

## ccNSO SOP WG

### Comments on the draft FY 15 Operating Plan and Budget

*19 June 2014*

#### **Executive Summary**

The SOP WG commends ICANN for greatly improving its Operating Plan and Budget in terms of structure, clarity and presentation, in particular the manner in which Objectives, Portfolios and highlighted projects are explained, and the budget is allocated to them. For future operating plans it is suggested to distinguish projects from on-going activities functional activities

The SOP WG advises ICANN to publish more details on the budgetary implications of the IANA stewardship transition and ICANN accountability process as soon as possible to inform the community also on the potential impact at operational level, the possible re-allocation of budget and the effect of any such re-allocation.

As in preceding budgets, we again notice a considerable increase in operating expenses (+25% including new gTLDs, and +27% excluding new gTLDs). We also note revenues based on the assumption that new (gTLD) registries will register 33 million domain names in 2015. We believe the budgeted increase in expenses to be dangerously high and the new gTLD sales assumption to be quite optimistic. Considering the current, global domain name sales trends (including the new gTLDs), we urge ICANN to reduce expenses growth and consider adequate measures in case the revenues are not in line with their projections.

#### **Introduction**

The Strategic and Operational Planning Working Group (SOP WG) of the ccNSO welcomes the opportunity to comment on ICANN's Draft Five-Year Strategic Plan (FY16-FY20). 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 to the public comments forum and relate to ICANN or other Supporting Organizations and Advisory WG's on its own behalf. The views expressed are therefore not necessarily those of the ccNSO (Council and/or 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).

To facilitate ICANN to relate our comments to the relevant sections of the Draft FY 2015 Operating Plan and Budget, we have structured our submission in the following manner: First we will provide high level, general comments. This will be followed by additional, specific comments aligned with each of the four Objectives presented in the plan and related goals:

- Affirmation of purpose
- Operational Excellence
- Internationalization
- Multistakeholder model evolution

## **General comments**

***IANA stewardship transition and ICANN accountability process*** The SOP WG notes that the budgetary and operational impact of these two, major processes is not (fully) reflected in the FY 2015 Operational Plan and Budget. The SOP WG advises ICANN to publish more details as soon as possible to inform the community not only of the processes, but also of the impact at operational level, the possible re-allocation of budget and the effect of any such re-allocation.

***Relationships between Ops Plan and Budget and Strategic Plan*** We commend ICANN for greatly improving its Operating Plan and Budget in terms of structure, clarity and presentation, in particular the manner in which Objectives, Portfolios and highlighted projects are explained, and the budget is allocated to them. We look forward to the FY 2016 Operating Plan and Budget that -if we understand correctly- will be directly related to the 2016-2020 Strategic Plan. The SOP WG has been advocating for such a relation since its inception.

However, it is also noted that the nature of some of the projects mentioned in draft FY 2015 Operating Plan and Budget reflect on-going business, and relate to regular ICANN/IANA functions rather than projects (with a clear and timely end goal, deliverables and schedule). The SOP WG suggests that in future operating plans projects in the latter sense are distinguished from on-going activities.

***Deliverables*** The SOP WG welcomes the improvement in defining deliverables, and inclusion of Key Success Factors per goal. However, in our view there is room for improvement in the design of the Key Success Factors. For example, a KSF like “quality services are delivered timely and effectively” might be open to multiple interpretations and it is not always perceived as a KSF.

***Budget allocations*** We underline ICANN’s intention to “maximize its efficiency with limited growth”. It would be useful to show some historical financial information - for at least two years – to allow the community to compare trends and significant changes in budget allocation.

***Revenue*** We note the assumption that new (gTLD) registries will register 33 million domain names in 2015. In the opinion of the SOP WG this assumption is quite optimistic. Firstly, we would appreciate to learn more about the grounds of such a prognosis.

***Operating Expenses*** As underlined in previous submissions, we notice a considerable increase in operating expenses (+25% including new gTLDs, and +27% excluding new gTLDs). Looking at the current, global domain name sales trends (including the new gTLD), we believe the increase might be dangerously high and recommend ICANN to consider adequate measures in case the revenues are not in line with their projections.

## **Specific Comments**

### ***Objective 1: Affirmation of purpose***

**Goal 1.1 Deliver Core Internet Functions** In the view of the SOP WG this section does not take into account the changing environment. As changes can be expected, i.e changes will take shape in FY 2015, this section needs to be reviewed, taking into account different scenarios.

The SOP WG agrees that activities relating to WHOIS, IANA, SSR and DNS Ops as captured in the related portfolios and related projects reflect the goal “Deliver Core Internet Functions”. However, recognizing and acknowledging their importance, the SOP WG questions whether capability building and outreach are “core” services given the definition of the goal: “services essential to the functioning of the Internet”. It seems to be more appropriate to include training and outreach projects in other goals.

The SOP WG notes that with regard to the first goal on core Internet functions, the numbered text following the table does not match with the portfolios in the table. For example, Portfolio 1.1.3 is “IANA Operations” but the text following states “1.1.3 Internationalised Domain Names (IDNs Portfolio” – which is included in the table as Portfolio 1.1.4.

**Goal 1.2 Act as a steward of the Public Interest** It is unclear to the SOP WG if and how the Accountability review process as recently launched, is reflected in this Ops plan. In our view this will be a long-term and significant effort and needs to be reflected in the plan.

**Goal 1.3 Engage in the Internet Eco-system** Goal 1.3 (a) reads “increasing the number of organisations with public recognition of roles and responsibilities in the IG ecosystem”. It is not clear to the SOP WG why or how this is ICANN’s role. Members of the SOP WG also do not consider it ICANN’s role to coordinate and organize sessions and other events at the IGF. ICANN is a key contributor, but this is different from being responsible for organizing and coordinating this kind of events.

**Goal 1.4 Deepen Partnerships with Internet Organisations** It is unclear to the SOP WG what results and particular outcomes ICANN is looking for with its focus on engagement with I\* organizations and why it warrants a separate item.

### ***Objective 2 – Operational Excellence***

**Need to take into account the customer or stakeholder’s opinion** In the view of the SOP WG the words “Operational excellence” are of limited use to an organization if they are not followed by the words “as perceived by the customer” (or stakeholder). What we miss in this context, are concrete plans (including measurable targets) to develop and sign SLA’s, benchmark ICANN’s performance with other organizations (for example ccTLD and gTLD registry operators), measure customer and stakeholder satisfaction with regard to ICANN’s services, and broad implementation of (a) quality assurance (standard). It is surprising that in point 2.3.2 \$0 was assigned to Customer Service and there were no other goals or portfolios focused on customer or stakeholder satisfaction.

**Security standard certification** The goal “plan for scale, security, continuity” has one highlighted project in the plan: ICANN’s risk Insurance renewal. Although we understand

the significant related costs, we would expect at least a project aimed at obtaining a relevant security standard certification.

**EFQM implementation** Due to the good experience in IANA, implementing EFQM in ICANN's operations appears to be an obvious choice to put effective and efficient processes in place.

**Breakdown of Function Operations** With respect to goal 2.2, the SOP WG would appreciate a better understanding or breakdown of the \$7million assigned for Legal internal support and Support to the ICANN Board (section 2.2.5 ). In the view of the SOP WG this amount is very high if this item is focused on the Board training and their participation at meetings. The same argument applies to the \$21.9 million assigned for Support Function Operations (section 2.2.6). Is most of the budget allocation for HR development programs as mentioned in the description? When looking at Appendix A.2 it shows that most of the budget is intended for Admin Services in the Hub Offices and to New gTLD Allocation and Direct Costs. A more detailed explanation of how these two items are intended to support Function Operations would be helpful.

**Professional Services** According to goal 2.3, \$29.5 million is allocated to the New gTLD program, which is the highest allocation in this section. Looking at Appendix A.I, Professional Services make up \$16.9 of this total amount. Are these legal fees? The description mentions "with existing resources" but the amount assigned does not go hand-in-hand with the description. Although ICANN has gone through a steep hiring phase this past year (FY 2014) it still appears to be highly dependent on external consultants for its operations. The SOP WG would welcome if ICANN could indicate whether this is temporary or a deliberate choice to outsource parts of its operations.

### ***Objective 3: Internationalization***

The SOP WG notes that according to the FY15 Operational Plan and Budget, internationalization, including engaging stakeholders globally, is the main cost driver, i.e. \$15.9M. We also note that compared with previous year the level of detail in the draft plan and budget has improved; amounts for a sampling of projects were included. However, compared with the other objectives, the objective of internationalization is stretched in order to cover a cluster of different activities (from communication to regional responsibilities, from stakeholder engagement to government relationships) and thus lacks the necessary focus. As the allocated budget for this Objective is considerable, the SOP WG suggest that ICANN seriously considers whether all the listed goals and projects really serve the purpose of internationalization and hence the purpose of the organization, and secondly the added value of the projects is adequately evaluated against the costs.

For example, 3.1.4 The Language Services Portfolio includes an aggressive two-year strategy to enhance ICANN's multilingual programs. At the same time, English is the only official language for ICANN documents. Translations are made only for reference and have no legal power for any binding legal documents, such as RAAs or RAs. If this remains to be the case, alternative and more economical ways of translation could be considered instead of the aggressive interpretation or translation plan. Alternatively, ICANN becomes much more internationalized i.e documents in other languages will get the same status, in which case a program as proposed is warranted.

**Goal 3.3 Integrate Global and Regional Responsibilities** In the view of the SOP WG this is an important step to decentralize and improve ICANN's services in all the regions. It would be helpful to provide more details on how to ensure "appropriate resource allocation to regional offices that optimizes alignment and integration of matrix responsibilities."

#### ***Objective 4 Multistakeholder model evolution***

We acknowledge the improvements in terms of the structure of this Objective. However, we still fail to see clear timeframes for the development of the activities, as well as a clear division between goals, activities to achieve these goals, and deliverables. We also note that possible risks and contingencies that may impede both the achievement of the macro-objective and the goals are not considered in the Operating plan. For example, under 4.1 “Optimize Policy Development Process” and some other goals, we find that the activities to achieve the goals coincide with the so-called “key success factors for this goal”.

In the view of the SOP WG, specific activities to properly assess what ICANN has already achieved in the various areas pertaining to this Objective, including but not limited to the strengths, weaknesses and outcome of those activities, should be included. As stated in the comments made on previous Operating Plans and Budget, this kind of evaluation should be the first step for each of the goals under this objective to ensure that lessons from the past are learned and taken into account.

**Goal 4.1 - Optimize Policy Development Process** With regard to this goal, we would appreciate receiving clarification regarding the “effort to improve predictability of policy development, policy related and advisory processes”. We would like to underline that it is crucial for ICANN to better engage with the members of its constituencies and constantly brief them about the importance of their active and proactive participation in the policy development processes. At the same time, certain processes should be streamlined in the interest of the community and to allow to cope with the fast changes in a rapidly shifting environment.

We agree that SO-AC communications should be more regular and effective and remain available to help ICANN to eventually redesign the communication content and identify new communication tools.



**Goal 4.2 – Increase & Improve Global Participation** In the view of the SOP WG this goal seems to be based on the assumption that an increase in the number of participants will generate improvements with regard to ICANN representativeness and inclusiveness. While this may be partially valid, we strongly recommend strengthening the “global participation improvement” also from the perspective of increasing the quality of the participation. This is especially relevant with respect to the ICANN Fellowship Programme. In our view this should be revised to ensure quality and long-term participation with regular follow ups with those who benefited from the Programme.

**Goal 4.3 – Evolve SO/AC Structures** Considering the fast evolution of the domain name sector, we believe that this goal should include more specific actions and time-framed plans to ensure that the current ICANN SO/AC framework is able to meet community expectations and to enable rapid adjust of the structure to the changes of the DNS environment. Unfortunately, the sub-goals seem not to be fully in line with the macro-objective. Furthermore, we would suggest the sentence of sub-goal 4.3.2 – *“The Advancing Multistakeholder model Innovation Portfolio will include work to develop and manage process for educating and promoting ICANN’s Multistakeholder model as the preferred and only method of successful Internet Governance.”* - to be rephrased. While acknowledging the achievement of the ICANN Multistakeholder model, we believe that any engagement/educational activity should be a two-lane process where one lane serves to listen and eventually, learn from other experiences in the ultimate interest of the ICANN Multistakeholder model.

**Goal 4.4 – Promote Ethics and transparency** In the view of the SOP WG this goal focuses on an area and topics, which are a considered very sensitive area where the community has expressed concerns on numerous occasions. For this reason we recommend very specific actions and time frames should be included.