Pro Forma Financing Plan for a start-up new gTLD Registry
- in the context of joint financing on the part of more than one agency, with ICANN Applicant Support -.

The general philosophy of joint financing is that each agency commits to a previously agreed share of the investment costs,broadly defined, and also commit together to the success of the project. Financing a start-up new gTLD will be seen to have specific characteristics, but the following – rather classic – joint financing model may provide a benchmark as to what to do, and what not to do.

Investment projects usually do not succeed immediately; the illustrative horizon for this exercise would be three to five years. Disbursement schedules may vary among the participants. The model could be amplified and tested against actual experience of a few (anonymised) independent projects arising from the 2012 Round[1].

To date, ICANN Applicant Support has played a very minor role in financing start-up gTLDs, with rather small contributions to project costs, in spite of ICANN's major interest in the diversification and success of the DNS worldwide. On the other hand, ICANN enjoys a central position in terms of our experience, technology and market knowledge. Consequently this model presupposes that ICANN staff would be able to leverage our relatively modest support by working with other financing agencies who have less knowledge of the DNS but greater flexibility in their financing policies.

Thus, one would wish to take into account at least the following classes of data in setting up and evaluating joint financing proposals for new gTLD projects. As already noted above, these should be understood as extending over a three to five year start-up period:

FINANCING INVESTMENT COSTS (specified by year or quarter for 3-5 years.)

- **Own Resources:** capital contributions, committed support from local sponsors.
- **Registrars:** advance deposits to be recuperated against future registrations.
- **ICANN Applicant Support:** quantified as an amount, not as a discount on application fees.
- **Initial operating results** (depending on how quickly the Registry can generate an operating surplus)
- **Third party participants:**
    - Local and regional development banks
    - International multilateral and bilateral agencies
    - Local bank overdraft
    – Additional contributions from local promotors and supporters.

INVESTMENT COSTS INCURRED (specified by year or quarter for 3-5 years.)

Preparatory work: staff time, external expertise, drafting support (non-EN)
legal, marketing and promotional communications;
creation and maintenance of a commercial policy etc.
ICANN application: Initial application costs; annual operating fees;
related staff time etc.
Registry configuration: computing and communications infrastructure
(if not pre-existing or outsourced); initial security arrangements.
Registry Services: Normally initially outsourced to RSP;
probably an essential technical support for new gTLD applicants;[2].
Operating deficit during the investment period.

In general, one can conclude that the financing plan is a critical element in establishing the initial viability of a new gTLD application. The appraisal of the financing plan is a key part of the evaluation of the application by ICANN staff.

A more sophisticated approach to appraising viability would include assessing the risks of variations in anticipated outcomes, notably on how quickly an operating surplus can be generated. In addition to the market prospects for the specific gTLD string in question, this would also be affected by general local and global economic conditions. The latter having changed radically in recent weeks.

Since the Registry is likely to be in overall deficit during the investment period, questions of taxation have not been included at this stage; they would become relevant in a subsequent period.

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1.   Further discussion of Applicant Support would be facilitated by actual data from a few 2012 test cases.
2.   The typical financial relationships between a gTLD start-up and the RSP requires some clarification.