

Draft Initial Report of the new gTLD Auction Proceeds Cross Community Working Group

This is the Initial Report by the new gTLD Auction Proceeds CCWG, prepared by ICANN Staff for publication in conjunction with the opening of a public comment forum. Following review of the input received on this Initial Report, the CCWG will finalize its report and recommendations for submission to the CCWG's Chartering Organisations for their consideration.

[Date] October 2018

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21 **1. Executive summary** [to be updated/completed pending finalization of Report]

22 An auction is the mechanism of last resort in ICANN's new gTLD Program for resolving
23 contention when two or more applicants apply for the same string. In the 2012 application
24 round, most string contentions (approximately 90% of sets scheduled for auction) were
25 resolved through other means before reaching an auction conducted using ICANN's
26 authorized auction service provider. To date, 16 of the 218 contentions sets used a last
27 resort auction conducted by ICANN's authorized auction service provider. Proceeds
28 generated from auctions of last resort were separated and reserved until the
29 multistakeholder community develops a plan for their use. This plan must be authorized by
30 the ICANN Board. The new gTLD Auction Proceeds Cross Community Working Group is
31 tasked with providing guidance on a framework to disburse the funds generated from
32 auctions in the new gTLD Program.

33
34 This Report sets out the core issues that the new gTLD Auction Proceeds Cross-
35 Community Working Group (CCWG) addressed in carrying out its Charter¹ since its
36 inception in January 2017. It records the CCWG's discussions regarding options around a
37 mechanism to allocate the new gTLD Auction Proceeds in accordance with ICANN's mission
38 and bylaws.

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40 According to the new gTLD Auction Proceeds CCWG charter, the objective of the CCWG is
41 to develop a proposal(s) for consideration by the Chartering Organizations. The CCWG
42 charter includes a series of guiding principles that the CCWG is expected to take into
43 account and lists 11 charter questions for the CCWG to answer in the course of its work.
44 Responses to these charter questions are included in section 5 of this report.

45
46 The charter specifies that as part of this proposal, the CCWG is also expected to consider
47 the scope (see for further details below) of fund allocation, due diligence requirements that
48 preserve ICANN's tax status as well as how to deal with directly related matters such as
49 potential or actual conflicts of interest. This means that the CCWG will not decide, nor
50 provide recommendations on which specific organizations or projects are to be funded or
51 not.

52
53 Since the adoption of its Charter, the CWG has met regularly through telephone conferences
54 and at ICANN public meetings. It has provided regular updates to the chartering
55 organisations, and the broader community.

56
57 As specified in the CCWG's charter, the CCWG consists of members and participants.
58 Please see Annex B for detailed information about membership and attendance. Each
59 Chartering Organization appointed between no fewer than 2 and no more than 5 members to
60 the CCWG. Members actively participate in calls, meetings and discussions. They also take
61 part in consensus calls and are expected to serve as a liaison between their respective
62 Chartering Organization and the CCWG. In addition, any interested individual was and
63 continues to be permitted to join the CCWG as a participant. These individuals actively
64 participate in and attend all CCWG meetings but do not participate in consensus calls. The
65 CCWG is led by two Co-Chairs, Erika Mann (appointed by the GNSO) and Ching Chiao
66 (appointed by the ccNSO).

67
68 Throughout its deliberations to date, the CCWG has noted

69 At the same time, members of the CCWG recognise that

70 The CCWG recommends that

¹ <https://community.icann.org/display/CWGONGAP/CCWG+Charter>

71 2. Objective and next steps

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73 The new gTLD Auction Proceeds Cross-Community Working Group (CCWG) was chartered
74 at the end of January 2017 by the by the Address Supporting Organization (ASO), the At-
75 Large Advisory Committee (ALAC), the Country Code Names Supporting Organization
76 (ccNSO), the Generic Names Supporting Organization (GNSO), the Governmental Advisory
77 Committee (GAC), the Security and Stability Advisory Committee (SSAC), and the Root
78 Server System Advisory Committee (RSSAC) to propose the mechanism that should be
79 developed in order to allocate the new gTLD Auction Proceeds. The term ‘mechanism’ in this
80 context refers to a funding structure that will be created to allocate the Auction Proceeds.
81 Following approval of the proposal(s) by the Chartering Organizations, it is to be submitted
82 to the ICANN Board for its consideration.

83

84 Per the CCWG’s charter, the CCWG is expected, at a minimum, to publish an Initial Report
85 for public comment followed by a Final Report, which will be submitted to the Chartering
86 Organizations for their consideration. The publication of this Initial Report has to meet the
87 expected obligations set out in the CCWG’s charter and further described by materials
88 produced by the ICANN organization². Through publication of the Initial Report, the CCWG
89 aims to gather the input from Chartering Organizations as well as others interested in this
90 work on the CCWG’s deliberations and recommendations.

91

92 The public comment period will remain open for a minimum of 40 days to ensure that all
93 interested individuals and groups have an opportunity to respond.

94

95 After review of comments received on this Initial Report, the CCWG will finalize its set of
96 recommendations and submit it in the form of a Final Report to the Chartering Organizations
97 and to the Board of ICANN for their consideration.

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99 For further information and background, please see Annex A.

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² See for example the memo to the Drafting Team for Auction Funds Proceeds CCWG Charter on Legal and Financial Considerations for Inclusion in Charter, available at <https://community.icann.org/display/CWGONGAP/Legal+and+Fiduciary+Constraints+Related+Materials>

101 **3. Methodology**

102 As one the of the CCWG’s initial tasks, the group developed an approach to completing the
103 work set out in the CCWG’s charter. The CCWG decided to take a phased approach with the
104 ultimate objective of responding to a series of 11 questions posed in the CCWG’s charter.
105 The methodology also provided an opportunity for the CCWG to consider a series of
106 possible “mechanisms” or funding structures that could be used to allocate funds.

107
108 The CCWG initially focused on assessing the [expertise](#) available within the CCWG as well
109 as identifying potential external experts that could assist the CCWG in its deliberations. The
110 working group also identified a series of possible questions for external experts (see [here](#))
111 to help inform the CCWG’s deliberations. Furthermore, the CCWG deliberated its approach for
112 dealing with the charter questions - as well as the proposed timeline and agreed to the
113 following phases:

- 114
115 ● **Phase 1**
116 Initial run-through of all charter questions to assess initial responses, identify possible
117 gating questions, and determine potential order in which questions need to be dealt
118 with.
- 119
120 ● **Phase 2**
121 Address any charter questions that have been identified requiring a further detailed
122 response before commencing the next phase.
- 123
124 ● **Phase 3**
125 Compile list of possible mechanisms for setting up a future organizational structure
126 that could be considered by CCWG.
- 127
128 ● **Phase 4**
129 Determine which mechanism(s) demonstrates most potential to meet CCWG
130 expectations as well as conform with legal and fiduciary constraints as defined in
131 ICANNs Bylaws and legal/fiduciary obligations.
- 132
133 ● **Phase 5**
134 Develop responses to the different charter questions (as organized per phase 1) from
135 the perspective of the mechanism(s) that has been selected in phase 4 as
136 demonstrating the most potential.
- 137
138 ● **Phase 6**
139 Publish Initial Report for public comment following consensus on mechanism and
140 responses to charter questions that meet legal, fiduciary, and audit constraints.

141
142 See Annex C for further details.

143
144 To facilitate deliberation on key concepts, the WG has been using surveys to collect input,
145 and this approach was found to be quite successful to review the outcome of the initial run-
146 through of charter questions as well as surveys conducted to date (see
147 <https://community.icann.org/x/PNrRAw>).

148

149 **4. Summary of Deliberations**

150 **4.1. Mechanisms identified**

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152 After the CCWG progressed through the first two phases of work as outlined in the previous
153 section and further detailed in the CCWG newsletters (see
154 <https://community.icann.org/x/qyQhB>), the CCWG identified four possible mechanisms that
155 could be explored in further detail. The CCWG examined key characteristics of each
156 mechanism to support analysis of the different options. In particular, the CCWG considered
157 the following areas:

158

- 159 ● Control:
 - 160 ○ What role will the ICANN Board play in governance?
 - 161 ○ Will there be an opportunity for ICANN stakeholder engagement?
 - 162 ○ Will it be possible to sunset the mechanism?
 - 163 ○ Will it be possible to grant funds to organizations internationally?
- 164 ● Competence:
 - 165 ○ How complex will the startup process be for the mechanism?
 - 166 ○ Who will be responsible for handling grant requests, implementation,
167 evaluation, oversight? Program communications? Program administration,
168 including audit, legal, investment, and risk management responsibilities?
- 169 ● Cost:
 - 170 ○ What are the costs associated with starting up the program? Operating the
171 program?

172

173 The following is a summary of key characteristics of the evaluated mechanisms:

174

175 **Mechanism A: Internal ICANN Department**

176 An internal department dedicated to grant solicitation, implementation and evaluation is
177 created within the ICANN organization. All grants are listed in ICANN's annual tax
178 recordings.

179

Control	
ICANN Board governance	Yes
ICANN stakeholder engagement	Yes
Ability to sunset	Yes
International capabilities	Yes, non-US grants will need to go through due diligence process (equivalency determination and expenditure responsibility) and the Office of Foreign Assets Control (OFAC).
Competence	
Start up process	Minimal
Team responsible for grant requests, implementation, evaluation, oversight	Grants management professional required.

Communications	ICANN resources may be allocated for public relations and external content.
Administrative: audit, legal, investment responsibilities, risk management	ICANN Staff manages the audit, legal and investments. Grant activity are listed on the annual tax filings with the US government.
Cost	
Start-up cost	Expected to be minimal compared to the other mechanisms.
General annual expenses	For illustrative purposes, if ICANN had a fund of USD \$X Million and wanted to sunset the granting period in 10 years (2028), ICANN would have an annual budget of roughly 1/10th of the total. Depending on costs related to the programs, a portion of the annual budget will cover all program functions, investment fees, administrative expenses including staff, legal/audit, property etc.

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Mechanism B: ICANN + External Organization

ICANN Internal Granting Department collaborates with an existing non-profit, such as a donor-advised-fund (DAF). Internal staff would manage ICANN messaging, communication and oversight and would be able to control grants. Each year the team could grant funds to a DAF to manage, administrate and implement. ICANN directs the distribution but the investment control is managed by the DAF. DAF grants are on the DAF Annual Tax Filing. ICANN could also consider working with an outside organization or consultant to manage specific aspects of the granting process depending on the objectives of the funds.

Control	
ICANN Board governance	Yes, although the DAF is responsible for the grant management and due diligence. Once funds are transferred, it is a legal donation to the DAF.
ICANN stakeholder engagement	Yes, the stakeholders can assist in deciding how grants should be allocated.
Ability to sunset	Yes
International capabilities	Private foundations are required to demonstrate foreign compliance with expenditure responsibility including pre-inquiry, grant agreements, reporting, confirmation of separate accounts, and listing on the annual tax filings.
Competence	
Start up process	Minimal, ICANN chooses a DAF partner.

Team responsible for grant requests, implementation, evaluation, oversight	Shared between ICANN and DAF, ICANN determines that partnership.
Communications	ICANN resources may be allocated for public relations and external content.
Administrative: audit, legal, investment responsibilities, risk management	ICANN directed funds are managed by ICANN. The DAF directed funds are managed by the DAF.
Cost	
Start-up cost	Minimal
General annual expenses	Smaller staff to manage ICANN internal responsibilities, note: DAFs often charge a 1-2% annual management fee in addition to investment fees.

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Mechanism C: ICANN Foundation

A new charitable structure is created separate from ICANN which would be responsible for solicitation and evaluation of proposals, and disbursement process.

Control	
ICANN Board governance	A separate, independent entity requires a separate board, but ICANN could suggest or trigger the appointment of board members.
ICANN stakeholder engagement	Yes, the foundation could host an advisory committee comprised of ICANN stakeholders.
Ability to sunset	Yes
International capabilities	Private foundations are required to demonstrate foreign compliance with expenditure responsibility including pre-inquiry, grant agreements, reporting, confirmation of separate accounts, and listing on the annual tax filings.
Competence	
Start up process	Requires a separate entity identification number, approval from the US Internal Revenue Service, (which may take months), legal drafting of bylaw and agreements.
Team responsible for grant requests, implementation, evaluation, oversight	Grants management professional required.

Communications	Communications consultant or resources required.
Administrative: audit, legal, investment responsibilities, risk management	Audit, legal, investment responsibilities, risk management: Must be managed separately, accountings and annual tax documents filed separately from ICANN. It is required that 5% of the principal (account value) is disbursed each year. Investments must be managed well: excise tax on capital gains of 1-2%.
Cost	
Start-up cost	Time for IRS approval, legal fees to draft bylaws and agreements.
General annual expenses	For illustrative purposes, if ICANN had a fund of USD \$XM and wanted to sunset the granting period in 10 years (2028), ICANN would have an annual budget of roughly 1/10 th of the total. Depending on costs related to the programs, a portion of the annual budget will cover all program functions, investment fees, administrative expenses including staff, legal/audit, property etc.

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Mechanism D: External Entity

According to the CCWG: An established entity (e.g. foundation or fund) is used for the evaluation of projects and for the allocation of the Auction Proceeds. (ICANN would still have to organize the oversight of processes to ensure mission and fiduciary duties are met.)

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It was noted that this type of mechanism doesn't necessarily exist. As all entities have their own mission/vision statements, they will not usually give away control and/or oversight to another entity. There are a few examples where it could work, but it would be very similar to Mechanism B:

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- ICANN creates an internal committee to partner with grant making consultants to disburse funds.
- ICANN partners with an academic institution such as a university or research center and a partnership is formed based on core objectives.
- ICANN partners with a global banking institution that has a grant making arm.

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4.2. Criteria

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In addition, the CCWG identified a number of criteria that it deemed important in evaluating these different mechanisms, namely:

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- Efficiency and effectiveness
- Cost-effectiveness of setting up the mechanism (most value for money)
- Cost-effectiveness of running the mechanism (e.g. overhead, operating costs)
- Ability to sunset (i.e. terminate / close down)
- Ease of setting up in terms of time and effort
- Ability to meet legal and fiduciary requirements
- Enabling ICANN stakeholder engagement

- 225 ● Efficient means for fund allocation from selection to fund distribution for projects
- 226 ● Administrative complexity to run
- 227 ● Means for oversight
- 228 ● Providing transparency and accountability
- 229 ● Equipped to operate and execute globally distributed projects
- 230 ● Balance of control between ICANN and independence of fund allocation

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232 **4.3. Input provided by the ICANN Board**

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234 Through the Board appointed liaisons - two Board member were appointed to participate
235 formally in the work of the CCWG - as well as formal correspondence (see
236 <https://community.icann.org/x/V7XRaW>) input was provided by the Board to help inform the
237 CCWG's deliberations with regards to the Board perspectives on some of the questions
238 under discussion.

239

240 For example, the Board shared the following principles that it expects to evaluate the
241 CCWG's proposal and recommendations against:

242

243 Overarching Fiduciary Obligations and Responsibility for Funds

- 244 ● The ICANN Board remains responsible for all auction proceeds being appropriately
245 disbursed, even if a third party runs part or all of the process of receiving, evaluating,
246 or disbursing the auction proceeds.

247

248 Board Due Diligence

- 249 ● The Board is responsible for acting as trustees of the organization's assets and
- 250 ● exercising due diligence to oversee that whatever organization(s) is disbursing
251 assets is well-managed and that its financial situation remains sound. Accordingly:
 - 252 ○ Proceeds should be allocated in tranches over a period of years to ensure the
253 Board is meeting its obligations
 - 254 ○ The Board has not yet come to a position on whether larger amounts would
255 require Board sign off

256

257 ICANN's Mission

- 258 ● The Board is responsible for making sure that ICANN's mission is observed at all
259 points throughout the process, and any disbursement mechanism must have
260 processes and procedures to ensure that auction proceeds are used in a manner that
261 contributes directly to ICANN's mission

262

263 Effective and Efficient Process of Selection and Proposed Mechanism

- 264 ● The CCWG-AP should strive to keep costs associated with establishing or selecting
265 a disbursement mechanism as low as possible. The disbursement mechanism
266 selected should be simple, effective and efficient, with appropriate skills, expertise,
267 and scale to minimize overhead, minimize risks, and maximize the impact of auction
268 proceeds

269

270 Preservation of Resources and Use of Existing Expertise

- 271 ● The CCWG-AP should work to identify models and processes that uphold the
272 preservation of existing resources, either external or internal, and should draw on
273 existing expertise to the extent available

274

275 Global and Diversity Values

- 276 ● The mechanism selected should be able to evaluate proposals and make,
277 administer,
278 and monitor awards on a global basis in light of ICANN's global role and diversity
279 values
- 280 ● As part of ICANN org's implementation, we expect the mechanism should be
281 supported by a communications plan geared to broad dissemination of information on
282 the existence of and parameters of the program

283
284 Evidenced-Based Processes and Procedures for Evaluation

- 285 ● The disbursement mechanism should have processes and procedures in place to
286 evaluate and quantify the impact of awards using fit-to-purpose or evidence-based
287 evaluation methodology

288
289 Accountability

- 290 ● The actors that run the mechanism, whether internal or external, should be
291 accountable, and the proceeds should be disbursed to awardees consistent with a
292 written timeline that establishes clear milestones/deliverables for release of project
293 funding and establishes accountability for use/misuse of resources by grant
294 recipients. This includes the ability to course correct or stop funding where issues
295 arise

296
297 ICANN Monitoring and Evaluation

- 298 ● If part or all of the mechanism is external, ICANN should have an established
299 process for monitoring and evaluating the functioning of the funding mechanism and
300 measuring the effectiveness of funded projects

301
302 Transparency

- 303 ● Ensuring adequate/appropriate transparency to the ICANN community and the public
304 on the process, decisions, and status of usage of the proceeds

305
306 **4.4. Ranking mechanisms**

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308 In preparation for drafting the CCWG's Initial Report, the co-chairs conducted a poll of
309 CCWG members and participants in order to assess which mechanisms CCWG members
310 and participants felt were most promising with respect to criteria listed in sub-section 4.2,
311 taking into account expert input received and CCWG deliberations. In the survey, CCWG
312 members and participants were asked to rank the mechanisms in order of preference and
313 were also asked whether they recommended eliminating one or more mechanisms from
314 further consideration. They were invited to explain their responses, including which criteria
315 they considered most important in ranking the mechanisms and why they suggested
316 eliminating one or more mechanisms from future consideration, if applicable.

317
318 Numerical scores were assigned for each survey response. If a respondent selected a
319 mechanism as first choice, the mechanism received 4 points. A second choice received 3
320 points. A third choice received 2 points and a fourth choice received 1 point. If a respondent
321 recommended eliminating a mechanism from further consideration, it received zero points.

322
323 The results of the survey are available on the CCWG wiki³. Mechanism B came out as a
324 clear frontrunner, with mechanism A also receiving significant support. Some respondents
325 favored continuing to consider mechanism C, although support was more limited. There was
326 strong support among respondents to eliminate mechanism D from further consideration.

³ See 6 September 2018 survey results at <https://community.icann.org/display/CWGONGAP/Initial+Report+Drafting>

327 Respondents considered the following criteria most important in ranking the four
328 mechanisms:

- 329
- 330 ● Efficiency and effectiveness⁴, including cost-effectiveness of setting up the
331 mechanism and cost-effectiveness of running the mechanism
- 332 ● Ease of setting up in terms of time and effort
- 333 ● Ability to leverage existing expertise and resources⁵
- 334 ● Ability to meet ICANN's legal and fiduciary obligations
- 335

336 While all members and participants were encouraged to respond to the survey, only a subset
337 of all members and observers submitted responses. To validate the results of the survey, the
338 CCWG held additional discussion to ensure that there was a shared understanding of the
339 CCWG's preferences as reflected in the Initial Report.

340

341 In the recommendations and responses to charter questions included in section 5 of this
342 report, the CCWG has prioritized mechanisms A and B for further consideration in line with
343 the CCWG's preference for these mechanisms. The recommendations and responses to
344 charter questions reflect that the CCWG is particularly confident that mechanism B would
345 serve the needs of the ICANN organization and community. Mechanism C is addressed in a
346 more limited manner, reflecting that a smaller number of favored this option. While
347 mechanism D is described in this report, the recommendations and responses to charter
348 questions do not address mechanism D, which was least favored by the CCWG and is not
349 being recommended for further consideration at this time.

350

351 **4.5. Conclusion**

352

353 As a result of the deliberations that commenced at the end of January 2017 as well as the
354 extensive input that has been provided by various external experts (see
355 <https://community.icann.org/x/0RS8B>) as well as members and participants of the CCWG,
356 the preliminary recommendations outlined in the next section are being put forward for the
357 community's consideration and input.

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359

⁴ This criterion is consistent with following principle identified by the ICANN Board: "Effective and Efficient Process of Selection and Proposed Mechanism: The CCWG-AP should strive to keep costs associated with establishing or selecting a disbursement mechanism as low as possible. The disbursement mechanism selected should be simple, effective and efficient, with appropriate skills, expertise, and scale to minimize overhead, minimize risks, and maximize the impact of auction proceeds."

⁵ This criterion is consistent with following principle identified by the ICANN Board: "Preservation of Resources and Use of Existing Expertise: The CCWG-AP should work to identify models and processes that uphold the preservation of existing resources, either external or internal, and should draw on existing expertise to the extent available."

360 5. Preliminary Recommendations & Responses to the Charter 361 Questions

362 The CCWG's charter contains a series of 11 questions addressing different areas for which
363 the CCWG is expected to provide guidance. In conducting its work, the CCWG took an
364 iterative approach to developing responses to these questions. The responses draw on input
365 from external experts consulted by the CCWG and the ICANN organization, as well as
366 deliberations of the CCWG.

367
368 Note that the responses to the charter questions below represent the best current thinking of
369 the CCWG which may evolve further after a thorough review of the community input
370 received on this Initial Report. Similarly, no formal consensus call has been taken on the
371 preliminary recommendations outlined in the section below. A formal consensus call⁶ is
372 expected to take place prior to the finalization of the CCWG's report and recommendations
373 for submission to its Chartering Organizations.

374
375 In addition to the preliminary recommendations presented in this report, the CCWG is also
376 providing a set of proposals that may help to guide the implementation phase of work
377 (Implementation Guidance). The implementation phase is the next phase that will translate
378 the current work into a concrete operation. It is the expectation that, similar to how this is
379 done for CCWG-Accountability WS2⁷, a small implementation team will be formed to assist
380 ICANN Org and the community to ensure the implementation plan preserves the intent of the
381 recommendations and provide any interpretation advice as required.

382
383 The responses from the CCWG AP members and participants to the charter questions have
384 been grouped by topic below.

385 386 5.1. SELECTION OF THE MECHANISM

387
388 **Charter Question #1: What framework (structure, process and/or partnership) should**
389 **be designed and implemented to allow for the disbursement of new gTLD Auction**
390 **Proceeds, taking into account the legal and fiduciary constraints outlined above as**
391 **well as the existing memo on legal and fiduciary principles⁸? As many details as**
392 **possible should be provided, including any implementation guidance the CCWG may**
393 **have in relation to the establishment of this framework as well as criteria for the**
394 **selection / ranking of potential funding requests.**

395
396 The CCWG initially considered four possible frameworks (see previous section) that could
397 be used to implement the disbursement of new gTLD Auction Proceeds. Although all four
398 mechanisms are probably viable, after analyzing these potential frameworks in light of legal
399 and fiduciary constraints and other criteria (see previous section) identified by the CCWG,
400 the CCWG agreed to focus for this part of the Initial Report on mechanisms A and B, the two
401 models or frameworks that is considers most promising⁹ to meet the constraints as well as
402 criteria identified. In addition, the responses touch on mechanism C, which some members
403 supported considering further, which would need to be considered in further detail should
404 this mechanism receive substantial support during the public comment period. This does not

⁶ In a formal consensus call, the members of the CCWG will be asked to confirm their support, or lack thereof, for the different recommendations. Based on that input, the chairs will make an assessment of the level of support achieved following the designations and methodology outlined in the CCWG Charter.

⁷ See wiki at <https://community.icann.org/display/WEIA/WS2++Enhancing+ICANN+Accountability+Home>

⁸ See also [Note to Auction Proceeds DT re. legal and fiduciary principles](#)

⁹ See <https://community.icann.org/download/attachments/93128721/CCWG%20-%20Survey%20on%20Mechanisms%20-%20upd%204%20September%202018.pdf?version=1&modificationDate=1536183750000&api=v2>

405 mean that mechanism D has been completely discarded, but a good rationale would need to
406 be provided in response to the public comment forum for why this mechanism should be
407 further considered.

408

409 **Mechanism A: A new ICANN Proceeds Allocation Department is created as part of**
410 **ICANN Org dedicated to grant solicitation, implementation and evaluation (see**
411 **detailed description in previous section).**

412

- 413 ● The creation and running of this mechanism would be funded out of the auction
414 proceeds, separate from ICANN's operating budget.
- 415 ● Budget and staffing models could leverage ICANN's experience with other self-
416 funded programs, such as the New gTLD Program.
- 417 ● While the members of the department could collaborate as appropriate with other
418 departments to carry out their role, measures will be needed to ensure separation
419 between the department handling funds and the rest of the organization.
- 420 ● Model of separation between the department and other parts of the organization
421 could draw on ICANN's experience with the new gTLD program, PTI, and the IANA
422 Stewardship Transition.

423

424 **Mechanism B: A new ICANN Proceeds Allocation Department is created as part of**
425 **ICANN Org which would work in collaboration with an existing charitable**
426 **organization(s).**

427

- 428 ● The elements discussed above for mechanism A would also apply to mechanism B.
- 429 ● An external entity would support specific aspects of the fund allocation work. Division
430 of labor between ICANN and the external entity will be determined in implementation
431 but could be based on responsibilities. Two examples of how responsibilities could
432 be divided:
 - 433 ○ For example, ICANN could focus on messaging, communication,
434 oversight/audit responsibility and initial compliance checks¹⁰ while the
435 external organization could be responsible for substantive review of the
436 application, disbursement of funds, and other aspects of implementation.
 - 437 ○ Alternately, the external organization could focus solely of grant compliance,
438 including managing contractual agreements and financial payments. ICANN
439 could be responsible for all other elements of the grant cycle.
 - 440 ○ If this mechanism is ultimately selected, the following considerations and
441 principles may guide decisions about the specific division of labor:
 - 442 ■ Obtaining the proper expertise for each stage of work;
 - 443 ■ Making sure the design is simple and cost effective;
 - 444 ■ For those areas that require more significant measures of
445 independence, the need for outsourcing might be stronger;
 - 446 ■ Confirming that there is a clear definition of, as well as documentation
447 of, the roles and responsibilities within the process;
 - 448 ■ Proper controls need to be put in place to ensure that each
449 participating entity can meet its own fiduciary requirements as well as
450 serve the goals of the program.

451

452 Within the CCWG, there was a diversity of perspectives on the mechanisms and the relative
453 importance of different criteria used to evaluate these mechanisms. However, there were

¹⁰ Compliance check could focus on whether the proposed use of funds is in mission, whether the applicant can appropriately receive funds from ICANN, and to identify if any particular private benefit or lobbying issues are posed by the proposed uses stated in the application.

454 several themes that emerged in reviewing the reasons that CCWG members supported
455 mechanisms A and B:

456

- 457 ● Efficiency and effectiveness¹¹, including cost-effectiveness of setting up the
458 mechanism and cost-effectiveness of running the mechanism;
- 459 ● Ease of setting up in terms of time and effort;
- 460 ● Ability to leverage existing expertise and resources¹², and;
- 461 ● Ability to meet ICANN's legal and fiduciary obligations.

462

463 The CCWG was particularly confident that mechanism B would meet all of the above criteria.

464

465 In addition to options A and B about, the CCWG welcomes community input on mechanism
466 C, under which an ICANN Foundation is established. Mechanism C involves creation of a
467 new charitable structure separate from ICANN which would be responsible for solicitation
468 and evaluation of proposals, and the disbursement of the funds.

469

470 **Preliminary CCWG Recommendation #1:** The CCWG recommends that either mechanism
471 A (A new ICANN Proceeds Allocation Department is created as part of ICANN Org
472 dedicated to grant solicitation, implementation and evaluation) or mechanism B (A new
473 ICANN Proceeds Allocation Department is created as part of ICANN Org which would work
474 in collaboration with an existing charitable organization(s)) is designed and implemented to
475 allow for the disbursement of new gTLD Auction Proceeds. Based on the input received in
476 response to the public comment period on this report and further deliberations by the CCWG
477 taking into account these public comments, the CCWG may make changes to this
478 recommendation in the Final Report. For example, the CCWG may be in a position to
479 further narrow down its recommendation and identify a single preferred mechanism.
480 Alternately, if after reviewing and deliberating on input received through public comment, the
481 CCWG does not reach agreement on a single preferred mechanism it could recommend
482 multiple options to the ICANN Board for further consideration. The ICANN Board will make a
483 final decision on the path forward leveraging the CCWG's recommendations and work.

484

485 **Implementation guidance in relation to charter question #1:** The input provided in
486 response to this charter question is expected to help inform the implementation of the
487 mechanism that is ultimately selected.

488

489 **Charter Question #7: Should ICANN oversee the solicitation and evaluation of**
490 **proposals, or delegate to or coordinate with another entity, including, for example, a**
491 **foundation created for this purpose?**

492

493 For the purpose of these charter questions, the CCWG has mainly focused on two possible
494 mechanisms for the allocation of funds. In the first mechanism (mechanism A), a new ICANN
495 Proceeds Department is created as part of ICANN Org dedicated to evaluate proposals and
496 to grant applications. Under mechanism A, the new ICANN Proceeds Department would be
497 the entity conducting all work associated with the different phases of the grantmaking cycle.

¹¹ This criterion is consistent with following principle [identified by the ICANN Board](#): "Effective and Efficient Process of Selection and Proposed Mechanism: The CCWG-AP should strive to keep costs associated with establishing or selecting a disbursement mechanism as low as possible. The disbursement mechanism selected should be simple, effective and efficient, with appropriate skills, expertise, and scale to minimize overhead, minimize risks, and maximize the impact of auction proceeds."

¹² This criterion is consistent with following principle [identified by the ICANN Board](#): "Preservation of Resources and Use of Existing Expertise: The CCWG-AP should work to identify models and processes that uphold the preservation of existing resources, either external or internal, and should draw on existing expertise to the extent available."

498
499 Mechanism B envisions a new ICANN Proceeds Department within ICANN Org working in
500 collaboration with an existing charitable organization(s). As discussed in the response to
501 charter question 1, there are different possible methods of dividing responsibilities between
502 these two entities under mechanism B, and the CCWG is not recommending one specific
503 implementation at this time. Regardless of the way that tasks are divided, ICANN will
504 maintain an oversight role and ultimate responsibility in all key activities, related to ICANNs
505 obligations stemming from its mission and the bylaw.
506

507 **5.2. SAFEGUARDS AND GOVERNANCE**

508
509 **Charter Question #2: As part of this framework, what will be the limitations of fund**
510 **allocation, factoring in that the funds need to be used in line with ICANN’s mission**
511 **while at the same time recognising the diversity of communities that ICANN serves?**
512 **This should include recommendations on how to assess whether the proposed use is**
513 **aligned with ICANN’s Mission. Furthermore consideration is expected to be given to**
514 **what safeguards, if any, need to be in place.**
515

516 The CCWG agreed that specific objectives of new gTLD Auction Proceeds fund allocation
517 are:

- 518 ● Benefit the development, distribution, evolution and structures/projects that support
- 519 the Internet's unique identifier systems;
- 520 ● Benefit capacity building and underserved populations, and;
- 521 ● Benefit the open and interoperable Internet¹³.
- 522
- 523

524 New gTLD Auction Proceeds are expected to be allocated in a manner consistent with
525 ICANN’s mission.
526

527 Limitations of funding allocation stem from legal and fiduciary requirements and concerns for
528 the ICANN Organization:
529

- 530 ● Disbursement of funds must be for projects that are in accordance with ICANN’s
531 mission as set out in the bylaws.
 - 532 ○ A key element of the implementation of the selected mechanism will be to
533 develop guidance on the limitation inherent in the ICANN mission, which will
534 support development of criteria to evaluate proposals. The CCWG has
535 produced a preamble (see Annex D) and list of example projects (see Annex
536 E) which are expected to be used as guidance during the implementation
537 process.
- 538 ● Disbursements must be made for lawful purposes.
- 539 ● There must be protections against self-dealing and measures to ensure that
540 decisions are taken without conflict of interest. The following measures are
541 recommended to be considered as part of the implementation process:
 - 542 ○ Prohibition on auction proceeds being awarded to businesses that are owned
543 in whole or in part by ICANN board members, executives or staff or their
544 family members and awards that may be used to pay compensation to ICANN
545 board members, executives or staff or their family members.
 - 546 ○ Segregation of duties amongst those who develop the requirements and
547 those who assist in the identification of potential recipients.
 - 548 ○ Prohibition on awards of assistance to businesses owned in whole or in part
549 by the CCWG members (participating in any phase of the CCWG process),

¹³ See preamble in Annex D for more details

- 550 their family members, and awards that would be used to pay compensation to
551 CCWG members or their family members.
- 552 ● Funds may not be provided for the private benefit of individuals. The following
553 measures are recommended:
 - 554 ○ Prohibition on grants to individuals.
 - 555 ○ Processes to evaluate applying organizations for any private benefit
556 concerns.
 - 557 ● Funds may not be used for political activities. The following measure are
558 recommended:
 - 559 ○ Proceeds cannot be provided to organizations that intervene in campaigns for
560 candidates.
 - 561 ● Funds should not be used for lobbying activities. The following measure is
562 recommended:
 - 563 ○ Proceeds cannot be provided in support of lobbying activities, and that
564 requirement be an express commitment as part of a grant process.
 - 565 ● There must be measures in place for proper oversight and management of the funds
566 (Investment policy, compliance, and performance management).

567
568 Please see response to charter question 3 for additional responses regarding safeguards.
569

570 **Preliminary CCWG Recommendation #2:** Funds are to be allocated in line with the
571 following three specific objectives recommended by the CCWG:
572

- 573 ● Benefit the development, distribution, evolution and structures/projects that support
574 the Internet's unique identifier systems;
- 575 ● Benefit capacity building and underserved populations, and;
- 576 ● Benefit the open and interoperable Internet¹⁴

577
578 New gTLD Auction Proceeds are expected to be allocated in a manner consistent with
579 ICANN's mission.
580

581 **Preliminary CCWG Recommendation #3:** The implementation of the selected fund
582 allocation mechanism should include safeguards described in the response to charter
583 question 2.
584

585 **Implementation guidance in relation to charter question #2:** The CCWG recommends
586 that the preamble (see Annex D) and list of example projects (see Annex E) are considered
587 during the implementation process.
588

589 **Charter Question #3: What safeguards are to be put in place to ensure that the
590 creation of the framework, as well as its execution and operation, respect the legal
591 and fiduciary constraints that have been outlined in this memo¹⁵?**
592

593 ICANN Org will always have the responsibility to make sure that the funds are used in
594 alignment with ICANN's mission. The direct level of safeguards and oversight at the project
595 level will typically always be the same, regardless of who is running the disbursement
596 mechanism. For example, there will have to be reporting from the recipients on the use of
597 funds and general oversight to guard against misuse.
598

599 Processes and procedures will need to be put into place to ensure that legal and fiduciary
600 requirements are met. There will need to be processes of controls on conflict of interest, on

¹⁴ See preamble in Annex D for more details

¹⁵ See also [Note to Auction Proceeds DT re. legal and fiduciary principles](#)

601 consistency with mission, on clarity of evaluation results, on decision/approval, on
602 disbursement, and on monitoring after disbursement, including reporting from the recipients
603 on the use of funds and mechanisms to guard against misuse.

604

605 For the creation of the framework: For mechanisms A and B, it is the expectation that legal
606 and fiduciary requirements will largely be met through existing safeguards that ICANN Org
607 has already in place, such as internal controls, contracting and disbursement guidelines,
608 corporate compliance effort, and review by the Board.

609

610 For mechanism B, it is the assumption that the existing charitable organization would already
611 have applicable safeguards in place, but these would need to be confirmed as part of the
612 selection process to identify a suitable charitable organization(s).

613

614 In relation to the execution and operation: For mechanisms A and B, most phases of the
615 process of disbursement will include mechanisms supporting fiduciary and auditing
616 requirements: solicitation (openness), application evaluation (fairness, completeness, and
617 quality), decision/approval (defined delegation of authority), disbursement (documentation,
618 identification), publication (review/approval/accuracy), monitoring (effectiveness evaluation,
619 documentation, reporting). For mechanism B, these safeguards must be in place at ICANN
620 and the chosen charitable organization.

621

622 If an ICANN Proceeds Allocation Department is created as part of ICANN Org under
623 mechanism A or B, measures will be needed to ensure separation between the department
624 handling funds and the rest of the organization. This separation will be particularly important
625 under mechanism A, where ICANN is handling all aspects of the granting cycle.

626

627 In order to answer this question from the perspective of mechanism C, additional information
628 would need to be gathered and more detailed requirements would need to be established.

629

630 Please see responses to charter questions 2 and 9 for additional details and
631 recommendations about specific measures to address ICANN's legal and fiduciary
632 constraints, as well as operational objectives.

633

634 **Implementation guidance in relation to charter question #3:** Due concern needs to be
635 given to ensuring that the required safeguards are in place as outlined in response to this
636 question. Should mechanism B be selected, the additional safeguards outlined in the
637 response to this charter question need to be factored in.

638

639 **Charter Question #5: What conflict of interest provisions and procedures need to be
640 put in place as part of this framework for fund allocations?**

641

642 The following conflict of interest provisions should be put into place as part of the framework
643 for fund allocations.

644

- 645 ● There must be processes of controls on conflict of interest, which should be viewed
646 in the broader context of safeguards designed to address ICANN's legal and fiduciary
647 obligations and considerations. Each phase of the process of disbursement should
648 include mechanisms supporting fiduciary and auditing requirements.
- 649 ● A conflicts of interest policy should require those with a conflict to disclose the conflict
650 or potential conflict. The policy should provide clear guidance on what the
651 organization does when a member is in conflict and how conflicts are managed.
- 652 ● The mechanism must protect against self-dealing and to ensure that decisions are
653 taken without conflict of interest. See the response to charter question 2 for specific
654 restrictions on the use of funds in this regard.

- 655
- Individuals and groups supporting fund allocation should commit to transparency and high standards of ethics.
 - Transparency could be supported by making publicly available conflict of interest statements and by making application selection criteria objective and publicly available.
- 656
- 657
- 658
- 659
- 660

661 In relation to mechanisms A and B, the ICANN Organization already has a number of
662 measures in place to support controls on conflict of interest:

- ICANN has experience in segregating funds.
 - ICANN has the experience and internal controls to maintain appropriate accounting practices as contemplated.
 - ICANN also has related practices, such as its procurement policy and disbursement policy, which introduce controls over proper procurement and budgetary commitments.
 - ICANN Org is able to capture financial information by project, which is expected to also contribute to transparency and accountability on the program.
- 663
- 664
- 665
- 666
- 667
- 668
- 669
- 670
- 671

672 In the case of mechanism B, there will need to be clearly defined roles and responsibilities
673 incumbent upon both ICANN and the other organization, and an agreement in place about
674 how these roles are carried out operationally. The external organization would need to have
675 appropriate conflict of interest policies and practices in place for the elements of the program
676 it manages. In addition, ICANN will maintain oversight to ensure that legal and fiduciary
677 obligations are met.

678

679 In order to answer this question from the perspective of mechanism C, additional information
680 would need to be gathered and more detailed requirements would need to be established.

681

682 **Preliminary CCWG Recommendation #4:** Robust conflict of interest provisions must be
683 developed and put in place, regardless of which mechanism is ultimately selected.

684

685 **Implementation guidance in relation to charter question #5:** The provisions outlined in
686 response to this charter question should at a minimum be considered for inclusion in the
687 conflict of interest requirements that are expected to be developed during the
688 implementation phase. In the case of mechanism B, there will need to be clearly defined
689 roles and responsibilities incumbent upon both ICANN and the other organization, and an
690 agreement in place about how these roles are carried out operationally. The external
691 organization would need to have appropriate conflict of interest policies and practices in
692 place for the elements of the program it manages. In addition, ICANN will maintain oversight
693 to ensure that legal and fiduciary obligations are met.

694

695 **Charter Question #9: What is the governance framework that should be followed to
696 guide distribution of the proceeds? The issues addressed by a governance framework
697 could include (but does not have to be limited to):**

- a. **What are the specific measures of success that should be reported upon?**
 - b. **What are the criteria and mechanisms for measuring success and performance?**
 - c. **What level of evaluation and reporting should be implemented to keep the community informed about how the funds are ultimately used?**
- 698
- 699
- 700
- 701
- 702
- 703
- 704

705 Under any mechanism selected, design of the governance framework will be driven by
706 ICANN's obligations to uphold its fiduciary duties and strategic goals for the program. Please
707 see response to charter question 2 for guidance on limitations on the use of funds in relation

708 to fiduciary obligations. In addition, the following elements must be included in the
709 governance framework.

710
711 Annual independent audit:

- 712 ● ICANN is subject to such audit because it is a non-profit organization based in the
713 US (other countries may have different requirements);
- 714 ● The objective of the audit is "to obtain reasonable assurance about whether the
715 financial statements are free from material misstatement";
- 716 ● The auditor's opinion, if clean, is: "The financial statements [...] present fairly, in all
717 material respects, the financial position of ICANN [...] in accordance with US
718 accounting principles."
- 719 ● The audit does not have the objective to verify every transaction, or entry, or detect
720 fraud.
- 721 ● Note: Audit of ICANN org is separate from audit related to the fund.

722
723 Requirements resulting from ICANN's obligations regarding accountability and transparency
724 to the public, as defined in the bylaws:

- 725 ● Engage with the Community on planning, performance and reporting of activities
726 carried out.
- 727 ● Be available and ready to respond to inquiries, publish documents and information.

728
729 Measures of success should be developed for each of the program's operational
730 requirements:

- 731 ● ICANN must ensure policies and procedures exist and are effective to manage the
732 applications for funding.
 - 733 ○ Receive applications for funding,
 - 734 ○ Evaluate applications for funding,
 - 735 ○ Organize quality control and/or audit of applications evaluations,
 - 736 ○ Organize and support reconsideration procedures for evaluation decisions, for
737 example an appeals mechanism,
- 738
- 739 ● ICANN must be able to manage and address risks (including possible legal defense).
 - 740 ○ Risk assessment of projects receiving grants may be conducted.
- 741
- 742 ● ICANN must design and implement verification procedures to ensure compliance of
743 the funds disbursements with the approved objective, irrespective of the mechanism
744 retained to organize the evaluation and disbursement¹⁶.
 - 745 ○ Organize disbursement process and monitor disbursements,
 - 746 ○ Monitor the compliance of the recipient's use of the funds with the intended
747 purpose of the grant (which justified approving the application) and establish
748 accountability for use/misuse of resources by grant recipients,
 - 749 ○ Evaluate and quantify the result of each grant allocated using fit-to-purpose or
750 evidence-based evaluation methodology,

¹⁶ These processes will ensure that the program implementation meets the following principles [identified by the ICANN Board](#):

- "Evidenced-Based Processes and Procedures for Evaluation: The disbursement mechanism should have processes and procedures in place to evaluate and quantify the impact of awards using fit-to-purpose or evidence-based evaluation methodology."
- "Accountability: The actors that run the mechanism, whether internal or external, should be accountable, and the proceeds should be disbursed to awardees consistent with a written timeline that establishes clear milestones/deliverables for release of project funding and establishes accountability for use/misuse of resources by grant recipients. This includes the ability to course correct or stop funding where issues arise."

- 751 ○ Audits of projects receiving grants may be conducted. The due diligence and
752 audit requirements could vary depending on the nature, size and length of
753 projects funded as well as country of origin.
754
- 755 ● ICANN must put in place reporting and publication processes to ensure transparency
756 on evaluation procedures, results, and usage of funds¹⁷.
757 ○ Explain/report on/publish evaluation methodology,
758 ○ Explain/report on/publish results of evaluations,
759 ○ Explain/report on/publish analyses of the effective use of the funds.
760

761 Clear roles and responsibilities should be established for different parties involved in the
762 process. If ICANN is going to work in partnership with an external entity, the external entity
763 will also need to meet its own fiduciary responsibilities and will have to respect the
764 requirements identified by ICANN. Some form of contract between ICANN and the external
765 entity is appropriate, outlining the respective roles and responsibilities of each entity in
766 operating the program.
767

768 The principle of simplicity should be observed in determining whether any new oversight
769 structures are needed, for example a joint advisory committee or task force. The decision
770 should be driven by fiduciary duties of the entities involved and strategic goals of the
771 program. By observing the principle of simplicity, the program reduces potential for conflict of
772 interest, streamlines the path to making distributions, and reduces overhead costs
773 associated with running the program.
774

775 Industry best practices should be observed wherever possible and appropriate:

- 776 ● require measurable uses and outcomes of grants
777 ● transparency on the use of grants
778 ● progressive disbursements
779

780 **Implementation guidance in relation to charter question #10:** The response provided to
781 this charter question should guide the development of the governance framework during the
782 implementation phase.
783

784 **Charter Question #10: To what extent (and, if so, how) could ICANN, the Organization**
785 **or a constituent part thereof, be the beneficiary of some of the auction funds?**
786

787 ICANN, the Organization or a constituent part thereof could potentially be a beneficiary in
788 either of two scenarios:

- 789 ● Funds are used by the ICANN organization distinct from the granting process, for
790 example to replenish the reserve fund.
791 ● Funds are allocated through the granting process. In order for an SO/AC (or subpart
792 thereof) to be able to apply for auction proceeds, it would have to meet all of the
793 application criteria and basic due diligence requirements used in the evaluation of
794 any other applicant. Considerations of self-dealing/private benefit as well as conflict
795 of interest would need to be taken into account in evaluating the application. The
796 applicant would need to demonstrate that the proposed use for funds is separate
797 from work that is already funded as part of ICANN's daily operations. The CCWG
798 anticipates that allocation of funds in this manner would be the exception rather than
799 the rule.

¹⁷ These processes will ensure that the program implementation meets the following principle [identified by the ICANN Board](#): "Transparency: Ensuring adequate/appropriate transparency to the ICANN community and the public on the process, decisions, and status of usage of the proceeds."

800
801 If ICANN were eligible to apply through the granting process under mechanism A or B,
802 particular attention would need to be paid to maintaining separation of staffing, budget, and
803 operations between the Proceeds Allocation Department and other parts of the organization
804 that may apply for funds.

805
806 Conflict of interest provisions would also become particularly important. See response to
807 charter question 5 for additional information about conflict of interest provisions.

808
809 **Preliminary CCWG Recommendation #5:** [Is the CCWG ready to make a recommendation
810 here or is this one area where specific input s requested before a decision is made?]

811 812 **5.3. OPERATIONS**

813
814 **Charter Question #4: What aspects should be considered to define a timeframe, if any,**
815 **for the funds allocation mechanism to operate as well as the disbursements of funds?**
816 **E.g. The timeframe for the operation of this new mechanism may provide the**
817 **opportunity for long term support, or for funding to be released in tranches linked to**
818 **milestone achievements, single or multiple disbursements.**

819
820 The timeframe should be established in line with and guided by strategic objectives for
821 allocation of the fund. Once it is determined how “success” is defined for this fund, the
822 timeframe should be set to support a successful outcome.

823
824 The CCWG's focus is on the Auction Proceed funds that are currently available without any
825 assumption that additional funds will become available in the future. The role of this CCWG
826 is to identify and to evaluate possible mechanisms to disburse funds received through
827 auctions from the current gTLD round. Therefore, the CCWG has focused on developing
828 recommendations that will enable the disbursement of the funds in an effective and judicious
829 manner without creating a perpetual mechanism (i.e. not being focused on preservation of
830 capital).

831
832 The CCWG agrees with the Board's assessment that proceeds should be allocated in
833 tranches over a period of years. This would help ensure that the Board is meeting its
834 obligations and allow for adjustments to the framework as needed, noting that changes may
835 have legal, operational, and cost impacts. Tranches may be used to fund large grants over a
836 period of years or to support projects that could be funded in a shorter period.

837
838 **Preliminary CCWG Recommendation #6:** The mechanism must be implemented to enable
839 the disbursement of the funds in an effective and judicious manner without creating a
840 perpetual mechanism (i.e. not being focused on preservation of capital).

841
842 **Preliminary CCWG Recommendation #7:** Funding should be allocated in tranches over
843 period of years. Tranches may be used to fund large grants over a period of years or to
844 support projects that could be funded in a shorter period.

845
846 **Charter Question #6: Should any priority or preference be given to organizations from**
847 **developing economies, projects implemented in such regions and/or under**
848 **represented groups?**

849
850 The CCWG has identified three objectives for new gTLD Auction Proceeds fund allocation,
851 one of which focuses on underserved populations:

852

- 853
- Benefit the development, distribution, evolution and structures/projects that support the Internet's unique identifier systems;
- 854
- **Benefit capacity building and underserved populations**, and;
- 855
- Benefit the open and interoperable Internet.
- 856
- 857

858 At this time, the CCWG does not have specific guidance on how these three objectives
859 should be prioritized or translated into specific program elements, such as selection criteria
860 for funding applicants. Depending on the design of the funding allocation mechanism, the
861 objective of benefitting capacity building and underserved populations could be met in
862 different ways. For example, priority could be given to applicants from underserved regions
863 or organizations proposing projects to support underserved populations, as long as such
864 prioritization is consistent with limitations set by ICANN's mission and bylaws. Alternately, a
865 segment of the fund could be devoted to projects that build capacity in underserved regions.
866 Applicants seeking funds in this category would be assessed against evaluation criteria
867 related to this focus. A third possibility is that no preference is given to applicants from
868 specific populations or locations, but measures could be taken to ensure that applicants from
869 developing countries or underserved regions are aware of the opportunity to apply for grants
870 and can participate on equal footing in the application process.

871 The CCWG notes that mechanisms A, B, and C allow for allocation of grants internationally,
872 consistent with the following principle provided by the ICANN Board¹⁸: "Global and Diversity
873 Values: The mechanism selected should be able to evaluate proposals and make,
874 administer, and monitor awards on a global basis in light of ICANN's global role and diversity
875 values."
876

877

878 **Preliminary CCWG Recommendation #8:** One of the objectives for new gTLD Auction
879 Proceeds fund allocation is that it allows the support of projects that support capacity
880 building and underserved populations.

881

882 **Implementation guidance in relation to charter question #6:** During the implementation
883 phase further consideration needs to be given to how this objective can be achieved, also in
884 conjunction with the other objectives that have been recommended by the CCWG.

885

886 **Charter Question #8: What aspects should be considered to determine an appropriate
887 level of overhead that supports the principles outlined in this charter?**

888

889 The appropriate level of overhead will depend on the mechanism chosen, as well as specific
890 strategic goals and programmatic elements that have not yet been established. For example,
891 the following factors may impact the level of expenses incurred:

- 892
- Type of structure used to manage the process,
- 893
- Number and size of grants,
- 894
- Specific pattern of fund disbursement,
- 895
- Diversity of applicants and incumbents,
- 896
- Complexity of projects funded,
- 897
- Frequency and complexity of communication and reporting requirements
- 898
- 899

900 The CCWG is not making any specific recommendations about the appropriate level of
901 overhead for the distribution of funds at this time. The CCWG will instead focus its
902 recommendations on high-level principles.

903

¹⁸ See [Board letter](#)

904 The CCWG notes that any overhead or administrative fees that result from the development
905 or administration of a program through which the auction proceeds are awarded will be
906 disbursed from the auction proceeds, and not from ICANN’s general operating fund. While
907 understanding that overhead is an essential part of the running the program, the CCWG
908 encourages ICANN and any partnering organizations to design a cost-effective model that
909 ensures an appropriate proportion of the funds are available for distribution to fund
910 recipients.

911
912 The CCWG encourages ICANN and any partnering organizations to follow industry best
913 practices, where appropriate and applicable. To the extent possible in light of program
914 objectives and requirements, the principle of simplicity should apply. By avoiding
915 unnecessary complexity in program design and implementation, associated costs can be
916 kept manageable throughout the life of the project.

917
918 **Implementation guidance in relation to charter question #8:**

919 ICANN and any partnering organizations are to design a cost-effective model that ensures
920 an appropriate proportion of the funds are available for distribution to fund recipients.
921 ICANN and any partnering organizations are to follow industry best practices, where
922 appropriate and applicable. To the extent possible in light of program objectives and
923 requirements, the principle of simplicity should apply.

924
925 **5.4. REVIEW**

926
927 **Charter Question #11: Should a review mechanism be put in place to address**
928 **possible adjustments to the framework following the completion of the CCWGs work**
929 **and implementation of the framework should changes occur that affect the original**
930 **recommendations (for example, changes to legal and fiduciary requirements and/or**
931 **changes to ICANN’s mission)?**

932
933 Reviews are important as mechanisms to improve, be transparent and plan for future
934 development. They offer opportunities to innovate, steer direction, and fine-tune strategy. A
935 combination of internal and external reviews is desirable to capture a multi-faceted process.
936 Review processes should not, however, be used to change purpose without the support of
937 the same community that provided the original mandate.

938
939 While the CCWG will leave specific details of the review process to the implementation
940 phase, the CCWG envisions that two types of review may be appropriate. First, an internal
941 review step will be part of the standard operation of the program. This review may take place
942 at the end of each granting cycle or at another logical interval, such as on an annual basis.
943 The purpose of this review is to ensure that the program is operating as expected in terms of
944 processes, procedures, and usage of funds. The review may identify areas for improvement
945 and allow for minor adjustments in program management and operations.

946
947 Second, a broader, strategic review may be an appropriate element of program
948 implementation. This broader review could be used to examine whether the mechanism is
949 effectively serving overall goals of the program and whether allocation of funds is having the
950 intended impact. This strategic review is expected to occur less frequently and may involve
951 an external evaluator. In implementation, a role for the ICANN community in the review
952 process should be considered. For example, the report by the external evaluator could serve
953 as a basis for community discussion on whether any changes need to be made to the
954 mechanism.

955

956 The recommendation to institute review mechanisms is consistent with the following principle
957 identified by the ICANN Board¹⁹: “ICANN Monitoring and Evaluation: If part or all of the
958 mechanism is external, ICANN should have an established process for monitoring and
959 evaluating the functioning of the funding mechanism and measuring the effectiveness of
960 funded projects.”

961

962 **Preliminary CCWG Recommendation #9:** As a standard element of program operations,
963 an internal review should take place at regular intervals to identify areas for improvement
964 and allow for minor adjustments in program management and operations.

965

966 **Preliminary CCWG Recommendation #10:** There should be a mechanism to evaluate
967 whether the program is effectively serving the identified goals and whether allocation of
968 funds is having the intended impact.

969

970 **Implementation guidance in relation to charter question #11:** The response provided to
971 this charter question should guide the development of the review framework during the
972 implementation phase.

973

¹⁹ See [ICANN Board letter](#)

974

975 **6. Next Steps**

976 Following the review of public comments received, the CCWG will update this report as
977 needed and finalize it for submission to its Chartering Organizations.

978

979

980 **Annex A - Background**

981 **Formation**

982
983
984 The CCWG commenced its deliberations at the end of January 2017 with 26 members
985 appointed by Chartering Organizations, 49 participants and 28 observers. The CCWG is
986 tasked with developing a proposal(s) for consideration by the Chartering Organizations on
987 the mechanism that should be developed in order to allocate the new gTLD Auction
988 Proceeds. To facilitate its deliberations, the CCWG agreed to divide its work in five different
989 phases (see details below).

990
991 The New Generic Top-Level Domain (gTLD) Program established auctions as a mechanism
992 of last resort to resolve the competition sets between identical or similar terms (strings) for
993 new gTLDs – known as string contention. Most string contentions (approximately 90% of
994 sets scheduled for auction) have been resolved through other means before reaching an
995 auction conducted using ICANN's authorized auction service provider, Power Auctions LLC.
996 However, it was recognized from the outset that significant funds could accrue as a result of
997 several successful auctions conducted by ICANN. Following the ICANN Board's commitment
998 to do so, the auction proceeds derived from such auctions have been reserved and
999 earmarked within ICANN until such time as the ICANN Board authorizes a plan for the
1000 appropriate use of the funds. These proceeds are to be considered as an exceptional, one-
1001 time source of revenue.

1002
1003 Following a number of sessions on this topic during the ICANN53 in Buenos Aires (see
1004 <https://buenosaires53.icann.org/en/schedule/mon-soac-high-interest> and
1005 <https://buenosaires53.icann.org/en/schedule/wed-cwg-new-gtld-auction>), a discussion paper
1006 was published in September 2015 to solicit further community input on this topic as well as
1007 the proposal to proceed with a CCWG on this topic. As the feedback received on the
1008 discussion paper confirmed the support for moving forward with a CCWG, James Bladel,
1009 GNSO Chair, reached out to all the ICANN Supporting Organizations (SOs) and Advisory
1010 Committees (ACs) to ask for volunteers to participate in a Drafting Team (DT) to develop a
1011 charter for a CCWG on this topic. All ICANN SOs/ACs, apart from the ccNSO, responded to
1012 this request and have put forward volunteers to participate in the drafting team. The DT
1013 commenced its deliberations on Tuesday, 23 February 2016. A draft charter for community
1014 discussion was published in advance of ICANN56 and discussed during the [cross-](#)
1015 [community session](#) held at ICANN56. Following ICANN56, the DT [reviewed all the input](#)
1016 [received](#) and updated the proposed charter accordingly. On 13 September 2016, [this](#)
1017 [proposed charter](#) was shared with all ICANN SOs/ACs with the request to review it and
1018 identify any pertinent issues that would prevent adoption of the charter, if any. Subsequently,
1019 a webinar was held on 13 October 2016 to allow for some additional time and information to
1020 undertake this review. The final proposed charter was submitted to all ICANN SOs/ACs on
1021 17 October 2016 following which each ICANN SO/AC confirmed the adoption of the charter.
1022 Subsequently, a [call for volunteers](#) was launched and the CCWG was chartered by the
1023 Address Supporting Organization (ASO), the At-Large Advisory Committee (ALAC), the
1024 Country Code Names Supporting Organization (ccNSO), the Generic Names Supporting
1025 Organization (GNSO), the Governmental Advisory Committee (GAC), the Security and
1026 Stability Advisory Committee (SSAC), and the Root Server System Advisory Committee
1027 (RSSAC) to propose the mechanism that should be developed in order to allocate the new
1028 gTLD Auction Proceeds. Following approval of the proposal(s) by the Chartering
1029 Organizations, it will be submitted to the ICANN Board for its consideration.

1030

1031 **About the new gTLD Auction Proceeds**

1032

1033 The new gTLD Auction Proceeds, derived from these last resort auctions, are distinct and
1034 ring-fenced funds. As such the Auction Proceeds are a single revenue source (derived from
1035 all new gTLD Auction Proceeds round 1). The proceeds, net of direct auction costs, are fully
1036 segregated in separate bank and investment accounts. The proceeds are invested
1037 conservatively and any interest accrues to the proceeds. 17 contention sets have been
1038 resolved via ICANN auction since June 2014. The total net proceeds to date are \$233.5
1039 million USD. Details of the proceeds can be found [here](#). As of 10 February 2018, 9
1040 contention sets remain to be resolved, but it is important to keep in mind that approximately
1041 90% of contention sets scheduled for auction are resolved prior to the auction. The total
1042 amount of funding resulting from auctions, will not be known until all relevant applications
1043 have resolved contention.

1044

1045 **Scope of the CCWG new gTLD Auction Proceeds**

1046

1047 The CCWG is expected to adhere to the following Guiding Principles, both in the context of
1048 its deliberations as well as the final recommendations:

1049

- 1050
- 1051 • Ensure transparency & openness;
 - 1052 • Provide sufficient accountability;
 - 1053 • Ensure that processes and procedures are lean & effective;
 - 1054 • Take all appropriate measures to deal with conflicts of interest, which includes disclosure
1055 as part of CCWG process as well as avoiding conflicts at subsequent stages; and
 - 1056 • Deal with diversity issues by:
 - 1057 • Striving for a fair, just and unbiased distribution of the auction proceeds not inconsistent
1058 with ICANN’s mission. Further, seek to ensure diversity of
1059 members/participants/observers of the CCWG itself, thus ensuring different perspectives
1060 and providing for broader discussion and debate and so leading to more informed and
1061 inclusive processes to govern the allocation and disbursement of the proceeds.

1061

1062 As part of its deliberations, the CCWG is required to factor in the following legal and fiduciary
1063 constraints:

1064

- 1065 • It is the CCWG’s purpose to make recommendations for a mechanism and/or process for
1066 allocation of auction funds that takes into account the need for auction funds to be
1067 utilised in a manner that is not inconsistent with ICANN’s Mission. In addition, the CCWG
1068 is expected to make recommendations about how to assess the extent to which the
1069 proposed use of auction proceeds by applicants is aligned with ICANN’s Mission.
- 1070 • ICANN will maintain ultimate responsibility for the confirmation of all disbursements,
1071 whether upon initial disbursement or subsequent disbursement in which case such
1072 subsequent disbursement may be handled by putting in place the appropriate contractual
1073 and/or compliance requirements.
- 1074 • The CCWG must ensure that its proposal(s) for a process and disbursement limitations
1075 will not endanger ICANN’s tax exempt status and may obtain input from ICANN’s legal /
1076 finance teams or Expert Advisors as described in Section IV of this charter, should any
1077 questions arise in this regard. The preceding should not prejudice the primary principle of
1078 equal access to auction funds regardless of the geographic of the prospective recipient
1079 organization. See also [Note to Auction Proceeds DT re. legal and fiduciary principles](#).

- 1080 • To align with requirements imposed to maintain ICANN's U.S. tax exempt status, the
1081 CCWG must include a limitation that funds must not be used to support political
1082 activity/intervening in a political campaign public office ^[2] or attempts to influence
1083 legislation ^[3]. The definitions of the limitations that are imposed to meet U.S. tax
1084 requirements must be applied across all applicants, and not only those from or intending
1085 to use the funds within the U.S. These requirements will apply to comparable activities
1086 across any location where applicants are located or intend to use the funds.
- 1087 • The CCWG must maintain high standards when dealing with issues of conflict of interest.
1088 All members and participants must adhere to conflict of interest requirements, including
1089 the preparation and ongoing maintenance of an up to date statement of interest, which
1090 itself will include certain mandatory disclosures as specified in this charter. The work
1091 output CCWG must also include clear and comprehensive conflict of interest
1092 requirements to guide the disbursement process in full.
- 1093 • The CCWG must require that the administration of the disbursement process as well as
1094 the necessary oversight will be funded from the auction proceeds. Due consideration
1095 should be given to industry best practice (as well as potential requirements that may
1096 need to be put into place concerning due diligence review, monitoring, audits, post-
1097 project evaluation etc.) as to what an appropriate level of overhead will be.

1098
1099 The CCWG is required to, at minimum, to give appropriate consideration to and provide
1100 recommendations on the following questions, taking into account the Guiding Principles as
1101 well as the legal and fiduciary constraints outlined above:

- 1102
- 1103 1. What framework (structure, process and/or partnership) should be designed and
1104 implemented to allow for the disbursement of new gTLD Auction Proceeds, taking into
1105 account the legal and fiduciary constraints outlined above as well as the existing memo
1106 on legal and fiduciary principles ^[4]? As many details as possible should be provided,
1107 including any implementation guidance the CCWG may have in relation to the
1108 establishment of this framework as well as criteria for the selection / ranking of potential
1109 funding requests.
 - 1110 2. As part of this framework, what will be the limitations of fund allocation, factoring in that
1111 the funds need to be used in line with ICANN's mission while at the same time
1112 recognising the diversity of communities that ICANN serves? This should include
1113 recommendations on how to assess whether the proposed use is aligned with ICANN's
1114 Mission. Furthermore consideration is expected to be given to what safeguards, if any,
1115 need to be in place.
 - 1116 3. What safeguards are to be put in place to ensure that the creation of the framework, as
1117 well as its execution and operation, respect the legal and fiduciary constraints that have
1118 been outlined in this memo ^[5]?
 - 1119 4. What aspects should be considered to define a timeframe, if any, for the funds allocation
1120 mechanism to operate as well as the disbursements of funds? E.g. The timeframe for the
1121 operation of this new mechanism may provide the opportunity for long term support, or
1122 for funding to be released in tranches linked to milestone achievements, single or
1123 multiple disbursements.
 - 1124 5. What conflict of interest provisions and procedures need to be put in place as part of this
1125 framework for fund allocations?
 - 1126 6. Should any priority or preference be given to organizations from developing economies,
1127 projects implemented in such regions and/or under represented groups?

- 1128 7. Should ICANN oversee the solicitation and evaluation of proposals, or delegate to or
1129 coordinate with another entity, including, for example, a foundation created for this
1130 purpose?
- 1131 8. What aspects should be considered to determine an appropriate level of overhead that
1132 supports the principles outlined in this charter?
- 1133 9. What is the governance framework that should be followed to guide distribution of the
1134 proceeds? The issues addressed by a governance framework could include (but does
1135 not have to be limited to):
- 1136 a. What are the specific measures of success that should be reported upon?
 - 1137 b. What are the criteria and mechanisms for measuring success and performance?
 - 1138 c. What level of evaluation and reporting should be implemented to keep the
1139 community informed about how the funds are ultimately used?
- 1140 10. To what extent (and, if so, how) could ICANN, the Organization or a constituent part
1141 thereof, be the beneficiary of some of the auction funds?
- 1142 11. Should a review mechanism be put in place to address possible adjustments to the
1143 framework following the completion of the CCWGs work and implementation of the
1144 framework should changes occur that affect the original recommendations (for example,
1145 changes to legal and fiduciary requirements and/or changes to ICANN's mission)?
1146

1147 **Annex B – Membership and Attendance**

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Member and participant names marked with an (*) refer to those who replied "yes" or "maybe" to question #6 (“Do you and/or through the entity you are representing and/or employed by, intent to apply for funding through the mechanism that is to be determined through the work of this CCWG?”) on the Declaration of Interest (DOI). DOIs can be found here: <https://community.icann.org/x/FpjDAw>.

Members	Affiliation	Attendance (% of meetings attended)
Jonathan Robinson	GNSO	
Marilyn S Cade *	GNSO (CSG)	
Jon Nevett	GNSO	
Elliot Noss	GNSO	
Stephanie Perrin *	GNSO	
Erika Mann (GNSO Appointed Co-Chair) *	Individual	
Peter Vergote *	ccNSO	
Ching Chiao (ccNSO Appointed Co-Chair) *	ccNSO	
Stephen Deerhake	ccNSO	
Pablo Rodriguez	ccNSO	
Tripti Sinha *	RSSAC	
Brad Verd *	RSSAC	
John Levine	SSAC	
KC Claffy *	SSAC	
Carolina Caeiro - temporary appointment *	ASO	
Douglas Onyango - temporary appointment	ASO	
Sylvia Cadena - temporary appointment *	ASO	
Alice Munyua *	GAC	
T. Santhosh	GAC	
Kavouss Arasteh *	GAC	
Olga Cavalli	GAC	
Sebastien Bachollet *	ALAC	

Alan Greenberg	ALAC	
Maureen Hilyard *	ALAC	
Seun Ojedeji	ALAC	
Vanda Scartezini *	ALAC	

1155

Participants	Affiliation	Attendance (% of meetings attended)
Abdul Zain Khan *	Individual	
Adetola Sogbesan	GNSO (BC)	
Agnoun Basso	Individual	
Ahmed Bakhat Masood *	Individual	
Alberto Soto	Individual	
Arsène Tungali	GNSO (NCUC)	
Asha Hemrajani *	Board Liaison	
Ayden Férdeline *	GNSO (NCUC)	
Becky Burr *	Board Liaison	
Beran Dondéh Gillen	At-Large	
Brian Scarpelli	GNSO (IPC)	
Carlos Dionisio Aguirre	At-Large	
Daniel Dardailler *	Individual	
Denis Munene *	Individual	
Glenn McKnight	At-Large	
Hadia Elminiawi *	Individual	
Iliya Bazlyankov	Individual	
Jacob Odame-Baiden *	Individual	
James Gannon	GNSO (NCUC)	
Jennifer Chung *	GNSO (RySG)	
Johan (Julf) Helsingius	Individual	

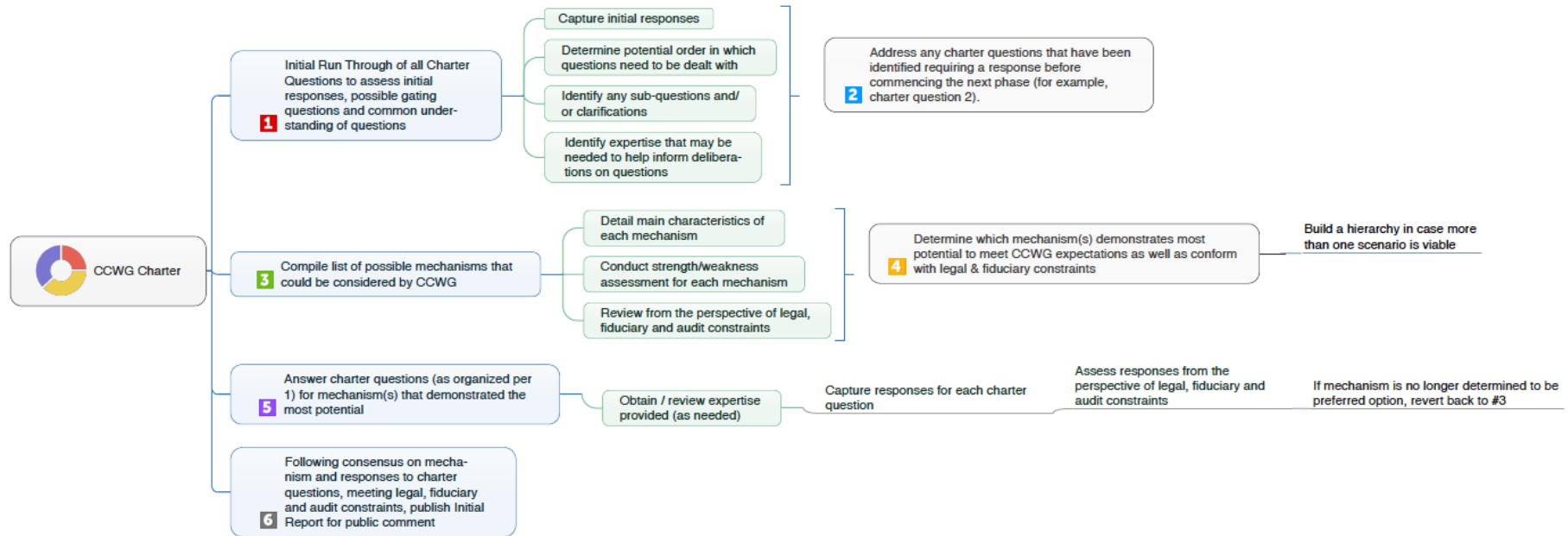
Judith Hellerstein	At-Large	
Maarten Botterman	Board Liaison	
Marie-Noemie Marques *	Individual	
Mary Uduma	Individual	
Matthew Shears	GNSO (NCUC)	
Mei Lin Fung	Individual	
Michael Flemming *	GNSO (IPC)	
Michael Karanicolas	GNSO (NCUC)	
Michelle Scott Tucker	ACIG GAC	
Nadira AL-Araj	Individual	
Narendra Kumar *	Individual	
Nasrat Khalid	Individual	
Norbert Komlan GLKAPE *	Individual	
Pua Hunter *	GAC	
Rafik Dammak	GNSO (NCSG)	
Rajaram Gnanajeyaraman *	Individual	
Rebecca Ryakitimbo *	Individual	
Remmy Nweke *	GNSO (NPOC)	
Sarah Kiden	At-Large	
Sorina Teleanu *	Individual	
Tom Dale	GAC ACIG	
Tony Harris	GNSO	
Victor Zhang *	Individual	
Wale Bakare*	At-Large	
Waudu Siganga	GNSO (BC)	
Yao Amevi Amessinou Sossou *	Individual	

Yeseul Kim	GNSO (NPOC)	
Zakir Syed	GNSO (NCUC)	

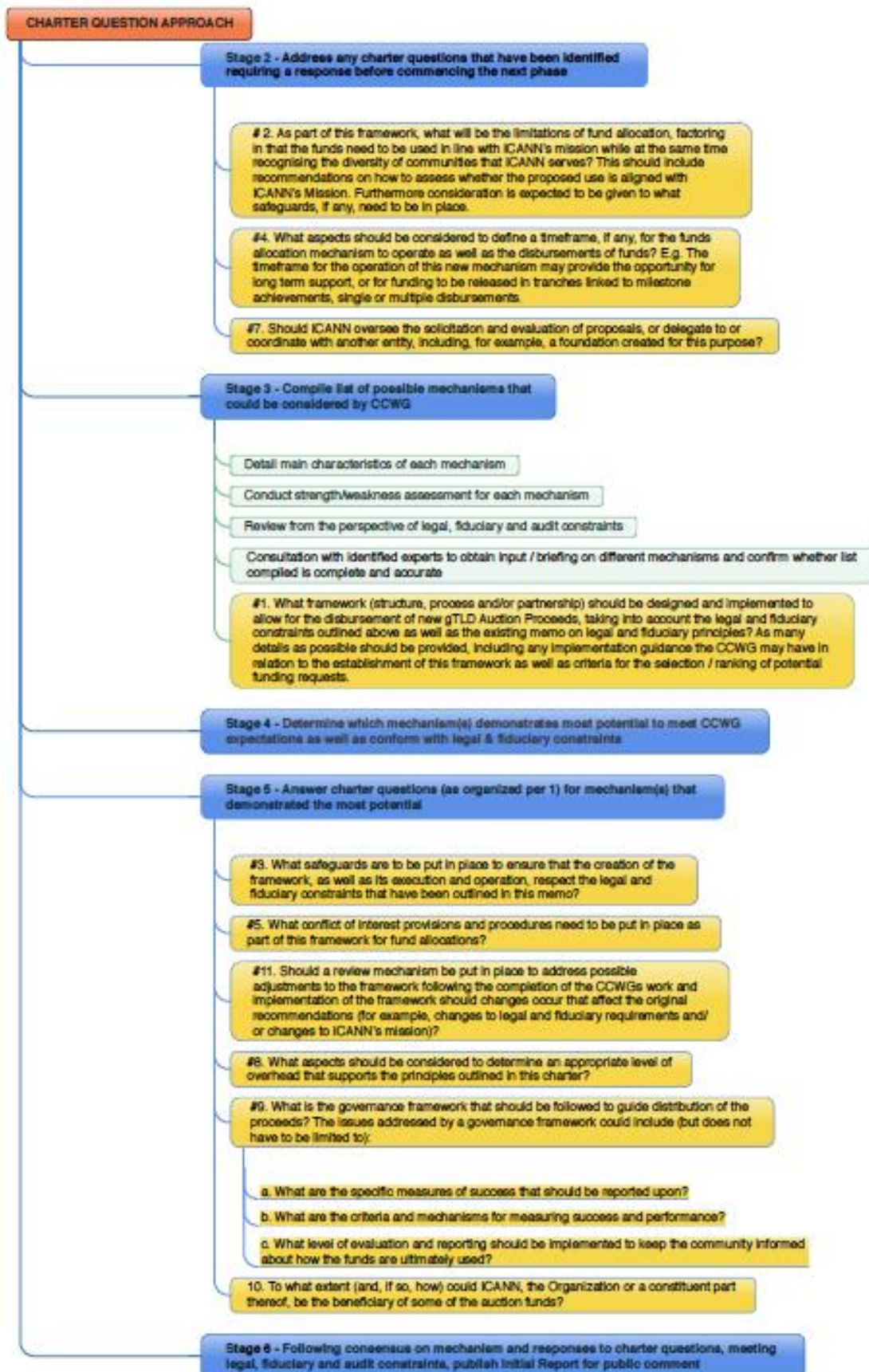
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Annex C - Approach for dealing with the Charter Questions



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1168 **Annex D – Preamble**

1169

1170 The purpose of this preamble is to offer overarching guidance for the review and selection of
1171 projects to which auction proceeds from the ICANN new gTLD program²⁰ may be allocated.
1172

1173 Funded projects are required to be in service of ICANN’s mission statement²¹ and core
1174 principles, which are the basis for ICANN’s U.S. tax-exempt status, and therefore must be in
1175 areas that are relevant to and support ICANN’s mission statement and core principles.
1176 ICANN’s Mission Statement will, therefore, set the key parameters for the auction proceeds
1177 application and selection process. Members and participants of the Cross Community
1178 Working Group Auction Proceeds (CCWG AP) believe nevertheless that it is important to put
1179 the broader Internet context into consideration.
1180

1181 In addition to being in service of ICANN’s mission, the auction proceeds from the new gTLD
1182 program shall be used to support projects that are consistent with an “open and
1183 interoperable Internet²²”. The concept of “open and interoperable Internet” can be described
1184 from many angles: technological, business, political, social and cultural and may have
1185 different meanings in different communities. This preamble does not provide a definitive
1186 description, as the Internet continues to evolve at every level.
1187

1188 However, the CCWG believes that, at a technical level, the IP routing and numbering
1189 systems, the Domain Name System, the root server system, as well as the development of
1190 open standards, have historically served an open and interoperable Internet because they
1191 have allowed, supported and maintained the universality and global reach of the Internet.
1192

1193 The objectives and outcomes of the projects funded under this mechanism, should be in
1194 agreement with ICANN’s efforts for an Internet that is stable, secure, resilient, scalable, and
1195 standards-based. Projects are expected to advance work related to open access, future
1196 oriented developments, innovation and open standards, for the benefit of the Internet
1197 community. Projects addressing diversity, participation and inclusion should strive to deepen
1198 informed engagement and participation from developing countries, under-represented
1199 communities and all stakeholders.
1200

1201 Therefore, the CCWG considers the following to be important guidelines for the review and
1202 selection of applications seeking auction proceeds funding:

- 1203 - The purpose of a grant/application should be in service of ICANN’s mission and core
1204 principles. This means that the objective(s) and outcome(s) outlined in the grant
1205 applications should clearly demonstrate how they are contributing to the continued
1206 growth and development of an “open and interoperable Internet”, that will in turn
1207 create benefits for the Internet community.
- 1208 - Supportive of ICANN’s communities’ activities, and consensus building processes.
1209

²⁰ The new generic top level domain (gTLD) Program established auctions as a mechanism of last resort to resolve the competition sets between identical or similar terms (strings) for new gTLDs – known as string contention. Most string contentions (approximately 90% of sets scheduled for auction) have been resolved through other means before reaching an auction conducted using ICANN’s authorized auction service provider. Any reference in this document to auction proceeds refers to the proceeds derived from auctions conducted using ICANN’s authorized auction service provider.

²¹ “The mission of the Internet Corporation for Assigned Names and Numbers (“ICANN”) is to ensure the stable and secure operation of the Internet’s unique identifier systems as described in this [Section 1.1\(a\)](#) (the “Mission”).” <https://www.icann.org/resources/pages/governance/bylaws-en/#article1>

²² The use of this terminology does not imply any support to any other standing use of this terminology.

1210 Therefore, the CCWG considers the following to be important guidelines for the review and
1211 selection of applications seeking auction proceeds funding:

- 1212
- 1213 1. The purpose of a grant/application must be in service of ICANN's mission and core
1214 principles
- 1215
- 1216 2. The objectives and outcomes of the projects funded under this mechanism, should
1217 be in agreement with ICANN's efforts for an Internet that is stable, secure, resilient,
1218 scalable, and standards-based.
- 1219
- 1220 3. Projects advancing work related to any of the following topics open access, future
1221 oriented developments, innovation and open standards, for the benefit of the Internet
1222 community are encouraged.
- 1223
- 1224 4. Projects addressing diversity, participation and inclusion should strive to deepen
1225 informed engagement and participation from developing countries, under-
1226 represented communities and all stakeholders.
- 1227
- 1228 5. Projects supportive of ICANN's communities' activities are encouraged.
- 1229

1230 **Annex E – Example Projects**

1231

1232 The following list of examples is intended to be illustrative of the types of projects that **MAY** be considered eligible to be funded by new gTLD
 1233 Auction Proceeds. This list is expected to help inform the subsequent implementation process that will follow the selection of the mechanism
 1234 for fund allocation. The CCWG is not endorsing any of these examples specifically – these are merely provided for illustrative purposes. Any
 1235 project funded with new gTLD Auction Proceeds are expected to be in service of ICANN’s mission as well as meeting legal and fiduciary
 1236 requirements that have been established.

1237

Example Project		Draft CCWG Conclusion
1	A coalition of organizations working on remote participation tools and content receive a long-term grant to support localization efforts for local languages not covered under the existing ICANN’s framework. This encourages local and national conversations that feed into the regional and global processes. (As an example of potential impact/benefit of this project: 45 leaders from more diverse backgrounds and expertise feel empowered to participate.)	The CCWG considers this type of project consistent with ICANN’s mission as it enables participation in ICANN’s MSM of communities that are not served by existing participation tools.
2	A reputable organization receives a grant to design, implement and cover the cost of business development targeted to ccTLDs and gTLDs administrators in developing countries to improve their management and operations. (As an example of potential impact/benefit of this project: The entity	The CCWG considers this type of project consistent with ICANN’s mission as it can be considered in service of the mission, promoting stability and resiliency, but does not consider it a priority for fund allocation. There should not be discrimination of gTLDs over ccTLDs Both should qualify. No single organization should be identified or given preference.

	produces a report and analysis useful for others not directly benefiting from the mentoring / courses).	
3	<p>The development of capacity building, education and qualification-related programmes specifically targeting underserved populations in developing countries, that:</p> <ul style="list-style-type: none"> * include primary, secondary and higher education school programmes about the internet and internet security issues, as well as about the DNS system and its related functions, that will develop an early understanding of the need for such knowledge * incorporate specific internet and DNS training and development subjects into secondary school qualification programmes to encourage students to enter this area as a career * build business and technical capacity for locally trained and qualified registrars and other appropriate personnel * build general community understanding about the development of the internet and its required security, and the DNS and its related functions, and therefore are in local languages wherever possible * and that these programmes, while requiring the consultation of technical experts, are developed by educational and training specialists from developing countries; and are coordinated within ICANN Learn or within an external organisation set up for this purpose 	The CCWG considers this type of project consistent with ICANN’s mission as it can be considered in service of the ICANN mission, as long as the focus is on topics that are considered consistent with ICANN’s mission.
4	A reputable organization received a large grant to implement a “Leadership and Career Development program” in service of ICANNs mission. Women and men from around the world receive full scholarships at different universities to conduct PhD studies on key technical and related policy issues around	The CCWG considers this type of project consistent with ICANN’s mission as it can be considered in service of the ICANN mission, as long as the focus is on topics that are considered consistent with ICANN’s mission.

	<p>Internet infrastructure development. They participate at ICANN meetings during the course of their studies and are required to share volunteer to spread their knowledge across the community. Their research is shared with the community. As a result of their successful involvement on this program, the recipients fully support ICANN's growth and development and continue to actively contribute to the community.</p>	
5	<p>Small and medium enterprises owned or led by women and youth, indigenous and other excluded communities can be effectively enabled to participate in the global economic community by "demand aggregators" and "supply aggregators" and other "economic-connectors". Examples are Siam Organic https://www.asiaforgood.com/siam-organic and Cambodian - Color Silk http://colorsilkcommunity.wixsite.com/colorsilk-cambodia/color-silk-enterprise</p>	<p>Although a noble cause, the CCWG does not consider this type of project consistent with ICANN's mission.</p>
7	<p>A global program to support disaster preparedness/management for Internet infrastructure organizations is structured with support from international organizations, following best practices and encouraging collaboration among the community.</p> <p>As an example of potential impact/benefit of this project: A disaster hits 3 African nations. The ccTLD, ISPs, and other technical community organizations in the country have mechanisms in place to manage the disaster. They are well coordinated and able to have the Internet up and running very quickly to support first responders to do their work. The participants of the program are able to coordinate</p>	<p>The CCWG considers this type of project consistent with ICANN's mission as long as support is focused on services directly related to IP/DNS operations.</p>

	that assistance is provided to technical community organizations (not eligible under humanitarian provisions) to access the support they need to keep the Internet in that affected area running on a temporary basis.	
8	A donation is given to a standards development organization to strengthen their work in relation to the Internet's unique identifier systems.	The CCWG considers this type of project consistent with ICANN's mission as it is in direct support of the Internet's unique identifier systems.
9	A donation is given to an organization to support Domain Name System software development and maintenance.	The CCWG considers this type of project consistent with ICANN's mission.
10	Reputable organizations receives 3- 5 year grants that support the development and strengthening of community events/forums that may be national, regional, or global that from a multistakeholder approach, facilitate understanding of issues around the Internet's unique identifier systems and how those are influenced by discussions around Internet governance issues.	The CCWG considers this type of project consistent with ICANN's mission.
11	Projects that can improve ease of registration of generic and country code domain names in developing countries, (registration in their own language, payment in local currency, for example) in view of the scarcity of local ICANN accredited registrars in many of these nations.	The CCWG considers this type of project consistent with ICANN's mission.
12	Internet Exchange Points (IXPs) can make a crucial difference in strengthening a city or country's Internet along with the potential to improve performance and decrease costs while increasing the potential community benefit. In developing countries, IXPs are a critical part of building the region's capacity. Projects that support capacity development and engagement with the IXP community are a key	The CCWG considers this type of project consistent with ICANN's mission.

	<p>element to advance stability and scalability of the Internet as well as its sustainability.</p>	
13	<p>Support work done by open standards developing organizations that are of common interest such as:</p> <ul style="list-style-type: none"> ● enhanced online security and privacy, ● work on handling IDN and Universal acceptance issues, ● more guidelines and tools for Internet users, ● better education programs on Open Standards, ● more open APIs for mobile apps and social network platform to ensure a strong hyperlink paradigm, ● more involvement in Open standard advocacy, and in solving IPR issues, ● more resources for testing standards - critical to providing an open environment. <p>(Note, any such work should be in service of ICANN's mission).</p>	<p>The CCWG considers this type of project consistent with ICANN's mission.</p>
14	<p>Global DNS Root Service: Operations</p> <ul style="list-style-type: none"> ● The operation of global DNS root service needs sustainable funding. Access to funding should be developed such that it preserves the autonomy and independence of the root server operator organizations in architecting and delivering the service with adherence to standards and service expectations. 	<p>The CCWG considers this type of project consistent with ICANN's mission.</p>
15	<p>Global DNS Root Service: Emergency Fund</p> <ul style="list-style-type: none"> ● The exponential growth of the Internet and proliferation of complex attack vectors call for access to emergency funding should the need arise. 	<p>The CCWG considers this type of project consistent with ICANN's mission.</p>

16	<p>Global DNS Root Service: Research and Development</p> <ul style="list-style-type: none"> As with all technologies, DNS technology will experience an evolution over time. Technology advancement should be funded for research, development, and testing. 	The CCWG considers this type of project consistent with ICANN's mission.
18	<p>Investment in long term sustainability of the DNS</p> <ul style="list-style-type: none"> Ensure long-term usability and sustainability of DNS across the globe and various existing and future networks (i.e. IoT, blockchain, inter-planetary network, etc.) 	The CCWG considers this type of project consistent with ICANN's mission.

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Examples to be further considered by CCWG – certain parts may be consistent while others may not.

(Previous #12)	<p>Projects that educate users about what a website is and how they can obtain a unique identifier -- without prejudice to gTLD or country code. This may be of particular interest to small and medium businesses or farms, and entrepreneurs. Projects should avoid "marketing" any particular option, but help to highlight how the DNS works, and how to use a domain name, generally.</p>	<p>Although a noble cause, the CCWG does not consider this type of project consistent with ICANN's mission.</p> <p>Notes from 16 November 2017 meeting:</p> <ul style="list-style-type: none"> unclear whether this is within the mission or not we should not be too narrow in our understanding of the mission statement inappropriate use of the funds, smells too much like marketing Marketing new gTLDs is up to the new gTLDs, this would be outside of our scope. ICANN engaging in marketing, would be negatively viewed. A legal investigation is needed, whether this is within scope. Are we violating ICANN's integrity? No support to promote branding, but awareness raising regarding names is important. Information sharing as such would be fine. The AGB used it as an example for the use of those funds, so why would it not be within ICANN's mission? "grants to support new gTLD applications" is contained
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		in the Applicant Guidebook as a potential use of auction proceeds -- again let's not look at the specific merits of an example, but whether the category might be ok
#new	Support to preserve the source code of the historical software infrastructure that made the Internet and the Web what they are today.	

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