



A proposed framework for performance monitoring of DOEs

EB 49

September 2009

Introduction and background

CMP 4 requested the Board to develop a system for the continuous monitoring, and improvement, of the performance of designated operational entities (DOEs).

It is noted that a DOE is tasked to conduct validation and verification of CDM project activities. The task also includes such aspects as requesting deviations from methodologies and revisions of the monitoring plans.

The functions of validation and verification inherently require a DOE to operate in an independent and impartial manner and also address technical, legal and procedural aspects in a competent manner.

Definitions that inform the proposed framework

DOE performance: How successfully DOE carries out its CDM functions.

Non-compliance: Failure to meet CDM requirements

Underlying principles of the framework

The proposed policy framework is based on the following principles;

- All non compliances of a DOE shall be addressed
- Non compliances are addressed in line with risks posed to
 - The credibility of the CDM process and/or
 - Confidence level of the Board in the performance of the DOE
- Each individual non compliance contributes to risk and contributes towards the overall performance of the DOE or lack thereof
- Consequences of non compliance are linked to their allocation within a system of grading
- DOE performance can be measured by an overall level of compliance / non compliance

Elements of the framework

Data collection is already taking place focused on the Accreditation, Registration and Issuance processes (currently 100+ indicators have been identified, some of which were the subject of a previous report to EB 47)

- Identification of those non-compliance issues that are under the direct control of a DOE, rather than issues that might be due to other factors, is currently being finalised by the secretariat for presentation to the EB
- Classification is also being undertaken by the secretariat in order to focus on a few, key categories, inter alia:
 - Errors related to the reporting of results, such as lack of clarity, incorrect language, inconsistent references, failure to correctly report;
 - Errors related to adherence to procedures, such as late submissions, failures to request a deviation;
 - Errors related to the competence of a DOE to perform validation or verification including specific competence of auditing personnel employed for such tasks;
 - Issues related to conflicts of interest and impartiality;
 - Fraud
- Once this classification exercise has been concluded and agreed, a frequency / threshold analysis of the various issues within a category will be performed, per DOE, on an ongoing basis and presented on a regular basis

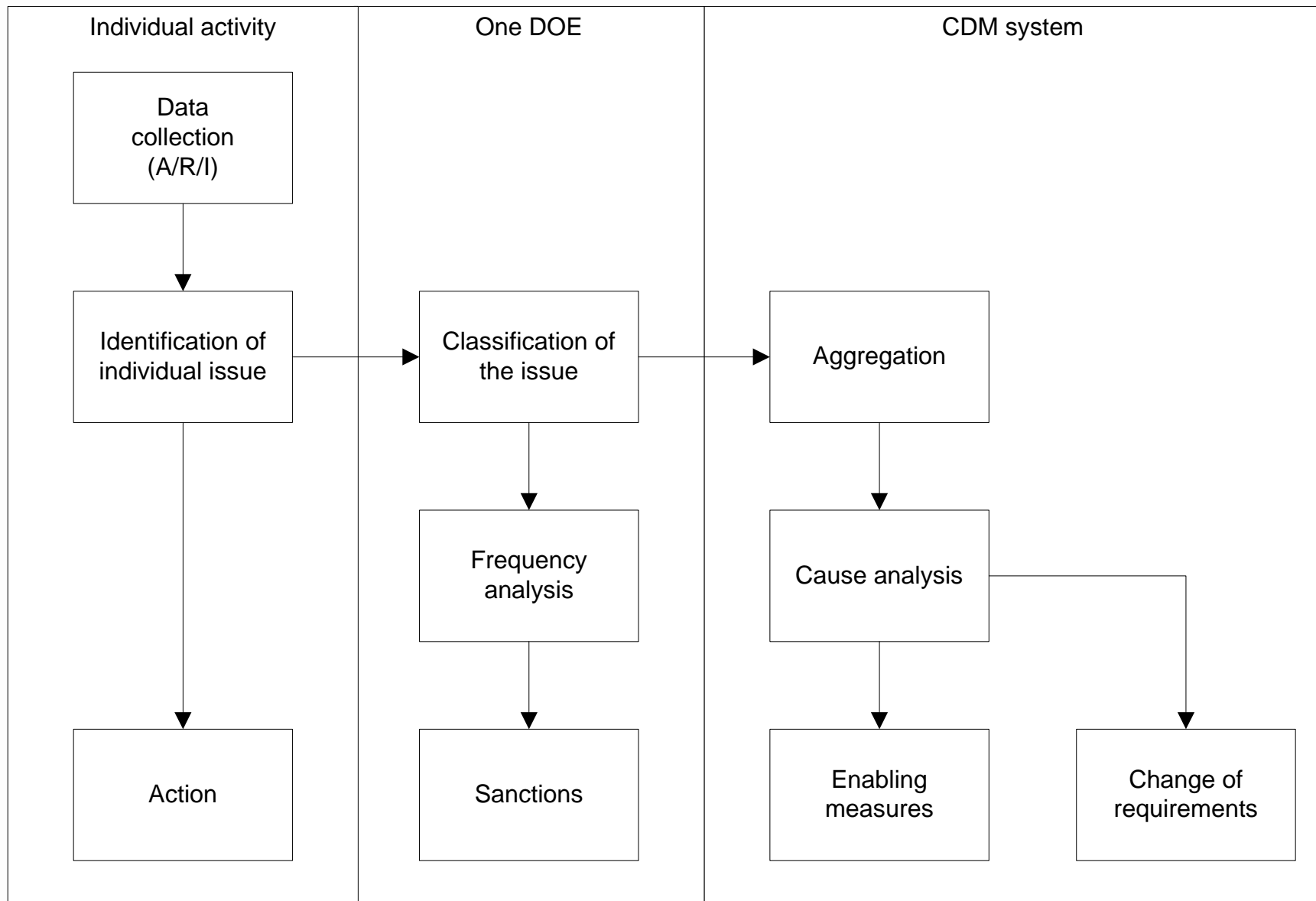
Elements of the policy

Addressed within the policy:

- Collection of data through measurement of agreed indicators;
- Identification of individual non-compliance issues;
- Classification of identified non-compliance issues into pre-defined categories;
- Frequency and threshold analysis of non-compliance issues within each category, and grading of overall non-compliance for each category;
- Implementation of sanctions, including issuance of a warning, according to the grade of overall non-compliance

Closely linked, but outside of the policy scope:

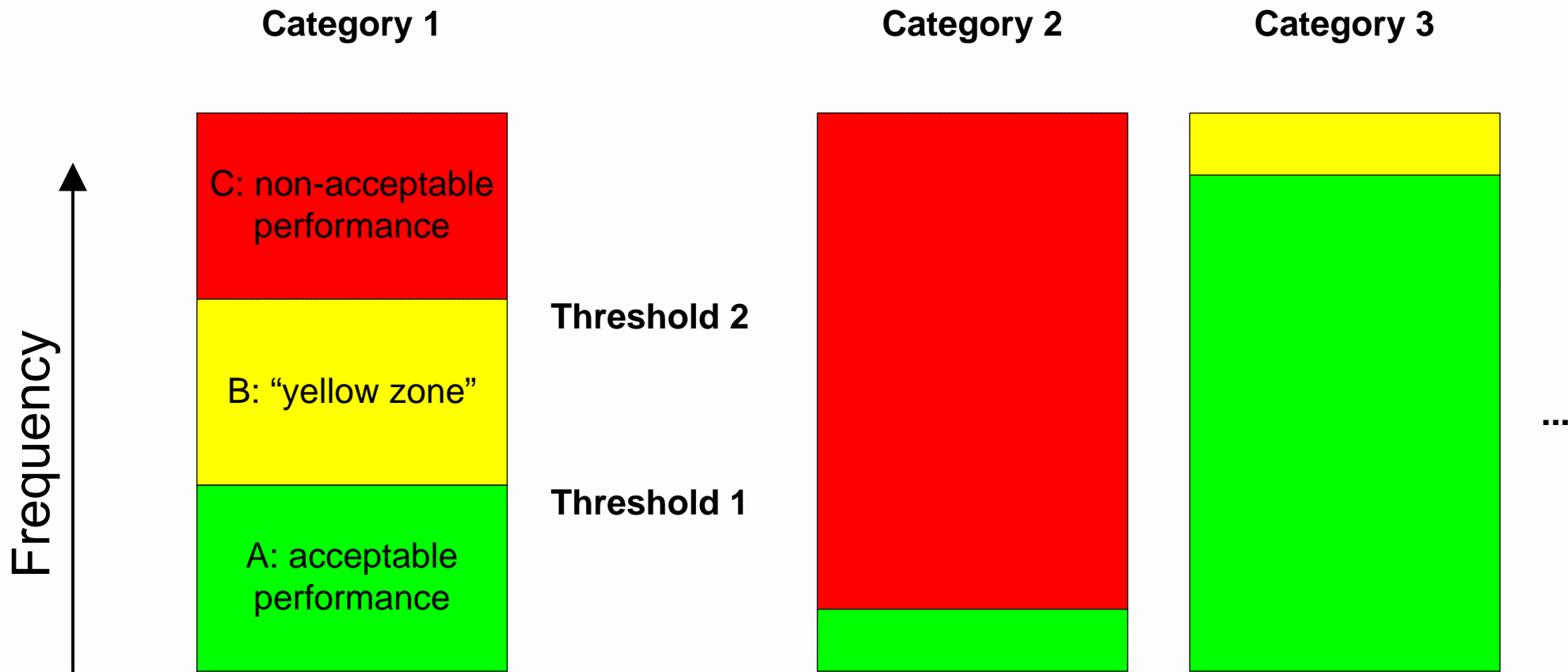
- Action to address individual non-compliance issues;
- Aggregation of non-compliance data across a number of DOEs and evaluation of trends;
- Root-cause analysis for issues common to multiple DOEs;
- Implementation of enabling measures, such as training sessions, workshops and outreach activities, aimed at a number of DOEs, and
- Enhancement and clarification of requirements.



A proposed system of grading

Grading system:

- **Grade A:** Incidents that show an isolated non-compliance that has low and limited impact on the results of either a validation or verification activity
 - **Grade B:** Incidents that raise doubts about the ability of a DOE to adequately perform validation or verification activities. Incidents having a minor impact on the credibility of the CDM process also fall into this grade
 - **Grade C:** Incidents that threaten the credibility of the whole CDM process and would seriously erode the confidence level of the CDM EB in a DOE's performance
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- **Examples:**
 - Reporting errors
 - Grade A: below 20% of cases
 - Grade B: above 20% of cases
 - Grade C: not applicable
 - Issues related to adherence to procedures
 - Grade A: below 5% of cases
 - Grade B: between 5% and 10% of cases
 - Grade C: above 10%
 - Fraud: even one case immediately escalates to Grade C



Consequences of non-compliance

The consequences of and sanctions for non compliance need to be linked to severity and frequency of non compliance and applied in an objective manner. Possible sanctions for different categories and grades currently being used / under investigation include:

- Issuance of a warning to a DOE
- Publication of ongoing performance against an agreed set of top-level / detailed indicators for each DOE
- Recommendation for additional Performance Assessment(s)
- Recovery of costs related to requests for review
- Recommendation to EB for a spot-check / suspension

Proposed implementation steps

Implementation steps:

- Adoption of the policy framework
- Agreement on an initial set of non-compliance categories and associated thresholds
- Periodic provision of data of DOE performance against the agreed categories to the EB
- Proposal on possible sanctions to be presented to the EB for comment and adoption
- Ongoing, and appropriate, elaboration of individual indicators and other improvement activities, based on periodic analysis of process outcomes, presented to the EB as appropriate

Individually phased but parallel roll-out plans and associated actions will be implemented within the secretariat:

Accreditation ->

Registration ->

Issuance ->

Thank You