

**ICANN's FY22-26 draft Operating and Financial Plan and
FY22 draft Operating Plan and Budget
ccNSO SOPC comments
14th February 2021**

Introduction

The ccNSO Strategic and Operational Planning Committee (SOPC) welcomes the opportunity to comment on ICANN's FY22-26 draft Operating and Financial Plan and FY22 draft Operating Plan and Budget.

The SOP working group was created at the Cairo ICANN meeting in November 2008. The working group became a Committee in November 2017. The goal of the Committee remains the same: to coordinate, facilitate, and increase the participation of ccTLD managers in ICANN's strategic and operational, planning and budgetary processes.

According to the SOPC Charter, the Committee may, as part of its activities, take a position and/or provide input on the public comments forum, and subsequently relate back to ICANN or other supporting organisations and advisory WGs on its own behalf. The views expressed, therefore, are not necessarily those of the ccNSO (Council and membership) or the ccTLD community at large. Membership of the Committee is open to all ccTLD managers (members and non-members of the ccNSO).

SOP Committee members

- Giovanni Seppia, .eu (Chair)
- Sean Copeland (.vi)
- Irina Danelia, .ru
- Stephen Deerhake, .as
- Philip Du Bois, .be
- Atsushi Endo, .jp
- Russell Haworth, .uk
- Dmitry Kohmanyuk, .ua
- Landry Kouadio Assi, .ci
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- David McAuley, .cc
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- Pablo Rodriguez, .pr
- James Shady, .au
- Leonid Todorov, APTLD
- Mary Uduma, .ng
- Michael Vassilakis, .gr
- Madison Wang, .cn

Observers

- Jordan Carter, .nz

General comments

While we commend ICANN for their work in drafting the FY22-26 Operating and Financial Plan, including the document flow, we are concerned about several factors that have an adverse impact on its overall format and consistency. These factors are:

- 1) The length of the document. We compliment ICANN for the effort of further structuring the texts. At the same time, we cannot help from highlighting that it is challenging to examine in detail 359 pages, even for mother tongue readers. We would recommend ICANN to be more concise, less repetitive, and perhaps indicate changes from year-to-year in some manner. As a matter of fact, it is hard to distinguish truly important conceptual things from excessive minor/irrelevant details.
- 2) While the draft ICANN Operating & Financial Plans for FY22-26 (Five-Year Plan) provides five-year financial estimation for each Operating initiative (including Low, Mid-point & High scenario), the Draft ICANN Operating & Financial Plans for FY22 (One-Year Plan or FY22 Plan) does not include this information. It would be helpful if each Operating initiative could be directly linked with the respective budget figures in the FY22 budget as well as in Five-Year budget.
- 3) The FY22 Draft Budget includes only the total figure: namely, Incremental Operating Initiatives worth a total of 5 000 000 USD. The amount itself looks reasonable as it is approximately one-fifth of five-year mid-point amount budgeted for all Operational initiatives (24 500 000 USD). However, clarification on why no detailed figures per initiative are provided and how ICANN plans to split this amount between operational initiatives would be desirable.
- 4) The Highlights of the draft FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget document ('Highlights Doc') provides a table (page 4) with a five-year financial estimate and also per each Operation Initiative. The five-year Plan includes only figures of estimated expenses (in the Resource Section for each Operating Initiative). It would be useful to add additional details to explain the nature of the expenses.
- 5) During the Community Webinar on Draft FY22 Operating & Financial Plans it was mentioned (slide 16-17) that FY22 Plan provides Key Milestones per initiative. Examples of milestones presented on the slide for some initiatives are real milestones (i.e. 'Complete a rewrite of the Root Zone Management System'), but for the others they are processes without concrete deliverables, rather than milestones (i.e. 'Continue development of ICANN org ethics policies').

Comments on the ICANN FY22-26 Operating Initiatives and FY22 Operating initiatives.

Operating Initiative 1 and 2

Support the Evolution of the Root Server System

Facilitate DNS Ecosystem Improvements

Both initiatives are highly relevant for ccTLDs.

- The 'resources' section speaks mostly to the importance of effective cross-functional collaboration. In addition to a description of collaboration required, it would be beneficial to have an explanation of specific resources (employees, funds) allocated to support this initiative.
- Additional information on Financial Assumptions to explain expenses is desirable (i.e. 'headcount of 2 for the 5-year period and funds for third party consulting expense for meeting facilitation and research' as mentioned in 'Highlights of the Draft FY22-26 Operating and Financial Plan and FY22 Operating Plan and Budget' document).
- The following seems unrelated to Resources: 'Activities support ICANN's efforts to preserve and enhance the security, stability, and resiliency of the DNS including Root Server System governance, mitigation of DNS security threats, promotion and/or facilitation of DNSSEC deployment, the mitigation of name collisions, and DNS operations research.'

Operating Initiative 3

Evolve and Strengthen the Multistakeholder Model to Facilitate Diverse and Inclusive Participation in Policymaking

- It is helpful that the five-year plan for FY22-26 estimates Low-Mid-High point scenarios. However, it does not explain how funds will be allocated. It would be beneficial to include similar Low-Mid-High point scenarios for FY22, specifying an allocation of funds budgeted per initiative. It is important to ensure that recommendations from previous reports have been implemented, such as developing and undertaking training for technology developers, and email tools for service providers to promote Internationalized Domain Names readiness (as on page 194) is a much-needed activity.
- We fail to find metrics to measure the increase of knowledge and skill levels across the stakeholder community and organisation. Close collaboration with ROs can increase local presence while increasing the number of capacity development and training events to regional stakeholders; however, the report does not make a mention of this.
- ICANN org Language Services, Meetings, and Engineering and IT functions align well with the scope, strategic goals, and targeted outcomes. Nevertheless, the FY22 does not define the funds budgeted for this initiative.

Operating Initiative 4

Evolve and Strengthen the ICANN Community's Decision-making Processes to Ensure Efficient and Effective Policymaking

- The five-year Plan identifies a lack of sufficient personnel to provide support to existing and future policy development and advisory work (see page 31). Recommendations regarding the need of personnel to support additional or future PDPs are not provided. Therefore, it is recommended that we promote and initiate discussions about costs and benefits to address this issue.
- The one-year Operating Plan considers that community participants need to develop data analysis and related skills. However, it does not make recommendations for the amount to be budgeted to fund that initiative.
- Indicator metrics seem to be in place, but milestones are not clearly defined, and thus left to each SO/AC to determine.

Operating Initiative 5

Develop Internal and External Ethics Policies

The SOP Committee commented the following last year. We wish to reiterate the message.

- We feel that an equivalent to the Ethics Policy for the community already exists (for example 'Expected Standards of Behavior'). Given this, there is a need to define more specifically what kind of 'policy' ICANN org is going to develop.
- The efforts to establish the perfect Ethics Policy may lapse into endless discussion. Given this, 'development' is vague in the absence of clear objective and scope.

Operating Initiative 6

Promote and Sustain a Competitive Environment in the Domain Name System

As already commented, we fail to see the link between the next application window/the new gTLD Program and the evolution of the unique identifier systems or competitive environment.

Operating Initiative 7

Universal Acceptance

This initiative is highly relevant for ccTLDs.

We believe that ICANN should not only support local initiatives of community-based working groups, but proactively engage with both developers and decision makers to promote Universal Acceptance and IDN implementation. If ICANN develops and makes publicly available the detailed plan of UA-related activities for FY22, it would help local communities to coordinate their efforts with ICANN's ones.

Furthermore, we fail to see any mention of TLD registries and accredited registrars engagement into the UA processes although these entities are one of the main interested parties in the UA compliance realization.

Operating Initiative 8

Root Zone Management Evolution

This is a core function of ICANN which should be put on a recurrent operational basis, unless distinct new initiatives could be undertaken to enhance the function. As captured in the document, it only showcases the regular activities that are currently being done. We would like to highlight that this is one of the few operational areas where we can see true metrics that enable the community to track progress.

Operating Initiative 9

Evaluate, Align, and Facilitate Improved Engagement in the Internet Ecosystem

While the intended activities have been outlined, the objectives are not very clear and not sufficiently specified. There is a need to bring up initiatives that would be measurable while at least specifying metrics that would be used to track objectives.

Operating Initiative 11

Monitor Legislation, Regulation, Norms, Principles, and Initiatives in Collaboration with Others that May Impact the ICANN Mission

It is helpful that the outcome of 'systems to detect and monitor legislative and regulatory initiatives' will be reported annually. However, we fail to see what type of data will be gathered, how it is measured, the progress compared with previous year, etc.

Operating Initiative 12

Formalize the ICANN Org Funding Model and Improve Understanding of the Long-term Domain Name Market Drivers

We suggest that where a provision of the Plan is the same as, or building upon, a provision from the previous year's Plan, that ICANN indicates (perhaps in a footnote) the progress achieved thus far including the allocation of personnel and resources.

Operating Initiative 14

Planning at ICANN

We appreciate the commitment, which we view as essential, that ICANN org will engage with the ICANN community and the Board as it works towards researching and developing prioritisation efforts in this regard.

Comments on the FY22-26 Functional Activities and FY22 Functional Activities.

We are concerned about some aspects that can be conceived of as drawbacks, including:

- Goals, metrics and outcomes across most subsections under Functional Activities are put too broadly – rarely does a given department's team cite specific steps broken down by year. From this perspective, Review Support and Implementation, Global Services Center, Board's Operations and (partly) HR should be commended for sharing a breakdown of specific steps for at least two years, and the Board Operation also, for clearly established and quantifiable KPIs.
- The practice of including all activities, along with even minor and very obvious ones, without identifying 'core' activities as opposed to 'secondary' activities, reduces the value of the document as it does not allow the reader to focus on truly substantial aspects. Besides, it implies a deliberate effort to increase the volume of the text to make the document appear more impressive.
- Likewise, blending Goals and Outcomes does not seem to be a productive move. By definition, the former means 'the end toward which effort is directed' while the latter is 'something that follows as a result or consequence' – hardly perfect synonyms. We would recommend either merging them into one definitive term, or to classify into two separate subsections.
- Parameters such as 'Adherence to Bylaws requirements' or 'Considering substantive feedback from the community', 'Board and ICANN org to ensure/ inform etc. focused, useful and implementable recommendations' hardly constitute instruments to track progress.
- Furthermore, ICANN org often refers to a combination of milestones, reports and metrics to track progress on a given matter. Whilst these terms are open to individual interpretation, the

cited items in certain cases appear debatable and it is hard to distinguish milestones. Furthermore, while it is understood that some measures are not easily quantifiable, in some cases the wording seems quite extravagant, such as, for example, 'Progress <in a certain functional activity> is measured through a continued progress in <a specific area>'.

- A repetitive assumption that 'Personnel may leave if initiatives offering career progression are not implemented because of lack of information of staff promotion practices' appears too challenging to suggest any credible strategy unless it is an elegant euphemism for a pay rise.
- Regarding more specific comments,
 - The 'changes in functional activities' section of the 22-26 plan mentions in several places that (human) resources requirements are expected to increase. However, the financial sector of the plan shows a steady headcount of 410 over the years, unchanged from the 21-25 plan. The cost of professional services in the new plan are higher than in the current one. Can you clarify?
 - The financial sector of the 22-26 plan shows that:

Projected funding for the years 2022-25 is now 1 000 000, 1 500 000, 1 900 000 and 2 200 000 higher respectively; total operating expenses for the years 2022-25 are now 7 700 000, 6 100 000, 7 300 000 and 7 900 000 higher respectively.

Consequently, due to expenses increasing more than funding, cumulative excess over the years 2022-25 is now 21 400 000 lower than projected in the 2021-25 plan: from +28 500 000 to +7 100 000.

An increase in cost over a period of five years which is more than 21 000 000 higher than the increase in funding could be an indicator that costs are spiralling out of control and will soon be higher than funding.

Hence our questions to ICANN org:

Can you clarify why?

Why this increase is justified?

How this alarming trend will be stopped in time?

As for Functional Activities the Table below contains specific comments across individual ones (please note that some inputs were received at the very last moment, and therefore the sequence of the activities below may not necessarily match the one in the Draft SOP).

Functional activity/sub-activity	Comments
Office of CTO	We fail to find internal and external capacity building activities.
ICANN Managed Root Server	With reference to 'Maintain a low total cost of operations while building capacity, good engineering practices, and RSS community engagement', we believe that the language could be improved, especially when it says 'maintain a low total cost' which cannot be classified as an 'activity'. The awareness raising/educational component of activities seems to be missing.
Contractual Compliance	The task of continued improvement of an environment conducive to contractual parties' performance seems to be missing.
Policy Research and Stakeholder Programs	There is no reference to the work with ccNSO and GAC to develop consensus recommendations.
Strategic Initiatives	We believe that what is listed under 'how progress is tracked' does not constitute metrics and/or performance indicators.

Planning	With reference to the ways progress is tracked, we believe that the parameters are fairly weak and do not help anyone to easily assess progress against planning.
Risk Management	<p>The text reads as follows: ‘The primary purpose of Risk Management is to facilitate the identification and articulation of risks faced by ICANN org so that it may make informed decisions about planning for and managing those risks. Through the established Risk Framework, the function focuses on developing a risk-aware culture which incorporates the risk framework into activities.’</p> <p>We believe that the purpose of any risk management should lie in precluding adverse risks to the ICANN’s mission, rather than the ICANN planning process per se.</p> <p>We find the following assumptions confusing, particularly to a non-native speaker: <i>“The Strategic Plan does not create any new risks or challenges in itself for the Risk Management function. The Strategic Risks in the Strategic Plan are included in the work done by the Risk Management function. The existing challenges and dependencies of working with multiple other functions applies to managing any new risks added to the Risk Register from the Strategic Plan. The largest consideration for this functional activity is the team’s dependency on other functions and personnel, who may have other priorities. The team must rely on Risk Liaisons to respond and also personnel alerting Risk Management when issues arise.”</i></p> <p>We recommend a review of the text to make it clearer and more accessible.</p>
Global Stakeholder Engagement	<p>Considering the recent past, we wish that additional resources could be available for any region.</p> <p>We wonder why the engagement centres in Nairobi and Geneva are not mentioned. We also fail to see a long-term strategy for ICANN’s regional presence with staff and resources moved from one country to another with a lack of continuity.</p>
Government and Intergovernmental Orgs	<p>Under activities we read the following: ‘The team developed the Annual Virtual Global Internet Governance Forum 2020 engagement plan, aiming to coordinate ICANN activities and maximize involvement through speaking engagements, workshops, the Open Forum, social media, virtual booth and flash sessions. The seven-day event occurred in November 2020.’</p> <p>We believe this text belongs in a report on past activities rather than in an Operating Plan.</p> <p>With reference to the additional resources for ‘Increased need for professional service contracts to cover specialized events and information gathering’, the SOPC has highlighted – on numerous occasions – that ICANN does not fully utilise the community’s capacity to gather and process intelligence, which is a major resource that would allow economies of scale.</p> <p>Some of the strategic goals on pages 113-114 are not closely related to Government and Intergovernmental Organization. We would recommend reviewing the goals to make them more focused on the IGO.</p>
GDD Accounts and Services	<p>Under ‘Operating initiative contributions’ we read the following: ‘Support: Promote and sustain a competitive environment in the Domain Name System.’</p> <p>However, we fail to find a single reference to promotion of competition in the Strategic Goals and Outcomes and Activities subsections.</p>

ICANN Org Governance	We recommend an in-depth review of the performance metrics to ensure that they reflect proper metrics.
Governance Support	We recommend that this entire section is reviewed to ensure consistency across its sections. For instance, under activity we find 'Establishment of a contract management database. Currently, contracts are managed within each business unit, which can cause potential legal and financial risk to the organization'. However, there is no reference to this activity in the subsection 'How Progress is Tracked'.

Comments on the FY22-26 Planning Assumptions and Financials.

Funding Approach and Assumptions.

The 2 200 000 USD driven by reinstating F2F meetings should be questioned. Why would having F2F meetings cause an increase of the budget? We reiterate our comment that ICANN needs to cut costs, and only travel when absolutely necessary and not because we are 'out of the pandemic'.

With reference to the 4 000 000 USD for unknown expenses, we would be grateful to learn more about the procedure for approving expenses that fall under this budget line.

Overall, we recommend that ICANN cuts back in their strategic objectives and, consequently, in the budget allocated to those proceedings. As for HR projections, we appreciate the effort to keep them a stable level, but wonder about the plan to optimise resources (as we pointed out in previous comments).

Financial Projections and Headcount.

We believe that the five-year budget is sound and balanced. The allocation to the reserve fund has reached a reasonable level.

We fail to find a comprehensive financial breakdown for seven of the 15 operating initiatives. As stated, the seven initiatives are separately funded and therefore no incremental resources are included in the projections. For transparency reasons we recommend including estimates for these as well.

We must again express our concerns regarding consultancy costs, as they seem to be higher than industry averages for similar kind of work.

Draft Budget versus FY21 Forecast.

We express our concern for the 11 % increase in Professional Services.

As the ccNSO SOPC has been pushing for increased contingency savings, we are happy to see that this is being implemented.

Funds Under Management.

We appreciate well-structured and very clear presentation on the funds under ICANN management (Operating, Reserve, ngTLD funds and Auction proceeds). According to the data presented all funds are in a good condition.

ccNSO has often stressed out the importance of the Reserve Fund as a pillar of ICANN's financial sustainability. We would like to recognize the significant progress on reaching the target of the Reserve Fund replenishment strategy from 18 November 2020 (12 months of operating expenses). Is there any specific reason that 10 M\$ planned contribution to the reserve fund from net excess generated from FY20 still awaits Board approval?

Contingency (reserve fund)

As one of the service organizations it is incumbent on the ccNSO to provide input and feedback across the breadth and depth of ICANN's budget, however a special emphasis needs to be placed on the contingency reserve fund as the membership composition of the ccNSO provides a clear and unique mechanism to communicate to the overall health of the internet during exceptional periods.

There are projections of well in excess of 10 % of businesses failing as a result of the pandemic globally. Outside of western countries, with massive government intervention, those rates could well exceed the OECD expected average. This would disproportionately impact ccNSO members.

What type of impact this would have on domain name renewals and new purchases is an unknown that may trail the end of the pandemic for 24-48 months. Taken to a maximum this is the exact reason for a contingency fund. While it is unknown what percentage of those business currently have an online presence, a commensurate drop would have a direct impact on ICANN's revenues for an extended period of time.

Notwithstanding the aforementioned comments, we are happy to see ICANN anticipating that they will continue to replenish the contingency fund.