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Concept note

Performance monitoring indicators 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 had reduced, and consequently, the data available for performance analysis had also reduced. In this regard, the Board requested the secretariat to carry out work to review the approach on performance monitoring of designated operational entities (DOEs), particularly in the context of the current market situation.
2. The CDM Accreditation Panel (CDM-AP), at its 72nd meeting, noted that, 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 also noted that, given the low number of submissions, it is difficult to draw broad conclusions on DOE performance.
3. The Board, at its eighty-fifth meeting, considered a concept note on the approach to performance monitoring of DOEs. Seeking to optimize the workload of its support structure, the Board agreed to revise the procedure for performance monitoring of the DOEs, reducing the amount of reports prepared while the number of submissions remains low.
4. At the same meeting the Board requested the secretariat to define qualitative performance monitoring indicators, in consultation with the CDM-AP, for consideration by the Board at a future meeting.
5. The secretariat prepared the present note in consultation with the CDM-AP.
6. 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 CDM management plan 2015 (EB 81, annex 1).

2. Purpose

7. 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.
8. This note seeks to identify alternative cost-effective approaches to measure performance of DOEs in the current market conditions with a low level of submissions.

3. Key issues and proposed solutions

3.1. Background to DOE performance monitoring

9. 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 activities '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).
10. At this moment, the secretariat prepares one report per monitoring period, 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. The report is prepared within one month thereafter and presented to the CDM-AP and the Board at their next meeting.
11. Through this approach, the results of the DOE performance are presented to the Board and the CDM-AP in 7 to 15 months after submission of corresponding requests by the DOEs. It is important to note that the actual work conducted by the DOE and measured by the performance monitoring system is undertaken over several months before the submission.

3.2. Key issues

12. The following issues were identified by the secretariat and the CDM-AP:
 - (a) **Small number of submissions.** Current performance indicators are calculated only for DOEs that submit at least seven requests for registration or issuance in a given monitoring period. Under current market conditions and given the low level of submissions, most of the DOEs are ineligible or barely eligible for the DOE performance monitoring, making the current indicators statistically insignificant and not reflecting DOE performance;
 - (b) **Long lead times.** Current performance indicators, on average, correspond to performance of a DOE demonstrated around seven months ago. With such long lead times and low volume of data the indicators become less relevant for the accreditation process.

3.3. Proposed solution

13. The secretariat and the CDM-AP reviewed the current indicators as well as ideas for qualitative indicators and agreed that with the current low activity level of DOEs due to the market conditions, sufficient data cannot be generated to produce any kind of indicators that would accurately reflect the performance of DOEs.
14. The proposed solution is to cease the publication of the DOE performance monitoring reports and put the DOE performance monitoring procedure on hold. It is proposed that this solution be implemented for a period of two years.
15. At the same time, the low volume of submissions allows the CDM accreditation assessment teams (CDM-ATs) and the CDM-AP to analyse underlying 'raw data' directly, following up on issues raised in individual issues raised in the process review.

16. Therefore, the secretariat and the CDM-AP recommend that the Board provides the CDM-ATs and the CDM-AP supporting documents (e.g. a summary of the latest assessment report) by the Registration and Issuance Team (RIT) and the secretariat in the project review process.
17. If the Board agree with this recommendation, the CDM-AP will ensure that the CDM-AT assess that the DOEs implement corrective actions to address all issues raised by the RIT and the secretariat in the project review process.

4. Impacts

18. The implementation of these measures will:
 - (a) Significantly improve timeliness of actions on the DOE performance monitoring from one year down to one month;
 - (b) Address the current market situation, bypassing insignificant indicators and providing the CDM-ATs and the CDM-AP access to the underlying 'raw data'.
19. The proposed work does not foresee any cost implications for stakeholders and third parties.
20. 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).
21. Under the current market situation the secretariat expects that no material information would be lost from ceasing publication of the reports.

5. Subsequent work and timelines

22. No transition or implementation work is envisaged. The proposed solution can be implemented immediately.

6. Recommendations to the Board

23. The secretariat recommends that the Board put the DOE performance monitoring procedure (for the next two years) on hold.
24. The secretariat also recommends that the Board request the secretariat to provide the CDM-ATs and the CDM-AP a summary of the latest assessment reports prepared by the RIT and the secretariat in the project review process for their assessment of the DOE quality management system.

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