



Annex 53

RECOMMENDATION AND MEASURES ON STRATEGIC IMPROVEMENTS TO EFFICIENCY IN THE OPERATION OF THE CLEAN DEVELOPMENT MECHANISM

I. Mandate

1. By its decision 2/CMP.4, the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (CMP):

- (a) Requested the Board, based on its relevant experience, to make recommendations to the CMP, for consideration at its fifth and subsequent sessions, for improving the efficiency of the operation of the clean development mechanism (CDM) (paragraph 3);
- (b) Requested the Board to emphasize its executive and supervisory role by, inter alia, ensuring effective use of its support structure, including its panels, other outside expertise and the secretariat, and by strengthening the role of designated operational entities (DOEs) (para 5(b));
- (c) Requested the Board to make use of and further develop performance and management-level indicators and enhance the provision of information derived from these (paragraph (d));
- (d) Reiterated its encouragement to the Board to ensure a balance in applying its resources between satisfying caseload needs and making general policy and system improvements pursuant to decision 2/CMP.3, paragraph 11 (paragraph 16);
- (e) Requested the Board to continue to closely monitor the adequacy of the operation of its support structure, particularly should the size and value of the CDM increase as expected, to take action, as appropriate, to ensure the effectiveness of its service and to report on actions taken to the CMP at its fifth session (paragraph 18(d)).

II. Measures to improve the performance of the Executive Board

Matters relating to policy guidance and the supervision of the clean development mechanism

2. The Board agreed to ensure a tight policy framework of standards and procedures (as defined in the hierarchy of decisions adopted by the Board), within which the support structure, including the secretariat, panels, working groups and other outside expertise, and stakeholders conduct their work. In particular, the Board agreed to:

- (a) Develop and implement a work programme, including consultation with stakeholders, to undertake a stock-taking and systematic review of the completeness, clarity and consistency of the guidance so far established, including the appropriateness of timelines and communication measures, and take steps subsequently to address any issues arising;
- (b) Consolidate and summarize all guidance provided by the CMP and the Board concerning the registration of CDM project activities and issuance of certified emission reductions (CERs) in a manner that organizes the guidance in a structured and user friendly manner;
- (c) Introduce a process to ensure that lessons learned in the operation of the CDM, including common problems identified in the course of reviews, are fed into the ongoing development of guidance;



3. The Board agreed to strengthen its supervision of its support structure, including the secretariat, panels, working groups and other outside expertise, including through reviewing the terms of reference of panels and working groups.
4. The Board will contribute to the establishment of a training process which could raise levels of professionalism in the CDM field, based on the validation and verification manual and taking into account issues identified in the registration and issuance processes in relation to DOE performance. It encourages private and public institutions to develop and provide training programmes in support of this process. The Board further agreed that, if a certification process became operational, it would make the employment of certified staff a requirement under the accreditation standard for DOEs.
5. The Board agreed to make information publicly available on the performance of DOEs, including statistics.
6. The Board agreed on a policy framework to monitor performance and address non-compliance by DOEs in a more systematic manner and will be considering, at its fifty-first meeting, a proposal for the implementation of the framework, including the categorization of non-compliance, proposed thresholds and applicable sanctions.
7. The Board agreed to establish an appeals process against DOEs under which a project participant may refer a case to the Board where it considers that a DOE has not performed its duties in accordance with the established guidance.

Matters specifically relating to methodologies for baselines and monitoring plans

8. The Board agreed to prioritize the consideration of large scale methodologies submitted for approval and the development of small scale and afforestation and reforestation methodologies in order to improve the management of the methodologies process. The Board further agreed to undertake this prioritization on the basis of the analysis of the use of methodologies currently being undertaken. The criteria for setting these priorities could be on the basis of emissions impact, regions and/or whether there are less than 10 projects in a host Party.
9. The Board decided to continue developing conservative default parameters for use in baseline methodologies, as an alternative to setting project-specific parameters that are difficult to determine, to facilitate the use of methodologies while safeguarding the environmental integrity of the CDM.
10. The Board agreed to increase the direct interaction between those entities involved in methodology development, including project proponents, and the secretariat during the assessment of methodologies, in advance of panel and working group meetings, and to establish terms of reference for this interaction.
11. The Board agreed to promote the awareness of methodologies, with a focus on frequently used methodologies, and make them more accessible to users, including through introducing a meaningful naming convention for methodologies, classifying them into categories, publishing summary descriptions and information on individual methodologies, and improving the CDM website search engine with regard to methodologies.

Matters specifically relating to additionality

12. The Board agreed to establish a positive list of sectors for which conservative criteria could be used to assess additionality, as an alternative option to the use of the additionality tool, initially for small-scale renewable energy and energy efficiency projects. The Board further requested from the secretariat a study to determine thresholds for the positive list.



13. The Board agreed to provide more guidance on the use of the additionality tool, including best practices for barrier analysis, including first-of-its-kind analysis, and increased detail on the application of investment and common practice analyses.

Matters specifically relating to registration of CDM project activities and issuance of CERs

14. The Board agreed that the scopes of reviews are to include more comprehensive information that clearly indicates the reasons for the review. The Board further agreed that, in ensuring that reviews focus on the defined scopes, the reviews are to clearly reference previous rulings, to the extent possible, and be clearly documented in the meeting reports of the Board.

15. The Board agreed to increase the direct interaction between DOEs and the secretariat once a review has been requested and the scope has been defined, including through telephone communications, and to established terms of reference for this interaction.

16. The Board reaffirmed its interest in receiving more information on the impact of its rulings, including through reiterating to CDM stakeholders, in particular project participants, their right to correspond with the Board expressing concerns, including grievances in relation to validation, completeness checks and rulings in specific cases. The Board will establish a formal procedure for its consideration of such correspondence, including through an item on the agenda of each Board meeting.

17. The Board shall strive to ensure that rulings, to the extent possible, are consistent with previous rulings of the Board for similar cases.

Matters relating to the Executive Board

18. The Board agreed to focus its meetings on establishing guidance in the form of mandatory standards and procedures (as defined in the hierarchy of decisions adopted by the Board), modifying and adding to it as necessary, and ensuring the overall conformity of the operation of the CDM to it.

19. The Board agreed that it would implement a structured way of recording its decisions and rulings, including their rationale. The Board further agreed that its meeting reports should summarize the policy discussions it holds during meetings.

20. The Board agreed to enhance the CDM communications strategy, including through publicising exemplary CDM projects and their impacts, and developing, through a competition involving Designated National Authorities (DNAs) and other stakeholders, a CDM project plaque to identify CDM projects.

Matters relating to the support by the support structure

21. In order to improve the efficiency in the work of the Board, it agreed to assign further work on technical issues to the support structure, including the secretariat, panels, working groups and other outside expertise.

22. The Board agreed that the secretariat should ensure it has access to all the technical expertise it requires, through internal or external resources, in order to support the Board in its case rulings and other decision-making. The Board further agreed that the specialized expertise of, inter alia, international organizations should be engaged in an advisory capacity to supplement the expertise of the support structure, including the secretariat, panels, working groups and other outside expertise.

23. The Board agreed that it will, in addition to establishing the annual management plan, adopt a two-year rolling prospective plan for the subsequent years, subject to a review each six months, in order to enhance its forward planning of activities and resources.



24. The Board agreed that its management plans should include dedicated training resources to ensure the ongoing development of required skills and expertise in the secretariat, Board members and alternates and external experts included in the support structure.

25. The Board requested the secretariat to ensure that:

- (a) Its provides new members and alternates of the Executive Board with a thorough orientation process;
- (b) It employs staff with expertise in the areas of technical analysis, executive presentation of issues to the Board, and public communication;
- (c) It further strengthens its quality management system to ensure the high quality of its outputs for consideration by the Board.

III. Recommendations

26. The Board recommends that the CMP:

- (a) Request the Board to streamline the registration and issuance processes;
- (b) Further request the Board to adopt, as soon as possible, and subsequently apply on an interim basis revised procedures for registration, issuance and review, under which alternative timelines to those defined in decision 3/CMP.1, annex, paragraphs 41 and 65, and decision 4/CMP.1, annex II, paragraph 24 can be applied;
- (c) Revoke annexes III and IV to decision 4/CMP.1;
- (d) Request the Board to ensure that the revised procedures for review:
 - (i) Provide designated operational entities and project participants with adequate opportunity to address issues raised in reviews;
 - (ii) Include an independent technical assessment;
 - (iii) Include a process for the consideration by the Board of objections raised by members of the Board to outcomes of assessments;
- (e) Request the Board to continue applying its existing procedures for registration, issuance and review, pending adoption of the revised procedures referred to in paragraph 26(b) above;
- (f) Further request the Board to report the impact of the interim implementation of the procedures referred to in paragraph 26(b) above to the CMP at its sixth session;
- (g) Take note of the Board's decision to allow each member to delegate the authority to request a review to the alternate of that member for a limited period of time;
- (h) Request the Board to establish a procedure for the consideration by the Board of appeals in relation to rulings on registration or issuance brought by any stakeholders directly affected by the ruling in question.



27. The Board further recommends that the CMP:
- (a) Encourage DNAs to publish the criteria they use in assessing the contribution of project activities to sustainable development;
 - (b) Reiterate to Parties the importance of members and alternates of the Executive Board possessing the appropriate competence to supervise the CDM and being in a position to commit a significant portion of their time to the matters of the Board;
 - (c) Encourage Parties to give active consideration to the nomination of women as Board members and alternates, in accordance with decision 36/CP.7.

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