A collective action initiative against corruption in Thailand:
How private firms walk the talk


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Summary

Corruption is one of the most challenging problems facing Thailand. A deep-rooted patronage system, ineffective law enforcement, weak public governance, and a general acceptance of corruption as a way of life have all combined to create a systemic challenge. The scale of the problem is such that the successful eradication of corruption cannot be achieved by the government alone. It requires an orchestrated effort by all stakeholders, including the private sector to tackle the supply side. Thailand’s private sector Collective Action Coalition against Corruption (CAC) was founded in 2010 by the country’s leading business organizations to implement effective anti-corruption policies and take an advocacy role in graft-fighting on behalf of the business sector. This study depicts the evolution and role of the CAC, especially its unique certification program which helps companies put in place strong anti-corruption compliance standards. The study reviews the key factors that have encouraged over 700 Thai companies to join the CAC and commit to establish internal anti-graft policies and compliance processes, and discusses future challenges for the initiative. The tipping points that lead to a rapid growth in the number of CAC members include recruitment efforts via a sectoral approach and the industry-wide applications by companies in the financial sector, keen support from the authorities and relevant organizations, and the change agent role undertaken by CAC members to persuade their suppliers and trading counterparts to also adopt anti-corruption practices. To enhance the effectiveness of the anti-graft effort, the CAC now needs to go beyond the numbers game and strive for further member commitment. This can be done by strengthening the certification process and the targeted recruitment of companies in sectors that are prone to high corruption risks such as property development. The CAC also needs to find ways to leverage the power of its expanding network, to create and sustain a larger clean-business community. Lessons from the Thai CAC experiences, particularly the certification program, can be used as a model for other anti-corruption initiatives or as a base to develop a regional certification standard.
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1 Overall corruption situation in Thailand

Systemic corruption has undermined Thailand’s development for decades, preventing Southeast Asia’s second largest economy from achieving its full growth potential. In a broader, more pervasive context, corruption has also contributed to the erosion of public morality.

Inarguably, corruption lies at the very core of various economic and social problems now besetting the country. Key conditions that have nurtured widespread corruption in Thailand include a deep-rooted patronage system, ineffective law enforcement, weak public governance, and general acceptance of corruption as a necessary way of life. Severe corruption has contributed to social unrest and at times led to military interventions.

In Transparency International’s 2015 Corruption Perception Index, which measures the perceived levels of public sector corruption worldwide, Thailand scored 38 out of 100 (on par with 2014) and ranked 76th out of 168 countries, improving from 85th in 2014 and 102nd in 2013. This most recent result puts Thailand on the same level as Bosnia and Herzegovina, Brazil, Burkina Faso, India, Tunisia and Zambia.

Although Thailand still ranks better than many regional peers like Indonesia, the Philippines, Vietnam, Cambodia and Myanmar, it is still far below Malaysia, Taiwan, Hong Kong, and Singapore. The country’s rather low score, below the world’s average of 43, implies that corruption remains a severe problem and needs to be tackled effectively by all concerned parties.

Understanding the seriousness of the matter, Thailand has in recent years made significant progress in anti-corruption activities, across several relevant fronts. In contrast to many previous military regimes that seized control of national administration, the current Thai military government has put anti-corruption at the top of its national agenda. Several anti-corruption legislative initiatives, previously held back for years by red-tape under successive civilian governments, have been pushed through to enhance transparency and mitigate corruption risks.

The ongoing public reforms aim to reduce the discretionary power of government officials, build a stronger checks and balances system and increase civil participation. They also involve procurement reform which will increase competition and transparency, thereby preventing favoritism and bribery and enhancing the quality of public services and infrastructure. (See Annex I for legislative reform details).

Along with this positive progress on the regulatory front, the private sector has also become more active with an ever-increasing number of companies joining the anti-graft initiative while public awareness is also on the rise with news and articles about corruption and transparency occupying more and more media space. Anti-corruption sentiment in Thailand is currently building strongly and it is essential to sustain this positive momentum.
All these dedicated anti-corruption efforts across various fronts seem to have yielded some positive results. According to a survey in June 2016 by the University of the Thai Chamber of Commerce’s Center for Economic and Business Forecasting, bribe payments by businesses to state officials and politicians were estimated at Baht 60-180 billion (US$1.71-5.14 billion) a year, down from Baht 100-200 billion (US$2.86-5.71 billion) some 3-5 years ago.

2 The CAC initiative and its evolution

Thailand has a large number of government and independent public agencies tasked with fighting graft. They include the Office of the National Anti-Corruption Commission (NACC), the Office of Public Sector Anti-Corruption Commission (PACC), the Department of Special Investigation (DSI), the Royal Thai Police, the Office of the Auditor General of Thailand, and the Office of the Ombudsman. However, the size and number of graft-busting agencies alone cannot ensure victory in the battle against corruption.

In order to tackle corruption effectively, the active participation of two other significant stakeholders, namely, the private sector and civil society is required. Thus, to complement the public anti-corruption forces, Thailand’s private sector Collective Action Coalition against Corruption (CAC) was founded in 2010 to represent private businesses and the Anti-Corruption Organization of Thailand (ACT) was established in 2011 as a central anti-graft agency coordinating civil society efforts.

With the same ultimate goal of eradicating corruption, the CAC and ACT take different approaches and reach out to different audiences, while at the same time working closely, from policy to operational levels, with the ACT Chairman sitting on the CAC Council. While the ACT represents civil society, CAC acts on behalf of the business sector in a joint effort with the government to design the country’s anti-corruption framework and initiate relevant policies and action plans to promote a graft-free environment.

After six years in operation, the CAC continues to grow, getting bigger and stronger, proof that Thai companies are ready to assume active roles, in cooperation with the public sector and civil society, to root out corruption and create a clean and transparent system.

2.1 The birth of the CAC

The CAC initiative was designed as a platform for companies in Thailand to tackle corruption on a voluntary basis through collective action. It aims to implement effective anti-corruption policies and mechanisms in order to create a clean business ecosystem. The CAC also assumes an advocacy role in graft-fighting on behalf of the business sector.

In addition to the ever-increasing awareness of the need for good governance and the global concerns over the adverse effects of corruption, one key event that can be seen as a catalyst for the launch of
CAC was the International Anti-Corruption Conference in Bangkok in November 2010. This particular event inspired leaders of the Thai Institute of Directors Association (Thai IOD), a not-for-profit organization with a mission to promote good corporate governance, and the Thai Chamber of Commerce (TCC), a powerful organization that advocates for the Thai business community, to establish the CAC.

Starting with these two agencies, six other prominent business organizations then joined as co-founders and pledged full support for the initiative. They were the Joint Foreign Chambers of Commerce in Thailand, the Thai Listed Companies Association, the Federation of Thai Industries, the Federation of Thai Capital Market Organizations, the Thai Bankers’ Association, and the Tourism Council of Thailand. The Thai IOD also serves as CAC’s secretariat and takes a leading role in driving the program.

The CAC’s operations are sponsored mainly by the U.S.-based Center for International Private Enterprise (CIPE), the U.K. Prosperity Fund, and the Thailand Sustainable Development Fund. The CAC also gains full support from the government and the National Anti-Corruption Commission (NACC).

One key factor that contributed greatly to making the CAC a credible and dynamic initiative is the qualifications and reputations of its 11-member Council. The CAC Chairman is a charismatic technocrat and a former Finance Minister. Other councilors include the President & CEO of the Thai Institute of Directors, a former Bank of Thailand Governor, a former Commerce Minister, head of the Thai Listed Companies Association, Chairman of the Anti-Corruption Organization of Thailand, the Secretary-General of Transparency International’s Thai chapter, and several top executives of leading conglomerates.

### 2.2 Declaration/Certification mechanism

All private companies registered in Thailand, and all listed Thai state-owned enterprises, are eligible to join the CAC, at no cost. There are basically two steps. The first is simply signing a pledge to conduct business in a clean and non-corrupt manner and the second is to obtain certification from the CAC Council.

Signatory companies are obliged to put in place anti-corruption policies and strict compliance standards, complete the 71 self-evaluation checklist, get verification from an external auditor, and apply for certification with the CAC Council within 18 months of joining the CAC. This certification process is a unique and essential element of the CAC initiative which ensures that coalition members actually make efforts to fulfill their pledges and implement clean business practices. The CAC’s certification process is considerably more advanced than regional peers and many countries have expressed keen interest in studying the process and applying the concept to anti-corruption initiatives in their respective countries.

The certification is meant only to assure that the company has put in place anti-corruption policies and strict compliance standards in accordance with the CAC’s requirement. The CAC certification does not
cover individuals’ behavior and is not in itself proof of the sufficiency of a company’s corruption prevention measures.

2.2.1 Declaration of intention

In the declaration of intention stage, the company’s top executive (either CEO or Chairman) only needs to sign a form (see Annex II) to indicate the company’s intention to perform the following three tasks:

1. Work internally to assess risks related to corruption, implement anti-corruption policies and compliance programs, and provide business conduct guidance to managers and employees.

2. Disclose and share internal policies, experiences, best practices and success stories to foster ethical, clean, and transparent business transactions in Thailand.

3. Reach out to industry peers, suppliers and other stakeholders via the Coalition and participate in joint activities to fight corruption.

The CAC will run a background check to see if there has been any news about the applicant company or its key executives involving corruption cases within the two years prior to the declaration of intent submission. Barring any relevant corruption news, the CAC will then acknowledge the company as a signatory company.

2.2.2 Certification

After the declaration of intent, a signatory company needs to take the following steps to gain certification from the CAC Council within 18 months.

1. Prepare the self-evaluation tool (see Annex III) and ensure that the company’s practices comply with all the requirements. The company needs to answer “YES” to all 58 mandatory questions in the checklist as a minimum requirement to apply for the CAC certification.

2. The completed self-evaluation tool, signed off by the Chairman, must be verified and signed off by either the Chairman of the Audit Committee, the company’s external auditor, or another external auditor approved by the Thai Securities and Exchange Commission, and then submitted along with all supporting e-documents to the CAC.

3. The CAC will then check if there was any corruption-related news involving the applicant company or its executives in the previous two years.

4. The Certification Committee will screen and review the application for completeness and appropriateness before forwarding its recommendation to the CAC Council.

5. The CAC Council meets to grant certification to eligible companies on a quarterly basis.

Certified companies are also required to submit applications for re-certification every three years.
2.2.3 Self-evaluation tool

In 2012, the CAC, in collaboration with PWC Thailand, developed a self-evaluation tool, comprising a checklist of 71 items, to enable companies to appraise the strength, completeness and effectiveness of their anti-bribery policies and procedures. It was a shortened version of a similar tool developed by Transparency International for companies to self-evaluate their anti-bribery programs, comprising a more thorough 241-item checklist. The adaptation was meant to pave the way for Thai companies to start employing anti-corruption good practices and prepare them for future compliance with stricter international standards.

The CAC’s checklist is aligned with the 2009 edition of Business Principles for Countering Bribery, a voluntary counter-bribery code for private firms developed through a multi-stakeholder process led by Transparency International comprising a steering group of companies, business associations, non-governmental organizations, trade unions, and other stakeholders. To sharpen the impact on the country’s overall corruption situation, the self-evaluation tool is intentionally designed to focus mainly on bribery, not internal fraud.

The self-evaluation tool provides a set of core indicators that represent the base line for accepted good practices set out in the Business Principles for Countering Bribery. They basically pose the following questions based on a system approach:

1) Is there a policy?
2) Is there a procedure?
3) Is the procedure being implemented?
4) Is there public reporting?

Completing the checklist will reassure companies that their policies and practices are adequate to meet assessed risks and uphold its values, and stakeholders can be confident in the company’s approach and performance. The self-evaluation tool also provides guidance on indicators that can be used for external reporting and these can also serve as performance indicators for internal measures of progress and provide a basis for internal audit and external assurance.

2.3 Coalition member tally

Recognizing the need for a stronger sense of urgency in the fight against corruption in Thai society, private companies have been very active in signing up and seeking certification from the CAC. This is concrete evidence that Thai companies are ready and willing to take part in the battle against corruption.

Kicking off with just 27 companies at the launch in 2010, the total number of signatory companies has reached 741 companies as of September 23, 2016, including many of the country’s top-tier corporations.
Of this total, about half are listed companies, accounting for 80% of the market’s total capitalization. This phenomenon implies that the majority of Thailand’s public corporations has made governance and transparency a top priority and is keen to be part of the clean business community.

The other half of CAC’s membership comprises private companies of various types and sizes, including units of multi-national conglomerates as well as big and small local firms. (See annex IV for full list of signatory companies).

Some 177 companies have been certified by the CAC Council. (See annex V for full list of certified companies)

2.4 Strengthening the certification process

In CAC’s early stages of development, the certification process relied mainly on an honor-based system and the approval decision hinged largely on the pledge of the company and verification by either an audit committee or external auditor. There was no specific timeline for signatory companies to seek certification. After the first few years, the CAC realized the number of signatory companies kept increasing rapidly while the number of certified companies grew at a much slower pace.

In order to cope with the rapid expansion of the coalition, the CAC saw the need to take into account the larger number and diversity of member companies and proactively changed the way it functions. Given the coalition’s members wide variety of corporate profiles, the CAC needed to develop a more robust certification process that included e-documentation and incident management procedures as well as a fixed timeline for companies to achieve certification. The change was crucial to ensure and sustain the efficiency and credibility of the program.

In mid-2015, the CAC introduced a strengthened certification process, co-developed with PwC Thailand. The implementation of the more robust certification process was divided into Phase I (July 2015 – December 2017) and Phase II (January 2018 onward).

The more stringent process will help create a system of checks and balances that verifies the self-assessment and establishes a standardized anti-corruption program in the Thai private sector in alignment with global best practices. It will also create a sustainable system that builds a sense of ownership and commitment among coalition members.

Key improvements under Phase I:

- The CAC has set up a rigid timeline for companies to submit self-evaluation forms, within 18 months from their declaration of intention. This condition will start affecting all signatory companies from the end of 2016 onward as names of those failing to get certification within the 18-month deadline will be removed from the signatory list.

- Companies seeking certification are required to submit all supporting electronic documents (e-doc) along with the self-evaluation form to the CAC.
- The CAC has established an incident management process to cope with unexpected cases or reports of corrupt practices by CAC members by media or public investigators.

- To help vet applicants’ qualifications and reputations, the CAC Council has appointed a Certification Committee, consisting of experts in business law, corporate governance, internal audit, financial audit and experienced representatives from the current certified members. The Certification Committee is tasked with probing the applications more thoroughly by checking six main areas, covering a checklist of 44 key items out of a total of 71, to ensure that applicants provide adequate information/evidence that warrants the certification. Previously, the CAC’s secretariat randomly looked at only 15 key items on applicants’ checklists.

Key improvements under Phase II:

- A standardized auditing process will be created through a tailor-made working paper for auditors to examine the self-evaluation and supporting documents of applicants. The CAC has collaborated with the Federation of Accounting Professionals (FAP) to prepare this process and the working paper.

In August 2016, the FAP launched training courses for external and internal auditors to help them understand the appropriate auditing method for the self-evaluation assessment and the newly introduced working paper. To allow companies more time to study the new auditing process and working paper, the implementation date for the second phase has been put off by one year from the initial schedule to January 1, 2018.

2.5 Uplifting self-evaluation checklist to meet international standards

The CAC’s current 71-item self-evaluation checklist was carefully selected from the extensive version of Transparency International’s more thorough 241-item checklist. The initial aim was to create a simpler checklist to jump start Thai businesses.

But today, as numerous Thai companies are operating in the international arena, they may need more comprehensive guidelines than the CAC’s current 71-item checklist. Those advanced members with greater capabilities to comply with more stringent criteria may need to demonstrate their anti-corruption commitments through a higher-level of certification to distinguish themselves from peers.

Therefore, the CAC has reassessed the 71-item checklist and is in the process of developing a new, more extensive checklist that will be loosely benchmarked with other globally recognized guidelines. The expanded checklist will be offered to companies that demand to be recognized at a higher international standard. Meanwhile, the CAC is working with regulators, such as the SEC, to create the roadmap for the launch of the expanded guidelines, capacity building, communications plan, rewards and incentives, and relevant tools.
The CAC has put off the launch schedule of the upgraded standard by one year to 2018 to wait for details of the ISO 37001 standard to ensure that key details of the advanced checklist are in alignment with the new global benchmark.

2.6 Supporting activities and CAC’s wider public role

2.6.1 Ethical leadership/practical guide training programs

The CAC’s compliance-based certification program alone is not sufficient to eradicate corruption. Another key issue is the ethical mindset of top business executives. To this end, companies need to factor ethical dimension into their daily business decisions and leaders need to act as Chief Ethics Officers to lift ethical standards in their businesses.

Recognizing the importance of this dimension, in 2015 the CAC introduced the “Ethical Leadership Program” for Thai business executives, aiming to set the ethical tone at the board level. The new program, replacing the anti-corruption course for executives, focuses on a prisoner’s dilemma associated with the power of decision-making by business leaders to help tackle corruption through proper business ethics.

It was built upon the belief that a combination of “compliance” and “ethical leadership” are the two strategic elements for the CAC’s growth and sustainability. The U.K.-based Business Ethics London (IBE) helped shaping the Ethical Leadership Program to ensure the content is aligned with international ethical standards.

In due course, the program will create a network of new-generation executives with strong awareness of ethics, essential for fighting corruption and delivering sustainable development. The CAC is set to conduct four sessions, training about 100 executives a year.

In parallel with the Ethical Leadership Program, the CAC has also run technical training programs for the compliance and internal audit staff of participating companies. These two-day sessions provide guidelines in completing the 71-item checklist and instructions on how corporate compliance systems can be modified to include anti-bribery protocols and reporting mechanisms. The workshops have provided sufficient value to the participants to have become a fully-funded fee-for-service program. The CAC runs approximately 10 classes and trains around 300 officers each year. To date, the CAC has run a total of 39 workshops for executives and compliance officers, serving 833 participants.

2.6.2 Educational events

2.6.2.1 Quarterly Executive Briefing

To help company executives understand the concept of collective action and procedures for joining and getting certification from the CAC, a Quarterly Executive Briefing was initiated in late 2015.
These briefings are meant to help convince executives of companies that may still be reluctant to join the CAC or who need more information. The briefings help interested executives to clear up any queries and concerns they may have about participating in the collective action coalition.

2.6.2.2 Current Issue Seminars

The CAC periodically holds Current Issue Seminars to discuss interesting issues relevant to anti-corruption movements in both local and international contexts. These seminars are meant to help corporate executives capture the essence of and understand the most recent developments, techniques, and methods in graft-fighting.

2.6.2.3 National Conference on Collective Action Against Corruption

The CAC has convened annual one-day “National Conference on Collective Action against Corruption” in Bangkok for the past seven years. Each of these conferences attracts audiences in excess of 200 people. They give CAC a platform to celebrate the accomplishments of this initiative. Participants include senior government officials, representatives of various international donors, top corporate executives, and the media.

The seventh annual conference was held on 18 October, 2016 under the topic “Ethical Leadership: Combating Corruption Together”.

2.6.2.4 CAC’s wider public role

Besides robust interest from the private sector, the CAC has also gained acceptance and recognition from the public sector.

CAC Secretary-General Dr. Bandid Nijathaworn has been appointed by the government to be a member of many anti-corruption and prevention committees to enhance transparency and practices in public agencies. As one of the country’s top CG experts, Dr. Bandid has been assigned to be a member of the Sub-committee of the State Enterprises Policy Commission, known locally as the ‘Superboard’. The main task of this committee is to shape a super holding company that supervises state enterprises based on CG principles and best practices. Separately, Dr. Bandid has also been appointed a member of the Integrity Pact Implementation Co-operation Committee, chaired by the Finance Minister. This committee is responsible for the development and adoption of Integrity Pact practices in Thai government procurement by installing a third party monitoring and reporting process acting as independent observers.

Mr. Kulvech Janvatanavit, CAC Principle Advisor, has been assigned by the National Anti-Corruption Commission (NACC) to be a member of the Private Sector Anti-Corruption and Prevention Committee.

Mr. Kittidej Chantangkul, CAC Project Coordinator, has been appointed a member of the NACC’s Sub-committee on Prevention Measures, chaired by the Prime Minister. He has also been selected as an
independent observer for one of the pilot Integrity Pact programs, monitoring the selection of private operators to run the extension of Bangkok’s Blue line mass transit project.

In 2015, the CAC worked closely with the Thai IOD to develop a tailor-made training course and applicable checklist for independent observers in performing their duties under the Integrity Pact program. The course development was in response to a request by the Thai Ministry of Finance to help independent observers understand their roles and responsibilities as well as establish practical guidelines to ensure the effectiveness of the Integrity Pact scheme. So far, the IOD has run five courses, training 117 independent observers.

On the legislation front, an amendment of the NACC’s anti-graft law paved the way for the prosecution of bribe payers instead of just the recipients as before. Under this amended law, companies are also liable for paying bribes unless they can prove that they have installed ‘adequate’ preventive measures to counter corruption. The CAC has been working with the NACC on how to define ‘adequate’ and provided them with inputs to develop compliance guidelines. The CAC has also pushed for the recognition of CAC’s certification in this dimension.

**International recognition**

The CAC has been invited to join several international initiatives including the B20 Collective Action Hub and the ASEAN CSR Network. It has also signed a co-operation MOU with the London-based Global Infrastructure Anti-Corruption Centre.

In December 2015, Mr. Kittidej was invited by Transparency International to participate in a book sprint project in Berlin. As the sole representative from ASEAN, he shared his direct experience about Integrity Pacts by writing chapters for “Integrity pacts: A how-to guide from practitioners”, published by TI in May, 2016.

Separately, this July, Transparency International issued the “Transparency in corporate reporting: Assessing emerging market multinationals 2016 report”, which evaluates the disclosure practices of 100 major emerging market multinationals headquartered in 15 countries and active in 185 countries. Four Thai firms are included in the 100 selected multi-national companies. This study assessed public disclosure practices across three dimensions including the reporting of anti-corruption programs, disclosure of company structures and holdings, and disclosure of key financial information on a country-by-country basis.

Interestingly, the three Thai companies that made the top 25 have either signed up with CAC or been certified by the CAC while the fourth one ranked at the end of the top 100 list. This clearly demonstrates that joining the CAC helps to bolster recognition of companies’ anti-corruption commitments in the global arena.

A joint research by ASEAN CSR Network (ACN) and the National University of Singapore (NUS) Business School’s Centre for Governance, Institutions and Organisations (CGIO), assessing the level of
public disclosure related to anti-corruption efforts of the top 50 listed companies in each of the five ASEAN countries (Indonesia, Malaysia, Philippines, Singapore and Thailand), was also published in July.

The outcome painted a somewhat similar picture, with Thailand leading the overall level of disclosure, followed by Singapore, the Philippines, Malaysia and Indonesia. Specifically, on whether companies have policies covering gifts, hospitality and expenses, Thailand was outstanding with a high score of 84% compared with the average score of 59%. This was partly due to the fact that about half of the Thai listed firms have joined the CAC and fulfilled its commitment by putting in place anti-corruption policies and high compliance standards.
3 Tipping points

CAC’s rapid growth over the years has been driven by several factors, including dedicated support from the government, regulators, private companies, business associations etc. The foremost reason for private companies joining the CAC is to be part of the solution to the problem and ensure the integrity of Thai markets. A strengthened disclosure requirement by the securities watchdog for listed companies to disclose their policies on anti-corruption also helped to raise the interest of listed firms.

Thus far three major ‘tipping points’ have been identified as crucial factors that triggered the healthy growth of this anti-corruption network.

3.1 Sectoral approach

On top of general recruitment efforts, the CAC has adopted a sectoral approach by reaching out to business organizations and convincing them to bring all their members to sign up with the CAC at the same time. This tactic has proven to be highly successful with business associations in the financial sector.

Over the past years, the CAC has been able to persuade the following associations and managed to have all their members sign up with the anti-corruption program:

- The Thai Bankers' Association (15 members)
- Association of Investment Management Companies (22 members)
- Association of Thai Securities Companies (24 members)
- The Thai Life Assurance Association (25 members)
- Thai General Insurance Association (51 members)

The participation of almost all operators in the Thai financial sector significantly raised the CAC’s profile and credibility.

3.2 Support from other parties

Valuing the CAC's mission and actions, many organizations have granted tremendous support to the CAC’s cause. Besides the aforementioned support and recognition from the NACC, other key agencies that contributed positively to the CAC’s rapid growth are the securities watchdog and the Thai Investors Association (TIA).
The Securities and Exchange Commission (SEC) has supported the development of an Anti-Corruption Progress Indicator and required that analysts mention the indicator in each of their individual stock reports to inform investors about each listed company’s commitment to anti-corruption efforts.

The Anti-Corruption Progress Indicator, which ranks companies from 0-5, is based on the level of listed companies’ participation in the CAC. Companies with no plans to join the CAC will be rated at 0 while CAC certified companies will be rated at 4. Only companies with proven records of spreading clean practices to stakeholders will score 5.

For its part, TIA has sent representatives to attend the annual general meetings of listed firms and ask executives to elaborate on their anti-corruption progress and provide details regarding CAC participation and certification. Such activities by investors and requirements by the SEC added positive pressure on listed companies to make progress and take a more proactive approach to their anti-corruption efforts.

3.3 Active change agents

To effectively tackle corruption and create a clean business ecosystem requires the power of numerous companies in the form of Collective Action.

A multiplier effect can take place when a good corporate citizen turns into an active change agent and this is very much the case with certain CAC members. Several certified companies have undertaken substantial efforts to persuade their suppliers and other stakeholders to also adopt anti-corruption policies and install graft prevention mechanisms.

One good example is auto parts manufacturer Somboon Advance Technology PCL (SAT). It was among the first 27 companies to declare its intention to join CAC back in 2010 and one of the first nine certified companies in 2013. SAT has demonstrated serious attempts to promote transparency and business ethics throughout its business value chain by encouraging key trading partners to also adopt anti-corruption practices.

In March 2016, SAT brought together 88 trading partners to collectively sign the declaration of intent with the CAC. This is considered a milestone in CAC network expansion and a crucial attempt to create a clean ecosystem within Thailand’s large auto industry.

Many other certified members have also acted as change agents, including Bangchak Petroleum PCL, and have contributed greatly to the CAC’s strong growth over the years. Should all CAC members take similar steps to persuade their business partners to join CAC, the number of transparent companies in Thailand will rapidly multiply and the clean business culture will soon prevail and become the norm in the Thai economic system.
4 Challenges ahead

Now into its seventh year, the private sector’s anti-corruption initiative continues to grow robustly with an ever-increasing number of coalition members and greater recognition by the regulators and international graft-fighting community. However, in spite of this solid foundation, several challenges lie ahead for the CAC.

4.1 Sectoral approach to turn collective action into concrete action

It remains a big challenge to expand the strength and diversity of companies joining the CAC so that the coalition represents a credible and genuine force for change against corruption in the Thai private sector.

Following success in pursuing financial institutions and major corporations that already have better governance standards, or the so-called low-hanging fruit, the CAC is now placing emphasis on companies in the real sector (non-financial business) that are prone to corruption risks. The CAC will push harder to convince these business associations to have their members join the CAC all at the same time.

Beginning with information gathered from several individual companies in high corruption risk sectors, with verification from key players and former regulators, the CAC hopes to draw up a blueprint of regulatory processes that are vulnerable to corruption risks and to pinpoint specific ‘pain points’ in terms of possible bribery. The CAC will then use such insights and work with relevant government agencies to initiate effective and practical solutions that might help mitigate corruption risks, starting with a particular government agency.

A successful implementation using this approach can be used as a prototype to develop appropriate solutions for other government agencies involving other business sectors. This sectoral approach will eventually turn the power of collective action into concrete corporate action.

4.2 New anti-corruption compliance standards for SMEs

Half of Thailand’s listed companies, mostly top-tier and sizable firms, have already signed up with the CAC and many have been certified. However, the majority of Thai businesses, comprising millions of Small and Medium Enterprises (SMEs), find it difficult to participate in the program, designed mainly for relatively larger firms, already subject to a certain extent, to established governance structures. These small companies are large in number and are more susceptible to corruption risks because of limited resources.

In this regard, the CAC plans to develop separate standards, guidance, and self-training tools that specifically target SMEs. The introduction of a tailor-made toolkit for Thai SMEs will help bring smaller
business operators on board, expand clean business networks and enhance both the spirit and the power of collective action in tackling corruption.

The successful development of a new anti-corruption platform that is more applicable to SMEs will not only help extend clean business practices but will also prepare SMEs to comply with stricter standards once their businesses expand in the future.

4.3 Reward and recognition

In order to make the CAC more attractive, companies that have clear policies and procedures on anti-bribery and corruption should be materially and systematically recognized and rewarded. This can be done by creating an incentive system linked to CAC certification so that certified companies are publicly recognized.

Public recognition will motivate them to continue to set good examples and at the same time encourage other companies to join CAC. The incentive system is best built through market and public recognition of companies for their anti-corruption practices.

The CAC is in the process of developing a branding label for CAC certified companies to inform the business community, customers and consumers about the clean practices of certified companies. The introduction of this label will allow local and international firms as well as consumers to distinguish companies with anti-corruption mechanisms from those that do not. This will also provide them opportunities to selectively support clean businesses and at the same time pave the way for the promotion of active corporate and individual citizens against corruption.

On another front, CAC-certified companies will also stand to benefit from an amendment of anti-graft legislation, requiring companies to establish appropriate counter-corruption systems and controls, failing which they will be liable in case their staffs are found guilty of paying bribes.

The CAC and other graft-fighting agencies are also proposing to the ruling government to make CAC certification a compulsory requirement for companies engaging in business transactions with state agencies.

4.4 Leverage coalition strength

Another key challenge is to leverage the business strength of the coalition members to help the authorities identify existing gaps and weaknesses in government services, as well as the corrupt practices that are still operating, with a view to correcting such deficiencies.

One possibility is to use greater transparency as a tool to combat corruption by developing a platform that would allow private citizens or companies to reflect their experiences in receiving public services, including demands for bribery, with an independent body and the concerned authorities, as well as making such information known to the public. This mechanism can be designed as an extension of the
newly introduced Licensing Facilitation Act in Thailand that calls on the private sector to report delays and difficulties when dealing with government services that deviate from the required processes.

The CAC is currently exploring opportunities to work with potential partners to develop such a platform, hoping it will become an effective tool to mitigate corruption risks at state agencies, enhance government service quality, and establish a citizen monitoring mechanism.

These are the challenges CAC faces in moving its initiative forward. Such challenges need to be addressed both to enhance the effectiveness of tackling corruption and to convince the private sector of the power of collective action as a strategy to fight corruption.
5 Conclusion

After dealing with private operators for years, the CAC has found that there is not a single company that likes corruption. Yet, corruption remains severe, partly because many firms feel helpless and continue to make unlawful payments to avoid potential adverse effects on their businesses.

However, companies are exposed to massive risks when they are involved with corruption. Not only does corruption increase the costs of doing business and undermine the quality of products and services, it also substantially raises reputation risks and leads to a deterioration in trust for both business and government institutions. It can generate severe and far-reaching negative consequences.

One company or a handful of companies may not be able to resist the power of systemic corruption but when large numbers of companies join hands in collective action, there is plenty of evidence that corruption problems can be overcome. Clearly, a successful battle against corruption cannot be done solely by the government; it also requires an orchestrated effort within the private sector to tackle the supply side of the corruption equation.

Over the past six years, the CAC has continuously evolved and made significant progress in championing the installation of anti-corruption policies at private corporations. The unique design of its certification program not only helps to distinguish companies with strict compliance standards but is also a crucial element that makes the CAC an outstanding anti-corruption program recognized for translating a strong conceptual idea into actual implementation.

Lessons from the Thai CAC experiences, particularly the certification program, can be used as a model for other anti-corruption initiatives or as a base to develop a regional certification standard.

Tipping points that have led to a rapid growth in CAC membership include aggressive member recruitment efforts via a sectoral approach and the industry-wide applications of companies in the financial sector, keen support from authorities and relevant organizations, and the change agent role undertaken by CAC members to persuade their suppliers and trading counterparts to also adopt anti-corruption practices.

Despite this initial success, there are several challenges that need to be addressed to further enhance the effectiveness of anti-graft efforts. The CAC needs to go beyond the numbers game and strive for further member commitment through certification process strengthening and the targeted recruitment of companies in sectors that are prone to severe corruption risks.

The CAC will continue to pursue the sectoral approach, to turn the power of collective action into real action.
To help bring smaller business operators on board, to expand the clean business network and enhance both the spirit and the power of collective action in tackling corruption, the CAC plans to develop a new set of standards and self-training tools that specifically target millions of SMEs.

The CAC also needs to find new forms of reward and recognition to motivate companies to join the collective action and at the same time seek ways to leverage the power of its widespread network to create and sustain a clean business community.

The constant evolution of the Thai CAC and its extensive experience in applying new and innovative anti-graft approaches are strong examples of how collective action can be used to inspire and drive the private sector to take part in the battle against corruption.