

## **SUMMARY REPORT**

### **SURVEY AND PROPOSE TRACEABILITY CAPACITY BUILDING ROADMAP FOR SMALL AND MEDIUM ENTERPRISES (SMEs) AND TRADE SUPPORT ORGANIZATIONS (TPOs)**

This research report aims to provide VIETRADE/INTEC and GIZ with capacity building roadmap of applying traceability system based on a need assessment of SMEs and TPOs active in agricultural export to China.

The consultant conducted capacity building need assessment for SMEs and TPOs based on (i) external factors include market requirements, traceability related policies, legal documents, strategies and development plans of Vietnam and localities; and (ii) internal factors include gaps in awareness, knowledge, capacity and needy conditions for effective application of traceability system. On that basis, the consultant proposed a capacity building roadmap for SMEs and TPOs in new development context.

The research results show that traceability plays a very important role in production, business, import and export activities of enterprises in particular and socio-economic life in general. In order for Vietnamese goods to expand its export markets, entering difficult markets like Europe, America, Japan ... or a large market of 1.4 billion people in China, Vietnam's export goods, especially, agricultural products need to meet more and more tightening requirements issued by importing countries, including traceability issues.

At present, Vietnam's policies, legal documents and guidelines related to traceability system are incomplete, lack of uniformity and consistency. The fact that stamps on Qrcodes and barcodes in Vietnam have not standardized in terms of content and form, the application of traceability has not been uniformly, methodically and systematically implemented. This causes skepticism and reduces trust and makes consumers afraid of the reality of traceability of businesses today. For many SMEs, traceability is a relatively new activity. Government of Vietnam is continuing to build and complete national traceability system to meet the requirements of enterprises, organizations, society and state management through decision No.100/QĐ-TTg, January 19, 2019 and others. This system is based on adaptation of GS1 global traceability standards to ensure interoperability, data exchange with traceability systems of domestic and international markets.

Based on the results of the survey and research, the consultant proposes Vietrade and GIZ support in capacity building for SMEs and TPOs in traceability system and export of agricultural products through flexible application of GS1 global traceability standards. This is the "global trade language" that has been recognized by 110 countries. This system helps SMEs and TPOs connect with traceability systems of Vietnam, importing countries and foreign partners to serve the purpose of traceability, interacting with customers and managing products on supply chain.

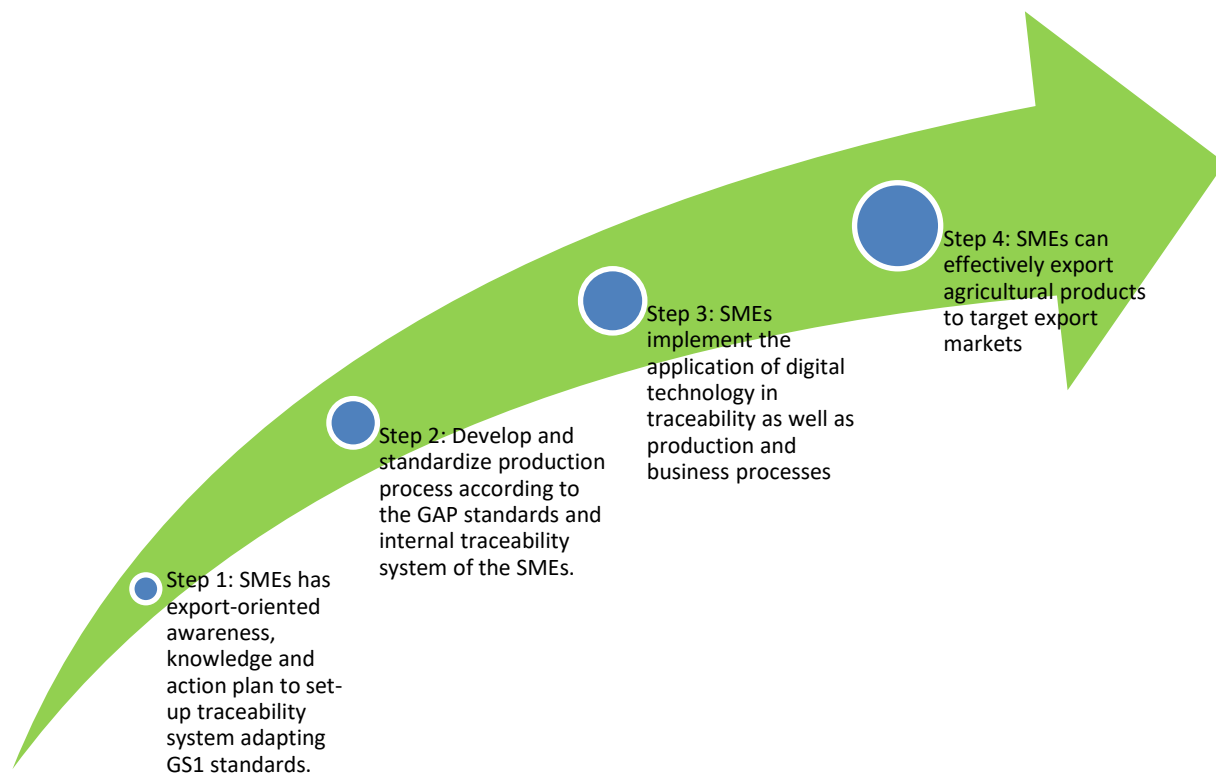
Based on the advantages of (i) the area planted with crops that are being officially exported or have potential for exporting; (ii) GAP-certified areas; (iii) supportive policies of localities; and (iv) representatives of different regions of the nation, in the first phase, it is recommended to select the provinces to pilot with traceability system including Son La,

Hanoi, Quang Tri, Tien Giang, Dak Lak and Ho Chi Minh City. During this phase, the pilots should reviewed, reflected and documented best practices on traceability application and exporting models to China for further promoting and scaling-up the best practices to other localities. Besides, it's recommended to support SMEs in researching and applying traceability system to other target markets is urgent and nessessary to take advantages of opportunities from free trade agreements such as EU, USA, Japan...

The research results also show that at present, SMEs do not fully understand full meaning of traceability, do not understand the true nature of traceability and are confused with information retrieval. Vietnamese SMEs still have large gaps in knowledge, capacity and necessary conditions to effectively apply the traceability system according to GS1 international standards as well as understand requirements of target export markets. Survey data show that 56.7% of SMEs said that SMEs have general knowledge about traceability application according to GS1 standards. However, 100% of them said that they did not know, knew a little and need to learn much more or already knew but need to learn more about operating the traceability system. 97% of SMEs think that China is a market that does not require strict requirements on traceability. However, the fact that Vietnam's export turnover of vegetables and fruits has decreased significantly in 2019 because the market has restricted imports by unofficial way and traceability requirements. Therefore, strengthening the capacity of SMEs in applying traceability system and export promotion is a very necessary and urgent task.

For TPOs, the survey results also show that 9 out of 10 the organizations are properly aware that benefits of traceability system application for businesses, customers and state management agencies; and that China is no longer an easy market. However, up to 100% of TPOs think that they need more training or re-training to understand the standards and procedures applied in traceability according to GS1 standards as well as how to operate the traceability system to support the enterprises effectively in production, business development and exporting farm products. All TPOs assume that they know a little bit and need to learn more or already know it but need support to have soft skills in consulting, introducing, coaching about traceability system according to GS1 international standards. These are really the prioritized supports to enable TPOs effectively support SMEs in their localities in up-coming time.

## Proposed capacity building roadmap for SMEs



**Objective:** SMEs have capacity to effectively apply GS1 traceability system and export their products to Chinese market, and towards other opportunities from free trade agreements.

**Step 1:** SME staff, especially the head of SME has an export-oriented awareness, knowledge and action plan to set-up traceability system adapting GS1 standards, following activities are recommended:

- ✓ Conduct communication/training to raise awareness and equip basic knowledge for SMEs about traceability according to GS1 global standards.
- ✓ Provide training on basic knowledge about non tariff measures, rule of origin, and market requirements for exporting products to specific markets, with the priority given to China and EU markets.
- ✓ Organize workshops to orient and support SMEs in formulating production and business development plans with traceability application and export market access under the 4.0 orientation and GS1 standards.
- ✓ Conduct consulting and coaching activities for SMEs in formulating action plans to set-up traceability system adapting GS1 standards.

**Step 2:** Develop and standardize production process according to the GAP standards and internal traceability system of the SMEs.

- ✓ Conduct surveys to evaluate and select SMEs with potential of exporting agricultural products to key markets (China, Europe ...).

- ✓ Provide trainings on sanitation and phytosanitation measures (SPS), production package and certification in compliance with specific standards (VietGap, Global Gap, USDA, EU standards, HACCP ...) and GS1 traceability system for SMEs and other actors in the supply chain include input suppliers, producers, processors, collectors, and distributors to ensure a sufficient supply of information throughout the chain.
- ✓ Organize training/workshops to strengthen capacity for applying traceability system into practices, including (technical expertise, farm management, electronic diary as well as capacity to operate traceability systems).
- ✓ Provide follow-up consultancy and coaching to help businesses achieve relevant certifications (VietGap, GlobalGap or others) for effectively operate the traceability system, meet requirements of specific markets.
- ✓ Organize workshops to share experiences and replicate good practices of traceability application for exporting.

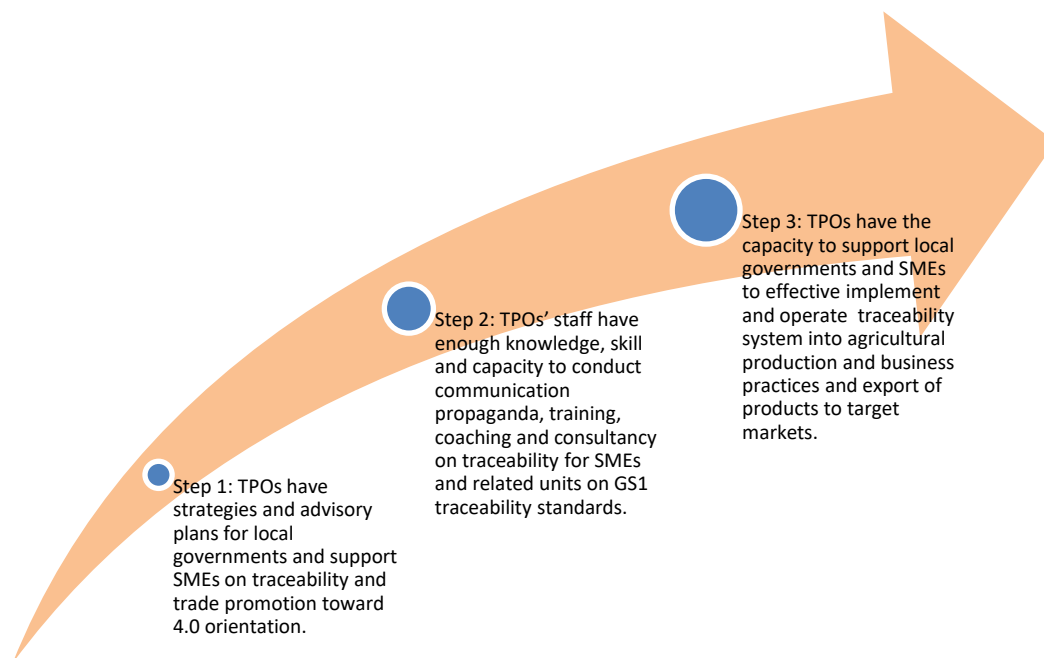
**Step 3:** SMEs apply digital technology in traceability as well as production and business processes.

- ✓ SMEs ensure to have a team of well-qualified personnel, capable of grasping information and techniques when instructed, transferred and applied digital technology in GS1 global traceability standards.
- ✓ Organize training and guidance for SMEs to apply digital technology in traceability, to record in full the production and business diary with electronic tools throughout the supply chain and to connect with national and global traceability system in harmony with GS1 international standards.
- ✓ Provide partial funding assistance for SMEs and other actors in value chain to implement the traceability system according to GS1 standards for at least the first year or until enterprises able to export products to target markets.

**Step 4:** SMEs can effectively export agricultural products to target export markets

- ✓ Provide training for SMEs on the requirements of target markets such as non-tariff barriers and market access tools.
- ✓ Organize or participate in international trade fairs and forums connecting sellers and buyers.
- ✓ Organize media, marketing events for product introduction through e-commerce programs Alibaba, Amazon ... for trade promotion.
- ✓ Organize consulting, coaching and supporting SMEs in exporting goods and products.

## Proposed capacity building roadmap for TPOs



**Objectives:** TPOs are competent to advise the local authorities; and to provide training, coaching and support SMEs in applying traceability system according to GS1 standards and promote domestic and foreign trade.

**Step 1:** TPOs have strategies and advisory plans for local governments and support SMEs on traceability and trade promotion toward 4.0 orientation.

- ✓ Training on market requirements, regulations, and export standards of target markets (China, EU) for TPOs.
- ✓ Organize study tours for leaders of TPOs to learn about GS1 traceability system model and trade promotion under the 4.0 orientation.
- ✓ Organize workshops to enable TPOs develop their orientation and action plan to support SMEs to apply the trade promotion and traceability system under the 4.0 direction.
- ✓ Provide support for follow-up activities (counseling, coaching, networking) after the trainings/workshops.

**Step 2:** TPOs' staff have enough knowledge, skill and capacity to conduct communication propaganda, training and coaching on traceability for SMEs and related units on GS1 traceability standards.

- ✓ Organize training for TPO's staff members with professional knowledge and skills on traceability systems according to GS1 international standards.
- ✓ Organize TOT training courses for key trainers of TPOs on soft skills in training, consultancy and coaching on traceability system according to GS1 standards.

- ✓ Organize follow-up consultancy, coaching, networking and needy support for SMEs and key actors in the supply chain.

**Step 3:** TPOs have the capacity to support local governments and SMEs to effectively implement and operate a traceability system into agricultural production and business practices and export of products to target markets.

- ✓ Conduct surveys and advise local government on selecting priority products for exporting.
- ✓ Advise local government to build the technical infrastructure of traceability system under the 4.0 orientation and GS1 standards.
- ✓ Design and implement pilot models on traceability system application for prioritized products and trade promotion for target markets.
- ✓ Organize workshops to share and good practices on traceability system application and scaling-up.
- ✓ Trade promotion activities such as fairs, seminars connecting sellers and buyers.