

**ICANN's FY17 Operating Plan and Budget
ccNSO SOP working group feedback
25th April 2016**

Introduction

The Strategic and Operational Planning Working Group (SOP WG) of the ccNSO welcomes the opportunity to comment on ICANN's FY17 Operating Plan and Budget.

The SOP WG was created at the Cairo ICANN meeting in November 2008. The goal of the WG is to coordinate, facilitate, and increase the participation of ccTLD managers in ICANN's strategic and Operating planning processes and budgetary processes.

According to its Charter (<http://ccnso.ICANN.org/workinggroups/sopiwg-charter-18aug10-en.pdf>) the WG may, as part of its activities, take a position and provide input on the public comments forum, and relate back to ICANN or other Supporting Organisations and Advisory WGs on its own behalf. The views expressed are therefore not necessarily those of the ccNSO (Council and membership) or ccTLD community at large. The ccNSO Council and individual ccTLD managers, either collectively or individually, will be invited to endorse or support the position or input of the WG. Membership of the WG is open to all ccTLD managers (members and non-members of the ccNSO).

Executive summary

We are thankful for the opportunity to comment on the ICANN FY17 Operating Plan and Budget. We would like to acknowledge once more the improvements made in the plan's presentation and structure compared to previous years, and we appreciate that many of the working group's comments have been taken on board over the past years. We recommend the current format be used in future, to enable easier comparison of the budget and plan against previous years.

As in the previous budget feedback provided by the ccNSO SOP working group, we again urge for clear and precise KPIs. The entire plan needs more detailed explanation as to how the KPIs are calculated and how precise metrics are set.

When reading the entire plan, we noticed a lack of consistency throughout, due to certain goals and activities being seemingly much better designed and defined, while others are only described at high level and hardly fit into an Operating Plan. We understand that the ICANN Finance department is collecting the information on the basis of the financial data, and would appreciate the opportunity to meet with the various departments' heads in the future to have a better overview about the way these departments are structuring their activities. However, we reiterate the importance of having internal guidelines for collecting information that is consistent

from both a content (qualitatively and quantitatively) and style perspective.

At the level of resource utilisation, it would be useful to see percentage changes, and not just total increase or decrease numbers from one year to another. We are also unable to see financial figures related to ICANN's staff evaluation. Moreover, we notice considerable amounts for new hiring and wage increase. An explanation for this considerable increase will be highly appreciated.

The cost of most of the initiatives under Strategic Objectives 3, 4 and 5 raises concerns, as such we would like to recommend ICANN to adopt a more prudent approach to expenses, especially considering the current fluctuations and possible changes in the domain name market. Furthermore, with reference to the same objectives, the working group recommends ICANN better assess the impact that several of the proposed goals might have on the IANA transition process, given the delicacy of relations between ICANN and the US Congress at present.

Considering that FY17 also represents a year of ICANN's CEO transition and of changes to the ICANN bylaws that imply some rewording of the ICANN's mission, the working group would like to understand if a possible goal re-prioritisation has been factored into the plan. At the same time, the working group wishes the Plan had enough flexibility to adjust to the new scenarios that may result from the aforementioned elements.

As in past comments, last but not least, we would like to underline once more the need to include more timeframes for the various activities to be developed, in order to both facilitate their monitoring by ICANN's administrative staff, and to increase transparency for the community ICANN should be serving.

We look forward for our contributions and comments to steering a valuable discussion and leading to a further improvement of the draft ICANN FY17 Operation Plan and Budget. As mentioned during the last working group meeting at ICANN Marrakech, we reiterate our availability to discuss some elements in details with ICANN staff in the near future.

Specific comments

Objective 1: Evolve and Further Globalise ICANN

- Overall, it is hard to see the metrics for the goals, particularly for the portfolios, which include very distinct characteristics and cannot be measured by one overall metric. Some portfolios provide metrics (such as 1.1.1) but most do not. It is crucial to include metrics in order to be able to assess success and progress.
- We would like to better understand what the Meeting Services Scorecard is, and why it represents an improvement on the previous index.
- *Within 1.1*, we read “**% of ICANN organisational functions globalised and available by region**” (Page 37) – How is the percentage calculated? What

- percentage would be considered a success? Is the baseline determined by function or by region?
- *Within 1.1.1*, the “communication strategy” seems very expensive. Is this the best return available for those 3.6 USD million? Is this only for social media? We would appreciate more information about the 1.5 million USD needed for objective 4.2.2 quoted on top of this.
 - *Within 1.1.2*, the engagement planning should largely be done by the regions themselves, and not driven by ICANN. How does this justify an investment of \$1.2 million?
 - *Within 1.1.3*, **Language Services** (Page 38), the description should contain a list of currently available languages (even though we know which they are), or at least a comment on whether there are plans to introduce any new languages.
 - *Within 1.2*, “**We will measure our success in achieving this goal by**” (Page 39), we acknowledge that this part has been significantly improved compared to the previous year, but it seems that the global/regional engagement scorecard needs to be further clarified. Moreover, we recommend the strategy include academia as a stakeholder (i.e. universities) to promote more engagement and globalisation.
 - *Within 1.2.1*, we would like to know how 8.4 million USD are justified for this objective? What are the deliverables of this in 2016? What are the targets for 2017?
 - *Within 1.3*, “**Number of participants in the policy development and governance by type, status and location**” (Page 40), absolute numbers should not be considered to be enough. It would be good to consider the introduction of relative indicators, growth, targeted values, and potential deviations.
 - *Within 1.3.1*, “**Description: Optimise efficiency and effectiveness of community policy development and advice efforts**” (Page 40), we would like to receive additional elements such as key steps, methods, etc.

Objective 2: Foster and coordinate a healthy, secure, stable, and resilient identifier ecosystem

- Overall, it is hard to see the metrics for the goals, particularly for the portfolios, which include very distinct characteristics and cannot be measured by one overall metric. Some portfolios provide metrics but most do not. It is crucial to include metrics in order to be able to assess success and progress.
- We would like to see more detail of the service level targets mentioned as the measure of success for the goal of 2.1.
- *Within 2.1.4*, Global Domains Division (GDD) Operations, we would be grateful if you could expand on the projects encompassed in this portfolio, and substantiate why it has been allocated the second highest budget for its implementation (\$15.1) after the IANA Department Operations (\$18.1)?
- *Within 2.1.4, 2.1.5 and 2.1.6*, page 43, all descriptions need to be more specific.
- *Within 2.2*, we invite you to provide more details on the calculation of the **Technical Reputation Index** (Page 4), as we notice the lack of a formula for the index, its structure, its weights, and the lack of a target value for the index.

- *Within 2.3* - Support the evolution of domain name marketplace to be robust, stable and trusted - we recommend ICANN to further expand on what the **Domain Market Place Health Index** is (we note the lack of a formula for the index, or a more detailed explanation - such as structure and weights - as well as the lack of a target value for the index). We had highlighted the same points for the FY16 Operating Plan and Budget.
- Furthermore, we would like to highlight that the expected levels of a “healthy year on year growth in the domain name industry” are too vague, and should be more accurate on the basis of currently available historic data.

Objective 3: “Advance Organisational, Technological, and Operational Excellence”

Within goal 3.1, it has been noted that there is outstanding work remaining before the conclusion of FY16. Will it be completed by the end of FY16?

Within goal 3.2, the document calls for an increase in reliability of ICANN’s global IT infrastructure from 99.9% to 99.999% in 2020 for “top tier services”.

Presumably ICANN is referring to internal Administrative IT systems, and not to the IANA RZMS or the “L-root” services. An increase in reliability from 99.99% to 99.999% brings less than an hour of increased availability of the affected systems over a year. Is this really worth the effort or expense?

Within goal 3.3, what exactly is ICANN trying to achieve here, and what does this have to do with its core mission of name and number coordination? What is ICANN trying to achieve by developing a “globally diverse culture of knowledge”? What does this actually mean? Will the stated FY16 objectives be met on time? What is the “stakeholder internship programme”? What exactly are the programmes to “increase stakeholder participation”? What are the proposed “educational programmes”? Lastly, what sort of “academic outreach to the community” is planned? This appears to be a serious mission creep far beyond ICANN’s core responsibilities.

Objective 4: “Promote ICANN’s role and multi stakeholder approach”

Whilst seeing a need to promote ICANN’s role and the multi stakeholder approach that it represents, there is serious concern that the manner in which this might be carried out might impede the conclusion of the IANA transition, given sensitivities within the US Congress and its ability to meddle with the transition.

Within goal 4.1, reflecting the statement in the section “Overall comments” above, it is recommended that future engagements be undertaken in a manner so as not to elicit concern in the US Congress whilst the IANA transition is “on the table”.

Within goal 4.2, reflecting the statement in the section “Overall comments” above, we recommend ICANN to introduce balance mechanisms against this objective to attempt to achieve their stated objective for garnering further commitment from

governments for the ICANN approach to Internet governance, without seeming to “give in” to governments, and thus eliciting US Congressional scrutiny of the IANA transition.

Objective 5: “Develop and implement a global public interest framework bounded by ICANN’s mission”

We would appreciate more clarity on the overall objective and how it fits into ICANN’s core mission.

Within goal 5.1, we would like to be provided with more elements to fully understand the goal. What does “...rationalised on common consensus-based definition(s)” mean? What does this have to do with coordinating names and numbers?

With reference to goal 5.2, whilst a laudable goal, how might this be affected by the IANA transition process? Will this lead to a Community sexual harassment policy? If so, how will that be developed, and by whom?

FY17 Highlights and Appendix- Additional and more detailed (financial) information

ICANN Operations

Resource Utilisation

Personnel costs increase year-on-year by almost 20% (Baseline - FC FY16: 51.7m USD vs. FY17: 61.9m USD), while Travel & Meeting expenses by only 2% (Baseline - FC FY16: 15.4m USD vs. FY17: 15.7m USD). Is this comparably slight increase in Travel & Meetings reasonable?

Support and Revenue

The calculation of the transaction fees for Legacy gTLDs and new gTLDs are conservative and therefore sound.

Multiyear Projects (formerly Initiatives)

Does ICANN expect any cost reduction in the baseline budget by implementing the Enterprise Resource Planning (ERP) System?

For FY 2017 the multiyear projects will be funded from ICANN’s annual revenues. What will the funding guidelines be for future multiyear projects?

Risks & Opportunities

We would appreciate further analysis of potential risks/opportunities, and to factor and quantify them in the budget.

It is not clear why ICANN is so optimistic about small chances of lower figures of Legacy/new gTLD registrations (p. 20 para 3.5), as we hear more and more pessimistic voices (see, for instance, Forbes, 22 Jan 2015), and ICANN’s staff

confesses that “Future risk cost through the end of the program cannot be estimated” (para 5.1 p.29).

Overview of the IANA Stewardship Transition and implementation (including PTI) - Clarification if the IANA costs will be covered by revenues from FY17

Focus on the Post-Transition IANA (PTI) implementation

Extract from ICANN budget: A placeholder for the above activities was offered for a range of \$6m to \$9m, awaiting a more detailed and comprehensive costs estimate. The activities and costs need to be defined, the corresponding expenses quantified, and their funding identified. → The range of \$6m to \$9m is very high. A much more precise budget would be appreciated.

Focus on the IANA Functions Operating Plan and Budget

We acknowledge the approach of sharing the IANA personnel (16 persons) between the 13 major activities related to the operations for the Names, Numbers and Protocol Parameters client groups. Due to the fact that Service Level Agreements (SLA) will be of higher importance, a greater allocation of personnel in this area would be appreciated. It would also be interesting to know where those SLA topics are going to be handled after Post Transition (in the Stakeholder Engagement Group)?

We suggest adding two columns to the following chart (Current costs/Post Transition costs):

| # | Item | Description |
|---|------------------------------------|--|
| 1 | Other ICANN Departments' Budgets | Budgets of all ICANN departments except for the IANA department |
| 2 | IANA department's Budget | Budget for the IANA department, consisting only of direct costs/dedicated resources (see below) |
| 3 | Direct Costs / Dedicated Resources | Costs of the IANA Department, inclusive of the costs to deliver the 3 IANA functions and to support IANA operations (i.e., system audit) |
| 4 | Post-Transition IANA (PTI) | New legal entity, destined to host activities and costs of the IANA functions in service of the Names community |
| 5 | PTI Specific Costs | Costs incurred by PTI outside of the cost related to deliver the naming function (i.e., annual financial audit) |
| 6 | IANA Operations Budget | Budget required to deliver the 3 IANA functions as well as to support IANA operations, inclusive of direct costs/dedicated resources (see above), direct costs/shared resources (see below), and support services allocation (see below) |
| 7 | Direct Costs / Shared Resources | Costs of the specific activities directly contributing to the IANA functions, carried out by ICANN departments that also support other ICANN activities or functions (i.e., Legal, IT) |
| 8 | Support Services Allocation | Costs representing the estimated value for the IANA functions portion of the services provided by support functions to all or most ICANN departments |
| 9 | ICANN (Other) | The portion of the ICANN budget without PTI (see above) |

2 additional columns on the right:
Current costs/ Post Transition

Headcount – Three-Year Overview

General

- Even a superficial glance at the staff/payroll figures allows for the assumption that the situation is far from perfect. Whilst empiric research discusses overhead figures in the region of 30% (see, for instance, http://ssir.org/articles/entry/the_nonprofit_starvation_cycle) as the most realistic for an NPO, ICANN's have climbed to a red flag figure of 50%.
- For the sake of a more balanced assessment it would be appropriate to examine the actual Executive-to-Middle- to- Junior staff ratio, otherwise in the

absence of credible evidence it might be speculated that its unusually high value could fuel further payroll increases.

- In regard to said ratio, it would be safe to assume that for middle- and junior-level staff, the number of projects per capita or the number of activities under a given project is much higher than averages posted in the budget. It may well look odd to have one worker in the field and a dozen executives overseeing their performance.
- Addressing specific items, the same question arises time and again, as to what the difference is in goal-setting (and, subsequently, whether there exists a substantial overlap in activities) between Strategic Communications (\$9.5m) and all kinds of Engagement (\$13.4m), which, combined with Strategic Initiatives & Reviews (\$3.8m), and GSE and Meetings Ops. (\$14.9m), account for a breathtaking \$32.10m (and note that Engagement has always been criticised by this working group for the absence of clear KPIs or total lack thereof) (see also 3.1).

| ICANN Operations by Function | FY17 Draft Budget | | | | | FY16 Forecast | | | | | |
|-----------------------------------|-------------------|----------------|--------------------|----------------|------------|----------------|----------------|--------------------|----------------|------------|----------|
| | In Millions, USD | Baseline | Multiyear Projects | Total | Avg. Hdct | EOY Hdct | Baseline | Multiyear Projects | Total | Avg. Hdct | EOY Hdct |
| Support and Revenue | \$132.4 | | | \$132.4 | | | \$120.8 | | \$120.8 | | |
| Compliance & Safeguards | \$5.4 | \$0.0 | \$5.4 | 26 | 27 | \$5.3 | \$0.0 | \$5.3 | 24 | 25 | |
| GDD: DNS, IANA, Ops | 20.4 | 0.0 | 20.4 | 80.4 | 80 | 18.1 | 0.0 | 18.1 | 65.6 | 74 | |
| CTO | 6.0 | 0.0 | 6.0 | 13.9 | 14 | 5.1 | 0.0 | 5.1 | 12.5 | 15 | |
| Strat. Initiatives & Reviews | 3.8 | 1.7 | 5.5 | 16.1 | 10 | 3.0 | 0.0 | 3.0 | 9.5 | 8 | |
| Strategic Communications | 9.5 | 0.0 | 9.5 | 25.0 | 25 | 8.1 | 0.0 | 8.1 | 20.7 | 22 | |
| GSE and Meetings Ops. | 14.9 | 0.6 | 15.5 | 44.0 | 44 | 14.6 | 0.0 | 14.6 | 40.0 | 41 | |
| Gov Engagement | 2.9 | 0.0 | 2.9 | 7.0 | 7 | 2.6 | 0.0 | 2.6 | 6.9 | 7 | |
| SO/AC Policy and Eng. | 10.5 | 0.0 | 10.5 | 30.0 | 30 | 9.4 | 0.3 | 9.7 | 28.5 | 30 | |
| Public Responsibility | 2.9 | 0.8 | 3.6 | 8.0 | 8 | 0.3 | 2.5 | 2.8 | 7.0 | 8 | |
| Governance support | 11.7 | 0.0 | 11.7 | 21.9 | 22 | 10.1 | 0.0 | 10.1 | 16.4 | 19 | |
| Operations | 16.7 | 0.4 | 17.1 | 45.0 | 45 | 16.3 | 0.0 | 16.3 | 36.7 | 41 | |
| IT & Cyber Security | 21.1 | 2.5 | 23.6 | 60.1 | 60 | 20.1 | 2.5 | 22.6 | 48.9 | 54 | |
| Executive & Ombudsman | 2.4 | 0.0 | 2.4 | 4.0 | 4 | 2.8 | 0.0 | 2.8 | 4.0 | 4 | |
| New gTLD Allocation | (5.1) | 0.0 | (5.1) | | | (7.8) | 0.0 | (7.8) | - | - | |
| Corporate | (1.5) | 0.0 | (1.5) | (8.9) | (9) | 0.0 | 0.0 | 0.0 | - | - | |
| Contingency | 5.0 | 0.0 | 5.0 | | | 1.2 | 0.0 | 1.2 | - | - | |
| Total Baseline Opex (Cash) | \$126.5 | \$5.9 | \$132.4 | 366.5 | 367 | \$109.3 | \$5.3 | \$114.6 | 316.7 | 347 | |
| Excess/(Deficit) | \$5.9 | (\$5.9) | \$0.0 | | | \$11.5 | (\$5.3) | \$6.2 | | | |

- Driven by high overheads and other costs, ICANN will have no other choice but to launch a new round of new gTLDs, which may ultimately prove a haphazard and counterproductive move.