

CDM-EB85-AA-A05

Concept note

Approach on performance monitoring of DOEs

Version 01.0



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1. Procedural background

1. The Executive Board of the clean development mechanism (CDM) (hereinafter referred to as the Board), at its seventy-ninth meeting (EB 79 meeting report, para. 10), noted that the number of submissions of requests for registration and issuance has reduced, and consequently, the data available for performance analysis have also reduced. In this regard, the Board requested the secretariat to carry out work to review the approach on performance monitoring of DOEs, particularly in the context of the current market situation.
2. In response to this request, the secretariat consulted with the CDM accreditation panel (CDM-AP) at its 72nd meeting on a draft version of the present concept note. The CDM-AP supported the proposals below and also commented: given the low level of submissions and the long lead times the outcomes of performance monitoring may not be relevant; therefore using a new approach to DOE performance monitoring should be considered. The CDM-AP noted that given the low number of submissions it is difficult to draw broad conclusions on DOE performance.
3. DOE performance monitoring is done pursuant to the “Procedure: Performance monitoring of designated operational entities (v.2)” (CDM-EB58-A01-PROC), (hereinafter referred to as the procedure). Version 2 of the procedure has been in force since 1 January 2013.
4. This work relates to the activity ‘Entity performance monitoring system’ under objective 1(b): ‘Operate an effective regulatory framework’ with a resource allocation as referred to in table 3 of the Management plan 2015 (EB81, annex 1).

2. Purpose

5. The purpose of DOE performance monitoring is to foster improvement of the performance of DOEs, and provide the Board and the CDM-AP with tools for informed decision-making on actions in the accreditation process. The data compiled are also meant to foster system-wide improvements via identification of issues where guidance or requirements lack clarity or are non-existent. The results of the DOE performance monitoring are also shared with the DOEs, which can use the results to monitor their own performance. This allows DOEs to take early action and avoid any deterioration in their performance.
6. This note seeks the Board’s agreement on a way forward on DOE performance monitoring. This note outlines a simplified, alternative approach to DOE performance monitoring for the Board’s consideration. The suggested approach would rationalize some of the work done in regard to DOE performance monitoring.

3. Key issues and proposed solutions

3.1. Background to DOE performance monitoring

7. The DOE performance monitoring indicators are calculated based on requests for registration, issuance and post-registration changes submitted during monitoring periods of four months (not to be confused with project activity/programme of activity ‘monitoring

periods'). The year is divided into three monitoring periods (1 January to 30 April, 1 May to 31 August and 1 September to 31 December).

8. The secretariat prepares three reports per monitoring period:
 - (a) The first version of the report is based on the data related to requests for registration, issuance and post-registration changes finalized¹ within three months of the end of the monitoring period;
 - (b) The second version of the report is based on the data related to requests for registration, issuance and post-registration changes finalized within six months of the end of the monitoring period;
 - (c) The third version of the report is based on the data related to requests for registration, issuance and post-registration changes finalized within nine months of the end of the monitoring period.
9. The Board requested (as mandated by the procedure) that multiple versions be published in order to get an early and timely overview of performance (version 1) and to see the overall results after 10 months when almost all cases have been finalized (version 3).
10. Each version of the report has several different editions targeting different audiences:
 - (a) Individual DOEs;
 - (b) The CDM-AP;
 - (c) The Board;
 - (d) The general public.
11. Therefore every version of the DOE performance monitoring report consists of at least four documents (normally more than one tailored individual DOE report must be produced). That means that every 12 months at least 36 documents are published. The actual number of reports (including individual DOE reports) for the 2014 calendar year was 98.
12. Version 2 is considered when applying sanctions (or bestowing benefits) on the DOEs. On average 72 per cent of registration cases, 98 per cent of issuance cases and 97 per cent of post-registration change (PRC) cases are captured as of publishing version 2 of the report.
13. The CDM-AP edition and Board edition of the reports are very similar. The CDM-AP edition is the most complete and includes project/programme reference numbers. The reference numbers are applicable to those cases that faced a review or clarification. The Board edition of the report does not include the project/programme reference numbers. In all other respects the Board edition of the report is identical to the CDM-AP edition of the report.
14. The procedure outlines the calculation method for the indicators. The following is a short summary of the meaning of each indicator:

¹ A request for registration, issuance or post-registration change is finalized once a final decision is made (approve, reject, or withdraw).

- (a) **Indicator I₁** applies to both the registration and issuance process. It measures the rate of incompleteness at the completeness check stage (I_{1cc}) and information and reporting check stage (I_{1irc}). The calculation is “number of cases incomplete” over the “number of cases finalized”. The threshold for this indicator is calculated. Exceeding the threshold is sanctioned by a root-cause-analysis;
- (b) **Indicator I₂** applies to both the registration and issuance process. It measures the severity of the review cases. Where a case is reviewed the secretariat assigns a weighting to the case. The calculation is the “sum of the review weights” over the “number of cases finalized”. The threshold for this indicator is fixed. Depending on how much the threshold is exceeded, the sanctions are: root-cause-analysis, additional performance assessment or a spot check. Conversely, keeping below the threshold may reduce the number of additional performance assessments;²
- (c) **Indicator I₃** applies to the PRC process and is synonymous with I_{1cc}. There is no threshold for this indicator;
- (d) **Indicator I₄** applies to the PRC process and is synonymous with I₂. There is no threshold for this indicator.

3.2. Key issues

- 15. Since the entry into force of the procedure (1 January 2013) the number of submissions of requests for registration, requests for issuance and requests for PRCs has reduced. Consequently the data available for performance monitoring and analysis have also reduced. The solution proposed below seeks to address DOE performance monitoring within the context of lower volumes.
- 16. The performance of DOEs has been good, as measured by the number of incomplete and review cases. The average rate for incompleteness at the completeness check stage is around 3 per cent, around 5 per cent at the information and reporting check stage and about 1 per cent of cases are requested for review³ (for the period 1 January 2013 to 31 August 2014).
- 17. As indicated in the 2015 CDM Management Plan, there is a push for simplification and efficiency. The mandate to “carry out work to review the approach on performance monitoring of DOEs, particularly in the context of the current market situation” also provides an opportunity to address this wide-ranging sentiment.

3.3. Proposed solution

- 18. The proposed solution is to cease the publication of version 1 and version 3 of the DOE performance monitoring report. It is proposed that this solution be implemented for a period of two years.

² The accreditation procedure mandates five performance assessments per five-year period. These are mandatory performance assessments. For every 150 verification cases and every 50 registration cases performed (per 12-month period), an additional performance assessment is scheduled.

³ Based on version 2 of the DOE performance monitoring data.

19. In addition it is proposed that the CDM-AP edition of the report and the Board edition be merged. As mentioned above, the only difference between these two editions is the inclusion of project/programme reference numbers in the CDM-AP edition.
20. The CDM-AP (CDM-AP 72 meeting report, para. 25) had the following comments on these solutions:
 - (a) “Under the current market conditions it is appropriate to save resources by scaling back the publication of version 1 and version 3 of the DOE performance monitoring reports;
 - (b) It is appropriate to merge the DOE performance monitoring reports aimed at the CDM-AP and Board.”
21. To give effect to this change it is suggested that the following paragraphs are inserted into the DOE performance monitoring procedure (version 2):
 - (a) 35bis For the period from 24 July 2015 until 24 July 2017, instead of preparing separate reports referred to in paragraph 35 (b) and (c) above, the secretariat shall prepare one report for the purpose of reporting to both the CDM-AP and Board;
 - (b) 38bis For the period from 24 July 2015 until 24 July 2017, notwithstanding paragraphs 37 and 38 above, the secretariat shall prepare only one version of the report for a monitoring period based on the data related to requests for registration, issuance and post-registration changes finalised within six months after the end of the monitoring period.

4. Impacts

22. The **main positive impact** would be the reduction in staff time spent on DOE performance monitoring, which can be used on other related priority areas (e.g. entity administration).
23. If the publication of versions 1 and 3 is cancelled and the Board and CDM-AP editions are merged, the secretariat estimates that the number of documents produced would fall from around 100 (in 2014) to around 25.
24. The **main negative impact** would be the slight loss of information contained in version 1 and version 3 of the report. For the time frame from monitoring period 7 to monitoring period 10⁴ there have only been a few instances where version 2 of the report did not capture the same amount of information as version 3 of the report.
25. Assuming that the future will be similar to the time between monitoring periods 7 and 10, the secretariat expects that very little accuracy would be lost from ceasing publication of version 1 and version 3 of the reports.

⁴ Covers the submission period from 1 January 2013 to 30 April 2014. Monitoring period 7 was the first period under version 2 of the procedure. Monitoring period 10 is the most recent period where version 3 of the report has been published.

26. For example, between monitoring periods 7 and 10, regarding the sum of all entities:
- (a) For indicator I_1 (registration), the number of entities exceeding the threshold at version 2 of the report was nine. At version 3 of the report there were 13;
 - (b) For indicator I_1 (issuance), the number of entities exceeding the threshold at version 2 and version 3 of the reports was the same;
 - (c) For indicator I_2 (registration and issuance), the number of entities exceeding the threshold at version 2 and version 3 of the reports was the same (i.e. zero). This goes for both the registration and issuance process.
27. There were no cases throughout the time from monitoring period 7 to monitoring period 10 where version 1 of the report indicated a poor entity performance that was subsequently not revealed in a later report as additional cases became finalized.
28. The impact of omitting versions 1 and 3 in the PRC process would be negligible. Ninety-seven per cent of the PRC cases are captured by version 2 of the report and there are no sanctions for this process.
29. The proposed work does not foresee any cost implications for third-parties/stakeholders.

5. Subsequent work and timelines

30. No transition or implementation work is envisaged. The decision to scale back the publishing cycle could be implemented immediately.

6. Recommendations to the Board

31. The secretariat recommends that the Board **cancel** the publication of version 1 and version 3 of the DOE performance monitoring report (for the next two years) and to **merge** the publication of the Board and CDM-AP edition of the report.
32. The Board may wish to request the secretariat to carry out an analysis, before the proposed two-year period is over, on the impact of scaling back the publishing cycle.

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