HALAL GOVERNANCE AND ASSURANCE: A COMPARATIVE STUDY BETWEEN MALAYSIA AND THAILAND

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ABSTRACT

This article is a comparative study on the Halal governance between Malaysia and Thailand. The methodology used for comparison are qualitative with content analysis through interviews, audit documents and observation of audit process in Halal certified companies and Islamic Council Province of Krabi, Thailand. It also discuss the dimensions in the comparison which are Halal regulator, regulations, auditors, scope of audit, frequency of audit, validity of certification and the flexibility of Halal logo usage. This study is significant to the Halal industry, particularly in Halal governance where the industry can learn from both jurisdiction in solidify the Halal ecosystem.

Keywords: Halal, Halal governance, Malaysia Halal industry, Thailand Halal industry

INTRODUCTION

The concepts of ‘Halal’ and ‘Haram’ become a crucial element to guide Muslim consumers to perform their daily lifestyle. The term Halal comes from Arabic words, Halla, Yahillu, Hillah means to free, to let go, to dissolve or to allow. In this context, Halal referring to anything permissible, while Haram means prohibited by the Islamic law or Shariah (Bohari et al, 2013). Increased in religiosity has led to the expansion of market supply and demand in the global Halal products and services that comprised of four major groups; food, travel, lifestyle and finance (Malaysia International Islamic Financial Centre [MIFC], 2014). Halal food industry is the biggest pie of the Halal market around the world. It is vital for Muslim to ensure their daily food consumption comply with the Shariah principles. Halal industry have enormous growth potential as the Muslim population are increased globally. Their lifestyle and current trends in following Shariah principle are also among the contributing factor in the growth of demands of Halal products (Euromonitor Research, 2015).
Asian region has the largest Muslim population in the world, with the demand of Halal market to be worth more than USD 418 billion and will continuously grow. Some of the Asian countries position themselves as Halal producers, researchers and standard setters and international traders (Global Islamic Finance Report [GIFR], 2013). Among these nations, Malaysia is regarded as one of the most advanced ecosystem in global Halal marketplace with the huge support by the government and private sector through various programs, funding and training (Economic Transformation Programme [ETP], 2015). The United Nations has mentioned that Malaysia is the world’s best example of Halal food producer in accordance with the Codex Alimentarius Commission guidelines for the Halal term in Geneva 1997. This means that a single Halal standard and guideline is applied for the whole country and it has also become a basis for the Halal standard development for the world food industries (Abdul Manaf, Wei Hin & Norwahida, 2013). The establishment of Halal Industry Development Corporation (HDC) is aiming to help the success of Malaysia’s Halal industry by attracting foreign investor to invest in the Halal Parks has gearing up the Halal industry in Malaysia. Halal Park has been developed across countries to facilitate the manufacturing and supporting Halal supply chain to accelerate the industry potential. For now, there are 22 Halal Parks in Malaysia certified by HALMAS, the accreditation body that certifies Halal Park operators with the requirements stipulated by HDC, in which the companies can enjoy some benefits i.e. incentives.

The huge potential of Halal has attract attention some of the non-Muslim countries like Thailand. Thailand is gaining its position to becoming one of the world’s largest producers and exporters of Halal processed food products. Thailand government strikes to promote Thailand as the “Kitchen of the World” by advocating the authentic Thai cuisine and calls for more exports of raw materials in Thai food preparation (GIFR, 2013). To provide support to the development of Halal industry, the government facilitates the establishment of the Institute for Halal Standard of Thailand (Halal-Thai), Halal Science Centre (HSC-CU), and the Halal Food Industrial Estate in Pattani province as its Halal Food Hub. The operation of Thailand Islamic Bank and Islamic cooperatives in many Thailand provinces provide necessary source of financing for Halal-related projects. In addition, Thailand had launched five-year Halal industry strategic plan from 2010 until 2014 to raise 10 per cent of export freight in Halal food production each year. About THB 264 million is being allocated in 2011 to develop nine food production hub projects in five provinces in Thailand focusing on Halal food (Syed Omar & Mohd Zahrain, 2012). As the result, Thailand is now the world’s fifth largest Halal food producer with 5.6 per cent share and being the first for halal export among the Association of Southern Asian Nations (ASEAN) (GIFR, 2013; Spire Research, 2015).

As the Halal industry is skyrocketing to the fullest, proper governance is crucial to ensure Halal integrity. Governance structures and implementation are varies depending on the law requirements with regards to certification requirements, responsibilities and scopes of audit by Halal auditors, among others. Malaysia as a fact is a pioneer in the Halal governance and certification and the first country in the world of introducing systematic Halal certification. Thailand, on the other hand, is gaining ground in Halal industry due to its seriousness to become Halal products and service providers to the world. The dynamics of Halal governance practices serve as the motivation of this paper. Thus, this study is to examine the Halal governance in the aspect of certification and audit practices between Malaysia and Thailand.

LITERATURE REVIEW

Governance In Halal Industry

Concept of Governance
Governance had its origin from a Greek word known as “kyberman” which means steer, guide or govern. It is also been defined as general exercise of authority, management of society or as a complex system of interaction between structures, practices, and responsibilities of economic and administrative authority (Punyaratabandhu, 2004; Albrow, 2011). In general, three forms of governance exists; (1) top-down methods related to governance and state authority, (2) private-public partnership by the collaboration of community or organization, (3) market mechanism for operations under government regulation (Noor & Nordin, 2016). Corporate governance in Islamic perspective should have Tawhid as the episteme and Shariah board at the top of the governance (Choudury & Ziaul Hoque, 2006). Although there is no perfect governance system, the good corporate governance should have clear defined responsibilities and expectations for board members, disclosure, transparency, description on shareholder rights, compliance and mechanism for both internal and external governance system (Samra, 2016).

**Halal Governance**

In the field of Halal industry, the governance and regulatory framework is quite complex due to the nature of the industry. Halal industry consisting several industries with different natures of businesses which tied with different Acts and legal framework (Norafni, 2017). With the increasing awareness of Muslim consumers on Halal food consumption, there is need of proper governance to make sure they are consuming the products that is assured Halal. Food ingredients are mostly imported from other countries especially from non-Muslim countries. The research conducted by Hassan & Awang (2009) highlighted that non-Muslim countries such as Argentina, Australia, Brazil, Canada, France and New Zealand become huge exporter of Halal meat. Due to that, Muslims are sceptical with Halal food integrity. Thus the need for Halal governance is crucial to ensure the integrity and ‘peace of mind’ of the consumers. Looking at the trend of the Halal industry growth in non-majority Muslim countries, comprehensive and well-managed governance need to be implemented to ensure the effectiveness of Halal food production. Supply chain management need to be emphasized because the process of managing Halal food products involved different points, parties, location. Halal supply chain as argued by Azmin Azliza & Suhaiza, (2017), include everything from procurement, preparation of Halal ingredients, separation of Halal ingredients and non-Halal product, logistic process and also slaughtering process throughout the entire supply chain. Somehow these points might be involved in managing non halal food products (Zulfakar et al. 2014). Tieman (2011) mentioned that Halal integrity assurance is the key factors in developing trust in Halal food supply chain.

Consequently, the concept of “traceability” was introduced to solve Halal integrity issue (European Commission, 2004). Food and feed business including producers, importers or processors must make sure that all foodstuffs can be traced through the supply chain which is termed as “farm to fork”. Figure 1 shows the concept of ‘farm to fork’. Additionally, each business must be able to identify its suppliers from the point of its product origin. In order to ensure that, a proper documentation must be prepared by the manufacturers for traceability activity so it can be successfully managed. It may include the raw materials origin, logistic activities, processing, preparation and other required activities that involve in the production. As for Halal production, all activities and ingredients used must be Halal. Halal traceability applications are different depending on the sector.
METHODOLOGY

The main objective of this article is to examine the Halal governance measures specifically in certification and audit practices in Malaysia and Thailand. In order to achieve the objective, a single case study research was conducted in Malaysia and Thailand. Being a Muslim country and a status as one of the pioneers in Halal industry has make Malaysia had been chosen as a subject matter. Relation to this circumstance, Thailand is selected to feature as the case for non-Muslim majority country as it leads on Halal product and services.

This section highlights case study on detailed practices of Halal food governance in Malaysia and Thailand. Data on Halal governance was solicited from the engagements with Halal certified companies and Islamic Council Province of Krabi, Thailand. Data was specifically obtained via interviews with relevant officers, documentations read-through and observation of Halal audit process. For Malaysia’s case study, series of Halal simulation audit were performed in three companies producing halal products; ABC company produces energy bars, DEF company produces confectionaries while GHI company is a pizza restaurant. The series of simulation audit were conducted from 15th July to 30th July 2016. In Thailand, the researchers underwent a simulation audit conducted by five Halal officers from Province of Krabi Islamic Religious Council in the kitchen of a hotel certified Halal by Halal Thailand on 24th September 2016.

The following discussions are drawn from on the data gathered from interviews with the officers of halal department in Islamic Religious Council of Krabi and observation during audit process in Malaysia and Thailand. The followings are the aspects or areas of Halal governance observed during the data collection process.

ANALYSIS AND DISCUSSION

The Authority Bodies in Halal Food Industries

Malaysia is one of the countries that have centralized Halal certification and governance. Government of Malaysia also provides full support in facilitating Halal certification issuance. This is different to the practice of other countries when the respective Islamic association would be responsible body in Halal certification (Noor & Nordin, 2016). As Islam is the official religion, the Department of Islamic Development Malaysia (JAKIM) had been appointed to
ensure all requirement and guideline of Halal are being complied by the certification holder in Malaysia. The government of Malaysia is only owner of Halal trademark and logo under Trademark Act 1976 (Jalil, 2016). In order to strengthen the image of Halal JAKIM logo, the government banned Halal certification service provided by other private Halal certification body operated in the country such as Islamic Food and Research Centre Asia, IRANCA International, Persatuan Pegawai Agama Perak, Halal Food Council S.E.A and Bahtera Lagenda Sdn.Bhd (Muhamed et al, 2014).

As a result, the issuance and enforcement of Halal logo is provided by JAKIM, assisted by State Islamic Religious Department (Jabatan Agama Islam Negeri- JAIN) and State Islamic Religious Council (Majlis Agama Islam Negeri –MAIN) to manage the certification in the state level. In line with these responsibilities, JAKIM had provided a proper document i.e. Manual Procedure for Malaysia Halal Certification (Third revision 2014). Halal logo owner to ensure all the activities and processes during production are comply with halal standard. This Halal standard issued by the Department of Standard Malaysia covering the sectors in Halal industry such as logistic, Muslim hospitality, crockery, cosmetics, pharmaceutical and others Halal-related industries. These guidelines aims to assist the certification process.

In the case of Thailand, approximately 7.5 million from 62.5 million of Thailand population consist of Muslim. Being the minority faith in Thailand, where the population is mainly found in the southern province of Thailand, has resulted for the administration of Muslim affairs to be managed at the province level and monitored at the central level. The Central Islamic Committee of Thailand (CICOT) performs national Halal management. This committee is given mandate to enforce the law of Islamic religious affair in Thailand such as marriage, new Muslim convert and Halal food certification. In relation with Halal food concern in Thailand, this committee will set measure and quality control to ensure all Halal product would be accordance with Islamic principle and international standard (CICOT Standard, n.a). Consequently, the Halal Standard Institute of Thailand, a religious organization governed by CICOT was established in 2003 to manage the Halal issues in the country (Thailand Halal Standard, Navdreza et al. 2015). Thus, Section 18 (5) (9) of the Royal Act concerning Administrative of Islamic Religious Organization Act B.E 2540 would be a reference.

In 1998, Thailand’s Ministry of Industry adopted the Codex General Guideline for the use of the term “Halal” as Thailand’s Halal standard. In addition, according to FAO Corporate Document Repository (1997), this adoption was being implemented due The Codex Alimentarius Commission (Latin, meaning Food Law or Code) had sent to all members of Food and Agriculture Organization of the United Nation (FAO) and World Health Organization (WHO) as an advisory text to ensure fair practices in the food trade. It had been issued at its 22nd Session in 1997. Same with Malaysia, the Thailand government allocated some financial assistance to support Islamic affairs in Thailand so that the food industries in the country would be in line with the government regulation. This is also to promote Thailand’s food industries as “Kitchen of the World”.

In order to promote effectiveness of Halal management and certification process in the country become more effective, CICOT Sheikul Islam (Islamic Leader) had delegated this authorities at provincial level to Provincial Islamic Committee (PIC) throughout 36 areas from 76 provinces around Thailand (Thailand Halal Standard). However, for other areas without Islamic Committee, CICOT would be responsible to manage these issues. Compared to Malaysia, the only Halal logo is issued by JAKIM and other private logo would be banned. However, Thailand halal authority is more flexible in term of logo use. Other logo is allowed to be used but the premise would be audit periodically by the PIC body to ensure the Halal compliance.
Auditor

Auditing had become an important activity to assure the effectiveness of the organization environment and a contributor to minimize the risks. In the case of Malaysia, the auditors from JAKIM and Islamic Religious Councils at the state level perform Halal compliance audit. The auditor technically must be able to audit according to the procedures and requirements of Halal compliance audit by referring to Manual Procedure for Malaysia Halal Certification (Third Revision) 2014 as a main reference. In addition, the number of auditors during inspection must consist minimum two auditors competent in Islamic-based education and technical matters. As Halal auditors are from JAKIM, shortage of auditors in the Halal industry is prevalent. Little supervision and monitoring by JAKIM auditors raise the issue of enforcement credibility. Shortage numbers of Halal auditors are evident due the increasing of Halal certification applicant of late due to increased awareness on Halal. For the auditors, inspection for monitoring and enforcement are bounded by related laws such as:

i) Trade Description Act 2011;
ii) Food Act 1983 (Act 281), Food Regulation 1985 and Food Hygiene Regulation 2009;
iv) Custom Act 1967, Custom Order (Prohibition of Import 1998);
v) Local Government Bylaws 1976 (act 171) and Local council Bylaws (PBT);
vi) Act/ State Administration
vii) Trademark Act 1976

Thailand on the other hand, has 76 provinces with 36 of them is managed by Provincial Islamic Committee (PIC). PIC at each of province manages the procedures for Halal certification. PIC had been appointed by the CICOT to be the auditors for Halal certification in their respective provincial based on the guideline “Regulation of the Central Islamic Committee of Thailand concerning Halal Affair Operation of B.E 2551” and “Regulation of the Central Islamic Committee of Thailand concerning Halal Affair Operation of B.E 2552”. At the province level, Halal auditors are trained to equip them with the competency to perform Halal audit.

Scope of Audit

In Malaysia, the nature of business for the premises applying for Halal logo are from the followings:

i) Food product/Beverage and Food supplement
ii) Food premise
iii) Consumer good
iv) Cosmetics and personal care
v) Pharmaceuticals
vi) Logistics
vii) Abattoir

The Malaysia certification audit consists of two steps; pre-certification audit and surveillance audit. Pre-certification audit covers the general and specific requirements of

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certification such as document and company profile, raw materials and ingredients used in the production based on the law requirements in Section 4.2. This audit is aimed to make sure that the ingredients used in the production comply with Halal requirement and the applicant’s suppliers had a trustee Halal certificate. This is done at the early steps of certification audit process.

Post certification, surveillance audit is to be conducted by JAKIM’s halal officers, which covers general and specific requirements of Halal management team. It is aimed to verify the effectiveness of Halal procedures in each steps of the production via the implementation of internal Halal Assurance Management System (HAS). This management system is based on Total Quality Management that will ensure that every member was committed in maintaining the high standard production. In addition to HAS implementation, internal auditors as known as Internal Halal Committee must be established in the management team. The committee must consist of four members which two of them must be Muslim at management level, followed by responsible person in charge for procurement or purchasing and Halal executive who will be the coordinator in managing Halal matters.

In addition, the auditors will conduct an opening meeting and on-site inspection during the surveillance audit. It would involve the process of reviewing specific documentation, internal Halal control system, ingredients, equipment and processing tools which include sanitation and waste management, packaging and labelling. After that, the final evaluation would be done through the meeting. All these requirement would include all premises that had been certified Halal rather they multinational, medium, small and micro companies.

In Thailand, Halal certificate applicants are from these sectors:

i) Consumer products
ii) Abattoir
iii) Food service, beverage and Halal Kitchen service
iv) Halal products, processed products, raw materials mixture or imported Halal meat
v) Export document

The management of Halal certified companies would be evaluated during Halal certification application as well as requirements during pre-certification audit and surveillance audit. “Halal Consultant” trains the management team; the Muslims that had been appointed by CICOT who receives special training to the business holders who wants apply for Halal certification. Halal consultants will assist them until the company receive the certification from CICOT or PIC.

Halal audit is also performed on their management of corporate social responsibilities such as zakat payment, the relationship between the owner with local Muslim community, and worker welfare. As for them, Halal logo is not only for profit, but to make sure the Muslim are consuming authentic Halal products. The scope of audit would be based on the size of the company. There are differences of auditing practice between small, medium and large size company. If the company involve with a big volume of production, the audit scope will cover all activities in the production due the huge probability for the product to be contaminated.

**Certification Validity**

The validity of Halal certification logo would be based on the nature of the businesses. The companies that had been certified Halal by JAKIM hold the certificate for two years, except for the abattoir where the certificate is valid only for a year. During the period, JAKIM or MAIN/JAIN will be conducting at least one inspection to the premises to make sure that they constantly follow Halal requirements in the production, while for the abattoir, the audit will be
conducted at least twice a year. For the renewal process, the certificate holder shall apply for renewal at least three months before the expiry date.

In the case of Thailand, Halal certification is only valid for one year after the date of issuance. Scheduled surveillance audits are conducted monthly to ensure the integrity of the Halal production. For abattoir, the audit is conducted once a week. Frequent monitoring ensures observance to Halal requirements.

Based on the discussion in the previous sections, the features of Halal governance in Malaysia and Thailand could be summarized as in Table 1:

Table 1: Comparative Analysis of Halal Governance between Malaysia and Thailand

<table>
<thead>
<tr>
<th>Dimensions of Halal Governance</th>
<th>Malaysia</th>
<th>Thailand</th>
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<tbody>
<tr>
<td>1) Regulator</td>
<td>JAKIM and State Religious Councils in each state in Malaysia</td>
<td>Central Islamic Committee of Thailand (CICOT), Provincial Islamic Committee (PIC)</td>
</tr>
</tbody>
</table>
| 2) Regulation                | • JAKIM: Manual Procedure for Malaysia Halal Certification (Third Revision 2014)  
• MS1500: 2009 Halal Food – Production, Preparation, Handling and Storage – General Guidelines (Second Revision);  
• Food Act 1983 (Act 281), Food Regulations 1985 and Food Hygiene Regulations 2009;  
• Malaysia Protocol for Halal Meat and Poultry Productions;  
• Food Act 1983 (Act 281), Food Regulation 1985 and Food Hygiene Regulations 2009;  
• Animal Rules 1962, Animal Act 1953 (2006 Revision),  
• Abattoir Act (Privatization) 1993 or Slaughterhouse Ordinance, 2004 (Sabah) or Veterinary Public Health Ordinance, 1999 (Sarawak);  
• Local Government Act 1976 (Act 171); and | The Royal Act concerning Administration of Islamic Organization CICOT: Section 18 (9) Administration of Islamic Organization B.E 2540 (A.D.1997) |
In a notable point, the measures adopted in Thailand are considered much comprehensive than Malaysia since the involvement of trained Halal auditor and experts outside of CICOT and PIC to monitor the certification process. Due to that, the lack of personnel during auditing process is not a problem, resulting to surveillance audit to become more effective. The analysis also found that Halal governance implementation in Thailand is more efficient as compared to Malaysia due the consistent inspection. This improves the Halal assurance and Halal integrity for the industry.

**CONCLUSIONS**

This study examines the differences of Halal governance between Malaysia and Thailand in the aspect of certification and audit practice. The study found that both countries adopt different parameters and scope of assessment with regards to their Halal compliance certification. There are few things both countries can learn from each other as both countries have different assessment and evaluation to the Halal certification. For example, Thailand can adapt the guidelines from Malaysia Halal Standard as it is recognized all over the world. In the frequency of the audit, it is obvious Thailand has plus point compared to Malaysia. This study implicates that Halal governance in both jurisdictions could be improved from the highlighted measures.
This is to ensure Halal assurance and integrity is upheld perennially. Future research may study on the whole Halal supply chains including logistics and also the studies of compliance in different sectors, i.e. cosmetics and pharmaceuticals.

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