

CDM-EB58-A01-PROC

Procedure

Performance monitoring of designated operational entities

Version 05.0



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1. Introduction

1.1. Background

1. Designated operational entities (DOEs) play a vital role under the clean development mechanism (CDM) by performing validation and verification functions.
2. The impartiality and competence of DOEs are ensured through the application of the “CDM accreditation standard” and the “CDM accreditation procedure”. The latter relies in many of its steps (e.g. definition of the number and type of performance assessments, regular on-site surveillance, assessment of non-central sites, and spot-check) on the results of the performance monitoring of DOEs.

1.2. Objective

3. The objective of the “Procedure on performance monitoring of designated operational entities” (herein after referred to as this procedure) is to:
 - (a) Set out the process and requirements to monitor the performance of, and address non-compliance by, DOEs in a systematic manner;
 - (b) Foster improvement of the performance of DOEs and provide the Executive Board of the CDM (hereinafter referred to as the Board) and the CDM Accreditation Panel (CDM-AP) with tools for informed decision-making on actions in the accreditation process;
 - (c) Foster system-wide improvements via identification of issues where guidance or requirements lack clarity or are non-existent.

2. Scope

2.1. Scope

4. This procedure monitors the performance of DOEs through the monitoring, classification and rating of the non-compliances identified at the requests for registration and issuance for both project activities and programmes of activities (PoAs), requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of post-registration changes (PRCs) of both project activities and PoAs under the prior-approval track, and notifications of changes to component project activities (CPAs) submitted by DOEs. It provides for monitoring, classification and categorization of non-compliance into pre-defined sub-categories and assigns weights to be used for classifying and grading non-compliances. It establishes a rating system for all DOEs’ non-compliances, comparing the indicators with the agreed thresholds and recommending appropriate actions, to be carried out system-wide.
5. This procedure is not intended to provide for comparative ranking of DOEs, but to indicate the level of performance and compliance of individual DOEs with the CDM requirements. Its implementation should be complemented with system-wide analysis and improvement.
6. The results of the DOE performance monitoring are communicated in the following ways to DOEs, the CDM-AP and the Board.

- (a) Reporting to DOEs on their performance with the three main objectives:
 - (i) Providing feedback on their performance with relevant information that would allow them to conduct a root-cause analysis of the deficiencies in their validation/verification work;
 - (ii) Informing DOEs of their performance and level of their performance indicators so that they are aware whether the thresholds have been reached or are about to be reached;
 - (iii) Informing DOEs of whether any further action has been decided on;
- (b) Reporting to the CDM-AP to provide information for its informed decision-making in accordance with the CDM accreditation procedure;
- (c) Reporting to the Board as the final decision-making body to provide it with all relevant data for its decision-making in accordance with the CDM accreditation procedure as well as to allow the Board to make system-wide improvement.

2.2. Applicability

- 7. This procedure is applicable to the performance of DOEs during their entire accreditation term; that is, from the date of accreditation by the Board until the expiry of accreditation. The provisions of this procedure are not applicable during a suspension of the accreditation of DOEs.
- 8. The monitoring of the performance of DOEs is based on the compilation of data through the assessment of the requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior-approval track, and notifications of changes to CPAs submitted by DOEs.

2.3. Entry into force

- 9. Version 5.0 of this procedure enters into force on 8 September 2022.

3. Definitions

- 10. In addition to the definitions contained in the “Glossary of CDM Terms”, the following definitions of terms are used in this document:
 - (a) **DOE performance** - how successfully a DOE carries out its validation and verification functions, as defined in the annex to decision 3/CMP.1 (Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol), other decisions of the Conference of the Parties serving as meeting of the Parties to the Kyoto Protocol(CMP) and the Board;
 - (b) **Non-compliance** - failure to meet CDM rules and requirements.

4. Data compilation and classification of information on performance

4.1. Classification and grading of non-compliances

11. The monitoring of the performance of a DOE is based on the compilation of data through the assessment and review, as applicable, of the requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior-approval track, and notification of changes to CPAs submitted by the DOE; the identification of non-compliances, if any, and their classification into predetermined categories as follows:
 - (a) Issues related to reporting;
 - (b) Issues related to failure to follow procedural requirements;
 - (c) Technical correctness and accuracy issues with regard to failure to identify non-compliance with CDM rules and requirements;
 - (d) Other issues, to analyse system-wide gaps and improve classification.
12. Appendices 1, 2 and 3 detail the above-identified categories into subcategories for the processes of requests for registration for both project activities and PoAs, requests for renewal of crediting period of project activities and requests for renewal of PoA period (appendix 1), requests for issuance for both project activities and PoAs (appendix 2) and requests for approval of PRCs to both project activities and PoAs under the prior-approval track and notification of changes to CPAs (appendix 3). This further subcategorization is provided in order to reduce the level of subjectivity during the identification of non-compliances and to provide sufficient information to DOEs to allow them to understand their performance and appropriately focus their internal improvement efforts.
13. Appendices 1, 2 and 3 also include a weighting for the various categories, based on the severity and potential impact on the credibility of the accreditation processes. A linear scale using values between 1 (minimum) and 5 (maximum) is used in order to minimize subjectivity during the rating while still allowing sufficient differentiation between the issues based on the severity.

4.2. Definition of performance indicators

14. Based on the classification and weights referred to in paragraphs 11–13 above, the secretariat shall measure for each DOE the performance indicators defined in paragraph 15 below.

15. The secretariat shall calculate, for each of the requests submitted during a given monitoring period as defined in paragraph 27 below, the following performance indicators:
- (a) Indicator I_1 ,¹ which includes the following two sub-indicators:
- (i) Indicator $I_{1,CC}$ (Rate of incomplete submissions at completeness check (CC)) calculated as the number of requests concluded as incomplete at completeness check divided by the number of requests submitted which have completed the cycle,² regardless of the number of issues identified in each incomplete submission:
- a. Indicator $I_{1,CC}$ = number of requests concluded as incomplete at CC / number of requests completed;
 - b. Indicator $I_{1,CC}$ is to monitor the following types of requests:
 - i. Requests for registration and issuance for both project activities and PoAs;
 - ii. Requests for renewal of crediting period of project activities;
 - iii. Requests for renewal of PoA period;
 - iv. Requests for approval of PRCs to both project activities and PoAs under the prior-approval track;
 - v. Notifications of changes to CPAs;
- (ii) Indicator $I_{1,IRC}$ (Rate of incomplete submissions at information and reporting check (IRC)) calculated as the number of requests concluded as incomplete at IRC divided by the number of requests submitted which have completed the cycle, regardless of the number of issues identified in each incomplete submission:
- a. Indicator $I_{1,IRC}$ = number of requests concluded as incomplete at IRC / number of requests completed;
 - b. Indicator $I_{1,IRC}$ is to monitor the following types of requests:
 - i. Requests for registration and issuance for both project activities and PoAs;
 - ii. Requests for renewal of crediting period of project activities;
 - iii. Requests for renewal of PoA period;

¹ The indicators $I_{1,CC}$ and $I_{1,IRC}$ shall take into account the number of times a particular request is rejected at CC or IRC; therefore if the same request is rejected at CC or IRC multiple times, the re-submission of the same request shall be counted as a different request.

² A request completes its cycle once a final decision (approval, rejection or withdrawal) is taken in a given monitoring period.

- (b) Indicator I_2 , which includes the following two sub-categories and is to calculate the risk priority number (RPN) value based on the steps specified in appendix 4 at the stage when a request for review is raised:
- (i) Indicator $I_{2,REG}$:
- a. When the number of review cases during a given monitoring period is:
- i. Higher than or equal to 3:³
- Indicator $I_{2,REG}$ = Proportion of the RPN values resulted from requests for review for each DOE over the RPN mean value resulted from all requests for review for all DOEs;
- ii. Less than 3:
- Indicator $I_{2,REG}$ = RPN value resulted from requests for review for each DOE;
- b. Indicator $I_{2,REG}$ is to monitor the following types of requests:
- i. Requests for registration for both project activities and PoAs;
- ii. Requests for renewal of crediting period of project activities and requests for renewal of PoA period;
- (ii) Indicator $I_{2,ISS}$:
- a. When the number of review cases during a given monitoring period is:
- i. Higher than or equal to 3:⁴
- Indicator $I_{2,ISS}$ = Proportion of the RPN values resulted from requests for review for each DOE over the RPN mean value resulted from all requests for review for all DOEs;
- ii. Less than 3:
- Indicator $I_{2,ISS}$ = RPN value resulted from requests for review for each DOE;
- b. Indicator $I_{2,ISS}$ is to monitor the requests for issuance for both project activities and PoAs;
- (c) Indicator I_3 , which is to calculate the RPN value based on the steps specified in appendix 4 at the stages of clarification and rejection of requests for approval of

³ This does not include the situation where the k^{th} DOE has a request for review case higher than or equal to 3, but this DOE is the only DOE having the request for review cases in a given monitoring period. This type of situation will be treated under the situation of "less than 3".

⁴ See footnote 3.

PRCs to both project activities and PoAs under the prior-approval track and notifications of changes to CPAs:⁵

(i) When the number of requests for clarification and rejected requests during a given monitoring period is:

a. Higher than or equal to 3:⁶

Indicator I_3 = Proportion of the RPN values resulted from requests for clarification and rejected requests for each DOE over the RPN mean value resulted from all requests for clarification and rejected requests for all DOEs;

b. Less than 3:

Indicator I_3 = RPN value resulted from requests for clarification and rejected requests for each DOE;

(ii) Indicator I_3 is to monitor the following types of requests:

a. Requests for approval of PRCs to both project activities and PoAs under the prior-approval track;

b. Notifications of changes to CPAs.

16. The indicators shall be calculated based on those requests for which a final decision (approval, rejection or withdrawal as per paragraph 17 below) was taken in a given monitoring period.

17. The withdrawal of a submitted request for registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity, request for renewal of PoA period, request for approval of PRCs to a project activity or PoA under the prior-approval track, or notification of changes to CPAs shall be treated as follows:

(a) Such withdrawal of a submitted request shall not be counted in the calculation of indicators $I_{1,cc}$ and $I_{1,IRC}$;

(b) Such withdrawal of a submitted request shall:

(i) Not be counted in the calculation of indicators I_2 and I_3 , if the withdrawal request is made prior to the respective notification of request for review and requests for clarification and rejected requests;

(ii) Be counted in the calculation of indicators I_2 and I_3 , if the withdrawal request is made after the respective notification of request for review and requests for clarification and rejected requests.

⁵ As per the respective CDM project cycle procedures for project activities and PoAs (PCPs), the term "requests for clarification" is a step in the PCPs where the DOE provides the response to the clarifications raised during the summary note preparation stage of the PRCs process, and the term "rejected request" is a step in the PCPs where the Board rejects the proposed changes.

⁶ This does not include the situation where the k^{th} DOE has requests for clarification and rejected request cases higher than or equal to 3, but this DOE is the only DOE having such cases in a given monitoring period. This type of situation will be treated under the situation of "less than 3".

4.3. Data compilation and calculation of indicators

4.3.1. Data compilation and calculation of indicators $I_{1,CC}$ and $I_{1,IRC}$

18. Once a DOE submits a request for registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity, request for renewal of PoA period, request for approval of PRCs to both project activity or PoA under the prior approval-track, and notification of changes to CPAs, the secretariat shall assess the submitted documentation at two stages, to determine whether it meets the CDM rules and requirements, and shall calculate the indicators as follows:
- (a) At the **CC stage**: based on this assessment, the submission shall be deemed complete or incomplete. Based on the rate of submissions concluded as incomplete, the indicator $I_{1,CC}$ shall be calculated;
 - (b) At the **IRC stage**: based on this assessment, the submission shall be deemed complete or incomplete. Based on the rate of submissions concluded as incomplete, the indicator $I_{1,IRC}$ shall be calculated;
 - (c) Indicators $I_{1,CC}$ and $I_{1,IRC}$ shall be calculated based on paragraph 15(a) above.

4.3.2. Data compilation and calculation of indicators $I_{2,REG}$ and $I_{2,ISS}$

19. Once a DOE submits a request for registration or issuance for a project activity or PoA, request for renewal of crediting period of a project activity or request for renewal of PoA period, the secretariat shall assess the submitted documentation at the stage of request for review to determine whether it meets the CDM rules and requirements and shall calculate the indicators as follows:
- (a) At the **request for review stage**. The following steps have to be followed to calculate indicators $I_{2,REG}$ and $I_{2,ISS}$:
 - (i) Non-compliance issues shall be identified and classified into categories and subcategories as specified in appendices 1 and 2;
 - (ii) Weighting factors for the criticality and historical frequency of each issue identified shall be attached to each issue. Each request will be given a RPN value based on the identified weights of individual issues, including those that are closed after the provision of further information/documentation by the DOE;
 - (iii) The weighting of non-compliance issues shall be finalized only after a final decision on the specific request has been made;
 - (b) Based on the final weighting of the issues identified, the indicator $I_{2,REG}$ and $I_{2,ISS}$ shall be calculated based on paragraph 15(b) above.

4.3.3. Data compilation and calculation of indicator I_3

20. Once a DOE submits a request for approval of PRCs to both project activity or PoA under the prior-approval track, or notification of changes to CPAs,⁷ the secretariat shall assess the submitted documentation to determine whether it meets the CDM rules and requirements and shall calculate the indicator as follows:
- (a) When the secretariat prepares a **summary note** and requests the DOE to provide a **clarification** of the PRCs requested (“clarification stage”) and when the request for approval of **PRCs is rejected** (“rejected request stage”):
 - (i) Non-compliance issues shall be identified and classified into categories and subcategories as specified in appendix 3;
 - (ii) Weighting factors for the criticality and historical frequency of each issue identified shall be associated with each issue at the clarification and rejected request stages. Each PRCs request will be given a RPN value based on the identified weights of individual issues, across the sub-types of PRCs, including those that are closed after the provision of further information/documentation by the DOE;
 - (iii) The weighting of non-compliance issues shall be finalized only after a final decision on the specific request has been made;
 - (b) Based on the final weighting of the issues identified, the indicator I_3 shall be calculated based on paragraph 15(c) above.

5. Definition of thresholds

5.1. Thresholds for indicators $I_{1,CC}$ and $I_{1,IRC}$

21. The secretariat shall calculate the respective thresholds $TH_{I1,CC,y}$ and $TH_{I1,IRC,y}$ for indicators $I_{1,CC}$ and $I_{1,IRC}$ for a given y^{th} monitoring period using the bootstrapping method as specified in appendix 4.
22. The defined thresholds for DOEs within the y^{th} monitoring period are reached when:
- (a) At the CC stage: The threshold is reached when the value of $I_{1,CC}$ is $> TH_{I1,CC,y}$;
 - (b) At the IRC stage: The threshold is reached when the value of $I_{1,IRC}$ is $> TH_{I1,IRC,y}$.
23. The k^{th} DOE is considered to be in the “**green zone**” if its indicator $I_{1,CC}$ is equal to or less than $TH_{I1,CC,y}$ or its indicator $I_{1,IRC}$ is equal to or less than $TH_{I1,IRC,y}$.
24. The k^{th} DOE is considered to be in the “**red zone**” if its indicator $I_{1,CC}$ is more than $TH_{I1,CC,y}$ or its indicator $I_{1,IRC}$ is more than $TH_{I1,IRC,y}$.

⁷ Given that the PCPs allow all sub-types of PRCs to be submitted together in a single submission, the submission shall be assessed as a whole, covering all sub-types of PRCs.

5.2. Thresholds for indicator I₂

25. For the Indicators I_{2,REG} and I_{2,ISS}, the respective thresholds are identified as follows:
- (a) When the number of review cases is higher than or equal to 3 in a given monitoring period, the DOE is considered to be:
 - (i) In the "**green zone**" if its indicator I_{2,REG} or I_{2,ISS} is less than 0.6;
 - (ii) In the "**yellow zone**" if its indicator I_{2,REG} or I_{2,ISS} is higher than or equal to 0.6 but less than 0.8;
 - (iii) In the "**red zone**" if its indicator I_{2,REG} or I_{2,ISS} is higher than or equal to 0.8;
 - (b) When the number of review cases is less than 3 in a given monitoring period, the DOE is considered to be:
 - (i) In the "**green zone**" if its indicator I_{2,REG} or I_{2,ISS} is less than 6;
 - (ii) In the "**yellow zone**" if its indicator I_{2,REG} or I_{2,ISS} is higher than or equal to 6 but less than 10;
 - (iii) In the "**red zone**" if its indicator I_{2,REG} or I_{2,ISS} is higher than or equal to 10.

5.3. Thresholds for indicator I₃

26. For the Indicators I₃, the respective thresholds are identified as follows:
- (a) When the number of clarification and rejection of requests cases is higher than or equal to 3 in a given monitoring period, the DOE is considered to be:
 - (i) In the "**green zone**" if its indicator I₃ is less than 0.6;
 - (ii) In the "**yellow zone**" if its indicator I₃ is higher than or equal to 0.6 but less than 0.8;
 - (iii) In the "**red zone**" if its indicator I₃ is higher than or equal to 0.8;
 - (b) When the number of clarification and rejection of requests cases is less than 3 in a given monitoring period, the DOE is considered to be:
 - (i) In the "**green zone**" if its indicator I₃ is less than 6;
 - (ii) In the "**yellow zone**" if its indicator I₃ is higher than or equal to 6 but less than 11;
 - (iii) In the "**red zone**" if its indicator I₃ is higher than or equal to 11.

6. Monitoring periods

27. The performance of DOEs shall be monitored and the performance indicators calculated based on requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior-approval track, and notification of changes to CPAs submitted during monitoring periods

- of four months. Each year, a monitoring period starts on 1 January and ends on 30 April, followed by the next monitoring period, which starts on 1 May and ends on 31 August, and the final monitoring period, which starts on 1 September and ends on 31 December.
28. The secretariat shall gradually calculate the indicators at the end of the monitoring period as the requests become finalized.

7. Reporting on DOE performance

7.1. Types of reports

29. The secretariat shall prepare reports on the performance of DOEs (DOE performance monitoring reports) using the following forms:
- (a) CDM-RTDOE-FORM: Report to DOEs;
 - (b) CDM-RTEBAP-FORM: Report to the Board and CDM-AP;
 - (c) CDM-RTP-FORM: Report to the public.
30. DOEs may seek clarification from the secretariat on the content of the report to DOEs referred to in paragraph 29(a) above, by e-mail through a dedicated e-mail address. The secretariat shall consider the clarification requests and provide responses.
31. In addition to the DOE performance monitoring reports, the secretariat shall prepare on an annual basis an analysis report containing a detailed analysis of the issues arising from the performance of DOEs, in particular any issues that highlight shortcomings in the existing standards or procedures. This report shall provide information to the Board and assist it in developing or revising its workplans and those of its panels and working groups.

7.2. Frequency of reporting

32. The secretariat shall prepare the first iteration of the DOE performance monitoring reports based on the data related to requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to both project activities and PoAs under the prior approval-track, and notification of changes to CPAs finalized within three months of the end of each monitoring period. The first iteration of such reports shall be issued no later than four months after the end of each monitoring period. If the first iteration does not cover the finalization of 95 per cent of the requests, the second iteration shall cover the requests that are finalized within six months of the end of each monitoring period or finalization of 95 per cent of the requests, whichever comes first. The secretariat shall issue the second iteration no later than seven months after the end of the same monitoring period or no later than one month after the finalization of 95 per cent of the requests, whichever comes first.

8. Actions to be undertaken based on the DOE performance monitoring

33. Based on the outcome of the DOE performance monitoring, different actors shall take a set of actions as described in the paragraphs that follow.

8.1. Actions to be undertaken by Designated Operational Entities

34. If any of the DOE performance monitoring reports show that a DOE has reached the threshold for the indicators $I_{1,CC}$ and/or $I_{1,IRC}$ or is in the yellow zone or red zone of indicators I_2 or I_3 , the DOE shall undertake a root-cause analysis to identify the causes of the deficiencies in its system and implement appropriate corrective and/or preventative actions to improve its performance.
35. The DOE shall be responsible for ensuring that corrective and/or preventative actions identified as a result of the root-cause analysis are adequate and address the identified issues in a systematic manner.

8.2. Actions to be undertaken by the secretariat

36. The information contained in the DOE performance monitoring reports shall be used to prepare the workplan of the regular surveillance assessment or the reaccreditation assessment, whichever is to be conducted earlier.
37. If the final version of the DOE performance monitoring reports corresponding to two consecutive monitoring periods show that a DOE has been in the red zone with regard to performance indicators $I_{1,CC}$ or $I_{1,IRC}$,⁸ the workplan shall include an instruction to the assessment team (CDM-AT) to assess whether the DOE has carried out a root-cause analysis as a result of the DOE performance monitoring and that corrective and/or preventive actions identified were correctly undertaken in the next site visit (regular surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.
38. If the final version of the DOE performance monitoring reports show that a DOE is in the yellow zone of indicators I_2 or I_3 , the workplan shall include an instruction for the CDM-AT to assess whether the corrective and/or preventive actions identified were correctly undertaken in the next site visit (non-central site, regular on-site surveillance or reaccreditation). The CDM-AT shall report the result of this assessment in its assessment report.
39. If the final version of the DOE performance monitoring reports show that a DOE is in the red zone for indicators I_2 or I_3 , the secretariat shall report the cases to the CDM-AP in accordance with paragraph 44 below.

⁸ The first iteration report will be considered as the final version of the DOE performance monitoring report, if the first iteration report covers 95 per cent of requests. The second iteration report will be considered as the final version of the DOE performance monitoring report if the first iteration report does not cover 95 per cent of requests.

8.3. Actions to be undertaken by the CDM Accreditation Panel

40. Based on the data reported by the secretariat to the CDM-AP, including instances where the Board approved the requests but issues pertaining to the submissions identified by the Board indicate a decline in the DOE performance in validation or verification, the CDM-AP at its next meeting or the subsequent meeting shall decide on the number and type of performance assessments, the areas to be assessed during the performance assessments, regular on-site surveillance assessments and re-accreditation assessments, and/or any appropriate recommendation in accordance with the CDM accreditation procedure.

8.3.1. Number of performance assessments

41. If the final version of the DOE performance monitoring reports shows that a DOE is in the yellow zone for indicator I_2 in three consecutive monitoring periods, the CDM-AP shall add one additional performance assessment to the number of planned performance assessments. The nature of this performance assessment shall be defined considering the process that reached the threshold:
- (a) If the threshold is reached as a result of the registration process, a validation performance assessment shall be conducted;
 - (b) If the threshold is reached as a result of the issuance process, a verification performance assessment shall be conducted.
42. These performance assessments, when possible, shall be on the sectoral scopes and/or methodologies where the DOE recurrently fails to perform appropriately according to the results of the DOE performance monitoring reports.
43. The CDM-AP shall reduce one performance assessment from those added performance assessments for a DOE in accordance with the CDM accreditation procedure when four consecutive monitoring periods show that the indicator I_2 has remained in the green zone.

8.3.2. Activation of spot-checks

44. The CDM-AP shall initiate a spot-check of a DOE, if the DOE is in the red zone of indicators I_2 and I_3 in the first iteration report if such report covers 95 per cent of the requests, or in the second iteration report if the first iteration report does not cover 95 per cent of the requests.

8.4. Actions to be undertaken by the CDM Executive Board

45. The Board, based on the information reported by the secretariat, shall take note of the performance of DOEs.
46. The Board may also, based on the analysis provided by the secretariat, identify any measures to improve its regulatory framework.

Appendix 1. Matrix for categorization of non-compliance issues – Requests for registration for both project activities and PoAs, requests for renewal of crediting period of project activities, and requests for renewal of PoA period

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements	Other CDM requirements			
			Prior consideration	Additionality demonstration option	Investment analysis	Barrier analysis	Common practice analysis	Project boundary	Baseline identification	Compliance with applicability conditions	Algorithms and/or formulae to determine emission reductions:	Compliance of the Monitoring Plan (i.e. list of parameters complete or not)	Implementation of the Monitoring Plan (i.e. monitoring arrangement feasible or not)	Scale of project	Bundling & de-bundling		Letter of Approval (LoA)	Achievement of sustainable development	Local stakeholder consultation
I	Weight	Issues related to reporting																	
1	1	Inconsistencies in the information presented in the documents presented/ information supplied.																	

Criteria for classification of R&I issues			Additionality				Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
2	1	Incomplete information/missing data;																	
3	1	DOE has not fully reported how compliance with the requirements is being met.																	
4	1	The latest project design document (PDD) template has not been used.																	
II		Issues related to failure to follow procedural requirements																	
1	4	The DOE did not raise a forward action request (FAR) during validation to identify issues related to project implementation that required review during the first verification of the project activity or PoA.																	

Criteria for classification of R&I issues			Additionality				Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
2	4	The DOE raised a FAR that does not relate to the CDM requirements for registration.																	
3	2	Corrective action request (CAR)/ clarification requests (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/ CL is marked as closed without explanation.																	
4	3	Failure to carry out the global public stakeholder consultation in line with the CDM requirements.																	

Criteria for classification of R&I issues			Additionality				Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
5	4	Failure to visit project site or provide justification.																	
6	5	Failure to request a deviation from the methodology when non-compliance of the project activity or PoA with the requirements of the methodology has been identified.																	
III		Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements																	
1	3	This sub-category includes cases for which the DOE has not precisely validated the project activity or PoA in accordance with the requirements of the CDM validation																	

		<p>and verification standard (VVS) for project activities and PoAs, but the failure is not likely to alter the validation opinion:</p> <ul style="list-style-type: none"> - 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 the LoA refers to the precise title of the proposed project activity or PoA; - Failure to assess compliance with environmental 																								
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Criteria for classification of R&I issues			Additionality				Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
		impacts and/or local stakeholder consultation.																	
2	4	This subcategory 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 contains conflicting information regarding the baseline, which may lead to a request for review at issuance.																	
3	5	This subcategory includes cases for which the DOE's failure to ensure compliance with																	

Criteria for classification of R&I issues	Additionality				Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements								
<p>CDM requirements is likely to have an impact on the project's, or similar future projects', eligibility to receive the estimated quantity of certified emission reductions (CERs):</p> <ul style="list-style-type: none"> - Errors in validation of additionality that would lead to a 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. 																						

Criteria for classification of R&I issues			Additionality					Application of baseline methodology			Application of monitoring methodology		Project description		Procedural and related requirements		Other CDM requirements			
IV		Other issues, to analyse system-wide gaps and improve classification:																		
1	0	Absence of requirement/guidance by the Board.																		
2	0	Ambiguity of interpretation of requirements of methodology/guidance.																		

Appendix 2. Matrix for categorization of non-compliance issues – Requests for Issuance for project activities and PoAs

Categorization and weighting of issues identified at requests for issuance			Implementa- tion of the project activities or PoAs	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
I	Weight	Issues related to reporting					
1	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 requirements are being complied with.					
II		Issues related to failure to follow procedural requirements					
1	2	This subcategory covers: - CAR/CLs in verification reports not appropriately closed out; - Failure to follow up FAR from previous verification.					

Categorization and weighting of issues identified at requests for issuance			Implementa- tion of the project activities or PoAs	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
2	4	This subcategory covers failure to conduct a site visit as per the requirements of the verification process, or provide justification.					
3	4	This subcategory covers: - Failure to submit changes as part of request for issuance, if the changes are solely of the types listed in appendix 1 of the Project Standard; - Failure to submit changes via the request for approval, if the changes do not fall within the types listed in appendix 1 of the Project Standard.					
III		Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements					

Categorization and weighting of issues identified at requests for issuance			Implementa- tion of the project activities or PoAs	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
1	3	This subcategory covers basic verification to ensure the quality of required data measured and reported: - Failure to verify equipment/systems/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 transposition.					
2	4	This subcategory covers failure to apply the conservativeness approach when required.					

Categorization and weighting of issues identified at requests for issuance			Implementa- tion of the project activities or PoAs	Compliance of the monitoring plan with the monitoring methodology	Compliance of monitoring with the monitoring plan	Assessment of data and calculation of greenhouse gas emission reductions (BE, PE, ER calculation)	Procedural and related requirements
3	5	This subcategory covers failures to correctly apply methodological requirements, which may lead to incorrect issuance of CERs: - Failure to verify installation of monitoring system as per the methodology; - Parameters required by methodology not being monitored; - Incorrect application of methodology and formulae, factors, default values.					
IV		Other issues, to analyse system-wide gaps and improve classification					
1	0	Absence of requirement/guidance by the Board.					
2	0	Ambiguity of interpretation of requirements of methodology/guidance.					

Appendix 3. Matrix for categorization of issues identified at requests for approval of post-registration changes to both project activities and PoAs under the prior-approval track and notification of changes to CPAs

	Categorization and weighting of issues identified at requests for post-registration change	Weight	Temporary deviation from the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoA	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
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 requirements are being complied with; - Situations where the revised PDD does not address all the required changes.	1					
II	Issues related to failure to follow procedural requirements						
1	The DOE submitted a wrong request, instead of the other applicable PRCs.	3					

	Categorization and weighting of issues identified at requests for post-registration change	Weight	Temporary deviation from the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoA	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
2	The DOE incorrectly requested approval of change in start date of the crediting period more than once for each registered project activity and PoA.	3					
3	Failure to visit project site for change in project design or provide justification.	4					
III	Technical correctness and accuracy issues with regard to failure to identify non-compliance with the CDM requirements						
1	This subcategory includes cases for which the DOE has not precisely made the assessment of the PRC in accordance with the requirements of the VVS, although the failure is not likely to alter the assessment opinion: - Failure to determine impact of proposed changes on emission reductions where the omission does not impact emission reductions;	3					

<p>Categorization and weighting of issues identified at requests for post-registration change</p>	<p>Weight</p>	<p>Temporary deviation from the monitoring plan as described in the registered PDD or the monitoring methodology</p>	<p>Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology</p>	<p>Permanent changes: changes to the project or programme design in the registered CDM project activity or PoA</p>	<p>Permanent changes: changes to the start date of the crediting period</p>	<p>Permanent changes: corrections</p>
<ul style="list-style-type: none"> - Failure to fully validate whether the request complies with the requirements of the applicable methodology; - Failure to take into account the findings of previous verification reports; - Failure to prevent reporting of conflicting information regarding the baseline, additionality, scale of the project, monitoring requirements, and emission reduction calculations in the assessment report or PDD which may not change the final outcome/assessment opinion. 						

Categorization and weighting of issues identified at requests for post-registration change	Weight	Temporary deviation from the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoA	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
<p>2</p> <p>This subcategory includes cases for which the DOE's failure to ensure compliance with CDM requirements is likely to have an impact on this or similar future PRCs, decision to issue the real quantity of CERs:</p> <ul style="list-style-type: none"> - The request and the assessment report violate the requirements of the applicable methodology; - Failure to identify technical issues which impact emission reductions and may lead to over-issuance of CERs; - The assessment report incorrectly states that the changes ensure that the level of accuracy and completeness of the monitoring is not reduced; - Failure to identify technical issues which may impact emission reductions baseline, additionality, scale of the project, monitoring requirements and emission reduction calculations and will lead to non-compliance/possible rejection. 	4					

Categorization and weighting of issues identified at requests for post-registration change		Weight	Temporary deviation from the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes to the monitoring plan as described in the registered PDD or the monitoring methodology	Permanent changes: changes to the project or programme design in the registered CDM project activity or PoA	Permanent changes: changes to the start date of the crediting period	Permanent changes: corrections
IV	Other issues, to analyse 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					

Appendix 4. Calculation of the threshold for indicator

1. Calculation of the threshold for indicator I_1

1. The bootstrap method applied to establish the thresholds for indicators $I_{1,CC}$ and $I_{1,IRC}$ comprises the following steps:
 - (a) Observe k subgroups of size n for a total of $n \cdot k = N$ observations (k refers to the k^{th} DOE and n to the number of submissions for each DOE);
 - (b) Draw a random sample of size n , with replacement, from the pooled sample of N observations. This sample, x^*1, x^*2, \dots, x^*n , is a bootstrap sample;
 - (c) Compute the sample mean ($\overline{X^*}$) from the bootstrap sample drawn in step (b);
 - (d) Repeat steps (b)–(c) M times;
 - (e) Sort the M bootstrap estimates: $\overline{X_1^*}, \overline{X_2^*}, \dots, \overline{X_M^*}$;
 - (f) Find the smallest ordered $\overline{X^*}$ such that $(1 - \alpha) \cdot M$ values are below it, which is the threshold for indicators.
 - (g) It is required that:
 - (i) The size of the random samples in each group (i.e. monitoring periods) is the number of submissions in each monitoring period;
 - (ii) The value of M is 10,000;
 - (iii) The value of α is 0.05;
 - (iv) The five years of historical data before the end of the given monitoring period are applied.

2. Calculation of indicators I_2 and I_3

2. Both indicators I_2 and I_3 are to calculate the RPN value, which comprises the following steps:
 - (a) Weight of frequency for issues of each type raised (F_j):
 - (i) Count the number of issues of each type identified and rank them from lowest to highest;

¹ The value of M (10,000) is selected based on the standard recommended by the scientific community in order to avoid bias between the real population and the bootstrapping result. The value of α (0.05) is the most-used threshold applied in the scientific literature and the effectiveness of this value in improving the quality of validation and verification processes should be analysed during the inception of the implementation of this procedure.

- (ii) Transform the rank into a 5-scale system;
- (iii) Determine the square root of 5-scale values, which is the value of F_j ;
- (iv) Note that:
 - a. The term “j” indicates issues of each type raised as per the categorization listed in the appendixes 1 to 3;
 - b. If the number of issues is repeated for two different types, then these two issues get the minor value on the scale between these two types of issues;
 - c. The frequency of issues of each type raised is derived from at least 5 monitoring periods from the past. If the number of request for review cases is less than 20, the past monitoring periods shall be extended further to ensure at least having 20 request for review cases. This historical frequency is used to establish the RPN mean value;
 - d. If the number of review cases is less than 3 in a given monitoring period, the value of F_j is defaulted as 1, while calculating the average RPN value;
- (b) Weights of criticality for issues of each type (C_j): Respective weights for classification of issues are defined in appendixes 1 to 3;
- (c) RPN calculation:
 - (i) Multiply F_j by C_j with number of issues raised (N_j) to calculate RPN value for each request for review cases;
 - (ii) Calculate the RPN mean value from each request for review RPN values;
 - (iii) Note that for the indicator I_2 , if the number of review cases is 2 for the k^{th} DOE in a given monitoring period (i.e. under the category of less than 3), the average RPN values of these 2 cases will be used as the indicator I_2 for the k^{th} DOE;
 - (iv) Note that for the indicator I_3 :
 - a. If the number of requests for clarification and rejected requests is 2 for the k^{th} DOE in a given monitoring period (i.e. under the category of less than 3), the average RPN values of these 2 cases will be used as the indicator I_3 for the k^{th} DOE;
 - b. If multiple attempts of clarification were requested for the same request for clarification for the k^{th} DOE, the total RPN values of those multiple attempts will be used as the indicator I_3 for the k^{th} DOE;
 - (v) Note that for both indicators I_2 and I_3 , as referred in the footnotes 3,4 and 6 in this procedure, where the k^{th} DOE has requests higher than or equal to 3, but this DOE is the only DOE having the request cases in a given monitoring period, the average RPN values of those request cases will be used as the indicator for the k^{th} DOE.

3. Example of the indicator I_2 by applying the request for issuance submissions

3. Table 1 below is an example of the application of provisions specified in section 2 above. There are 30 requests for review raised in a given monitoring period. Based on the respective values of C_j , F_j and N_j from each request for review case, the respective RPN value for each case can be calculated from which the RPN mean value (i.e. 11.17) can be established.

Table 1. Example of case scenario

		Number of issues (Nj) raised under the categorization of 5 non-compliance items (C1: Implementation of the project activities or PoAs, C2: Compliance of the monitoring plan with the monitoring methodology, C3: Compliance of monitoring with the monitoring plan, C4: Assessment of data and calculation of greenhouse gas emission reductions and C5: Procedural and related requirements) and their corresponding 9 weight items (I.1, II.1 to 3, III.1 to 3 and IV. 1 to 2) of each issue as per appendix 2 for request for issuance submissions												
		C5	C3	C5	C5	C1	C4	C4	C1	C2	C3	C4	C5	
PA/PoA No.	DOE	I.1	I.1	II.3	II.3	III.1	III.1	III.2	III.3	III.3	III.3	III.3	IV.1	RPN
1	A											1		11.18
2	A	1			1					1				18.39
3	B	1												1.73
4	C											1	1	11.18
5	D				1		1							11.00
6	A											1		11.18
7	A										1			11.18
8	A										1			11.18
9	E											1		11.18
10	A			1										4.00
11	F				1									8.00
12	G											1		11.18
13	H										1			11.18
14	I					1					1			17.18
15	I					1					1			17.18
16	I					1					1			17.18
17	J								1					5.00
18	D											1		11.18
19	A										1			11.18
20	K							1						4.00

Number of issues (Nj) raised under the categorization of 5 non-compliance items (C1: Implementation of the project activities or PoAs, C2: Compliance of the monitoring plan with the monitoring methodology, C3: Compliance of monitoring with the monitoring plan, C4: Assessment of data and calculation of greenhouse gas emission reductions and C5: Procedural and related requirements) and their corresponding 9 weight items (I.1, II.1 to 3, III.1 to 3 and IV. 1 to 2) of each issue as per appendix 2 for request for issuance submissions

		C5	C3	C5	C5	C1	C4	C4	C1	C2	C3	C4	C5	
21	J										1			11.18
22	B										1			11.18
23	A											1		11.18
24	A											1		11.18
25	A											1		11.18
26	L		1								1			13.18
27	H		1									1		13.18
28	M									1		1		19.84
29	N		1								1	1		24.36
30	N											1		11.18
	Mean													11.77
	Total no. issues (Nj)	2	3	1	3	3	1	1	1	2	11	13	1	
	5-scale ranking	3	4	1	4	4	1	1	1	3	5	5	1	
	Freq. weights (Fj)	1.7	2.0	1.0	2.0	2.0	1.0	1.0	1.0	1.7	2.2	2.2	1.0	
	Criticality weights (Cj)	1	1	4	4	3	3	4	5	5	5	5	0	

4. Table 2 below illustrates the conclusion of the performance monitoring outcome as follows:

- (a) Both DOE I and DOE A have the number of review cases higher than or equal to 3 during the monitoring period (i.e. 3 and 10 requests for review raised for DOE I and DOE A, respectively), and therefore both DOE I and DOE A apply the threshold specified as per paragraph 25(a) of this procedure. The conclusions of the performance monitoring are as follows:
 - (i) All 3 requests for review cases by DOE I have the same RPN value (i.e. 17.18, 17.18 and 17.18), which is above the RPN mean value (i.e. 11.77). The proportion of cases over the RPN mean value (i.e. 1, which is due to all 3 cases being above the RPN mean value) is higher than 0.8, so the DOE I is in the red zone;
 - (ii) DOE A has 10 requests for review cases and only 1 project (i.e. PA No.2), whose RPN value (i.e. 18.39) is higher than the RPN mean value (i.e. 11.77). The proportion of cases over the RPN mean value (i.e. 0.1, since there is only 1 case out of 10 that is higher than the RPN mean value) is lower than 0.6, so the DOE A is below the yellow zone;
- (b) The other 12 DOEs have less than 3 requests for review cases and therefore the threshold is defined as per paragraph 25(b) of this procedure. The conclusions of the performance monitoring are as follows:
 - (i) DOE M's RPN value (i.e. 10) is equal to 10 and therefore it is in the red zone;¹
 - (ii) DOE L's RPN value (i.e. 6) is equal to 6 and therefore it is in the yellow zone;
 - (iii) DOE N's RPN value (i.e. 8) is higher than 6 but lower than 10, and therefore it is in the yellow zone.

Table 2. Example of performance monitoring outcome

DOE	No. Request for Review	No. cases over RPN mean value	% cases over RPN mean value	Result (If cases ≥ 3)		Result (If cases < 3)		
				Red Zone	Yellow Zone	Ave. RPN	Red Zone	Yellow Zone
M	1	1	100%	NA	NA	10	Warning	Warning
G	1	0	0%	NA	NA	5	NA	NA
L	1	1	100%	NA	NA	6	NA	Warning
I	3	3	100%	Warning	Warning	NA	NA	NA
K	1	0	0%	NA	NA	4	NA	NA
D	2	0	0%	NA	NA	5.5	NA	NA
B	2	0	0%	NA	NA	3	NA	NA
C	1	0	0%	NA	NA	5	NA	NA

¹ DOE M has one case (PA/PoA No. 28) with two raised issues. One issue (i.e. N_j = 1) with a weight of criticality of 5 (i.e. C_j = 5) was raised under category C2.III.3 and one issue (i.e. N_j = 1) with a weight of criticality of 5 (i.e. C_j = 5) was raised under the category C4.III.3. Therefore, the RPN is 10 (= 1 x 5 + 1 x 5).

DOE	No. Request for Review	No. cases over RPN mean value	% cases over RPN mean value	Result (If cases ≥ 3)		Result (If cases < 3)		
				Red Zone	Yellow Zone	Ave. RPN	Red Zone	Yellow Zone
N	2	1	50%	NA	NA	8	NA	Warning
E	1	0	0%	NA	NA	5	NA	NA
J	2	0	0%	NA	NA	2	NA	NA
H	2	1	50%	NA	NA	5.5	NA	NA
A	10	1	10%	OK	OK	NA	NA	NA
F	1	0	0%	NA	NA	4	NA	NA

Document information

Version	Date	Description
05.0	8 September 2022	EB 115, Annex 24 Revised to: <ul style="list-style-type: none"> • Include the application of historical data for the calculation of indicator I₁; • Apply the total weight of the issues raised for the calculation of indicator I₃.

<i>Version</i>	<i>Date</i>	<i>Description</i>
04.0	12 June 2020	<p>EB 106, Annex 11</p> <p>Revised to:</p> <ul style="list-style-type: none"> • Extend the scope of performance monitoring of DOEs to cover all types of activities (requests for registration and issuance for both project activities and PoAs, requests for renewal of crediting period of project activities, requests for renewal of PoA period, requests for approval of PRCs to PoAs under the prior-approval track, and notifications of changes to CPAs; • Apply non-parametric bootstrapping approach to establish the threshold for indicator I_1 based on the data generated from all types of validation and verification activities; • Apply the failure modes and effects analyses to establish the indicator I_2 and its threshold to monitor the performance through the stage of requests for review raised for project activities and PoAs; • Apply the failure modes and effects analyses to establish the indicator I_3 and its threshold to monitor the performance through the stages of requests for clarification or rejection raised for request for approval of PRCs; • Include the provision that the CDM-AP can decide on appropriate actions based on the issues concerning the performance of DOEs that were identified by the Board in the instances where the Board approved requests, but where issues were identified with regard to the performance of the validating/verifying DOEs; • Change the frequency of reporting, the actions to be undertaken from different actors; • Introduce editorial corrections.
03.1	7 August 2015	This version has been issued to editorially correct the limits in paragraph 39
03.0	24 July 2015	<p>EB 85, Annex 24</p> <p>Revised to:</p> <ul style="list-style-type: none"> • Cancel publication of iteration 1 and iteration 3 of the DOE performance monitoring reports where requests for registration, issuance and PRCs fall below a certain threshold; • To publish only one DOE performance monitoring report for both the Board and CDM-AP; • Introduce editorial improvements.

<i>Version</i>	<i>Date</i>	<i>Description</i>
02.0	31 May 2013	EB 73, Annex 14 Revised to: <ul style="list-style-type: none">• Align the procedure with the CDM project cycle procedure and CDM validation and verification standard, splitting the completeness check process into completeness check and information and reporting check and including the monitoring of DOEs in post-registration changes requests;• Improve the data reporting process;• Replace indicator I₁ with indicators I_{1cc} and I_{1IRC};• Replace fixed thresholds with dynamic thresholds based on a statistical method for indicators I_{1cc} and I_{1IRC};• Change the process of actions to be taken by the CDM-AP and provide reference to the relevant provisions in the CDM accreditation procedure.
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