

**DRAFT****Annex 1****PROGRESS UPDATE ON IMPLEMENTATION OF THE POLICY FRAMEWORK TO
MONITOR PERFORMANCE AND ADDRESS NON-COMPLIANCE BY
DESIGNATED OPERATIONAL ENTITIES****A. Background**

1. The Board at its forty-ninth meeting agreed on a policy framework to monitor performance and address non-compliance by DOEs in a systematic manner¹ (hereinafter referred to as the Framework). The Framework aimed at monitoring level of performance and compliance of individual DOEs with the CDM requirements, providing DOEs with feedback on their performance and supporting the Board and the CDM Accreditation Panel (CDM-AP) in decision making. The output of the Framework was also intended to provide guidance in the accreditation assessment process, as well as appropriate inputs into future revisions of the CDM requirements, standards, and methodologies, and system-wide improvements.
2. At its fifty-first meeting the Board agreed on an plan for implementation of the Framework². The plan outlined two implementation phases and a comprehensive review of the Framework after completion of the second phase.
3. With a view to increasing transparency in the implementation of the Framework, the Board requested the secretariat to address the following:
 - (a) To review the classification of issues at an earlier stage;
 - (b) To ensure that the expectations and priorities of the Board are clearly communicated through the classification and weighting system;
 - (c) To appropriately take account of the difference in size of the DOEs in preparing its recommendations on thresholds;
 - (d) To introduce other sanctions in addition to those of a spot-check and suspension;
 - (e) To present a progress update on the implementation of the framework with appropriate incorporation of its concerns and any CDM-AP input at its next meeting.
4. This document contains a progress update on the phase 1 of the implementation of the Framework, specifically addressing additional requests of the Board contained in paragraph 3 (b) and (e). The other requests will be addressed in future updates.

B. Data collection and classification

5. Using all of the registration and issuance cases finalized at EB 51, the secretariat conducted an analysis and initial classification of issues in order to check the efficacy of the proposed Framework. Each of the issues identified in each of these cases was classified against one of the four main categories that follow:

¹ Annex 3 of the report of the forty-ninth meeting of the Board.

² Annex 2 of the report of the fifty-first meeting of the Board.

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- (i) Issues related to reporting;
- (ii) Issues related to failure to follow procedural requirements;
- (iii) Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;
- (iv) Other issues, to analyse system-wide gaps and improve classification.

6. To provide a more focused analysis, each issue was further classified into a set of sub-categories and also assigned a weight following the approach described in section F below.

C. Development of IT infrastructure to support the Framework

7. The secretariat initiated development of the IT infrastructure to support implementation of the Framework. The development is based on the common CDM information system and allows close integration into existing registration, issuance and accreditation workflows.

D. Provision of information on DOE performance to CDM-AP

8. The secretariat presented a progress update on the implementation of the Framework at the forty-sixth meeting of the CDM-AP taking place on 18-20 January 2010 in Bonn.

9. The CDM-AP welcomed the progress made to date and stressed the importance of the Framework as a measure to both enhance compliance of the DOEs with CDM requirements and also increase the quality of their work. The CDM-AP noted the very important contribution to the CDM accreditation process that would be made by the outputs generated by the Framework. They also noted the need for, and agreed to, appropriate future alignment as part of regular revisions of the CDM Accreditation Procedure and CDM Accreditation Standard.

10. The CDM-AP will continue to consider proposals from the secretariat and provide input throughout the implementation and further refinement of the Framework, specifically on elaboration of the thresholds, penalties and enabling measures.

E. Identification of appropriate level of thresholds

11. As agreed by the Board, while aiming for “zero-tolerance” in the longer term, the initial definition of thresholds should be determined so as to avoid major and unmanageable disruption to the CDM accreditation system. Initial thresholds should be defined after due consideration of current performance and then lowered over time to support overall improvement of the quality of validation and verification work performed by DOEs.

12. The analysis undertaken by the secretariat indicated that a larger sampling is now required to identify an appropriate level for the various thresholds. A proposal on the level of the thresholds will therefore be presented at the future meeting of the Board, including due consideration for the difference in size of the DOEs.

F. Review of categories and performance

13. Appendix 1 and 2 detail a proposed set of subcategories in both the registration (Appendix 1) and issuance (Appendix 2) processes. These were chosen based on current experience within the secretariat gained during their performance monitoring activities. Various sub categories have been proposed in order to reduce the level of subjectivity during evaluation. Text has been chosen in describing the

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categories to provide sufficient information to DOEs to allow them to understand their performance and appropriately focus their internal improvement efforts. It is intended to link each of these sub categories to the appropriate requirements within the VVM and/or the accreditation standard for the same reason. In order to further reduce subjectivity, a set of examples for each category will be provided to assist all users of the system to clearly identify in which category issues reside.

14. Appendix 1 and 2 also include a proposed weighting for the various categories, based on severity, as proposed by the secretariat in both the registration (Appendix 1) and issuance (Appendix 2) processes. A linear scale using values between 1 (minimum) and 5 (maximum) is proposed in order to minimise subjectivity during rating while still allowing sufficient differentiation between the issues based on their severity and potential impact.



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Appendix 1

Categorization and weighting of issues identified at requests for registration

		Weight
I	Issues related to reporting	
1	This category includes errors covering: - Inconsistencies in the information presented in the documents presented/information supplied; - Incomplete information/missing data; - DOE has not fully reported how the compliance to the requirements are being met; - Not the latest PDD template is used	1
II	Issues related to failure to follow procedural requirements	
1	Failure to submit the corrections on time	2
2	CAR/CLs in validation reports which are not closed out correctly: - Where the CAR resolution indicates that the PDD has been updated but it has not; - Where a CAR is marked as closed without explanation	2
3	Failure to carry out the global public stakeholder consultation in line with the CDM requirements	3
4	Failure to visit project site or provide justification	4
5	Failure to request a deviation when non-compliance of the project activity with the requirements of the methodology has been identified	4
III	Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;	
1	This sub-category includes cases for which the DOE has not precisely validated the project in accordance with the requirements of the VVM, however the failure is not likely to alter the validation opinion - Failure to ensure precise project start date where the change in the date does not impact additionality - Failure to fully validate all minor input values in an investment analysis - Failure to ensure that the common practice analysis has been conducted fully in accordance with the requirements - Failure to ensure that LoA refers to the precise title of the propose project activity - Failure to assess compliance with environmental impacts and/or local stakeholder consultaion	3
2	This sub-category includes cases for which the DOE has failed to ensure compliance with a requirement which may ultimately be resolved during verification/issuance: - The monitoring plan is incomplete; - The validation report or PDD contain conflicting information regarding the baseline which may lead to a request for review at issuance	4
3	This sub-category includes cases for which the DOEs failure to ensure compliance with CDM requirements is likely to have an impact of the projects, or similar future projects, eligibility to receive the estimated quantity of CERs: - Errors in validation of additionality that would lead to the failure to identify non-additional projects - Failure to apply or the misapplication of the requirements of the methodology that would lead to a non-applicable methodology being applied or the baseline being incorrectly established	5



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IV	Other issues, to analysis system-wide gaps and improve classification:	
1	Absence of requirement / guidance by the Board	0
2	Ambiguity of interpretation of requirements of methodology / guidance	0



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Appendix 2

Categorization and weighting of issues identified at requests for issuance

		Weight
I	Issues related to reporting	
1	This category includes errors covering: - Inconsistencies in the information presented in the documents presented/information supplied; - Incomplete information/missing data; - DOE has not fully reported how the compliance to the requirements are being met	1
II	Issues related to failure to follow procedural requirements	
1	Failure to submit the corrections on time	2
2	This sub category covers: - CAR/CLs in verification reports are not appropriately closed out; - Failure to follow up FAR from previous verification.=	2
3	This sub category covers failure to conduct site visit as per requirements of verification process; or provide justification	4
4	This sub category covers the failure to request and select, as appropriate: - Deviation; - Revision Mon Plan; - Changes from PDD.	4
III	Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements;	
1	This sub category covers basic verification to ensure to ensure the quality of required data measured and reported : - Failure to verify equipments / system / protocols / procedures; - Failure to cross check reported data / No clear audit trail (data generating, aggregating, reporting); - Failure to identify calculation errors in the supporting documents/spreadsheets due to omissions or data transpose	3
2	This sub category covers failure to apply conservativeness approach when required	4
3	This sub category covers failures to correctly apply methodology requirements which may lead to incorrect CERs: - Failure to verify installation of monitoring system not per methodology; - Parameters required by methodology not being monitored; - Incorrect application of meth formulae, factors, default values	5
IV	Other issues, to analysis system-wide gaps and improve classification:	
1	Absence of requirement / guidance by the Board	0
2	Ambiguity of interpretation of requirements of methodology / guidance	0