

**ICANN's FY18 Operating Plan and Budget
ccNSO SOP working group feedback
24th April 2017**

Introduction

The ccNSO Strategic and Operational Planning Working Group (SOP WG) welcomes the opportunity to comment on ICANN's FY18 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/or provide input on the public comments forum, then 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 the 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).

Working group members

- Wafa Dahmani, .tn
- Irina Danelia, .ru
- Stephen Deerhake, .as
- Philip Du Bois, .be
- Roelof Meijer, .nl
- Debbie Monahan, .nz
- Rosalia Morales, .cr
- Andreas Musielak, .de
- Abibu Ntahigiye, .tz
- Abdalla Omari, .ke
- Barrack Otieno, AfTLD
- Aleksandar Popovic, .rs
- Pablo Rodriguez, .pr
- Giovanni Seppia, .eu (Chair)
- Paul Szyndler, .au
- Leonid Todorov, APTLD
- Michael Vassilakis, .gr
- Mathieu Weill, .fr

Executive summary

We are grateful for the opportunity to comment on the ICANN FY18 Operating Plan and Budget.

We would like to acknowledge once again 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 few years. We also believe that the Dashboard is a major improvement, which could help the community to measure ICANN's progress against its objectives and various projects.

At the same time, we would respectfully like to highlight the following issues:

- The ICANN FY18 Operating Plan and Budget narrative flow still needs refining. While

certain goals are well designed and defined, others seem to overlap. Many of them are also explained by using jargon and expressions that require any reader to spend considerable time finding the correct meaning before being able to provide any feedback. We understand that the ICANN Finance department is collecting information on the basis of financial data, and we have already had the opportunity to meet with the various department heads to have a better overview of the way these departments are structuring their activities. However, we reiterate the importance of having internal guidelines for collecting information that are consistent from both a content (qualitative and quantitative) and style perspective.

- Future Plans should be much more accessible to any first-time reader, especially in light of the ICANN Objectives to act as a steward for public interest, to further globalise its structure, and to strive for operational excellence. For instance, the Plan does not have any complete explanation of the various 'indexes' that are regularly mentioned within. The Plan should be the business card of such excellence.
- The overall KPIs are still weak for many objectives. Certain metrics are not clear and/or make little sense regarding the objectives they should be measuring.
- The continuous growth in headcount – without adequate rationale – is one of our main concerns, especially considering current industry trends, with the legacy TLDs market not enjoying the high growth rates of the past. As a matter of fact, we would recommend ICANN stick to the TLD low rate growth estimates' TLD, rather than to the best estimates.
- The provisions for the contingency fund should be more carefully formulated.
- It would be interesting to understand how the approach of the new CEO has impacted and will impact the current five-year Plan, taking into account that certain priorities have shifted and that has been reflected in ICANN's organisational structure.
- As in past years' comments, we would once again like to highlight the need to include timeframes for the various activities to be developed within the Plan, and not only on the online Dashboard.
- Last but not least, we would appreciate to receive clarification on how ICANN intends to meet the need of separation between the Operating Plan and Budget in light of the possible rejection actions within the revised Bylaws framework.

This paper is divided into two sections, the first one presenting the general comments and the feedback on the financial overview, the second one with the feedback by objective. It is also complemented by an Annex which includes only the list of points to be clarified by ICANN. It is worth to highlight that the working group expects ICANN both to provide extra information on the points listed in the Annex and to address the considerations contained in this paper.

General comments

In general, the support for underserved regions and developing countries has improved. The following two initiatives in particular ought to be highlighted: the transfer of the Community Travel Support from a pilot special request category to a 'core' position within the ICANN budget, and the increased (governmental) engagement with regards additional trainers/workshops in underserved regions and developing economies, to improve law enforcement capacity building.

The Plan represents further progress in the conceptualisation and refinement of major objectives and portfolios. Particularly laudable is the effort to develop objective-specific data series, collect and attempt to assess them, and then use customer satisfaction surveys in the name of further enhancement of the quality of services to the community. However, the Plan's narrative flow seems to go lost between objectives and respective portfolios.

For instance, '**Strategic Goal 1.1 Further Globalize and Regionalize ICANN Functions**' implies, as a prime portfolio, '**Raising Stakeholder Awareness of ICANN Worldwide**', which should clearly fall under '**Strategic Goal 1.2 Bring ICANN to the world by creating a balanced and proactive approach to regional engagement with stakeholders**', as well as,

in part, **'Strategic Goal 4.1 Encourage Engagement with the Existing Internet Governance Ecosystem at National, Regional and Global Levels'**.

Such a misconception or confusion among the goals means KPIs that can hardly be used to gauge any progress. '*# of remote participation session hours and number of remote participants at ICANN meetings*' and '*% of Sessions with live interpretation at ICANN meetings*' are unlikely to qualify as credible KPIs, as they do not appear illustrative of ICANN's exercise of its functions. Perhaps, broken down by categories of stakeholders, the number of queries/requests to ICANN and its regional hubs, and the number of responses/actions taken in response thereto might be a better KPI in that regard.

This, in part, is accurately captured in the expected outcome for FY 2017, outlined in '**1.Completed review of ICANN regional offices and delivery of services to the community**', but seems to be compromised (or narrowed) by the overall emphasis on communication and engagement strategies, which suggests that is their top, if not sole, priority.

Furthermore, a similar confusion arises when examining the role of regional offices and engagement hubs in supporting ICANN globalisation, while ex officio they should rather be focusing on regionalisation efforts. In addition, it is unclear what the difference is between the intent *to complete a review of ICANN regional offices and delivery of services to the community in 2017* and *to complete an organisation-wide review of engagement activities against the ICANN mission*.

For most of the metrics, neither EoY 2017 projected values, nor EoY 2018 target values are stated. Without them, it is impossible to either assess the 2018 ambitions (versus costs), or to evaluate results compared to activities/expenses at the end of FY18.

Financial overview

As in previous feedback, we would like to express great concern for the continued growth in headcount that remains unexplained in a proper and long-term structured way. Equally, we are puzzled to see personnel costs increasing by 15%, while travel expenses declined by -2 %. Normally travel costs should rise with the number of personnel. We would like to know the rationale behind this.

Basic administration principles call for a more conservative approach to hiring expenses in view of a decrease in funding, which is not in evidence when looking at ICANN's Financial Overview.

With reference to the headcount in the table on slide 10, DNS, GDD, and IANA top functions are grouped into one area. This does not make sense, since they encompass different tasks. A breakdown would be appreciated to better understand the distribution of expenses.

It would be interesting to know if the reason behind the increase in the headcount is due to an increase in the current workload, and the projects planned in certain divisions.

We are looking to receive more detailed clarification on the following issues:

- As the new gTLD programme has been completely rolled out, why an increase in headcount is necessary;
- The same questions have been raised with regards the GDD and DNS division increase;
- Concerning the 'Operations' headcount, it seems to be static, but costs have risen by 17%. At present, the management of requests within the GDD division is moving from one person to another. The internal coordination within the division clearly has room for improvement. We believe that the further increase in headcount is going to worsen this situation rather than improve it.

At the same time, an increase in the headcount for the IANA and the IT department might be desirable. However, as a matter of transparency and openness towards their community, it would be useful to know the long-term plans of these departments.

The group is interested to understand the rationale behind the latest position: 'New gTLD Allocations & Corporate (includes attrition)'. It is important for us to understand why the headcount declines to zero in FY 2018 when the headcount is already zero in FY 2017.

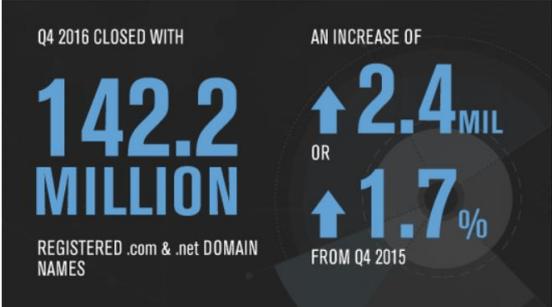
Furthermore, we would like to emphasise that the personnel costs per employee seem to be quite high. This also applies to new hires. For instance, the increase in the headcount for GDD, DNS, and IANA is expected to be 26 (AVG Hdct), which translates to a cost of \$6.3 m. This means that the average payslip per employee is around \$240k, which seems quite high. The same reasoning applies to the PTI budget (5.8 million personnel costs for 22.6 FTE = over 250k USD per FTE compared to the personnel costs of ICANN as a whole, 6.1 (slide 26) which accounts for 69,5 million USD for 413,8 FTEs or 168k USD per FTE).

Last but not least, we recommend optimising the expenditure for professional services, as this represents almost half the amount spent on personnel.

Funding

We have some concerns regarding funding in the area of nTLDs. Having seen the growth estimate of 29.9% under 'New TLDs - Transaction Fees' (and the 60% growth rate under 'High Estimate'), we would like some feedback about the analysis upon which those assumptions are based.

Legacy TLD growth on slide 11 has a best estimate of 2.3%. This shows quite an optimistic view since .com & .net – as the biggest drivers within the legacy TLDs – only grew by 1.7% last year (see Verisign report from the end of 2016). The low estimate growth of 1.5% seems to be closer to the current scenario and, therefore, more prudent.



https://www.verisign.com/en_US/domain-names/dnib/index.xhtml#home

Despite the aforementioned issues, the funding section of the Plan, including calculations, appears consistent and sound.

Unfunded potential FY18 activities

The table on page 18 shows rejected projects. This includes refusal of additional legal resources in non-US locations (see extract from chart below).

Legal	Additional Legal resources	Legal expertise in non-US locations (Personnel)
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Considering the upcoming GDPR (General Data Protection Regulation) in Europe, we would foresee, and strongly recommend, budgeting for additional legal resources with knowledge of the European jurisdiction in 2018.

Caretaker budget

The assumptions under section 3.7 regarding the Caretaker Budget seem to be consistent.

Considering the concerns the group has raised with regards the increase in headcount, this could be a particular topic for the Caretaker Budget future approach.

Strategic Objective 1. Evolve and further globalize ICANN

1.1 Further Globalize and Regionalize ICANN Functions

We recommend that the metrics used to measure the success of this strategic goal include the success of the implementation of the activities mentioned as action items. For example, a possible metric might be the specification of the number of recommendations per region that need to result from the examination of ICANN's regional offices in support of ICANN globalisation, and ensuring the implementation of a certain number of them within a specific timeframe. Having as metric the number of remote participation session hours, the number of remote participants in ICANN meetings, and % of sessions with live interpretation, does not provide a full picture of the success of the activities mentioned as efforts towards globalising and regionalising ICANN functions.

When looking at the portfolios, it is refreshing to see the amount of detail included in the description of how the 1.1.3 Language Services will be implemented, which includes specific action items and activities. We strongly recommend that 1.1.1 and 1.1.2 include the same level of detail, in order to understand the projects and activities that are going to be developed regarding those goals, especially 1.1.1, which includes the second highest budget allocation in this section (\$4 million).

1.2 Bring ICANN to the World

We would encourage ICANN to specify the number of global/regional engagement activities needed to show a balanced and proactive approach to regional engagement per region. We would also like to receive more details on these engagement activities. The expected stakeholder participation per region at ICANN should be clearly stated. As it is now, this does not serve as a metric of success, since there is no specific goal to be achieved. More details on Stakeholder Participation per region at ICANN meetings, to show a balanced approach to regional engagement, would be appreciated.

As for stakeholder engagement, can the metrics used to measure the effectiveness of the hubs be clearly defined and monetised? With regard to Key Performance Indicators, please consider including capacity building webinars (themes, number of participants, % of live interpretation) and the events organised in the regions (GSE executive team).

We recommend that any work plan involve the regional stakeholders and key actors, such as registry and registrar organisations.

We believe that ICANN's regional initiatives (i.e. LAC region and African region initiatives) should be included as part of the activities aimed at bringing ICANN to the world. The work of the different regional ICANN VPs should be included here, as an integral part of this effort, and their work should be reflected in the metrics.

1.3 Evolve Policy Development and Governance Processes

Activity 3, mentioned in this section referring to remote participation from emerging regions, is also mentioned as an activity in Strategic Goal 1.2. Please make sure that the different departments are coordinated and do not duplicate efforts.

We would like to receive some clarification regarding the action to 'Support one or more At-Large General Assemblies'. The metrics mentioned as a means of measuring success in achieving this goal are very ambiguous. More specifically:

- Please clarify the meaning of representation and participation (of what and whom) in policy development governance processes;
- Please provide an explanation of what Quantity of Activity Index and Productivity Index mean;
- Please outline the expected results (goals) when using the Quantity of Activity Index and Productivity Index;
- Quantity of Activity index vs Quantity of Activity and Productivity index: please explain in detail the key differences between these two, as it seems like doubling metrics.

We would like to have more detail on the activities encompassed in 1.3.1 'Support Policy Development, Policy Related and Advisory Activities', which contribute to almost 74% of the total budget allocated to this Strategic Goal. The very vague description available does not provide enough information to understand how the budget will be spent.

Strategic Objective 2. Support a healthy, stable, and resilient unique identifier ecosystem

2.1 Foster and Coordinate a Healthy, Secure, Stable, and Resilient Identifier Ecosystem

Please specify what the current service level targets are, or provide a reference for where to find them, mentioned in point 1 of the activities for this Strategic Goal.

What is the % of Service Level goals that should be met for the delivery of services across multiple departments?

2.2 Proactively plan for changes

Please provide information about (or a reference for) what the Identifier Technologies Health Index is, to facilitate a better understanding of the goal.

2.3. Support the evolution of the domain name marketplace

Please provide a description of (or a reference for) the Domain Name Marketplace Health Index. We do not believe that ICANN can measure the achievement of such a goal by simply 'publishing a twice yearly Domain Name Marketplace Health Indicators Report'. Publishing the results is only the way to show the results, but not to meet an established goal.

Strategic Objective 3. Advance organizational, technological and operational excellence

3.1 Ensure ICANN's Long-Term Financial Accountability, Stability and Sustainability

How will the organisation be sustainable in light of the saturation of traditional markets in Europe and America and low investment in developing markets in Asia, Latin America, and the global South?

3.2 Ensure Structured Coordination of ICANN's Technical Resources

The only measure of success is that linked to availability/uptime. It would also be good to have a measure linked to the improvement in services and IT project delivery. This would also enable reporting against the intended status at the end of FY17.

A 99.999% availability rate instead of the current 99.9% may be desirable. 99.9% is approximately 9 hours' interruption per year. 99.999% is 5 minutes' interruption per year. The underlying services are websites and other non-critical services (not the DNS), so the gap may be very costly. At the very least, this improvement should be targeted at some of the underlying services, though not necessarily all of them.

3.3 Develop a globally diverse culture of knowledge and expertise, available to ICANN's Board, staff, and stakeholders

KPI linked to % of achievement, but what % is considered a success, and where has the 'best practice benchmark metrics of global diverse culture' been defined? Is it simply where a person is from and how long they have been engaged that is used to measure diverse culture and knowledge?

The KPIs remain quite vague, and unrelated to the interesting metrics provided on the Dashboard. If ICANN is serious about improving diversity, it should set targets for diversity within its staff and senior leadership. This could involve setting a maximum level of representation of a single region (such as 30%) in each category, and/or gender balance targets (note that this discussion is ongoing within the Diversity subgroup of WS2, but this does not prevent ICANN from being proactive).

ICANN has indicated that it has been conducting an organisation-wide EFQM assessment. This is a very welcome development. ICANN should disclose a summary of the results, and indicate how the proposed FY18 plan addresses its conclusions.

In addition, an EFQM assessment would provide a good metric for a KPI: what range of scores or awards is ICANN aiming for in FY18?

Strategic Objective 4. Promote ICANN's role and multistakeholder approach

4.1 Encourage engagement with the existing Internet governance ecosystem at national, regional, and global Levels

This section should be refined by clarifying the engagement strategy. Simply looking at an index does not create the possibility of assessing if ICANN's performance is meeting its standards or not. We would encourage ICANN to clarify whether its priorities for stakeholder engagement are to deepen relationships with stakeholders (% of 'Low' should decrease in the Dashboard data) or expand outreach (# of stakeholders qualified should increase by N%).

4.2 Clarify the role of governments in ICANN and work with them to strengthen their commitment to supporting the global Internet ecosystem

The measure of this is the increased # of GAC members attending ICANN public meetings, but the KPI Dashboard reflects GAC membership and participation. Success factor should be rewritten to reflect what is being reported.

4.3 Participate in the evolution of a global, trusted, inclusive multistakeholder Internet governance ecosystem that addresses internet issues

Even for this goal, the chosen metric is very weak and assumes the knowledge of what ICANN means when it refers to 'IG Ecosystem Evolution'. Is it linked to Internet governance content or its organisational structure?

Furthermore, we fail to understand how such a sub-goal can be achieved, as it seems that there is no headcount and/or budget allocated to it.

4.4 Promote role clarity and establish mechanisms to increase trust within the ecosystem, rooted in the public interest

We would appreciate receiving more details on the goal to 'Assess current practices in light of the changing environment and adjust as needed'. The action as presented is too vague to be evaluated.

'Ensuring that the safeguards role becomes an important part of the ICANN's organization portfolio' cannot be seen as a metric of any kind.

Despite its headline containing the word 'clarity', the entire section lacks the clarity needed to provide adequate feedback.

Strategic Objective 5. Develop and implement a global public interest framework bound by ICANN's mission

5.1 Act as a Steward for public interest

Acting as a steward for public interest should be one of ICANN's most relevant objectives. However, the way the work around this objective is presented in the FY18 Operating Plan and Budget is one of the most poorly conceived of the entire Plan. The metric associated with the objective is very confused. It also seems to imply that a percentage of ICANN decisions might not be 'rationalised based on common consensus-based definitions'.

5.2 Promote ethics, transparency and accountability across the ICANN community

The heading for this strategic goal in the Draft FY18 Op Plan, and on the KPI Dashboard, is 'Promote Ethics, Transparency and Accountability Across the ICANN Community' but in the Five Year Operating Plan Update the heading is 'Develop and Implement a Global Public Interest Framework Bounded by ICANN's Mission'.

The current metrics are informative, but could be greatly improved as they do not provide any view of the performance of the implementation. One suggestion would be to track the % of recommendations which have been implemented within 1 year/2 years/3 years of the adoption of the report.

With reference to the Accountability and Transparency Mechanisms, the current metrics are mostly focused on timely responses and compliance with processes. We would also recommend the inclusion of the number of requests received over time through the different channels (DIDP, whistleblower, Ombudsman, Reconsideration, IRP, Community Powers, and Litigations) and their associated success rates. This would provide a view of how contentious the relationship with the community is. Once tracked over time, it might also provide interesting insights about how/where to improve the system. This section of the Plan would also strongly benefit from a community satisfaction survey programme rating, among other things, ICANN's accountability and transparency year on year.

5.3 Empower current and new stakeholders to fully participate in ICANN activities

There is a need for clarity on the Public Interest Initiatives that ICANN plans to support and their expected outcomes. Currently this appears vague.

The presence of satisfaction rates in the KPI is very welcome. It provides a very useful addition to the other metrics, which are volume measurements. Adding return rates (people who return to ICANN or take leadership positions one year after the courses) would provide an even better view of the relevance of these courses.

Annex 1

Summary of clarification' requests per objective

Strategic Objective 1. Evolve and further globalize ICANN

1.4 Bring ICANN to the World

As for stakeholder engagement, can the metrics used to measure the effectiveness of the hubs be clearly defined and monetised? With regard to Key Performance Indicators, please consider including capacity building webinars (themes, number of participants, % of live interpretation) and the events organised in the regions (GSE executive team).

1.5 Evolve Policy Development and Governance Processes

Regarding the action to 'Support one or more At-Large General Assemblies'.

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An EFQM assessment would provide a good metric for a KPI: what range of scores or awards is ICANN aiming for in FY18?

Strategic Objective 4. Promote ICANN's role and multistakeholder approach

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