 1996 according to corresponding Table in Appendix II, although Table I in Appendix I reports 73,309. For comparison purposes, sales in 1995 totalled 74,000 units.

Besides these three regular clients, Lapromed has not expanded its sales to private sector or other institutions. Isolated and minimum sales occasionally occurred to two NGO's in 1996 (4,600 sachets: HOPE and Portuaria) and to two three so far in 1997 (14,250 sachets: Médicos del Mundo, Pixin Tinamit, Lafimarq) without any sales promotion on the Lapromed side (See Tables in Appendix I for identification of clients in 1996 and 1997). Lapromed officials stated that no sales or market development has been done since there is not a person in charge of such responsibility. They also clearly stated that no follow-up was given to the list of contacted people during 1994-1995 nor to the list of other potential clients prepared for them at the end of 1995. As mentioned in point 1 of this report, they don't see a possibility to have such a position approved by the University. They keep on talking about the possibility of a student to do this job or have a distribution company do their sales. However nothing has been actually done in these directions.

Regarding sustainability of Lapromed, there is a concern about the requirements the institution must meet in order to qualify as a supplier (in open contracts) of governmental organizations (i.e. the MOH and the IGSS), especially if prevailing commercialization conditions change with these two institutions. In this respect, a report written by BAISC-Guatemala is included in Appendix III of this report. In addition, Mrs. Barrera, Lapromed's Chief indicated she found out at the Trade Registrar's Bureau ("Registro Mercantil") that Lapromed, being a state university division does not need a "patente de comercio" (equivalent to a registration or trade license required to all enterprises to operate in the country) to participate in an open contract process at the Ministry of Finance. Instead, they obtained a Certification replacing the "patente". If this situation remains, Lapromed should not have problems participating in open contracts as long as they comply with other routine procedures.

#### **6. Technical/Quality Control Issues:**

Main technical problem found in production of SueroVida at Lapromed was a malfunctioning in the dosage machine and a temporary repairment done by them to it. They were having weight control problems and found out a part called (by them) "Clutch-brake" had worn out and was causing the problem. The part was replaced by its equivalent taken from the semi-automatic filler, which is now incomplete.

Having the machine working with this repair has obliged them to decrease its speed in order to have consistent and proper weight in the sachets. Since January of '97, speed was lowered from 35 sachets per minute to 25, which implies, among other things, that one batch is being packaged in two days. Mr. Gálvez contacted the supplier company in Houston and requested information about the part, as well as a Manual for the dosage machine, since they only have one for the filler. He indicated they have to go to very complicated paperwork and bureaucracy in order to obtain the money for purchase of imported spare parts. The company in Houston promised to send a manual but so far this has not happened.

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In addition to production costs (poor use of time and labor) the situation arisen with the dosage/filling machine is also increasing quality control costs, none of which have been quantified under prevailing circumstances.

Some of the already known problems with Mr. Gálvez administering production seem to remain, i.e. delegating too much to students, not keeping records and statistics up to date, doing little result analysis and production control. It was found, for instance that production yields, as determined by number of finished sachets per batch, consistently fall below 90% and that little analysis or corrective actions are taken. Curiously, Mr. Avila mentioned he believes Mr. Gálvez does not spend enough time in production. Mr. Avila also tried to justify lack of sales promotion to the failure in the filling machine, precluding them to offer enough product for sales.

Quality-wise, besides the weight issue, for which two batches were rejected, no major problems seemed to occur during 1996. The first lot in 1997 was rejected due to potassium levels out of standard, probably due to a demixing situation. This lot is being reprocessed. Mrs. de la Roca, the new Quality Control Chief, seems to be a very receptive and conscious professional. She showed me corresponding books and records and, overall, seemed to comply with defined procedures and routines. No samples have been sent to an outside reference lab since 1995, although equipment have been maintained and calibrated regularly.

Mr. Gálvez and Mrs. de la Roca mentioned some PEO's are being updated as necessary. Some of them were shown to me. They also indicated their intention to increase the shelf life period of SueroVida from two to three years. Some stability studies are being done but so far shown significant caking in product after 25 and 36 months, eventhough composition keeps within standards (same for moisture levels).

#### **RECOMMENDATIONS:**

As part of the evaluation to be done during and after Lapromed's visit next May 27-29, it is recommended to consider the following points:

- To review and determine actual cost for a sachet of SueroVida.
- To have the dosage machine repaired and working under normal conditions/speed, among other things, to recover and improve production efficiency and therefore optimize production yields and total product cost.
- To define options/mechanisms that facilitate Lapromed's procurement procedures for importing spare parts for the ORS equipment. At the same time, under these new scheme Lapromed should not depend on organizations like PATH, USAID, or the like to solve related problems.

- To verify compliance of packaging material with specified characteristics and to evaluate advantages of improving corresponding specs to consider the possibility of a three year shelf life period. (It seems now that even the two year period may be at risk). This possibility could represent a competitive tool/advantage for the product.

- Although other alternatives should/can be considered, when talking about distribution of the product by a third party, remember this scheme will demand a 25-30% (?) margin for the distributor, which may place the product out of competition at the end of the distribution chain.

**APPENDIX I**

TABLE 1: SALES SUEROVIDA **1996**

MES	No. SOBRES VENDIDOS	PRECIO VENTA Q.	QUETZALES VALOR Q.	OBSERVACIONES	INSTITUCION
ENERO	10,981	0.75	8,235.75	*	ADAMED
ENERO	5	1.00	5.00		LAPROMED
FEBRERO	5	1.00	5.00		LAPROMED
MARZO	10,350	0.75	7,808.50	*	ADAMED
MARZO	70	1.00	70.00		LAPROMED
MARZO	1,567	1.00	1,567.00		LAPROMED
ABRIL	1,000	1.00	1,000.00		PETEN
ABRIL	1,000	1.00	1,000.00		PORTUARIA
ABRIL	1,107	1.00	1,107.00		LAPROMED
MAYO	10,000	0.85	8,500.00		CAJA CHICA IGSS
MAYO	12,761	0.75	9,571.00	*	ADAMED
MAYO	69	1.00	69.00		LAPROMED
JUNIO	9,900	0.75	7,425.00	*	ADAMED
JUNIO 15	1,800	0.95	1,710.00		CLIN SOLOLA
JULIO	13,500	0.85	11,475.00		CAJA CHICA IGSS
JULIO	6,680	0.95	6,346.00	*	ADAMED
JULIO	16	1.00	16.00		LAPROMED
AGOSTO	7,200	0.95	6,840.00	*	ADAMED
AGOSTO	22,200	0.85	18,870.00		CAJA CHICA IGSS
SEPTIEMBRE	9,060	0.95	8,607.00	*	ADAMED
SEPTIEMBRE 1	13,000	0.75	9,750.00		MSPAS SUCHITEPEQ
SEPTIEMBRE 5	2,700	0.85	2,295.00		CAJA CHICA IGSS
SEPTIEMBRE	3,150	1.00	3,150.00		XELA PROY HOPE
SEPTIEMBRE 1	2,000.00	0.85	1,700.00		CAJA CHICA IGSS ZONA 6
SEPTIEMBRE 1	13,000.00	0.85	11,050.00		CAJA CHICA IGSS BOD Z13
SEPTIEMBRE 1	10,000	0.85	8,500.00		CAJA CHICA IGSS ENF CO
OCTUBRE 1	600	0.85	510.00		BOD Z 13 IGSS
OCTUBRE 2	2,250	0.75	1,687.50		MSPAS AMATITLAN
OCTUBRE 10	2,000	1.00	2,000.00		J.Solis LAPROMED
OCTUBRE 22	3,600	0.95	3,420.00	*	ADAMED
OCTUBRE 28	3,980	1.00	3,980.00		FUND C HA COBAN
OCTUBRE 31	47,600	0.85	40,460.00		UNID DESAS MSPAS
NOVIEMBRE 4	1,000	0.85	850.00		CAJA CHICA IGSS Amatitla
NOVIEMBRE 7	60,000	0.75	45,000.00		MSPAS COBAN
NOVIEMBRE 14	3,000	0.85	2,550.00		CAJA CHICA IGSS Zona 6
NOVIEMBRE 14	2,777	0.95	2,638.15	*	ADAMED
NOVIEMBRE 28	115,000	0.85	97,750.00	**	ORD.COM IGSS
NOVIEMBRE 12	20,000	0.75	15,000.00		MSPAS TONICAPA
TOTAL	424,928		352,517.90		

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PA

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VENTAS EN: 1997		TABLE II			
MES	No. SOBRES VENDIDOS	PRECIO VENTA Q.	QUETZALES VALOR Q.	INSTITUCION	OBSERVACIONES
ENERO 10	199	1.00	199.00	DESPACHO	LAPROMED
ENERO 9	4,050	0.95	3,847.50	*	ADAMED
ENERO 24	1,350	0.95	1,282.50	*	ADAMED
FEBRERO 7	10,000	0.85	8,500.00	MSPAS	SUCHITEPEQ
FEBRERO 11	4,050	0.95	3,847.50	*	ADAMED
FEBRERO 11	450	1.00	450.00	DESPACHO	LAPROMED
FEBRERO 25	25,000	0.85	21,250.00	MSPAS	SOLOLA
MARZO 4	2,200	1.00	2,200.00	MEDICOS DEL MUNDO	OTERBU
MARZO 5	7,700	0.85	6,545.00	AID	INCOAF
MARZO 5	5,000	0.90	4,500.00	ONG	PKIIN TIANIT
MARZO 6	1,800	0.95	1,710.00	*	ADAMED
MARZO 6	10,000	0.92	9,200.00	MSPAS	ESCUINTLA
MARZO 18	11,700	0.92	10,764.00	MSPAS	RETALHULEN
MARZO 25	50,000	0.92	46,000.00	MSPAS	SAN MARCOS
MARZO 25	8,100	0.95	7,695.00	*	ADAMED
ABRIL 10	900	0.95	855.00	*	ADAMED
ABRIL 16	6,050	1.00	6,050.00	DROGUERIA	LAFIMARO
ABRIL 25	1,000	1.00	1,000.00	DROGUERIA	LAFIMARO
MAYO 5	50,000	0.92	46,000.00	MSPAS	COBAN
MAYO 5	450	1.00	450.00	DESPACHO	LAPROMED
MAYO 6	1,500	0.95	1,425.00	*	ADAMED
TOTAL	201,499		183,770.50		

La informacion anterior esta sujeta a confirmacion por el departamento de contabilidad de la USAC.

**MSPAS Ministerio de Salud Publica**

El pago de los 115,000 sobres del IGSS no se ha hecho a la fecha (Nov '96)

\* ADAMED proporciona su material de empaque en cada lote.

D:\PROVIDATA\VENTASRO.WG1

IGSS hizo pedido de 200,000 u , a ser despachados Mayo - Junio '97

**APPENDIX II**

Preparado en 21 Oct 1993.

Revisado: H.Zardo - 07 Dec 94

Basado en:

LOTE.

MSPAS 11,250 unid.

MAQUILA 11,250 unid.

INVENTARIO. MSPAS MAQUILA

Producto (0:15:30:45) 30 days 0 days

Material (90:120:150) 120 days 120 days

**PLAN DE PRODUCCION Y VENTAS DE SRO-1995**

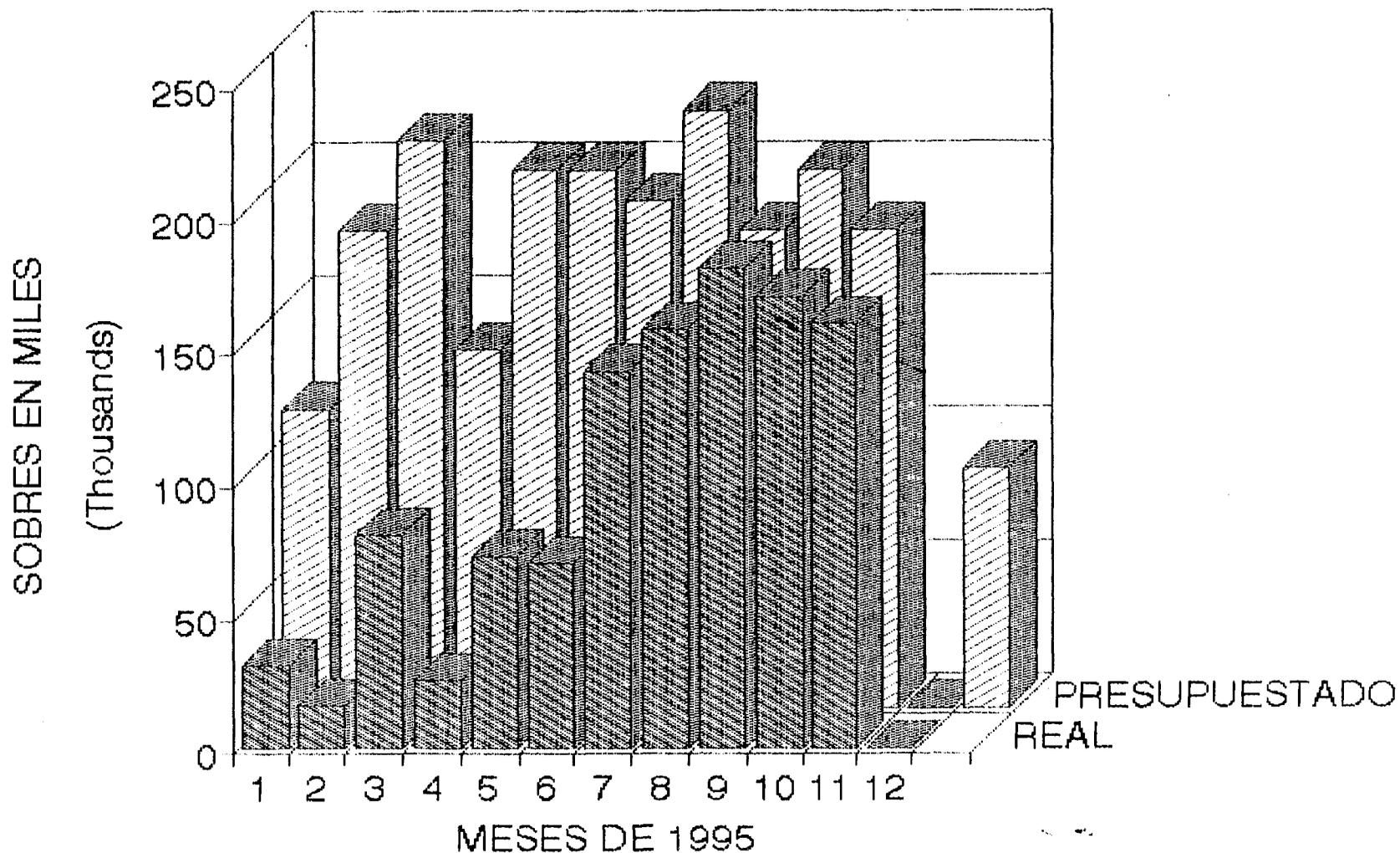
MES	CAPACIDAD		MSPAS		MAQUILA		VENTAS	
	PRODUCCION	PRODUCCION	VENTAS	PRODUCC	IGSS	VENTAS	TOTAL	
	PRESUPUEST	REAL	SOBRES	CAPACIDA	SOBRES	SOBRES	SOBRES	
Dec-94	0	0	0	0		0	0	
Jan-95	112,500	30,896	0	15,385		17,591	17,591	
Feb-95	180,000	15,642	0	0		2	2	
Mar-95	213,750	80,396	0	8,100		8,100	8,100	
Apr-95	135,000	25,130	0	10,350		10,355	10,355	
May-95	202,500	72,000	0	10,800		10,903	10,903	
Jun-95	202,500	69,677	13,462	19,350		19,538	33,000	
Jul-95	191,250	141,750	238,500	0		137	238,637	
Aug-95	225,000	157,500	162,150	0		0	162,150	
Sep-95	180,000	180,450	0	0	11250	0	11,250	
Oct-95	202,500	169,810	159,000	11,250	38750	10,350	208,100	
Nov-95	180,000	159,470	10,000	0		23,600	33,600	
Dec-95	0	0	0	0		0	0	
Jan-96	90,000	0	0	0		0	0	
<b>Total</b>	<b>2,115,000</b>	<b>1,102,723</b>	<b>583,112</b>	<b>75,235</b>	<b>50,000</b>	<b>100,576</b>	<b>733,688</b>	

\*\*\*\*\* EXISTENCIA 419035 \*\*\*\*\*

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# PRODUCCION PLANIFICADA VRS REAL

## SUEROVIDA 1995



PRODUCCION Y VENTAS SUERO VIDA 1996

... MSPAS 11,250  
 ... MAQUILA 11,250

INVENTARIO: MSPAS  
 Producto (0; 15; 30; 45) 30 dias dias  
 Material (90; 120; 150) 120 dias dias

1996	CAPACIDAD	PRODUCCIO	PRODUCT	VENTA	VENTAS	VENTA	VENTAS	VENTAS
MES	PRODUCCIO	REAL	RECHAZA	IGSS	MSPAS	ADAMED	LAPROMED	TOTAL
	PRESUPUES	SOBRES	POR C C	SOBRES	SOBRES	SOBRES	SOBRES	SOBRES
Dec-95	0	121,843			0	0	0	0
Jan-96	123,750	79,200			0	0	0	0
Feb-96	191,250	164,031	3150		Nov '95 135,487 *	11,700	0	147,187
Mar-96	191,250	145,350	500 *		0	10,350	137	10,487
Apr-96	135,000	56,250			1,550	0	900	2,450
May-96	202,500	126,390			79,850	0	0	79,850
Jun-96	112,500	59,400	322	18,500	100	11,160	1,800	31,560
Jul-96	146,250	88,831		13,500	0	6,750	0	20,250
Aug-96	191,250	13,701		22,200	0	7,200	0	29,400
Sep-96	180,000	0		25,700	13,000	9,060	3,150	50,910
Oct-96	202,500	89,200		600	2,250		5,980	8,830
Nov-96	180,000	20,250		119,000	33,726	3,150		155,876
Dec-96	0	0			0			0
Jan-97	90,000	0			0			0
Total	1,946,250	964,446	3,972	199,500	265,963	59,370	11,967	536,800

\*\*\*\*\* EXISTENCIA 423,674

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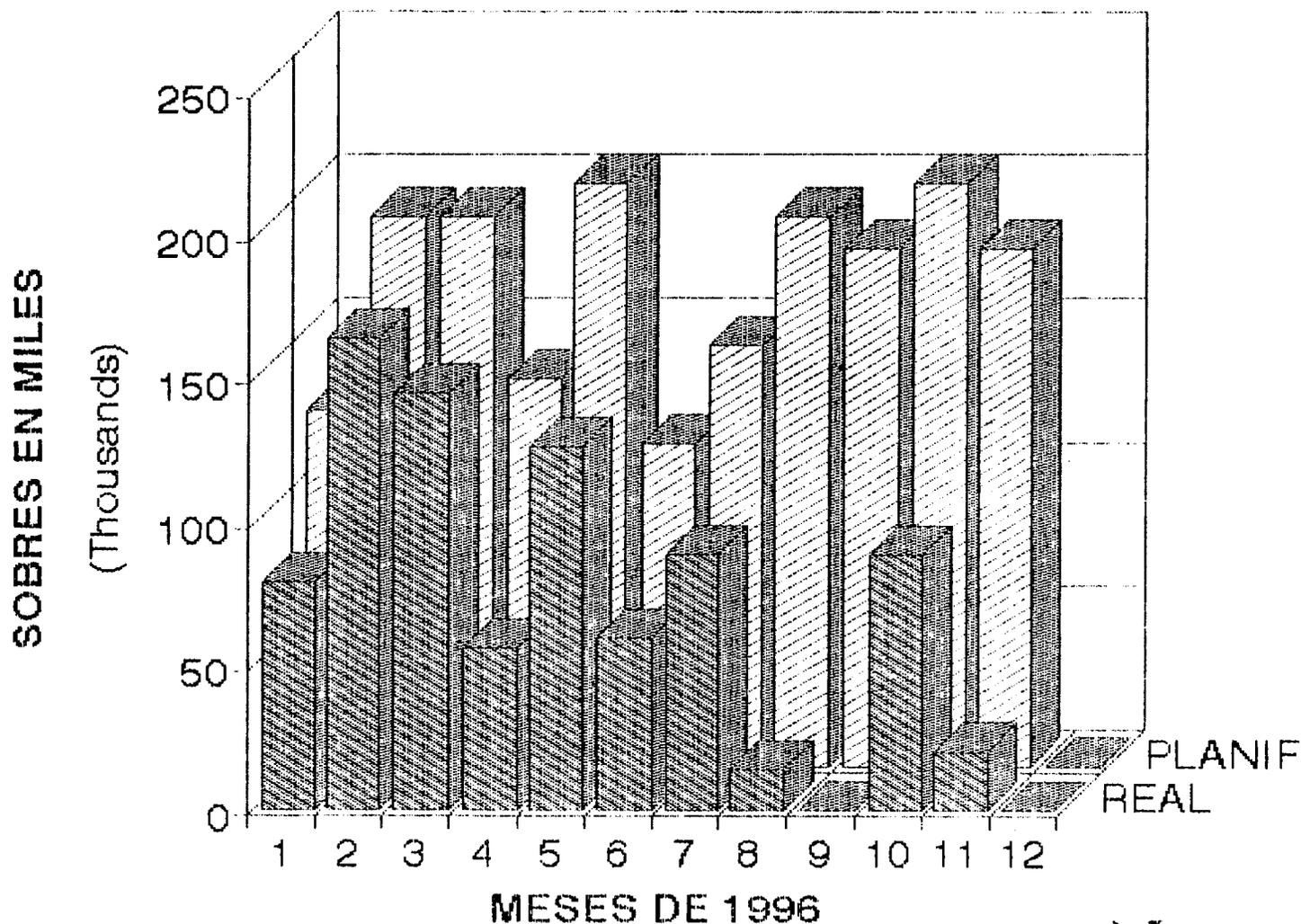
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\* Los 135,487 sobres MSPAS registrados en febrero fueron en realidad venta realizada al Ministerio en Nov '95. El pago de esa orden se recibió en Feb '96.

BEST AVAILABLE COPY

# PRODUCCION PLANIFICADA VRS REAL

## SUEROVIDA 1996



PRODUCCION Y VENTAS SIHERO VIDA 1997

LÍNEA: MSPAS 11,250  
 MAQUILA 11,250

INVENTARIO: MSPAS  
 Producto (0;15;30;45) 30 dias dias  
 Material (90;120;150) 120 dias dias

1997 MES	CAPACIDAD PRODUCCIO PRESUPUES	PRODUCCION REAL SOBRES	PRODUCT RECHAZA POR C C	VENTA IGSS SOBRES	VENTAS MSPAS SOBRES	VENTA ADAMED SOBRES	VENTAS LAPROMED SOBRES	VENTAS TOTAL SOBRES
Dec-96	INVENTARIO ENERO 97			90,721	235,454	6,750	10,798	343,723
Jan-97	123,750	21,600	10800	0	0	5,400	199	5,599
Feb-97	191,250	34,706	0		35,000	5,400	450	40,850
Mar-97	191,250	44,720	0		103,250	9,900	7,200	120,350
Apr-97	135,000	84,150			0	900	7,050	7,950
May-97	202,500	0			50,000	1,500	450	51,950
Jun-97	112,500	0	0	0	0	0	0	0
Jul-97	146,250	0		0	0	0	0	0
Aug-97	191,250	0		0	0	0	0	0
Sep-97	180,000	0		0	0	0	0	0
Oct-97	202,500	0		0	0			0
Nov-97	180,000	0			0			0
Dec-97	0	0			0			0
Jan-98	90,000	0			0			0
Total	1,946,250	185,176	10,800	0	188,250	23,100	15,349	226,699

\*\*\*\*\* EXISTENCIA 291,400

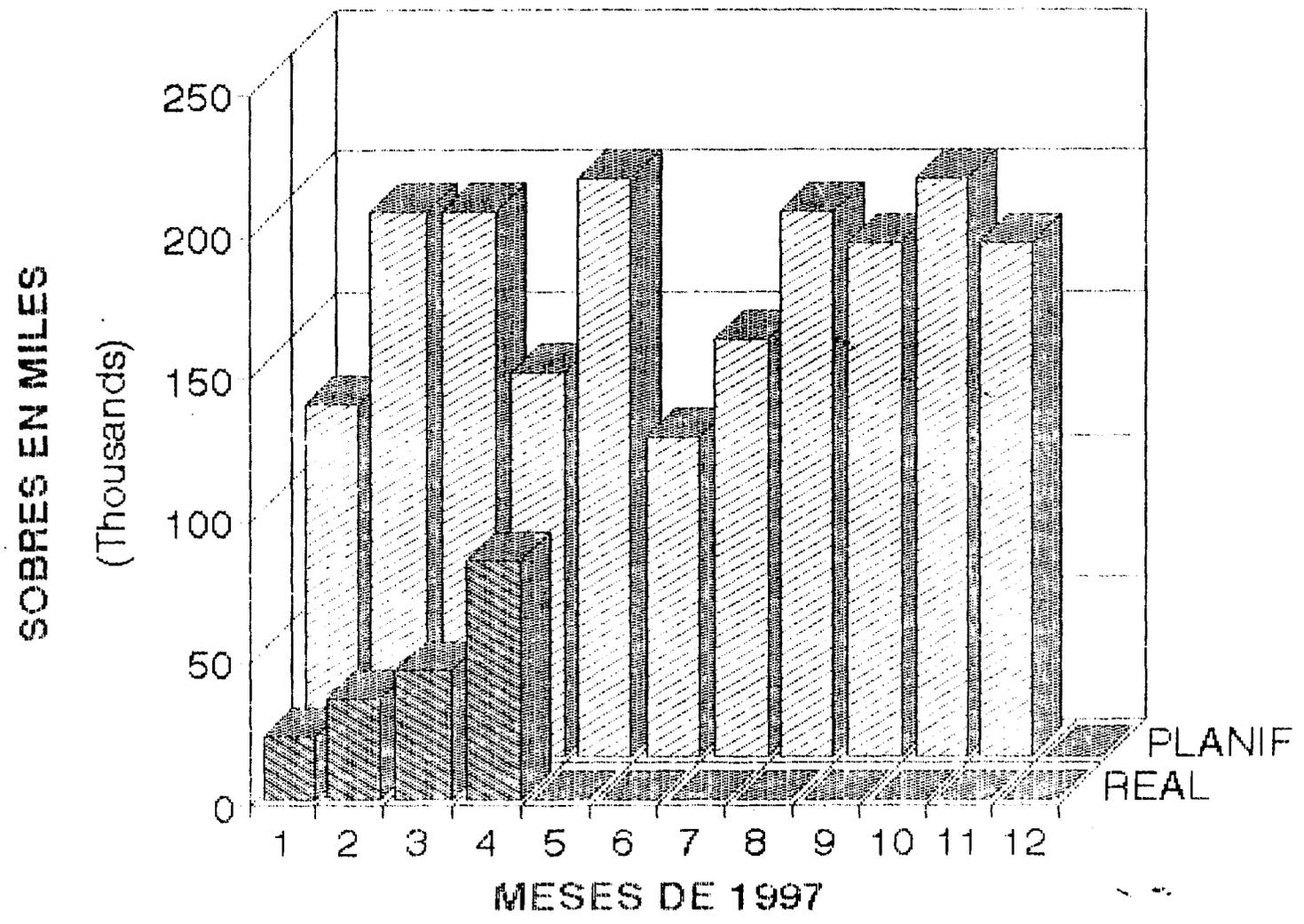
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# PRODUCCION PLANIFICADA VRS REAL

## SUEROVIDA 1997



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**APPENDIX III**

**BASICS**  
**BASIC SUPPORT FOR THE INSTITUTIONALIZING CHILD SURVIVAL**

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## **LAPROMED COMO PROVEEDOR EN CONTRATO ABIERTO**

### **ANTECEDENTES**

De acuerdo a conversación con Dr. Carlos Quan de BASICS y Dr. Baudilio López, de la Oficina de Educación y Salud de AID, se estableció que era necesario determinar cuáles son los requisitos que Lapromed debía cumplir, para convertirse en un proveedor en Contrato abierto de acuerdo con los requisitos del Ministerio de Finanzas Públicas, división de compras y adquisiciones.

Dicha necesidad surge, debido a que actualmente los clientes principales de LAPROMED son el Ministerio de Salud Pública y Asistencia Social y el Instituto Guatemalteco de Seguridad Social (IGGS), los cuales realizan sus adquisiciones de acuerdo a la ley de Contrataciones del Estado, y en dicha ley, se establece que el Ministerio de Finanzas Públicas, abre un concurso de proveedores, para que de ellos se pueda determinar de acuerdo a la calidad y costo del producto, quien será el proveedor de un bien o servicio.

Para poder concursar como Proveedor en Contrato Abierto, el Ministerio de Finanzas Públicas, establece una serie de requisitos; en vista de dichos requisitos, LAPROMED actualmente no puede participar en el concurso de Proveedor en Contrato Abierto; razón por la cual se hace necesario que LAPROMED pueda dar respuesta a los requisitos establecidos por el Ministerio de Finanzas Públicas.

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**A USAID-financed project administered by The Partnership  
for Child Health Care, Inc.**

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Guatemala: 1a calle 7-66, zona 9 Edificio Plaza Uno 2o. nivel  
Teléfono: (502) 332-0376 Fax: (502) 332-0358  
e-mail: basics@guate.net y cborrayo@guate.net**

**BASICS**  
**BASIC SUPPORT FOR THE INSTITUTIONALIZING CHILD SURVIVAL**

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**OBJETIVO**

- Conocer los requisitos legales, para que LAPROMED pueda convertirse en proveedor en contrato abierto.
- Detectar barreras u obstaculos, que pudieran impedir que LAPROMED, pueda ser un proveedor en contrato abierto; con el objetivo de poder darles seguimiento, y superar dichas barreras u obstaculos.

**ACTIVIDADES**

Dentro de las actividades realizadas, para poder determinar si LAPROMED puede participar como Proveedor en Contrato habierto, se realizó una visita al Décimo sexto nivel del Ministerio de Finanzas Públicas división de Adquisiciones del Estado, de donde se pudo obtener la siguientes información:

- 1.- Actualmente se eliminó el término de proveedor calificado, solamente se conoce como proveedor en contrato abierto.
- 2.- La convocatoria para poder aplicar como proveedor en contrato abierto, se realiza únicamente en el mes de enero.
- 3.- Para poder obtener las bases para poder aplicar se debe comprar, el costo de la última convocatoria realizada en enero de 1997, fue de Q. 600.00
- 4.- Actualmente, no se pudo obtener un ejemplar de la ley de contrataciones, debido a que se le están haciendo reformas.

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A USAID-financed project administered by The Partnership  
for Child Health Care, Inc.

Partners: Academy for Educational Development (AED)  
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5.- Los Documentos que se deben presentar a las unidades ejecutoras (Departamento de compras) son:

- Numero de Nit
- Constancia de últimos pagos de impuestos (IVA) (ISR)
- Declaración Jurada de no estar comprendido en los casos que establece el Art. 80 de la Ley de Contrataciones del Estado Dto. 57-92.

Dicho artículo, se refiere a que la empresa, no tiene ningún vinculo familiar con la junta calificadora del Ministerio de Finanzas.

6.- Si esta excenta del pago de impuesto, presentar una certificación del contador, en donde exprese las razones por las cuales está excenta del pago de impuestos.

Otra de las actividades realizadas, fue conversación vía telefónica con el Lic. Luis Galvez, quien expuso que además de los requisitos listados anteriormente, es necesario que LAPROMED cuente con una Patente de Comercio extendida por el Registro Mercantil, pero que dicha situación ya ha sido solucionada, ya que el Registro Mercantil les habian extendido una Certificación, para que pudieran inscribirse en el Ministerio de Finanzas Públicas.

### CONCLUSIONES

LAPROMED puede convertirse en proveedor en contrato abierto sin ningún problema, dando seguimiento y cumpliendo a los requisitos establecidos por el Ministerio de Finanzas Públicas.

Lapromed, debe convertirse en un proveedor en contrato abierto, para que en determinado momento no pierda a sus clientes actuales, ya que dicha situación ocurriera, el apoyo brindado a dicha institución sería en vano, ya que no tendría a quien venderle su producto.

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**BASICS**  
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**RECOMENDACIONES**

Es preciso que se inicie desde ya las gestiones en el Ministerio de Finanzas, para poder participar en el concurso de Proveedor en Contrato Abierto, ya que si surgen algún requisito adicional durante la gestión éste pueda cumplirse sin que existan presiones de fecha límite, y que por ello quede fuera del concurso.

Al momento de entrar BASICS en alguna relación de trabajo con Lapromed, dejar una clausula que indique que Lapromed se compromete a seguir los pasos necesarios, para convertirse en un proveedor de contrato abierto; como una especie de condicion para que se le siga apoyando.

**APPENDIX D**  
**EXEMPTION FROM COMMERCIAL QUALIFIED PROVIDER STATUS**

Technical Office of the Budget  
Ministry of Public Finance

**SUBJECT: MANAGER OF THE MANUFACTURE OF ORAL REHYDRATION SALTS (SRO) OF THE SCHOOL OF CHEMICAL SCIENCES AND PHARMACY OF THE UNIVERSITY OF SAN CARLOS OF GUATEMALA (USAC) WITH WHICH THE LABORATORY OF MEDICAL PRODUCTS (LAPROMED) IS AFFILIATED AND WHERE THE SRO PLANT IS LOCATED.**

Of sin No. of 8-19-93, School of Chemical Sciences and Pharmacy, USAC

In regard to the question of this Department as to whether the Laboratory of Medical Products - LAPROMED - which is part of the School of Chemical Sciences and Pharmacy of the USAC needs to be a **Qualified Provider** in order to make sales to the Ministry of Health, this Department points out that in conformity with Article 2 of the Law of Contracts of the State, Decree 57-92, and Article 1, Paragraph a) of the respective Rule, Governmental Agreement 10-56, the Public Sector Entities are authorized to make sales among themselves. In this specific case, the law does not indicate that the entities of the State that make sales to the State should have a **Qualified Provider Number**. In view of the fact that the law permits and regulates negotiations among its entities, this Department states that it is NOT necessary that LAPROMED register and a Qualified Provider to provide Rehydration Salts to the different agencies of the State.

18-10-93

Nombre: Victor Rodriguez T

Firma: [Signature]

Hora: 8.12

Dirección Técnica del Presupuesto  
Ministerio de Finanzas Públicas  
3a. Avenida y 21 calle, Zona 1  
CENTRO CIVICO  
Guatemala, C.A.

DICTAMEN No.

FECHA:

ASUNTO: JEFE DE LA FABRICACION DE SOBRES DE REHIDRATACION ORAL (SRO). DE LA FACULTAD DE CIENCIAS QUIMICAS Y FARMACIA DE LA UNIVERSIDAD DE SAN CARLOS DE GUATEMALA -USAC- A LA CUAL PERTENECE EL LABORATORIO DE PRODUCTOS DE MEDICAMENTOS (LAPROMED) DONDE ESTARA UBICADA LA PLANTA SRO.

Of sin No. del 19-8-93, facultad de Ciencias Químicas y Farmacia USAC.

En relación a la consulta efectuada a este Departamento que si el LABORATORIO DE PRODUCCION DE MEDICAMENTOS -LAPROMED- que pertenece a la facultad de Ciencias Químicas y Farmacia de la USAC, Necesita PROVEEDOR CALIFICADO para efectuar ventas al Ministerio de Salud; este Departamento señala que la conformidad con el Artículo 20. de la ley de Contrataciones del Estado Decreto 57-92 y Artículo 10. Inciso a) de su respectivo Reglamento, Acuerdo Gubernativo 10-56, las Entidades del Sector Público están facultadas para efectuar negociaciones entre ellas. En el caso específico la ley no indica que las Entidades del Estado que efectuen ventas con el mismo, deban contar con NUMERO DE PROVEEDOR CALIFICADO: en vista de que la ley ~~permite y reglamenta~~ las negociaciones entre los mismos, este Departamento se permite indicar que NO es necesario que -LAPROMED- se registre como Proveedor Calificado para proveer de SOBRES DE REHIDRATACION ORAL a las distintas Unidades Ejecutoras del Estado.

[Signature]  
Fredi Humberto Machán P.  
ASISTENTE PROFESIONAL



VISTO BUENO:

[Signature]  
Lic. Oscar Alfredo Reinos Geraolto  
JEFE

DEPARTAMENTO DE COORDINACION Y  
UNIFICACION DE CONTRATACIONES  
DIRECCION TECNICA DEL PRESUPUESTO

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**Translation**

COMMERCIAL REGISTRY  
MINISTRY OF ECONOMICS

General Commercial Registry of the Republic: Guatemala, the sixteenth of April of 1997.

SUBJECT MATTER: THE PROGRAM OF EDUCATIONAL EXPERIENCES WITH THE COMMUNITY OF THE SCHOOL OF CHEMICAL SCIENCES AND PHARMACY OF THE UNIVERSITY OF SAN CARLOS, REQUESTS AN OPINION REGARDING ITS OBLIGATION TO REGISTER AS A MERCHANT BY VIRTUE OF SELLING ITS PRODUCTS.

In regard to this request, it is the opinion of this Registry that this program, since it functions as a part of the University of San Carlos, is not obligated to register as a merchant even when it is practices commercial activities, based on that established in Article 13 of the Code of Commerce, Dto. 2-170 of the Congress.

Lic. Rosario Herrera Molina  
Legal Adviser

Lic. Arturo Saravia Altolaguirre  
Commercial Examiner

**Article 13. *Institutions and Public Entities.*** The State, its decentralized entities; autonomous or semiautonomous, municipalities, and, in general, any public institutions or entities, are not merchants although they may practice commercial activities bound by the provisions of this Code and safe from that ordered by special laws.



REGISTRO MERCANTIL  
MINISTERIO DE ECONOMIA  
Guatemala, C.A.

NUM.:	_____
REF.:	_____

AL CONTESTAR SIRVASE MENCIONAR EL  
NUMERO Y REFERENCIA DE ESTA NOTA

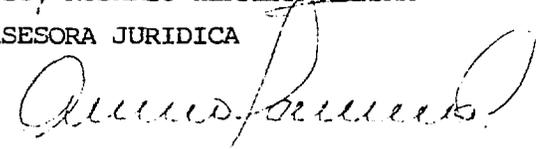
REGISTRO MERCANTIL GENERAL DE LA REPUBLICA: Guatemala, dieciseis de abril de mil novecientos noventa y siete.

ASUNTO: EL PROGRAMA DE EXPERIENCIAS DOCENTES CON LA COMUNIDAD DE LA FACULTAD DE CIENCIAS QUIMICAS Y FARMACIA DE LA UNIVERSIDAD DE SAN CARLOS, SOLICITA OPINION SOBRE SU OBLIGATORIEDAD DE INSCRIBIRSE COMO COMERCIANTE EN VIRTUD DE QUE VENDE SUS PRODUCTOS.

Con base en lo solicitado, este Registro emite su opinión en el sentido de que el programa relacionado por pertenecer a la Universidad de San Carlos, no está obligado a inscribirse como comerciante aun cuando ejerzan actividades comerciales, con base en lo establecido en el artículo 13 del Código de Comercio, Dto. 2-70 del Congreso.

  
LIC. ROSARIO HERRERA MOLINA  
ASESORA JURIDICA

Vo. Bo.

  
LIC. ARTURO SARAVIA ALTOLAGUIRRE  
REGISTRADOR MERCANTIL

guintes:

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10. La sociedad colectiva.
20. La sociedad en comandita simple.
30. La sociedad de responsabilidad limitada.
40. La sociedad anónima.
50. La sociedad en comandita por acciones.

ARTICULO 11.- Cónyuges Comerciantes. El marido y la mujer que ejerzan juntos una actividad mercantil, tienen la calidad de comerciantes, a menos que uno de ellos sea auxiliar de las actividades mercantiles del otro.

ARTICULO 12.- Bancos, Aseguradoras y Análogas. Los bancos, aseguradoras, reaseguradoras, afianzadoras, reafianzadoras, financieras, almacenes generales de depósito, bolsa de valores, entidades mutualistas y demás análogas, se registrarán en cuanto a su forma, organización y funcionamiento, por lo que dispone este Código en lo que no contravenga sus leyes y disposiciones especiales.

La autorización para constituirse y operar se registrará por las leyes especiales aplicables a cada caso.

ARTICULO 13.- Instituciones y Entidades Públicas. El Estado, sus entidades descentralizadas, autónomas, o semiautónomas, las municipalidades y en general, cualquiera institución o entidades públicas, no son comerciantes, pero pueden ejercer actividades comerciales, sujetándose a las disposiciones de este Código, salvo lo ordenado en leyes especiales.

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