



Global Compact
Network Thailand

ANTI-CORRUPTION COMPLIANCE CHALLENGES AND CASE STUDIES:

FINDINGS FROM
THE THAI PRIVATE
SECTOR





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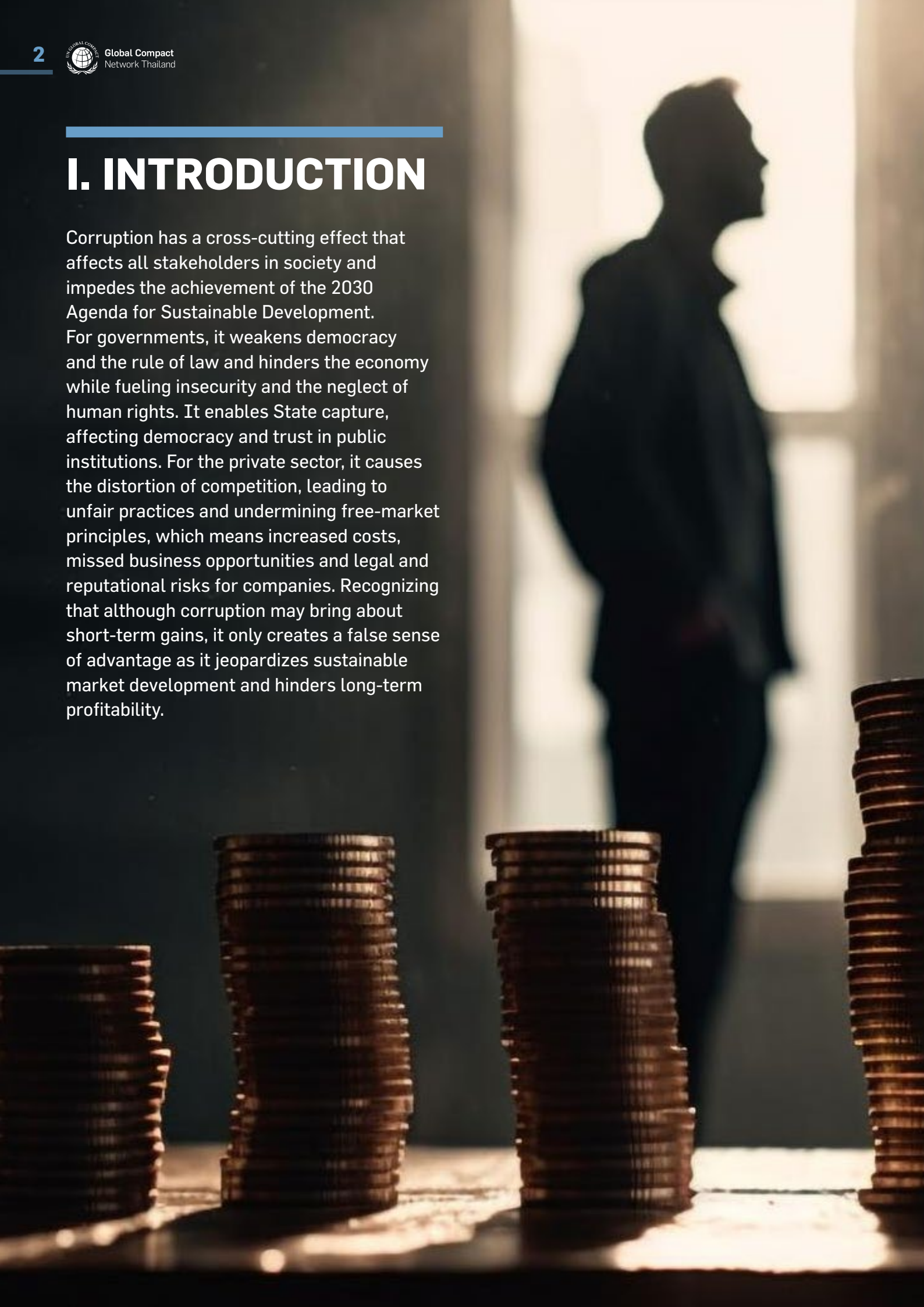


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I. INTRODUCTION

Corruption has a cross-cutting effect that affects all stakeholders in society and impedes the achievement of the 2030 Agenda for Sustainable Development. For governments, it weakens democracy and the rule of law and hinders the economy while fueling insecurity and the neglect of human rights. It enables State capture, affecting democracy and trust in public institutions. For the private sector, it causes the distortion of competition, leading to unfair practices and undermining free-market principles, which means increased costs, missed business opportunities and legal and reputational risks for companies. Recognizing that although corruption may bring about short-term gains, it only creates a false sense of advantage as it jeopardizes sustainable market development and hinders long-term profitability.



A faltering recovery from COVID-19, the exacerbation of climate change, and humanitarian conflicts have recently shaped the global context. Emergency situations create the perfect storm for corruption to thrive as oversight and accountability are sacrificed for speed of response while millions of dollars are poured into the economy. Public procurement is estimated to account for 15-30 per cent of the GDP of many countries, and various reports suggest that an average of 10-25 per cent of a public contract's value may be lost to corruption. For companies, this means unfair competition, increased costs, missed business opportunities, and legal and reputational risks. In Thailand, extensive efforts through legislation, enforcement and initiatives have been made by governments to address these challenges, but corruption continues to be a pressing issue, as shown by its ranking of 101st out of 180 countries in Transparency International's Corruption Perceptions Index (CPI).

Neither governments nor the private sector can tackle corruption alone. The Thai private sector can play a key role in addressing this challenge by fostering a culture of integrity within their organizations while also engaging with industry peers and external stakeholders. The first step in doing so is recognizing the on-the-ground challenges that businesses face in effectively combatting corruption. Understanding their perspectives and recommendations on these issues can serve as strong starting points to drive successful collective action against corruption. This publication aims to shed light on these complex challenges, synthesize strategies and viewpoints from the private sector in addressing them, and explore pathways for united action against corruption where stakeholders from business, government and civil society all play a key role.

Starting with an overview of Thailand's anti-corruption framework, the publication will provide insights into the internal anti-corruption efforts of Thai companies, highlighting case studies of successful strategies. Shifting focus to external factors, the publication will explore the complexities of interactions with the state, presenting recommendations and expectations from the private sector. Finally, the publication will emphasize the private sector's pivotal role in fostering collective action against corruption, ultimately calling for a united effort that involves all stakeholders in society. The case studies presented are synthesized from practices that were shared by real companies during one-on-one consultations and can serve as useful insights for companies that are struggling with anti-corruption compliance and fostering a culture of integrity within their organizations. The common challenges highlighted here can also be used as a basis for issues and focus areas that can be prioritized in the future anti-corruption collective action initiatives in the Thai private sector.

II. THAILAND'S ANTI-CORRUPTION FRAMEWORK: LAWS, ORGANIZATIONS, AND INITIATIVES

A. LEGISLATIVE LANDSCAPE: ANTI-CORRUPTION LAWS AND REGULATIONS RELATED TO BUSINESSES IN THAILAND

Corruption under Thai law can be generally defined as "giving, offering or promising to give property or any other benefit to a state official, a member of a state legislative assembly or provincial assembly, a member of a municipal assembly, an official holding a judicial post, a public prosecutor, an official responsible for conducting cases or inquiries, a foreign public official or an official of an international organization so as to induce that person to do, not to do, or to delay the carrying out of any act that is contrary to their duties."¹ There are several laws that deal with criminal offences of bribery and corruption. For the purposes of this publication, corruption offenses relating to private entities will be highlighted, these offenses are reflected in the following laws :

- The Organic Act on Anti-Corruption, B.E. 2561 (2018) (the "Anti-Corruption Act")
- The Act on Offences Relating to the Submission of Bids to State Agencies, B.E. 2542 (1999) (the "Bid Submission Offences Act"); and
- The Penal Code



The main corruption offenses that involve private entities can be categorized into two groups:

- 1) Private to public corruption – which includes acts of bribery to state and judicial officials, unlawful public procurement processes such as bid rigging, and other forms of facilitation and/or grease payments.²
- 2) Private to private corruption – which involves acts of corporate fraud such as kickbacks, securities fraud, and embezzlement.³

In addition to the criminalization of these acts, an important legal obligation relating to anti-corruption compliance that directly impacts operations of businesses in Thailand is reflected in Section 176 of the Anti-Corruption Act which requires public and private entities to develop anti-corruption policies and to report on their implementation.

Under this provision, penalties can be imposed on companies for bribery charges irrespective of its directors and/or legal representatives' knowledge of such actions if they were committed in the interests of the company by an entity connected to it (i.e. the company's subsidiaries, employees, representative, or any other persons acting on behalf of the company) unless it can be proven that the company has implemented the necessary internal anti – corruption measures.

Fostering a culture of integrity is no longer seen as optional for companies; it is increasingly recognized as a critical aspect of effective anti-corruption efforts. This shift is evident in recent legal developments in various countries where new legislation has introduced a corporate “failure to prevent” bribery offence in their anti-corruption laws.

CORPORATE “FAILURE TO PREVENT” OBLIGATION

In Australia, the Criminal Code Amendment (Bribery of Foreign Public Officials) Act 2018 was enacted, which introduced a new corporate offence of failing to prevent foreign bribery. Under this law, companies can be held liable if they fail to implement adequate measures to prevent bribery by their employees, agents, or subsidiaries. This places the onus on companies to proactively establish robust anti-corruption measures and promote a culture of integrity throughout their operations. A similar offense was introduced in the UK Bribery Act 2010 for bribery offenses as well.⁴ Section 176 of the Thai Anti-Corruption Act also reflects this principle, as it holds companies criminally liable for corrupt acts committed by their directors, executives, or employees in furtherance of the company's interests, unless the company can prove that it had in place effective internal controls and compliance measures to prevent such misconduct.

By imposing “failure to prevent” offences, companies must take proactive steps to prevent bribery and corruption. These legal developments serve as a catalyst for companies to prioritize anti-corruption efforts and integrate them into their business strategies. In this evolving landscape, companies that treat culture as a core business risk not only comply with legal obligations but also enhance their reputation, build stakeholder trust, and mitigate the risks associated with corruption.

Drawing from findings from interviews of Thai companies, this publication will explore the challenges, trends and good practices within the Thai private sector in implementing such internal anti-corruption programs, highlight key cultural and structural challenges to the implementation of these programs, and explore ways forward in terms of collaboration between stakeholders to foster a stronger anti-corruption and good governance environment within Thailand.

¹ The Penal Code, Section 144, Section 167; and the Anti-Corruption Act, Section 176.

² The Penal Code, Section 144, Section 167; and the Bid Submission Offences Act, Section 4, Section 5, Section 6, and Section 8.

³ Baker McKenzie, 2022.

⁴ Emmanouil, 2022.

B. CIVIL SOCIETY ENGAGEMENT: ORGANIZATIONS AND INITIATIVES COMBATING CORRUPTION IN THAILAND

• Anti-Corruption Organization of Thailand (ACT)

The Anti-Corruption Organization of Thailand (ACT) is a prominent agency dedicated to combating corruption and promoting transparency in Thailand. ACT's primary mission is to promote good governance practices and raise public awareness about the detrimental effects of corruption on society and the economy. The organization works closely with other government agencies, civil society organizations, and the private sector to foster collective action against corruption and enhance integrity in both public and private sectors. In collaboration with HANDS Social Enterprise, they have also developed an open data platform called 'ACT AI' that aims to increase transparency on government public procurement projects, funding schemes, and provide a whistleblowing platform for citizens that detect instances of corruption.

The network brought together representatives from 23 organizations across the state, private sectors, academics, and international organizations to brainstorm and strategize cooperative measures for combating corruption in all sectors of society. Today, ACT stands strong with the support of 54 organizations from government, the private sector, academia and international organizations, continuing its mission to foster a more transparent and corruption-resistant Thailand.

• Thai Private Sector Collective Action Against Corruption (CAC)

The Thai Private Sector Collective Action Against Corruption (CAC) is an initiative that brings together private sector organizations in Thailand to collectively combat corruption. It was launched in 2010 by the Thai Institute of Directors (IOD) in collaboration with the Thai Chamber of Commerce (TCC) in response to growing concerns about the detrimental impact of corruption on the country's economic and social development.

CAC operates as a platform for companies to collaborate and exchange best practices, experiences, and knowledge in developing effective anti-corruption measures. The organization also provides valuable tools and guidance for companies to facilitate their implementation of anti-corruption policies. Additionally, CAC also supports constructive multi-stakeholder dialogue through regular forums, workshops, and networking events.

• Anti-Corruption Collective Action (ACCA) – UN Global Compact

UN Global Compact Network Thailand (UNGCNT) – a local network of the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative – has been implementing the 'Advancing Collective Action against Corruption through Global Compact Local Networks' ('ACCA') project within Thailand. This project is aimed at expanding and strengthening collective action within the Thai business sector in anti-corruption efforts through the development and implementation of policies and best practices to help eradicate corruption in all forms.

The ACCA project has the purpose of increasing channels for dialogue and collaboration in anti-corruption between relevant stakeholders in society - including state agencies, civil society, and the business sector. It also aims to build the capacity of private sector actors in developing and implementing anti-corruption tools to be applied internally within companies and on an industry/sector level. Working collectively through the ACCA project will allow businesses to:

- Create a deeper understanding of corruption issues.
- Consolidate knowledge and financial and technical resources to achieve greater impact.
- Create solutions that are perceived as more credible, acceptable and are more sustainable.
- Help ensure fair competition and a level playing field for all stakeholders.
- Create a more stable and enabling business environment.
- Compliment existing anti-corruption efforts in vulnerable regions and sectors, where industry or government-led regulations are not robust

In Thailand, the implementation of the ACCA project will incorporate a business and human rights perspective and also focus on issues relating to supply-chain management, as a way to ensure that the collective action can address broader social implications connected to corrupt activities, such as the adverse impact of corruption on individuals' rights, such as access to basic services, fair employment opportunities, and protection from exploitation.



⁵ ACT AI Open Data Center, n.d.

⁶ Anti-Corruption Organization of Thailand, n.d.

⁷ Thai Private Sector Collective Action Against Corruption, n.d.

⁸ United Nations Global Compact, n.d.

III. NAVIGATING ANTI-CORRUPTION HURDLES: INSIGHTS AND CASE STUDIES FROM THE THAI PRIVATE SECTOR

In the dynamic landscape of business ethics and compliance, effectively addressing challenges caused by corruption is an area of priority for companies across Thailand. However, implementing such programs can be challenging, particularly in a context where corruption is deeply entrenched and culturally accepted. Drawing insights from one-on-one interviews with Thai companies, this section of the publication will provide an overview of the prevailing anti-corruption challenges in Thailand, as well as case studies of the approaches used by Thai companies to tackle them. By shedding light on real-life experiences and good practices, this section aims to equip businesses with valuable knowledge and strategies to navigate the complexities of anti-corruption, foster a culture of compliance, and contribute to the collective goal of a corruption-free business environment in Thailand.



A. CHALLENGES IN BUSINESS OPERATIONS: NAVIGATING ANTI-CORRUPTION RISKS WITHIN THE PRIVATE SECTOR

i. Local and Cultural Perceptions of Corruption

One of the biggest challenges that organizations of all sizes face in implementing anti-corruption programs is navigating local and cultural perceptions of corruption. In many countries, corruption may be regarded as a normal part of doing business, or even a cultural norm. Defining what is considered as corrupt from one country to another is also another pressing challenge, for example, the practice of gift-giving and hospitality may be seen as a normal business practice in some cultures but could be viewed as bribery in others.

This challenge is particularly concerning for multinational companies that have set up local offices in Thailand, as they will need to invest extensive time and expertise in understanding the local cultural perceptions of corruption in Thailand. Existing anti-corruption initiatives that are implemented at a global level may also no longer be applicable for their local operations if they do not reflect these complex factors. Small and medium enterprises (“SMEs”) also struggle with this hurdle, as the decision to refuse to engage in corrupt activities in environments where corruption has become entrenched and accepted may impact their competitiveness when compared to their less ethical competitors.

To address these challenges, businesses need to adopt a multi-pronged approach – focusing on both fostering a culture of integrity internally within their organizations, while also externally engaging in efforts to address these norms through initiatives and collective action with industry peers and other stakeholders. It is also essential for businesses to develop comprehensive definitions of corruption and expectations for acceptable behavior that considers cultural and social norms while also aligning with international standards and good practices. These expectations can also be expanded and shared with industry peers through open and transparent communication

ACME CORPORATION (ANONYMIZED) - INTEGRATING CULTURAL PERCEPTIONS OF CORRUPTION INTO TRAINING AND ONBOARDING

ACME Corporation is a multinational company operating in diverse regions. They have recently set up a local office in Thailand and recognize the significance of addressing cultural perceptions of corruption to foster a strong ethical culture within the organization.

Although they have comprehensive organization-wide policies and training modules on integrity and anti-corruption issues, they acknowledge the need to tailor their existing materials and approaches to be in line with Thai contexts. To achieve this, they developed a targeted approach to identify and integrate cultural perceptions of corruption and integrate these notions into their training and onboarding modules for employees.

Research and Due Diligence:

Firstly, ACME Corporation empowered its local companies and subsidiaries to take ownership of addressing cultural perceptions of corruption. Each local entity worked with experts in good governance and compliance with extensive local cultural knowledge, who helped guide the company in understanding common cultural perceptions, norms, and ethical challenges in doing business within each region.

Integration to Training and Onboarding Modules:

Using these insights, ACME Corporation adapted their training and onboarding modules to address cultural perceptions of corruption effectively. They integrated real-life case studies and ethical dilemmas that the company and its employees may face. Furthermore, ACME Corporation engaged local experts as trainers and consultants to help bridge the gap between global anti-corruption standards and local contexts. These steps helped ensure that employees could relate to the material and understand how corruption manifests within their specific settings.

Employee Dialogue:

To ensure that the materials continued to remain relevant to employees' needs and experiences, ACME Corporation encouraged open dialogue and discussions during the training sessions by allowing employees to share their experiences and questions regarding corruption issues and use cases. This enabled employees to develop ethical decision-making skills on issues faced in their respective departments.

ii. Rooting Anti-Corruption Initiatives Throughout the Organization

Another key challenge that organizations face is ensuring that anti-corruption initiatives are integrated throughout the entire organization. It is not enough to establish an anti-corruption program at the top level of an organization, but they must also be embedded throughout all levels of the organization. This is a particularly pressing challenge for large companies or multinational enterprises (“MNEs”) that have local operations across multiple areas within a country or operate in different countries around the world and are engaged in different lines of businesses.

One major challenge in this context is ensuring employees’ understanding of anti-corruption policies. In many cases, companies may have comprehensive anti-corruption policies in place, but employees may not understand them or find them too general to be of actual application to the unique issues they face. This makes the policies a mere formality and ineffective in preventing corruption. Furthermore, the effectiveness of training programs may also vary depending on the individual employee’s level of education and experience. Most companies also do not have robust mechanisms for assessing their understanding of the materials post-training, which makes it difficult to assess whether employees can fully understand and implement the policies.

Another challenge lies in the inflexibility of anti-corruption policies. In many cases, different business units within a company may have their own corruption risks and even operate under different areas of laws and regulations, which may make general anti-corruption policies inapplicable and will lead to inconsistencies in policy implementation between units, making it more difficult to detect and prevent corruption.

One of the first steps businesses take to try to address this issue is to tailor their policies to the unique corruption risks that key business units face, ensuring that they involve those employees when designing such policies. Moreover, ongoing monitoring of corruption risks and establishing platforms for use-case and good practice sharing between units is also important to ensure that policies are regularly updated, and that employees have channels to consult amongst each other and with experts when facing unique ethical dilemmas.

GLOBALCO (ANONYMIZED) – ADOPTING A TAILORED APPROACH AND FOSTERING KNOWLEDGE SHARING

GlobalCo operates in multiple countries and industries. With a vast network of subsidiaries and business units, GlobalCo recognizes that having a single overarching anti-corruption policy is inadequate in addressing corruption risks across its diverse operations and decided to adopt a tailored approach in developing its policies. It also wanted to ensure that employees would have channels to seek guidance on corruption issues among colleagues and with compliance experts in the event where a specific corruption risk was not anticipated in the company’s policies.

Tailoring Policies and Trainings to High-Risk Business Units:

GlobalCo’s first step was to conduct a comprehensive risk assessment to identify high-risk business units and transactions. This was done through internal analysis with input from employees, external research, and consulting with compliance experts to determine the specific corruption risks associated with each business unit’s activities. Based on the findings, GlobalCo developed tailored anti-corruption policies and guidelines for these units which consider the unique challenges, and regulatory environments of each unit. These policies were then used to develop specialized training programs for employees in high-risk units. Trainers provided specialized guidance for the employees that were specific to their roles and transactions.

Ongoing Monitoring and Open Reporting

GlobalCo recognizes the importance of continuous monitoring and support to ensure the effectiveness of their tailored anti-corruption policies. They ensure that their compliance/audit teams conduct risk assessments and reviews every 2 years in these high-risk units to assess whether their policies are still effective. GlobalCo also encourages an open reporting culture and provides mechanisms for employees to report corruption issues through confidential whistleblower mechanisms.

Collaboration and Knowledge Sharing

In addition to developing policies, GlobalCo recognizes the importance of setting up channels and working groups for employees to consult amongst each other and with compliance specialists on specific corruption issues that may not be included in existing policies. These channels allow employees to learn from each other’s experiences, exchange insights, and discuss effective anti-corruption measures in a more laid-back and time-efficient manner.

CASE STUDY



iii. Implementing Anti-Corruption Efforts to the Extended Supply Chain

A third challenge that organizations face is implementing anti-corruption standards to their extended supply chain. Although companies may have supplier code of conducts which outline the relevant good governance and integrity expectations for suppliers in place, it may be difficult to ensure that these standards are being satisfied, particularly if the company relies on an extensive network of suppliers, vendors, and other business partners. This can create significant risks for organizations, as they may receive negative repercussions from inadequate standards of suppliers and may even be held responsible for their actions.

This challenge is derived from many factors from both the buyer's side and the supplier's side. The buyer may lack visibility of their suppliers' operations or do not have enough resources to regularly monitor and enforce compliance of code of conduct requirements. On the other hand, suppliers may also face capacity issues such as lack of financial resources and expertise, which makes it difficult for them to adhere to the buyer's anti-corruption standards. This factor is especially challenging for SMEs or new companies that are unfamiliar with these policies. Even in instances where buyers do have the capacity to conduct rigorous inspections of suppliers' operations, suppliers may be reluctant to disclose sensitive information or may attempt to conceal corrupt practices during audits.

It is also common practice for companies to outsource high-risk activities to suppliers, but this also poses certain challenges. While companies may do so to reduce costs and transfer high-risk activities to suppliers that have expertise to handle them, it also introduces inherent risks for buyers, as they lack the ability to effectively monitor and oversee the actions of their suppliers and may become liable for their non-compliance with anti-corruption measures or relevant laws.

Companies can address this challenge by both developing comprehensive supplier due diligence processes and developing robust code of conducts, while also actively collaborating with suppliers both in terms of sharing anti-corruption commitments and building suppliers' capacity in reaching integrity standards. This collaborative approach helps buyers understand suppliers' concerns and limitations while also empowering them to adhere to higher standards in a supportive setting.

XYZ CORPORATION (ANONYMIZED) - ADDRESSING CORRUPTION IN THE EXTENDED SUPPLY CHAIN

XYZ Corporation, a multinational company operating in various regions, has taken proactive measures to address corruption risks in its extended supply chain.

Conducting Robust Supplier Due Diligence:

Prior to engaging with new suppliers, XYZ Corporation performs rigorous assessments to evaluate their integrity, financial stability, and compliance with anti-corruption measures. This due diligence process includes reviewing suppliers' ownership structure, past business practices, and any previous involvement in corruption-related incidents. Additional points in the bidding process are also granted to suppliers that engage in integrity efforts such as through becoming members of anti-corruption collective action bodies and working with CSOs.

Implementing Code of Conducts and Verifying Compliance Through Audits:

After identifying suppliers, XYZ Corporation requires them to sign and acknowledge a Supplier Code of Conduct that outlines expectations regarding anti-corruption practices, ethical behavior, and compliance with relevant laws and regulations. The Code of Conduct also outlines XYZ Corporation's ability to conduct audits of their suppliers on a regular basis to identify potential vulnerabilities and allow suppliers to take corrective actions.

Collaborative Approach in Capacity Building:

XYZ Corporation adopts a collaborative approach in fostering integrity with their suppliers through training programs, knowledge-sharing platforms, and communication channels for suppliers to reach out for questions and guidance. These efforts help suppliers align with XYZ Corporation's Supplier Code of Conduct and build their capacity in detecting and preventing corrupt activities. It does so through two main processes:

- **Needs Assessment:** Before engaging in capacity building activities with suppliers, companies need to determine the specific training and communication needs based on the nature of the business relationship, the level of corruption risk, and the compliance requirements both from the code of conduct and from local laws.
- **Collaboration and Following Up:** After the relevant capacity building and resource sharing initiatives have been implemented, it is important to set up effective communication channels to regularly engage with business partners and suppliers on anti-corruption matters and to address queries or provide guidance.

CASE STUDY



iv. SME-Specific Corruption Challenges

The challenges highlighted in previous sections are largely relevant to large corporations with complex operations and extended supply chains, however, it is also important to acknowledge the specific challenges that SMEs* face when implementing anti-corruption programs. SMEs may be more susceptible to corruption risks such as bribery and conflicts of interests due to limited financial and technical capabilities which may lead to a lack of effective control measures and limit their ability to withstand corrupt practices initiated by external stakeholders. However, anti-corruption measures are still crucial for SMEs, as they can be powerful tools that help protect their reputation, build trust with customers and stakeholders, and create a level playing field for businesses of all sizes.⁹

Despite these limitations, it is also true that SMEs have unique advantages that can help them implement robust anti-corruption programs. With smaller organizational scales, it is generally easier to foster a culture of integrity and implement flexible check and balance mechanisms to detect and prevent corrupt practices. Additionally, SMEs may be better positioned to make quick changes and adapt to new anti-corruption measures. Moreover, employees can have the opportunity to be actively involved in the development of these measures, ensuring that they are applicable to their individual operations.

Fostering a culture of integrity for SMEs can start at the beginning from implementing robust recruitment strategies, empowering employees to become invested in their organization's ethical growth through empathy-based processes, eliminating rigid hard-power rules and policies that restrict open communication as well as engaging externally with stakeholders that share like-minded integrity values.

ABC ENTERPRISES (ANONYMIZED) - ADDRESSING ANTI-CORRUPTION CHALLENGES AS A SMALL ENTERPRISE

ABC Enterprises, a small and dynamic company, has been exploring ways to maximize its unique advantages as a smaller enterprise to address corruption challenges. The measures that ABC Enterprises prioritizes in its anti-corruption efforts are ones that facilitate fostering a culture of integrity, both through structuring its organization to increase transparency in its daily operations, and by engaging assistance through strategic partnerships to help reduce financial costs for capacity building.

Integrity through Recruitment Strategies

ABC Enterprises understands that the recruitment process is a key process in cultivating an anti-corruption culture. It employs a variety of strategies to ensure that this process can do so, ranging from ensuring that potential employees are not engaged in corrupt or unethical behavior, employing decentralized recruitment processes where working teams lead the recruitment process rather than relying solely on human resources, and prioritizing developing a fair compensation structure.

Empowering Ethical Culture through Flat Corporate Structure and Employee-Centric Approach

Another key strategy that ABC Enterprises emphasizes is ensuring that their internal systems and mechanisms naturally facilitate integrity. This is done through having operational structures that allow for natural cross checking between teams to prevent corruption from going unnoticed, and to minimize the use of hard power rules and policies to reduce hierarchical power dynamics and empower employees to voice concerns and positively contribute to building a culture of integrity. Moreover, ABC Enterprises also ensures that they keep their employees' wellbeing as a key priority of their organization through adopting empathy-based processes that emphasizes the personal growth and development of each employee and nurturing their entrepreneurial spirit. This helps align individual and company goals, which reduces incentives for committing unethical activities.

Engaging Assistance and Policy Dialogue through Partnerships and External Resources

ABC Enterprises actively takes advantage of available external resources and initiatives such as industry associations, anti-corruption networks, and collective action initiatives to connect with CSOs, anti-corruption consultants, industry peers, and state agencies. Through these partnerships, ABC Enterprises is able to receive guidance to strengthen their existing anti-corruption experts, learn from past experiences of businesses in their industry, and have meaningful dialogues with representatives of the state to ensure that their challenges as a small enterprise is reflected in policy developments.

Fostering a Network of Ethical Stakeholders

ABC Enterprises understands the importance of engaging with like-minded stakeholders that share their expectations for ethical conduct and encourages them to adhere to the same principles. This collaborative approach helps reduce risks of corruption that may occur in the supply chain and from other stakeholders, while contributing to anti-corruption efforts at a systemic level.



* For the purposes of this publication, the definition of MSMEs used is based on the Ministerial Regulations on Designation of the Characteristics of SME Promotion Act B.E. 2562 (2019) and Announcement of the Office of SME Promotion Subject Designation of Characteristics of Micro Enterprises of Thailand, which are categorized on the basis of annual revenue and employment.

See more here <<https://www.sme.go.th/en/page.php?modulekey=363>>

⁹ Noor-Mahomed, 2023.

B. CHALLENGES IN GOVERNMENT INTERACTIONS: THE NEED FOR INCREASED TRANSPARENCY, EFFICIENCY AND LEGAL CERTAINTY

The challenges highlighted in earlier sections of this publication are mainly focused on the internal operations of businesses or their interactions with the extended supply chain in the private sector. However, companies have also expressed other challenges that stem from their interaction with government through various activities such as licensing and public procurement. Although businesses have taken steps in anticipating and addressing potential corrupt practices that may occur during these processes, these activities still pose a challenge to ethical business doing and have a wider negative impact on competition and trust in the state. The findings in this section will highlight these challenges to increase awareness, encourage dialogue, and foster collaboration between the private sector and government on ways forward that should be explored to address them.

Delays or lack of transparency in permit procedures can hinder business operations and create opportunities for corruption. Findings from interviews indicate that the main areas where Thai companies face significant challenges when it comes to the lack of transparency and efficiency in permit procedures and requests, are in the construction sector and land-related transactions. According to the World Bank, Thailand is currently ranked at 34 out of 190 economies on the ease of dealing with construction permits. On average,

12 procedures are required for the construction of a standardized warehouse, with the entire process spanning roughly 113 days.¹³ Although these figures are in line with practices of other countries in the Asia Pacific region, findings from interviews indicate that in practice, the reality of obtaining these permits is much more complicated due to opaque procedures which lead to subjective decision-making and inconsistent interpretations of regulations. These factors can increase the risk of bribery in return for more mainstreamed permit approval procedures.

Another consequence of these challenges is a lack of legal certainty for companies, as many have expressed concerns about compliance risks due to different interpretations of regulations and laws between state agencies. This unclearness can foster corruption by creating an environment where bribery becomes prevalent as a solution for bypassing legal obstacles, thus perpetuating a culture where corruption is a necessary part of doing business to get things done. Additionally, the impacts of legal uncertainty are far-reaching, not only affects companies, but can also lead to corruption risks that also disproportionately affect vulnerable groups. Findings from interviews with companies that employ migrant workers indicate that immigration rules and regulations pertaining to migrant workers are still subject to high uncertainty due to pre and post COVID-19 regulatory changes. Lack of coordination between state agencies and units involved in these migration procedures on the legal interpretation of rules and regulations relating to migrant workers put both employers and workers at risks, with the former being vulnerable to hefty fines for non-compliance with laws, and the latter being in an uncertain position with regards to their employment future in Thailand. These factors may cultivate an environment where corrupt activities can thrive through unethical recruitment practices and bribery of immigration officials.



i. Digitalization of State Procedures for Increased Transparency

Streamlined processes that prioritize transparency, fairness, are necessary to foster an environment for legitimate business activities. Innovative approaches like digitalization and regulatory guillotines offer effective solutions to address challenges mentioned above. Findings from interviews indicate that the incorporating 'integrity-tech' into permit procedures or other state-related transactions that require approval can be an effective solution to lack of transparency and subjective discretion issues.¹¹ In this regard, digitalizing permit procedures and enabling businesses to submit applications electronically is a feasible solution, as moving the procedure online can help reduce opportunities for corruption by eliminating the human decision-making element. Moreover, it can provide companies with more certainty about the timeline of these procedures through real-time application status tracking and can also enhance legal certainty through providing up-to-date guidelines and regulations that are relevant to the permit procedure.

ii. Regulatory Simplification for Increased Efficiency

Accounts from interviews also indicate complex and redundant regulations and processes as a factor that fosters corruption in companies' interactions with government. Not only do they cause challenges for businesses, but also increase administrative burden for the state and its personnel. Thus, efforts should be put in implementing measures for regulatory simplification. This can be done through several activities, including:

- **Conducting regular reviews of redundant regulations:** Conducting reviews and eliminating or amending redundant and inefficient administrative procedures is an impactful strategy that can help simplifying the regulatory framework involved in activities that have complex legal processes. Redundant procedures where state officials are given

a high level of discretion with minimal oversight can lead to corruption risks. Conducting effective regulatory reviews to eliminate these processes and making them more transparent can be a powerful tool in addressing these risks.

- **Establishing one-stop shops (single window systems):** Another measure that can be used to streamline administrative processes is establishing one-stop shops or single window systems which consolidate multiple services and processes related to licensing and permits into a single point of contact in a manner that is easily accessible to citizens without technical knowledge. This will help improve compliance with regulations for citizens and businesses, while also lessening administrative burdens for state agencies through receiving better quality information at first instance and having to spend less on enforcement costs for noncompliance.¹²

iii. Documentation and Centralized Knowledge Sharing for Increased Legal Certainty

To tackle the issue of inconsistencies in legal interpretation between state agencies and units, implementing a documentation and centralized knowledge sharing platform is a valuable approach. Creating a comprehensive repository of legal interpretations and guidelines helps ensure consistency and uniformity in understanding and applying laws. By documenting and sharing legal interpretations, agencies can access and refer to a centralized source of information, reducing the likelihood of conflicting interpretations. This promotes transparency and clarity in legal processes, enabling businesses to navigate regulations more effectively. A centralized knowledge sharing platform facilitates collaboration and communication between different state agencies and units. It serves as a hub for exchanging information, clarifying doubts, and seeking guidance on legal matters. Through regular updates and interactive discussions, this platform fosters a shared understanding of legal requirements and promotes harmonization of interpretations.

¹⁰ The World Bank, 2020.

¹¹ Santiso, 2021.

¹² OECD, 2020.

IV. HARNESSING COLLECTIVE ACTION: THE PRIVATE SECTOR'S ROLE IN COLLABORATING WITH GOVERNMENT AND CIVIL SOCIETY

Collective action offers a compelling pathway for businesses to go beyond their immediate interests and proactively contribute to the larger fight against corruption. By pooling expertise, resources, and influence, the private sector can amplify its impact on anti-corruption efforts, creating a cohesive front that promotes transparency, accountability, and good governance. Through dynamic partnerships with government bodies and CSOs, businesses can complement their own anti-corruption programs with broader systemic change, leading to a more resilient and corruption-resistant environment.



A. GOVERNMENT – PRIVATE SECTOR COLLABORATION

- **State Endorsement of Private Sector's Self-Regulatory Efforts:** Companies can collaborate with industry peers and stakeholders to develop an industry-specific code of conduct that outlines principles, standards, and best practices related to anti-corruption and integrity. This code can serve as a reference point for companies and provide a framework for responsible and ethical behavior and understand the bottom line of what is expected within the industry. By engaging with the government, companies can encourage its endorsement and adoption as part of the industry's self-regulatory efforts which can give these code of conducts have more legal weight. Additionally, the state can also incentivize the participation of companies in collective action efforts through regulatory benefits such as tax or public procurement benefits.¹³
- **Participation in Policymaking:** Fostering the involvement of the private sector in policy dialogues with government officials and relevant authorities can facilitate meaningful discussions on anti-corruption and integrity issues. These dialogues provide an opportunity for companies to be involved in the development of regulatory frameworks, guidelines, and laws that they will be subject to in a way that is compatible with the practical challenges that they face.
- **Knowledge Sharing and Overflow of Good Practices:** Companies can establish platforms for knowledge sharing and networking, facilitating the overflow of good integrity practices from the private sector to the public sector, particularly in areas where the private sector may have more progress on such as the use of new technological tools and innovative initiatives.

B. CIVIL SOCIETY – PRIVATE SECTOR COLLABORATION

Civil society can play a key role in promoting ethical business practices, raising awareness on international standards and best practices in integrity areas, and act as independent third-party monitors to facilitate anti-corruption in the private sector.

- **Collaborating on Integrity Initiatives:** CSOs can collaborate with businesses to develop and implement integrity initiatives such as integrity pacts for public procurement, industry code of conduct and guidelines, or joint projects on areas of interest. Not only can businesses benefit from the unique expertise and knowledge of CSOs, these collaborations help demonstrate a commitment to transparency and accountability and also increases the credibility of the private sector's anti-corruption efforts.
- **Monitoring and Independent Assessment:** CSOs can play the role of third-party monitors for private sector companies' anti-corruption programs. Not only will their assessments help improve the quality of businesses' practices through increased accountability, but they can also serve as an integral part of these programs through being an independent entity that can receive complaints or submissions through whistleblowing channels.
- **Recognizing and Promoting Best Practices:** CSOs can also play an important part in recognizing international and local standards and good practices in the area of corruption, which can contribute to the development of knowledge in the area in the private sector. Moreover, they can recognize and promote businesses that demonstrate exemplary anti-corruption practices, which can help incentivize other businesses to emulate these practices and contribute to a collective effort against corruption.¹⁴

¹³ Basel Institute on Governance, 2022.

¹⁴ Basel Institute on Governance, 2018.

V. CONCLUSION

Throughout the publication, the complex landscape of anti-corruption efforts and challenges faced by Thai companies, both internally within their organizations and externally in their interaction with state processes, have been explored. On the internal side, addressing cultural perceptions of corruption, implementing effective strategies for ensuring that anti-corruption efforts are rooted throughout an entire organization and its extended supply chain, and the unique obstacles faced by SMEs are at the forefront of issues raised by Thai companies.

On the external side, existing state processes in Thailand relating to licensing, procurement and approvals have shed light on issues of transparency, efficiency and legal certainty which affects business and fosters an environment for corrupt and unethical practices. There is an urgent need to address these issues through implementing measures that will help streamline administrative procedures and reduce opportunities for discretion without proper oversight.

Lastly, the publication explored the crucial role of collaboration in addressing corruption – specifically how the private sector can engage with stakeholders such as government and civil society through collective action initiatives. It is clear that to cultivate an environment of transparency and equal opportunities, all stakeholders must come together in order to effect tangible change.

VI. ANNEX:

ADDITIONAL RESOURCES

Resource	Description
UN Convention Against Corruption	The United Nations Convention Against Corruption is a legally binding international treaty that aims to combat corruption in both public and private sectors worldwide. It provides a comprehensive framework for preventing corruption, criminalizing corrupt practices, and promoting international cooperation in the fight against corruption. This treaty serves as a crucial reference for anti-corruption efforts globally.
UN Global Compact Academy “Taking Collective Action Against Corruption”	This resource provides online training and resources to help businesses and organizations understand and address corruption challenges through collective action. It focuses on fostering collaboration between various stakeholders to create a united front against corruption.
UN Global Compact Playbook on Anti-Corruption Collective Action (2021)	The Playbook on Anti-Corruption Collective Action offers a comprehensive guide for businesses and stakeholders interested in engaging in collective action against corruption. It presents case studies, best practices, and step-by-step guidance on how to establish and maintain successful anti-corruption partnerships and initiatives. The playbook assists companies in navigating the complexities of collective action to achieve impactful anti-corruption outcomes.
UN Global Compact Fighting Corruption in the Supply Chain Guide (2016)	This guide focuses on combating corruption risks within supply chains. It provides practical tools and strategies for businesses to assess and address corruption vulnerabilities in their supply chain operations. By following the guidelines in this resource, companies can enhance transparency, integrity, and compliance in their supply chain activities, contributing to more ethical and corruption-free business practices.
UN Global Compact Anti-Corruption Risk Assessment (2013)	The Anti-Corruption Risk Assessment tool helps companies identify and analyze corruption risks within their operations. By using this resource, businesses can systematically evaluate potential corruption threats, prioritize risk mitigation measures, and implement appropriate anti-corruption policies and procedures.

Resource	Description
<p>UNODC Anti-Corruption Ethics & Compliance for Business: Practical Guide (2013)</p>	<p>This practical guide offers insights and guidance to businesses on establishing robust ethics and compliance programs. The guide focuses on preventing corruption through internal measures, such as codes of conduct, anti-corruption policies, and internal reporting mechanisms. It helps organizations promote a culture of integrity and ethics, minimizing the risk of corruption within their operations.</p>
<p>UN Global Compact - UNODC "Fight Against Corruption" Course</p>	<p>The "Fight Against Corruption" course provides an interactive learning experience for individuals and businesses seeking to deepen their understanding of corruption challenges and best practices in combating corruption. The course covers various aspects of anti-corruption efforts and equips participants with the knowledge and skills needed to take action against corruption effectively.</p>
<p>UN Global Compact Business Against Corruption Framework (2011)</p>	<p>The Business Against Corruption Framework outlines key principles and practices that businesses can adopt to prevent and combat corruption. It offers a structured approach for companies to enhance their anti-corruption measures, including risk assessment, transparency, reporting, and engagement with stakeholders. By adhering to this framework, businesses can reinforce their commitment to fighting corruption and upholding ethical business practices.</p>
<p>UNGC-TI Reporting Guidance on the 10th Principle Against Corruption (2009)</p>	<p>This guidance assists businesses in reporting on their implementation of the 10th Principle of the UN Global Compact, which focuses on combating corruption in all its forms. The resource provides practical guidance on reporting processes, indicators, and best practices, helping companies demonstrate their anti-corruption efforts to stakeholders and the public transparently.</p>
<p>B20 Collective Action Hub</p>	<p>The B20 Collective Action Hub is an online platform that serves as a knowledge hub for collective action initiatives against corruption. It brings together businesses, governments, and civil society organizations to share experiences, best practices, and resources related to combating corruption effectively. The hub fosters collaboration and supports the development of collective action projects worldwide.</p>

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ACKNOWLEDGEMENTS

This publication was funded under the Golden Stretch of the Siemens Integrity Initiative, as part of the UN Global Compact multi-year project Scaling up Anti-Corruption Collective Action within Global Compact Local Networks. The project supports Collective Action initiatives from the Global Compact Local Networks and promotes public-private cooperation in fighting corruption.

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UN Global Compact Network Thailand extends its gratitude to the companies and expert consultants that contributed valuable insights to the development of this publication.

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THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT¹⁵



HUMAN RIGHTS

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. make sure that they are not complicit in human rights abuses.



LABOUR

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. the elimination of all forms of forced and compulsory labour;
5. the effective abolition of child labour; and
6. the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

7. Businesses should support a precautionary approach to environmental challenges;
8. undertake initiatives to promote greater environmental responsibility; and
9. encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

10. Businesses should work against corruption in all its forms, including extortion and bribery.



ABOUT THE UNITED NATIONS GLOBAL COMPACT

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption, and to take action in support of UN goals.

ABOUT UNGCNT

UN Global Compact Network Thailand (UNGCNT) is a local network of the United Nations Global Compact.

We help companies drive a sustainable economy and understand what responsible business means within different national, cultural and language contexts and facilitate outreach, learning, policy dialogue, collective action and partnerships, by aligning strategy and adhering to the universal principles in the areas of human rights, labour, environment, and anti-corruption, as well as Sustainable Development Goals (SDGs), and the Paris Agreement.

¹⁵The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.



Network Thailand

UN Global Compact Network Thailand

111 True Digital Park West 5th Floor Unicorn Building, Unit SE587,
Sukhumvit Road, Bang Chak, Phra Khanong, Bangkok, 10260
Tel. 66 2 051 9404 Email: info@globalcompact-th.com



globalcompact-th.com



UN Global Compact Network Thailand