



Prohibited Practices Policy

This document is as approved by the REC Caucasus executive Body (Collegial Trio) and is set out at the end of the document.



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1. Purpose

The purpose of this Prohibited Practices Policy is to prevent, detect, and respond to misconduct and unethical behavior within REC Caucasus operations. This policy establishes definitions, procedures, and responsibilities related to prohibited practices, including fraud, corruption, collusion, coercion, and obstruction, and aims to protect the organization's integrity and reputation.

This policy applies to all REC Caucasus employees, consultants, contractors, vendors, partners, and other stakeholders engaged in REC Caucasus activities.

REC Caucasus maintains a zero-tolerance policy on prohibited practices in all activities financed, implemented, and/or supervised by the organization. All REC Caucasus employees, Board members and any other related stakeholders/counterparts shall maintain the highest level of integrity, accountability and efficiency, refrain from directly or indirectly condoning, encouraging, participating or engaging in prohibited practices and take action to deter, mitigate and/or correct conflict of interests.

2. Definitions

The following definitions are consistent with international standards, including those of the World Bank, the United Nations and Adaptation Fund:

- **Fraud:** Any act or omission intended to deceive others to obtain financial or other benefit, or to avoid an obligation. This includes falsification of documents, misrepresentation, and misuse of funds.
- **Corruption:** Offering, giving, receiving, or soliciting anything of value to improperly influence the actions of another party.
- **Collusion:** A secret arrangement between two or more parties to improperly influence a process, particularly related to procurement, grant selection, or evaluation.
- **Coercion:** Threatening or using force, intimidation, or pressure to improperly influence another party's actions.
- **Abuse:** Any act involving the misuse of power, trust, or resources to harm, exploit, or degrade another person, including physical, psychological, sexual, or financial forms.
- **Harassment:** Any unwanted conduct that violates a person's dignity or creates an intimidating, hostile, degrading, humiliating, or offensive environment.
- **Sexual Exploitation and Abuse:** Any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to profiting monetarily, socially, or politically from the sexual exploitation of another as well as the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions.
- **Obstruction:** Deliberate actions to hinder investigations or audits, including destruction of evidence or interference with witnesses, concealment, falsification, or manipulation of financial records or information.
- **Misappropriation:** The intentional and unauthorized use, diversion, or theft of funds, assets, or resources entrusted to an individual or organization for purposes other than those for which they were intended. This can include embezzlement, diverting project funds to personal or unrelated uses, falsifying financial records to enable unauthorized withdrawals, or using organizational property for private gain without permission.

- **Conflict of Interest:** A situation where personal, professional, or financial interests could improperly influence an individual's official duties. This includes actual or perceived conflicts arising from activities, business, government, or financial interests; relationships or links with implementing or executing entities; or interests of a spouse, personal partner, or dependent that could compromise objectivity, reputation, or performance.
- **Retaliation:** Any adverse action taken against a person who reports suspected wrongdoing in good faith or participates in an investigation.
- **Money Laundering:** The process of concealing, disguising, or transferring the proceeds of criminal activity to make them appear legitimate.
- **Terrorism Financing:** The provision or collection of funds, directly or indirectly, with the intention or knowledge that they will be used to carry out terrorist acts or support terrorist organizations.

3. Scope

This policy applies to:

- All employees of REC Caucasus (permanent, temporary, part-time, interns).
- Board members.
- Contractors, vendors, and consultants.
- Grantees and sub-grantees.
- Any individual or entity acting on behalf of REC Caucasus.
- Any entity participating in REC Caucasus-financed activities.

4. Prohibited Practices

The following practices are strictly prohibited in all REC Caucasus operations, projects, and relationships:

- Engaging in fraud, corruption, collusion, coercion, obstruction, or obstructive finance.
- Engaging in any form of abuse or harassment that degrades another person or violates a person's dignity.
- Soliciting or accepting bribes or improper gifts in connection with REC Caucasus activities.
- Falsifying or concealing information during procurement, grant management, reporting, or evaluation processes.
- Using organizational resources for personal gain or unauthorized purposes.
- Failing to disclose a real or potential conflict of interest.
- Engaging in or facilitating money laundering or terrorism financing.
- Retaliating against whistleblowers or witnesses.
- Failing to report knowledge or reasonable suspicion of prohibited practices.

5. Responsibilities

- **Executive Director:** Oversees enforcement of the policy, approves investigations, and ensures corrective actions.
- **Designated Compliance Officer in the Internal Audit Department:** Leads investigations, conducts risk assessments, and ensures compliance with policy.
- **Board:** Reviews and assesses implementation of the Prohibited Practices Policy and provides recommendations to the Executive Director on the enhancement of the respective policies thereto.
- **Managers and Supervisors:** Promote ethical conduct, report violations, and support investigations.

- **All Staff and Affiliates:** Must comply with the policy, complete required training, and report suspected violations promptly.

6. Reporting and Whistleblower Protection

Suspected violations must be reported promptly and in good faith through multiple avenues, including confidential, anonymous, and independent channels. REC Caucasus is committed to enabling safe, confidential, accessible, and responsive reporting of prohibited practices, with strong non-retaliation commitments to protect reporters from any form of reprisal.

Reports can be submitted via the following channels:

- **In-person:** to the Executive Director or designated Compliance Officer in the Finance and Administrative Management Department.
- **Confidential mail:** Marked “Confidential – Ethics” and delivered to the headquarters.
- **Independent reporting:** Directly to the Board , via a dedicated confidential line which will be published on the REC Caucasus website.

Anonymous reporting shall be permitted through any channel, although providing contact information may assist in investigations. REC Caucasus guarantees protection from retaliation for all individuals who report concerns in good faith. This includes safeguards against any disciplinary or contractual harm, intimidation, or other adverse consequences. These protections extend throughout the reporting, investigation, and resolution process, in alignment with international standards and best practices including Adaptation Fund's whistleblower safeguards.

7. Investigation Process

Any disciplinary measures shall be determined and enforced by the Executive Director. The Executive Director should be guided by the findings and recommendations indicated in the report of investigation of suspected wrongdoing.

Upon receiving a report of suspected misconduct:

1. The Executive Director or designated Compliance Officer shall acknowledge receipt and assess credibility of the report.
2. If warranted, an internal investigation shall be initiated, with appropriate confidentiality and due process. Due process shall include, at a minimum:
 - (i) impartial and independent handling of the investigation;
 - (ii) timely notification to the accused of the allegations (with sufficient detail to allow a meaningful response, while protecting the reporter's identity where appropriate);
 - (iii) the right of all parties to be heard and to present evidence or witnesses;
 - (iv) avoidance of conflicts of interest among investigators; and
 - (v) proportionate and evidence-based decision-making.

The designated Compliance Officer shall take the lead in internal investigation through proper coordination and communication with the Executive Director.

3. All parties involved shall have the opportunity to provide relevant information.
4. A final report shall be submitted to the Executive Director with findings and recommendations.
5. Based on the findings, disciplinary actions (up to and including termination, legal action, or referral to external authorities) may be imposed.

6. In cases involving activities financed by external funders, REC Caucasus commits to promptly reporting the initiation of any investigation or any confirmed case of prohibited practice to the relevant funder's secretariat or designated contact point. This ensures compliance with funder requirements and supports transparency and accountability in the use of external funds.
7. All investigations and outcomes will be documented and retained for at least five (5) years.

8. Disciplinary Measures & Sanctions

Violations of this policy shall be classified as minor, moderate, or serious based on the nature, impact, intent, and recurrence of the misconduct. The Executive Director, in consultation with the Compliance Focal Point in the Finance and Administrative Management Department, shall determine the classification and impose proportionate disciplinary measures. All actions shall follow due process as defined in the Investigation Process section.

- **Violations to be classified as Minor:** Low-impact violations with no intent to harm, no financial loss, and no breach of trust. Typically first-time, isolated incidents that can be corrected through guidance.
- **Violations to be classified as Moderate:** Violations causing moderate harm, financial loss, or erosion of trust, whether intentional or negligent. May involve repeated minor issues or single acts with foreseeable consequences.
- **Violations to be classified as Serious:** High-impact violations involving intent to deceive, significant financial loss, harm to individuals/organization, or obstruction of proper, legitimate procedures. Includes any abuse, fraud, corruption, or retaliation.

Violation of this policy may result in:

- Verbal or written warnings.
- Mandatory training.
- Demotion or transfer to another position.
- Termination of contract or employment.
- Legal claims for damage or losses.
- Blacklisting from future REC Caucasus contracts or partnerships.
- Referral to law enforcement agencies.

Applicable disciplinary measures in relation to each violation category are as follows (one or more may be imposed):

Minor	<ul style="list-style-type: none"> ● Verbal warning. ● Written warning with corrective action plan. ● Mandatory training or policy refresher. ● Written warning or final written warning.
Moderate	<ul style="list-style-type: none"> ● Demotion or transfer. ● Claims for losses. ● Temporary blacklisting. ● Immediate suspension pending investigation ● Termination of employment or contract.
Serious	<ul style="list-style-type: none"> ● Full recovery of damages/losses via legal claims. ● Permanent blacklisting from future REC Caucasus contracts, partnerships, or funding. ● Referral to law enforcement agencies.

Aggravating factors (e.g., recidivism, supervisory role, cover-up) may escalate a violation to the next category. Mitigating factors (e.g., self-reporting, cooperation, remorse) may reduce severity. All terminations and blacklisting for senior staff or partners require Executive Director approval.

For partners, grantees, contractors, vendors, or other external entities involved in REC Caucasus projects or activities, additional sanctions may apply to ensure accountability and protect organizational resources. These sanctions include:

- Suspension or cancellation of grants, contracts, or partnerships;
- Immediate cessation of funding disbursements;
- Recovery of misappropriated or improperly used funds through legal or contractual mechanisms; and
- Debarment from future eligibility for REC Caucasus funding or collaborations.

Such measures will be implemented proportionately based on the severity of the violation and in coordination with any relevant internal or external audits.

In cases involving external funders, REC Caucasus may refer confirmed violations to the funder's secretariat, national authorities, or law enforcement as required by funding agreements or legal obligations. This ensures transparency, enables coordinated responses, and supports the recovery of funds where applicable, while adhering to due process and confidentiality standards.

9. Prevention and Risk Management Measures

To proactively prevent prohibited practices and ensure compliance with international standards, REC Caucasus commits to implementing systematic measures for risk identification, mitigation, and control. These preventive actions complement the reactive mechanisms outlined in this policy and aim to foster a culture of integrity, transparency, and accountability across all operations.

- **Systematic Risk Assessment:** REC Caucasus shall conduct regular risk assessments to identify, evaluate, and prioritize potential vulnerabilities to prohibited practices, such as fraud, corruption, or conflicts of interest. These assessments will be performed annually or more frequently in response to significant operational changes, new projects, or emerging risks.
- **Preventive Internal Controls:** Robust internal controls shall be established and maintained to deter misconduct and safeguard resources. These include segregation of duties to prevent any single individual from controlling all aspects of a financial or operational process; mandatory approval hierarchies for expenditures, contracts, and decisions; regular reconciliations of financial records; and secure access controls for sensitive information and systems.
- **Mandatory Screening of Vendors:** Prior to engaging vendors, contractors, consultants, or partners, REC Caucasus shall conduct mandatory due diligence screenings. This includes checking against domestic or international sanctions lists, such as those maintained by the United Nations, World Bank, European Union, and other relevant national or international bodies, to ensure no associations with prohibited entities or individuals. Screening will also verify legal compliance, financial stability, and ethical track records through reference checks and certification requirements.
- **Procurement Safeguards:** Procurement processes shall incorporate safeguards to promote fairness, competition, and transparency while minimizing risks of collusion, coercion, or corruption. This includes adhering to open and competitive bidding procedures for all procurements above a defined threshold; requiring declarations of conflicts of interest from bidders and evaluators and maintaining detailed records of procurement decisions.
- **Conflict of Interest (COI) Prevention and Management:** To prevent conflicts of interest, all individuals (including Board members, staff, consultants, and those associated with partner entities) shall adhere to principles of integrity, and honesty. Preventive measures include requiring accreditation processes for implementing entities to demonstrate robust internal

controls, transparency, and anti-corruption policies. Mandatory disclosure procedures require disclosure of any actual or perceived conflicts—arising from personal, professional, or financial interests; relationships with entities, or interests of a spouse, personal partner, or dependent—before consideration of relevant matters. Annual COI declarations may be implemented to ensure ongoing compliance, with updates required for any changes in interests. Procedures for reviewing COI cases involve referral of allegations for initial consideration and recommendations, review by the designated Compliance Officer, and final decision by the Executive Director or the after allowing the concerned party to present their views. Consequences for non-disclosure or unresolved conflicts may include remaining inactive during deliberations, suspension of contracts, refund of resources, or termination of employment, all aimed at upholding a zero-tolerance approach to ethical transgressions.

10. Training and Awareness

REC Caucusus shall encourage staff are made familiar with this policy and related ethical standards. New employees must complete orientation within 30 days of joining. Awareness materials will be published on the internal platform and website.

11. Monitoring and Review

The policy shall be reviewed **annually**, or sooner if legal or operational changes require revision. Feedback from staff, partners, and external auditors will be incorporated. Revisions shall be approved by the Executive Director. In terms of monitoring and review of this Prohibited Practices Policy, the Designated Compliance focal point in the Finance and Administrative Management Department shall implement the following responsibilities:

- Conduct an annual review of the policy's effectiveness, including analysis of reported incidents, investigation outcomes, and compliance trends.
- Collect and incorporate feedback from staff, partners, external auditors, and whistleblower reports as applicable.
- Identify needs for revision due to legal, regulatory, or operational changes.
- Prepare a draft revised policy with tracked changes and rationale for updates.
- Submit the draft to the Executive Director for approval.

REC Caucusus Related Policies and Documents

- REC Caucusus Transparency Policy
- REC Caucusus Gender Policy
- REC Caucusus Fraud Policy
- REC Caucusus Risk Management and Internal Control Policy
- REC Caucusus Financial Manual
- REC Caucusus HR Manual
- REC Caucusus Employee's Code of Conduct
- REC Caucusus Charter
- REC Caucusus Administration Manual



This document was reviewed, adopted, and approved on [date] by the REC Caucasus Executive Body (Collegial Trio) in accordance with the organization's internal governance procedures, and shall enter into force as of the date of approval.

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