

TRACEABILITY

INTERNATIONAL PERSPECTIVE

GTZ's Experience in Thailand

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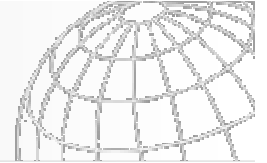
Thai-German Programme for Enterprise Competitiveness

TRANSACTION COSTS AND TRACEABILITY

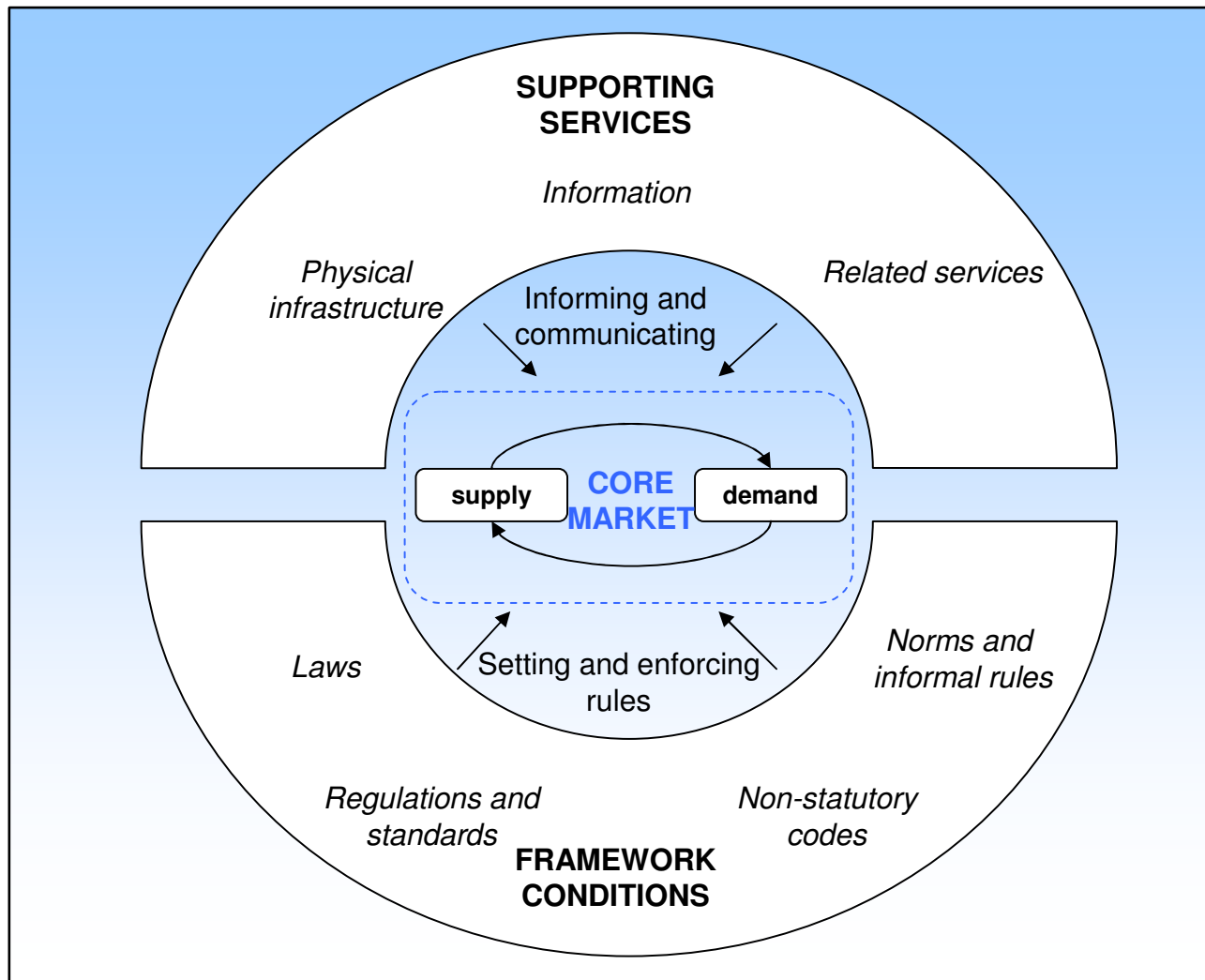
Potential of ICTs in the Agricultural Value Chain

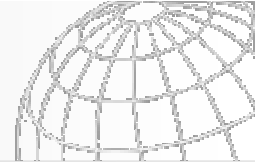
Dambulla, Sri Lanka

21 – 23 February 2008

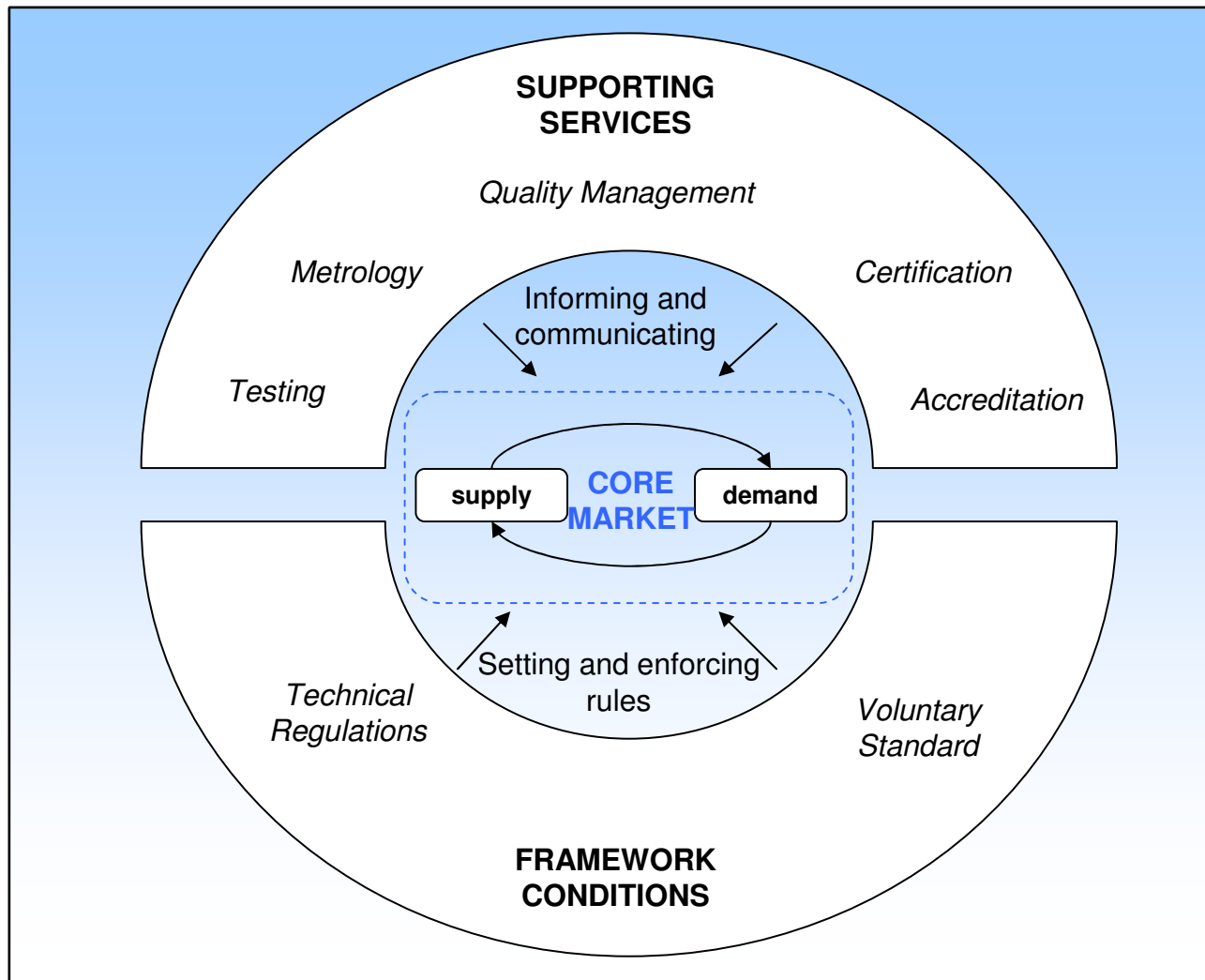


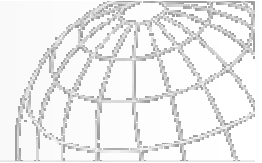
How markets work





Quality infrastructure – transaction costs reducer





Quality infrastructure – a logical hierarchy

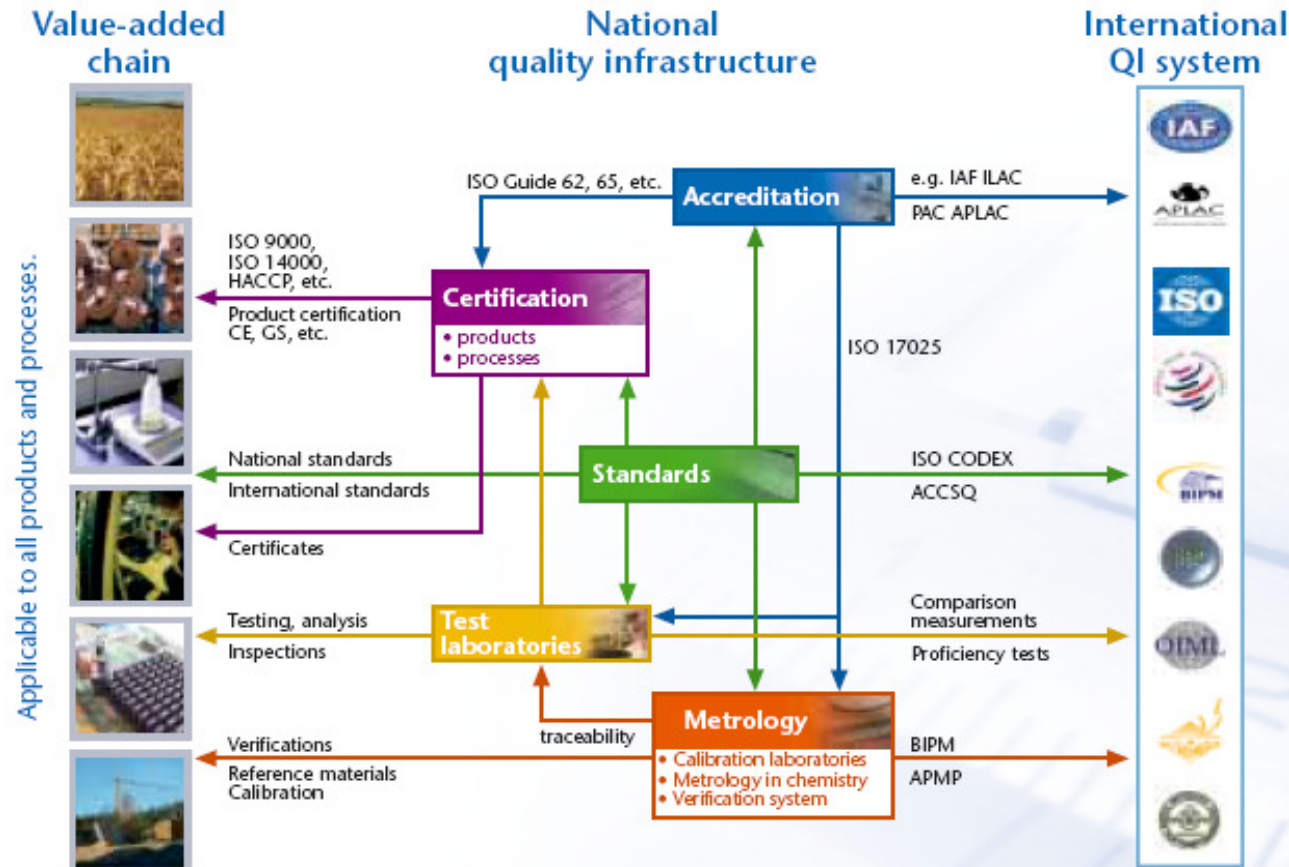
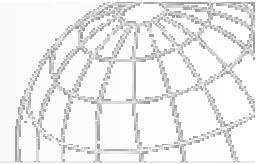


Diagram: Survey of the national quality infrastructure

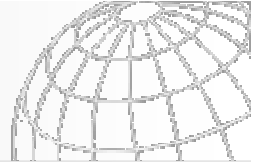


Quality infrastructure and German technical cooperation

Quality infrastructure and promotion of economic development

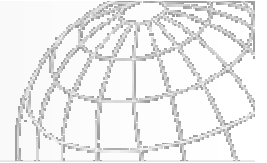


Diagram: Areas of the German Technical Cooperation within the scope of the promotion of economic development



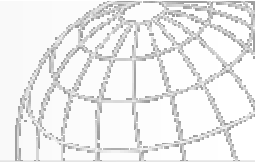
Thai-German Programme for Enterprise Competitiveness

- The goal of the T-G PEC is to improve the competitiveness of SMEs in the Thai agro-industry sector
- Thailand's competitive advantage of being a low wage country in the region is eroding
- The RTG's SME promotion policies and programmes are
 - Government-centric
 - subsidy oriented
 - not demand driven
- The number of private service providers is very small
- If these problems persist, poverty alleviation and an improvement of the living conditions will be difficult to achieve



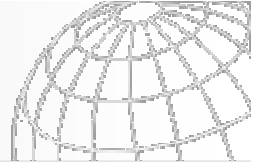
T-G PEC's core approach

- **Sustainability of outcome**
 - The issue to address has to be a real need
 - The issue has to be nurtured by expertise that can articulate the need and can lead an initial process that involves the key stakeholders
 - The business environment needs to be supportive
- **Value chain approach**
 - Choosing sub-sectors that satisfy the agreed-upon criteria
 - Carrying out value chain analyses, identifying constraints to that sub-sector's competitiveness
 - Developing a strategy to improve competitiveness of the sub-sector through a coherent program of business services and institutional strengthening
 - Drawing up raw intervention ideas aimed at generating the maximum plausible attribution to the competitiveness of the sector
 - Validating and refining interventions through stakeholder consultation and, if necessary, market assessment
 - Designing monitoring and evaluation system
 - Implementing the interventions and the monitoring and evaluation system



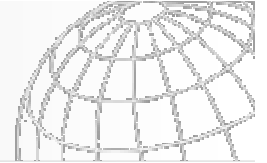
Development challenges in Thai agro-industry sector

- **In general**
 - Thai food products have negative safety image in the major markets, particularly in the EU
 - Thai shrimp industry is facing competition from lower cost producers
 - Thai fresh fruit and vegetables industry is dependent on few traditional markets
- **With regards to quality infrastructure**
 - Lack of international recognition for the domestic food quality and safety standards
 - Limited accessibility for small farmers to internationally recognized food quality and safety standards
 - Traceability system for fresh fruit and vegetables is accessed by very few growers
 - Traceability system for shrimp are paper-based
 - Lack of architectural coherence of the Thai fresh fruit and vegetables industry's quality infrastructurethe monitoring and evaluation system



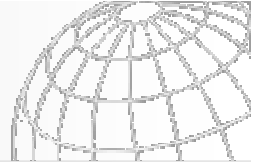
The solutions

- **Scope**
 - Deepening of quality management training market
 - Deepening of the market for internationally recognised certification service
 - Rationalizing the role of government agencies in the quality infrastructure
 - Encouraging harmonization between Thai standards and GLOBALGAP
 - Promoting commercially viable online traceability services
- **Features**
 - “Lead firms” as key drivers of change
 - Public-private value chain governance
 - Inclusive development for smallholders



Current status

- GLOBALGAP normative documents and quality management manual have been translated into Thai and pilot-tested with growers
- Two “Training Of Trainers” (TOT) workshops for GLOBALGAP fresh fruit and vegetables standard have been held in Thailand
 - 6 trainers passed the test
 - Fruit and vegetables packers bore a portion of costs to train growers
- Major retail chains have agreed to use the Department of Agriculture's GAP as their standard but with private sector audit
- Substantial progress has been made in harmonizing Thai standards with GLOBALGAP
 - The Thai Chamber of Commerce is in the process of harmonizing its ThaiGAP with GLOBALGAP for fresh fruit and vegetables
 - Kasetsart University completed an infield assessment of the DOF's Code of Conduct implementation
- Processors with certified supply chains are using online traceability services



Key messages

- Traceability is a core element of quality infrastructure
- Quality infrastructure is not out of reach of smaller enterprises
- “Bottom-up” implementation with “top-down” vision
- More research is needed to better understand the working of the online traceability service market
 - Supply: Nonconvex production function
 - Demand: Network externality
 - Core market: Critical mass is required to sustain a chain reaction
 - Supporting service and institution: Can they help?